



AIB Ireland Services PMI®

Growth of activity and new business pick up in December

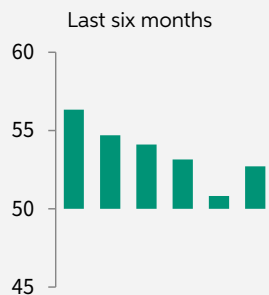
Key Findings

Business Activity Index rises for first time in five months

Input price inflation eases to 11-month low

Outlook remains subdued on recession and inflation concerns

Ireland Services Business Activity Index



The final batch of AIB PMI® survey data for 2022 revealed slightly faster increases in activity and new business in December, though growth rates remained modest overall. Firms hired staff at a weaker rate as the 12-month outlook remained below-par on recession and inflation concerns, despite improving since November. More positively, input price inflation slowed notably during the month to the weakest for nearly a year. Charge inflation eased to a four-month low but remained among the highest on record.

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

"The AIB Irish Services PMI for December showed a modest pick-up in momentum in the sector, recovering some of the ground lost in November. The Business Activity Index rose to 52.7 from 50.8 in November, but this was still below the level of 53.2 recorded in October. Overall, the Irish services sector remains in expansion territory, unlike elsewhere. The flash Services PMIs readings for December in the US, UK and Eurozone, stood at 44.4, 50.0 and 49.1, respectively, well below the Irish figure.

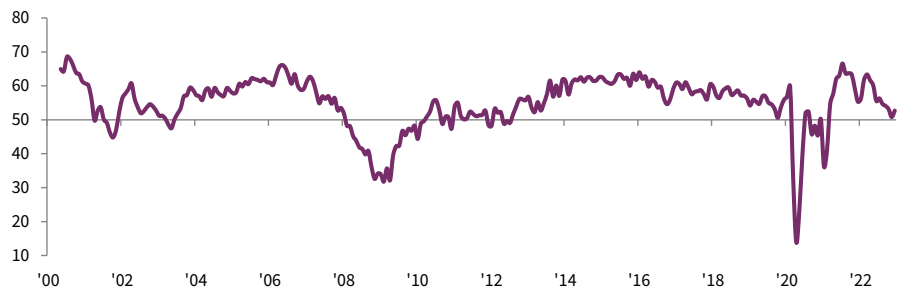
"Service demand growth quickened in Ireland during December, while remaining modest overall, with just a marginal increase in new export business. There was only a slight increase also in backlogs of outstanding business. However, there was a further solid rise in employment, while, firms' outlook for the next 12 months improved, recovering the ground lost in November.

"As has been the case for some months now, the Services PMI in December continued to be weighed down by a very weak performance in the Transport/Tourism/Leisure sector. It registered a reading of 44.0 for business activity, with new business, new exports and outstanding business also posting levels well below 50. By contrast, Technology/Media/Telecoms as well as Business Services, both recorded strong readings for the month.

"Businesses continued to experience strong upward pressure on input prices, with firms referencing higher utility and labour costs. The rate of increase, though, fell to an 11-month low, pointing to some easing in inflationary pressures. Higher costs continued to be passed on to customers. However, the pace of increase in charges fell to its lowest level since August, albeit this was still the tenth-highest 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 rose for the first time in five months from 50.8 in November to 52.7 in December, signalling a slightly faster rate of expansion in Irish service sector output. That said, the pace of growth was still the second-weakest registered over the current 22-month period of expansion. The Index was below its long-run average of 55.1 for the fifth consecutive month.

The overall pick-up in growth reflected the Technology, Media & Telecoms (59.2) and Business Services (55.1) sub-sectors, where growth rates were the fastest in six and three months, respectively. Technology, Media & Telecoms was also the only sector to register an expansion that was stronger than the long-run average. Financial Services (50.2) registered a near-stagnation in activity in December, while Transport, Tourism & Leisure (44.0) posted a fourth successive decline in activity, albeit at a weaker rate than in November.

Stronger growth of total activity at the end of 2022 reflected a faster expansion in new business. Demand growth quickened over the month for only the second time in ten months, although remained modest overall and below the long-run survey trend. Sector

data signalled a divergence as growth in new work was limited to two sub-sectors: Technology, Media & Telecoms and Business Services. New contracts from international markets increased only marginally during December.

Outstanding business rose in December, extending the sequence that began in March 2021. That said, the rate of expansion was the weakest over this period, reflecting the recent moderation in demand growth. Backlogs fell further in Transport, Tourism & Leisure, but rose solidly in Business Services.

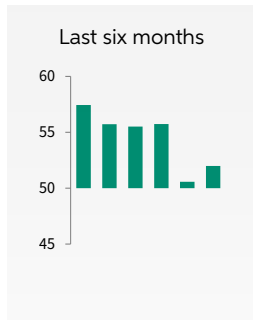
Irish service providers raised headcounts for the twenty-second successive month in December. The rate of job creation was solid overall and above the long-run survey average, albeit the weakest in 2022, reflecting uncertainty moving into 2023. Expectations for activity improved since November but remained weak in the context of historic survey data, reflecting firms' concerns around a potential recession, the energy crisis and high inflation dampening demand. Confidence remained weakest in the key Business Services sector.

There was a further easing of input price inflation in December, continuing the trend since it surged to a record high in March. The latest rise in input prices was the weakest since January, but still historically strong with firms highlighting increased utility and labour costs. Input price inflation was strongest in the Financial Services sector. Meanwhile, charges levied by service providers increased at the slowest rate in four months, albeit still the tenth-highest on record. Charge inflation was strongest in the Business Services sector.





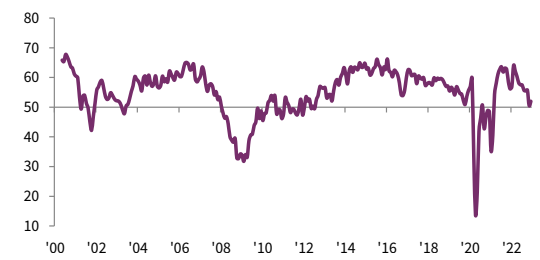
New Business Index



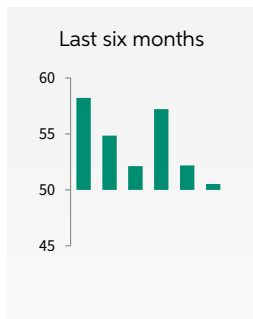
New business volumes rose for the twenty-second successive month in December. The rate of growth picked up from November's marginal pace, but was still weaker than in any other period in the current sequence of increases. The seasonally adjusted New Business Index remained well below its long-run trend level of 55.0. Growth was confined to two sub-sectors, Technology, Media & Telecoms and Business Services, with falling demand in Transport, Tourism & Leisure and Financial Services.

New Business Index

sa, >50 = growth since previous month



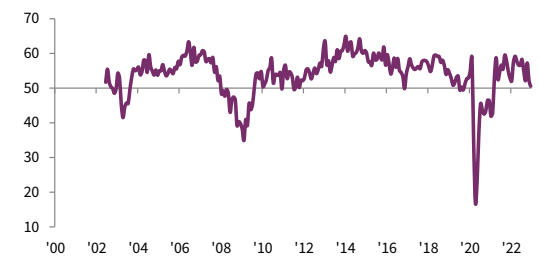
New Export Business Index



International demand for Irish services rose for the twenty-second month running in December. That said, the rate of growth slowed further to a marginal pace that was the weakest in the current sequence. This reflected sharp falls in new overseas sales in the Transport, Tourism & Leisure and Business Services sub-sectors. Firms reported caution amongst international clients around the economic situation and inflation.

New Export Business Index

sa, >50 = growth since previous month



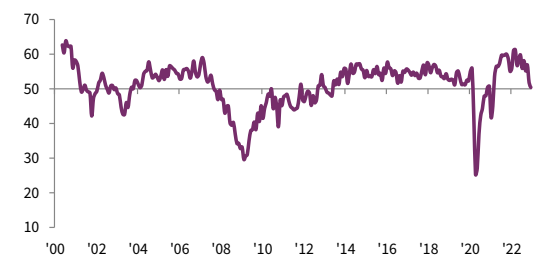
Outstanding Business Index



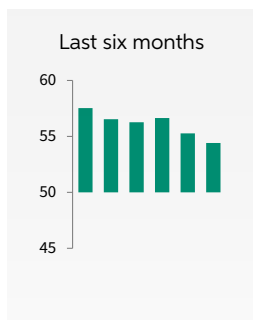
The seasonally adjusted Outstanding Business Index registered above the no-change mark of 50.0 for the twenty-second successive month in December, indicating a further increase in work-in-hand at service sector companies. That said, the increase was only fractional. A solid rise in Business Services was countered by a robust reduction in Transport, Tourism & Leisure, with little change seen in the remaining two sub-sectors.

Outstanding Business Index

sa, >50 = growth since previous month



Employment Index

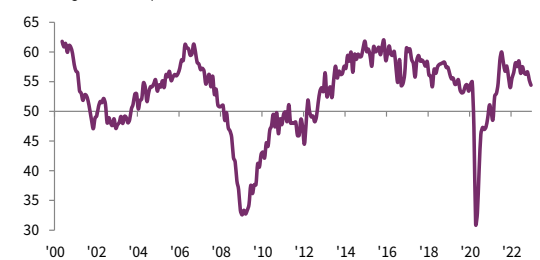


Service providers in Ireland continued to expand their workforces in December. The rate of job creation eased to the weakest in 2022, but was still solid overall and above the long-run survey average.

Employment growth remained broad-based across the four monitored sectors, with the fastest increase in Business Services and the slowest in Financial Services.

Employment Index

sa, >50 = growth since previous month



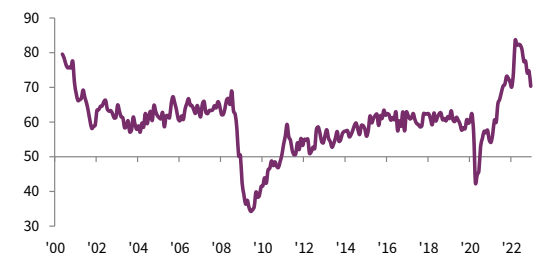
Input Prices Index



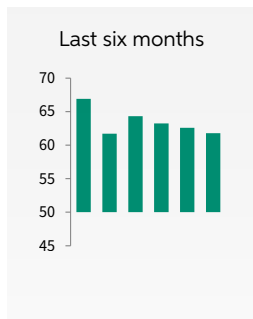
Average input prices continued to rise sharply in December, linked to utilities and wages in particular. The seasonally adjusted Input Prices Index remained above its long-run average but fell to an 11-month low, indicating softer inflation. Moreover, the month-on-month fall in the Index was among the largest in the survey history. By sector, cost pressures were strongest in Financial Services and weakest in Transport, Tourism & Leisure.

Input Prices Index

sa, >50 = inflation since previous month



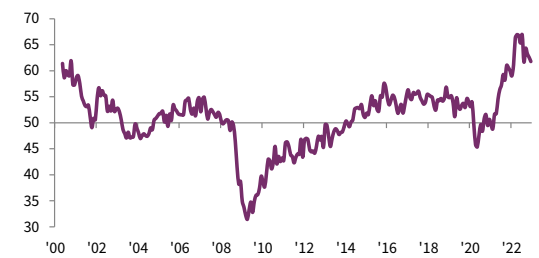
Prices Charged Index



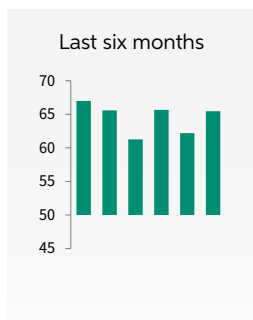
Charges levied by service providers rose for the twenty-second consecutive month in December, linked to ever-increasing costs. The rate of inflation eased to a four-month low, but was still the tenth-highest on record. The Business Services and Technology, Media & Telecoms sub-sectors registered the fastest rates of charge inflation in December.

Prices Charged Index

sa, >50 = inflation since previous month



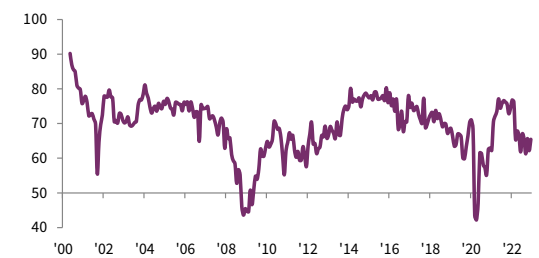
Future Activity Index



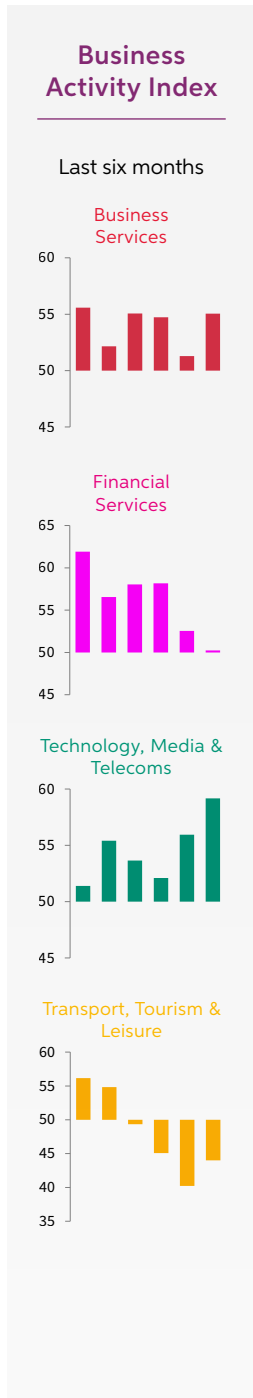
Service sector companies in Ireland remained optimistic of growth of activity over the coming year. Sentiment strengthened since November, but remained among the weakest registered over the past two years. The Future Activity Index has printed below its long-run trend level of 69.3 since March. Expectations were most upbeat in Technology, Media & Telecoms, and weakest in Business Services.

Future Activity Index

>50 = growth expected over next 12 months



Services Sub-sectors



Business Services

Activity at business service providers expanded at the fastest rate in three months in December, with the pace of expansion only slightly below the long-run series average. New business rose solidly following a decline in November. Employment rose at the fastest rate among the four sub-sectors for the fourth straight month. Input price inflation eased markedly, while charges were increased at a sharper rate.

Financial Services

Financial Services posted a near-stagnation in activity in December, with the slowest growth in the current 22-month sequence. New work fell for the first time since February 2021. Outstanding business rose only marginally, and employment increased at the slowest rate in the current 19-month spell of job creation. Financial Services posted the strongest input price inflation among the four sectors, but the weakest rise in charges.

Technology, Media & Telecoms

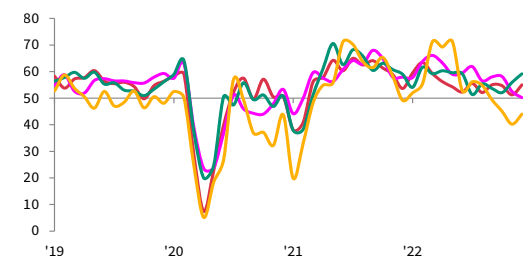
Technology, Media & Telecoms remained the fastest-growing sub-sector in December and the increase in activity was the sharpest in six months. The sector led the new business rankings for the fifth straight month, although outstanding work rose only marginally. Input price inflation rose to a three-month high, although charge inflation eased to a ten-month low. The 12-month outlook picked up since November but remained below-par.

Transport, Tourism & Leisure

Activity in the Transport, Tourism & Leisure sector fell for the fourth month running in December, albeit at a weaker rate. New business, however, fell at the fastest rate in nearly two years. More positively, employment rose and the 12-month outlook brightened. Input price inflation slowed noticeably to a 20-month low and was the weakest among the monitored sectors, in contrast to the trend earlier in the year. Charge inflation eased to a 15-month low.

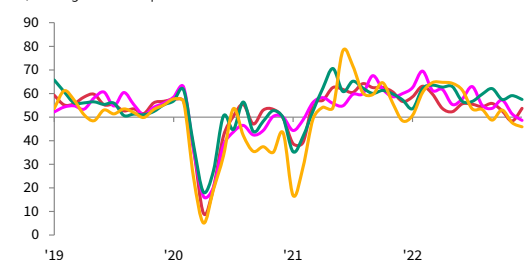
Business Activity Index

sa, >50 = growth since previous month



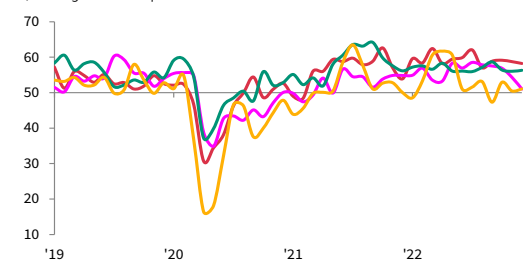
New Business Index

sa, >50 = growth since previous month



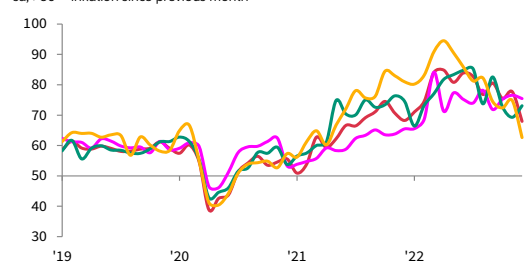
Employment Index

sa, >50 = growth since previous month



Input Prices Index

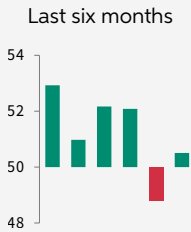
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Output rises slightly in December following November decline

Composite Output Index



Private sector output in Ireland rose in December, following the first contraction in 21 months in November. That said, the increase was only marginal as a sharper reduction in outstanding business supported activity while new orders fell further. Input price inflation eased for the seventh consecutive month while charges increased at a faster pace in December.

The seasonally adjusted Ireland Composite Output Index* rose from 48.8 in November to 50.5 in December, signalling renewed growth in activity in the private sector. The rate of growth was only marginal, however, as manufacturing production continued to fall and services activity increased at a below-par rate.

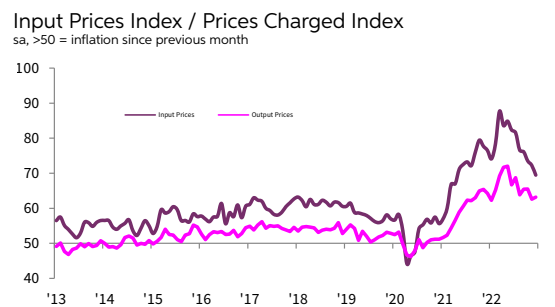
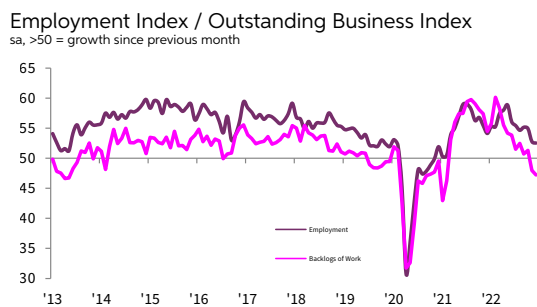
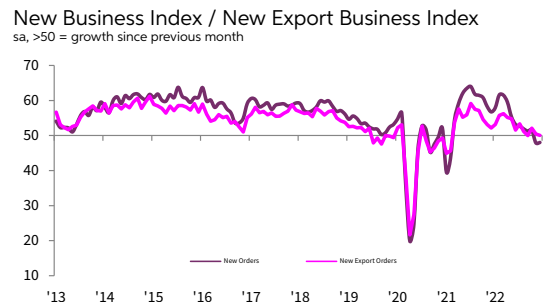
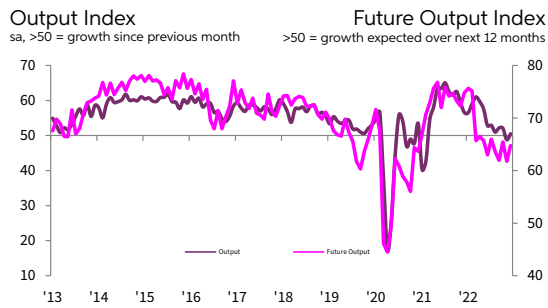
New business fell for the second month running in December, at a rate little-changed from November. Similar to output, new orders at manufacturers fell

while growth was registered at service providers. The volume of outstanding business, meanwhile, fell for the second month running and at a faster rate.

Employment rose for the twenty-fifth month running in December, and across both sectors. That said, the rate of job creation was the slowest since February 2021.

Cost pressures moderated to a 20-month low in December, with service providers seeing steeper increases in input prices than manufacturers for the fifth straight month. Charge inflation picked up slightly and remained historically strong.

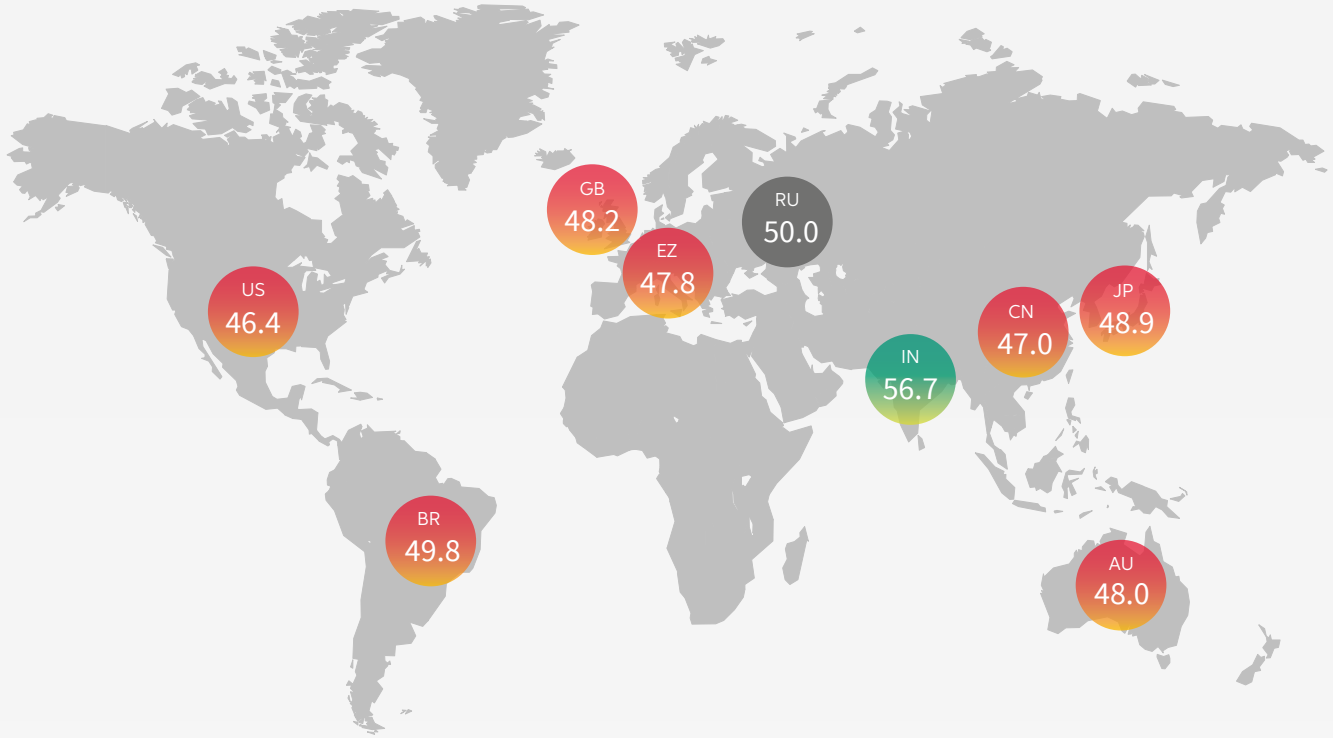
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

Composite Output Index, Nov '22

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
W: www.aibeconomics.com

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

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

S&P Global Market Intelligence

Trevor Balchin
Economics Director
T: +44-1491-461-065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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.

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 2022.

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 S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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 S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global 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 S&P Global 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 and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI®

by **S&P Global**