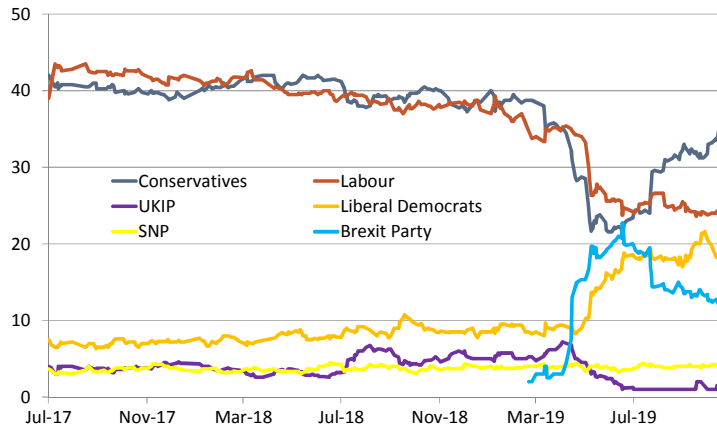


24 October 2019

UK snap election: advantage Johnson

Conservatives rebounding since Boris Johnson became PM



UK opinion polls for national elections. 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 Plaid Cymru. Source: National polls, Berenberg calculations

- Heading for elections soon:** If the EU grants the UK a Brexit delay until 31 January as the UK has requested, Prime Minister Boris Johnson has said he will push for a general election – to take place probably this side of Christmas. While his antics may be part of a grand strategy to try help him get his deal through parliament with just a small “technical” Brexit delay, it does not change the fact that Johnson lacks a majority in the House of Commons. Even if he manages to get his deal through parliament beforehand, an election seems to be around the corner. Johnson cannot enact his plans for a massive fiscal stimulus, or agree a free trade deal with the EU, with his current limping minority government. If he wants to pursue his policies, he needs a majority. For that, he needs an election.
- What do the polls say?** The Conservatives at c36% are well ahead in the polls with a c12pt lead over Labour. But UK voters are divided among four main parties, with 18% of voters backing the Liberal Democrats and 12% supporting the Brexit Party. However, such surveys merely try to capture the percentage of voters who back each party. In the UK’s first-past-the-post electoral system, this often does not give a precise picture of the potential election result.
- A note of caution:** A party needs 325 seats for an absolute majority in the House of Commons: c321 usually does it, however, since the count is adjusted for the speaker, the speaker’s deputies and Northern Irish Sinn Fein MPs who do not take their seats. If history is any guide, the current 36% of support for the Conservatives does not guarantee a majority. Labour won 355 seats in 2005 with 35.2% of the popular vote. In 2010, the Conservatives garnered 306 seats with 36.1% of total votes. In 2015, with 36.9% support, the Conservatives won 330 seats. A lot depends on how voters behave in marginal seats. It can make all the difference. For example, in the 2017 election, the Conservatives won just 317 seats but 42.4% of the vote while Labour won 413 seats with 40.7% of the popular vote back in 2001.
- Advantage Johnson:** For our base case, we expect Johnson to win a narrow majority if elections happen before Brexit. Since becoming prime minister on 24 July, Johnson has added nearly 10pts to the Conservatives polling. He is the best campaigner among the major party leaders and, critically, he now has a deal for an orderly Brexit. Centre and centre-right voters who once worried that a vote for Johnson would be a de facto vote for a hard Brexit can now return to the Conservatives in an election before Brexit. But he would face threats from the Brexit Party (which wants a hard Brexit) and the Liberal Democrats (who want to remain in the EU). Johnson’s chance to win a majority would be much better if he can get his Brexit deal through parliament first. Riding high on his Brexit success, and with the promise of a tax cut, Johnson could expect to win handsomely as the erstwhile appeal of the Liberal Democrats and the Brexit Party would fall. The combination of an orderly Brexit, eliminating the Corbyn risk and the prospect of a fiscal stimulus would lift confidence in the economy and in the financial markets.
- What if Johnson loses:** There is no love lost between the parties that would prefer a soft/no-Brexit outcome: Labour, the Liberal Democrats, the Scottish National Party (SNP), independents and the Greens. Based on current polling, no such party stands a chance of winning a majority. The Liberal Democrats have ruled out joining a coalition with Labour so long as Jeremy Corbyn is leader. Although very unlikely, any agreement between such parties to unite following an election would last only until they had either a) passed a soft Brexit deal or b) held a second EU referendum offering a choice between Johnson’s deal or remain. After that, it would be back to the polls, again.

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