



6th January 2026

Professor David Miles & Tom Josephs Esq
Members of the Budget Responsibility Committee
Office for Budget Responsibility
102 Petty France
London SW1H 9AJ

Dear Professor Miles and Mr Josephs,

Thank you very much indeed for your useful letter of 19th December. You set out the points you chose to make clearly and candidly; this has been extremely helpful to me in formulating the following response. Public debate on our nation's economic policy would be significantly improved were communications on these topics, from whatever body, equally candid!

SUMMARY

In the following, I reply to your kind response regarding the OBR's long-standing negative assessment of Brexit's impact on the UK economy, and the related claims made in the recent NBER paper on the same topic. I acknowledge the clarity and candour of the first part of your response to me, where we would appear to be mostly in agreement; but point out problems with your further assertions around a supposed 4 per cent GDP hit to the UK's GDP, based on an alleged 15 per cent trade shock. In particular, I show how the NBER fails in both its top down and its bottom up analytic models, using untenable implicit assertions, in particular the central claim that the UK, with its plethora of growth-destroying economic policies, could be expected to grow as fast as the US has in recent years. I call out the arbitrary nature of the OBR and NBER blaming the UK's lack of faster economic growth on Brexit, while disregarding the impact of domestic policy choices on energy, taxation, regulation, and long-running weaknesses in public-sector productivity, in addition failing to give due weight to, for example, the Brexit-powered strength of the UK's fast-growing digital "Flat White" economy.

The purpose of this letter is to express a hope that our useful dialogue could lead the OBR to reconsider its analytical approach; to correct specific errors and misinterpretations that have entered public debate; and to focus future response to government more squarely on non-Brexit economic factors, particularly the policies initiated by successive recent governments that are truly constraining the UK's economic potential.

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The problems with your response

Naturally, your letter focuses on defending the OBR's historical claims of a negative impact from Brexit on our nation's economic fortunes. I suspect, though, that the OBR is getting somewhat weary of defending that somewhat indefensible position, and indeed your letter both ducks responding to some of the key points in my original letter to Mr Hughes, while at the same time it spells out the several inappropriate and incorrect assumptions that the OBR relied on, and/or the way in which, as I pointed out, the OBR's conclusions have been falsely reported by those covering what the OBR has said.

I cover these points below.

Your letter half agreed with, half-ignored, the points I made

My original letter to Mr Hughes first of all pointed out that the widespread claims of a 4% hit on the U.K.'s GDP related to what the effect would be over 15 years; yet over and over again in recent months, the government (and others) have incorrectly claimed that the OBR asserts the 4% hit has already occurred. You very helpfully confirm that my point was correct. You suggest that 40% of this 4% (so, 1.6%) had already occurred by the time of the TCA. Note that this small number is much the same as I suggested was the case in my letter to Mr. Hughes –me, 33%; you, 40%.

In any event, the important thing we both agree on is that the 4% is a 15-year forecast, and not as the government seem to have been suggesting, an accomplished fact.

If for the sake of argument we accept your 40% number (which as we will see below, I don't) then at most, ignoring my several other criticisms of your methodology, your only quantified claim is of a hit to the economy of 1.6% of GDP. Even if we accept that number, that's hardly a big deal.

So let us move on to your other helpful admissions. Essentially you assume, as you say, a hit of around 15% to both UK imports and exports whether from and to the EU, or to the rest of the world (note by the way that this sits incongruently with your own forecasts [Briefing paper #9, November 2025 p. 54] showing only a small fall in the trade intensity of the UK GDP); you estimate this hits GDP by 4% over 15 years. The hit to EU trade comes, presumably –you do not explicitly say in the letter– from tariff and non-tariff barriers. The papers on which you relied for that 15%/4% analysis were all written before the 2020/21 UK/EU TCA was agreed. All those papers, as indeed the OBR has made clear, assumed significant trade barriers would be erected in a damaging (or no) trade deal with the EU. But as you do not mention,



we ended up (as in fact I predicted we would, on the BBC's Today Show in 2016) with a pure No-Tariff TCA –so their, and your, pessimistic assumptions were wide of the mark. And since the well known non-tariff barriers that the countries of the EU have always created were always there, pre-Brexit just as much as post-Brexit (I am sure you are aware of Michael Burridge's important pre-Brexit 2016 paper on how our imports into the EU were hardly growing, precisely because of those non tariff barriers), that means that the sum of tariff (none) and non-tariff (almost all pre-existing) barriers that we faced after Brexit were much the same as we faced before Brexit; your assertions, as to the potential ongoing hit from such, necessarily collapse.

The above covers the approximately first one third of my letter to Mr Hughes. Unfortunately, I think that is about as far as we have been able to get in reaching any kind of consensus; I don't think you have as yet really responded to the remaining two thirds of my letter. I will take up those later points again in the below, but at this point in this letter, I would suggest that so as to build on the very helpful progress evinced in your letter to me, the OBR needs to:

1. Explicitly accept, and publicise, that it agrees with the above points (and, indeed, with any other of my points that, once you have read the rest of this letter, you also find yourself in agreement with)
2. Respond, equally candidly and I hope helpfully, to the further points in my original letter, and to the points made below in this letter
3. In particular, accept that it was unwise to lean on the NBER study, which as I will show, next, was a classic demonstration of the dangers of Brexit obsession.

You and others have made much play with the NBER's latest paper

Both in your various reports, and in the NBER's latest paper, there is much conflation between imports and exports; trade in goods versus trade in services; trade with the EU and trade with the rest of the world. By not distinguishing between the impact of these various elements of our trade, merry hell can be played with the statistics. You and the NBER fail to be precise enough in parsing the following aspects of our trade:

- Exports are considerably less than half of our total trade (imports of goods have shot up, primarily because large swathes of UK manufacturing have been closed down as a result of foolish government policies, so nowadays



we necessarily get many more goods from abroad - I revert to the details of that later on, below)

- Trade with the EU is around 40% of our total trade, and declining each year; trade with the rest of the world becomes more and more important, and thus what we should focus on
- According to the House of Commons library, Manufacturing is now only 8% of the UK's economy; it was 17% in 2000, and above 9% in 2016. This is because large areas of our manufacturing industry have closed down. I discuss some of the many damaging, self-inflicted reasons for this later, below; none of them have much to do with Brexit. As a consequence of this decline in manufacturing, our exports in goods have also, necessarily, declined (if you're not making it, you can't export it). Meanwhile, exports in services have increased steadily - for services, we are on the same growth trend line as from pre-Brexit days, despite Covid and any other problems). Because the decline in goods exports is primarily a function of the fact that the production of goods in the UK has declined -not the other way round- then, therefore, the decline in goods exports to the EU has, as we will see further below, necessarily had more or less nothing to do with Brexit
- Despite the presence of some spritely new economies in the Eastern part of the EU (those are countries liberated from communism, with initially low levels of GDP per capita from which they can improve quickly, and not always following the dead hand regulatory burden of the large economies in the West of the EU), the overall growth level of the EU economy has -almost uniquely in the global economy, outside classic communistic dictatorship- been abysmal. In consequence, the EU, which was 22% of the world economy in the year 2000, is now 13%; its share declines year after year. Especially now we are outside the EU, with much better access to trade with the rest of the world, and better terms than the EU (see eg our current level of Tariffs with the US) our exports to the EU will necessarily decline relative to our exports to the rest of the world. Indeed, had we not concluded the number of trade deals with countries all around the globe, that go beyond the terms we had when we were within the EU, exports would necessarily have grown less, as the EU's share of the global economy shrank. Neither the OBR nor the NBER take account of, or even mention, these obvious points (nor do you ever point out that were we to abandon our new trade liberty and rejoin the EU, we would be re-hitching our cart to a dead horse economy.)

The OBR's failure to distinguish between the above different aspects of our trade permits it to make a number of suspect claims about the impact of Brexit, but the above discussion shows that:



- Leaving the EU has allowed us to make improved trade deals with a number of economies around the world, which has had a healthy impact on our trade – particularly in services, which are the much larger part of our economy. I do find it peculiar that you judge our improved access to these large and growing economies, for example through the CPTPP, will result in just 0.25% improvement in GDP: if the mild changes to our trade relationship with the EU result in a 4 percent drop, why do rather more significant positive changes with respect to larger and faster growing economies lead to only one quarter of 1 percent improvement?
- Goods exports to the EU have indeed suffered (but as discussed above, and as I show further below, that had virtually nothing to do with Brexit)
- Services exports, which are now over half of all our exports and are growing very rapidly, have done extremely well. One of the most prominently fast-growing services sector in the UK is the so-called 'Flat White' economy of digital and related services. This comprises about 15% of GDP at this time – larger than the entire Goods sector. 'Flat White' companies are flourishing precisely because they are not subject to the EU's Digital Markets Act; nor to its Digital Services act; nor in particular to the EU's self-sabotaging AI Act. Neither the OBR nor the NBER has made any reference to the positive kick to our economy provided by this large and fast-growing sector, growth specifically potentiated by our not being in the EU, nor therefore subject to these crippling growth-destroying regulations.

The NBER's claims, to a degree overlapping the OBR's earlier claims, were risible

Perhaps because you are aware (perhaps you have been aware for some time) of the flaws in your previous 4% analysis, you have pivoted in your letter to the NBER paper as your authority for these claims. But this NBER paper is shockingly bad.

As you say, the NBER paper divides into two separate analyses: the first takes the top down view, using a doppelgänger exercise, while the second uses the Bank of England companies database to come to a bottom up conclusion.

Let me take the top down first. Honestly, I hate to use abusive words in a formal letter of this sort, but the degree of mendacity (or, failing that, foolishness) in that paper is astonishing. We find in a footnote that the doppelgänger weightings are 61.4% USA, and 10.9% Estonia –so, almost threequarters of the comparison is with just these two countries. Essentially, the paper says that were the UK to still have been in the EU, it would have grown at the same rate as these two countries, but mostly with the US –had we done so, our economy would have been 8% larger by



now. Gosh. Can the NBER really be claiming this with a straight face? The US has not done the equivalent of the UK's closure of its North Sea Oil sector; it drills, baby, drills. It does not have the highest electricity prices in the world, as we do; it has some of the lowest. Its gas prices are way lower than ours. Its regulatory burden is way lower than ours. It has not sacrificed its Oil and Gas industry, its Car industry, its Steel industry, its Chemicals industry, its Refining industry on the altar of Net Zero. It did not have a high regulatory burden in 2016, and has not added to it with Employment rights, Renters' rights, Bat tunnels, Boiler regulations, and on and on. It has not excessively taxed oil and gas exploration, tourists, non-doms, companies, individuals via NIC increases and disheartening kinks in the income tax curve. The US does have a world-dominating Tech sector, along with companies such as Tesla, SpaceX, Blue Origin and so forth. On what planet are the OBR or the NBER on, if they truly think that the US and the UK economies are much the same? (As for Estonia, an entirely different analysis is needed but would come to the same conclusion; our current economic model is far nearer to Edstonia than to Estonia.)

I hope the above points are enough for you to agree that the first, top-down, half of the NBER paper –and indeed all the other doppelgänger analyses (which are entirely similar), are absurd – they seem specifically designed to put a massive thumb on the scales when coming to a conclusion on how fast the UK economy should have grown in the past decade or so. But I am sure that, particularly after reading the above, the OBR is smart enough not to be fooled by that. We are not the US, nor are we Estonia. We are akin to Germany or France, and have grown much the same as them since Brexit. There has therefore been little Brexit impact.

As for the bottom-up approach, there are three separate flaws to it:

First, the heavy emphasis that the OBR and the NBER lay on "Brexit uncertainty" where they assert that it led to significant underinvestment and loss of productivity. That unsubstantiated assertion is not correct. The lack of investment was because of various governments' ferocious attacks on the private sector, as has been made clear in article after article over recent years taking away profits that could have been used for the investment, and deterring outside investors from coming into the UK – nothing to do with Brexit. Astra Zeneca reversed its £400 million investment in a plant, relocating it to Ireland, a couple of weeks after Jeremy Hunt raised the Corporation Tax from 19% to 24%; and then in 2025 announced it wouldn't build its £450 million vaccine plant in Liverpool, nor its £200 million expansion in Cambridge, because of lack of support from the new Labour Government –not because of Brexit. Shell, Chevron and Harbour all pulled out of the North Sea because of the penal taxes on their enterprise there; Harbour after its entire annual profit was wiped out by the new tax. I could produce many other examples.



In any event, you yourselves agree that this Brexit uncertainty has gone away now (the only way it could come back would be if we decided to go into a new protracted set of negotiations with the EU to rejoin) –but the loss of inward investment has primarily been the result of incompetent government policies, not Brexit uncertainty.

Second, it put great store on the Bank of England statistics that show that UK companies who had strong links to the EU have done worse than companies that did not. NBER are quick to blame this on Brexit. Did it really not occur to them that there is a far more plausible, entirely logical, reason for this? –that, as described above, the EU (particularly our large trade partners in the west of the EU) is economically moribund, while the rest of the world is growing fast: so a company that is not focused on the EU but is instead focused on the rest of the world will *by definition* be expected to grow faster than a company that is focused on trading with the zero-growth economy of, for example, Germany. In other words, it is equally, perhaps more, likely to be the other way round: a Brexit win not a Brexit loss – by turning to face the wider world, we have enabled companies to look to that wider world, rather than to the EU, and thus to do better.

Third, the emphasis on productivity. You and the NBER express justifiable concern regarding the low level of productivity improvement in the UK, but you know well that this problem long antedates Brexit, and that about the biggest component of that is the zero improvement in productivity, over quite a few decades, in the *Public* sector. I pointed this out to Mr Hughes in my original letter; you seem to have decided not to recognise or respond to that point. But as I asked the government in my recent speech on the budget, in the House of Lords: do they think that were we to rejoin the EU, the public sector would suddenly and consequently give up its tendency to “work” from home; its desire for a four day week?

The *Private sector*, on the other hand, has indeed increased its productivity, I understand by some 30% since Brexit. I referred before to the Flat White economy, which as I explained above, is potentiated by Brexit freedoms. It is a highly and increasingly productive area. Investment in plant and machinery there (mainly computers) was up 9% in the first nine months of 2024, leading to an expected significant improvement in that sector’s productivity.

The NBER’s overall conclusion that the UK could have an economy 8% larger than it is right now had it stayed in the EU, is ludicrous. Our growth has been about the same as the other large Western EU countries in the past few years, and that is exactly what could be expected from a country that essentially has failed to change itself much, at least so far, from when it was in the EU. To be 8% larger as an economy now would mean that we had turned our economy into a US-style one. I would like



to see nothing more so than that, and every citizen in our country would have benefited mightily from that were it so, but you know and I know that it is not the case. We are, so far, a Social Democracy not a Free Markets Economy. All faux-naïve pretence on that point should be ceased.

It is important that the OBR ups its game

The OBR is taken to be the definitive judge on many economic issues, by many important institutions. As a result, its announcements that Brexit has led to a significant economic hit have led to some of the most EU-obsessed commentators, such as The Economist, to press for the UK to rejoin. Of course, none of these pundits mention the annual cash cost of rejoining (which will for sure be way more than the £350 million a week that Vote Leave had written on the side of its bus in 2016); the requirement (almost certainly) to join the Euro; the stifling of our currently growing trade with the rest of the world; the imposition of even worse and further Net Zero craziness on our country via the EU's Electricity Agreement (which you have not commented on, but which the Labour Government are already in negotiations on); and the imposition of all the EU's disastrous digital regulation that I have already referred to above.

Given the size of these stakes, it therefore behoves the OBR to rein in its pronouncements on this matter –why does the OBR insist that on this one single topic, to the exclusion of other, far more dispositive, matters, it should continue to make these pronouncements?– certainly, at least until such time as it has dealt, carefully and accurately, with my comments in my previous, and this, letter.

And if the OBR is going to comment on such matters, then surely it needs to be more forward and forensic in similarly discussing many other government policies that truly do lower economic growth. It would be great were the OBR to feel able to focus the government's attention on what the government, including previous governments not just the current one, have got so terribly wrong in their attempts to grow the economy:

- **The appalling impact that Net Zero is having on economic growth**, with (as reviewed above) many sectors of the economy closing down, and the rest of the economy, whether the High Street, pubs, or citizens in their own homes, universally suppressed by the unnecessarily high cost of energy
- **The growth-destroying impact of taxes on enterprise**, whether business, individuals, entrepreneurs, farmers, sole proprietors
- **The loss to the economy from the flight of the enterprising**, whether we are talking young high strivers and achievers, overseas investors, non-doms, or many others (including the malign impact of the Tourist Tax)



- **Above all, the stifling impact on growth of all-enveloping regulation.** The government has said over and over again that it wishes “to take the regulatory boot off the neck of business”. Yet in the real world, it imposes yet more regulation, and yet more regulators, every week. Should not the OBR be pointing this out? It is killing growth.

It seems to me that before it can be happy with its reports, the OBR needs to get itself a model that is far more accurate than its forecasts over the past decade or more have been. On taxes, because the OBR has until recently failed to take proper account of dynamic effects, and even now seems to undercook its dynamic assumptions, that has resulted in persistent overestimation of the impact of each budget on the level of tax that would be raised; in nine out of the past 10 years, the OBR has overestimated the amount of taxes that would be raised (with the remaining year, 2023, being a wash), the overestimation being significantly higher in the past five years than it was in the earlier five years. This has opened the door each year for governments to spend more than they otherwise would have felt able to, which has in turn led to a higher deficit each year, and a steadily higher rate of increase in the national debt.

Contributing to this and as a much-distributed recent chart from *The Spectator* illustrated, over the past 15 years the OBR’s forecasts on productivity increases have been wildly overoptimistic, both before and since Brexit. Why does the OBR not, for example, focus on the lack of productivity improvement in the public sector, and chide successive governments on it, so that they are more motivated to finally do something about it (rather than, as is instead the case, the government persistently giving in to the unions across the public sector, both on terms and on pay)? I do not wish to overly self-promote, but my recent book, *Return To Growth*, had a model in it that seems, since publication, to have done a better job on forecasting what would happen with the economy. It focuses, with considerable statistical evidence, on size of state, taxes, and regulation as the three major drivers of growth. Were you to incorporate the same into your forecasts, you might well be able to drive successive governments to finally focus on having a slimmer state, lower taxes, far less regulation. I do appreciate that the OBR is not supposed to review alternatives to government plans, but only report on the expected impact of those plans. But that does not preclude you from being more realistic on productivity changes, tax take etc that come from announced/submitted government policies.

I look forward to the OBR playing a better and fuller role in holding the Government’s economic policy to account

In sum –and I suspect from this and other recent announcements that you are halfway to agreeing with me– it is time for the OBR, and indeed other institutions



that seem fixated on Brexit, to put all that aside and come to a better understanding of the true causes of the UK's signal failure to grow faster than it currently does. Paradoxically, our failure to grow faster is in the main because we are failing to take advantage of our Brexit freedoms, rather than being a consequence of our no longer being wrapped in the warm suffocating embrace of Brussels. You are correct that productivity growth would increase our GDP growth rate, but you shy away from identifying the causes of that lack of productivity: our disastrous net zero policies, our public sector, and above all the regulatory reign of terror that enterprise, high and low, is subjected to in this country. Were the OBR to focus on the true impact of these, it could play a very important part in bringing the current government to understand the destructive nature of the policies that it, and indeed former governments, have pursued.

It is perhaps too forward of me, possessing as I do little inside knowledge of those, to hypothesize –anyway, hope– that the OBR might be well on its way to concluding that the UK economy could indeed do far better: not by implicitly advocating our rejoining the EU, but rather by pointing to the benefits a few sectors are getting from Brexit Freedoms, while indicating large areas that so far have failed to do so, at the same time estimating the highly damaging impact on economic growth that is being wrought by key flagship policies of the current, and previous, governments –Net Zero, high taxes on business, and one of the worst regulatory regimes (housing, infrastructure, nuclear, labour law, et cetera) among the advanced economies. I wonder whether the upcoming change of leadership at the OBR may provide a fortuitous to review its models and incorporate likely dynamic effects to move fully and accurately so as to accomplish this.

But, if I am wrong, and such steps prove impossible for the OBR to take, then I respectfully suggest that the country might always be better off without not just the cost of the OBR exercise, but also the ways in which OBR reports are used to make misleading and thus damaging claims.

I look forward with great interest to your thoughts on the above.

Yours faithfully,

Moynihan

Lord Moynihan of Chelsea, OBE

Professor David Miles and Tom Josephs
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19 December 2025

Dear Lord Moynihan,

Re: Brexit

Thank you for your letter of 11 November to Richard Hughes concerning the impact of Brexit in the OBR's forecast.

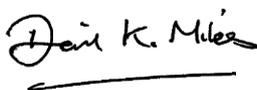
As you set out, our assessment is that Brexit will reduce the potential productivity of the UK economy by around 4 per cent, relative to remaining in the EU, with the full effect felt 15 years after the Trade and Cooperation Agreement (TCA) came into effect. Higher trade barriers are estimated to reduce the volume of both UK imports and exports by around 15 per cent, leading to the 4 per cent reduction in the potential productivity of the UK economy relative to remaining in the EU. We expect this impact to be frontloaded, so we estimated that around two fifths of the impact on productivity to have already occurred by the time the TCA came into force as a result of uncertainty weighing on investment and capital deepening (see Box 2.2 of the March 2021 *Economic and fiscal outlook (EFO)*). There is lots of uncertainty around the impact of Brexit on trade intensity and productivity, so our estimate is drawn from a wide range of estimates from the literature (also see Box 2.2 of the March 2021 *EFO*). This 4 per cent impact on potential productivity does not include the impact of changes in net migration from the post-Brexit migration regime.

We last conducted a detailed review of our Brexit assumption in the March 2024 *EFO* (see Box 2.4). We concluded that, overall, our assumptions about the impact of Brexit on trade intensity and productivity appear to be broadly on track and recently published studies were also broadly consistent with these estimates. However, it remains hard to draw firm conclusions given the challenges of disentangling the simultaneous impacts of Brexit, the pandemic, and other geopolitical developments affecting UK and global trade. A further challenge is that trade data are volatile and prone to revision, particularly trade in services. Since concluding our last detailed review, one recently published study has estimated that by 2025 Brexit had already reduced UK productivity by 3 to 4 per cent and overall GDP by 6 to 8 per cent (Bloom et al, *The Economic Impact of Brexit*, NBER working paper 34459, November 2025).

We continue to consider the latest evidence on the impact of Brexit on the UK economy and will keep our Brexit assumptions under review.

In line with OBR policy, we will be publishing this reply together with your original letter on our website.

Yours Sincerely,



Professor David Miles



Tom Josephs

Members of the Budget Responsibility Committee



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11th November 2025

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By post and email

Dear Mr Hughes

I write to you regarding the claim, in recent and past OBR reports, that Brexit will hit the UK's GNP by 4%.

Misunderstandings and abuse of the 4% claim

As the below will show, I (and others) disagree with the OBR's analysis. Regardless, the 4% is, the OBR has stated, forecast to take place over 15 years post-Brexit –so with only 5 years (one third of the 15 gone) the implication is that so far, the hit to GNP has only been some 1.3%. Regrettably, the current government asserts that the full 4% has already hit the economy; this view is loudly repeated by many others (such as the BBC, to whom you repeated the 4% number in 2021, while the OBR has continued to make the claim in, for example, 2023, 2024 and 2025). The OBR has not issued correction or clarification of this "Brexit has hit GNP by 4%" claim, which is, seemingly endlessly, repeated.

Dubious validity of your models

You first published this 4% claim using the average of ten independent forecasters. Six of those were productivity-based models, an approach you seem to prefer. These gave an average of a 3%, not a 4%, hit. The others used versions of the gravity model (nowadays largely discredited). Their average (including a wildly absurd World Bank forecast of an 11% hit) was 6%. A forecast on the impact of Brexit from the IMF, which the Chancellor has said is the best economic authority in the world, was for a *long term* reduction in GDP of 2%. The productivity models used assumptions (such as that there would be no trade deal with the EU) that turned out (inevitably, in my view) to have very little relation –I believe you will agree– to what actually transpired; analyses assumed, for example, that the UK would leave under the terms of a 'typical' trade agreement, yet what happened was far from that: the TCA was far deeper than the 'typical' deal (to take just one example, it has no quotas). So these forecasts were, at the least, overcooked.

The first half of your 4% flies in the face of the facts

You have said that half of the 4% (ie 2%) derived from the idea that because the UK economy was growing faster than the EU in the few years before it left the EU, it would (had we remained in the EU) have continued to grow faster than the EU (the notoriously questionable 'doppelganger' approach). But the reason offered for that speculative belief was that having left the EU, we would have lower immigration; as you know, immigration has been far larger since we left the EU than before. Your reports have regularly asserted that immigration increases, not decreases, GNP because productivity improves; so your assertion, that leaving the EU would result in reduced GNP because immigration would be lower, falls foul of the facts –even if we go along with your model's assumptions. That gets rid of an entire half of your 4%.

The other half of your 4% cannot be blamed on Brexit

You have switched tack more recently, claiming that the 4% will occur because the UK's trade intensity will deteriorate (*note the 'will deteriorate'; not 'has deteriorated'*) by 15% (presumably, in 15 years). So, again, let's say one third of that in the 5 years to date –implying a 5% (one third of 15%) deterioration in the UK's trade

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intensity to date. But, both France and Germany have, since 2019, seen a lessening in *their* trade intensity by 6%. This happened while they were *in the EU* –does that not mean, according to your logic, that leaving the EU is slightly better for trade intensity than staying? Or, is better to say that the whole idea is nonsense?

In any event, were the UK to have a worse deterioration in trade intensity than France's or Germany's 6% (and you will know that there will be a particularly poignant impact on goods exports, since goods are a greater percentage of overall exports than they are of the overall economy), the explanations for that will have nothing to do with Brexit. To claim that all that lowered growth is due to Brexit, you necessarily have to say there has been no negative impact from:

- Covid and all its negative impact on productivity and the economy
- The rapid closing down of the North Sea Industry due to government decisions
- The decline of manufacturing due to catastrophically high energy prices (with many manufacturing companies closing down or moving abroad; a closed company will not export anything)
- The gradual implosion of the City of London due to imposition of growth-destroying policies and regulation
- The exodus of wealth and talent, of all ages, accelerating at this time, due to government's war on business, entrepreneurship and ambition
- The ever-tighter bank regulation which lowers lending to industry
- The abrupt retreat of foreign capital due to excessively high new taxes on business, and a general hostility to enterprise
- The reluctance of businesses of all sizes to hire due to the recent costly increases in NIC and multiple new anti-business laws.

None of the above, the claim implicitly says, can be at all responsible for any decline in GDP; only Brexit is to blame. Is this credible? It seems to me that the wonder is that the UK economy hasn't done even worse, as a result of the above anti-growth policies that have been imposed by successive governments. None of these policies had or have anything to do with Brexit.

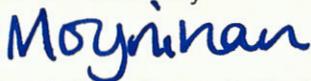
I agree with the OBR that the UK's GDP is lower than it would otherwise have been due to the woeful lack of improvement in productivity in the UK (for most of this century –so including many years prior to our leaving the EU– not just since). But as you know, this productivity failure is almost all in the public sector; the private sector has actually increased its productivity by some 30% in recent years. I hope you will agree with me that zero productivity improvement *in the public sector* cannot possibly be due to the UK's having left the EU.

Mr Hughes, I thank you for having read through the above. I hope you find these points both reasonable and important. I call on you urgently to ensure that the OBR reviews not just its latest forecast, but past ones, and after reviewing the above, agrees to amend and caveat them as soon as possible. This is particularly important for when the OBR prepares its response, later this month, to the government's budget. It is important that the government get good, not ideologically biased, commentary on the impact of its policies. Please also can you as a matter of urgency explain all this to the government, who seem to have misunderstood your report and are coming up as a result with policies that are based on that misunderstanding, and that avoid looking at their many policies, such as (to take but one out of many) the Employment Rights Bill, that are actually and prospectively hitting the UK's GDP?

I hope that you will consider this letter with care, and act on it on an immediate basis.

I look forward to hearing from you

Yours Sincerely



Lord Moynihan of Chelsea, OBE