



UNION BANCAIRE PRIVÉE

Commentaire – BREXIT

Norman Villamin, Chief Investment Officer (Private Banking)

Patrice Gautry, Chief economist

Paris, le 24 Juin 2016

Brexit - Two major shocks for UK

Geneva, 24 June 2016

- ◆ **Economics:** Brexit should drive the economy into a technical **recession** in H2-16 and in 2017 (-3%/-1% range), due to lower consumption and a fall in capex. The unemployment rate is expected to rise next year (by probably 1/1.5 point from the current 5%). As the current account deficit is large (7% of GDP), the dependence to capital flows is large, pointing towards potential substantial fall of the GBP. Inflation could rebound in parallel, with an upside risk of around 3%.
- ◆ The **most impacted sectors** will be: real estate, bank, advertising and manufacturing.
- ◆ The official exit is likely to be effective in 2018, and this opens a period of tough and long negotiations with the EU (trade agreements, free circulation).
- ◆ Despite the weakening of the GBP, the **BoE** is expected to **ease** its policy in order **to avoid a domestic credit crunch or any systemic risk** from the banking sector; the fiscal policy will also probably launch **some budgetary support** later on, at the risk of deteriorating its debt rating.

A manageable shock on the Eurozone

- ◆ The impact on the Eurozone economy should remain **limited** (-0.2 pp per annum on the next few years), but some countries are particularly exposed to a UK shock: **Netherland, Germany and Belgium**.
- ◆ The **political impact** is probably far **more important** than the economic one, as **anti-EU protesters** will gain voices in the coming elections (Spain, Italy, Netherlands). The risk is a fragmentation of the EU and the Eurozone, and even other anti-EU referendums in some regions. Governments in place, EU institutions and the EU project will all loose some **credibility and confidence**.

Limited impact on the world economy, but...

- ◆ The impact on the world economy should remain **limited**, but **protectionism** and **anti-globalization** sentiment may increase across regions.
- ◆ The **G7** has planned to communicate after the release of official results, and **central banks** will be **ready to intervene** to avoid any major turmoil in currencies and financial markets, and any risk of a “Lehmann event”. The **Fed will probably postpone** another time its decision on key rates, and the BoJ and the SNB will probably intervene or take specific measures.
- ◆ For the world economy, we think these actions are keys to **prevent from a negative spiral** (shock in financial markets to impact the real economy, and reciprocally), as seen during the 2012 European crisis.

- ◆ Financial markets will be highly volatile and safe haven assets will be favoured. Political reactions and central banks actions will be important to follow during the day, while the UK is entering a unchartered territory.

A propos du Groupe Union Bancaire Privée (UBP)

L'UBP figure parmi les plus grandes banques privées de Suisse et est l'une des banques les mieux capitalisées, avec un ratio Tier 1 de 24% au 31 décembre 2015. La Banque est spécialisée dans la gestion de fortune au service de clients privés et institutionnels. Basée à Genève et présente dans vingt-cinq implantations dans le monde, l'UBP emploie 1'450 collaborateurs et dispose de CHF 110 milliards d'actifs sous gestion au 31 décembre 2015.

www.ubp.com

L'Union Bancaire Gestion Institutionnelle (France) est agréée et réglementée en France par l'Autorité des Marchés Financiers (AMF) - N° d'agrément AMF GP98041

Contacts Presse**Agence FARGO**

Yohann HENDRICE

01 44 82 95 53

yhendrice@agencefargo.com

Féten BEN HARIZ

01 44 82 66 77

fbenhariz@agencefargo.com