

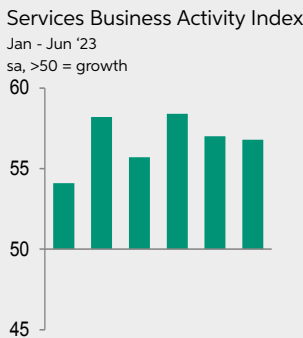


# AIB Ireland Services PMI®

## Substantial growth in the Irish service sector in June

# 56.8

IRELAND SERVICES BUSINESS ACTIVITY INDEX, JUN '23



Supported by buoyant demand conditions, Irish service providers registered another marked improvement in the health of the sector during June, latest AIB PMI® survey data showed. Growth in new business remained notable and underpinned a further substantial uplift in business activity. In turn, firms raised their headcounts at an accelerated pace. Concurrently, stronger demand conditions sparked a reignition of inflationary pressures. The increase in input costs was substantial and quicker than that seen in May, while the rate of selling price inflation was the most pronounced in four months.

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

*"The AIB Irish Services PMI for June registered another very strong reading of 56.8, down slightly from 57.0 in May. This reading is consistent with a continuing robust rate of growth in business activity in the services sector. The Irish figure once again outperformed some of the major advanced economies, with the flash May Services PMI readings of 52.4 for the Eurozone, 53.7 in the UK and 54.1 in the US.*

*"The robust performance reflected strong demand in the sector. This was evidenced by another very solid increase in new business volumes at Irish services firms, driven by ongoing strength in both domestic and external demand.*

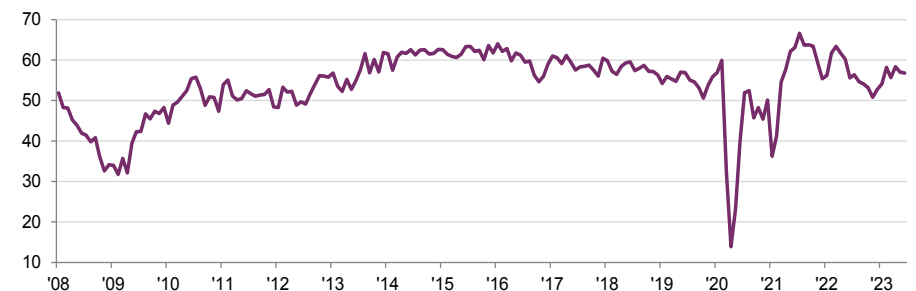
*"The combination of increased output levels and an expanding order book saw the sector record another solid rise in employment. The continuing strong growth in new business saw a*

*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, albeit not to the same extent as in the previous month.*

*"Financial Services was the best performing sector in terms of output growth, for the first time in eight months, coinciding with a notable increase in new business. Meantime, Technology Media and Telecoms lagged behind the other sub-sectors, experiencing a further loss of momentum in June.*

*"Inflationary pressures remained elevated in the services sector against the backdrop of continuing strong growth in activity. Indeed, both input and output prices saw a re-acceleration in their pace of increase."*

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



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- Overview and comment
- Output and demand
- Business expectations
- Employment and capacity
- Prices
- Services sub-sectors
- Ireland Composite PMI
- International PMI
- Survey methodology
- Further information

## Overview

Growth in activity and new business remain marked  
 Rates of input cost and selling price inflation accelerate  
 Faster rise in staffing numbers

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.

Registering 56.8 in June, the latest headline PMI index extended the current sequence of growth originally starting in March 2021. Despite falling from 57.0 in May, the latest reading remained well-above the neutral 50.0 threshold and was consistent with another marked uplift in activity levels in the Irish service sector. According to survey respondents, higher output levels reflected demand buoyancy.

The aforementioned demand strength was underscored by a twenty-eighth consecutive monthly uplift in new business during June. Moreover, the rate of growth in total sales was substantial overall, albeit the softest since March. At the same time, the expansion in new export business continued into June. The increase was solid overall despite being the least pronounced since January.

Greater output combined with an expanding orderbook spurred companies on in their recruitment endeavours during June. Staffing numbers in the Irish service sector subsequently rose for the twenty-eighth month straight. Having accelerated from May, the rate of job creation was strong overall.

Elsewhere, marked growth in new work continued to increase the strain on

manufacturers' capacity at the end of the second quarter. The overall volume of incomplete business rose in June, thereby extending the current sequence of increase to almost two-and-a-half years. That said, the rate of accumulation eased to the slowest pace in the year thus far.

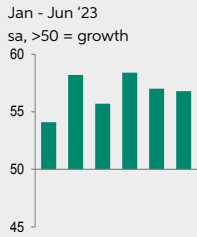
Stronger overall demand conditions brought with it the reignition of inflationary pressures in June. Average cost burdens rose sharply and at an accelerated pace. According to panel members, increasing business expenses were largely a result of persistent wage pressures across the sector. Prices charged by Irish service sector companies subsequently increased at a quicker pace. In fact, the rate of selling price inflation was the most pronounced since February and substantial in the context of historical data. Survey respondents often noted that higher output charges were due to the pass-through of greater costs to clients.

Looking to the future, Irish service providers maintained a positive outlook. Opportunities for growth mentioned by panel members included hopes for a further pick-up in demand, business expansion plans and a payoff from recent investment in new product development. The degree of confidence, however, waned from that seen in May and dipped back below its historical average.

Finally, sub-sector splits showed the Financial Services sector at the top of the output growth rankings for the first time since last October. Financial Services also registered the strongest rates of input cost and selling price inflation. Meanwhile, the Technology, Media & Telecoms category registered the weakest rise in activity of the four sub-sectors monitored.

## Activity and demand

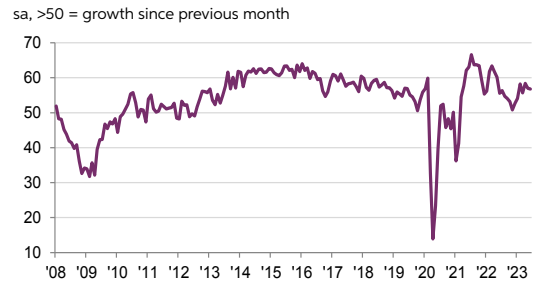
### Business Activity Index



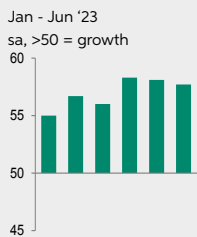
### Business activity

Activity levels across the Irish services economy increased again during June to mark 28 consecutive months of expansion. Despite having moderated further from April's 11-month high, the pace of growth remained substantial overall. Companies who signalled a rise in output levels often attributed this to a healthy demand environment.

### Business Activity Index



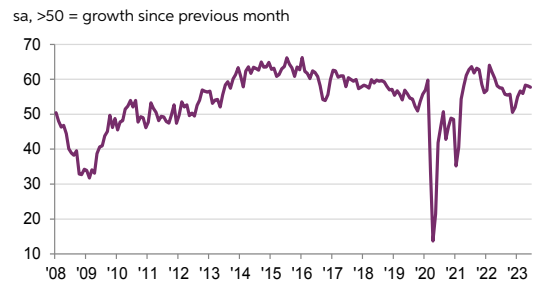
### New Business Index



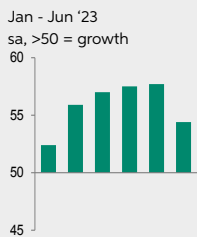
### New business

Irish service providers noted another uplift in their total intakes of new business during June, thereby extending the current sequence of growth seen since March 2021. Notably, the latest expansion remained marked overall, albeit softening fractionally from the upturns recorded in the two prior survey periods. Anecdotal evidence suggested that growth in order books reflected strong underlying demand conditions.

### New Business Index



### New Export Business Index



### New export business

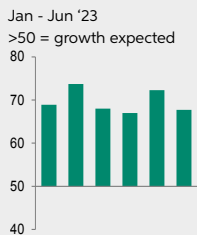
The seasonally adjusted New Export Business Index posted above the 50.0 no-change mark in June to signal a sustained rise in foreign demand for Irish services. Panel members often commented on general global demand strength alongside a post-Brexit related boost in export sales. That said, following a five-month sequence of acceleration, the rate of growth moderated to the weakest seen since January.

### New Export Business Index



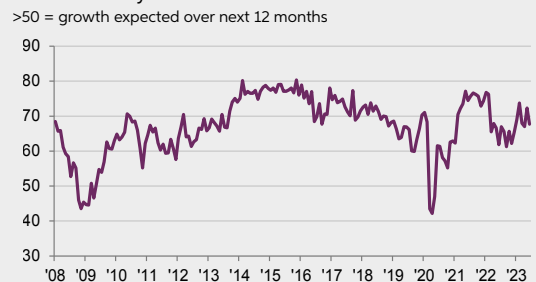
## Business expectations

### Future Activity Index



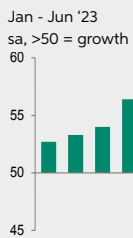
Service sector firms remained upbeat in their expectations for activity levels over the coming 12 months in June. Positive growth forecasts were primarily underpinned by hopes for a further boost in demand. There were also mentions of business expansion plans and an anticipated payoff from recent investments in new service lines. That said, the degree of confidence moderated from May and was historically subdued.

### Future Activity Index

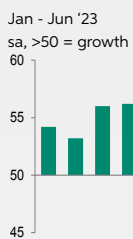


## Employment and capacity

### Employment Index



### Outstanding Business Index



### Employment

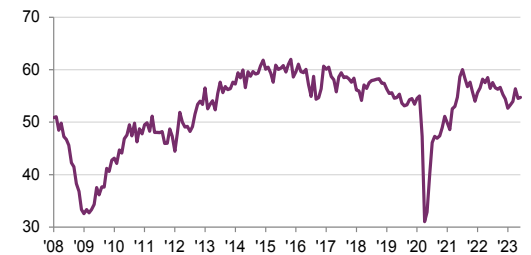
June data indicated that companies in the Irish service sector added to their headcounts again, thereby extending the current sequence of increase to 28 consecutive months. Moreover, the rate of job creation ticked-up slightly from May and was solid overall. Companies who added to their headcounts reportedly did so to accommodate rising activity levels.

### Outstanding business

The level of outstanding business in the Irish service sector increased further during June, as signalled by the respective seasonally adjusted index posting above the 50.0 no change threshold. The latest expansion extended the current sequence of accumulation to almost two-and-a-half years. According to panel members, growth in backlogs of work primarily reflected increasing volumes of new business. The rate of accumulation, however, was the least pronounced in the year thus far.

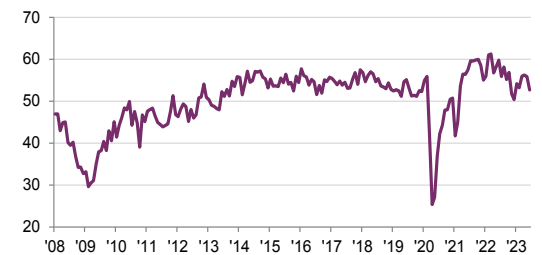
### Employment Index

sa, >50 = growth since previous month



### Outstanding Business Index

sa, >50 = growth since previous month



## Prices

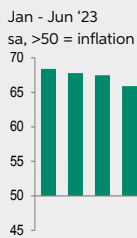
### Input prices

Average operating expenses paid by Irish service sector firms increased substantially in June, marking three consecutive years of monthly input cost inflation. Moreover, the rate of inflation accelerated, following six consecutive months of softening increases in input costs seen to May. Higher staff expenses were noted as the principal driver behind the latest rise in prices.

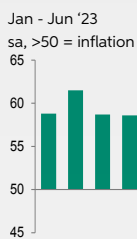
### Prices charged

Irish service providers raised their selling prices for the twenty-eighth month straight during June. The rate of charge inflation quickened and was the most pronounced since February. Firms stated that higher charges were due to efforts to pass on greater costs to clients.

Input Prices Index

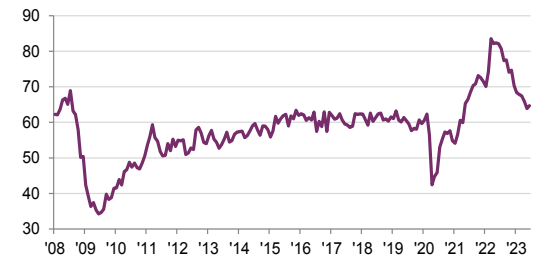


Prices Charged Index



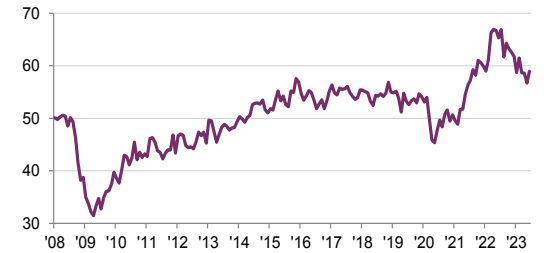
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





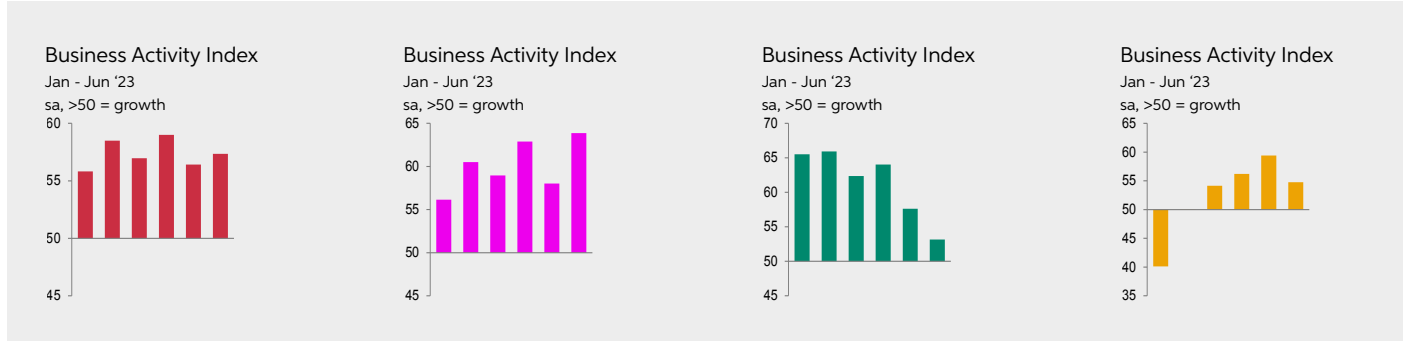
# Services sub-sectors

## Business Services

## Financial Services

## Technology, Media & Telecoms

## Transport, Tourism & Leisure



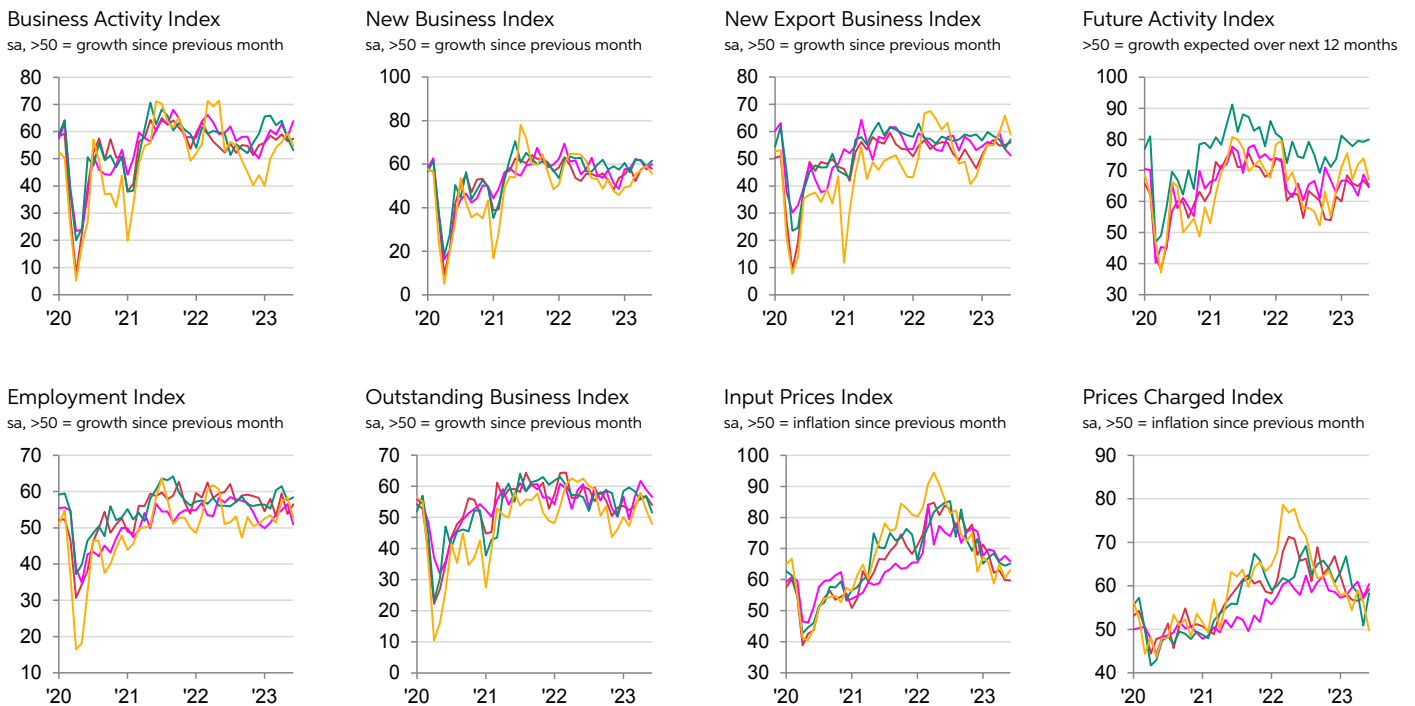
Firms within the Business Services sector signalled further marked uplifts in activity and new business during June. Employment levels subsequently increased at an accelerated pace and growth in backlogs of work was sustained. Meanwhile, the rate of input costs inflation was little-changed from May and remained sharp overall, while the pace of increase in selling prices accelerated.

The Financial Services sector topped the output growth rankings for the first time in eight months during June. The rise in activity was the most pronounced in 15 months and significant overall. The uplift coincided with a marked rise in new business. Even so, the rate of job creation slowed to the weakest in the current five-month sequence of employment growth. Rates of inflation remained significant and were the sharpest of the four monitored sectors.

The Technology, Media & Telecoms sector suffered another notable loss in growth momentum during June. The increase in activity was the softest in eight months, albeit still solid overall. The rate of new business growth, however, accelerated from May to a substantial pace. Meanwhile, the rate of selling price inflation picked-up notably.

Companies operating within the Transport, Tourism & Leisure industry noted sustained, albeit weaker, expansions in both output and new orders during June. Elsewhere, the level of outstanding work fell for the first time since February despite the rate of job creation softening to a three-month low. Output charges decreased for the first time since February 2021 despite a pick-up in the rate of input

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





# AIB Ireland Composite PMI®

## Private sector economy expands at the weakest rate in the year so far

The AIB Ireland Composite PMI Output Index\* posted 51.4 in June, down from 51.9 in May, but still indicative of a seventh successive monthly expansion in the Irish private sector economy. The manufacturing sector continued to act as the main drag on the overall performance, recording a strong and quicker contraction in output. Meanwhile, services activity rose markedly, albeit at the slowest pace in three months.

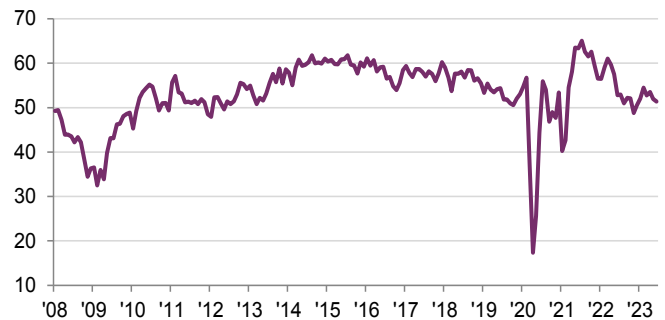
The rate of growth in total new sales was unchanged from that recorded in May and therefore remained solid overall. Manufacturing order book volumes contracted for the fourth month running while new business in the services sector continued to rise substantially.

Meanwhile, the rate of job creation across the private sector eased to a 28-month low amid a fresh fall in factory employment.

Rates of inflation at the composite level were little-changed from those seen in May. Sustained falls in input costs and selling prices in the goods-producing sector were offset by accelerated rates of inflation in the services economy.

- Composite
- Manufacturing
- Services

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

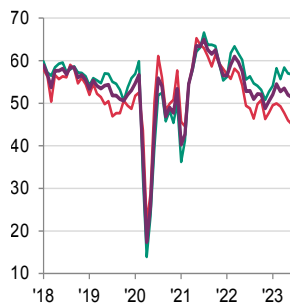


Sources: AIB, S&P Global PMI.

\*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.

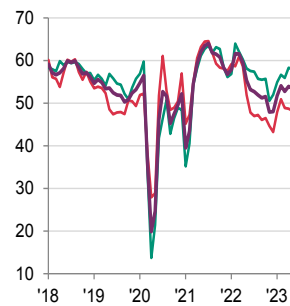
Output Index

sa, >50 = growth since previous month



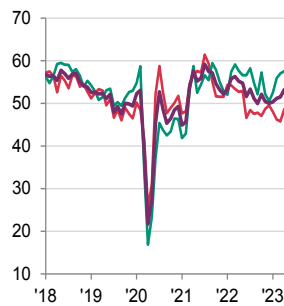
New Business Index

sa, >50 = growth since previous month



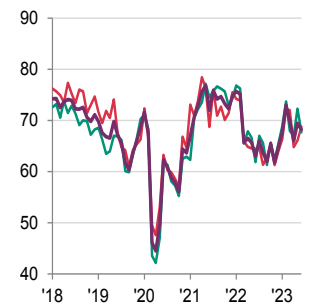
New Export Business Index

sa, >50 = growth since previous month



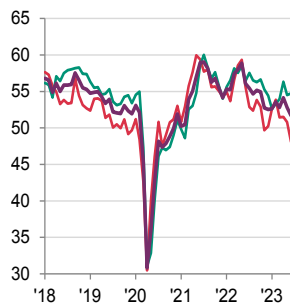
Future Output Index

>50 = growth expected over next 12 months



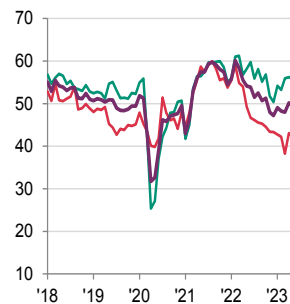
Employment Index

sa, >50 = growth since previous month



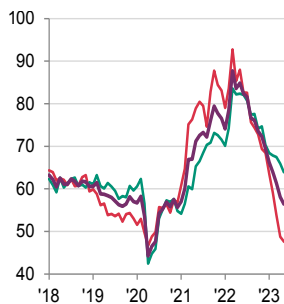
Outstanding Business Index

sa, >50 = growth since previous month



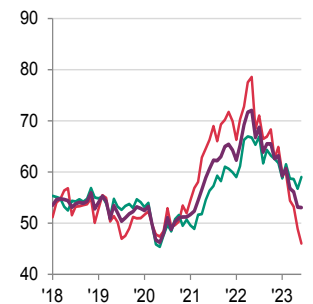
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

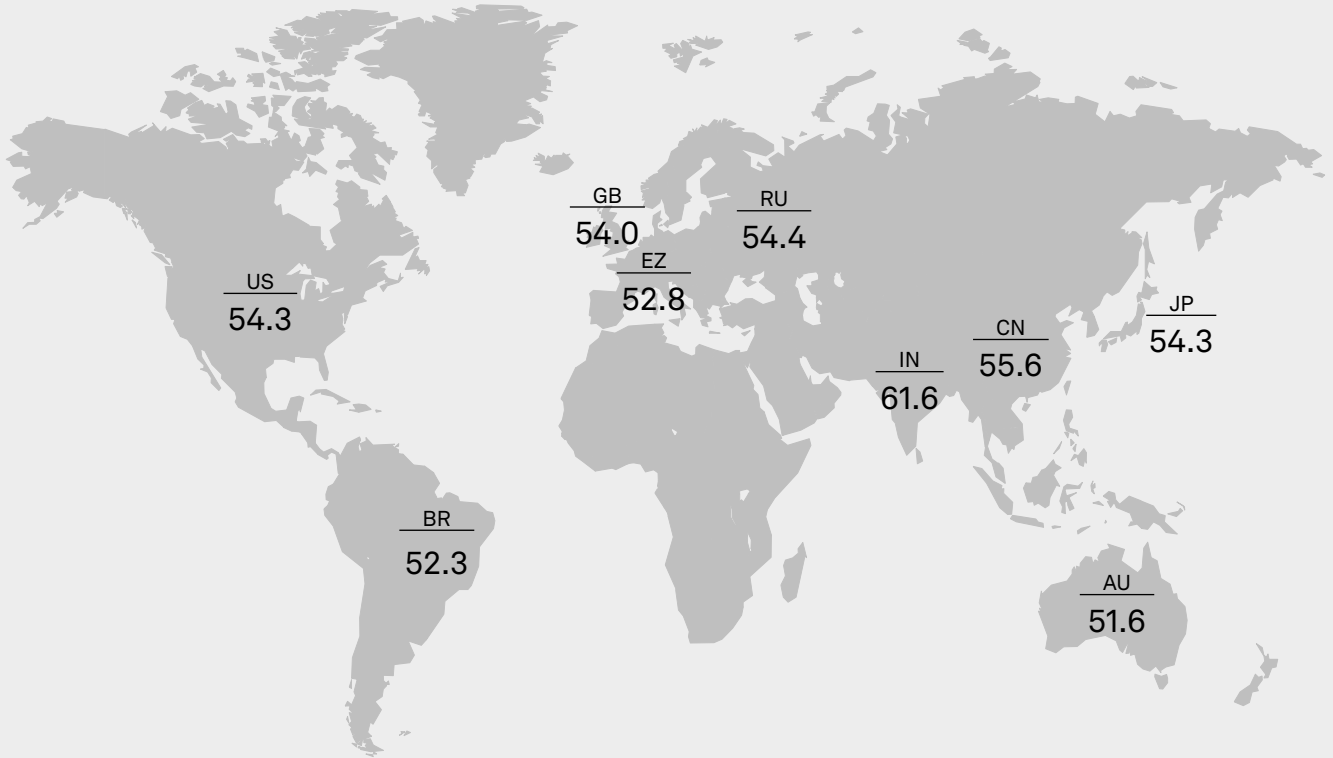
sa, >50 = inflation since previous month



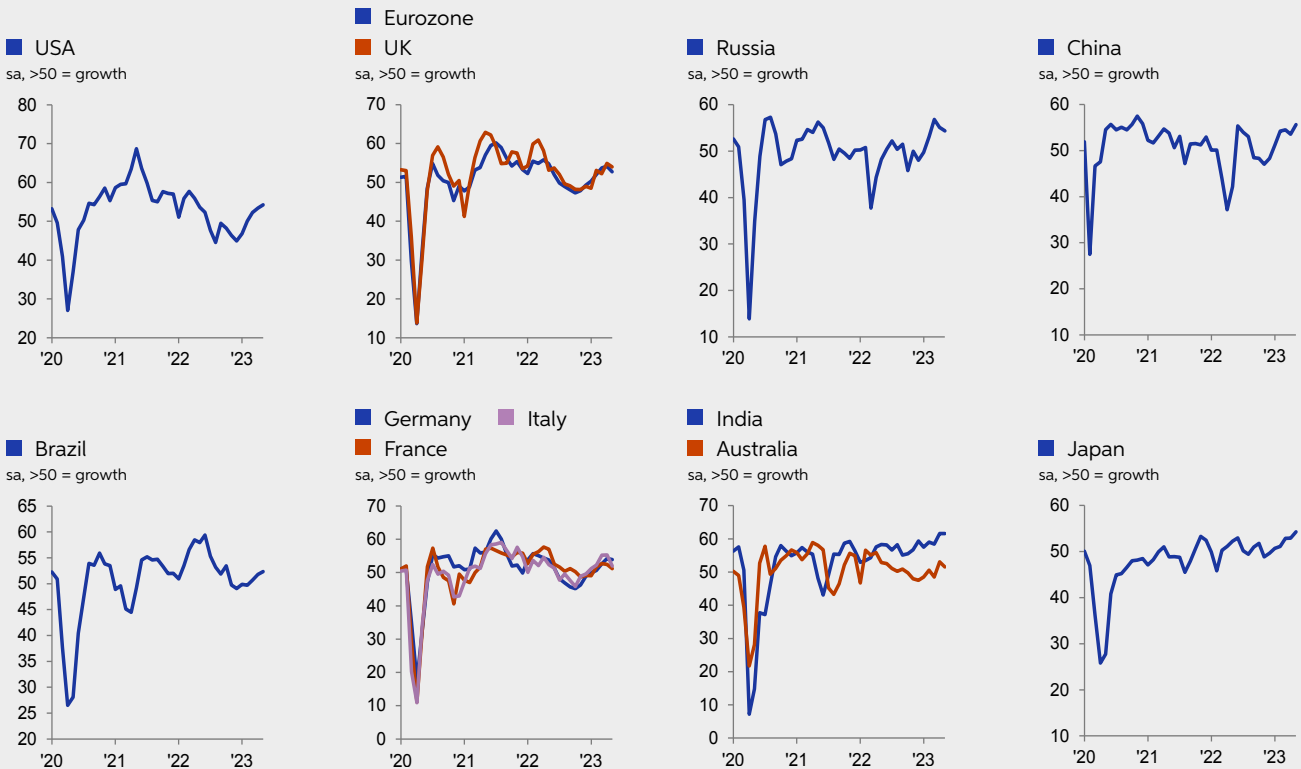
# International PMI

Composite Output Index, May '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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey dates

Data were collected 12-27 June 2023.

### Survey questions

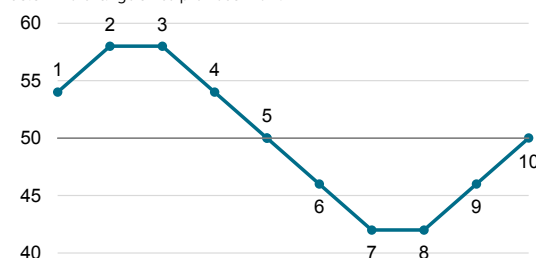
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

### 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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### 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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