

## Regional view - United Kingdom

## A week is a long time...



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"...delay only raises the possibility of no deal, a risk that is appreciably high already."

You know the phrase. And I have to confess that trying to keep up with events in Westminster over the past seven days has been more challenging than most. Moreover, as I sit here on a Monday morning penning this editorial, I am not sure I am any the wiser about where all of this is heading. This feels like a good time to run over a few thoughts.

First, when it comes to the fate of the prime minister, for me the logical conclusion has always been that she will be in place to see Brexit delivered. The lack of a credible alternative, and dare I say an absence of candidates who would want to take on the unforgiving task of delivering Brexit, is one reason. The other is that, no matter how vocal the Brexiteers, with varying degrees of justification, about Mrs May watering down their dream of Brexit, at least she will deliver the prize. If there were to be a challenge, the history of Conservative Party leadership battles tells us that the obvious candidate rarely ends up the winner. Who knows where the eventual winner would take Brexit, especially if this new PM felt that a general election was needed in order to gain a mandate. So, on balance, I still think it is right to assume that Mrs May will be around for a few months to come.

Second, the Brexit negotiations. My expectations that a deal would be reached in good time vanished into thin air a few months back. Now we have the white paper setting out the government's wants and desires, I still think the chances of reaching an agreement soon are minimal. What was published in the white paper is a starting

point. The EU will no doubt use its position of strength, and its belief that no deal is not a credible threat from the UK, to push for further concessions. The problem is there are very few areas where the UK can concede, as it will be hard enough to get the current proposals through parliament. I still believe that something will give, which means that an agreement can be reached and the UK moves onto a transition deal, but it is likely to come very late in the process. Any extra delay only raises the possibility of no deal, a risk that is appreciably high already.

Third, the final relationship. All the talk of hard versus soft Brexit needs to be resolved. Soft Brexit is quasi-membership – EEA or the so called Norway option. Hard, is pretty much everything else. Although the white paper proposals are being spun by the media as heading for a soft Brexit, be in no doubt that even if the government were able to agree this proposal, it is a hard Brexit. Services – 80% of the economy, and the area where we run a trade surplus – have been completely excluded from any trade deal. I'm not going to debate whether that is right or wrong, it is what it is, and to be quite frank it was all I ever expected to see. If the UK wishes to take back control of laws, borders, money, etc, it is the only option on the table.

So, all in all, a busy week and no doubt more to come as the PM fights for her survival. But for me, nothing has changed. The now tedious process of the UK's departure from the EU is going to drag on, progress will be incremental, and any

agreement will likely come at the eleventh hour.

Thankfully, the economy continues to grind forward through the noise; I expect more of the same until the uncertainty over Brexit clears. Although the pound looks like a cheap currency, it could get a lot cheaper in the months ahead as the clock ticks down and confidence in a deal fades. Not great news for those heading abroad during the summer.

Kind regards,

**Dean Turner**

#### Week in Review

► **10 Jul** – UK manufacturing and industrial production growth for May showed y/y growth of 1.1% and 0.8% respectively, missing expectations of 1.9% for both metrics.

#### Week Ahead

► **17 Jul** – Unemployment rate for the three months to May is expected to remain unchanged at 4.2%, a multi-decade low.

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