

Embargoed until 0600 Dublin (0500 UTC) 3 October 2018

IHS MARKIT IRELAND SERVICES PMI®

INCLUDING IHS MARKIT IRELAND COMPOSITE PMI®

Growth of activity at three-month high in September

KEY FINDINGS

Sharper rise in activity amid strong new order growth

Rate of job creation also picks up

Companies remain confident regarding 12-month outlook

The Irish service sector saw growth of activity accelerate during September on the back of a further sharp expansion of new business. The rate of job creation also picked up, while companies were more optimistic around the 12-month outlook. On the price front, both input costs and output prices rose at weaker rates than in August.

The headline seasonally adjusted Business Activity Index posted 58.7 in September, up from 58.0 in August and signalling a substantial monthly increase in activity across the Irish service sector. Moreover, the rate of growth quickened to a three-month high. Activity has increased continuously since August 2012.

According to respondents, higher new orders and increased staffing levels contributed to the latest rise in activity.

All four broad sectors covered by the survey saw activity increase sharply during September, led by Technology, Media & Telecoms (TMT). Rates of expansion quickened in the Business Services and Transport & Leisure categories.

New business continued to rise sharply at the end of the third quarter of 2018, despite the rate of growth easing slightly from that seen in August. Where new orders increased, panellists often linked this to favourable market conditions.

The rate of growth in new export orders quickened, with a number of respondents highlighting new business from UK customers. Transport & Leisure posted the fastest rise in new export orders, while Financial Services companies registered a marked slowdown in growth.

Services Business Activity Index

sa, >50 = growth since previous month



New order growth resulted in a further accumulation of backlogs of work. Outstanding business rose at a solid pace, although the rate of accumulation slowed and was the weakest since August 2017.

The rate of job creation quickened for the fourth successive month during September, reaching the fastest in the year-to-date as companies responded to greater workloads. As was the case with activity, the TMT sector posted the strongest expansion in staffing levels.

Service providers recorded another above-average increase in input prices, despite the latest rise being the weakest in four months. Those respondents that posted rising input costs mainly linked this to higher salary payments. There were also reports of increased fuel costs.

Companies responded to rising input prices by increasing their output charges, extending the current sequence of inflation to four-and-a-half years. The pace of increase was solid, but eased from August. Financial Services companies left their output prices unchanged.

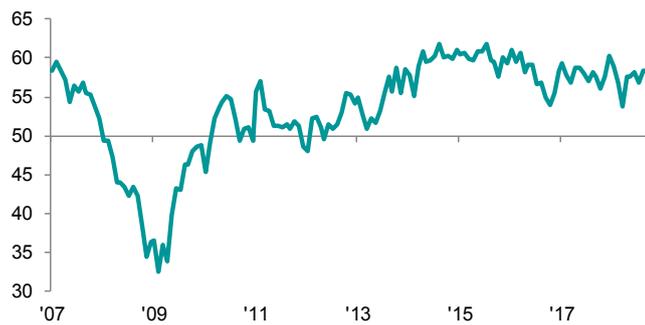
Expectations of further increases in new business and improving economic conditions supported forecasts of output growth over the coming year. Business sentiment improved slightly from that seen in August.

IHS MARKIT IRELAND COMPOSITE PMI®

Private sector output rises strongly again in September

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 Composite Output Index posted at 58.4 in September, unchanged from that seen in August and signalling a further strong monthly increase in business activity.

Growth of services activity outpaced that of manufacturing output as the rate of expansion quickened to a three-month high.

Although slowing from that seen in August, the rate of expansion in private sector new business remained strong in September. This contributed to another monthly rise in backlogs of work. That said, the rate of accumulation eased to a two-year low amid a fall in manufacturing outstanding business.

Both monitored sectors recorded stronger employment growth at the end of the third quarter. At the composite level, staffing levels rose to the greatest extent in 2018 so far.

Weaker increases in both input costs and output prices were registered during September. The rate of input cost inflation slowed to a six-month low, but remained sharp. Output charge inflation ticked down from August, reflecting a weaker rise in services charges.

Companies in Ireland remained confident that output will rise over the coming year. Moreover, sentiment improved to the highest in three months.

COMMENT

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

“Latest PMI data indicated that the Irish economy continued to perform strongly at the end of the third quarter, with growth across the combined manufacturing and service sectors unchanged from August's seven-month high.

“Companies responded to increasing workloads by taking on extra staff at a pace not seen since the end of last year. Confidence around future growth of activity also improved, boding well for a positive end to 2018.”

CONTACT

IHS Markit

Andrew Harker
Associate Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

September 2018 data were collected 12-25 September 2018.

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

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).