



High Frequency Economics[®]

Daily Data Analysis and Assessment of the Global Economy

BTU Extended: Brexit Strangles Britain's Economy

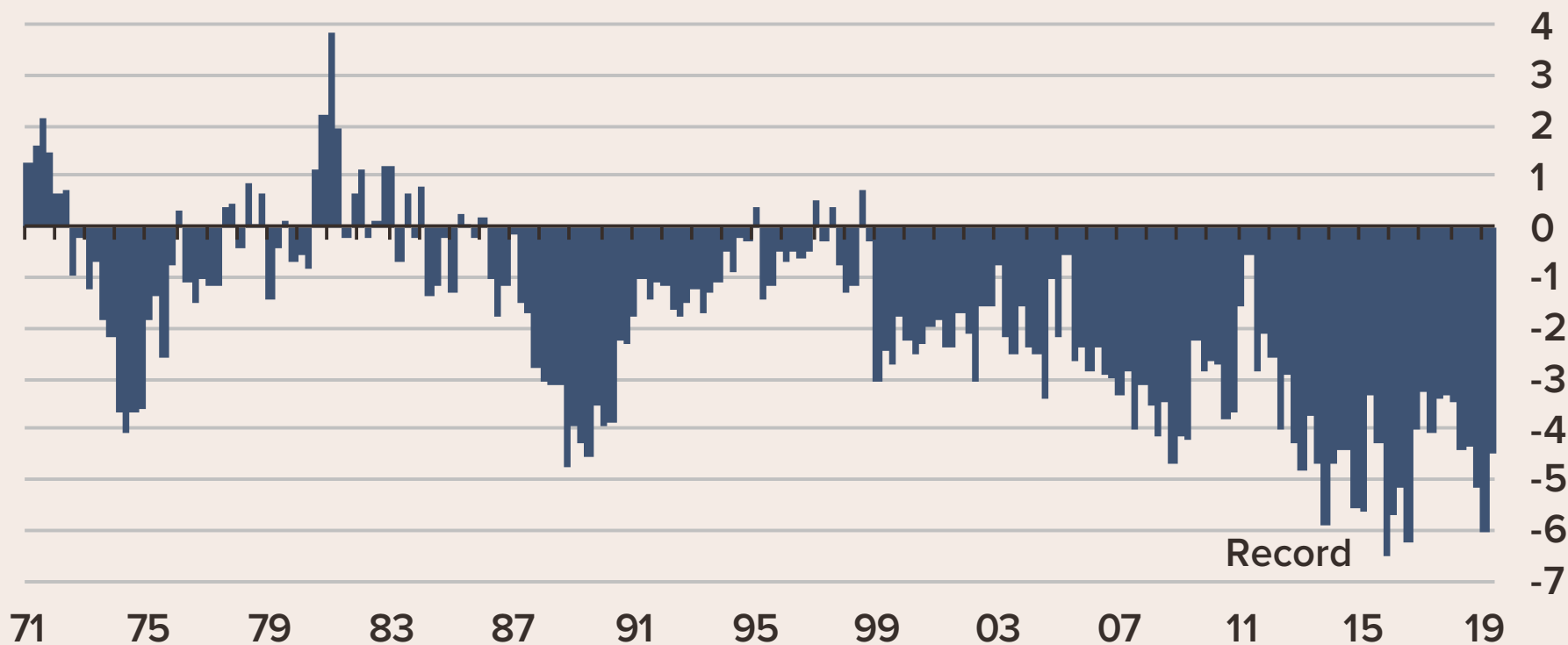
- Carl Weinberg, Chief Economist

The Background Problem: Destabilized External Balances

Britain has a massive current account deficit that has been building since the late 1990s. Essentially, the nation has been living beyond its means.

United Kingdom: Current Account As Share Of GDP

Quarterly Data 1971 Q1 To 2019 Q2

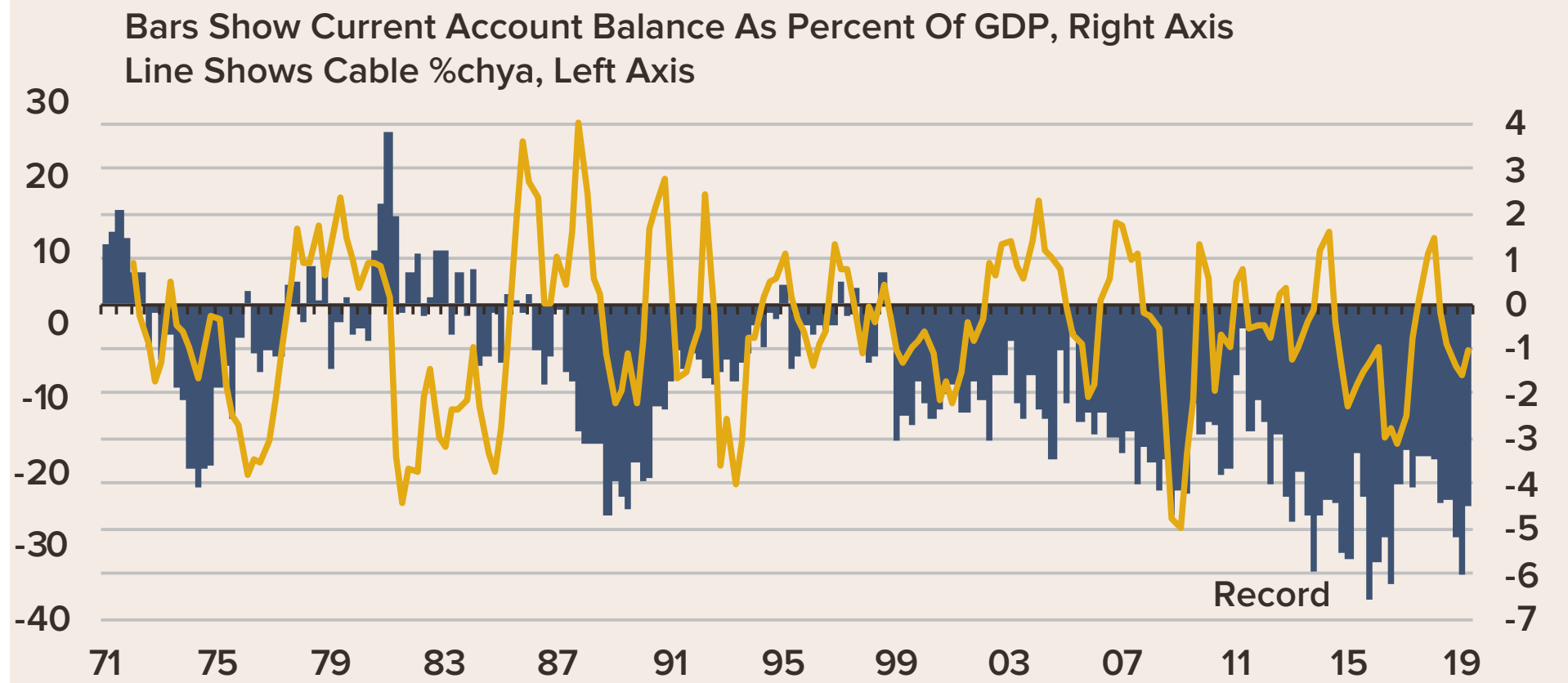


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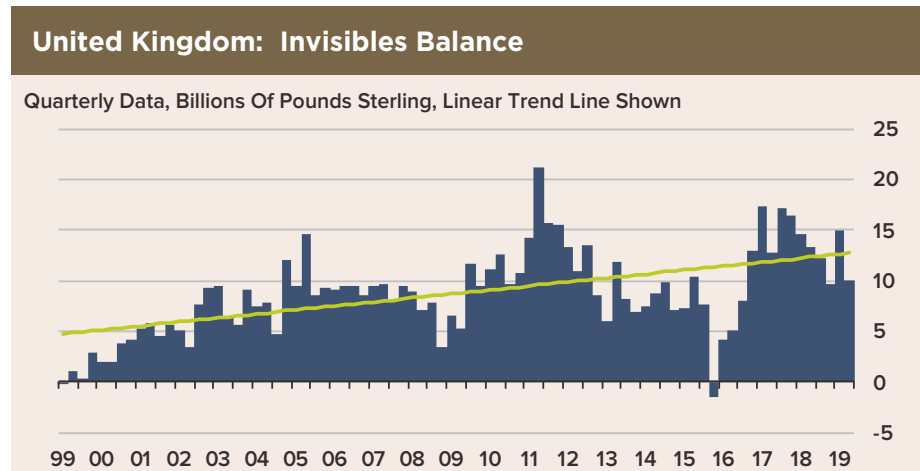
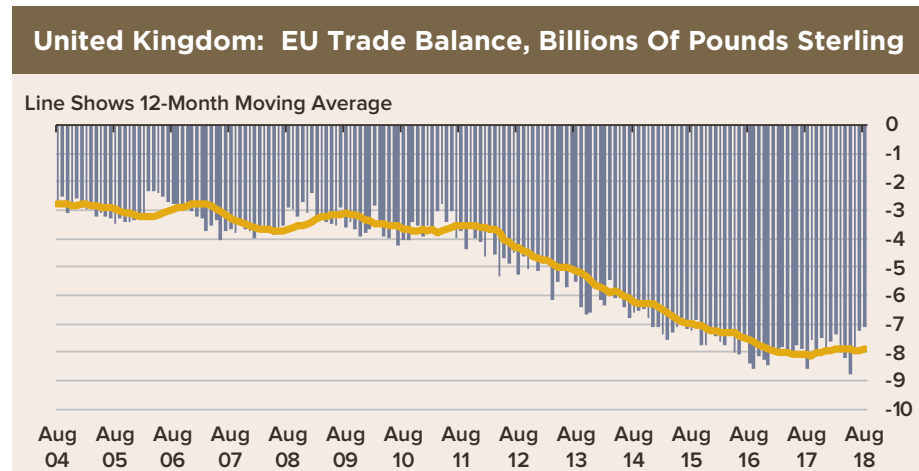
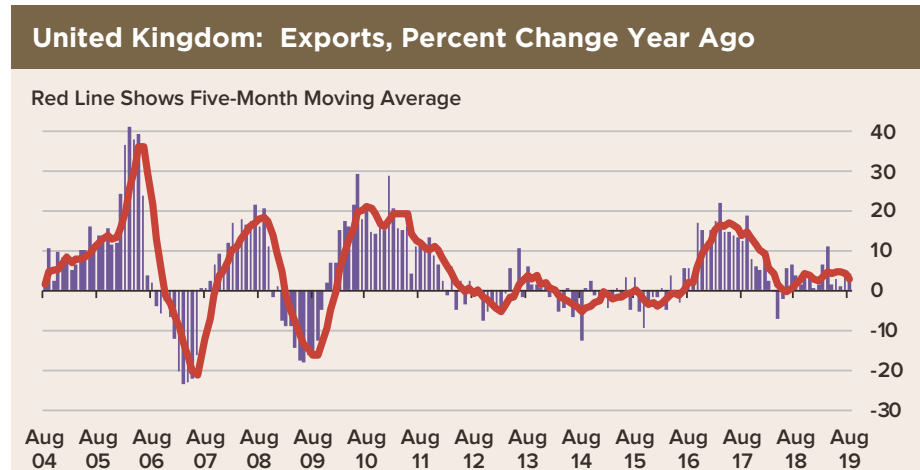
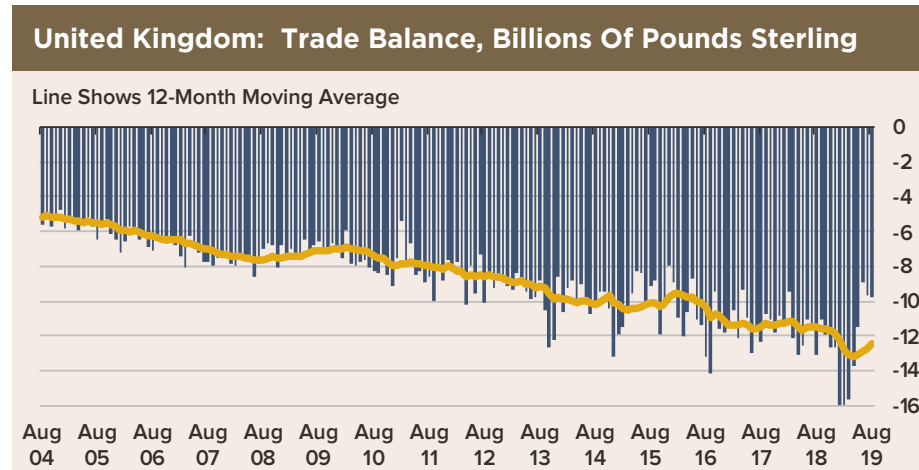
Devaluation odds over the last 20 years: 1% of GDP deficit => 56% averaging 7.1%, 3% of GDP deficit => 61% averaging 8.5%, 5% of GDP Deficit => 89% averaging 9.1% (3 out of 9 >10%)

United Kingdom: Current Account As Share Of GDP Vs Cable



Current Account Breakdown: Trade Is Not So Hot

A decaying merchandise trade balance has been at the root of the current account problem. That has meant a trend increase in invisibles imports to finance the deficit.



BEU: British Election Anxiety

The race is on. Keep an eye on the total of the Lib/Dems and Labour: A coalition could oust the Tories. The result would mean a watered-down Labour agenda that might be less troubling for financial markets.

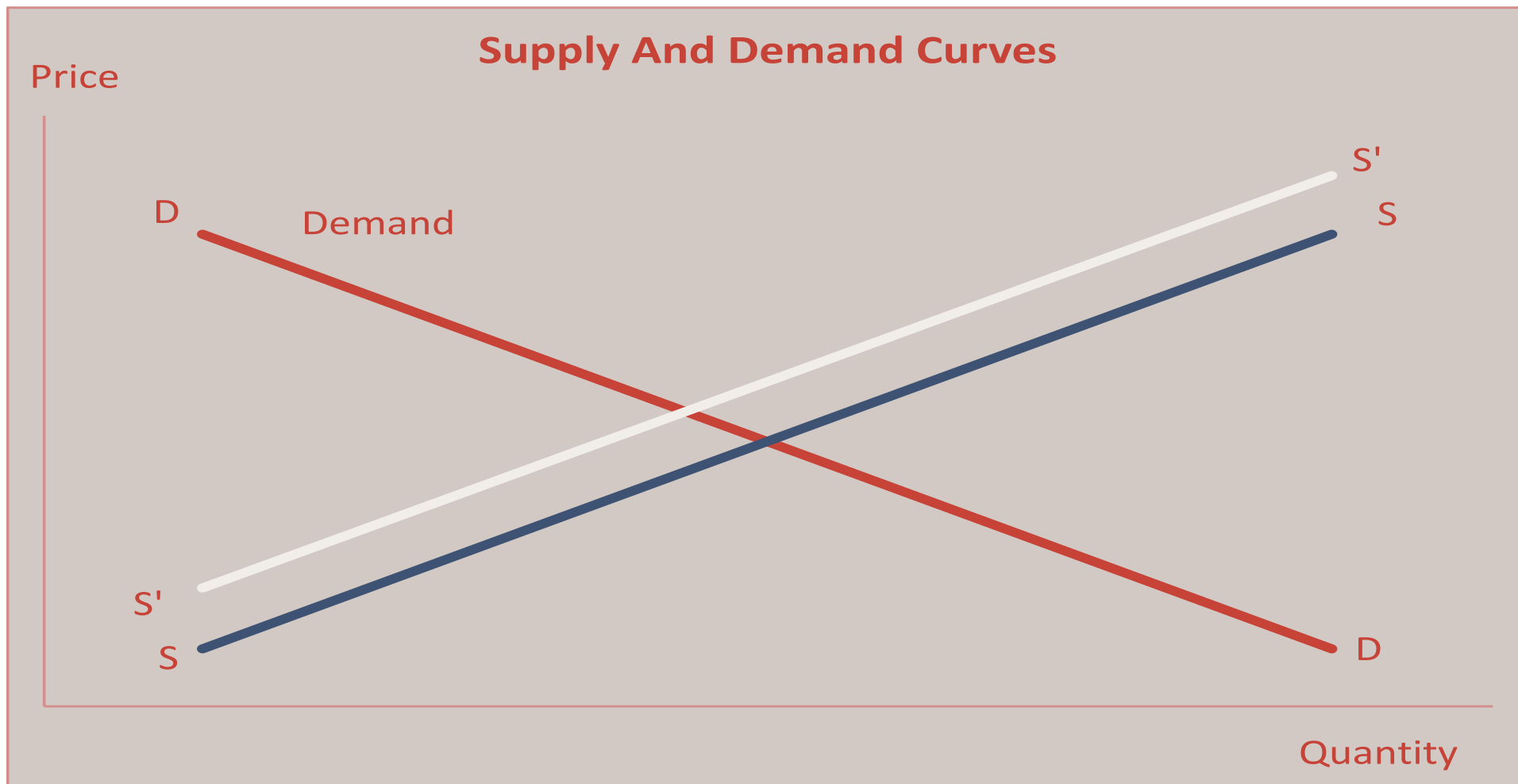
HOWEVER: Seat projections point to a Tory majority of good size! These are very early days

Pollster/client(s)	Date(s)	Area	Sample	Con	Lab	Lib Dem	SNP	Plaid Cymru	UKIP	Green	Change UK	Brexit	Other
YouGov/ The Sunday Times	30 Oct-1 Nov	GB	1,834	39%	27%	16%	5%	1%	0%	4%	0%	7%	1%
Opinium/The Observer	30 Oct-1 Nov	GB	2,004	42%	26%	16%	4%	1%	0%	2%	0%	9%	1%
Deltapoll/ The Mail on Sunday	31 Oct-2 Nov	GB	1,500	40%	28%	14%	3%	1%	1%	2%	-	11%	0%
Panelbase	30-31 Oct	GB	1,008	40%	29%	14%	3%	-	0%	3%	-	9%	1%
ORB/ The Sunday Telegraph	30-31 Oct	GB	2,025	36%	28%	14%	5%	0%	-	4%	-	12%	1%
ComRes /Sunday Express	30-31 Oct	GB	2,032	36%	28%	17%	4%	0%	0%	3%	0%	10%	1%
YouGov/The Times	29-30 Oct	GB	1,750	36%	21%	18%	4%	1%	0%	6%	0%	13%	1%
Survation/Daily Mail	29-30 Oct	UK	1,010	34%	26%	19%	4%	0%	-	1%	-	12%	4%

Pollster/client(s)	Date(s)	Con	Lab	SNP	Lib Dem	DUP	SF	Plaid Cymru	Green	Alli- ance	Brexit	Other	Major- ity
Electomania	2 Nov 2019	392	150	47	35	11	7	4	1	0	2	1	134
Election Maps UK	30 Oct 2019	378	172	50	28	9	7	3	1	1	0	1	106
HoC when election date set	29 Oct 2019	298	244	35	20	10	7	4	1	0	0	28	Hung

PBS: Post Brexit Stagflation

Brexit itself will be a supply shock, caused by a reduction in the supply of labor as immigration is crimped; the loss of the business of the City with the gradual withdrawal of financial passport rights; higher tariffs on goods coming from Europe; and loss of export sales if product standards diverge. These factors shift the supply curve upward and to the left. Prices rise, output falls: Stagflation is the outcome.





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