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AIB Ireland Services PMI®

Service sector activity growth at three-month high

Key Findings

New business rises at fastest pace since August

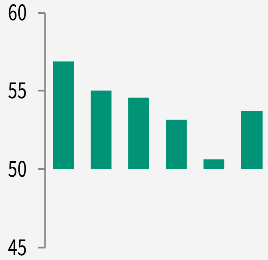
Employment growth at five-month high

Business confidence improves

Ireland Services Business Activity Index

NOV
53.7
OCT:50.6

Last six months



Irish service providers recorded a solid increase in business activity in November, with the rate of increase recovering from October's 87-month low to the fastest in three months. Meanwhile, the rate of expansion in new orders also quickened from October. As a result of firmer demand conditions, employment growth was solid and the most marked in five months. Looking forward, business confidence rose to its highest level since June. Both input costs and output prices increased at sharper rates than in the previous month.

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

"The strong rebound in the November AIB Services PMI business activity index to 53.7 is a welcome relief. The index fell sharply to a seven year low to 50.6 in October from a level of 53.1 in September. The November rebound suggests this fall was an aberration and that the Irish services sector is continuing to perform strongly.

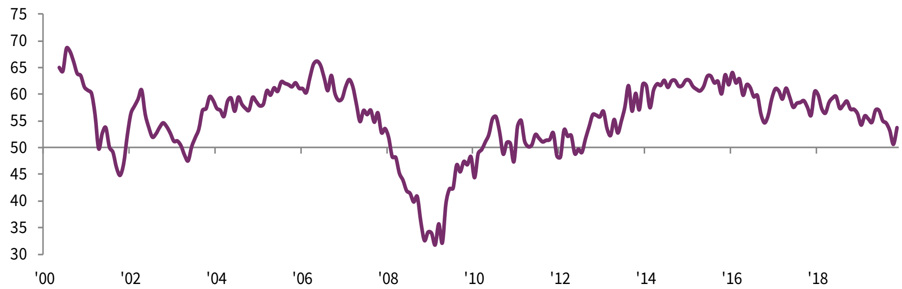
"The details of the November PMI data make for encouraging reading. Activity expanded in all four of the broad service sectors covered in the survey. Financial Services saw the strongest growth, with the activity index hitting a nine-month high. Solid growth was also registered by business services firms and companies in the Technology/Media/Services sector, with activity in both reaching its highest level since the summer.

"Most encouragingly, both new export orders and total new orders posted solid increases. The recovery in new export orders seen in October and November is particularly welcome as they had weakened a lot during the third quarter. The increase in customer orders saw backlogs rise, pointing to growing capacity constraints in the services sector.

"Meanwhile, employment growth was strong, quickening for the third month running. There was also a further good improvement in business confidence, which had also weakened during the third quarter. Overall then, this report indicates that the services sector of the Irish economy is in good shape, despite the challenges posed this year by Brexit uncertainty and weakening global growth."

Services Business Activity Index

sa, >50 = growth since previous month



PMI® By IHS Markit

Overview

The headline seasonally adjusted Business Activity Index posted 53.7 in November, up from 50.6 in October and signalling the fastest rise in business activity in three months. This ended a five-month sequence of slower increases in output. Activity growth was registered across all four broad sectors, but was fastest among Financial Services companies.

In line with the picture for business activity, new order growth quickened during November and was the fastest in three months. Anecdotal evidence from panellists indicated that they had seen an improvement in overall demand conditions, with the increase in new orders coming from existing customers as well as successful marketing efforts. Business Services led growth of new orders.

Amid reports of an increase in orders from customers in the UK, US and Latin America, new business from abroad increased in November. The rate of expansion was solid and the fastest since June.

Stronger new order growth resulted in a sharper increase in backlogs during November. Outstanding business rose solidly and at the sharpest pace in four months.

The rate of job creation was solid and the fastest since June. Where employment rose, panellists reported hiring staff as a result of receiving greater customer orders. The TMT sector posted the strongest expansion in staffing levels during November, while Transport & Leisure companies lowered workforce numbers marginally.

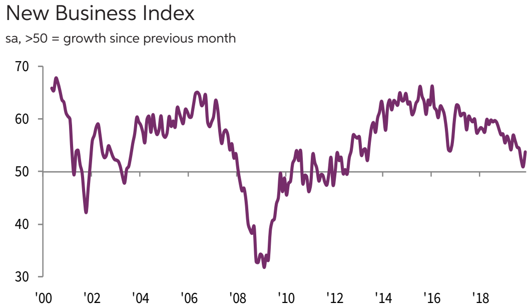
Irish service providers recorded an above-average increase in input prices during November. The rate of inflation was steep and the fastest in six months. Panellists mainly linked inflation to higher fuel and insurance costs, although there were also reports of greater wage bills.

In line with the pick up in cost inflation, service providers increased their output prices at a faster rate during November. The pace of increase was solid and the quickest since May.

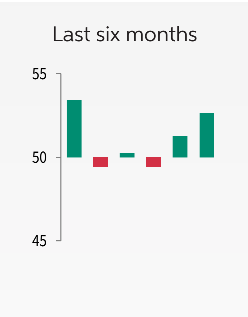
Looking forward, business confidence improved to a five-month high in November, as service providers remained optimistic that business activity will increase over the coming 12 months. Just over 40% of panellists predict a rise in activity over the coming year with expectations of stronger customer demand and new product investments cited as reasons to be optimistic.

New Business Index

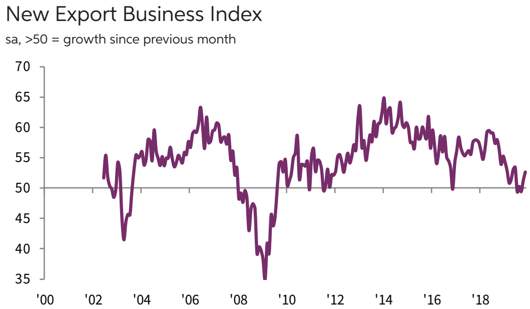
As has been the case since August 2012, Irish service providers posted a rise in overall new orders during November. Moreover, the rate of expansion picked up from October's 87-month low and was the fastest in three months. Anecdotal evidence from panellists indicated that they had experienced an increase in orders due to greater business from existing customers and more fruitful marketing efforts.



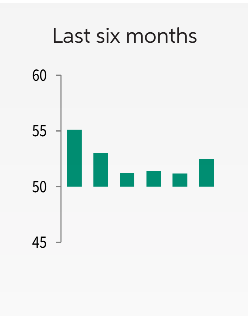
New Export Business Index



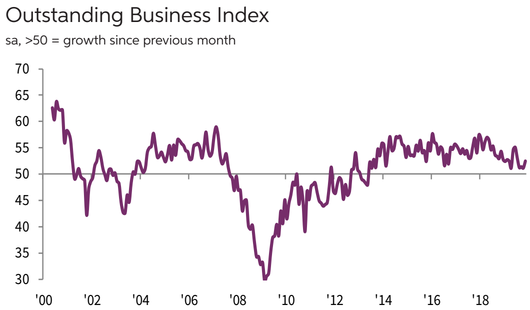
Amid reports of greater demand from UK, US and Latin American customers, Irish service sector export sales rose in November. Moreover, the solid expansion was the fastest since June. However, there were reports from some firms that Brexit uncertainty had negatively affected their new export orders in November.



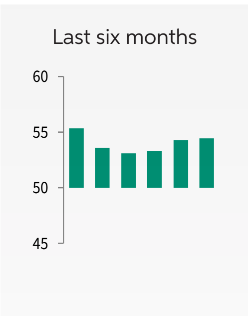
Outstanding Business Index



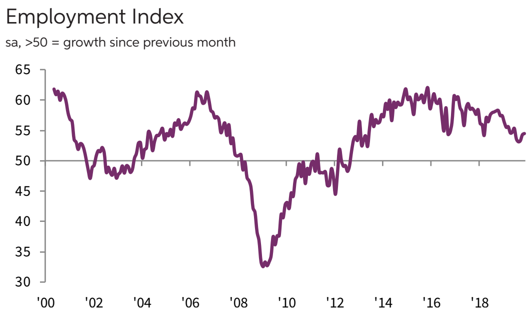
Capacity pressures remained evident in November, with the seasonally adjusted Backlogs of Work Index posting above the 50.0 no-change threshold. Moreover, the rate of backlog accumulation was solid and quickened to the fastest since July. Anecdotal evidence stated that greater customer orders was the principal factor behind the rise in work outstanding,



Employment Index

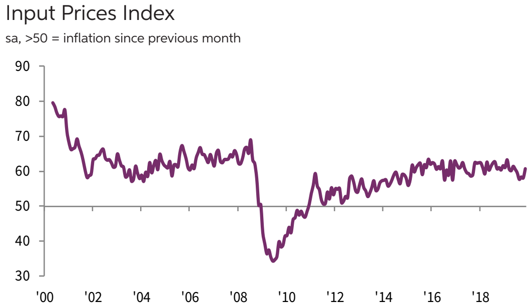


Job creation in the Irish service sector remained marked during November. Moreover, the rate of job creation quickened for the third month running and was the fastest since June. Service providers stated that they hired additional staff as a result of greater customer orders.



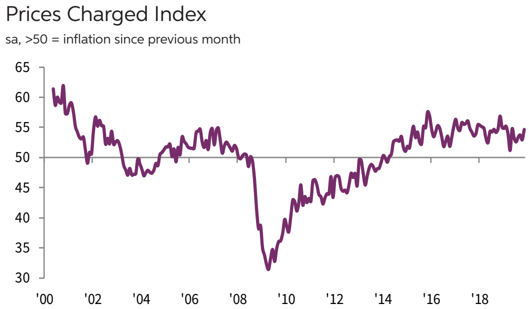
Input Prices Index

Amid reports of greater prices paid for fuel, insurance and transport, average cost burdens increased further in November. Additionally, some panellists linked greater input prices to higher staff costs. The rate of input price inflation was sharp and the quickest in six months.



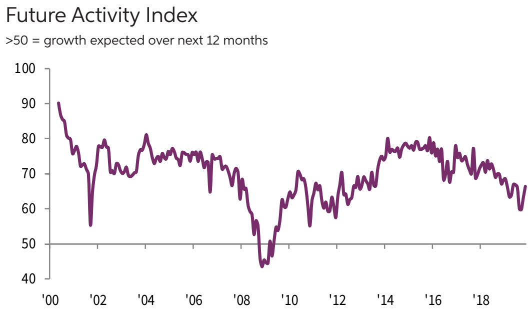
Prices Charged Index

In line with the sharp rise in cost burdens, output charge inflation accelerated to the fastest since May. According to panellists, increases in output charges were driven by rising input costs. On the other hand, there were some reports that competitive pressures had led to price reductions.



Future Activity Index

Irish service providers remained optimistic during November that business activity will increase over the coming 12 months, with sentiment rising to a five-month high. Just over 40% of panellists predict a rise in activity over the coming year, with expectations of an improvement in demand conditions, especially in export markets, as well as new investment plans cited as reasons to be optimistic.

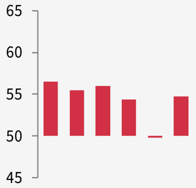


Services Sub-sectors

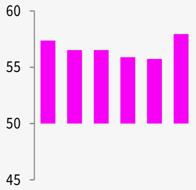
Business Activity Index

Last six months

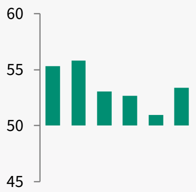
Business Services



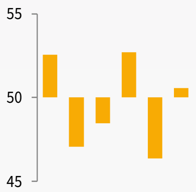
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

Activity among Business Services firms returned to growth in November. The rate of expansion was solid and the fastest in three months. Total new order growth was steep and the fastest recorded of all four broad sectors, helped by a strengthening of export sales. The rate of job creation was marked and the sharpest in five months. Input cost inflation quickened to a nine-month high, whilst output charges also rose at a firmer pace. Optimism regarding year-ahead output improved to a five-month high.

Financial Services

Financial Services companies recorded the fastest rise in activity of all four sectors covered in November, with the rate of growth quickening to a nine-month high. Overall new orders grew solidly and at a faster pace than in October. Employment growth was modest and the slowest in nine months. Cost burdens continued to rise sharply and at the fastest pace since June. Selling prices, meanwhile, grew marginally and at the slowest rate of all four monitored sectors.

Technology, Media & Telecoms

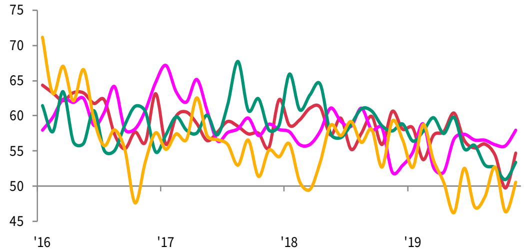
Technology, Media & Telecoms firms recorded the fastest rise in business activity in four months during November. That said, the rate of total new order growth was the weakest of all four monitored sectors. Both export sales and employment rose sharply, while there was a marginal increase in backlogs. The rate of input price inflation was marked and the quickest since February. As a result, output charge inflation was the fastest since March 2018. Optimism regarding year-ahead output improved from October.

Transport, Tourism & Leisure

Activity growth among Transport & Leisure companies rebounded from October's fall in November. However,the rate of increase was only marginal and the slowest of all four monitored sectors. Likewise, inflows of new business also recovered from a slight fall in October, increasing at a solid pace in November. Export sales continued to decline, however. Employment fell for the first time in four months. Both input cost and output price inflation softened in November.

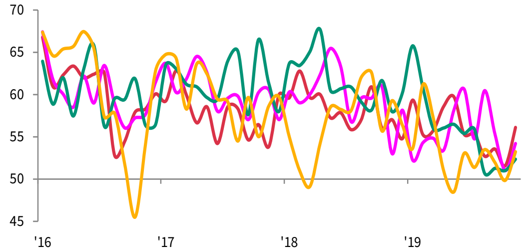
Business Activity Index

sa, >50 = growth since previous month



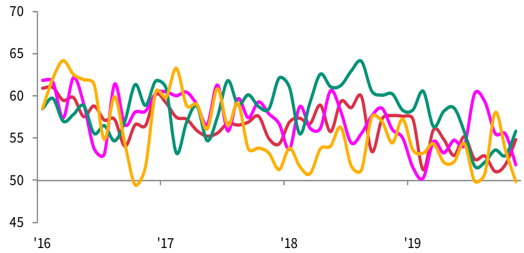
New Business Index

sa, >50 = growth since previous month



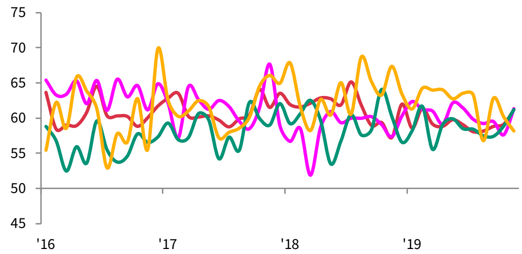
Employment Index

sa, >50 = growth since previous month



Input Prices Index

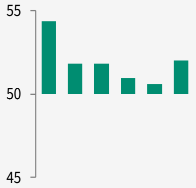
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Composite Output Index

Last six months



Private sector activity rises at fastest pace since June

The Composite Output Index* posted 52.0 in November, up from 50.6 in October and signalling the fastest rise in business activity since June.

Central to the quickening of Irish private sector output growth was a faster expansion in services activity, with growth accelerating to a three-month high in November. Manufacturers, on the other hand, recorded the fourth reduction in output in five months.

In line with output, the rate of expansion in private sector new business quickened to the fastest in five months. A sharper expansion of service sector sales drove overall growth, while there was a marginal increase in manufacturing order book volumes.

On the employment front, composite workforce expansion was solid but eased slightly from October. A faster rise in employment at service providers was registered, but manufacturing staffing levels declined for the first time since September 2016.

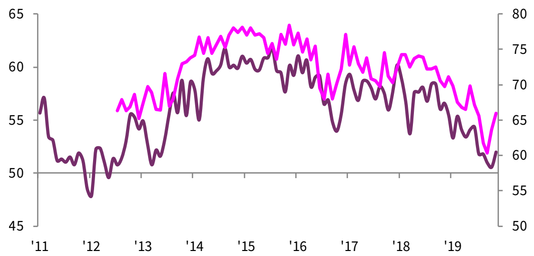
The rate of input price inflation picked up to a six-month high, amid faster increases of both service sector cost burdens and manufacturing operating expenses. As a result, output charges grew solidly and at the fastest pace since May.

Sentiment towards output over the coming year improved to a five-month high, amid stronger optimism among both manufacturers and service providers.

**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 Ireland Composite Output Index is a weighted average of the Ireland Manufacturing Output Index and the Ireland Services Business Activity Index.*

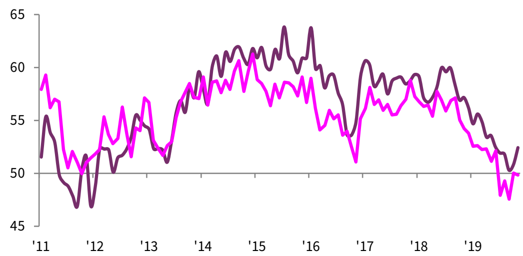
Output Index / Future Output Index

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



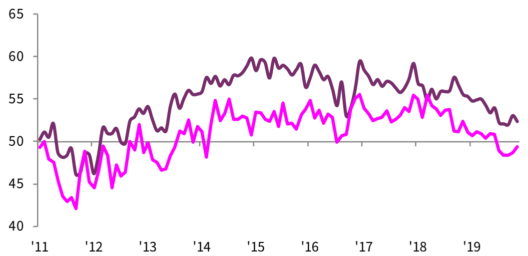
New Business Index / New Export Business Index

sa, >50 = growth since previous month



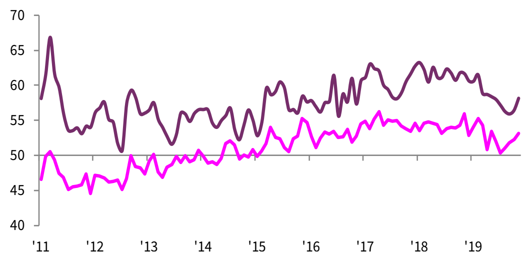
Employment Index / Outstanding Business Index

sa, >50 = growth since previous month



Input Prices Index / Prices Charged Index

sa, >50 = inflation since previous month



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Methodology

The AIB Ireland Services PMI® is compiled by IHS Markit 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.

November 2019 data were collected 12-26 November 2019.

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 IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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