



AIB Ireland Services PMI®

Activity growth and input price inflation both ease in October

Key Findings

Slowest rise in activity over current 20-month sequence

Input price inflation at nine-month low

Employment growth remains strong

Ireland Services Business Activity Index



Service sector activity growth in Ireland continued to lose momentum at the start of the final quarter of 2022, according to the latest AIB PMI® survey data. Demand growth remained strong, but below the trend shown since the second quarter of 2021. This was accompanied by a relative easing in inflationary pressures, although input prices and charges both continued to rise sharply overall. Service providers continued to expand their workforces at a solid pace as expectations picked up since September.

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

"The AIB Irish Services PMI for October showed a further loss of momentum in growth in the sector. The Business Activity Index fell to 53.2 from 54.1 in September and 54.7 in August. As in September, though, the headline business activity index was again weighed down by a weak performance by the Transport/Tourism/Leisure sector. Meanwhile, the continued solid expansion in business activity in Ireland is in marked contrast to the trend elsewhere. The flash Services PMI readings were all in contraction territory in the US, UK and Eurozone in October, at 46.6, 47.5 and 48.2, respectively.

"The main components of the Irish survey were also quite encouraging. Growth in new business remained strong, with a notable marked rebound in new export business. There was another significant increase in backlogs of outstanding business, which firms linked to staff shortages as well as the good growth in

new business. There was also a further strong rise in employment, with the rate of growth reaching a three month high.

"It is encouraging that strong readings for new business, outstanding business and employment were evident in all four sub-sectors covered in the survey. Meanwhile, firms' outlook for the next 12 months picked up from September's two year low to its highest level since July.

"Businesses across all four sub-sectors continued to experience strong upward pressure on input costs, especially energy prices and wages. These continued to be passed on to customers in the form of higher prices. However, the rate of increase in both input prices and prices charged, while still elevated, did ease in October and are off their peak levels seen earlier in the year."

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 twentieth successive month in October, but eased for the sixth time in seven months to signal a further loss of momentum. The latest figure of 53.2, down from 54.1 in September, was the lowest over the current sequence and below the long-run trend level of 55.1 for the third straight month.

As was the case in September, three out of four sectors monitored registered higher activity in October. Financial Services (58.2) posted the fastest expansion for the fifth month running, followed by Business Services (54.7). Growth eased and was only moderate in Technology, Media & Telecoms (52.1), although it posted the fastest growth in new business of all four sectors. Activity in Transport, Tourism & Leisure (45.1) fell for the second month running, and at the fastest rate since February 2021.

Irish service providers continued to report rising inflows of new business in October, and the rate of growth was strong overall. Anecdotal evidence linked new business growth to busier customers, new clients and new products and services. That said, it remained at the pace seen in August and September, slower than the trend since the second quarter of 2021. A renewed

increase in new business in Transport, Tourism & Leisure and faster growth in Financial Services was offset by slower gains in Business Services and Technology, Media & Telecoms.

Inflows of new business continued to generate rising levels of incomplete work in October. Outstanding business increased for the twentieth consecutive month and at a faster rate than in September, linked to new business, staff shortages and supply chain issues. The sharpest increase in outstanding contracts was in Financial Services, and the slowest in Transport, Tourism & Leisure.

The 12-month outlook for business activity rebounded from September's 23-month low to the highest since July. Improved confidence reflected planned new products and services and also hopes that current international crises such as the war in Ukraine, high energy prices and a weak European economy will abate.

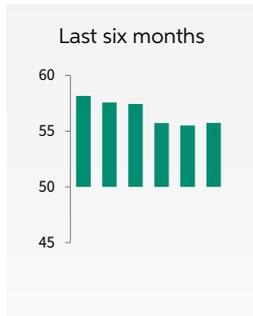
Service sector employment rose again in October, at a sharp pace that matched the trend shown since headcounts began increasing again in March 2021. Companies in the Business Services sector continued to boost workforces at the fastest rate. A number of firms continued to report difficulties filling vacancies, however.

The rate of input price inflation faced by Irish service providers eased to a nine-month low in October, although it remained among the highest on record reflecting strong upward pressure on labour and energy costs in particular. Inflation rates eased in three sectors, the exception being Financial Services. Similarly, charge inflation eased since September but was still the seventh-highest on record.





New Business Index



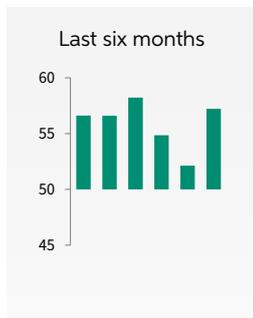
Irish service providers continued to report rising inflows of new business in October, linked to busier customers, new clients and new products and services. The rate of growth was little-changed from August and September, but it was strong overall, running just above the long-run survey trend. There was renewed growth in the Transport, Tourism & Leisure sector during the month.

New Business Index

sa, >50 = growth since previous month



New Export Business Index



October data signalled a pick-up in demand from international markets. New export business received by Irish service providers rose for the twentieth successive month, and at the fastest rate in three months following September's muted expansion. The sharper overall increase reflected stronger growth in Financial Services and Technology, Media & Telecoms, and renewed expansion in Business Services. Business from overseas in Transport, Tourism & Leisure continued to fall, however.

New Export Business Index

sa, >50 = growth since previous month



Outstanding Business Index



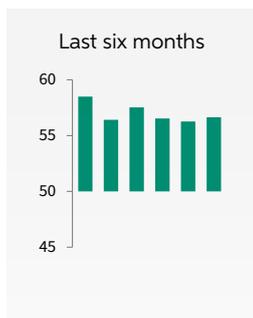
The level of outstanding business held at service providers rose further in October, linked to new business, staff shortages and supply chain issues. The rate of expansion accelerated from September's nine-month low and was strong overall, but below the trend over the current growth sequence that began in March 2021. The fastest increase in outstanding contracts was in Financial Services, and the weakest in Transport, Tourism & Leisure.

Outstanding Business Index

sa, >50 = growth since previous month



Employment Index



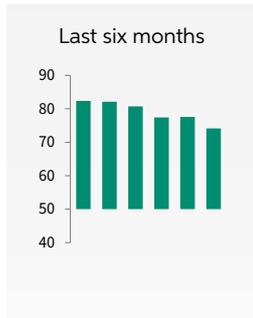
Service sector employment in Ireland rose for the twentieth successive month in October. The rate of growth picked up to a three-month high and was in line with the strong trend over the current sequence of job creation. Staffing rose in all four sectors, led by Business Services. Despite the sharp overall increase, some firms still reported difficulty filling vacancies due to labour shortages.

Employment Index

sa, >50 = growth since previous month



Input Prices Index

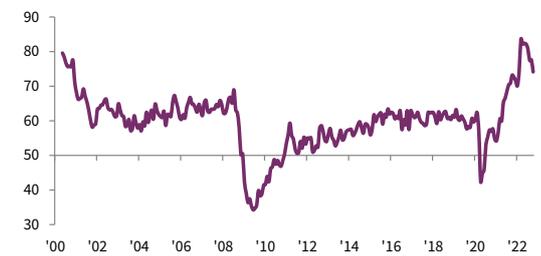


October data signalled a further easing in the rate of input price inflation at Irish service providers. The seasonally adjusted Input Price Index fell for the fifth time in seven months, signalling the weakest cost pressures since January.

That said, the rate of inflation remained among the highest registered over the survey history, mainly reflecting upward pressure on wages and high energy prices.

Input Prices Index

sa, >50 = inflation since previous month



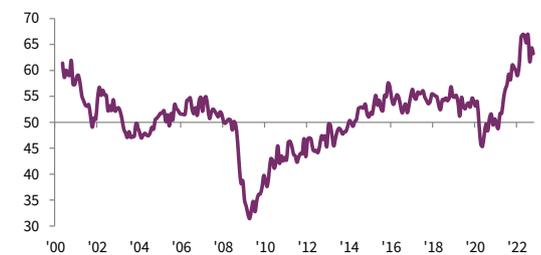
Prices Charged Index



Irish service providers raised their charges for the twentieth month in succession in October, reflecting the pass-through of higher costs to clients. The rate of inflation eased, but remained stronger than in any survey period prior to March. By sector, the fastest increase in charges was registered in Technology Media & Telecoms, and the weakest in Transport, Tourism & Leisure.

Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index



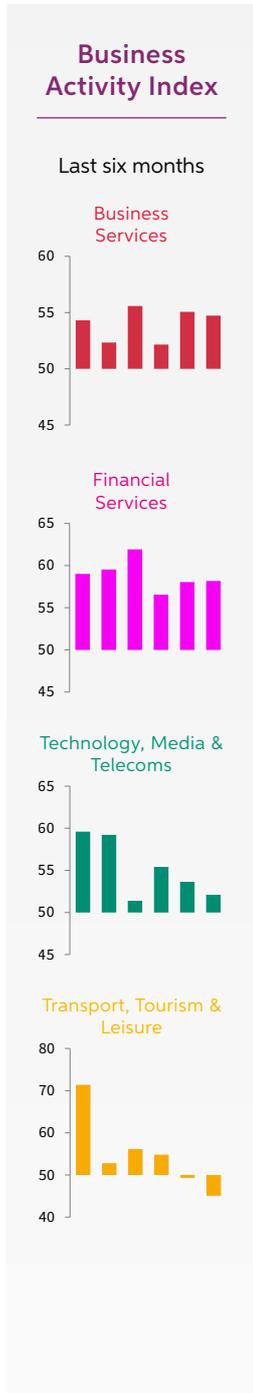
Business expectations for the next 12 months remained positive in October, linked to new products and services and also hopes that current international crises such as the war in Ukraine, high energy prices and weak economic conditions across Europe will subside. Sentiment improved from September's near-two year low, but remained below the long-run survey trend.

Future Activity Index

>50 = growth expected over next 12 months



Services Sub-sectors



Business Services

Activity in the Business Services sector continued to rise at a solid pace in October, albeit one that remained slightly weaker than the long-run trend. New business increased at the softest pace in five months despite a pick-up in international demand. A marked rise in employment helped firms to limit growth in outstanding work. Rates of inflation in both input prices and charges eased sharply since September, but remained strong overall.

Financial Services

Financial Services registered the fastest growth in business activity among the four monitored sectors for the fifth straight month in October. Both new and outstanding business increased at faster rates, helped by strong international demand. Employment growth eased to a four-month low but remained well above the long-run average. Rates of inflation in both input prices and charges picked up since September.

Technology, Media & Telecoms

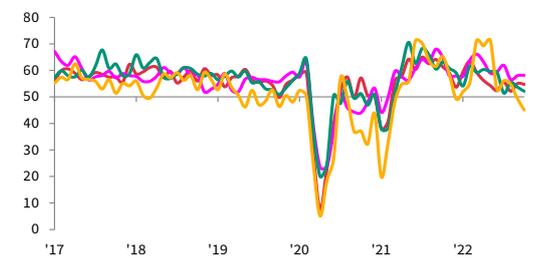
The Technology, Media & Telecoms sector registered a relatively weak increase in business activity in October, the second-slowest since March 2021. Moreover, growth remained below the long-run trend for the fourth straight month. The near-term outlook was strong though, with a marked rise in new work and the fastest increase in backlogs since March. Input price inflation eased but firms raised charges at a faster pace.

Transport, Tourism & Leisure

Business activity in the Transport, Tourism & Leisure sector fell for the second month running in October, and at the fastest pace since February 2021. The drop in total activity occurred despite a renewed increase in new business during the month. Employment also increased, reversing a decline in September. Transport, Tourism & Leisure registered the slowest increase in input prices among the four sectors, in contrast to the trend shown during much of the past two years.

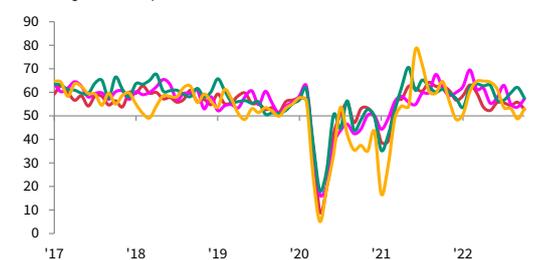
Business Activity Index

sa, >50 = growth since previous month



New Business Index

sa, >50 = growth since previous month



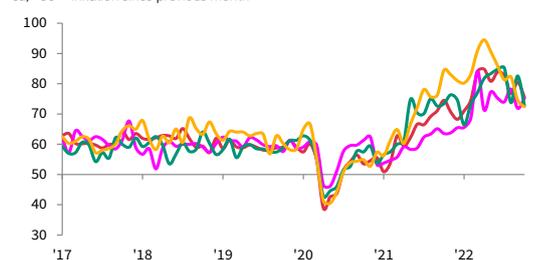
Employment Index

sa, >50 = growth since previous month



Input Prices Index

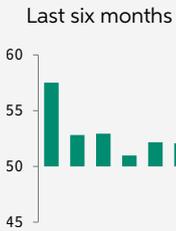
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Growth of output and new orders remain subdued in October

Composite Output Index



October data marked further increases in output and new business in the Irish private sector, but the rates of expansion remained weak. Cost pressures eased to a 14-month low, but charge inflation remained among the highest on record.

The seasonally adjusted Ireland Composite Output Index* registered 52.1 in October, little-changed from September's 52.2 and indicative of only modest growth. Activity has risen continuously since March 2021, but since June the rate of expansion has remained below the long-run average.

Service sector activity increased at the slowest rate of the current 20-month growth sequence while manufacturing production increased for the first time in five months, albeit only marginally.

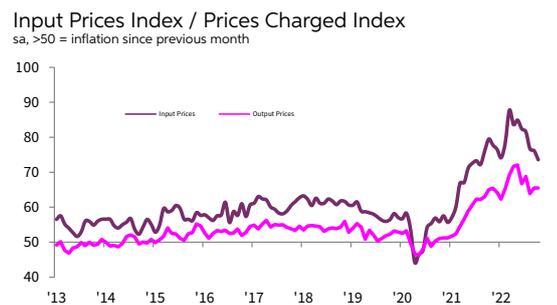
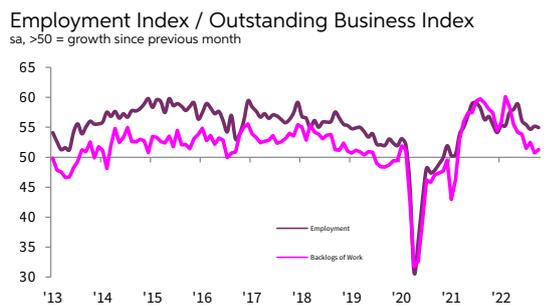
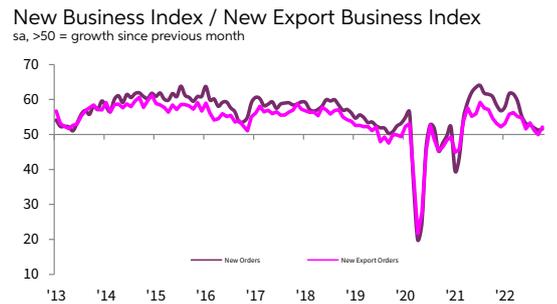
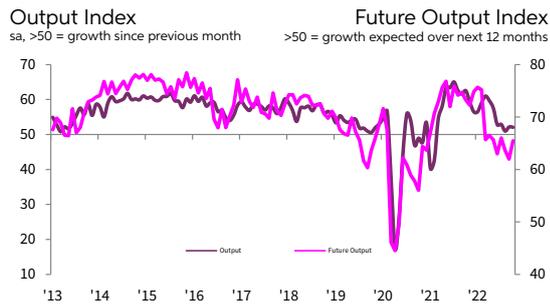
New business increased at a modest rate broadly

similar to those seen in August and September. New orders at manufacturers continued to decline.

Private sector employment continued to rise at a strong overall rate, with service providers hiring at a faster rate than manufacturers for the fifth month running.

Input price inflation remained sharp but eased to a 14-month low, with cost pressures again greater at service providers than manufacturers. Output price inflation remained among the highest on record.

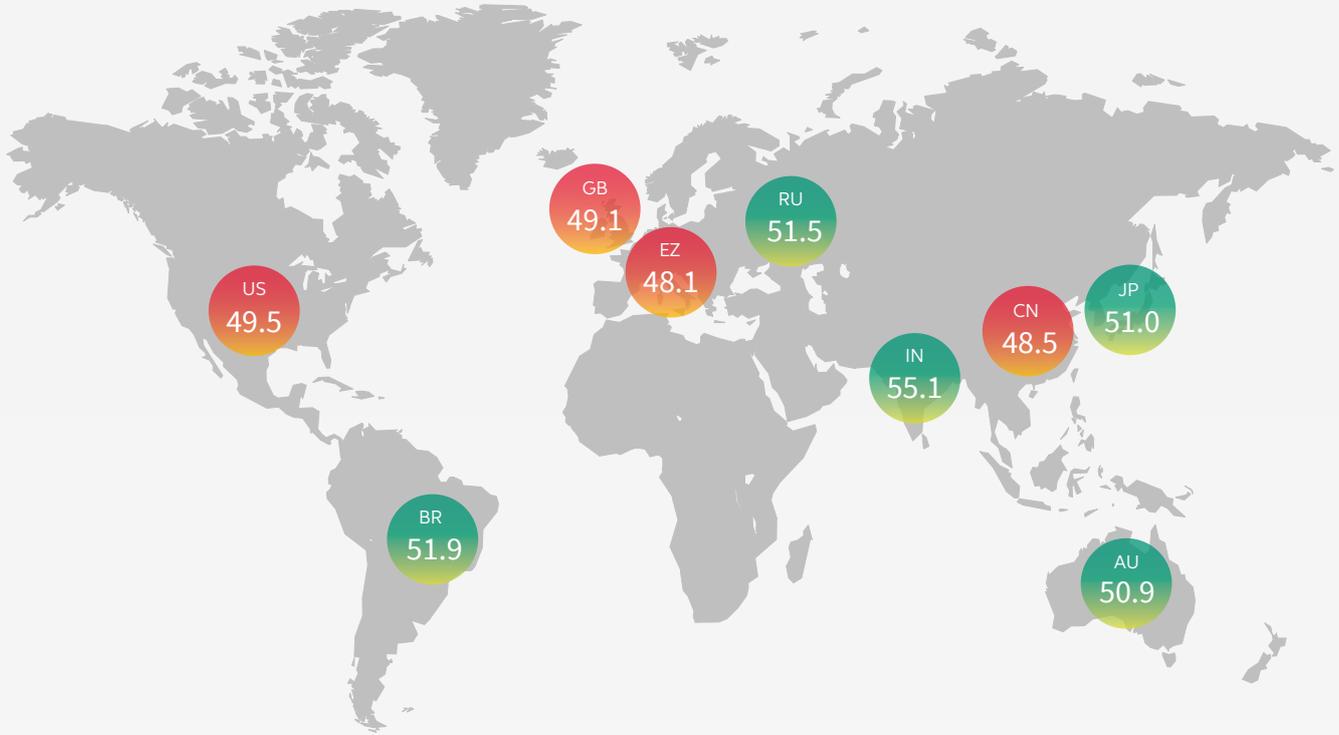
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services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



International PMI

Composite Output Index, Sep '22

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 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 12-26 October 2022.

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

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