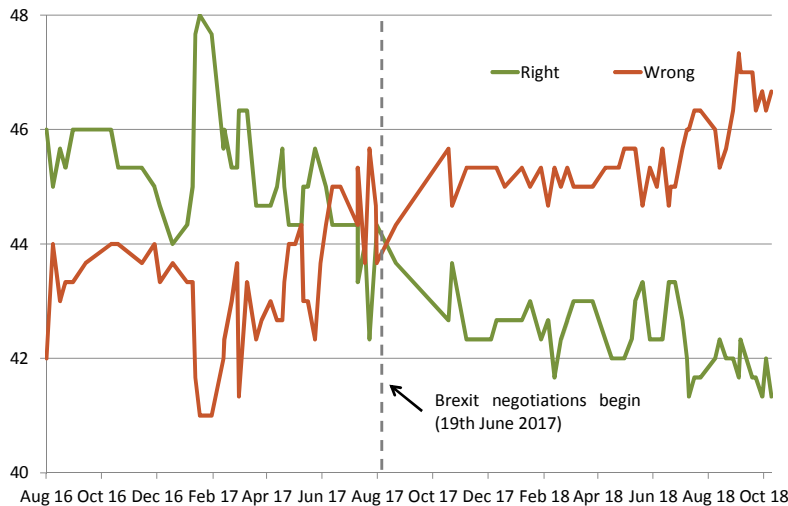


16 November 2018

UK heading for the Brexit abyss? Unlikely

UK voters no longer like Brexit: was the UK right or wrong to vote to leave the EU?



The chart shows opinion polls on the question of whether the UK was “right” or “wrong” to vote to leave the EU in June 2016 – three-poll average. Source: UK opinion polls.

- Has the risk of a hard Brexit risen?** Despite the current political turmoil in the UK, probably not. Once again, the Conservative Party is tearing itself apart over Brexit. A number of high-profile resignations after the UK cabinet accepted the draft withdrawal treaty and threats by the Northern Irish DUP to withdraw its support for Prime Minister Theresa May’s government show that she faces an uphill struggle to push her deal through parliament at the first attempt. But that is no surprise: any Brexit deal would have encountered serious opposition from parts of a bitterly divided Tory Party. Despite huge uncertainty about the path that ultimately ends in a Brexit deal, the risk of a no-deal hard Brexit remains unchanged at 20%, in our view.
- The majority for a Brexit deal:** Most of the 315 Conservative members of parliament are either Brexit moderates or pro-EU. When push comes to shove, most of them are likely to support Mrs May’s deal. If that deal fails because not enough opposition MPs help it over the line, this moderate majority would probably not sit on its hands as the UK is dragged over the cliff edge by a minority of some 50 hardline Brexiteers. Such an accident is not impossible, but remains a stretch.
- Can Mogg oust May?** Hardline Eurosceptic Jacob Rees-Mogg is leading the Brexiteers’ charge against the prime minister. 48 Conservative MPs could trigger a vote of confidence in Mrs May. While that number is probably attainable, we see no obvious challenger who could carry a majority of at least 158 Conservative MPs. With no majority to bring her down as Tory leader, May is probably still safe for now.
- No popular support for a hard Brexit either:** As our chart shows, a majority of people polled now think Brexit was the wrong choice. Of course, the pro-EU lead is too slim to reliably predict the outcome of a potential new referendum. However, it does suggest that a hard Brexit would not go down well with a majority of voters. The economic damage and uncertainty caused by such an outcome could also cost the Conservatives dearly among the current generation of largely pro-EU young voters.
- An uncertain path to a semi-soft Brexit:** The major signs still point to a deal eventually, even if the path for arriving at one looks less clear than before. Mrs May could still be in luck. After some debate in parliament and a sobering look at the potential abyss of a no-deal hard Brexit, the UK parliament may still accept the withdrawal agreement. But now more than before, we have to brace ourselves for the prospect of a very noisy period of chaos in parliament. If Mrs May’s deal falls through, potential outcomes would include: 1) cooperation between the moderate majorities among Tory and Labour MPs; 2) fresh elections; and/or even 3) a second referendum. Either of these three options would be likely to avoid the no-deal hard Brexit alternative.
- UK outlook remains bright:** If the UK passes eventually a deal, even if that follows a few months of high uncertainty and market nervousness, the economic benefits would kick in shortly thereafter. Domestic fundamentals are in good shape – see [UK: growth spurt ahead if Brexit deal is struck](#) for details on our outlook.

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