



AIB Ireland Services PMI®

Growth of activity and new business slow to a crawl in November

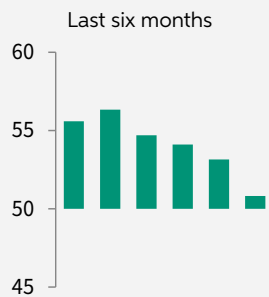
Key Findings

Slowest increases in both variables over current 21-month growth sequences

Activity forecasts weaken due to inflation and recession worries

Price pressures remain elevated

Ireland Services Business Activity Index



The latest AIB PMI® survey data revealed a further loss of momentum in the Irish services sector in November. Although total activity, new work and outstanding business all rose further, the rates of expansion were each the slowest in the respective 21-month growth sequences. Expectations slumped as recession fears, the energy crisis and rising living costs weighed on confidence. Input price inflation picked up from October's recent low, while charge inflation eased but remained among the highest on record.

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

"The AIB Irish Services PMI for November showed a considerable loss of momentum in activity in the sector. The Business Activity Index fell to 50.8 from 53.2 in October. As has been the pattern in recent months, the index was again weighed down by a very weak performance by the Transport/Tourism/Leisure sector, which registered a reading of just 40.2 for business activity. The overall services index, though, remains in expansion territory at above 50, unlike elsewhere. The flash Services PMI readings were all again in contraction territory in November in the US, UK and Eurozone, at 46.1, 48.8 and 48.6, respectively.

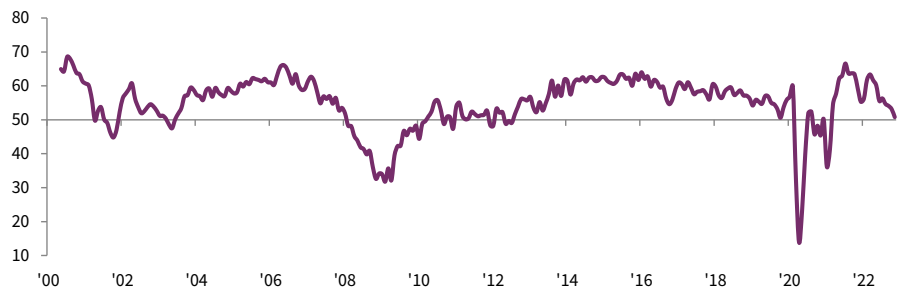
rate of growth in new export business also slowed sharply. This saw a marked easing of capacity pressures, with backlogs of outstanding business rising at the slowest pace in 21 months. Indeed, the Transport/Tourism/Leisure sector recorded a sharp fall in outstanding work.

"The one ray of light was another impressive rise in employment. However, firms' outlook for the next 12 months fell back again, as recession fears, the energy crisis and rising inflation all weighed on confidence.

"Businesses continued to experience strong upward pressure on input costs, most notably electricity prices, fuel, wages and materials, with the rate of inflation accelerating in November. Higher costs continued to be passed on to customers in the form of higher prices, which again registered marked increases in all four sectors covered in the survey."

"Nearly all of the main components of the Irish survey showed clear signs of a weakening trend in November. Growth in new business slumped from 55.7 to 50.6, with both Business Services and Transport/Tourism/Leisure posting outright contractions in new work. The

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 signalled growth for the twenty-first successive month in November, but moved lower for the seventh time in eight months to signal only a fractional rate of expansion. The latest figure of 50.8, down from 53.2 in October, was the lowest over the current sequence and below the 22-year long-run trend level of 55.1 for the fourth straight month.

Growth of activity was maintained in three out of four sub-sectors in November. Technology, Media & Telecoms (55.9) overtook Financial Services (52.6) as the fastest-growing category with the sharpest expansion since June. Financial Services posted a marked slowdown since October but still outperformed Business Services (51.3) which posted the weakest rise in activity in its 21-month growth sequence. The main source of weakness though was again Transport, Tourism & Leisure (40.2) which posted a third straight monthly drop in activity and at the fastest rate since February 2021.

The marginal increase in total activity during November reflected a near-stagnation in demand for services. New business rose at the slowest rate in the current 21-month

growth sequence as companies reported caution among customers due to rising economic uncertainty and high inflation. Demand contracted in both the Transport, Tourism & Leisure and Business Services sub-sectors, while there was a notable slowdown in growth in Financial Services. Meanwhile, growth of new export business across the service sector was broadly in line with the lows seen since early-2021.

Latest data showed a substantial easing of pressure on service providers' business capacity. The level of incomplete work rose in November, but to the weakest extent in the current 21-month growth period. Transport, Tourism & Leisure posted a sharp fall in outstanding business, while much slower increases were registered in Business Services and Financial Services.

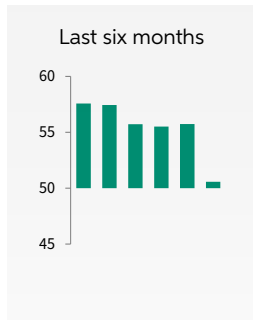
More positively, the service sector workforce continued to expand in November. The rate of job creation eased to the weakest in 2022 so far, but remained strong overall. Transport, Tourism & Leisure bucked the overall trend with only a marginal rise in staffing.

Confidence among Irish service providers regarding the next 12 months weakened in November as recession fears, the energy crisis and rising living costs all weighed on confidence. Sentiment was among the lowest seen during the past two years, with expectations weakest in Business Services and Transport, Tourism & Leisure.

Average input prices continued to rise sharply in November, linked to electricity prices, materials, wages, fuel and insurance among other costs. The rate of inflation accelerated slightly, but remained below the trend for



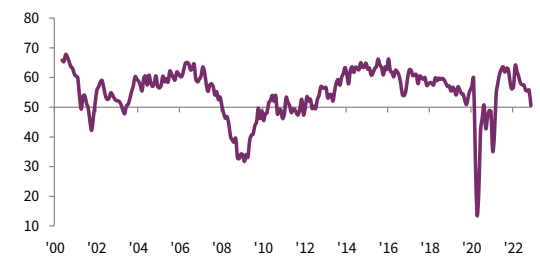
New Business Index



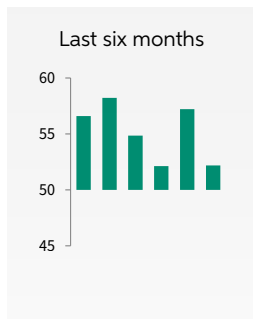
Irish service providers reported only a marginal rise in new business volumes in November. Demand for services increased for the twenty-first successive month, but at the weakest rate over this period as firms reported caution among clients amid economic uncertainty and high inflation. New business expansion has eased since hitting a six-year high back in February. Only two sub-sectors registered higher new business in November: Technology, Media & Telecoms and Financial Services.

New Business Index

sa, >50 = growth since previous month



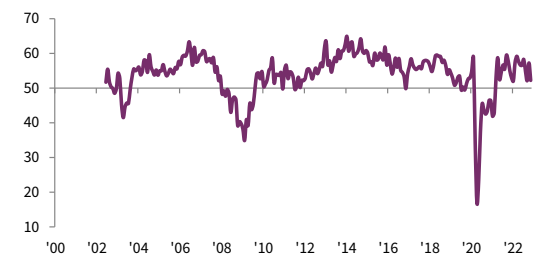
New Export Business Index



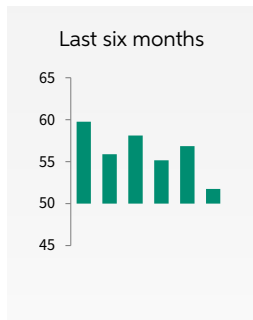
New work received from international markets rose for the twenty-first successive month in November, partly linked to new products and services. That said, the rate of growth slowed sharply to broadly match the weakest seen over this period. This mainly reflected a sharp decline in Transport, Tourism & Leisure, and broadly no change in Business Services. In contrast, Technology, Media & Telecoms and Financial Services both registered strong growth in services exports.

New Export Business Index

sa, >50 = growth since previous month



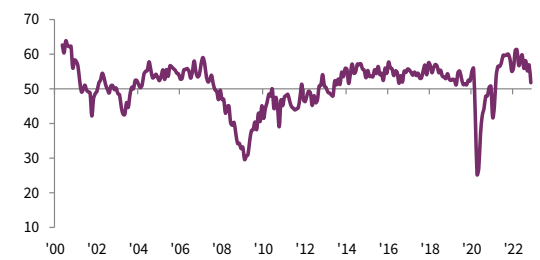
Outstanding Business Index



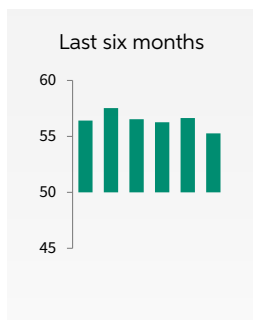
November data marked a notable easing of pressure on service sector business capacity. Work-in-hand rose at the slowest rate in the current 21-month growth sequence. Moreover, the month-on-month decline in the seasonally adjusted Outstanding Business Index was among the largest on record. Transport, Tourism & Leisure posted a sharp fall in outstanding work, while much slower growth was seen in Business Services and Financial Services.

Outstanding Business Index

sa, >50 = growth since previous month



Employment Index

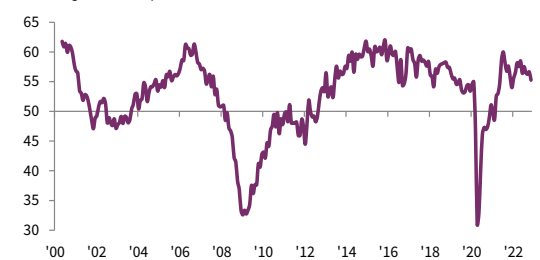


Service providers in Ireland continued to expand their workforces in November. The rate of job creation eased to the weakest in 2022 so far, but was still strong overall and above the long-run survey average.

Employment growth was broad-based across the four monitored sectors, with the fastest increase in Business Services and the slowest in Transport, Tourism & Leisure.

Employment Index

sa, >50 = growth since previous month



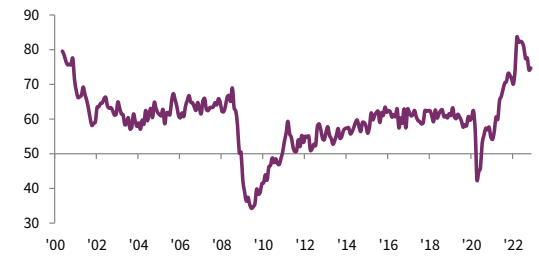
Input Prices Index



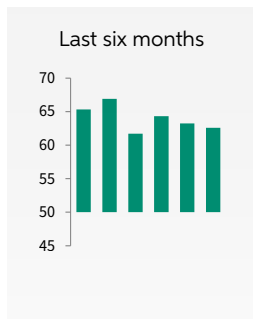
Average input prices continued to rise sharply in November, linked to electricity prices, materials, wages, fuel and insurance among other costs. The rate of inflation remained well above the long-run survey average and accelerated slightly from October's nine-month low, but remained below the trend for 2022 so far. Cost pressures were strongest in Business Services, and weakest in Technology, Media & Telecoms.

Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

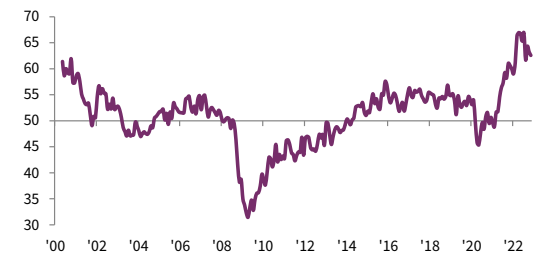


The rate of inflation in prices charged by Irish service providers eased to a three-month low in November. That said, it was still among the highest on record, with the seasonally adjusted Prices Charged Index at the eighth-highest level to date.

Business Services registered the fastest rise in charges, and Financial Services the weakest.

Prices Charged Index

sa, >50 = inflation since previous month



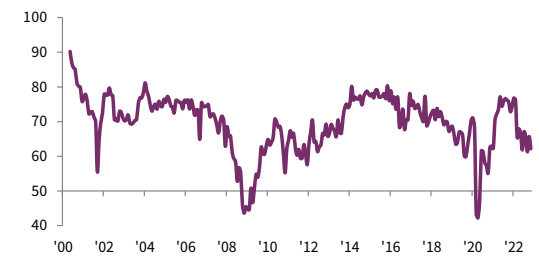
Future Activity Index



Having rebounded slightly in October, confidence among Irish service providers regarding the next 12 months eased back in November as recession fears, the energy crisis and rising living costs all weighed on confidence. The Future Activity Index fell to the third-lowest level of the past two years, and remained well below its long-run trend level of 69.6. Expectations were weakest in Business Services and Transport, Tourism & Leisure.

Future Activity Index

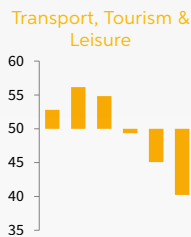
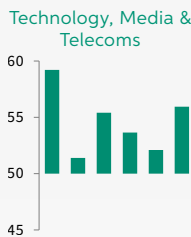
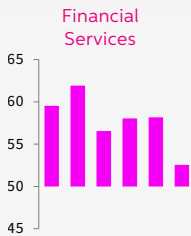
>50 = growth expected over next 12 months



Services Sub-sectors

Business Activity Index

Last six months



Business Services

Business services firms in Ireland reported the slowest rise in activity in the current 21-month growth sequence, mainly due to a fall in new business for the first time over the same period. More positively, the level of outstanding work rose further, albeit only slightly, and employment rose strongly. Price pressures picked up since October and the 12-month outlook was the joint-weakest in two-and-a-half years.

Financial Services

Financial services companies registered much slower increases in new and outstanding business in November, with the slowest rise in total activity in the current 21-month growth sequence. The rate of job creation eased to a seven-month low, but was solid overall. Input price inflation rose to a three-month high, while charge inflation eased since October but remained strong. Expectations moderated from October's eight-month peak.

Technology, Media & Telecoms

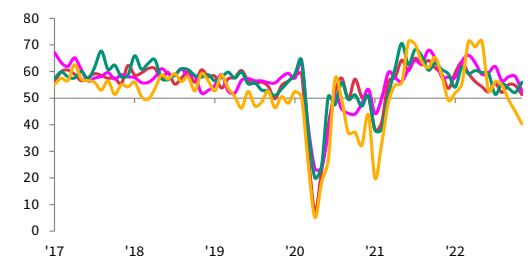
A sharper increase in new business drove overall activity growth in the Technology, Media & Telecoms sector to a five-month high in November. The sector was also the fastest-growing among the broad categories monitored for both variables, and also in terms of outstanding business. Workforces expanded at the weakest rate in four months, although firms were still the most optimistic on growth among the four sectors. Price pressures eased.

Transport, Tourism & Leisure

Transport, Tourism & Leisure was again the only sector to record lower activity in November. Moreover, the rate of decline was the fastest since February 2021, as was the latest drop in new business. Outstanding work fell for the first time in ten months, and employment growth slowed to a marginal pace. Rates of inflation for input prices and charges both picked up to three-month highs. Expectations for activity weakened notably since October.

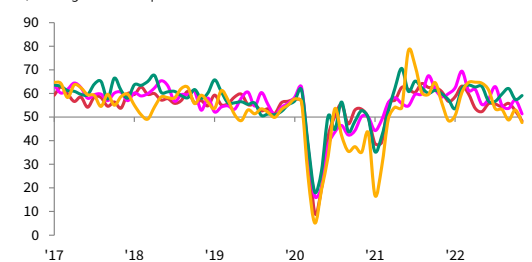
Business Activity Index

sa, >50 = growth since previous month



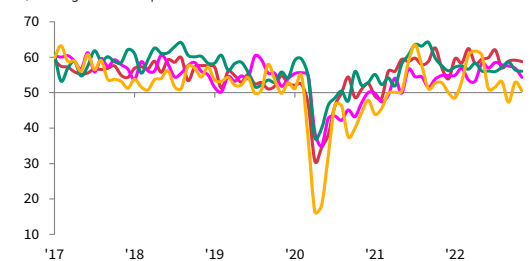
New Business Index

sa, >50 = growth since previous month



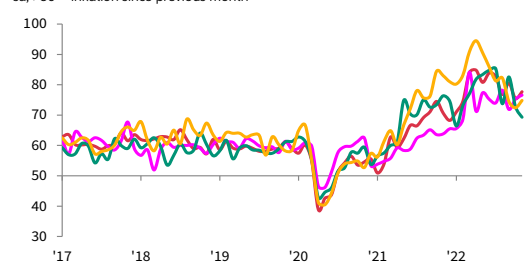
Employment Index

sa, >50 = growth since previous month



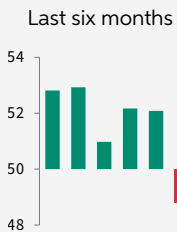
Input Prices Index

sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Composite Output Index



Private sector output falls in November as demand weakens

November data marked the first declines in output and new business in the Irish private sector since February 2021, although the rates of contraction were modest. Price pressures eased, mainly reflecting the trend in manufacturing, while the rate of job creation hit a 21-month low.

The seasonally adjusted Ireland Composite Output Index* fell below the no-change threshold of 50.0 in November, posting 48.8, from 52.1 in October. This signalled the first decline in private sector business activity since February 2021, albeit at a modest rate.

The overall decline was driven by the manufacturing sector, where production fell for the fifth time in six months. Services activity increased, but at the weakest rate in the current 21-month sequence.

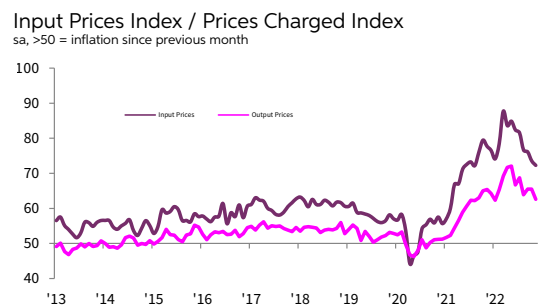
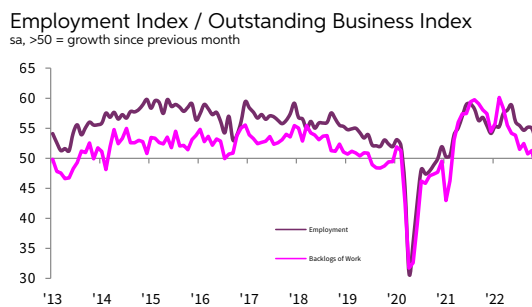
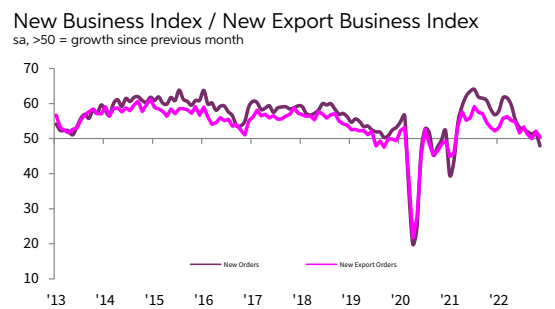
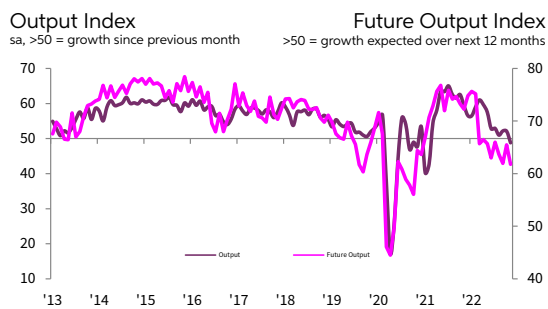
New orders in the private sector economy also declined for the first time since February 2021,

a trend again driven by weaker manufacturing demand.

Employment continued to rise, but at the weakest rate in 21 months as manufacturers cut jobs for the first time since September 2020. The slower labour market partly reflected reduced capacity pressures, as backlogs fell for the first time since February 2021.

Rates of inflation for input prices and charges eased to 15- and ten-month lows in November, respectively. Manufacturers faced weaker cost pressures than service providers for the fourth month running.

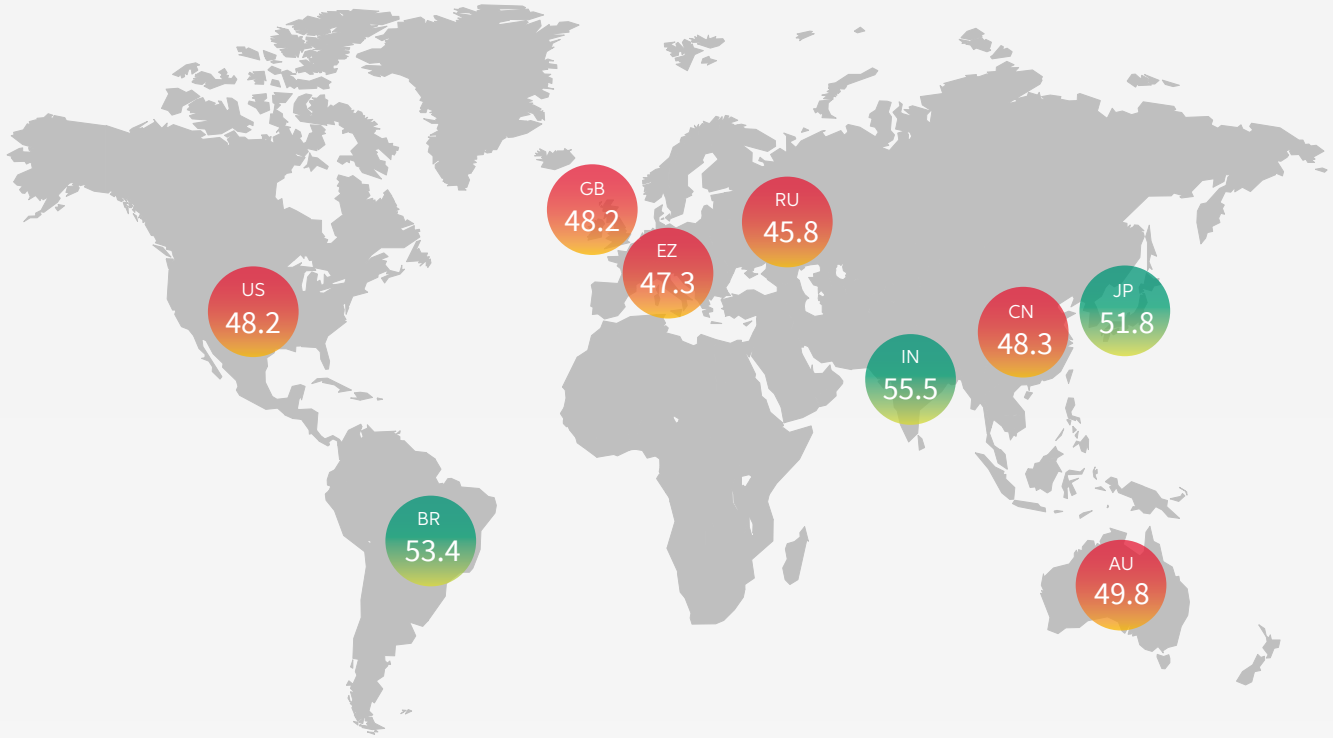
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

Composite Output Index, Oct '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

Trevor Balchin
Economics Director
T: +44-1491-461-065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44 (0) 7967 447030
sabrina.mayeen@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 11-25 November 2022.

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

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