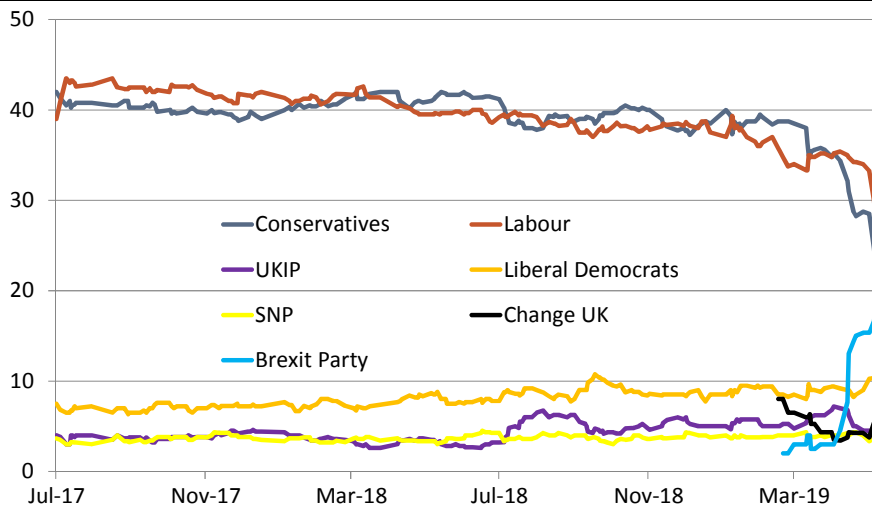


15 May 2019

UK: poll shift sends clear message – sort Brexit out fast

Conservatives and Labour fall behind while the Brexit Party benefits from the Brexit mess



UK opinion polls. Source: National polls. Three-poll moving average. 8 June 2017 election results: Conservatives (42.4%), Labour (40.0%) LD (7.3%), SNP (3.1%) and UKIP (1.8%). SNP: Some data points include voting intentions for Plaid Cymru.

- The big Brexit mess:** The UK is experiencing the political equivalent of a nervous breakdown. Having first tried and failed on three occasions to get parliament to ratify her version of Brexit, UK Prime Minister Theresa May has also failed to achieve a breakthrough in seven weeks of talks with leftist Labour leader Jeremy Corbyn. As a result, both parties are suffering badly in the polls – see chart.
- More than a protest vote?** Frustrated Brexit voters from both major parties have switched to the new Brexit Party led by eurosceptic Nigel Farage. Some equally frustrated pro-EU voters have shifted to the pro-EU Liberal Democrats. The average support for the top four parties in the last five surveys of voting intentions in a UK general election shows Labour (29%) ahead of the Conservatives (23%), followed by the Brexit Party (17%) and the Liberal Democrats (13%). In opinion polls for the European election on 23 May, the Brexit Party looks even stronger with up to 34%. The Brexit Party is more than taking the place of UKIP – Mr Farage's old party, which drew 12.6% of the vote in the 2015 General Election but won just one seat in the House of Commons.
- Could there be a silver lining?** The recent trends in UK opinion polls look worrisome. Still, if logic prevails, they could have a positive short-term effect. First, the risk that the Conservative Party could try its luck in snap elections is low. For now, this helps to contain the risk that Corbyn could become prime minister. Second, both the Conservatives and Labour have an incentive to find an agreement to get Brexit sorted and off the table soon. If that happens, the one-issue Brexit Party will likely fade into irrelevance, just as UKIP has done before. If not, the traditional UK party landscape may be history.
- But what if things go wrong?** Unfortunately, logic does not always prevail. In the UK's heated atmosphere, the political risks to the country's long-run economic outlook have rarely been more serious in modern times. The UK faces two serious supply-side threats: a hard Brexit and the prospect of a socialist Prime Minister who apparently wants to partly return the UK to the 1970s. With no obvious route through the Brexit mess, all potential scenarios remain on the table including a second referendum that could end in a hard Brexit or no Brexit at all.
- What happens next?** In normal times, political gridlock need not be a bad thing. When economic fundamentals are healthy, as they are, a lame Westminster would not spoil things. But times are not normal. The only hope of getting UK politics back on track is for parliament to sort Brexit out and move on. [Our base case remains](#) that parliament will eventually back one of the softer options for UK-EU trade during the summer and pass the Withdrawal Agreement shortly thereafter. The UK press reports today that May plans to try and get all this done in the week beginning 3 June, before MEPs take their seats on 2 July. A promise to step down right afterwards could help her get it over the line. At any rate, things seem set to get even noisier.

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