

Research UK

May stays (for now) due to Brexit uncertainties

Theresa May stays as PM throughout Brexit negotiations

Theresa May's meeting with the influential 1922 committee yesterday went very well, as she left the meetings with applause. Theresa May told Conservative MPs that she will get the party out of the 'mess' she created by calling for the snap election. She admitted mistakes were made during the campaign and that she was sorry for colleagues losing their seats. For full story see *The Telegraph*, 12 June 2017.

May said she will stay as Prime Minister as long as the party wants her to – senior Conservative MPs said they will keep her at least until the UK formally exits the EU by the end of March 2019. The reason is that the 1922 committee does not want to increase political uncertainty further by throwing the party into a new leadership contest – political uncertainty is already high as the Brexit clock is ticking (March 2019 is a sharp deadline). Also, some of the MPs fear losing further seats in an early election.

Apparently, Gavin Barwell, a moderate Conservative and May's new Chief of Staff, received a very warm welcome by the committee.

Queen's speech postponed as no deal with DUP is reached yet

The Queen's Speech (a speech held by the Queen but written by the government laying out its legislative agenda for the election term) is postponed, as no deal between Theresa May and the Democratic Unionist Party (DUP) has been reached yet.

Brexit negotiations were set to start on Monday but they are likely to be postponed to later in June. There are hints that the UK will now accept the phased approach (first discuss the withdrawal terms, then the future relationship). Despite the wish for a softer Brexit from Scottish Conservatives (single market access more important than curbing immigration), **Brexit Secretary David Davis has indicated that the government will proceed with its hard Brexit approach.**

We still think it is difficult to say what the UK election result means in terms of Brexit. No doubt the minority government is weak, as it only has a few seats majority including DUP seats. Also, Theresa May remains weak despite her support at the meeting in the 1922 committee. **It seems like the probability of both a softer Brexit and a clash/no deal Brexit have increased** (so basically more probability mass in the two tails) and it will be important to follow how the negotiations proceed when they start later this month (not least how the perception is in the UK). The front page of *The Telegraph* suggests that Labour and the Conservatives may try to cooperate to get a softer Brexit (see *tweet*). A deal between the two parties will make it more likely for a deal to pass Parliament, but the two parties are not used to cooperating on big political issues.

Research on UK election

Research UK: Minority government is weak from the beginning, 11 June

Research UK: Hung parliament adds government risk premium to GBP, 9 June 2017

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