

A UK Perspective

May vs Leadsom: The final two Conservative party leadership candidates were announced on Thursday. May's campaign will stress her experience over her rival while Leadsom will promise that only she is a true Brexiteer. May's worry will be that she is seen as the establishment candidate. So if anything will have to take an even harder stance on potential EU exit terms than her rival for the duration of the campaign. Expect a lot of sound and fury signifying actually precious little over what the actual negotiations will look like. Things to look out for will be further additions to both campaign teams and any suggestion of who would be in either cabinet in the coming weeks.

Conservative Party: We shan't know the eventual victor until September after the 150,000 conservative party members have had their vote. Despite May's considerable advantage in the parliamentary party vote, the final decision is one for the party members. Both candidates have the summer to win over the party faithful so we can expect a series of hustings around the country. The great unknown at this stage is how the party will vote. In recent polling of the members two-thirds leaned towards leaving the EU which is likely to benefit Leadsom's candidacy however May still remains the favorite.

Keynes rises from the ashes: Whatever the future for George Osborne – a win for May might prompt a move to Foreign Secretary or perhaps even allow him to hold on to Number 11 – Osbornomics or pro-growth fiscal consolidation as he liked to call it – appears dead in the water. After six years of preaching austerity, the Chancellor abandoned his plans to target a budget surplus by 2020 last Friday and it's been notable that almost all the leadership candidates in the last week have been singing the same tune. Whoever wins, expect the government to take advantage of record-low bond yields and expand fiscal policy.

Financial markets are still volatile and on high alert for any concrete signs the economy is deteriorating. It may take until August for the first reliable macro readings on what effect the vote has had on consumer and business behaviour. The Chancellor and Business Secretary are talking up trade with the rest of the world while newspapers will be desperate for stories showing the economy either thriving or diving depending on the stance they took on the referendum.

Special Relationship: Brexit and this week's long awaited Chilcot report has put focus on the UK's 'special relationship' with the US, with massive criticism of Tony Blair's involvement in the Iraq war. Writing in the Financial Times the week , Obama promised the special relationship "will endure". "While Brexit creates some uncertainty, our shared prosperity will continue to rest on the rock-solid foundation of Nato."

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If you have any questions about this briefing, or if you would like to discuss how your company can address the political risks associated with the UK's referendum, please contact Henrik Bernitz or Birgitta Henriksson at the Brunswick Stockholm Office.

Brunswick Group (BRNSWK Nordic AB), Fourth Floor, Birger Jarlsgatan 15, 111 45 Stockholm, Sweden
Tel +46 (8) 410 32 180 **Direct** +46 73 441 67 29 **Mobile** +46 73 441 67 29

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