Thomas Sampson

Brexit has been an economic failure: here's the evidence

Putting up trade barriers has made the UK poorer

Ten years ago, the UK voted to leave the EU. Since then, an extensive body of research has studied the impact of Brexit on the national economy. Researchers have analysed how the June 2016 vote, the January 2020 departure from the EU and the January 2021 implementation of the Trade and Cooperation Agreement (TCA) have affected prices, wages, employment, domestic and foreign investment, output, productivity, trade and financial markets, among many other outcomes (Dhingra and Sampson, 2022).

The overall findings are emphatic: Brexit has made the UK poorer than it would have been had the UK remained in the EU. The best available estimates imply that by the end of 2019 Brexit had reduced UK GDP by 2% to 3% (Born et al, 2019). Quantifying the impacts from 2020 onwards is harder because of the Covid-19 pandemic and energy price shocks following Russia's invasion of Ukraine. But recent analysis suggests that the costs have risen over time and that Brexit may have reduced UK GDP per head by as much as 8% by the start of 2025 (Bloom et al, 2025). An 8% decline would represent a loss of £3,300 per person in 2024.

It is not possible to do justice to all the work on Brexit economics in a single article. So here, I focus on three channels through which Brexit has hurt the UK economy: import prices, uncertainty and trade barriers. For each of these channels, there is a considerable body of evidence documenting the negative effects of Brexit.

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Imports became more expensive

The consequences of the Brexit vote first became visible in financial markets. In the days following the referendum, share prices fell and the value of sterling declined. Because asset prices depend on beliefs about future economic performance, these drops indicate that market traders expected Brexit to hurt the UK economy – a view that has subsequently proved correct.

Share prices mostly rebounded from their initial falls in the months that followed. But sterling did not. The referendum caused a persistent decline in the value of the pound by around 10%. And the weaker pound led to a deterioration in the UK's terms of trade as imports became more expensive. This increase in import prices was the first channel through which UK consumers and workers felt the economic effects of Brexit. Higher import costs raised the cost of living; the fall in sterling is estimated to have increased consumer prices by around 3%, costing the average UK household £870 per year (Breinlich et al, 2022). The rise in the cost of imported intermediate inputs also hit firms, increasing their production costs and contributing to lower growth in real wages (Costa et al, 2024).

Investment was put on hold

The second channel through which the Brexit vote affected the UK economy was a sharp and sustained rise in uncertainty. The referendum did not specify when Brexit would occur, or what form the new UK-EU relationship would take. Consequently, it created uncertainty about future UK-EU relations: what policies would change; when would they change; and how large any increases in trade barriers between the UK and the EU would be.

> Around one in seven firms stopped exporting to the EU because of the TCA – a loss of 16,400 exporters

This uncertainty was exacerbated by the chaotic nature of UK politics between 2016 and 2020, as successive prime ministers struggled to build a consensus on what the country wanted from Brexit, and many opposition MPs campaigned to stop Brexit altogether.

In the face of uncertainty, businesses often adopt a "wait and see" approach, putting new investment projects on hold. This is what happened during the Brexit negotiations. Business investment in the UK grew less quickly following the referendum, particularly among firms that were more dependent on EU markets and, therefore, more exposed to Brexit-related uncertainty. By 2025, Brexit is estimated to have reduced UK business investment by around 15%, and less investment leads to lower productivity and output (Bloom et al, 2025).

Higher trade costs reduced exports

The last channel is international trade. In January 2021, the UK left the EU's single market and customs union, and entered a free trade agreement with the EU. The TCA mandates zero tariffs and zero quotas on UK-EU trade, but it does not guarantee the near-frictionless trade that occurs within the EU. Consequently, the TCA has led to the creation of a customs and

Thomas Sampson is an associate professor of economics at LSE and a research associate in CEP's trade programme.

regulatory border between the UK and the EU, resulting in higher barriers to trade.

Exporters and importers now face customs checks, rules of origin requirements, regulatory compliance burdens and restrictions on business-related travel. All these new barriers have increased the costs of doing business with the EU.

Unsurprisingly, higher trade costs have led to less trade. The TCA is estimated to have reduced UK goods exports to the EU by 10%-15%, with smaller firms particularly hard hit (Freeman et al, 2024) and services exports by 4%-5% (Bhalotia et al, 2025). Among UK firms that exported goods to the EU prior to Brexit, around one in seven have stopped exporting to the EU because of the TCA – a loss of 16,400 exporters (Freeman et al, 2024).

The government's "global Britain" strategy of promoting export growth beyond Europe has not mitigated these losses. There is no evidence that the decline in exports to the EU has been offset by increased exports to non-EU countries.

Goods imports from the EU have also fallen. But importers have partially compensated for these falls by sourcing more from outside the EU. Consequently, the TCA has only reduced goods imports from EU and non-EU countries combined by around 4% (Freeman et al, 2024).

Understanding the new relationship

Prior to the referendum, there was an intense debate about the economic consequences of leaving the EU. A decade on, we now have enough evidence to conclude that Brexit has been an economic failure. And we can map the main channels through which the costs have been realised. But the story is not over. The UK economy is still adjusting to its new relationship with the EU, and many important questions remain unanswered. There are two areas where more research would be particularly valuable.

First, did uncertainty cause temporary or permanent losses? Has there been a rebound in investment as Brexit-related uncertainty has dissipated under the TCA? Or did projects that were put on hold following the referendum end up being permanently cancelled once the UK left the EU?

Answering these questions will shed light on whether investment and output growth declined after the referendum because businesses were waiting to see what happened, or because they expected reduced access to EU markets after Brexit.

Second, how has the decline in trade due to the TCA affected the broader UK economy? Evidence from other countries shows that higher trade costs typically lead to price increases, reduced incomes and slower growth of productivity and output. But the mechanisms through which reduced trade has affected UK economic performance have not yet been documented.

Addressing this question will provide new evidence on the consequences of trade disintegration – evidence that is sorely needed as the world appears to be entering an era of rising protectionism and growing international fragmentation.

New evidence on the consequences of trade disintegration is sorely needed as the world experiences rising protectionism

Further reading

For readers interested in learning more about the economic effects of Brexit, more detail is available in the following research reports.

Literature reviews

Dhingra, S., and Sampson, T. (2022) 'Expecting Brexit', *Annual Review of Economics*, 14(1), 495-519.

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On import prices

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On investment and output

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Hassan, T. A., Hollander, S., Lent, L. V., and Tahoun, A. (2024) 'The global impact of Brexit uncertainty', *Journal of Finance*, 79(1), 413-458.

On trade

Bhalotia, S., Dhingra, S., and Arnold, D. (2025) *Deglobalisation in disguise? Brexit barriers and trade in services*, CEP Discussion Paper No. 2110.

Freeman, R., Garofalo, M., Longoni, E., Manova, K., Mari, R., Prayer, T., and Sampson, T. (2024) *Deep integration and trade: UK firms in the wake of Brexit*, CEP Discussion Paper No. 2066.