

# May's election humbling welcomed by business

The UK result and DUP deal has added to volatility but may soften the Brexit blow



UK Prime Minister Theresa May delivers a speech as her husband, Philip May, watches outside number 10 Downing Street in London. Photo: Bloomberg

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June 11 2017 6:00 PM

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Irish business has given a cautious but uncertain welcome to news that a weakened Conservative Party will rely on the DUP to form a government ahead of crucial Brexit negotiations.

Emmet Scully, a partner at law firm LK Shields, said it was difficult to say whether the election outcome would mean a softer Brexit, which is generally seen as a much better outcome from an Irish point of view. A coalition involving the DUP may however have positive impacts both north and south of the Border, he said.

"Common sense tells us that if the Conservatives are dependent upon the support of the DUP it will move issues concerning Northern Ireland further up the priority list for the British government. That can only be a good thing for the entire island," he said.

Scully, however, raised concerns that a Conservative pact with the DUP could help bring about an increased focus on tax competition in Northern Ireland and the UK. "This could present a challenge for the south given the already lower cost of living and more competitive environment in the North," he said.

Ciara Jackson, agri-food and beverages sector leader with professional services firm Aon, said the uncertain times meant more volatility for businesses that have been badly hit. She cited the examples of mushroom and

cheddar cheese producers which had already been affected by Brexit and pointed out that 37pc of Irish food exports go to the UK. As much as 60pc of Irish cheddar goes to Britain with only limited opportunities on the continent for the product, she said.

"The election result is another curve ball, particularly the fall in sterling. For a small business that is making a margin of say 5pc, if a currency moves 3pc then it has a huge impact. Larger businesses are also having to slow down somewhat in terms of strategic decisions," she said.

The outcome is potentially beneficial, according to Aidan Flynn of Freight Transport Association Ireland, who said it seemed that UK voters had rejected the hardline Brexit stance taken by the Conservatives, making it less likely that the UK would leave the customs and free trade area.

"However, our members are very concerned that the result will lead to uncertainty and lack of stability in relation to negotiations bearing in mind a deal will have to be done with the EU by October 2018 at the latest. That does not leave much room for teething problems that are likely to occur with the Conservatives reliance on the DUP. If no deal can be reached by then, the more likely we will face a cliff edge," he said.

Sterling tumbled on Friday as the Conservative Party lost its parliamentary majority. Crude oil rose following two days of losses, and gold fell. Sterling dropped the most in eight months as the election intended to strengthen Prime Minister Theresa May's hand in negotiations with the European Union instead left her battling to survive. The currency's retreat gave British stocks a boost, as the FTSE 100 Index gained along with most major global equity gauges. UK bonds rose.

Elsewhere, investors took the election results in their stride, as the S&P 500 Index and Dow Jones Industrial Average hit all-time highs. Attention will now turn to the week ahead, when the Fed is expected to raise interest rates.

"For now, the results of the UK elections do not appear to be threatening the global growth story," said Mark Haeefe, global chief investment officer at UBS Group. But for Britain "political uncertainty is likely to more than offset any benefit from a marginally weaker pound", he said.

(Additional reporting Bloomberg)

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