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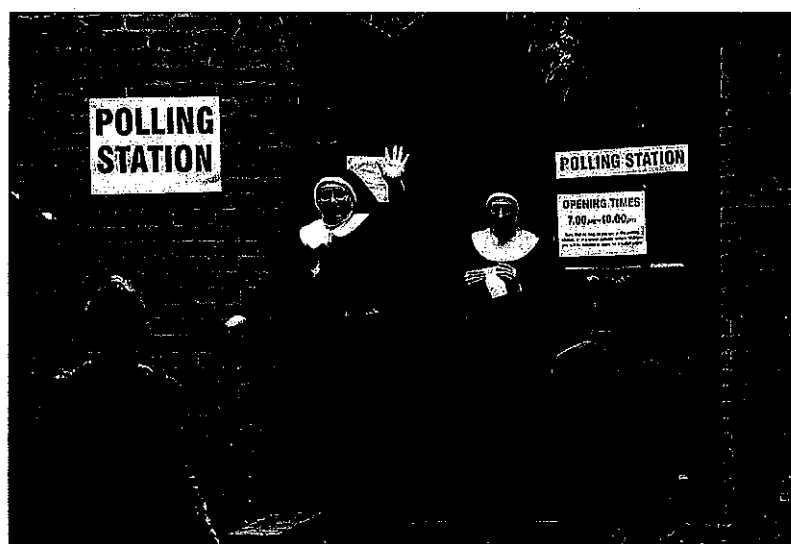
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<http://www.wsj.com/articles/brexit-provides-another-debacle-for-u-k-pollsters-1466783104>

WORLD

Brexit Provides Another Debacle for U.K. Pollsters

For the third time in two years opinion pollsters got it wrong



Nuns leave a polling station after voting in the EU referendum in London on Thursday. The result of the referendum was a surprise to pollsters prompting questions about their methods. *PHOTO: HANNAH MCKAY/EUROPEAN PRESSPHOTO AGENCY*

By **JON SINDREU**

Updated June 24, 2016 4:48 p.m. ET

LONDON—Among the questions being asked following the U.K.'s surprise vote to leave the European Union: How did the forecasters get it so wrong?

In recent years, pollsters and bookies have misfired on Britain's last general election and its referendum on Scottish independence. To the dismay of many investors, that happened again Thursday.

In the closing hours of a historic referendum, pollsters were predicting that the "remain" camp would win by up to a nine-point margin. Betting odds said a pro-EU result was almost inevitable.

On Friday morning, Britain was on route to leaving the bloc.

The failure of polls and betting markets, and investors' reliance on the predictions, had serious consequences for financial markets. On Friday morning, investors were largely unhedged against a result they considered unlikely, driving markets to plunge.

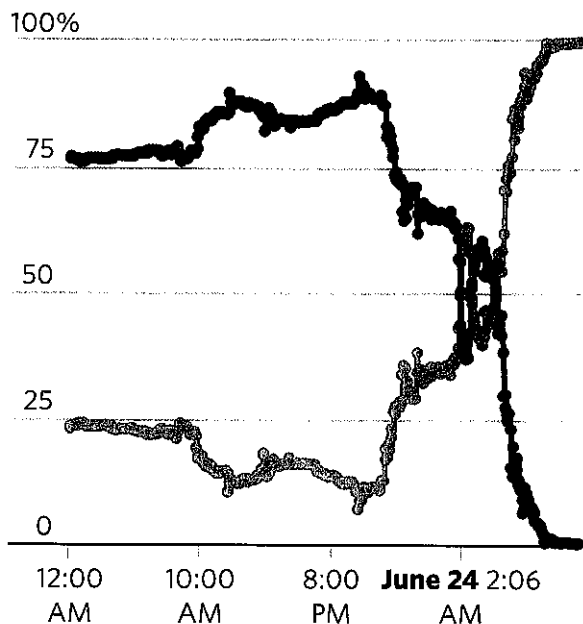
The pound had fallen by roughly 5.4% against the U.S. dollar by late-afternoon, while the FTSE 100 stock market index was down by more than 2.2%. In the euro zone, the Euro Stoxx index plummeted almost 7%.

Betting on 'Brexit'

As the referendum results came in, the betting market odds flipped dramatically in response. The odds either side was given throughout the night, in BST*:

Odds of winning

Leaves Remains



Source: PoliticalOdds.bet

*Note: British Summer Time is five hours ahead of Eastern Daylight Time

Investors put too much faith in polls and bookies ahead of this vote, said Christopher Stanton, who oversees \$725 million at Sunrise Capital Partners LLC in San Diego.

“I am stunned. Why would you position your billion-dollar hedge fund based on what some bookie in London says?” he said.

In the last poll of the referendum, a survey by YouGov PLC had the “remain” camp prevailing with 52% of the vote.

YouGov said in statement that the miscalculation was due to turnout being lower than expected, which benefited the vote for Brexit because its supporters were more mobilized. Thursday's turnout was 72.2%, but referendums typically attract even higher participation—the Scottish ballot was 84.6%.

Investors and polling experts were left asking why the predictions were so wrong but are also struggling to think of what can be done to get it right in the future.

Referendums are always hard to call, political analysts say. That's because they can't be compared with a previous vote.

But British voters seem to be particularly hard to predict. During last year's general election, pollsters almost unanimously predicted a hung parliament, but Prime Minister David Cameron ended up winning a majority. Mr. Cameron announced Friday he'd be

stepping down, after backing the “remain” option in the campaign.

Following that election, Patrick Sturgis, a professor at the University of Southampton, did a study on why the polls had failed. Mr. Sturgis found that samples were often unrepresentative of the voting public and geared toward younger voters, who are more prone to engage in surveys. That left out a whole chunk of the population that tends to vote for more conservative policies or parties, like Mr. Cameron’s Conservatives, and in this case leaving the EU.

Results also suggested that a random selection of people tends to work better, instead of one that uses quotas to hit profiles, such as on age, gender, social class and other categories. Other research has stressed that telephone polls work better than those conducted online.

But Thursday’s referendum dealt a blow to such conclusions, which now makes it harder to learn lessons for the next vote.

This time, it was online polls that came closer to predicting a vote to leave. Meanwhile, a pure random poll released by the London-based National Centre for Social Research earlier in the week missed the mark when it gave “remain” a six-point victory.

“At this point, we just don’t know” what works, said Mr. Sturgis.

To be sure, averaging polls taken over the past few weeks did suggest the result may have been too close to call or could end in a vote to leave.

But given the recent record of polls, analysts and investors were already turning to betting markets ahead of Thursday’s vote. That, though, also didn’t work out. On Thursday night, bookies were forecasting a 90% chance of the U.K. choosing to stay in the EU.

“I can’t remember any time when the bookies were so wrong,” said Christian Gattiker, chief strategist at Swiss private bank Julius Baer Group AG.

Betting odds are assumed to convey the “wisdom of the crowds” and take into account a greater range of factors than the snapshot of opinion that a poll will offer.

In the closing stages of the referendum campaign Betfair Group PLC was amongst the bookies predicting a 90% chance of the U.K. voting to stay.

“In normal circumstances, when a market is showing this much confidence in a result, the probability dictates that it will happen,” Naomi Totten, a spokeswoman for Betfair said in a statement. “But this referendum market was as extraordinary as the result

itself.”

U.K. Referendum Results and Market Re: live-results/)

Source: Press Association

On Friday, British bookies had already moved on, and were taking odds on who will be Britain’s next Prime Minister.

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**Write to Jon Sindreu at
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Remain

48.1%

16,141,241 votes

As of 8:2

