



# Investec Services PMI<sup>®</sup> Ireland

Economics Monthly

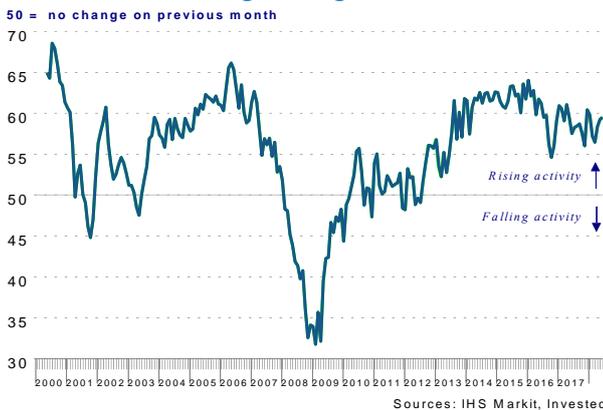
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## Sharpest rise in activity since January

### Summary:

The rate of expansion in Irish services activity quickened for the third month running in June amid a stronger rise in new business. Higher workloads led companies to increase employment at a sharp pace, but backlogs of work continued to accumulate nonetheless. Meanwhile, both input costs and output prices rose at faster rates than in May.

### Investec Purchasing Managers' Index<sup>®</sup>:



Rising to 59.5 in June from 59.3 in May, the seasonally adjusted Business Activity Index signalled that the rate of growth in activity at Irish service providers quickened for the third month running and was the sharpest since January. Where activity rose, panellists linked this to increases in new orders and stronger client demand. Growth of activity has now been recorded in each of the past 71 months.

Favourable economic conditions are expected to help support growth of activity over the coming year, while investment plans and marketing efforts are also reasons for optimism. Sentiment regarding the 12-month outlook for activity remained strong in June.

New orders rose at a sharp and accelerated pace in June, with reports of increased new business from both domestic and export clients.

New export orders continued to rise markedly, despite the rate of expansion easing slightly. Panellists reported higher new orders from key export partners such as the UK and US.

Outstanding business increased in June, with panellists suggesting that current capacity was insufficient to deal with the strength of new order growth. That said, the rate of accumulation was the weakest since last November.

Services companies increased staffing levels for the seventieth successive month, with the rate of job creation quickening to the fastest in 2018 so far. Respondents linked hiring to strengthening client demand and business expansion plans.

The rate of input price inflation quickened in June. Respondents mentioned higher prices for energy, fuel and insurance, as well as higher staff costs.

Service providers responded to rising input costs by increasing their selling prices. Charges rose solidly at the end of the second quarter, with the rate of inflation accelerating to a three-month high.

Profits continued to increase during the second quarter of the year, with the rate of expansion little-changed from that seen in the previous survey period. Rising workloads were among the factors mentioned by panellists as having supported growth of profits.

**Comment:**

Commenting on the Investec Republic of Ireland Services PMI survey data, Philip O'Sullivan, Chief Economist at Investec Ireland said:

"Like the Manufacturing PMI release on Monday, today's Investec Services PMI Ireland report shows that the rate of growth in activity has improved to a five month high (in this case 59.5, up from May's 59.3 reading).

"The improvement was driven by stronger client demand, with the New Business index reversing almost all of the moderation seen in the previous month. This appears to have been mainly driven by domestic clients, as the rate of expansion in New Export Business cooled (albeit slightly) in June (although the UK and US were cited by some respondents as sources of new demand).

"Irish Services companies responded to the increased demand by adding to headcounts at the fastest pace seen in 2018 so far, but despite these additional resources the sequence of growth in Outstanding Business extended into its 61st month in June.

"On the margin side, there was another sharp rise in Input Costs in June, with higher energy, insurance and salary costs said by panellists to be behind this. Firms were, however, able to pass on at least some of this increase by upping Output Prices once again. Regardless, the Profitability index was little changed in the three months to end-June from May's report, with the sequence of above-50 readings now stretching to 20 survey periods.

"The forward looking Business Expectations index strengthened in June, pointing to greater optimism by services companies. Allied to the increase in Employment growth to the fastest pace in the year to date, it is clear that Irish services companies are upbeat on the prospects for the sector. Given the positive international backdrop, we share this optimism."

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#### [Notes on the methodology](#)

This report is based on data compiled from monthly replies to questionnaires sent to a panel of companies in the Irish private service sector. The panel includes around 450 private companies from the sector. The panel has been carefully selected to accurately replicate the true structure of the services economy.

For the purposes of the report, the Service Sector economy is divided into the following areas:

- Business Services
- Financial Services
- Technology, Media & Telecoms (TMT)
- Transport, Travel, Tourism & Leisure

This report complements the Purchasing Managers' Report for the Irish manufacturing sector, produced with the same technical applications used in the production of the United Kingdom report, and its data have become one of the tools used frequently by governments, economists in the public and private sector and financial institutions. Questionnaires are dispatched at mid-month, requesting comparisons of data with the situation one month previously. The survey data are presented in different ways. First, we show the percentage of companies indicating an improvement, declining or stability of the situation when compared to the previous month. We then show a net value which is the result of subtracting the number of companies indicating a decline from those indicating an improvement. From the combination of these figures, we obtain a unique value - an individual index, known as a diffusion index (i.e. Employment Index). Diffusion indices vary between 0 and 100, with 50.0 representing the level base. An index situated above 50.0 indicates activity expansion of the corresponding variable (i.e. new orders, price, employment, etc.); An Index situated below 50.0 indicates a contraction of the activity, whilst an index at the same level as 50.0 indicates that the situation is stable compared with the previous month. The greater the divergence from 50.0, the greater the rate of expansion or contraction. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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