



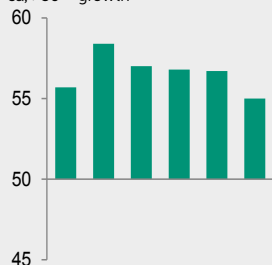
AIB Ireland Services PMI®

Strong expansion in Ireland's service sector in August

55.0

IRELAND SERVICES BUSINESS ACTIVITY INDEX, AUG '23

Services Business Activity Index
Mar - Aug '23
sa, >50 = growth



Strong growth in the Irish service sector was sustained during August with the latest AIB PMI® survey data marking exactly two-and-a-half years of successive monthly improvements in business activity, new business, and employment. Demand resilience in the sector continued to bolster these increases. Indications of a potential deceleration in market conditions were highlighted by a slight slowdown in the rates of expansion in output and new orders, however. Elsewhere, wage pressures continued to drive a rapid increase in input costs, but one that was the weakest in 28 months.

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

"The AIB Irish Services PMI for August registered another impressive reading of 55.0, though, it was down somewhat on the levels of 56.7 and 56.8 recorded for July and June, respectively. It points to continued strong growth in business activity in the Irish services sector, in marked contrast to some of the major advanced economies. Indeed, the flash Services PMIs fell into contraction territory in August in the Eurozone and UK, with the indices declining below the 50.0 level to 48.3 and 48.7, respectively. Meanwhile, the US index slipped back to 51.0 in August.

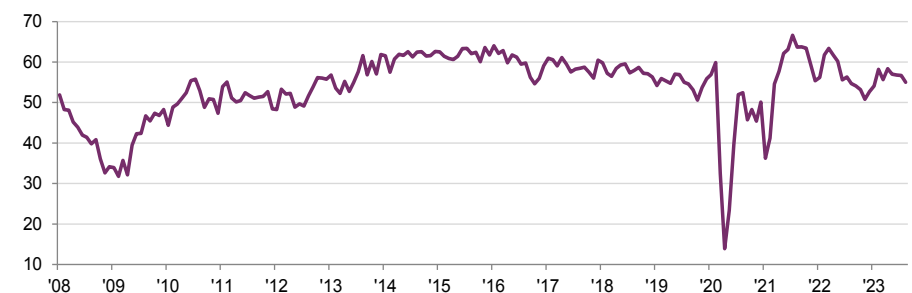
"The continued robust performance by the Irish services sector reflects ongoing healthy demand conditions. This was evidenced by another strong increase in new business volumes at Irish services firms from both domestic and export customers, though their rate of growth has slowed in recent months. Employment continued to increase at a solid pace, picking up from July, while

there was a further significant rise in the level of outstanding work.

"There were marked variations in the growth in business activity across the four sub-sectors covered in the survey – Technology/Media/Telecoms saw buoyant growth, while Transport/Tourism/Leisure contracted for a second consecutive month. Meanwhile, firms across the four services sectors remained very optimistic about their expectations for activity levels over the next 12 months.

"Inflationary pressures remained elevated in the services sector against the backdrop of an on-going strong expansion in activity. Input prices continued to experience significant upward pressure, most notably from rising labour costs and fuel bills. Higher operating costs continued to be passed on in higher selling prices. That said, the rate of increase in both input and output prices has eased considerably in recent months."

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



Contents

- Overview and comment
- Output and demand
- Business expectations
- Employment and capacity
- Prices
- Services sub-sectors
- Ireland Composite PMI
- International PMI
- Survey methodology
- Further information

Overview

Strong increases in activity and new business

Rate of input cost inflation weakens to 28-month low but...

...selling prices rise at an accelerated pace

The headline figure is the AIB Ireland Services Business Activity Index, a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The index therefore varies between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

Registering 55.0 in August, the latest AIB Services Business Activity Index posted above the critical 50.0 neutral threshold to mark exactly two-and-a-half years of consecutive monthly improvements in the Irish services economy. The latest reading signalled a strong expansion in output, although, having fallen from 56.7 in July, the rate of growth was the slowest since January.

Where growth in activity was reported, this was mostly linked to ongoing demand buoyancy. A sustained and strong increase in new business intakes during August underscored this notion. However, broadly matching the trend seen for output, the rate at which order book volumes expanded was the weakest in seven months. Alongside this was a slightly softer upturn in new export orders. Still, the overall improvement in foreign market demand was solid overall and historically elevated.

Generally positive trends in demand recorded in August supported firms' outlook for activity over the year-ahead. Monitored companies remained strongly optimistic amid hopes for a further improvement in demand conditions,

the development and launching of new products and building project pipelines.

Sustained rises in both activity and overall demand continued to stimulate job creation. Workforce numbers rose for the thirtieth straight month during August and to a greater extent than seen in the previous survey period. However, the latest round of employment growth failed to prevent a further build-up of backlogged work midway through the third quarter of the year. The level of outstanding work across Ireland's service sector rose at a marked pace that was the quickest in three months. Survey respondents mentioned that a combination rising inflows of new work, hiring difficulties and sickness in the workforce drove the latest accumulation in outstanding business.

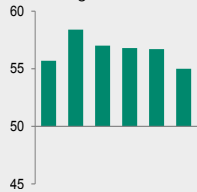
In terms of prices, divergent trends were observed. Amid reports of persistent wage pressures, the rise in operating expenses remained substantial during August. However, the rate of input cost inflation eased for the second month in a row to the slowest in 28 months. In contrast to this, companies raised their selling prices at a faster pace midway through the third quarter of the year. Panel members often reported that they had hiked their own prices to reflect increasing operating expenses.

Underlying data highlighted mixed sector trends during August. Technology, Media & Telecoms led growth of output, new orders and employment. Meanwhile the Business Services and Transport, Tourism & Leisure sectors recorded contractions in activity. At the same time, Financial Services noted a slower uplift in output.

Activity and demand

Business Activity Index

Mar - Aug '23
sa, >50 = growth

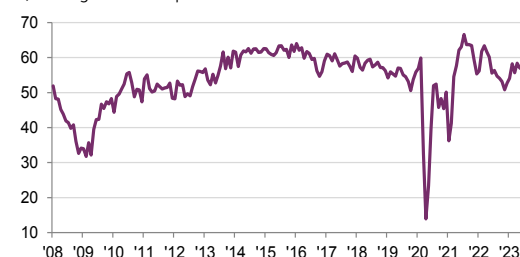


Business activity

The seasonally adjusted Business Activity Index remained above the neutral 50.0 threshold in August to mark exactly two-and-a-half years of sustained growth in Irish service sector activity. The rise in output was, in most part, attributed to a healthy demand environment. Although still strong overall, the rate of expansion was the softest since January amid some mentions of slowing market conditions.

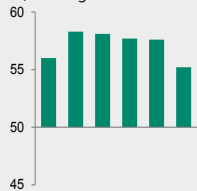
Business Activity Index

sa, >50 = growth since previous month



New Business Index

Mar - Aug '23
sa, >50 = growth

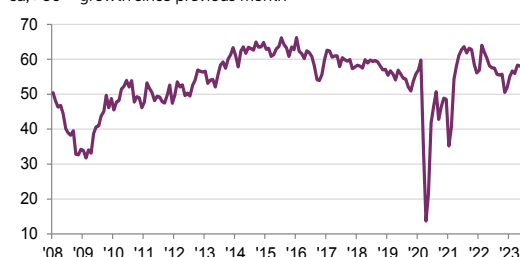


New business

Overall demand for Irish services increased again during August. New business volumes have now risen on a monthly basis for exactly two-and-a-half years with the latest uptick strong overall. Anecdotal evidence suggested that growth was primarily driven by ongoing demand resilience. However, having slowed since July, the rate of expansion was the least pronounced in seven months.

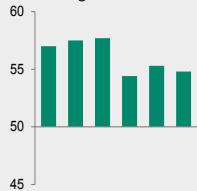
New Business Index

sa, >50 = growth since previous month



New Export Business Index

Mar - Aug '23
sa, >50 = growth



New export business

As has been the case on a monthly basis since March 2021, inflows of new business from abroad rose midway through the third quarter of the year. Moreover, the upturn in new export business was strong overall and remained historically elevated. When explaining the latest increase, panel members commented on buoyant demand in key export markets and greater overseas investment.

New Export Business Index

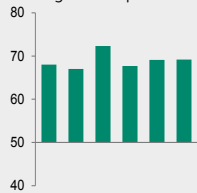
sa, >50 = growth since previous month



Business expectations

Future Activity Index

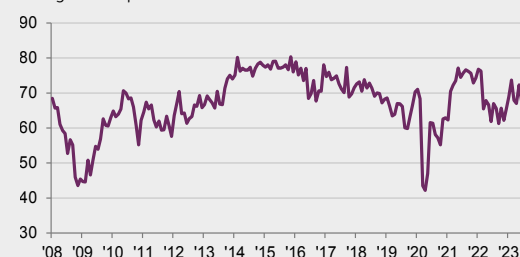
Mar - Aug '23
>50 = growth expected



The Future Output Index remained firmly above the neutral 50.0 threshold during August to signal a sustained sense of optimism across the Irish services economy regarding the year-ahead outlook. Positive sentiment was underpinned by hopes for a further pick-up in market demand, and the development and launching of new products. However, the degree of confidence was broadly unchanged from that recorded in July and hence fell short of the long-run average.

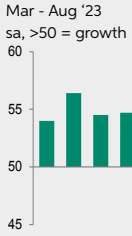
Future Activity Index

>50 = growth expected over next 12 months

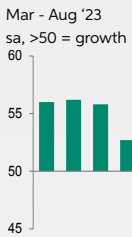


Employment and capacity

Employment Index



Outstanding Business Index



Employment

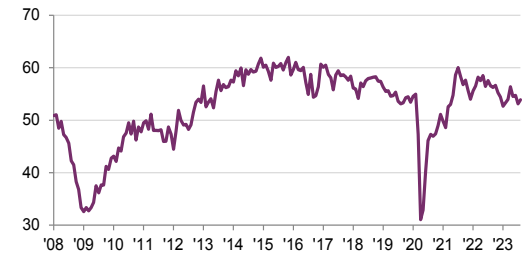
Services employment in Ireland rose further midway through the third quarter of the year, thereby extending the current sequence of job creation to 30 months. The pace of expansion in workforce numbers quickened since July and was solid overall. According to panel members, sustained increases in activity and new business spurred hiring.

Outstanding business

August data highlighted another accumulation in the level of outstanding business across Ireland's service sector. The pace of expansion quickened to a strong rate that was the sharpest in three months. Panel reports suggested that a combination of greater inflows of new business, hiring difficulties and sickness in the workforce led to the latest increase in backlogged work.

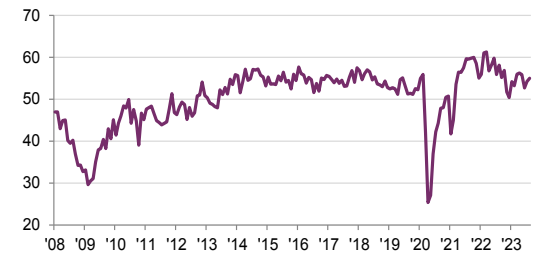
Employment Index

sa, >50 = growth since previous month



Outstanding Business Index

sa, >50 = growth since previous month



Prices

Input prices

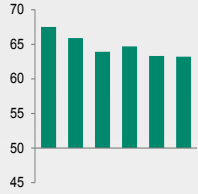
Operating expenses paid by companies in the Irish services economy continued to rise rapidly midway through the third quarter of the year. Input costs have now increased on a monthly basis for more than three years. Persistent wage pressures were noted as the primary factor driving the latest round of inflation although higher energy and fuel bills were also mentioned. Though still historically elevated, the pace of increase was the weakest since April 2021.

Prices charged

Irish service providers raised their output charges again during August and to a greater extent than seen in the previous survey period. Selling prices have now risen on a monthly basis for exactly two-and-a-half years. Survey respondents attributed higher output charges to efforts to protect profit margins from ongoing cost increases.

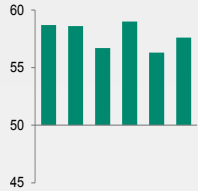
Input Prices Index

Mar - Aug '23
sa, >50 = inflation



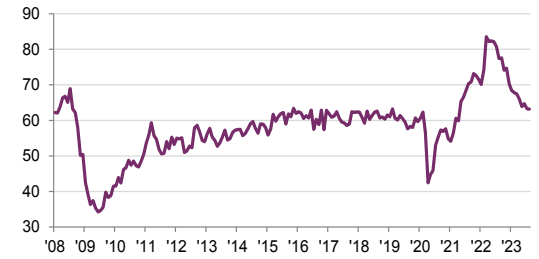
Prices Charged Index

Mar - Aug '23
sa, >50 = inflation



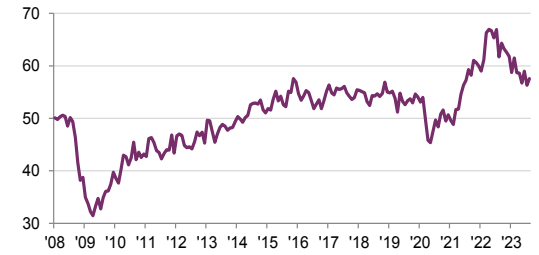
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





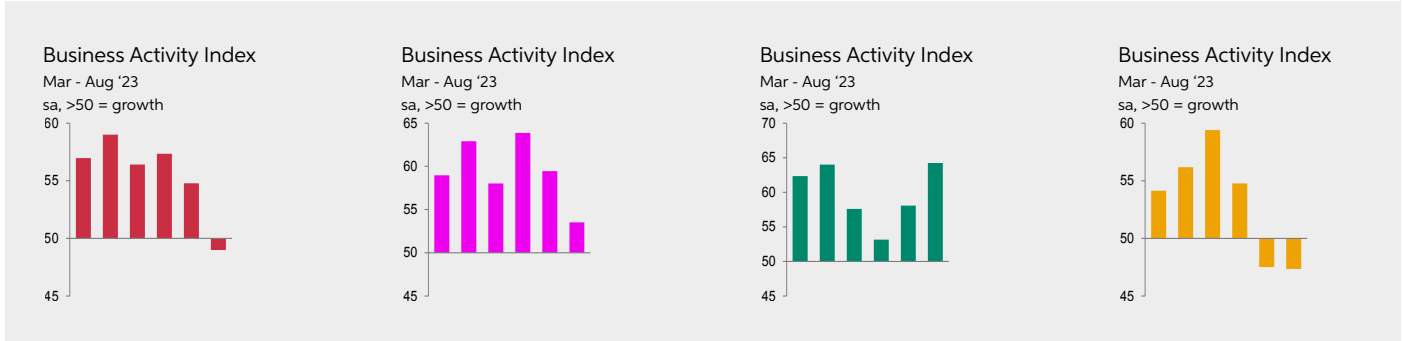
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



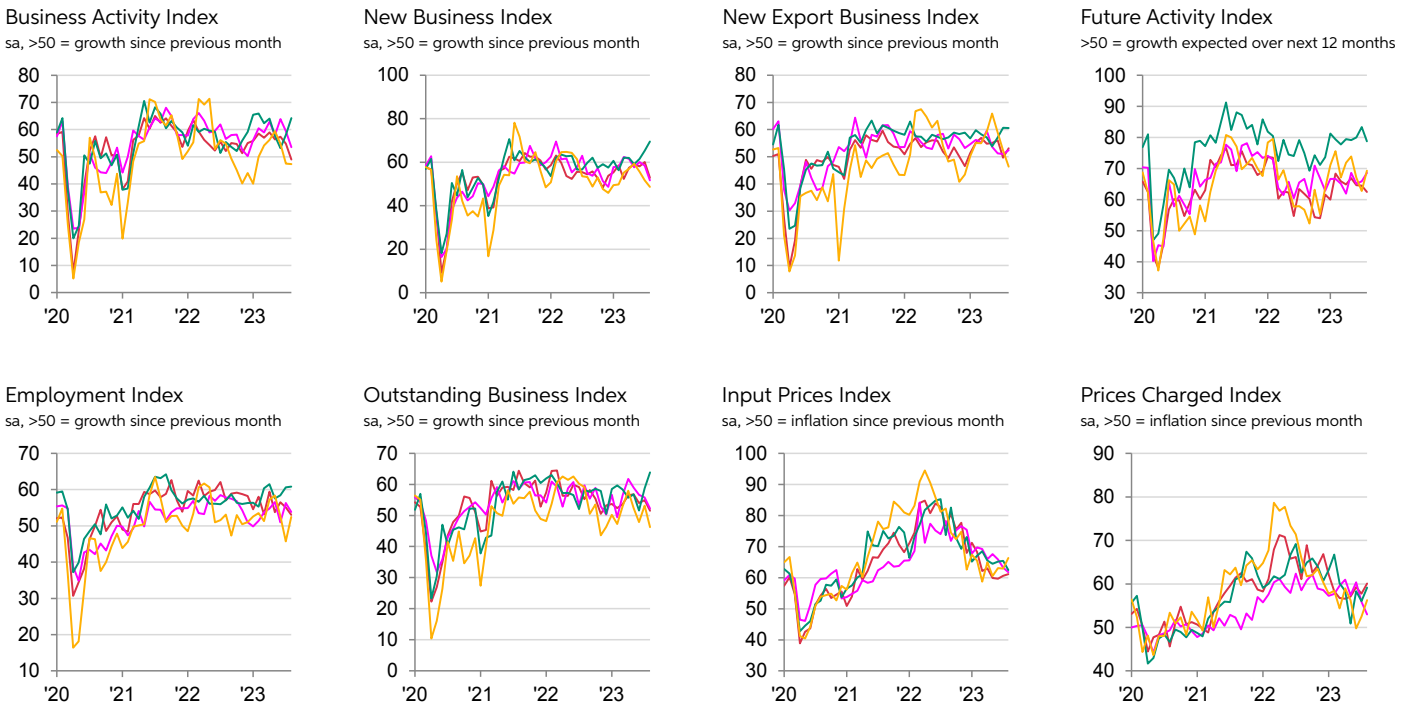
Conditions across the Business Services sector worsened for the first time in two-and-a-half years during August. A fresh decrease in output was accompanied by a notable slowdown in the rate of new business growth. The pace of job creation also eased, and business sentiment weakened. Meanwhile, rates of input price and output charge inflation accelerated to four- and seven-month highs, respectively.

The upturn across the Financial Services sector weakened in August amid a softer increase in output and the weakest expansion in new business in the current eight-month sequence of growth. Backlogs of work were accumulated at a softer pace and firms raised their headcounts at a slower rate. Paces of increase in input prices and output charges eased to 26- and 21-month lows, respectively.

The Technology, Media & Telecoms sector topped the growth rankings during August. All three of new orders, output and employment rose at rapid and accelerated paces at the sharpest in the series history. Nevertheless, business sentiment was the weakest seen since March. In terms of prices, a slowdown in the rate of input cost inflation contrasted with a faster rise in selling prices.

August data marked a back-to-back decrease in the level of output across the Transport, Tourism & Leisure industry as well as a fresh contraction in new business. Likewise, new export orders returned to contraction territory, falling at the quickest rate in the year so far. Elsewhere, job creation resumed. Price pressures mounted, as highlighted by faster rates of inflation for both input costs and output charges.

■ Business Services ■ Financial Services ■ Technology, Media & Telecoms ■ Transport, Tourism & Leisure





AIB Ireland Composite PMI®

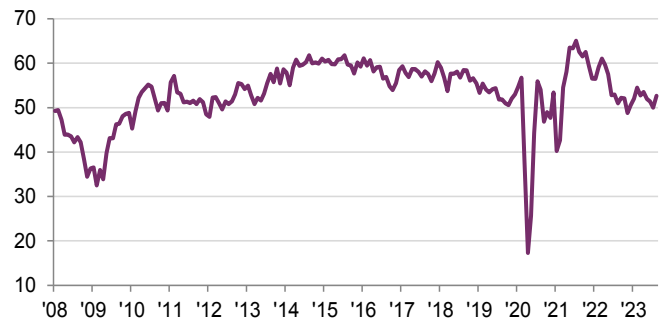
Fresh expansion in Ireland's private economy

After stagnating during July, Irish private sector output rose in August. The AIB Ireland Composite PMI® Output Index* improved from 50.0 in July to 52.6 in August, a reading consistent with a moderate uplift in activity that was the most pronounced in four months. A sustained increase in services output combined with a significantly slower fall in manufacturing production led to the overall expansion.

New orders placed with private sector firms increased solidly during August amid a sustained rise in inflows of new business at service providers and a fresh uplift in factory orders. This was accompanied by the strongest rise in aggregate employment since April and an improved sense of optimism among private sector firms.

Inflationary pressures at the composite level showed signs of strengthening during August. Rates of both input cost and output charge inflation accelerated on the month to reach four-month highs. Although goods producers recorded further falls in operating expenses and selling prices, rates of decline slowed.

Composite Output Index
sa, >50 = growth since previous month



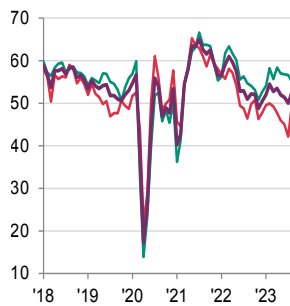
Sources: AIB, S&P Global PMI.

*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.

- Composite
- Manufacturing
- Services

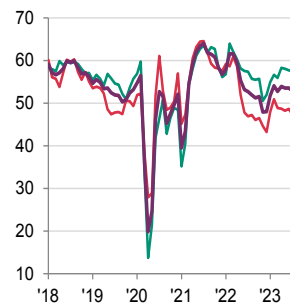
Output Index

sa, >50 = growth since previous month



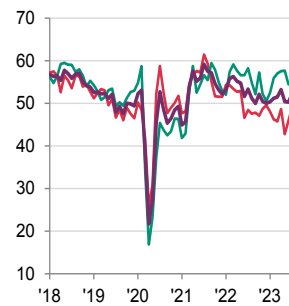
New Business Index

sa, >50 = growth since previous month



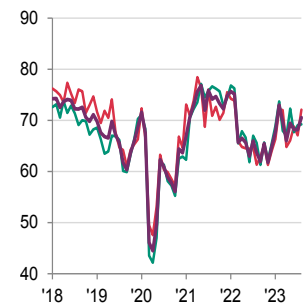
New Export Business Index

sa, >50 = growth since previous month



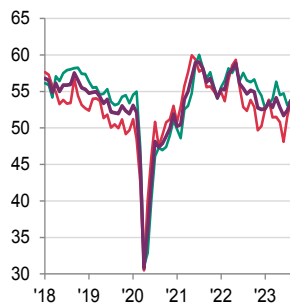
Future Output Index

>50 = growth expected over next 12 months



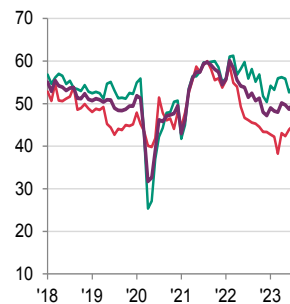
Employment Index

sa, >50 = growth since previous month



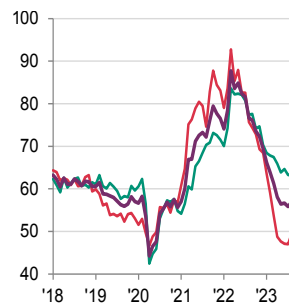
Outstanding Business Index

sa, >50 = growth since previous month



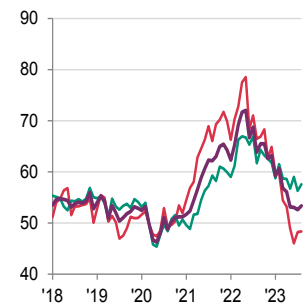
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



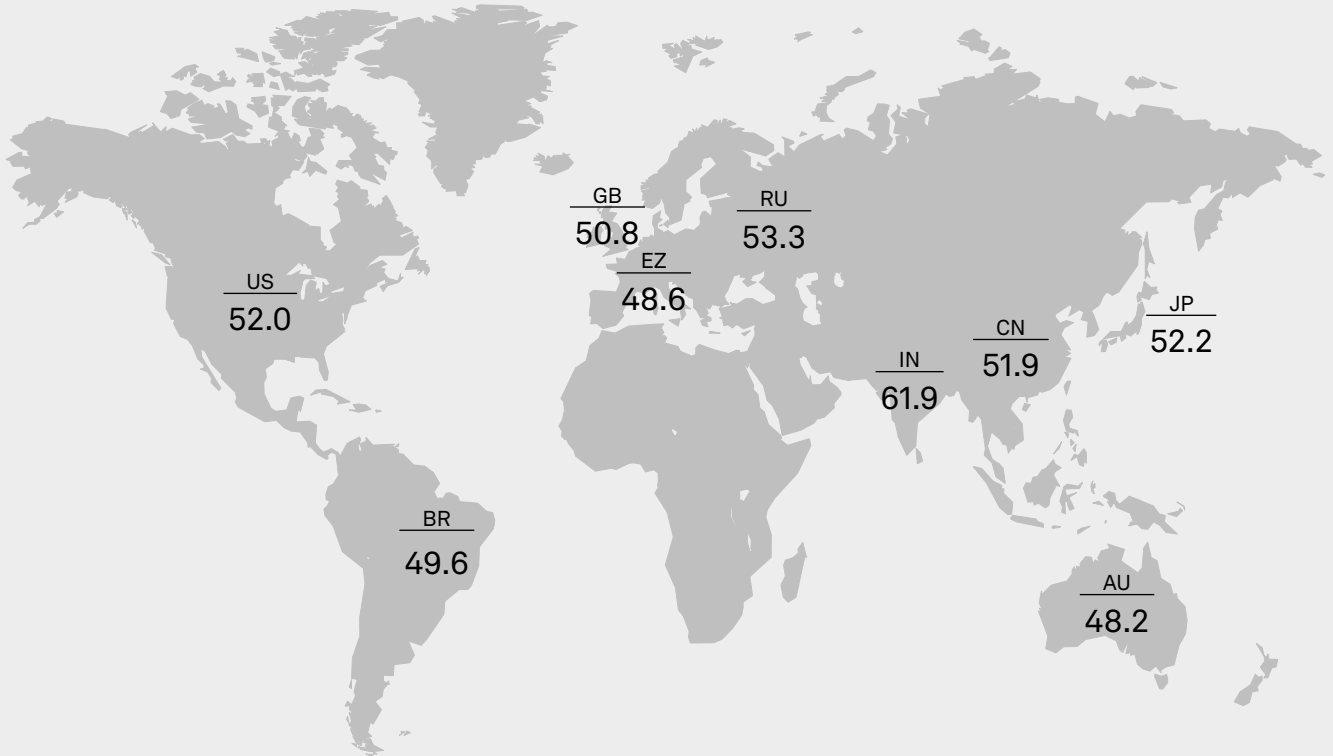
PMI®

by S&P Global

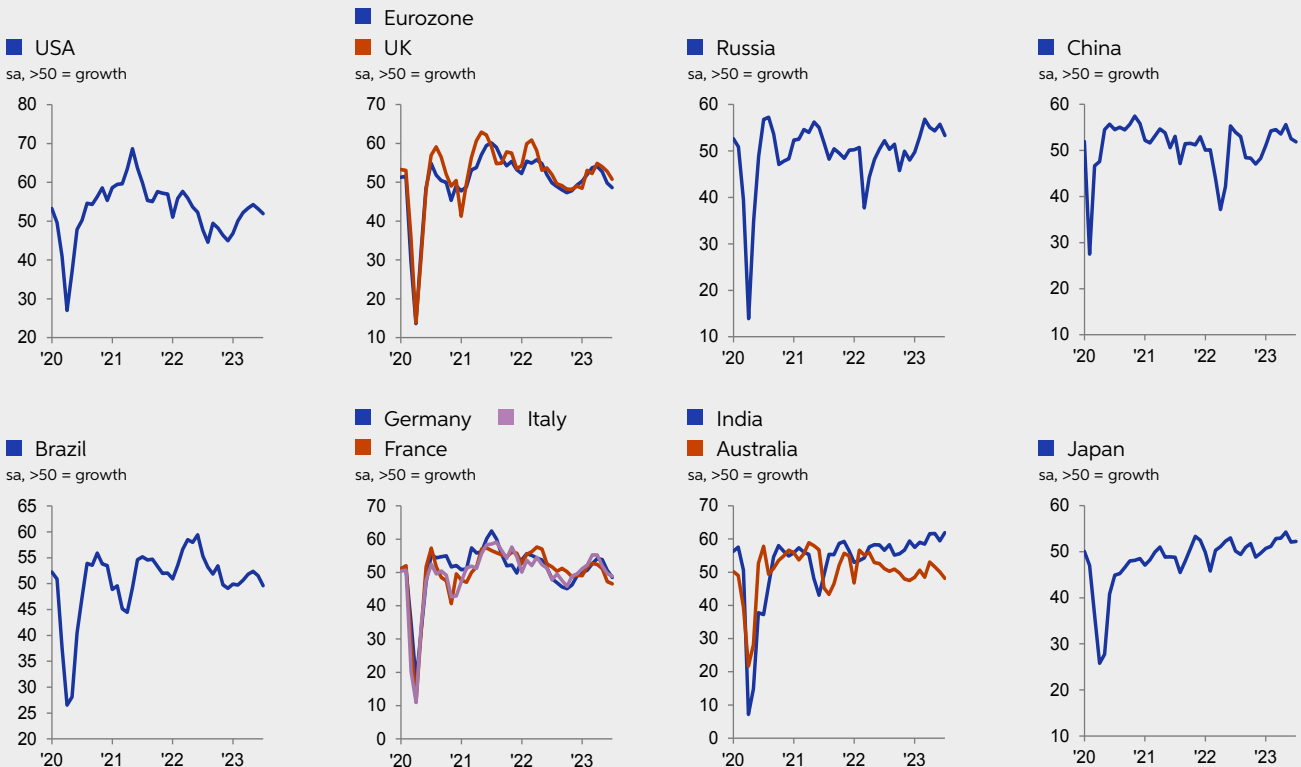
International PMI

Composite Output Index, Jul '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

The AIB Ireland Services PMI® is compiled by S&P Global 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. Data collection began in May 2000.

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.

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

Survey dates

Data were collected 10-25 August 2023.

Survey questions

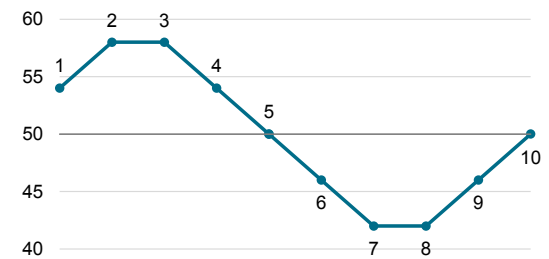
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

Sector coverage

Services PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.3 codes:

55 Hotels & Restaurants	66 Insurance and Pensions	80 Education
60 Land Transport and Pipelines	67 Other Financial Services	85 Health Care
61 Water Transport	70 Real Estate	91 Membership Organisations
62 Air Transport	71 Renting of Goods	92 Recreational, Cultural and Sporting Activities
63 Supporting Transport Activities	72 Computer Services	93 Other Service Activities
64 Post and Telecommunications	73 Research and Development	
65 Banking	74 Other Business Activities	



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About PMI

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.

ihsmarkit.com/products/pmi.html

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