

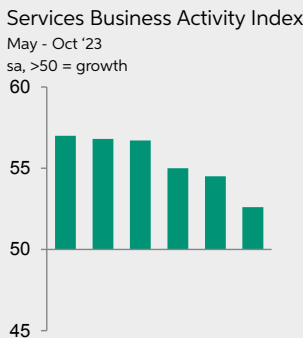


AIB Ireland Services PMI®

Service sector growth loses further momentum in October

52.6

IRELAND SERVICES BUSINESS ACTIVITY INDEX, OCT '23



Growth of services activity in Ireland was sustained at the start of the final quarter of 2023, according to the latest AIB PMI® survey data. That said, the rate of expansion slowed for the sixth month running and was the second-weakest over the current 32-month upturn. By sector, growth was limited to Financial Services and Technology, Media & Telecoms. Moreover, the volume of new business rose only fractionally and international demand declined. This weighed on the rate job creation, which was the slowest in the current 32-month sequence. Inflationary pressures continued to ease.

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

"The AIB Irish Services PMI registered a reading of 52.6 in October, down from 54.5 in September, and consistent with just modest growth in the sector. It was the sixth consecutive fall in the index, pointing a marked slowing in the pace of expansion in services. This is in line with the trend in most other economies. Indeed, the services PMIs are in contraction territory in the Eurozone and UK, where the flash readings came in at 47.8 and 49.2, respectively, in October.

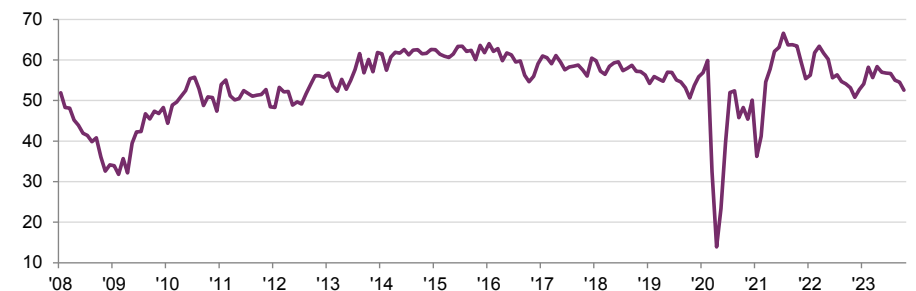
"Of particular concern in the Irish data was a marked slowing in new business in October, with an outright contraction in new export business, the first such decline since February 2021. This points to weakening demand conditions and a likely further loss of momentum in the sector in the next couple of months. Meanwhile, employment growth was at the slowest rate in 32 months, while backlogs of work rose at the weakest

pace so far in 2023. Despite all this, firms remained optimistic about their expectations for business activity over the coming twelve months.

"There was a marked variation in the growth in activity across the four sub-sectors covered in the survey – both Technology/Media/Telecoms and Financial Services expanded strongly, while Business Services and Transport/Tourism/Leisure saw a contraction in activity. The decline in the latter was sharp and was the fourth straight monthly fall.

"Inflationary pressures in services, while easing further, remained elevated in October. Input prices continued to experience upward pressure from higher wages, fuel costs and utility bills. Higher operating costs are still being passed on customers in higher selling prices, though the rate of increase was the second lowest in over two years."

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



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Overview

Growth led by Financial Services and Technology, Media & Telecoms

Weakest rises in jobs and new work for over two-and-a-half years

Input cost inflation lowest since April 2021

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 remained above 50.0 in October to signal another increase in services output. The latest reading fell for the sixth month running from 54.5 in September to 52.6, however, indicating the second-weakest rate of growth in the current sequence of expansion of 32 months. Growth was modest overall and below the long-run survey trend (since 2000) for the third successive month.

Only two of the four main monitored sectors registered growth in October. These were Technology, Media & Telecoms (59.7), where growth eased to a three-month low but remained sharp, and Financial Services (57.7), which saw the strongest increase since July. Business Services (48.7) registered a second decline in three months, albeit at a modest pace, while a much faster contraction was seen in Transport, Tourism & Leisure (43.2).

Overall activity looked set to lose further momentum towards the end of 2023 as the volume of new business rose only fractionally in October. New workloads rose, but at the slowest rate in the current sequence of expansion which began in

March 2021. Moreover, the increase was entirely driven by the Technology, Media & Telecoms sector, with all other areas seeing lower new work.

Weighing on total new business inflows was a decline in overseas demand for the first time since February 2021. As was the case for total new work, only Technology, Media & Telecoms posted an increase in October.

More positively, the volume of outstanding business continued to rise in October, albeit at the slowest rate in ten months. This encouraged firms to continued raising employment, extending the current round of job creation to 32 months. That said, the rate of growth in staffing was the slowest in this sequence, in line with the trend for new business.

Although demand growth nearly stalled in October, the 12-month outlook for activity improved slightly. The Future Activity Index was broadly in line with its 2023 average, and only slightly down on the long-run trend. Firms linked confidence for 2024 to planned new products and services, recovering market conditions, a halt to the cycle of interest rate rises and reduced inflation.

Service providers reported higher costs arising from fuel, wages and utilities. That said, October data signalled a further easing of inflationary pressures. Average input prices rose at the slowest rate since April 2021, and one that was only slightly above the long-run survey average. Charge inflation was the second-weakest in over two years, but still strong in the context of historic data as firms aimed to rebuild margins.

Activity and demand

Business activity

The overall level of activity in the Irish services economy rose in October, albeit at a slower rate. The current growth sequence was extended to 32 months, but the latest expansion was the second-weakest in any month over this period. The seasonally adjusted Business Activity Index was below its long-run average of 55.1 for the third straight month. Some firms reported increasing competition as customers became more price-sensitive. Overall growth was driven by the Technology, Media & Telecoms and Financial Services sectors, while Transport, Tourism & Leisure and Business Services both posted declines.

New business

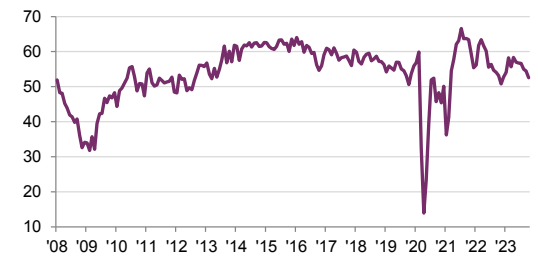
Growth of new business at services companies rose further in October, but the rate of growth slowed notably to only a marginal rate. The seasonally adjusted New Business Index was only just above 50.0 and the lowest over the current 32-month growth sequence. Moreover, of the four main sectors only Technology, Media & Telecoms registered an increase as demand stagnated in Business Services and Financial Services, and fell further in Transport, Tourism & Leisure.

New export business

International clients cut their level of new business with Irish service providers in October, ending a 31-month growth sequence. The rate of decline was modest overall and reflected contractions in all sectors except Technology, Media & Telecoms.

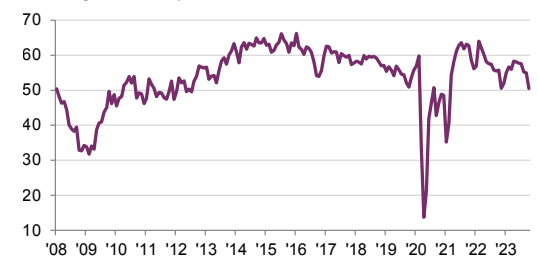
Business Activity Index

sa, >50 = growth since previous month



New Business Index

sa, >50 = growth since previous month



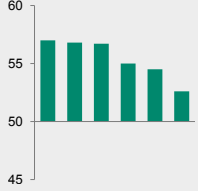
New Export Business Index

sa, >50 = growth since previous month



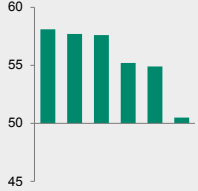
Business Activity Index

May - Oct '23
sa, >50 = growth



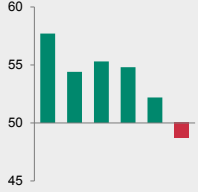
New Business Index

May - Oct '23
sa, >50 = growth



New Export Business Index

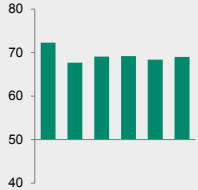
May - Oct '23
sa, >50 = growth



Business expectations

Future Activity Index

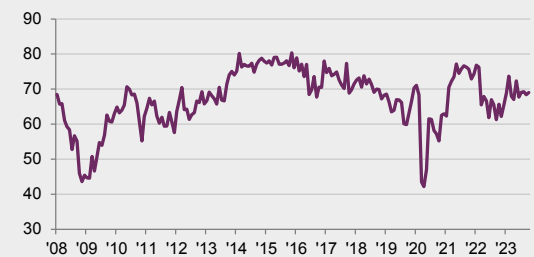
May - Oct '23
>50 = growth expected



The year-ahead outlook for services activity remained firmly positive in October. The Future Activity was little-changed since September and broadly in line with the 2023 trend, albeit slightly below its long-run average of 69.6. Firms linked confidence over the next 12 months to planned new products and services, recovering market conditions, an end to interest rate rises and lower inflation. Sentiment was strongest in Technology, Media & Telecoms and weakest in Business Services.

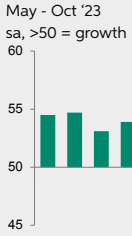
Future Activity Index

>50 = growth expected over next 12 months

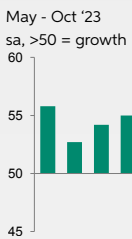


Employment and capacity

Employment Index



Outstanding Business Index



Employment

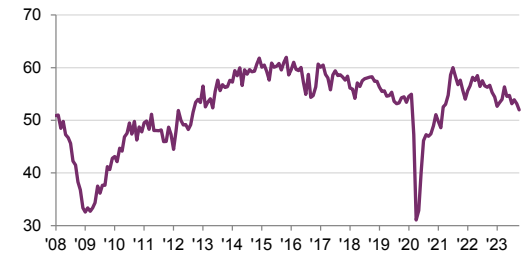
Growth in service sector employment was maintained in October, extending the current sequence of job creation that began in March 2021. That said, the rate of increase slowed for the fourth time in the past six months, to the weakest over the 32-month growth period. Faster increases in staffing in Technology, Media & Telecoms and Financial Services were more than offset by a slower gain in Transport & Tourism & Leisure and the first job cuts in Business Services since February 2021.

Outstanding business

Service providers in Ireland continued to report rising levels of outstanding work in October, extending the current run of growth to 32 months. The rate of expansion slowed notably from September's 11-month high, however, to the weakest in 2023 so far. Three sectors posted softer increases and Transport, Tourism & Leisure recorded a third successive monthly decline.

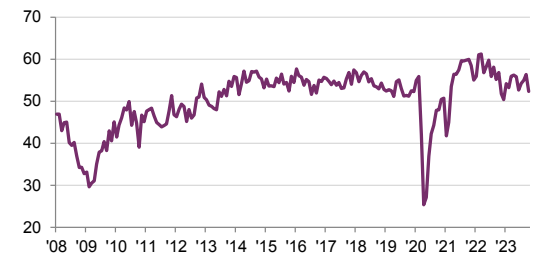
Employment Index

sa, >50 = growth since previous month



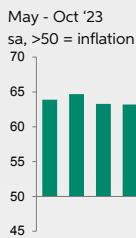
Outstanding Business Index

sa, >50 = growth since previous month

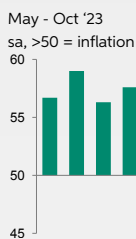


Prices

Input Prices Index



Prices Charged Index



Input prices

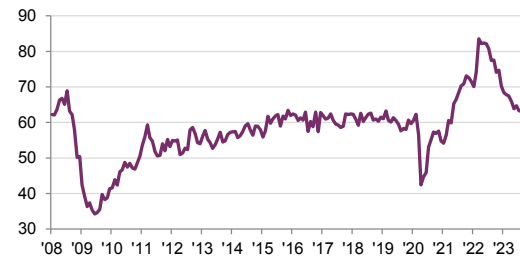
Service providers in Ireland paid higher average input prices in October, extending the current sequence of cost inflation to three years and four months. The rate of inflation eased for the tenth time in 11 months to its lowest since April 2021, but remained slightly above the long-run survey average. Companies reported higher fuel prices, wages and utility bills. For the third month running Transport, Tourism & Leisure posted the fastest input price inflation, while Business Services bucked the overall trend with a sharper increase in costs than in September.

Prices charged

Prices charged by service sector companies rose for the thirty-second consecutive month in October, and the rate of inflation remained well above the long-run trend as firms continued to pass on higher costs to customers to rebuild margins. That said, the overall rate of charge inflation eased since September to the second-lowest in over two years. Financial Services posted the fastest rise in charges, and Transport, Tourism & Leisure the slowest.

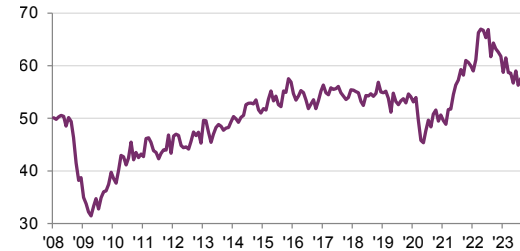
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

sa, >50 = inflation since previous month





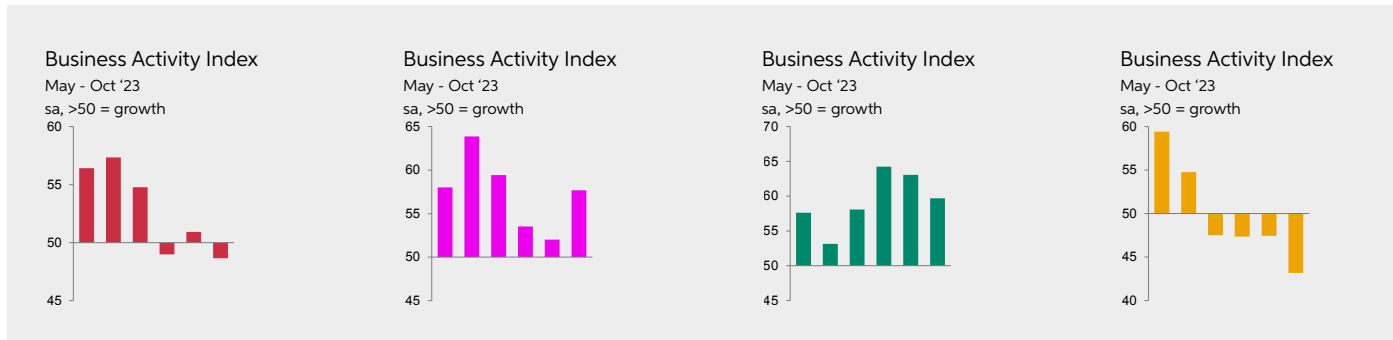
Services sub-sectors

Business Services

Financial Services

Technology, Media & Telecoms

Transport, Tourism & Leisure



Activity in the Business Services sector declined for the second time in three months in October. A sharp fall in overseas new work led to a slight reduction in total new business. Outstanding business rose only modestly, and employment was cut for the first time since February 2021. Input price inflation accelerated to a six-month high and back above its long-run average, while charge inflation eased to a 29-month low.

Financial services firms bucked the overall trend in October with the sharpest increase in business activity for three months. This occurred despite almost no change in new business during the month. Outstanding business rose solidly, and employment was increased at a faster rate. Cost pressures were the weakest in 28 months, but still strong overall. Charges rose at the fastest rate of all four sectors.

The Technology, Media & Telecoms sector again led the growth rankings in October, despite a further easing in the rate of expansion to a three-month low. The growth rate for new business slowed sharply to a 21-month low. The sector posted the fastest increases in backlogs and employment of all four sectors in October, but the weakest input price inflation and second-weakest charge inflation.

Activity in the Transport, Tourism & Leisure sector fell for the fourth straight month in October, and the rate of decline accelerated to the fastest since January. New business fell the most in 2023 so far and outstanding work declined for the third month running. Employment growth was maintained but eased to a marginal pace as the 12-month outlook moderated. Cost pressures were again the highest of all four sectors.

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



AIB Ireland Composite PMI®

Output and new orders fall for first time in 2023

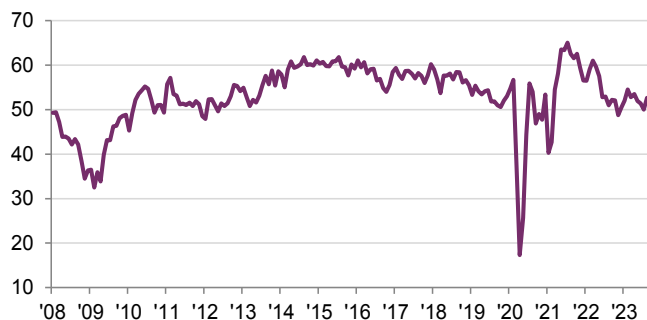
Irish private sector output declined in October as new work contracted for the first time in 2023 so far. The AIB Ireland Composite PMI® Output Index* registered 49.7, down from 52.1 in September and indicating a marginal fall in activity. Manufacturing drove the overall contraction with an eighth successive decline in output, while services activity increased at the slowest pace in 11 months.

New work across the private sector economy fell for the first time in ten months in October, albeit only modestly. Outstanding business continued to rise at service providers, but fell sharply again at goods producers.

Employment growth remained broad-based but both sectors posted weaker gains than in September, leading to the slowest overall rise since February 2021.

Overall input price inflation edged up in October despite a further easing at service providers, as manufacturers' input costs rose slightly for the first time in seven months.

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



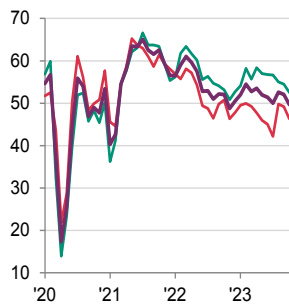
Sources: AIB, S&P Global PMI.

*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

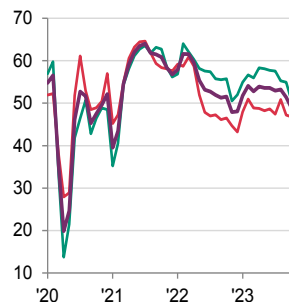
Output Index

sa, >50 = growth since previous month



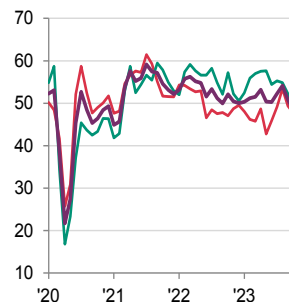
New Business Index

sa, >50 = growth since previous month



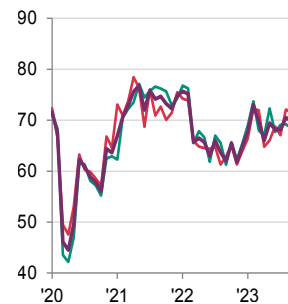
New Export Business Index

sa, >50 = growth since previous month



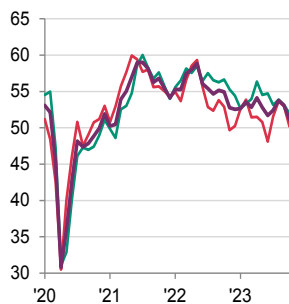
Future Output Index

>50 = growth expected over next 12 months



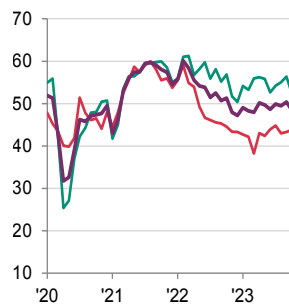
Employment Index

sa, >50 = growth since previous month



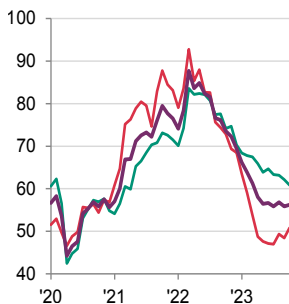
Outstanding Business Index

sa, >50 = growth since previous month



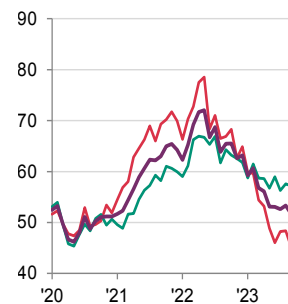
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

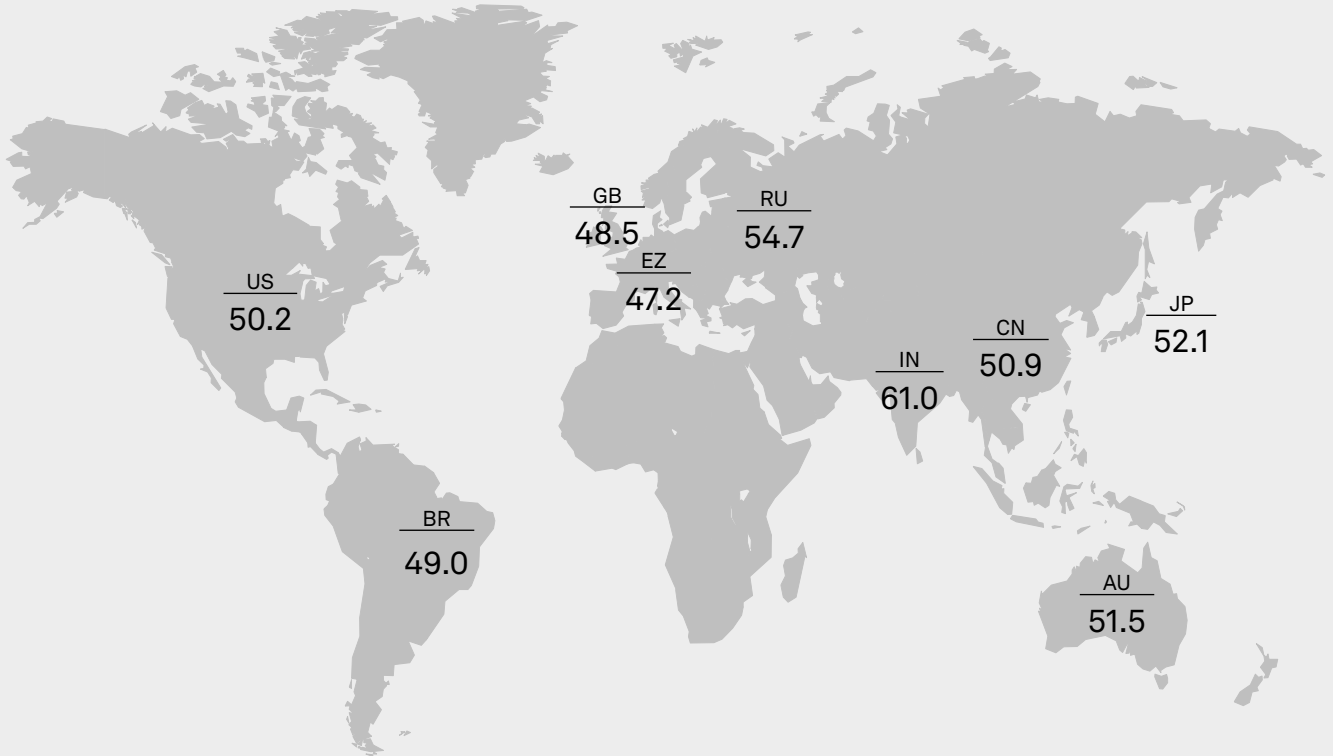
sa, >50 = inflation since previous month



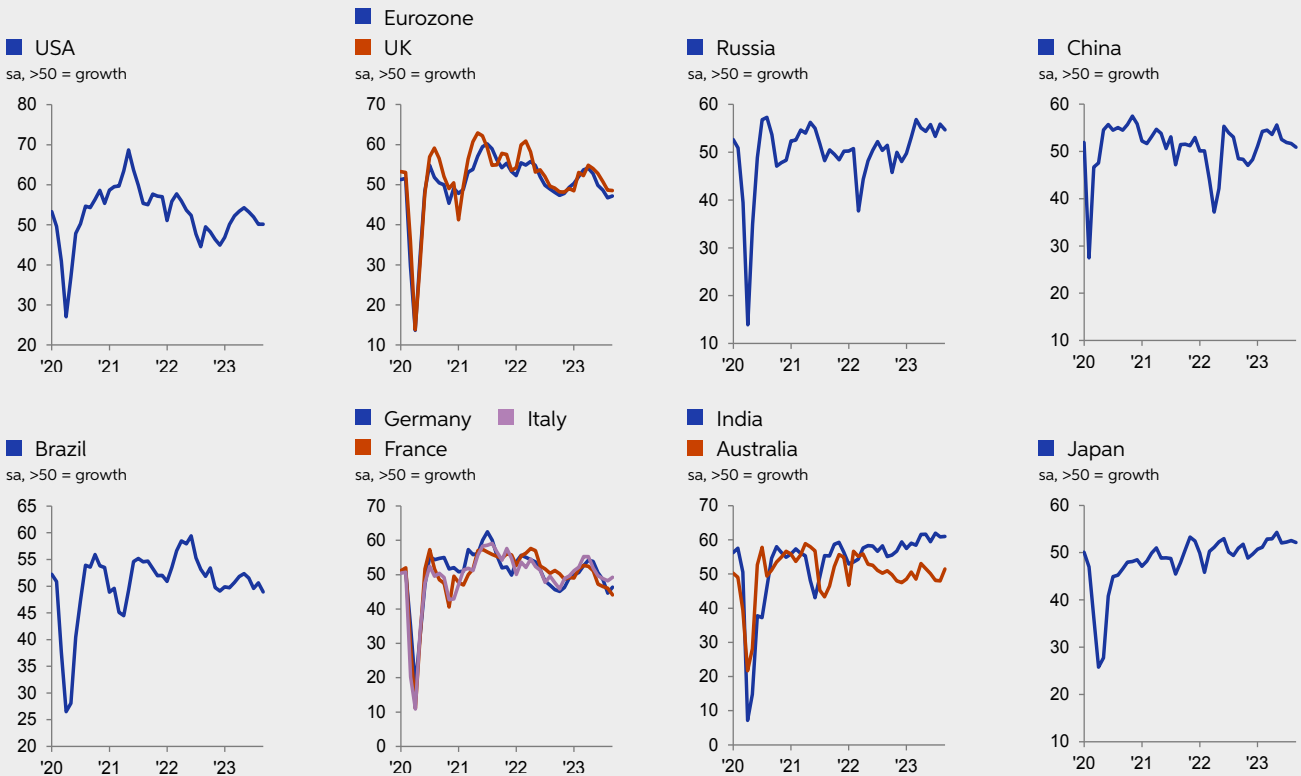
International PMI

Composite Output Index, Sep '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 12-26 October 2023.

Survey questions

Services sector

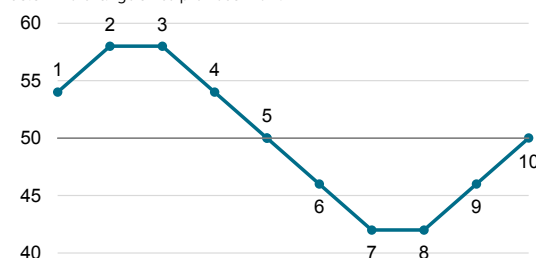
Business Activity	Employment
New Business	Outstanding Business
New Export Business	Input Prices
Future Activity	Prices Charged

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.

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