Date: 24th February 2017

Subject: Brexit Monitor – Monthly Update


PURPOSE OF REPORT

This report updates members on the key economic and policy developments in relation to the UK’s decision to leave the European Union (EU). The latest edition of the monthly Greater Manchester Brexit Monitor is attached to provide a real-time view of the economic and policy impact of Brexit.

RECOMMENDATIONS:

Members are asked to:

• Note the contents of the February Brexit Monitor provided in Appendix 1.

CONTACT OFFICERS:

Simon Nokes, Managing Director, New Economy
simon.nokes@neweconomymanchester.com

John Holden, Director of Research, New Economy
john.holden@neweconomymanchester.com
1. INTRODUCTION

1.1 Following the vote to leave the EU, the GMCA has been monitoring the economic and social trends and policy developments to develop an appropriate policy response. The impact of Brexit is being tracked across the following themes:

- Macro-economy trends and developments;
- Key sectors and business investment;
- Trade, regulation, and access to European Funding;
- Property investment, housing, and planning; and
- Economic inclusion.

2. KEY MESSAGES

2.1 The February Brexit Monitor provides an update on the latest trends. This is included as Appendix 1. The key messages from this edition include:

- The economy has been more resilient than most commentators expected since the EU referendum and this trend continues in February with the Bank of England raising its growth forecasts for the next three years.

- There is continued optimism from GM firms; research with MGC Business Growth Hub clients undertaken in January 2017 highlights that firms generally expect their investment and recruitment plans to remain the same following the EU referendum result.

- There are also positive trends in residential development. In Manchester, residential development has reached its highest level since 2008. Furthermore, official Housing Index data from the Land Registry suggests the vote to leave the EU has had little impact on house prices, with moderate growth in average sales this period.

- There do however remain a substantial number of risks to achieving the economic outlook in particular a weaker pound is driving up inflation and squeezing household purchasing power. The Institute of Fiscal Studies also point to the prospect of continued weak productivity performance and less support from rising labour supply.

2.2 It is important to be cautious when interpreting these figures as the full impact of the decision to leave the EU remains to be felt. There remain no definitive decisions related to key issues such as the future terms of trade with the EU and other countries and the UK’s future regulatory framework. The economic reaction to the triggering of Article 50 next month will be critical as it will bring the UK’s position into sharp and formal focus.
3. NATIONAL GOVERNMENT POLICY ANNOUNCEMENTS

3.1 There have been a number of major national policy announcements this month. The Government initiated the first stage of the Industrial Strategy on the 23rd January with the launch of a 12 week consultation, running until the 17th April ("Building our Industrial Strategy: green paper"). The paper sets out an ambition to build an industrial strategy that addresses the long-term challenges facing the UK economy, with the overarching aims to improve living standards and economic growth by increasing productivity and driving growth across the whole country. A separate paper on the GM implications of the industrial strategy green paper is provided as a separate item on the February 2017 GMCA agenda.

3.2 The month was also marked by Parliament’s vote to give Theresa May the power to trigger Article 50 by March 31st 2017 and publication of the White Paper - The United Kingdom’s exit from and new partnership with the European Union, launched on 2 February. The White Paper sets out 12 themes of the government's goals for negotiations with the EU and is an important marker for government. The PM is on course to start the two-year Brexit process next month after MPs voted by 498 to 114, a government majority of 384, for the bill that gives her the power to invoke the EU treaty’s Article 50 exit clause.

3.3 The Housing White Paper ‘Fixing our broken housing market’, was published on 7th February 2017. It outlines a number of initiatives to help to increase housing supply in England which include: placing an expectation on councils and developers that land will be used more efficiently, by building at a higher density and taller; reforming the completion notice process in order to encourage development; a Lifetime ISA- an expansion of the current Help to Buy ISA- which provides 25% bonus on savings of up to £4000 a year on purchasing a first home or turning 60; and a consultation on the principle of a standardised way of calculating housing demand in the planning system.

3.4 It is likely that further policy announcements related to Brexit will be made in the Spring Budget due to be released on 8th March. However, at the time of writing, there is considerable uncertainty about both its scope and its content.

4. RECOMMENDATIONS:

4.1 Members are asked to:

• Note the contents of the February Brexit Monitor provided in Appendix 1.