



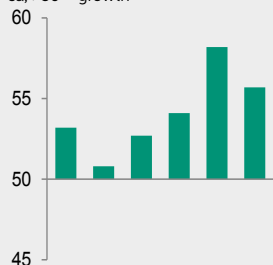
AIB Ireland Services PMI®

Growth across the Irish service sector slows

55.7

IRELAND SERVICES BUSINESS ACTIVITY INDEX, MAR '23

Services Business Activity Index
Oct '22 - Mar '23
sa, >50 = growth



The latest AIB PMI data® pointed to a slight softening in the upturn across the Irish service sector during March amid moderations in rates of increase in activity and new business. The year-ahead outlook for output subsequently fell to its lowest level in three months and was below its long-run average. More positively, employment growth accelerated. At the same time, rates of input price and output charge inflation, though still steep, eased to 21- and 18-month lows, respectively.

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

"The AIB Irish Services PMI posted a strong reading of 55.7 for Business Activity in March, though this was down somewhat from February's nine-month high of 58.2. It points to a continuing strong rate of growth in services activity. The Irish figure was closely in line with the flash March Services PMI for the Eurozone of 55.6, but above the readings for the UK and US of 52.8 and 53.8, respectively.

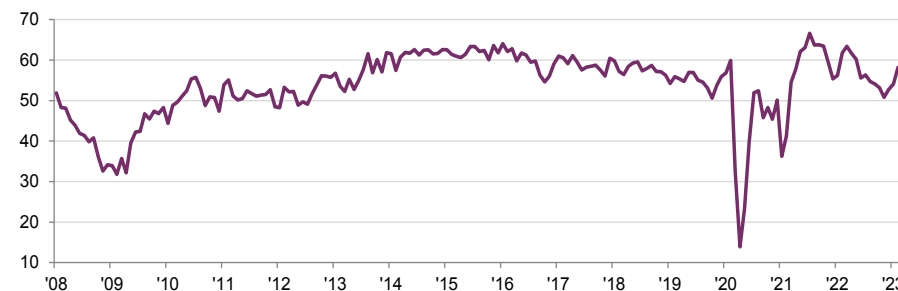
"Another sharp rise in new business volumes in Irish services firms was recorded in March, in particular new export business, reflecting strong underlying demand conditions, both at home and abroad. This resulted in a further marked increase in backlogs of work. There was another solid rise in employment, but there were reports of difficulties in sourcing and retaining staff. Meanwhile, firms remained upbeat about the outlook for the next 12 months. However, the level of confidence slipped

to a three month low amid some concerns about future demand.

"March saw a strong expansion in activity and good growth in new business, especially from abroad, for the four sectors covered in the survey. Most notably, the Transport/Tourism/Leisure sector returned to expansion territory for the first time since August, helped in particular by a strong rise in new business.

"While the pace of price increases eased in March, inflationary pressures remained elevated throughout the services sector. Businesses continued to report upward pressure on prices across a broad range of inputs, in particular wages and energy bills. Higher costs continue to be passed on in higher prices to customers, with the rate of increase in selling prices still steep, despite falling an 18-month low."

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



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Overview

Moderations in activity and new business expansions in March

Sentiment falls to three-month low

Rates of inflation still substantial but soften

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 55.7, down from 58.2 in February, the latest headline reading was indicative of a twenty-fifth successive monthly improvement in the health of Ireland's service sector. While softer than the expansion seen in the previous survey period, the uplift in activity remained elevated by historical standards and was strong overall. A further improvement in demand reportedly supported the increase in service sector activity at the end of the first quarter of the year. Indeed, intakes of new business across the Irish service sector increased steeply in March, but at a slightly slower pace than in February. Growth in demand from overseas clients was also sharp, with the respective seasonally adjusted index signalling the most pronounced rise in new export business since last October.

To accommodate increasing workloads and higher activity, employment levels across the Irish service sector rose further. Though still softer than rates seen throughout 2022, the rate of job creation was solid overall and the strongest in three months. That said, some survey respondents continued to cite difficulties in sourcing candidates and challenges

retaining current staff.

Amid a sustained rise in new orders and some reports of labour shortages, Irish service providers registered a twenty-fifth consecutive monthly rise in the level of outstanding work across the sector in March. Notably, having quickened from February, the pace of backlog accumulation was strong by historic standards and the fastest in five months.

Meanwhile, there were some tentative signs of improvement displayed with regards to inflationary pressures. Rates of input price and output charge inflation eased to 21- and 18-month lows, respectively, but were still substantial in the context of historical data. When listing the key sources of inflation, panel members continued to mention rising energy costs and sustained wage pressures. Subsequently, companies raised their own selling prices to reflect increases in operating expenses.

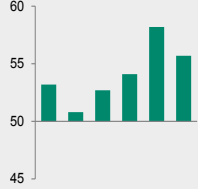
Amid widespread hopes of an improvement in demand conditions over the coming 12 months, Irish service providers remained upbeat in their projections for output growth for the year ahead. However, some companies were reportedly cautious about the longevity of the current upturn, as the degree of confidence slipped to the weakest in three months and was lower than that registered in February.

Lastly, granular data highlighted that Transport, Tourism and Leisure firms joined its sector counterparts in expansion territory with regards to output during March, which marked the first time since last August that all four of the monitored industries registered growth.

Activity and demand

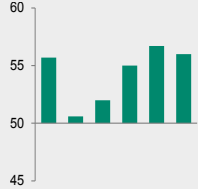
Business Activity Index

Oct '22 - Mar '23
sa, >50 = growth



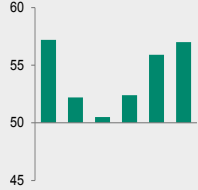
New Business Index

Oct '22 - Mar '23
sa, >50 = growth



New Export Business Index

Oct '22 - Mar '23
sa, >50 = growth



Business activity

Irish service providers registered a further expansion in business activity during March, taking the current sequence of increase to 25 consecutive months. The uplift in activity was strong overall and was reportedly a reflection of improving demand. However, amid reports of some softening in demand conditions, the rate of growth moderated from February's nine-month high.

New business

The seasonally adjusted New Business Index posted above the neutral 50.0 threshold in March, to signal an extension to the current sequence of rising new work intakes across the Irish service sector that began just over two years ago. Albeit slightly weaker than in February, the rate of growth remained marked and the upturn was generally linked to strong underlying demand conditions.

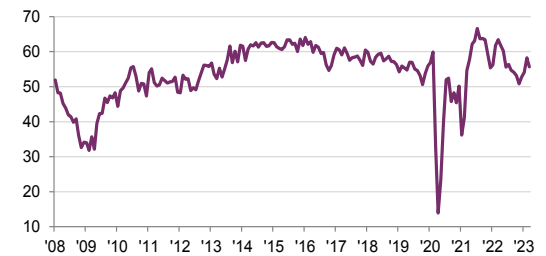
For the first time since last October, all four of the monitored sub-sectors registered an expansion in new business.

New export business

Contributing to the overall uplift in new business was a sustained rise in demand from overseas clients during March. In fact, the latest increase in new export business was the twenty-fifth in as many months. The rate of growth was sharp overall and the most pronounced since last October. Anecdotal evidence suggested that greater interest from new markets and a pick-up in the tourism industry helped to boost foreign demand.

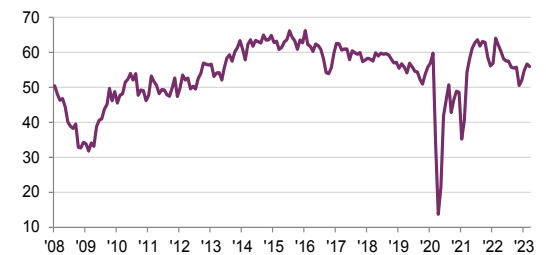
Business Activity Index

sa, >50 = growth since previous month



New Business Index

sa, >50 = growth since previous month



New Export Business Index

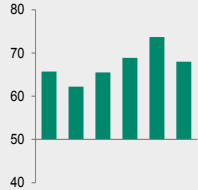
sa, >50 = growth since previous month



Business expectations

Future Activity Index

Oct '22 - Mar '23
>50 = growth expected

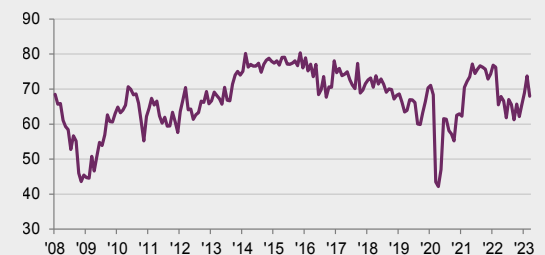


The year-ahead outlook for output at Irish service providers remained positive at the end of the first quarter of the year. Firms largely mentioned that optimism stemmed from hopes of better demand conditions in the coming 12 months as well as specific mentions of new product development and upcoming projects.

That said, amid some concerns about softer demand conditions, the overall degree of confidence fell to a three-month low and was below its long-run average.

Future Activity Index

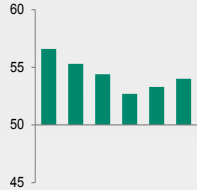
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Oct '22 - Mar '23
sa, >50 = growth



Outstanding Business Index

Oct '22 - Mar '23
sa, >50 = growth



Employment

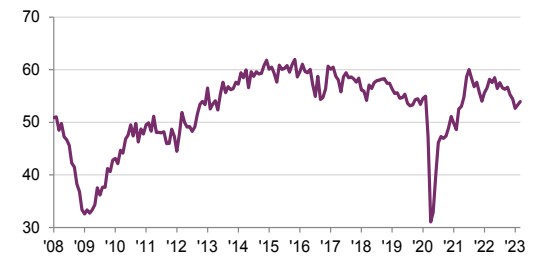
March data was indicative of a further expansion in workforce numbers across the Irish service sector, thereby stretching the current sequence of increase to 25 consecutive months. Notably, having picked up from February, the rate of job creation was the most pronounced in three months. Reportedly, firms looked to add to their headcounts following greater activity levels. Employment growth was, however, dampened by difficulties in sourcing skilled candidates.

Outstanding business

As has been the case on a monthly basis since March 2021, the level of outstanding business across the Irish service sector increased in March. The pace of backlog accumulation was marked overall and the quickest in five months. A combination of increasing sales and labour force shortages led to the latest uptick in backlogs of work, said survey respondents.

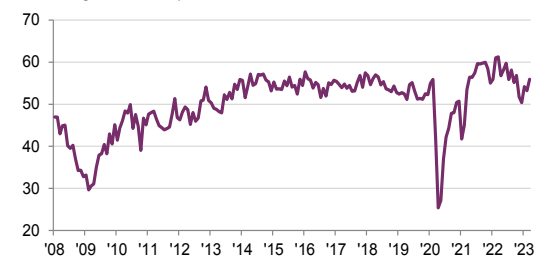
Employment Index

sa, >50 = growth since previous month



Outstanding Business Index

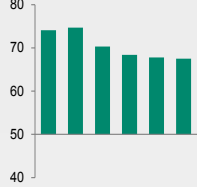
sa, >50 = growth since previous month



Prices

Input Prices Index

Oct '22 - Mar '23
sa, >50 = inflation

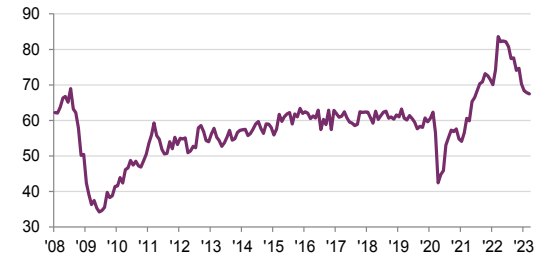


Input prices

Irish service sector companies continued to face severe cost pressures during March. Price increases across a broad range of inputs was mentioned by panel members, with rising energy and labour costs specifically mentioned. However, the pace of input price inflation was the slowest since June 2021 amid reports of moderations in some supplier prices.

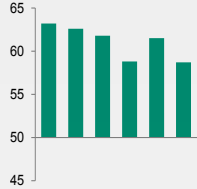
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

Oct '22 - Mar '23
sa, >50 = inflation

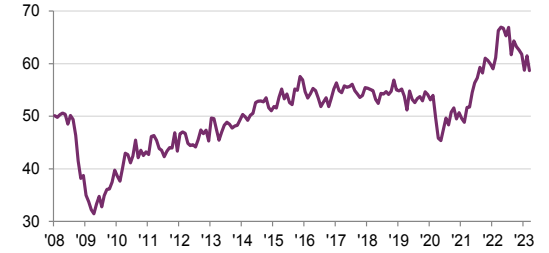


Prices charged

With businesses still looking to pass through higher costs to clients, a sustained rise in average operating expenses translated to a twenty-fifth successive monthly hike in output charges across the Irish service sector. Although still historically elevated, the rate of selling price inflation was the least pronounced in a year-and-a-half.

Prices Charged Index

sa, >50 = inflation since previous month



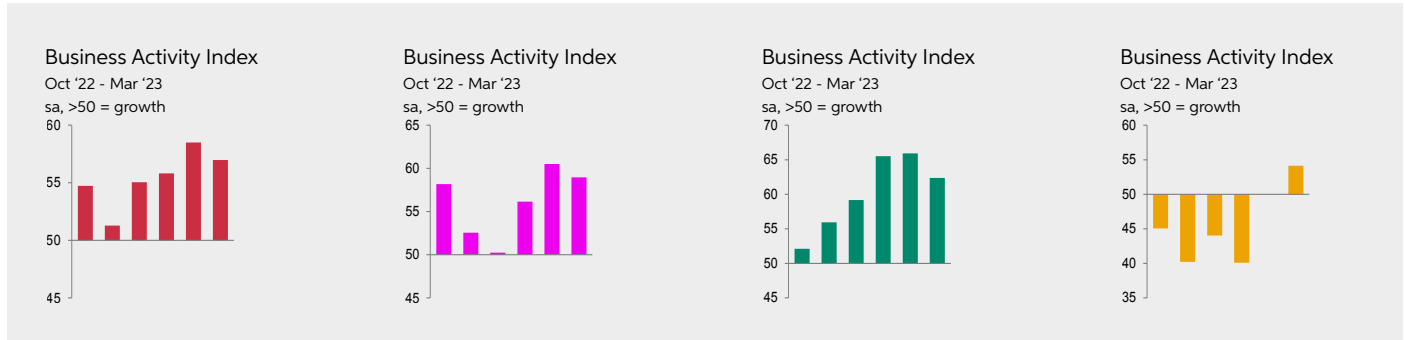
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



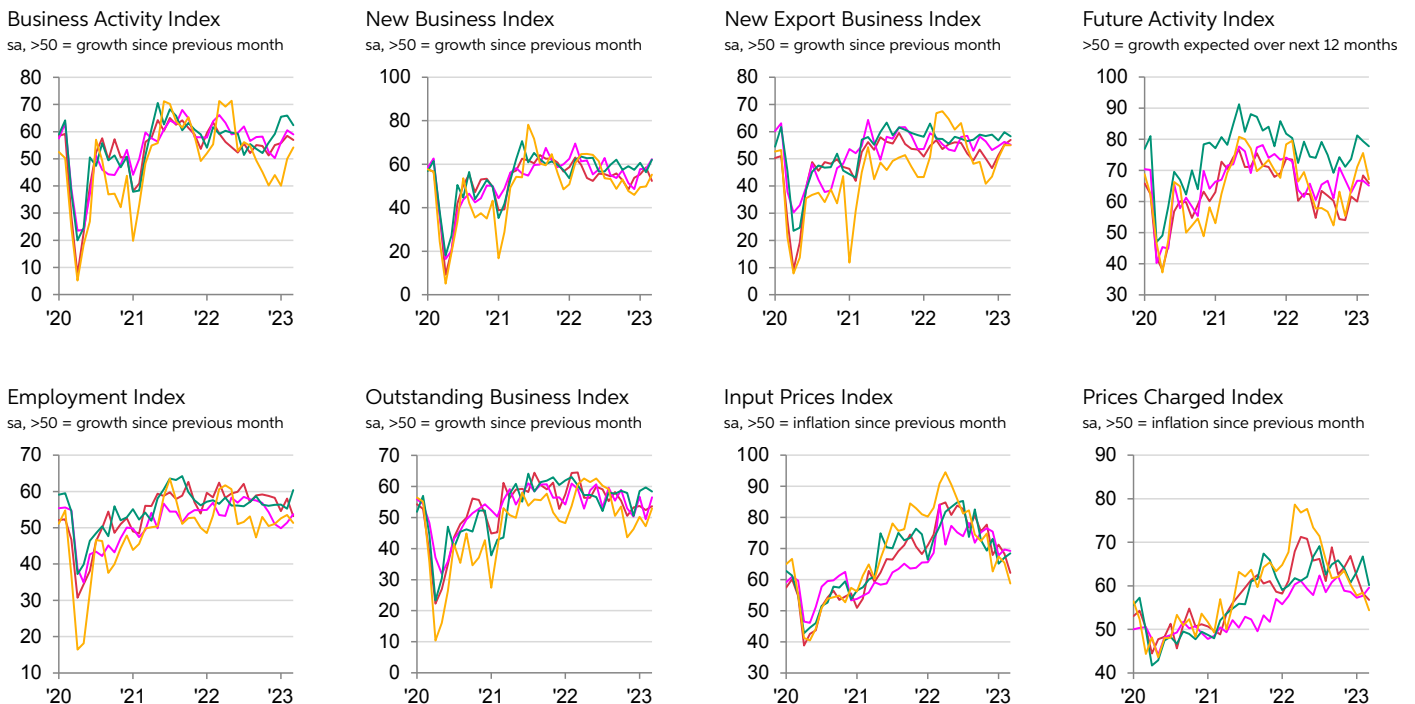
An uplift in activity across the business services sector was sustained in March. That said, albeit marked, the latest expansion was slightly softer than that seen in February. Inflows of new business also increased but only modestly and at the weakest pace in the current four-month sequence of growth. Firms subsequently added to their headcounts at a weaker rate. Rates of input cost and selling price inflation both eased from February.

The Financial Services sector saw another sharp expansion in activity levels during March. Concurrently, having quickened on the month, the rate of growth in new business was the most pronounced since last July and there was subsequently a back-to-back increase in employment levels. Inflationary pressures remained severe, with the rate of selling price inflation accelerating to a five-month high.

Once again, the Technology, Media & Telecoms sector topped the growth rankings in March and recorded a further marked rise in activity. That said, the rate of increase was the softest in three months. Meanwhile, new business and workforce numbers expanded at their fastest paces in six and 18 months, respectively. The rate of input price inflation accelerated from February but selling price inflation eased notably.

For the first time since August last year, Transport, Tourism & Leisure firms saw growth in their activity levels. A fresh and strong expansion was also registered with regard to new order intakes. The level of sentiment, however, fell notably from February. Concurrently, there was some improvement on the price front. Rates of input price and output charge inflation dipped to 26- and 23-month lows, respectively.

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





AIB Ireland Composite PMI®

Private sector expansion sustained by the service sector

The AIB Ireland Composite PMI Output Index* fell from 54.5 in February to 52.8 in March. Although indicative of a fourth successive expansion in the Irish private sector economy, the latest reading was down from February's nine-month high and subdued by historical standards. The sustained uplift in services activity supported the overall private sector improvement while a sub-50.0 reading at manufacturing firms weighed upon the composite figure.

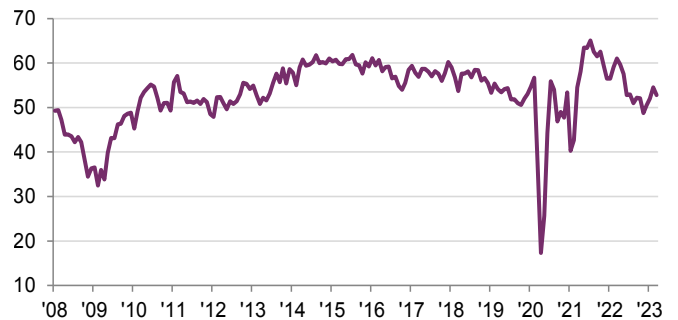
Similar trends were displayed with regards to total new orders which increased for the third month in a row but at a slower pace than in the preceding month. Strong growth in new orders in the service sector contrasted with a renewed contraction at Irish manufacturers.

Employment growth was sustained across the private sector while the total level of outstanding work continued to be depleted.

Aggregate rates of input price and output charge inflation eased to 25- and 23-month lows with the softening primarily driven by notably weaker rates in the manufacturing sector.

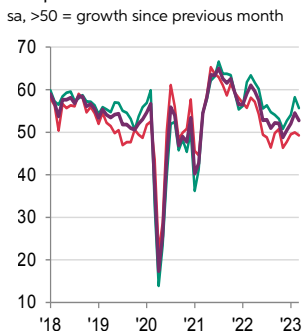
- Composite
- Manufacturing
- Services

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

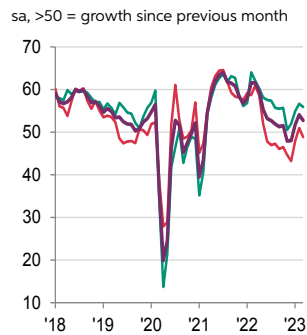


*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

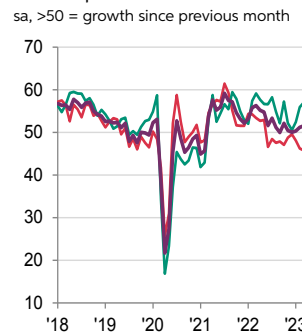
Output Index



New Business Index



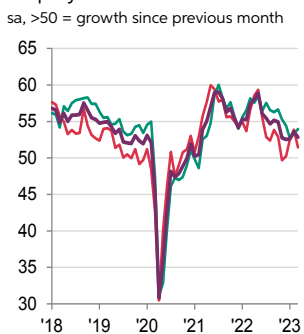
New Export Business Index



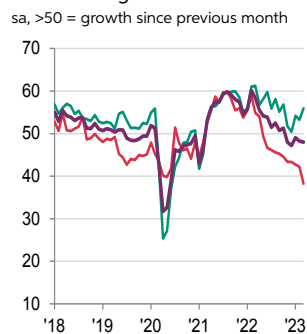
Future Output Index



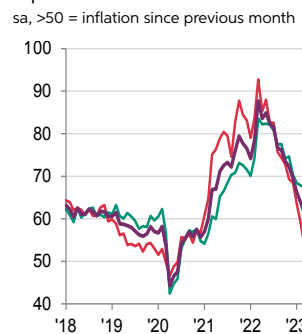
Employment Index



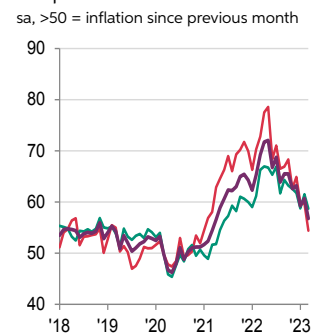
Outstanding Business Index



Input Prices Index



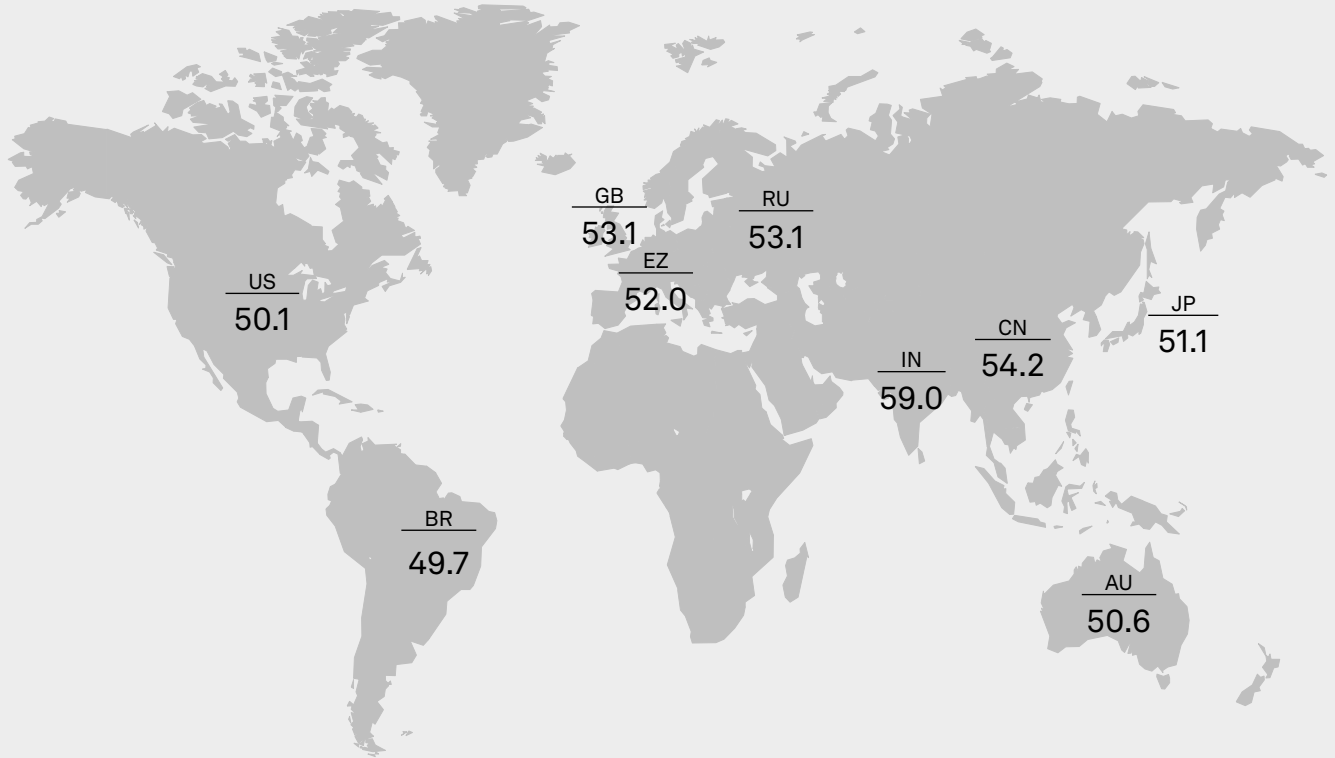
Output Prices Index



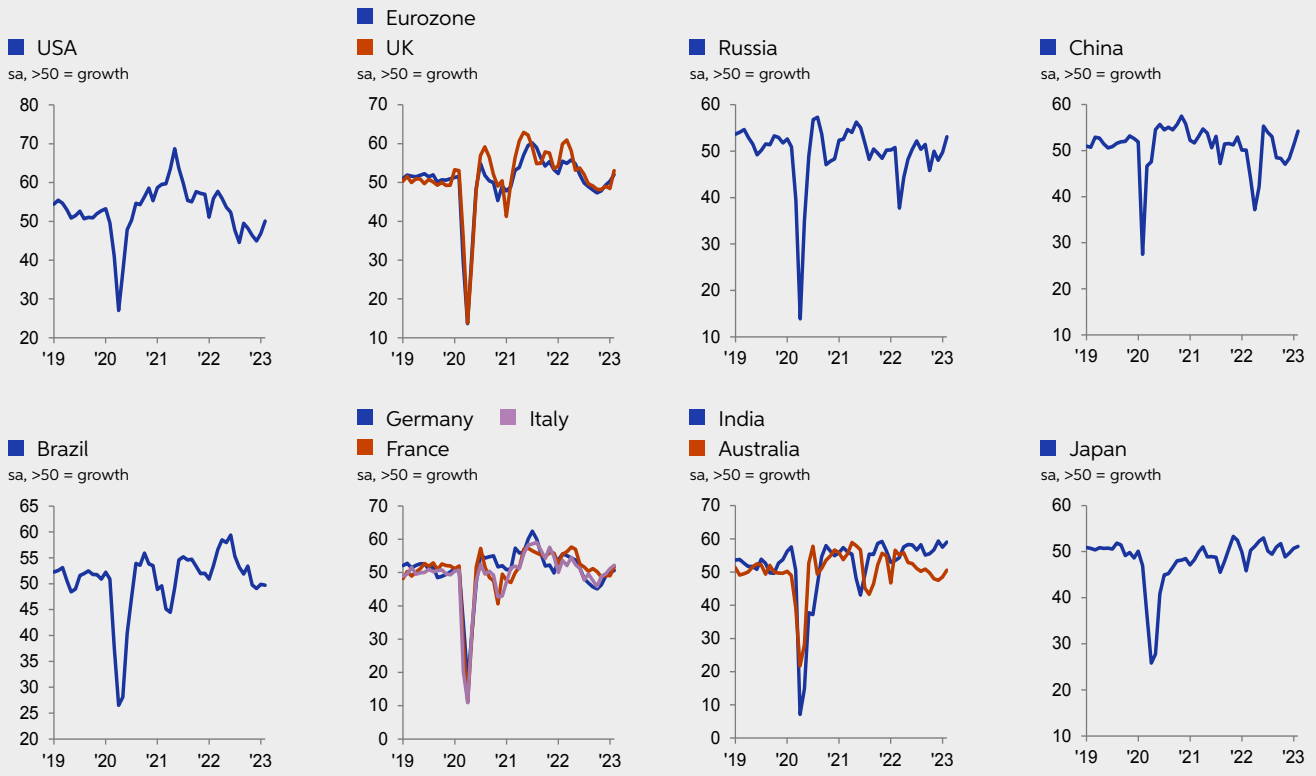
International PMI

Composite Output Index, Feb '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.

Survey dates

Data were collected 10-28 March 2023.

Survey questions

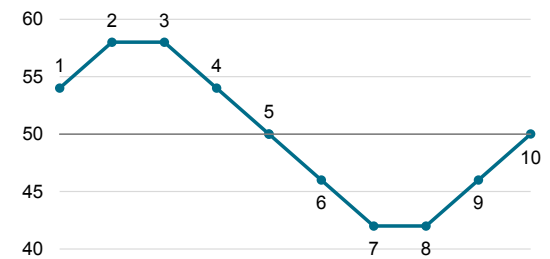
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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.

ihsmarkit.com/products/pmi.html

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