



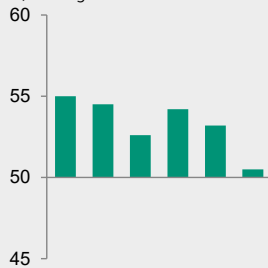
AIB Ireland Services PMI®

Service sector growth slows to near-three year low

50.5

IRELAND SERVICES BUSINESS ACTIVITY INDEX, JAN '24

Services Business Activity Index
Aug '23 - Jan '24
sa, >50 = growth



The first batch of AIB PMI® survey data for 2024 signalled a loss of momentum in Irish service sector activity, albeit still extending the current growth sequence that began in March 2021. Rates of expansion in total activity and new business both slowed on the month, with the former rising at the weakest pace in the current upturn. Looking ahead to 2024, however, confidence remained relatively high. Employment picked up from December's 34-month low. Inflationary pressure rose as both price indicators reached seven-month highs.

Commenting on the survey results, David McNamara, AIB Chief Economist, said:

"The AIB Irish Services PMI for January showed a slowdown in the rate of expansion in business activity in the sector. The index came in at 50.5 in January, down from 53.2 in December, and signalled the weakest expansion in the sector since the current upturn began nearly three years ago.

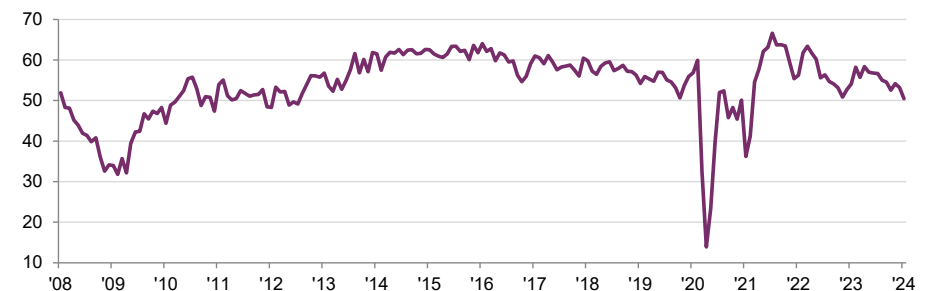
"Irish firms continued to report rising levels of new business, but the pace of growth eased in January to the second weakest in 13 months. The volume of outstanding work also fell for the first time in 35 months, albeit only marginally. One bright spot was that new exports order growth accelerated at the fastest pace in five months.

"At the sectoral level, divergences in activity were clearly evident. Two of the four sub-sectors covered in the survey registered growth overall – led by

strong growth in Financial Services, with Business Services and Transport Tourism & Leisure seeing monthly declines. Employment also continued to rise, and the pace of job creation accelerated on the month. Business sentiment about the prospects for activity over the coming twelve months remained at an elevated level, helped by increasing expectations of a recovery in the wider economy in 2024.

"Inflationary pressures, though, strengthened in January. The rate of input price inflation picked up for a second consecutive month, with firms reporting higher labour costs as the main source of inflation. These higher operating costs were passed on to customers, with prices charged for services rising at their quickest pace in seven months."

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



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Overview

Weakest rise in activity of current 35-month upturn

Strongest price pressures in seven months

Expectations for business activity remain strong

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 53.2 in December to 50.5 in January, signalling only fractional growth of Irish service sector output. The pace of expansion was the slowest in the current sequence of growth which began in March 2021, compared with strong growth over 2023 as a whole (55.5).

Only two of the four sub-sectors monitored registered higher activity in January. Financial Services (54.5) posted the fastest growth for the second month running, ahead of Technology, Media & Telecoms (51.9) which posted the slowest expansion for a year-and-a-half. Solid and marginal contractions were registered in Business Services (46.0) and Transport, Tourism & Leisure (49.4), respectively.

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

sequence that began in March 2021. The rate of expansion eased further and was among the weakest over this period, however. Financial Services continued to buck the wider trend with the strongest expansion in six months, while new business fell in Transport, Tourism & Leisure.

The relatively weak increase in new work in January was reflected in firms completing outstanding business. The volume of work-in-hand fell for the first time since February 2021, with a sharp decline in Technology, Media & Telecoms.

Service providers continued to expand their workforces in January. The rate of job creation picked up from December's 34-month low, despite a sharper fall in Transport, Tourism & Leisure.

Price pressures in the Irish services economy picked up in January, with both input prices and charges for services rising at the fastest rates since last June. Labour costs was the main source of overall inflationary pressure, especially in Financial Services, although service providers also reported higher freight costs for items linked to the shipping crisis in the Red Sea.

Irish service providers remained relatively upbeat in terms of activity forecasts for the next 12 months. Sentiment was little-changed from December's seven-month high, and above the long-run survey trend since 2000.

Activity and demand

Business activity

The level of business activity in the Irish service sector rose for the thirty-fifth consecutive month in January, linked to both new and existing customers. The rate of expansion eased for the eighth time in nine months, however, as a number of firms reported slowing new business. Growth was the weakest in the current upturn.

Financial Services and Technology, Media & Telecoms were the only sectors to record expansions in January, with Business Services posting a faster decline than Transport, Tourism & Leisure.

New business

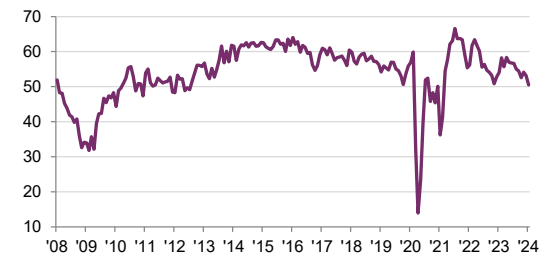
The seasonally adjusted New Business Index also fell for the eighth time in nine months in January, signalling a further loss of growth momentum in demand for services. The overall rate of growth was the second-slowest in the past 13 months, and below the long-run trend. New business intakes fell in Transport, Tourism & Leisure, but accelerated in Financial Services.

New export business

The volume of new business from overseas increased for the third month running in January, and at the fastest rate in five months. There was strong growth in Technology, Media & Telecoms and Business Services but a decline in Transport, Tourism & Leisure.

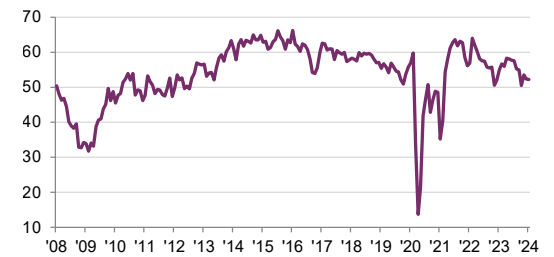
Business Activity Index

sa, >50 = growth since previous month



New Business Index

sa, >50 = growth since previous month



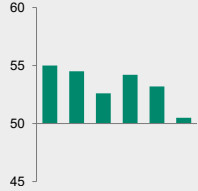
New Export Business Index

sa, >50 = growth since previous month



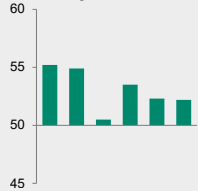
Business Activity Index

Aug '23 - Jan '24
sa, >50 = growth



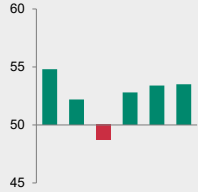
New Business Index

Aug '23 - Jan '24
sa, >50 = growth



New Export Business Index

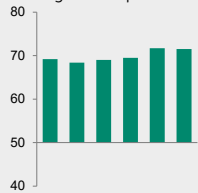
Aug '23 - Jan '24
sa, >50 = growth



Business expectations

Future Activity Index

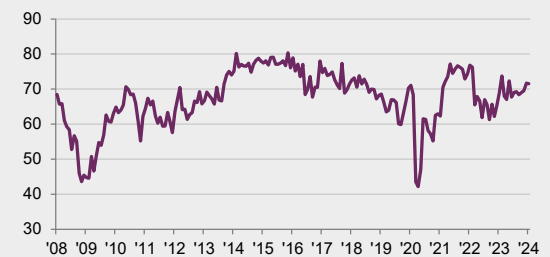
Aug '23 - Jan '24
>50 = growth expected



The 12-month outlook for business activity among Irish service providers remained strong at the start of 2024. The Future Activity Index was little-changed since December's seven-month high, remaining above its long-run trend level of 69.6. Firms were confident of new business receipts and a recovery in the wider economy, linked to a further fall in inflation and reduced geopolitical tensions. By sector, expectations were strongest in the Technology, Media & Telecoms sector, followed by Financial Services.

Future Activity Index

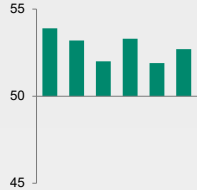
>50 = growth expected over next 12 months



Employment and capacity

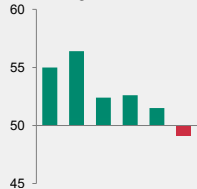
Employment Index

Aug '23 - Jan '24
sa, >50 = growth



Outstanding Business Index

Aug '23 - Jan '24
sa, >50 = growth



Employment

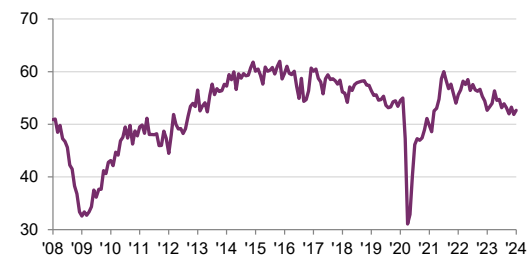
Growth in service sector employment was maintained in January, extending the current period of job creation that began in March 2021. The rate of increase strengthened in the latest period, and was only slightly below the long-run survey trend. Jobs growth was seen in three out of four sectors, and was strongest in Financial Services. Transport, Tourism & Leisure recorded lower staffing for the second month running.

Outstanding business

Service providers in Ireland reported a fall in the level of outstanding work in January, following a 34-month sequence of growth. The rate of decline in the latest period was only marginal, however. There was a sharp decline in Technology, Media & Telecoms, but solid growth in Financial Services.

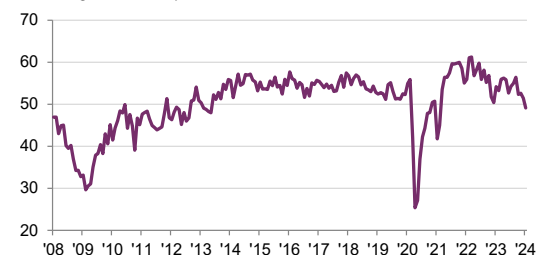
Employment Index

sa, >50 = growth since previous month



Outstanding Business Index

sa, >50 = growth since previous month



Prices

Input prices

Average input prices in the service sector rose for the forty-third successive month in January. The rate of inflation accelerated for the second straight month to the highest since last June, with the seasonally adjusted Input Prices Index remaining above its long-run average of 60.1. Labour costs was the main source of overall inflationary pressure, although service providers also reported higher freight rates for items linked to the shipping crisis in the Red Sea.

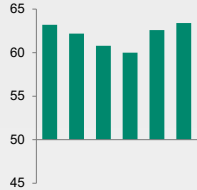
All four sectors monitored registered similarly marked rates of cost inflation at the start of 2024.

Prices charged

Service providers continued to raise their prices charged in January in order to pass on higher costs to customers. The rate of inflation quickened further to a seven-month high, and remained well above the long-run survey average. For the fourth month running, charge inflation was strongest in Financial Services.

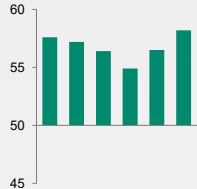
Input Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



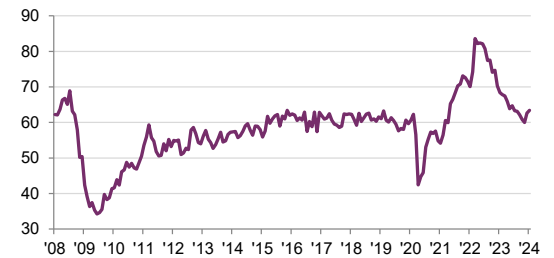
Prices Charged Index

Aug '23 - Jan '24
sa, >50 = inflation



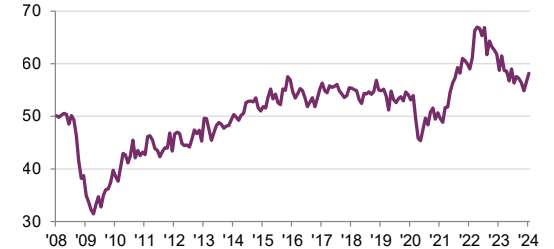
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





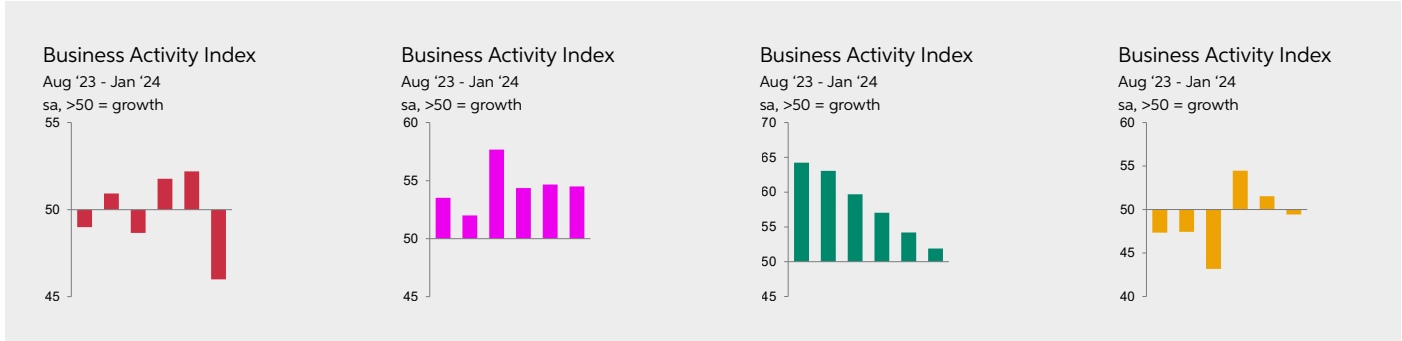
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



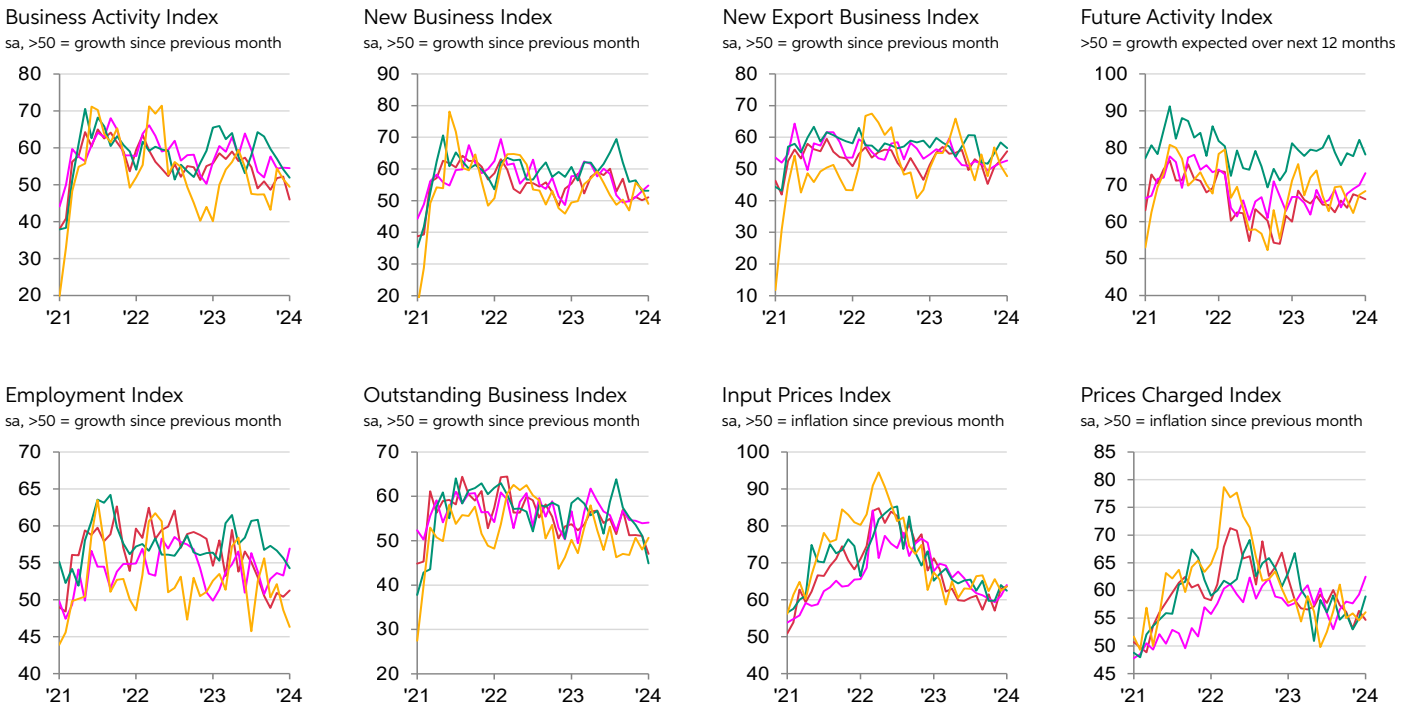
The Business Services sector registered a decline in activity despite a slight increase in new work in January. Employment rose at the fastest rate in five months. Cost pressures were the strongest in 11 months, although charge inflation eased. Expectations for the next 12 months remained the weakest among the four monitored sectors.

Activity in Financial Services rose at the fastest rate among the four sectors, as did new work and employment. New business rose at the fastest rate in six months, while expectations improved to a 15-month high. Inflationary pressures strengthened since December and were the highest among the monitored sectors.

Technology, Media & Telecoms (TMT) remained second in the sector growth rankings in January, but the rate of expansion eased for the fifth straight month to the weakest in July 2022. New business rose at a rate unchanged from December's 33-month low. Employment growth also eased to a 33-month low, though charges rose at a faster rate.

Activity and new business in the Transport, Tourism & Leisure sector fell for the first time in three months, albeit only marginally. Employment fell for the second straight month and at a faster rate. Rates of both input and output price inflation accelerated during the month, while the 12-month outlook hit a four-month high.

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





AIB Ireland Composite PMI®

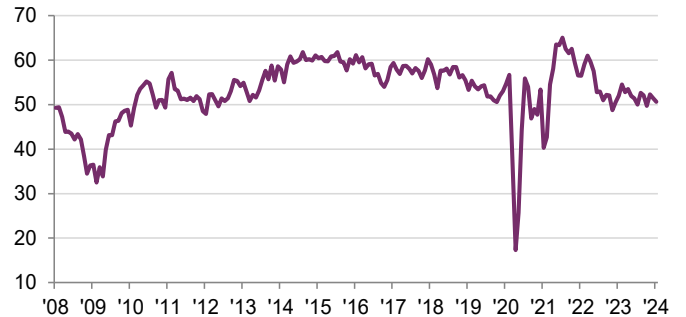
New business stagnates in January

Irish private sector output rose for the third month running in January, but the volume of incoming new business was unchanged since December. The AIB Ireland Composite PMI® Output Index* fell to 50.7, from December's 51.5, indicating only a marginal rate of growth. Service providers and manufacturers registered similarly weak rates of expansion at the start of the year.

New business was flat in January, only the fourth time growth has not been registered in nearly three years. Activity was supported by a fall in outstanding business that was broad-based across both sectors for the first time since February 2021. Employment growth picked up but remained modest.

Input price inflation eased since December and remained below the long-run series average for the tenth successive month. In contrast, output price inflation rose to a nine-month high and remained relatively strong.

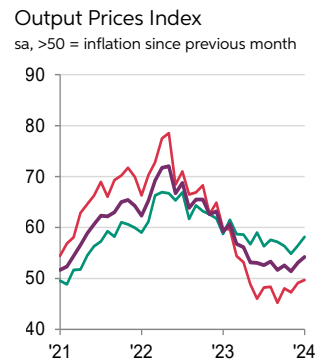
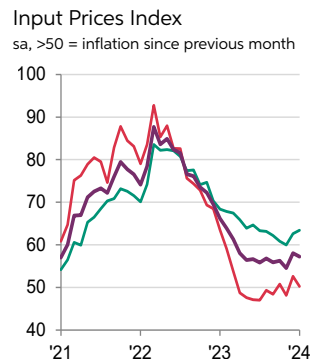
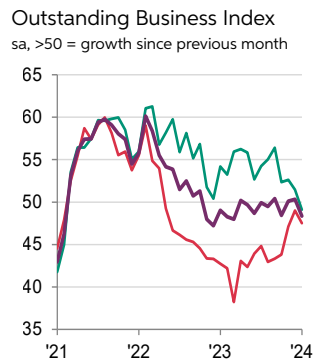
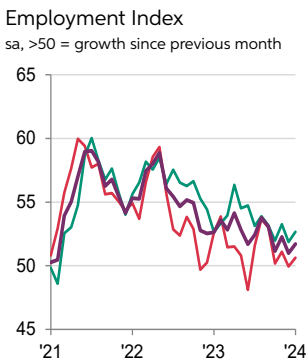
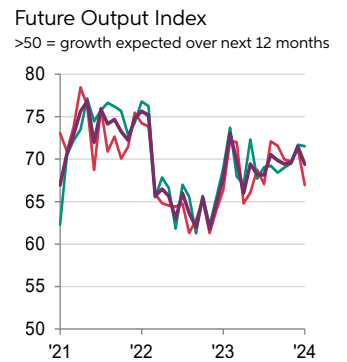
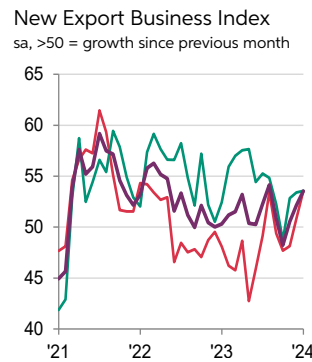
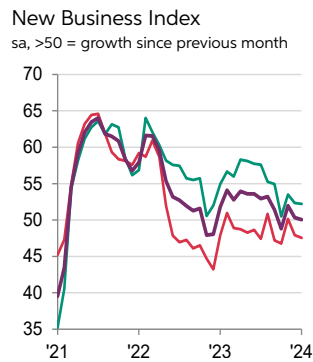
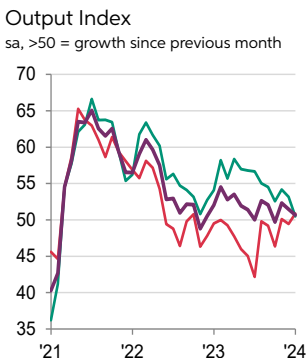
Composite Output Index
sa, >50 = growth since previous month



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.

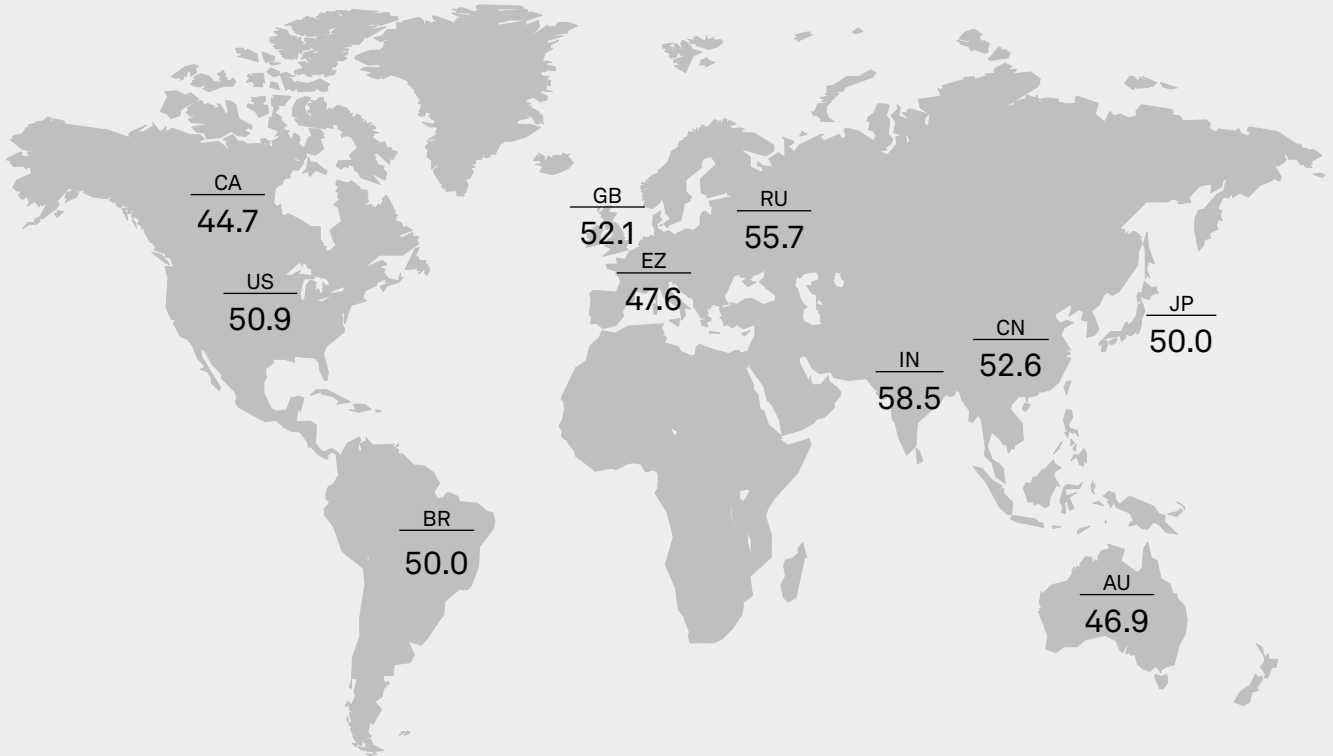
- Composite
- Manufacturing
- Services



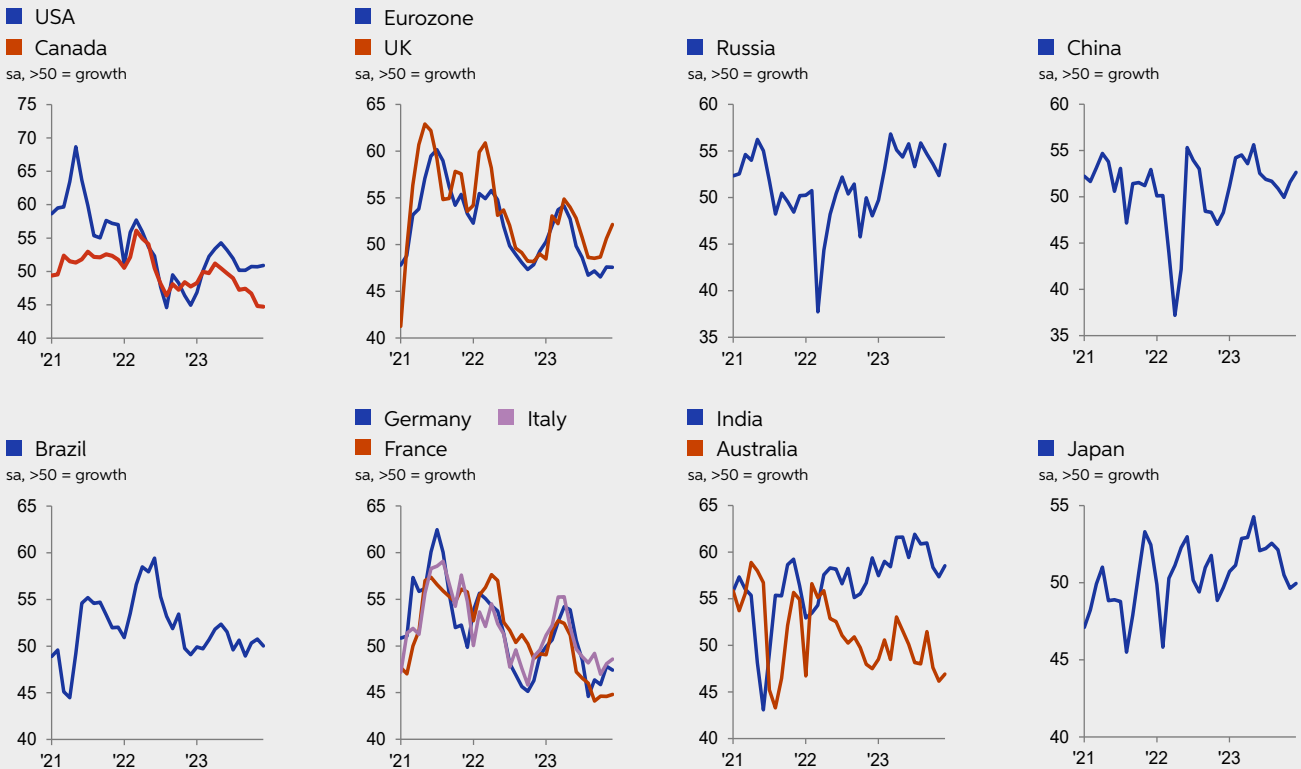
International PMI

Composite Output Index, Dec '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 11-26 January 2024.

Survey questions

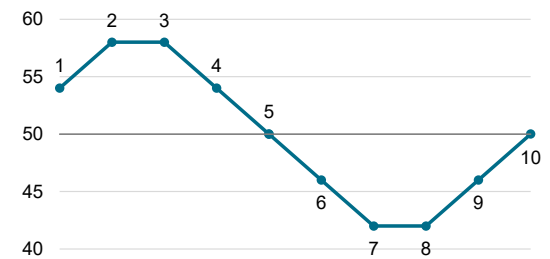
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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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