

AIB Ireland Services PMI®

Service sector activity growth at three-month low

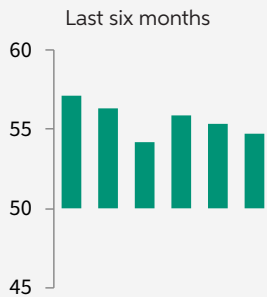
Key Findings

New business rises at weakest pace in two-and-a-half years

Employment growth slowest since March 2018

Output charge inflation at 52-month low

Ireland Services Business Activity Index



Activity growth among Irish service providers, though still solid, eased to a three-month low during April. Meanwhile, the rate of expansion of new orders was the slowest in two-and-a-half years. As a result of softer demand conditions, Irish service providers recorded the weakest payroll expansion since March 2018. On the price front, despite a marked increase in cost burdens, panellists raised their output charges at the weakest rate in 52 months.

Commenting on the latest survey results, Oliver Mangan, AIB Chief Economist, said:

"The AIB Services PMI for April printed at 54.7 in April, which was down slightly on its March reading of 55.3. It remained within the 54-56 range that has characterised the index year to date. The April level continues to indicate a strong pace of expansion in business activity in the services sector.

"New business though, while still solid at 54.1, experienced the slowest rate of growth for two and a half years. Some respondents noted that Brexit had been a drag on sales in the month. Meanwhile, new export orders picked up modestly in April, after registering a 28 month low in March.

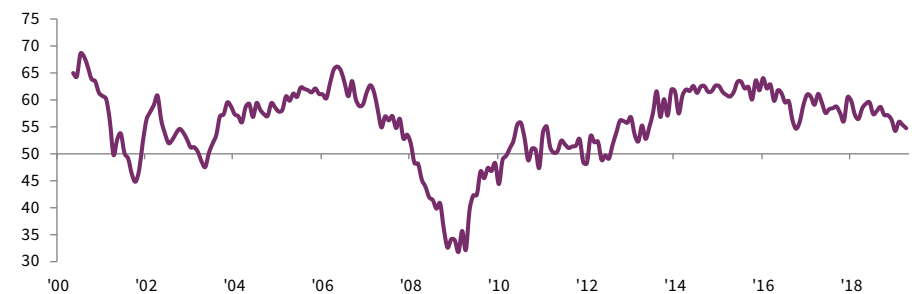
"The employment sub index fell to a 13 month low, although at 54.6, it still represented a solid pace of job creation in the sector. Not surprising the more

challenging international backdrop and on-going Brexit related uncertainty saw optimism in the sector remain near to the six-and-a-half-year low recorded in March.

"In terms of the four sectors covered in the survey, Business Services and Technology/Media/Telecoms continued to post very strong growth in activity. Solid growth was reported among Financial services firms. Meanwhile, firms in the Transport/Tourism/Leisure industries registered the slowest pace of growth in over a year.

"Overall, the AIB Services PMI reading of 54.7 for April suggests that the Irish economy is continuing to expand at a good pace, though not as strong as in recent years."

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



Overview

The headline seasonally adjusted Business Activity Index posted 54.7 in April, down from 55.3 in March and signalling the slowest rise in business activity in three months. That said, activity growth among Irish service providers was still marked and has been recorded on a monthly basis since August 2012. Activity growth was registered across all four broad sectors, but was fastest among Business Services companies.

In line with the picture for business activity, new order growth eased during April and was the slowest in two-and-a-half years. Although the rate of expansion remained solid amid reports of improved customer demand conditions both domestically and abroad, some panellists indicated that Brexit had negatively impacted on sales. As with business activity, companies operating in the Business Services sector posted the fastest increase in overall new business.

New business from abroad also rose during April, but at a pace that was only slightly stronger than March's 28-month low. Technology, Media and Telecoms (TMT) firms recorded the fastest increase of new business from abroad.

Softer new order growth resulted in a weaker increase of backlogs. Outstanding business rose modestly in April, with the rate of accumulation easing to its slowest in 69

months.

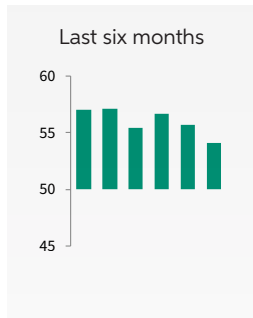
The rate of job creation, despite being marked, eased to a 13-month low during April. Where employment rose, panellists reported hiring staff as a result of receiving greater customer orders. The TMT sector posted the strongest expansion in staffing levels.

Service providers recorded another above-average increase in input prices during April. The rate of inflation was sharp but dipped to the slowest in over a year. Panellists mainly linked inflation to higher fuel and utilities costs, although there were also reports of greater wage bills.

While the rate of input cost inflation remained sharp, companies increased their output charges at a slower pace. The rate of inflation was modest and eased to the weakest in 52 months.

Looking forward, business confidence improved during April, as service providers remained optimistic that business activity will increase over the coming 12 months. Around 38% of panellists predict a rise in activity over the coming year with expectations of stronger customer demand and investments in new products cited as reasons to be optimistic.

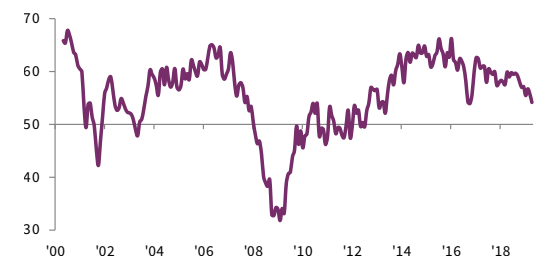
New Business Index



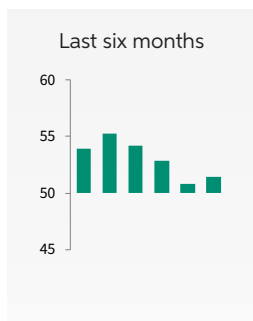
For the eighty-first consecutive month, incoming new business at Irish service providers increased during April. The rate of growth was solid, but eased to the slowest in two-and-a-half years. Anecdotal evidence from panellists indicated that they had experienced a general improvement in demand conditions in April, but there were some reports that Brexit had impacted negatively on sales.

New Business Index

sa, >50 = growth since previous month



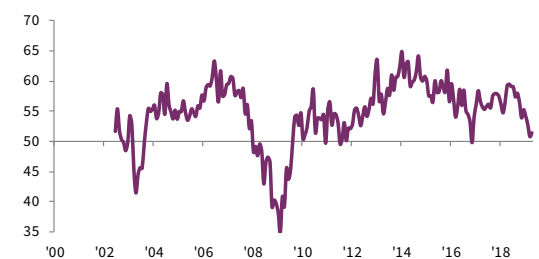
New Export Business Index



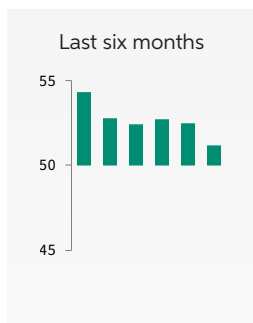
Export sales among panellists rose in April, as service providers saw an overall increase in overseas demand. The rate of growth was modest and only slightly faster than March's 28-month low. However, there were reports from some firms that Brexit uncertainty had negatively affected their export sales performance in April.

New Export Business Index

sa, >50 = growth since previous month



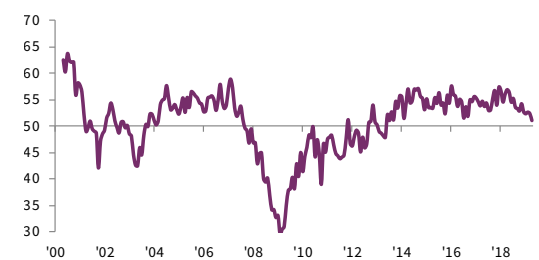
Outstanding Business Index



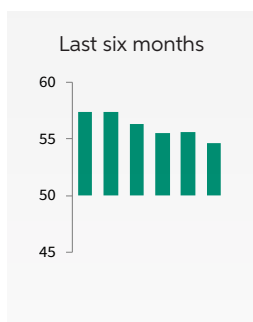
Capacity pressures continued to build in April, with the seasonally adjusted Backlogs of Work Indexposting above the 50.0 no-change threshold. Despite this, the rate of backlog accumulation was modest and weakened to the second-slowest in the almost six-year period of rising outstanding orders. Anecdotal evidence stated that greater customer orders was the principal factor behind the rise in work outstanding.

Outstanding Business Index

sa, >50 = growth since previous month



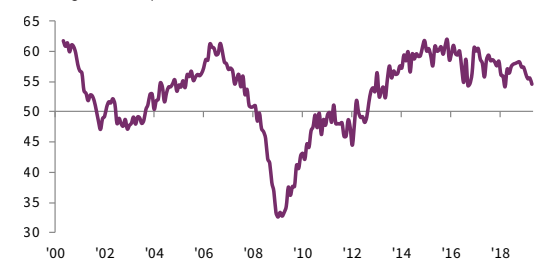
Employment Index



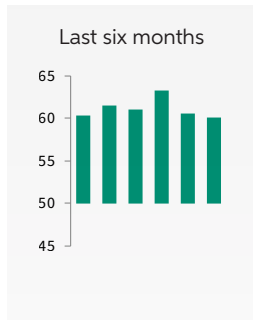
Job creation in the Irish service sector remained marked during April. Despite this, payroll numbers expanded at the slowest pace in 13 months. Service providers stated that as a result of greater customer orders, they hired additional staff.

Employment Index

sa, >50 = growth since previous month



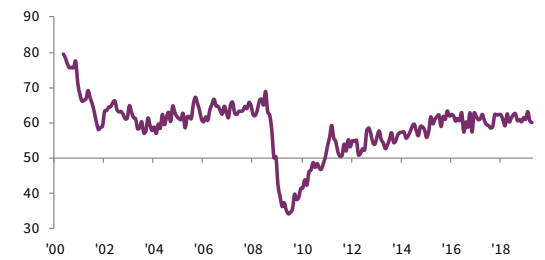
Input Prices Index



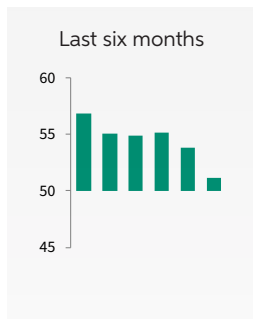
Amid reports of greater prices paid for utilities, fuel and insurance, average cost burdens increased further in April. Additionally, some panellists linked greater input prices to higher staff costs. The rate of input price inflation was sharp overall, but eased from March to the slowest in over a year.

Input Prices Index

sa, >50 = inflation since previous month



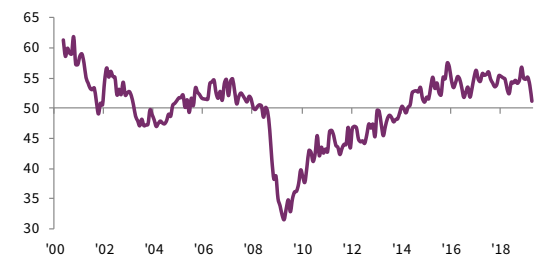
Prices Charged Index



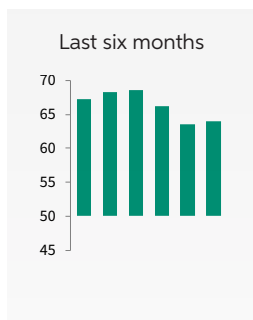
Despite the sharp rise cost burdens, output charge inflation moderated to the slowest since December 2014 during April. According to panellists, increases in output charges were driven by rising input costs, with greater rates for wages and materials cited. On the other hand, there were some reports that competitive pressure had led to price reductions.

Prices Charged Index

sa, >50 = inflation since previous month



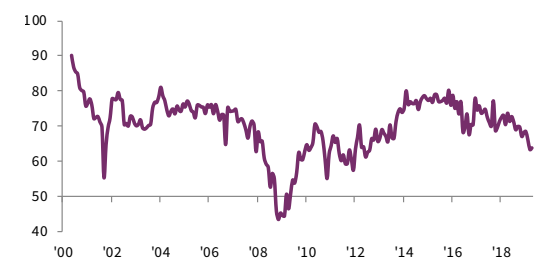
Future Activity Index



Irish service providers remained optimistic during April that business activity will increase over the coming 12 months, with sentiment ticking up from March's six-and-a-half year low. Around 38% of panellists predict a rise in activity over the coming year, with expectations of greater customer orders and new product initiatives cited as reasons to be optimistic.

Future Activity Index

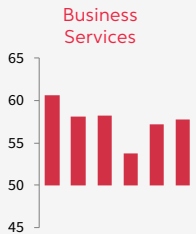
>50 = growth expected over next 12 months



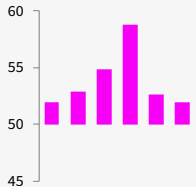
Services Sub-sectors

Business Activity Index

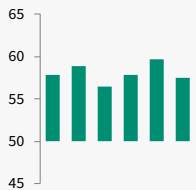
Last six months



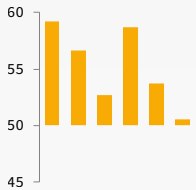
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

Business Services companies recorded the fastest rise in business activity of all four sectors covered in April, with the rate of growth quickening to a three-month high. Total new order growth was the fastest in three months, helped by a recovery of export sales. The rate of job creation was marked but dipped slightly from March, whilst input cost inflation eased to a three-month low. Output charges rose at the softest pace in six months but still expanded at the fastest rate of the four covered sectors.

Financial Services

Financial Services companies recorded the joint-slowest expansion in business activity in 65 months during April. Moreover, overall new business grew at the slowest pace in three months, as export orders failed to rise for the sixth month in a row. Employment growth was solid but eased slightly from March. Cost burdens continued to rise sharply, though at the weakest pace since November 2018. Selling prices, meanwhile, fell for the second month running.

Technology, Media & Telecoms

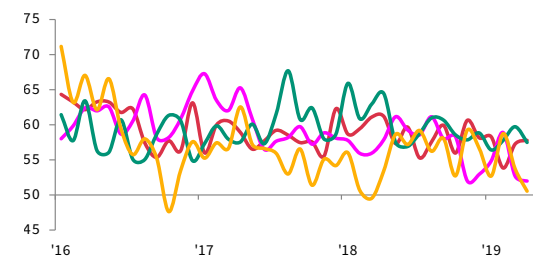
Firms operating in the Technology, Media & Telecoms (TMT) sector recorded the slowest rise in business activity in three months during April. The rate of total new order growth was sharp and the same as in March. Moreover, both export sales and employment rose at the fastest rates of all four monitored sectors. The rate of input cost inflation was marked and quickened from March. As a result, output charge inflation was the fastest in five months. Optimism regarding year-ahead output improved from March.

Transport, Tourism & Leisure

Transport & Leisure firms registered the slowest rise in business activity of all four sectors covered during April. The rate of expansion was marginal and the slowest in over a year. Likewise, inflows of new business eased in April to a 13-month low. Employment growth was at a eight-month low, while input costs rose sharply and at the same pace as in March. In contrast, output charges rose marginally and at the softest rate in just over two years. Sentiment towards future activity increased from March.

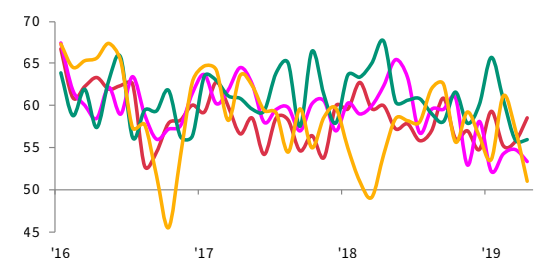
Business Activity Index

sa, >50 = growth since previous month



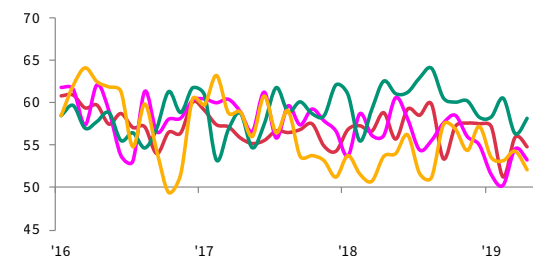
New Business Index

sa, >50 = growth since previous month



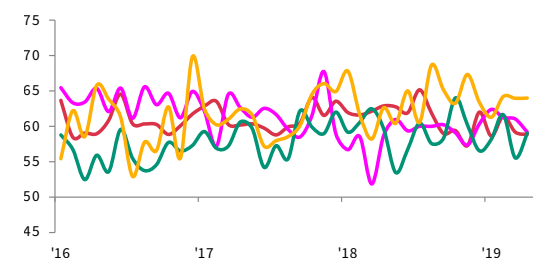
Employment Index

sa, >50 = growth since previous month



Input Prices Index

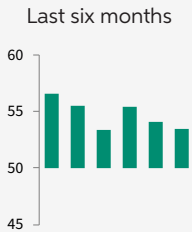
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Output rises at slowest pace in three months

Composite Output Index



The Composite Output Index* posted 53.4 in April, down from 54.1 in March and signalling the softest rise in business activity in three months.

Central to the slowdown of Irish private sector output growth were weaker rises in both manufacturing output and services activity, which grew at their slowest rates in 13 and three months respectively.

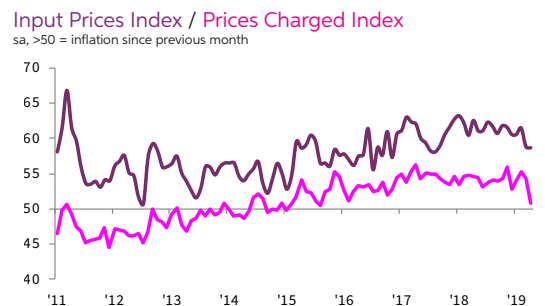
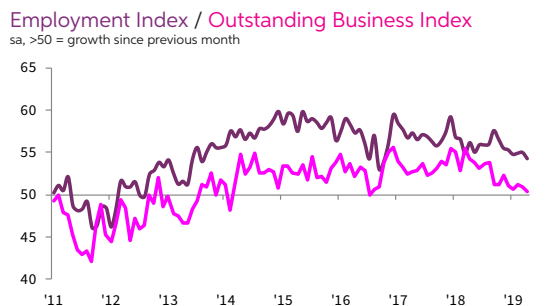
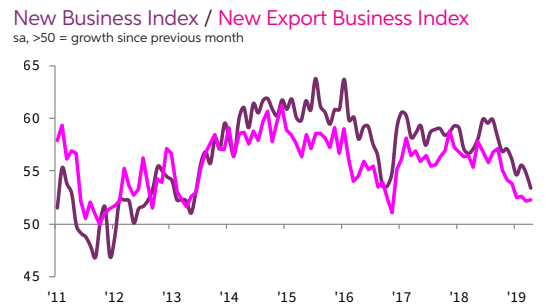
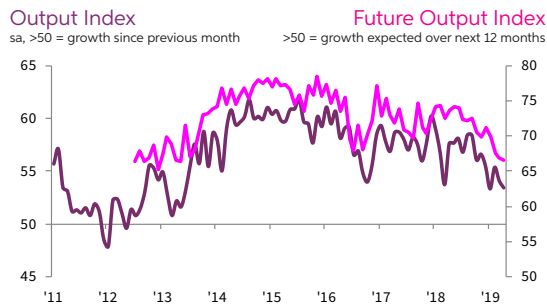
Moreover, the rate of expansion in private sector new business eased for the second consecutive month to its weakest in almost six years. Both service sector sales and manufacturing order book volumes rose at slower rates in April. This contributed to a softer monthly rise in backlogs of work, which grew at the slowest rate in the current 33-month sequence of expansion.

On the employment front, composite workforce expansion was the slowest in two-and-a-half years, amid a weakening of payroll growth among

both Irish manufacturers and service providers. The rate of input price inflation ticked down to a 20-month low during April, as a slower rise in service sector input costs outweighed a quickening of manufacturing purchasing cost inflation. As a result, output charges grew marginally and at the slowest pace since August 2015.

Sentiment towards output over the coming year weakened to its lowest in almost six years amid slower rises in output, new business and employment.

*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.



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Methodology

The AIB 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.

April 2019 data were collected 10-25 April 2019.

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

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