

**Figure 2: Industry comparison of leave scenario**

	<a href="#">Bank of England</a>	<a href="#">HM Treasury</a> ( Immediate impact 2 years)	<a href="#">PwC/CBI</a>	<a href="#">OECD</a>
<b>Uncertainty</b>	Uncertainty could be prolonged in the event of a vote to leave, which in turn could impact companies' and households spending decisions. Firms could postpone investment on some projects or recruitment plans, whilst households may delay spending on major items.	Overall, a sharp increase in uncertainty and instability. This, in turn, would have a negative impact on investment as well as business and consumer confidence. Businesses would delay investment decisions on some projects. Consumers would reduce spending, in turn, dampening demand.	Increase in uncertainty. Dampening effects on business confidence and investment.	In the near-term, heightened economic uncertainty would reduce confidence, which, in turn, would delay spending decisions. Households would increase savings.  While these shocks would affect the UK, it is also likely to spread to other countries, mainly in Europe.
<b>UK Economic growth</b>	Impact on UK potential growth and incomes is not entirely clear. The Bank highlighted the difficulty in quantifying the exact impact on UK GDP. Instead, a report looking at the overall impact of EU membership on the Bank's objective has been produced. See <a href="#">here</a> .	In both scenarios, a vote to leave would result in a recession with four quarters of negative growth (2016 Q3-2017 Q2) – a result of lower domestic demand.  <b>Shock scenario</b> – After two years, GDP is projected to be 3.6% lower and CPI inflation will be higher by 2.3 percentage points. <b>Severe shock scenario</b> – After two years, GDP is projected to be 6% lower and inflation expected to increase by 2.7 percentage points after a year.	Total impact on GDP under two post-exit scenarios:  <b>FTA scenario:</b> In 2020, GDP will be 3.1% lower, in 2025, 1.1% lower and in 2030, 1.2% lower than if the UK remains in the EU. <b>WTO scenario:</b> In 2020, GDP will be 5.5% lower, in 2025, 4.1% lower and in 2030, 3.5% lower than if the UK remains in the EU.  Under the counterfactual scenario (UK votes to remain in the EU), it would likely be 'business as usual'.  GDP growth of around 2.3% is projected per annum over the period to 2030.	UK GDP growth would be reduced by 0.5 percentage points in both 2017 and 2018, followed by a 1.5 percentage point fall in 2019.  <b>Near term:</b> By 2020, GDP would be 3% lower than if the UK remained in the EU with costs equivalent to £2,200 per household.  <b>Long-term:</b> GDP would further be reduced through a smaller pool of skills, stemming from lower immigration and reduced FDI. By 2030, GDP would be over 5% smaller than if the UK remained in the EU. Costs would be equivalent to £3,200 per household.
<b>Exchange rate</b>	Reflecting uncertainty prior to the EU referendum, the Sterling exchange rate was reported 9% below its November 2015 peak. A sharp depreciation is further anticipated following a vote to leave.	Ahead of the EU referendum, the Sterling depreciated around 7% from its peak in November 2015.  <b>Shock scenario</b> – 12% fall in Sterling <b>Severe shock scenario</b> – 15% fall in Sterling	Increased exchanged rate volatility reflecting uncertainty. In February, the Sterling depreciated to a seven-year low against the dollar. In the event of a vote to leave, further potential asset sales and capital outflows would exacerbate the recent fall in Sterling.	A sharp depreciation in the exchange rate. A 10% depreciation in Sterling against the US dollar is anticipated in mid-2016.
<b>Trade</b>	The European Union, is UK's largest trading partner, accounting for 50% of all UK trade and largest investment partner, accounting for 48% of all foreign direct investment.  Via the exchange rate effects, import prices would increase, in turn, fuelling higher CPI inflation. On the upside, exports would benefit from a lower exchange rate.	Exports would fall reflecting weaker outlook for productivity. Depreciation in Sterling along with weaker domestic demand would reduce imports.	Increase in trade barriers and non-tariff barriers (NTBs) are likely to increase the cost of UK exports to the EU, relative to exports from EU countries, deteriorating terms of trade.  <b>FTA scenario:</b> Exports will be 3.6% lower in 2020, but 0.4% higher in 2025 and 0.7% higher in 2030 than the counterfactual.  <b>WTO scenario:</b> Exports will be 9.8% lower in 2020, 8.4% lower in 2025 and 6.0% lower in 2030 than the counterfactual.	Sharp deterioration in the UK terms of trade, with export prices falling. Import prices pushed up by the depreciation in the Sterling.  As a result, import volumes will decline over 9% by 2020, reflecting decline in real exchange rate, lower exports and investment.

			Lower exports and investment will negatively impact productivity.	
Migration and labour market		<p><b>Shock scenario</b> – Real average wages would be 2.8% lower after two years and unemployment would increase by 520,000 (1.6 percentage points higher).</p> <p><b>Severe shock scenario</b> – Real average wages would be 4.0% lower and unemployment would increase by 820,000 (2.4 percentage points higher).</p>	<p>A fall in labour supply that could lead to skill shortages. This is expected to occur as migration into the UK from the EU will decline as a result of potential restrictions, mainly on the inflow of lower skilled labour. UK employment compared to the counterfactual:</p> <p><b>FTA scenario:</b> In 2020, employment will fall 1.7%</p> <p><b>WTO scenario:</b> In 2020, employment will decline 2.9%</p> <p>Under the counterfactual scenario, the following assumptions are made for employment (millions):</p> <ul style="list-style-type: none"> <li>• 2015: 30.3</li> <li>• 2020: 32.3</li> <li>• 2025: 33.1</li> <li>• 2030: 34.5</li> </ul>	<p>Immigration is likely to be restricted significantly. However, this is unlikely to have a long-run impact on the unemployment of natives.</p> <p>Lower immigration would reduce the pool of skills, which, in turn, would negatively impact productivity.</p>
Public finances		<p>Fall in tax receipts and higher welfare spending.</p> <p><b>Shock scenario</b> – In 2017/18, PSNB would be £24.2 billion higher and PSND would be £34.4 billion higher than under a vote to remain.</p> <p><b>Severe shock scenario</b> – In 2017/18, PSNB would be £38.5 billion higher and PSND would be £53.5 billion higher than under a vote to remain.</p>	<p>Between 2010 and 2015, the UK's average annual net contribution to the EU budget was approximately £8.8 billion (0.5% of GDP). In the event of a leave vote, no contributions will be made and no funding will be received from the EU.</p>	<p>UK deficit would increase by around 0.9 percentage point of GDP, on average, per year, over 2019-21.</p>
Financial condition	A fall in asset prices such as corporate bonds and equities. Consequently, funding costs for banks are likely to increase as well as interest rates for UK household and corporate borrowing.	Increase volatility and fall in asset prices, including house and equity prices. Reduction in lending and higher mortgage rates.	Increased volatility reflecting uncertainty.	Tightened financial conditions. Higher uncertainty would dampen asset prices, reduce the availability of bank credit and increase its cost for the private sector.
Property market		<p>Fall in demand for housing due to higher cost of lending. After two years, house prices:</p> <p><b>Shock scenario</b> – 10% lower</p> <p><b>Severe shock scenario</b> – 18% lower</p>		