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# Brexit

Beginning the process to withdraw from the European Union

The Prime Minister, David Cameron, announced on Friday 24 June he would be stepping down as prime minister by October, and he or his successor will need to decide when to invoke an agreement called Article 50 which sets in motion the formal legal process of withdrawing from the European Union and gives the UK a period of two years to negotiate its withdrawal.

## ADJUSTMENT IN THE UK ECONOMY

On Monday 27 June, the Chancellor of the Exchequer, George Osborne, said that the UK is ready to face the future 'from a position of strength' and indicated there will be no immediate emergency Budget. He also said there would still need to be an 'adjustment' in the UK economy.

## PROCESS OF LEAVING THE EU

However, Mr Osborne said it was 'perfectly sensible to wait for a new prime minister' before taking any such action. He also said that only the UK could begin the process of leaving the EU by triggering Article 50 of the Lisbon Treaty.

## EU TREATIES AND LAWS

European Union law will still remain in the UK until it ceases being a member, and the UK will

continue to abide by EU treaties but not take part in any decision-making as it negotiates a withdrawal agreement and the terms of its relationship with the now 27-nation bloc.

## STERLING – BUFFER FOR THE ECONOMY

The value of sterling on Monday 28 June fell to a 31-year low as the effects of Brexit unfolded. Sterling dropped past \$1.32 to \$1.3192, its lowest since mid-1985, taking losses to 11.8% since the 23 June vote.

## QUANTITATIVE EASING

Given all the uncertainty, investors are pricing in a rate cut this year, with some analysts expecting the Bank of England to consider quantitative easing to provide a buffer for the economy. Within days of the Brexit result, gilt yields

hit record lows with the 10-year benchmark dropping below 1%.

## WEAKER POUND

Many analysts expect the value of the pound to fall significantly in the medium term. A weaker pound means that buying goods or services from other countries will become more expensive, inflation will therefore be higher and goods being sold to other countries will become cheaper for the buyers.

