



# AIB Ireland Services PMI®

## Services growth slows as COVID-19 case numbers rise

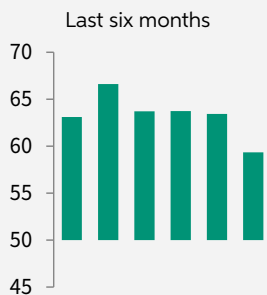
### Key Findings

Weakest increases in activity and new business since April

Business expectations moderate as new cases rise

Inflationary pressures remain strong

### Ireland Services Business Activity Index



Ireland's service sector companies recorded another marked rise in business activity in November, according to the latest AIB PMI® survey data. That said, the rate of growth slowed notably since October, as did the latest increase in new business, as reports of rising COVID-19 case numbers weighed slightly on business levels and expectations. The 12-month outlook was the weakest since March, and workforce growth also slowed. Inflationary pressures remained strong despite easing over the month.

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

*"The AIB Irish Services PMI for November showed the sector registering another strong increase in business activity, though the pace of growth moderated with the rise in new Covid case numbers. The business activity index recorded a strong reading of 59.3 in November, but this is down from the levels of 63-64 seen in the previous three months. However, it is above the strong flash November Services PMI readings for the UK and Eurozone, of 58.6 and 56.6, respectively.*

*"This moderation in the pace of growth was evident across the main sub-components of the survey. There was a marked slowdown in the rate of growth of new business, including exports, with firms reporting that the rising Covid cases had dampened demand somewhat. Job creation, while still strong, eased to its slowest pace in six months. Meantime, although firms remain very optimistic on*

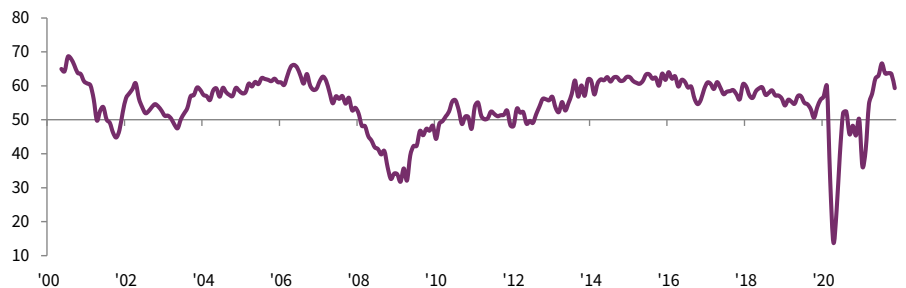
*the 12 month outlook for business, this sub-index fell to an eight month low.*

*"The slowdown in the pace of growth in activity was evident in all four service sub-sectors in the survey. However, the four sub-sectors still performed strongly, with activity readings of close to or slightly above 60, and continuing good inflows of new business.*

*"Meanwhile, capacity pressures in services were again very evident in November. Outstanding work posted another strong rise, with firms reporting staff shortages and delays with suppliers. Not surprisingly then, businesses continue to face marked upward pressure on costs for fuel, wages, energy, transportation and physical goods. This is translating into higher prices charged to customers, which increased at their fourth quickest rate on record."*

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 registered 59.3 in November, down sharply from 63.4 in October and signalling the slowest rise in Irish services output since April. The 4.2-point drop in the Index was among the largest registered over the survey history, outside the double-digit plunges registered in March-April 2020 and January 2021, suggesting a notable moderation in growth. That said, it remained well above its long-run trend level of 55.0 since the survey began in 2000. The 12-month outlook for activity remained strongly positive, but eased to an eight-month low.

Growth rates weakened since October in all four sub-sectors. The most notable slowdowns occurred in Financial Services (58.0) and Transport, Tourism & Leisure (58.4) with both sectors registering the softest increases in activity since May. Business Services (59.0) saw the weakest rise in activity since April, while Technology, Media & Telecoms (60.8) led the growth rankings for the first time since August.

The moderation in growth of total business activity reflected a similar slowdown in the rate of expansion in new work. New business rose for the ninth successive month, but growth slowed for the third time in four

months to the weakest since April. A notable moderation was registered in the Transport, Tourism & Leisure sector. The latest anecdotal evidence from survey respondents suggested that rising cases of COVID-19 had undermined new sales at some companies. New export business rose at the slowest pace since June, partly driven by a contraction in the Transport, Tourism & Leisure sector.

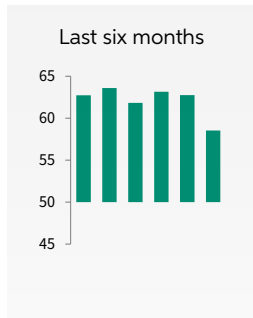
Although new work rose more slowly in November, demand growth remained strong overall and led to another rise in outstanding business at service providers. Having been the fastest in nearly 21 years in October, the rate of accumulation in backlogs slowed in the latest period but remained among the sharpest in the survey history. Higher incomplete workloads were partly explained by staff shortages and delays with suppliers.

Service sector employment rose strongly in November, with growth remaining broad-based across the four monitored sub-sectors. The overall rate of job creation slowed to a six-month low, however, partly reflecting labour shortages as some firms reported difficulties filling vacancies.

Cost pressures in the service sector remained severe in November. Input price inflation eased for the first time in seven months, but remained among the fastest registered in the 21-year survey history. Fuel, wages, energy, transportation and import duties were all highlighted as sources of rising costs, plus physical goods such as paper, chemicals, plastics and computer hardware. Subsequently, the rate of inflation in prices charged by service providers was the fourth-highest on record in November.



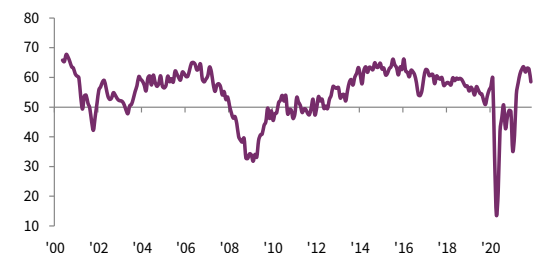
## New Business Index



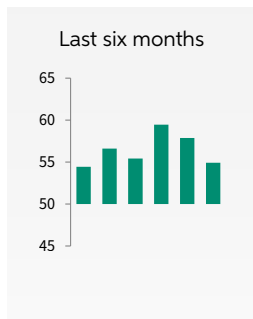
Irish service providers registered another strong increase in new business in November, the ninth consecutive month of growth. The seasonally adjusted New Business Index remained well above its long-run average of 54.9, but fell sharply since October to signal the slowest expansion since April. Anecdotal evidence suggested that rising cases of COVID-19 had undermined new sales somewhat.

New Business Index

sa, >50 = growth since previous month



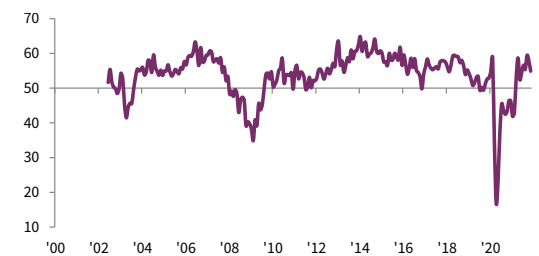
## New Export Business Index



The volume of new business received from export markets rose for the ninth month running in November. Some firms reported busier UK markets. Growth was strong overall and above the long-run survey trend, but the weakest since June. New international business in the Transport, Tourism & Leisure sector fell for the first time in three months.

New Export Business Index

sa, >50 = growth since previous month



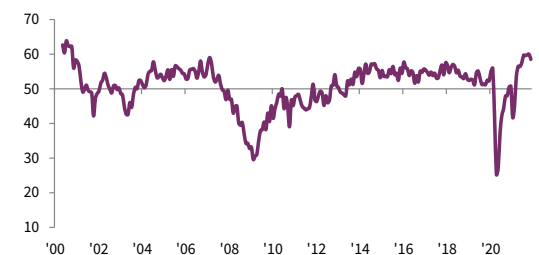
## Outstanding Business Index



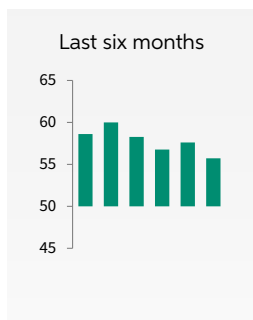
Although slower than in recent months, growth of new business was sufficiently strong to generate another rise in the level of incomplete work at Irish service providers. Outstanding work also rose due to staff shortages and delays with suppliers, according to anecdotal evidence. The rate of accumulation eased to a five-month low, but was still among the strongest registered over the 21-year survey history.

Outstanding Business Index

sa, >50 = growth since previous month



## Employment Index

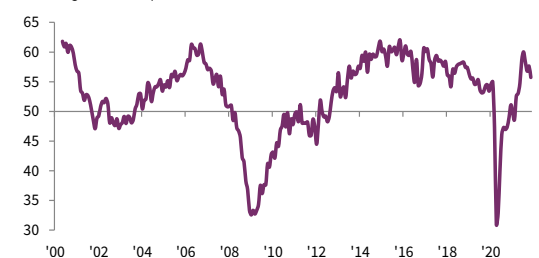


Employment in the service sector rose for the ninth month running in November, in tandem with both new and outstanding business. The rate of job creation eased to a six-month low, but remained strong overall. Recruitment was linked to rising workloads, but firms also mentioned difficulties filling vacancies.

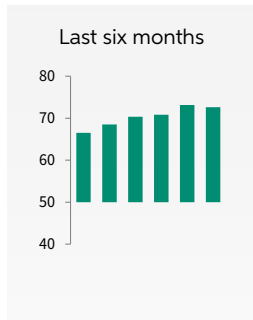
Workforces rose fastest in the Technology, Media & Telecoms and Business Services sectors.

Employment Index

sa, >50 = growth since previous month



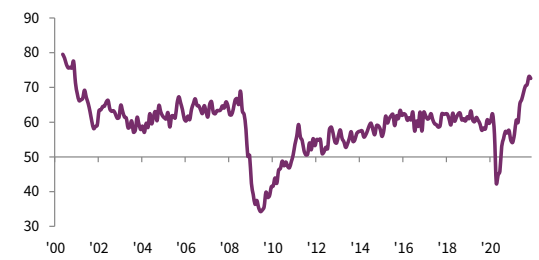
## Input Prices Index



Cost pressures in the service sector remained intense in November. The seasonally adjusted Input Prices Index fell for the first time since April, signalling a slightly slower rate of inflation, but was still among the highest levels recorded in the survey history. Fuel, wages, energy, transportation and import duties were all highlighted as sources of rising costs, plus physical goods such as paper, chemicals, plastics and computer hardware. Input prices continued to rise most in the Transport, Tourism & Leisure sector.

### Input Prices Index

sa, >50 = inflation since previous month



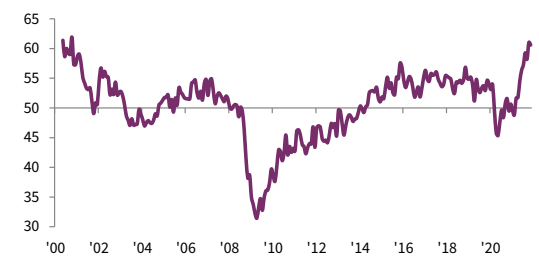
## Prices Charged Index



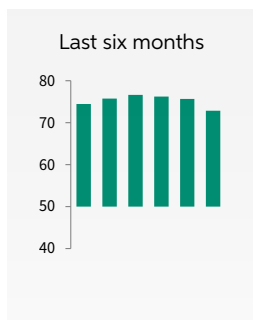
Irish service providers continued to pass on greater input costs to clients in the form of higher charges in November. The rate of inflation eased for only the second time in the current nine-month sequence of rising charges, but was still the fourth-highest on record. Higher charges mainly reflected rising costs, but also strong demand and new customers. Charges rose at the fastest rate in the Technology, Media & Telecoms sector.

### Prices Charged Index

sa, >50 = inflation since previous month



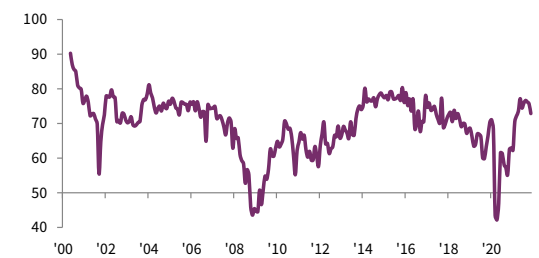
## Future Activity Index



Service sector companies were strongly optimistic on growth over the next 12 months in November, as the economy continues to recover from the pandemic and the impact of Brexit subsidies. The overall degree of sentiment eased to an eight-month low, but remained stronger than the long-run survey average. Anecdotal evidence suggested that confidence was impacted to some extent by concerns around the recent rise in COVID case numbers.

### Future Activity Index

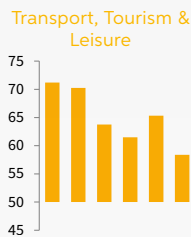
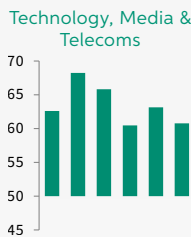
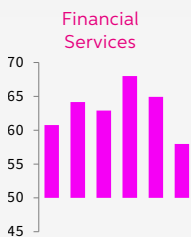
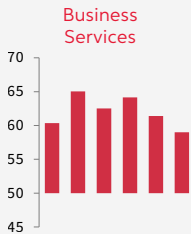
>50 = growth expected over next 12 months



## Services Sub-sectors

### Business Activity Index

Last six months



### Business Services

Activity in the Business Services sector rose at the slowest rate in seven months in November, albeit one that was still strong overall and the second-fastest among the four monitored sectors. New business growth also eased, but was the fastest among the four categories in November. Business Services also posted the second-strongest rates of growth in outstanding work and employment.

### Financial Services

Financial Services recorded a steep slowdown in growth in November, posting the weakest rise in activity among the four monitored sectors. Both new and outstanding business increased more slowly than in October, although jobs were added at the strongest rate since June. Financial Services registered the weakest price pressures of the four sectors, both in terms of input prices and charges.

### Technology, Media & Telecoms

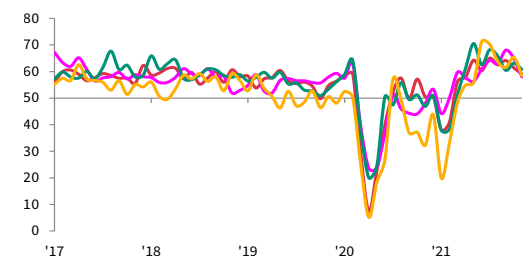
Technology, Media & Telecoms overtook Transport, Tourism & Leisure as the strongest-growing services sub-sector in November. This was despite a slower increase in activity than in October, and one that was the second-weakest since March. The sector also registered the strongest rates of job creation and charge inflation. New business growth remained sharp despite easing to an eight-month low.

### Transport, Tourism & Leisure

The Transport, Tourism & Leisure sector registered a notable slowdown in growth of new business in November, reflecting a decline in export demand for the first time since August. Total activity rose sharply, but at the slowest rate since May, while outstanding business increased only modestly. The sector continued to face the steepest rate of input price inflation among the four sectors, as has been the case since June.

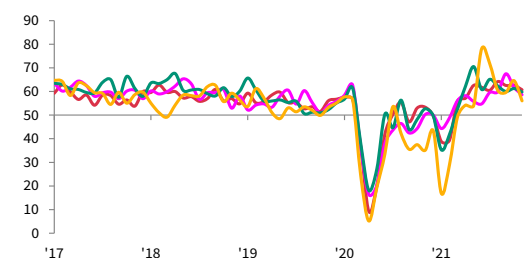
### Business Activity Index

sa, >50 = growth since previous month



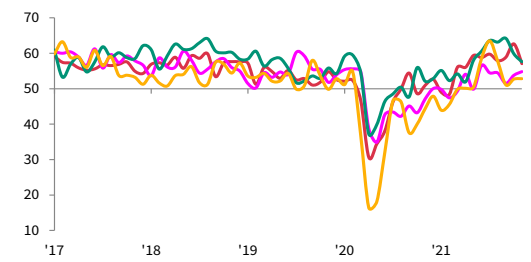
### New Business Index

sa, >50 = growth since previous month



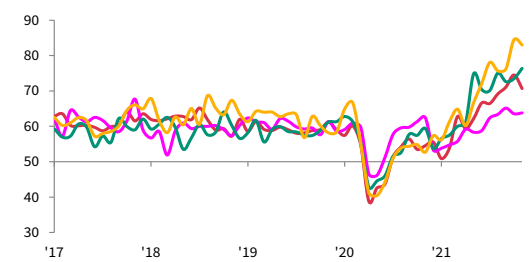
### Employment Index

sa, >50 = growth since previous month



### Input Prices Index

sa, >50 = inflation since previous month

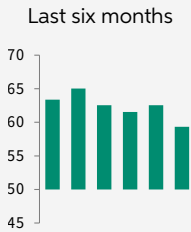




AIB Ireland Composite PMI®

# Output growth slows, but charges increase at record pace

## Composite Output Index



Private sector output in Ireland rose for the ninth month running in November. The rate of growth was strong overall, but the weakest since April as new business growth slowed for the fourth successive month. Cost pressures eased from October's record, but charge inflation set a fresh series high.

The Ireland Composite Output Index, which tracks activity in the combined manufacturing and services sectors, registered 59.3 in November, down from 62.5 in October. The latest figure signalled the slowest growth since April, albeit a marked expansion in the context of historical data.

Growth weakened in both the manufacturing and service sectors, with the latter posting the more notable moderation since October.

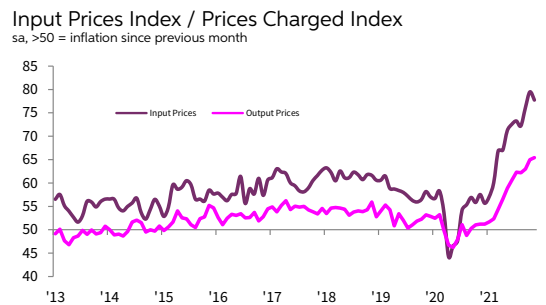
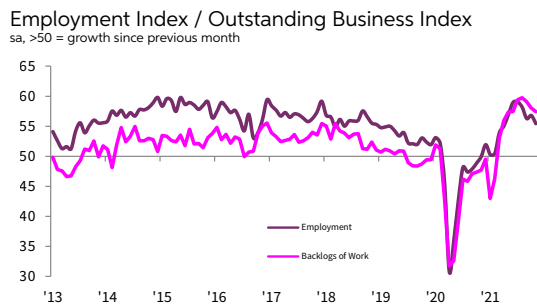
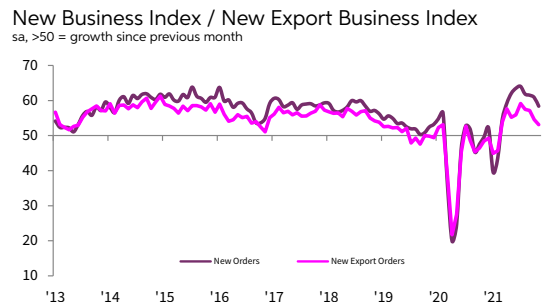
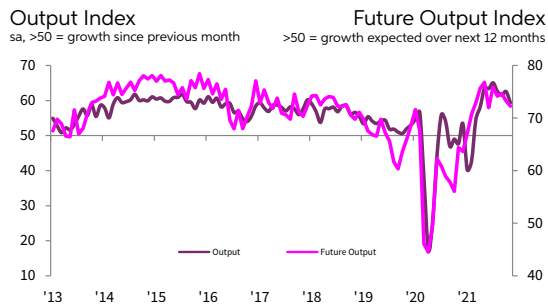
New business growth slowed for the fourth

consecutive month since hitting a record high in July. The overall increase in demand was strong, but the softest since March.

Input price inflation eased from October's record high in November, but was still the second-fastest over the series history. Manufacturers continued to register much stronger cost pressures than service providers.

Average prices charged for goods and services rose at the strongest rate since the series began in 2002. This reflected a record increase in manufacturing output prices.

\*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.

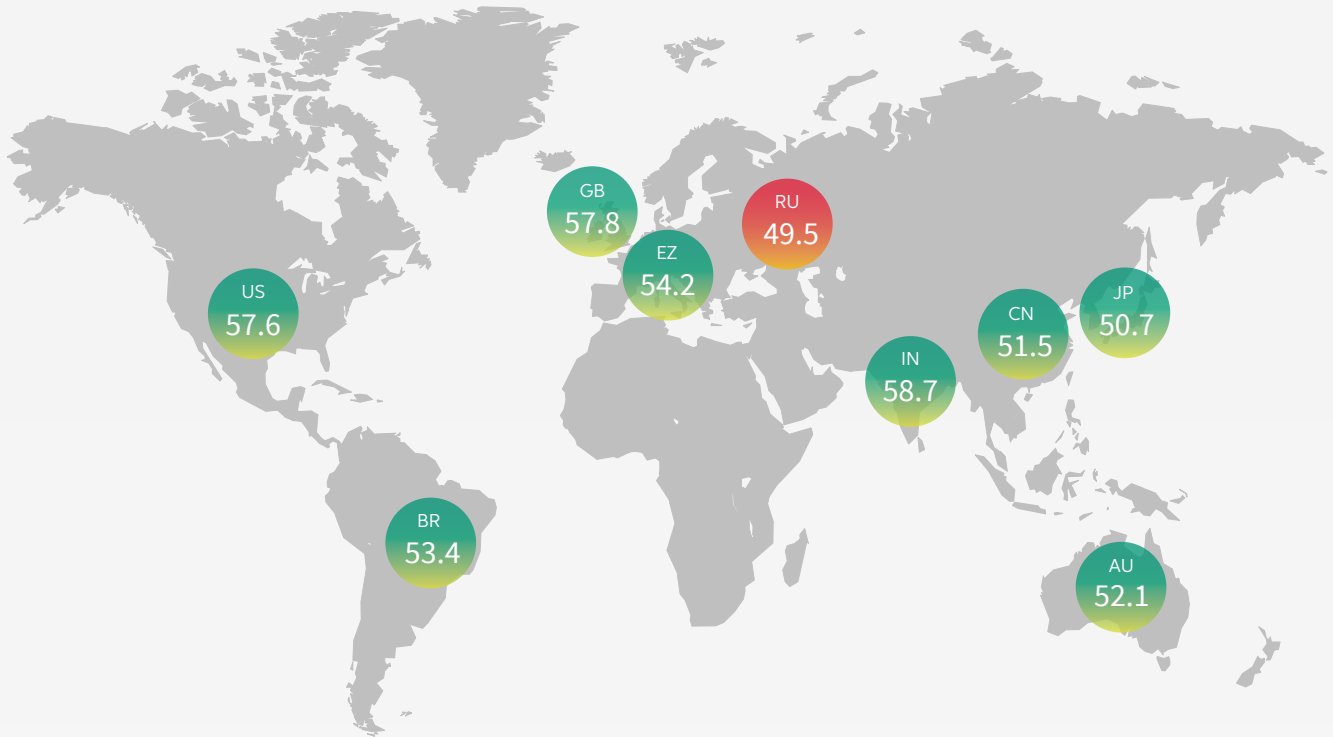




## International PMI

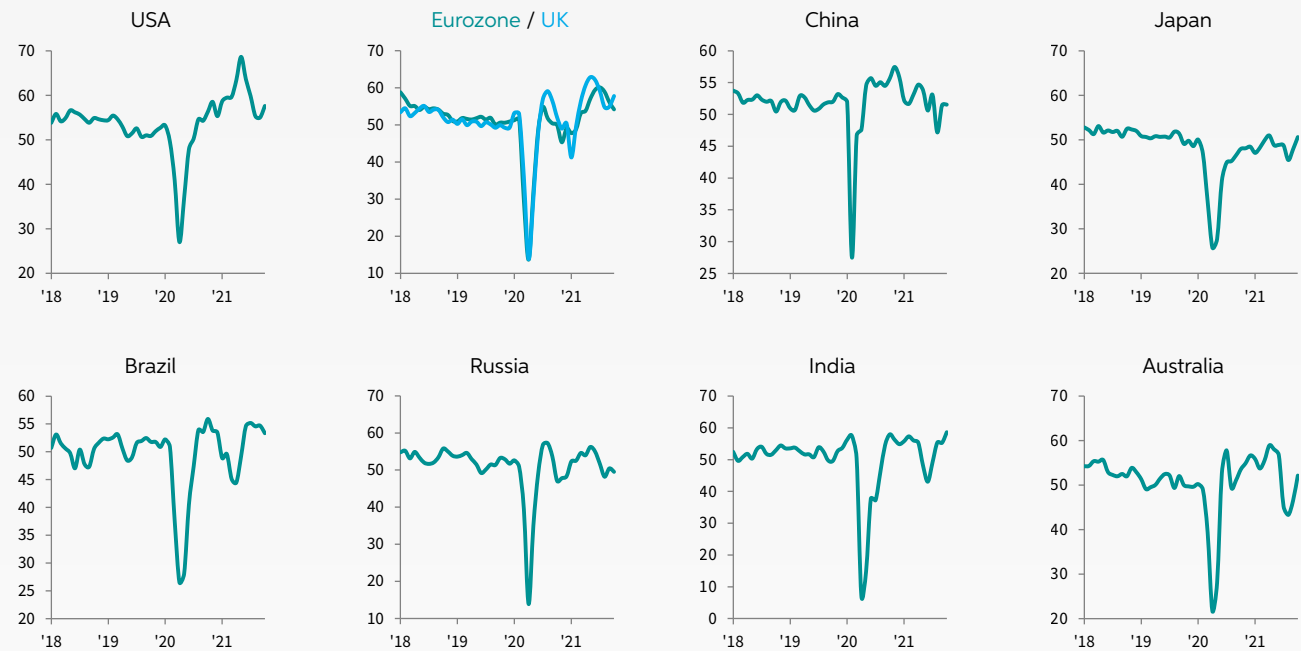
### Composite Output Index, Oct '21

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 IHS Markit 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 12-25 November 2021.

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

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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. <https://ihsmarkit.com/products/pmi.html>

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