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The British Economic Outlook Post-Brexit

No one really knew what to expect of the British economy after June's Brexit vote. Many had expected it to enter a recession. The International Monetary Fund, for example, predicted Brexit would be a disaster. Then-Prime Minister David Cameron warned Britons that a vote to leave the EU would risk their Social Security-style pensions. Currency traders, believing these dire predictions, betted against the British pound, and the currency plummeted. However, three months later, those predictions proved to be inaccurate, as Britain returned to economic self-government, and free-market economics began to take hold. Before Brexit one British pound was worth \$1.48, today it's \$1.32. With the fall of the currency, a record number of tourists have come to Britain, and spent a great deal of money. In the

month before Brexit, for example, airline reservations were down year-to-year. After Brexit, they rose 4.3%.

European countries, as well as the United States, will continue to do business with Great Britain. As the fifth-largest national economy, measured by gross domestic product, and the ninth-largest, as measured by purchasing power parity, it's simply too large to be ignored. Germany, for example, would lose \$50 billion of its annual trade surplus, and \$18 billion in cars to Britain annually, if it ceased trade. The United States also would fare badly since it sells Britain \$56 billion annually in goods and services, and buys \$58 billion in return. Pre-Brexit some voiced concern that the cessation of EU subsidies would result in the loss of jobs, farms, and businesses. However, as it turned out, Britain contributed \$12 billion more to the EU than it received in subsidies. It is now free to spend these funds on domestic needs.

Morgan Stanley, Goldman Sachs, and the Credit Suisse Group all now predict the British economy to grow. Credit Suisse predicts a growth rate of 1.9% in 2016, and revised an earlier forecast of an economic contraction in 2017 to that of a 0.5% growth. Morgan Stanley has also raised its forecasts for 2016 from 1.2% to 1.9%, and Goldman Sachs has raised its growth projections for 2017 from 0.2% to 0.9%. One of the factors driving this economic surge has been the Bank of England, which in August unveiled a stimulus package which included its first rate cut in seven years.

In the coming months, post-Brexit economics will become clearer as Britain begins its economic exit and renegotiates new trade agreements.

However, in the meantime, Britain's economy continues to show growth.

My thanks to Nicole Gelinas of the New York Post whose article, *Brexit is actually boosting the UK economy*, was used by this author.

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