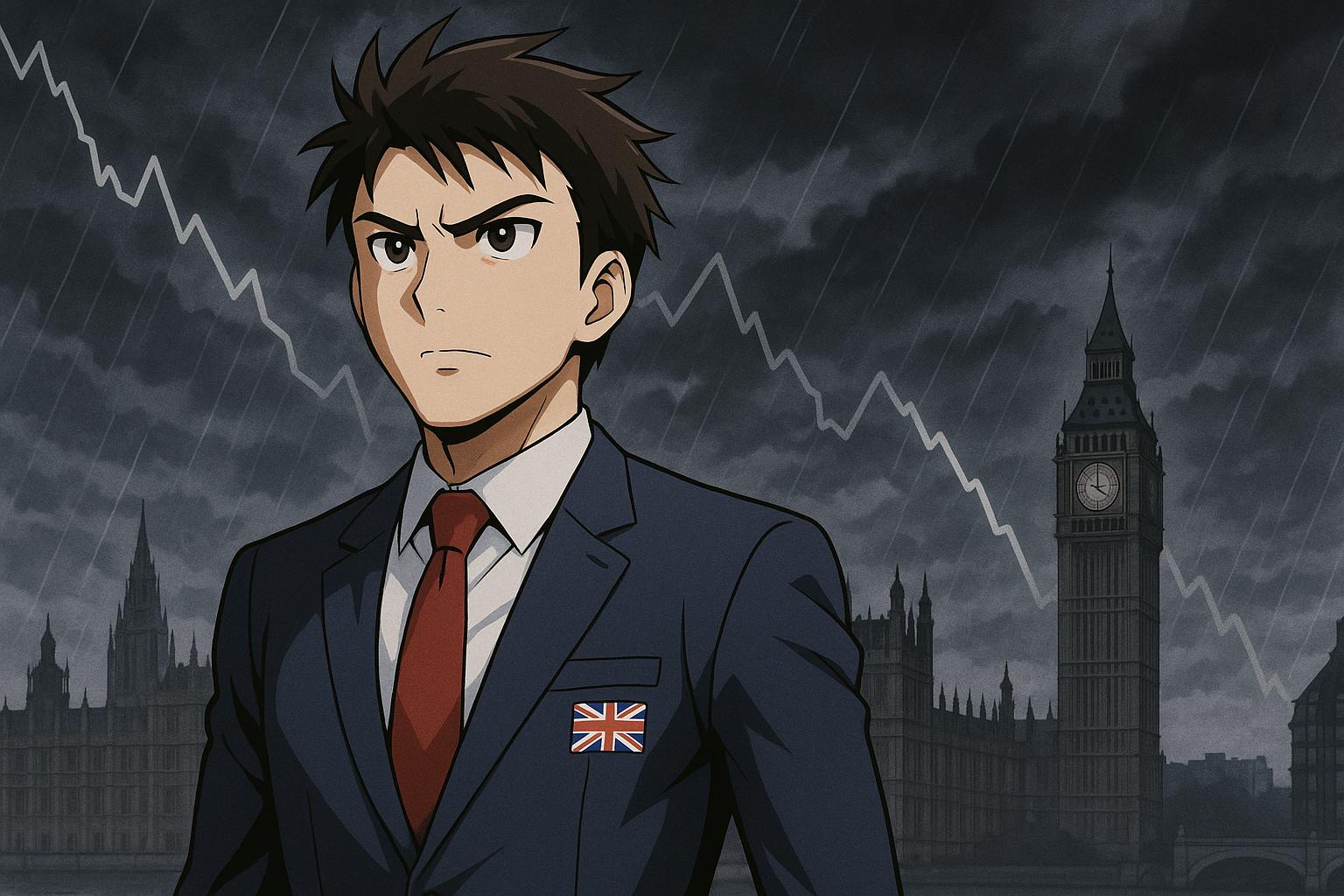
# UK faces steep economic decline as Brexit trade reset fails to deliver



As the UK grapples with the harsh realities of post-Brexit trade, a recent report from the Centre for European Reform reveals dire warnings about the nation’s economic trajectory. Titled “A Perfect Storm,” the findings by Anton Spisak expose the hollowness of recent optimism, suggesting that the Labour government’s attempts at a Brexit "reset" are woefully inadequate. Without urgent and effective policy changes, the UK risks a continued decline that could unravel the very foundations of its economic stability and productivity.

In the wake of this reset, which was supposed to rejuvenate trade relations, the disturbing data paints a bleak picture. The Office for Budget Responsibility had previously flagged the damaging repercussions of reduced trade on the nation's wealth, with Spisak’s report confirming those fears. The UK now finds itself in what can only be described as the "most severe trade stagnation in a generation." With growth faltering post-pandemic, we are witnessing a regression that threatens to place the nation at a global disadvantage.

Historically, the UK’s trade volume from 1980 until the financial crisis saw annual increases of 5%. However, in the wake of Brexit, these figures have plummeted. By 2024, trade intensity was projected to remain 3.5% below pre-pandemic levels, whereas counterparts in the G7 and EU-27 experienced growth. The underlying question remains: what happened post-2020 to instigate such steep declines?

The COVID-19 pandemic may have provided a temporary veil, obscuring the real impacts of Brexit. By early 2023, UK goods exports were still woefully 20% lower than in 2019. The troubling trend sees exports dragging down economic growth, subtracting nearly 0.5% per annum from UK GDP. In sharp contrast to the global recovery, the UK's trade continues to suffer, with recent agreements with the US and India yielding limited benefits. The nation finds itself stuck in a cycle of waning export opportunities.

Adding to these complications is a burgeoning tariff landscape under the current US administration, marking a return to protectionism. As the UK's goods trade deficit with the EU swells to a historic 32.9 billion pounds post-Brexit, the threat of new tariffs from the US looms large over UK exporters. Supply chain disruptions have not only been exacerbated by intensified domestic competition but also by a rise in trade restrictions.

The fallout from Brexit extends well beyond mere trade statistics, affecting the very fabric of British society. Small businesses, once reliable pillars of the economy, now confront insurmountable new barriers, with many halting exports altogether. The education sector faces its own crisis, as a notable drop in EU students prompts a shift in recruitment strategies towards Asia and Africa, detracting from the academic diversity that enriched British universities. Similarly, while more overseas medical professionals are entering the NHS, this influx has yet to yield significant productivity improvements in our beleaguered healthcare system.

As influential bodies like the British Chambers of Commerce call for improved trade relations with the EU, it becomes painfully clear that the Labour government must implement a more strategic and robust approach if it wishes to reinvigorate economic growth. However, Labour leader Sir Keir Starmer’s proposals notably exclude rejoining the single market or customs union, raising serious doubts about the depth of this strategy in addressing the pressing structural challenges confronting British industries.

The conclusions of Spisak’s analysis are sobering: the touted UK-EU reset may have represented a step forward, but it has proven grossly insufficient to redirect the economic decline. This stark analysis underscores the pressing need for decisive action to bolster trade competitiveness. Without a serious commitment to enhancing trade relations, the UK risks falling further behind, jeopardizing its status in the global economic arena. The idea of rejoining the Single Market may stir political contention, yet the alternative—perpetual declines in productivity and stalled growth—could make such debates irrelevant.

In sum, it is vital to confront the unsettling data presented in Spisak’s report; addressing the challenges of a waning trade landscape is critical not just for recovery, but for the very future prosperity of Britain itself.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.theneweuropean.co.uk/jonty-bloom-is-the-uk-doomed/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/8b535707-2671-4a2f-878e-1c0c48ec2616> - Despite recent trade deals with the US, India, and the EU, the UK's trade performance remains alarmingly weak. These agreements, though mitigating some damage from global trade tensions, offer limited benefits and do not reverse the broader post-Brexit decline in trade opportunities. Between 2019 and 2024, UK trade volume grew by a mere 0.3% annually—far behind other major economies like the US, EU, and Japan. This downturn, especially in goods exports which dropped 20%, has turned exports into a net drag on economic growth. Surprisingly, the decline was similar in both EU and non-EU markets, likely due to disrupted supply chains reducing UK competitiveness. While new US tariffs provide relative advantages to UK exporters, they still face high trade barriers compared to domestic competitors. The EU deal includes some agrifood simplifications, but its economic impact is modest. Overall, the UK faces a critical loss of trade dynamism and competitiveness, demanding a renewed focus on strengthening economic fundamentals and possibly deeper European economic integration to reverse its decline.
3. <https://www.ft.com/content/4d2d78b0-eedd-485c-9a9c-4e41baf46146> - Brexit has significantly impacted various facets of British life over the past five years. Small businesses have been particularly strained by new trade barriers, with many ceasing to export to the EU. Universities have seen a drop in EU students, leading to a shift towards recruiting from Asia and Africa, which has diversified campus demographics but narrowed subject offerings. The NHS has undergone a substantial workforce transformation due to eased immigration rules for medical professionals, with a significant increase in overseas doctors, though this integration has not yet translated into productivity gains. Politically, Brexit has caused fractures, exhibited by the rise of Nigel Farage's Reform UK party, even as public sentiment has tilted against Brexit. Trade has faced increased bureaucracy, impacting UK exports, particularly for smaller businesses. Labour seeks to negotiate with the EU to ease some trade frictions without rejoining the single market or customs union.
4. <https://www.reuters.com/world/uk/under-threat-trump-tariffs-uk-posts-rare-goods-trade-deficit-with-us-2025-02-13/> - Britain experienced a rare goods trade deficit with the United States in the fourth quarter of the previous year, marking the first such deficit since 2011, excluding the COVID-19 pandemic swings. The deficit was 164 million pounds compared to a 713 million-pound surplus in the third quarter. This comes amid President Donald Trump's renewed tariff initiatives targeting countries with trade surpluses with the US. Britain's Prime Minister Keir Starmer hopes that ambiguities in trade data, where both countries claim trade surpluses due to differences in measurement, will protect the UK from new tariffs. Machinery and transport equipment dominate the goods traded between the two nations. Additionally, Britain’s goods trade deficit with the EU widened to a record 32.9 billion pounds post-Brexit, due to declining exports and stable imports from the EU; this contributed to a minimal overall economic growth of 0.1% in the fourth quarter. Rising energy prices and tariff threats by Trump are predicted to maintain a wide trade deficit for Britain in 2025.
5. <https://www.lemonde.fr/en/economy/article/2024/05/03/the-gradual-erosion-of-british-trade-since-brexit_6670322_19.html> - Since Brexit, British trade has experienced a gradual decline. Eight years post-referendum and several years since exiting the EU and the single market, new border controls have been implemented, significantly affecting trade. In April 2024, British customs began physical checks on plant and animal products, causing discontent among small businesses due to additional costs. These checks were postponed multiple times for fear of border chaos. The added costs could amount to £330 million annually, marginally increasing food inflation by 0.2% over three years. Trade barriers have impacted both exports and imports, resulting in a 10% decline in goods trade by the end of 2023 compared to pre-pandemic levels, while other G7 countries saw growth. Surprisingly, this decline was not limited to EU trade but extended globally. Economists believe this could be linked to disrupted supply chains and reduced investment post-referendum. Administrative complications and future trade policy uncertainties are also contributing factors. While goods trade struggles, UK services, particularly financial services, have thrived, showing a 12% increase since 2019. However, the net effect of Brexit includes reduced overall trade and lower investment, with the UK displaying weak economic growth compared to many EU countries.
6. <https://www.ft.com/content/93a2c8a9-5c75-404f-86ad-ad88311ddb0e> - The British Chambers of Commerce (BCC) has called on the next UK government to establish better trade relations with the European Union, citing increased costs and complexity in exporting due to Brexit. BCC Director General Shevaun Haviland stated that stricter migration rules and ongoing EU regulatory changes are hindering investment and growth in the country. Similar calls have been made by prominent business figures, highlighting the need to reconsider the customs union and single market to restore the UK's economic growth. Although both the Labour and Conservative parties have avoided focusing their campaigns on Brexit, Labour leader Sir Keir Starmer, who leads in the polls, plans to strengthen trade and defence ties with the EU without rejoining the single market or allowing free movement.
7. <https://iea.org.uk/media/brexit-leaves-uk-trade-unscathed-finds-new-iea-report/> - A report by the Institute of Economic Affairs (IEA) suggests that, contrary to expectations, Brexit has not adversely affected UK trade. The report indicates that there has been no significant disparity between UK trade with EU and non-EU countries, and no sharp fall in UK–EU trade at the aggregate or sector level. The resilience of UK trade with the European Union is attributed to the tariff-free and quota-free trade deal, the Trade and Cooperation Agreement (TCA), signed in 2020. The report also highlights new opportunities with countries outside of the EU provided by deals with Australia and New Zealand, CPTPP membership, ongoing negotiations with India and the Gulf Cooperation Council, and updated deals with Canada, Mexico, South Korea, Switzerland, and Turkey.