

AIB Ireland Services PMI®

Fastest rise in new business in over six years

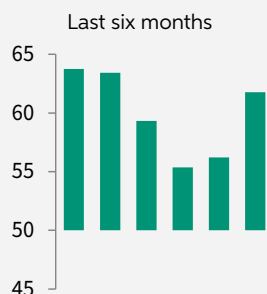
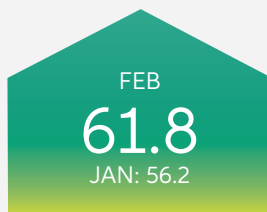
Key Findings

Demand drives sharp acceleration in activity growth

Biggest increase in outstanding work in over 21 years

Price pressures intensify

Ireland Services Business Activity Index



February AIB PMI® survey data signalled a notable acceleration in growth of the Irish service sector. Business activity growth quickened to a four-month high as new business expanded the most in over six years. Consequently, outstanding work rose at one of the strongest rates on record, and jobs were added at to a greater extent despite reports of labour shortages. Input price inflation accelerated to the fastest in over 21 years, leading to one of the steepest rates of increase in service providers' charges in the survey history.

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

"The AIB Irish Services PMI picked up strongly in February as the recovery from the pandemic gained momentum following the lifting of COVID restrictions the previous month and the Omicron variant retreated. The business activity index rose sharply to 61.8 from 56.2 in January and 55.4 in December. Services PMIs picked up markedly in other countries as well in February. However, the Irish index was above the flash readings in the Eurozone, UK and US of 55.8, 60.8 and 56.7, respectively.

"Most notable in the Irish survey was the sharp acceleration in the growth of new business, including exports, with improving economic conditions as the pandemic waned, boosting demand for services. This was evident across all four sub-sectors covered in the survey. Financial and business services registered the strongest growth in business activity

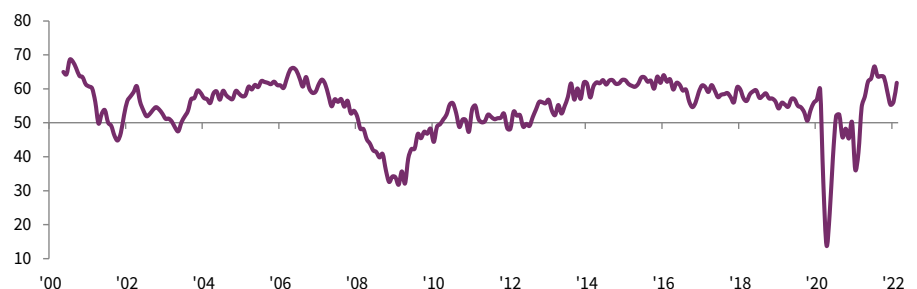
in February.

"Despite a further rise in employment, the surge in demand saw the volume of outstanding business in the services sector rise at it fastest pace since 2000. This was also linked to staff shortages and supply difficulties. Firms in all sectors remained very optimistic on the 12 month outlook for business, with activity expected to gain further momentum as the pandemic recedes, in particular tourism.

"Businesses continued to experience marked upward pressure on input prices, especially from higher labour and energy costs, but also fuel, insurance, shipping and UK customs. The rate of input price inflation was the fastest in more than 21 years. Meanwhile, the prices charged to customers also rose at the quickest pace since 2000. Price pressures were most acute in the transport/tourism/leisure sector."

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 jumped to 61.8 in February, from 56.2 in January. The latest reading signalled the fastest increase in service sector output since last October, and was well above its long-run average of 55.0. Moreover, the month-on-month acceleration in growth was the sharpest on record. In the six previous instances where the Index had seen bigger month-on-month increases, the data had signalled either slower declines in activity or merely a resumption in growth.

Sub-sector data revealed stronger increases in activity across all four monitored categories in February. The sharpest growth was seen in Financial Services (63.8), which topped the rankings for the first time since last September. Business Services (63.5) was a close second with growth at a five-month high. Technology, Media & Telecoms (61.7) registered the steepest month-on-month acceleration in growth while Transport, Tourism & Leisure (55.4) remained the weakest-growing sector.

Demand for Irish services expanded at a much faster rate in February. The month-on-month pick-up in growth was the fastest registered since the series began in 2000,

with the rate of expansion the sharpest since January 2016. Responding companies linked improving market conditions to an economic recovery from the pandemic, the lifting of restrictions, new services and new clients. Growth in new work accelerated in all four sectors, with a notable pick-up since January in Transport, Tourism & Leisure.

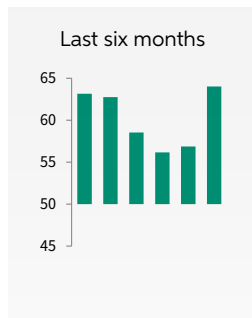
Much stronger growth in new business placed greater pressure on operating capacity in February, and the effect was compounded by staff and supply shortages. Outstanding work rose at the fastest rate in over 21 years, with Business Services and Technology, Media & Telecoms seeing the sharpest expansions.

Efforts to fill vacancies were stepped up in February, with service sector employment increasing at the fastest rate in four months and a stronger pace than the trend over the current 12-month sequence of workforce growth. Nevertheless, firms reported that hiring had been constrained somewhat by labour shortages. Recruitment was strongest in Business Services, and weakest in Transport, Tourism & Leisure.

Input price inflation accelerated for the first time in four months in February, to the highest in over 21 years. Service providers highlighted salaries and energy as the key drivers of higher costs, as well as fuel, insurance, shipping and UK customs. Passing on greater costs to customers, service providers' charges increased at the fastest rate since October 2000, and the third-strongest on record. In line with the recent trend, price pressures were most acute in the Transport, Tourism & Leisure sector.



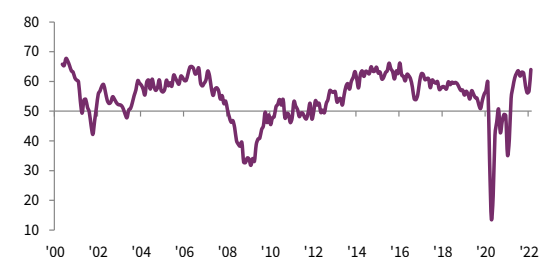
New Business Index



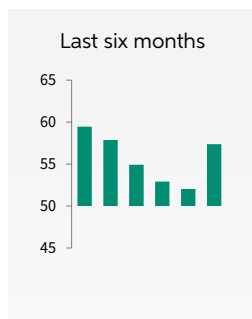
February data signalled a notable boost in demand for Irish services. The rate of expansion in new business was the fastest since January 2016. Moreover, the month-on-month acceleration in growth was the sharpest registered over the survey history. Service providers linked improving market conditions to an economic recovery from the pandemic, the lifting of restrictions, new services and new clients. All four sectors registered faster growth, with the most notable acceleration seen in Transport, Tourism & Leisure.

New Business Index

sa, >50 = growth since previous month



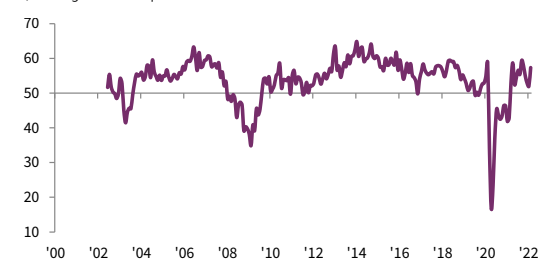
New Export Business Index



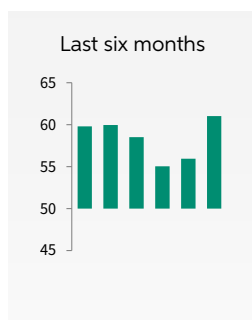
The volume of new work from international clients rose for the twelfth successive month in February. The rate of growth improved to a four-month high, and was above both the trend for the current sequence and the long-run survey average. Export growth was sharpest in Technology, Media & Telecoms. The Transport, Tourism & Leisure sector posted only a slight increase, but this represented an improvement following a steep three-month downturn.

New Export Business Index

sa, >50 = growth since previous month



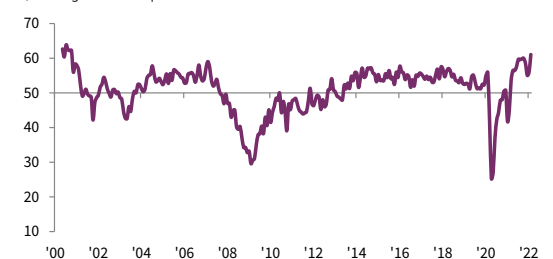
Outstanding Business Index



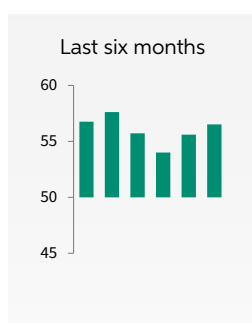
Much stronger growth in new business placed greater pressure on service providers' operating capacity in February. The volume of outstanding business increased for the twelfth consecutive month, and at the fastest rate since October 2000. As well as demand pressures, higher backlogged work was linked to staff and supply shortages. The fastest increases in outstanding work were in Business Services and Technology, Media & Telecoms.

Outstanding Business Index

sa, >50 = growth since previous month



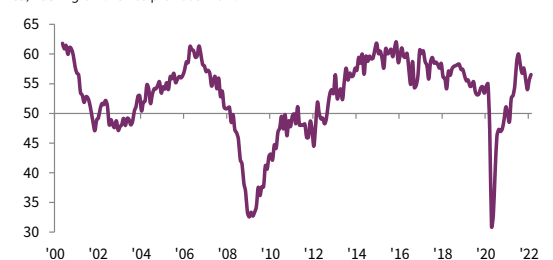
Employment Index



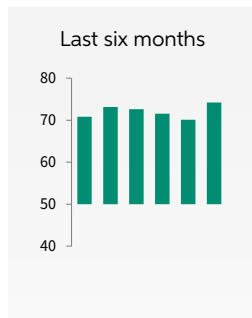
Service sector employment in Ireland rose for the twelfth successive month in February. Firms reported needing to recruit to meet customer requirements, and a general pick-up in business levels. The rate of workforce growth quickened to a four-month high, and was well above the long-run series average. Jobs growth was broad-based across all four sectors for the first time in three months, as net hiring was seen in Transport, Tourism & Leisure. The strongest increase overall was in Business Services.

Employment Index

sa, >50 = growth since previous month



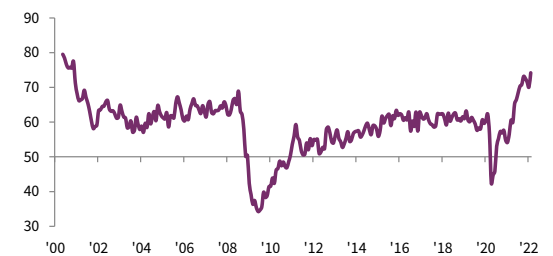
Input Prices Index



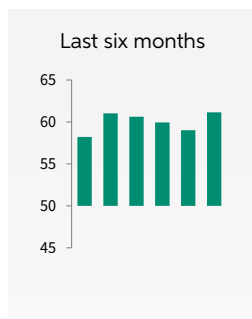
Input price inflation quickened sharply in February, ending a three-month sequence of easing cost pressures. The rate of inflation was the fastest since November 2000, and among the highest on record. Firms highlighted salaries and energy as the key drivers of higher input costs, as well as fuel, insurance, shipping and UK customs. For the ninth month running, input price inflation was steepest in Transport, Tourism & Leisure. Financial Services faced the weakest cost pressures for the twelfth month in a row.

Input Prices Index

sa, >50 = inflation since previous month



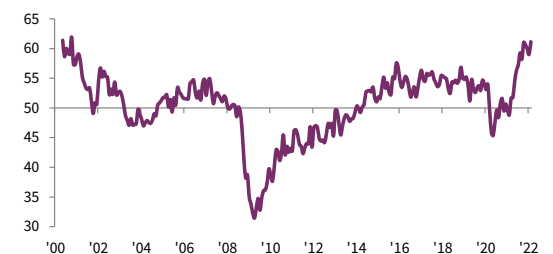
Prices Charged Index



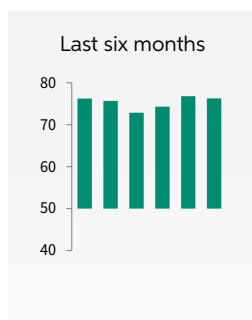
Service providers continued to pass through greater costs to customers in February, increasing their charges for the twelfth consecutive month. The rate of inflation accelerated for the first time in four months, to the highest since October 2000 and the third-fastest on record since the series began in May 2000. All four sub-sectors recorded steeper increases, with pricing power strongest in Transport, Tourism & Leisure for the third straight month.

Prices Charged Index

sa, >50 = inflation since previous month



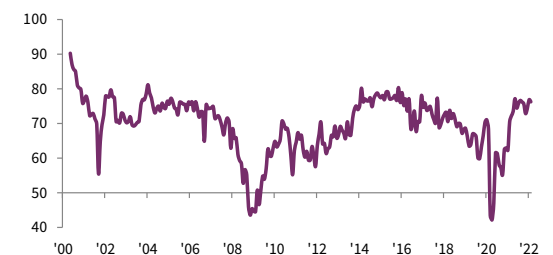
Future Activity Index



Expectations for activity among Irish service providers remained strongly positive in February. The overall level of sentiment was little-changed on January and remained above that seen over 2021 as a whole. Positive forecasts were linked to efforts to seek new business, the removal of COVID restrictions, renewed tourism and improving consumer confidence. Business expectations were again strongest in Technology, Media & Telecoms.

Future Activity Index

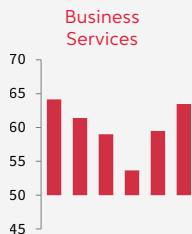
>50 = growth expected over next 12 months



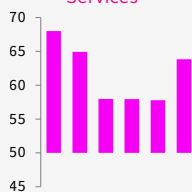
Services Sub-sectors

Business Activity Index

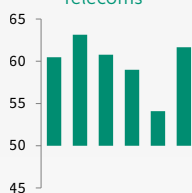
Last six months



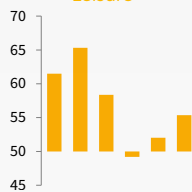
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

Activity in the Business Services sector rose at the strongest pace in five months in February, while new business growth hit a six-month high. Business Services also registered the strongest increases in both employment and outstanding work among the four sub-sectors monitored. The rate of input price inflation accelerated to the joint-strongest in over 21 years, while charge inflation hit a three-month high.

Financial Services

Financial Services was the fastest-growing of the four main sectors monitored in February, the first time it topped the growth rankings since last September. It also registered the sharpest increase in new business of all sectors for the third straight month in February. Employment rose at the fastest rate since August 2019. Input price inflation reached the highest since May 2008, but remained the weakest among the four sectors.

Technology, Media & Telecoms

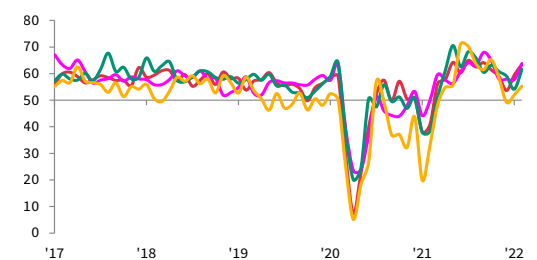
Growth of activity in the Technology, Media & Telecoms sub-sector accelerated sharply to a four-month high in February. New business showed a similar trend, with the latest expansion the fastest in six months. On both metrics it was ranked only third among the sectors monitored, although it remained the most optimistic regarding the 12-month outlook. Employment increased at the fastest rate in three months.

Transport, Tourism & Leisure

The Transport, Tourism & Leisure sector saw the strongest increase in new business in four months in February, leading to the fastest overall growth in activity since last November. Exports, outstanding business and employment all increased following declines in January. On all five metrics, however, Transport, Tourism & Leisure was the slowest-growing of the four monitored sectors, while it continued to see the steepest price pressures.

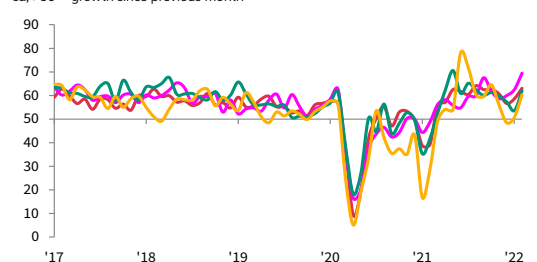
Business Activity Index

sa, >50 = growth since previous month



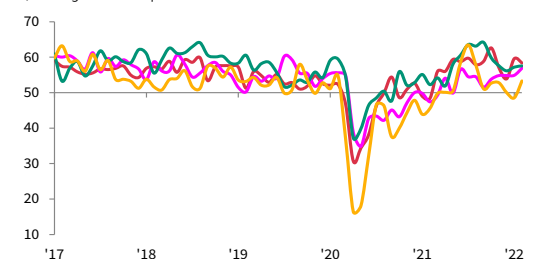
New Business Index

sa, >50 = growth since previous month



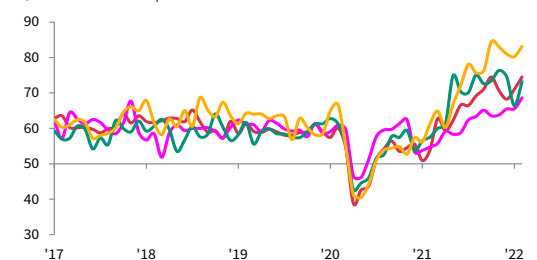
Employment Index

sa, >50 = growth since previous month



Input Prices Index

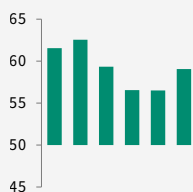
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Composite Output Index

Last six months



Service providers drive private sector growth in February

Private sector output in Ireland increased at the fastest rate in three months in February, driven by a sharp acceleration in service sector growth. New business expanded at the fastest rate in six months, though price pressures were the second-highest on record.

The Ireland Composite Output Index rose to 59.1 in February, from 56.1 in January. The latest figure signalled the fastest growth since last November, and a sharper pace of expansion than the trend for 2021.

The improvement in the latest period reflected a steep acceleration in growth of services activity, which more than offset the weakest rise in manufacturing output since March 2021.

New business in the private sector increased at the fastest rate in six months, and one of the strongest on record. Again, services drove the quicker rate of improvement.

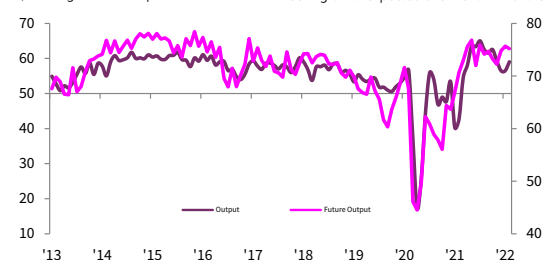
The level of outstanding business rose for the twelfth month running and at the fastest rate since the series began in September 2002. Both manufacturing and services sectors posted some of the fastest increases in backlogs in their respective series histories.

Employment rose for the fifteenth month running, and at a strong pace that was little-changed from January. Hiring at service providers continued to outpace that at manufacturers.

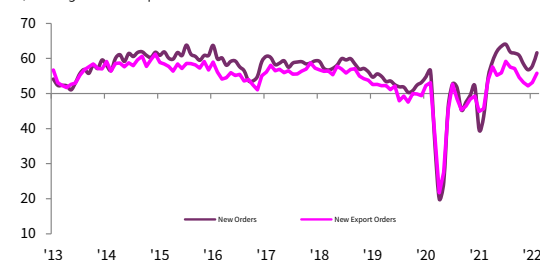
Input price inflation accelerated to the second-fastest rate ever recorded in February, as did charge inflation.

*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.

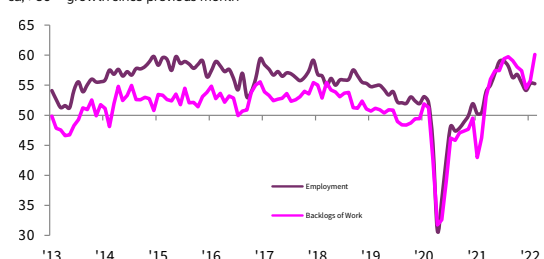
Output Index
sa, >50 = growth since previous month



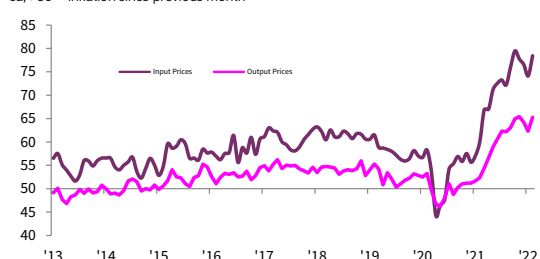
Future Output Index
>50 = growth expected over next 12 months



Employment Index / Outstanding Business Index
sa, >50 = growth since previous month



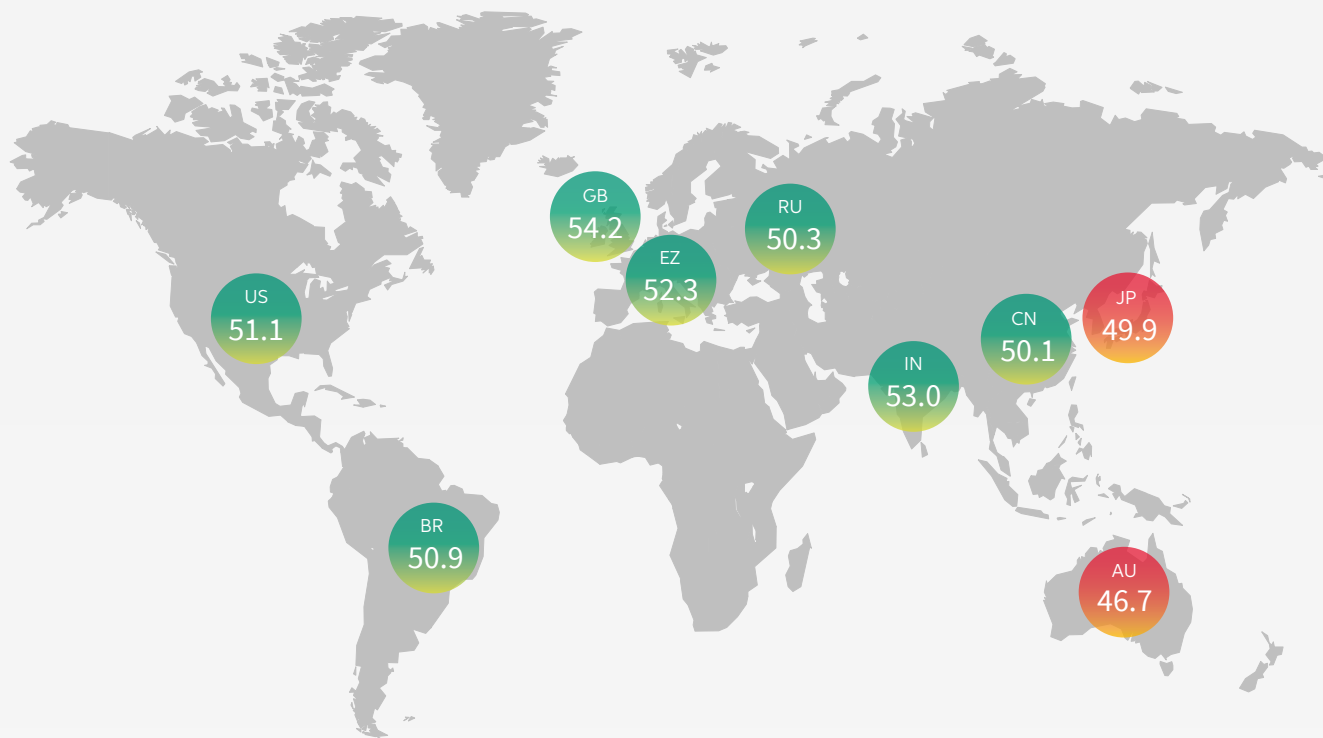
Input Prices Index / Prices Charged Index
sa, >50 = inflation since previous month



International PMI

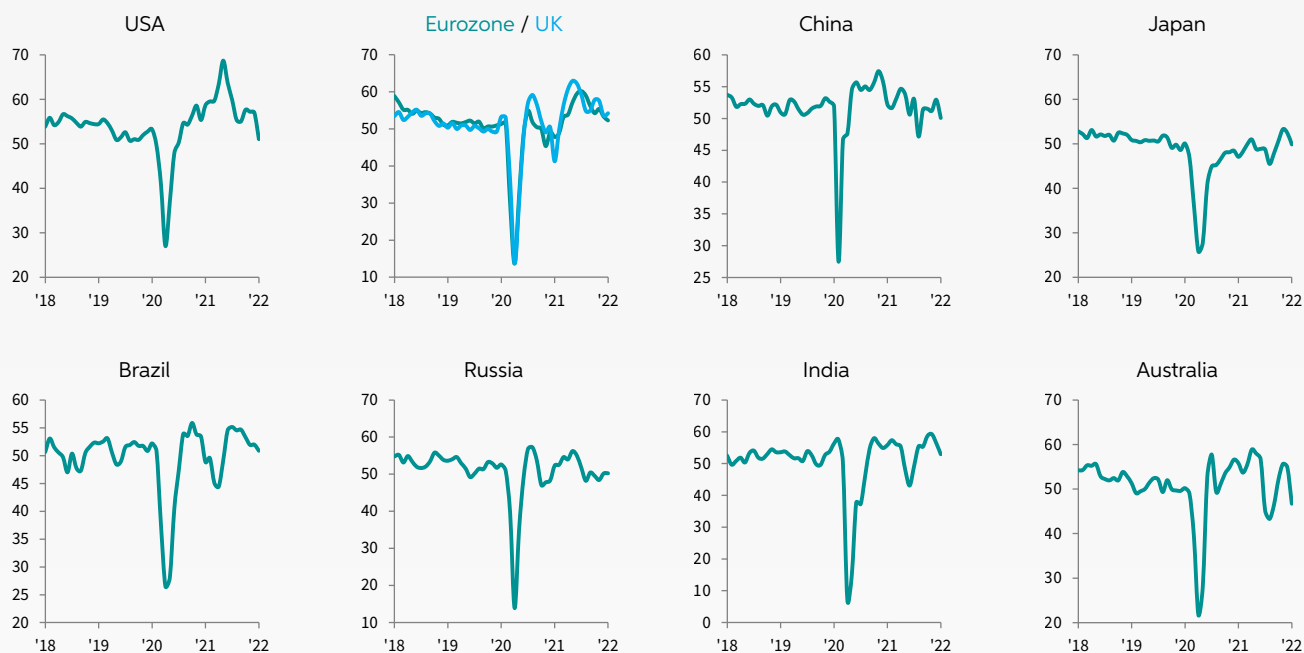
Composite Output Index, Jan '22

sa, >50 = growth since previous month



Composite Output Index

sa, >50 = growth since previous month



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Methodology

The AIB Ireland Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 10-23 February 2022.

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

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