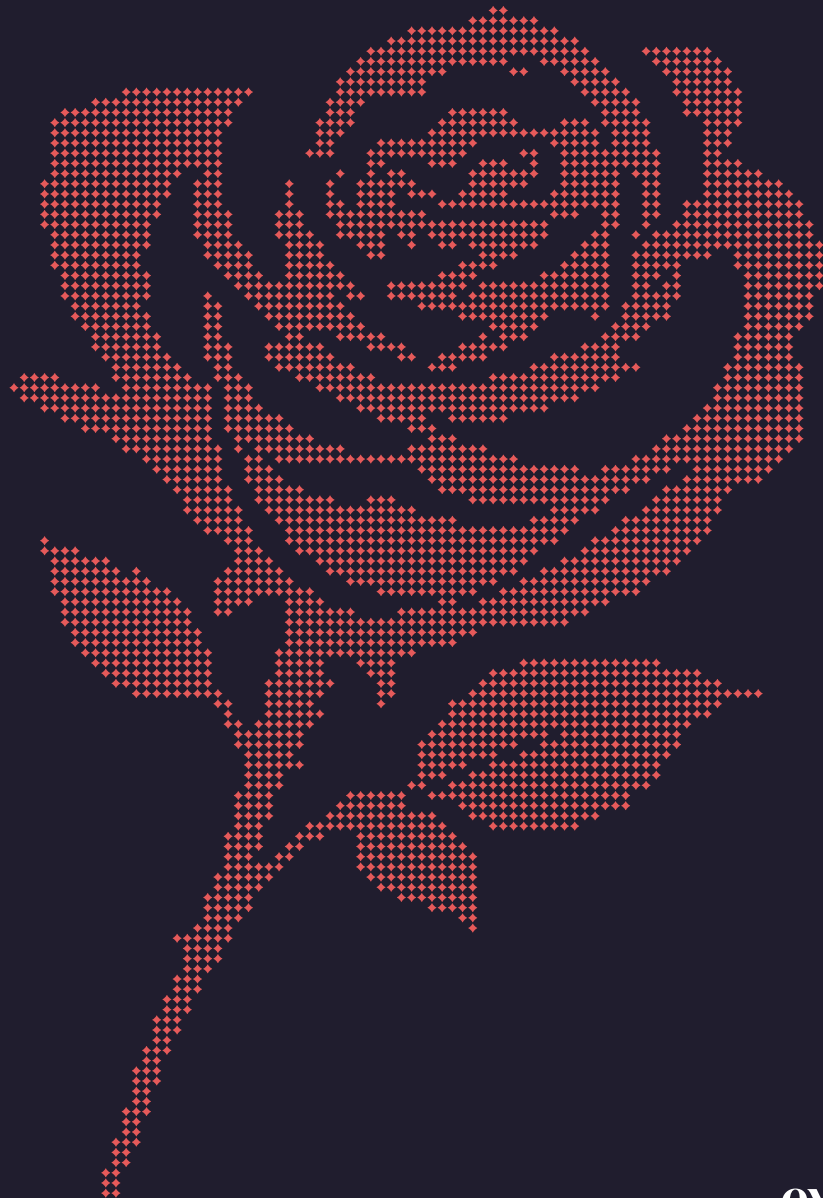


BACK *to a*
REVOLVING
door UK
government?

12 May 2026



BACK *to a* REVOLVING *door* UK government?

Labour's poor showing in the recent local elections, combined with former junior minister Catherine West's weekend call for a leadership challenge, has intensified pressure on Prime Minister Keir Starmer to resign and heightened speculation around a potential contest.

According to media reports, Labour MPs have already begun submitting letters demanding a leadership vote, which would ultimately decide both the party leader and the Prime Minister. While the exact number submitted remains unclear, momentum appears to be building.

The UK now faces the prospect of yet another abrupt shift in political leadership, reinforcing perceptions of a revolving door system.

How Labour chooses a new leader

Assuming a formal contest is called, Labour uses a two-step leadership election process.

- First, candidates must secure nominations from 20% of Labour MPs, as well as additional nominations from either 5% of constituency Labour parties or affiliated organisations such as trade unions.¹
- Second, the final choice is made via a one-member-one-vote system involving party members and affiliates. A contest would likely take 8–12 weeks, meaning a new leader could be in place by September.

The runners

Wes Streeting, currently serving as Health Secretary, is widely seen as a modernising figure within Labour. His desire to run now is clear, as an early move could provide an advantage before more established candidates fully mobilise.

Angela Rayner, the former Deputy Prime Minister, commands strong support from Labour's grassroots and trade union base. However, unresolved questions around her tax affairs may complicate any bid for the leadership at a sensitive time.

Andy Burnham, Mayor of Greater Manchester, has strong name recognition and electoral experience. He is considered a leading contender within the party, but is not currently an MP, meaning he would need a by-election to return to Parliament.

Rising UK political risk

Political risk is becoming an increasing concern for investors. At its core is growing uncertainty over the likely composition of the government following the next scheduled general election in July 2029. Support for Reform UK and the Green Party has surged, while both Labour and the Conservatives have continued to lose ground in opinion polls. As a result, no single party is likely to secure a decisive majority in the Commons, raising the prospect of coalition negotiations and reduced policy clarity.

This environment increases the likelihood of reactive, short-term policy decisions aimed at rebuilding public support, which could ultimately prove counterproductive. For investors, this heightens the risk of further policy reversals and U-turns, adding to an already uncertain policy backdrop.

Structural challenges remain

The UK's economic challenges remain difficult to resolve. The country faces a low-growth, low-productivity environment, rising welfare costs, exposure to volatile energy prices, growing public debt, and limited political appetite to cut welfare spending.

Fiscal rules, which attempt to estimate deficits and debt five years into the future, look increasingly outdated, thereby reducing their credibility as a policy anchor.

On paper, Labour has a large majority in the Commons, but 59% of its MPs are first-time representatives, with a tendency toward supporting higher welfare spending.² Attempts to reduce spending have already faltered, and any incoming Prime Minister and Chancellor will face the same constraints.

Factional divisions are already becoming more visible. Although Wes Streeting has not formally declared his candidacy, media reports suggest that elements of Labour's left would seek to challenge his authority if he were to enter Downing Street. This underscores the risk that any leadership transition may fail to stabilise the party and could prolong uncertainty.

How to invest

Fortunately, our portfolios are not solely exposed to domestic conditions. The rally in US technology and Artificial Intelligence stocks continues to lift global equities, and the UK stock market with it. Around 80% of revenues from large UK listed companies are generated overseas, leaving them relatively insulated from domestic political and economic developments.³

Maintaining diversified portfolios across geographies, sectors and asset classes remains essential. UK listed companies with substantial international revenues are generally better placed to navigate domestic weakness. In fixed income, keeping gilt duration short looks prudent.



Daniel Casali
Chief Investment
Strategist

Speak to us

Sources

¹ Election 2024 - Labour's new cohort - Portland

² Labour lefties 'plotting to get rid of Wes Streeting as PM' – before he's even got the job | Politics | News | Express.co.uk

³ The UK's very global country index | LSEG

Authors:

Daniel Casali

For further information:

E: contact@evelyn.com | T: 020 3131 5203

evelyn PARTNERS

evelyn.com

Evelyn Partners Investment Management Services Limited is authorised and regulated by the Financial Conduct Authority.

© Evelyn Partners Group Limited 2026

at
EVELYN
PARTNERS