

# AIB Ireland Services PMI®

## Weak consumer demand weighs on Irish service sector growth

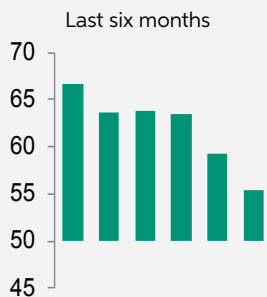
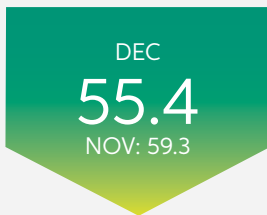
### Key Findings

Slowest increases in activity and new work since March

Transport, Travel & Leisure sector contracts

Price pressures ease slightly but remain elevated

### Ireland Services Business Activity Index



The last batch of AIB PMI® survey data for 2021 revealed a slowing rate of growth in the Irish service sector in December, linked to weaker consumer demand as the country grappled with a new wave of COVID-19 infections. Activity, new work and outstanding business all increased strongly, but at the slowest rates since March. Employment growth eased to a eight-month low, although the 12-month outlook picked up since November. Inflation of both input prices and charges eased slightly, but remained among the steepest on record.

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

*"The AIB Irish Services PMI for December showed a marked slowing in the pace of growth in the sector as consumer demand faltered in the face of high COVID case numbers. The business activity index fell to 55.4, well down from 59.3 in November and 63.4 in October. However, this index level is still consistent with solid growth in the sector. It is also above the flash December Services PMI readings for the UK and Eurozone, of 53.2 and 53.3, respectively.*

*"The moderation in the pace of growth was evident across all the main sub-components of the Irish survey. There was a slowdown in the rate of growth of new business, including exports, with firms reporting that the rising COVID infections were dampening demand. Job creation, while still strong, eased to its softest rate of expansion since April.*

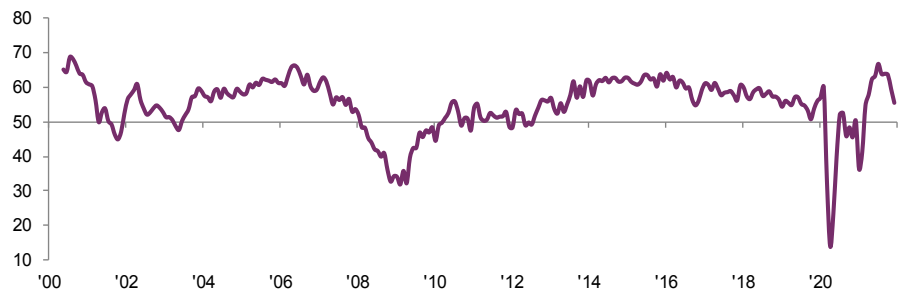
*"The slowdown in the growth in activity was*

*most pronounced in the Transport, Tourism & Leisure sector, which as before, saw the biggest hit to demand from the latest wave of the pandemic. Activity contracted marginally, with the sector experiencing a sharp fall-off in new export business. Financial Services and Technology/Media/Telecoms, though, both registered further strong growth in business activity. Meantime, firms in all sectors remained very optimistic on the 12 month outlook for business.*

*"Capacity pressures remained evident in December, with the level of outstanding work increasing again, though at a slower pace than in previous months. Businesses also continued to experience severe upward pressure on costs for fuel, wages, energy, insurance and purchased goods. This is translating into higher prices being charged to customers, which increased at their sixth quickest rate on record."*

Services Business Activity Index

sa, >50 = growth since previous month



## Overview

The headline figure is the 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.

The Services Business Activity Index registered 55.4 in December, down sharply for the second month running from 59.3 in November and 63.4 in October. The Index has shed over 11 points since hitting a near-21 year high in July, and the latest figure signalled the weakest rise in service sector output since March. That said, growth has been maintained for ten successive months and the rate of expansion in December was slightly above the long-run survey average (Index average of 55.0 since May 2000).

For the first time since March, growth of business activity was not broad-based among the four sub-sectors monitored. There was a decline in activity in the Transport, Tourism & Leisure sector, albeit at only a marginal pace (49.2). This marked a turnaround from October when the sector had registered the sharpest expansion. The decline reflected a fall in new business as consumer demand faltered with a new wave of COVID-19 infections.

Elsewhere, activity rose strongly in Technology, Media & Telecoms (59.0), albeit at the weakest rate since March. Financial Services also registered a sharp increase (58.0), albeit at a rate unchanged from November's six-month

low. Growth slowed sharply in Business Services (53.7) to a pace below the long-run series average.

Overall new business continued to rise sharply in December, with growth still above the long-run average despite easing to the slowest since March. Financial Services registered the fastest increase, and was the only sector to post a steeper rate of growth than in November. Growth in new export contracts moderated to a seven-month low. Companies remained strongly optimistic about growth prospects in 2022, and sentiment picked up slightly.

The trend in outstanding business followed that for new work in December, rising for the tenth month running but at the weakest rate since March. A number of respondents linked higher incomplete business to supplier delays and staff shortages. Backlogs rose in three out of four sub-sectors, the exception being Transport, Tourism & Leisure.

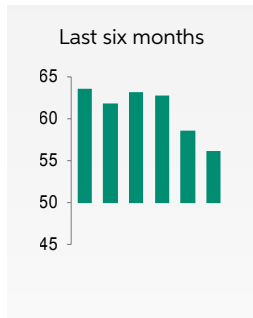
Irish service providers continued to expand their workforces in December to meet rising workloads and prepare for new projects in 2022. The rate of job creation remained much stronger than the long-run average, but moderated to the slowest since April. Solid gains were seen in three sub-sectors, while no change was reported in Transport, Tourism & Leisure.

Cost pressures remained severe in December, linked to fuel, energy, labour, insurance and bought-in goods. The rate of inflation eased, but was among the sharpest on record. Similarly, charges were increased at the softest rate in three months, but nevertheless one of the strongest since the series began in 2000. The Transport, Tourism & Leisure sector registered the strongest increases in both input prices and charges.





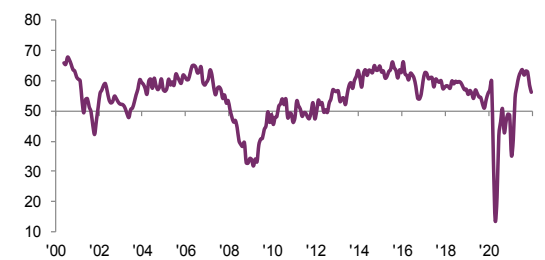
## New Business Index



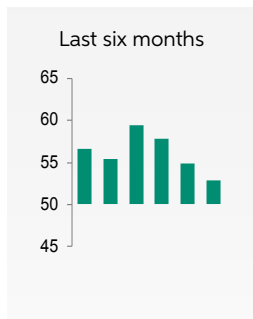
Demand for Irish services continued to rise in December, with new business increasing for the tenth consecutive month. The rate of growth remained stronger than the long-run survey average, but slowed for the third month running to the weakest since March. Sub-sector data signalled falling new business in the Travel, Tourism & Leisure sector as consumer demand faltered in light of rising COVID case numbers.

New Business Index

sa, >50 = growth since previous month



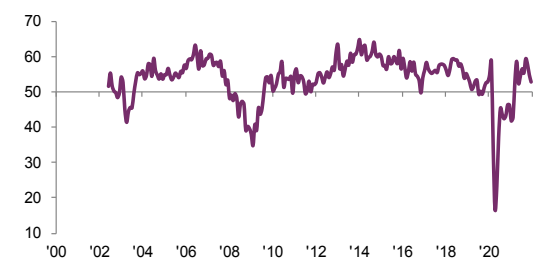
## New Export Business Index



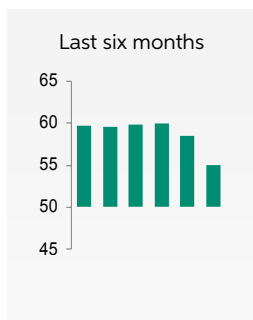
Demand for Irish services continued to rise in December, with new business increasing for the tenth consecutive month. The rate of growth remained stronger than the long-run survey average, but slowed for the third month running to the weakest since March. Sub-sector data signalled falling new business in the Travel, Tourism & Leisure sector as consumer demand faltered in light of rising COVID case numbers.

New Export Business Index

sa, >50 = growth since previous month



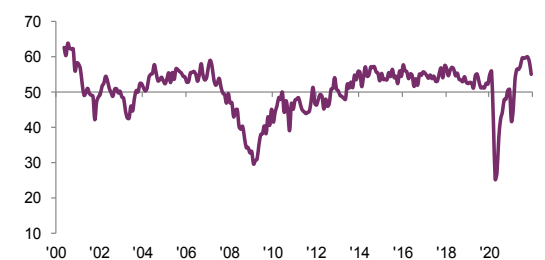
## Outstanding Business Index



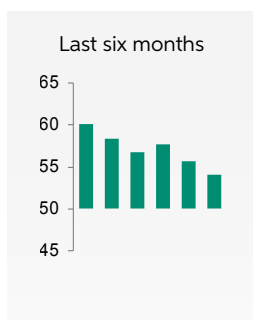
December data signalled a further build-up in outstanding business in the Irish services economy, despite a slower rise in new work at the end of 2021. A number of respondents linked higher incomplete business to supplier delays and staff shortages. The rate of growth slowed sharply, however, to the weakest since March. There was a fall in outstanding contracts in the Travel, Tourism & Leisure sector for the first time since May.

Outstanding Business Index

sa, >50 = growth since previous month



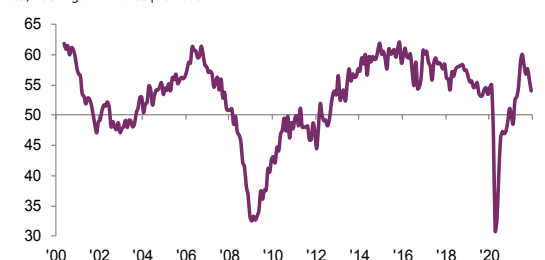
## Employment Index



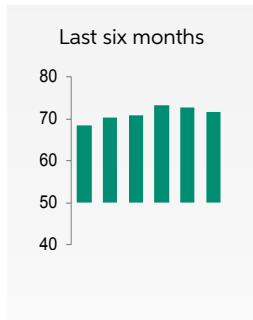
Service sector employment in Ireland continued to rise in December, extending the current sequence of job creation to ten months. Hiring was linked to business expansion plans and efforts to address backlogged projects. That said, the rate of growth moderated for the fourth time in five months from July's four-and-a-half year record, to the softest since April. It remained solid overall, however, and above the long-run survey average.

Employment Index

sa, >50 = growth since previous month



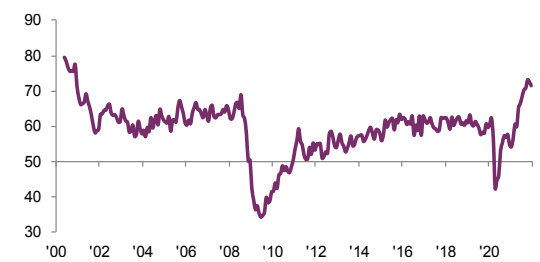
## Input Prices Index



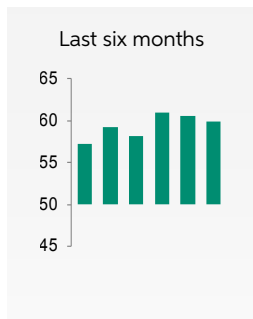
The seasonally adjusted Input Prices Index remained well above the no-change mark of 50.0 in December, signalled elevated cost pressures at Irish service providers. Higher costs were attributed to fuel, energy, labour, insurance and bought-in goods. The rate of input cost inflation eased to a three-month low, but was still sharper than in any previous survey month stretching back to November 2000. Cost pressures remained strongest in the Transport, Tourism & Leisure sector.

Input Prices Index

sa, >50 = inflation since previous month



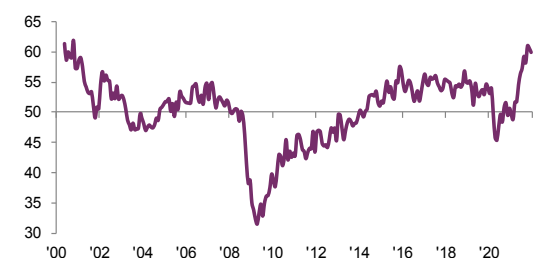
## Prices Charged Index



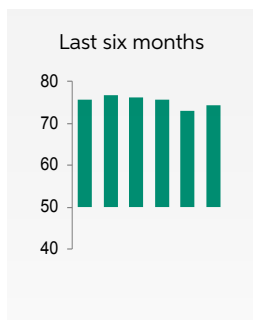
With further rapid increases in input prices in December, service providers continued to raise their own charges to protect profit margins. The seasonally adjusted Prices Charged Index was fractionally down on October and November, but still the sixth-highest on record. The sharpest rise in charges was registered in the Transport, Tourism & Leisure sector.

Prices Charged Index

sa, >50 = inflation since previous month



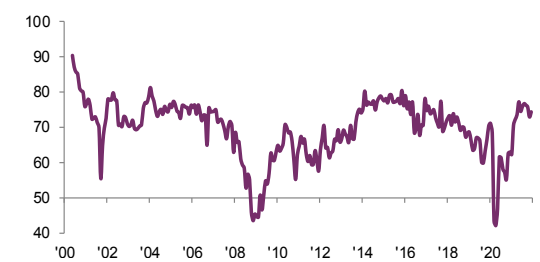
## Future Activity Index



The 12-month outlook for services activity in Ireland remained strongly positive in December as firms generally expect a continued recovery from COVID restrictions. Around 56% of firms expect growth of business at their units by the end of 2022, compared with 51% in November. Overall sentiment improved since November and was slightly above the average for 2021.

Future Activity Index

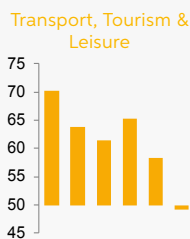
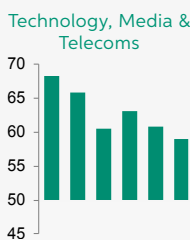
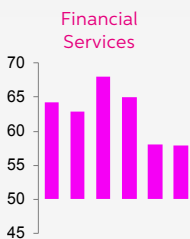
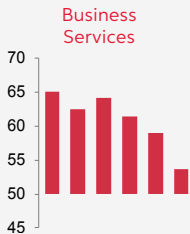
>50 = growth expected over next 12 months



## Services Sub-sectors

### Business Activity Index

Last six months



### Business Services

The Business Services sector registered a much slower increase in activity in December, the weakest in the current ten-month sequence of growth. The same trends were also evident for employment and outstanding business, as new business increased at the softest rate since March. Input price inflation remained strong despite easing to a five-month low, while charges increased at the weakest rate since June.

### Financial Services

The rate of growth in activity in the Financial Services sector was unchanged from November's six-month low, but remained stronger than the long-run series average. New business growth accelerated and was the third-fastest in 2021. Rates of growth in both outstanding business and employment were little-changed compared with November. Financial Services continued to register the weakest inflationary pressures of the four monitored sectors.

### Technology, Media & Telecoms

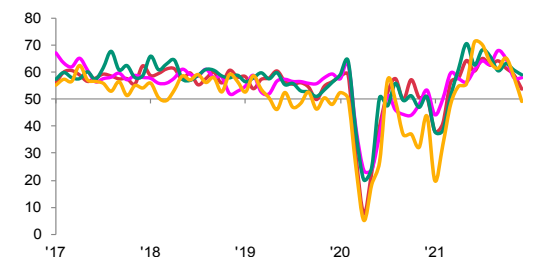
The rate of growth in business activity in the Technology, Media & Telecoms sector slowed for the fifth time in seven months from May's near-record pace, but remained the strongest among the four monitored sectors. This was despite the weakest increase in new business since March. Employment increased strongly overall, but at the softest rate since April. Inflationary pressures eased slightly but remained above the all-services trends.

### Transport, Tourism & Leisure

The Transport, Tourism & Leisure sector registered a decline in activity in December, having previously been the fastest-growing sector in June, July and October. New business fell for the first time since March as consumer demand weakened in the face of rising COVID case numbers. Outstanding business fell and employment was unchanged on the month. Moreover, the sector continued to face the sharpest cost pressures of the four monitored sectors.

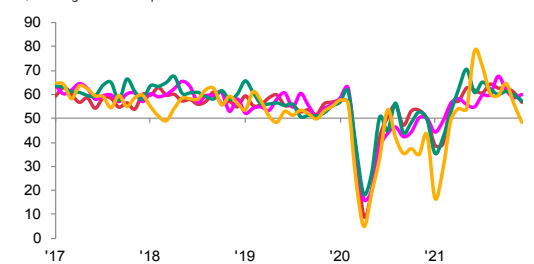
### Business Activity Index

sa, >50 = growth since previous month



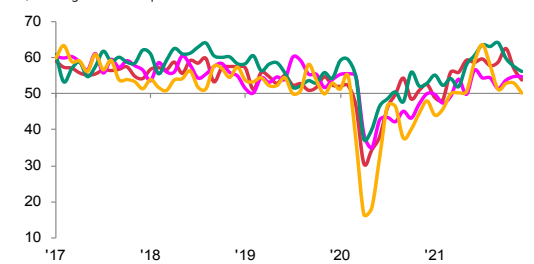
### New Business Index

sa, >50 = growth since previous month



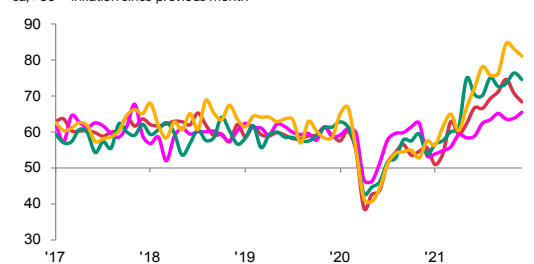
### Employment Index

sa, >50 = growth since previous month



### Input Prices Index

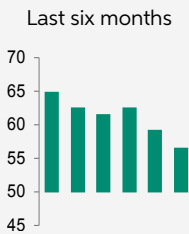
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

# Irish private sector output expands at slowest rate since March

## Composite Output Index



The combined output of Ireland's manufacturing and services sectors rose further in December, extending the current recovery to ten months. That said, the rate of expansion slowed further to the weakest since March, when growth of activity resumed as the sector reopened. The services sector registered a notable loss of momentum in December as consumer demand weakened in light of the spread of the Omicron variant.

The Ireland Composite Output Index, which tracks activity in the combined manufacturing and services sectors, registered 56.5 in December, down sharply from 59.3 in November. The latest figure signalled the slowest growth since March, although it remained above its long-run survey average of 54.0 (since 2000).

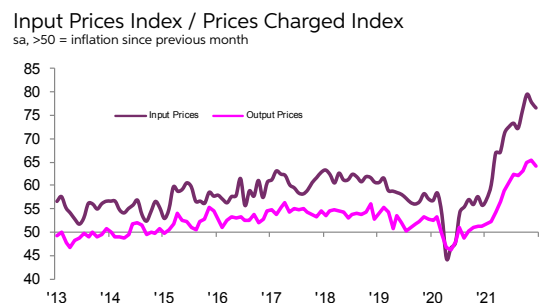
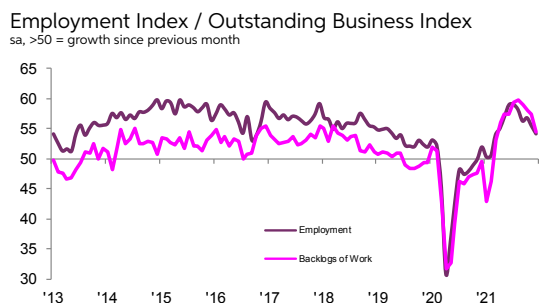
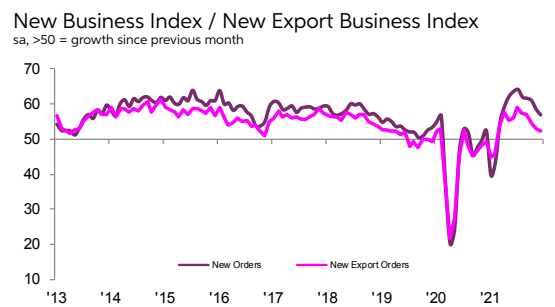
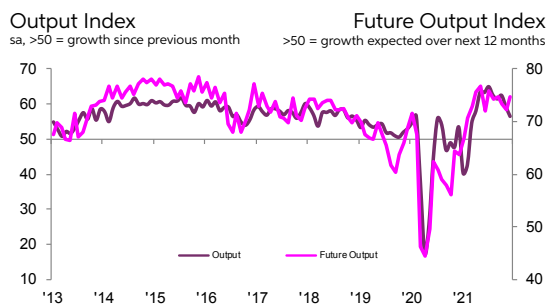
Growth rates for output slowed at both manufacturers and service providers. Activity in both

sectors increased at the weakest rates since March, though it was the service sector that registered the more notable loss of momentum, expanding at a slower pace than manufacturing for the first time in the second half of 2021.

Indicators for employment, new work and outstanding business also signalled the slowest increases since March at the end of 2021, while expectations for output were the strongest in five months.

Inflationary pressures remained severe in December, despite both input prices and output charges showing the softest increases since September.

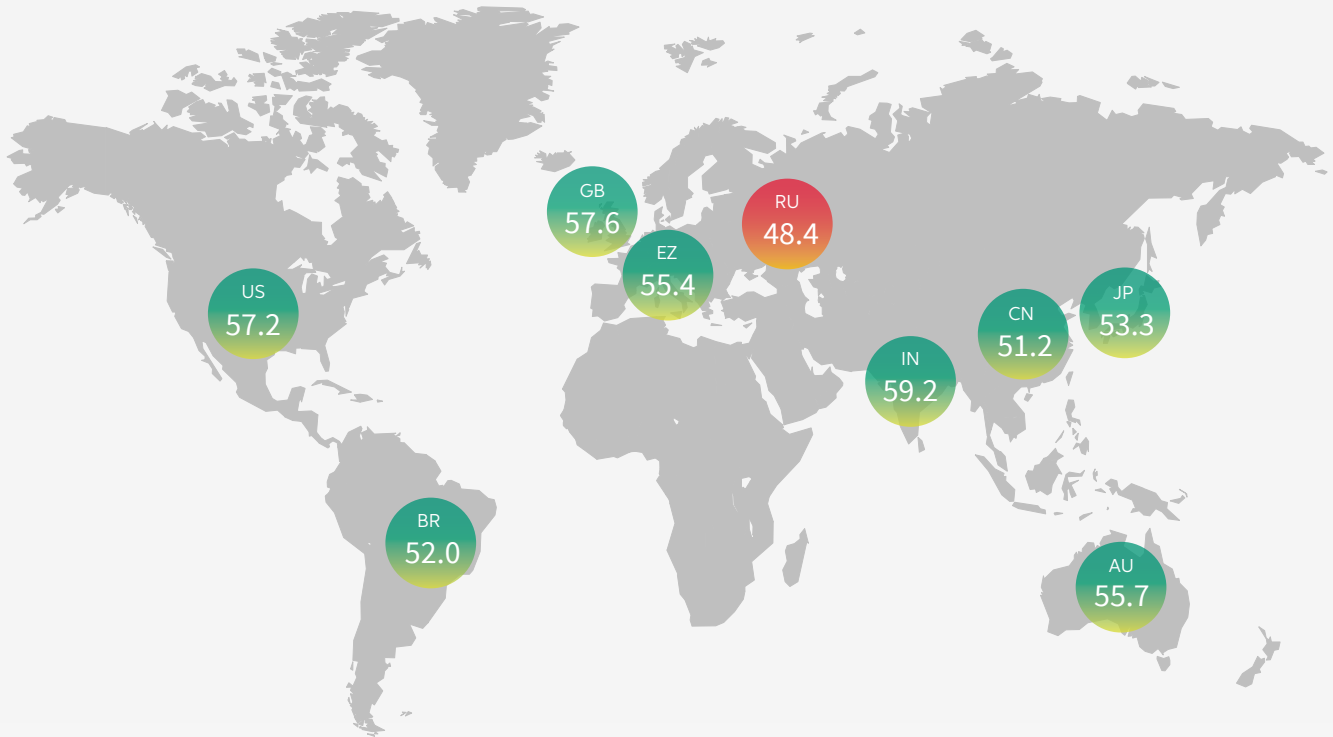
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.



## International PMI

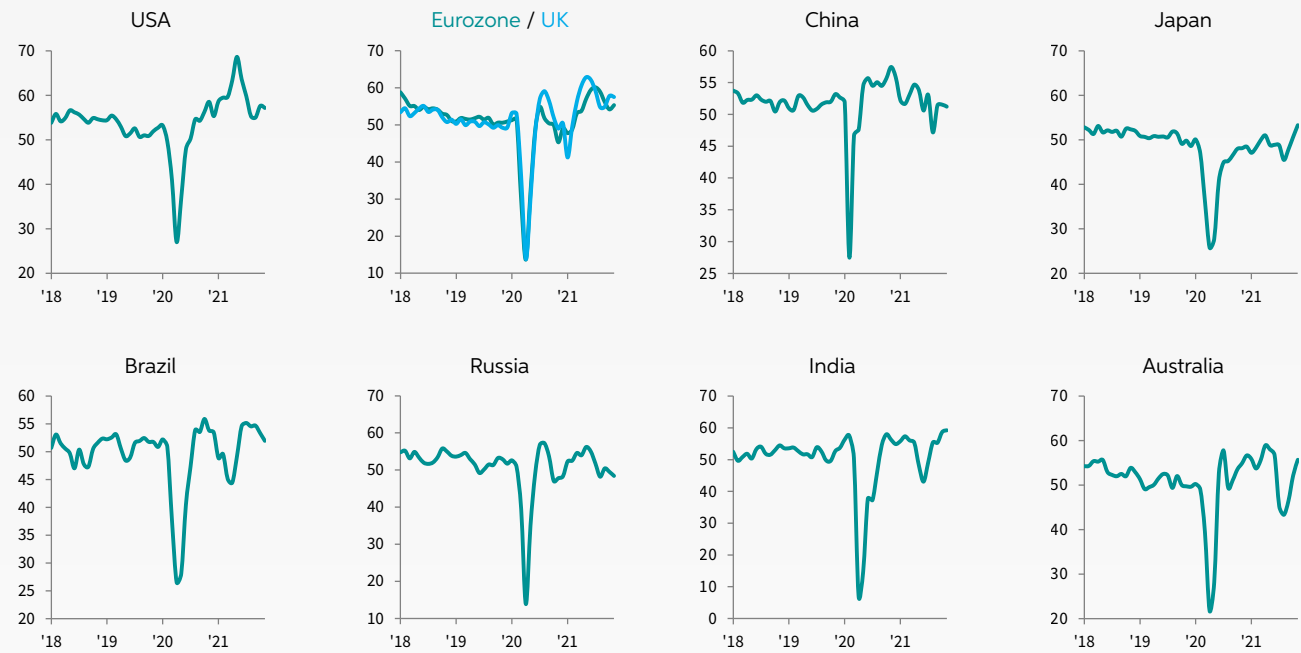
### Composite Output Index, Nov '21

sa, >50 = growth since previous month



### Composite Output Index

sa, >50 = growth since previous month



## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353-1-6417176  
E: [AIBeconomics.Unit@aib.ie](mailto:AIBeconomics.Unit@aib.ie)  
W: [www.aibeconomics.com](http://www.aibeconomics.com)

Paddy McDonnell  
AIB Press Office  
T: +353-1-641-2869  
M: +353-87-739-0743  
E: [paddy.x.mcdonnell@aib.ie](mailto:paddy.x.mcdonnell@aib.ie)

Graham Union  
AIB Press Office  
T: +353-1-6412430  
M: +353-85-2088343  
E: [Graham.X.Union@aib.ie](mailto:Graham.X.Union@aib.ie)

### IHS Markit

Trevor Balchin  
Economics Director  
T: +44-1491-461-065  
[trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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.

Data were collected 6-20 December 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.

### 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. <https://ihsmarkit.com/products/pmi.html>

### Disclaimer

This publication is issued by Allied Irish Banks, p.l.c. ("AIB") and is for general information purposes only. This publication should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments or product, securities or any derivative instrument (together, "instruments"), or any other rights pertaining thereto. AIB does not express any opinion as to the present or future value or price of any instruments referred to in this publication.

The information provided in this publication is believed to be valid and accurate on the date it is first published but AIB, along with its directors, officers, or employees, does not accept any liability for any loss arising from the use of the information. The information contained therein, including any expressions of opinion, has been obtained from, or is based on, or compiled from, sources believed to be reliable but its accuracy or completeness is not guaranteed and is subject to change without notice.

Any decision made by a party shall be on the basis of its own research and shall not be influenced or based on any view expressed by AIB in this publication or otherwise. This publication does not address all risks. This publication does not constitute investment advice or a recommendation and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments and/or pursuing any investment strategies. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any instruments, forecasts are not a reliable indicator of future performance.

This publication is not to be reproduced in whole or in part without the prior express written consent of AIB. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.