



Investec Services PMI® Ireland

Economics Monthly

Embargoed until: 06:00 (Dublin) / 05:00 (UTC) May 3rd 2018

New business growth at six-month peak

Summary:

The Irish service sector started the second quarter on a solid footing as robust demand conditions underpinned faster increases in new business inflows and activity. The improved growth momentum supported the quickest upturn in employment in 2018 so far, as companies sought to expand capacities in line with a sharper accumulation in backlogs of work.

Investec Purchasing Managers' Index®:

50 = no change on previous month



Sources: IHS Markit, Investec

Boosted by favourable economic conditions and robust demand, Irish service providers increased business activity to a greater extent in April. The rate of growth accelerated from March to a three-month high, as signalled by the headline seasonally adjusted Business Activity Index climbing from 56.5 in March to 58.4.

Having moderated in March, confidence strengthened during April. Panellists indicated that investment plans, greater marketing activity and new work in the pipeline are all expected to underpin growth over the course of the coming 12 months.

Inflows of new business displayed the fastest rise since last October. Survey panellists reported sales

gains from domestic and external markets, while greater client bases and successful marketing strategies were also mentioned as having aided the upturn.

April data highlighted a further improvement in foreign demand for Irish services. The increase was the seventeenth in as many months, and the most pronounced in nearly two-and-a-half years.

The accelerated upturn in total new business exerted considerable pressure on the capacity of service providers' operations, as shown by a steep increase in outstanding work. Having quickened from March, the rate of accumulation was at a four-month high.

Amid attempts to alleviate capacity pressures, and in anticipation of further new business growth, service providers took on extra staff in April. Employment increased at the quickest pace in the year-to-date.

The rise in employment added to labour costs which, combined with higher prices for insurance and fuel, resulted in the strongest upturn in input costs for 16 months.

Robust demand conditions enabled Irish service providers to pass on to their clients part of the additional cost burden in April. That said, in contrast to the trend for input costs, charge inflation eased to the lowest rate in one-and-a-half years.

A moderate increase in profitability was seen in the latest three-month period. Furthermore, the rate of expansion improved on that registered in the opening quarter of 2018, with growth having now been recorded in each survey period since November 2016.

Investec Contact Details: www.investec.ie Investec.Economics@investec.ie +353 1 421 0496
To view the full range of Investec Research & Insights go to www.investec.ie/research

Comment:

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

"The latest Investec Services PMI Ireland report shows a marked recovery in growth in business activity in April, likely helped by the easy comparative provided by the adverse weather in March. The headline PMI strengthened to 58.4 in April, a three month high, from the 56.5 recorded in the previous report.

"The report shows an acceleration in demand, with New Business firming to a six month high while New Export Business was the strongest in the current 17 month sequence of expansion. In turn, this increased demand saw Backlogs of Work increase at a faster pace, extending a series of unbroken growth that commenced in June 2013.

"Amid attempts to alleviate capacity pressures, and in anticipation of further new business growth, service providers took on extra staff in April, with Employment increasing at the quickest pace in the year to date.

"On the margin side, higher staff costs combined with rising fuel and insurance prices to produce the strongest upturn in input costs for 16 months. Robust demand conditions enabled companies to pass at least some of these cost pressures to customers, helping the rate of expansion in the Profitability index to inch higher in the period to end-April.

"The forward looking Confidence index improved to a seven month high, suggesting that there is more to the stronger readings in this report than just the absence of the inclement weather that dampened the previous month's performance. In any event, this week's Manufacturing and Services PMI releases point to a bright start to the second quarter of the year for much of the private sector."

For further information please contact:**IHS Markit**

Pollyanna De Lima, Principal Economist
Telephone +44-1491-461-075
Email pollyanna.delima@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Investec

Philip O'Sullivan, Chief Economist
Telephone +353-1-421-0496
Email philip.osullivan@investec.ie

Ronán Roche, The Reputations Agency
Telephone +353-1-661-8915
Email ronan@thereputationsagency.ie

Disclaimer

Investec Bank plc (Irish branch) ("**Investec**") has issued and is responsible for production of this publication. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules. Investec Bank plc is a member of the London Stock Exchange and the Irish Stock Exchange.

This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "**investments**"). Investec does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Investec.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Investec, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

Investec (or its directors, officers or employees) may to the extent permitted by law, own or have a position in the investments (including derivative instruments or any other rights pertaining thereto) of any issuer or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such investments or financial transactions.

Investec's conflicts of interest policy is available at <http://www.investec.ie/legal/uk/conflicts-of-interest.html>

[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.

[About IHS Markit \(www.ihsmarkit.com\)](http://www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

[About Investec](#)

Investec in Ireland, a member of the Investec Group, is a leading specialist bank and wealth and investment manager in Ireland and is based in Harcourt Street, Dublin 2. The Investec Group is a leading international, specialist-banking group, with headquarters in Johannesburg, South Africa. The group was founded in 1974 and currently has approximately 8,000 employees with offices in 14 countries. Investec acquired NCB in 2012. NCB Group, now trading as Investec Securities Holdings Ireland Limited is one of Ireland's leading financial services groups, whose main activities include Stockbroking (private client and institutional), Bonds, Corporate Finance, Venture Capital Investment and International Funds listing. Investec Group is quoted on the Johannesburg and London stock exchanges with a market capitalisation of circa £4.2bn as of 31 March 2013. Investec's three principal areas of business worldwide are Specialist Banking, Wealth and Investment and Asset Management. For more information, visit www.investec.ie.

This document is not intended to be and must not be construed as an offer to buy or sell stocks or shares. It may not be reproduced in whole or in part or passed to third parties without permission.



The intellectual property rights to the Investec Republic of Ireland Services PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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. Investec use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.