

What's happened to the UK economy since the EU referendum?

Sterling volatility

The pound was the first metric to react following the vote to leave the EU in June 2016. Sterling depreciated more than 10% against the dollar but has fluctuated ever since based on the chances of a deal. But as the probability of a No Deal increased this year, sterling fell even further, reaching a low of 1.19 in August and roughly 18% below its pre-EU referendum level.

Inflation shock

As sterling fell following the vote, it became more expensive to import goods into the UK. This caused inflation to rise to more than 3%, above the Bank of England's 2% target. All of which put more pressure on household living costs. Over time though, inflation has moved back towards target, reaching 2.1% in July.

Wage growth up

The UK unemployment rate fell to 3.8% in the three months to July, back to its joint lowest level since 1974. And with more people in work, wages are rising too. The average wage rose to £542 a week in Great Britain in July, up 4% year-on-year and it's rising at the fastest rate since the financial crash. However, if you strip out the inflation effect, the average wage is still £23 less than it was more than 11 years ago.

Spending spree

People's incomes have been growing faster than inflation, which means that households have a little bit more money leftover at the end of each month. And despite the ongoing political uncertainty, households have continued spending. The quantity of goods bought in the three months to July rose 3.3%, similar to pre referendum times. However, consumers are less willing to commit to spending on big ticket purchases such as holidays and homes than they were.

GDP cooling

Economic growth in the UK has been low since the referendum but remained positive until Q2 2019. Britain's economy shrank 0.2% in Q2 2019, its first contraction since 2012. As a result, the UK is bumping along the bottom of the list of the G7 league table for economic growth.

The Economy in numbers

	Sterling (against US\$)	Inflation	Wage growth	Retail sales	Economic growth (GDP)
Before EU-referendum	1.45	0.8%	2.6%	3.5%	1.7%
Latest data	1.23 ▼	2.0% ▲	4.0% ▲	3.3% ▼	1.2% ▼

Source: ONS & Bank of England