



AIB Ireland Services PMI®

Faster growth of new business lifts outlook in January

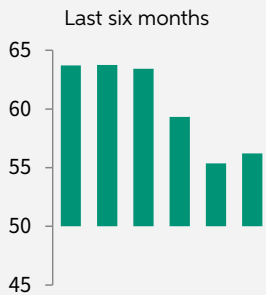
Key Findings

Stronger increases in new business and total activity

Expectations hit eight-month high at start of 2022

Input price inflation eases to six-month low

Ireland Services Business Activity Index



The first batch of AIB PMI® survey data for 2022 indicated faster growth of the Irish services economy as confidence improved. New business and total activity both expanded at faster rates and year-ahead expectations were the highest since last May. Latest data also signalled renewed growth in the Transport, Tourism & Leisure sector, driven by the domestic market. Cost pressures remained elevated but the rate of input price inflation eased to a six-month low, while charges increased at the softest rate since last September.

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

"The AIB Irish Services PMI picked up in January, having registered a marked decline in the final two months of last year. A key factor seems to have been the lifting of Covid restrictions, which boosted confidence. The business activity index rose to 56.2 from 55.4 in December. This is in contrast to the trend in other countries where Omicron weighed on the sector. The flash January Services PMI readings for the Eurozone, UK and US fell to 51.2, 53.3 and 50.9, respectively, well below the Irish level.

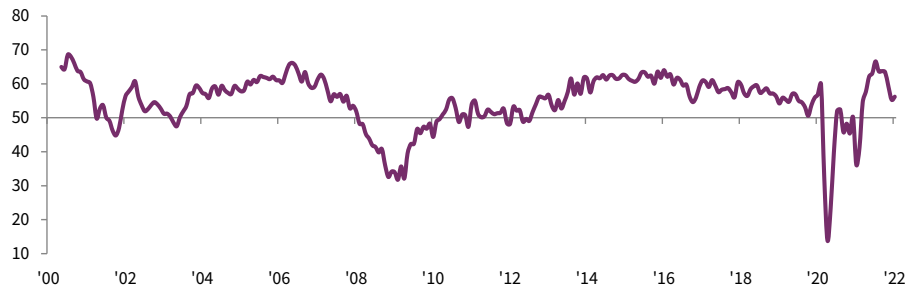
"The acceleration in the pace of growth was evident across all four sub-sectors covered in the survey. Business services was the best performing, while Transport/Tourism/Leisure returned to growth as Covid restrictions were removed. There was a pick-up in new business in all four sub-sectors, although there was a further decline in export business in Transport/

Tourism/Leisure.

"Despite a further strong rise in employment, the level of outstanding business in the services sector rose further in January. This was partly linked to staff absences due to Covid and ongoing supply chain difficulties at a time when demand was strengthening. Meanwhile, firms in all sectors remained very optimistic on the 12 month outlook for business, with activity expected to pick up further momentum as the pandemic recedes.

"Businesses continued to experience marked upward pressure on costs for fuel, wages, energy, insurance, transport, and purchased goods. While input prices continued to rise sharply, the rate of increase was nonetheless the lowest in six months. Meanwhile the prices charged to customers also continued to rise, though again at their slowest pace in four months."

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 to 56.2 in January, from 55.4 in December. The latest reading signalled a faster increase in service sector output following a period of slowing growth in the second half of 2021. The rate of expansion was among the weakest registered in the current 11-month upturn, but still above the long-run survey average. The Index has trended at 55.0 since May 2000.

All four monitored sub-sectors registered higher activity in January. The strongest expansion was seen in Business Services (59.5), which was the best-performing sector for the first time since November 2020. Activity in Transport, Tourism & Leisure (52.0) increased following December's decline, albeit at only a modest pace. Financial Services (57.8) remained the second-fastest-growing area despite registering the weakest expansion in eight months, while growth in Technology, Media & Telecoms (54.1) slowed to a ten-month low.

New business increased for the eleventh month running in January, and the rate of growth quickened from December's nine-month low. Some firms reported a pick-up in trading conditions as some COVID restrictions

were eased and tourism began to recover. New work in the Transport, Tourism & Leisure sector increased following December's slight decline, although it remained the weakest of the four monitored sectors. Demand remained strongest in Financial Services, followed by Business Services. Meanwhile, the 12-month outlook for services activity as a whole was the strongest since last May.

The overall strengthening in demand reflected the domestic market, as international new business rose at the slowest rate in 11 months in January. There was a further marked decline in the Transport, Tourism & Leisure sector.

The level of outstanding business at service providers rose further in January, partly linked to staff absences due to COVID and supply chain difficulties. The rate of growth accelerated since December and remained well above the long-run survey average. The only area to record a decline was the Transport, Tourism & Leisure sector.

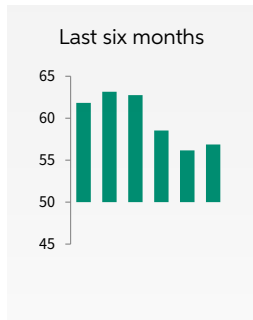
Business-in-hand increased in January despite a further strong rise in employment. Three out of the four monitored sectors registered robust job creation, the exception being Transport, Tourism & Leisure where a fall was recorded for the first time since March 2021.

Average input prices continued to rise sharply in January, but the rate of inflation eased to a six-month low. Charges subsequently increased at the slowest rate in four months, albeit one that was still among the highest on record. On both measures Transport, Tourism & Leisure continued to register the fastest increases, and Financial Services the weakest.

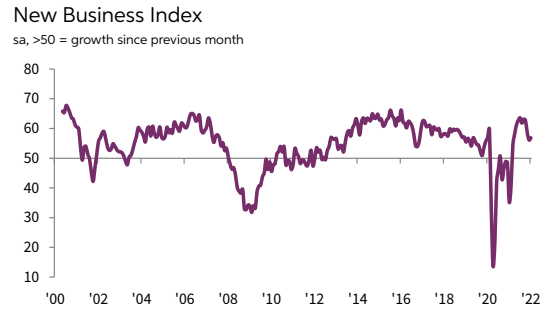




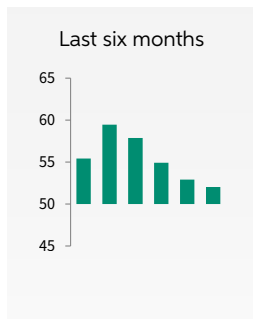
New Business Index



January data signalled another strong increase in new business at Irish service providers. Moreover, the rate of growth strengthened for the first time since last September. The pace of expansion was weaker than the trend shown over the current 11-month sequence of growth, but remained well above the long-run series average since 2000. New business growth was strongest in Financial Services, while there was a renewed increase in Transport, Tourism & Leisure.

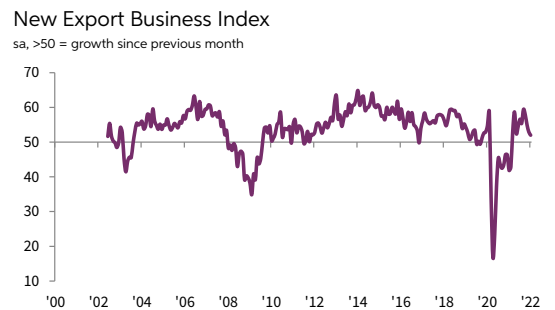


New Export Business Index



New business received from international customers increased further in January, partly linked to EU and UK clients. That said, the rate of expansion slowed for the fourth month running and was the softest in the current 11-month sequence of growth.

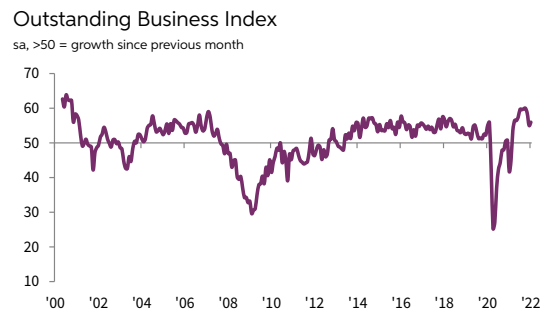
Sector data signalled another sharp drop in export business in the Transport, Tourism & Leisure category.



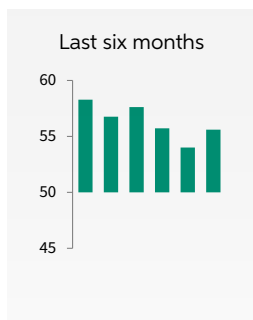
Outstanding Business Index



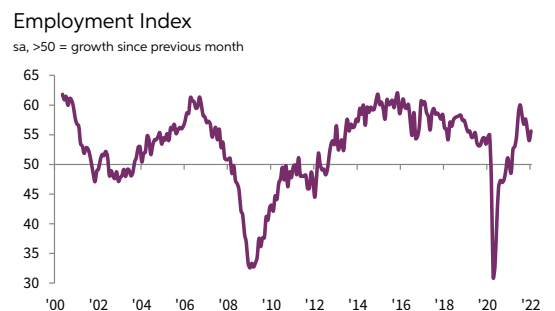
Incomplete workloads at Irish service providers continued to build in January. Anecdotal evidence linked rising backlogs to supply chain difficulties and staff absences due to COVID. The rate of growth in outstanding business picked up from December's nine-month low, and was strong overall. Incomplete work rose strongly in all sub-sectors except Transport, Tourism & Leisure which posted a second successive decline.



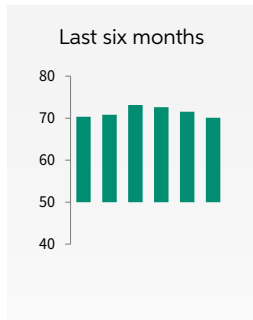
Employment Index



Service providers in Ireland continued to boost their workforces in January. The seasonally adjusted Employment Index remained above the no-change mark of 50.0 for the eleventh successive month, and rose since December to signal faster workforce growth. Jobs growth was slightly weaker than the trend over the current sequence, but well above the long-run survey average. Employment fell in Transport, Tourism & Recreation but rose at stronger rates in the other three sectors.



Input Prices Index

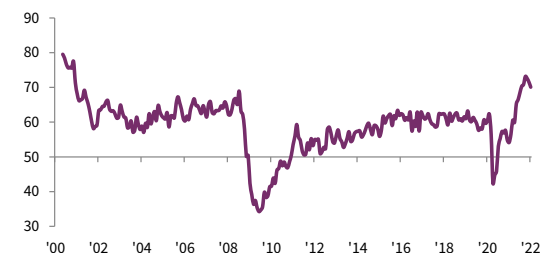


Cost pressures remained strong in January, linked to wages, energy, shipping, purchased items, insurance, fuel and customs duties. The rate of input price inflation slowed slightly to the weakest since last July, but remained well above the long-run survey average.

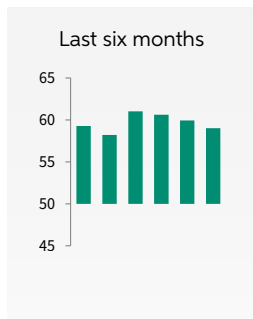
By sector, cost pressures were greatest in Transport, Tourism & Leisure for the eighth consecutive month, and weakest in Financial Services for the eleventh month running.

Input Prices Index

sa, >50 = inflation since previous month



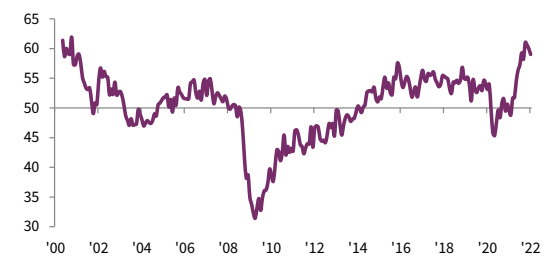
Prices Charged Index



Service sector companies continued to raise their charges in January, extending the current sequence of inflation in sales prices to 11 months. The rate of charge inflation eased to a four-month low, but was still among the highest registered since the series began in 2000. By sector, Transport, Tourism & Leisure registered the strongest rise in charges, followed by Technology, Media & Telecoms.

Prices Charged Index

sa, >50 = inflation since previous month



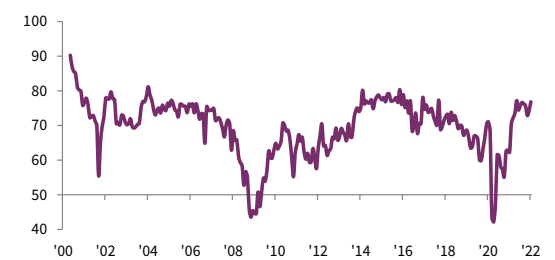
Future Activity Index



Business expectations over the 12-month horizon improved in January, reflecting stronger growth in new business and an economic resurgence as pandemic restrictions are lifted. The Future Activity Index rose to an eight-month high, and was the second-highest in over four years. Confidence was strongest in Technology, Media & Telecoms and Transport, Tourism & Leisure.

Future Activity Index

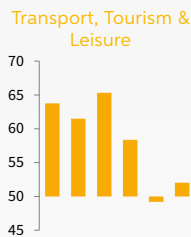
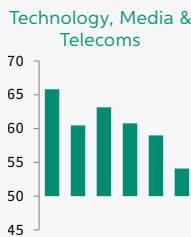
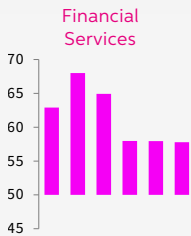
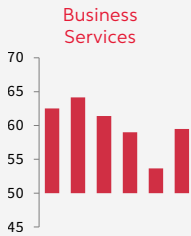
>50 = growth expected over next 12 months



Services Sub-sectors

Business Activity Index

Last six months



Business Services

Business Services registered the strongest growth in activity of all four sub-sectors in January, with the rate of expansion accelerating sharply from December's subdued pace. Both new and outstanding business also increased more quickly at the start of 2022. The sector also registered the fastest increase in employment in January. Expectations for activity were strong overall, but the weakest among the four sectors.

Financial Services

Activity in Financial Services rose strongly in January, at a rate that was second only to Business Services despite being the slowest in eight months. New business increased at the fastest rate in four months, and at the sharpest pace across the four sectors. The rates of expansion in both outstanding work and employment were weaker than the trends for services as a whole, however. Price pressures were the weakest among the four sectors.

Technology, Media & Telecoms

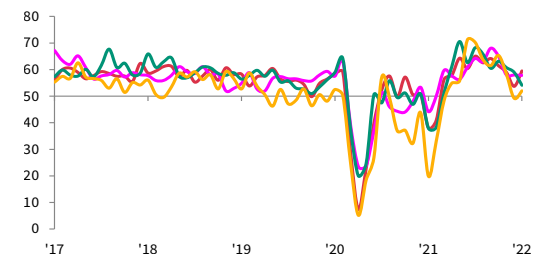
January data signalled a notable slowdown in growth of activity in Technology, Media & Telecoms. Business activity increased for the eleventh month running but at the slowest pace since March 2021, as did new business. Employment increased at a faster rate, however. Input price inflation eased to a nine-month low, leading to the slowest rise in charges in six months.

Transport, Tourism & Leisure

Growth of activity in the Transport, Tourism & Leisure sector resumed in January, following the first contraction in nine months in December. That said, growth was modest and the weakest among the four sectors monitored. The same trend was evident for new business. Transport, Tourism & Leisure was the only sector to post declines in employment and outstanding business, and it continued to record the fastest rates of inflation for both input and output prices.

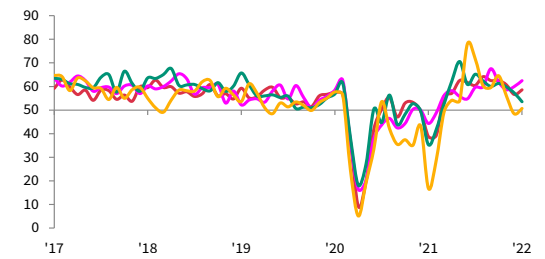
Business Activity Index

sa, >50 = growth since previous month



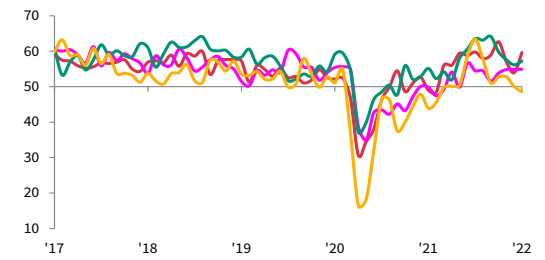
New Business Index

sa, >50 = growth since previous month



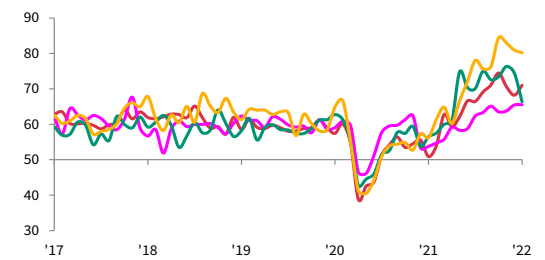
Employment Index

sa, >50 = growth since previous month



Input Prices Index

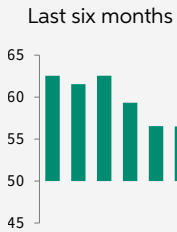
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Growth of output holds steady in January despite faster rise in new business

Composite Output Index



The combined output of Ireland's manufacturing and services sectors rose strongly in January, extending the current recovery to 11 months. The rate of expansion was unchanged on December's nine-month low, however, despite a faster rise in new business at the start of 2022.

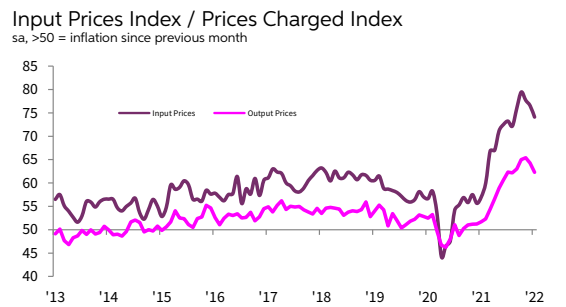
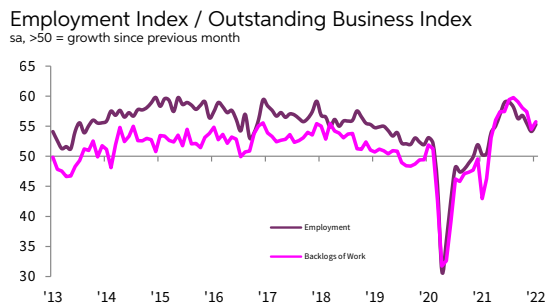
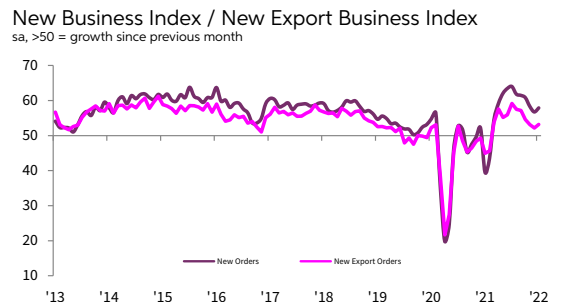
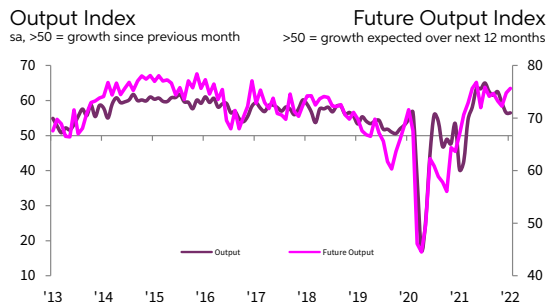
The Ireland Composite Output Index, which tracks activity in the combined manufacturing and services sectors, registered 56.5 in January, unchanged on December and the joint-lowest since March 2021. That said, it remained above its long-run trend level of 54.0 since 2000, signalling strong overall growth.

A sharper rise in services activity was offset by the slowest increase in manufacturing production since March 2021. Goods producers reported that labour and material shortages had constrained output.

New business in the private sector rose at a faster rate in January, with both manufacturers and service providers seeing stronger expansions in demand. Backlogs of work also increased more sharply than in December, as did workforces.

Inflationary pressures remained strong in January, but eased further. Average input costs increased at the softest rate in five months, as did output prices. In both cases, the more notable slowdown was seen at manufacturers although they continued to experience higher rates of inflation overall than service providers.

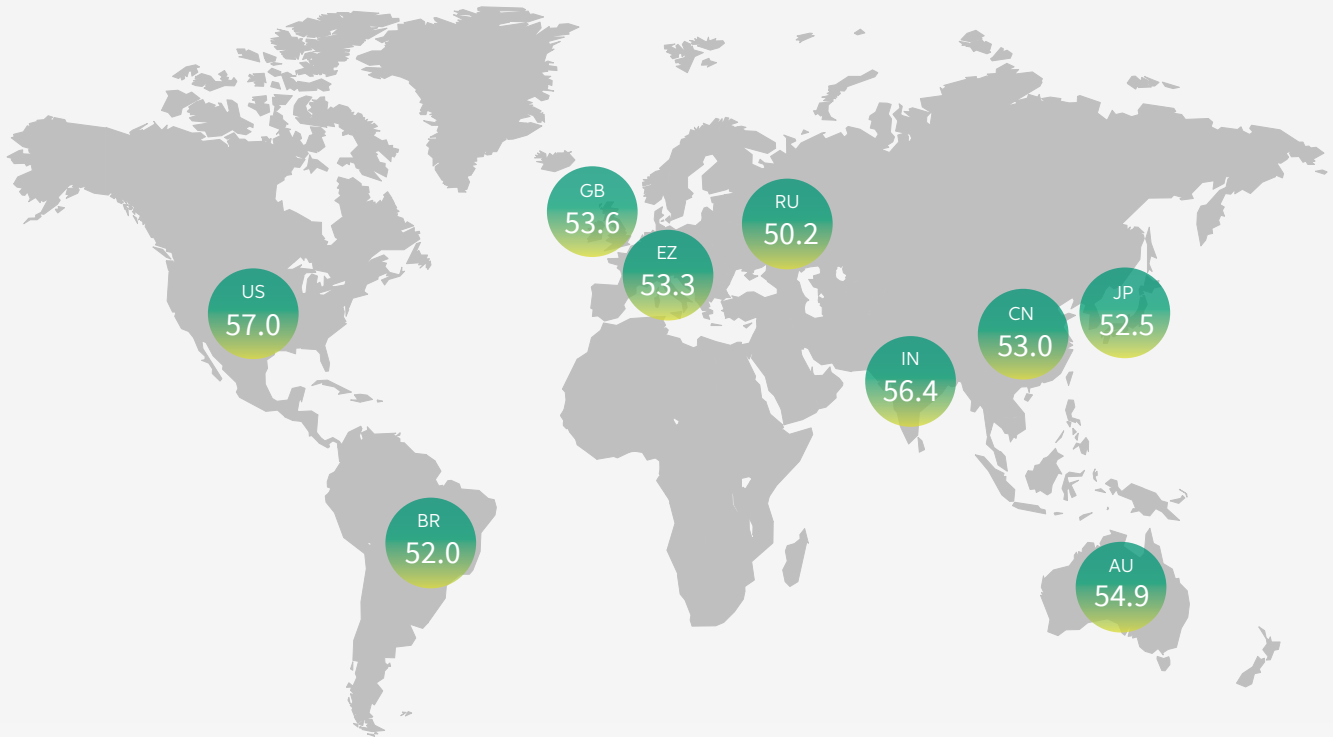
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

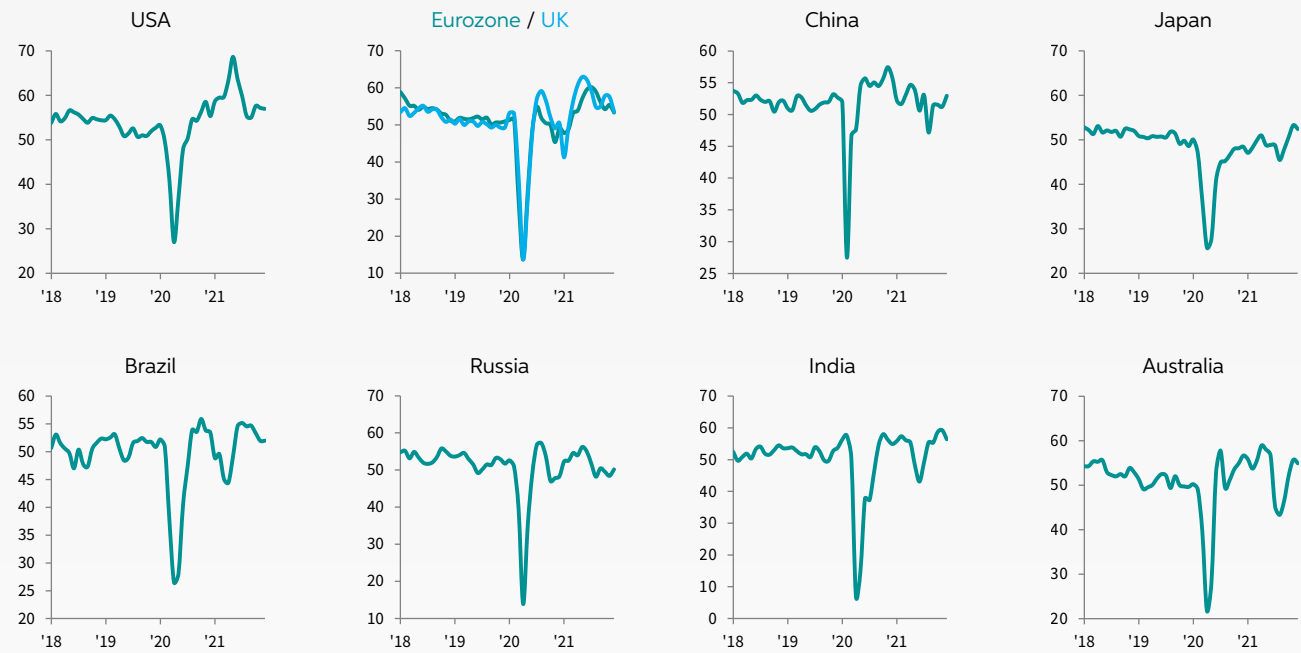
Composite Output Index, Dec '21

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 12-26 January 2022.

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

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