

News Release

Embargoed until 0001 UTC 12 March 2025

S&P Global Ireland Business Outlook

Irish business outlook stable, but price pressures set to intensify

Key findings

Output expectations remain broadly stable and among strongest in global survey

Irish firms expect inflationary pressures to rise

Confidence on hiring much more bullish compared to European peers

The latest S&P Global Business Outlook survey revealed that Irish private sector firms maintained a stable, positive outlook towards output growth over the next 12 months, and were among the most confident among the nations covered globally. That said, inflationary pressures were expected to rise, both in terms of costs and output prices.

The headline net balance for business activity in the combined manufacturing and service sector was unchanged at +39% in February, equalling the figures for last June and October. This was slightly below the long-run average since late-2009 (+45%), but signalled robust optimism. As was the case in June and October, services companies (+42%) were slightly more confident than manufacturers (+36%).

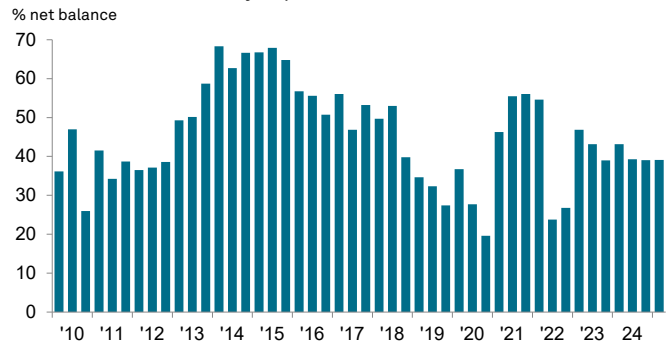
Irish business expectations were the second-strongest globally, with only Brazil (+42%) being more upbeat regarding the next 12 months. The eurozone average did improve to a two-year high of +21%, however, with stronger confidence in Germany (+16%), Italy (+32%) and Spain (+27%).

Anecdotal evidence revealed uncertainty and challenges, including unpredictable trade policies, a resurgence in inflation, rising wage costs and availability of raw materials. But Irish companies highlighted opportunities for growth linked to a European economic recovery, hopes of an end to the Ukraine war, new markets and increased efficiency through automation and AI.

Overall employment was expected to rise over the next 12 months (+22%), with Ireland the joint-most confident on hiring plans in the global survey (with Brazil and Russia). Ireland also had by far the strongest outlook for profitability (+25%) in Europe.

The latest data signalled rising inflationary pressures in the Irish economy in 2025. The non-staff costs net balance rebounded to +46%, from October's four-year low, and further above the long-run trend level of +29%. The staff costs net balance meanwhile remained elevated at +63% and was the second-

Ireland Business Activity expectations



Source: S&P Global PMI.
Data were collected 10-26 February.

Comment

Commenting on the survey, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

“Irish companies remained comparatively upbeat on the business outlook at the start of February. Among the 12 nations for which manufacturing and services data are available, Ireland was the second-most optimistic on output growth behind Brazil, and the joint-most confident on hiring. As always there is much uncertainty and risks to the downside, including unpredictable trade policies, a resurgence in inflation, rising wage costs and supply chains. On the other hand, companies are highlighting opportunities for growth linked to an economic recovery in Europe – the eurozone activity net balance rose to a two-year high – hopes of an end to the Ukraine war, new markets and increased efficiency through automation and AI.”

“The latest figures on inflation expectations will be a concern, however. The staff costs net balance remained stubbornly high, while the non-staff costs and output prices net balances both jumped to the highest since late-2022. If inflation takes off again that will make further interest rate cuts less likely, stymieing demand.”

highest globally behind the UK. Meanwhile, the output prices net balance rose to +46%, the highest in over two years and the joint second-highest behind Russia globally (with the UK).

Employment and investment

Irish firms were again the most optimistic around hiring among the European nations for which comparable data were available in February, although confidence eased slightly since the autumn.

The employment net balance of +22% was only slightly down on October's +24% and the joint-highest among all nations monitored, with Brazil and Russia. In comparison, the eurozone figure was only marginally positive at +5%, up from just +2% in October. Irish service providers were more confident on hiring than manufacturers in the latest survey.

Growth of capital spending was expected over the next 12 months, although the net balance fell to +13% from October's +16%. This took the figure in line with the long-run trend. Irish manufacturers were more confident on investment than service providers.

Irish optimism on capital spending remained well above the eurozone average, where the net balance was just +3%. Germany (-7%) continued to weigh on sentiment, while Italy strengthened (+19%).

The forecast for research & development in Ireland remained only marginally positive in February (+2%), and was the lowest since mid-2020.

Inflation and profits

Irish private sector firms expected both cost pressures and their own pricing power to rise over the next 12 months.

A net balance of +63% of Irish private sector companies in February projected wages to rise over the next 12 months, unchanged from last October. The wage outlook has eased only gradually throughout 2024. The latest figure was the joint-lowest since February 2023, but still above the six-year historic average of +59%. Wage pressures are expected to be slightly stronger at service providers than at manufacturers.

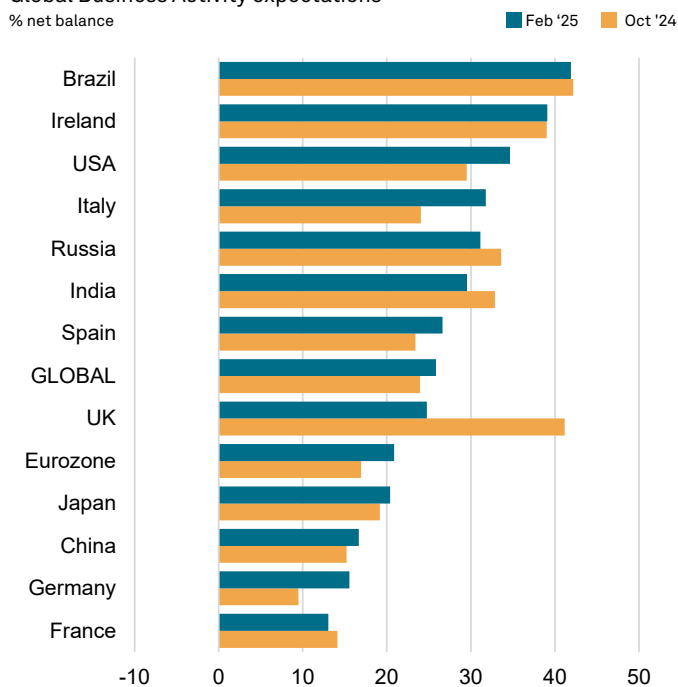
The Irish wages net balance was the second-highest in the global survey (global average of +32%), with only the UK (+76%) expecting greater wage pressures over the coming year.

Non-staff cost expectations for the next 12 months increased notably in February, with the net balance rising to +46% from +35% in October. This was the highest since October 2022 and the long-run trend level of +29%. Irish non-staff input cost forecasts remained stronger than the eurozone average (+34%) and were the third-highest globally behind the UK (+55%) and Brazil (+49%). By sector, expectations remained slightly higher in services than manufacturing.

Irish companies intended to pass cost increases through to customers over the next 12 months. The net balance of firms predicting price hikes rose from +35% last October to +46% in February, the highest since October 2022 and well above the eurozone average (+18%).

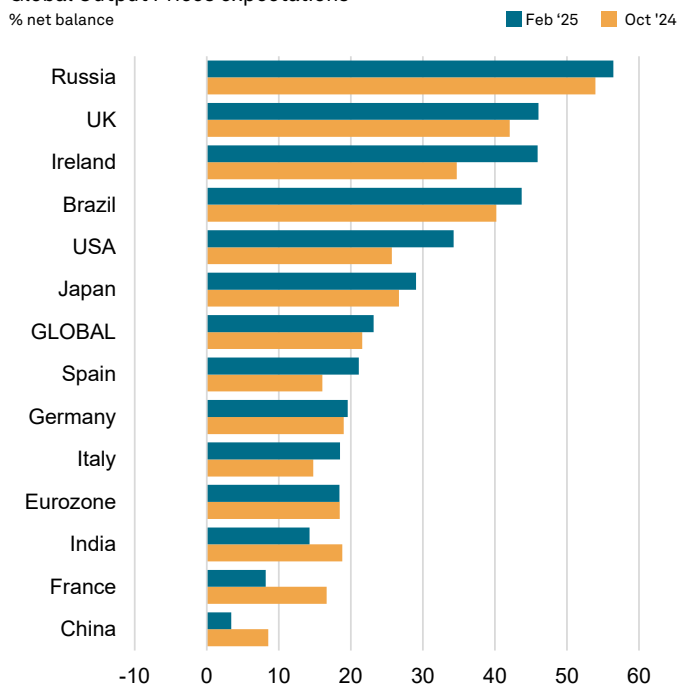
Both manufacturers and service providers expected growth of profits over the next 12 months. The overall net balance was up slightly at +25%, almost equalling the long-run trend level of +27%.

Global Business Activity expectations



Source: S&P Global PMI.

Global Output Prices expectations



Source: 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 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.

*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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