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## BREXIT UPDATE: PUTTING RECENT POLL SHIFTS INTO CONTEXT

### Berenberg Macro Flash

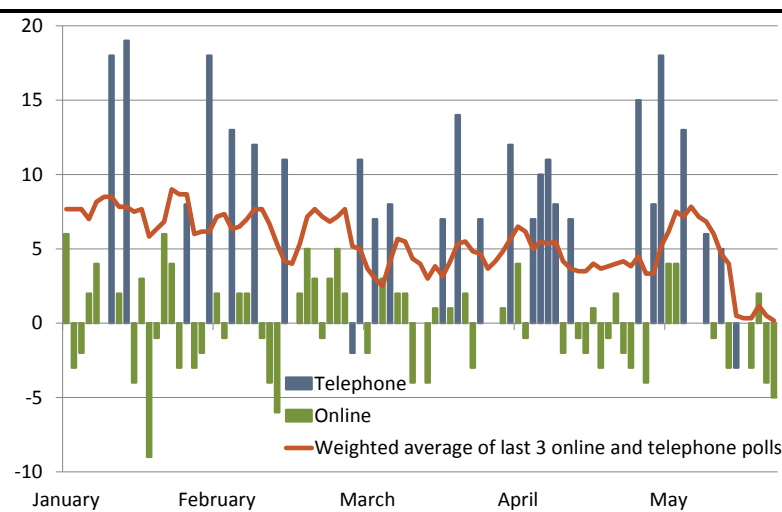
#### Remain camp lead has almost disappeared in latest polls

Has the Brexit risk risen? Probably not much. Opinion polls can be volatile. Even though our weighted average of online and telephone polls indicates the lowest level of support for ‘remain’ all year (see chart 1), analysis of the underlying poll trends does not point conclusively to a significantly higher Brexit risk.

Online polls are within the normal range that has prevailed so far during 2016. And while the most recent telephone poll shows the weakest support for ‘remain’ all year, it would take a sustained drop in support for ‘remain’ in a variety of such polls before we could conclude that the underling trend had shifted decisively.

Bookmakers’ odds and market implied indicators have reacted to the headlines reporting that ‘leave’ is ahead, as they had done in the past. Sterling volatility has reached a level last seen during the financial crisis and the bookmaker implied probability of Brexit has increased to 32%, compared to 22% two weeks ago. With so much at stake both economically and politically, markets are nervous. But so far, evidence of a decisive shift in the risk remains limited. For now, we look through the volatility and keep our likelihood of a Brexit at 30%, with the risks skewed toward a slightly higher risk, having previously been skewed towards a slightly lower risk.

Chart 1: Online versus telephone polls in 2016



Respondents were asked how they plan to vote in the June 23 ‘in or out’ EU referendum. Net balance of “remain” versus “leave”. The rolling average always includes the 3 most recent online and telephone polls



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### **Recent trends in online and telephone polls**

Watch out for clustering in the online polls: Because there are more online polls than telephone polls and since online polls often show a small lead for the anti-EU camp (Chart 2), it is not unusual to see clusters of online polls in favour of 'leave'. The three polls referenced in today's headlines showing 'leave' ahead - by TNS (two points), YouGov (four points) and ICM (five points) - fit this pattern. The latest online polls therefore, do not yet decisively demonstrate that the 'leave campaign' gained much ground.

In 2016, telephone polls have shown 'remain' ahead by 10 points on average (Chart 3). The previously strong lead of 'remain' has weakened recently. But the latest drop follows a couple of telephone polls with unusually strong support for 'remain'. This could suggest that the previously stable telephone polls have become more volatile. The most recent telephone poll showed 'leave' ahead by three points. This was only the second time this year that 'leave' came ahead in a telephone poll. However, this particular poll did have 15% 'undecided' votes. That is well above the average of just 10% for telephone polls and is more in line to the average of 15% 'undecided' in the online polls.

**Telephone polls could be the canary in the coalmine.** We will need to watch the next few telephone polls more closely than usual. Given their strong inclination to show 'remain' ahead, a sustained and significant gain in support for 'leave' in telephone polls would probably our best gauge of how much ground, if any, the 'leave' camp has actually gained.

### **Watch out for the campaign risk – migration debate favours the Leave campaign**

Taking score of prime minister Cameron's (remain), and his minister for justice Gove's (leave) televised skewerings late last week, and judging by the weekend news flow, the Leave camp appear to have shifted the debate somewhat away from the economy and towards the issue of immigration. Debating immigration rather than economics suits the Leave campaign. Not because the Leave campaign has a better argument on migration, but because negative misconceptions of cheap workers coming from poorer European countries to out-compete Brits for jobs and housing and puts strains on public services are heavily engrained. That these arguments do not really fit the facts - as we discussed in a [recent report](#) – does not really matter. We therefore need to watch this trend carefully as it may raise the Brexit risk.

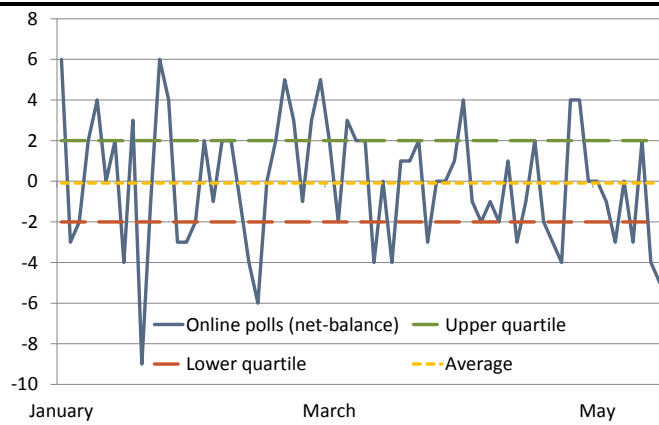
### **Don't forget the status quo bias**

Even if the polls did settle at a 50/50 split, this would not necessarily point to a 50% chance of a Brexit. Polls can suffer from the 'protest' effect which often is not fully matched by votes on the day. It is easy to register a protest vote in an opinion poll or a secondary election. But when the vote really counts, some people may think hard whether they really want to run the risk of changing the status quo. Such a 'status quo bias' which was visible in the Scottish referendum in 2015 and the UK national election in 2015, would work in favour of the 'remain' camp.

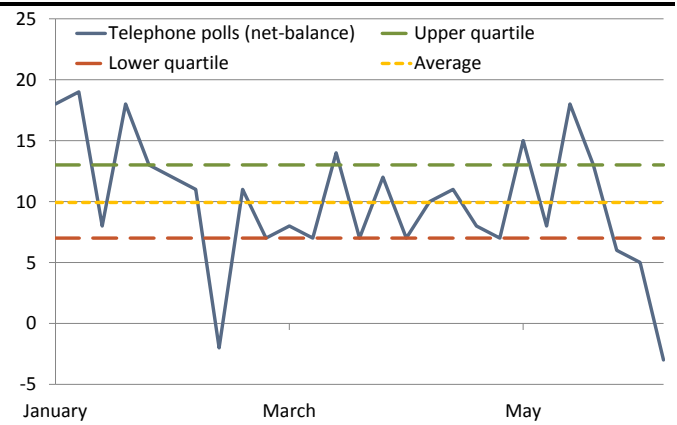


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**Chart 2: Online polls (net-balance)**



**Chart 3: Telephone polls (net balance)**



Respondents were asked how they plan to vote in the June 23 'in or out' EU referendum. Net balance of "remain" versus "leave". Each data point represents a single poll.



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