

News Release

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Accenture / S&P Global Ireland Business Outlook Report

Ireland's growth forecast the strongest globally

Key findings

Profitability outlook strengthens

Inflationary pressures expected to be driven by labour costs

Mixed investment trends

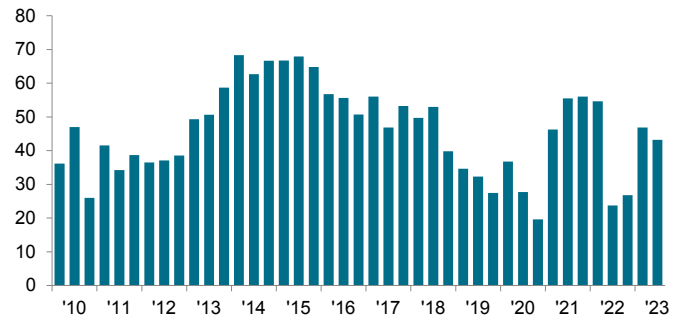
New findings from the Accenture/S&P Global Ireland Business Outlook Survey show a sustained sense of optimism among Irish private sector companies, buoyed by expected improvements in export performance. Receding energy and raw material price pressures contributed to an overall cooling in inflation expectations. However, challenges looked set to persist in the form of wage pressures. Nevertheless, Irish companies expressed relief as cost pressures appear to be on a downward trend with an upwardly revised outlook for profitability, highlighting an anticipated positive trajectory ahead.

The headline net balance for business activity in the combined manufacturing and services sectors fell slightly in June to +43%, from +47% in February. The lower headline figure in large part reflected more subdued optimism in the manufacturing sector (+37%) while sentiment among their services counterparts was little changed from February (+48%). Despite this dip, the net balance in Ireland was the highest of the 12 nations for which comparable data are available and much stronger compared with the latter half of 2022.

Underpinning upbeat growth projections were forecasts for new export opportunities and plans for new product development. Firms intend to expand product offerings into new international markets with opportunities in Europe looking set to be a particular area of interest for many. That said, others were worried about the possibility of a recession in some

Ireland Business Activity expectations

% net balance



Sources: Accenture, S&P Global PMI.
Data were collected 12-27 June 2023.

Comment

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

"Despite the global economic challenges, Ireland's growth forecast has emerged as the strongest globally. The nation's growth indicators have remained resilient across the year and it's encouraging to see an overall cooling in inflation expectations. There remain challenges around wage pressures, labour shortages and strong market competition but there is a lot to be optimistic about.

"To compete and drive growth, I believe Irish businesses need to adopt a strategy of on-going and continuous transformation to enable them to navigate the current uncertainty and gain competitive advantage. Companies that use technology, including cloud, data and AI, along with new ways of working, will build greater resilience and new paths for growth in the longer term."

of the nation’s key trading markets and the potential negative implications that this could have on their own growth. Other factors dampening sentiment included concerns surrounding wage pressures, labour shortages, challenges related to staff retention and strong market competition.

Inflation and profits

Amid reports of moderating energy and raw material prices, the inflation outlook was generally weaker than seen in the previous outlook survey. A net balance of +42% of firms predicted higher non-staff costs in the year ahead, down slightly from +44% in February. The figure was the lowest since early-2021 but remained historically elevated and behind only the UK and Germany of the 12 nations for which comparable data are available. By contrast, and in line with anecdotal evidence provided by survey respondents, firms expect staff costs to rise over the next 12 months. A net balance of +64% of Irish private sector companies believe wages will rise, up from +59% in the previous survey period.

Irish companies also intend to push these cost increases through to customers. However, the net balance of firms predicting price hikes dropped slightly from +31% to +28% in June. While still elevated in the context of historical data, this was the lowest reading since February 2021.

These trends in non-staff costs, staff expenses and output charges look set to be more pronounced in the services economy than in the manufacturing industry.

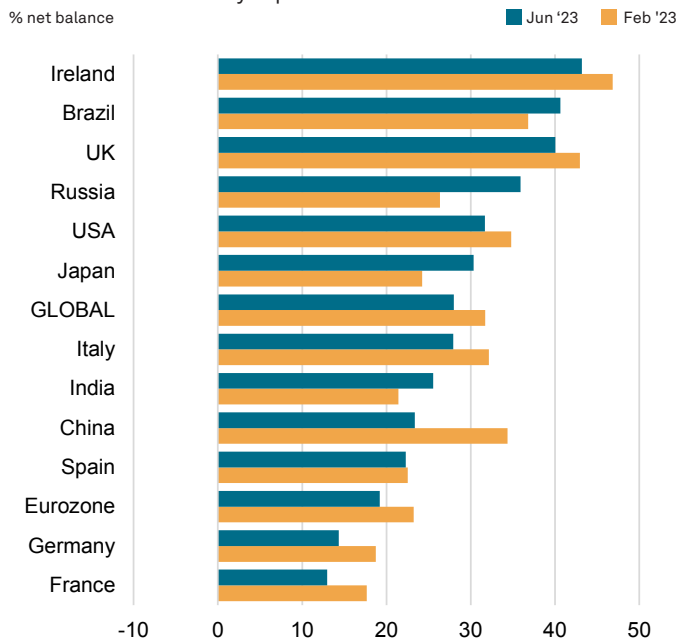
As inflationary pressures recede, firms' views about their profitability have strengthened. The net balance of panellists forecasting profit growth in the year ahead was up from +21% to +24% in June. This was the highest reading since February 2022 and the third strongest globally.

Employment and investment

The employment outlook was strongly upbeat during the latest survey period. A net balance of +30% of private sector companies plan to add workers. This was the largest figure since February 2022 and signalled the strongest level of confidence worldwide. Hiring intentions were more upbeat at service sector firms (+34%) than at manufacturers (+25%).

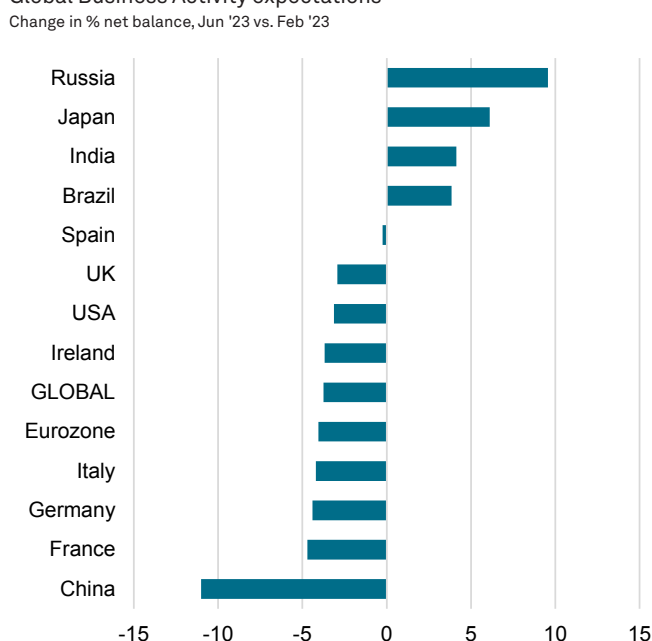
Investment plans were mixed in June, with a slight improvement in the net balance for R&D spending contrasting with a downward revision to capex forecasts. For the latter, the net balance fell to +13% from +20% in February but was still favourable against the Eurozone and global averages (7% and 10%, respectively). Meanwhile, with a net balance of +6%, confidence surrounding R&D spending was the strongest in a year.

Global Business Activity expectations



Sources: Accenture, S&P Global PMI.

Global Business Activity expectations



Sources: Accenture, S&P Global PMI.

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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