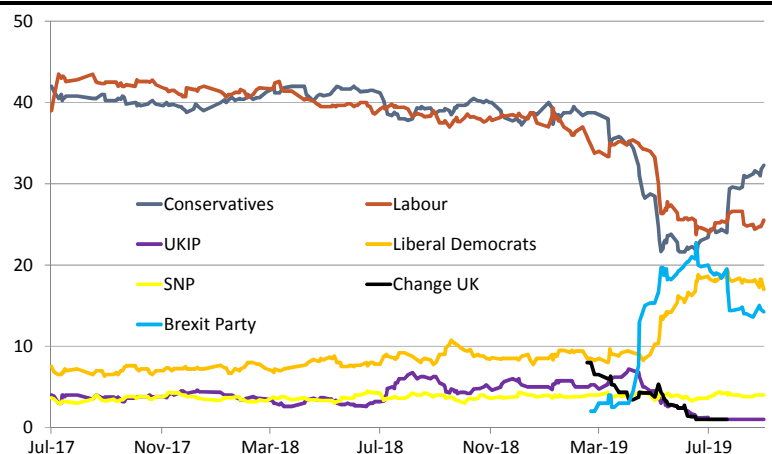


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5 September 2019

## Brexit: heading for referendum 2.0

### 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.

- People's vote ahead:** One way or the other, the UK is heading for a new Brexit referendum. As Prime Minister Boris Johnson is now 43 seats short of a working majority in parliament, the UK will most likely hold a snap election ahead of Brexit. This vote would be a de facto Brexit referendum 2.0. Alternatively, a new interim prime minister may call a formal Brexit referendum for early 2020 before holding elections thereafter. That Johnson could stay in office long enough to let Brexit happen before facing voters has become unlikely.
- The end of Johnson?** Taking current opinion polls at face value (see chart), no party looks set to win the roughly 40% support that could yield a majority in parliament: Conservatives (c32%); Labour (c26%); Liberal Democrats (c18%) and the Brexit Party (c14%). In 2017, the Conservatives won 317 seats (short of a 326 absolute majority) with 42.4% of the popular vote. With 32%, they would do far worse now and would likely lose their 13 seats in pro-EU Scotland and fall behind the pro-EU LibDems in some parts of England. The example of UKIP (just one seat in 2017 despite 12.9% of the popular vote) suggests that the Brexit Party would struggle to gain many seats on its own.
- Making plans for Farage?** In the UK's first-past-the-post system, the Tories could improve their chances of prevailing if they strike a deal with the Brexit Party to field joint pro-Brexit candidates. However, Brexit Party leader Nigel Farage insists that the Tories would have to first drop any pretence that they want a different deal with the EU rather than a no-deal hard Brexit. Doing so could cost the Tories some votes of moderates, though.
- Advantage Brexiteers?** With a joint tally of, say, 43-45%, a Tory-Brexit alliance could prevail against a fragmented opposition. Brexit fatigue could also help the Tories. The result would very likely be a no-deal hard Brexit even if only 43-45% of voters had backed pro-Brexit parties. Even if a re-elected Johnson wanted to strike a deal with the EU, Dublin and Brussels would most likely not de facto ditch the Irish backstop and offer other big changes to the Withdrawal Agreement that could appease triumphant Tory and Brexit Party hardliners.
- Can the opposition unite?** The opposition parties could radically change the calculus if the LibDems, Labour, the SNP, pro-EU independents and the Green Party were to field joint candidates instead of competing against each other in pro-EU seats. Working together to win and to govern jointly afterwards until after a new Brexit referendum would be quite difficult, though. The pro-markets LibDems would be reluctant to join forces with far-left Labour leader Jeremy Corbyn. Agreeing on a referendum question would also be a challenge. Would a hard Brexit be offered as an option? If not, many voters would cry foul. But if it would be on the ballot, the damaging Brexit uncertainty would persist until after such a referendum. Amid unprecedented turmoil in Westminster, the hard Brexit risk of at least 40%, in our view, remains elevated. Of course, it could change significantly soon in either direction.

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