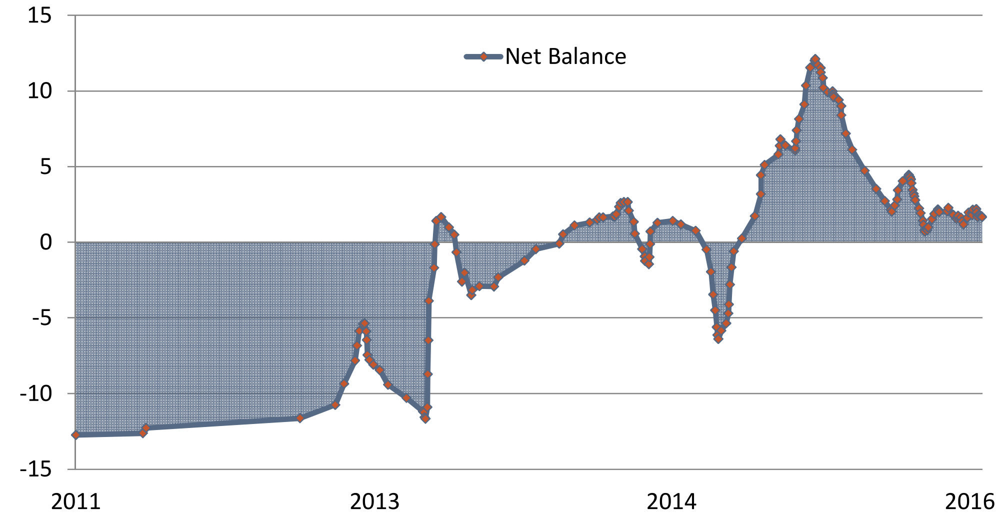
BERENBERG
PARTNERSHIP SINCE 1590

The day after Brexit: what would happen next?

- Who says history does not repeat itself? **On 23 June the UK will hold its second in or out European referendum.** Back in 1975, two thirds off the 26m who cast their votes were in favour of staying in the then European Economic Community (EEC).
- This time around, UK voters will choose between leaving the EU or staying in under new membership terms negotiated by UK Prime Minister David Cameron. Polls so far indicate a much closer split than in 1975. Will history repeat itself? **We see a 35% risk that the UK votes out.**
- **This report discusses the possible consequences of a Brexit.** We begin with our base-case economic predictions in the event of a vote to leave, plus bull and bear scenarios. Then, in a Q&A format, we look at possible further consequences for the UK if it leaves the EU.

Chart 1: EU referendum opinion polls – net balance



Poll asked: "If there was a referendum on Britain's membership of the European Union, how would you vote?". 7 survey average sample weighted, data in %. Source: YouGov, Survation, other

Our key calls

- **In the short-run, a vote for Brexit would be a demand-side shock:** A sharp rise in uncertainty would harm business and household confidence, causing investment and spending to decline. Growth slows (recession possible), unemployment rises, the Bank of England (BoE) loosens monetary policy and fiscal deficits rise.
- **Our key tail risk – a sterling crisis:** A loss of confidence by markets leads to a run on sterling. This remains a low-probability event. But we cannot rule it out given the UK's serious twin deficits. It would probably require the BoE to hike, despite weak demand, in order to support the pound, counter inflation and keep capital in the country.
- **In the long run, we are still alive:** Eventually, growth would return to more-normal patterns. But slower population growth, weaker investment and limits on free trade would likely reduce the UK's potential growth rate – the size of this shock would depend on the new trade agreements with the EU and other countries.
- **Boris for Prime Minister:** David Cameron would likely resign as Prime Minister, creating turmoil in the Conservative Party. Boris Johnson would likely win a leadership battle against other prominent "outers" in the Conservative Party. Anti-UK parties in pro-EU Scotland would push for another referendum – with a modest to high chance that a new vote ends in Scotland leaving this time.
- **Norway style?** The UK will likely try to strike a deal for preferential access to the EU market. Of the three most likely options, Norwegian-style membership of the European Economic Association (EEA) would be the least bad. But this might not be on offer. And, even if it were, the UK might have to accept serious concessions that are far worse than those which Mr Cameron's new "in" terms avoid. EEA membership would give the UK autonomy over its external trade policy towards non-European Union countries, which it does not have currently as an EU member. But the UK on its own may lack the clout to strike better deals with Asia and the US than the much bigger EU can.

Kallum Pickering
Senior UK Economist
+44 20 3465 2672
kallum.pickering@berenberg.com

Key macro reports

Understanding Germany – a last golden decade ahead
13 October 2010

Euro crisis: the role of the ECB
29 July 2011

Saving the euro: the case for an ECB yield cap
26 June 2012

Tough love: the true nature of the euro crisis
20 August 2012

Europe 2020: Reaping the rewards of reform
26 November 2013

The lessons of the crisis: what Europe needs
27 June 2014

Greek election: the reality shock ahead
26 January 2015

UK unlikely to leave the EU, despite the local noise
11 September 2015

Global economic performance: influences of China, commodity prices and currencies
29 September 2015

Economic performance around Fed rate increases
6 November 2015

Euro Plus Monitor 2015: more progress, new risks
15 December 2015

Global Outlook 2016: the critical issues
5 January 2016

Political risks in Europe
19 January 2016

14 March 2016

Table of contents

What is the short-term impact of a vote to "leave"?

Central case: probability – medium to high

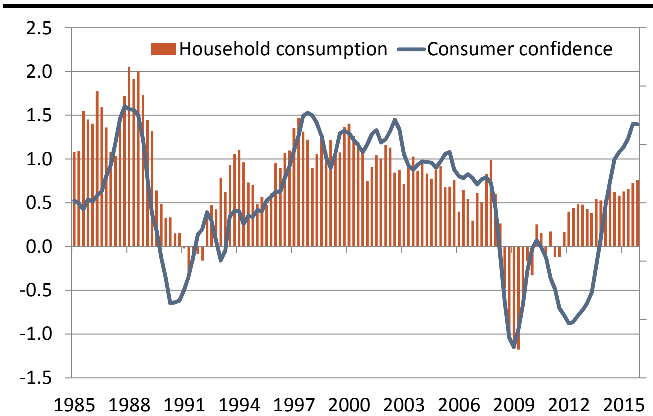
Nobody can put a number on it: For two reasons, it is impossible to model the impact of a Brexit with any precision. First, we lack historical examples. Second, a lot will depend on how policymakers in the UK and, even more so, in the EU react to a UK vote to leave. While it is thus not possible to make precise quantitative estimates, we can state how we expect events to play out broadly, or where the key risks lie.

With this in mind, there are two key dates on the event horizon that we give particular attention to. The first is 23 June, when the UK either votes to remain in or withdraw from the EU. If the UK withdraws, the second key date is when it formally leaves the EU. In this report, when we refer to the short-term, we are discussing the period between the vote and the official exit. The long-term, then, is the period afterwards, when the UK is no longer a member of the EU. As we discuss in the following sections, this interim period between the two dates is expected to last at least two years, and quite possibly longer. During this time, apart from losing a seat at the EU table, it will be business as usual for the UK within the EU until the formal exit, at least in a legal sense. EU rules would still apply. Nevertheless, in our view, the heightened uncertainty during this period will have negative consequences for the UK economy.

Expectations can be self-fulfilling: Apart from the "leave" camp, the rest of the UK, global financial markets, the US and practically everyone in Europe except Russian President Vladimir Putin (no surprises there) have arrived at a common conclusion: a Brexit will have negative consequences for the UK economy in the long-term. This is highly significant; expectations play a crucial role in determining economic outcomes. We think it is very likely that UK economic conditions deteriorate in the short-run – despite no real change to the UK's EU status – because economic participants will begin to act in accordance with their long-term expectations, which will be materially weaker.

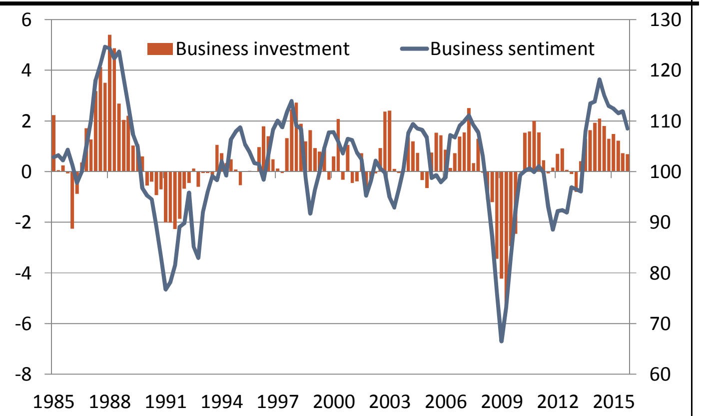
The EU will remain the UK's largest market for many years, even in the event of a Brexit. Indeed, the size of the long-term impact will depend on what terms the UK and EU agree to for future trade and commerce. If the UK and EU agree to some preferential terms to keep barriers and costs of trade very low, this would mitigate what would otherwise be a major negative for both economies. However, agreeing to such terms as the UK is exiting the EU could prove politically challenging, as we discuss in the next section. The likelihood of a negative confidence shock amid heightened uncertainty about future UK-EU relations is high.

Chart 2: Confidence versus consumption



Source: ONS, GfK. Consumption (lhs) qoq %, 4Q MA. Confidence (rhs) 3Q MA

Chart 3: Sentiment versus investment



Source: ONS, Eurostat. Investment (lhs) qoq %, 4Q MA. Sentiment (rhs)

A phantom Brexit in 2010-12: Remember the Greek crisis? Just look how both consumer and business confidence reacted then to the Grexit scare and its repercussions across Europe (see charts). A Brexit would be much worse than a Grexit. In 2012, consumer confidence almost fell to 2008 levels – luckily, household consumption did not follow. Was that a phantom Brexit?

A "leave" vote raises uncertainty and hits confidence: In our central case, we judge the chain of events after 23 June as follows.

1. Uncertainty about future UK-EU relations and a fall in confidence in the UK economic outlook lead to a rise in precautionary saving, weaker household consumption and a decline in business investment (Charts 2 and 3 illustrate the links between economic confidence and consumption and business investment).
2. In credit markets, risk increases and the market is composed of less-willing lenders and borrowers. Liquidity and lending to the real economy contracts – this exacerbates the reduction in domestic demand discussed in point one.
3. Inflation rises in the near-term as a weaker sterling drives up import prices. Thereafter, the inflation outlook is less clear. Weaker demand could put downward pressure on prices. However, as Brexit would lead to lower investment and inward migration, it would reduce supply and could offset, over time, the effect of weaker demand on inflation.
4. Unemployment is likely to rise and, in combination with weaker tax receipts from lower domestic spending, fiscal policy would automatically become more expansionary, causing deficits to rise.
5. Weaker sterling may boost the UK's trade balance and raise demand for the goods produced by export-oriented manufacturers. While this might mitigate some short-term damage, sterling weakness would reflect negative factors: weaker demand for UK assets and a fall in demand by UK consumers for foreign goods and services.
6. The possibility of a severe slowdown in growth or a recession is high. As a result, we anticipate that the BoE would cut the bank rate and/or increase its purchases of assets via its existing quantitative easing (QE) programme shortly after 23 June to bolster confidence, support credit markets and boost nominal demand.
7. Over time, we would expect economic conditions to gradually improve following the initial shock as details of new agreements with the EU and other countries emerge. Furthermore, economic agents will adjust and begin to form a clearer picture of the economic outlook and long-term prospects for the UK.

Bull case: probability – low

1. Households, businesses and financial markets treat Brexit as a modest event as they expect that the UK and EU will fast agree on an amicable divorce with favourable new trade arrangements for the UK. The impact of a Brexit will be only modestly negative.
2. Economic activity is still subdued for the reasons discussed in point one of the previous section. But growth remains positive and only slightly below its trend of around 0.5% qoq. Weaker sterling could provide some upside risk if it boosts the UK trade balance. While unemployment remains low, wage growth may ease somewhat.
3. Because of weaker sterling, inflation rises more quickly than expected but does not materially alter the timing of the BoE's planned path of rate rises.

Bear case: probability – low to medium

1. Uncertainty over the UK outlook reaches a critical mass, causing a sharp rise in capital flight out of the UK immediately after the vote. Investors raise serious questions about the sustainability of the UK's double deficit on the current and fiscal accounts. This starts a sterling crisis.
2. Sterling falls sharply, inflation rises rapidly and the BoE has no choice but to step in with rate hikes. The financial market turmoil exacerbates a fall in domestic demand that is further jarred by rate hikes. This could send the UK into a deep recession (see page 10 for more details).

What is the protocol for leaving the EU?

The official process when a member decides to leave the EU is described in Article 50 of the Treaty on the European Union (TEU). But it is a set of guidelines rather than a strict process as it necessarily has to be flexible enough to accommodate the complexities and difficulties that would likely be faced if a member left. In the case of the UK, therefore, we expect, for example, that the unravelling of decades' worth of highly complex laws, budgetary frameworks, and political, financial and commercial relationships would need more time than is specified in these guidelines. No country, let alone one as large and as integrated as the UK, has ever left the EU before and, in many ways, it is not yet clear how this would take place. Indeed it raises the prospect of potentially many years of uncertainty ahead, probably with some transitory arrangements for the meantime.

Exit negotiations are likely to take at least two years

In the UK, the official process would begin with an Act of Parliament to repeal the 1972 European Communities Act. The decision is the UK's own and would not require the endorsement of the other member states. According to Article 50, the UK and EU would have two years to negotiate the withdrawal. If this process concludes short of two years and both the UK and EU agree, then a formal withdrawal can take place earlier – this is unlikely. After two years, the process ends automatically and the UK withdraws even if an agreement is not yet in place. Extending this period would require unanimous agreement between the UK and all members of the remaining EU-27.

During that time, the UK has no say on EU matters

Unless political relations break down seriously, the UK and EU will most likely come up with some agreement for continued preferential trade access and interaction before the split. It would be bad for both the UK and EU-27 if the exit occurred without some form of transition plan, in addition to newly agreed terms of trade and commerce post-Brexit. We would expect both the UK and the EU to formally extend the horizon as necessary until renegotiations are complete. During the negotiation phase, it would be business as normal for the UK in one particular sense: it would retain all of the legal, commercial, political and financial ties to the EU but it would not participate in EU summits, discussions or meetings, and it would lose the right to vote.

The gradual exit process would be like reverse integration

When negotiations are concluded and the result has been ratified, the UK is released of its EU obligations. However, we expect that the withdrawal would occur over time rather than in a binary way in order to make sure the transition is a smooth process and avoids any unnecessary economic or political turbulence for either the UK or the EU. Most likely, this will occur in much the same way that countries are gradually integrated into the EU – just the opposite way around. Following on from this, two points are noteworthy. First, if the UK wanted to re-join the EU later on, it would be treated as a new applicant. Second, initiating withdrawal negotiations is not a basis to renegotiate EU membership, despite suggestions to the contrary from some prominent anti-EU politicians.

It will be like negotiating a divorce and a new marriage with the same partner at the same time

Post-exit, the EU will remain the UK's biggest market. For obvious geographical reasons it will remain a key economic neighbour ad infinitum. Therefore, the withdrawal agreement would probably also include the negotiations on the post-Brexit UK-EU relationship. We discuss the impact of this in more detail on the next page. With little doubt, turning the UK's political ambition of leaving the EU into a concrete and legal reality is incredibly complex – negotiating new trade agreements at the same time will add an additional level of complexity. As an example, the Comprehensive Economic and Trade Agreement (CETA), a free trade treaty between Canada and the EU, is over seven years in the making.

What will determine the long-term economic impact?

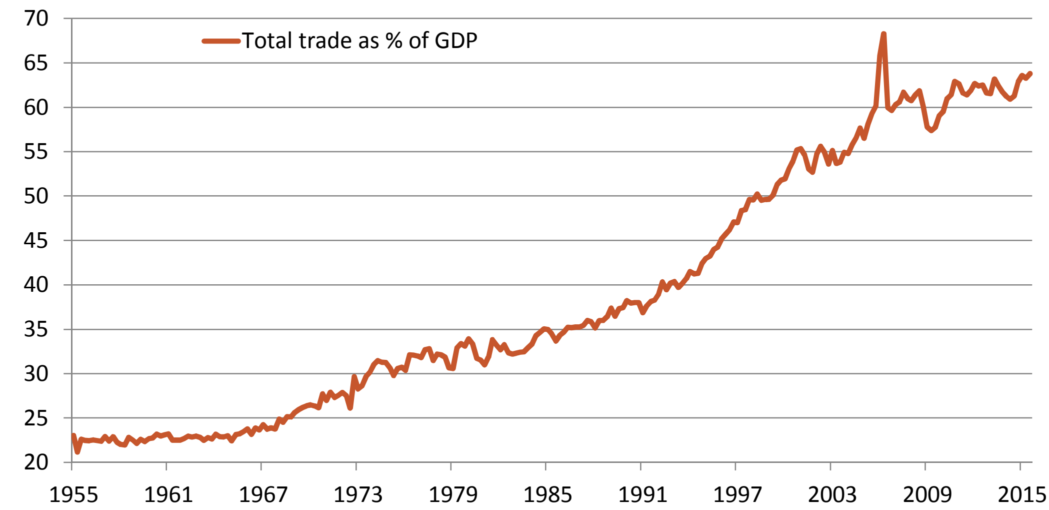
We expect that leaving the EU would reduce the UK's long-term growth rate. The difference might only be a few tenths of a percentage point per year but, over time, even a modest difference becomes sizeable. To illustrate, suppose the UK's average growth rate fell from 2.5% to 2.3%. After 30 years, the UK economy would be 6% smaller than it otherwise would be. That would be the equivalent of an entire year's worth of construction vanishing.

We expect that the most likely direct effects of a Brexit would be as follows: (1) slower population growth; (2) less trade; and (3) lower investment. We do not share the view that, outside the EU, the UK would be able to deregulate enough to materially boost growth.

Smaller population → fewer workers

EU citizens currently account for around half of the UK's net migration. Research from the University of Oxford shows that more than half of the increase in the UK's population growth between 1991 and 2014 was due to the direct effect of net migration. House of Commons research suggests that more than three-quarters of migrants arrive in the UK to either work or study. It is likely, therefore, that if the UK left the EU and subsequently managed to reduce the flow of inward migration – the "leave" camp backs this policy – UK population growth and GDP growth would slow as a result. A more likely post-Brexit border policy scenario, in our view, is that the UK does not manage to stem the flow of migrants by much. Suppose, for example, that the UK became an EEA member, like Norway, or set up bilateral agreements, as Switzerland has done, to gain access to the common market. In this case, the EU would force the UK to keep its border open as a condition of gaining access to the trade bloc.

Chart 4: The UK trade ratio has more than doubled since 1973



Source: ONS, Berenberg calculations

Higher barriers to access → less trade

Almost half of the exports that make up 30% of UK GDP go to Europe. Chart 4 shows that the UK trade ratio has more than doubled since the early 1970s. Due to geographical proximity, mainland Europe is the biggest external market for the UK's goods and services. But having full access to the goods and services market of the EU makes a difference. This includes: (i) tariff free trade; (ii) a customs union; (iii) access to the 53 other markets the EU has external trade policies with; (iv) full access to the financial services "passporting" system (which allows authorised firms to operate across the EEA); and (v) full integration into the rules system of common regulation across all EU members that provides regulatory protection from distortion to competition, such as government subsidies or "soft" non-tariff barriers to trade.

Collectively, these policies raise the level of trade by reducing both hard and soft barriers. If the UK left the EU and established a new set of preferential agreements, these would differ from as the current terms for three key reasons.

- Only EU states are full members of the Single Market – even Norway, as part of the EEA, is not fully part of the EU Customs Union for all goods and is not covered by the EU's external trade agreements. The Customs Union eliminates the need for customs checks between members and includes a common external tariff for imports into the Customs Union from non-member countries. Being outside the common market would, at a minimum, raises new administrative hurdles, such as further checks on the origin of products.
- As a semi-participant in the common market, the UK would have no say in the rules so would not be able to influence them for its own interests.
- The UK would no longer be covered by the EU's 53 external trade agreements, losing preferential access to these markets unless the UK, with much less clout than the bigger EU, can negotiate similar or better terms for itself. While not impossible, that does not look highly likely. These changes would result in higher costs and lower demand for UK goods and this would have a negative effect on GDP via weaker trade in both directions.

Lower investment → weaker productivity growth

In our view, predictions that foreign direct investment into the UK will decline sharply and permanently are exaggerated. There are many reasons aside from EU membership that make the UK a haven for foreign investment. Its markets and legal systems are highly developed and flexible, it is politically stable, it is the home of the English language and it has a flexible labour market.

Nonetheless, even the modest reduction in inward investment that we expect in our base case scenario for Brexit would have negative consequences for the economy. For many multinational corporations, the UK is the gateway to Europe and many of them base their European hubs in Britain for this reason – this is especially true for the City of London. With weaker political influence in the EU and less-encompassing and non-guaranteed market access, multinationals will be less likely to locate their European hubs in the UK. Many companies have already stated that this will be the case.

The presence of many foreign businesses is a big positive for the UK economy. They raise market diversity and competition; this boosts productivity and enhances growth as new ideas and technologies are introduced into UK markets. After China and the US, the UK is the third largest recipient of foreign direct investment (FDI) in the world, and almost half of that comes from the EU. The reasons for such a high level of FDI extend beyond just having access to the Single Market, and they will remain even if the UK leaves the EU.

Notwithstanding these arguments, the combined impact of more administrative hurdles to trade and a weaker EU foothold would still be detrimental to UK investment in the long-run. This gives rise to two negative effects: (1) Lower investment would likely harm productivity and thus economic growth; and (2) FDI has been an important source of cover for the UK's double deficit (fiscal and current account). Lower FDI inflows would likely force the UK to start living within its means rather than being a serial debtor: weaker demand leads to weaker growth.

To be in the club, members have to play by the rules: from law maker to law taker

Finally, arguments that the UK would benefit by escaping from the overextended regulations of the EU are overstated. Since it would be desirable for the UK to retain as much access to the common market as possible, it would have to keep many of the EU regulations on products and services in order to do so. As an example, if the EU offered the UK the opportunity to retain access to the financial services market via the "passporting" system, the UK would have to abide by all EU rules and regulations for such financial services. Passporting allows financial services firms based in the EU unrestricted access to all other EU markets without having subsidiaries there. With the UK outside the EU, the EU would probably be far less inclined to tolerate different rules for the City of London from those applying elsewhere in Europe.

The "red tape" argument is superficially attractive. In practice, however, there would be very limited scope to reduce the regulatory burden enough to boost growth while still keeping regulations in line with EU standards to ensure access to the Single Market. The only way for the UK to set its rules freely would be to stay completely outside of all European trading arrangements, such as the EU, the EEA and the European Free Trade Association (EFTA). If the UK traded with the EU under the general terms of the World Trade Association (WTO), the UK would be able to set the rules as it liked. But even the "out" camp does not advocate this strategy. Indeed, the best chance the UK has of reducing any regulatory burden from the EU is as a voting member. In the event of Brexit, the best position the UK could find itself in would be a Norway-type agreement, under which it has access to most of the common market, pays into the EU but has no say on the rules.

What type of deal will the UK and EU agree to?

Currently, three possible options are being discussed for UK-EU relations post-Brexit: (1) via WTO agreements; (2) via EEA agreements; or (3) via bilateral trade agreements. See the table (below) for a breakdown of the three known possible arrangements.

Possible trade options with the EU after Brexit

	World Trade Organisation (basic model)	Bilateral Agreements (Swiss model)	European Economic Area (Norway model)
Zero tariff trade within the area	No	Mostly goods – partial services	Yes but farming and fishing excluded
Free to set external trade policy	Yes	Yes	Yes
Votes on EU law	No	No	No
Free movement of people	No	Yes	Yes
Customs union	No	No	No
Fiscal contribution to EU budget	No	Yes	Yes
Shared business regulations and block on soft barriers such as state aid	No	Partial	Partial
Open service markets and passporting	No	Partial	Yes
Covered by external trade agreements	No	No	No
EFTA membership	No	Yes	Yes

Source: HM Government "Alternatives to membership: possible models for the UK outside the EU"

WTO agreements offer no preferential treatment

If the UK does not want to or is unable to negotiate preferential treatment with the EU, then trade in goods and services would be governed by the general terms outlined in the WTO agreements. Although the key principle of the WTO is non-discrimination between members, that does not imply free trade. Furthermore, the WTO agreements include exemptions for regional free trade areas and customs unions, such as the EU. WTO status would be the very minimum approach and would represent the biggest break from the EU.

Under WTO status, the UK would be protected against discrimination. In practice, under this arrangement the UK would face trade obstacles in Europe that are similar to those it has with, say, Peru. Under these conditions, the EU could apply a tariff on both UK exports and imports to and from the EU. In addition, non-tariff barriers, such as anti-dumping measures and product standards, could be imposed on UK goods. As the UK would lose its passporting rights, UK-based financial services firms could be forced to have subsidiaries in every country in the EU in which they want to conduct business.

Under WTO status, the UK could impose its own rules on trade with the EU and set its external trade policy independently. But, as a result, the varied levels of market access for different industries, multiple product standards and higher costs for all goods via the WTO tariffs would likely reduce UK-EU trade. In our view, given that the EU-27 would remain the UK's biggest market, this would be the worst option.

The EU would have an incentive to not reward the UK for leaving the club

Given that half of UK trade is with the EU and half of the UK's inward FDI comes from the EU, the UK has an obvious interest to try to establish some preferential treatment post-Brexit to make trade and business easier than what the basic WTO status provides. This could take several forms, as we discuss below. We would anticipate that, alongside the withdrawal negotiations, separate negotiations would take place to determine these post-Brexit agreements.

A clear obstacle that could prevent the UK and EU amicably settling at some post-Brexit preferential trade agreement would be conflicting political objectives. For the UK, it would be about finding the appropriate point in the trade-off between access to the Single Market versus freedom from other parts of EU law, such as free movement of people or the inability to negotiate independent trade agreements with non-EU countries.

For the EU, a different set of incentives would guide its negotiating standpoint. While it might make economic sense for the EU to still allow the UK full access, there will be a significant political incentive to not grant it favourable terms. Even though the UK is the fifth largest economy in the world and a key EU trading partner, the EU would push hard to ensure the UK either makes concessions against the will of the "out" camp or accepts significant costs for leaving the EU. Why? The precedent of Brexit would threaten the cohesion of the EU. Anti-EU populist parties in other countries might push for referendums of their own, especially if the UK left and secured a good deal. Ensuring that outsiders do not receive the same terms reserved for insiders of a club that goes beyond a trading arrangement would likely form part of the EU's broader strategy to preserve European integration.

A Norway deal would be the least bad option – but would it be on offer?

The two most often cited examples of approaches the UK might follow post-Brexit are the Swiss and Norwegian models. If either could be achieved, the Norway option would be preferable. Still, Norway has far less access than the UK currently has. Norway is affiliated with the Single Market via its membership in the EEA. To be in the EEA a country must first become a member of the EFTA or the EU. Upon leaving the EU the UK would need to apply and be accepted into the EFTA before it could return to the EEA.

A Norway-style agreement would give the UK significant but not full access to the Single Market. Norway is not covered by the EU's external trade agreements with other countries. While it has almost complete access to the EU market, it is not part of the customs union with a common external tariff. Norway has to have all goods checked to ensure they are from within the EU or meet product regulations. Otherwise, preferential rates do not apply. Norway is obliged to participate in the free movement of people and has to treat all EU and EEA citizens as nationals (ie it has no emergency brake on migration), it has to pay for its right to take part in the market and has to accept around 75% of the rules set by the EU without a seat at the Council or Parliament, a right to vote or a veto.

In order to gain EEA status, in addition to agreement from the EU-27, the UK would need approval from Norway, Liechtenstein and Iceland. One upside to a Norway-style agreement would be that the UK could conclude its own external trade agreements independently of the EU. It would also gain passporting rights for financial services. However, all of Norway's current agreements with 36 non-EU markets have taken place through the EFTA (which comprises Norway, Switzerland, Iceland and Liechtenstein). This compares to the 53 agreements that the EU has secured for its members.

In our view, market access via EEA membership would be the quickest and most effective way for the UK to retain access to the Single Market. But whether this could be unanimously agreed upon by the other members is highly questionable. Even though it would remove the UK's right to influence the rules of the market and some of the features of renegotiated membership terms, such as the emergency brake, would be removed, it might not be enough. That the UK has left the trade bloc is likely to prompt a strong retaliation from existing members. This could lead to a messy divorce, whereby the EU-27 concludes that offering EEA status to the UK would be just too favourable.

No bilateral agreement would provide the same access as EU membership

Swiss-EU relations are covered by over 70 bi-lateral trade agreements under which Switzerland adopts certain EU laws to gain access to the Single Market. Such a deal would be extremely difficult to negotiate for the UK. The EU-Canada deal that is yet to be implemented took seven years to negotiate. The UK service sector is likely to suffer the most under bilateral trade agreements. Services make up almost 80% of UK GDP. But it is unlikely that bilateral agreements would include full passporting rights for financial services. Currently, passporting is only available in the EU or EEA. In the case of Switzerland, while it is a member of the EFTA, it is not part of the EEA after rejecting membership in 1992. Switzerland does not, therefore, have passporting rights. Further, Switzerland's agreements with the EU do not give it autonomy over its immigration policy or access to the external trade agreements of the EU. But it can set its own external trade policy.

In our view, there would be several drawbacks to the bilateral trade agreements model. First and foremost, it would probably take many years to negotiate. This would prolong the period of uncertainty and act like a constant drag on the UK economy. Beyond that, such agreements would almost certainly fall far short of either the current EU membership or an EEA status. Using the Swiss example, aside from the loss of passporting, which could be especially detrimental to the City of London, the UK would be constantly in a position of "chasing" laws made elsewhere.

Inside the EU, the UK can influence the rules. In the EEA, the UK would be obliged to accept them. Under bilateral agreements, the UK would constantly need to update its laws to keep up with EU rules. Bilateral agreements would give the UK a "static" status. If the UK failed to update its own rules to comply, the EU could simply block it from its market. This would require a constant and burdensome process of constantly updating domestic legislation to continue to gain market access. In the UK, this would be far worse politically than the current set up through which the UK can at least vote on and help to shape the EU rules.

What are the political consequences for the UK?

A Brexit would raise two political questions in the UK. First, what will happen to the Conservative Party post-Brexit? Will David Cameron have to resign, and will the Conservative Party lose members and votes in the potential post-Brexit infighting? And, second, what happens to the UK? How do Scotland, Wales and Northern Ireland react – do they have their own UK in/out referendums?

Pro-EU Cameron would probably have to resign

Mr Cameron has publicly stated that he does not intend to resign as Prime Minister if the UK votes to leave the EU. It is, however, very likely that he would. For Mr Cameron, the EU vote will be the defining moment of his second term as Prime Minister. Mr Cameron is pro-EU and has backed a vote to stay under the terms which he renegotiated himself. A majority vote to leave would demonstrate two things: (1) that Mr Cameron has failed to convince the British public that staying in the EU is the better option for the UK; and (2) as a consequence, that the majority of the public disagrees with him on his key policy. This would leave the door wide open for potential successors to challenge his leadership.

This would put the Mayor of London in line for Prime Minister

A Brexit could throw the Conservative Party into turmoil. Many would-be challengers to Mr Cameron would see a Brexit as an opportunity to seize leadership. If the UK remains in the EU, the natural successor to Cameron is George Osborne, who as Chancellor of the Exchequer holds the second most politically significant position in the UK. But since Mr Osborne is also pro-EU, in the event of a Brexit this will go against him and might prevent him from gaining the support of his party – especially the anti-EU Conservative backbenchers.

One of the prominent "outers" in the Conservative party would likely take the top seat. Popular Mayor of London and Conservative MP Boris Johnson is the most likely candidate. Other prominent "outers", such as Secretary of State for Justice Michael Gove, may attempt to challenge him. Therefore, we expect serious disruption within the UK government as two key events occur simultaneously – uncertainty about the terms of divorce from the EU and a potential fight for Prime Minister. Even if Mr Cameron did not resign immediately after, his days in office would likely be numbered. A leadership race following a Brexit would be messy and could exacerbate the post-vote economic risks.

A break from the EU could trigger a second vote in Scotland

A Brexit would probably lead to a second in/out referendum for Scotland. The chances of an "out" vote would be even higher this time. How Wales and Northern Ireland react is less clear. It is likely that some people in Wales and Northern Ireland might be motivated to push for their own in/out UK referendums in order to return to the EU. This is more likely in Northern Ireland as the Good Friday Agreement that sets out its devolved position relative to EU member Ireland emphasises the importance of the UK in the EU. Scottish independence parties could exacerbate this risk. All together, there would be a clear risk that pro-independence parties across the UK will push for their own referendums, creating severe political uncertainty for the future of the UK.

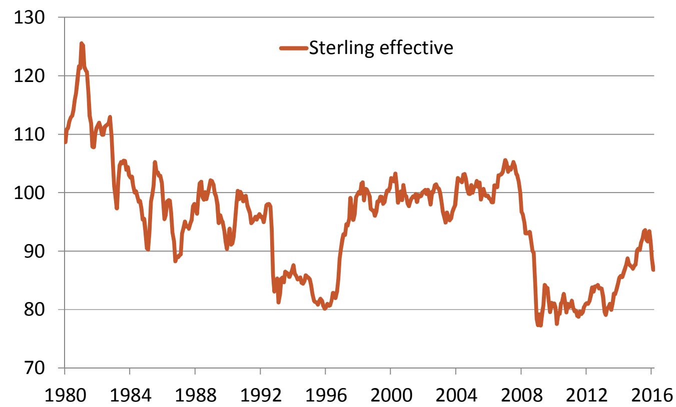
How vulnerable is the UK to a run on sterling?

The UK's combined fiscal and current account deficit is the largest in the G7 - the country is a serial debtor. Eventually this will require a correction though policies that improve the competitiveness of UK exports and reduce growth in government spending relative to GDP. However, if something happens that brings the UK's ability to fund its excesses into question, the adjustment could be much more rapid and painful. A Brexit could provide that catalyst. Outside the UK, the consensus is overwhelming that the UK would face at the least an economic slowdown and a financial market backlash if it leaves the EU.

A Brexit could trigger a sterling crisis – our key tail risk

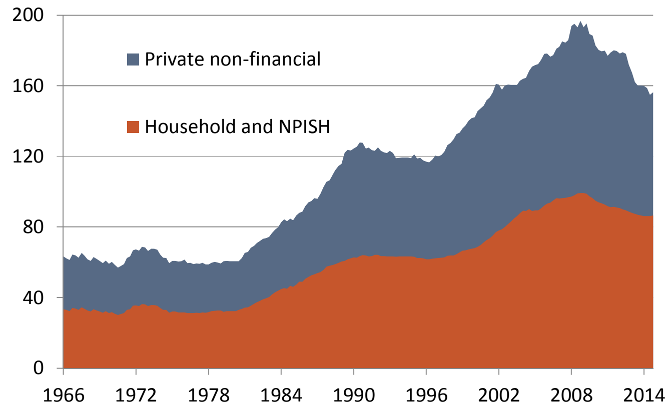
The precedent for Brexit-related sterling weakness is already set. Brexit uncertainty has already led to a 10% depreciation in sterling since November last year (Chart 5). A sterling crisis is, therefore, our key tail risk. That no one is really sure just what economic conditions could prevail if the UK left the EU exacerbates this risk. This uncertainty could trigger a self-fulfilling crisis. If investors decide the only way to protect against losses of uncertain size is to sell UK assets, this could send sterling into a free fall. In case of a sterling crisis, the BoE would most likely have to respond by raising the bank rate to support the pound, prevent capital flight and bring down inflation, which would likely increase in response to higher import prices.

Chart 5: Sterling effective exchange rate



Source: Bank of England

Chart 6: UK non-financial and household debt



Source: BIS. % GDP

Debt levels remain elevated – a sharp hike in rates would stress balance sheets

Debt levels remain elevated (Chart 6). If interest rates were to rise by even a moderate amount over a short period, this could place a lot of stress on leveraged households and businesses, and jar domestic demand. Remember that growth post-Lehman has taken place in the context of ultra-low interest rates. A sharp jump in interest rates in combination with weak domestic demand and falling real incomes would strike a serious body blow to the UK economy. In its 2014 stress tests, the BoE explored a similar cocktail of shocks. The BoE modelled the effects of a 30% depreciation in trade-weighted sterling in one year, causing a four percentage point increase in inflation. The bank rate increased to over 4% from 0.5% and 10-year gilt yields rose to over 6%. Unemployment rose by over five percentage points and housing, corporate real estate and equity prices fell by 30%.

Sterling crisis is not our central case – BoE more likely to ease than tighten

A run on sterling is not our central scenario if the UK votes to leave the EU on 23 June. It is the extreme tail-risk and has a low probability. Under our central forecast, financial markets still react negatively, leading to a modest tightening of financial conditions in the real economy. This will likely exacerbate already weak domestic demand. Coupled with uncertainty about future economic conditions, this will probably lead to both weaker demand for credit by borrowers and a reduced willingness to issue loans by creditors as household and business balance sheets experience moderate stress. The BoE would probably need to act with at least a rate cut, maybe even with more QE.

Recent comments from BoE governor Mark Carney that negative interest rates are a "zero sum game" indicate that the Bank's Monetary Policy Committee (MPC) would be unlikely to go down the negative rate route to stimulate the economy. On more than one occasion, MPC members have stated that more QE would be possible if necessary. If conditions warranted more than, say, a cut in the bank rate to 0.25% or even 0.00%, more QE would be a viable option. At the very least, if the UK leaves the EU, the BoE would probably keep rates on hold for significantly longer than otherwise until economic conditions have improved sufficiently after a post-Brexit economic setback.

What would be the impact on fiscal policy?

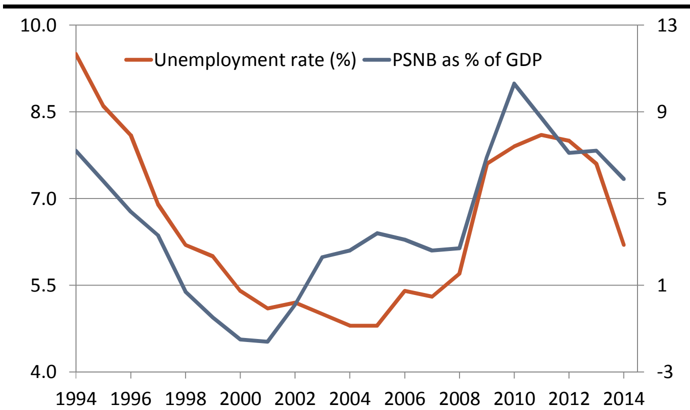
Cyclical deficits will rise in the short-term as growth slows

Leaving the EU would likely have two effects on fiscal policy. In the short-term, it would probably lead to higher deficits. In the long-term, it would make bringing the fiscal deficit down to a more sustainable level even more challenging than it already is. To understand why, it is helpful to split fiscal policy into two parts: its structural component and its cyclical component.

The cyclical component is the part of government spending and taxes that changes with the economic cycle. It explains why deficits typically rise during a recession and fall during an expansion. Economic expansions are usually associated with low or falling unemployment and lower welfare payments. Higher consumption, business investment and profit taking lead to increased tax revenues. The opposite occurs when economic growth slows or during a recession. Under our central view that the UK growth would slow or the UK could go into a recession, we expect welfare spending to increase and tax revenues to fall – causing the deficit to rise. Changes in unemployment correlate closely with changes in the fiscal deficit (Chart 7).

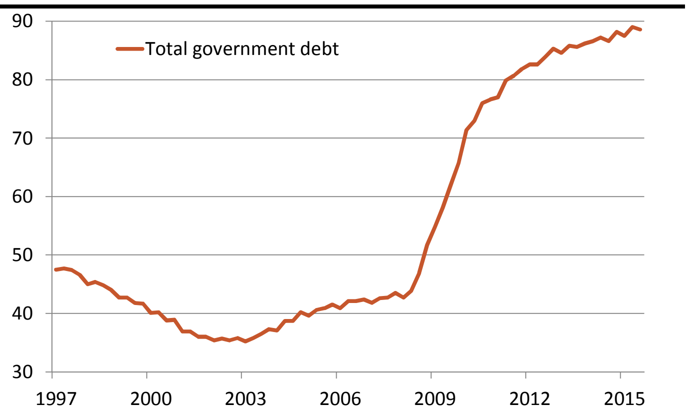
Once the economy gets over the initial shock caused by post-referendum uncertainty and the details of the UK-EU negotiations for trade post-Brexit surface, confidence should rebound and the economy should improve. As growth returns, the deficit should begin to fall.

Chart 7: Unemployment versus fiscal deficit



Source: ONS. Unemployment % workforce (lhs). PSNB (rhs)

Chart 8: Government debt % GDP



Source: OBR

Structural deficits will be harder to reduce over the long-term as the potential growth rate will be lower

As discussed in question one, a Brexit would likely reduce the UK's long-term average growth rate. This would make it much harder to reduce the structural component of fiscal spending. This part of spending is decided over a five-year horizon and is announced and updated twice a year in the March Budget and November Autumn Statement. The government calculates future expected tax receipts and then determines its spending according to these forecast incomes. The implications of weaker long-term growth following a Brexit would be that expected future incomes would fall relative to the pre-planned structural spending.

This would present both an economic and a political challenge. The economic challenge would be to reduce spending without doing further damage to growth. Spending cuts and tax hikes reduce demand. The political challenge would be to force government departments to take further cuts as well as convincing the public to accept further reductions. Austerity has been a contentious but necessary policy in the UK. But asking the UK public to swallow another dose of spending cuts within the same decade could lead to a public backlash. Furthermore, we would not expect the Treasury to meet the targets set out in the 2015 fiscal charter. These targets commit the Government to running a budget surplus by 2019-20 so long as annual growth is above 1%.

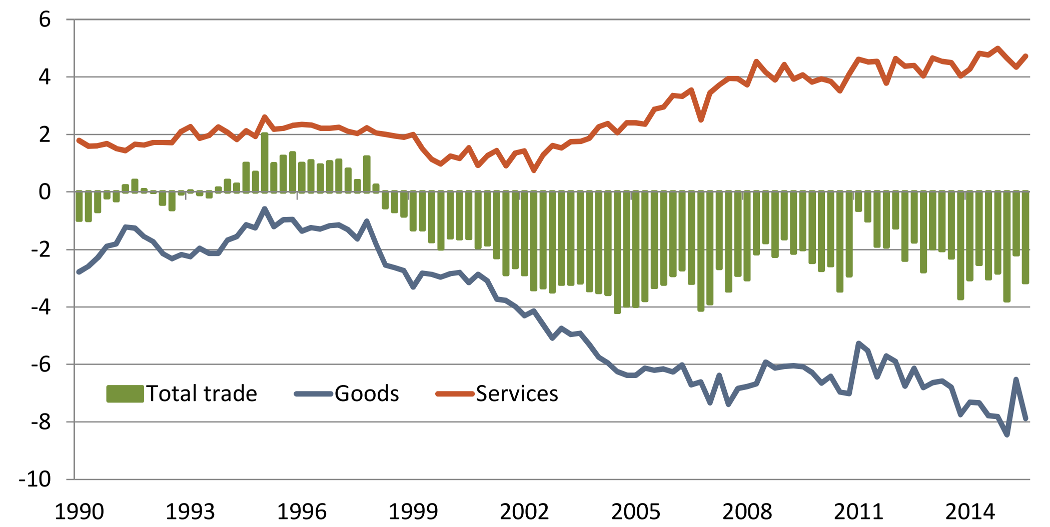
Even though total debt to GDP would increase with rising deficits, the overall debt level would only be a modest problem. Even with higher public debt, the UK could, if it wanted to, meet its debt obligations with the assistance of the BoE via monetising the debt and devaluing its currency. In turn, this may trigger capital outflows and force interest rates up over time.

The key risk stemming from even higher levels of public debt along with rising deficits would be further uncertainty for economic agents about future levels of income and profits. Deficits today are essentially deferred taxes or lower spending tomorrow. If households and businesses expect taxes to increase in the future, they are likely to raise precautionary saving in the short-run in order to shore up their balance sheets and provide them with enough income when taxes finally rise. This can lead to lower spending and weaker growth, and worsen the fiscal problem.

Will the City of London be safe?

The UK's trade surplus in services has become increasingly important in recent years in order to cover its mounting trade deficit in goods (Chart 9). As such, further trade liberalisation in services within the EU is important for the UK, as it is this sector in which it has its competitive advantage. By leaving the EU and losing rule-making ability, the City of London would be vulnerable to discrimination from the EU-27. As a start, Frankfurt or Paris are natural successors to London as financial hubs on the mainland. The EU would have a clear motivation to try to divert London business onto the continent. Although London's position as a financial centre pre-dates the EU, the Big Bang of the Thatcher years occurred while the UK was part of the European Community. This raises the question of what would happen to the City of London if the UK left the EU. To remain a financial centre, the City would need to overcome a number of challenges.

Chart 9: Trade balance by goods and services



Source: ONS, Berenberg calculations. % GDP

London likely to remain a financial hub – but would the UK keep its passporting rights?

As we discuss on page 8, the immediate question is whether or not the UK would retain its passporting rights. If the UK left the EU and did not enter the EEA then, to gain passporting rights, a special agreement would need to be arranged. Whether the EU would offer EEA membership or a special agreement is highly questionable and, as such, this presents a key risk to the City of London. Even if the UK retained its passporting rights and access to the Single Market, upon leaving the EU it would forfeit its right to vote and veto. The right to vote and veto is exclusive to members of the EU. This would enable the EU to set rules and laws in such a way to disadvantage London relative to and for the benefit of, say, Paris and Frankfurt.

BERENBERG
PARTNERSHIP SINCE 1590

The City would be unable to influence the rules of the game

In our view, arguments that, outside the EU, the UK would be able to either retaliate with its own laws or deregulate its own market to gain an advantage miss an obvious point. In order to join the EEA and gain passporting rights, the UK would have to abide by EU laws. This would put the UK in the position of a de facto law taker.

Furthermore, less than 10 years have passed since the financial crisis, which was widely seen to have been partly the result of too little regulation. Deregulating financial services for the sake of the City would, therefore, trigger a bad public response, even in the UK. In our view, the best outcome for the City is that, in some form, the UK gains access to the Single Market and keeps its passporting rights. Even with the extra control handed over to Brussels, EU market access, in addition to all of the other factors that already make London such a desirable place for financial services – time zone, language, flexible labour laws, precedent and a flexible legal system – should ensure that the City remains a key financial centre.

Supply constraints could play a bigger part in determining London's future than EU regulations

Whether London could retain its crown as Europe's leading financial centre in the long-run is less certain. The City of London is a highly cyclical market. It expands and contracts with global economic conditions. Under EU membership, the City's firms have access to a large pool of easily accessible skilled labour. Open borders with the EU make this possible.

Should, however, the UK leave the EU and block the free flow of EU workers, the labour-supply response would be much less elastic. Less-elastic labour supply in the boom years could cause wages to rise faster, squeezing profits and limiting the size of the expansion. This problem would not apply to, for example, Frankfurt or Paris as part of the EU. Over time, it could provide the necessary advantage for such cities to overtake London as the European capital of finance.

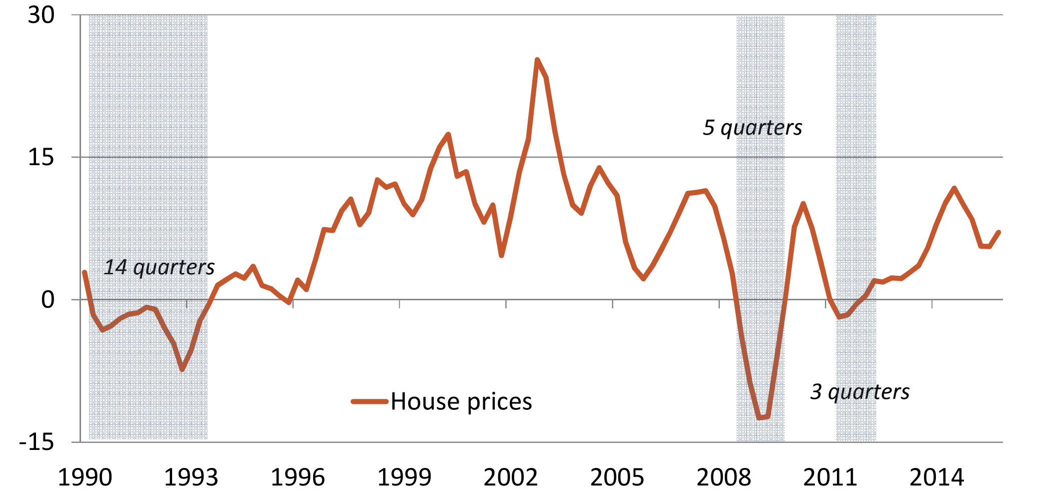
Will the UK real estate market be affected?

When considering UK real estate, it is worthwhile separating it into two markets: commercial (offices, industrial factories and warehouses, retail, hotels, gyms and so on) and residential. In the short-term, that is, in the immediate period during the renegotiation phase with the EU when uncertainty is at its peak, prospects would not look good for either market. Unlike a trip to the cinema or buying new clothes, where future economic conditions do not play a big part in the decision-making process, the outlook is the major consideration for real estate.

Residential would rebound soon after a temporary dip due to low supply and government policy

A lack of housing supply combined with existing demand-side policies, such as Help to Buy and Help to Buy London, plus low interest rates would likely prevent a sharp drop in house prices. Even if house price growth slowed or prices dipped temporarily, it probably would not last for long. House builders would anticipate weaker demand and reduce supply. This would help to preserve the wedge of excess demand to ensure prices resumed their upward trend after only a few months being suppressed. Indeed as the Chart 10 shows, house prices fell for just a few quarters even during the financial crisis.

Chart 10: House prices



Yoy changes in %; shaded areas indicate when prices are declining yoy. Source: ONS

But weaker growth could really hurt commercial real estate

Demand for office space is determined by the expected level of occupation in the market. Employment increases during economic expansions and this leads to higher demand for office space. An empty office is not a productive asset. Expected demand for space is the key driver of commercial real estate investment and development. Falling vacancy rates lead to higher rents or income for investors and higher prices per square foot for developers. High or rising vacancy rates work in the opposite direction. Negative economic shocks or heightened uncertainty tend to depress real estate activity and cause falling prices. As such, a Brexit would be bad for commercial real estate and would likely lead to a fall in capital values, especially in large cities, such as London, where pricing is currently very high and the market is near the end of its cycle.

Traditionally, London has led the UK's regional markets. A sharp correction in London would damage expectations for growth in regional markets which had, up until 2015, been extraordinarily sluggish due the excess floor space built pre-Lehman. The combination of the London commercial market nearing the end of its cycle, a sharp weakening in business activity and lower demand for floor space could be a dangerous cocktail that could trigger a sharp sell off as investors try to protect against losses. This would have implications for GDP too. Construction of new commercial real estate and housing makes up 3% of GDP. A significant drop in activity in these markets could have more than a modest impact on the economy.

Finally, does a Brexit mean leaving the EU for good?

The short answer is yes. The long answer is no. If the UK votes to leave the EU on 23 June 2016, it will withdraw. It is not, as some "leave" campaigners have suggested, a means to renegotiate a new membership deal from a stronger position. The EU made it clear to the UK at the February 2016 EU summit that the renegotiated terms of membership were final. The EU will not make a better offer. And, without that, it is politically inconceivable that the UK would not follow up on the referendum result.

Of course, the UK would still have to formally give notice to the EU that it is leaving and there is no specified time for how long after the vote its departure should be. As the Prime Minister has made clear, if the UK votes out on 23 June 2016, Parliament will repeal the 1972 European Communities Act and trigger the withdrawal process. Legally, it would probably still be possible for the UK and EU to go back on this during the withdrawal negotiations. But politically, such a U-turn would be highly improbable as there are too many "outers" in the Conservative Party to rebel against such a decision.

Leaving would not, however, mean that the UK could never return to the EU. The UK would be free to reapply as a new member at some time in the future. But it took the UK 12 years to join the EU in the first place. If an exit proves to be a catastrophic error of judgement, it might take a while to fix.

Conclusions

Negative demand shock after the vote – sterling risk needs to be watched

If the UK votes to leave the EU on 23 June 2016, we expect economic conditions to deteriorate. Heightened uncertainty about the long-term economic impact on the UK of leaving the EU will weigh on confidence. Households will spend less than otherwise and business investment could fall. Credit conditions will probably tighten too, exacerbating the hit in demand. A boost to the trade balance due to weaker sterling might mitigate some of the drag. Despite this, the risk of a recession would be real.

Risks are clearly tilted to the downside. For us, a run on sterling is the key tail risk. If this risk plays out, the BoE may have to raise rates to prevent capital flight and support sterling as opposed to easing to bolster domestic demand. We should stress that this is a tail risk and not our central case. However, since we have already seen Brexit-associated sterling weakness, the risk needs to be spelled out.

WTO, EEA or bilateral agreements – negotiations begin

Under our central and most likely scenario, economic activity begins to improve gradually from depressed levels as the post-vote shock wears off and information about the UK's place in Europe becomes clearer. The UK would have three options if it exits the EU.

1. WTO status would present the most significant break from the EU and would involve no preferential agreements to keep costs and barriers to trade low. This would be the most damaging to the UK economically.
2. Bilateral trade agreements with the EU would allow the UK partial access to the Single Market but there would be certain exclusions. As is the case with Switzerland, bilateral agreements would probably allow more access to the goods, rather than the services, market. That would be bad for the UK as services make up 80% of UK GDP and the UK has its competitive advantage mostly in these markets.
3. Membership of the EEA would give the UK the most access. In economic terms, it would represent the closest substitute for EU membership.

If the UK and the EU failed to reach agreements on either option 2 or 3, then the UK would automatically exit the EU and assume WTO status unless it and the EU-27 agree to extend negotiations in order to reach some deal for preferential treatment later on.

Politics could get in the way of a good deal

No option would grant the UK the level of access to the European market it currently enjoys as an EU member. But bilateral agreements or EEA membership offer some access and would enable the UK to conclude its own external trade agreements. In leaving the EU, the UK will lose access to the free trade agreements currently established between the EU and 53 other markets globally. All alternatives other than WTO status would require the UK to pay into the EU budget while not having any influence, a vote or a veto. The UK would have to accept EU laws and, most likely, keep its border open for EU migrants.

The EU will remain the UK's largest market for exports for the foreseeable future. Even if the UK managed to strike a deal that gave it equivalent market access, it would not have the same influence within the bloc. Moreover, the more access the UK was given, the more EU rules it would have to stick to and the more concessions it would have to make. Even if the rest of the EU states, with very different individual interests, could come to an agreement on what would be on the table for the UK, the UK could be facing a politically unpalatable trade-off. If, as we expect, Mr Cameron resigned as Prime Minister and Mr Johnson replaced him, the new leader who backed the "out" vote will likely be stubborn with the EU-27 to save face. Mr Johnson would not last long if he accepted a set of terms under which the UK gave up more control to the EU for less economic benefit.

If a deal is not struck in two years the UK could be in deep trouble

Two years might not be enough for the UK and EU to overcome their differing political interests and their relationship could become messy, especially for the UK. When it comes to negotiating trade agreements, size relative to, and degree of dependence on, the other partner, is what matters. The UK is a big economy, the fifth largest in the world. But the EU-27 is bigger–- more than five times larger than the UK in terms of GDP. And although the EU exports roughly 50% more to the UK than it imports in value terms, UK exports to the EU are around 15% of its GDP, whereas EU exports to the UK are less than 5% of EU GDP.

The asymmetry in post-Brexit negotiations does not bode well for the UK's negotiating position. Depending on the severity of economic conditions the UK might end up making harsh concessions to strike a deal quickly with the EU and with other trading partners. Otherwise the UK could face a scenario after two years in which it has no trade agreements with any country in the world. That would be a disaster, albeit an unlikely one. Realistically, the UK and EU-27 will come to some agreement that will be far less optimal for the UK than its current renegotiated terms. In particular, the EU-27 will probably try to hamstring the City of London in some way or demand that the UK fully complies with financial regulations set in Brussels. A complete breakdown is unlikely and we expect some preferential treatment to be agreed. But the UK economy will lose out in the long-term if exiting the EU leads to lower migration, a fall in investment and less trade, as we expect it would.

Money talks

When it comes to matters of economic importance, British voters tend to be pragmatic. Come vote day, bad memories of the financial crisis versus current conditions of record employment and rising house prices will likely play a big part, as they should. Whereas the vote will almost certainly be much closer than it was in the 1970s, Brexit is not our central forecast. **We assign a 65% chance that the UK votes to stay in the EU on 23 June 2016.**

Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.
This document is only for information purposes. It does not constitute a financial analysis within the meaning of § 34b or § 31 Subs. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz), no investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

Remarks regarding foreign investors
The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

United Kingdom
This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by Joh. Berenberg, Gossler & Co. KG. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.
This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 617.292.8200), if you require additional information.

Copyright

BERENBERG
PARTNERSHIP SINCE 1590

EQUITY RESEARCH

Internet www.berenberg.com E-mail: firstname.lastname@berenberg.com

RESEARCH

AEROSPACE & DEFENCE
Andrew Gollan +44 20 3207 7891
Charlotte Keyworth +44 20 3753 3013
Ross Law +44 20 3465 2692

AUTOMOTIVES
Adam Hull +44 20 3465 2749
Paul Kratz +44 20 3465 2678

BANKS
Adam Barrass +44 20 3207 7923
James Burbridge +44 20 3753 3014
James Chappell +44 20 3207 7844
Andrew Lowe +44 20 3465 2743
Eoin Mullany +44 20 3207 7854
Peter Richardson +44 20 3465 2681
Jonathan Sharpe +44 20 3753 3031

BEVERAGES
Javier Gonzalez Lastra +44 20 3465 2719
Batuhan Karabekir +44 20 3465 2631
Adam Mizrahi +44 20 3465 2653

BUSINESS SERVICES, LEISURE & TRANSPORT
Najet El Kassir +44 20 3207 7836
Stuart Gordon +44 20 3207 7858
Simon Mezzanotte +44 20 3207 7917
Josh Puddle +44 20 3207 7881
Alastair Reid +44 20 3207 7841

CAPITAL GOODS
Sebastian Kuenne +44 20 3207 7856
Philippe Lorrain +44 20 3207 7823
Rizk Maidi +44 20 3207 7806

CAPITAL GOODS (cont.)
Horace Tam +44 20 3465 2726
Simon Toennessen +44 20 3207 7819

CHEMICALS
Sebastian Bray +44 20 3753 3011
Andrew Heap +44 20 3207 7918
John Klein +44 20 3207 7930
Evgenia Molotova +44 20 3465 2664

CONSTRUCTION
Lush Mahendrarajah +44 20 3207 7896
Robert Muir +44 20 3207 7860
Olivia Peters +44 20 3465 2646
Michael Watts +44 20 3207 7928

FOOD MANUFACTURING AND H&PC
Yordana Mavrodieva +44 20 3207 7817
Fintan Ryan +44 20 3465 2748
James Targett +44 20 3207 7873

GENERAL RETAIL
Conrad Bartos +44 20 3753 3053
Michelle Wilson +44 20 3465 2663

HEALTHCARE
Scott Bardo +44 20 3207 7869
Jakob Berry +44 20 3465 2724
Alistair Campbell +44 20 3207 7876
Graham Doyle +44 20 3465 2634
Klara Fernandes +44 20 3465 2718
Tom Jones +44 20 3207 7877
Louise Pearson +44 20 3465 2747
Laura Sutcliffe +44 20 3465 2669

INSURANCE
Trevor Moss +44 20 3207 7893
Iain Pearce +44 20 3465 2665
Sami Taipalus +44 20 3207 7866

LUXURY GOODS
Zuzanna Pusz +44 20 3207 7812

MEDIA
Robert Berg +44 20 3465 2680
Laura Janssens +44 20 3465 2639
Sarah Simon +44 20 3207 7830

METALS & MINING
Alessandro Abate +44 20 3753 3029
Fawzi Hanano +44 20 3207 7910
Yuriy Vlasov +44 20 3465 2674

MID CAP GENERAL
Robert Chantry +44 20 3207 7861
Gunnar Cohrs +44 20 3207 7894
Sam England +44 20 3465 2687
Ned Hammond +44 20 3753 3017
Benjamin May +44 20 3465 2667
Anna Patrice +44 20 3207 7863
Simona Sarli +44 20 3207 7834
Julia Scheufler +44 20 3753 3016
Owen Shirley +44 20 3465 2731

REAL ESTATE
Kai Klose +44 20 3207 7888
Tina Munda +44 20 3465 2716

TECHNOLOGY
Jean Beaubois +44 20 3207 7835
Georgios Kertsos +44 20 3465 2715
Gal Munda +44 20 3465 2746
Tammy Qiu +44 20 3465 2673

TELECOMMUNICATIONS
Usman Ghazi +44 20 3207 7824
Siyi He +44 20 3465 2697
Laura Janssens +44 20 3465 2639
Paul Marsch +44 20 3207 7857
Michael Summerville +44 20 3207 7914

THEMATIC RESEARCH
Nick Anderson +44 20 3207 7838
Chris Armstrong +44 20 3207 7809
Asad Farid +44 20 3207 7932

TOBACCO
Jonathan Leinster +44 20 3465 2645

UTILITIES
Robin Abrams +44 20 3465 2635
Andrew Fisher +44 20 3207 7937
Mehul Mahatma +44 20 3465 2698
Lawson Steele +44 20 3207 7887

ECONOMICS
Carsten Hesse +44 20 3753 3001
Kallum Pickering +44 20 3465 2672
Holger Schmieding +44 20 3207 7889

EQUITY SALES

E-mail: firstname.lastname@berenberg.com

SPECIALIST SALES
AUTOMOTIVE & THEMATICS
Chris Armstrong +44 20 3207 7809
BANKS & DIVERSIFIED FINANCIALS
Iro Papadopoulou +44 20 3207 7924
CHEMICALS, CONSTRUCTION & CAP GOODS
Jina Zachrisson +44 20 3207 7879
CONSUMER STAPLES
Rupert Trotter +44 20 3207 7815
CONSUMER DISCRETIONARY
Victoria Maigrot +44 20 3753 3010
HEALTHCARE
Frazer Hall +44 20 3207 7875
MEDIA & TELECOMMUNICATIONS
Julia Thannheiser +44 20 3465 2676

SALES
BENELUX
Miel Bakker +44 20 3207 7808
Martin de Laet +44 20 3207 7804
Alexander Wace +44 20 3465 2670

GERMANY
Michael Brauburger +49 69 91 30 90 741
Nina Buechs +49 69 91 30 90 735
André Grosskurth +49 69 91 30 90 734
Florian Peter +49 69 91 30 90 740
Joerg Wenzel +49 69 91 30 90 743

UK
Matthew Chawner +44 20 3207 7847
Alexandra Clément +44 20 3753 3018
Fabian De Smet +44 20 3207 7810
Toby Flaux +44 20 3465 2745
Karl Hancock +44 20 3207 7803
Sean Heath +44 20 3465 2742
David Hogg +44 20 3465 2628
Peter Kaineder +44 20 3753 3062
James Matthews +44 20 3207 7807
David Mortlock +44 20 3207 7850
Eleni Papoula +44 20 3465 2741
Bhavin Patel +44 20 3207 7926
Richard Payman +44 20 3207 7825
George Smibert +44 20 3207 7911
Anita Surana +44 20 3207 7855
Paul Walker +44 20 3465 2632

FRANCE
Thibault Bourgeat +33 1 5844 9505
Alexandre Chevassus +33 1 5844 9512
Dalila Farigoule +33 1 5844 9510
Clémence Peyraud +33 1 5844 9521
Benjamin Voisin +33 1 5844 9507

SCANDINAVIA
Frederik Angel +44 20 3753 3055
Marco Weiss +49 40 350 60 719

SWITZERLAND, AUSTRIA & ITALY
Andrea Ferrari +41 44 283 2020
Stephan Hofer +41 44 283 2029
Carsten Kinder +41 44 283 2024
Gianni Lavigna +41 44 283 2038
Jamie Nettleton +41 44 283 2026
Benjamin Stillfried +41 44 283 2033

SALES TRADING
HAMBURG
Alexander Heinz +49 40 350 60 359
Gregor Labahn +49 40 350 60 571
Marvin Schweden +49 40 350 60 576
Tim Storm +49 40 350 60 415
Philipp Wiechmann +49 40 350 60 346
Christoffer Winter +49 40 350 60 559

LONDON
Mike Berry +44 20 3465 2755
Stewart Cook +44 20 3465 2752
Mark Edwards +44 20 3753 3004
Tristan Hedley +44 20 3753 3006
Peter King +44 20 3753 3139
Christoph Kleinasser +44 20 3753 3063
Chris McKeand +44 20 3207 7938
Simon Messman +44 20 3465 2754
AJ Pulleyn +44 20 3465 2756
Paul Somers +44 20 3465 2753

PARIS
Vincent Klein +33 1 58 44 95-09
Antonio Scuotto +33 1 58 44 95 03

TRADING
LONDON
Edward Burlison-Rush +44 20 3753 3055
Richard Kenny +44 20 3753 3083

ELECTRONIC TRADING
Daniel Eichhorn +49 40 350 60 391
Matthias Führer +49 40 350 60 597

CRM
Jessica Jarmyn +44 20 3465 2696
Edwina Lucas +44 20 3207 7908
Greg Swallow +44 20 3207 7833

CORPORATE ACCESS
Lindsay Arnold +44 20 3207 7821
Jennie Jiricny +44 20 3207 7886
Stella Siggins +44 20 3465 2630

EVENTS
Laura Hawes +44 20 3753 3008
Suzy Khan +44 20 3207 7915
Charlotte Kilby +44 20 3207 7832
Natalie Meech +44 20 3207 7831
Ellen Parker +44 20 3465 2684
Sarah Weyman +44 20 3207 7801

US SALES

E-mail: firstname.lastname@berenberg-us.com

BERENBERG CAPITAL MARKETS LLC
Member FINRA & SIPC

SALES
Kelleigh Faldi +1 617 292 8288
Isabella Fantini +1 646 445 4861
Shawna Giust +1 646 445 7216
Zubin Hubner +1 646 445 5572
Jessica London +1 646 445 7218
Ryan McDonnell +1 646 445 7214
Emily Mouret +1 415 802 2525
Peter Nichols +1 646 445 7204
Kieran O'Sullivan +1 617 292 8292
Jonathan Saxon +1 646 445 7202

SALES TRADING
Scott Duxbury +1 646 445 5573
Christopher Kanian +1 646 445 5576
Lars Schwartau +1 646 445 5571
Bob Spillane +1 646 445 5574

CRM
Laura Cooper +1 646 445 7201

CORPORATE ACCESS
Olivia Lee +1 646 445 7212

ECONOMICS
Mickey Levy +1 646 445 4842