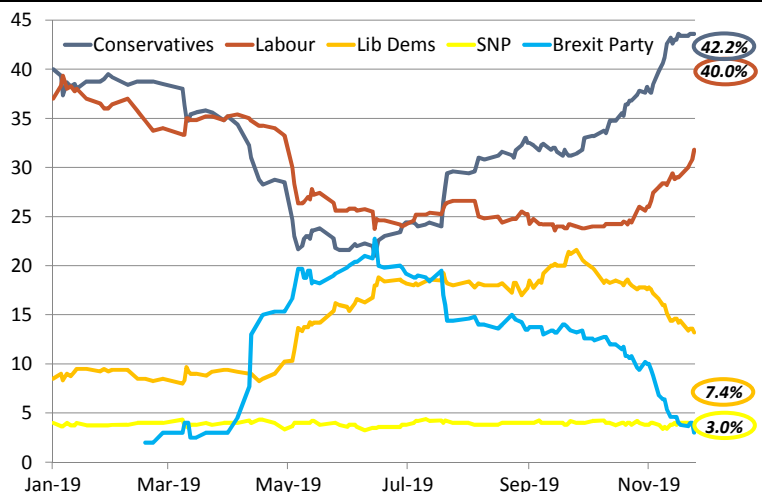


4 December 2019

## UK polls tighten, but Johnson still on track for a majority

UK polls for 2019 election (circled data on right show 2017 election result)



UK opinion polls. Three-poll moving average. Data points on right-hand side give the results of the 8 June 2017 general election. Source: National polls, Wikipedia.

- The lesson from 2017:** A shift in momentum in the final days before an election can be decisive. In 2017, a rise in support for Labour, combined with a drop for the Conservatives led by then-Prime Minister Theresa May, stripped the Conservative Party of its working majority in the House of Commons. That outcome had seemed almost inconceivable some two months earlier. May had called the election on the back of a 20ppt poll lead. With eight days to go until the 12 December election, we should thus pay close attention to the recent pick-up in support for Labour.
- A risk to our base case?** Not much yet. While we still expect Prime Minister Boris Johnson and his Conservative Party to win a majority of seats on 12 December, a further rise in support for Labour or a wobble in the polls for Johnson would raise such risks. In a previous analysis, we had argued that we would need at least an 8ppt lead for the Conservatives over Labour to be confident in our call. For now, Johnson remains in the safe zone.
- Conservatives stable:** Although Johnson's lead over Jeremy Corbyn's Labour Party has narrowed from 13ppt to 11ppt in the past week, his party continues to sustain robust support at 43%. So far, Johnson has remained uncharacteristically tame during much of the campaign. That could soon change. We expect a flurry of key messaging in the final days before the vote, akin to what happened ahead of the 2016 EU referendum and which helped to swing the Brexit vote. It could add an extra couple of percentage points of support to Johnson on election day.
- Liberal Democrat's loss is Labour's win:** Support for Labour has increased by 3ppt to 32% during the past week. It is up by 6-7ppt since parliament voted for an early election on 30 October. The loss of momentum for the Lib Dems – who pledge to stop Brexit – helps Labour. Much of the recent rise in support for Labour seems to come from pro-remain voters who fear that a vote for the Lib Dems would be wasted. Labour's promise of a second referendum keeps their hope alive that the UK could eventually reverse its 2016 decision to leave the EU.
- Farage is barraged:** Having polled as high as 20% during the summer, support for Nigel Farage's Brexit Party has steadily declined since then. Recent polls put support at 3%. After winning the UK's European Parliamentary Election in May 2019, the Brexit Party looks unlikely to win even a single seat at the UK general election. This cuts off the risk that the Conservatives, if they fell short of a majority, could end up in coalition with the (pro hard Brexit) Brexit Party. The risk that the election could result in a hard Brexit on 31 January 2020 is now virtually zero.
- Economic outlook:** If our base case prevails and Johnson wins a majority of seats, we expect UK economic momentum to improve over the medium term, lifted by increased confidence, less political uncertainty (no hard Brexit/no Corbyn government) and a sizeable fiscal stimulus. We look for real GDP growth to rise from 1.3% in 2019 to 1.8% in 2020 and 2.1% in 2021. A likely rally in UK domestic-orientated equities and sterling, and a sell-off in gilts, would reflect the improved market sentiment towards the UK. What would happen if Johnson falls short is an open question. Continued political uncertainty as the two major parties scramble for a coalition partner or else face repeat elections would further damage economic confidence and reverse some of the recent gains for UK assets.

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