In the months ahead, Parliament will be called on to make key decisions regarding the terms of the UK's exit from the European Union, and the framework for its future relationship.

You have previously expressed an intention to place “the maximum amount of analysis in the public domain” before Parliament's decisions,¹ and I am writing to set out the Committee’s expectations for that work.

The analysis should separately assess (i) the long-term, steady-state economic and fiscal impact of the choices facing Parliament, and (ii) the short-to-medium-term path for the economy and the public finances towards that state.

(i) Long-term analysis
The long-term analysis should consider the economic and fiscal impact of (a) implementing the Withdrawal Agreement and the terms of the future framework in isolation, and (b) a 'no deal' scenario. The impact of both scenarios should be considered against a 'status quo' baseline. Any estimates of potential future costs and benefits of aligning with the EU acquis as it changes should be assessed separately, and the assumptions about the future changes clearly described.

The economic impact should be described in terms of the effects on GDP, GDP per capita, labour productivity, household incomes, employment, exports, imports, the trade-weighted exchange rate, and any other indicators deemed by the Treasury to be relevant.

The fiscal impact should be described in terms of the effects on public sector net borrowing, net debt, revenues, expenditure and any other indicators deemed by the Treasury to be relevant.

¹ Oral evidence, HC600, 6 December 2017, Q305
The economic impact should be disaggregated by sector and by region, showing in each case the impact on output (GVA), productivity, exports, imports, household incomes and employment. A distributional analysis should be produced showing the effect on household incomes in each decile.

The analysis should show the economic and fiscal effects that directly flow from each scenario in isolation from any other changes. In particular:

- Any changes to policy (including migration policy), laws or regulations that are not directly consequent on the Withdrawal Agreement and future framework should be described in specific terms, and their impact should be separately identifiable in the analysis. An assessment of winners and losers from the proposed changes, and the likely countervailing impact on access to EU markets, should also be produced.

- Any economic or fiscal impacts arising from the conclusion of international agreements, including free-trade agreements, should be described clearly, and be separately identifiable in the analysis. In particular, the impact of achieving the Government’s intention of ensuring continuity of effect of the EU’s existing third-party trade agreements should be separately identifiable.

(ii) Short-term analysis
The short-term analysis should describe the path for the economy and the public finances in the five years following March 2019, assuming (a) an agreement is reached before March 2019 on the Withdrawal Agreement and the framework for the future relationship, and (b) a ‘no deal’ scenario, relative to a ‘status quo’ baseline.

The economic component of the short-term analysis should describe the path for GDP, GDP per capita, labour productivity, household incomes, employment, exports, imports, the trade-weighted exchange rate, and any other indicators deemed by the Treasury to be relevant.

The fiscal component of the short-term analysis should describe the path for public sector net borrowing, net debt, revenues, expenditure, and any other indicators deemed by the Treasury to be relevant, relative to the baseline.

The risks around this path should be identified, and an assessment should be provided of the economic and fiscal impact were they to crystallise. This may include risks that systems, infrastructure or personnel required to facilitate cross-border trade flows are not in place (either in the UK or the EU27), and risks that the negotiation and ratification of the agreement on the future relationship over-runs the implementation period.
As with the long-term analysis, the analysis should show the economic and fiscal effects that directly flow from each scenario in isolation from any other changes.

**Modelling**
The Committee expects that the Treasury will make the underlying Computable General Equilibrium Model, and any other models used to produce the analysis, publicly available, so that the analysis can be subjected to external scrutiny and assurance.

I would be grateful for your assurance that the analysis you have committed to providing will take into account the points above, and that it will be published in good time before Parliament comes to make its key decisions. As the timetable becomes clearer, I will write again to set out the Committee’s expectations on timing.

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