News Release

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INCLUDING IHS MARKIT IRELAND COMPOSITE PMI®

Activity growth weakest since November 2017

KEY FINDINGS

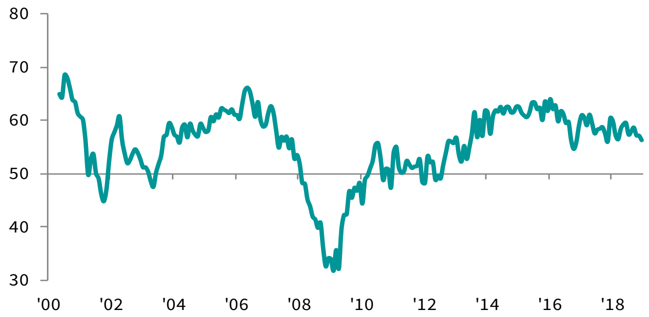
Business activity growth slows for third successive month

Input cost inflation at four-month high

Weakest rise in backlogs since September 2016

Services Business Activity Index

sa, >50 = growth since previous month



Activity growth among Irish service providers slowed in December for the third consecutive month and was the weakest since November 2017. The rate of expansion in new orders ticked up, however, and was sharp. Input cost inflation quickened to the fastest in four months, driven by rises in fuel, utility and insurance bills and higher staff costs. In contrast, the rate of charge inflation softened at the end of 2018.

The headline seasonally adjusted Business Activity Index posted 56.3 in December, down from 57.1 in November and the lowest reading since November 2017. Despite this, activity growth among Irish service providers remained solid and was faster than the series average. At the sector level, Technology, Media & Telecoms (TMT) companies registered the fastest rise in business activity.

Contrary to the weaker expansion in business activity, new order growth among service providers quickened in December, as panellists indicated that they had seen greater customer interest in their services. As with output, TMT companies posted the sharpest rise of all monitored sectors. New export business also expanded at a faster pace in December as firms saw an overall pick-up of international demand, especially from the UK.

On the employment front, Irish service providers continued to create jobs at a sharp rate. The latest rise in employment was at the same pace as that seen in November. All four sectors saw staffing levels increase, led by TMT.

The level of outstanding business among service providers increased further in December. However, the rate of backlog accummulation weakened to its slowest in 27 months as the sharp increase in headcounts enabled firms to make some headway through their work-in-hand.

Input cost inflation quickened to a four-month high in December, as service providers grappled with rises in fuel, utility and insurance bills. Higher staff costs were also reported.

Selling price inflation moderated from November's three-year high but still rose at a marked rate amid efforts to pass on higher cost burdens to customers.

Finally, Irish service providers were optimistic that business activity will increase over the coming 12 months, with around 42% of panellists predicting a rise in activity over the coming year. Expectations of greater customer orders, a recovery in the domestic economy and increased business from abroad were cited as reasons to be optimistic.

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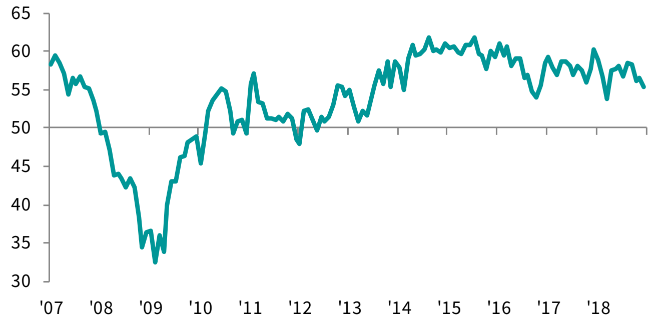
Output growth eases to slowest since March

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

The Ireland Composite Output Index is a weighted average of the Ireland Manufacturing Output Index and the Ireland Services Business Activity Index. The Composite Output Index posted 55.5 in December, down from 56.6 in November but sill indicative of a solid rise in Irish private sector business activity.

Underpinning this were slower rises in both manufacturing output and services activity in December, with services outpacing manufacturing for the fourth month running. At the composite level, output growth eased to the slowest since March.

Mirroring output, new order growth slowed in December. Service sector sales growth quickened slightly whilst manufacturing order book volumes increased at their slowest pace since April. Work outstanding in the Irish private sector grew at its weakest rate in 27 months.

Job creation among manufacturers eased slightly, with service providers maintaining the same pace of payroll expansion as in November. As such, composite workforce expansion eased to its slowest in seven months.

Rates of both input cost and output charge inflation weakened in December, with cost burdens rising at the slowest pace in nine months. Selling price inflation moderated to a 25-month low, driven by no change in manufacturing charges.

Irish companies were optimistic that there would be an increase in output over the coming 12 months, with positive sentiment rising to a three-month high.

COMMENT

Commenting on the PMI data, Amritpal Virdee, Economist at IHS Markit said:

"Continuing the trend of softer growth of the past few months, Ireland's service sector expanded at a weaker pace in December. In contrast, new order growth quickened and the underlying picture remained solid. Irish private sector growth was marked in December, despite easing from last month. As such, the PMI data suggests a solid rate of growth in the Irish economy as we enter 2019, though at a slower pace than seen earlier in 2018."

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