

Business sentiment rises as Brexit delayed

The latest Bank of Ireland Economic Pulse rose slightly in in October 2019 as the risk of a Halloween Brexit crash out receded.

Indeed, the news at the weekend that UK Prime Minister Boris Johnson has grudgingly accepted a “fextension” up to three months granted by the EU to the UK should underline this increase in sentiment.

However, while businesses can temporarily breathe a sigh of relief for the moment, households are gloomier about the economy and their own finances.

Commenting on [Bank of Ireland](#)'s October Economic Pulse research, Dr Loretta O'Sullivan, group chief economist for Bank of Ireland said: “October's Economic Pulse was a touch firmer as the risk of a no deal Brexit at the end of the month receded, and hopes of a last minute deal grew.

“The survey findings suggest that households aren't overly convinced by recent developments though, with consumer sentiment tracking lower again this month and one in two indicating they are holding out on spending. However, there was a sense of relief among firms that a Halloween crash out was increasingly unlikely and business sentiment edged higher. That said, the mood remains relatively subdued overall reflecting the fact that there is no such thing as a ‘good’ Brexit outcome.”

Consumer Pulse

“With Brexit uncertainty continuing to unnerve households, the Consumer Pulse tracked lower again this month,” O'Sullivan continued.

Households were gloomier about the economy and their own finances, with buying sentiment also taking a knock as Brexit weighed on minds and Budget 2020 did little for consumers' pockets.

Just a quarter of those surveyed considered it a good time to purchase big ticket items such as furniture and electrical goods (down from a third in September), while one in two (a series high) indicated that they are holding out on spending because they are not certain which way economic policy is going to go.

Business Pulse

“Reflecting the tightening labour market, a third of firms expect to increase basic wages over the next 12 months by 3.6pc on average,” O'Sullivan said.

The Business Pulse stood at 78.8 in October, 2.2 higher than in September but down 14.3 on a year ago. Budget 2020 included a support package in the event of a no deal Brexit, but with the UK Parliament passing legislation to prevent such an outcome and Downing Street working towards agreeing a new deal with Brussels, the risk of a Halloween crash out receded.

This contributed to the uptick in business sentiment in October, though the picture was mixed across the sectors with the Services and Construction Pulses gaining ground but the Retail and Industry Pulses slipping back. Looking further ahead, the October data indicates that growth ambitions are holding steady, with three in five firms planning on expanding in the next one to three years.

Housing Pulse

“Three in four households think it’s cheaper to buy than rent in their area, and with rental inflation outpacing house price growth this is likely to continue,” O’Sullivan said.

At 73.3 in October, the Housing Pulse was down 1.9 on last month’s reading. Households in Dublin, the Rest of Leinster and Connacht/Ulster were a little more downbeat about the outlook for house prices, though the balance of positive and negative responses remained in the black in all regions including Munster.

The October survey also found that one in ten are planning on buying or building a property in the next 12 months, with the cost of renting a key push factor, while a quarter are likely to spend a large sum of money on home improvements.

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