



5 Levers for Economic Growth

Foreword

Economic growth is back on the political agenda. This is because it offers a way of raising living standards, paying for public services and improving social outcomes. In the UK election of 2024, it is expected to be central to both Labour and Conservative manifestos. This re-prioritisation is long overdue after the UK's chronic growth underperformance since 2007. With rising pressures on tax revenue to meet the imperatives of Net Zero, re-militarization and an ageing population, the UK faces further tax rises and spending cuts without significantly raising the growth rate. In this report we propose 5 policy levers to raise the UK's growth prospects in the years ahead. We estimate that by raising the annual growth rate back towards the historical trend of 2%, and above the post-08 average of 1%, the UK treasury would benefit from an additional c.£50bn of annual spending. At the same time, these policies would seek to end a prolonged period of pay stagnation which has trapped households into a cycle of falling living standards and financial vulnerability. Key to these policies is to address the UK's productivity growth rate which has failed to grow adequately since 2008.

In this report we set out five levers:

- ▶ Increase the deployment of capital and automation technologies
- ▶ Increase technology adoption and diffusion
- ▶ Increase the size and efficiency of the labour market of our tier 2 cities
- ▶ Lower housing costs by building affordable homes near good jobs
- ▶ Increasing trade openness post Brexit and leaning on our service trade strength

We hope this report will be a welcome contribution to what we hope to be a productive and much needed debate on the future of the British economy. This is only the start. Identifying how we can raise economic growth is the easy part - designing and delivering the policies to enable higher growth requires careful prioritisation, managing diverse stakeholder groups (and sometimes compensating losers) and strong execution with private sector partners.



Nick Forrest
NICK FORREST
Partner



S. Ashley
SARAH ASHLEY
Partner

The 5 Levers for economic growth

The UK economy has unanimously been plagued by a growth challenge over the last 15 years, largely driven by a slowdown in productivity following the 2008 financial crisis. As the Labour and Conservative parties continue to champion growth in this election, we identify 5 key areas of growth. The real challenge is designing and implementing the policies to enable this growth, often involving political tradeoffs.



01

**CAPITAL &
AUTOMATION
INCENTIVES**



02

**TECHNOLOGY
ADOPTION &
DIFFUSION**



03

**LABOUR MARKET
SIZE OF TIER 2
METROPOLITAN
REGIONS**



04

**AFFORDABLE
HOMES NEAR
GOOD JOBS**



05

**INCREASING
POST-BREXIT
TRADE OPENNESS**





We have identified 5 key levers for policy development towards economic growth

1. By deploying policy measures to incentivise long-term investment in automation, such as driving public sector-led funding and aggregated channels of retirement savings, matching the G7 average of capital intensity could raise UK productivity by 1%.
2. To close the skills gap, knowledge diffusion networks like those used in Germany ought to be established which would boost intra and inter-firm skillsets. In doing so, matching the UK's knowledge dispersion to the European average would increase services and manufacturing productivity by 6%.
3. Increased investment in urban light rail infrastructure in tier 2 cities, such as Manchester, can boost regional productivity outside of London. Raising the UK's tier 2 cities' effective population (commute to the city centre within 30 minutes) to the European average has the potential to increase annual GVA by up to £140bn.
4. Ramping up housing developments to c. 500,000 a year, as per FT analysis, would enable housing costs to remain constant whilst meeting the increase in population growth, therefore ensuring disposable incomes don't fall on account of housing costs.
5. Navigating post-Brexit bilateral trade agreements has the potential to provide a much-needed boost to our goods exports, adding to the projected £874mn growth in GVA from the Australia FTA. Through deploying measures to alleviate non-tariff barriers and improve flows of high-skilled labour, skills and knowledge gaps can be bridged therefore encouraging increased trade and a needed boost to the UK exports market.

The 5 levers for growth outlined in this report identify the needed policy measures we believe are necessary to raise the UK growth rate. However, we acknowledge that writing this report is the easy part. Moving from policy formulation to practical delivery demands the galvanisation of both private and public sector expertise to deliver remedies to the UK's long-standing growth challenge. Both our public and private sector clients have relied upon Baringa to support the delivery of projects across policy, commercial strategy, technology implementation and supply chain risks.

Delivering in government

Our experts

<p>01. CLOSING THE GAP BETWEEN POLICY & DELIVERY</p>	<ul style="list-style-type: none"> • Translate the policy intent into a purpose that stands the test of time. • Design for the requirements of end-users. • Use data and technology to track and drive adoption. 		<p>Kavian Brown Government and public sector</p>
<p>02. IMPROVING PUBLIC SECTOR PRODUCTIVITY</p>	<ul style="list-style-type: none"> • Lead with purpose to define metrics, embedding purposeful data into operational delivery. • Empower people to drive productivity, leading to better outcomes. • Tech is critical to more productive public services, but must be joined up with investment in people. 		<p>Tom Schneider Government and public sector</p>
			<p>Matt Jones Public sector productivity</p>
			<p>Rhiannon Evans Public sector productivity</p>

Levers for growth

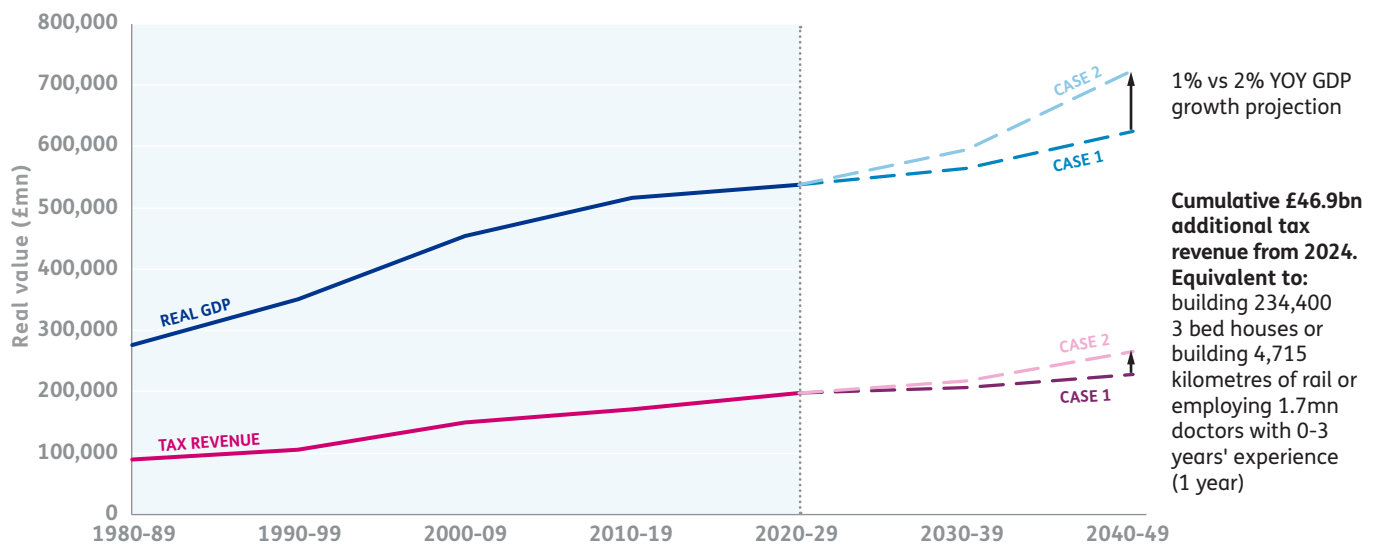
Our experts

<p>01. INCREASING CAPITAL & AUTOMATION INVESTMENT</p>	<ul style="list-style-type: none"> • Identification of automation opportunities. • Replace aged assets by utilising full expensing allowances. • Prepare investment cases ready for economic upswing. • Exploring the supply chain for partnership options as well as automation opportunities. 		<p>Gavin Hall Energy and resources</p>
<p>02. INCREASING TECHNOLOGY DIFFUSION</p>	<ul style="list-style-type: none"> • Upgrade legacy systems. • Digital skills training for employees. • Experiment with new GenAI use cases. • JVs with technology firms. • Use of digital twin technology to improve planning effectiveness. 		<p>Bernice McNaught Capital and automation solutions</p>
			<p>Silas O'Dea Technology and agile delivery</p>
			<p>Melissa Bailey Technology and agile delivery</p>
<p>03. INCREASING TIER 2 CITY LABOUR MARKET CONNECTIVITY</p>	<ul style="list-style-type: none"> • Development of business cases to support new and improved transport infrastructure. • Create Regional location strategy to support cluster development. • Support application for regional funding (e.g. City deal). 		<p>Robin Cooper Transport infrastructure</p>
			<p>Louise Davies Transport infrastructure</p>
<p>04. BUILDING AFFORDABLE HOUSING</p>	<ul style="list-style-type: none"> • Create housing developments which align to planning requirements. • Engagement with regional and local plans to guide local place-based strategies. • Supply-chain optimisation. • Adoption of new building technologies. 		<p>John Calder Supply chain and procurement</p>
			<p>Rebecca Teasdale Affordable homes</p>
<p>05. INCREASING TRADE OPENNESS</p>	<ul style="list-style-type: none"> • Simplifying the customs rules to enable greater compliance. • Adjusting balance of local/near-shoring capacity. • Explore use of UK Export Finance to open up new international markets. 		<p>Adam Brocklesby Trade and borders</p>
			<p>Tilly Thomas Trade and borders</p>

Accelerating opportunities for growth

By achieving higher levels of growth, tax revenues will rise, enabling further opportunity to invest, driving higher levels of long-term growth across the UK.

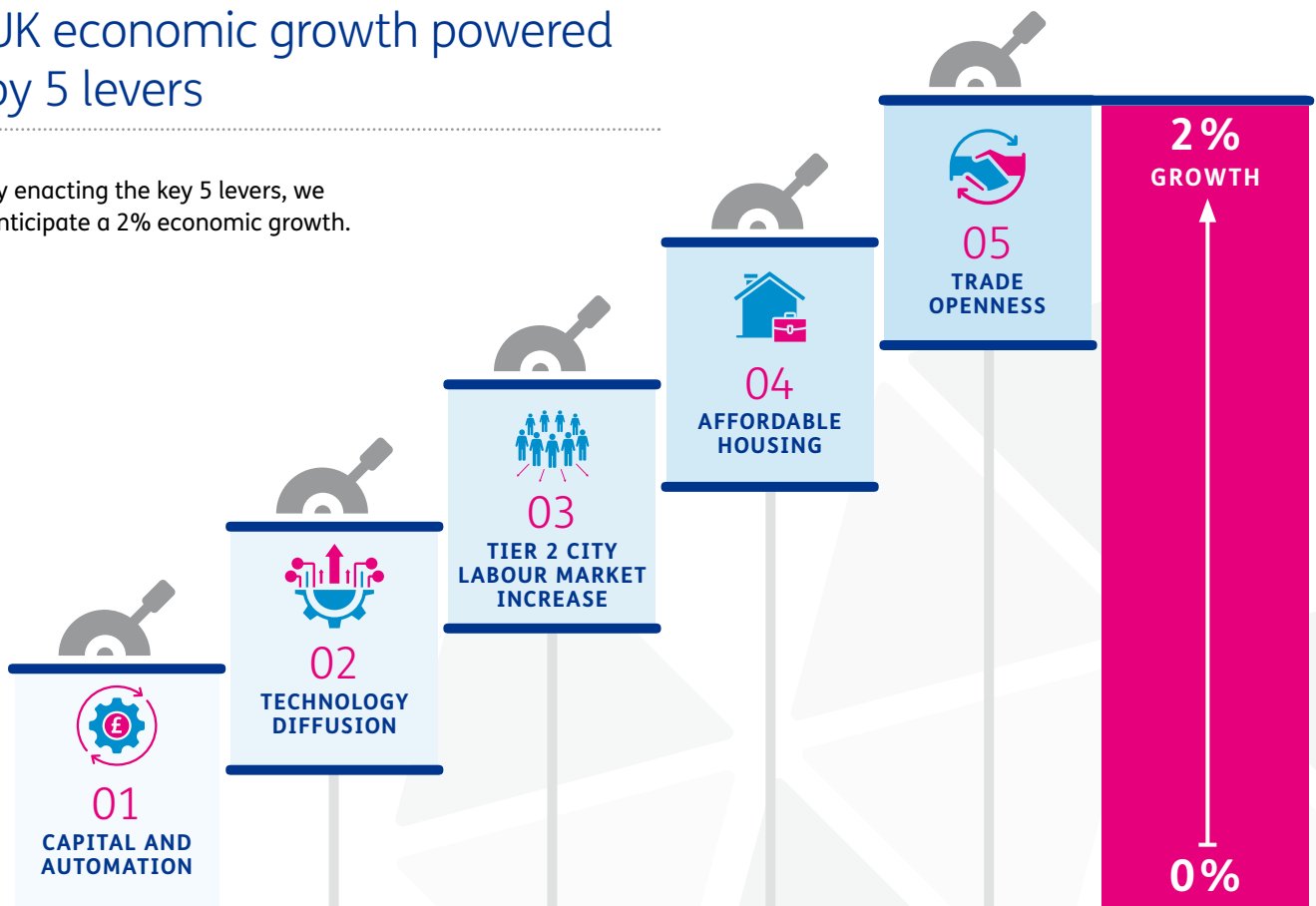
Real GDP & Tax Revenue Growth Potential, Comparing a 1% vs 2% YOY Growth Rate until 2039

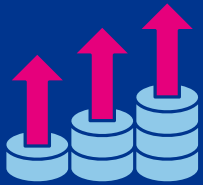


Source: ONS. Baringa analysis

UK economic growth powered by 5 levers

By enacting the key 5 levers, we anticipate a 2% economic growth.



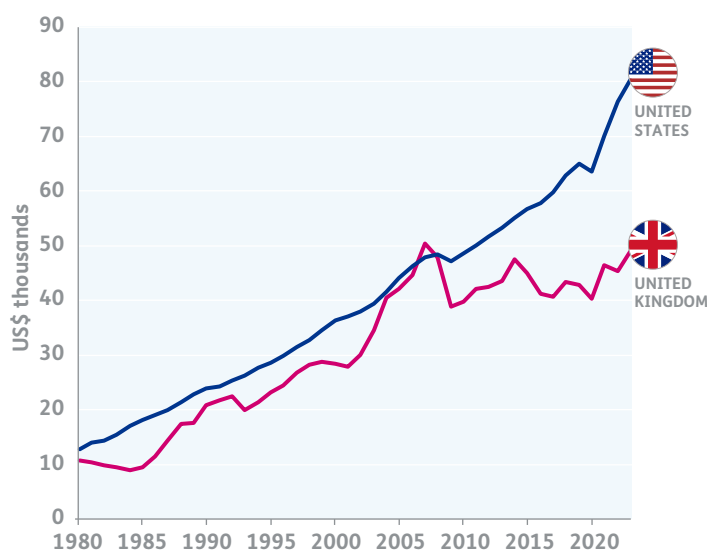


The UK's growth challenge

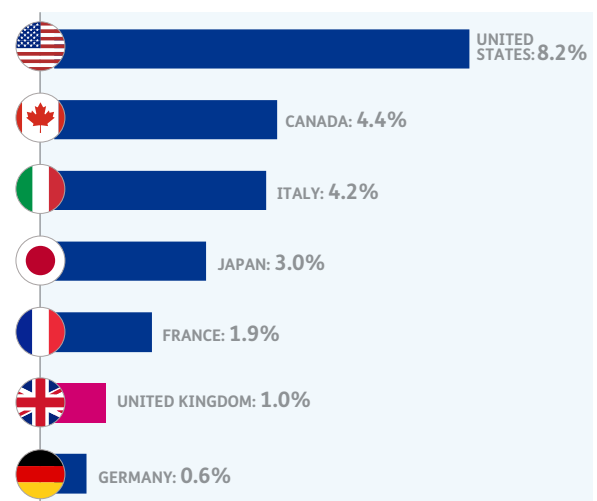
The UK's growth underperformance

UK GDP per capita has stagnated since 2008, with weak real income growth. In addition, the UK bounced back from the shock of Covid-19 slower than its peers, amounting to two decades of sustained underperformance.

GDP per capita, US and UK 1980-2023



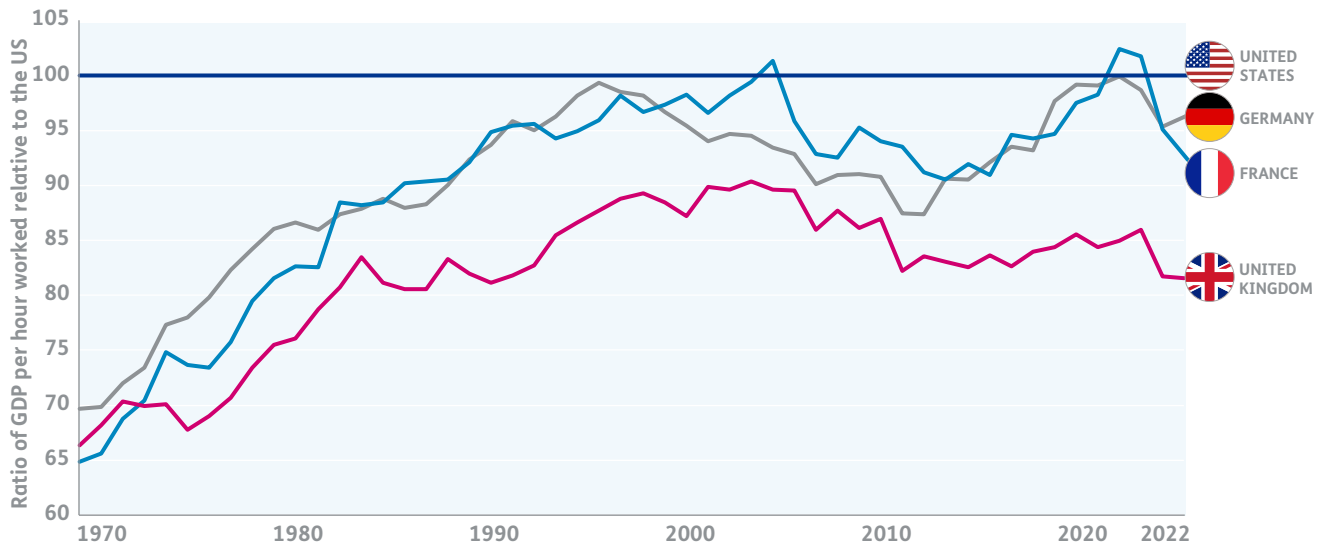
Economic growth Q4 2019 – Q4 2023



Driven by poor productivity performance

Central to this growth underperformance has been lagging productivity growth. The gap between UK and peer productivity was shrinking during the 1990s and 2000s, however, it has widened again since 2008. Closing this gap is central to rectifying the UK's economic underperformance.

UK, DE, FR productivity relative to US 1970-2022

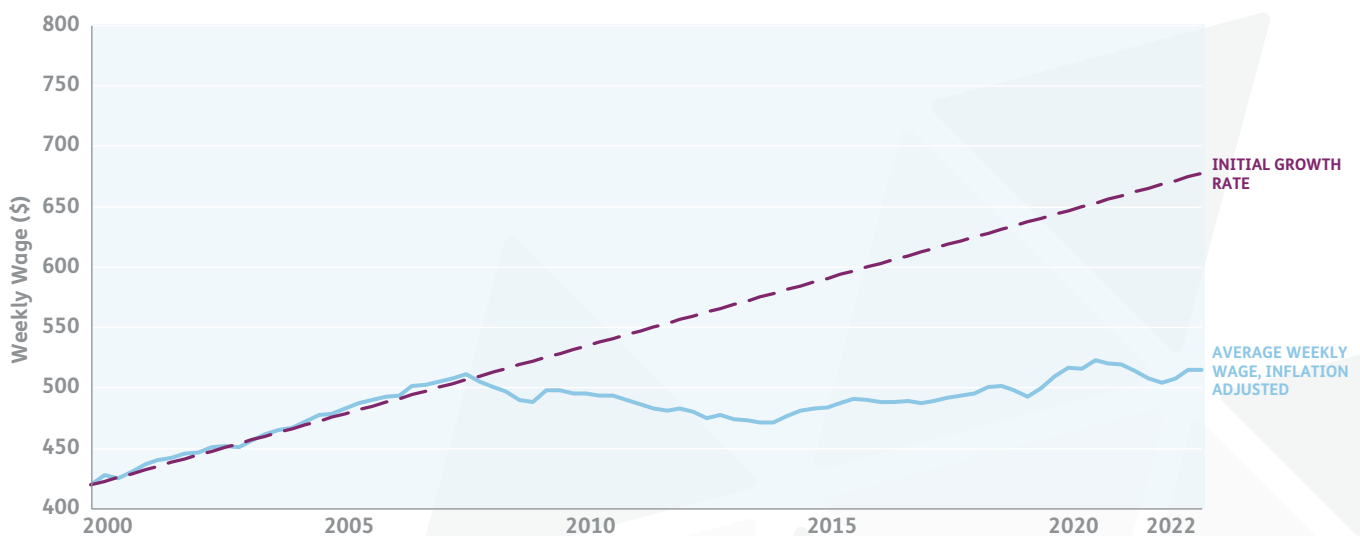


Source: OECD

Stagnant real incomes

Real income growth has stalled with average real incomes being no higher now than in 2007. This represents the longest period of income stagnation since the Great Depression in the 1930s.

Average Weekly Wage Growth Stagnation, 2000-2023

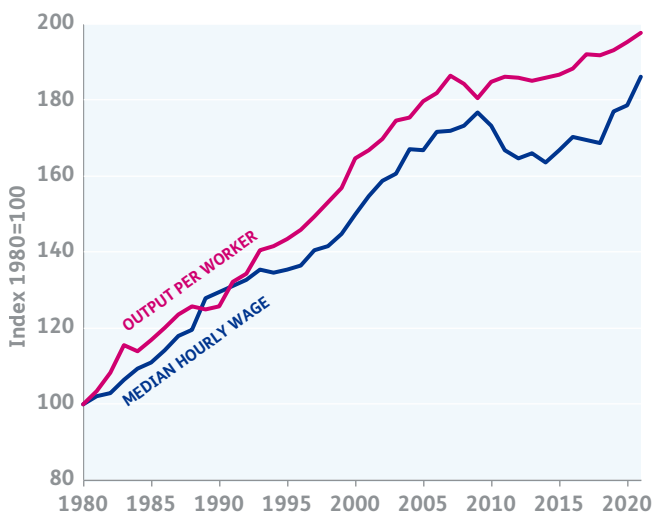


Source: Factset

With productivity being key to earnings growth

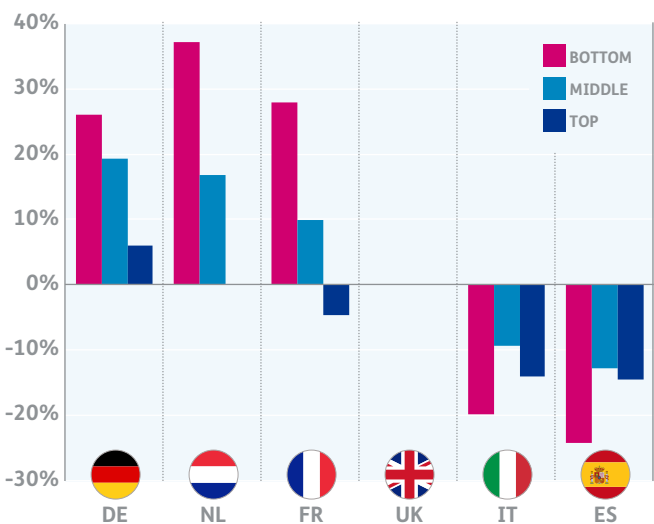
Poor productivity growth has acted as a drag on real incomes. The bottom decile of UK households are now 20-40% poorer than their counterparts in Germany, Netherlands and France; countries seen until recently as peers.

UK output per worker and median hourly pay 1980-2021



Source: Resolution Foundation

Household income distribution relative to the UK at the 10th, 50th and 90th percentile, 2018



Source: Eurostat

Crisis point: tax revenue growth outweighed by funding needs

As productivity underperforms, economic growth and tax revenue are stressed by spending priorities such as welfare, net zero and defence. The UK's growing elderly demographic adds to the stress on spending due to the strain it places on public services. Without a review of tax brackets or a boost in productivity, this imbalance will persist.



LEVER 01:

Increasing capital investment and automation



KEY FEATURES

LEVER TYPE:
CAPITAL & AUTOMATION

ESTIMATED IMPACT:
1% GROWTH IN PRODUCTIVITY

Factsheet: Introducing the problem

PROBLEM:



Despite having some of the highest returns on investment in the G7, the UK suffers from low capital intensity relative to our G7 peers. Capital is one of the core inputs in addition to labour and land into the production function of any economy.

As a result, the UK economy is far more labour-intensive, using more labour inputs to achieve the same level of output as its peers which have more capital-intensive economies, for example, the US, Germany and France. The output gains are therefore shared across more labour inputs, resulting in lower productivity and lower wages.

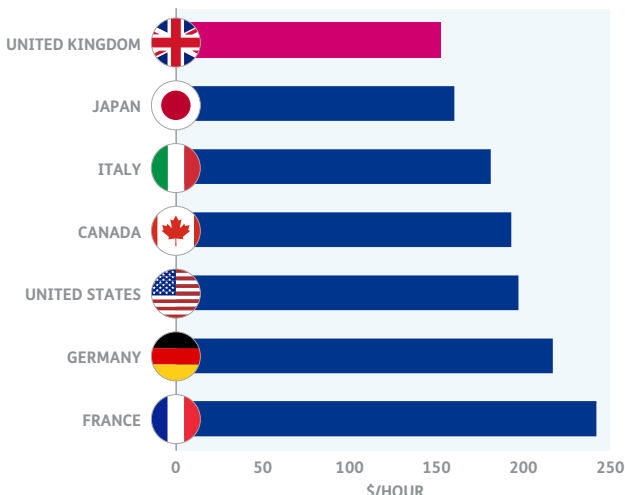
Source: Our World in Data, IFR

ECONOMIC POTENTIAL:



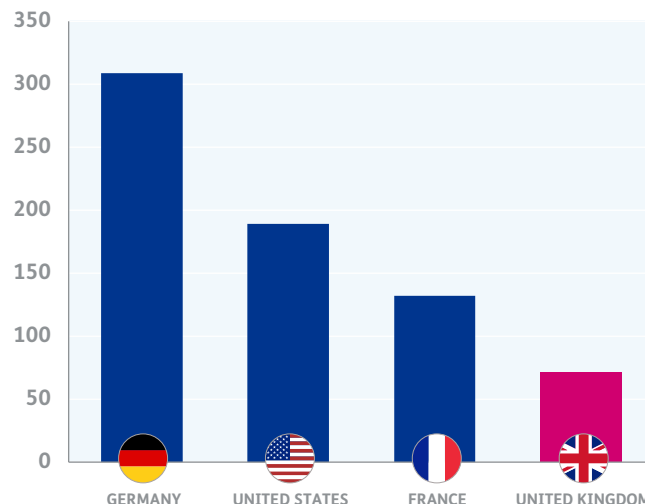
Key to enhancing labour productivity is to increase the level of capital stock in the economy through higher levels of capital investment. By achieving the same level of capital intensity as the G7 average, we estimate labour productivity could increase by 1%.

Capital intensity across UK and G7 countries



Source: Our World In Data

Installed industrial robots per 10k employees in manufacturing



Source: IFR



Aggregate rate of return on investment 1995-2019





The Challenge To Growth

SUPPORTING EVIDENCE



Labour Intensive Production

The UK's low capital intensity has led to high labour-intensive production, giving rise to low productivity jobs, and resulting in stagnant pay growth. Even in highly mechanised sectors such as manufacturing, the use of capital automation, e.g. industrial robots, is low at 34% relative to its peers (avg. US, DE, FR). This is reinforced by the recent trend of high amounts of low-skilled migration into the UK, potentially reducing incentives for capital investment. There are large groups of workers not born in the UK entering elementary jobs (31.2%) and care home jobs (25.3%), inherently requiring lower levels of automation. Despite reforms to attract talent via the High Potential Individual visa, this formed less than 2% of visas issued in 2023.

Lack of Long Term Government Strategy

Despite high returns on investment relative to G7 peers, at c.20%, investment as a share of GDP has been at the lowest of the G7, suggesting attracting and encouraging investment is a key challenge. Indeed, the introduction of full expensing of capital investment in the Spring Budget 2023 is expected to increase commercial returns further. The lack of investment despite high returns cannot be solely attributed to the political instability of recent years given the UK's investment drought pre-dates Brexit. Instead, the UK has routinely struggled to develop a clear and depoliticised strategic vision for the economy or an industrial strategy. Rightfully fearful of "picking winners" the UK has not nurtured sectors of strategic interest, through regulatory support, tax incentives and public investment. Infrastructure projects have been met with a challenging approvals process

which has pushed up costs. This is an opportunity given the private sector capital which could be committed to necessary infrastructure projects.

SOLUTIONS



More active shareholder ownership

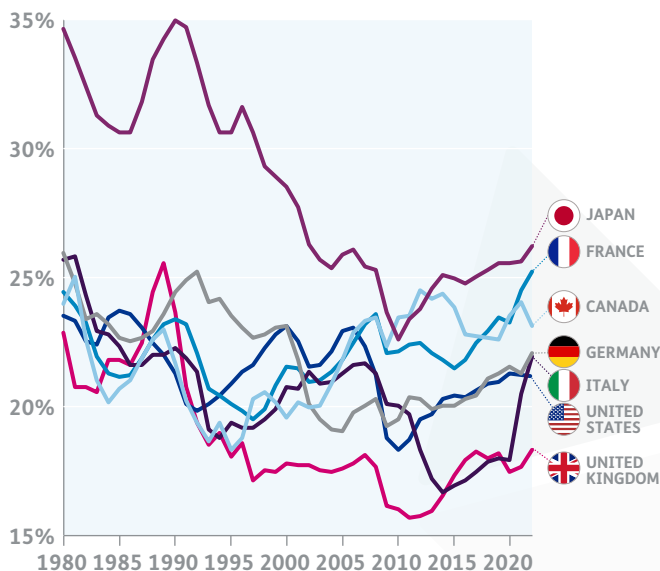
With just 17% of listed UK firms having a controlling shareholder, as defined by the Shapley-Shubik power index, the UK has low controlling ownership relative to its G7 peers. This in part is due to the fragmented nature of the UK pension industry. Defined Contribution pension schemes are more fragmented than older Defined Benefit schemes, with over 27,000 schemes, and tend to hold UK assets passively through pooled investments as opposed to directly. This results in small and insignificant ownership stakes leaving firms without ownership pressure. Active consolidation of the DC funds should be encouraged by supporting multi-employer DC pension trusts.

Depoliticised Government Strategy

Reducing political discretion on long-term public investment such as independently awarded infrastructure concessions would help create certainty in public works and ultimately reduce costs. Additionally, deploying increased AI and technology capital in public sector bodies could help stimulate private sector adoption, stimulating investment in the sector. Bipartisan/Independent commissions should seek to define the UK's economic plan for 2040, with recommendations for supporting strategic sectors.

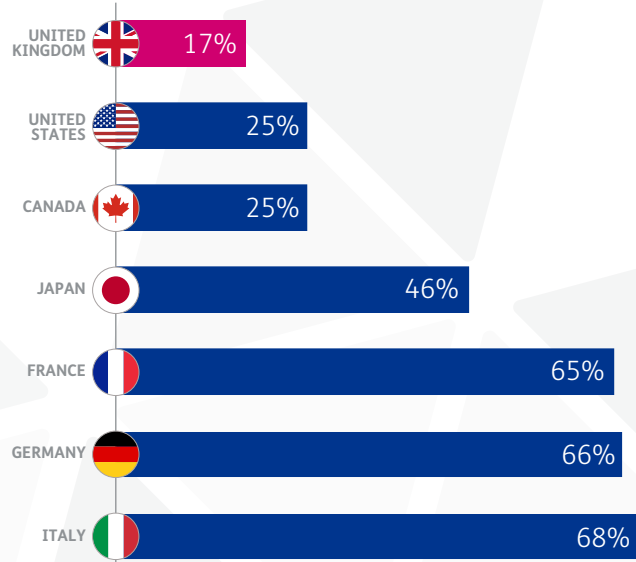
Source: NBER, UK GOV, IFG, Artemis

Total investment as a share of GDP G7 1980-2022



Source: Institute for Government

Shareholder ownership by country G7



Source: Journal of Finance

LEVER 02:

Increasing technology and knowhow diffusion



KEY FEATURES

LEVER TYPE:
TECHNOLOGY DIFFUSION

ESTIMATED IMPACT:
6% GROWTH IN PRODUCTIVITY

Factsheet: Introducing the problem

PROBLEM:



The UK has a long tail of under-performing firms with the gap between the most and least productive firms (productivity dispersion) being notably long when compared to peers (see RHS graph).

This results in substantial amounts of the UK labour market working for low productivity firms, dragging down the UK's overall productivity statistics and limiting potential wage increases for those employees.

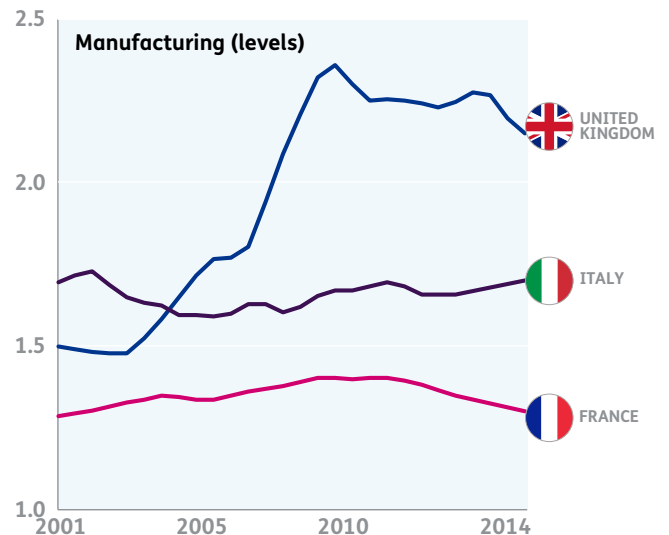
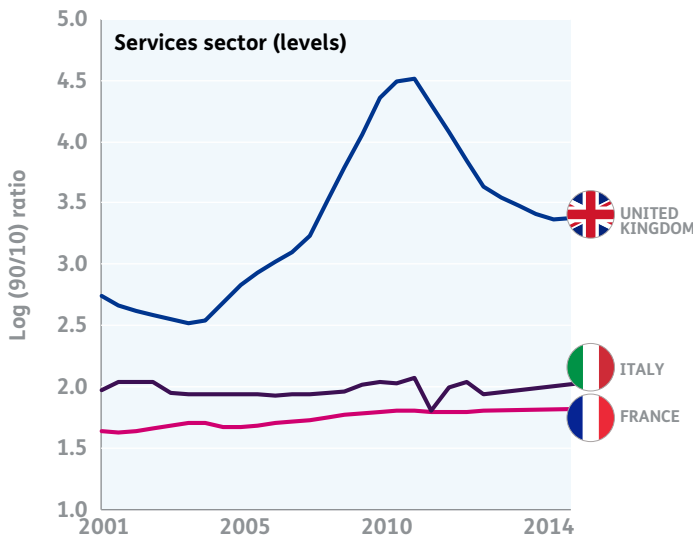
ECONOMIC POTENTIAL:



Through establishing knowledge diffusion networks, the productivity gap between firms can be closed. Additionally, increased community funding to facilitate the emergence of innovation districts can promote the spread of skills away from existing high-income hubs, thus increasing productivity across the UK.

By reducing the productivity dispersion in services to the European average, the UK could increase labour productivity by 6%.

Firm-level productivity dispersion UK, FR, IT





The challenge to growth

SUPPORTING EVIDENCE



Poor Diffusion of Technology Transfer

Part of the gap between productivity leaders and laggards is the poor rate of technology and knowhow diffusion in the UK. Even when UK firms have leading technologies to compete with the best of global firms, these technologies are rarely widely adopted in the economy. Instead, they remain the preserve of leading firms. Whilst the UK was 9th in the world for innovation it was just 31st for ICT adoption, well behind peers.

Knowledge & Management Transfer

Low levels of employee transfer between leading and lagging firms limit the knowledge transfer between the best and worst performing firms. Employees from high-performing firms are most likely to move to other high performing firms, creating a closed loop of the most productive techniques and management practices.

around 6000 firms each year. The UK equivalent, Catapult Centres has a budget of just 0.01% of GDP and works with just 600 firms a year.

Germany additionally uses a Steinbeis system for which there is no British equivalent; this is a series of guilds and professional networks that generate professional accreditations and disseminate experience and knowhow to partner firms across the network. 1000 Steinbeis enterprises are in operation across Germany. To increase diffusion, the UK should establish and adequately fund similar networks to generate standards, skills programs and share best practice. They could further devise industry accreditations such as apprentice training and be a home for knowledge dissemination as well as professional networking.

Urban design reform to support innovation clusters

The rise of innovation districts like the Cleveland health-tech corridor makes use of the local university talent and health infrastructure to drive growth and investment in this sector. Based on \$10mn seed funding made available by the American Rescue Plan Act, the Cleveland Foundation is promoting inclusive growth via the training of residents. This hopes to attract sustained investment due to the proximity of the corridor to low-income neighbourhoods. At present, the UK's innovation is concentrated in London and South-East England. To promote innovation districts in cities with broad socio-economic disparity, similar funding could be made available so as to incentivise technology diffusion both between cities but also within them.

SOLUTIONS

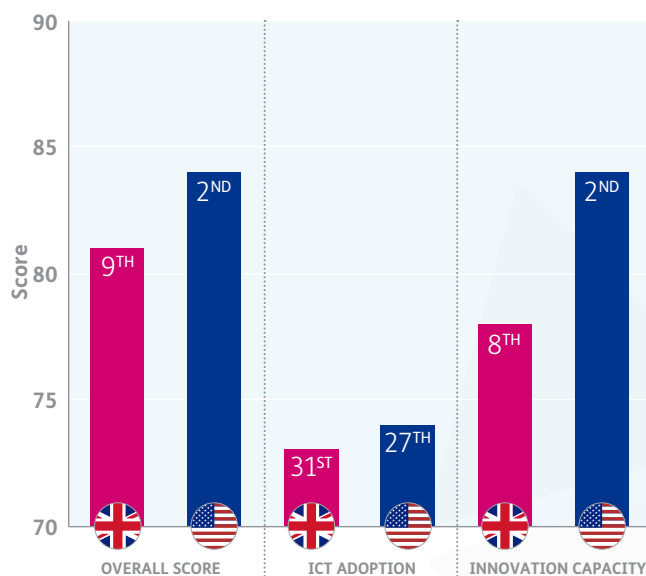


Diffusion networks between upper and lower tier firms

Germany has strong industry support networks which support the diffusion of technical expertise across similar sectors such as German Fraunhofer institutes which have a budget of 0.1% of German GDP, employ 25000 and help

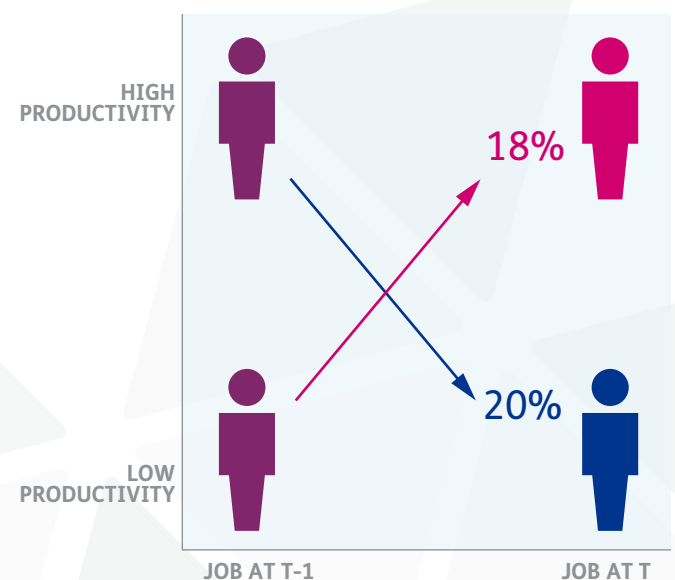
Source: ONS, Global Competitiveness Index, Bank of England, Brookings

UK vs US competitiveness ICT and innovation – Global Ranking



Source: Global Competitiveness Index

Mobility between high and low productivity jobs by labour force size



Source: ONS

LEVER 03:

Increasing labour market size of UK's second cities



KEY FEATURES

LEVER TYPE:
TRANSPORT NETWORKS

ESTIMATED IMPACT:
UP TO £140BN ADDITIONAL GVA

Factsheet: Introducing the problem

PROBLEM:



The UK's second-tier cities underperform relative to their French and German counterparts with a large gap between their lead cities. This creates a long tail in the GVA gap between London and the UK's tier-2 cities.

Part of tier 2 city's underperformance can be attributed to the commutable population being far smaller than the overall metropolitan area would suggest e.g. 20% of Manchester's population is within 30 minutes of its urban centre, however, in Munich with a similar population, 73% of their population is within 30minutes of its urban centre.

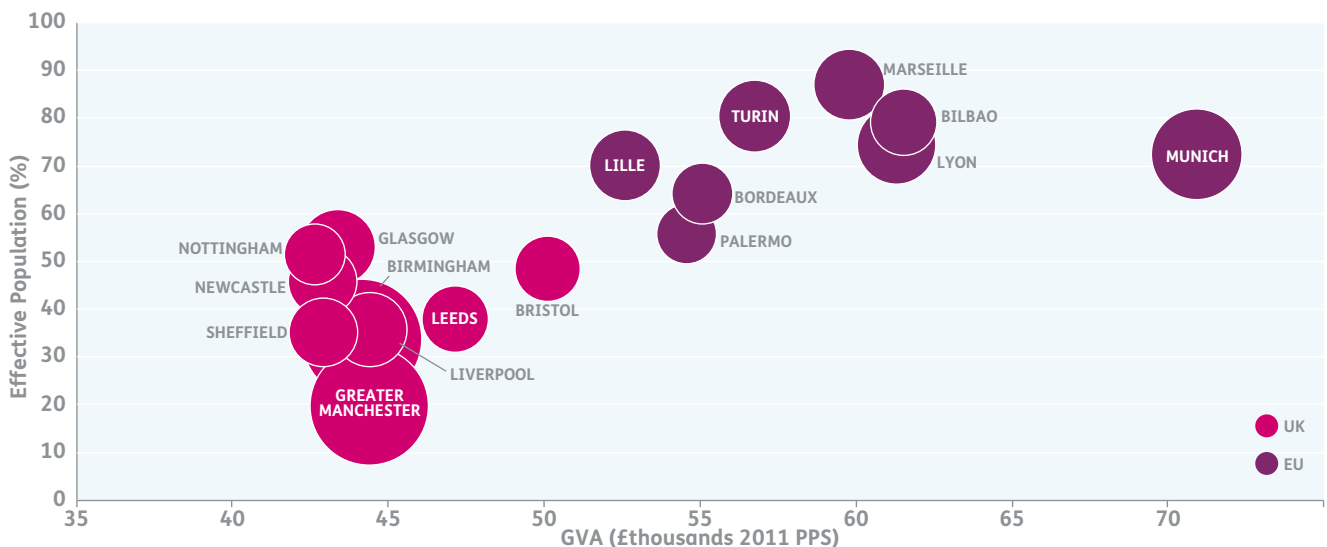
ECONOMIC POTENTIAL:



Through allocating increased investment to intra-city public transport as opposed to the current focus of inter-city linkages, people would benefit from increased access to local economic hubs and education facilities. This could help reduce the £16bn loss in productivity experienced every year in northern UK tier 2 cities resulting from a combination of longer commute times and inaccessibility to economic centres. By increasing Manchester's commutable labour market to the same proportion as the European average (major cities excl. capitals, 73%), their annual GVA would rise by up to an additional £32bn.

Increasing the UK's tier 2 effective population to the European average could annually increase the total GVA of the UK cities analysed by £140bn.

Effective population within 30 minute commute via public transport to the city centre UK vs DE, FR



Source; Centre for cities



The challenge to growth

SUPPORTING EVIDENCE



Tier 2 Cities Labour Markets Are Smaller than population size

London has received a disproportionate amount of transport investment per capita relative to other regions and tier 2 cities in the UK. Where finance has been made available, this has focused on linking large cities to one another or the capital. This foregoes the discussion on the needed intra-city funding required to better connect existing labour markets to business hubs within cities. As a consequence, our tier 2 cities' labour markets are underweight relative to their population size e.g. effective size of Leeds is 39% whilst in Marseille it is 78% despite both having similar populations. This in part stems from low population density in the UK, as preference for 2-storey dwellings creates a sparser

population. This undermines the economic return of public transport. The majority of new housing developments take place in low density regions as 47% of neighbourhoods near a station build only 1 or fewer additional homes per year.

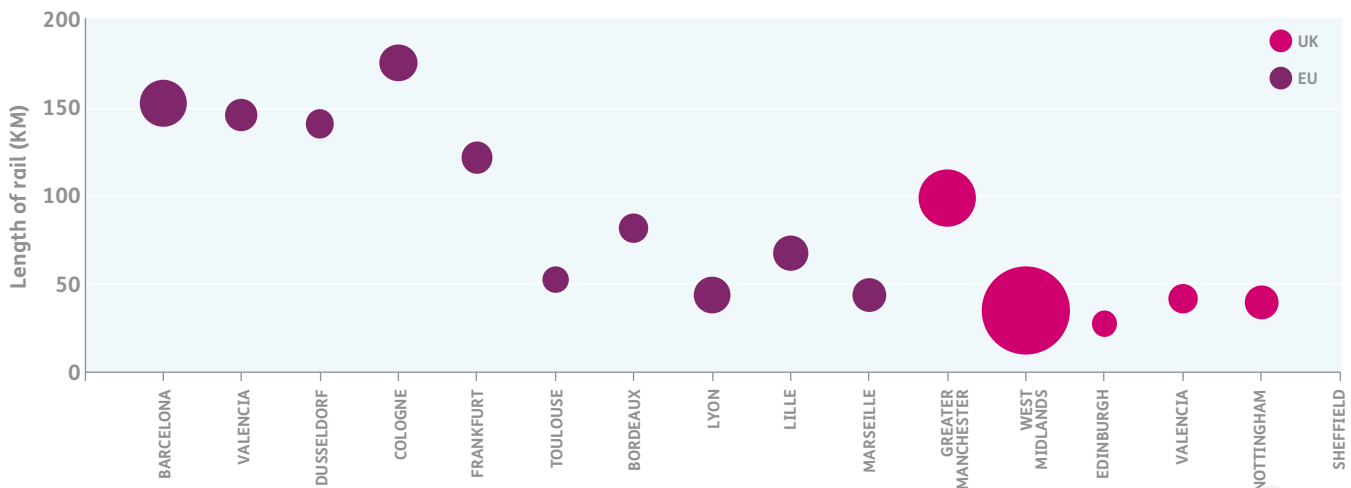
SOLUTIONS



Increased investment in Light Rail & Urban Transport

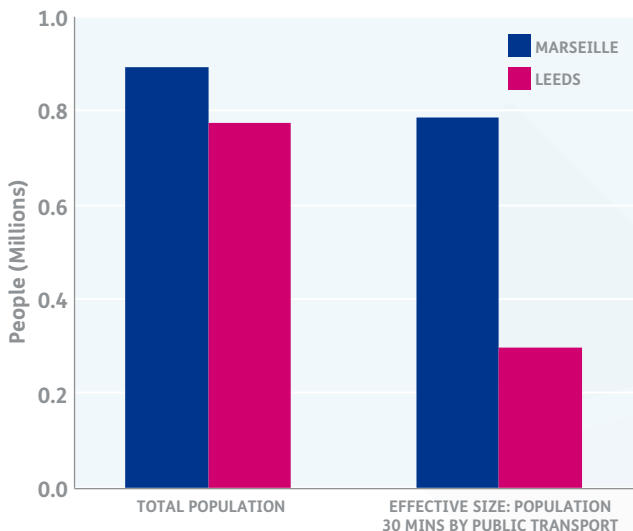
By increasing capital spending on urban and light rail transport in tier 2 cities, access to higher paying jobs can grow significantly. In doing so, increasing the size of their effective population drives investment attractiveness, productivity and GVA output in the UK's economic hubs outside of London.

Length of rail track vs population, UK, DE, FR, ES



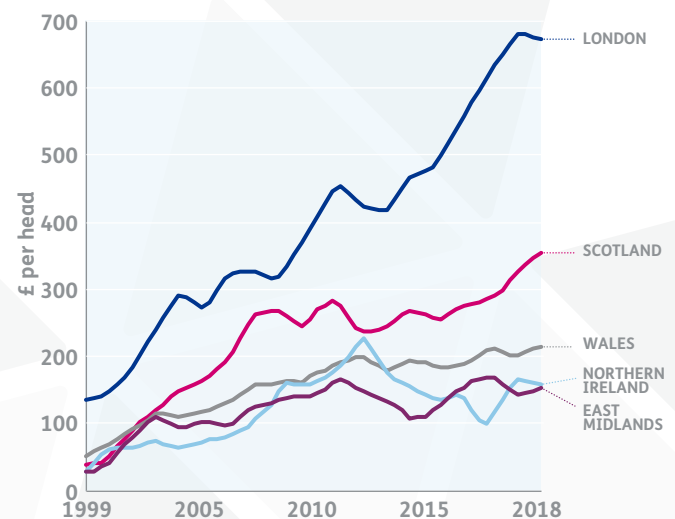
Source: Urbanrail.net

Effective population Marseille vs Leeds



Source: Centre For Cities

Capital spending on transport per capita 1999-2018



Source: HM Treasury

LEVER 04:

Building affordable housing near high paid jobs



KEY FEATURES

LEVER TYPE:
AFFORDABLE HOUSING

ESTIMATED IMPACT:
MAINTAINED REAL HOUSE PRICES

Factsheet: Introducing the problem

PROBLEM:



Housing affordability has reached unprecedented lows due to insufficient house building to meet a rapidly rising population e.g. despite population growth of 3.13mn between 2000-2010, only 1.8mn housing completions occurred in that period.

During the period between 1965 and 1990, house prices were flat in real terms. This coincided with a period where new completions exceeded population growth by c.200,000. Price growth of £4431 per year from 1990 till 2014 has coincided with population growth exceeding completions by 122,000 people a year.

Source: ONS, DLUHC

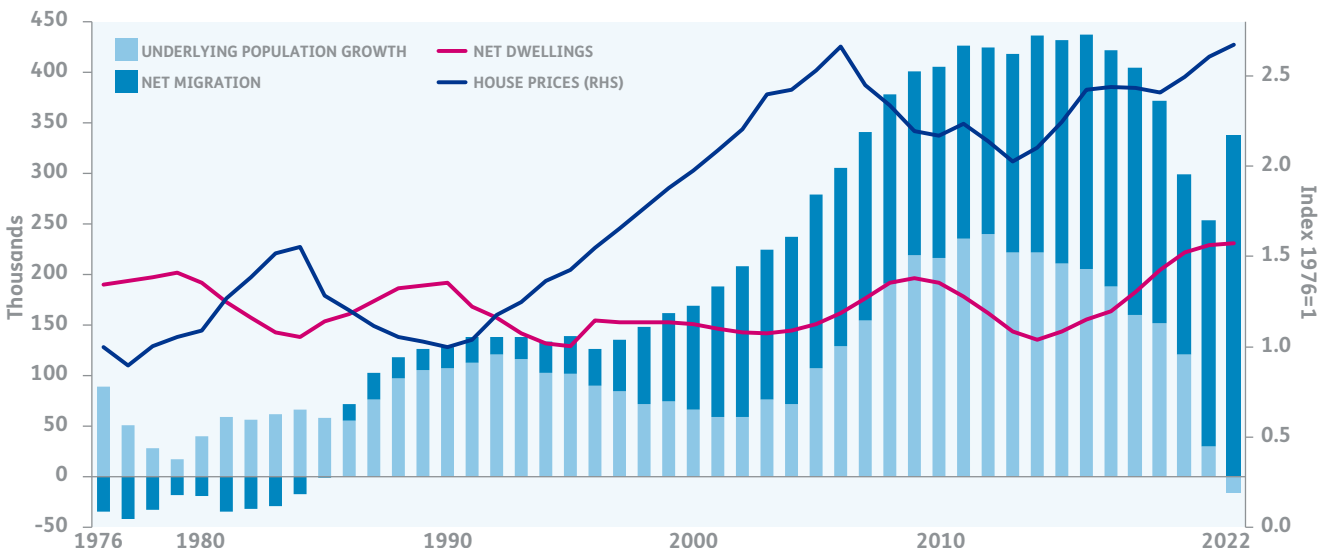
ECONOMIC POTENTIAL:



The UK needs to raise its housebuilding completion to c.500,000 a year in order to keep housing costs flat with the assumption of 300,000 net population growth. This is 200,000 above the government's existing target which has been consistently missed. As a consequence, a far more ambitious housing completion programme needs to be initiated.

The economic value of reducing the upward pressure on housing costs is material. Housing costs as a proportion of income in the UK are some of the highest in the OECD. Stabilising housing costs would increase consumable income, labour mobility and the UK's competitiveness through lower costs of living for UK workers.

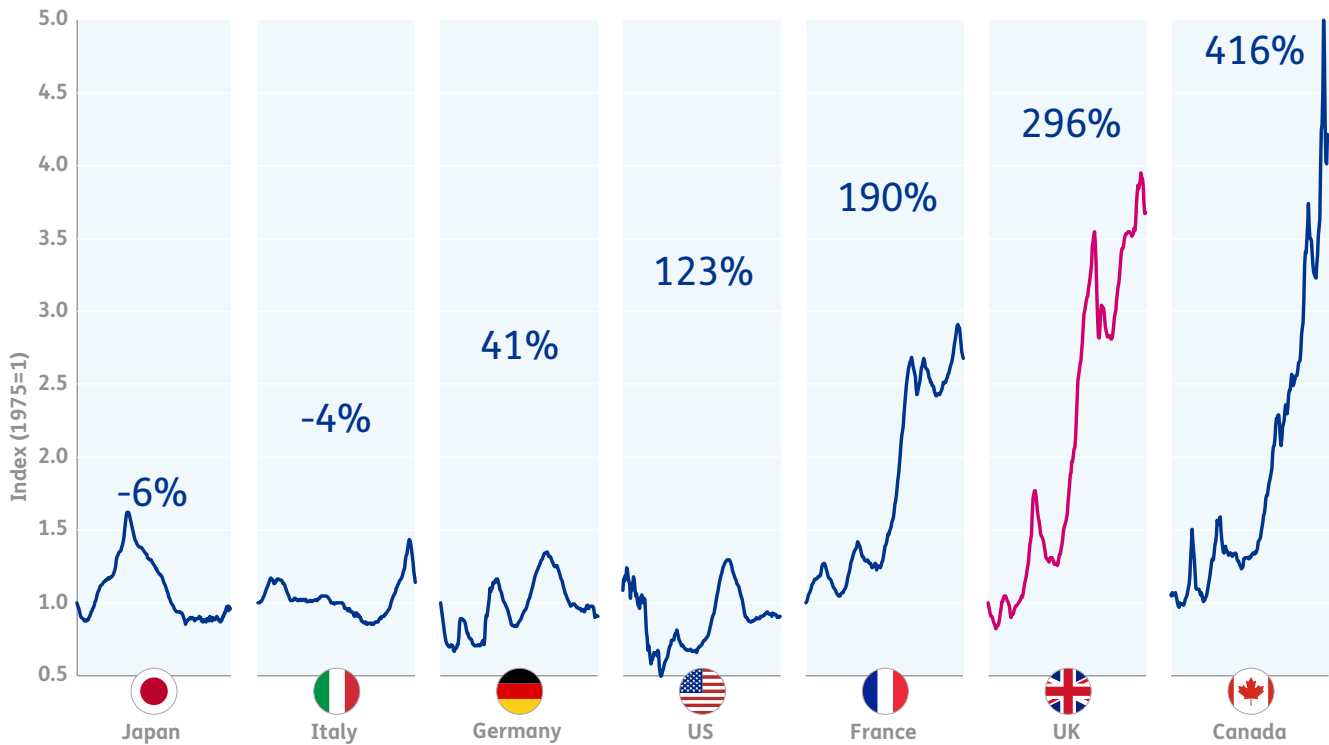
Change in UK housing stock growth, real prices and population growth 1976-2022



Source: ONS



Change in real house prices G7 countries 1975-2023



Source: Federal Reserve Bank of Dallas

Change in real house prices – UK

YEAR	HOUSING AFFORDABILITY RATIO	RELATION TO THRESHOLD (5)
1997	3.54	BELOW
2000	4.19	BELOW
2010	6.85	ABOVE
2015	7.52	ABOVE
2020	7.86	ABOVE
2023	8.26	SIGNIFICANTLY ABOVE



The UK's significant increase in real house prices of c. 296% between 1975-2023, the second highest in the G7, has led to the housing affordability ratio exceeding the threshold of 5. The ratio, calculated as house prices divided by annual earnings, saw a sharp uptick from 2002 onwards where it has since exceeded the threshold and currently sits at 8.26. The ratio is particularly high for new dwellings and low-income earners.

Source: ONS



The challenge to growth

SUPPORTING EVIDENCE



Housing Costs

The significant rise in the UK's house prices has resulted in a high housing cost overburden rate (see note below chart) which formed 20% of the population in 2020 and is forecasted to rise to 24% by 2030. This compares to France and Germany seeing the opposite trend where housing affordability has dramatically reduced and is projected to fall to 3% and 5% respectively by 2030. This in part is driven by the UK's relatively low population density compared to Europe, with c.82% of UK square km of land being home to 10,000-15,000 inhabitants, whilst in Spain this population size forms only 45% of its square km of land.

SOLUTIONS



Re-defining the Greenbelt

Review green-belt land restrictions to continue to protect legitimate green-belt land but allow some parts to become brownfield (e.g. car parks). Research* has shown that c.41% of land on green-belt zone in London isn't actually green and tends to be former industrial sites. Redesignating a portion of this land for development could free up space for a projected 74,000 homes per year over a 15-year period.

Source: Eurostat, Home Builders Federation, Centre for London
*Douglas and King Architects

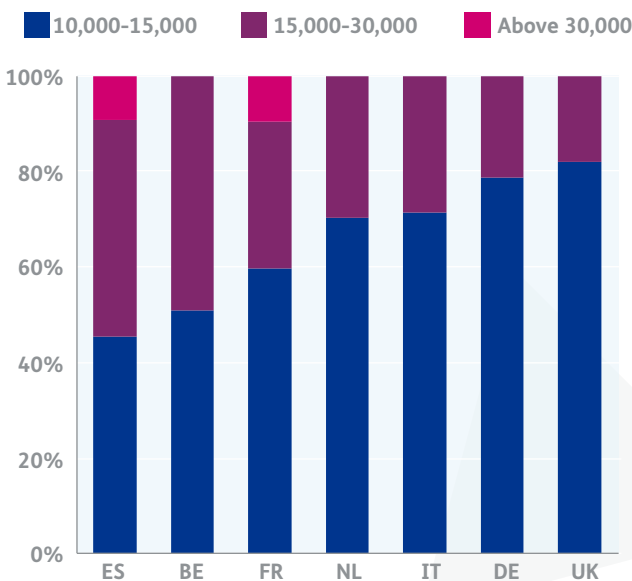
Increase City Density

Designating more land for development is unlikely to be sufficient to manage the UK's housing needs without also increasing land efficiency. UK Cities and urban areas are some of the least dense metropolitan areas in Europe. Post War demolition of dense housing through slum clearance and regeneration generated large city suburbs of semi-detached 2 story housing. This uses land very inefficiently as opposed to European apartment blocs of c.6-8 stories typical in Barcelona, Paris, Lisbon and Vienna from the 18th Century. London's policy of clustering high rise residential blocks of 20+ stories increases density but is not appropriate for all urban areas. Instead, a policy of encouraging medium 4-6 story housing, as seen in Europe, such as in the new development town of Poundbury could increase density whilst being sympathetic to the character of the large towns and cities.

Streamline approvals

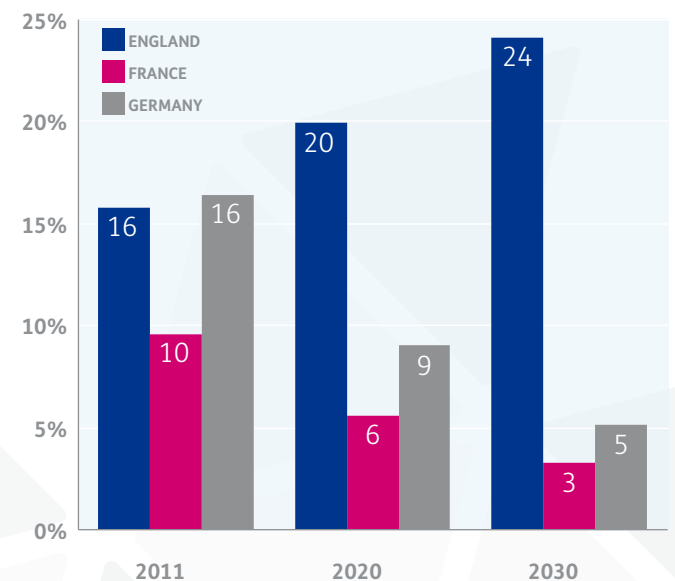
Remove permitting barriers for new developments through mandatory town plans and designated development areas. Adherence to the prescriptions of town plans should come with 'assumed approvals' for developers who seek permission to build those designated plans to the Councils stipulations.

Square Km units of land by population



Source: Eurostat

Housing cost overburden rate



*Overburden rate refers to the % of a population living in households where the total housing costs represent more than 40% of disposable income

Source: Home Builders Federation

LEVER 05:

Maximising Trade Openness Post Brexit



KEY FEATURES

LEVER TYPE:
EXPORTS

ESTIMATED IMPACT:
0.2-0.6% GDP GROWTH

Factsheet: Introducing the problem

PROBLEM:



UK goods trade since Brexit has consistently underperformed, with a material worsening of the balance of trade in goods. Goods trade remains 8% below pre-Brexit levels (2015). Between 2015-22, the car manufacturing industry for example has 0.6 million fewer vehicles in the way of exports and 0.2 million less for domestic consumption.

Excluding a comprehensive renegotiation of the UK-EU TCA to reduce trade frictions through product standard recognition or rules of origin regulation, a boost to UK goods exports is unlikely. This is because the cost of exports of goods increases with distance, therefore reducing market penetration in distant regions e.g. with a strong gravity based component.

Brexit has additionally reduced economic output through its contributions to the acute labour shortage, as seen by the direct contraction in the workforce of 1% (330,000).

Source: ONS, SMMT, Australia government department of foreign affairs and trade, UK GOV

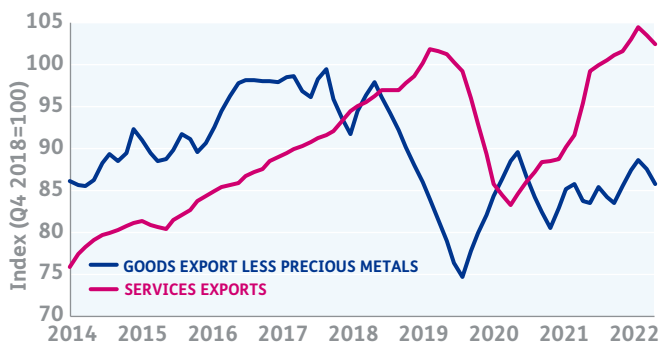
ECONOMIC POTENTIAL:



Instead, the UK should focus on its competitive strengths and where proximity is less of a driver of trade, its services exports. This comes as demand for services increases in emerging markets such as India.

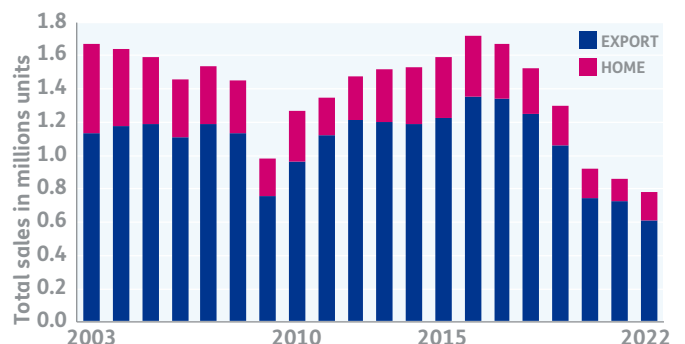
By creating bilateral trade agreements, similar to the Free Trade Agreement with Australia, the UK has the potential to increase trade by an estimated 53% by 2035. This will contribute to a GVA increase of £874m and £1148m in goods and services respectively.

UK Exports



Source: ONS

UK Car Production



Source: SMMT



The challenge to growth

SUPPORTING EVIDENCE



Goods Trade Fallen

UK goods exports have fallen by 6% between 2015-22, contrasted by a 26% rise in service over the same period. This stems from the UK losing export share when goods trade became more intra-EU during the pandemic due to the trade barriers incurred by Brexit. High value manufacturing goods exports such as chemical exports saw a material contraction of 15% compared to 2018.

migration between partner countries. Consequently, British professionals could better export their services internationally, which is particularly beneficial for accountants, lawyers, and doctors. The signing of the TCA with the EU removed this mutual agreement; however, the UK recently adopted this policy with Norway, Iceland and Liechtenstein.

SOLUTIONS



UK-EU Veterinary Agreement

Introducing an agreement would remove more than 80% of SPS Checks from GB to EU, hence reducing non-tariff barrier costs that account for c.£3bn of total additional sales (according to the Chartered Institute of Environmental Health).

Visa Agreements

Create visa agreements to encourage migration and facilitate economic growth by strengthening intra-company visas for staff transfers, business travel visa extensions, and youth working visas, for economically similar countries. By encouraging visa agreements with EU countries, the UK could increase GDP by 0.4% through the inflow of European workers. Also, the migration of UK professionals allows British firms to better deliver services abroad, supporting international exportation, as exemplified by the UK-Australia Free Trade Agreement which facilitates intra-company transfers.

Mutual Recognition of Professional Qualifications

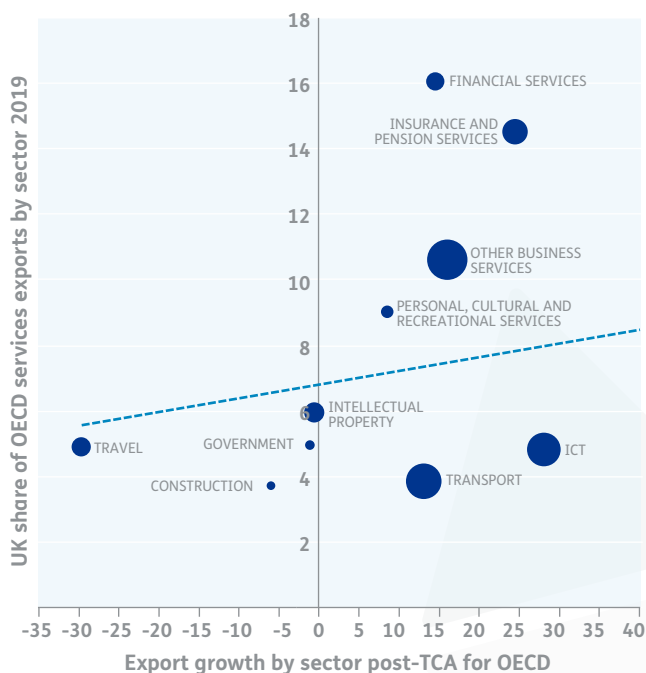
Mutual recognition of qualified professionals allows people to enter and work in the UK, as well as encouraging UK professionals to work abroad without significant retraining, incentivising long term migration and decreasing barriers to

Financial Service Mutual Regulation Agreements

Allow predefined financial services to operate under their home country's regulation while operating in the partner country, therefore reducing trade barriers and facilitating market expansion. This will address the fact that the market share of financial and insurance services is down 0.8% since the Brexit agreement was signed. An example of this is the UK-Swiss Berne Financial Services Agreement.

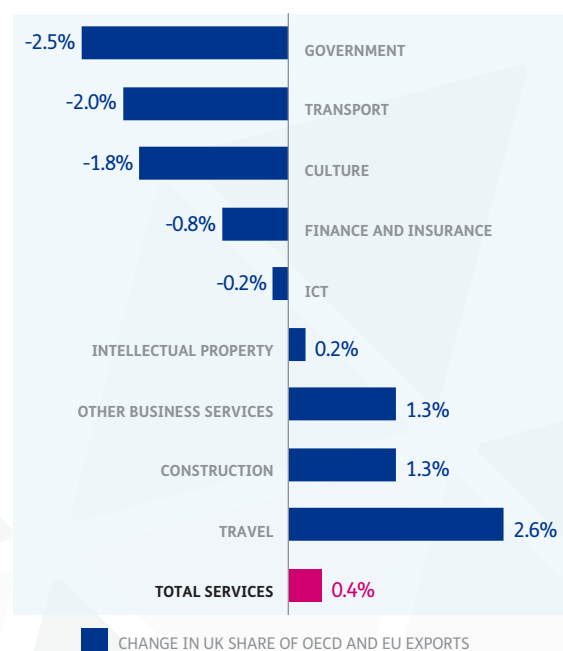
Source: OECD, House of Commons Library

Change in OECD services exports 2019-22



Source: OECD

Change in EU and OECD market share 2019-22



Source: OECD

If you're interested in hearing more,
please contact one of our experts:



NICK FORREST
Partner
Baringa

nick.forrest@baringa.com



SARAH ASHLEY
Partner
Baringa

sarah.ashley@baringa.com



CASPIAN CONRAN
Lead Economist
Baringa

caspian.conran@baringa.com



NIKHITA SWARNKAR
Economist
Baringa

nikhita.swarnkar@baringa.com



SOPHIE COOKE
Government and public sector
Baringa

sophie.cooke@baringa.com

Find out more:

www.baringa.com

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