



# AIB Ireland Services PMI®

## War in Ukraine hits outlook in March alongside record price pressures

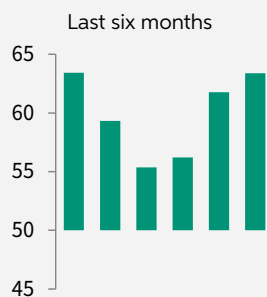
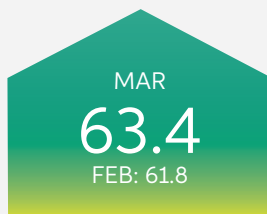
### Key Findings

Notable drop in business expectations due to invasion

Record rates of input price and charge inflation

Fastest rise in activity for five months as markets continue to reopen

### Ireland Services Business Activity Index



The March AIB PMI® survey data signalled the strongest growth in the services sector for five months, but the outlook darkened due to the Russian invasion of Ukraine and inflationary pressures surged to new record highs. Demand remained strong, driven by a resurgence in the Transport, Tourism & Leisure sector, but overall expectations for the next 12 months were the weakest since the opening month of 2021. March's drop in sentiment was exceeded only twice in the survey history, in March 2020 and September 2001.

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

*"The AIB Irish Services PMI showed very strong growth in the sector in March as the recovery in services activity continued to gain momentum following the lifting of COVID restrictions earlier in the year. The Business Activity Index rose to 63.4 from 61.8 in February and 56.2 in January. The Irish index was above the flash readings in the Eurozone and UK of 54.8 and 61.0, respectively.*

*"There was further strong growth in new business, including exports, while employment rose at its quickest pace since August. The rebound in demand is putting growing pressure on operating capacity, with the volume of outstanding business rising at its fastest pace since 2000. This was also linked to COVID-related staff absences and supply difficulties.*

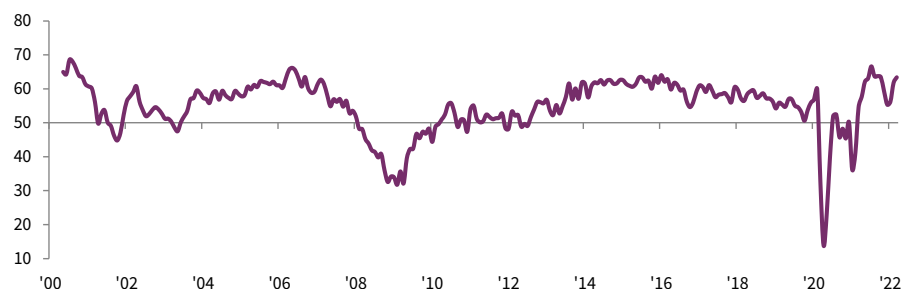
*"Strong growth in activity was evident in all four sub-sectors covered in the survey. Most*

*notably, activity in Transport, Tourism & Leisure increased at the second-fastest rate on record in March. It registered the fastest growth of all four sectors for total activity, new business and exports. However, the war in Ukraine and inflationary risks knocked business confidence in all four sub-sectors in March. The overall Services Future Activity Index posted the third-largest month-on-month decline in the series history, hitting its lowest level since January 2021.*

*"Meanwhile, businesses continued to experience severe upward pressure on input prices, in particular from higher labour, energy, fuel, insurance and transport costs. Indeed, the rate of input price inflation was the fastest in the 21-year history of the survey. Meantime, the prices charged to customers also rose at a record pace. Price pressures were most acute in the Transport, Tourism & Leisure sector."*

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 to 63.4 in March, from 61.8 in February. The latest figure signalled the strongest growth in activity since last October, and a faster expansion than the trend over the current 13-month sequence of increases. Since the survey began in 2000, the Index has averaged 55.1. Growth over the first quarter as a whole was stronger than in the final quarter of last year, but slightly behind the performances shown in the second and third quarters.

Sub-sector data signalled strong growth across all four monitored areas in March. By far the fastest expansion was seen in Transport, Tourism & Leisure (71.3), which posted a near-record rate of growth. Financial Services (66.1) also recorded an acceleration, while growth eased in Business Services (59.3) and Technology, Media & Telecoms (59.2).

Stronger activity growth reflected a further sharp expansion in new business as demand improved with the continued reopening of markets. Growth eased since February but remained well above the long-run survey trend. Transport, Tourism & Leisure recorded the fastest growth, followed by Technology, Media & Telecoms.

Pressure on operating capacity in the service

sector continued to build in March, as outstanding business rose at the fastest rate since October 2000. Companies linked higher levels of outstanding work to improving demand, supplier delays, COVID-related staff absences and payment problems.

Although new and outstanding business both continued to rise sharply in March, the year-ahead outlook for total activity weakened noticeably. Overall sentiment remained positive, but was the least upbeat since the start of 2021. Services firms widely mentioned great uncertainty linked to the invasion of Ukraine and inflationary risks, notably for fuel and food. The month-on-month drop in sentiment in March was the third-greatest in the series history, with only March 2020 and September 2001 seeing bigger falls. By sector, the weakest sentiment was in Business Services, followed by Financial Services.

March data revealed record cost pressures at Irish service providers. Input price inflation soared to the highest level since the survey began in 2000, and the month-on-month acceleration was also a record. Firms linked inflation to energy, fuel, labour, insurance, transport and the war in Ukraine. Service providers responded by raising their own charges at an unprecedented rate, as charge inflation easily surpassed the previous record set in October 2000. Transport, Tourism & Leisure posted by far the steepest rate of charge inflation among the four sub-sectors.

Although faced with record cost pressures, services firms increased employment at the fastest rate in seven months in March. This reflected rising workloads, the replacement of earlier pandemic-related layoffs and preparation for the reopening of markets.





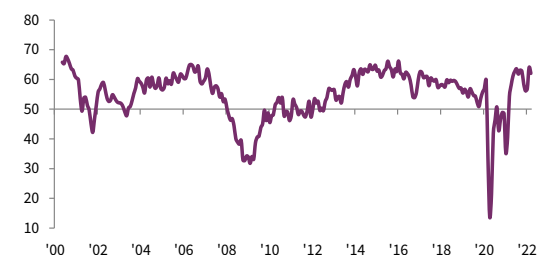
## New Business Index



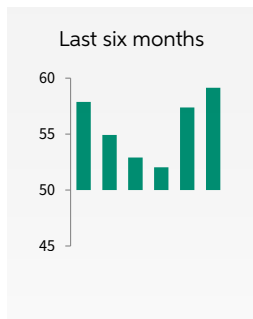
The volume of new business received by Irish service providers rose for the thirteenth successive month in March. The rate of expansion eased slightly since February, but remained stronger than both the long-run survey average and the trend over the current sequence. Firms reported a continued rebound in demand due to the lifting of COVID restrictions, and successful marketing campaigns. Transport, Tourism & Leisure posted the fastest rise in new business in March.

New Business Index

sa, >50 = growth since previous month



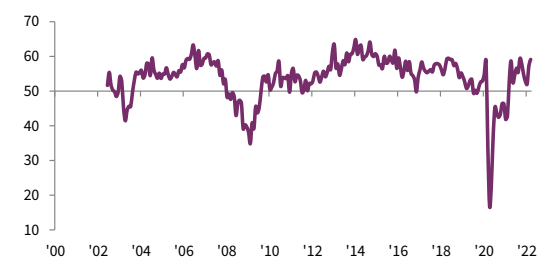
## New Export Business Index



New export business increased further in March, extending the current sequence of growth to 13 months. Moreover, the rate of expansion hit the fastest since last September. This was driven mainly by the Transport, Tourism & Leisure sector, where faster growth more than offset slower increases in Financial Services and Technology, Media & Telecoms. Business Services also registered stronger growth but was nonetheless the weakest of the four sub-sectors.

New Export Business Index

sa, >50 = growth since previous month



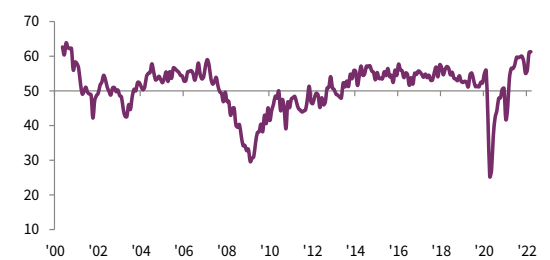
## Outstanding Business Index



March data revealed growing pressure on business operating capacity, as the volume of outstanding business increased the most since October 2000. The rate of growth has accelerated throughout the first quarter of 2022. Companies linked higher levels of outstanding work to improving demand, supplier delays, COVID-related staff absences and payment problems. Business Services registered the fastest rise in backlogs.

Outstanding Business Index

sa, >50 = growth since previous month



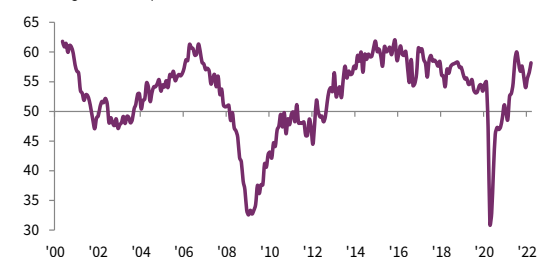
## Employment Index



The rate of job creation in the Irish service sector strengthened for the third month running in March, to the highest since August 2021. Employment has risen continuously since March 2021. New hiring was linked to rising workloads, the replacement of earlier pandemic-related layoffs and preparation for the reopening of markets. Employment growth was strongest in the Business Services sub-sector, and weakest in Financial Services.

Employment Index

sa, >50 = growth since previous month





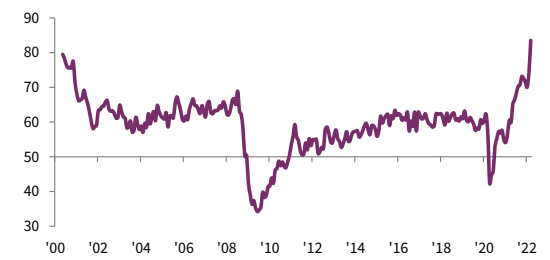
## Input Prices Index



Service providers faced unprecedented upward pressure on their input costs in March. The seasonally adjusted Input Prices Index soared to the highest level since data were first compiled in 2000, with two-thirds of firms reporting higher average input prices than in February. The month-on-month change in the Index (9.4 points) was also a record. Firms linked inflation to energy, fuel, labour, insurance, transport and the war in Ukraine. Three sub-sectors posted record rates of input price inflation, the exception being Technology, Media & Telecoms.

Input Prices Index

sa, >50 = inflation since previous month



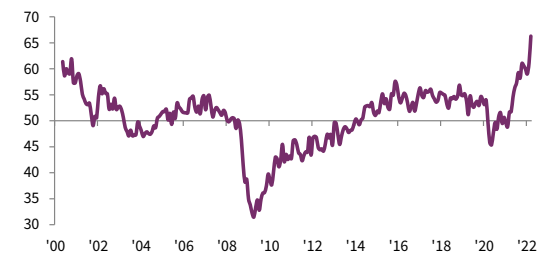
## Prices Charged Index



Services providers in Ireland reacted to record cost pressures in March by raising their own charges at an unprecedented rate. The seasonally adjusted Prices Charged Index easily surpassed the previous record set in October 2000. The month-on-month change in the Index (5.2 points) was also a record. Transport, Tourism & Leisure posted by far the steepest rate of charge inflation among the four sub-sectors, followed by Business Services.

Prices Charged Index

sa, >50 = inflation since previous month



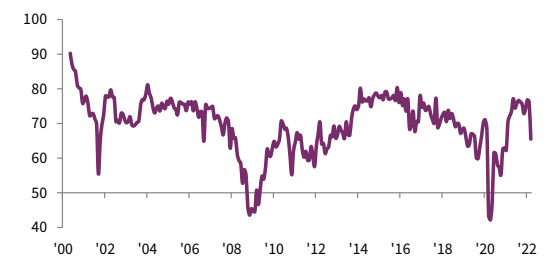
## Future Activity Index



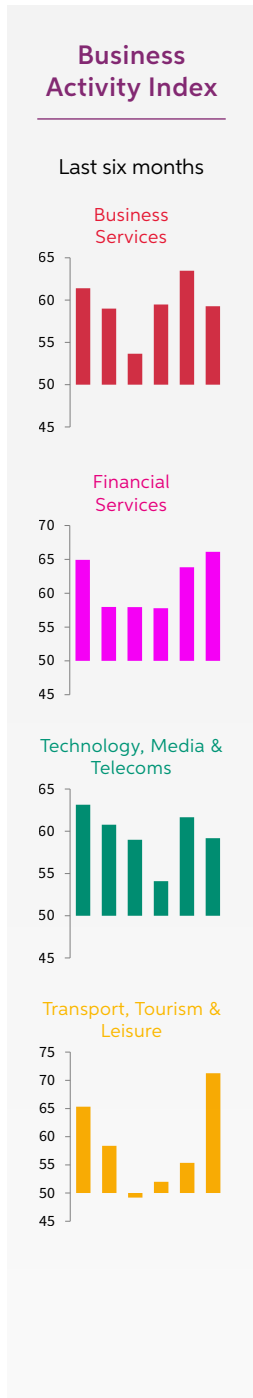
The war in Ukraine and inflationary risks knocked business confidence in the Irish service sector in March. The Future Activity Index posted the third-largest month-on-month decline in the series history, with only March 2020 and September 2001 seeing bigger falls. Overall sentiment remained positive, but was the weakest since January 2021. Survey respondents widely reported great uncertainty linked to the invasion of Ukraine and inflationary risks, notably for fuel and food.

Future Activity Index

>50 = growth expected over next 12 months



## Services Sub-sectors



### Business Services

The Business Services sector registered strong growth of activity in March, albeit the weakest expansion in 2022 so far. Growth of new business eased despite a faster increase in international demand. Capacity remained under pressure as outstanding business increased at a near-record pace despite one of the strongest gains in employment in the survey history. Both input prices and charges rose at record rates.

### Financial Services

Business activity among financial services companies in Ireland increased at the strongest rate in six months in March, and the second-fastest in over five years. New business growth remained marked despite a notable slowdown since February, while outstanding work continued to rise as employment growth eased to a six-month low. Input prices increased at a record rate, while charges rose the most since June 2017.

### Technology, Media & Telecoms

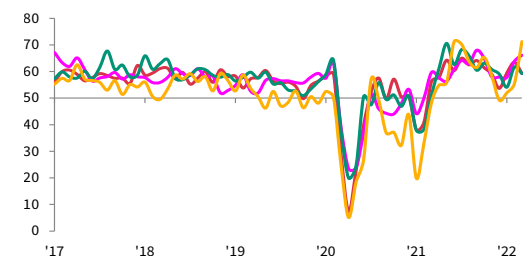
Activity growth at Technology, Media & Telecoms firms remained strong in March, but was the weakest of the four sub-sectors. New business growth accelerated to an eight-month high, however, and companies in the sector remained more optimistic on growth prospects than other areas of the services economy. Input prices and charges rose at the third- and fourth-fastest rates on record, respectively.

### Transport, Tourism & Leisure

Business activity in the Transport, Tourism & Leisure sector increased at the second-fastest rate on record in March with a rapid acceleration since the first two months of 2022. The sector registered the fastest growth of total activity, new business and exports among the four monitored sub-sectors. It also had the steepest rates of input cost and charge inflation, with both setting new series-record highs in March. Confidence weakened to a 13-month low, however.

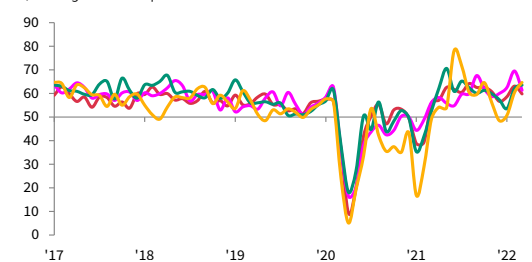
### Business Activity Index

sa, >50 = growth since previous month



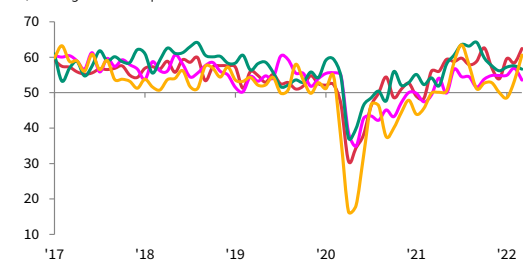
### New Business Index

sa, >50 = growth since previous month



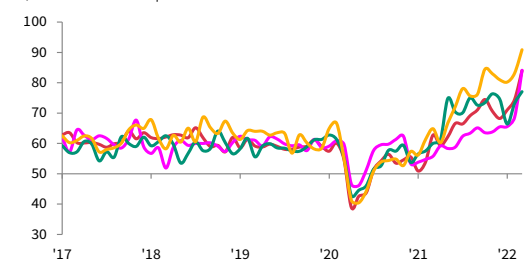
### Employment Index

sa, >50 = growth since previous month



### Input Prices Index

sa, >50 = inflation since previous month

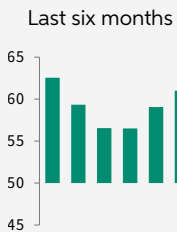




AIB Ireland Composite PMI®

# Stronger rise in output in March accompanied by record inflationary pressures

## Composite Output Index



Private sector output in Ireland increased at the fastest rate in five months in March, driven by both the manufacturing and service sectors. Meanwhile inflationary pressures were the strongest on record and business expectations weakened sharply due to the war in Ukraine.

The Ireland Composite Output Index rose to 61.0 in March, from 59.1 in February. The latest figure signalled the fastest growth since last October, and a sharper pace of expansion than the trend over the current 13-month sequence.

Manufacturers and service providers alike recorded stronger increases in activity in March, with the latter leading growth for the second month running.

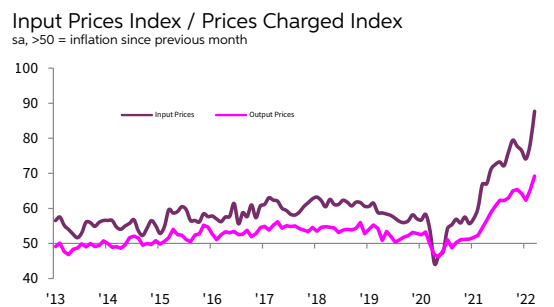
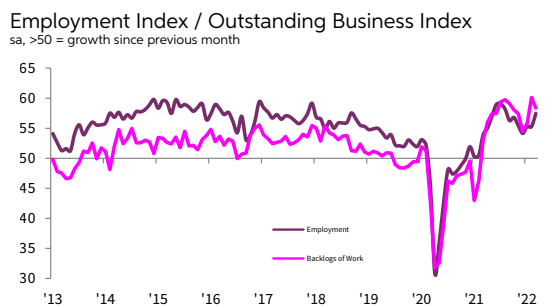
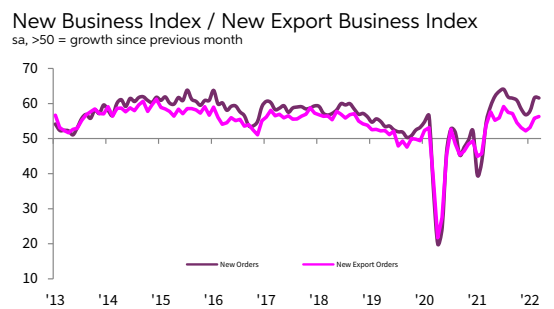
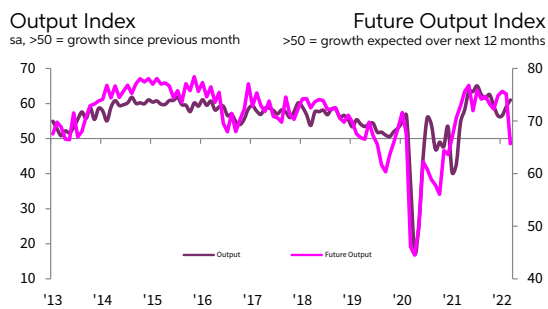
Employment in the private sector economy rose at the sharpest rate since August 2021, with both sectors registering faster recruitment. New business

growth was unchanged from February's six-month high, while the increase in outstanding business eased slightly.

Input costs and output prices both increased at the fastest rates on record in March, with both sectors posting record price pressures. This reflected ongoing supply shortages and many other sources of rising prices including energy, wages and transport.

Business expectations eased sharply in March as uncertainty over the war in Ukraine undermined confidence. The outlook was positive overall, but the weakest since December 2020.

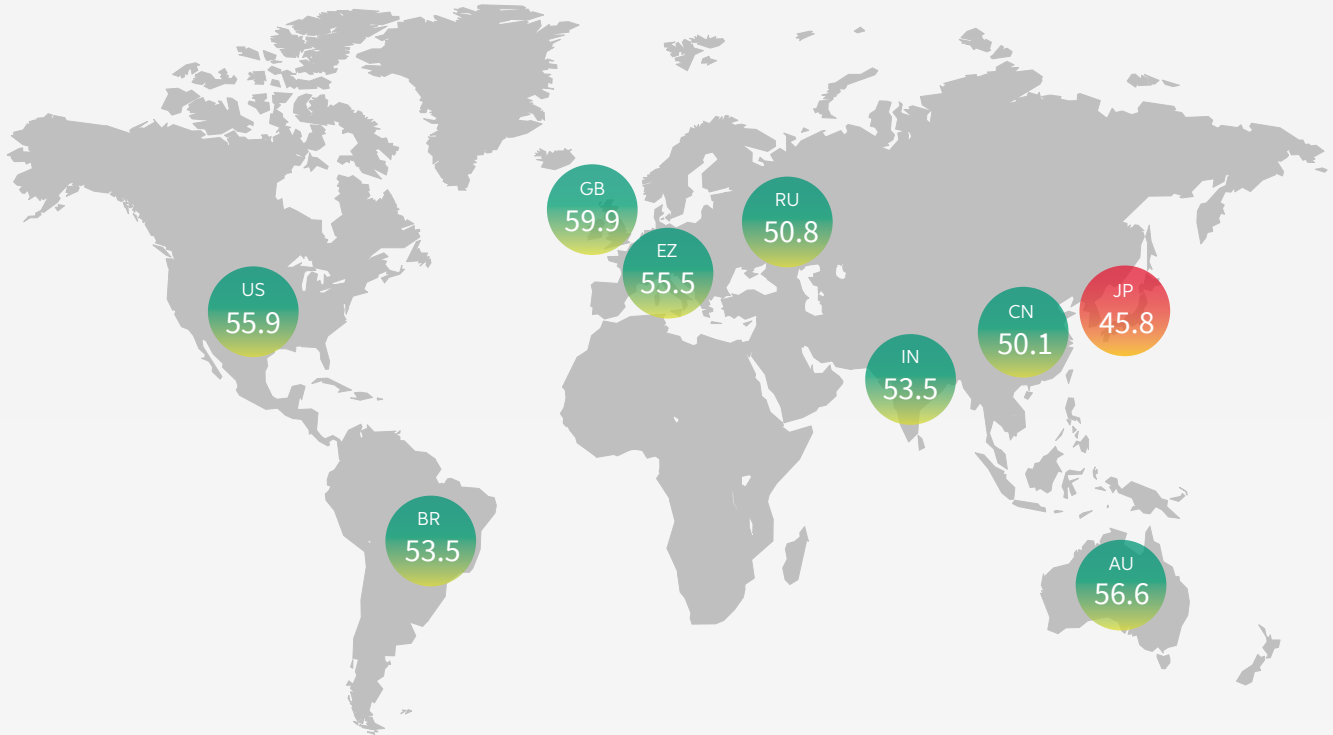
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



## International PMI

### Composite Output Index, Feb '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 11-28 March 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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