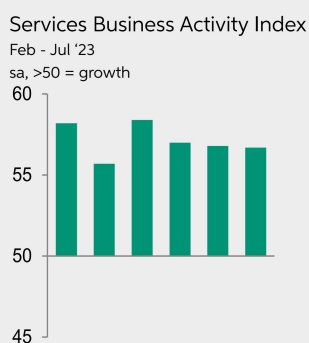


AIB Ireland Services PMI®

Growth in Irish service sector remains marked in July

56.7

IRELAND SERVICES
BUSINESS ACTIVITY
INDEX, JUL '23



Latest AIB PMI® survey data remained conducive to substantial growth in the Irish services economy at the start of third quarter of the year. Ongoing demand resilience continued to support marked uplifts in both activity and new orders. Workforce numbers were subsequently increased, and business sentiment strengthened. Inflationary pressures meanwhile subsided somewhat. Following a period of re-acceleration in June, rates of input cost and output charge inflation eased on the month to reach 27- and 25-month lows, respectively.

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

"The AIB Irish Services PMI for July registered another very strong reading of 56.7, down slightly from 56.8 in June and 57.0 in May. This reading is consistent with continuing robust growth in business activity in the services sector. The Irish figure once again outperformed some of the major advanced economies, with flash July Services PMI readings of 51.1 for the Eurozone, 51.5 in the UK and 52.4 in the US.

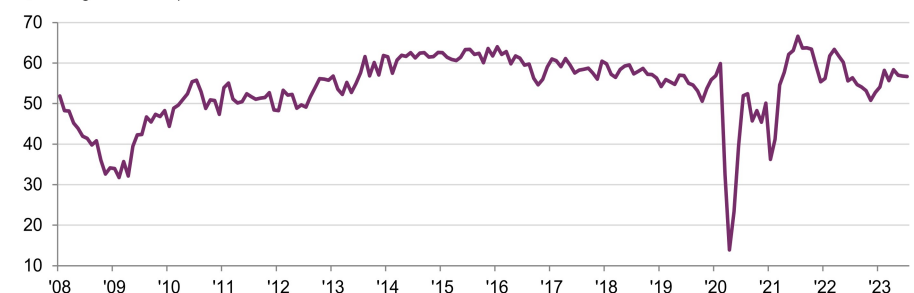
"The ongoing robust performance reflected strong demand conditions in the sector. This was evidenced by another sharp increase in new business volumes at Irish services firms, driven by ongoing strength in both domestic and external demand. Employment continued to increase, albeit at the slowest pace since January amid reports of recruitment difficulties. The continuing strong growth in new business saw a further rise in the level of outstanding work. Meanwhile, firms in the service sector remained optimistic

about their expectations for activity levels over the next 12 months.

"For the second month in a row, Financial Services was the best performing of the four monitored sub-sectors in terms of growth, while also registering another strong increase in new business. Meantime, there was a contraction in activity in the Transport, Tourism & Leisure sector, the first such decline since January.

"Inflationary pressures remained elevated in the services sector against the backdrop of continuing strong growth in activity. Input prices in particular remain under considerable upward pressure, most notably from rising labour costs. Higher operating costs continue to be passed on in higher selling prices. That said, the rate of increase in both input and output prices eased to the lowest levels since April/May 2021."

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



PMI®

by S&P Global

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Overview

Sustained sharp uplifts in activity and new orders

Business sentiment strengthens

Rate of input cost inflation eases to 27-month low

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.

At 56.7, the AIB Ireland Services Business Activity Index was broadly in line with 56.8 registered in June and signalled another round of growth in the Irish services economy. The latest reading stretched the current sequence of improvement to just short of two-and-a-half years and remained indicative of a marked expansion in business activity. The sustained rise in output levels was overwhelmingly attributed to ongoing demand buoyancy.

Mirroring the trend for business activity and in line with the aforementioned anecdotal evidence, Irish service providers observed another sharp uplift in new order intakes at the start of the third quarter of the year.

External demand for Irish services improved during July, as highlighted by a twenty-ninth successive monthly rise in new export business. Moreover, the pace of expansion quickened from June and was strong overall.

Sustained increases in production and new orders continued to aid job creation during July. While solid overall, the uplift in workforce numbers was the weakest since January. Panel members who registered lower employment

levels mentioned the non-replacement of voluntary leavers and recruitment difficulties.

Growth in inflows of new business continued to drive a further build-up in the volume of incomplete work across the Irish service sector. The level of unfinished business rose solidly during July, thereby extending the current sequence of accumulation seen since March 2021.

There was another considerable increase in operating expenses at Irish service providers during July. Companies indicated that persistent wage pressures continued to underpin the latest rise. That said, the rate of cost inflation eased since June to its weakest in 27 months. Companies subsequently raised their own charges to reflect higher cost burdens. However, the latest hike in selling prices was the joint-weakest since May 2021.

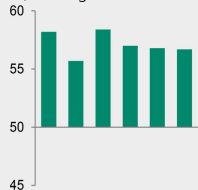
Supported by a combination of hopes of a further improvement in demand, success in marketing strategies and investment in business diversification, overall sentiment amongst Irish service providers strengthened during July. That said, the degree of confidence continued to fall short of the series average.

Finally, granular data showed that the Financial Services sector remained the brightest area of the services economy and registered the strongest growth in activity of the four monitored sub-sectors. Business Services and Technology, Media & Telecoms also signalled uplifts in output while Transport, Tourism & Leisure bucked the wider trend and dipped into contraction territory for the first time since January.

Activity and demand

Business Activity Index

Feb - Jul '23
sa, >50 = growth

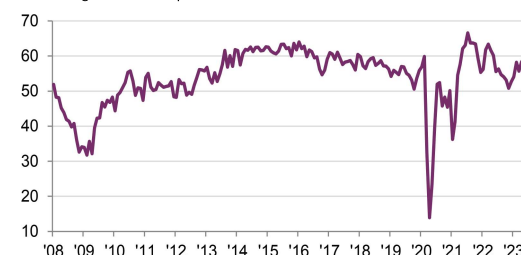


Business activity

July data pointed towards a sustained expansion in business activity at Irish service providers, thereby stretching the current sequence of increase to just short of two-and-a-half years. The rate of growth was little-changed from those recorded in each of the previous two months and therefore substantial overall. Panel members overwhelmingly linked the uplift in output to more favourable demand conditions.

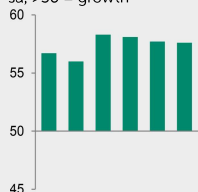
Business Activity Index

sa, >50 = growth since previous month



New Business Index

Feb - Jul '23
sa, >50 = growth

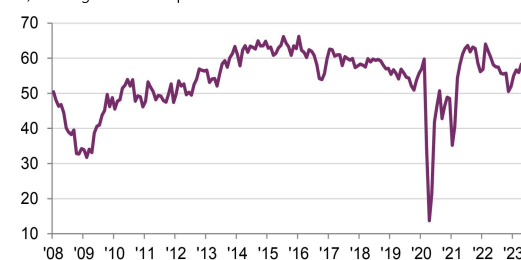


New business

Continuing the trend seen on a monthly basis since March 2021, inflows of new business across the Irish services economy rose during July. The rate of increase was broadly similar to that seen in June and hence remained sharp overall. Survey respondents often associated growth in order book volumes to healthy underlying demand conditions.

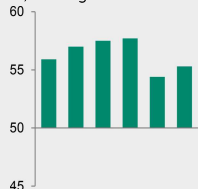
New Business Index

sa, >50 = growth since previous month



New Export Business Index

Feb - Jul '23
sa, >50 = growth



New export business

The upturn in new export business entered its twenty-ninth month during July. Moreover, the rate of increase quickened slightly from that seen in June and was strong overall. Anecdotal evidence suggested that sustained global demand for services alongside a boost in tourism volumes drove the latest expansion.

New Export Business Index

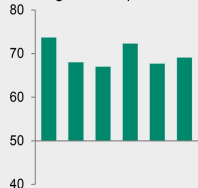
sa, >50 = growth since previous month



Business expectations

Future Activity Index

Feb - Jul '23
>50 = growth expected



Irish service sector firms signalled expectations of an improvement in activity over the coming 12 months during July. Hopes for success in marketing campaigns, a sustained improvement in demand and investment in business diversification underpinned optimism. The degree of confidence strengthened slightly from that registered in the prior survey period but fell just short of the historical average.

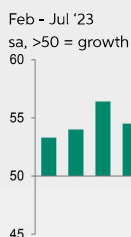
Future Activity Index

>50 = growth expected over next 12 months

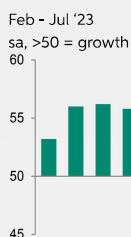


Employment and capacity

Employment Index



Outstanding Business Index



Employment

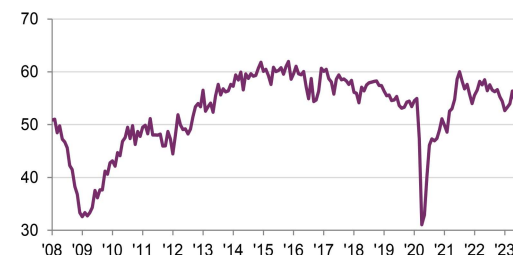
Workforce numbers across the Irish services economy expanded during July, thereby extending the current sequence of job creation dating back to March 2021. Panel members that hired additional workers mentioned sustained rises in new business. Although solid overall, the latest uplift in staffing levels was the least pronounced since January. A combination of voluntary leavers and recruitment difficulties reportedly dampened employment growth.

Outstanding business

The seasonally adjusted Outstanding Business Index registered above the critical 50.0 mark in July to signal a twenty-ninth successive monthly rise in the level of unfinished business at Irish service sector firms. Moreover, the rate of accumulation quickened to reach a solid pace overall. Companies, in large part, attributed growth in backlogged work to expanding order book volumes.

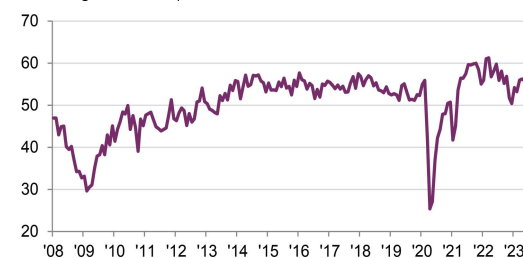
Employment Index

sa, >50 = growth since previous month



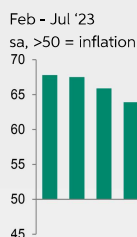
Outstanding Business Index

sa, >50 = growth since previous month



Prices

Input Prices Index

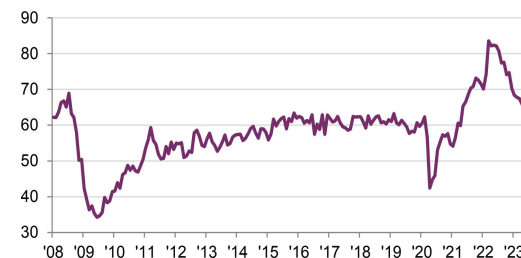


Input prices

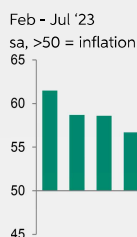
July survey data signalled another considerable increase in average cost burdens faced by Irish service providers during July. According to panel members, rising salaries remained at the forefront of the latest round of inflation. Increasing energy costs were also mentioned. That said, the rate of inflation eased to the softest since April 2021.

Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

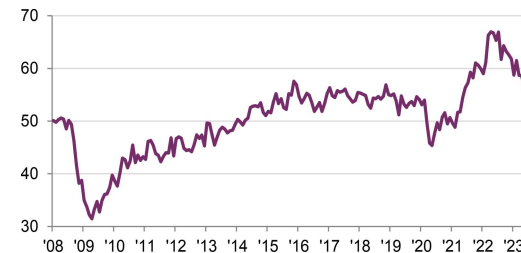


Prices charged

Average charges levied by companies in Ireland's service sector increased for the twenty-ninth month in a row during July. Reports from survey respondents suggested that firms generally raised their prices in order to pass on higher operating expenses to their customers. However, the rate of increase eased from June's four-month high to the joint-slowest since May 2021.

Prices Charged Index

sa, >50 = inflation since previous month

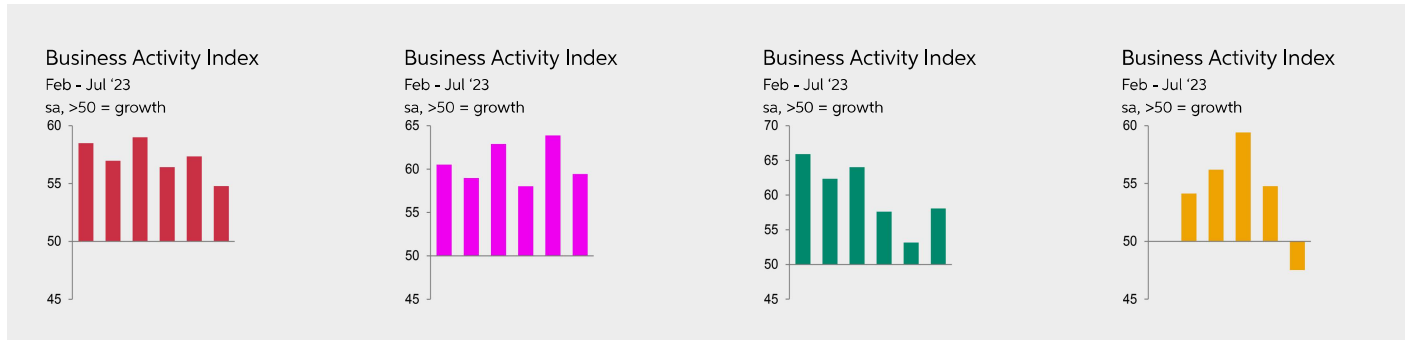


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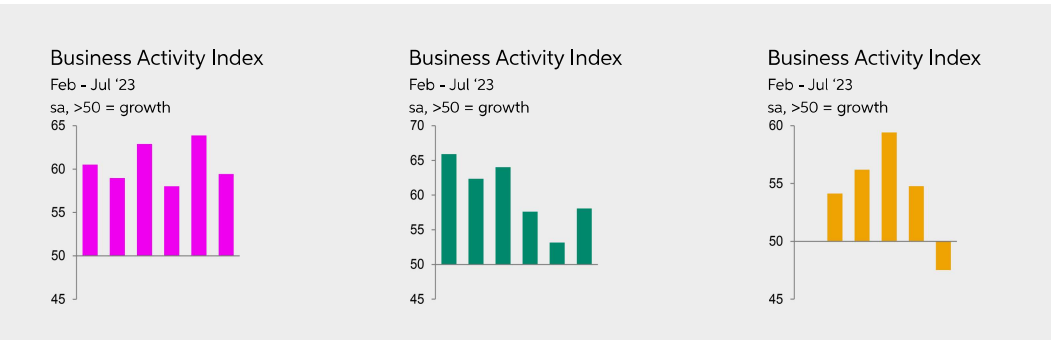
Services sub-sectors

Business Services



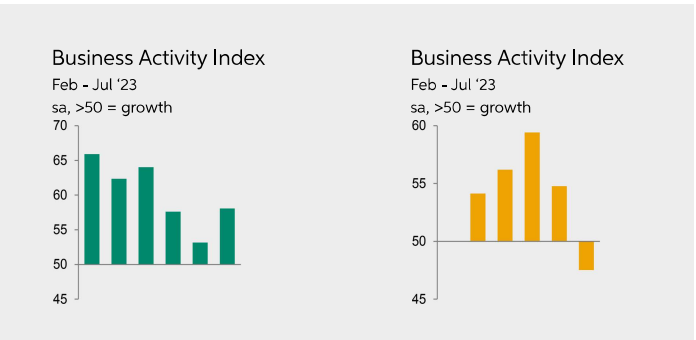
The Business Services sector signalled a slower, but still strong, increase in activity levels during July. New orders, however, expanded at the sharpest pace since February 2022, despite international demand deteriorating for the first time in 2023-to-date. There were contrasting movements on the price front. Input costs rose at a quicker pace while the rate of selling price inflation eased on the month.

Financial Services



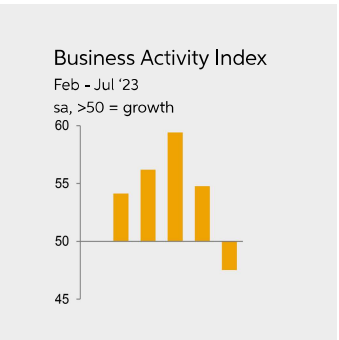
Growth in activity in the Financial Services sector was the quickest of the four monitored sub-sectors, albeit softer than that seen in June. The expansion in new orders was similarly marked but also softened on the month. Elsewhere, employment levels rose sharply, as did the level of unfinished business. Rates of input price and output charge inflation eased to 24- and 18-month lows, respectively.

Technology, Media & Telecoms



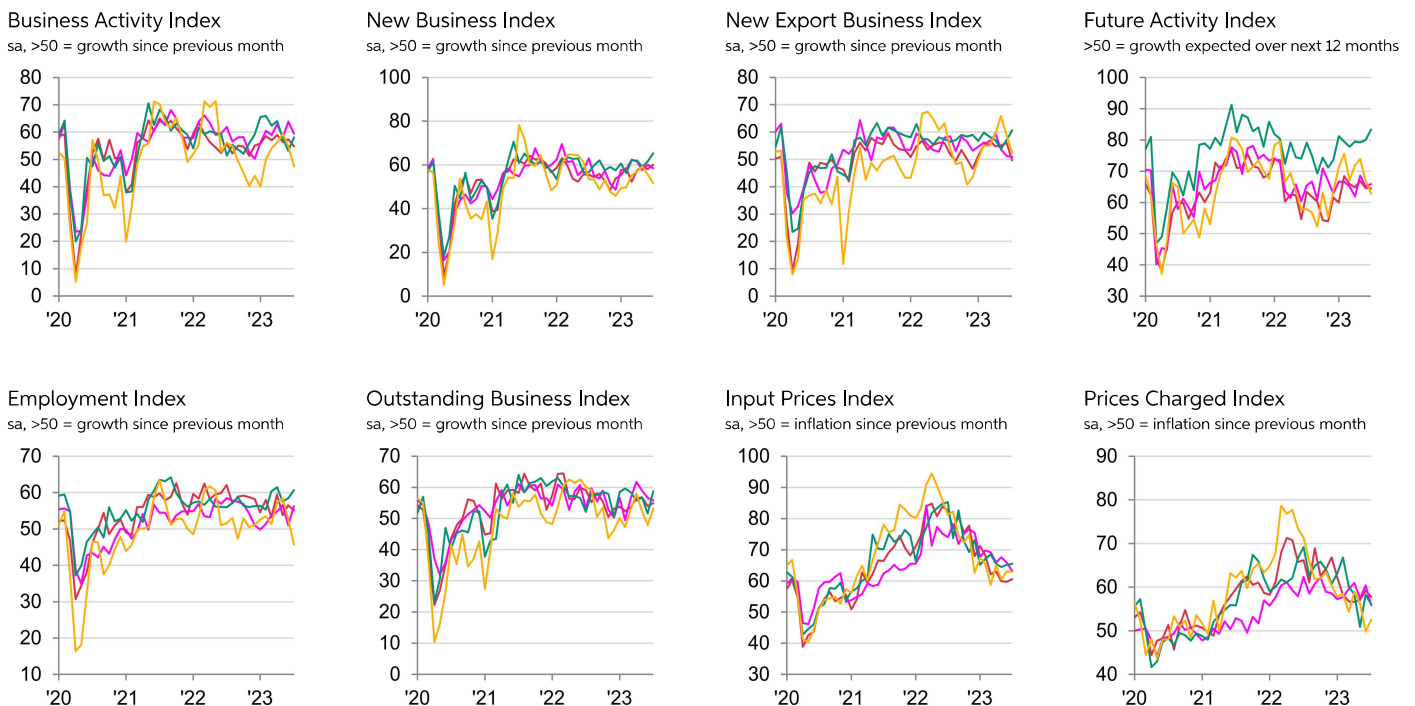
Companies operating within the Technology, Media & Telecoms sector noted a pick-up in the rate of expansion during July. Uplifts in activity and new business were both considerable with the latter the strongest since May 2021. Growth in new export orders was similarly marked and workforce numbers rose at the sharpest pace in three months. Meanwhile, the rate of input cost inflation accelerated slightly but the increase in output charges slowed from that seen in June.

Transport, Tourism & Leisure



Conditions across the Transport, Tourism & Leisure sector deteriorated for the first time since January in July. There was a fresh decrease in activity levels and new order growth was only marginal. Subsequently, staffing levels fell at the quickest pace in almost two-and-a-half years and business sentiment weakened to an eight-month low. Input prices continued to increase at a substantial rate. Although signalling a renewed uptick in output charges, the extent to which selling prices rose was only modest.

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



AIB Ireland Composite PMI®

Private sector economy stagnates amid stronger manufacturing downturn

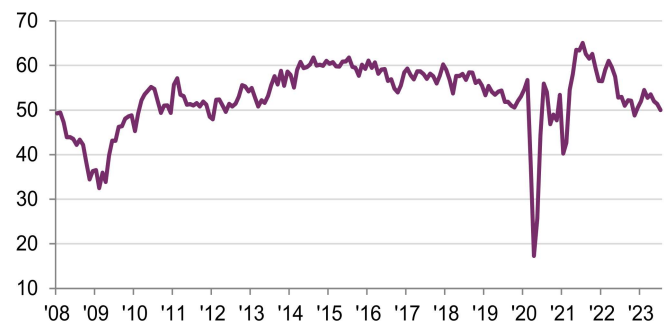
The AIB Ireland Composite PMI Output Index* posted at the neutral level of 50.0 in July to signal a stagnation in the Irish private sector economy. This reading was down from 51.4 registered in June and indicative of the weakest performance of the sector since last November. The lower headline reading was mainly driven by a deeper downturn in manufacturing production while growth in services activity remained marked.

Aggregate new orders rose, but at the slowest pace since March. Underlying data showed that a substantial increase in new business received by service providers continued to offset a contraction in manufacturing new factory orders. At the same time, total employment levels rose modestly.

Inflationary pressures at the composite level eased in July. Rates of input cost and output charge inflation were the least pronounced in 31- and 29-months, respectively, with the increase in the latter only modest overall. Sustained declines in both operating expenses and selling prices were recorded in the manufacturing sector.

Composite Output Index

sa, >50 = growth since previous month



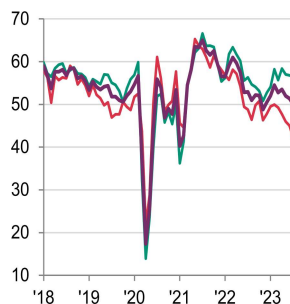
Sources: AIB, S&P Global PMI.

*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

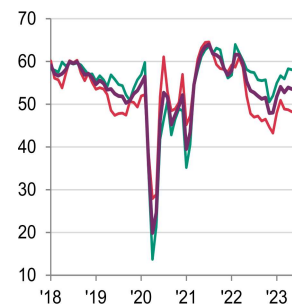
Output Index

sa, >50 = growth since previous month



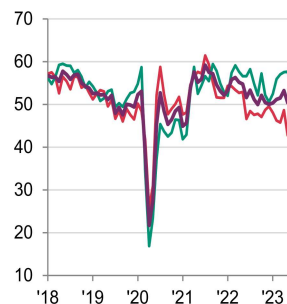
New Business Index

sa, >50 = growth since previous month



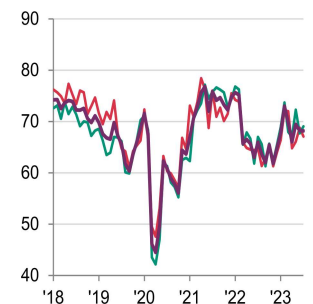
New Export Business Index

sa, >50 = growth since previous month



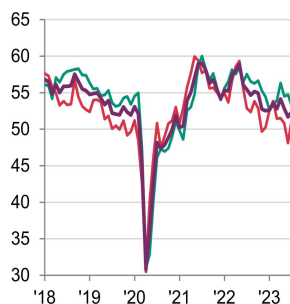
Future Output Index

>50 = growth expected over next 12 months



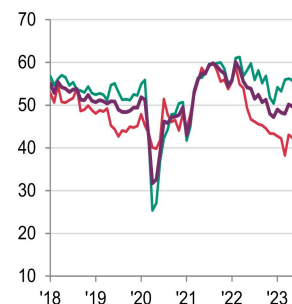
Employment Index

sa, >50 = growth since previous month



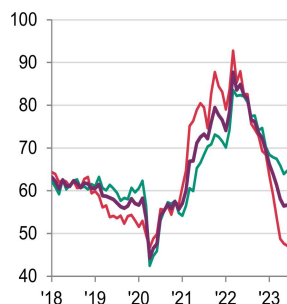
Outstanding Business Index

sa, >50 = growth since previous month



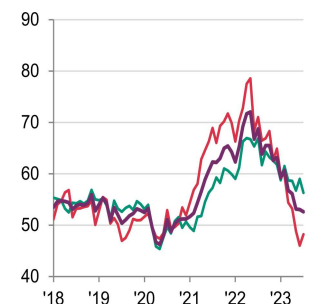
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



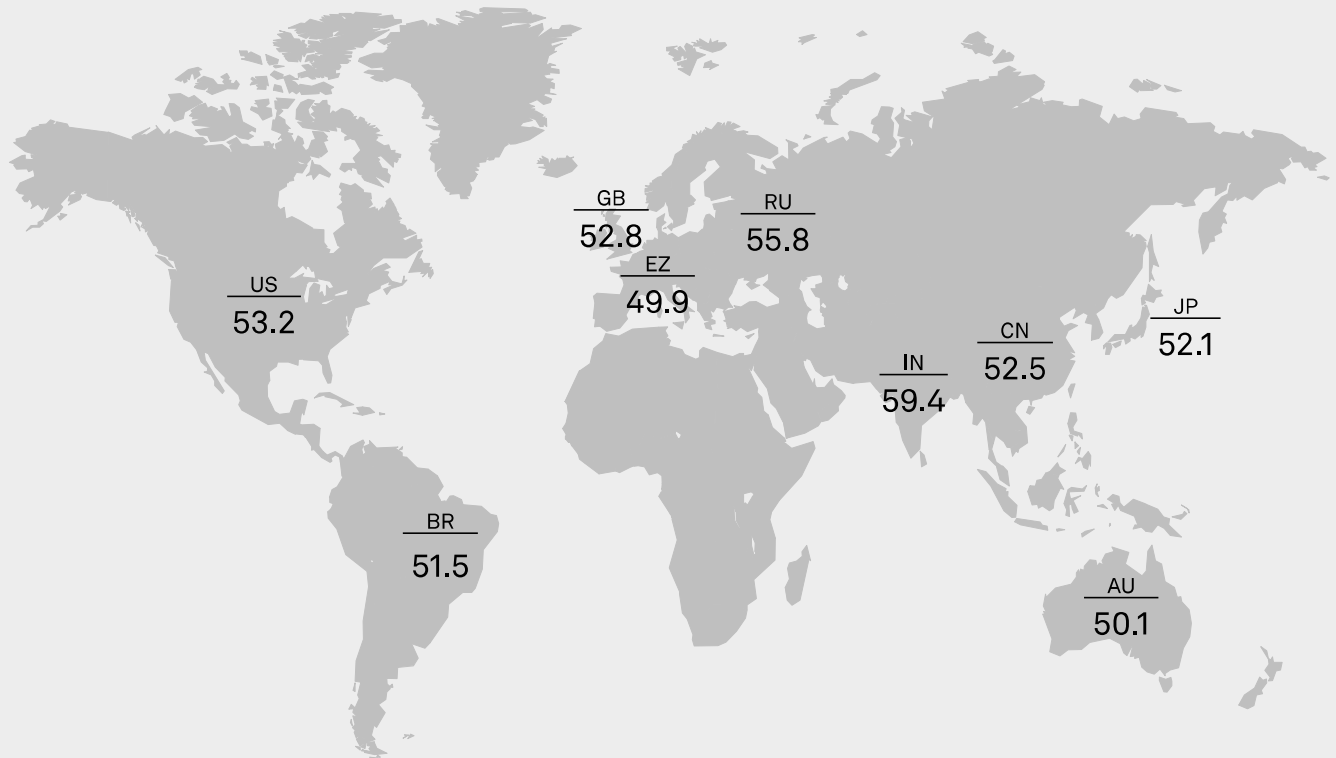
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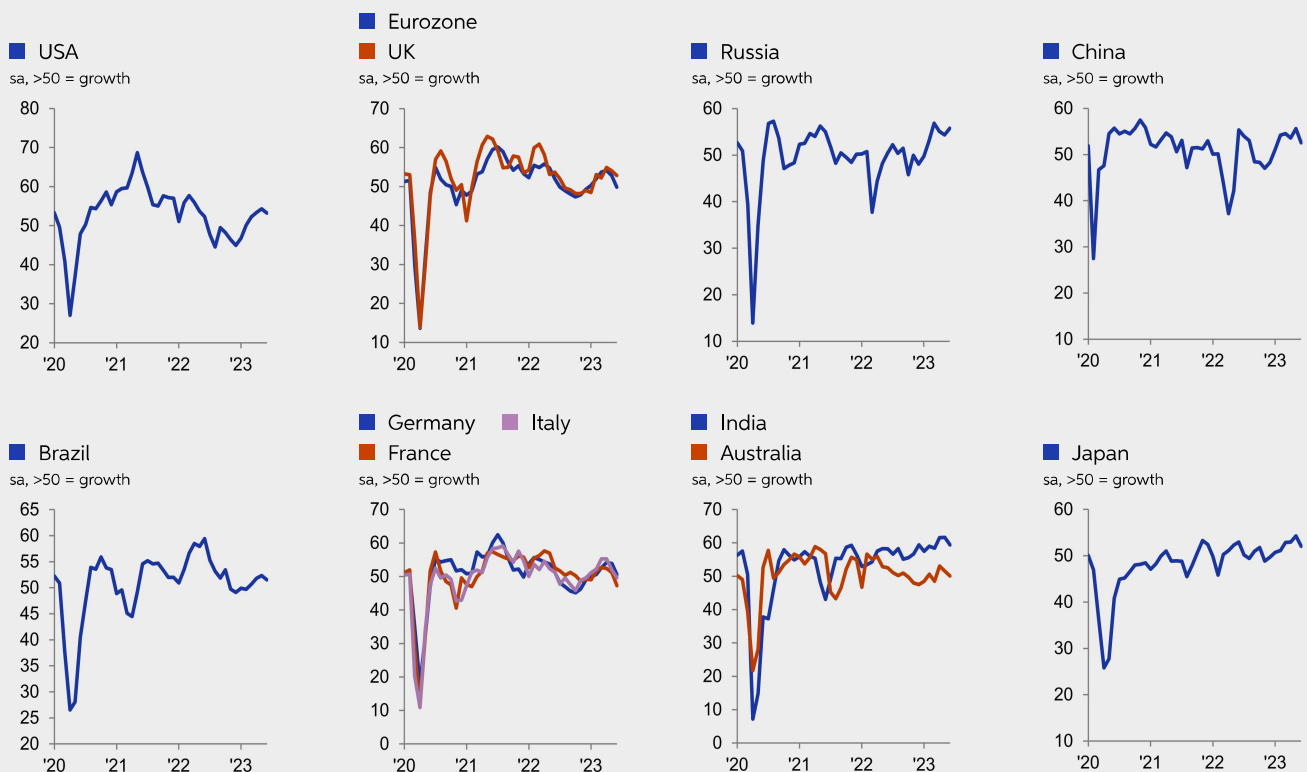
International PMI

Composite Output Index, Jun '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



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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 12-26 July 2023.

Survey questions Services sector

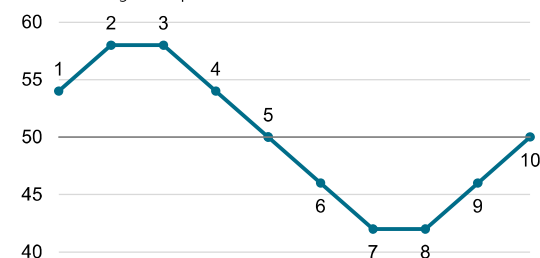
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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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ihsmarkit.com/products/pmi.html

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