

# Regional output and house price impacts from leaving the EU

---

**1.1** Analysis published by HM Treasury<sup>1</sup> shows the impact that a vote to leave the EU would have on UK output and house prices. In the 'shock scenario', after two years, GDP would be around 3.6% lower and house prices would be 10% lower compared with a vote to remain in the EU. This note uses simple methodologies to provide estimates of the impacts at a regional level on the assumption that the regional effects are proportional to those at the UK level.

## Impact of a vote to leave the EU on regional Gross Value Added

**1.2** The estimated impact on output (as measured by gross value added) for each region and country of the UK is shown in Table 1.A. The portion of GVA that cannot be assigned to regions (which is largely offshore economic activity such as oil and gas extraction) is also shown.

**Table 1.A: Impact of leaving the EU on regional GVA after two years**

Region/Country	£ billion
North East	-1.8
North West	-5.5
Yorkshire and The Humber	-3.9
East Midlands	-3.5
West Midlands	-4.2
East of England	-5.1
London	-13.4
South East	-8.8
South West	-4.4
Wales	-2.0
Scotland	-4.5
Northern Ireland	-1.3
(Cannot be assigned to regions)	-0.8
United Kingdom	-59.2

*Expressed in terms of 2015 GVA in 2015 prices, rounded to the nearest £100 million.*

## Methodology

**1.3** In the shock scenario, a vote to leave the EU is estimated to lower UK GDP by 3.6% by Q2 2018 compared with a vote to remain in the EU.

**1.4** The latest available regional accounts data<sup>2</sup> provides estimates of each region and country's share of total UK GVA (GVA is used as GDP data is not available at a regional level) but this data is only available for 2014. However an estimate for total UK GVA in 2015 is available. The

---

<sup>1</sup> HM Treasury analysis: the immediate impact of leaving the EU (May 2016).

<sup>2</sup> *Regional Gross Value Added 2014 (Income Approach)*, ONS (December 2015).

percentage increase in total UK GVA from 2014 to 2015 is then applied to each region to convert the regional GVA figures into 2015 terms. Extra-Regio (offshore activity) is included in the apportionment as a separate category.<sup>3</sup>

**1.5** The modelled 3.6% reduction in economic activity is then applied to each region’s GVA, which produces the estimate of the fall in regional GVA in £ billion, after two years, in 2015 terms.

**Sources**

1. *HM Treasury analysis: the immediate impact of leaving the EU*, May 2016.
2. *Regional Gross Value Added (Income Approach)*, ONS, December 2015.
3. *Gross Value Added (Average) at basic prices: CP SA £m*, ONS, April 2016.

**Impact of a vote to leave the EU on regional house prices**

**1.6** The estimated impact on house prices for each region and country of the UK is shown in Table 2.A. The figures show how much lower regional house prices would be after two years, following a vote to leave the EU, compared with an assumption that had the UK voted to remain house prices in the region would have grown in line with the OBR UK house price forecast.

**Table 1.B: Impact of leaving the EU on regional house price after two years**

Region/Country	Impact on prices by 2018 Q2 (£)
North East	-18,000
North West	-21,000
Yorkshire and The Humber	-21,000
East Midlands	-23,000
West Midlands	-24,000
East of England	-37,000
London	-62,000
South East	-42,000
South West	-30,000
Wales	-20,000
Scotland	-22,000
Northern Ireland	-18,000
United Kingdom	-33,000

*Rounded to the nearest £1000.*

**Methodology**

**1.7** The ONS provides an estimate of the average house price for each region and country of the UK. The latest available figures are for Q1 2016. These regional figures are projected forward to

---

<sup>3</sup> The latest regional GVA data also contains a small statistical discrepancy which is resolved with supply and use balancing in the following year’s ONS Blue Book. It is assumed this discrepancy is allocated across these categories as a proportion of their GVA to the total.

Q2 2018 in line with the growth in UK-wide house prices in the OBR's March 2016 Budget forecast.

**1.8** HM Treasury analysis estimates that in the shock scenario UK house prices would be 10% lower compared with a vote to remain in the EU. This 10% reduction is applied to the levels of regional house prices projected in Q2 2018. The difference between the Q2 2018 figures based on the OBR's forecast and the 10% lower level of prices following a vote to leave, provides an estimate of the change in regional house prices in cash terms.

### Sources

1. *HM Treasury analysis: the immediate impact of leaving the EU*, May 2016.
2. *House price index*, ONS, March 2016.
3. *House price index, Economic and fiscal outlook supplementary economy tables - March 2016*, Office for Budget Responsibility, March 2016.