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Politics

Lawmakers send May back to renegotiate Brexit deal

30 January 2019, 8:18 pm CET, written by UBS Editorial Team

The British pound fell on Tuesday after lawmakers voted to send PM Theresa May back to the European Union to renegotiate the most contentious part of her Brexit deal. Brussels digs in its heels.

With 59 days to go until the UK’s exit from the EU, members of Parliament voted 317-301 to send May back to Brussels to change the so-called Northern Irish backstop section of the Withdrawal Agreement.

May's decision to overturn the agreement that she spent the last 18 months stitching together comes after opposition from the Eurosceptic among her own Tory party.

May now has two weeks to make progress with Brussels before facing Parliament again.

She is already facing resistance; Donald Tusk, the European council president, announced within minutes of the Commons result that the EU was not prepared to reopen the deal.

“The withdrawal agreement is, and remains, the best and only way to ensure an orderly withdrawal of the United Kingdom from the European Union,” a spokesman for Tusk said. “The backstop is part of the withdrawal agreement, and the withdrawal agreement is not open for renegotiation.”

The Irish backstop refers to the element of May’s plan to prevent checks on goods and people returning to the Northern Ireland border.

This would effectively keep the UK inside the EU’s customs union, but with Northern Ireland conforming to some rules of the single market.

The pound fell as MPs voted against a proposal to extend the deadline for Brexit, raising the chances of a no-deal split for now. “There is every chance that no-deal could blocked by MPs when they get another chance to vote on the deal in two weeks’ time,” says Dean Turner, Economist, UBS Global Wealth Management CIO.

It now expects the economy to grow 1.5 percent in 2019 and 1.2 percent in 2020, down from 1.8 percent and 1.3 percent previously.
"First, growth outturns for the final quarter are likely to be a little weaker than we previously forecast, in part due to the weaker-than-expected global backdrop," CIO says in a 29 January report. "Second, we expect that Brexit uncertainty will continue to weigh on the economy as each deadline comes and passes without resolution."

Third, CIO thinks a weaker outlook for the global economy in the near term would present a headwind for the UK economy.

It also expects the Bank of England to raise rates once this year, most likely at its November meeting.

For now, the CIO team remains wary of taking directional views on sterling and UK assets, as uncertainty will remain high and UK markets will stay volatile.

"Within portfolios, exposure to sterling-denominated assets should be maintained at benchmark levels until more clarity emerges," CIO says.


Main contributor: Jean Chua