



AIB Ireland Services PMI®

Service sector growth quickens in July

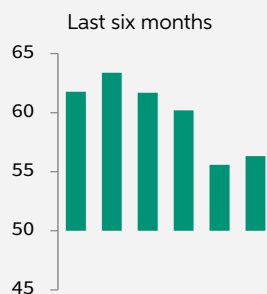
Key Findings

Activity rises at quicker pace amid sharp uplift in new work

Business confidence ticks up to three-month high

Joint-record rate of charge inflation

Ireland Services Business Activity Index



The latest AIB PMI® survey data on the Irish services economy signalled a further month of activity growth during July, with the rate of expansion accelerating on the month amid a further sharp rise in inflows of new business. Business confidence subsequently ticked up to a three-month high, supported by hopes of a sustained upturn. Elsewhere, the rate of cost inflation cooled further from recent peaks, though remained elevated. As a result, firms continued to hike their charges in July, with the pace of inflation matching April's survey peak.

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

"The AIB Irish Services PMI for July showed a re-acceleration in the pace of growth in the sector, in marked contrast to most other countries. The Business Activity Index rose to 56.3 from 55.6 in June, though this was still below the May reading of 60.2. It points to continuing strong growth in services activity. By comparison, the flash July Services PMIs fell in the Eurozone, UK and US to 50.6, 53.3 and 47.0, respectively, which are well below the Irish reading."

"In terms of the main components of the Irish survey, growth in new business remained strong, with the rate of increase in new export business picking up to a four-month high amid stronger client demand. As a result, July registered another significant increase in backlogs of outstanding business as pressure on capacity rose further. Meanwhile, there was yet another marked rise in employment, continuing the

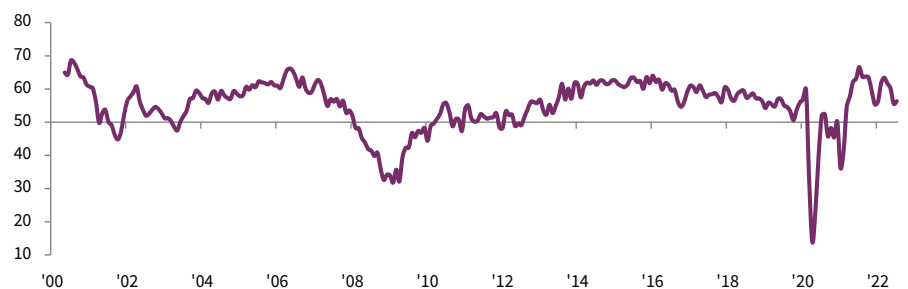
trend evident in the first half of the year.

"Growth was broad based across all the four sub-sectors covered in the survey, with Financial Services registering the strongest rate of expansion. There was a notable loss of momentum in Technology/Media/Telecoms during July. However, business confidence for this sub-sector, as measured by the Future Activity Index, hit a three-month high, as it did in the services sector as a whole.

"Firms, though, continued to experience severe upward pressure on input prices, in particular, fuel, materials and labour costs and also indicated that unfavourable exchange rate movements were adding to inflation. The higher costs are being passed on to customers, with the rate of increase in prices charged matching the survey peak hit in April."

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 from 55.6 in June to 56.3 in July, signalling a seventeenth consecutive monthly rise in services output and one that was sharp overall.

Growth was broad-based across the four monitored sectors in July. Technology, Media & Telecoms was at the foot of the rankings and the only monitored sector to register a weaker upturn compared to July. At 51.4, the respective seasonally adjusted index signalled only a marginal rate of increase. Elsewhere, Business Services recorded the strongest expansion for three months in July (55.6), with activity growth also accelerating to a sharp pace in Transport, Tourism & Leisure (56.2). The quickest expansion was seen in Financial Services (61.9), where growth was the fastest since April and marked overall.

Underpinning the overall improvement in performance in July was another uplift in new business inflows to Irish services firms. The rate of expansion was the weakest since January, but nonetheless sharp in the context of historical data. According to panellists, improved client demand, both domestically and abroad, drove the latest rise. New

business growth was strongest in Financial Services and weakest in Transport, Tourism & Leisure. Indeed, foreign demand conditions continued to improve strongly in July, as evidenced by the most marked increase in new export business since March.

As a result, companies continued to raise their workforce numbers in July, reportedly linked to higher workloads and a strong pipeline of new business. The rate of job creation re-accelerated to a sharp pace, driven by noticeable uplifts in hiring across both Business Services and Financial Services.

Job creation partially reflected greater optimism towards activity over the year ahead amongst firms. Sentiment was the strongest since April, with confidence linked to expectations of a sustained economic rebound.

Higher staffing levels helped to ease some pressure on capacity in July. Though the level of outstanding business at Irish services firms continued to increase, the latest uplift was the slowest since last December.

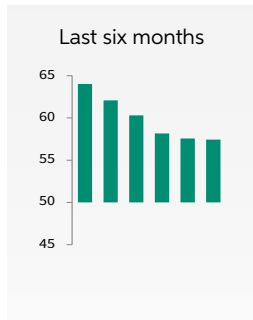
Turning to prices, Irish services firms continued to face historically elevated cost pressures into the third quarter of the year. The latest rise in costs was attributed to energy, fuel, wages, materials and unfavourable exchange rates. That said, the pace of increase softened to a five-month low.

Greater cost burdens nonetheless spurred on another round of price hikes in July. The rate of charge inflation matched the survey peak set in April and was rapid overall. Transport, Tourism & Leisure continued to see the strongest rate of charge inflation.





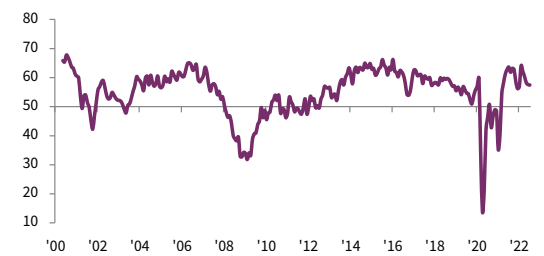
New Business Index



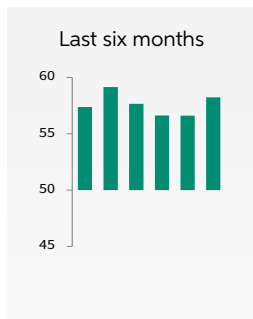
As has been the case in each month since March 2021, inflows of new work to Irish service providers increased in July. Panellists linked the latest upturn to strong client demand. The rate of expansion cooled further from recent peaks and was the slowest since January, but nonetheless sharp overall.

New Business Index

sa, >50 = growth since previous month



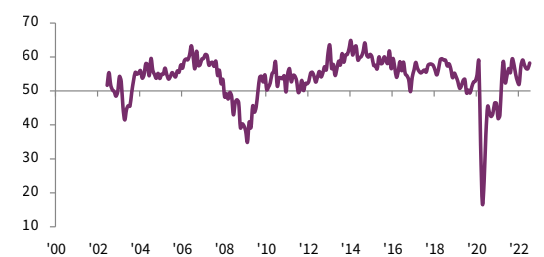
New Export Business Index



Irish services firms recorded another upturn in foreign demand during July. Stronger client demand in key markets such as the UK and the return of tourism were attributed by respondents to the latest rise. Notably, the rate of increase in new export business hit a four-month high and was marked.

New Export Business Index

sa, >50 = growth since previous month



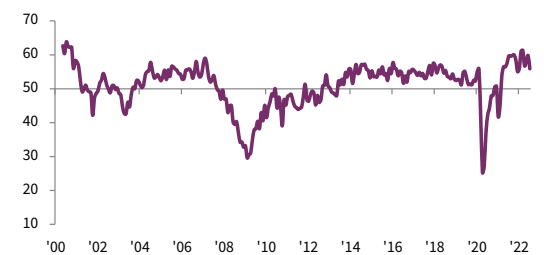
Outstanding Business Index



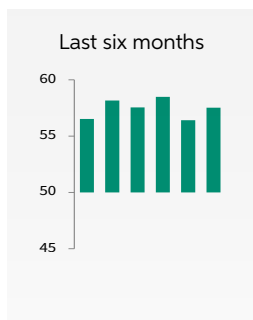
Capacity pressures intensified further in July, as evidenced by a seventeenth consecutive monthly increase in the level of outstanding business. A strong pipeline of new work reportedly left work unfinished, according to panellists. The pace of backlog accumulation was the softest since last December, but still sharp in the context of historical data.

Outstanding Business Index

sa, >50 = growth since previous month



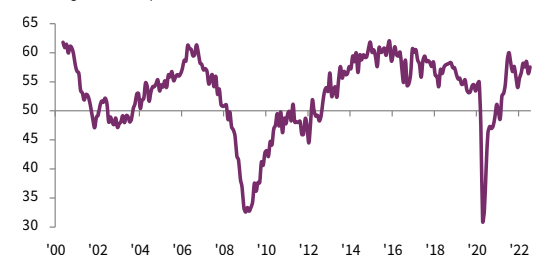
Employment Index



July data highlighted a further uplift in staffing levels across the Irish services sector, extending the current sequence of jobs growth that began in March 2021. Firms were reportedly hiring to meet workload requirements and in anticipation of strong demand in the coming months. The rate of job creation ticked up from June's five-month low and was sharp overall.

Employment Index

sa, >50 = growth since previous month





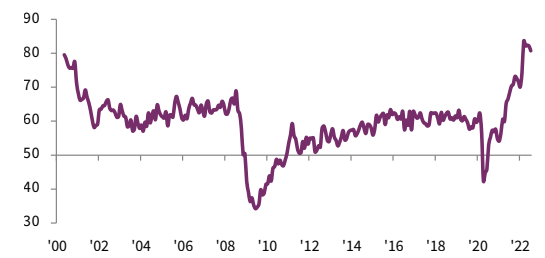
Input Prices Index



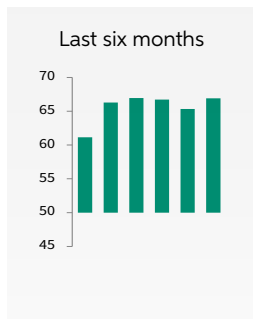
As has been the case in each month for just over two years, costs faced by services firms rose in July. Survey respondents cited fuel, materials, labour and unfavourable exchange rates as drivers of inflation. Albeit still rapid by historical standards, the latest increase was the slowest since February.

Input Prices Index

sa, >50 = inflation since previous month



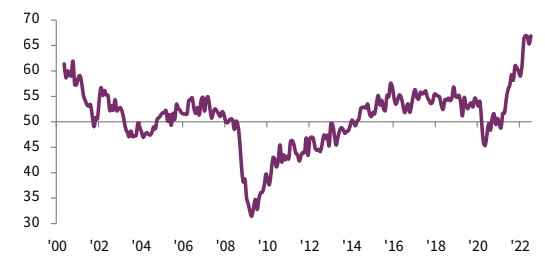
Prices Charged Index



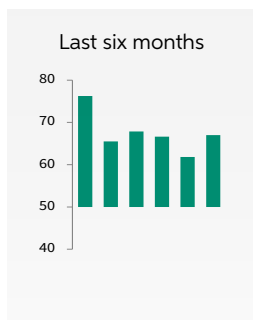
Amid reports that firms were hiking charges to pass greater costs through to clients, average charges levied by Irish services firms increased again in July. Moreover, the rate of charge inflation ticked up since June to match April's survey record. Selling prices have now risen continuously for almost a year-and-a-half.

Prices Charged Index

sa, >50 = inflation since previous month



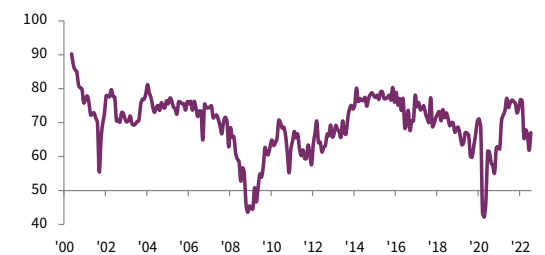
Future Activity Index



Irish service providers maintained an optimistic outlook towards business activity in the next 12 months during July. In fact, the level of sentiment strengthened to a three-month high. Optimism was linked by panellists to expectations of a continued economic recovery and a sustained boost to demand following the end of pandemic restrictions.

Future Activity Index

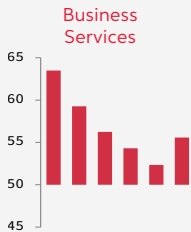
>50 = growth expected over next 12 months



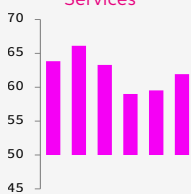
Services Sub-sectors

Business Activity Index

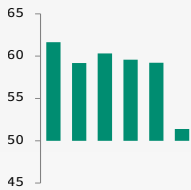
Last six months



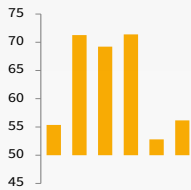
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

Activity in the Business Services sector rose for the seventeenth month in a row during July, with the pace of expansion the quickest since April. Inflows of new work meanwhile increased further and at a solid rate overall. Staffing levels rose at a slightly faster pace in July, but the level of outstanding business increased strongly nonetheless. Meanwhile, further marked increases in both input costs and output prices were recorded.

Financial Services

Financial Services was the top performing sector with regards to output for the second month in a row in July. The rate of growth hit a three-month high amid the quickest uplift in new work since February. Concurrently, the rate of job creation was the strongest since August 2019, helping to cool pressure on capacity. On the price front, a further rise in cost burdens led firms to raise their charges at the quickest pace in close to seven years.

Technology, Media & Telecoms

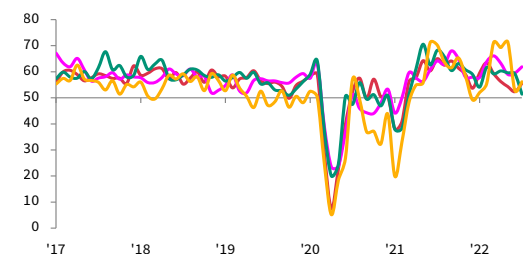
The Technology, Media & Telecoms sector registered a sharp slowdown in the rate of activity growth in July and was the weakest performer amongst the monitored sectors. Notably, the rates of both cost and charge inflation hit fresh peaks, with the former the steepest across the four monitored sectors. Nonetheless, business confidence picked up to a three-month high.

Transport, Tourism & Leisure

Growth in the Transport, Tourism & Leisure sector accelerated in July. Output rose at a solid pace overall, albeit one that was still the second-weakest since February. Driving growth was a further uplift in new business, albeit the weakest across the monitored sectors. Employment growth remained muted despite marked capacity pressures. Elsewhere, the sector continued to see the strongest rate of charge inflation in July amid a further, but slower, surge in input costs.

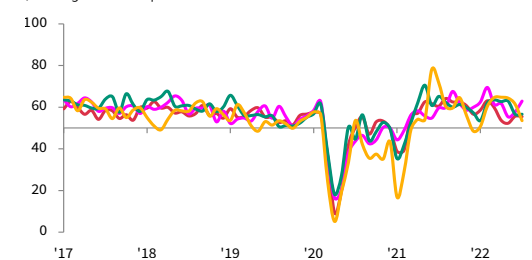
Business Activity Index

sa, >50 = growth since previous month



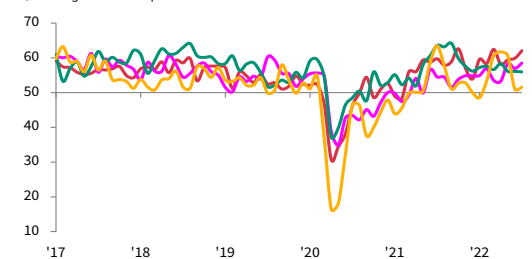
New Business Index

sa, >50 = growth since previous month



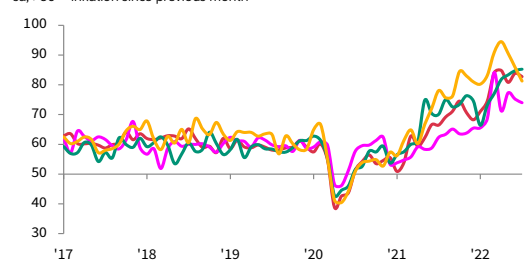
Employment Index

sa, >50 = growth since previous month



Input Prices Index

sa, >50 = inflation since previous month

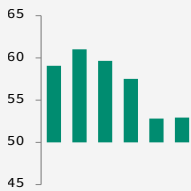


AIB Ireland Composite PMI®

Private sector output rises modestly again in July

Composite Output Index

Last six months



The July survey data on the combined Irish manufacturing and services economy showed a sustained upturn in output, with the rate of growth remaining modest overall.

The seasonally adjusted Ireland Composite Output Index* registered 52.9 in July, little-changed on June's reading of 52.8, to signal a seventeenth consecutive monthly uplift in Irish private sector output. The rate of expansion was modest, but nonetheless subdued in the context of the strong growth seen earlier in the year. At the sector level, a faster expansion of services activity more than offset a quicker decline in manufacturing production.

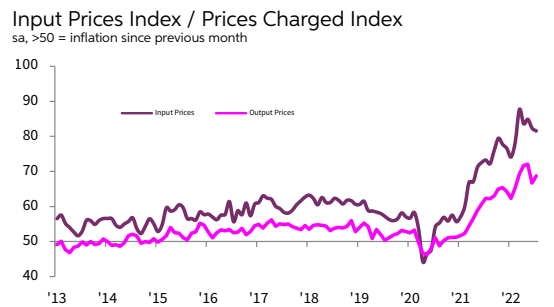
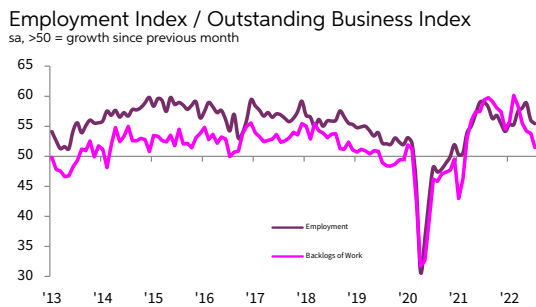
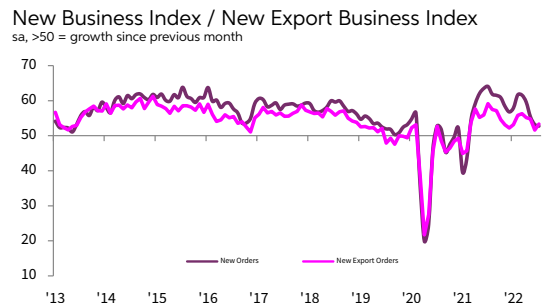
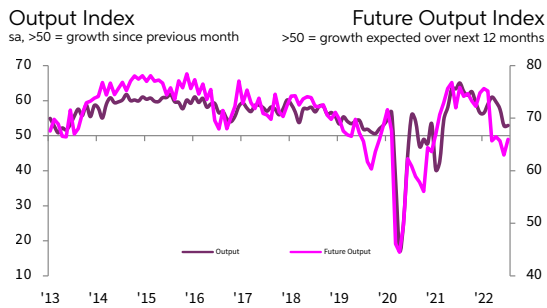
Meanwhile, inflows of new business increased further, though at the slowest rate in the current 17-month sequence. The slowdown primarily reflected domestic demand conditions, however,

as export order book growth accelerated to a solid pace.

Subsequently, the level of outstanding business rose again in July. The rate of increase cooled to just a marginal pace, however, reflecting a sharp drop in backlogs at goods producers. Still, firms continued to expand their headcounts at a solid rate.

On the price front, the rate of cost inflation slowed to a five-month low, but was still severe. Average charges levied by Irish firms meanwhile rose a stronger pace and one that was amongst the fastest on record.

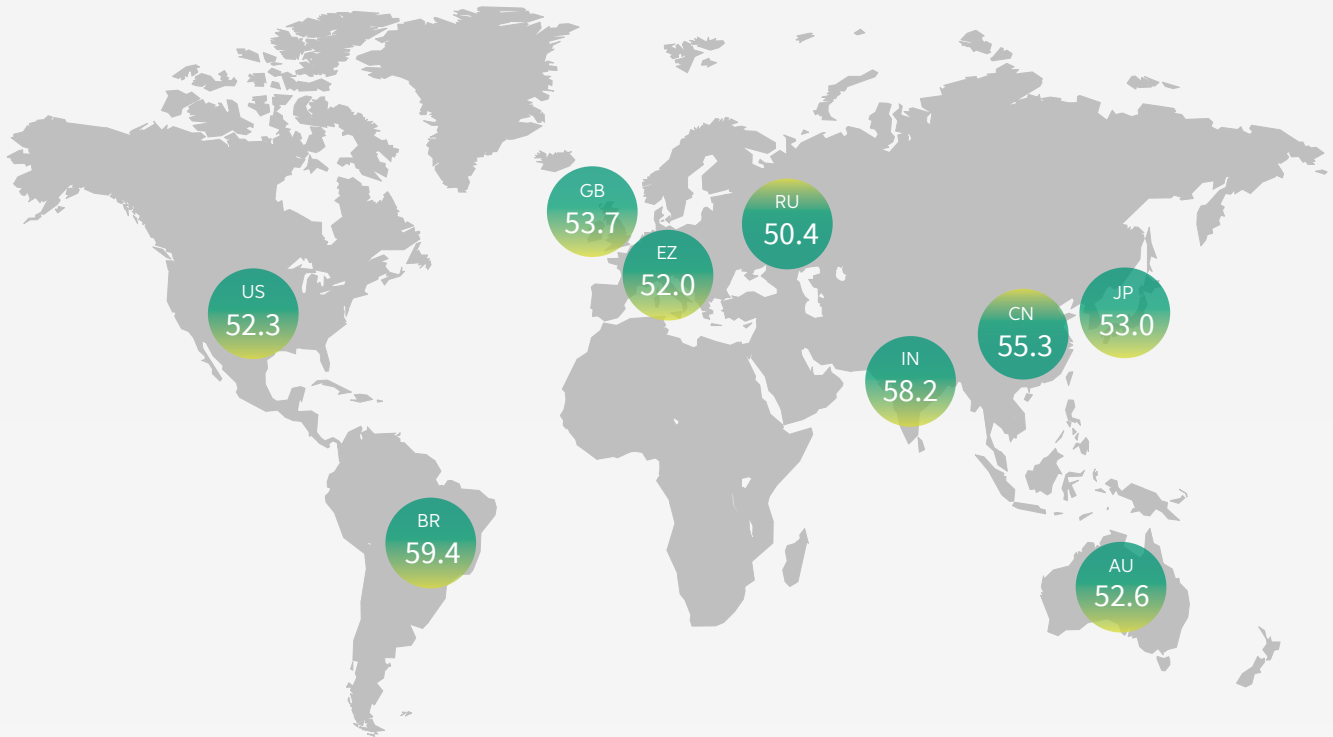
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

Composite Output Index, Jun '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 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.

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 July 2022.

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

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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. <https://ihsmarkit.com/products/pmi.html>

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