

AIB Ireland Services PMI®

Fastest rise in business activity in three-and-a-half years in November

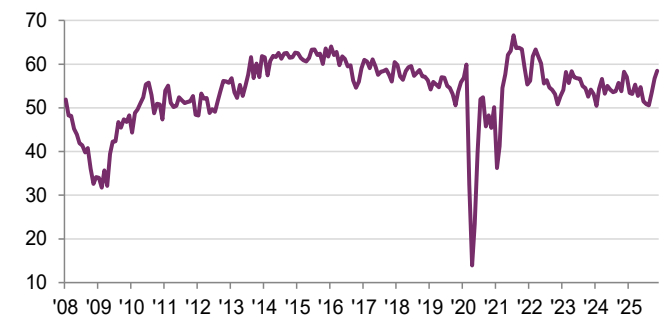
Key findings

New business expands at fastest rate since April 2022

Strongest increase in employment since March

Charge inflation at ten-month high

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



Sources: AIB, S&P Global PMI.

The latest AIB Ireland Services PMI® survey data pointed to a further acceleration in growth in November. Business activity rose at the fastest rate since May 2022, and the upturn was broad-based by sector with a renewed expansion in Transport, Tourism & Leisure. New business growth also accelerated, the 12-month outlook improved and there was a solid increase in employment. Input price inflation remained relatively high, and charges were increased at the fastest rate in ten months.

The AIB Ireland Services Business Activity Index is 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 seasonally adjusted AIB Ireland Services Business Activity Index rose for the third month running to 58.5 in November, from 56.7 in October, signalling the steepest rise in output since May 2022. The rate of expansion moved further above the long-run survey average since 2000 (55.0).

Financial Services (60.9) recorded the sharpest increase in activity of the four broad sectors, closely followed by Technology, Media & Telecoms (TMT, 60.3). Business Services (57.7) was the only segment to see slower growth than in October, but still a marked increase. Transport, Tourism & Leisure (53.3) registered the first expansion in activity since February.

New business growth accelerated for the fourth successive month and was the strongest since April 2022. All four categories posted sharp increases in new business, led by Financial Services. New export orders rose at a solid pace that was broadly in line with those posted in September and

October.

The latest increase in new business led to a steeper rise in outstanding work in November. The rate of growth in incomplete contracts was the strongest since April.

Stronger demand for services and higher levels of work outstanding drove service providers to raise their staffing levels to a greater degree than in the previous survey period. The rate of job creation was the fastest since March, and moved back above the long-run survey average. Employment rose due to higher customer demand and proactive recruitment for anticipated company expansions. Financial Services posted the strongest jobs growth, while TMT recorded a third reduction in staffing in the past four months.

Cost pressures remained relatively strong in November, although the rate of input price inflation eased to a three-month low. Higher wages, increased service and energy costs, insurance rates and pension costs drove input price rises for businesses. Transport, Tourism & Leisure posted the fastest increase in input prices of the four monitored sectors, and Financial Services the weakest.

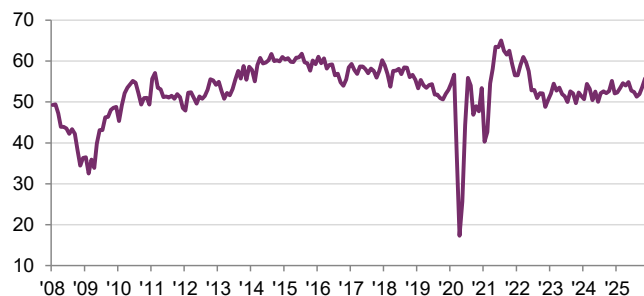
With costs continuing to rise sharply and demand strengthening, service providers raised their charges at a stronger rate. Charge inflation was the highest since January. Charges rose across all four monitored sectors, led by TMT and Financial Services.

The faster increases in business activity and new business were accompanied by an improving 12-month outlook in November. Expectations were the strongest since February, and all four sectors registered an improvement since October. Higher future activity was expected due to increased demand, planned business investment and general market optimism.

AIB Ireland Composite PMI®

Fastest rise in output in three-and-a-half years

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



Sources: AIB, S&P Global PMI.

Sharper growth in both manufacturing output and services business activity in November resulted in the strongest overall rise in output since May 2022.

The AIB Ireland Composite PMI® Output Index* rose for the third month running from 53.7 in October to 55.8 in November. The Index was also above the long-run average of 53.8 since 2000.

Services activity increased at the fastest pace since May 2022, while manufacturing output growth was comparatively slower but still the fastest in four months.

New business rose at the sharpest rate since April 2022. Employment growth was little-changed since October and broadly in line with the long-run series average.

Rates of inflation of both input costs and output prices accelerated, with the rise in charges remaining relatively strong.

*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.

Comment

Commenting on the survey results, David McNamara, AIB Chief Economist, said:

"The AIB Irish Services PMI for November shows a sharp acceleration in growth in the sector, with the index rising to 58.5 from 56.7 in October. This marks the fastest pace of growth since May 2022, driven by strong gains in current activity and new business. Overall, the rate of growth in the Irish services sector continues to outperform the Eurozone, UK and US flash PMIs at 53.1, 50.5 and 55.0, respectively.

"New business grew at an accelerating pace in November, reaching the highest level since April 2022, underpinned by a further solid rise in new export business. Outstanding business also increased, reflecting the recent recovery in new client demand. From a sectoral perspective, all four sub-sectors expanded output in the month. Financial Services saw the strongest growth, closely followed by Technology, Media & Telecoms (TMT). Notably, Transport, Tourism & Leisure registered a first rise in activity for nine months.

"Overall, services employment rose sharply in November, and the rate of job creation was the fastest since March, moving back above the long-run trend. However, a fall in TMT staffing levels offset somewhat the job creation across other sectors. Indeed, TMT employment decreased for a third time in the last four months, despite the rise in output and new orders in that sector.

"On the inflation front, input price inflation remained elevated, but the rate of growth eased on the month. Higher wages and energy costs, amongst others, continued to put pressure on costs. The prices charged index was also higher, and well above the long-term survey average, as firms continued to pass on higher costs to customers.

"Looking ahead, firms in the Irish services sector were more optimistic on the prospects for expansion in activity levels over the coming 12 months. Confidence recovered from October's 4-month low, reaching the highest level since February, led by robust sentiment in financial services and TMT."

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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.

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