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# The King of the North? What Burnham Could Mean for UK Equities

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## Key Takeaways

- ▶ A UK Prime Minister leadership handover looks manageable for markets if the Labour Party keeps the process quick and orderly.
- ▶ Likely successor Andy Burnham may bring a different style, but he will still be constrained by the same fiscal discipline and market pressures as the departing Keir Starmer.
- ▶ Impacts of this PM turnover could be limited since UK equities are driven as much by global earnings, commodities, currency and rates as by Westminster politics.

## Starmer Resigns Abruptly Amid Political Upheaval

After one year and 352 days in office, Prime Minister Keir Starmer has bowed to mounting pressure and announced his resignation. The move paves the way for Andy Burnham, the “King of the North”, to run for the Labour leadership and become the UK’s next Prime Minister. For investors, the focus will likely be less on the political theatre and more on whether Labour can manage a smooth transition.

Political change at the top of government always creates questions, particularly when it arrives less than two years after a large election victory. However, the process appears to be moving quickly and, so far, in an orderly fashion. Rather than digging in and forcing a prolonged internal battle, Starmer has created the conditions for a clean handover.

That clarity should be well received by markets, as investors dislike uncertainty more than they dislike change itself. The fact that Wes Streeting, widely seen as the most likely alternative challenger, has indicated support for Burnham reduces the risk of a drawn-out contest and suggests Labour may be able to move through this period with enough speed and discipline to avoid a more destabilising political vacuum.

## Burnham Would Inherit Same Fiscal Reality

While Burnham may bring a different tone and political style to the position, he would still be operating within broadly the same fiscal framework as Starmer’s government. The UK’s public finances remain constrained, borrowing costs remain an important market signal, and any incoming prime minister will need to keep the bond market onside.

That limits the scope for a dramatic policy shift. Burnham would also face political pressure to remain aligned with Labour’s manifesto commitments, including its tax pledges. That will not be easy. The government still needs to balance demands for higher spending with the realities of fiscal discipline, and the market will be quick to test any sign of slippage.

Alternatively, he could look for a fresh mandate from the electorate. We believe a return to the polls could accelerate the move towards a more fragmented, multi-party political system in which coalition building becomes necessary to form governments. From a market perspective, that would likely create more uncertainty, not less. However, we believe an early election looks unlikely. Labour's current popularity is fragile, and we believe party fragmentation would be a risk Burnham is not ready to run.

There are also signs that Burnham has been moderating some of his more ambitious positions, particularly around his ability to rejoin the EU and nationalise key utilities. As Mayor of Greater Manchester, Burnham successfully nationalised local transport to form an integrated public transport system called the Bee Network. However, policies that are straightforward at the city level become significantly more complex when applied nationally. The cost, timing and operational challenge of large-scale nationalisation would be difficult to reconcile with today's fiscal backdrop.

## UK Equities Not Just a UK Politics Story

It is also important not to overstate the link between Westminster politics and UK equity returns. A large proportion of the UK market's earnings are generated overseas, meaning global growth, commodity prices, currency movements and sector dynamics often matter more than the domestic political cycle.

That is particularly relevant today. The cooling in energy prices following recent Iran-related concerns has eased some of the near-term inflation pressure that had worried investors. Lower energy-led inflation risk should give the Bank of England room to remain focused on the underlying growth and labour market picture, rather than being forced into a more hawkish stance by another external price shock. This rate backdrop is supportive for UK banks, which have been performing well.

Overall, the market's relatively calm response reflects a simple judgement: political change is manageable if the process is orderly and the fiscal constraints remain clear. Politics matters, but it is certainly not the whole story for UK equities.

### About the Author



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