Sir Tom Scholar  
Permanent Secretary  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ  

Dear Sir Tom,

Ahead of the United Kingdom’s exit from the European Union, Parliament will need to return to key decisions regarding the UK’s economic relationship with the EU during exit and transition and in a long-term agreement. In order to do so, it will need up-to-date and rigorous analysis of the economic impacts of the key scenarios for that future relationship.

In November 2018, ahead of Parliament’s debates on the Withdrawal Agreement, government provided a long-term sectoral and regional analysis of several scenarios, including EEA membership, a Free Trade Agreement and a ‘No Deal’ case with trading on non-preferential WTO terms. The analysis also included a ‘Unilateral Free Trade’ scenario in which it was assumed that the UK levied a zero-tariff on all imports of goods from all trade partners under WTO non-preferential trading arrangements. However, government subsequently announced a tariff schedule that would apply on UK imports in the event of ‘No Deal’ that amounted to less than full ‘Unilateral Free Trade’.

In your reply to this letter, I would be grateful if you could tell me:

- whether the EU Exit: Long-term economic analysis published in November remains fully relevant given any advances in economic intelligence, data or modelling since then;
- whether officials are updating that analysis and/or creating additional scenarios;
- whether officials are preparing updated analysis for the incoming government;
- whether officials have made a long-term economic analysis, including a sectoral and regional analysis, of the proposed ‘No Deal’ tariff schedule.

The Treasury Committee’s unanimously-agreed report on The Government’s and Bank of England’s Withdrawal Agreement analyses concluded that government had failed to provide analysis of several important scenarios and timeframes that I had requested in my letter to the Chancellor of 27 June 2018. These included:

- Long-term analysis of a scenario in which the whole UK enters a customs union agreement with the EU under the ‘Backstop’.
- Short and medium-term analysis of the transitional impact as the UK economy adjusts to the various scenarios, including in particular, analysis of the fiscal, sectoral, regional and employment impacts. Although the Bank of England has
provided some short-term analysis, it has told the Committee that fiscal, sectoral and regional impacts lie outside its remit, and as a result Parliament has not seen any such official analysis to date.

I would be grateful if you could tell me whether officials have been undertaking these missing analyses. If government or the Treasury is unable to undertake this short-term analysis, I would be grateful for an explanation, including a statement on the extent to which the Treasury’s short-term modelling capability has eroded since the establishment of the Office for Budget Responsibility in 2010 and the publication of the Treasury’s short-term analysis of the UK exiting from the EU ahead of the EU referendum in 2016.

I am writing in similar terms to the Governor of the Bank of England regarding the Bank’s economic analysis of the impact of the UK’s exit from the EU.

I will be placing this letter in the public domain.

Yours sincerely

Nicky

The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee