



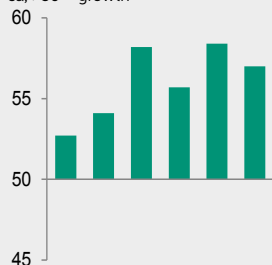
AIB Ireland Services PMI®

Growth in services activity remains marked

57.0

IRELAND SERVICES BUSINESS ACTIVITY INDEX, MAY '23

Services Business Activity Index
Dec '22 - May '23
sa, >50 = growth



Ongoing demand strength continued to support sustained growth in the Irish service sector during May, according to the latest AIB PMI® survey data. Activity and new business both rose sharply, albeit at rates slightly weaker than seen in April, and business sentiment strengthened on the month. Elsewhere, with firms reportedly benefiting from a recent boost in tourism, export performance was particularly strong. Other positive news came from signs of easing in inflationary pressures. While both still historically sharp, rates of input cost and output charge inflation eased to 25- and 23-month lows, respectively.

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

"The AIB Irish Services PMI for May posted another very strong reading of 57.0, down slightly from 58.4 in April, an 11-month high. It points to a continuing robust rate of growth in business activity in the services sector. The Irish figure was above the flash May Services PMI readings of 55.9 for the Eurozone and 55.1 in both the UK and US economies.

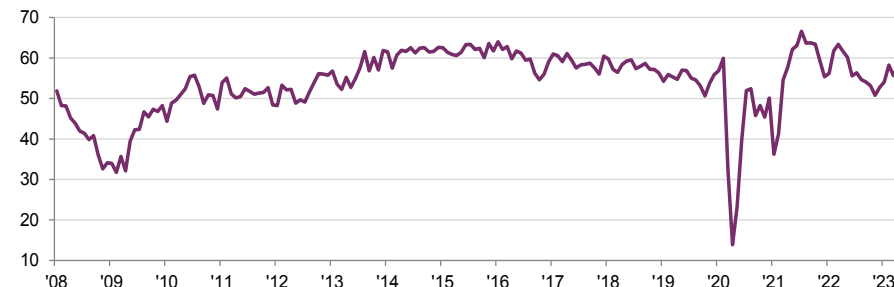
"There was yet another steep increase in new business volumes in Irish services firms, including new export business, reflecting strong demand conditions, both at home and abroad. Employment posted a further solid rise, though firms reported difficulties in sourcing staff. Pressure on staffing levels and continuing strong growth in new business resulted in a further marked rise in backlogs of work. Meanwhile, firms have become more optimistic on the outlook for the next 12 months, with confidence rising

to its second highest level since February 2022.

"May was notable for a sharp increase in activity and strong growth in new business, including from abroad, in all of the four sub-sectors covered in the survey. In particular, there was a very marked pick-up in the Transport/Tourism/Leisure sector, helped by a surge in visitor numbers from overseas.

"With the continuing strong growth in activity, inflationary pressures remained elevated in May, but they are easing. Businesses again reported significant upward pressure on input costs, in particular wages. The rate of increase in cost inflation, though, did fall to its lowest level in over two years. Increases in costs continue to be passed on in higher prices to customers, but here again, selling price inflation dipped to a near two-year low."

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
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- Survey methodology
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Overview

- Sharp rises in activity and new business sustained
- New export business increases at fastest rate since last July
- Rates of input cost and output charge inflation ease

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.

The latest Services Business Activity Index posted at 57.0 in May. This was down from 58.4 in April but still well-above the crucial 50.0 no-change threshold separating growth from contraction. In fact, the latest upturn was the twenty-seventh in successive months and among the strongest over the past year.

Underlying data pointed to sharp increases in activity across each of the four broad sectors covered. Notably, the strongest growth was seen at firms within the Transport, Tourism and Leisure industry, with a surge in improvement in demand conditions in contrast to softer expansions seen elsewhere.

According to panel members, greater activity was largely a consequence of further improvement in demand conditions. Subsequently, the rise in activity in May was driven by another monthly increase in new business. The expansion in new work was substantial overall and the second-fastest in a year.

Contributing to the overall uplift in new business was a stronger international performance. New exports orders rose markedly and at a rate that was the most pronounced since last July. Factors reportedly supporting the quicker rise in sales from abroad included strong demand in key export markets, greater

overseas investment and a boost in tourism.

With new orders remaining firmly within expansion territory, service providers lifted payroll numbers midway through the second quarter. The increase in employment levels was solid overall but softer than April's six-month high amid reports of difficulties in sourcing candidates.

Panel respondents mentioned that current staffing levels were unable to cope with the recent surge in new business and registered a twenty-seventh successive monthly increase in the level of backlogs of work. The rate of accumulation was strong overall, albeit the weakest in three months.

On the price front, rates of inflation remained marked during May. Irish service sector firms reportedly continued to struggle to keep business expenses down in the face of rising labour costs. However, moderations in freight and raw material prices somewhat curbed the latest round of input price inflation, according to survey respondents. The rate of increase in input costs eased for the sixth month running to the softest in just over two years. Weaker upticks in input costs and efforts to drive new business fed through to selling prices which increased at the slowest pace since June 2021.

Finally, Irish service sector firms became more optimistic in their outlook for output over the year-ahead in May. The degree of confidence was the second-strongest since February 2022 and was historically elevated. Surveyed firms often commented upon hopes for some further strengthening of demand, successful product launches and a payoff from upcoming advertising campaigns and recent investments.

Activity and demand

Business activity

Irish service providers noted a further uplift in business activity midway through the second quarter of the year, thereby extending the current sequence of expansion to 27 months. Albeit easing slightly from April's 11-month high, the rate of increase was marked overall. Anecdotal evidence suggested that activity growth was largely a reflection of a sustained improvement in demand.

New business

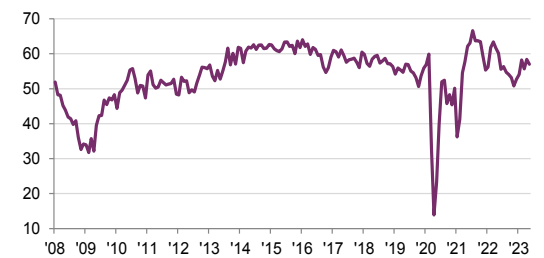
An above 50.0 reading in the seasonally adjusted New Business Index signalled another rise in new orders placed with Irish service providers in May. Where growth was reported, survey participants frequently mentioned a more favourable demand environment. The rate of expansion remained sharp overall and was the second-fastest in a year, despite softening from that seen in April.

New export business

May survey data was indicative of a twenty-seventh consecutive monthly increase in new business received from clients in foreign markets. The rate of growth quickened for the fifth month in a row to a steep pace that was the fastest since last July. Strong demand in key export markets, greater overseas investment and a recent boost in tourism were all listed as factors contributing to the latest rise in new export business.

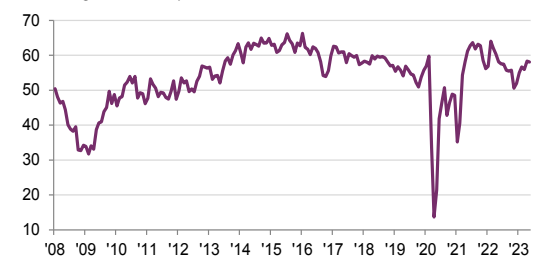
Business Activity Index

sa, >50 = growth since previous month



New Business Index

sa, >50 = growth since previous month



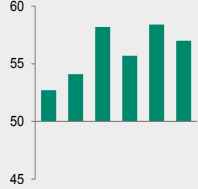
New Export Business Index

sa, >50 = growth since previous month



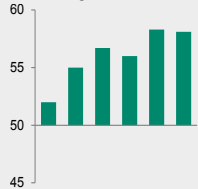
Business Activity Index

Dec '22 - May '23
sa, >50 = growth



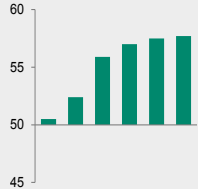
New Business Index

Dec '22 - May '23
sa, >50 = growth



New Export Business Index

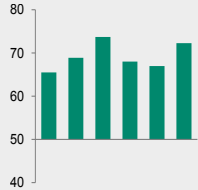
Dec '22 - May '23
sa, >50 = growth



Business expectations

Future Activity Index

Dec '22 - May '23
>50 = growth expected

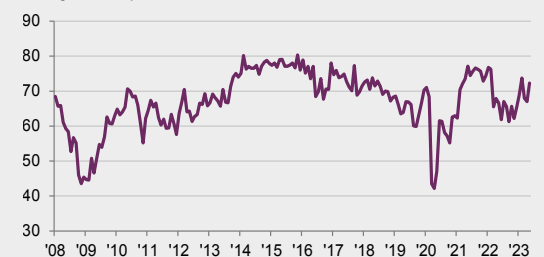


There was a notable improvement in business sentiment across the Irish service sector midway through the second quarter of the year. In fact, with exactly 50% of survey respondents anticipating growth in activity over the next 12 months compared to just 5% who expect a fall, the degree of confidence strengthened to its second-highest in 15 months.

Positivity was mainly centred around hopes for a sustained pick-up in demand conditions, hopes for successful product launches and a payoff from upcoming advertising campaigns.

Future Activity Index

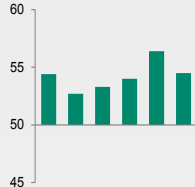
>50 = growth expected over next 12 months



Employment and capacity

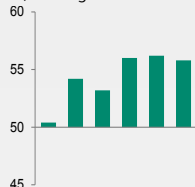
Employment Index

Dec '22 - May '23
sa, >50 = growth



Outstanding Business Index

Dec '22 - May '23
sa, >50 = growth



Employment

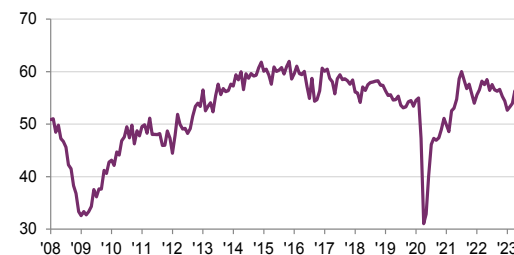
Continuing the trend seen on a monthly basis since March 2021, Irish service providers hired additional workers during May. Despite having eased from April's six-month high, the rate of job creation was solid overall. According to survey respondents, the uplift in staffing numbers was often linked to higher new business volumes and a subsequent increase in workloads. That said, some reported difficulties in sourcing candidates weighed on growth.

Outstanding business

Companies operating in Ireland's service economy continued to see their capacity squeezed halfway through the second quarter of the year. Backlogs of work accumulated for a twenty-seventh consecutive month and at a rate that was strong overall. A combination of higher order intakes and insufficient staffing levels reportedly led to the sustained rise in backlogs.

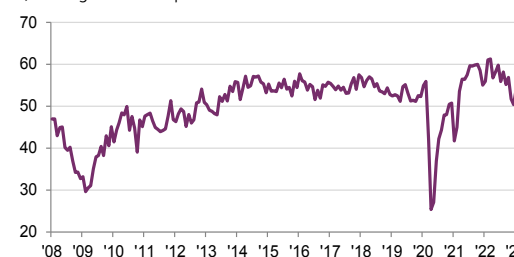
Employment Index

sa, >50 = growth since previous month



Outstanding Business Index

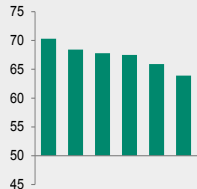
sa, >50 = growth since previous month



Prices

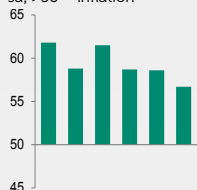
Input Prices Index

Dec '22 - May '23
sa, >50 = inflation



Prices Charged Index

Dec '22 - May '23
sa, >50 = inflation



Input prices

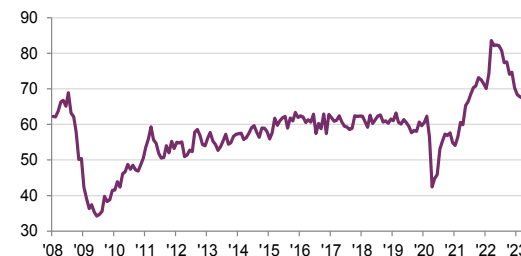
There was another substantial increase in input costs faced by Irish service sector firms midway through the second quarter of the year. Panel respondents mentioned inflation was wide-ranging, with wage pressures noted as a specific driver. Lower freight and raw material costs, however, were said to have partly curbed the latest round of increase in business expenses. Despite remaining marked overall, the rate of inflation continued along its current downward trajectory and dropped to its lowest level in just over two years.

Prices charged

Prices charged by Irish service providers rose sharply in May, thereby extending the current sequence of inflation to 27 months. Anecdotal evidence suggested that companies looked to readjust their charges in line with sustained increases in input costs. The rate of selling price inflation, however, dipped to an almost two-year low as firms sought to pass through some cost savings to customers in an effort to drive sales.

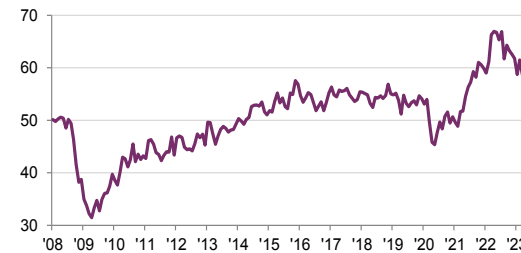
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





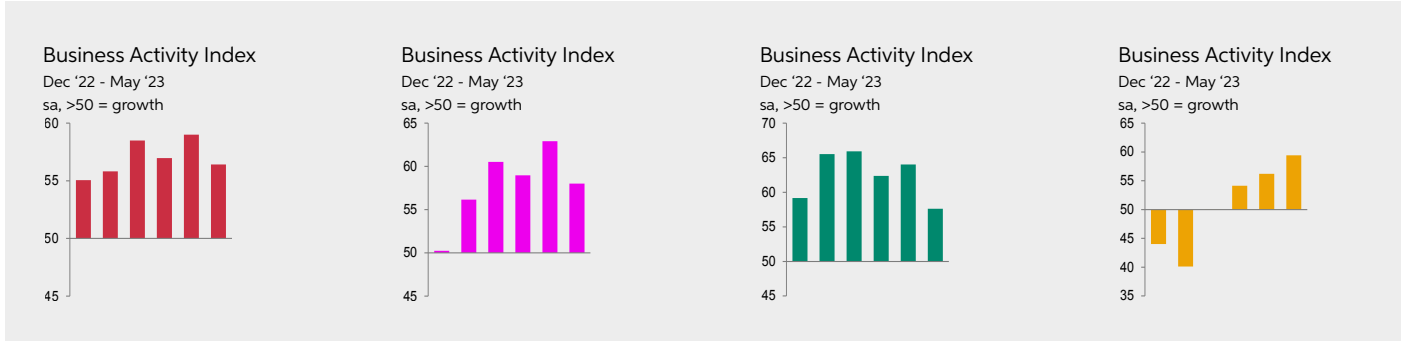
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



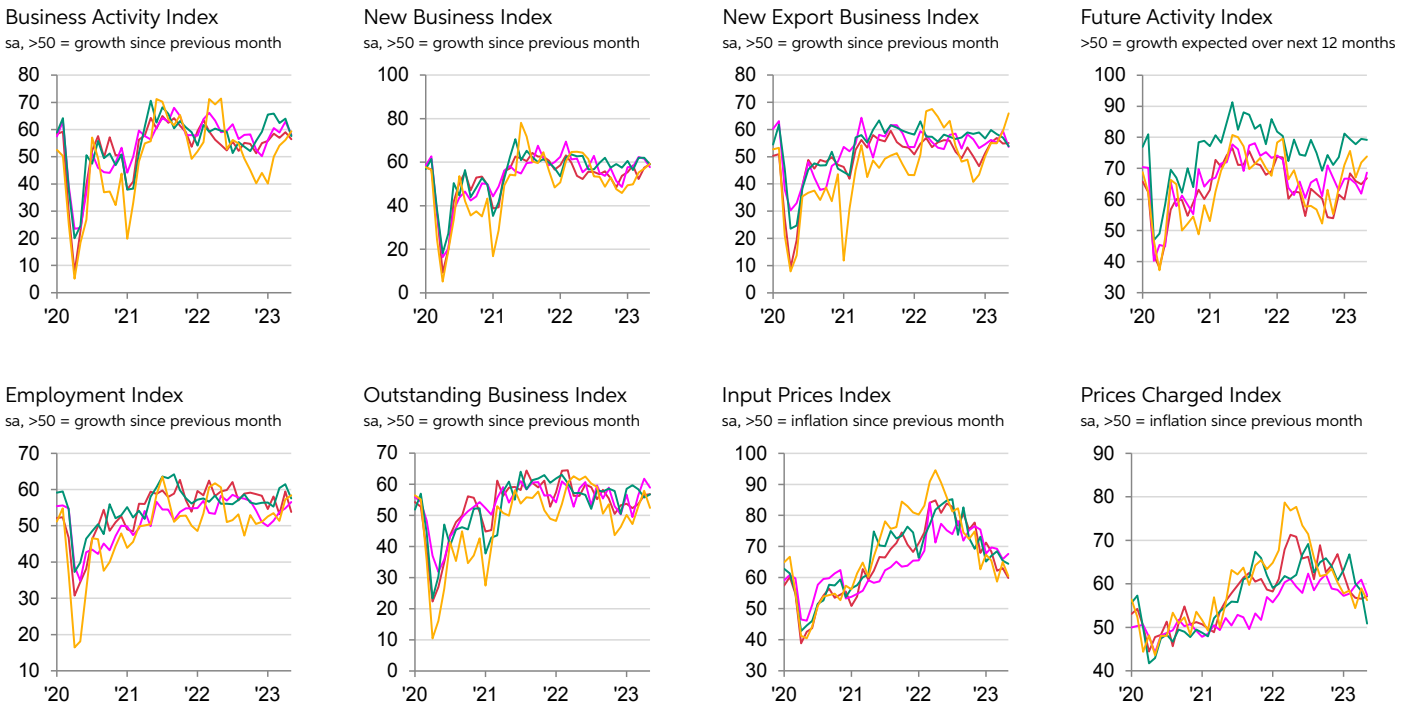
The Business Services sector saw marked uplifts in activity and new business in May. In fact, in the case of the latter, growth was the quickest in 14 months. Elsewhere, firms added to their staffing levels but at a notably weaker rate than seen in April. Capacity pressures were subsequently squeezed, leading to the most sizeable build-up in outstanding work in eight months.

Firms within the Financial Services sector noted further sharp rises in activity and new business in May. That said, rates of increase softened to four- and five-month lows, respectively. Meanwhile, staffing levels rose further and at the quickest pace since last October. In terms of prices, there were contrasting movements. The rate of selling price inflation dipped to a four-month low despite an accelerated rise in input prices.

Recent growth momentum in the Technology, Media & Telecoms sector eased in May amid a notable softening in the rates of activity and new order growth. At the same time, the pace of job creation slowed. Price pressures subsided somewhat, with the rate of input cost inflation easing to a 25-month low. The increase in output charges was only marginal, and the weakest in the current 27-month sequence of inflation.

The Transport, Tourism & Leisure sector topped the growth rankings for the first time in a year during May. In fact, rates of activity and new business growth picked up to 12- and 11-month highs, respectively. Similarly, the increase in new export orders accelerated to a robust pace. Elsewhere, rates of input price and output charge inflation both softened on the month.

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





AIB Ireland Composite PMI®

Growth in private sector output slows amid weaker manufacturing performance

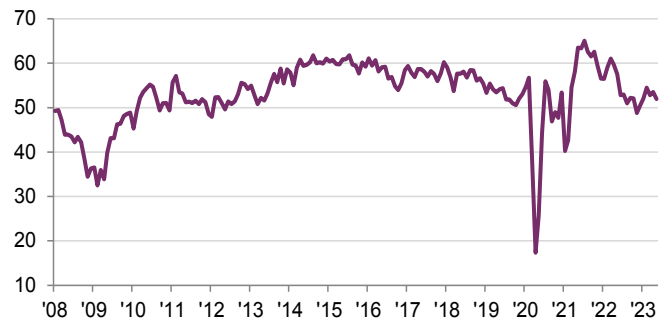
The AIB Ireland Composite PMI Output Index* registered at 51.9 in May, falling from 53.5 in April to signal the weakest expansion in business activity across the Irish private sector economy in the year-to-date. That said, the reading was still above the 50.0 no change threshold and therefore indicative of a sixth successive rise in output. Growth was solely driven by the service sector while manufacturers noted the sharpest contraction in production since February 2021.

Intakes of new business across the private sector, meanwhile, increased solidly but trends here were similarly uneven with growth centred on the service sector. Private sector employment rose, taking the current sequence of growth in workforce numbers to two-and-a-half years. At the same time, business sentiment improved as manufacturers and service providers registered stronger expectations for output over the coming year.

Elsewhere, the rate of input price inflation remained steep but eased to the slowest pace in almost two-and-a-half years. Similarly, the pace of output charge inflation dipped and was the weakest in 27 months.

- Composite
- Manufacturing
- Services

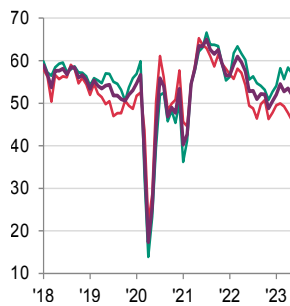
Composite Output Index
sa, >50 = growth since previous month



*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.

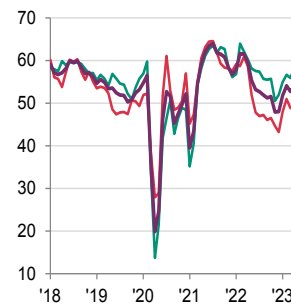
Output Index

sa, >50 = growth since previous month



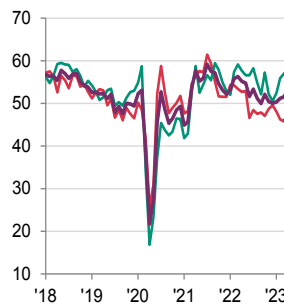
New Business Index

sa, >50 = growth since previous month



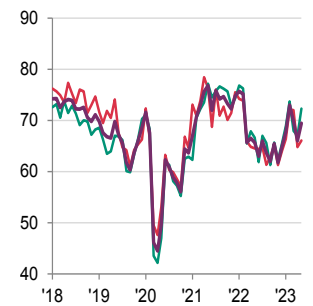
New Export Business Index

sa, >50 = growth since previous month



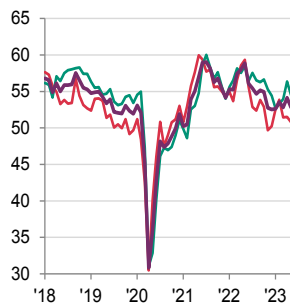
Future Output Index

>50 = growth expected over next 12 months



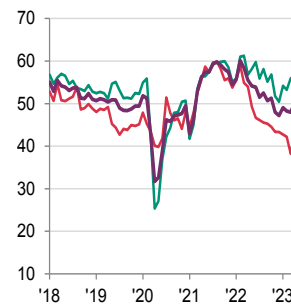
Employment Index

sa, >50 = growth since previous month



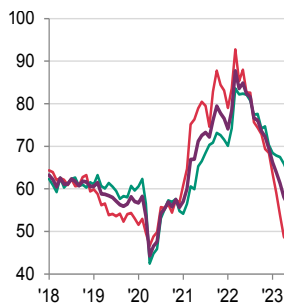
Outstanding Business Index

sa, >50 = growth since previous month



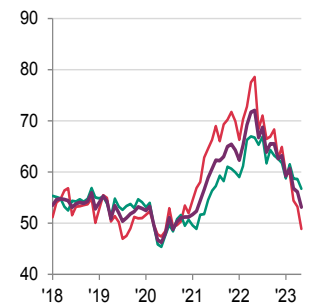
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



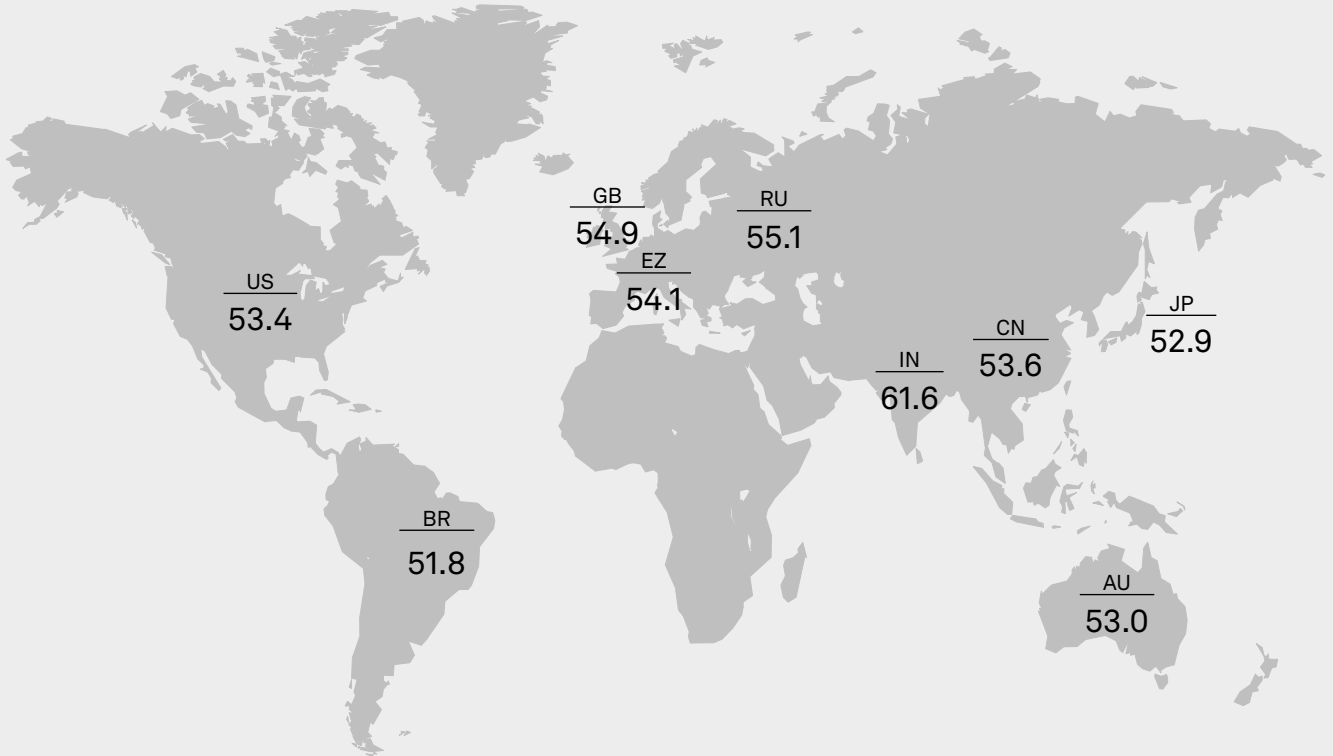
PMI®

by S&P Global

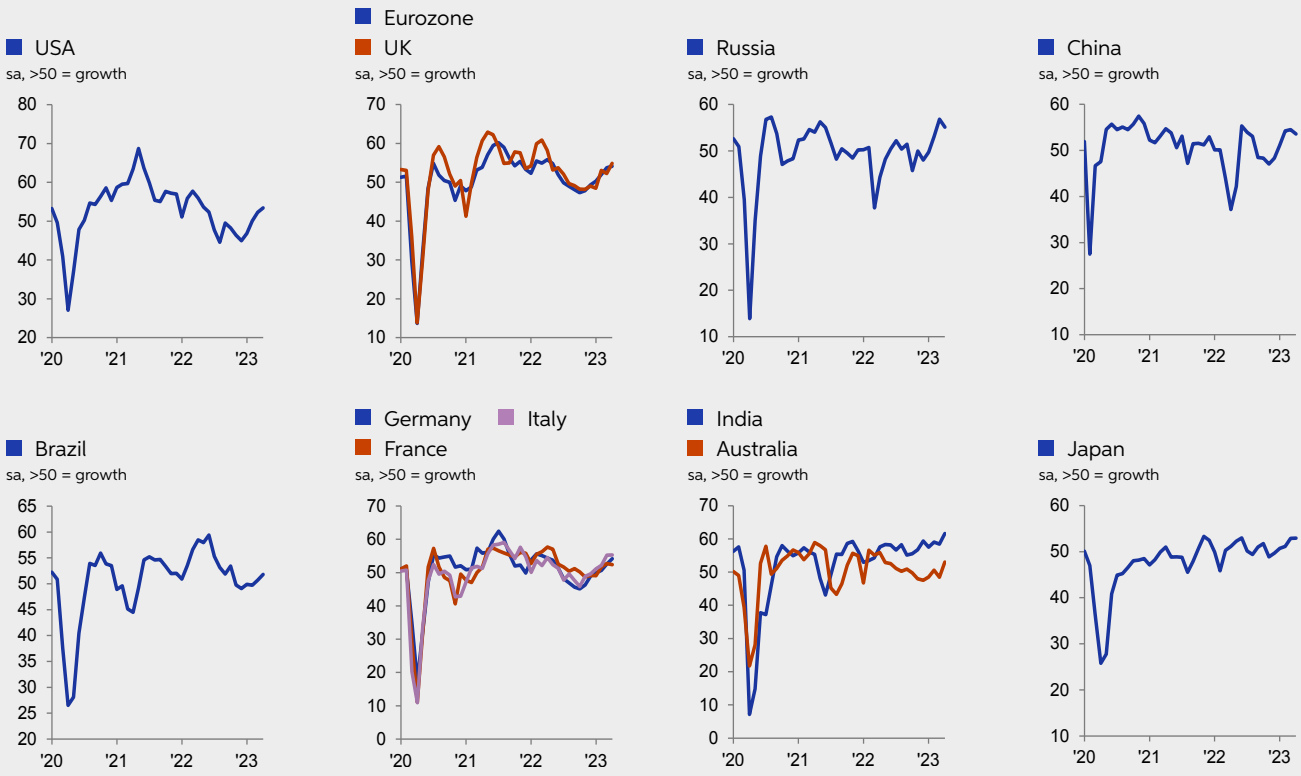
International PMI

Composite Output Index, Apr '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 11-25 May 2023.

Survey questions

Services sector

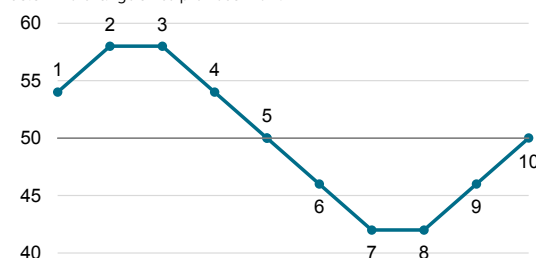
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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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