Brexit clouds horizon for Britain's airlines

LONDON: Britain's vote to leave the EU could open a period of turbulence for the country's airline industry, which has soared under the EU's Single European Sky system over the last two decades. Among the mass of agreements that Britain will have to renegotiate with Brussels are those governing flights between Britain and the rest of the EU. "They are not long, the days of wine and roses," whether for airlines, airports or British air travellers, said Peter Morris, chief economist at Ascend Flightglobal Consultancy.

The single sky system lifted trade restrictions on airlines controlled by EU member states or their nationals, and whose headquarters are located within the EU. Unless British negotiators manage to secure preferential conditions, British airlines will lose this status. This will mean they no longer enjoy rights including being able to freely set airfares, and to launch any route in Europe without getting authorisation in advance. In concrete terms, passengers leaving or arriving in the United Kingdom will face new taxes, while British airlines will be slower to develop new routes. On the frontline are Britain's two main actors, EasyJet and the International Airlines Group (IAG): Their shares plummeted Friday on news of the shock Brexit vote, losing 14.35 percent and 22.54 respectively on the London market. Low-cost airline Ryanair, which campaigned vocally for Britain to remain in the EU, is a little less exposed because it is based in Ireland, even if it has a large presence in Britain.

Falling Demand

As soon as the referendum result became clear, EasyJet wrote to British and EU authorities pressing them to ensure that Britain remains in the Single European Sky. "Britain being in Europe is the best thing for Britain," EasyJet chief executive Carolyn McCall told AFP a few months before Thursday's referendum. "That is based on the fact that deregulation of aviation has been a fantastic benefit to consumers," she said, noting that it had reduced fares by 40 percent and increased routes by 170 percent.

On Friday the airline insisted that Brexit will not have a major impact on its strategy, but also said it was working on alternative options to allow it to maintain its current network and operations. According to Morris, EasyJet, currently based at Luton airport north of London, "will doubtless already have plans under way for a head office within the EU, perhaps under a different brand". He said he also expects that IAG, which includes British Airways and which is headquartered in London, will try to widen its network using its non-British subsidiary airlines, at the expense of British Airways.

IAG also owns Spanish carriers Iberia and Vueling as well as Ireland's Aer Lingus, which it could use to strengthen its operations around hubs in Dublin and Madrid. That could harm London's role as an international hub with five airports. Also on the downside for the British capital, tides of US and Asian passengers who transit via its airports could be attracted by offers from hubs which remain in the EU. The long-debated construction of a new runway at Heathrow or Gatwick, Britain's two main airports, could be delayed further if "Leave" campaign figurehead Boris Johnson becomes prime minister. The former London mayor, tipped as a frontrunner to succeed Prime Minister David Cameron after the Brexit vote, has long campaigned for an alternative plan to build a new airport in the Thames estuary east of the capital. "For Heathrow and its third runway the game's up," said John Strickland of JLS Consulting. He highlighted another more immediate consequence of the Brexit vote: the collapse of sterling on exchange markets. This will lead to higher fuel and lease costs, and a likely fall in demand for flights to Europe by British travellers whose pounds aren't worth as much on the continent since Thursday's shock vote. —AFP

China finance minister sees rising uncertainty

BEIJING/TIANJIN, China: China's policymakers and leading economists yesterday voiced concerns about Britain's vote to leave the European Union, with the finance minister saying it has heightened market uncertainty, though some expect a limited impact on the Chinese economy. The "Brexit" decision "will cast a shadow over the global economy ... The repercussions and fallout will emerge in the next five to 10 years," said Lou Jiwei, China's minister of finance, at the first annual meeting of the Asian Infrastructure Investment Bank in Beijing. "It's difficult to predict now," he said. "The knee-jerk reaction from the market is probably a bit excessive and needs to calm down and take an objective view."

Stock markets around the world plunged in the wake of the referendum. Sterling's value also plummeted. Lou's views were echoed by the head of China's top economic planning authority and other economists at the World Economic Forum (WEF) in the northern city of Tianjin. "For Chinese firms that are going to invest or carry out mergers, entrepreneurs are smarter than me, and they will definitely wait and see," Xu Shaoshi, chairman of the National Development and Reform Commission, said at WEF on Sunday.

"The Brexit incident wil affect China's economy via investment, trade and capital," he said. "But I believe the impact will not be big and relevant government departments have made contingency plans." Huang Yiping, a professor at Peking University and a member of the central bank's monetary policy committee, said it is hard to judge the direct impact of the British referendum on China's economy. "If (Brexit) is an important landmark in terms of a reversal of globalisation, I think that's very bad for the world, it's very bad for China," Huang said. Li Daokui, a professor at Tsinghua University and a former adviser to China's central bank, was more optimistic on the referendum's effects on the world's second-largest economy. "China is perhaps one of the least impacted economies in the world by the event of Brexit," he told an audience at WEF. "The only short-term impact I can think about is the exchange rate of the renminbi ... But I do think within a few trading sessions that situation will very quickly be subdued," Li said.

Also speaking at WEF was economist Nouriel Roubini, famed for predicting the global financial crisis, who said the decision to leave the European Union "creates a whole bunch of financial, economic, political and geopolitical uncertainties."

It could be the "beginning of the disintegration" of the bloc of countries, the euro zone or the United Kingdom, said Roubini. "I don't expect a global recession or another global financial crisis," he added. "I think the impact of Brexit is significant but not of the same size and magnitude of the one we had 2007 to 2009." Michael Falcon, CEO of Global Investment Management Asia Pacific at JP Morgan, said he expects more market volatility but doubts the vote will derail a global recovery. "It is a shock, not a crisis, and so far markets seem to be handling this pretty well," Falcon said at the WEF conference.—Reuters

LONDON: This photo taken on May 24, 2016 shows the skyline of buildings in the City of London as seen from Waterloo Bridge as pedestrians walk by. — AFP

London fearing exodus of bankers, investment

LONDON: Will Brexit threaten London's long-booming economy? The British capital fears investors and bankers could flee the city after the shock nationwide vote, threatening its coveted reputation as a global financial hub. Some 60 percent of Londoners voted to stay in the EU in Thursday's historic referendum, but the rest of the country cast their ballots overwhelmingly to leave. And the capital's 8.6 million residents, whose GDP is about the same as that of oil-rich Norway, are anxious about the impact on the city's economy.

The fear is that London will no longer be able to claim to serve as the gateway for US and Asian businesses into Europe's vast single market. "Some firms that saw London as a platform for serving the integrated EU market will relocate at least part of their headquarters' functions to other cities within the EU," said Greg Clark of the Brookings Institution. A first bank, US giant JPMorgan which employs around 16,000 staff in the United Kingdom, said Friday that it "may need to make changes to our European legal entity structure and the location of some roles".

It gave no figures, but chairman and chief executive Jamie Dimon previously said that up to 4,000 jobs could move out of the UK. According to ratings agency Standard and Poor's, a fifth of all global banking activity takes place in London. A haemorrhaging of bankers would hit the city: the financial sector provides one in three jobs, or some 1.25 million. Services overall represent 85 percent of jobs, having completely supplanted manufacturing which historically was the driving force of the capital.

'Still a Good Location'

"Although we will be outside the EU, it is crucial that we remain part of the single market," pro-EU London Mayor Sadiq Khan said Friday. "It is crucial that London has a voice at the table during those renegotiations," added the Labour mayor, who took over in May from Conservative Boris Johnson - who went on to spearhead the "Leave" camp. A petition for London to have independence from the United Kingdom and make an application to join the EU started partly as a stunt.

But it highlighted deep concerns and had by Saturday evening garnered more than 150,000 signatures for a so-called "Lexit". Despite these fears, Clark of the Brookings Institution said that in the end "the total number of net job losses in London may not be high, as corporations will re-organise rather than leave". "London will remain a good location to service global markets," he added. The city, whose GDP grew by 3.3 percent last year against 2.3 percent for the whole country, remains well-placed: it speaks English, the international language of business, as well as being cosmopolitan and culturally rich. London's successful hosting of the 2012 Olympics, which saw huge investment notably in transport infrastructure, burnished its reputation as a global capital.

Real Estate on Frontline

If well-paid bankers and other expatriates flee London for Frankfurt, Paris or Dublin, a whole swathe of the economy which depends on higher spending power will suffer, from luxury real estate agencies to select private schools. The first sector to pay the price might be bricks and mortar. "In our view the decision to leave the EU will be most keenly felt in the London housing market which is fully valued and already facing headwinds," said real estate specialists Hometrack. "History shows that external shocks have led to falls in turnover by as much as 20 percent," it added.—AFP

LONDON: Tourists look at London-themed merchandise as Union flags fly above a street vendor's stall near the Big Ben clock face and the Elizabeth Tower at the Houses of Parliament in central London yesterday. — AFP

Foreign investors eye British property after Brexit fallout

House prices could fall as pound collapses

HONG KONG: With property prices in Britain predicted to plummet post-Brexit, foreign investors, especially in Asia, are already poised for a buying spree. It is an ironic twist to the shock referendum result - many who opted to leave the European Union saw their vote as a deterrent to outsiders looking to take advantage of economic opportunities in Britain. The aftermath of Thursday's vote to leave the EU saw the resignation of British Prime Minister David Cameron and the collapse of the pound to a 31-year low. There was pandemonium on currency, equity and oil markets.

At around 2100 GMT Friday, sterling was down about 8.8 percent against the dollar compared with Thursday night, and foreign exchange experts predicted more weakness ahead. Property prices are also expected to take a hit, with reports of buyers pulling out of transactions due to market uncertainty. But while there may be a "wait and see" approach for some, ambitious foreign investors are on the hunt for bargains while the exchange rate is so low. "Several of my opportunistic investors have said we really ought to think about this seriously, and to think whether we should take advantage of this new window in the market," said Nicholas Brooke, chairman of professional property services for the Royal Institution of Chartered Surveyors. "Anyone who's not dealing in sterling would see an opportunity." Brooke, whose firm plays an advisory role for prospective buyers, said while many clients remained cautious, some in Hong Kong and China with "substantial" investment capabilities had voiced interest.

London-based international property agent Knight Frank also said foreign investors would be wary as they assessed the full impact of the Brexit fallout, but the drop in the pound would mean their buying power would "increase significantly". Interest would be especially strong from China, Hong Kong and Singapore, - where investors have a long history of buying up property in Britain, especially London, the firm's Asia-Pacific specialist Nicholas Holt said. Chinese international property portal Juwai.com predicted 30 percent more consumer enquiries this month than in May. The historic low of the pound against the Singapore dollar also constituted a "fantastic buying opportunity" for investors in the city, added Donald Han, executive director of Chesterton Singapore, a consultancy specializing in UK property.

'Wholehearted Embrace'

Asian investors have long sought out both commercial and residential UK property off the back of potential for capital growth and a resilient economy. London house prices are some of the most expensive in the world and have been on the rise over the past six years. But in the wake of the Brexit vote, international consultancy KPMG has forecast house prices could fall five percent nationwide and even more in the capital. Property consultancy Jones Lang LaSalle (JLL) said capital value adjustment could be down up to 10 percent in the next two years.

The International Monetary Fund has warned that the British economy could sink into recession next year and overall economic output would be 5.6 percent lower than otherwise forecast by 2019, with unemployment rising back above six percent. However, the Brexit camp argues that the business world will adapt quickly with Britain's flexible and dynamic economy buoyed by new economic partners and selective immigration. "The UK's decision to leave the EU is an historic event and we should embrace this wholeheartedly," said Robin Paterson, joint chairman of UK Sotheby's International Realty.

He predicted increased investment from Asia as well as the US. Besides established investors into Britain, some areas might see new blood join the fray. JLL predicts more buyers from India, which is already an established source of property investment into Britain. "It is very likely that many more Indians will seek to invest there," said Anuj Puri, JLL chairman and country head for India. — AFP

British expatriates fear for their future after UK vote

BENIDORM, Spain: Tad Dawson's pub in this Spanish vacation town was doing a brisk business in the summer sun. The only dark clouds he saw were coming from the bar's TV, tuned to a British news channel. Inside the Yorkshire Pride were many British tourists watching the screen as their prime minister announced his resignation Friday after the UK voted to leave the European Union. Dawson, a 51-year-old Englishman who has lived in Spain since the 1990s, admits the decoupling of Britain from the EU other 27 member nations has him spooked. His future is suddenly uncertain.

"We're very scared because I've been here 23 years. I've got my house, my kids were born here, they went to a British-Spanish school, I've got a bar, I've got a lot to lose," Dawson said at his pub, which was decked out with the red-and-white English flags featuring the St. George's Cross. EU leaders are due soon to begin unprecedented - and knotty - negotiations on how to extricate the UK from the bloc. Crucially for British expatriates, EU laws stipulate that the bloc's citizens have the same rights as those nationals in any other member nation.

Nobody is saying what the rights of Britons living in the EU might be in a future outside the bloc. Dawson worries about losing his entitlements in Spain, which is part of the EU. "We don't know how we're going to be now," he said. "We might have no pension. We might have no medical. We may have to sell our properties. We've lived here for a lot of years. We don't know how it's going to affect us anymore." An estimated 1.2 million Britons live in other EU countries, many of them in France, Spain and Portugal, according to Britain's House of Commons library. But analysts reckon the true number could be at least double that - and maybe a lot more, because many don't bother registering with their embassies or the local authorities.

Raquel Martins, an immigration lawyer at the Lisbon, Portugal, law firm of SRS Advogados, said the United Kingdom and the EU would now enter many months of negotiations to try to secure a reciprocity agreement that establishes legal guarantees for their citizens who live abroad. "Nothing will happen right now. Nobody is going to be sent home," she said. "What would make sense in my eyes is for there to be some kind of give-and-take and an agreement on reciprocal safeguards."

Shock

Across Europe, British expats reacted with alarm, dismay and sadness after Thursday's referendum on Britain's EU exit, also known as Brexit. "I am in a state of shock," said Patrick Lamb, a standup comedian who has lived in Austria for 17 years. "I am also concerned by what Brexit means for the longer-term future. The world seems very unstable."

In Berlin, Dale Carr from Sheffield in northern England said she would request German nationality. She said she, her Scottish husband and her two British-passport holding children would apply for German citizenship to keep their EU entitlements. "Otherwise, we have no rights. What am I to do with this British passport?" asked the 63-year-old who moved to Germany in 1978 and runs two British goods shops called Broken English. —AP

MADRID: In this June 24, 2016 photo, a man uses a multi-currency ATM in downtown Madrid. — AP