

MNI POLITICAL RISK-Johnson Return As UK PM An Increasing Possibility

by Tom Lake

Just under two months from leaving office there is the increasingly plausible possibility that Boris Johnson could be elected leader of the Conservative Party and return to 10 Downing Street. In the lead up to and immediate aftermath of the resignation of PM Liz Truss there was a general expectation that the party would seek to get behind a 'unity candidate'.

- This was seen as being in the form of former Chancellor of the Exchequer Rishi Sunak or leader of the House of Commons Penny Mordaunt. However, over the last 24 hours a large number of Conservative MPs have come out in support of bringing back Johnson as prime minister. At the time of writing, Johnson has 43 public backers and an additional 17 MPs who have not come out publicly but have said anonymously to the [Guido Fawkes blog](#) that they will support Johnson.
- Johnson's potential return is despite a summer of political turmoil that culminated in the resignation of a large number of Cabinet ministers that forced Johnson to leave. In his final speech outside 10 Downing Street, Johnson stated that 'Like Cincinnatus, I am returning to my plough', although of course Cincinnatus then returned to power for a second term as dictator of Rome.
- Betting markets have also begun to turn towards Johnson. Data from Smarkets gives the former PM a 40.3% implied probability of becoming the next Conservative Party leader, up from 7.1% in the immediate aftermath of Truss' resignation yesterday afternoon. Sunak remains favourite with a 51.6% implied probability of becoming leader. Mordaunt has seen her prospects decline sharply since Truss' resignation, from 37.0% to an implied probability of 7.8% currently.

Chart 1. Betting Market Implied Probability of Winning Conservative Leadership Contest, %

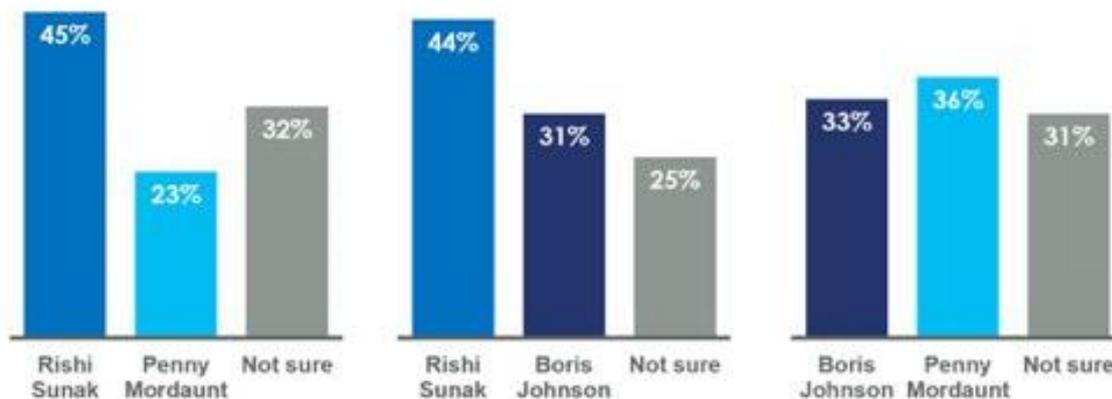


Source: Smarkets

- With the threshold set at 100 MPs to get onto the leadership ballot at present it looks as though Sunak (68 backers) and Johnson (60) could be near certainties, with Mordaunt (21) struggling to gain enough support to enter the contest.
- In the event of a Sunak vs Johnson contest going to the party membership, Johnson would likely be seen as the favourite. Opinion polling of Conservative party members by YouGov on 17-18 October showed that of the 530 respondents, 32% would back

Johnson in a leadership contest ahead of Sunak in second place on 23%. Wider opinion polling, though, shows that of the leading candidate Sunak is the favoured option. In hypothetical head to head contests Sunak defeats both Johnson and Mordaunt, while Mordaunt defeats Johnson (see chart below).

Chart 2. Opinion Polling, Who Should the Conservatives Chose as the Next PM? (Head To Heads), %



Source: Opinium. Fieldwork 20-21 Oct, 1,350 respondents.

- A Johnson win would likely prove the most disruptive outcome for markets. He and incumbent Chancellor Jeremy Hunt (who Johnson defeated in the members vote of the 2019 leadership election) do not see eye-to-eye on economic policy and there is the prospect Johnson could row back on some of Hunt's indications of fiscal belt-tightening in order to put forward his 'levelling-up' agenda.
- Sunak on the other hand is seen as being in a similar economic camp to Hunt (indeed if Sunak wins Hunt likely remains as chancellor into the medium term at least), raising the prospect of the 31 October medium-term fiscal plan being delivered with few changes.

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