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IHS MARKIT IRELAND SERVICES PMI®

INCLUDING IHS MARKIT IRELAND COMPOSITE PMI®

Business activity growth eases to eight-month low

KEY FINDINGS

Services activity growth slips but remains strong

New orders expand at slowest pace for two years

Business confidence lowest since August 2013

Business activity in Ireland's service sector expanded sharply during November, though the rate of growth edged down to its weakest since March. New business growth, meanwhile, rose at the slowest pace in two years and business confidence dipped to a 63-month low. On the price front, input cost inflation moderated to a six-month low, but output charges rose at a sharp and accelerated rate.

The headline seasonally adjusted Business Activity Index posted 57.1 in November, down fractionally from 57.2 in October, but still signalling a sharp increase in Irish service sector business activity. That said, the latest rise in activity was the slowest recorded since March. Services activity increased in all of the four sectors covered, with the greatest increase among Business Services companies.

Central to the rise in business activity was an increase in new orders. Despite this, growth of new work eased from October and was the slowest in two years. Firms in the Transport & Leisure sector posted the steepest rise of all monitored categories. Similarly, new export business expanded at the weakest rate in two years. As with activity, Business Services firms had the greatest rise in export orders of the sectors covered.

Services Business Activity Index
sa, >50 = growth since previous month



Employment across the Irish service sector continued to increase during November. However, the rate of job creation eased to a six-month low. Some panellists commented that they had difficulty finding new staff. By sector, the steepest rise in workforce numbers was seen among Technology, Media & Telecoms (TMT) companies.

A marked rise in new orders and slower growth of headcounts contributed to the quickest increase in outstanding business at Irish service providers for four months. Work-in-hand increased in all monitored sectors, led by Financial Services.

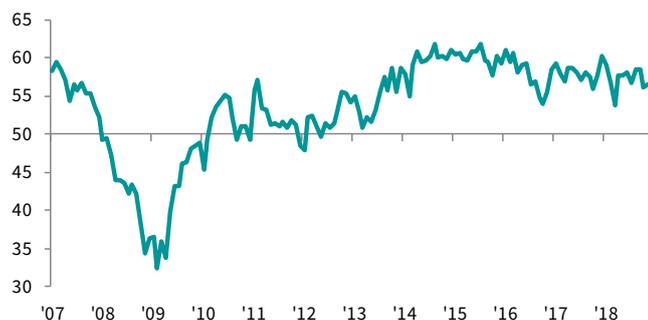
On the price front, the rate of input cost inflation moderated in November to a six-month low. Higher fuel, material and staff costs were mentioned by panellists. Output charge inflation, meanwhile, rose to a joint three-year high, as some panellists indicated an improvement to pricing power.

Looking ahead, business confidence was the lowest for 63 months as worries over a potential slowdown in the economy weighed on sentiment. Around 43% of panellists were confident of a rise in business activity from present levels in 12 months' time, linked to expectations of higher new orders, investment and marketing.

Output growth quickens during November

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 56.6 in November, up from 56.1 in October, indicating a sharp increase in Irish private sector business activity.

Manufacturing output growth quickened in pace during November, but was still slower than services activity for the third successive month. That said, the rate of services activity growth slowed fractionally from October.

In line with output, incoming new business rose in November. Growth of service sector sales eased to a two-year low, whilst manufacturing order book volumes increased at a steeper rate. At the composite level, the rate of new business growth improved in November. In turn, the pace of backlog accumulation accelerated to a three-month high, as firms were unable to catch up on outstanding business. Despite this, levels of unfinished manufacturing orders decreased for the third consecutive month (albeit fractionally).

On the employment front, job creation at service providers and manufacturers slowed in November. At the composite level, workforce expansion moderated to a six-month low.

Input cost inflation eased slightly, with a pick-up in manufacturing cost inflation outweighed by a softer rise in input prices in the larger Irish service sector. Output charge inflation ticked up to a 19-month high.

Looking forward, Irish companies were confident that output would increase over the coming year. However, positive sentiment fell to the lowest since August 2017.

COMMENT

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

“Activity in Ireland's service sector expanded at a slower pace in November, driven by a moderation in new order growth. Nonetheless, service activity grew at a sharp rate and combined with faster growth in manufacturing output, overall Irish private sector growth appears to be picking up as we head towards the end of the year. Provided there is no external economic shock such as a hard Brexit, the Irish economy is well placed for growth heading into 2019.”

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Methodology

The IHS Markit Ireland Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2018 data were collected 12-27 November 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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