



11th November 2019

Optimism among Irish companies falls to a nine-year low – AIB Ireland Business Activity Report

- Number of manufacturers forecasting a rise in output in the coming 12 months at its lowest point since the Global Financial Crisis.
- Staff costs expected to increase as Irish firms expecting greater wage bills over the next year.
- Irish firms forecasting a greater increase in Research & Development spending.

Optimism among Irish companies has fallen to its weakest point in nine years according to the latest AIB Ireland Business Activity Insight Report with profitability expectations the lowest in over eight years. The AIB Ireland Business Activity Insight Report uses percentage net balances varying between -100 and 100 to indicate the degree of optimism or pessimism.

Growth expectations among Irish firms have been on a downward trend over the past twelve months, with a net balance of just +27% of surveyed business forecasting business activity to be higher than current levels in one year's time. Additionally, profit expectations among Irish businesses have more than halved over the past year, bringing profit optimism to its lowest point since June 2011 (+15%).

The overall degree of hiring optimism among service firms is the weakest since June 2012, reflecting concerns from other sectors over finding and retaining skilled workers. As a result, businesses expect that staff costs will 'increase strongly' over the coming year with a net balance of +49% of Irish businesses expecting a greater wage bill.

Hilary Gormley, Head of Business Banking, AIB said "While still in positive territory the latest round of data gathered for the AIB Ireland Business Activity Report shows a continued period of reduced optimism among Irish businesses. It is clear that the ongoing uncertainty surrounding Brexit and its broader potential impact on the Irish economy is dampening sentiment across sectors with reduced optimism evidenced in many areas such as profitability, future capital expenditure and costs.

"Positively, projected increase in R&D spending across Irish manufacturing and services sectors is encouraging. R&D investment is a catalyst for new growth and the willingness to invest shows the resilience and forward planning of Irish firms to explore new products and markets and insulate themselves from some of the direct threats of Brexit."

The AIB Ireland Business Activity Insight report is based on surveys conducted by [IHS Markit](#) among 650 businesses in the manufacturing and services sectors in the Republic of Ireland between October 11th and 28th 2019.

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