



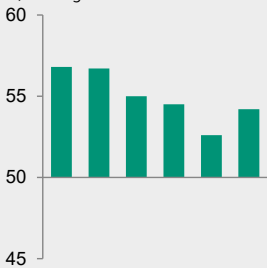
AIB Ireland Services PMI®

Service sector expansion accelerates in November

54.2

IRELAND SERVICES BUSINESS ACTIVITY INDEX, NOV '23

Services Business Activity Index
Jun - Nov '23
sa, >50 = growth



The November AIB PMI® survey data signalled a strengthening in service sector growth alongside a further easing in inflationary pressures. Rates of expansion in total activity and new business both accelerated on the month for the first time since April, with a notable rebound in the Transport, Tourism & Leisure sector. Employment rose at a solid pace in a tight labour market and wages remained a key source of rising costs. That said, input price inflation as a whole eased further and was broadly in line with the long-run survey trend. Business activity expectations meanwhile edged up to the highest since May.

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

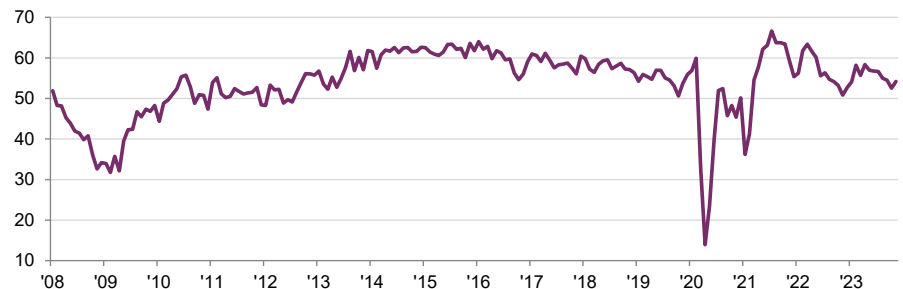
"The AIB Irish Services PMI registered a reading of 54.2 in November, up from 52.6 in October and back close to its level of 54.5 in September. It signals a pick up in the rate of growth in the sector during November after the pace of expansion had slowed over the previous six months. The Irish index remains well above elsewhere, with the flash services PMIs coming in at 50.5, 48.2 and 50.8 for the UK, eurozone and US, respectively in November."

Of particular note was the acceleration in growth in new business for the first time since April and renewed rise in new export business after it had declined in October. This points to an improvement in demand conditions. Notably, there was a marked rebound in activity in the Transport/Tourism/Leisure sector, following a four-month downturn, helped by a strong increase in new business, including from overseas."

"The Irish November survey data are encouraging on a number of fronts; there was a strengthening in the key activity metrics, all four service sub-sectors registered growth, while inflationary pressures continued to ease. Employment growth also picked up in the month, and the level of outstanding work rose again. Firms also remained optimistic about their expectations for business activity over the coming twelve months."

"Inflationary pressures eased further in November. Input prices continued to experience upward pressure, especially from higher wages. The rate of increase, though, slowed to the lowest level since April 2021 and is now broadly in line with the long-run average. Higher operating costs are still being passed on to customers in higher selling prices, though again, the rate of increase fell to a two-and-a-half-year low."

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



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Overview

Faster increases in activity and new work

Employment growth edges up from October's 32-month low

Input price inflation slows for fifth month running

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 AIB Services Business Activity Index rose from 52.6 in October to 54.2 in November, signalling faster growth of Irish service sector output. This ended a six-month period of slowing expansion. The latest figure was still the second-lowest since January, however, and below the long-run trend level of 55.1. Activity has risen every month since March 2021.

Growth over 2023 as a whole (the Index averages 55.7 from January-November) is set to be slower than in 2021 (57.3) and 2022 (56.7), but stronger than in 2019 (54.8) prior to the disruption from the pandemic.

In November, all four sub-sectors registered higher activity over the month. Growth was again fastest in Technology, Media & Telecoms (57.0), although Transport, Tourism & Leisure (56.7) recorded the biggest improvement since October with the first expansion since June. Growth slowed in Financial Services (54.4) and was only modest in Business Services (51.8).

Faster growth of total activity was driven

by a sharper rise in new business in November. The rate of growth in demand accelerated for the first time in seven months, although it remained among the weakest in the current 33-month sequence of expansion. International demand improved following October's contraction, but at a moderate pace.

The rise in new work in November did not place undue pressure on business capacity, as the volume of incomplete work increased at a rate little-changed from October's recent low. This was partly explained by a faster increase in employment during the month, with the rate of job creation slightly above the long-run survey average. Recruitment was strongest in Technology, Media & Telecoms and Financial Services.

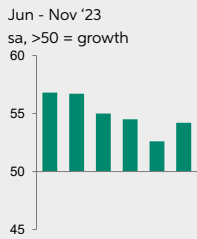
Wages remained a key driver of inflationary pressure in the services sector in November, along with fuel, utilities and insurance. That said, the overall rate of input price inflation eased to a 31-month low and was broadly in line with the long-run survey trend.

Although cost pressures returned to their long-run average in November, the increase in prices charged by service providers remained relatively high as companies continued to rebuild margins. That said, charge inflation also slowed during the month, to a two-and-a-half year low.

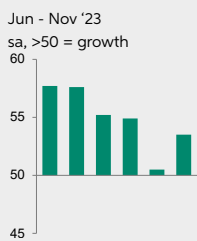
Irish service sector firms were at their most confident in six months in November, with regard to the year-ahead outlook for activity. There was a general mood of optimism that economic conditions will improve in 2024.

Activity and demand

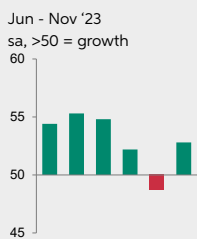
Business Activity Index



New Business Index



New Export Business Index



Business activity

The level of business activity in the Irish service sector rose for the thirty-third consecutive month in November. The rate of expansion accelerated for the first time in seven months, with a number of firms reporting a pick-up in new business. That said, growth remained below the long-run survey average (since 2000) and was among the weakest in 2023 so far.

For the first time since June, all four sectors registered growth, with a notable rebound in Transport, Tourism & Leisure. Technology, Media & Telecoms remained the fastest-growing sector.

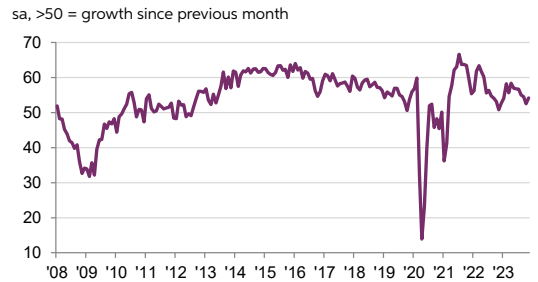
New business

The seasonally adjusted New Business Index rose for the first time since April in November, signalling a faster rate of growth in demand for services. This was partly driven by renewed increase in Transport, Tourism & Leisure. That said, the overall rate of growth was the second-slowest in 2023 and below the long-run trend.

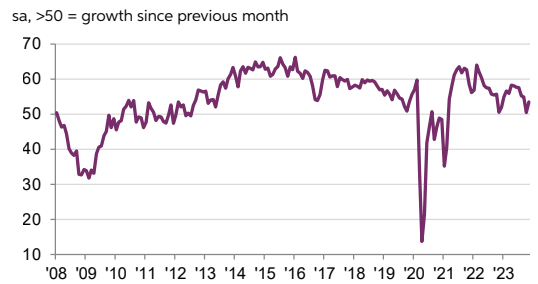
New export business

Having declined in October for the first time in over two-and-a-half years, the volume of new business from overseas increased in November. There was a notable upturn in Transport, Tourism & Leisure.

Business Activity Index



New Business Index

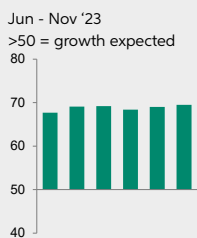


New Export Business Index



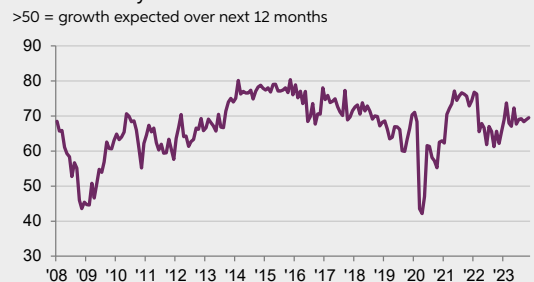
Business expectations

Future Activity Index



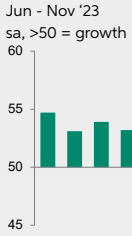
The Future Activity Index rose slightly in November to a six-month high and broadly matched its long-run trend level, indicating strong confidence at service providers regarding activity over the next 12 months. Anecdotal evidence revealed a general sense of optimism among survey respondents that economic conditions will improve in 2024. Expectations were strongest in the Technology, Media & Telecoms sector, followed by Financial Services.

Future Activity Index

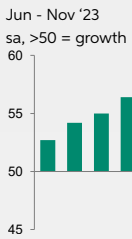


Employment and capacity

Employment Index



Outstanding Business Index



Employment

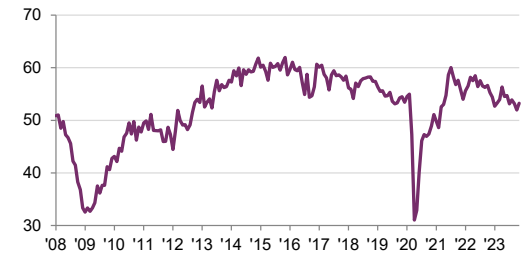
Growth in service sector employment was maintained in November, extending the current period of job creation that began in March 2021. Moreover, the rate of increase picked up from October's 32-month low and was slightly above the long-run average. Jobs growth resumed in Business Services and strengthened in Financial Services and Transport, Tourism & Leisure. Technology, Media & Telecoms continued to post the strongest increase.

Outstanding business

Service providers in Ireland continued to report rising levels of outstanding work in November, extending the current run of growth to 33 months. The rate of expansion was little-changed from October's recent low, however. All four sectors posted increases although Transport, Tourism & Leisure recorded only a fractional rise.

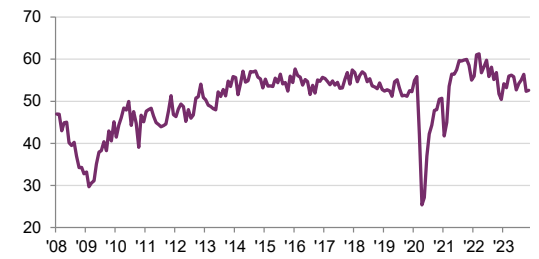
Employment Index

sa, >50 = growth since previous month



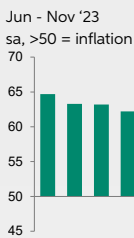
Outstanding Business Index

sa, >50 = growth since previous month

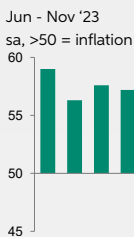


Prices

Input Prices Index



Prices Charged Index



Input prices

Average input prices in the service sector rose for the forty-first successive month in November. Anecdotal evidence linked greater costs to wage pressures due to a tight labour market, energy, fuel, insurance and other fees. That said, the rate of inflation eased for the tenth time in 2023 so far, to the lowest since April 2021. The seasonally adjusted Input Prices Index was broadly in line with its long-run average of 60.1.

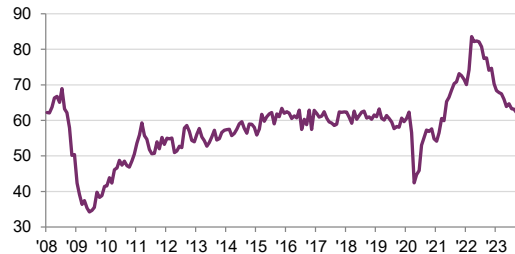
By sector, the strongest input price inflation was in Transport, Tourism & Leisure and the weakest in Business Services.

Prices charged

Service providers continued to raise their prices charged in November in order to pass on higher costs to customers. The rate of inflation eased for the third month running to a two-and-a-half year low but, unlike for input prices, remained well above the long-run survey average. Charge inflation was strongest in Financial Services.

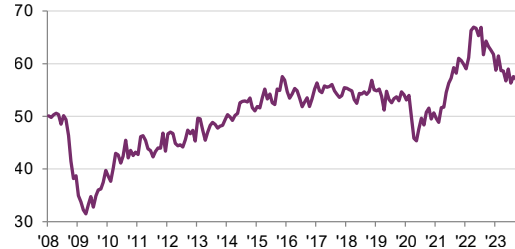
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month



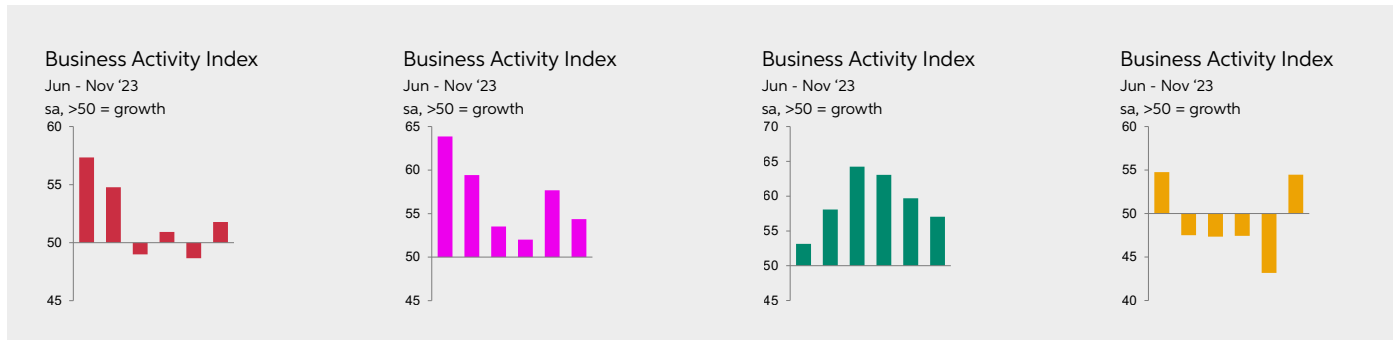
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



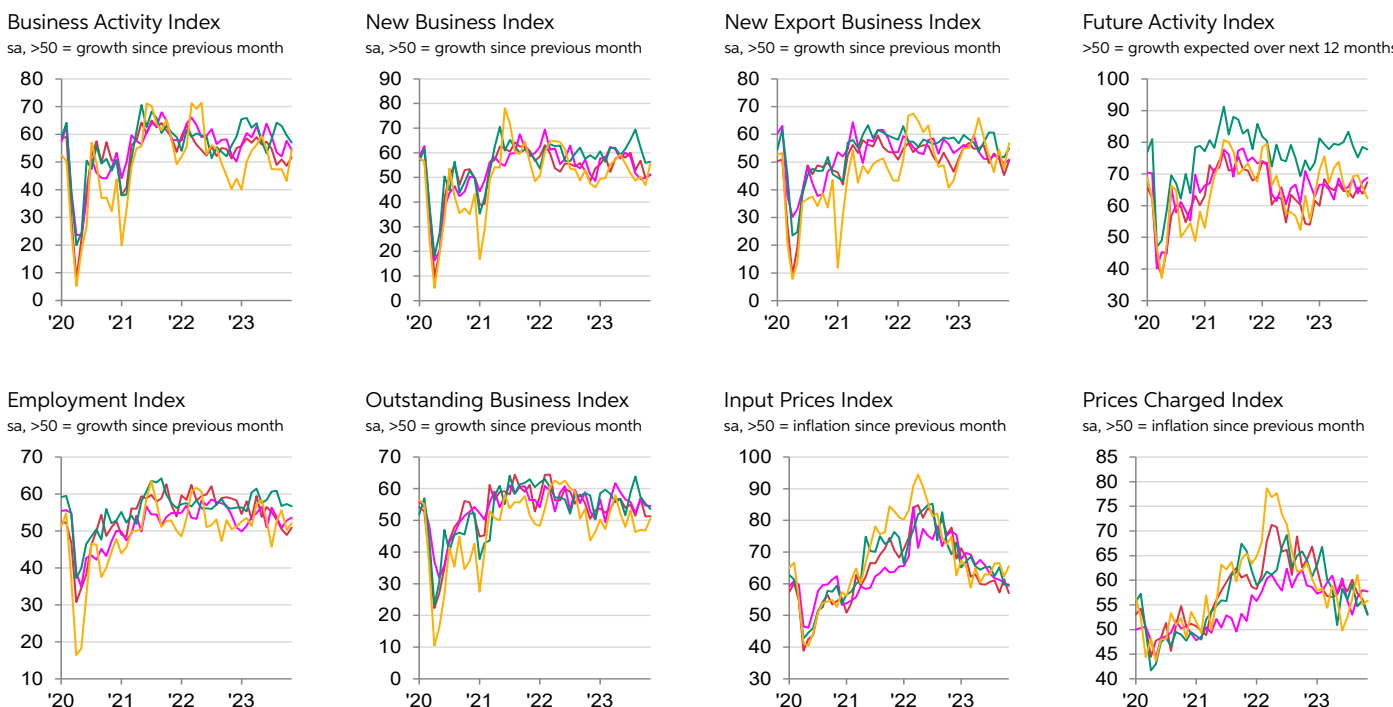
The Business Services sector registered renewed increases in both activity and new work in November. The rates of growth were modest, however, and below the all-services averages, although outstanding work continued to rise. Jobs growth also resumed and the 12-month outlook for activity strengthened to a six-month high. Both price indices eased in the latest period.

Activity in Financial Services rose for the thirty-third successive month in November. The rate of growth was solid, but eased since October. New business rose for the first time in three months, albeit modestly, while expectations improved only slightly. Employment increased at a rate broadly in line with the service sector average. Inflationary pressures eased, but only slightly.

Technology, Media & Telecoms (TMT) remained the strongest-growing of the four main sectors, even though the rate of growth eased to a five-month low. It also registered the fastest rates of expansion in both new business and employment for the sixth straight month. In terms of prices, the TMT sector had the second-strongest rate of input price inflation, but the weakest charge inflation.

There was a notable turnaround in the Transport, Tourism & Leisure sector in November, with activity rising solidly following a four-month downturn. New business rose strongly, generating a slight increase in outstanding work. Employment growth picked up, although the 12-month outlook eased. Input price inflation was the strongest among the four sectors for the fourth straight month.

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



AIB Ireland Composite PMI®

Growth of output resumes in November

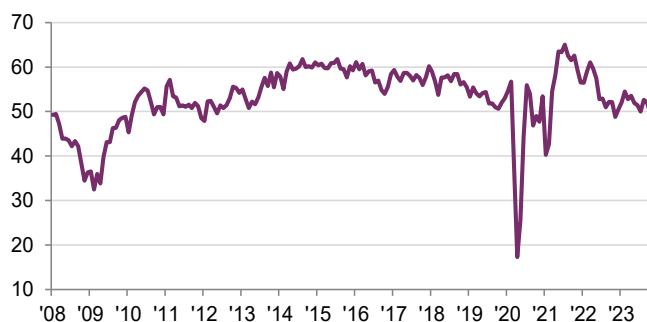
Irish private sector output posted a renewed increase in November, having declined in October for the first time in nearly a year. The AIB Ireland Composite PMI® Output Index* rose to 52.3, from 49.7, indicating a modest rate of growth that was broadly in line with the trend for 2023 so far.

A faster increase in services activity drove the overall return to growth, supported by a stable trend in manufacturing production.

New business rose in November, although the rate of expansion was moderate and below the long-run average. Outstanding business was broadly unchanged since October, weighed down by a further drop in manufacturing backlogs. Employment rose at a rate broadly in line with the long-run trend.

Input price inflation dropped to a 40-month low in November. Similarly, output price inflation eased to a 35-month low.

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



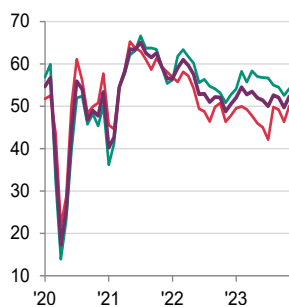
Sources: AIB, S&P Global PMI.

*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.

- Composite
- Manufacturing
- Services

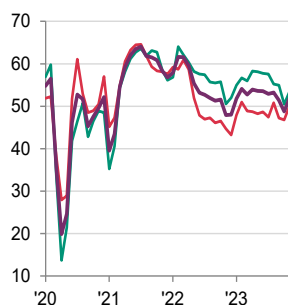
Output Index

sa, >50 = growth since previous month



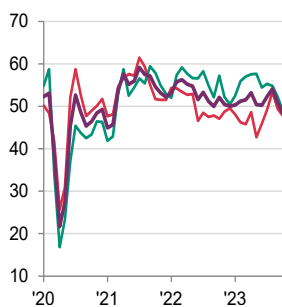
New Business Index

sa, >50 = growth since previous month



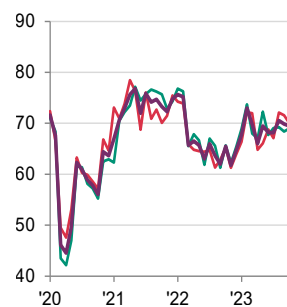
New Export Business Index

sa, >50 = growth since previous month



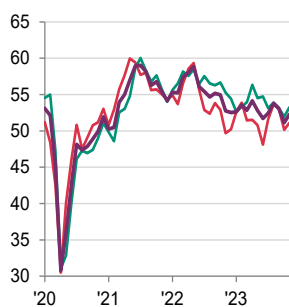
Future Output Index

>50 = growth expected over next 12 months



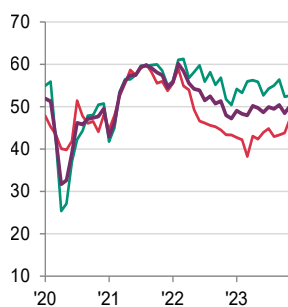
Employment Index

sa, >50 = growth since previous month



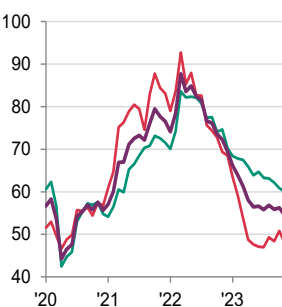
Outstanding Business Index

sa, >50 = growth since previous month



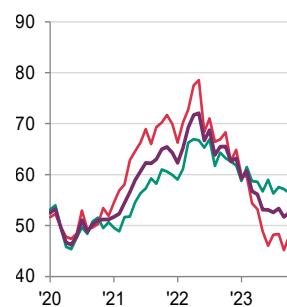
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

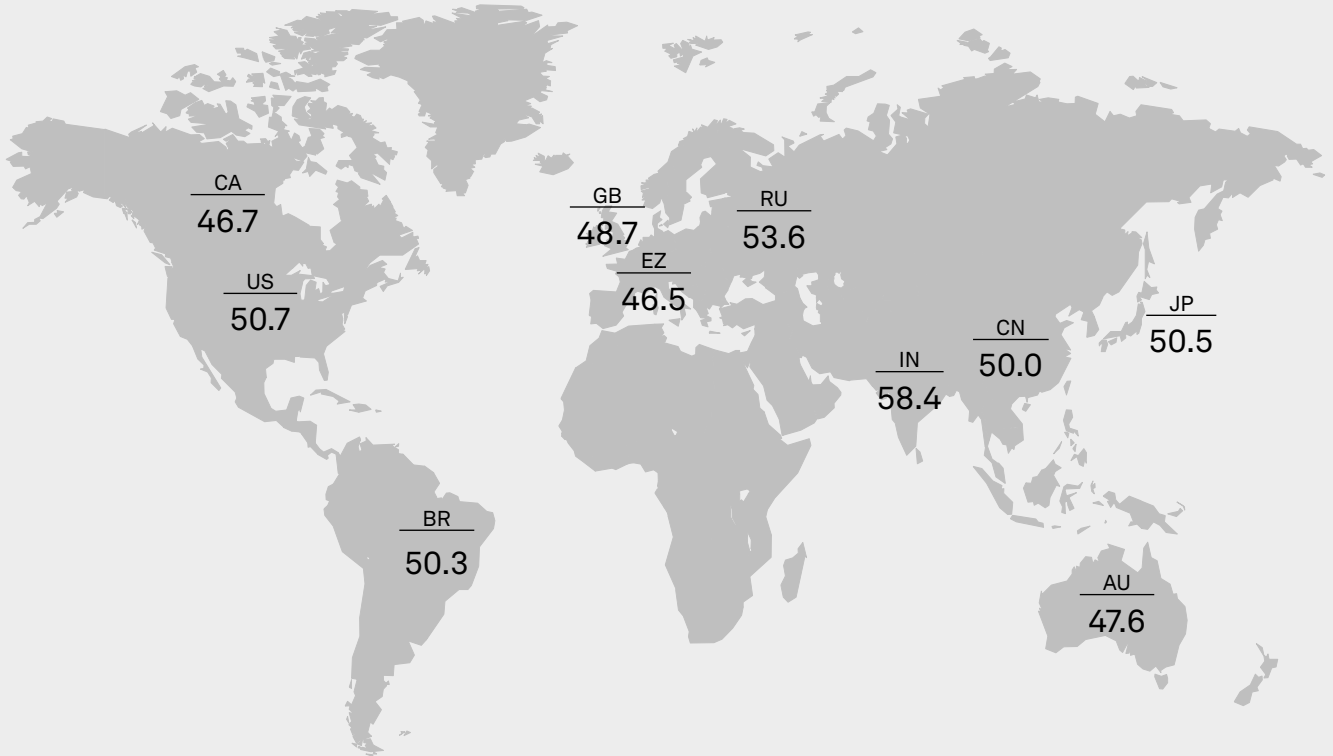
sa, >50 = inflation since previous month



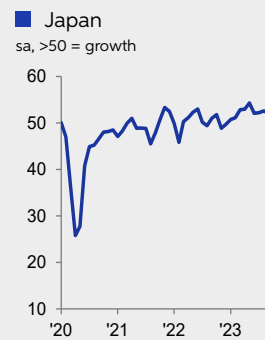
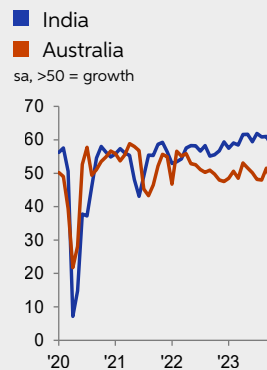
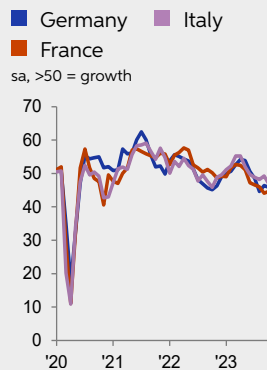
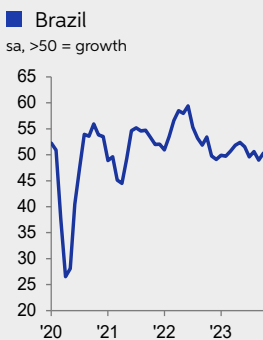
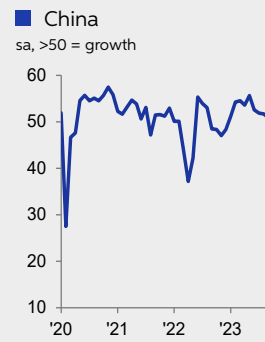
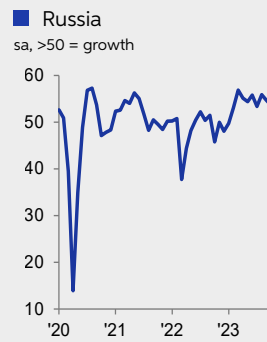
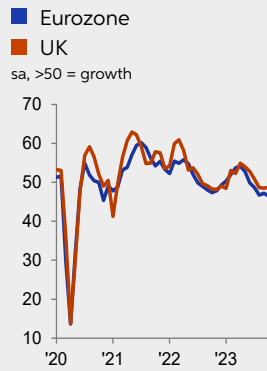
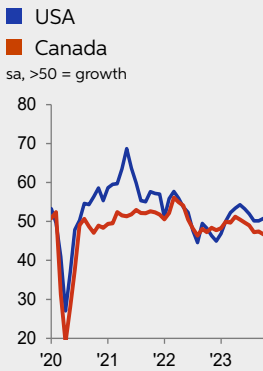
International PMI

Composite Output Index, Oct '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@spglobal.com.

Survey dates

Data were collected 9-27 November 2023.

Survey questions

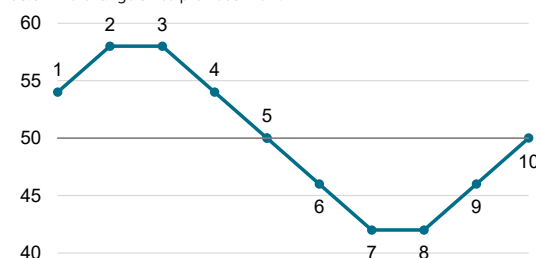
Services sector	
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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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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.

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