



No-Deal Brexit: Should Americans be Concerned?

Exactly when, how, or even if the U.K. will leave the European Union remains in flux. But the clock is ticking, and the potential repercussions of a no-deal Brexit could be substantial -- even on this side of the Atlantic.

A no-deal "hard" Brexit could happen as soon as October 31.

For Americans who think Brexit is strictly a European issue, think again. Better yet, recall the day after the Brexit vote in June 2016 when the Dow Jones Industrial Average fell over 600 points and global markets lost \$2 trillion in value. Although U.S. markets rebounded in short order, the experience serves as a grim reminder of the potential repercussions of a no-deal, "hard" Brexit -- one with no agreement about the exit terms and process -- on this side of the Atlantic.

The exact timing of Brexit has been a moving target since the June 2016 referendum, and the deadline has already been extended twice. The current official cutoff is October 31, 2019, but this could be moved back to January 31, 2020, or later. Any extension granted to the U.K. must be agreed to by all members of the EU, so there's no guarantee one will be offered.

A no-deal Brexit would immediately end U.K. participation in the single market and customs union, potentially resulting in the imposition of tariffs on both sides. U.K. membership in EU bodies that govern rules on everything from medicines to trademarks would also end. The flow of people, goods, and services between the two would likely be severely disrupted, for a time at least, resulting in delays, shortages, and service interruptions, not to mention higher prices. So, for the U.K. and Europe, the prospect of a hard Brexit is not pretty.

How Brexit Could Impact the U.S.

Stateside, the effects would be far less dramatic, but could still be potentially significant. Here's a rundown of the main areas where Americans would most likely feel some no-deal Brexit pain.

Higher prices. With supply chains for everything from food to energy disrupted, prices on products made in the U.K. -- or assembled with components produced there -- would likely increase. How much of an increase would depend upon the specific impact of Brexit on the product, company, or industry.

Stock market volatility. Wall Street's knee-jerk reaction to the Brexit referendum in 2016 is unlikely to be repeated, because Brexit is now a long-anticipated event that has already been priced into many stocks. But investors should expect heightened volatility as the separation unfolds and impacts different companies and sectors.

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Stronger dollar. A no-deal Brexit could lead to a further erosion of the pound sterling, and possibly the Euro, against the U.S. dollar. Both currencies, especially the pound, have already taken a hit from just the prospect of Brexit. That's good for Americans traveling abroad, as their dollars would buy more. But it's bad for U.S. businesses that compete internationally.

Business complications. American companies that maintain contracts with U.K. parties would likely be affected by the terms of future trade agreements and intellectual property laws. The ability of U.K. nationals to work in the EU and vice versa may also be impacted. There is also the "gateway effect," as many American businesses use the U.K. as their doorway to the EU. With a hard Brexit, companies will find it harder and more expensive to move goods between the U.K. and the rest of Europe, with delays, tariffs, and more paperwork involved.

Of course, a negotiated Brexit -- one wherein agreements are reached in advance between the U.K. and the EU on tariffs, border crossings, and myriad other factors -- would make for an easier transition on both sides of the Atlantic. How much easier would depend on the terms of the agreement. But, as former prime minister Theresa May's failed attempts to get Parliament to approve an agreement show, getting all parties to agree is no simple matter. Britain's new prime minister, Boris Johnson, is currently working on his own version, but he has pledged to go through with Brexit with or without a deal. The situation changes by the day and it remains unclear if an agreement will be reached or when Brexit will happen. But whatever transpires, the effects will likely be felt on both sides of the Atlantic.