EU REFERENDUM: BREXIT 'WOULD SPARK YEAR-LONG RECESSION' - TREASURY

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BBC

Leaving the European Union would tip the UK into a year-long recession and lower Britain's economic growth by 3.6%, according to Treasury analysis.

The country would suffer an "immediate and profound" economic shock of its own making, Chancellor George Osborne, who released the study, warned.

But Vote Leave's Iain Duncan Smith said people would not believe the Treasury's "deeply biased view of the future".

It comes one month before the vote on Britain's EU membership on 23 June.

The Treasury's "cautious" economic forecasts of the two years following a vote to leave - which assumes a bilateral trade agreement with the EU would have been negotiated - predictsGross Domestic Product would drop by 3.6% and push the economy into recession.

There would also be a sharp rise in inflation and house price growth would be hit by 10%, it claimed.

A second, "severe shock" scenario, also modelled by the Treasury, predicts what would happen if Britain left the EU's single market and defaulted to World Trade Organizationmembership.

In this scenario, after two years, GDP would be 6% lower and there would be a further increase in inflation, with a hit to house price growth of 18%, it predicts.

Analysis

This is the second time the Treasury has released a major document used by Remain campaigners to claim there will be serious damage to Britain's economy in the event of a vote to leave the EU.

To vandalise a well-worn election slogan - it tells us that Stronger In's referendum strategy is sticking with three priorities: the economy, the economy, the economy.

It became clear weeks ago the Remain camp's playbook involved repeatedly trying to appeal to wavering voters with what were presented as sober economic assessments on the risks of leaving the EU.

Vote Leave are still fighting on this turf, but recent days have seen their campaign shift emphasis solidly to the issue of immigration - with what were claimed to be the risks of Turkish EU membership - a noticeable change of tack which fellow out campaigners in Ukip (not part of the officially designated campaign) had been calling for, believing it key to winning over undecided voters.

Mr Osborne, who is due to visit a business on the south coast with the prime minister on Monday, is expected to warn voters not to choose a "do-it-yourself recession" for Britain.

"It's only been eight years since Britain entered the deepest recession our country has seen since the Second World War. Every part of our country suffered," he is expected to say.

"The British people have worked so hard to get our country back on track. Do we want to throw it all away?"The Vote Leave campaign has rebutted the Treasury's analysis as "fantastical", and said it had been "hopelessly wrong" in previous forecasts.

Former cabinet minister Iain Duncan Smith said: "As George Osborne has himself admitted, the reason he created the independent forecaster, the OBR [Office for Budget Responsibility], was because by 2010 the public simply did not believe the government's own economic forecasts.

"This Treasury document is not an honest assessment but a deeply biased view of the future and it should not be believed by anyone."

Leaving the EU would save Britain money, and allow trade deals with growing countries outside the EU which would in turn create jobs, Mr Duncan Smith argued.

- Would Brexit cost your family £4,300?
- Free trade area or single market?
- Who has access to the single market?

The Treasury says it modelled the impact of a leave vote by looking at three key factors: the "transition effect" of the UK becoming less open to trade; the impact of "uncertainty" on the economy; and the potential "volatility" of financial markets.

A previous Treasury report, which looked at the long-term effect of an EU exit, claimed households would be £4,300 a year worse off, and the economy 6% smaller by 2030.

Vote Leave also dismissed these estimates as "worthless" and "unbelievable", saying "few forecasts are right for 14 months, let alone 14 years".

Kaynak/Source: