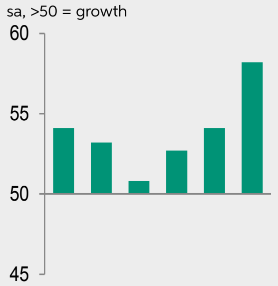
AIB Ireland Services PMI®

Irish service sector picks up significant growth momentum

58.2

IRELAND SERVICES BUSINESS ACTIVITY INDEX, FEB '23



Ireland's service sector gained some further growth momentum midway through the first quarter of the year with the latest AIB PMI® survey data marking exactly two consecutive years of monthly improvements in business activity, new business, and employment. Firms were subsequently more optimistic about their future and registered the strongest degree of confidence in a year. Cost pressures eased but charges were hiked at a faster rate.

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

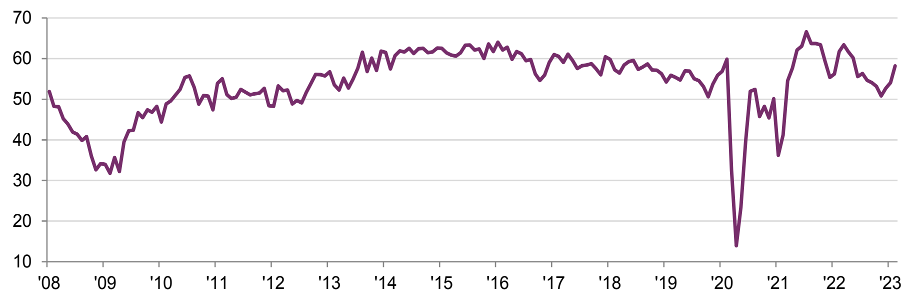
"The AIB Irish Services PMI posted a strong increase in February for the third month in a row. The Business Activity Index climbed to 58.2 from 54.1 in January, 52.7 in December and 50.8 in November. This is the highest reading since May and points to a robust rate of growth in services activity in February. It is also well above the flash February Services PMI readings for the Eurozone, UK and US of 53.0, 53.3 and 50.5, respectively.

"A further marked rise in new business volumes in Irish services firms was registered in February, including in new export business, reflecting improving demand conditions both at home and abroad. This resulted in another significant increase in backlogs of outstanding business. There was a further rise in employment, but at a modest pace, amid reports of difficulties in sourcing staff. Meanwhile, firms' confidence about the outlook for the next 12 months rose for the third consecutive month to its highest level in a year.

"A very strong expansion in activity and robust growth in new business was recorded in three of the four sectors covered in the survey -Technology/Media/Telecoms, Financial and Business Services. Meanwhile, after five months in decline, there was a stabilisation in activity levels in the Transport/Tourism/Leisure sector, with good growth in new export business.

"Inflationary pressures remain strong in the services sector. Businesses continued to report upward pressure on wages, as well as transport and energy costs, though the rate of increase in input prices eased somewhat further to a 20-month low. Meanwhile, higher costs continue to be passed on to customers, with the rate of increase in selling prices re-accelerating in the month."

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



Contents

Overview

Strongest increase in activity since last May

Sustained and marked upturn in new business

Input price inflation eases to 20-month low

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.

At 58.2 in February, up from 54.1 in January, the Services Business Activity Index marked exactly two consecutive years of monthly improvements in the Irish service sector. The headline reading was the highest since last May and sharp in the context of historical data.

Broken down by sector, faster activity growth in three of the four monitored industries was accompanied by a stabilisation registered at Transport, Tourism & Leisure firms. For the fourth month in a row, the Technology, Media & Telecoms group topped the growth rankings.

Reportedly, the latest uplift in activity levels was largely a reflection of firmer demand conditions. Inflows of new business rose further midway through the first quarter of the year and at the steepest pace since last July. Demand also improved in international markets, as highlighted by a sustained and strong upturn in new export business.

Against a backdrop of increasing workloads and rising order book volumes, Irish service sector companies added to their workforce numbers in February. Though broadly in line with the series average, the latest expansion in employment remained softer than rates seen over much of the past two years amid reports of voluntary leavers and candidate sourcing difficulties.

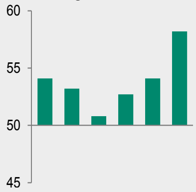
Once again, capacity looked to be squeezed in February, as signalled by a twenty-fourth successive accumulation in backlogged work. The latest growth was solid overall and linked by panel members to the twin impacts of increasing volumes of new business and staff shortages.

Amid a notable improvement in general market conditions and firmer demand trends, Irish service providers became increasingly optimistic about growth forecasts over the coming 12 months. In fact, the overall degree of confidence was the strongest in a year and historically elevated. Other factors supporting the overall sense of optimism included building project pipelines, the development of new products, and growth strategy plans.

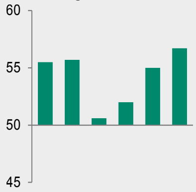
Contrasting movements were displayed in terms of pricing. While sharp, the rate of input cost inflation continued along its current downwards trajectory and reached the lowest level in 20 months. The pace of output charge inflation, however, re-accelerated from January's 16-month low. Anecdotal evidence suggested that increasing labour expenses was a primary driver in the latest rise in cost burdens though inflation was also mentioned across a broad range of inputs. Firms continued to attribute their own charge inflation to higher operating expenses and their ongoing efforts to pass these on to customers.

Activity and demand

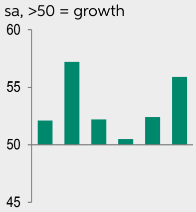
Business Activity Index
Sep '22 - Feb '23
sa, >50 = growth



New Business Index
Sep '22 - Feb '23
sa, >50 = growth



New Export Business Index
Sep '22 - Feb '23
sa, >50 = growth



Business activity

February data marked exactly two consecutive years whereby business activity across Ireland's service sector has risen on a monthly basis. Notably, the latest increase was sharp and the most pronounced since last May. Survey respondents noted that the uptick was primarily driven by firmer client demand and improving market conditions.

The Technology, Media & Telecoms sub-sector registered the sharpest uplift in activity

New business

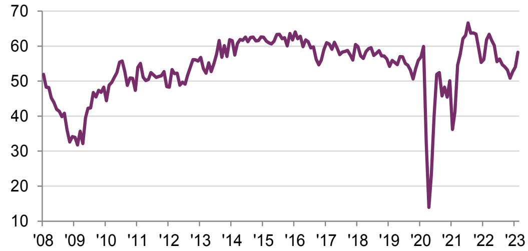
As has been the case since March 2021, Irish service providers registered an expansion in new business volumes in February. The rate of growth quickened for the third month in a row to reach a seven-month high. Panel members mentioned that underlying demand conditions, both domestically and internationally, had improved somewhat. Other firms reportedly benefited from new client wins and a stronger online presence.

Growth was reflected in three of the sub-sectors and led by Business Services. Transport, Tourism & Leisure registered only a slight contraction.

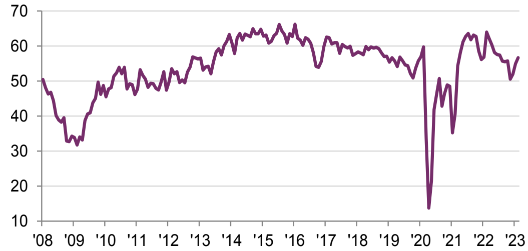
New export business

The seasonally adjusted New Export Business Index posted above the neutral 50.0 mark in February to signal a twenty-fourth successive monthly increase in overseas demand for Irish services. The latest growth was the sharpest since last October and linked by panel members to better demand conditions in some of Ireland's key European neighbours.

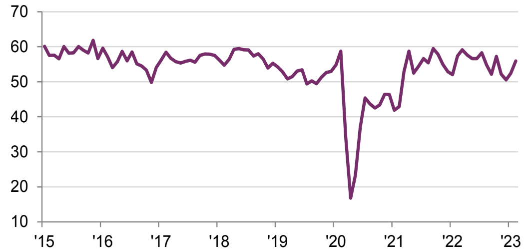
Business Activity Index
sa, >50 = growth since previous month



New Business Index
sa, >50 = growth since previous month

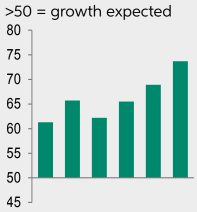


New Export Business Index
sa, >50 = growth since previous month



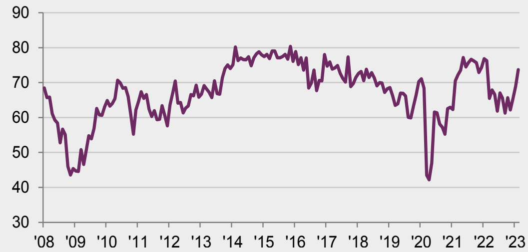
Business expectations

Future Activity Index
Sep '22 - Feb '23
>50 = growth expected



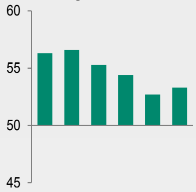
Confidence about future output among Irish service sector companies improved further midway through the first quarter of the year. In fact, the overall degree of positive sentiment was the highest in a year, and strong in the context of historical data. Hopes for a sustained improvement in demand trends and better market conditions reportedly boosted optimism. There were also mentions of building project pipelines, new product development and growth strategy plans.

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

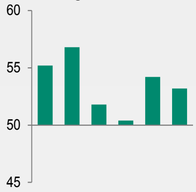


Employment and capacity

Employment Index
Sep '22 - Feb '23
sa, >50 = growth



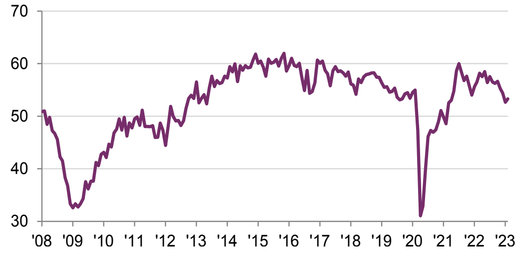
Outstanding Business Index
Sep '22 - Feb '23
sa, >50 = growth



Employment

Service sector employment in Ireland rose further in February, taking the current stretch of job creation to 24 months. The latest growth in staffing levels was solid and broadly in line with the long-run series average, but weaker than the average for the current sequence of hiring. Companies that increased headcounts mentioned greater intakes of new business. Others that reported lower staffing numbers reported difficulties in sourcing candidates.

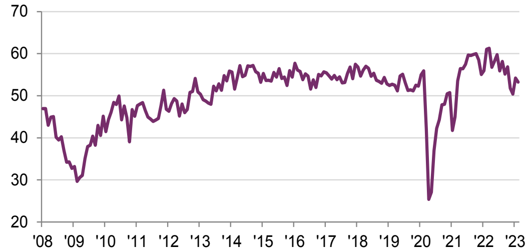
Employment Index
sa, >50 = growth since previous month



Outstanding business

The seasonally adjusted Outstanding Business Index posted above the 50.0 mark of no-change in February to signal a twenty-fourth consecutive monthly increase in backlogged work. That said, while strong, the pace of accumulation was slower than the rates seen over much the past two years. There were reports from the survey panel that stronger inflows of new business meant that firms fell behind on workloads. Others mentioned staff shortages.

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



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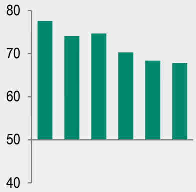
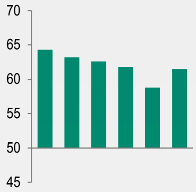
Input Prices Index
Sep '22 - Feb '23
sa, >50 = inflation



Prices Charged Index
Sep '22 - Feb '23
sa, >50 = inflation



Prices

Input prices

Input costs increased further midway through the first quarter of the year. According to panel members, higher labour costs were a factor driving the latest round of input cost inflation. Rising energy and transport costs were also specifically mentioned. The rate of inflation, however, continued along its current downwards trajectory and eased to a 20-month low.

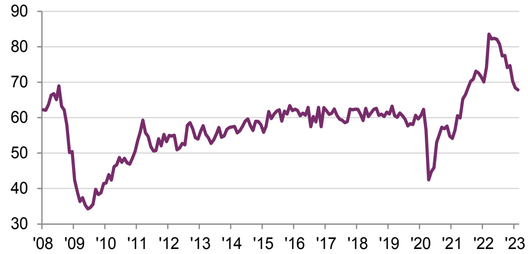
By sector, cost pressures were strongest in Financial Services and weakest in Transport, Tourism & Leisure.

Prices charged

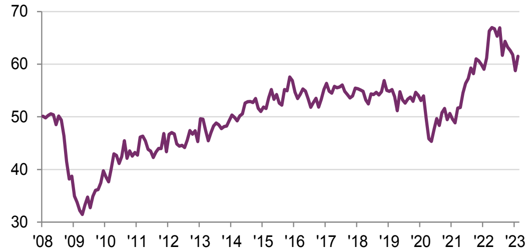
Once again, charges levied by Irish service providers rose in February, thereby extending the current sequence of monthly rises in selling prices to two years. Moreover, following four successive months of easing, the rate of charge inflation re-accelerated on the month. Anecdotal evidence highlighted the pass through of cost increases to clients.

For the second month in a row, Technology, Media & Telecoms firms raised prices at the fastest rate.

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



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



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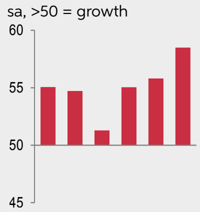
Services sub-sectors

Business Services

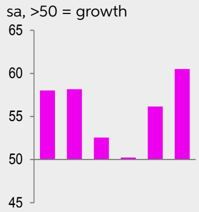
Business Activity Index
Sep '22 - Feb '23
sa, >50 = growth



Growth of activity in the Business Services sector picked up in February to a sharp pace that was the strongest in almost a year. The same was the case for new business growth. Firms subsequently added to their workforces at a marked rate, but still registered an accumulation in backlogs of work. Rates of input price and output charge inflation both eased on the month.

Financial Services

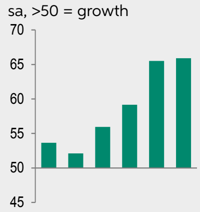
Business Activity Index
Sep '22 - Feb '23
sa, >50 = growth



Firms within the Financial Services sector saw a steep expansion in activity levels in February that was the most pronounced in seven months. Inflows of new business increased for the second month in a row and at a marked pace, while outstanding work was depleted for the first time since September 2020. Rates of input cost and selling price inflation both accelerated from January.

Technology, Media & Telecoms

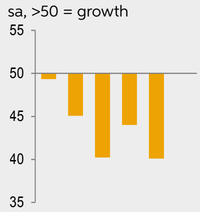
Business Activity Index
Sep '22 - Feb '23
sa, >50 = growth



There was a further increase in activity levels at Technology, Media & Telecoms firms in February. The latest expansion was significant and the fastest since July 2021. The increase in new business was also marked, albeit the weakest in 13 months. Backlogs of work increased steeply, and there was sustained growth in staffing levels. Input price and charged price inflation both picked up, with the latter to the strongest in seven months.

Transport, Tourism & Leisure

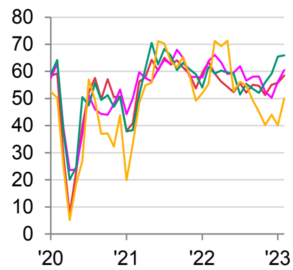
Business Activity Index
Sep '22 - Feb '23
sa, >50 = growth



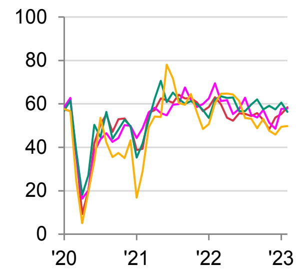
The Transport, Tourism & Leisure sector registered a stabilisation in activity levels in February. New business, meanwhile, contracted for a fourth month in a row, albeit fractionally. Firms continued to add to their headcounts, and at the fastest pace since last May. Contrasting movements were registered in terms of prices. The rate of input price inflation eased from January while selling price inflation quickened on the month.

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

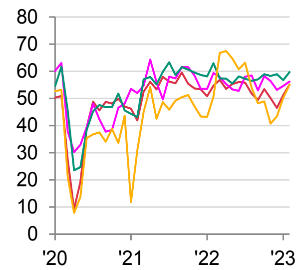
Business Activity Index
sa, >50 = growth since previous month



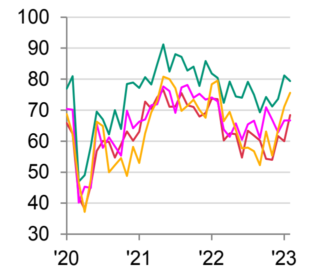
New Business Index
sa, >50 = growth since previous month



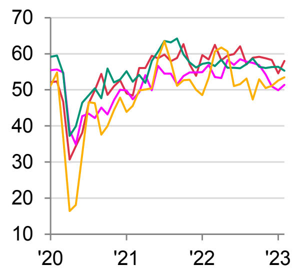
New Export Business Index
sa, >50 = growth since previous month



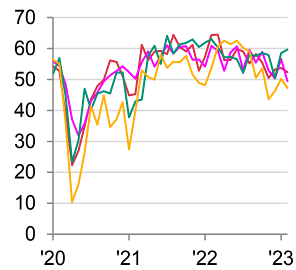
Future Activity Index
>50 = growth expected over next 12 months



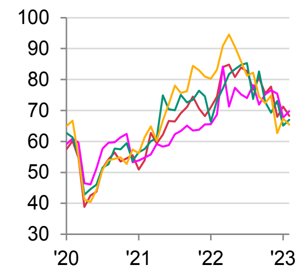
Employment Index
sa, >50 = growth since previous month



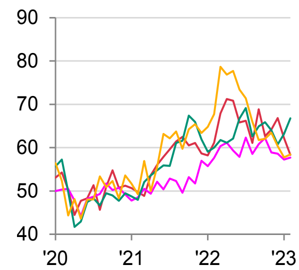
Outstanding Business Index
sa, >50 = growth since previous month



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



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



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AIB Ireland Composite PMI®

Service sector drives stronger private sector performance

From 52.0 in January, the seasonally adjusted Ireland Composite PMI Output Index - which measures combined output in the manufacturing and services sectors – rose to 54.5 in February. The latest reading was the highest since last May and indicative of a faster expansion in Ireland's private sector economy. Growth was underpinned by a sharp uplift in Irish service sector activity. Manufacturing firms, meanwhile, registered a stabilisation in output volumes.

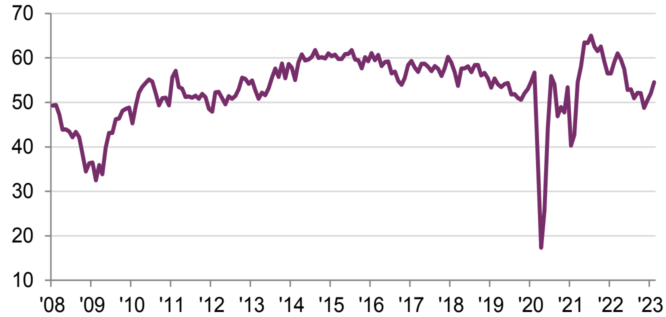
There was a back-to-back increase in new orders placed with private sector companies in February. Growth in order book volumes was seen across both sectors though the uptick at service sector firms significantly outweighed that seen at their manufacturing counterparts.

Employment increased further at the composite level. Rates of job creation were broadly similar across both sectors.

The aggregate rate of input cost inflation was the softest in two years, but the rate of output price inflation quickened from January's 20-month low.

Composite Output Index

sa, >50 = growth since previous month

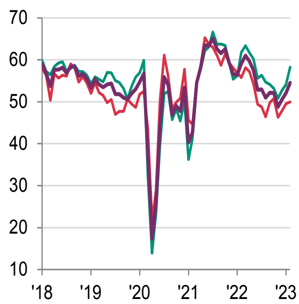


*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Composite
Manufacturing
Services

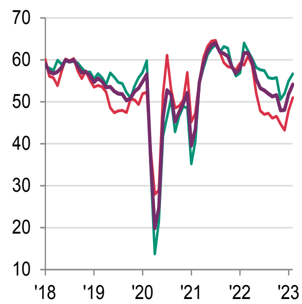
Output Index

sa, >50 = growth since previous month



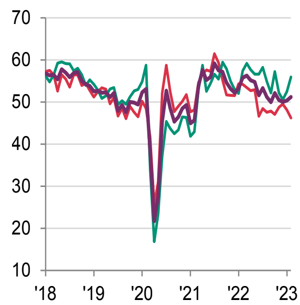
New Business Index

sa, >50 = growth since previous month



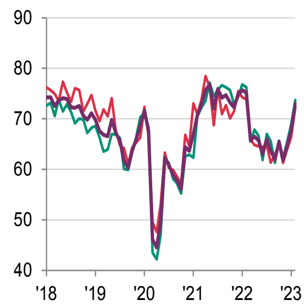
New Export Business Index

sa, >50 = growth since previous month



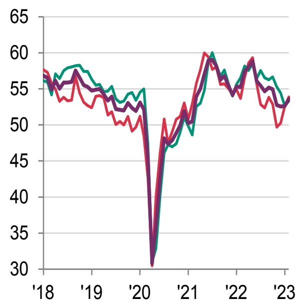
Future Output Index

>50 = growth expected over next 12 months



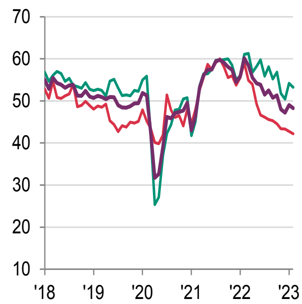
Employment Index

sa, >50 = growth since previous month



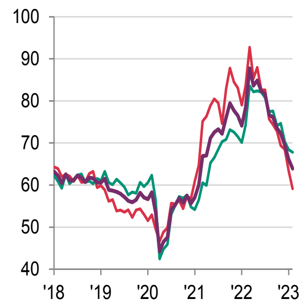
Outstanding Business Index

sa, >50 = growth since previous month



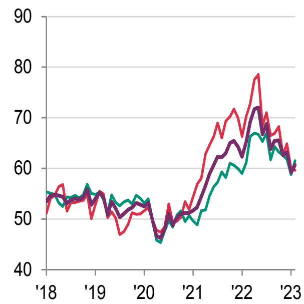
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



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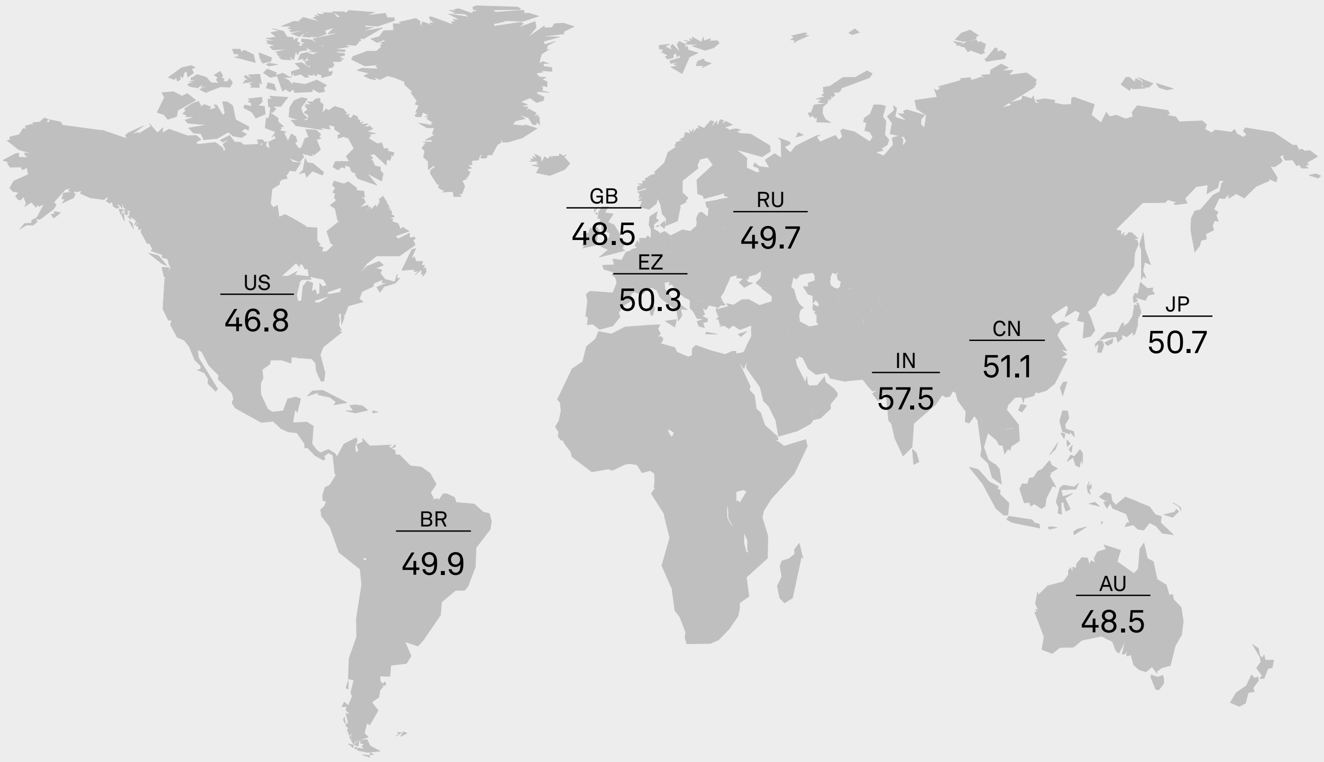
International PMI

Composite Output Index, Jan ‘23
sa, >50 = growth since previous month

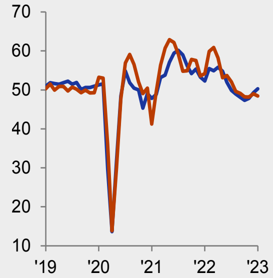
The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

USA
sa, >50 = growth

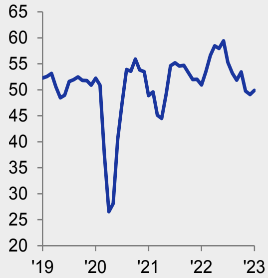
Eurozone
UK
sa, >50 = growth



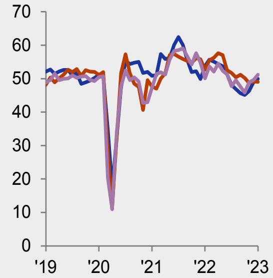
Russia
sa, >50 = growth

China
sa, >50 = growth

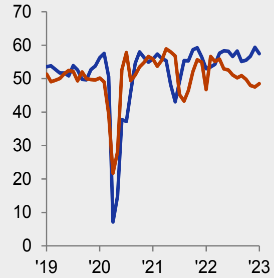
Brazil
sa, >50 = growth



Germany Italy
France
sa, >50 = growth



India
Australia
sa, >50 = growth



Japan
sa, >50 = growth

PMI® by S&P Global

Survey methodology

The AIB Ireland Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2000.

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

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

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

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

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

Survey dates

Data were collected 10-23 February 2023.

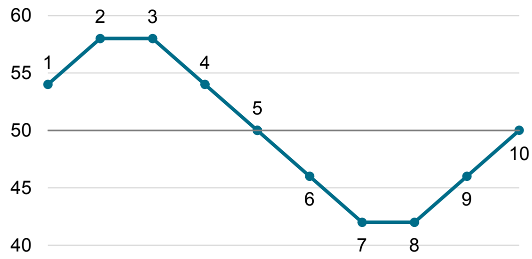
Survey questions
Services sector

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

Index calculation

% "Higher" + (% "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		

PMI® by S&P Global

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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

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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