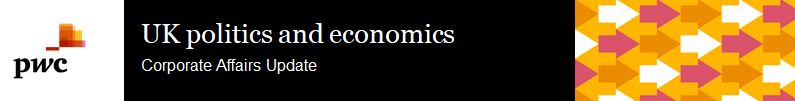
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**BREXIT TRANSITION - WEEK ENDING 3 April 2020**

Another week when the world is in the grip of Covid-19 means that there have been few political developments of significance. Here is a summary of the main points.

**Brexit transition**

With both Michel Barnier and David Frost in isolation and Europe in lockdown, there is no clear way forward for the three scheduled rounds of negotiations. It is expected that we might see some substantive discussions, held by video conference, between the two sides on aspects of a future economic partnership, but not the formal rounds that were expected.

A statement from the European Parliament UK Coordination Group made it clear that the draft positions of the two sides were far apart (the draft UK text has not been published), with the level playing field provisions and the ongoing role of the CJEU two of the sticking points. The EU has again reiterated its stance that the UK must fulfil all of its obligations under the Withdrawal Agreement, and in particular those relating to the Northern Ireland Protocol.

Monday saw the first meeting of the Withdrawal Agreement Joint Committee by teleconference. There was an update on progress to implement the Withdrawal Agreement and agreement by both sides to start the work of the Specialised Committees (for example, for NI, Gibraltar, financial provisions). In particular, the EU is insistent that the work of the Specialised Committee on NI, must start “*without delay*”, and that the Withdrawal Agreement must be implemented with “*rigour and discipline*”. The tone of the statements from both sides illustrate the different attitudes that they are taking - the UK has a business as usual approach, whilst the EU is focused on the need for rigour and speed. It is expected that the next meeting, in whatever form, will be in June.

It has been reported that the UK has rejected the European Commission's proposal to open an office in Northern Ireland. Since the end of January the Commission only has an office in London. However, under the NI protocol EU officials have the right to be present during customs checks and controls, so presence in NI is considered necessary.

**Other UK developments**

With Parliament in recess, there have been few if any developments in the UK, other than the daily press briefings on Covid-19, and further emergency legislation relating to Covid-19.

April 4 will see the announcement of the new Labour Leader, so this will be covered in the next update, but it is widely expected that it will be Sir Keir Starmer.

**Developments in the EU**

The European Commission, and individual member states are all focusing on Covid-19, so there is little non-Covid-19 news from Europe. However, the subject of “coronabonds” has been in the news over the last week.

Coronabonds are common debt instruments backed by all EU governments in order to finance the economic support that the current crisis demands. However, at a virtual summit, EU Heads of State failed to find agreement on these financial instruments. Nine countries, including Italy, Spain and France, are proposing to issue coronabonds, but the proposal was firmly rejected by the Netherlands, as well as Germany, causing rising tensions among Member States with accusations of lack of solidarity.

**Economics**

We have updated our COVID-19 scenarios. The shortened peak scenario assumes that non-pharmaceutical interventions (NPIs) are effective at controlling the disease. The longer peak scenario assumes that NPIs are less effective.The estimates of the one year impact on UK GDP range between 4% to -8%, across the two scenarios. Our sectoral analysis suggests that the sectors that will feel the most impact include the food services, hotels and transport with indirect effects via the supply chain in the logistics and manufacturing sectors.

More recent data indicate a significant weakening in UK labour market performance, with the number of registered universal credit claimants reaching 477,000 people in the 9 days up to last week, compared to 55,000 on average in a normal week. US jobless claims last week doubled to 6.65m, bringing the total over the past 2 weeks to 10 million, which is unprecedented. Some of this may double count employees that have been furloughed (particularly in the UK), but these signs provide an early indication that the labour market has a tough few weeks and months ahead.

More info on fast data is available in our pack [here](https://docs.google.com/presentation/d/1HSQUGn8QZtx0VYemZwuRaf3DykgcGN65X5dTTQxi9iY/edit).

**Links**

Beyond Brexit website: <https://www.pwc.co.uk/the-eu-referendum.html>

No regrets Brexit decisions: <https://www.pwc.co.uk/the-eu-referendum/beyond-brexit-insights/time-to-act-eight-no-regret-decisions-you-can-make-now.html>