

# Press Release

# ZEW

Zentrum für Europäische  
Wirtschaftsforschung GmbH  
Centre for European  
Economic Research

For press enquiries please contact:

Gunter Grittmann  
Phone +49 (0)621/1235-132, Fax -255  
E-mail [grittmann@zew.de](mailto:grittmann@zew.de)

Felix Kretz  
Phone +49 (0)621/1235-103, Fax -255  
E-mail [kretz@zew.de](mailto:kretz@zew.de)

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ZEW Survey among Financial Market Experts

## **UK's Status in the EU Remains Uncertain Even if the Brexit Campaign Succeeds – City of London Would Be the Major Loser**

Even if the Brexit referendum result is for leave, the UK's status in the EU would remain uncertain, as there is still a real chance of about 40 per cent that this decision may be revised afterwards. These are the findings of a current study conducted by the Mannheim Centre for European Economic Research (ZEW) among 200 financial analysts.

On average, the experts estimate that there is a 58.5 per cent probability of a "Leave" vote to actually result in a Brexit. In addition, the majority of experts expect the UK to remain in the European Single Market in case the referendum votes in favour of a Brexit. On average, the likelihood of the UK to exit the Single Market is only about one third, according to the survey. "The UK would face years of fundamental uncertainty regarding its future in Europe if the referendum result is for leave,"

warns Professor Friedrich Heinemann, head of the ZEW “Public Finance” Research Department, in view of the survey results.

There is a real chance of anti-Europe campaigners to succeed in the UK referendum according to the ZEW survey. The experts estimate that the probability for a Brexit majority is, on average, 44.1 per cent. The development of responses over time shows no significant trend reversal after the murder of Labour MP Jo Cox. To the contrary, the probability of a success of the Brexit campaign was even estimated slightly higher after the fatal assault: on average, 45.3 per cent of responses expected a majority to vote “Leave”, compared to 42.7 before the attack.

While the status of the UK in the EU would likely remain vague for a long time even after a victory of the Brexit campaign on June 23, the imminent economic consequences would be quite clear. The British economy, which has outperformed the economy of the eurozone in the past two years, would immediately face the danger of a recession: If Brexit comes, the survey participants expect the probability of a recession in the UK in the coming twelve months to increase by 44.9 percentage points. “Economic pessimism related to Brexit is fed by the expectation that domestic and foreign investors will largely put investment plans in the UK on hold,” says Friedrich Heinemann.

Experts are much more relaxed when it comes to the economic consequences of an anti-EU majority in the UK

for Germany and the entire eurozone. For both economic regions, the survey participants forecast the danger of a recession to grow only marginally.

For all uncertainty associated with the consequences of a “Leave” vote, there is no doubt about one loser should Brexit come: the City of London as a financial centre. 90.3 per cent of survey participants expect a negative or even very negative outcome for London.

**For further information please contact:**

Professor Friedrich Heinemann, Phone +49(0)621 1235 149, E-mail [heinemann@zew.de](mailto:heinemann@zew.de)

**The Mannheim Centre for European Economic Research (ZEW)**

ZEW is one of Germany’s leading economic research institutes and enjoys a strong reputation throughout Europe. The institute works in the field of frontier empirical research in economics and maintains important scientific data bases, e.g. the Mannheim Innovation Panel (MIP) and the ZEW Start-up Panel. ZEW is integrated into an extensive international network of universities and research institutions. ZEW’s key objectives are to conduct excellent economic research, provide science-based economic policy advice and transfer knowledge. ZEW was founded in 1991 and employs a staff of approximately 190, two thirds of whom are researchers.

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