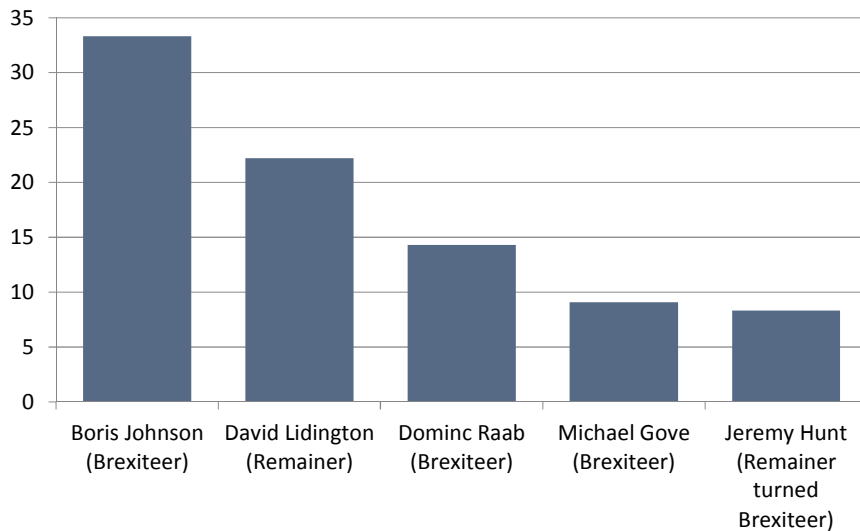


23 May 2019

UK: The last days of May

Betting odds implied probabilities for the next UK Prime Minister (%)



Source: Bet365, Berenberg calculations

- Who could be next in No 10?** UK Prime Minister [Theresa May's most recent initiative](#) to break the Brexit impasse has been pronounced dead on arrival. *The Times* reports today that May is likely to announce her departure in the coming days. As May looks set to leave No 10 battered and bruised with little to show for it, we need to consider who could follow her and what that could mean for the Brexit outlook.
- Boris the Redeemer?** One of the most divisive characters in British politics, Boris Johnson, would be unpredictable. He is currently the favourite to replace May, according to the bookmakers' odds – see chart. While he holds a certain charisma that can be helpful in statesmanship, his grasp of detail seems to be less than par, to put it mildly. As a late convert to the Brexit cause in 2016, Boris could toe the hard line on Europe and allow a hard Brexit at the end of October. However, he might have the pro-Brexit credentials to unite most of the Conservatives and pass the Withdrawal Agreement. Exactly what could happen if Boris became PM would be a coin toss, in our view.
- Who else could it be?** The other names in the top five are a mixed bunch. David Lidington – May's de facto deputy, Remainer, has previously ruled himself out – but we have all heard that before. Although he would be a safe pair of hands, he could be too similar to May and thus face the same fate. Dominic Raab – ex-Brexit secretary, Brexiteer, is popular among the eurosceptics in his party. He pushed for a hard stance when he headed the UK side of the UK-EU negotiations but was undermined by May. The hard Brexit risk would rise significantly under Raab. Further down the list, Michael Gove (Brexiteer) and Jeremy Hunt (a Remainer who changed his position after the referendum), are your run-of-the-mill centre-right Conservatives – both would probably try to avoid a hard Brexit.
- Hard Brexit risk rises to 25%:** With May likely to be out soon, probably to be replaced by a Brexiteer, according to the latest betting odds, the Brexit risks have shifted somewhat. As the UK has six months to sort out Brexit, and as a lot can happen between now and then, we adjust our projections modestly for now. We raise the risk of a hard Brexit to 25% from 20% and remove the chance of May's deal from the scenarios (previously at 5%). We keep the probabilities of a customs union model (45%), Norway plus model (10%), and no Brexit (20%) unchanged. However, we note that these probabilities could change drastically in the coming weeks depending on who ends up in Downing Street and we begin to learn just what the fresh pair of legs will bring to the Brexit drama.
- Tricky parliamentary arithmetic:** As May has found out, you cannot do much in British politics if you do not have parliament behind you. Whoever becomes prime minister next will face the same problem. The Conservatives in parliament do not agree on Brexit. A snap election could change the composition of parliament, but probably not in the Conservatives' favour. With the Conservatives trailing behind opposition Labour by an average of five points in the last 10 polls, triggering a snap election now would be irrational. A new PM would find out whether the Conservatives' major problem is with the terms of the Withdrawal Agreement or with the leader who negotiated it.

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