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## **BREXIT: MAY IS CONTAINING THE HARD BREXIT RISK**

### Berenberg Macro Flash

**Another day, another Brexit delay.** UK Prime Minister Theresa May has [sent a letter to European Council President Donald Tusk requesting a further delay to Brexit](#). Her key points:

- The UK requests a further delay to Brexit until 30 June 2019. But the UK still aims to ratify the withdrawal agreement and therefore leave the EU before 22 May 2019 so that it would not have to take part in the European elections planned for 23-26 May 2019.
- The UK would participate in the European elections if the delay extends beyond 22 May 2019. The UK will now begin preparations for those elections.

**Granting the delay could be highly contentious at the 10 April EU summit.** However, to avoid a hard Brexit, **the EU will probably accept the UK's request for a further extension, in our view**, on the basis that European elections will be held in the UK if it remains a member state after 22 May 2019. Previously, the EU had rejected another short delay on the basis that Mrs May had signalled the UK wanted to avoid EU elections. As reported yesterday, Mr Tusk could suggest a longer delay – up to one year – with a flexible end in case the UK ratifies the withdrawal agreement early. If made, the UK might even accept this counter to avoid a hard Brexit, in our view.

**In one key respect, the outlook for Brexit is improving significantly.** The pivot earlier this week by Mrs May away from her own idea of a free trade agreement with the EU towards a softer Brexit that could win a majority in parliament suggested she had dropped her so called 'red lines' that had been holding back progress towards UK parliament finding a majority for the future UK-EU relationship.

Mrs May's letter to Mr Tusk today represents a further softening by the UK prime minister – by accepting the UK may need to hold European elections. **Mrs May has opened the door to a possibly lengthy delay than can give the UK the time it needs to sort out its affairs and avoid a cliff-edge hard Brexit on 12 April 2019.**

By giving UK parliament - that wants to retain close ties with the EU - more influence, and by removing the main constraint to a longer delay – refusing to participate in the EU elections, **Mrs May is now helping to contain the hard Brexit risk (20%).** Her letter also puts additional pressure on parliament to get its act together unless it wants the UK to take part in the EU elections and see Brexit delayed even further.

For our assessment of the Brexit outlook see ["Stakes rise as May forges a path through the gridlock"](#).



## MACRO NEWS

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