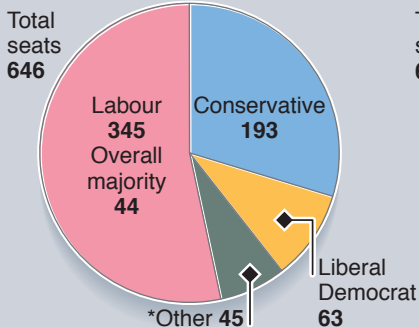


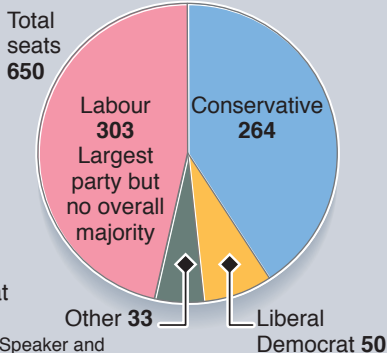
Hung parliament threat to UK debt plans

Opinion polls suggest a possibility of a hung parliament at the general election – one in which no party gains an overall majority of 326 MPs in the House of Commons. It means that the government will not be able to pass laws without support from members of minority parties

State of the parties (March 2010)



Predicted seats after election**



*Includes 3 vacant seats and 9 non-voting MPs – Speaker and three Deputies who usually do not vote, plus five Sinn Fein MPs who refuse to take oath of allegiance to Monarch and so are not entitled to vote.

**Prediction by Electoral Calculus based on opinion polls, sample of 9,581 voters, Feb 5-Mar 11

■ **Prime Minister:** If Labour remains largest party **Gordon Brown** will continue as prime minister until he resigns – or is replaced. Queen could then decide to invite Tory leader **David Cameron** to try to form government



■ **Coalitions:** Labour could stay in power without absolute majority by creating coalition with Lib Dems, or by struggling on as minority government before suffering defeat and having to ask Queen to call snap election



■ **Political risk:** With uncertainty over how minority government will handle Britain's budget deficit – currently 12.4% of GDP or £175 billion – country risks downgrading of its triple-A credit rating

■ **Servicing debt:** Loss of triple-A will drive up cost of government borrowing on world markets from average rate of 4.3% up to 5-6% – similar to Greece. **Just 1% rise in interest rates will increase servicing cost per annum by £15 billion to £57.9bn**