



# AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

## Activity rises sharply, but at softer pace amid marked price pressures

### Key Findings

Activity and new orders continue to grow markedly

Near-record rises in input costs and output prices

Rate of job creation at ten-month high

Data were collected 12-26 May 2022.

The May AIB PMI® survey data pointed to further sharp increases in business activity and new orders in the Irish service sector as the recovery from the COVID-19 pandemic continued. That said, there were further signs of growth rates softening amid steep rises in input costs and selling prices. The rate of job creation picked up to a ten-month high, but outstanding business increased at an accelerated pace nonetheless. The Transport, Tourism & Leisure sector led growth of activity, new business and employment.

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.

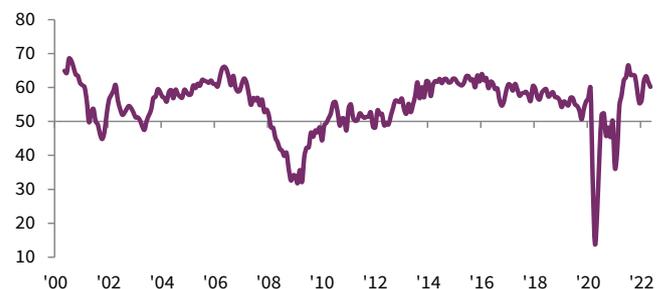
The Services Business Activity Index posted 60.2 in May, down from 61.7 in April but still pointing to a sharp monthly increase in output across the service sector. Activity has now risen in each of the past 15 months, but the latest expansion was the softest since January. A lack of restrictions related to the COVID-19 pandemic was a key factor supporting growth.

The Transport, Tourism & Leisure category continued to record the fastest increase in activity, with growth quickening to a near-record pace. Rates of expansion slowed in the Business Services, Financial Services and Technology, Media & Telecoms categories, with the softest increase posted in the Business Services sector.

The trend in new business was similar to that seen for activity, with growth remaining marked but easing from the previous month. The ongoing release of pent-up demand left over from the COVID-19 pandemic reportedly supported the increase in new orders, with

Ireland Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global.

firms also able to generate further rises in new business from abroad. Transport, Tourism & Leisure posted the fastest rises in both total new business and new export orders.

A combination of increases in new business and insufficient staffing levels led to a further accumulation in backlogs of work during May. The latest rise was sharp and steeper than recorded in the previous month.

Service providers responded to greater workloads by expanding their staffing levels for the fifteenth consecutive month. Moreover, the rate of job creation accelerated to the fastest since July 2021. Marked increases in employment were recorded across each of the four sectors covered by the survey. The sharpest rise was in Transport, Tourism & Leisure, while both Business Services and Financial Services signalled a faster pace of jobs growth than in April.

Severe cost pressures were recorded again in May, with the rate of input price inflation accelerating to a pace only just shy of March's survey record. Around two-thirds of respondents noted a rise in input prices during the month amid widespread reports of increased fuel and wage costs. Inflation was most pronounced in the Transport, Tourism & Leisure sector.

In turn, companies also raised their own selling prices rapidly midway through the second quarter. The rate of inflation was the second-steepest in the series history, just behind April's record.

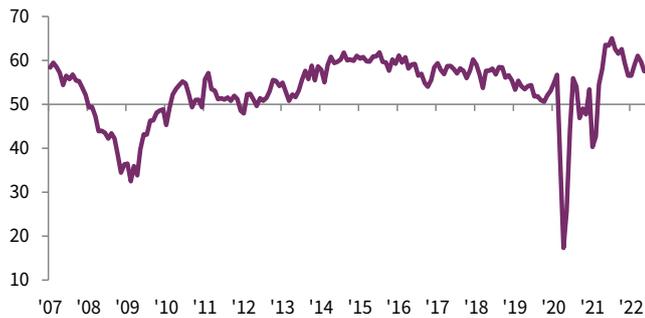
A continued recovery from the COVID-19 pandemic and rising new business is expected to lead to further growth of activity over the coming year. That said, business confidence remained some way below that seen prior to the outbreak of war in Ukraine. Technology, Media & Telecoms firms were the most optimistic in May.

## AIB Ireland Composite PMI®

# New order growth eases to 14-month low amid fresh record rise in selling prices

## Composite Output Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global.

Latest data suggested that strong inflationary pressures across the Irish private sector acted to limit growth of output and new orders. Business confidence was also relatively muted, but firms took on extra staff to the greatest extent since July last year.

The Ireland Composite\* Output Index posted 57.5 in May, signalling a marked monthly rise in activity across the private sector. That said, the reading was down from 59.6 in April and pointed to the softest increase in output since January.

Softer rises in activity were seen across both the manufacturing and service sectors, but growth was more resilient at service providers.

The rate of expansion in new orders slowed sharply, meanwhile, and was the weakest since March 2021. A softer rise in new business from abroad was also registered.

Demand was impacted by steep inflationary pressures. The pace at which input costs rose quickened from April, while output price inflation hit a fresh record high.

On a more positive note, the rate of job creation accelerated for the third month running and was the fastest since July last year.

\*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.

## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Irish Services PMI shows continuing very strong growth in the sector in May. The Business Activity Index stood at 60.2, down slightly from 61.7 in April. It was the fourth consecutive month that the index has been above 60, signalling an ongoing strong recovery in services activity following the lifting of COVID restrictions back in January. Moreover, the Irish index is well above the flash May Services PMIs for the Eurozone and UK of 56.3 and 51.8, respectively, with the latter falling sharply last month.*

*"There was another marked rise in new business for Irish services firms, including exports, as they continued to benefit from the release of pent-up demand. Meantime, employment growth accelerated to its fastest rate since last July. In terms of the four sub-sectors covered in the survey, business services recorded the slowest growth, while the strongest expansion was once again in Transport/Tourism/Leisure. Indeed, this sector continued to see the fastest growth in total activity, new business, exports, outstanding business and employment.*

*"The rebound in demand continues to put pressure on operating capacity, with another significant rise in backlogs of outstanding work in all four sub-sectors. The Future Activity Index, though, remained below its long-run average, as has been the case since the Russian invasion of Ukraine and resulting increased uncertainty about the economic outlook.*

*"Meanwhile, businesses continued to experience severe upward pressure on input prices, in particular, fuel and wage costs. This in turn is leading to higher prices being charged to customers. Indeed, the rate of growth in both input price inflation and prices charged was the second fastest in the 22-year history of the survey."*

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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 12-26 May 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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