

**THE PM WILL GET WITHDRAWAL LEGISLATION THROUGH PARLIAMENT, BUT BREXIT WON'T LOOK LIKE CHEQUERS**

	No Deal, Cliff Edge Brexit	Hard Brexit - Canada Plus option (Leave Customs Union, simple FTA for goods)	The Chequers plan ("Facilitated Customs Arrangement" & Single Market for goods trade)	Soft Brexit - Stay in the EEA and Customs Union, or never-ending transition	Brexit reversed
<b>How could this scenario happen?</b>	The U.K. doesn't sign up to the E.U.'s backstop plans for the Irish border and no deal is reached. Alternatively, the government loses votes in parliament on its Brexit legislation. Mrs. May resigns and her replacement can't get any legislation through parliament either.	Mrs. May loses a Tory leadership confidence vote in the autumn, leaving time for her successor to negotiate a "Canada plus" option. Alternatively, Mrs. May succeeds in getting Brexit legislation through parliament, but then loses a confidence vote during the transition period and is replaced by a Brexiteer.	Mrs. May succeeds in getting a deal with the E.U. and Brexit legislation through parliament. She holds on during the transition period and the Chequers plan is implemented with only modest alterations.	Mrs. May accepts the E.U.'s backstop plan in order to finalise the Withdrawal Agreement, which she then gets through parliament. Thereafter, negotiations on the future relationship remain deadlocked, forcing both sides to extend the transition period. Alternatively, the government, still led by Mrs. May, responds to public opinion, which has turned against Brexit and seeks the Norway option as its final form.	The government loses votes in parliament on its Brexit legislation. Mrs. May seeks to hold on to power by arguing the people should be allowed to decide. Alternatively, MPs from all parties back a private members' bill for a second referendum.
<b>Why might this scenario not occur?</b>	Brexiteers likely won't vote against the government for fear of opening the door to another referendum or general election.	A hard border would emerge in Northern Ireland, which the U.K. government has pledged not to bring back. The resulting damage to the economy would be a vote loser. No guarantee a Brexiteer would win a leadership contest if Mrs. May lost a confidence vote.	Besides the obstacles presented by parliament and her party, the E.U. has said that the plans are "unworkable". The EU will not allow "a la carte" access to the single market and will not delegate its customs policy to a non-member.	Euroscptics almost certainly would trigger a confidence vote in this scenario. Public concern about immigration is low now, but might surge if free movement continues.	Mrs. May has clearly opposed a second referendum. Labour may prefer to seek another election instead. Another referendum would take three months from start to finish, so the E.U. would have to allow the Article 50 period to be extended.
<b>Likelihood</b>	10%	20%	15%	40%	15%
<b>Effect on MPC</b>	Inflation would jump, due to supply issues, tariffs and a lower pound. But demand would weaken too, so we think the MPC would cut rates back to 0.25% and restart the TFS.	The MPC raises Bank Rate only once more before the end of the transition period in December 2020.	Enables the MPC to raise Bank Rate at a slightly faster pace than it currently expects. We would anticipate three rate hikes spread across 2019 and 2020.	Enables faster tightening than the MPC currently expects. We envisage two 25bp rate hikes every year from 2019 until Bank Rate hit 2.5%.	Enables faster tightening than the MPC currently expects. We envisage two 25bp rate hikes every year from 2019 until Bank Rate hit 2.5%.
<b>\$/£</b>	March 2019: \$1.15	March 2019: \$1.25	March 2019: \$1.35 December 2019: \$1.35	March 2019: \$1.35 December 2019: \$1.40	March 2019: \$1.45
<b>2yr gilt*</b>	0.20%	0.40%	0.90%	0.90%	1.00%
<b>FTSE 100*^</b>	8,000	7,850	7,650	7,550	7,500

\* Forecasts are for March 2019. ^ The FTSE 100 would rise in Hard Brexit scenarios as the pound's depreciation would boost the sterling value of large companies' overseas profits.