

REDBURN

Platform



Britain's EU Referendum

A Plausible Pathway to Brexit

**PROFESSOR
MATTHEW J GOODWIN**

PLATFORM

APRIL 2016

'Platform' is an irregular series of essays contributed by industry experts or academics who have presented at Redburn Access events and whose insight we believe will be of wider interest to investors.

About the author

Professor Matthew J Goodwin

Matthew J Goodwin is Professor of Political Science at the University of Kent and Senior Visiting Fellow at Chatham House. He is also a Senior Fellow on the Economic and Social Research Council programme 'UK in a Changing Europe', working on the EU referendum. He tweets @GoodwinMJ.

Britain's EU Referendum

A Plausible Pathway to Brexit

The conventional wisdom is that, at a national referendum on 23 June, Britain will vote to Remain a member of the European Union (EU). This is driven by a belief that (1) the 'fundamentals' of the campaign favour the Remain camp, (2) citizens are more risk averse at referendums and therefore likely to back the status quo, (3) Britons are instinctively wary about the perceived economic risks and uncertainty that could follow 'Brexit', and (4) those campaigning for a Leave vote are divided and unable to point to a single, readily identifiable alternative to Britain's current EU membership.

It is also true most British people expect their country to remain in the EU. According to a survey by ORB in March 2016, 63% of voters said they expected Britain to vote to continue EU membership. Such views are mirrored in the betting markets, which in late March 2016 suggested Remain was on course for a healthy victory, with an implied 69% chance of winning the referendum.

Analysis of the underlying data, however, suggests much of the debate may overstate the relative strength of the Remain position and gloss over several opportunities for the Leave camp. While this essay concurs that Remain enjoys several strengths, not least that a majority of voters remain unconvinced by the claim Brexit would benefit the economy, examination of polling data suggests online polls could

be artificially inflating support for Brexit. This essay also contends that it is possible to identify in the data a clear and plausible pathway to Brexit.

Along this pathway lie an ingrained tradition of Euroscepticism in Britain, unresolved questions about the accuracy of polls, evidence on voting patterns at past referendums, the dominance in the wider climate of immigration over the economy, growing dissatisfaction with the incumbent Conservative Party government, the agnostic stance of Jeremy Corbyn and the Labour party, a failure by David Cameron and the Remain camp to capitalise fully on the EU reform 'deal' and evidence that pro-Leave voters appear more committed to turning out on 23 June. This essay also reviews the social and attitudinal profile of the key groups of voters who will decide the outcome of the referendum, noting how this moment in British politics is rooted in a clear and growing social divide.

Current polling data and academic research

For much of the past year, the Remain camp has led the opinion polls. However, recently, this lead appears to have eroded. According to the 'Poll of Polls', for much of December 2015, Remain held a comfortable ten-point lead, with 55% of votes to Leave's 45% (excluding voters who 'don't know' how they will vote). Since then, this gap has narrowed. At the end of March 2016, the

Poll of Polls put Remain only two points ahead, with 51% to Leave's 49%. Across all polls conducted in March 2016, including the undecided, Remain averaged 43%, Leave 41% and the undecided 16%. The gap between the two camps is, at the time of writing, well within the margin of error.

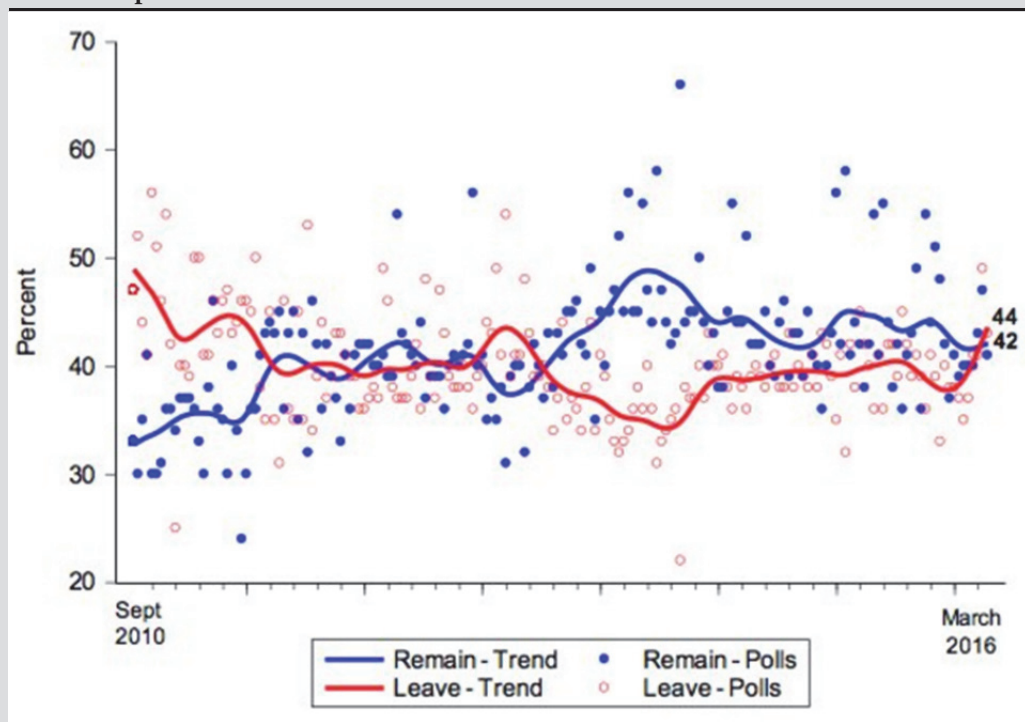
That the race has tightened is also reflected in 'tracker' polls conducted over the phone and updated regularly. In phone polls conducted by Ipsos-MORI, the lead for remaining in the EU has steadily declined from 44 points in June last year to 26 points in December, 19 points in January, 18 points in February and eight points in March. Similarly, in the telephone tracker carried out by ComRes, Remain's lead fell

from 21 points in December to 12 points in February and eight points in March.

Fig 1 below presents the overall trend and is based on more than 177 polls conducted between September 2010 and March 2016. In recent months, as debate has intensified and despite a continual attempt by political and business elites to communicate the benefits of EU membership, the race has narrowed. While they are a minority, three polls in March 2016 put Leave ahead of Remain, with online pollsters such as ICM recording their highest level of support for a Brexit since their tracker began.

To what extent, if at all, might this picture change as polling day nears? It is often argued that as the referendum nears, voters

Fig 1: Trends in support for Remain and Leave options in Referendum on UK membership of the European Union



Source: 177 polls conducted between September 2010 and March 2016



A polarised electorate suggests the polls might not change substantially before 23 June

will increasingly turn toward remaining in the EU. The assumption is referendums are often decided by a ‘late swing’ towards the status quo as more risk-averse citizens focus their minds on the vote and the implications of a Brexit.

Research on voting patterns at past referendums certainly suggests that, as polling day nears, citizens often become more supportive of the status quo. Analysis of 34 referendums around the globe between 1980 and 2013 suggests in the final month support for the ‘change’ option declined in 23 cases and increased in eleven. It is also worth noting the drop in support for the more radical change option exceeded the increase in support in the few cases where change gained ground.¹

Yet there is evidence to the contrary which throws doubt on the notion the polls will change significantly prior to the 23 June vote. One aspect concerns the way in which British society is highly polarised over EU membership. The Remain and Leave votes are each concentrated among groups in society that have had profoundly different experiences with Britain’s EU membership, through issues like immigration and globalisation. Whereas

support for Remain is anchored amongst more educated, younger and middle-aged citizens, and those who are often more economically secure, support for Leave is strongest among people who left school at the earliest opportunity, who have little economic security, are older and identify with being English (rather than British). This polarisation suggests that between now and the vote there might not be substantial change in the polls.

Another source of evidence worth noting is based on analysis of more than 800 polls from 45 historic referendums held in Britain or specifically on EU issues. The study found that while support for change across referendums tended to decline as polling day neared, this did not hold true to the same extent for EU referendums. “Most importantly,” noted the authors, “there is a lot of variation across referendums in the extent of these tendencies, so much so that there are plenty of cases that go in the opposite direction. The experience of previous referendums suggests that the eventual Remain vote is likely to be higher than that in polls currently, but not by much – just less than three percentage points – and the gap between the current

¹ For example, see the work of academics Lawrence LeDuc and Alan Renwick

Fig 2: Results of opinion polls, January-March 2016 (%)

	---- Online polls (average) ----			-- Telephone polls (average) --			----- Combined (average) -----		
	Remain	Leave	DK	Remain	Leave	DK	Remain	Leave	DK
January	43	42	15	55	36	9	45	41	14
February	40	41	18	50	37	13	43	40	17
March	43	42	14	48	39	13	44	41	15

Note: DK = don't know

Source: all figures calculated by author

polls and the result is only somewhat more likely than not to be positive for Remain rather than negative.”² Clearly, unlike other referendums on EU issues – such as the votes on the Lisbon Treaty in Ireland, the EU Constitution in France or the euro single currency in Denmark – for the British vote, the status quo is the pro-EU option. The implications of this subtle but important difference are not yet clear, but it is true the above evidence challenges the conventional wisdom there will be a sharp upward turn in support for Remain in the final days of the campaign.

Another important question concerns the extent to which opinion polls remain a reliable measure of public opinion, given their collective failure over the 2015 UK general election. Uncertainty about the reliability of polls has been further fuelled by the way polls conducted over the telephone and online have produced two different stories. Online polls have suggested the result will be close, whereas phone polls have traditionally given Remain a healthy lead. This picture, however, could be starting to change. Fig 2 above presents the results of online and telephone polls in

the first three months of 2016, revealing how the differences between them have become less significant. The table also reveals how – across all polls – the gap has narrowed, although this is most notable in the telephone polls.

There are different explanations for these variations. Some suggest a ‘social desirability bias’ might be occurring, whereby people are more willing to record support for Brexit online, where they have no interaction with another person. (This would also help to explain the lower percentage of undecided voters in telephone polls, who might be less willing to admit to another person they have no opinion). Yet it is also likely other effects are at work. One more plausible reason is the polls continue to suffer from an underlying sampling problem and are failing to capture the views of the ‘hard to reach’ groups in society, who may well vote.

An academic enquiry into opinion polls and the 2015 general election has already suggested that, ahead of that earlier contest, samples relied too heavily on younger, more socially liberal (and more pro-EU) Labour-leaning voters. The methods used to collect

² ‘First forecast for the Brexit referendum’, *Elections Etc*, 14 March 2016

samples meant pollsters systematically over-represented public support for Labour while under-representing support for the Conservative Party.

Some suggest that a similar problem is now affecting polls on the EU referendum. As a pollster recently observed: “It is possible the same thing as happened in the [general] election with young people is happening again with online polls over-representing the easiest over-65s to reach on panels who happen to be more pro-Brexit than the rest of their age group.”³ The suggestion of an underlying sample problem is reflected in recent analysis of polling data, which indicates that online polls (which have tended to suggest the race is closer) overstate public support for Brexit. There are two reasons for this. First, online polls almost always provide respondents with an explicit ‘don’t know’ option, allowing the undecided to avoid revealing their vote intention, whereas in telephone polls undecided voters are compelled to reveal their vote and often side with the status quo (the implication being that most of the undecided are instinctively pro-Remain). Second, online polls may be failing to capture ‘harder to reach’ citizens who some argue are also more socially liberal in their outlook and hence more likely to support remaining in the EU.⁴ Based on these two points, some contend that the ‘real picture’ of public opinion is closer to that in the phone polls.

Not every analyst agrees with this view, however. For example, some point out how the percentage of undecided voters is not

always higher in online polls and that in one online poll that deliberately excludes the option of ‘don’t knows’ (conducted by ORB), the result has not been significantly higher support for Remain. But several attempts to drill down and ‘squeeze’ the undecided voters have not always produced a strong lead for Leave. It is also worth remembering that undecided voters are also often likely to say that they do not intend to vote at all. While this debate will continue until and beyond the referendum, two additional points should be noted.

First, the polls should continue to be treated with caution. Where possible, analysts assessing public opinion data should try to draw on a wide range of information that employs different methods. Second, regardless of whether you look at the online or telephone polls, both now suggest the race is closer than it appeared to be a few months ago. Even if, once upon a time, the telephone polls suggested Remain was heading for an easy victory, that is no longer the case. At the time of writing, the prospect of Brexit was firmly within the margin of error.

Another useful approach is to consider larger academic studies of the adult population. Since the 1970s, the British Social Attitudes surveys have probed public attitudes toward Europe. These data are often considered to be the ‘gold standard’ in survey research. The 2015 results paint a picture consistent with the findings of telephone polls. While Euroscepticism is widespread, with a large majority of voters agreeing the EU threatens the distinctive

3 ‘Some thoughts on the EU referendum polls’, *Opinium Research*; available online: <http://ourinsight.opinium.co.uk/opinium-blog/some-thoughts-eu-referendum-polls> (accessed 29 March 2016)

4 On this point, see the recent *Populus* report: <http://www.populus.co.uk/wp-content/uploads/2016/03/Polls-Apart-29-March-2016.pdf>

identity of Britain, only 30% of respondents endorsed withdrawing from the EU.⁵

It is also worth noting the longer term picture. At no point since the survey started to ask this question in 1983 has more than 45% of the sample voiced support for Brexit. Support for remaining in the EU has fallen from its early 1990s peak, but remaining in the EU is clearly a majority view.

Ultimately, therefore, one's view of the likely outcome will be shaped by assessment of the available data. If one believes online polls are accurate and social desirability may encourage some respondents to remain 'shy' about their support for Brexit, then one may conclude a Brexit is likely. Alternatively, if one puts more weight on academic surveys and concurs with analysis of polling data which suggests public support for a Brexit is overstated, then one may conclude the referendum will deliver a comfortable victory for Remain.

However, whatever one's view, there are other variables beyond the polls that need to be considered.

Cameron's renegotiation

One important but neglected variable has been the impact of David Cameron's EU reform deal, which was designed to satisfy public appetite for restrictions on welfare for migrant workers and an opt-out from 'ever closer union'. Prior to Cameron's renegotiation, citizens consistently identified immigration and restrictions on benefits for migrants as their priority. In this respect, it is worth returning to the British Social Attitudes study. Rather

than simply asking a binary question – 'Would you remain or leave?'; 'Are you in or out?'; 'Would you continue in the EU or withdraw?' – the survey regularly asks a representative sample of British adults their views about what Britain's long-term policy should be with regard to the EU.

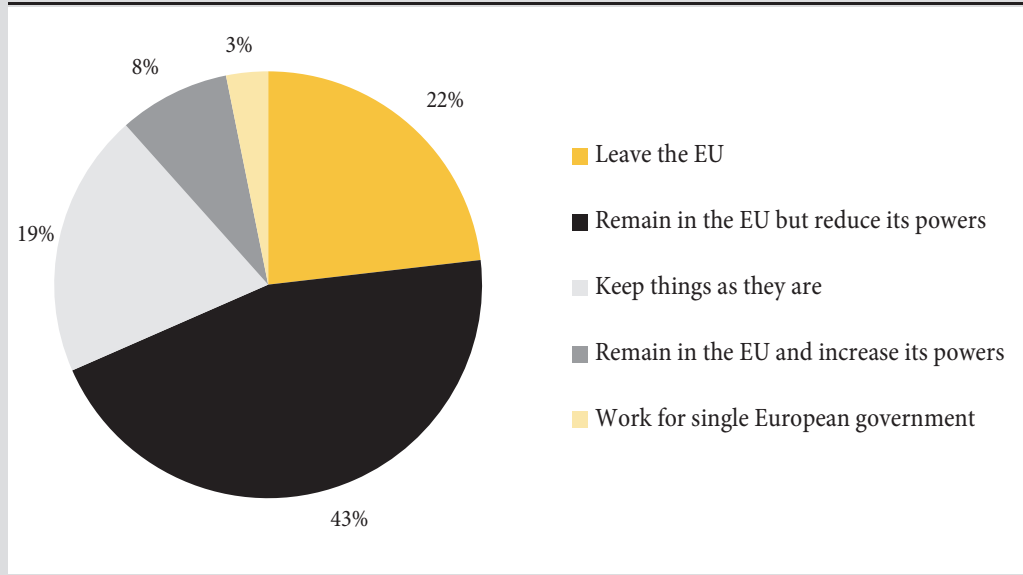
Hence it offers voters a broader array of options – to leave the EU outright, to stay and try to reduce EU powers, to retain the status quo, to stay in the EU and try to increase its power, or to work for the formation of a single EU government. Fig 3 (right) reveals how, when confronted with an array of options, only 22% of respondents advocate leaving the EU entirely. The most popular answer, at 43%, is to stay in the EU and try to reduce its power. Overall, a striking 73% advocate an option that involves, to varying degrees, Britain remaining in the EU, once again underlining how the fundamentals of the campaign appear to favour Remain. The majority of voters are instinctively receptive to the idea of remaining in a reformed EU.⁶

However, while voters express a desire for a reformed EU, evidence has also emerged indicating Cameron's reform package has failed to shift support behind Remain. Despite the renegotiation efforts dominating the media, this appears to have had little tangible effect on public opinion. In the two weeks following the announcement of the deal, which was presented in most media as unsatisfactory, there was no noticeable rise in support for Remain. Support for staying in the EU remained static (43%), while Leave lost

⁵ The full report is available at <http://www.bsa.natcen.ac.uk/media/39024/eurocepticism.pdf>

⁶ BSA data, available from the National Centre for Social Research: <http://www.natcen.ac.uk>

Fig 3: Attitudes towards Britain's relationship with the EU



Source: BSA data, available from the National Centre for Social Research: <http://www.bsa.natcen.ac.uk/media/39024/eurocepticism.pdf>

one point and the undecided grew by one point. Some observers have suggested the electorate is not yet 'tuning in' to the debate, although this sits uneasily with the fact that, prior to Cameron's renegotiation, large majorities of voters told pollsters they were broadly supportive of his efforts to restrict welfare for migrant workers. It now appears few voters were swayed by the outcome. This lends credence to the Eurosceptics' view they successfully neutralised any post-renegotiation bounce.

Immigration versus the Economy

Another variable that may favour Leave more than Remain is the broader issue of British politics. Euroscepticism has a storied past in Britain. In comparative surveys, the British have consistently been among the least likely to view EU

membership and the EU in a positive light. According to the latest (Autumn 2015) Eurobarometer survey, which tracks public opinion across the continent, only 30% of British adults expressed a positive view of the EU, seven points below the EU average. That Euroscepticism is widespread is also reflected in findings from the latest (2015) wave of the British Social Attitudes survey. It suggests 65% of British adults hold Eurosceptic views. The first referendum on Britain's relationship with Europe for more than forty years is thus taking place in an environment in which Euroscepticism runs deep.

Yet it has also been argued British voters are ultimately pragmatic. Though instinctively hostile, most acknowledge the EU brings important financial benefits. Hence some argue the outcome of the referendum will be decided by public

anxieties over the potential for Brexit to trigger unnecessary economic damage.

In March 2016, ComRes asked a representative sample of British adults how much of a risk, if any, a Brexit would be for the British economy. 69% of respondents thought it would bring risks to the national economy, with 30% viewing this as a 'big risk'. Only 12% thought there would be no risk at all. Other research points in the same direction. According to the British Social Attitudes survey, 40% felt the economy would be worse off following Brexit, while only 24% thought it would be better off. There is less evidence to support the idea most people think that Brexit would trigger a rise in unemployment, however: 25% felt that the number of unemployed would rise following Brexit, but almost as many (24%) thought the number would fall, while 46% felt that it would not make much difference either way. This suggests while most people perceive Brexit as having negative effects, it concerns the overall health of the economy rather than the specific issue of jobs. It is also worth noting evidence concerning a broader perception associating a Brexit with risk. In a recent ORB poll, 82% associated Brexit with risk, with nearly one in four considering it a "great deal of risk".

However, the referendum is not taking place amid a climate in which concerns over the economy are paramount. On the contrary, it is taking place against a backdrop of public concern over a different issue – immigration. Amid record levels of net migration into Britain, surpassing 300,000 people a year, an EU-wide refugee crisis sparked by instability across the

Middle East and Northern Africa, and the specific crisis of migrants attempting to enter Britain illegally via Calais, public concern over immigration has reached the highest levels since records began.

According to the Ipsos-MORI Issues Index that tracks public concerns about issues over time, between August and October 2015 more than 50% of respondents consistently identified immigration as one of the top three most serious issues facing Britain. At the time of writing, immigration has been ranked as among the most important issues for nine consecutive months – 47% of the adult population identify immigration and/or race as their dominant concern, putting it nine points ahead of the health service and 24 points ahead of the economy, ranked third. In short, the national vote on EU membership is taking place amid an environment in which concerns over immigration and identity are trumping concerns over the economy. Such anxieties may well be sharpened by an array of 'external shocks' – terrorist attacks in major European cities, an engrained refugee crisis and continuing levels of high net migration into Britain.

The social divide: Remain and Leave voters

The voters likely to determine the outcome represent another variable in the campaign. Britain's EU referendum is anchored in a deep divide in British society.⁷ Those who back Remain or Leave tend to have different social backgrounds and priorities. Those who intend to vote for a Brexit are typically older, less well educated

⁷ For a fuller discussion of these divides see Matthew Goodwin and Caitlin Milazzo (2015) 'UKIP: Inside the Campaign to Redraw the Map of British Politics', Oxford: Oxford University Press

and more financially insecure voters from the lower middle and working classes. They provided the bulk of support to the UK Independence Party (UKIP) and, contrary to expectations, remained loyal to that party until the 2015 general election. These voters are chiefly motivated by concerns over immigration and national borders. According to work by ORB, Leave voters are most likely to say they are using their vote at the referendum “to secure control of immigration and the UK’s borders”, whereas those voting to Remain in the EU are most likely to say they are doing so “to secure the best economic position for the UK”. Currently, undecided voters are slightly more likely to cite their desire to protect Britain’s economic position, but they also cite strong concerns over immigration.

The dominance of immigration among Leave voters is also reflected in data collected by the British Election Study. Leave voters are united in viewing immigration as having negative effects. Nearly seven in ten argue it has been bad for Britain’s economy, a view shared by only one in five of those who intend to vote for Remain. Nearly eight in ten Leave voters also view migration as a burden on the welfare state, compared with only around one in three of Remain voters. And three in four Leave voters believe immigration is undermining British culture, while only one in four Remain voters endorse this view.⁸ Leave supporters are also much more likely to align themselves with Englishness rather than Britishness. Appeals for English voters to turn out for Brexit are likely to resonate.

In contrast, those who intend to vote for

Remain tend to be younger, to have gone to university, to come from the professional and managerial middle classes and to have higher levels of economic security. They appear to be influenced more strongly by their desire to protect the national economy and their own financial position and to voice their more progressive and cosmopolitan beliefs. These voters are broadly comfortable with EU integration, globalisation and immigration, and are unlikely to see these broader changes as a threat to their own position.

It is important to note variations within these two groups. Using data that have been gathered together by various polling agencies and academic surveys, it is possible to talk of four groups of voters who will decide the outcome of the referendum:

- 1 **Hard Remain** voters who say they will definitely vote to remain in the EU.
- 2 **Hard Leave** voters who say they will definitely vote for Brexit.
- 3 **Soft Leave** voters who say they will probably vote for Brexit but could be persuaded to endorse Remain.
- 4 **Soft Remain** voters who say they will probably vote for Remain but could be persuaded to back Leave.

A brief summary of these four groups reveals how popular talk about ‘Remain’ and ‘Leave’ masks important differences.

Hard Remain

These voters tend to be less than 45 years old and come from affluent professional and middle classes. They are more likely to be

⁸ For further discussion of the British Election Study data and the EU referendum see Matthew J Goodwin and Caitlin Milazzo (2015) *Britain, the European Union and the Referendum: What Drives Euroscepticism?* London: Chatham House

based in London and Scotland and gather news and information from broadsheet newspapers. These voters primarily identify as British and politically align with Labour, the Liberal Democrats, Greens or nationalists. Hard Remain voters are more trusting of Jeremy Corbyn – 45% say they trust the Labour leader, followed by David Cameron on 33%. Farage is on 6%. These voters are most often found in safe Labour seats and areas that have disproportionately large numbers of ethnic minorities, students and public sector workers.

Hard Leave

These voters are at the opposite end of the spectrum. These are the committed Brexiteers who tend to be male, aged over 45 years old and more likely to come from the working and lower middle classes. They are often based in the Midlands, where Eurosceptic attitudes are especially strong, and southern England. They identify strongly with Englishness and are more likely to take tabloid newspapers. At the 2015 general election, most supported the Conservative Party, but they were also more likely than any other group to have supported UKIP. They describe themselves as politically engaged and are more likely to be located in safe Conservative seats and areas targeted by UKIP – working-class and financially disadvantaged constituencies with large numbers of pensioners and low average levels of education.

Soft Leave

These voters differ in several respects. Unlike their Hard Leave counterparts, those only leaning toward Brexit are more likely to be female, slightly younger, typically aged between 30 and 59 years old, and more affluent than their ‘harder’ counterparts,

being more prominent among the middle and higher classes. They appear to have ‘more to lose’ and are thus more hesitant about Brexit. Soft Leave voters are also less engaged in politics generally. Whereas 55% of Hard Leavers say that they have talked about the referendum with friends and family, the equivalent figure for Soft Leavers is only 35%. They are more likely than Hard Leavers to have supported the Conservative party at the 2015 general election. Soft Leavers lean most heavily toward the Conservative Party. Whereas Hard Leave voters trust Nigel Farage the most, Soft Leavers are most likely to listen to David Cameron (47% say they trust him, followed by Farage on 34%).

Soft Remain

The final group of voters is slightly more likely to be female, younger and spread evenly across social classes. They are most likely to read tabloids or no newspapers. They are more heavily concentrated than Hard Remain voters in England and are most likely to be found in northern areas. At the 2015 general election, most voted for the Conservatives and they were less likely than Hard Remain voters to have sided with Labour. Again, they are less engaged in politics. They are like Soft Leave voters – they trust Cameron the most, followed by Corbyn and finally Nigel Farage.

Clearly then, the referendum battleground will centre on the extent to which the Remain and Leave campaigns can cut through to respective concerns about the economic risk of Brexit versus the perceived threats from immigration and rapid social change. Much will also depend on the extent to which these two soft groups turn out on polling day and how individual leaders persuade them to cast their vote.



A recent survey suggested 88% of pensioners, who largely endorse Brexit, will 'definitely vote'

Turnout and leadership

Turnout could make all the difference in a tight referendum. There is evidence to suggest Leave voters appear more committed to turning out. A recent Opinium survey suggested 88% of pensioners, who endorse Brexit in larger numbers, will 'definitely vote', compared with only 34% of 18-24 year olds and 39% of 25-34 year olds. Among those who at least claim they will definitely vote, Leave holds a lead of 76% to 59%.

While a recent TNS survey showed only 16% of 18-34 year old women 'definitely voting', it was 79% for men aged over 55, who tend to lean toward Brexit. In another ORB poll, released in March, Leave held a two-point lead over Remain, but once intention to vote had been taken into account, the lead for Leave extended to seven points. Similarly, in the March edition of the Ipsos-MORI tracker, Remain held an eight-point lead (49% to 41%), but once turnout was factored in, it dropped to two points (48% to 46%).

While it is not yet clear whether turnout differentials will be decisive, it does suggest Remain must devote significant effort to ensuring younger, more economically secure and typically Left-leaning voters (who tend to support remaining in the EU) turn out. Furthermore, the Leave camp may have one other option often glossed

over in the wider debate: campaigners could conduct a 'dual campaign', whereby more moderate platforms, such as Vote Leave, focus on turning out softer and more Conservative-leaning Eurosceptics, while the UKIP-backed Grassroots Out and Leave.EU devote their energy to turning out hard Leave voters.

This brings us to another important variable – the role of the widely unpopular Jeremy Corbyn, who so far has played a minimal role in the campaign. In the past, Corbyn has openly criticised the EU, suggesting it has moved too far in the direction of free market economics at the expense of workers' rights.

The potential longer term impact of this stance, most notably on awareness of the Labour position and turnout, is reflected in the data. One survey by YouGov conducted in March 2016 suggested 43% of a nationally representative sample of British adults felt they did not know where Labour stood on the referendum – 11 points higher than the equivalent who did not know where the Conservative Party stood. This figure increased to 50% among younger, typically more pro-EU voters.

Such findings underline how left-leaning and more pro-EU voters may not be 'nudged' into voting to the same extent as perhaps they would have been if Labour were still under the leadership of Tony Blair,

Gordon Brown or Ed Miliband. If younger, more apathetic and financially secure progressives and middle-class professionals decide to stay at home on 23 June, this could have a decisive effect on the outcome.

A referendum on domestic policy?

The ambivalence of Labour magnifies the divisions within the Conservative Party over Europe, which will hamper Cameron's ability to assemble a majority coalition. Conservative voters typically break in favour of Brexit, while the rank-and-file Conservative Party membership breaks even more heavily for Brexit. Cameron will thus become less dependent upon his own party than on Left-leaning voters who turned out against the Conservative Party at the general election.

This is where, again, the wider climate is important. Overall dissatisfaction with the incumbent Conservative Party government is rising, while recent infighting over welfare cuts has added to public perception of a divided and unpopular government. Such trends could be important given referendums are sometimes decided by issues not on the ballot. In February, public dissatisfaction with the UK government hit 60%, the highest level since the general election in 2015.⁹

The recent budget has also proven unpopular. According to the regular Ipsos-MORI tracker, the percentage of voters who agree the government's policies are improving the state of the economy is at its lowest point since 2012, at 43%. Meanwhile, net satisfaction with the performance of the Chancellor, George Osborne, has plummeted from zero last summer to -33

in March. Left-leaning voters who are more likely to feel dissatisfied with the government and its record on the economy may feel reluctant to vote alongside Osborne and Cameron, and could be tempted to give the Conservative Party a 'bloody nose'.

Conclusion and discussion

This report has sought to challenge conventional wisdom by suggesting that while the fundamentals of Britain's 2016 referendum favour Remain, there lies in the data a clear and plausible pathway to Brexit. This pathway would entail Eurosceptics taking advantage of a climate that prioritises concerns over immigration and identity, maximising turnout on the day among Leave voters who appear more determined to vote, mitigating the economic concerns of soft Remain voters, exploiting the continued ambivalence of the Labour Party and growing dissatisfaction with the incumbent Conservative Party.

While it may be true online polls are overstating the extent of public support for a Brexit, it also remains true Remain's lead in telephone polls appears to be declining and the gap between the two camps is often within the margin of error. Local elections in May 2016 will provide a useful insight into the ongoing dynamics of the referendum campaign, notably how UKIP performs in Wales, the engagement of Leave-leaning voters in more Eurosceptic areas of the country such as the Midlands and Eastern England, and general levels of turnout among Labour voters. These will all provide clues as to the possible level of participation on 23 June.

⁹ These data are taken from the regular Ipsos-MORI tracker of government satisfaction

Regulatory Disclosure

This report has been issued by Redburn (Europe) Limited ('Redburn'), authorised and regulated by the Financial Conduct Authority and is intended for use by professional and business investors only. It is solely for the information of the addressee only and is not an offer, or solicitation of an offer, to sell, or buy, any securities or any derivative instruments or any other rights pertaining thereto. The information in this report has been compiled from sources believed to be reliable but neither Redburn, nor any of its officers or employees makes any representations as to its accuracy or completeness. Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. This report does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this report. Redburn may have disseminated information contained in this report prior to its publication.

Notice for US recipients

This report is not intended for use or distribution to US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

Redburn (Europe) Limited, and its research analysts, are not members of the Financial Industry Regulatory Authority and are not subject to the FINRA Rules on Research Analysts and Research Reports and the attendant restrictions and required disclosures required by that rule. Redburn (Europe) Limited is a correspondent of Redburn (USA) LLC. All US persons receiving this report and wishing to buy or sell the securities discussed herein should do so through a representative of Redburn (USA) LLC. Redburn (USA) LLC and its affiliates: do not own any class of equity securities issued by any of the companies discussed in this report; have not received, and do not intend to receive, any investment banking compensation from any of the issuers discussed in this report; and, have not acted as manager, or co-manager, of any public offering of securities issued by any of the companies discussed in this report. Neither Redburn (USA) LLC, nor any of its officers, own options, rights or warrants to purchase any of the securities of the issuers whose securities are discussed in this report. Neither Redburn (Europe) Limited, nor Redburn (USA) LLC, make a market in any securities, and do not stand ready to buy from or sell to any customers, as principal, any of the securities discussed in this report

