

NCB Purchasing Managers' Services Index

February 2008

First indication of Irish service sector business conditions each month

Rate of activity growth slowed to four-and-a-half year low in January. New business increased at only a marginal pace.

This report contains the public release of data based on the NCB monthly survey of the Irish services economy, produced by NTC Economics.

The survey covers all private sector services in Ireland, excluding retail and wholesale, and provides timely data on an area of the economy that is not well covered by official data. The data are derived from questionnaires sent to a panel of around 600 Irish private services companies that have agreed to supply regular information on trends in their activity levels. Monthly data have been collected since May 2000.

Irish service providers continued to record activity expansion at the start of 2008. Where activity growth was recorded this was attributed by firms to higher new business volumes. Although activity rose for the fifty-sixth consecutive month in January, the rate of expansion slowed and was only moderate. Moreover, at 51.9, from 53.5, the seasonally adjusted **Business Activity Index** signalled that activity growth was the weakest since July 2003.

Commenting on the survey, Eunan King – Senior Economist at NCB Stockbrokers – said:

“January’s PMI Report shows a positive but moderating performance in the services sector. Business Activity while still expanding slowed to 51.9 from 53.5. The employment component increased marginally from 50.8 to 50.9 suggesting that employment growth is steady. The confidence component increased from 62.9 to 68.5, indicating improving sentiment in the sector.”

Activity and demand

Firms in the Irish service sector recorded growth of **activity** in January, but at the slowest pace for four-and-a-half years. Panellists that noted a rise in activity commented on higher new business levels. However, weakness in the construction and real estate sectors contributed to lower activity at some firms.

January data signalled only a slight increase in **new business volumes** at service providers. The rate of new work expansion slowed to its weakest in over four-and-a-half years. Anecdotal evidence suggested that turbulence in financial markets and a deterioration in conditions in the construction and real estate sectors had contributed to slower new order growth.

Employment

Irish service providers registered a further rise in **employee numbers** in January, although the rate of job creation was broadly unchanged from the forty-seven month low recorded in December. Where growth of employment was recorded, this was attributed to company expansion plans.



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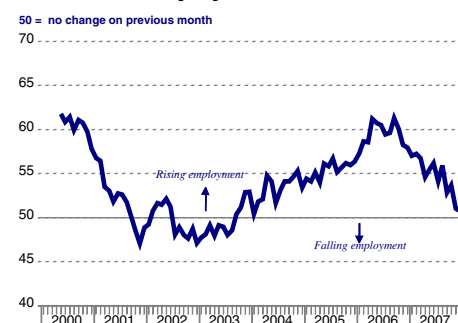
NTC economics

NTC is one of the world's largest specialist providers of business research and information, operating business surveys on behalf of blue chip clients. Current research includes continuous surveys providing original data on economic conditions in the UK, Germany, France, Italy, Spain, Netherlands, Austria, Ireland, Greece, Russia, Poland, the Czech Republic, Turkey, India, Hong Kong, Japan, China and Brazil. NTC surveys are widely used by governments, businesses and the financial markets.

NCB Total Service Sector Business Activity Index



NCB Service Sector Employment Index



Inflationary pressures

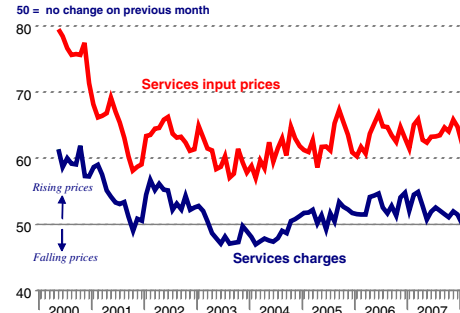
Costs rose sharply at service firms in January, amid reports of higher staff salaries and fuel prices. Nevertheless, the rate of cost inflation eased for the second month in a row and was the weakest for a year.

Prices charged were broadly unchanged at service providers in January. Higher costs led to increased charges at some firms, while greater competition contributed to output price falls at others.

Business confidence

Optimism at Irish service providers improved in January from the previous month's seventy-five month low. Confidence was attributed to the launch of new services and company expansion plans. However, the degree of positive sentiment remained well below the averages for the past year and the survey history.

NCB Service Sector Input and Output Price Indexes



NCB Service Sector Business Expectations Index

