

HARD BREXIT? KEEP CALM AND CARRY ON

04 November Update

Video interview with Simon Down together with the following Key Highlights are available online at:

<https://en.nikkoam.com/articles/2016/11/hard-brexit-keep-calm-and-carry-on-04-nov-update>

Key Highlights

- On November 3rd the UK government lost the lawsuit brought against it in the High Court. The Court ruled that the government required a vote of Parliament in order to start the process of leaving the European Union by triggering Article 50 of the Lisbon Treaty.
- The government will now move to appeal the decision at the Supreme Court where all 11 Supreme Court judges will hear the case, the first time in history this has happened. The appeal is scheduled for the 5th to the 8th of December 2016.
- It's notable that in the previous week the Northern Ireland High Court heard a similar case and ruled in favour of the government.
- If the government were to lose the appeal at the Supreme Court then they would be forced to move to secure a vote in Parliament to move forward. This could take one of two forms. The first would be a simple approval motion, requiring MPs to vote for or against. The second would be more complicated, with the government introducing legislation via a Bill which would enshrine the triggering of Article 50 in law. The Bill would need to pass through both the House of Commons, and the House of Lords, and there would be risks that MP's could introduce amendments to the Bill which would force the government to fulfil certain requirements through the negotiations. It seems highly likely that neither house would ultimately stand in the way of this legislation, given fears of the effects on an electorate already disillusioned with politicians. It could though delay the process considerably and it is possible that it could fail, effectively blocking the trigger of Article 50. In that scenario an early UK election seems probable for the Conservative Party to gain a larger majority to get the legislation passed.
- This is a setback for the government and will create further uncertainty in the months to come, but the government remains committed to its timetable and has stated that it continues to target the triggering of Article 50 by the end of March 2017.

- Another significant event in the UK has been the November Bank of England meeting, which saw a significantly more hawkish tone from the central bank. The BoE raised their 2016 growth forecast to 2.2% and their 2017 forecast to 1.4% from 0.8%. They did however reduce their 2018 forecast to 1.5% from 1.8%. They also raised their inflation forecast to 2.7% for both 2017 and 2018. Discussion of a further rate cut was abandoned with Carney stating that the central bank now has a 'neutral bias' and that UK policy could respond in 'either direction' to an outlook change.

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