

HOW WILL THE LIB DEM VOTER EXODUS AFFECT THE ELECTION OUTCOME?

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Bookmakers remain in the dark about the outcome of the upcoming UK general election.

There is virtually nothing between the odds of either a Conservative or Labour majority, nor a coalition involving a third party, which suggests we are approaching one of the most uncertain elections in recent history.

'There is only one certainty of this election and that is that the Liberal Democrats will get annihilated,' said Ian Williams, chief executive of Charteris Treasury Portfolio Managers.

'Nick Clegg, deputy prime minister, may not even win his deposit back. They are going to get decimated all over the country. A lot of votes will go to the Green Party and a lot of people who tactically voted Liberal Democrat are not going to do what they did before. The Green Party has come from nowhere to 9% of the vote and that has not come from Tory, Labour or Ukip voters turning Green.'

Yellow turning Green

The potential switch of Lib Dem voters to the Green Party in this May's general election is being closely monitored by Neptune Investment Management's chief economist James Dowey. He has looked at what could happen to the 57 seats that currently belong to the Lib Dems if there is a 20% swing from their party to the Greens. This is a scenario that he views as 'pretty realistic, given how disappointed some of Lib Dem voters feel on a principle basis', particularly in relation to tuition fees.

From his calculations, the result would not enable the Greens to win any seats but would cause the Lib Dems to

Most Seats	Source: Paddy Power
Conservatives	4/5
Labour	11/10
UKIP	25/1
Green Party	125/1
Liberal Democrats	250/1

Government After Next Election	
Labour Minority	4/1
Conservative-Lib Dem Coalition	4/1
Conservative majority	9/2
Conservative minority	5/1
Labour-SNP coalition	6/1
Labour-Lib Dem coalition	13/2
Labour Liberal Democrat SNP Coalition	12/1
Conservative UKIP Coalition	16/1
Labour Green Coalition	66/1
UKIP Majority	150/1
Liberal Democrat Majority	500/1

lose 23. On this basis, 16 seats would go to the Conservative party and seven would go to Labour. He suggests that this will have a material effect, allowing the Conservatives to win marginal seats the Lib Dems held in the last election.

'If the Green Party gets on to the TV election debate, this could affect the dial because the Conservatives could get an advance on Labour as a result of this happening. This could get the Conservatives a bit closer to the line and underlines all of the fundamental uncertainty about the election,' he added.

Dowey says the Lib Dem-to-Green swing is likely to prove significant to the election outcome. 'It feels like there could be close to a nine-seat advantage handed to the Conservatives over Labour. As a result, it could be the difference between being able to form a government [or not]. We are talking about numbers that could move the dial,' he said.

The rise of Ukip

Williams believes the growing popularity of Ukip is one of the most significant factors to watch closely. He anticipates Ukip could receive more votes from former Labour voters than currently expected. This is due

to disenchantment with Labour among less affluent constituencies. He suggested Ukip's surprisingly healthy performance in the Heywood and Middleton by-election is evidence of this trend.

Peter Webb of Webb Capital believes a Conservative-Ukip coalition is currently being priced in by markets. If the markets expected a Labour majority or Labour-led coalition, he said there would have been more IPOs and trade sales of businesses in the run up to the election.

This would be driven by business owners searching for an exit due to fears of changes to the tax regime.

'We have seen a lull in IPOs, which might be because people are sitting on the fence. Sometimes people in business rush if they think there could be change to the rules on entrepreneur's relief,' he said.

'We would see more companies heading for the exit. This is important. The fact that we are not seeing IPOs shows me that businesses are not panicking and are not foreseeing a Labour win.'

He continues to back housing, healthcare and infrastructure stocks in his Elite Webb Smaller Companies Income & Growth fund. These are areas that will continue to attract support from politicians irrespective of their party's stance.

Ian Williams: 'The deputy prime minister, may not even win his deposit back'

