



15th July 2019

Irish businesses' growth expectations at lowest in almost nine years

- Downward trend in growth expectations continues, driven by manufacturing sector
- Optimism regarding investment spending is up, net balance for capital expenditure is at +19%
- Services firms foresee a shortage of skilled staff as a key threat to growth

Irish businesses' growth expectations are at their lowest in almost nine years according to the [latest AIB Ireland Business Activity Report](#). The report takes the pulse of 650 manufacturing and service sector companies in Ireland on a tri-annual basis. The report finds growing anxieties towards slowing global economic growth and the outcome of Brexit, whilst also highlighting concerns about skilled labour shortages and the potential disruption from global trade tensions.

There has been a steady slump in manufacturers' expectations, which are now the lowest in exactly ten years. Since the survey started in 2006, confidence among good producers has only been weaker during the height of the global financial crisis in 2008-2009. Services sentiment is unchanged from February but weaker than the historical series average recorded since April 2006.

Firms are more confident regarding employment activity than they were, with the net balance for hiring in Ireland the joint-highest of all countries for which combined manufacturing and services data are available. However remuneration is widely expected to be a key driver of higher cost burdens in the year ahead. At +56%, the net balance of Irish firms anticipating higher average staff costs is well above the global average and the highest recorded of all countries surveyed.*

Hilary Gormley, AIB Head of Business Banking - Corporate, Institutional & Business Banking said "The downward trend in growth expectations continues, particularly in the manufacturing sector, driven by uncertainty on the final outcome of Brexit and slowing economic growth. Although sentiment is still positive overall, it is the lowest it's been for nine years. While there is optimism in Irish businesses in relation to employment and profitability growth expectations in comparison to the February survey, with confidence around increasing workloads and job creation, cost pressures will continue to be burdensome in the year ahead.

"Another positive is that sentiment around business activity in Ireland is higher than the remainder of the Eurozone, however the ongoing ambiguity regarding the final outcome of Brexit negotiations is driving uncertainty."

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Media inquiries:

Paddy McDonnell 087 7390743 / 01 6412869 paddy.x.mcdonnell@aib.ie

* A comparable business activity report is conducted by IHS Markit in 12 countries.