

News Release

Embargoed until 2301 UTC 17 July 2022

Accenture / S&P Global Ireland Business Outlook Report

Business sentiment in Ireland falls sharply amid signs of economic slowdown and steep price pressures

Key findings

Confidence drops to lowest since October 2020

Sentiment on employment highest in Europe despite being revised down

Inflationary pressures forecast to remain strong

Profits set to fall amid slowing demand and steep inflation

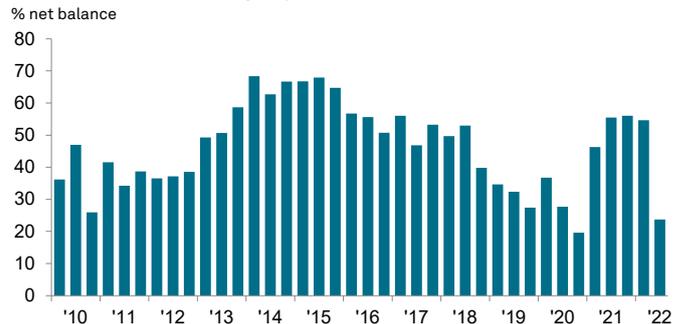
Investment plans scaled back

The latest Accenture / S&P Global Ireland Business Outlook survey signalled a marked downward revision to business confidence midway through 2022 amid concerns that strong inflationary pressures are impacting demand. Steep cost pressures are set to persist over the year ahead. A combination of slowing demand and sharp price rises led to predictions of a fall in profits for the first time on record, and a scaling back of expectations around employment and investment. In contrast, hiring intentions still held up relatively well and were the strongest in Europe.

The net balance for business activity in the combined manufacturing and services sector fell sharply between February and June, dropping to +24% from +55%. In fact, the downgrading of expectations in Ireland was the second-strongest globally, behind only Germany. As a result, Irish companies were at their least optimistic regarding the year-ahead outlook for activity since the October 2020 survey. Downward revisions to growth forecasts were particularly sharp in the manufacturing sector, where sentiment was the lowest since the global financial crisis.

When asked to comment on threats and opportunities over the coming year, companies highlighted widespread concerns around the impact of strong inflationary pressures on the economy, with some

Ireland Business Activity expectations



Sources: Accenture, S&P Global.
Data were collected 13-27 June 2022.

Comment

Commenting on the survey, Alastair Blair, country managing director at Accenture in Ireland, said:

"As we emerge from a turbulent two years, it is unsurprising to see the effects of global events reflecting in a more volatile business environment. However, there has been a remarkable amount of innovation and investment in the Irish business landscape, with hiring intentions in Ireland still the strongest in Europe.

"The challenge for businesses now is to find ways to remain competitive through innovation, investment in technology and by having the best mix of skills, and investing in those skills, to deliver long term sustainable growth."

firms now expecting a recession. Ongoing difficulties in securing materials and staff were also key threats to the outlook. Any opportunities for growth generally reflected predictions by companies that new product developments and business investments would pay off, with some firms hoping for an improvement in economic conditions.

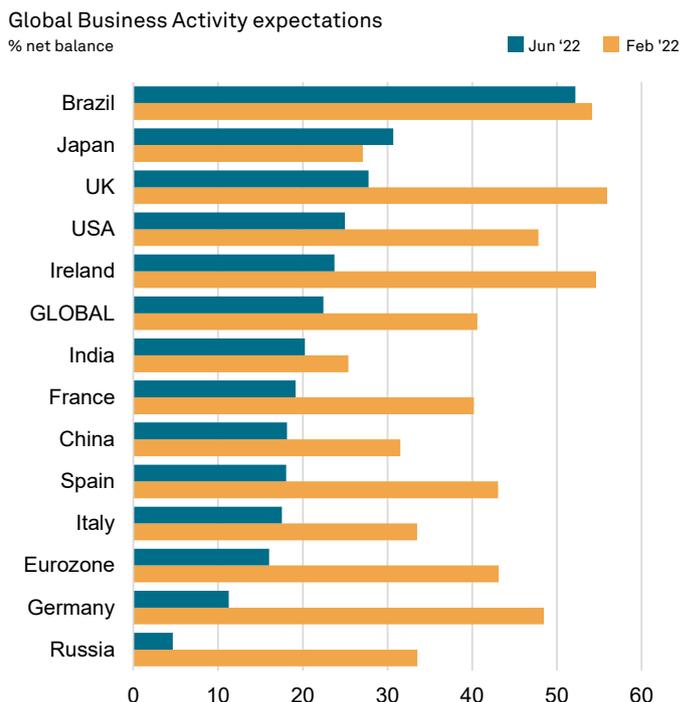
There was no sign of an expected let-up in cost pressures over the coming year, with net balances for both staff and non-staff costs broadly in line with those seen at the start of the year. In fact, the net balance for non-staff costs ticked up to a new peak of +66% amid a further upward revision in the service sector. Services expectations of higher staff costs hit a new series high in June, with the combined net balance for the two sectors at +78%.

Firms continued to predict rises in output prices as they look to pass higher costs through to customers. Although the net balance dipped from the peak seen in the previous survey, at +59% it was still the second-highest on record.

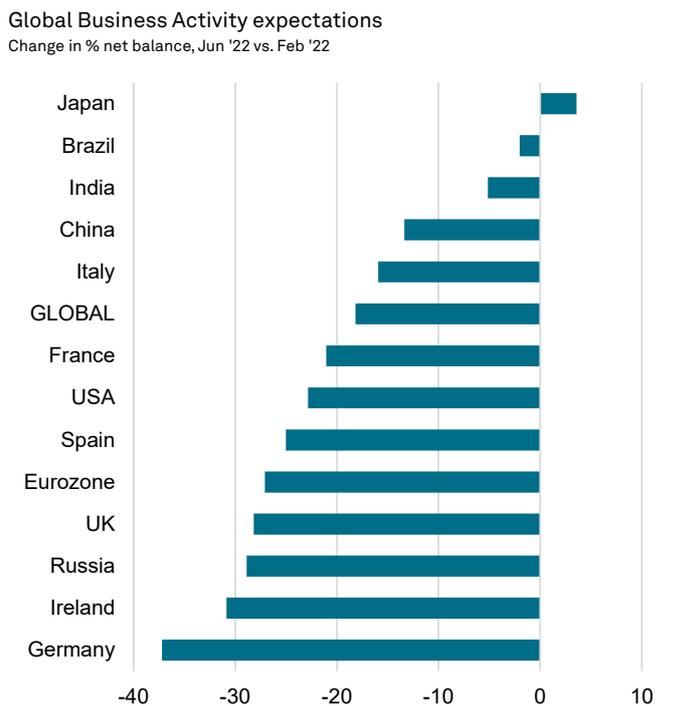
Expectations of a slowdown in demand coupled with still high inflationary pressures meant that companies were pessimistic regarding the outlook for profits. At -7% in June, the net balance was down sharply from +25% in February and in negative territory for the first time on record. Profits sentiment was particularly weak in the manufacturing sector.

On a more positive note, the employment net balance was at +24% in June, broadly in line with the series average and signalling the highest sentiment of all the European countries covered. This was despite Irish firms scaling back their plans to increase employment since the February outlook survey. Forecasts for job creation were positive, but less bullish, across both monitored sectors.

Investment expectations were also revised lower amid strong cost pressures and weaker optimism around business activity. Projections for capital investment were downgraded markedly in June, with the net balance down to +10% from +26% in February, the lowest since late-2020. Manufacturing expectations for capex were only just inside positive territory. Meanwhile, the net balance for R&D spending was at +9%, also the lowest since the October 2020 survey.



Sources: Accenture, S&P Global.



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 in the countries mentioned above. 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.

Contact

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44 1491 461 016
andrew.harker@spglobal.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44 1491 461 075
pollyanna.delima@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44-207-260-2234
joanna.vickers@spglobal.com

Caroline Douglas
Media Relations
Accenture
T: +353 (0) 87 680 0074
caroline.douglas@accenture.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Technology and Operations services and Accenture Song—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 710,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at accenture.com.

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.