AIB Ireland Services PMI®

Growth in services activity slowest since start of 2023

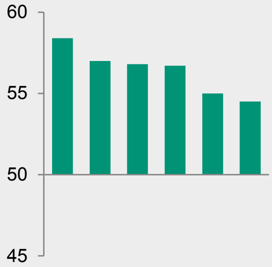
54.5

IRELAND SERVICES BUSINESS ACTIVITY INDEX, SEP '23

Services Business Activity Index

Apr - Sep '23

sa, >50 = growth



The latest AIB PMI® survey data signalled sustained growth in the Irish service sector in September, with further solid increases in total activity and new business. That said, the rates of expansion in both measures eased to the weakest since January and last December, respectively. The 12-month outlook remained positive but slightly below the long-run survey trend, reflecting concerns over the impact of high interest rates on demand. Cost pressures at service providers were still relatively high, although the rate of input price inflation eased to a 31-month low.

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

"The AIB Irish Services PMI for September registered a solid reading of 54.5, down somewhat on the levels of 55.0 and 56.7 recorded in August and July, respectively. Indeed, it was the lowest reading since January, though still consistent with ongoing good growth in services activity. This is in marked contrast to some of the major advanced economies. The flash Services PMIs remained in contraction territory during September in the Eurozone and UK at 48.4 and 47.2, respectively. Meanwhile, the US index slipped to 50.2.

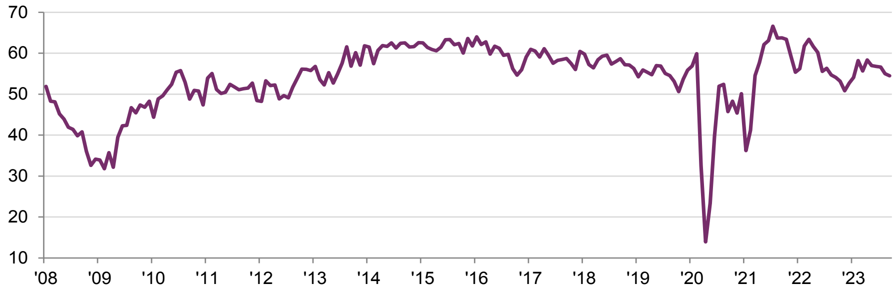
"The solid performance by the Irish services sector in September reflects ongoing healthy growth in new business, both from domestic and export customers. However, the rate of growth in new work has eased in recent months. Meanwhile, employment continued to increase at a solid pace, while there was another significant rise in the level of outstanding work. Firms also remained very optimistic about their expectations for business activity over the coming twelve months.

"There were marked variations in the growth in activity across the four sub-sectors covered in the survey – Technology/Media/Telecoms continued to see buoyant growth, while Transport/ Tourism/Leisure contracted for a third consecutive month. Meanwhile, both the business and financial services sectors recorded very modest growth in activity.

"Inflationary pressures remained elevated in the services sector in September. Input prices continued to experience substantial upward pressure, most notably from rising labour costs, insurance and fuel bills. Higher operating costs continued to be passed on in higher selling prices, with firms also looking to rebuild margins. Stickiness in services inflation is evident, with the strong rate of increase in both input and output prices easing only slightly over the past six months."

AIB Ireland Services Business Activity Index

sa, >50 = growth since previous month



PMI® by S&P Global

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Overview

Weakest increase in activity since January

Input price inflation eases to 29-month low

Employment growth running at long-run survey trend

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.

At 54.5 in September, the AIB Services Business Activity Index signalled a solid increase in services output and extended the current sequence of expansion to 31 months. The latest reading fell from 55.0 in August and indicated the weakest growth since January, but was only slightly below the long-run trend level (since 2000) of 55.1.

As was the case in August, growth was led by the Technology, Media & Telecoms sector (63.1). Much more modest rates of expansion were indicated in Financial Services (52.0) and Business Services (50.9), while a third successive decline was registered in Transport, Tourism & Leisure (47.4).

New business volumes continued to expand in September, extending the current sequence of growth that began in March 2021. Similar to the trend for total activity, the rate of expansion was the weakest since December 2022 but broadly matched the long-run series average. Weighing on total demand was a slight fall in new business in Financial Services, and only fractional growth in Transport, Tourism & Leisure. International business continued to rise, albeit at a slower rate than total new work.

Although new business growth slowed in September, the volume of outstanding work at service providers continued to increase. Moreover, the pace of growth was the sharpest in 11 months despite another decline in the Transport, Tourism & Leisure sector.

With overall workloads increasing, services firms expanded their staffing again in September. The rate of job creation was broadly in line with the strong long-run trend and broad-based by sector, but among the slowest registered over the past two years. There were some reports of not replacing leavers due to cost pressures, and shortages of suitably qualified candidates.

Sustained hiring growth reflected ongoing confidence in the outlook. Survey respondents linked confidence to incoming work, new projects and better than expected economic performance in Europe. Expectations for activity were strongly positive overall, albeit slightly below the averages for both 2023 so far and the long-run survey trend. High interest rates were expected to weigh on overall demand.

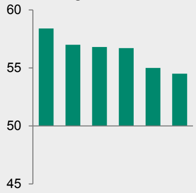
Inflationary pressures remained elevated but eased in September. Wages, fuel and insurance were the main sources of higher costs in the latest period. Both price indices remained above their long-run averages, especially the prices charged measure as firms attempted to rebuild margins following record increases in input prices in 2022. Input price inflation eased to a 29-month low in September, while charge inflation was the third-weakest since mid-2021.

Activity and demand

Business Activity Index

Apr - Sep '23

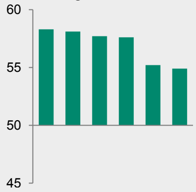
sa, >50 = growth



New Business Index

Apr - Sep '23

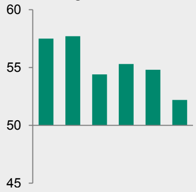
sa, >50 = growth



New Export Business Index

Apr - Sep '23

sa, >50 = growth



Business activity

Total activity among Irish service providers expanded further in September, as the seasonally adjusted Business Activity Index remained above the neutral 50.0 threshold for the thirty-first consecutive month. The rate of growth was solid overall, but dipped slightly below the long-run survey average and was the slowest since January. The pace of expansion has now lost momentum for five straight months. Sub-sector data revealed contrasting trends, with further marked expansion in Technology, Media & Telecoms offset by a sustained decline in Transport, Tourism & Leisure. Modest increases were seen in Business Services and Financial Services.

New business

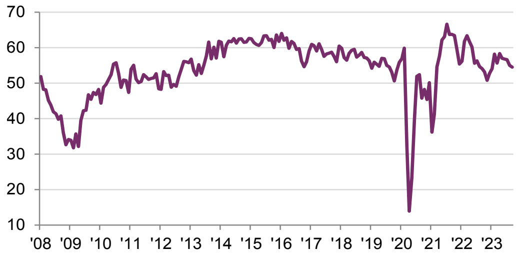
The volume of new work received by service providers rose for the thirty-first consecutive month, with the strongest increases seen in Technology, Media & Telecoms and Business Services. The overall rate of growth eased for the fifth month running to the weakest in 2023 so far, however. Financial Services posted a slight fall in new contracts.

New export business

International clients continued to increase their level of business with Irish service providers in September, extending the current sequence of growth to 31 months. The rate of expansion slowed to the weakest in 2023 so far, however, despite a rebound in the Transport, Tourism & Leisure sector.

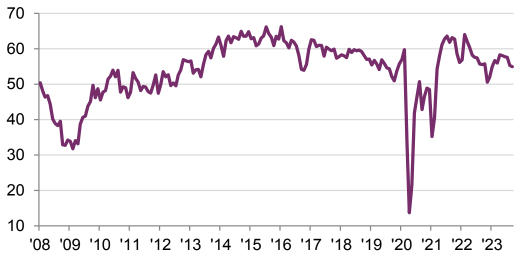
Business Activity Index

sa, >50 = growth since previous month



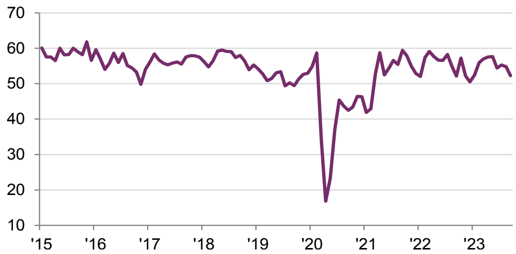
New Business Index

sa, >50 = growth since previous month



New Export Business Index

sa, >50 = growth since previous month

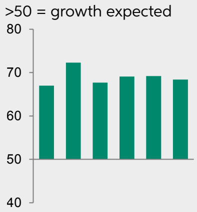


Business expectations

Future Activity Index

Apr - Sep '23

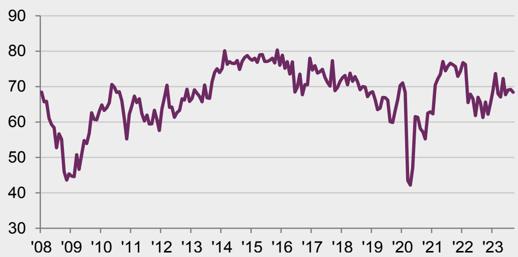
>50 = growth expected



The year-ahead outlook for services activity remained firmly positive in September. The Future Activity registered broadly in line with the trend over the past 12 months, albeit slightly below its long-run average of 69.6. Companies linked confidence to incoming work, new projects and better than expected economic performance in Europe. High interest rates were expected to weigh on overall demand, however. Sentiment was strongest in Technology, Media & Telecoms and weakest in Financial Services.

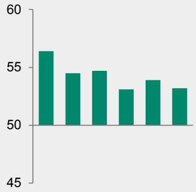
Future Activity Index

>50 = growth expected over next 12 months

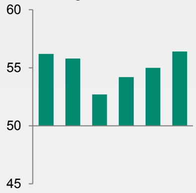


Employment and capacity

Employment
Index
Apr - Sep '23
sa, >50 = growth



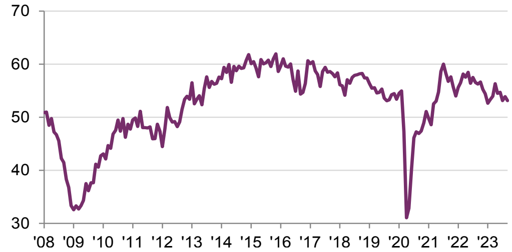
Outstanding
Business Index
Apr - Sep '23
sa, >50 = growth



Employment

There was another rise in service sector employment in September, extending the current sequence of job creation to 31 months. Firms continued to employ more staff as they expected growth in contracts. For the seventh time in 2023 so far, Technology, Media & Telecoms posted the steepest growth in jobs. The pace of expansion in workforce numbers was among the weakest in the year so far, but still solid overall and broadly in line with the long-run survey trend.

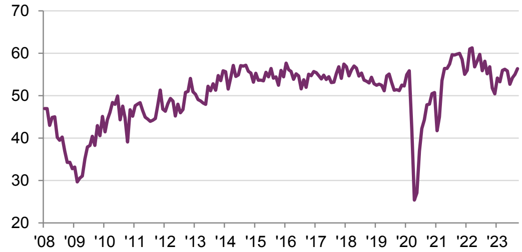
Employment Index
sa, >50 = growth since previous month



Outstanding business

September data highlighted another accumulation in the level of outstanding business across Ireland's service sector. Moreover, the pace of expansion accelerated further to the strongest since October 2022. Firms linked rising backlogs to higher demand and staff shortages. Transport, Tourism & Leisure bucked the overall trend with another decline in outstanding business.

Outstanding Business Index
sa, >50 = growth since previous month

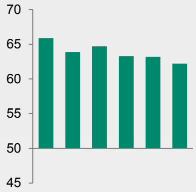


Prices

Input Prices Index

Apr - Sep '23

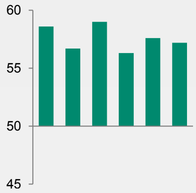
sa, >50 = inflation



Prices Charged Index

Apr - Sep '23

sa, >50 = inflation



Input prices

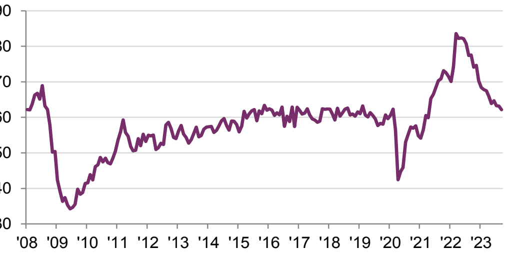
Operating expenses paid by service providers continued to rise sharply in September, extending the current sequence of inflation that began in July 2020. Wages, fuel and insurance were key factors leading to higher costs during the month. The rate of input price inflation remained above the long-run survey average, but eased for the ninth time in ten months to a 29-month low. Input prices rose most quickly in the Transport, Tourism & Leisure sector, followed by Technology, Media & Telecoms.

Prices charged

Prices charged by service sector companies rose for the thirty-first successive month in September, and the rate of inflation remained well above the long-run trend as firms sought to rebuild margins. Companies also reported passing on higher costs for labour and fuel to customers. Charges rose to the greatest extent in the Transport, Tourism & Leisure sector, followed by Business Services. That said, the overall rate of charge inflation was the third-weakest since the second half of 2021.

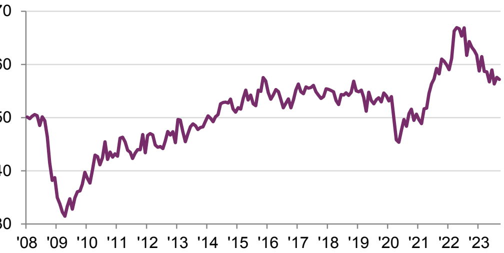
Input Prices Index

sa, >50 = inflation since previous month



Prices Charged Index

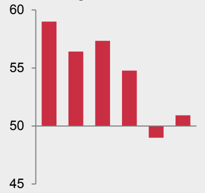
sa, >50 = inflation since previous month



Services sub-sectors

Business Services

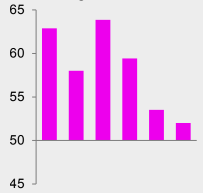
Business Activity Index
Apr - Sep '23
sa, >50 = growth



Activity in the Business Services sector rose slightly in September, having declined in August for the first time in two-and-a-half years. New contracts increased at a faster rate, leading to the sharpest build-up in outstanding business for a year. Jobs growth was maintained, albeit at a marginal rate that was the slowest among the four sectors. Inflation of both input costs and prices charged eased over the month.

Financial Services

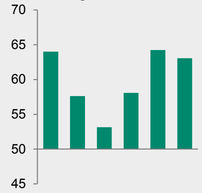
Business Activity Index
Apr - Sep '23
sa, >50 = growth



Growth of activity in the Financial Services sector slowed for the third month running in September to the weakest in 2023 so far. New business fell for only the second time in over two-and-a-half years, despite sustained growth in overseas demand. Employment rose only marginally, but outstanding business increased sharply. Margins improved as cost pressures eased but charges rose at a faster rate.

Technology, Media & Telecoms

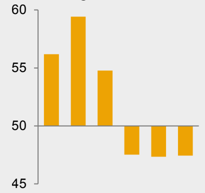
Business Activity Index
Apr - Sep '23
sa, >50 = growth



The Technology, Media & Telecoms sector again led the growth rankings in September, despite a slight easing in expansion since August. Growth rates for new business, outstanding work and employment all remained strong despite easing since August. Inflation of both input and output prices remained historically strong. Expectations moderated but remained the strongest among the four sub-sectors.

Transport, Tourism & Leisure

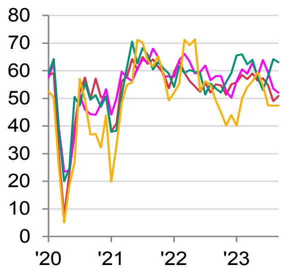
Business Activity Index
Apr - Sep '23
sa, >50 = growth



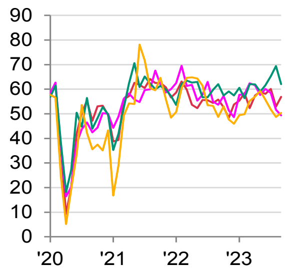
Activity in the Transport, Tourism & Leisure sector fell for the third straight month in September, at a moderate rate comparable to those seen in July and August after adjusting for seasonality. New business rose fractionally but outstanding work continued to fall. More positively, jobs growth and expectations for activity remained relatively strong. Input price and charge inflation hit eight- and ten-month highs, respectively.

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

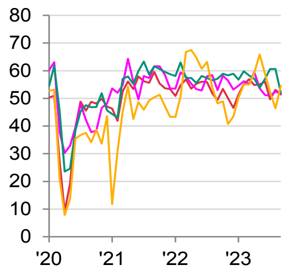
Business Activity Index
sa, >50 = growth since previous month



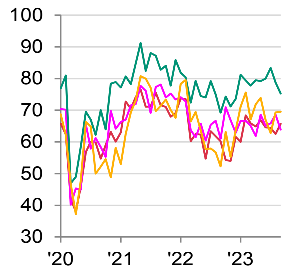
New Business Index
sa, >50 = growth since previous month



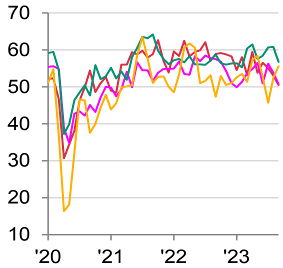
New Export Business Index
sa, >50 = growth since previous month



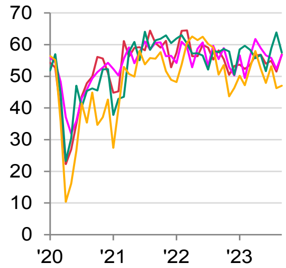
Future Activity Index
>50 = growth expected over next 12 months



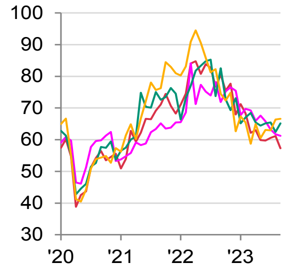
Employment Index
sa, >50 = growth since previous month



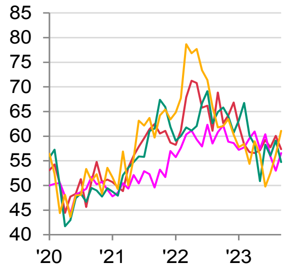
Outstanding Business Index
sa, >50 = growth since previous month



Input Prices Index
sa, >50 = inflation since previous month



Prices Charged Index
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Slowest rise in new business in 2023 so far weighs on output growth

Growth of Irish private sector output weakened in September as new work increased at the slowest rate in 2023 so far. The AIB Ireland Composite PMI® Output Index* registered 52.1, down from August's four-month high of 52.6 and indicating a modest rise in activity. Manufacturing output continued to fall, albeit only marginally, while services activity increased at the weakest rate since January.

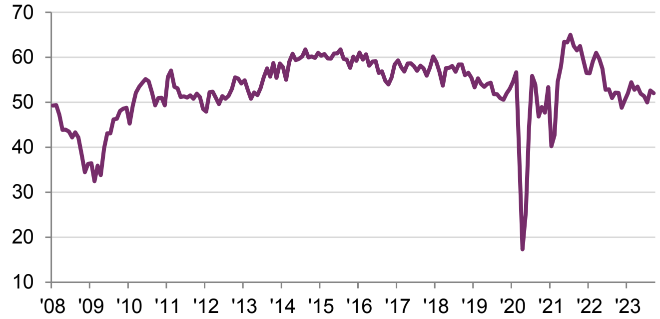
New work rose further in September, but at the slowest rate in 2023 so far. This reflected the weaker trend in the service sector and a renewed drop in manufacturing new orders.

More positively, solid gains in employment were seen in both sectors, extending the current sequence of overall jobs growth to 34 months.

Input price inflation eased to the second-slowest since January 2021, reflecting a sixth straight fall in manufacturing input prices and a slower – but still marked – increase in operating costs at services providers. Output price inflation slowed to a 32-month low.

Composite Output Index

sa, >50 = growth since previous month



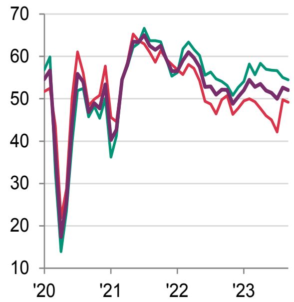
Sources: AIB, S&P Global PMI.

*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

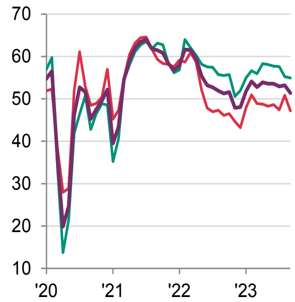
Output Index

sa, >50 = growth since previous month



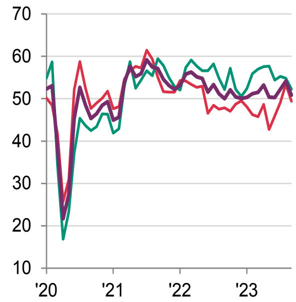
New Business Index

sa, >50 = growth since previous month



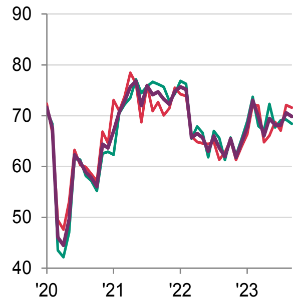
New Export Business Index

sa, >50 = growth since previous month



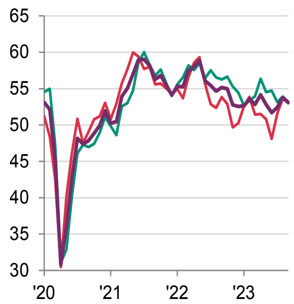
Future Output Index

>50 = growth expected over next 12 months



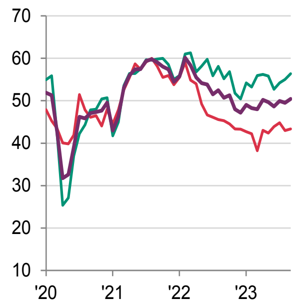
Employment Index

sa, >50 = growth since previous month



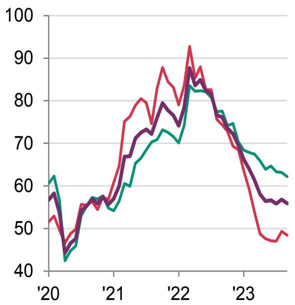
Outstanding Business Index

sa, >50 = growth since previous month



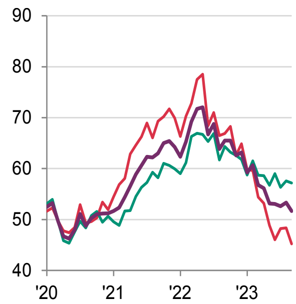
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month

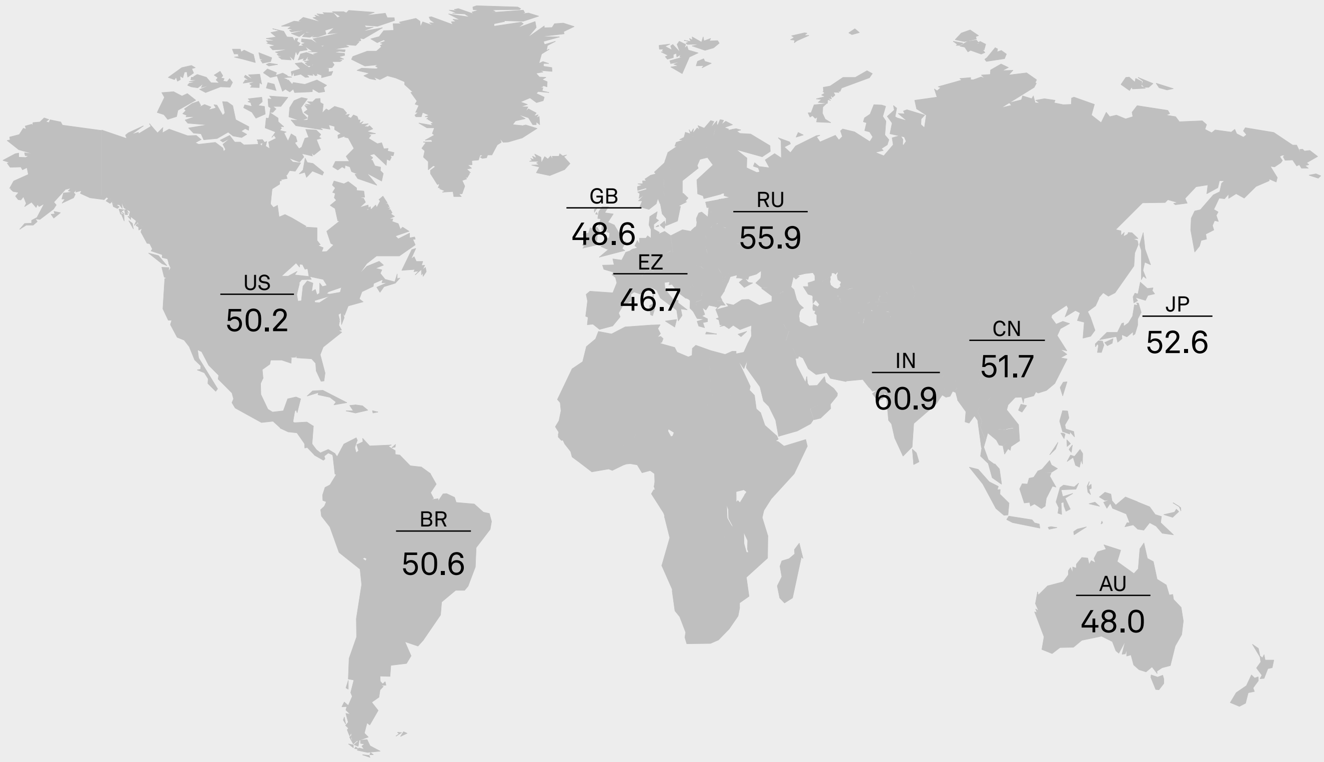


International PMI

Composite Output Index, Aug '23

sa, >50 = growth since previous month

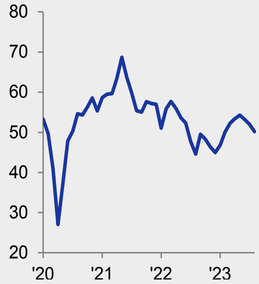
The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index

USA

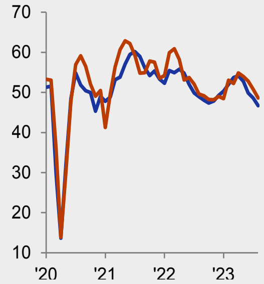
sa, >50 = growth



Eurozone

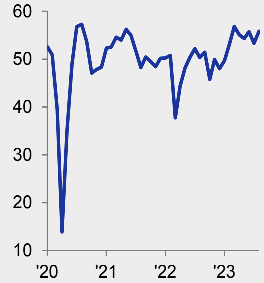
UK

sa, >50 = growth



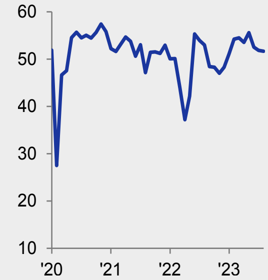
Russia

sa, >50 = growth



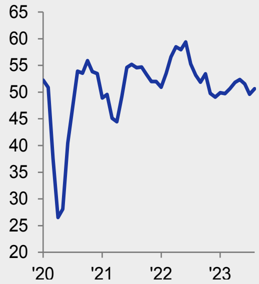
China

sa, >50 = growth



Brazil

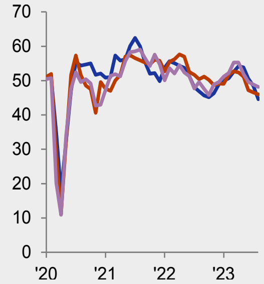
sa, >50 = growth



Germany Italy

France

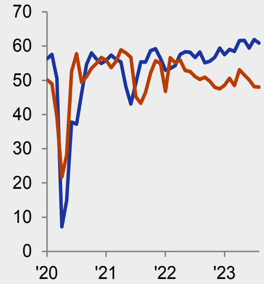
sa, >50 = growth



India

Australia

sa, >50 = growth



Japan

sa, >50 = growth

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 September 2023.

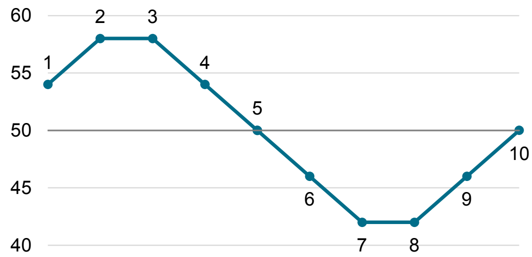
Survey questions
Services sector

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

Index calculation

% "Higher" + (% "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 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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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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