



THE ADECCO GROUP

The facts about Brexit

— April 2019 —

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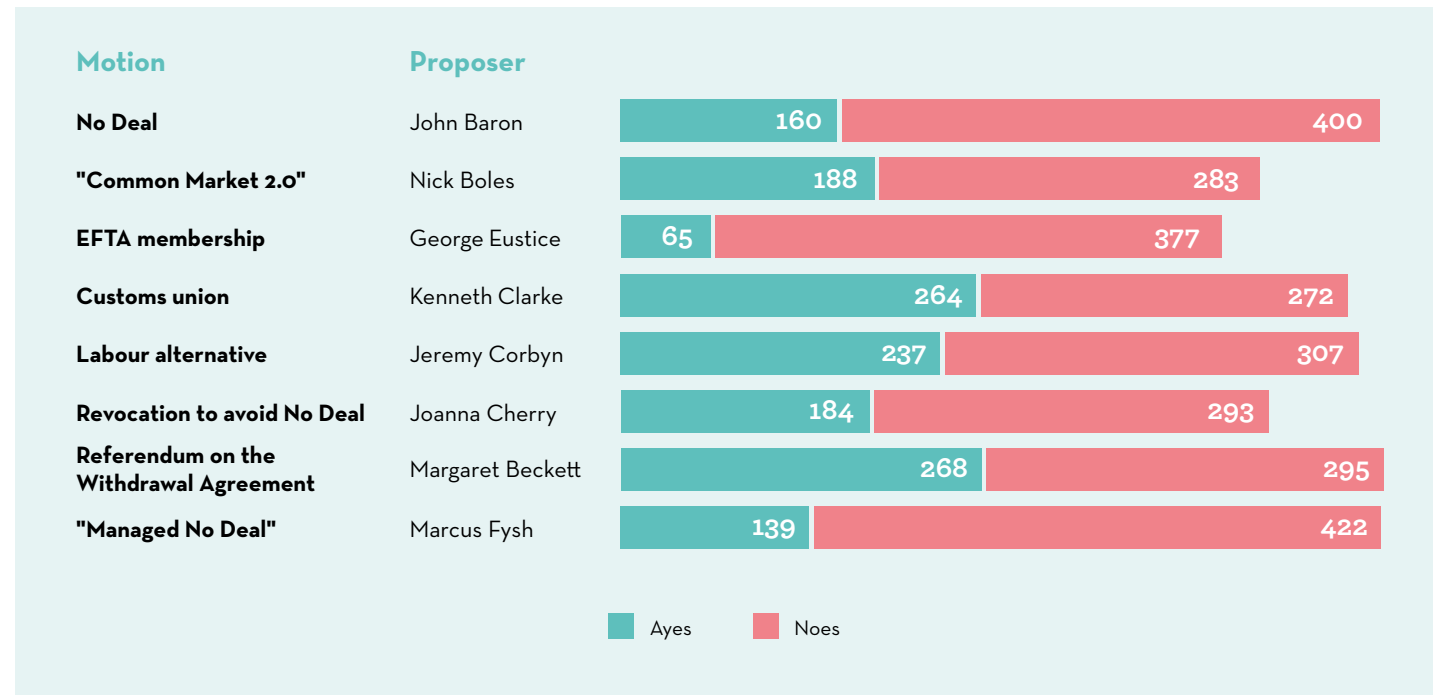
The month of April comprised two halves: an attempt to delay a cliff edge exit from the EU, followed by relatively low activity as politicians entered the Easter break - with no clear long-term solutions in sight.

No majority for any proposal

With the PM's Withdrawal Agreement voted down for the third time in late March, Parliament then ruled out a No Deal exit. After an EU Summit set a deadline of 12th of April as the Brexit deadline for an exit to be agreed, the UK had days to find a solution.

On 1st April, Parliament had another opportunity to take legislative control with 'indicative votes'; however, no single proposal formed a majority which left no clear direction forward.

The next day, the PM informed the EU of the UK's intention to delay Brexit beyond 12th April. This was cemented further by a novel backbench bill that rapidly went through Parliament, bringing into effect a law that mandated that No Deal was ruled out.



Conservative and Labour negotiations



In parallel, after a Cabinet meeting on 2nd April, Theresa May reached out to the Labour party to begin formal negotiations on a reformed deal that could secure a majority in Parliament. This, alongside the Brexit delay, unsettled many in the Conservative Party and prompted two Junior Ministers to resign.

Throughout April, meetings involving civil servants failed to produce a concrete solution, with Labour asking the Conservatives to sign up to a full Customs Union, alongside various alignments in relation to the Single Market. The Labour party has also had an internal debate in relation to a second referendum and whether any proposal is conditional to a confirmatory vote, about which Jeremy Corbyn himself is very cautious.

Emergency EU Summit 10th April

Theresa May had formally requested a delay in Brexit until the end of June but the EU settled on a delay of Brexit until 31st of October at the latest. This was a compromise date as most Member States wanted an even longer delay but a few countries, namely France and Austria, had advocated a shorter delay.

The EU also requires the UK to participate in the EU Elections, otherwise the UK will leave the EU without a deal at the beginning of June.



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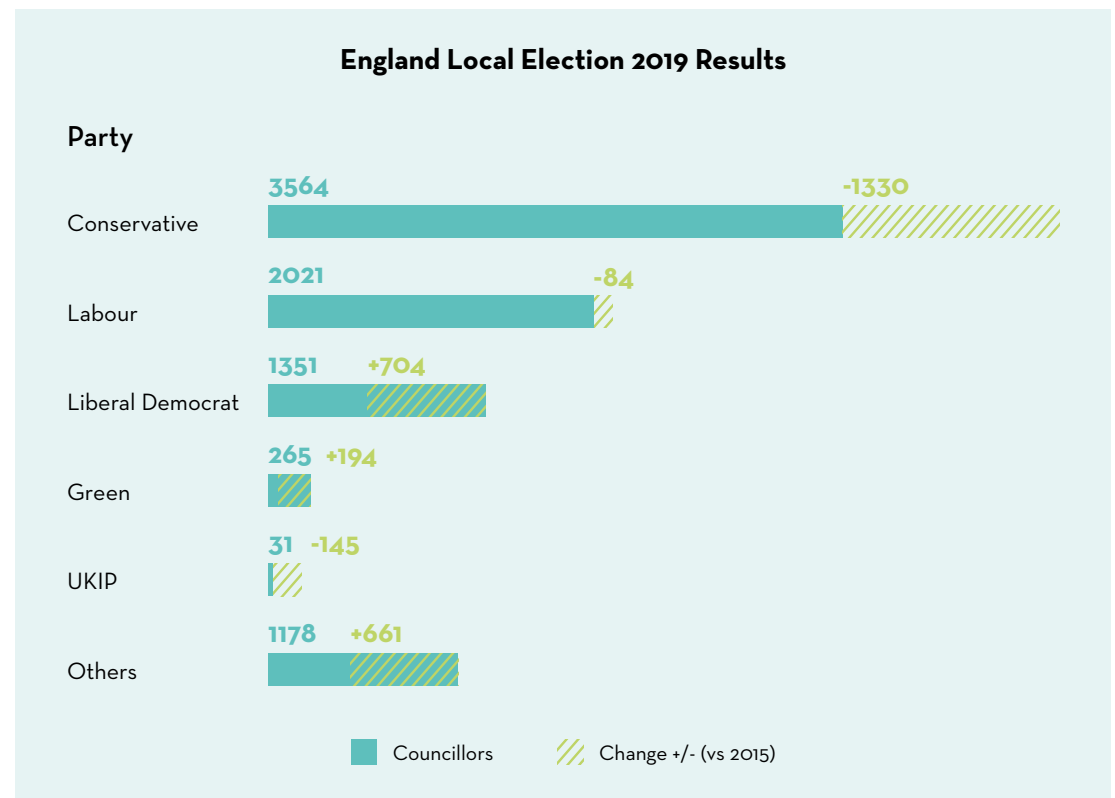


Theresa May stays on – but for how long?

With Brexit delayed, MPs had their Easter break and it was notable that after the holiday, the Prime Minister's strategy changed tones in order to reach out to Labour, with less effort courting the harder Brexiteers and the DUP.

The 1922 Committee (Conservative backbenchers that control the process of electing Tory leaders) also only narrowly voted against changing the rules that would have forced a quicker leadership challenge to the PM, so the current rules remain - whereby the PM is immune for 12 months from December 2018 (the last time a no-confidence vote was tabled and won by the PM) from an internal leadership vote until December this year.

However, the 1922 Committee has clearly expressed that the PM will have to go soon, and grassroots members have expressed the same through symbolic votes and surveys.





With local election campaigning in full swing during April, there was an expectation that the Conservatives would lose ground. This was indeed the case and the Conservatives suffered their worst results in English local elections since 1995, losing more than 1,300 councillors. **Home Secretary Sajid Javid** admitted voters had "issues of trust" over Brexit and said the European elections would "be even more challenging".

For the EU elections, the results could be even worse for the Conservatives, with the newly launched Brexit Party, led by Nigel Farage, currently leading in the polls. The new party, Change UK, will also be looking to make an impact in the EU elections.

These two elections, in addition to the Peterborough by-election, might well shape the timetable of the current PM's departure, and therefore the outcome of Brexit.

Economic impact

The Office for National Statistics (ONS) reports that at present the UK economy is not suffering despite the delay to Brexit. GDP growth was 0.3% in the three months to February 2019 although we must remember that the ONS statistics are historical so are not yet reflecting the current situation. **Head of GDP at the ONS Rob Kent-Smith** commented: "GDP growth remained modest in the latest three months".

Samuel Tombs, Chief UK economist at Pantheon Macroeconomics agreed, saying that "The economy is continuing to withstand the uncertainty created by the Brexit process better than business surveys, which collectively have signalled flat-lining GDP, have suggested."



Employment market outlook



Figures released in March by the ONS show that overall employment numbers rose to 32.7 million and unemployment fell to 1.34 million between November 2018 and January 2019 despite the continuing uncertainty. The growth in employment is primarily from those entering full-time employment.

Unemployment is now at its lowest rate since the end of 1975 and wage growth has been at its highest in almost three years. Wage growth has also remained ahead of inflation for more than a year now (although it remains below its pre-downturn peak) according to **ONS Deputy Head of Labour Market Statistics, Matt Hughes**.

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Pay Growth



Source: Labour market overview, UK: April 2019, Office for National Statistics

This sentiment appears to be reflected in industry too. The latest Lloyds Bank's Business Barometer showed that business confidence increased by six points in March to 10% but remains below the long-term average of 24%¹.

However, there may be clouds on the horizon. The latest Report On Jobs by KPMG and the Recruitment and Employment Confederation (REC) shows that demand for permanent staff grew at the weakest rate for nearly three years. REC Chief Executive Neil Carberry says Brexit has 'put the brakes on' the recruitment industry².

The JobsOutlook from the REC also shows employer confidence has dropped to its lowest level since the REC began polling in 2016 with 44% of businesses expecting economic conditions to get worse and only 13% expecting them to improve³.

How do you expect economic conditions in the UK to change in the next three months?

They will get worse

44%

They will improve

13%

Net score: **-31%**
(worse than in June 2016)

Source: JobsOutlook, April 2019, Recruitment and Employment Confederation

¹ www.lloydsbankinggroup.com/Media/Press-Releases/2019-press-releases/lloyds-bank/business-confidence-edges-up-but-uncertainty-remains/

² www.rec.uk.com/news-and-policy/press-releases/permanent-staff-appointments-decline-as-brexit-related-uncertainty-intensifies

³ www.rec.uk.com/research/jobsoutlook