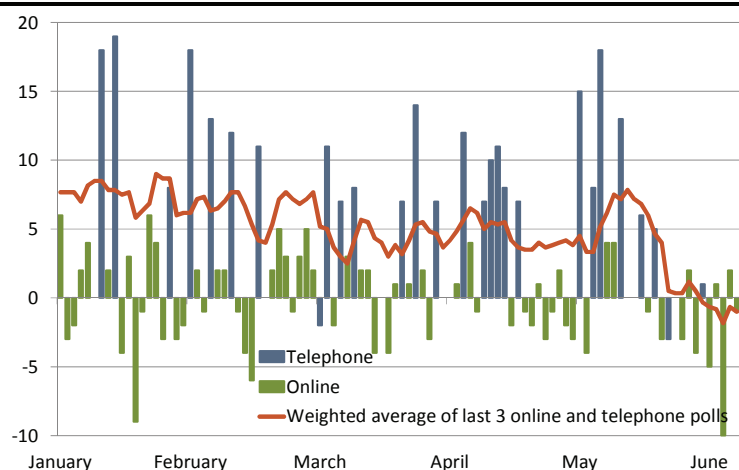


13 June 2016

Brexit update: UK polls now show small lead for “leave”

UK online versus telephone polls in 2016 (net balance in favour of EU, ppt)



UK opinion polls, net balance of respondents who want to stay in versus leave the EU, in percentage points. The rolling average always includes the three most recent online and telephone polls. Source: YouGov, Survation, ICM, Ipsos Mori, ORB, TNS, ComRes, others, Berenberg calculations

- Brexit opinion polls now show “leave” marginally ahead:** With 10 days to go until the UK’s “in” or “out” referendum on European Union (EU) membership, polls are showing a significant gain in support for “leave”, as immigration has taken centre stage in the UK public debate. Recent newsflow has been dominated by online polls that, on average, show a small majority of the partly self-selecting respondents in favour of leaving the EU. More importantly, the previously strong advantage for “remain” in the telephone polls has mostly disappeared. Sterling volatility – a proxy for Brexit risk – is above 2008/09 levels, and bookmaker implied odds have risen from 20% on 26 May to 33% today. An additional shift in favour of “leave” in the telephone polls could signal that the Brexit risk is rising beyond our call of 30%. As discussed over the past eight months, a potential Brexit poses the biggest single risk to our moderately positive outlook for Europe and especially for the UK.
- The case for “remain”:** Our call that the UK will likely avoid Brexit is based mostly on the strong economic arguments that favour staying in the biggest common market in the world. In the last two major UK votes, the Scottish referendum of summer 2014 and the general election of May 2015, economic pragmatism prevailed in the end. In both cases, the outcome was much more clear-cut than opinion polls had predicted. In the end, a status quo bias seemed to shape the vote.
- The biggest risk to our call that the UK will stay in the EU is that major events may stir up anti-EU emotions.** So far, no big “event risk”, such as a major new terror attack, has happened in Europe – every day that passes is a small positive. Likewise, the migrant crisis is less of an issue than it once was as Turkey continues to honour the deal with the EU and border closures within Europe are deterring some would-be migrants. That Greece and its creditors avoided another standoff helps, too. However, the threat of expulsion of England from the European Championships after the riots between Russian and English fans in Marseille, and some apparently less-than-optimal policing, may add to the anti-European resentment by some UK voters. Whether the brutal mass killing in Orlando, Florida, by an individual claiming IS affiliation will impact the European debate remains to be seen.
- Who will turn up at the booths?** A high turnout on 23 June will probably favour “remain”. Polls suggest clear majorities for “remain” in Scotland, Wales and Northern Ireland, but these nations only account for 16% of the population of the UK. Ultimately, it will be English voters that decide if the UK remains in the EU. How England votes depends a lot on political affiliation and age. Young people in the UK tend to be more pro-EU. Based on previous election evidence, voter turnout is usually much lower for younger than for older people who are mostly in favour of leaving the EU. The surge in late registrations, especially of younger voters, which led to a need to extend the voting registration window, could be a sign of a strong turnout on 23 June. That could help to preserve the status quo, but on balance, recent newsflow has favoured the “leave” campaign more than the “remain” camp.

13 June 2016

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