

AIB Ireland Services PMI®

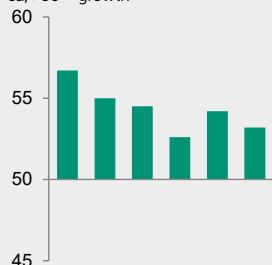
Service sector expansion sustained in December as business outlook for 2024 improves

53.2

IRELAND SERVICES BUSINESS ACTIVITY INDEX, DEC '23

Services Business Activity Index

Jul - Dec '23
sa, >50 = growth



The December AIB PMI® survey data signalled a further rise in service sector activity, extending the current growth sequence that began March 2021. Rates of expansion in total activity and new business both slowed on the month, resuming an easing trend evident across much of 2023. Looking ahead to 2024, however, confidence improved as firms expect interest rates to fall and geopolitical tensions to ease. Employment rose at the slowest rate in the near three-year period of job creation, while wages continued to underpin cost pressures which reached the highest in four months.

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

"The AIB Irish Services PMI for December showed a continued expansion in business activity in the sector, but as has been the case for most of the year, the pace of growth eased. The index came in at 53.2 in December, down from 54.2 in November. This was the second lowest reading in 2023. However, the Irish index remains above elsewhere, with the flash services PMIs coming in at 52.7, 48.1 and 51.3 for the UK, Eurozone and US, respectively, in December.

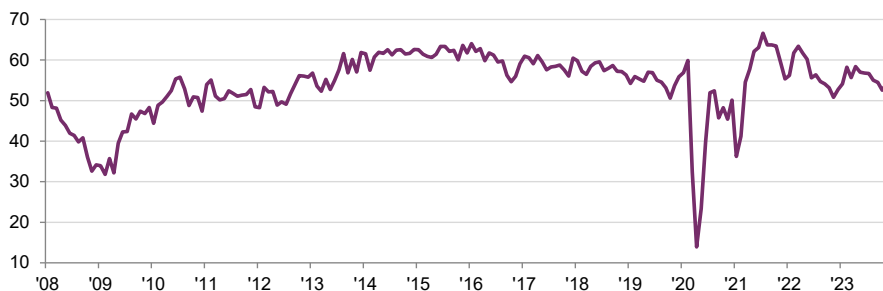
"Irish firms continued to report rising levels of new business, but the pace of growth slowed in December to the second weakest in 2023. Similarly, while the volume of outstanding work continued to rise, it was at one of the slowest rates in the past three years. One bright spot was new exports orders which hit their highest level since August, with the UK mentioned as a source of growth.

"Encouragingly also, for the second month in a row, all four service sub-sectors covered in the survey registered growth. Financial Services and Technology, Media & Telecoms posted the fastest rates of expansion. Employment also continued to rise, though the pace of job creation hit a 34-month low. Business sentiment about the prospects for activity over the coming twelve months hit its highest level since May, helped by growing expectations of rate cuts in 2024.

"Inflationary pressures, though, strengthened in December. The rate of input price inflation picked up for the first time in six months, with firms reporting higher wages, utilities and insurance costs. The higher operating costs were passed on to customers, with prices charged for services rising at their quickest pace in three months."

AIB Ireland Services Business Activity Index

sa, >50 = growth since previous month



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Overview

Slower increases in activity and new business at end of 2023

Outlook for 2024 improves

Input price inflation rises from two-and-a-half year low

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.

The AIB Services Business Activity Index fell from 54.2 in November to 53.2 at the end of 2023, signalling slower growth of Irish service sector output. The pace of expansion has moderated seven times in the past eight months, and the latest figure was the second-lowest in 2023. Nevertheless, activity has risen every month since March 2021.

Growth over 2023 as a whole (55.5) was slower than in 2022 (56.7) and 2021 (57.3), but stronger than in 2019 (54.8) prior to the disruption from the pandemic.

All four sub-sectors registered higher activity in December, as had been the case during November. For the first time since July, Financial Services (54.7) posted the fastest growth, just ahead of Technology, Media & Telecoms (54.2) which had been the top-ranked sector for the previous four months. Modest expansions were registered in Business Services (52.2) and Transport, Tourism & Leisure (51.5).

Irish service providers continued to report rising levels of new business in December, extending the current

growth sequence that began in March 2021. The rate of expansion resumed an easing trend, however, and was the second-weakest in 2023. The only sector that did not report slower demand growth in the latest period was Financial Services, with Business Services seeing almost no increase in new work.

Similar to new work, the volume of outstanding business continued to rise but at one of the slowest rates in the current 34-month upturn.

Service providers continued to expand their workforces in December. That said, the rate of job creation was the slowest over the current 34-month period of rising headcounts. A fall in employment in Transport, Tourism & Leisure was registered.

Wages remained a key source of pressure on operating costs for service providers in December. Utilities, transport and insurance were also reported as becoming more expensive at the end of the year. The overall rate of input price inflation accelerated for the first time in six months, rising to a four-month high and back above the long-run survey average. Charges rose in tandem with higher costs and at the fastest rate in three months, led by Financial Services.

Irish service providers were increasingly optimistic on business prospects for 2024. Sentiment improved for the fifth time in six months in December, to the highest since last May. Growth expectations were linked by panellists to a likely fall in interest rates and hopes of an easing in geopolitical tensions.

Activity and demand

Business activity

The level of business activity in the Irish service sector rose for the thirty-fourth consecutive month in December. The rate of expansion eased for the seventh time in eight months, however, as a number of firms reported slowing new business. Growth remained below the long-run survey average since 2000 and was the second-weakest in 2023.

For the second month running, all four sectors registered growth. Financial Services posted the fastest expansion and Transport, Tourism & Leisure the weakest.

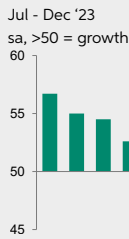
New business

The seasonally adjusted New Business Index also fell for the seventh time in eight months in December, signalling a renewed loss of momentum in demand for services. The overall rate of growth was the second-slowest across 2023 and below the long-run trend. New business intakes were broadly flat in Business Services.

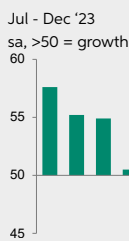
New export business

Having declined in October for the first time in over two-and-a-half years, the volume of new business from overseas increased for the second month running in December. There was a much slower rise in Transport, Tourism & Leisure, but this was offset by faster expansions in the other three monitored sectors. The UK was mentioned as a source of growth.

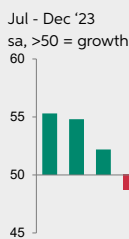
Business Activity Index



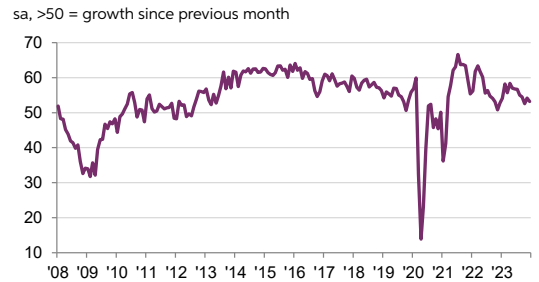
New Business Index



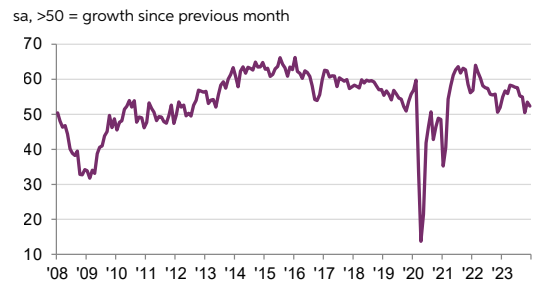
New Export Business Index



Business Activity Index



New Business Index

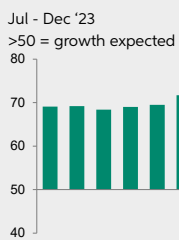


New Export Business Index



Business expectations

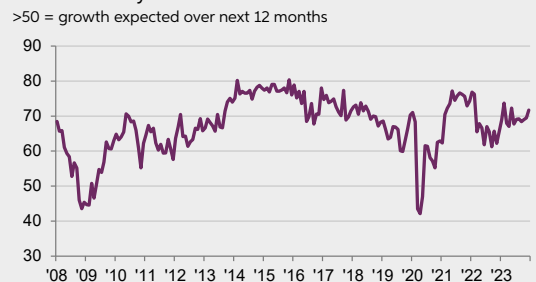
Future Activity Index



The 12-month outlook for business activity among Irish service providers strengthened at the end of 2023. Forecasts were the highest since last May, with the Future Activity Index rising above its long-run trend level of 69.6. Companies expect economic conditions to improve once interest rates start to fall, and some commented on hopes of an easing in geopolitical tensions.

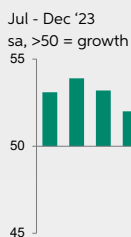
By sector, expectations were again strongest in the Technology, Media & Telecoms sector, followed by Financial Services.

Future Activity Index

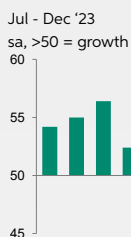


Employment and capacity

Employment Index



Outstanding Business Index



Employment

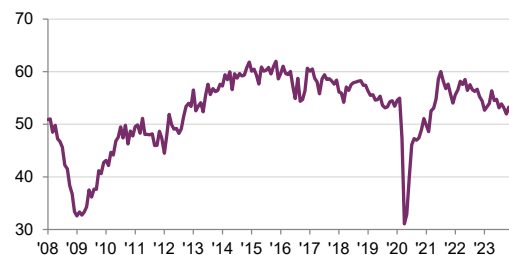
Growth in service sector employment was maintained in December, extending the current period of job creation that began in March 2021. The rate of increase eased to the weakest over this period, however, and was below the long-run survey trend. Jobs growth was seen in three out of four sectors, and was strongest in Technology, Media & Telecoms. Transport, Tourism & Leisure recorded lower staffing for the first time in five months.

Outstanding business

Service providers in Ireland continued to report rising levels of outstanding work in December, extending the current run of growth to 34 months. The rate of expansion eased to the weakest in 2023, however. Three sectors posted increases while Transport, Tourism & Leisure recorded a decline for the fifth time in seven months.

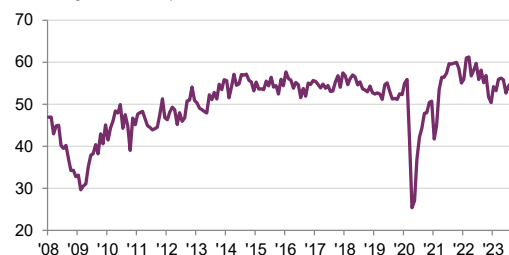
Employment Index

sa, >50 = growth since previous month



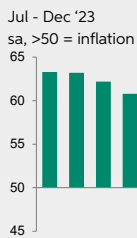
Outstanding Business Index

sa, >50 = growth since previous month

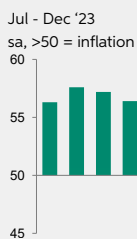


Prices

Input Prices Index



Prices Charged Index



Input prices

Average input prices in the service sector rose for the forty-second successive month in December. The rate of inflation accelerated for the first time in six months, with the seasonally adjusted Input Prices Index rising above its long-run average of 60.1 to a four-month high. Wages, utilities, fuel and insurance costs were all reported as having increased.

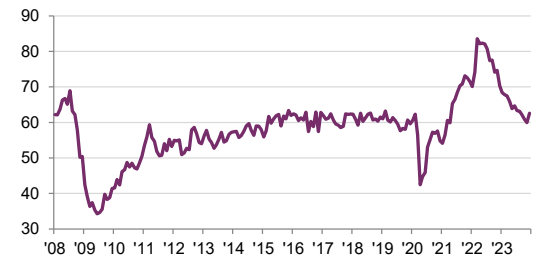
By sector, the strongest input price inflation was in Technology, Media & Telecoms and the weakest in Financial Services.

Prices charged

Service providers continued to raise their prices charged in December in order to pass on higher costs to customers. The rate of inflation quickened for the first time since August, and remained well above the long-run survey average. Charge inflation remained strongest in Financial Services.

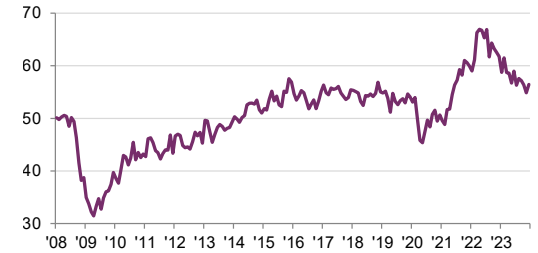
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





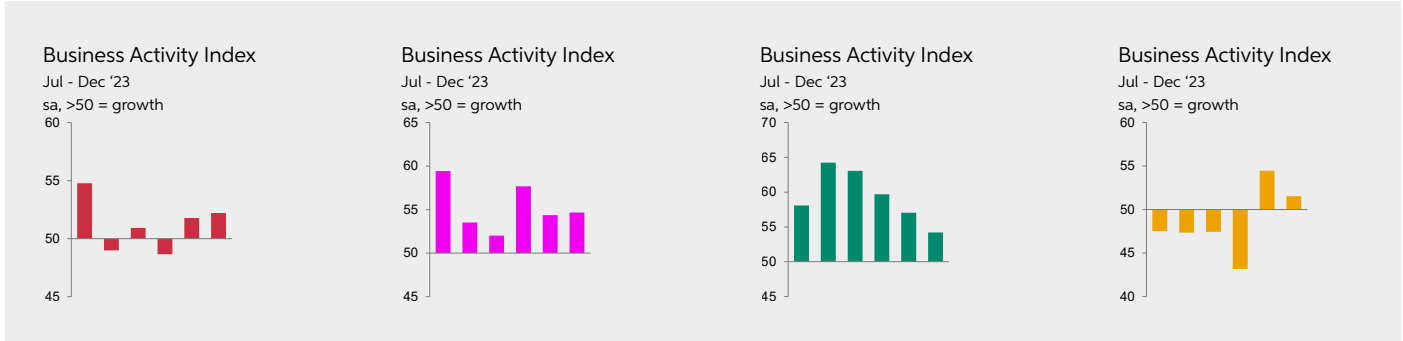
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



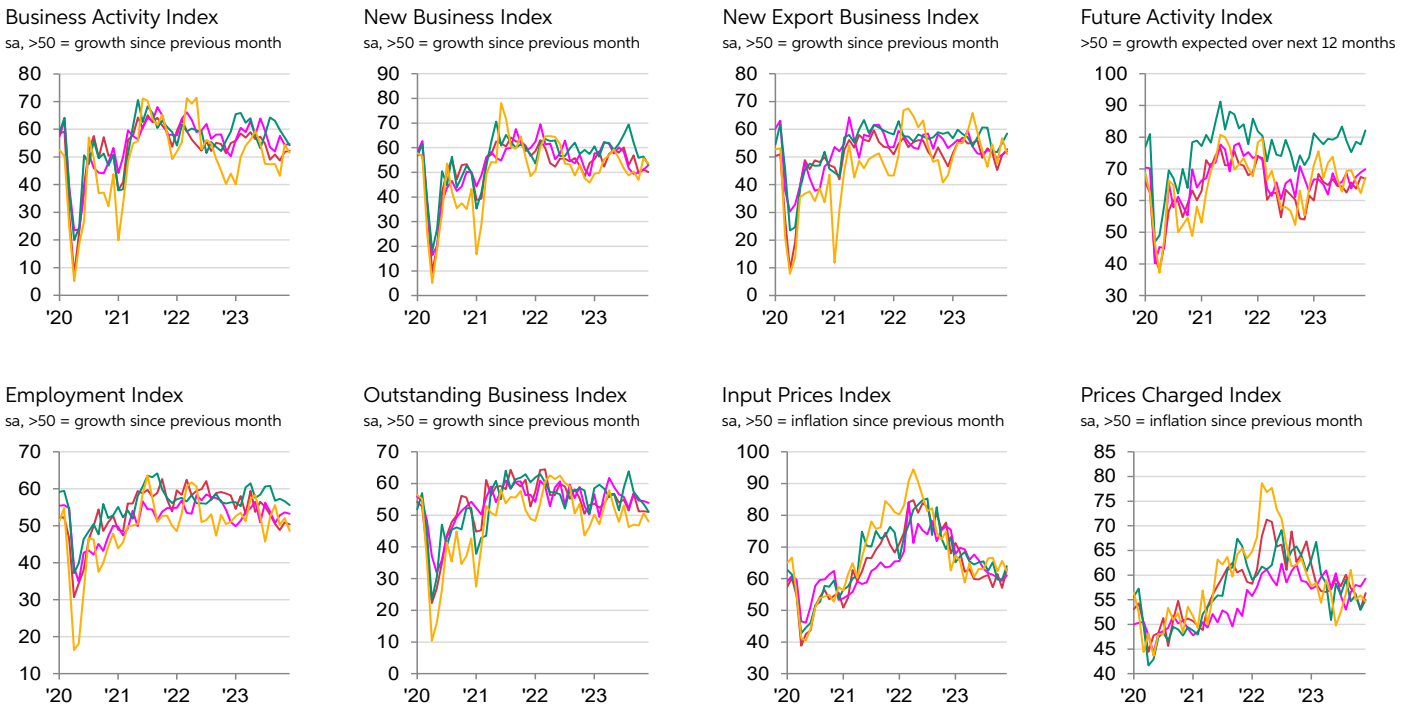
The Business Services sector registered a further increase in activity despite broadly no change in new work in December. Outstanding business continued to increase although employment rose only marginally. Cost pressures were the strongest in eight months, leading to a faster rise in charges. Expectations eased and were the weakest among the four monitored sectors.

Activity in Financial Services rose for the thirty-fourth successive month in December. The rate of growth was solid, and the fastest among the four sectors. New business rose at a faster rate while expectations improved to a four-month high. Employment increased further, while inflationary pressures strengthened since November.

Technology, Media & Telecoms (TMT) lost its top spot in the sector growth rankings in December, as the rate of expansion eased for the fourth straight month to the weakest since June. New business rose at the slowest rate since March 2021. Employment growth also eased but remained the strongest among the four sectors. Rates of both input and output price inflation accelerated during the month.

Activity in the Transport, Tourism & Leisure sector continued to rise in December, albeit at a slower rate. New business rose further, although outstanding work fell. Employment growth fell for the first time in five months, despite the 12-month business outlook strengthening. Rates of both input and output price inflation eased during the month.

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





AIB Ireland Composite PMI®

Weaker rise in output at end of 2023

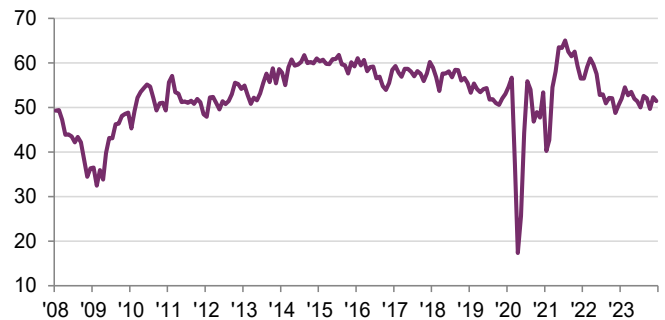
Irish private sector output rose for the second month running in December, albeit at a slower rate as demand nearly stalled. The AIB Ireland Composite PMI® Output Index* fell to 51.5, from November's 52.3, indicating a modest rate of growth that was slightly below the trend for 2023 as a whole.

Services activity continued to underpin overall growth, although the rate of expansion eased. Manufacturing output tipped back into decline.

New business rose in November, although the rate of expansion was weak and limited by a renewed fall in manufacturing new orders. Outstanding business rose only marginally, weighed down by a further drop in manufacturing backlogs. Employment rose at the slowest rate in nearly three years.

Input price inflation rebounded to an eight-month high in December, from November's 40-month low. Similarly, output price inflation accelerated at the end of 2023.

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



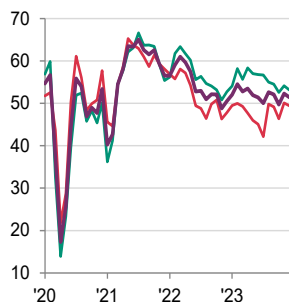
Sources: AIB, S&P Global PMI.

*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

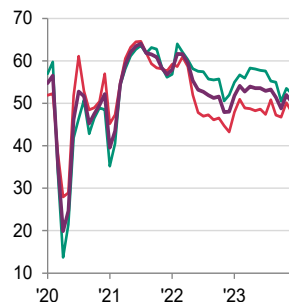
Output Index

sa, >50 = growth since previous month



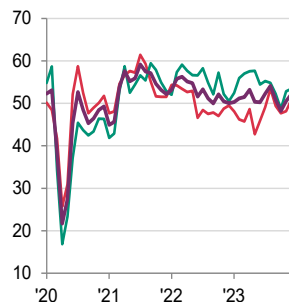
New Business Index

sa, >50 = growth since previous month



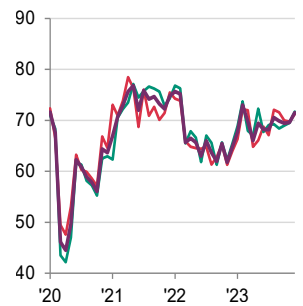
New Export Business Index

sa, >50 = growth since previous month



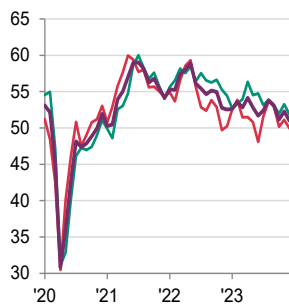
Future Output Index

>50 = growth expected over next 12 months



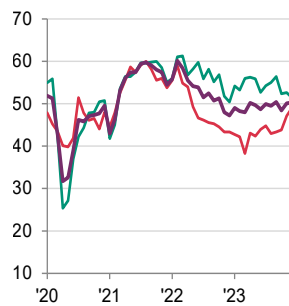
Employment Index

sa, >50 = growth since previous month



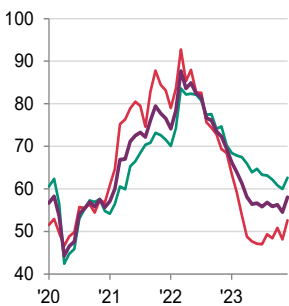
Outstanding Business Index

sa, >50 = growth since previous month



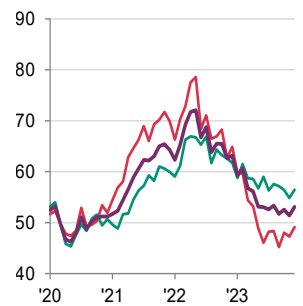
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

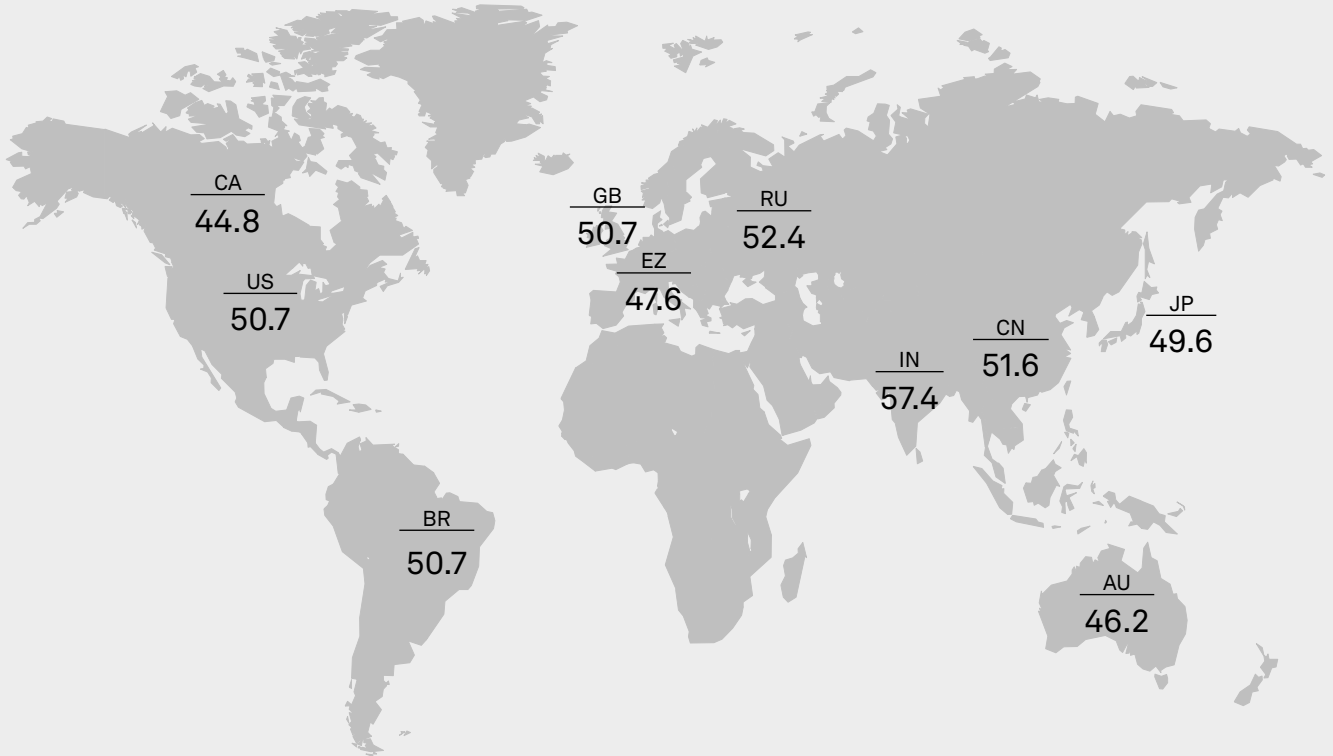
sa, >50 = inflation since previous month



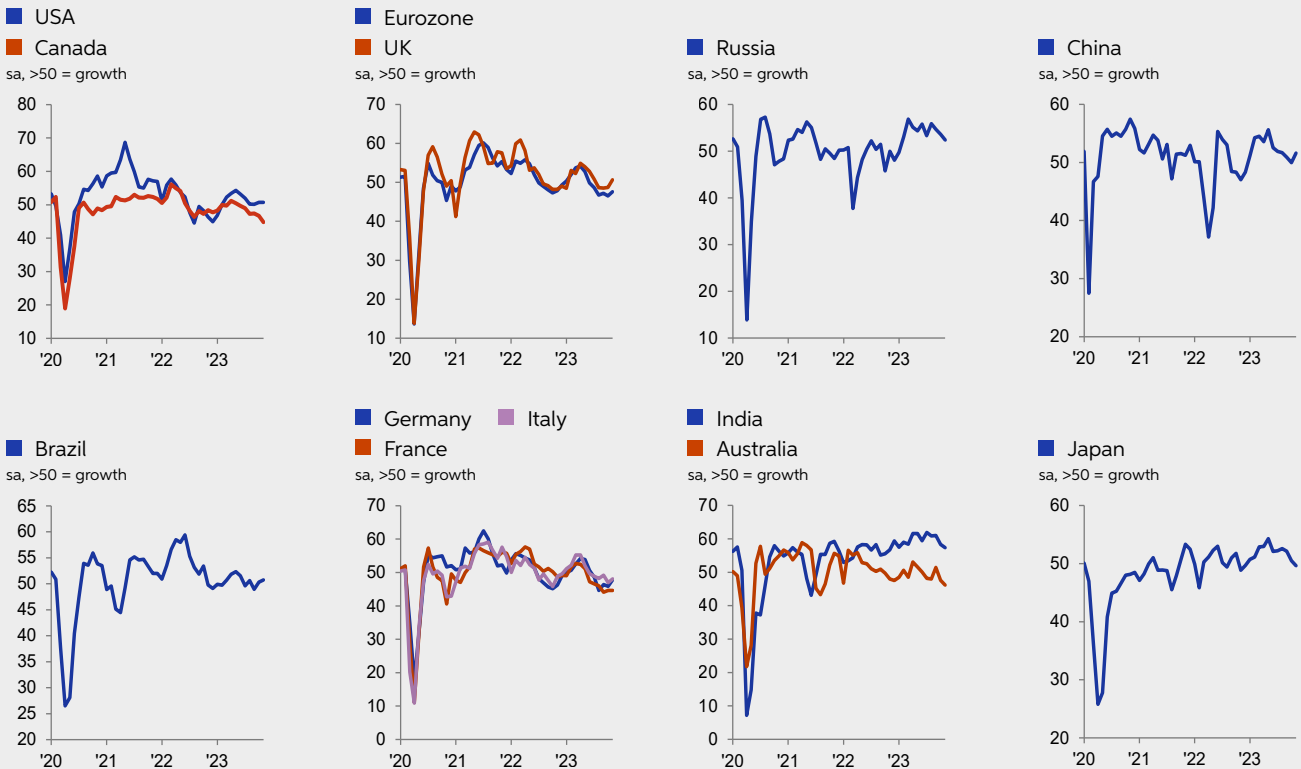
International PMI

Composite Output Index, Nov '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@spglobal.com.

Survey dates

Data were collected 6-19 December 2023.

Survey questions

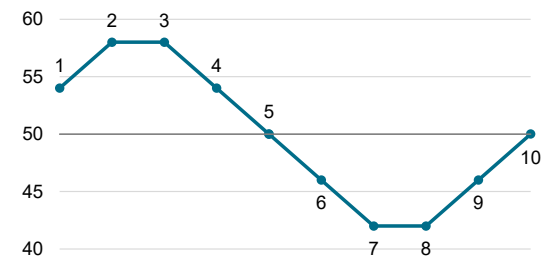
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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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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.

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