



AIB Ireland Services PMI®

Growth of activity slows further in June as price pressures remain elevated

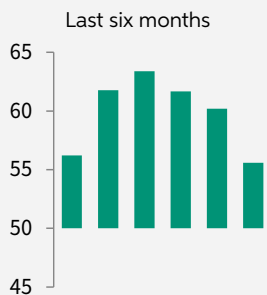
Key Findings

June increase in services output weakest in 2022 so far

Inflationary pressures remain close to record levels

Weakest output expectations since October 2020

Ireland Services Business Activity Index



The latest AIB PMI® survey data on the Irish services economy signalled a further weakening of growth at the mid-point of 2022. Activity increased at the slowest rate of the year so far, while new business grew by the least since January. Business expectations dropped further, weighed down by inflation concerns and geopolitical instability linked to the war in Ukraine. Input prices and charges both rose at the fourth-fastest rates on record. More positively, employment growth remained strong despite easing to a five-month low.

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

“The latest AIB Irish Services PMI points to a marked deceleration in the pace of growth in the sector in June. The Business Activity Index fell to 55.6 from 60.2 in May. The index, though, remains above its long-run average and is still consistent with strong growth in activity. The Irish index is also well above the flash June Services PMIs for the Eurozone and UK of 52.8 and 53.4, respectively, as well as the US reading of 51.6.

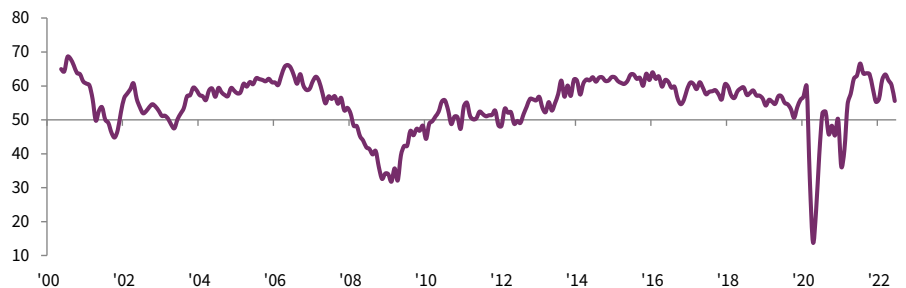
“The moderation in the main components of the survey was nowhere near as pronounced as for total business activity. Growth in new business remained strong overall, slowing only marginally, with the rate of growth in new export business unchanged. Meanwhile, June saw the fastest increase in outstanding business in three months. There was yet another big rise in employment, though the pace of growth slipped from May’s ten-month high.

“Growth was broad based across all the four sub-sectors covered in the survey, with Financial Services and Technology/Media/Telecoms registering the strongest rates of expansion. There was a notable loss of momentum in Transport/Tourism/Leisure during June, although it again recorded the strongest growth rates for new business, exports and outstanding business.

“The Future Activity Index weakened again to its lowest level since October 2020. The war in Ukraine and elevated inflationary pressures continue to weigh on the outlook for activity. Meantime, businesses continued to experience severe upward pressure on input prices, in particular, fuel, energy, freight and wage costs. This in turn saw prices charged to customers rise very sharply for the fourth consecutive month.”

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 fell to 55.6 in June, from 60.2 in May. This signalled the weakest increase in activity since last December and completed a full quarter of slowing growth. The Index trended at 59.2 in the second quarter, down from 60.5 in the first quarter and the weakest performance since the first quarter of 2021 (44.0). That said, the Index remained above its long-run trend level (since 2000) of 55.1 in June.

Data broken down by the four monitored sub-sectors showed broad-based growth for the sixth month running in June. That said, three sectors registered slower rates of expansion in business activity. The weakest growth was seen in Business Services (52.3), followed closely by Transport, Tourism & Leisure (52.8) which suffered a notable loss of momentum since May. Growth in the Technology, Media & Telecoms sector eased to a three-month low, but was strong overall (59.2). The Financial Services sector (59.5) was the only segment not to record slower growth in June, although the rate of expansion remained down on those seen in February, March and April.

New business rose for the sixteenth successive month in June, albeit at the weakest rate since

January. Firms reports that demand continued to be driven by a post-pandemic recovery, although there were reports that concerns over inflation and geopolitical instability had weighted on sales. The moderation in the pace of expansion was not as marked as that seen for total business activity, which was reflected in the strongest growth in outstanding business at service providers in three months. The Transport, Tourism & Leisure sector posted the fastest rise in new business, followed by Financial Services.

Latest data signalled further elevated inflationary pressures in the service sector. Both input prices and charges rose at the fourth-fastest rates on record, little-changed from the all-time highs seen in March and April, respectively. Anecdotal evidence widely mentioned higher prices for fuel, wages, energy and freight. Transport, Tourism & Leisure sector registered the fastest rates of inflation for both input prices and charges, and Financial Services the weakest.

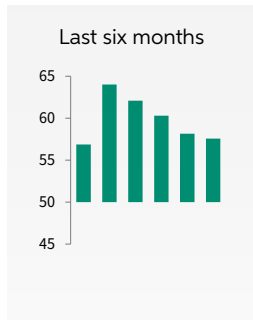
With inflationary pressures remaining strong, and ongoing global political uncertainty linked to the war in Ukraine, Irish service providers were less optimistic regarding the 12-month outlook for business activity. Expectations were the weakest since October 2020, and below the long-run survey trend. By sector, confidence was lowest in Business Services and strongest in Technology, Media & Telecoms.

More positively, employment growth continued at a strong pace in June despite easing to a five-month low. Recruitment was sharpest in Business Services, and weakest in Transport, Tourism & Leisure.

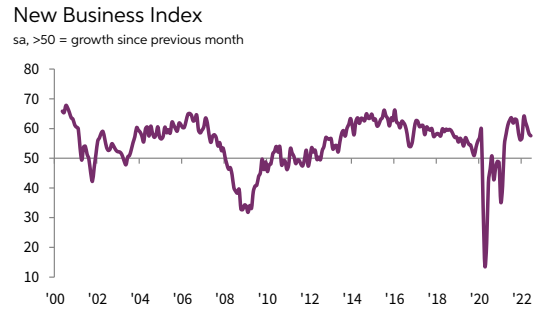




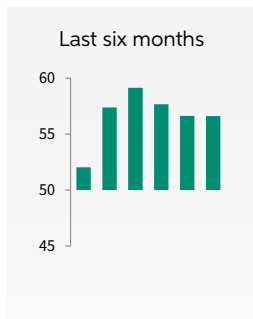
New Business Index



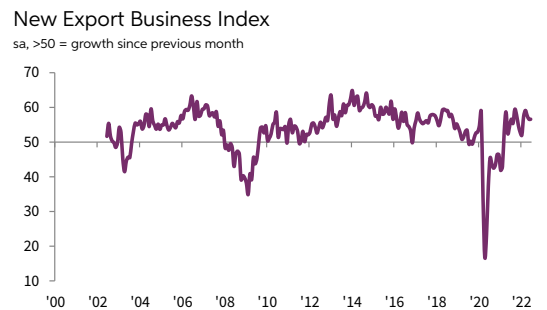
The volume of new business received by Irish service providers rose for the sixteenth successive month in June. That said, the rate of expansion slowed for the fourth month running to the weakest since January. Some firms reported that high inflation had dampened demand. Growth eased most notably in Technology, Media & Telecoms, while stronger increases were seen in Business Services and Financial Services.



New Export Business Index



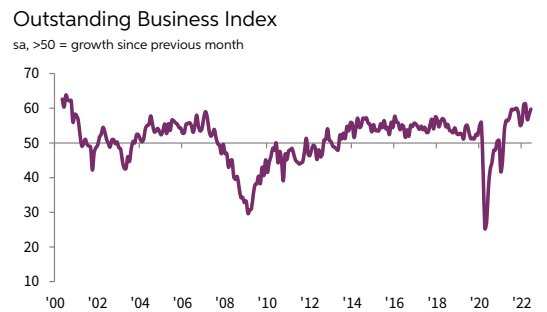
International demand for Irish services continued to increase in June, extending the current sequence of growth to 16 months. The rate of expansion was unchanged on May's four-month low, but remained strong overall and above the long-run survey average. Firms reported new clients, new business due to Brexit and a focus on North American markets. Growth was fastest in Transport, Tourism & Leisure.



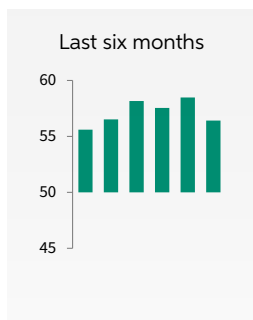
Outstanding Business Index



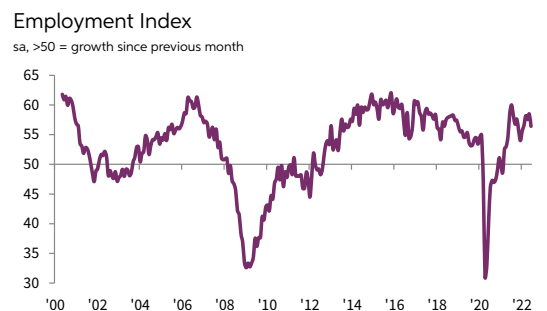
June data signalled a faster increase in outstanding business held by Irish service providers. The seasonally adjusted Outstanding Business Index rose for the second month running to a three-month high. By sector, the fastest rise in outstanding business was in Transport, Tourism & Leisure, followed by Financial Services.



Employment Index



Headcounts at Irish service sector companies rose for the sixteenth consecutive month in June. The rate of job creation slipped from May's ten-month high to a five-month low, but remained above the long-run survey average. Recruitment was mainly linked to incoming new work and expansion into new markets. Employment rose fastest in the Business Services sub-sector, and weakest in Transport, Tourism & Leisure.





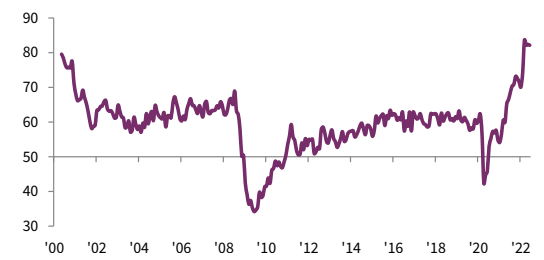
Input Prices Index



Upward pressure on firms' input costs remained severe in June. The seasonally adjusted Input Prices Index remained little-changed on the record high posted in March. Around 63% of firms reported higher average input prices during the latest month, compared with 67% in March. Fuel, energy, wages and freight were all widely reported as up in price during the month. The sharpest input price inflation was again seen in Transport, Tourism & Leisure.

Input Prices Index

sa, >50 = inflation since previous month



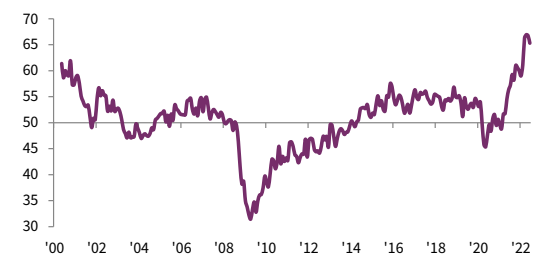
Prices Charged Index



Irish service providers continued to pass on higher input costs to customers in June, as charges rose sharply again. The rate of inflation was only slightly down on those seen in the preceding three months, and higher than in any period prior to March. The sharpest charge inflation was again seen in Transport, Tourism & Leisure, and the weakest in Financial Services.

Prices Charged Index

sa, >50 = inflation since previous month



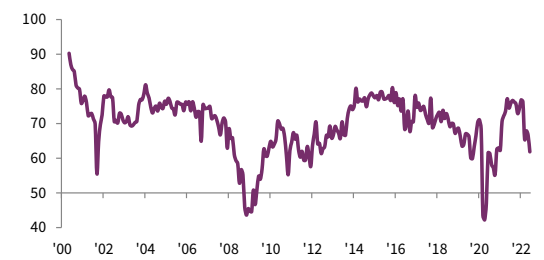
Future Activity Index



Expectations for growth of activity volumes over the next 12 months weakened in June. The Future Activity Index remained above 50.0, signalling positive overall forecasts, but fell to the lowest since October 2020. Planned revenue growth was linked to investment in new products and markets, and a continued recovery from the pandemic. But crippling costs and geopolitical instability resulting from the war in Ukraine continued to undermine the outlook.

Future Activity Index

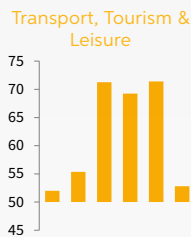
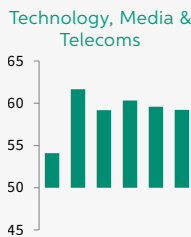
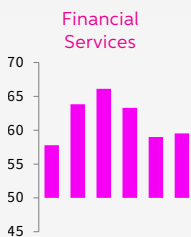
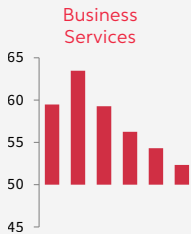
>50 = growth expected over next 12 months



Services Sub-sectors

Business Activity Index

Last six months



Business Services

Activity in the Business Services sector rose further in June, but the rate of growth slowed for the fourth month running to the weakest in the current 16-month expansionary sequence. Business Services was the slowest-growing sector for the third month running, and posted the weakest rise in new business for the fourth consecutive month. Expectations for activity were the weakest for over two years, although employment expanded sharply.

Financial Services

Financial Services was the fastest-growing sector for the first time since February, and was the only sector to not record a slower rate of expansion in activity in June. New business growth picked up from May's recent low, despite a further easing in growth of international demand. Financial Services continued to see the weakest rates of inflation of both input prices and charges among the four monitored sectors in June.

Technology, Media & Telecoms

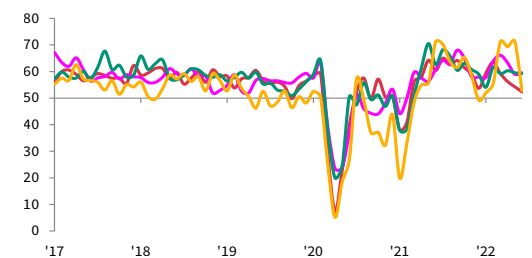
Activity in the Technology, Media & Telecoms sector rose for the sixteenth consecutive month in June, and the rate of growth was broadly in line with the strong average for the first half of 2022. That said, new business expansion was the weakest since January and the rate of job creation was unchanged on May's 13-month low. Input price inflation hit a new record high, driving charges up at the second-fastest rate on record.

Transport, Tourism & Leisure

Having been the fastest-growing sector in March, April and May, Transport, Tourism & Leisure recorded a notable slowdown in June. Employment rose further, but at the slowest rate among the four sectors. More positively, growth of new business remained strong despite easing to a four-month low. Input price and charge inflation both eased since May but remained the strongest among the four monitored sectors.

Business Activity Index

sa, >50 = growth since previous month



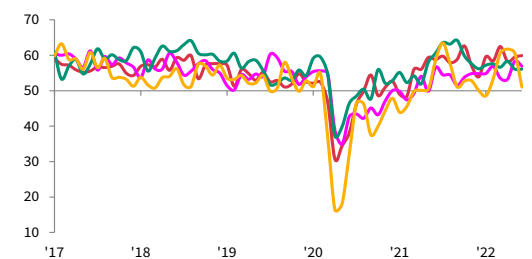
New Business Index

sa, >50 = growth since previous month



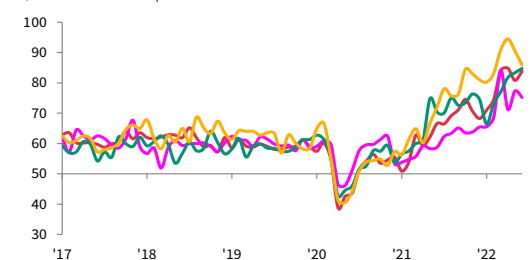
Employment Index

sa, >50 = growth since previous month



Input Prices Index

sa, >50 = inflation since previous month

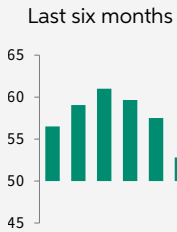




AIB Ireland Composite PMI®

Notable slowdown in economic growth in June as manufacturing contracts

Composite Output Index



The June survey data on the combined Irish manufacturing and services economy showed only modest growth in output at the mid-point of 2022, as well as slower expansions in new orders, backlogs and jobs. Meanwhile, rates of input price and charge inflation remained among the fastest on record.

The seasonally adjusted Ireland Composite Output Index registered 52.8 in June, down from 57.5 in May, signalling the slowest rate of expansion in business activity in the current 16-month sequence of growth. Growth has slowed in three consecutive months for the first time since the start of 2018. The Index was also below its long-run average of 54.1 in May.

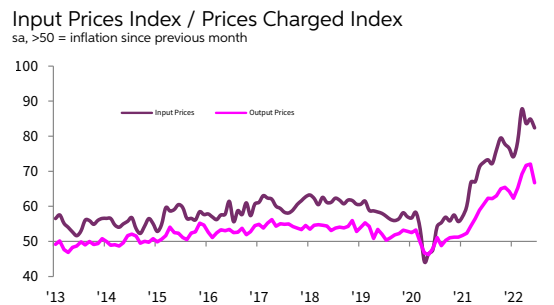
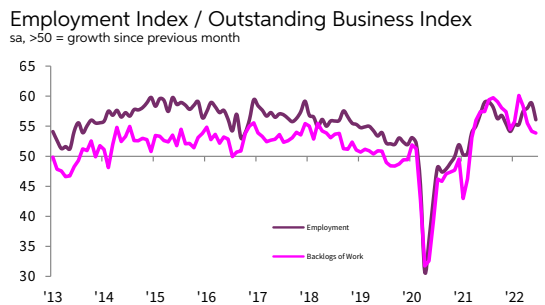
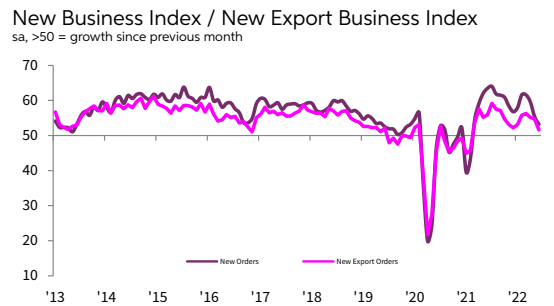
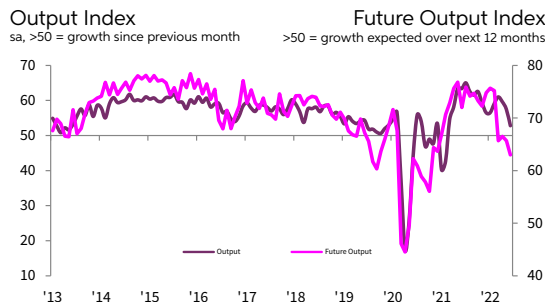
Data indicated a fall in manufacturing production for the first time since February 2021, and the weakest increase in services activity in six months.

New business registered the same trend as total activity, with growth the slowest in the current 16-month sequence of expansion amid a fall in manufacturing new orders.

Employment rose strongly in June, albeit at the slowest rate since February as both sectors posted weaker increases in headcounts than in May.

Input price inflation eased in June, mainly due to a slower rate of inflation in manufacturing. That said, it was still the fourth-highest on record, as was the rate of output price inflation.

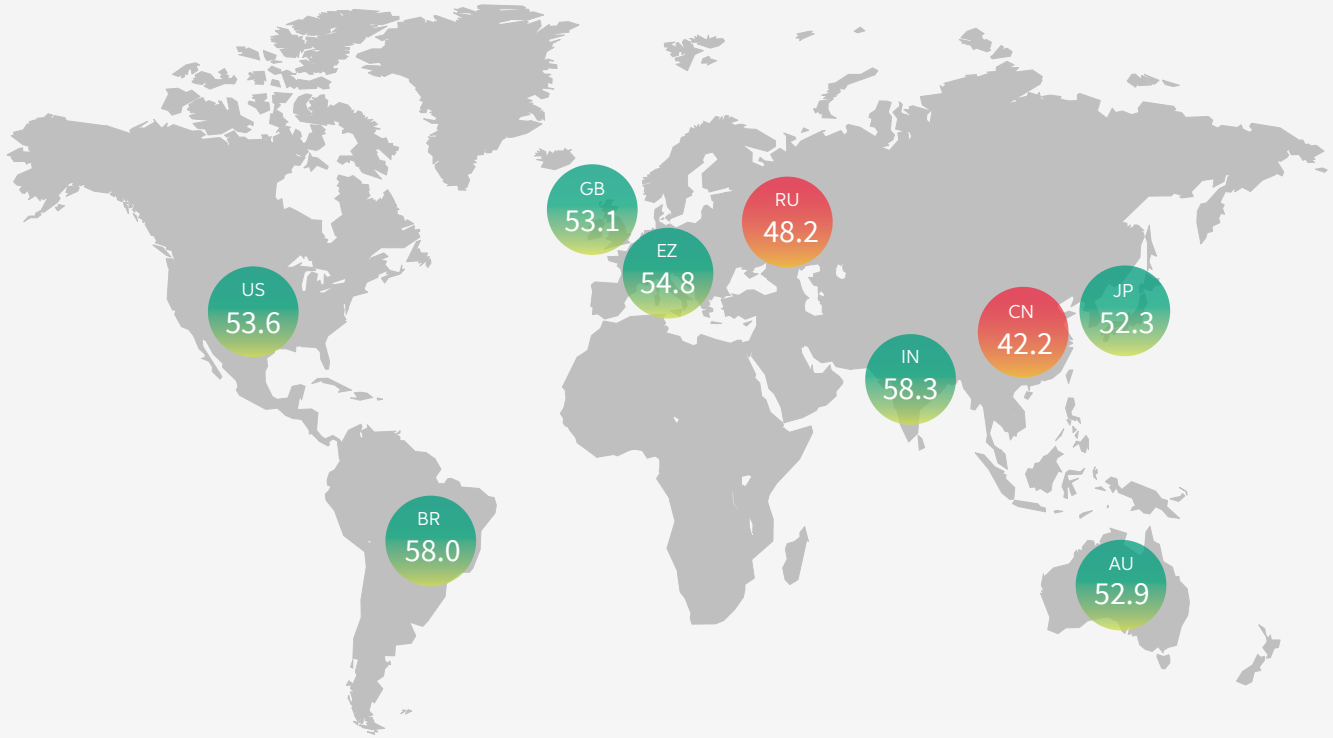
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

Composite Output Index, May '22

sa, >50 = growth since previous month



Composite Output Index

sa, >50 = growth since previous month





Contact

AIB

Oliver Mangan
AIB Chief Economist
T: +353-1-6417176
E: AIBeconomics.Unit@aib.ie
W: www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-1-641-2869
M: +353-87-739-0743
E: paddy.x.mcdonnell@aib.ie

Graham Union
AIB Press Office
T: +353-1-6412430
M: +353-85-2088343
E: Graham.X.Union@aib.ie

S&P Global Market Intelligence

Andrew Harker
Economics Director
T: +44-1491-461-016
andrew.harker@spglobal.com

Joanna Vickers
Corporate Communications
T: +44 44 207 260 2234
joanna.vickers@spglobal.com

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 13-27 June 2022.

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

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