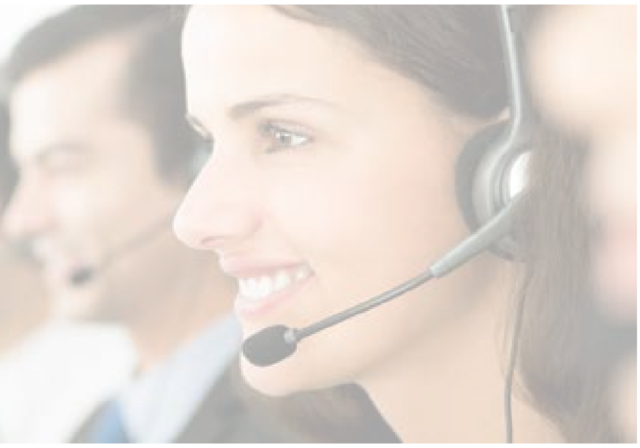
Embargoed until 01:01 Dublin (00:01 UTC) 5 October 2022



AIB Ireland Services PMI®

Growth of activity weakens further as outlook worsens

Key Findings

Slowest rise in services activity in current 19-month upturn

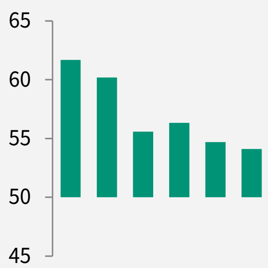
Weakest 12-month outlook since October 2020

Price pressures remain elevated

Ireland Services Business Activity Index

SEP
54.1
AUG: 54.7

Last six months



Service sector activity in Ireland increased at the slowest rate in the current 19-month sequence of growth, according to the latest AIB PMI® survey data. Similarly, new business rose at the softest rate since March 2021. Fears around the impact of inflation on demand undermined the outlook, with firms' 12-month expectations the weakest since late-2020. Rates of input price and charge inflation remained among the highest on record in September. Employment rose at a strong overall pace, though companies continued to report staff shortages.

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

"The AIB Irish Services PMI for September showed that while activity continued to expand at a solid pace, the month registered the slowest rate of growth since February 2021. The Business Activity Index fell to 54.1, down from 54.7 in August and 56.3 in July. Activity in Ireland, though, is holding up much better than elsewhere; the flash Services PMI readings were in contraction territory in the UK and Eurozone in September, at 49.2 and 48.9, respectively.

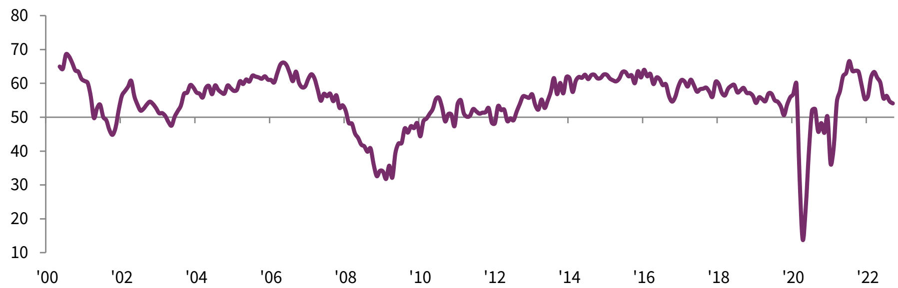
"The Irish survey covers four sub-sectors and the data show that the Transport/Tourism/Leisure sector was much weaker than the other three in September. Its' Business Activity Index fell sharply to 49.3 from 54.8 in September. Indeed, there were marked falls across all the survey's main components of new business, outstanding business, employment and future activity in the Transport/Tourism/Leisure sector.

"For services as a whole, growth in new business remained strong, most notably in Technology/Media/Telecoms and Business Services, although new export business fell back to its weakest level since January. There was another significant increase in backlogs of outstanding business, which firms partly linked to staff shortages. In this regard, there was a further strong rise in employment, with the notable exception of Transport/Tourism/Leisure. Meanwhile, firms' outlook for the next 12 months weakened further on concerns about rising inflation and the risk of a recession.

"Businesses continued to experience acute upward pressure on input costs, especially energy prices and wages. These continued to be passed on to customers in the form of higher price charges. The rate of increase in both input prices and prices charged remained very elevated in September, continuing to be amongst the highest on record."

Services Business Activity Index

sa, >50 = growth since previous month



PMI by S&P Global

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

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 fell for the fifth time in six months to 54.1 in September, from 54.7 in August. The latest figure signalled a nineteenth consecutive monthly increase in services output, albeit at the weakest rate over this period. The Index remained below its long-run average level of 55.1 in the latest period. The trend in activity over the third quarter as a whole was the worst since the first quarter of 2021.

For the first time in 2022, growth was not broad-based among the four sectors monitored. Activity in the Transport, Tourism & Leisure (49.3) sector fell for the first time since December 2021, albeit only marginally. This, coupled with a slower rate of growth in Technology, Media & Telecoms (53.6), offset slightly faster expansions in Financial Services (58.0) and Business Services (55.1).

The weaker rise in total business activity reflected a slower rate of expansion in new business. Demand for services increased for the nineteenth consecutive month, but at the weakest rate since March 2021. There was an outright drop in demand in the Transport, Tourism & Leisure sector, and much slower growth in Financial Services. Overseas demand was notably weak during September, weighed down by declines in the Business Services and Transport, Tourism & Leisure sectors.

Despite the weaker improvement in new work, there was a further build-up in outstanding business at Irish service providers. This was partly linked by survey respondents to ongoing staff shortages. Pressure on capacity was greatest in the Business Services and Technology, Media & Telecoms sectors.

Irish service providers increased their workforces for the nineteenth consecutive month in September as they sought to accommodate rising workloads. The rate of job creation was strong but eased to an eight-month low, reflecting the recent moderation in new business growth and reports of difficulties filling some vacancies with suitable candidates. The Transport, Tourism & Leisure posted a decline in staffing for the first time since January.

The 12-month outlook for service sector activity remained positive in September, but the strength of confidence was the weakest in nearly two years and well below the long-run survey trend. Companies mentioned that forecasts had been hit by the current inflationary environment, especially regarding energy, and a shortage of disposable income raising the risk of recession.

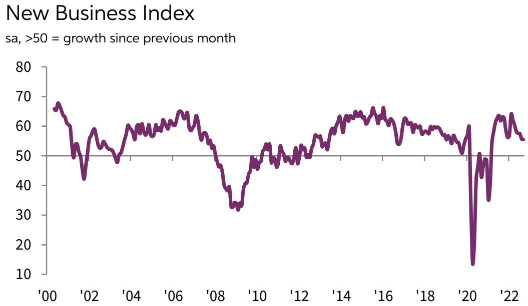
Finally, September data revealed ongoing severe cost pressures facing service sector companies, linked to energy and wages in particular. The rate of input price inflation was little-changed from August's six-month low, but still among the highest on record. Similarly, the increase in prices charged for services was the sixth-highest since the survey began in 2000.

PMI®

by S&P Global

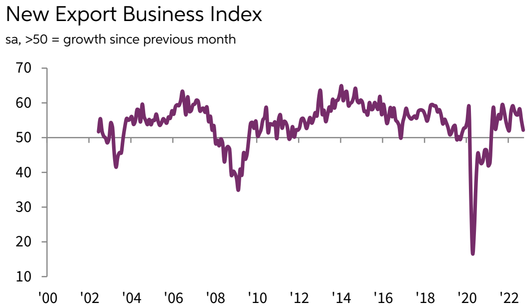
New Business Index

Irish service providers reported another rise in the volume of incoming new work in September, extending the current upturn to 19 months. Although solid, the rate of expansion was the weakest since March 2021. This reflected a drop in demand in the Transport, Tourism & Leisure sector, and slower growth in Financial Services. Growth rates picked up in Business Services and Technology, Media & Telecoms.

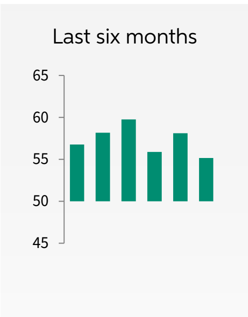


New Export Business Index

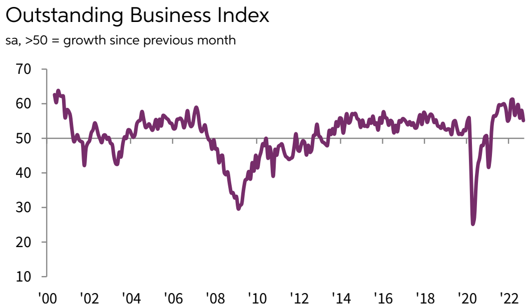
Demand for Irish services from overseas customers increased for the nineteenth successive month in September. The rate of growth was only modest, however, and the slowest since January. Declines in export business were registered in Business Services and Transport, Tourism & Leisure.



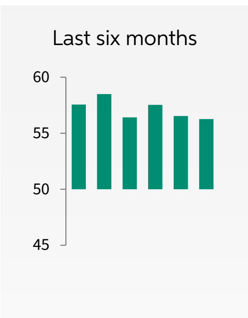
Outstanding Business Index



September data showed another build-up of outstanding business at Irish service providers, continuing the run of growth that began in March 2021. Anecdotal evidence provided by survey respondents partly linked higher outstanding work to staff shortages. Pressure on capacity was greatest in the Business Services and Technology, Media & Telecoms sectors.

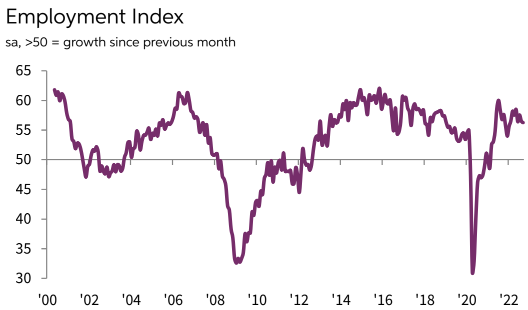


Employment Index



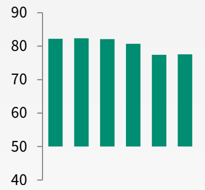
Service providers increased their workforces for the nineteenth consecutive month in September. The rate of job creation was strong overall despite easing to an eight-month low. Companies reported hiring in an attempt to manage workloads.

By sector, staffing rose most in Business Services and Technology, Media & Telecoms. Transport, Tourism & Leisure posted a decline.



Input Prices Index

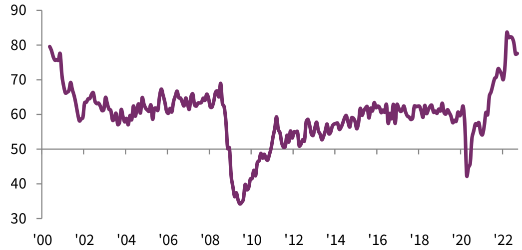
Last six months



Cost pressures facing service sector companies remained severe in September. The rate of input price inflation was little-changed from August's six-month low, but still among the highest on record. Firms widely reported higher energy prices and wage reviews as the primary drivers of higher costs. By sector, input price inflation was highest in Technology, Media & Telecoms, while Transport, Tourism & Leisure posted the weakest rate of increase for 15 months.

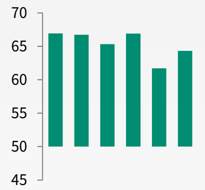
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

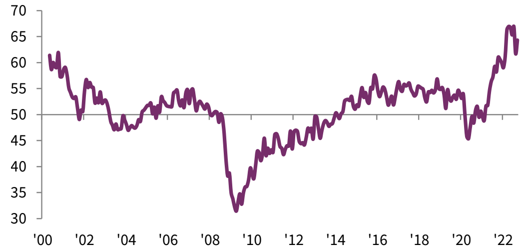
Last six months



The rate of inflation in charges levied by service providers rose from August's six-month low in September, and was the sixth-highest on record. Firms reported passing on higher energy, fuel and labour costs to customers. Three sectors registered faster rates of charge inflation in the latest period, the exception being Transport, Tourism & Leisure which posted the slowest rise for a year.

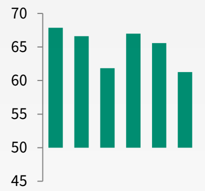
Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index

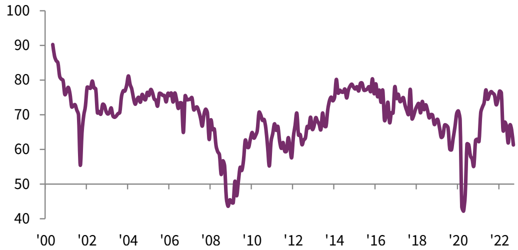
Last six months



Service sector companies reported expectations of growth of activity over the next 12 months, on balance, in September. That said, the strength of sentiment was the weakest in nearly two years, and well below the long-run survey trend. Confidence was reportedly undermined by the current inflationary environment, especially regarding energy, and a shortage of disposable income raising the risk of recession,

Future Activity Index

>50 = growth expected over next 12 months

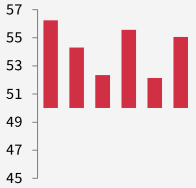


Services Sub-sectors

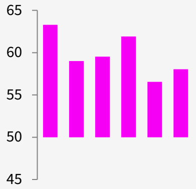
Business Activity Index

Last six months

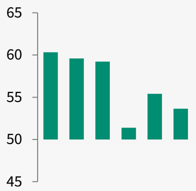
Business Services



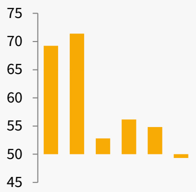
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

Growth of activity in the Business Services sector rebounded from August's 18-month low in September, and was the second-fastest of the four sectors in the latest period. The pace of expansion was solid overall, but below the trend for the current 19-month sequence of growth and the long-run series average. New business growth hit a six-month high, while rates of both input cost and charge inflation accelerated since August.

Financial Services

Financial Services was the fastest-growing sub-sector in September, even though the pace of expansion was the second-weakest since January. New business growth eased to a 19-month low, although employment continued to rise sharply. Input cost inflation eased to a five-month low and was the weakest among the four sub-sectors, as was charge inflation even though it picked up slightly since August.

Technology, Media & Telecoms

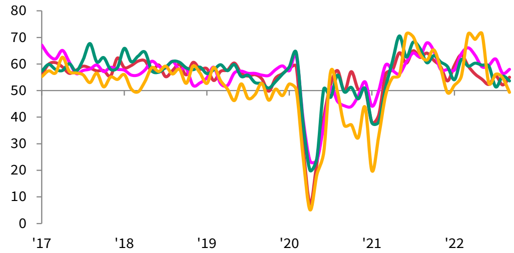
Technology, Media & Telecoms registered the second-weakest rate of expansion since the current sequence of growth began in March 2021 in September. More positively, new business growth hit a four-month high and was the strongest among the four sectors monitored. Employment increased at the fastest rate in 11 months. Input cost inflation accelerated notably since August and was the sharpest among the four sub-sectors, leading to a faster increase in charges.

Transport, Tourism & Leisure

September data indicated a fall in activity in the Transport, Tourism & Leisure sector for the first time since December 2021. New business also declined for the first time in 2022 so far, while outstanding work rose only marginally. Companies cut staffing for the first time since January and the 12-month outlook weakened to a 22-month low. More positively, input price and charge inflation slowed to 15- and 12-month lows, respectively.

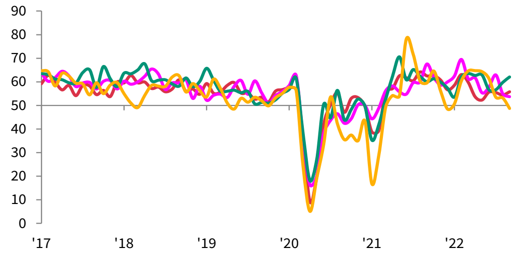
Business Activity Index

sa, >50 = growth since previous month



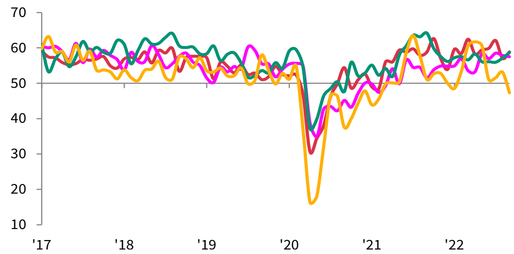
New Business Index

sa, >50 = growth since previous month



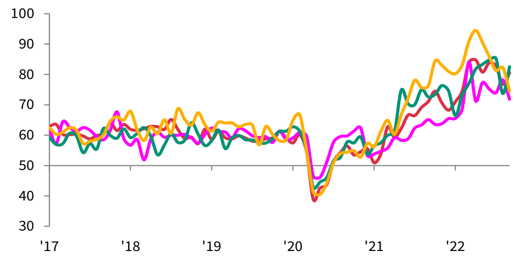
Employment Index

sa, >50 = growth since previous month



Input Prices Index

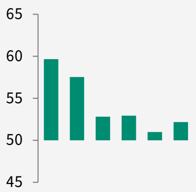
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Composite Output Index

Last six months



New business growth slides to weakest in current 19-month upturn

Irish private sector firms continued to report higher new business volumes in September, but the rate of growth in demand was the weakest in the current 19-month period of rising sales. Manufacturing new orders fell for the fourth month running and at a marked rate.

The seasonally adjusted Ireland Composite Output Index* registered 52.2 in September, up only slightly from 51.0 in August and indicative of the second-weakest rise in output in the current 19-month expansionary sequence.

The slight improvement in overall growth of activity reflected a much slower fall in manufacturing production, which was partly offset by a weaker increase in services business activity.

Private sector employment continued to rise in September, extending the current period of job creation to 22 months. The rate of growth was strong overall, but the second-weakest in seven months.

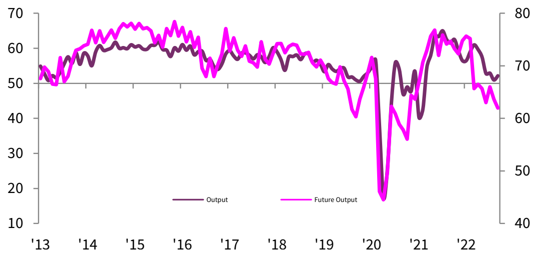
The 12-month outlook for private sector business activity weakened further to a 23-month low, reflecting the slowdown in demand and only a marginal increase in outstanding business in September.

Input price inflation remained severe in September, despite easing to an eight-month low. Service providers registered stronger cost pressures than manufacturers for the second month running. Charge inflation accelerated slightly since August.

*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.

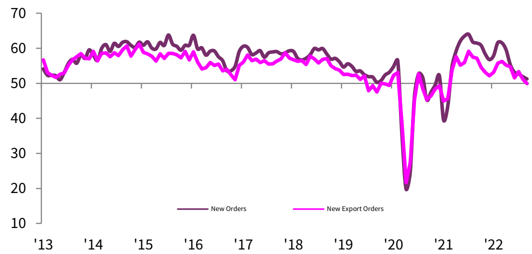
Output Index / Future Output Index

sa, >50 = growth since previous month / >50 = growth expected over next 12 months



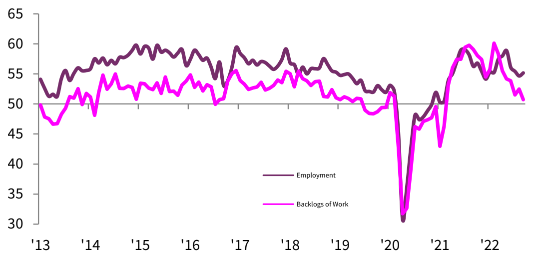
New Business Index / New Export Business Index

sa, >50 = growth since previous month



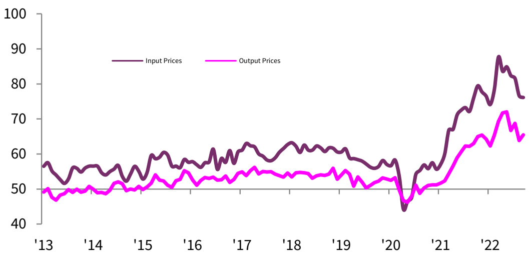
Employment Index / Outstanding Business Index

sa, >50 = growth since previous month



Input Prices Index / Prices Charged Index

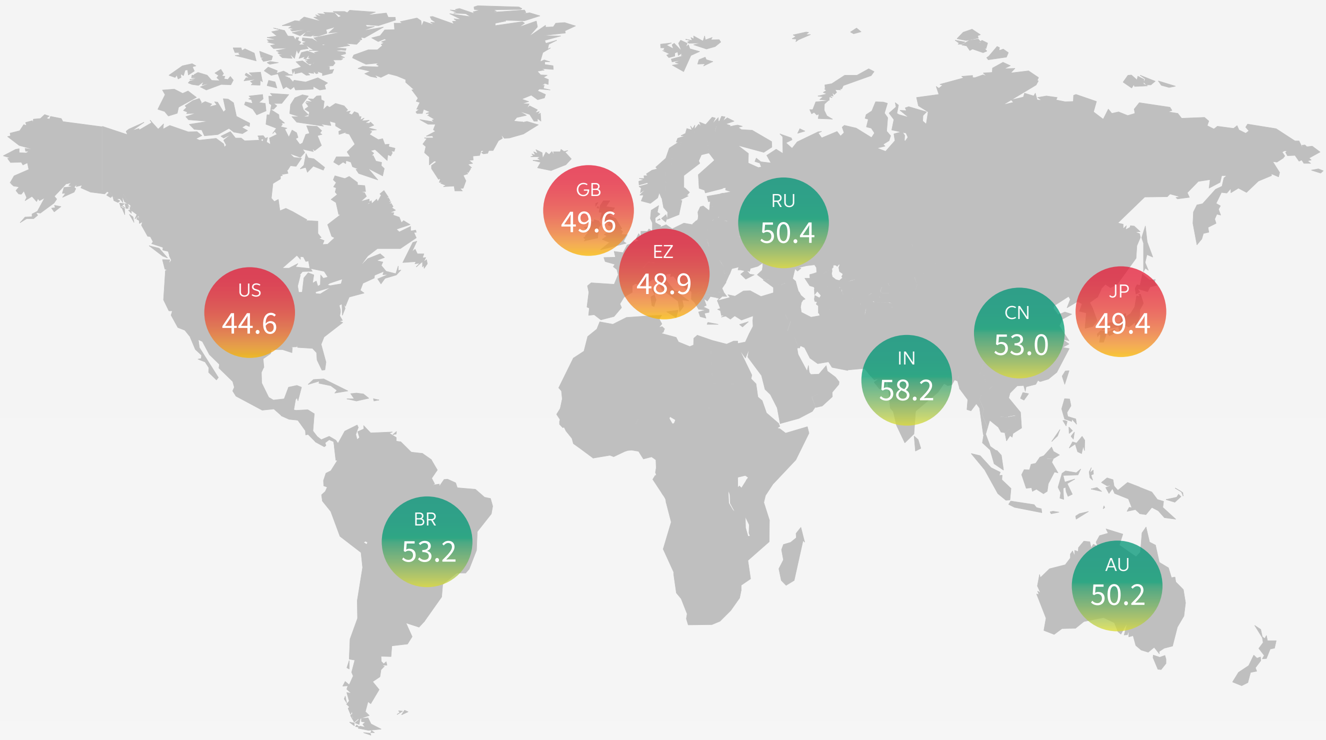
sa, >50 = inflation since previous month



International PMI

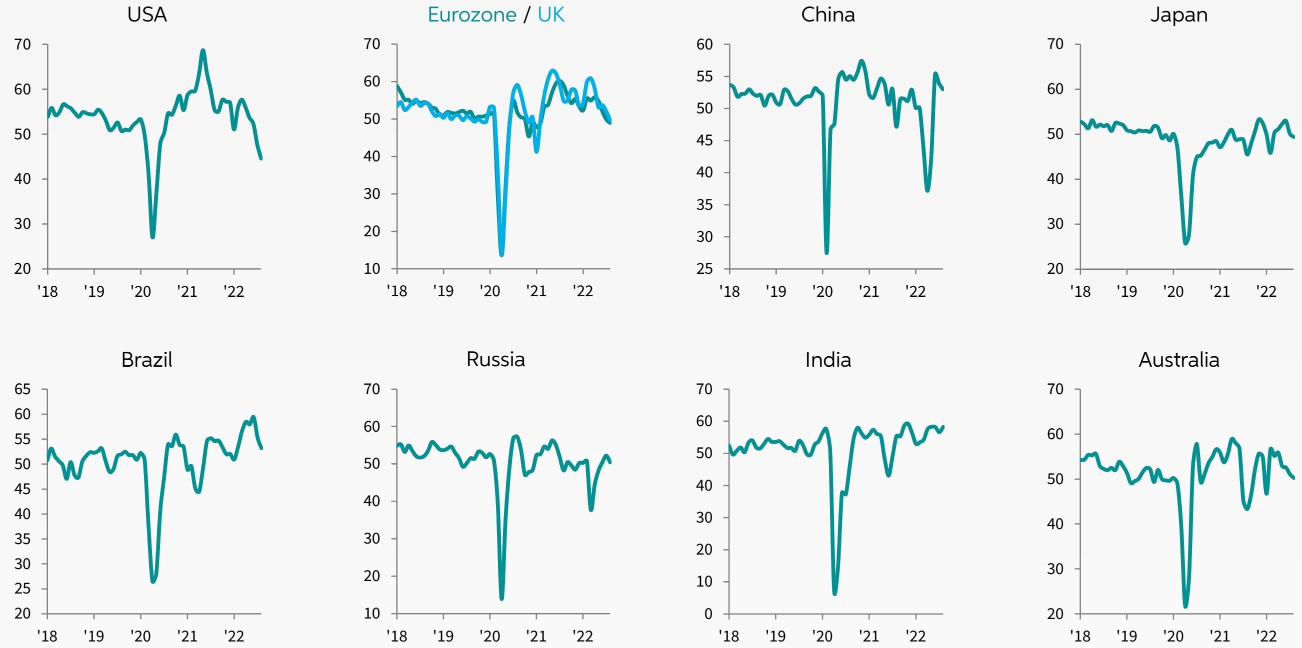
Composite Output Index, Aug '22

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 12-27 September 2022.

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

About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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

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