

News Release

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Accenture / S&P Global Ireland Business Outlook Report

Irish business confidence the strongest globally

Key findings

Confidence picks up markedly

Inflationary pressures expected to cool further

Profit forecasts turn positive

Hiring intentions the highest across the globe

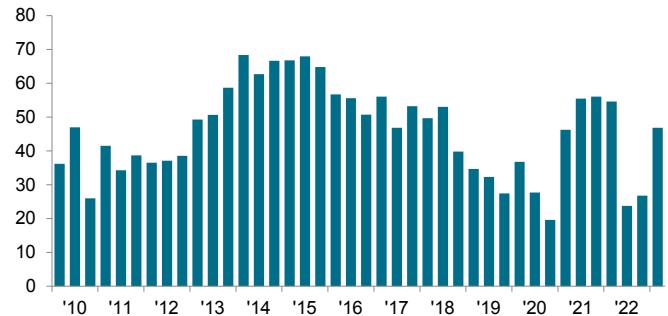
New findings from the Accenture/S&P Global Ireland Business Outlook Survey shows that business confidence across Ireland's private sector is improving following its lowest recorded rate in the previous two survey periods. Amid significant easing in supply chain disruptions and with the winter energy crisis not as severe as previously feared, Irish companies expressed relief as cost pressures look set to decrease. Companies subsequently expect a strengthening in demand conditions over the next 12 months and an uplift in profitability.

The Accenture/S&P Global Ireland Business Outlook survey pointed to a considerable improvement in the headline net balance for business activity in February. The net balance surged 20 points from the previous survey period, posting at +47%, up from +27% last October. Notably, sentiment was the strongest of the 12 countries for which comparable data are available, followed closely by the UK. The February reading was also the highest in a year and supported by significant upwards revisions to growth forecast in both the manufacturing and service sectors. The higher level of confidence was, however, retained by service providers who posted a net balance of +50% compared with +43% at their manufacturing counterparts.

Some firms surveyed remain cautious about the effects of the ongoing war in Ukraine, the energy crisis, and global recession risks. The recent Brexit negotiations and the potential regulatory implications

Ireland Business Activity expectations

% net balance



Sources: Accenture, S&P Global.

Data were collected 10-23 February 2023.

Comment

Commenting on the survey, Hilary O'Meara, country managing director at Accenture in Ireland, said:

"After a challenging few years, it's encouraging to see confidence rising. While it is still a tough environment for businesses, with many remaining cautious about the effects of the ongoing war in Ukraine, higher energy bills, and global recession risks, businesses are clearly more optimistic about the wider economy. There are many opportunities for growth as price and supply pressures ease, and we're very encouraged that so many businesses in Ireland are looking to expand into new markets, develop new products and improve productivity."

for businesses were also cited as a cause for concern. Threats were also mentioned on the staffing front with many respondents specifically noting skill shortages and a general lack of personnel.

Inflation and profits

While reportedly remaining a threat to the outlook, latest detailed inflation expectations data suggested that Irish companies were expecting pricing pressures to cool further over the coming 12 months.

On the cost-side, the net-balances for non-staff and staff expenses dipped to two-year lows of +44% and +59%, respectively. In both cases, inflationary pressures are predicted to be higher in the service sector than in manufacturing.

Meanwhile, companies in Ireland's private sector are expecting to increase their own prices to reflect the forecast rise in operating expenses. The output prices net balance posted at +31%, a decrease from +52% in October and the lowest posting since February 2021.

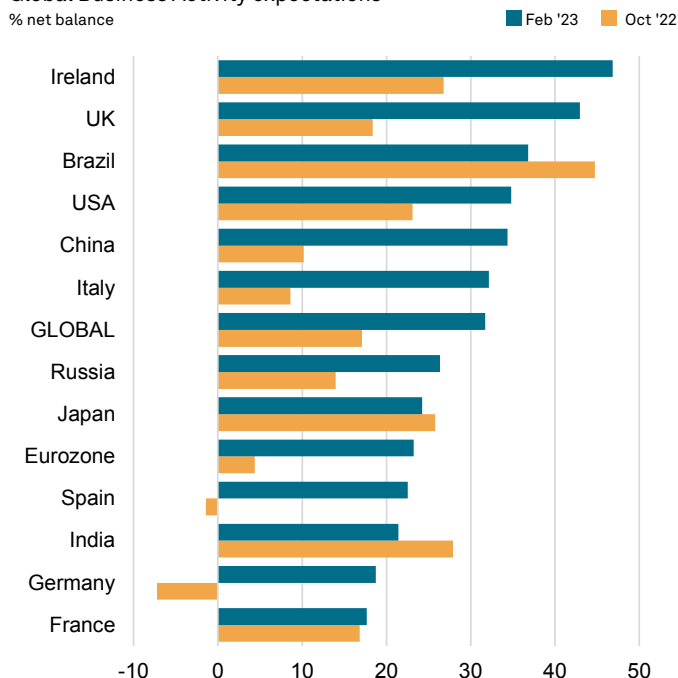
Generally softer inflationary forecasts coupled with expectations for a pick-up in demand meant that sentiment towards profitability in the future was optimistic. February's positive reading of +21% was the highest in a year and followed two consecutive survey periods of pessimism (Oct: -5%; Jun: -7%).

Employment and investment

The February outlook data was indicative of a pick-up in hiring intentions over the year ahead as signalled by the respective net balance edging up to +28% from +26% in the previous survey period. While still weaker than readings posted in the latter half of 2021 and at the start of 2022, the latest net balance was the strongest globally and historically elevated.

Mixed trends were displayed in terms of investment spending in the coming 12 months. With a net balance of +20%, companies expressed a greater desire to invest in capital. In fact, the capex forecast was the most upbeat since February 2022 and the second-strongest globally. Both sectors posted readings that were broadly in line with one another and above their respective historical averages. Panellists were, however, less confident with regards to R&D spending with the latest posting unchanged from last October's +4%. That said, the reading was in line with that seen for Europe as a whole.

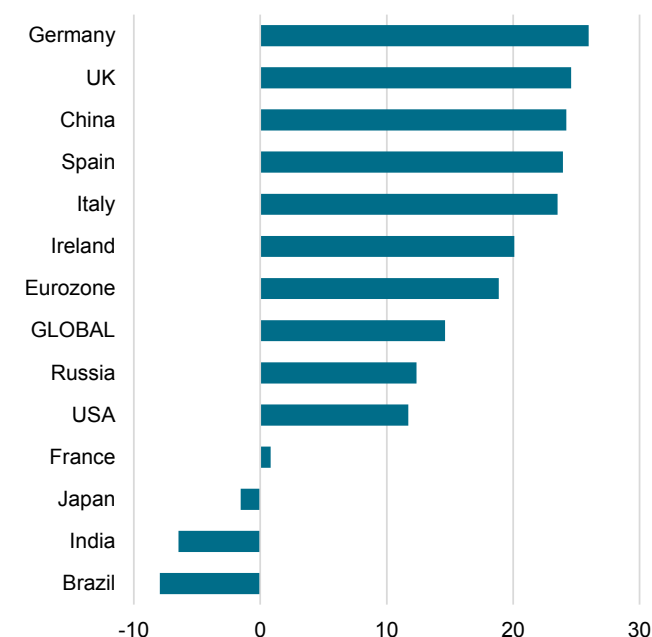
Global Business Activity expectations



Sources: Accenture, S&P Global.

Global Business Activity expectations

Change in % net balance, Feb '23 vs. Oct '22



Sources: Accenture, S&P Global.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The Accenture/S&P Global Ireland Business Outlook Survey is based on a panel of around 600 companies in the manufacturing and services sectors.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing, and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months, while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

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