

# AIB Ireland Services PMI®

## Business activity rises at slowest pace since January



### Key Findings

New business rises at softest rate in four months

Job creation at 75-month low

Business confidence lowest since December 2011

### Ireland Services Business Activity Index



Activity growth among Irish service providers, though still solid, eased to the slowest since January during August. Meanwhile, inflows of overall new business expanded at the slowest pace in four months, amid reports from some firms of Brexit uncertainty negatively affecting orders from the UK. As a result of softer demand conditions, Irish service providers recorded the weakest payroll expansion since May 2013. Meanwhile, sentiment towards activity over the coming year dropped to the lowest since December 2011 as Brexit weighed on optimism.

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

*"Business activity in the Irish services sector continued to expand at a solid pace in August according to the latest AIB services PMI survey. Although the headline index reading dipped to 54.6 from 55 in July, it remains within the 54-57 range that has been evident so far this year. However, this is down from the levels seen in previous years.*

*"It points to a slower pace of activity in the Irish economy in 2019. Nonetheless, the Irish reading of 54.6 is well above the flash August services PMIs of 53.4 and 50.9 registered by the Eurozone and US, respectively. This indicates that the Irish economy is continuing to outperform in terms of growth.*

*"The impact of Brexit uncertainty was evident in some key sub-components of the August survey. Growth in new orders eased in the month, with some firms*

*reporting a drop in UK orders owing to Brexit uncertainty. Furthermore, business confidence fell sharply to its lowest level since December 2011 as Brexit weighed on the outlook for activity in the sector. Meanwhile, although employment in the services sector continued to expand at a solid pace in August, it was still the slowest rate of job creation seen since May 2013.*

*"In terms of the four sectors covered in the survey, firms in both Financial and Business Services continued to see robust growth. However, the Technology/Media/Telecoms sector expanded at its slowest pace in over six years. Meantime, activity in the Transport/Tourism/Leisure sector contracted for the second consecutive month."*

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



## Overview

The headline seasonally adjusted Business Activity Index posted 54.6 in August, down from 55.0 in July and signalling the slowest rise in business activity since the start of this year. Though solid, the rate of growth was also weaker than the long-run series average. At the sector level, Financial Services companies registered the quickest rise in business activity during August, while a decrease in output was recorded among Transport & Leisure firms.

Underpinning the slower rise in business activity was a weakening of overall new order growth in August. The rate of expansion, though solid, eased for the third month running and was the slowest since April. As with output, Financial Services companies posted the fastest increase in overall new business.

Volumes of new work from abroad also rose during August, reversing the decline observed in July. That said, the rate of growth was marginal amid reports of Brexit uncertainty negatively affecting orders from the UK. Among the monitored sectors, firms in the Business Services and Technology, Media & Telecoms (TMT) categories posted an increase in export sales, whilst their peers in the Financial Services and Transport & Leisure sectors recorded a drop in new

business from abroad.

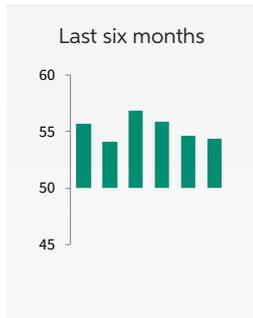
The rate of job creation, despite being solid, eased to a 75-month low during August. Where employment rose, panellists reported hiring staff as a result of receiving greater customer orders. The Financial Services sector posted the strongest expansion in staffing levels.

The rate of input cost inflation dipped to the slowest since November 2016. Panellists mainly linked inflation to higher fuel and utilities costs, although there were also reports of greater wage bills.

While the rate of input cost inflation eased, companies increased their output charges at a faster pace in August. The rate of selling price inflation was solid and the quickest since May.

Looking forward, business confidence was the lowest since December 2011, dropping sharply from July as Brexit uncertainty weighed on sentiment. One-third of panellists were confident of a rise in business activity from present levels in 12 months' time, but 13% predicted a fall. Optimism was linked to expectations of higher new orders and product development initiatives.

## New Business Index



As has been the case since August 2012, Irish service providers posted a rise in overall new orders during August. However, the rate of growth eased for the third month running and was the slowest since April. Anecdotal evidence from panellists indicated that they had experienced an increase in total new business due to an improving Irish economy and marketing efforts.

New Business Index

sa, >50 = growth since previous month



## New Export Business Index



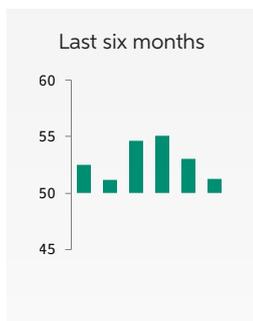
Inflows of new work from abroad rebounded from July's fall during August. That said, the rate of expansion was marginal, amid reports from many panellists observing a drop in UK orders due to Brexit uncertainty. At the sector level, Transport & Leisure firms recorded a decline in export sales for the sixth month running, while growth was signalled at Business Services and TMT companies.

New Export Business Index

sa, >50 = growth since previous month



## Outstanding Business Index



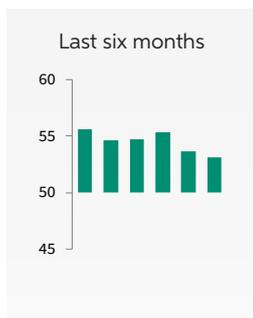
Volumes of unfinished orders increased during August, extending the current sequence of rising outstanding business to 75 months. That said, the rate of backlog accumulation eased to a four-month low, and was only slight. Anecdotal evidence from panellists indicated that increased customer orders contributed to greater amounts of work outstanding.

Outstanding Business Index

sa, >50 = growth since previous month



## Employment Index



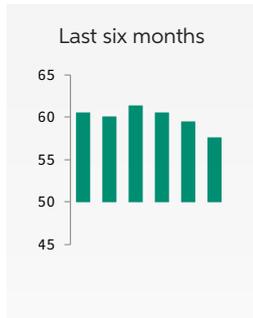
Employment growth among Irish service providers eased for the second month running during August. The rate of job creation, though solid, was the slowest in 75 months. Anecdotal evidence from panellists attributed the rise in headcounts to increased levels of activity and new business.

Employment Index

sa, >50 = growth since previous month



## Input Prices Index



Amid reports of greater prices paid for utilities, fuel and insurance, average cost burdens increased further during August. Additionally, some panellists linked greater input prices to higher staff costs. The rate of input price inflation was sharp, but eased from July to the slowest since November 2016.

Input Prices Index

sa, >50 = inflation since previous month



## Prices Charged Index



In contrast to the slower rise of cost burdens, the rate of output charge inflation quickened to a three-month high during August. According to panellists, increases in selling prices were driven by rising input costs, with greater wage rates often cited. Business Services posted the sharpest increase in charges.

Prices Charged Index

sa, >50 = inflation since previous month



## Future Activity Index



Business confidence dropped sharply in August, and was the weakest since December 2011, as Brexit weighed on sentiment. One-third of panellists were confident of a rise in output from present levels in 12 months' time, but 13% were pessimistic. Service providers linked optimism to new product investments, a stronger export climate and expectations of greater sales activity.

Future Activity Index

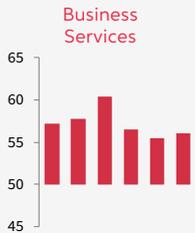
>50 = growth expected over next 12 months



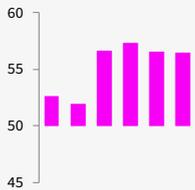
## Services Sub-sectors

### Business Activity Index

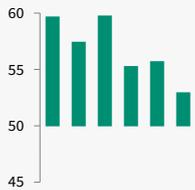
Last six months



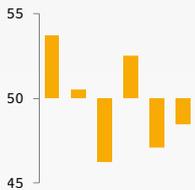
### Financial Services



### Technology, Media & Telecoms



### Transport, Tourism & Leisure



### Business Services

Activity growth in the Business Services sector quickened in August. The rate of expansion was marked and in line with the series average. Inflows of overall new business rose at the slowest pace in six-and-a-half years, but export sales increased for the first time since May. Selling prices rose at the fastest rate in three months, whilst the rate of input price inflation was broadly unchanged from July. Optimism for year-ahead output was the lowest since December 2011.

### Financial Services

Companies in the Financial Services category registered the fastest rise in business activity of all four sectors covered in August. The rate of growth was sharp and matched that seen in July. Overall new order growth was steep and quickened notably from July. Meanwhile, export sales declined for the first time in four months. Employment growth was marked and faster than the long-run series average. Input cost inflation slowed to a four-month low, whilst selling prices rose at the fastest pace in 20 months.

### Technology, Media & Telecoms

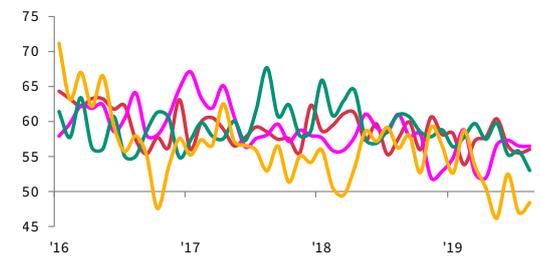
Technology, Media & Telecoms (TMT) firms posted the slowest rise in business activity since June 2013 in August. Moreover, the pace of total new order growth was marginal and the weakest in over eight years. Meanwhile, inflows of new business from abroad rose at the softest pace since July 2016. On the price front, input cost inflation dipped to a five-month low, whilst output charge inflation was the least marked in 14 months.

### Transport, Tourism & Leisure

For the second month running, business activity among Transport & Leisure firms declined in August. That said, the rate of contraction eased from July. In contrast, overall new business growth quickened to a five-month high, amid a softer decline in export sales. Employment rebounded from July's fall, but was up only marginally nonetheless. Input prices rose at the slowest pace in 33 months, with selling prices falling for the first time in three months.

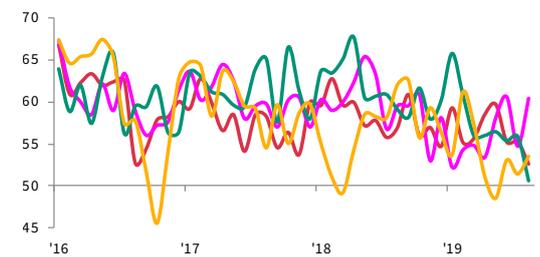
### Business Activity Index

sa, >50 = growth since previous month



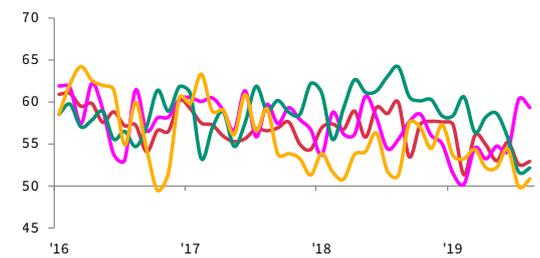
### New Business Index

sa, >50 = growth since previous month



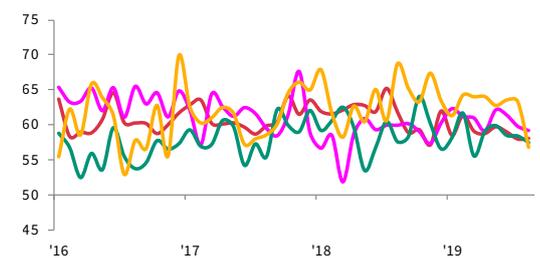
### Employment Index

sa, >50 = growth since previous month



### Input Prices Index

sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Composite Output Index



## Modest rise in output during August

The Composite Output Index\* posted 51.8 in August, the same as in July and indicating a modest expansion of business activity.

Central to the expansion of Irish private sector output was an increase in service sector activity, albeit one that was the weakest since the start of the year. Manufacturers, on the other hand, recorded a further decrease in output, though the rate of contraction eased from July.

Levels of private sector new business rose at the slowest pace since May 2013, driven by the fourth straight decline in manufacturing order book volumes. As with output, service sector order growth slowed from July. Export sales, meanwhile, decreased for the second month running, though the rate of reduction eased from July.

Slower new business growth enabled Irish firms to work through their backlogs in August. The rate of backlog depletion was modest, but the fastest since February 2014.

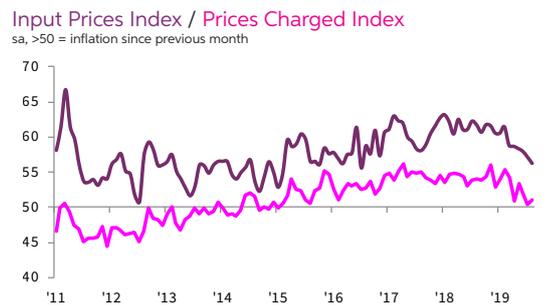
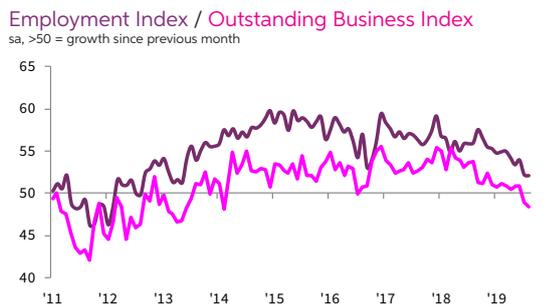
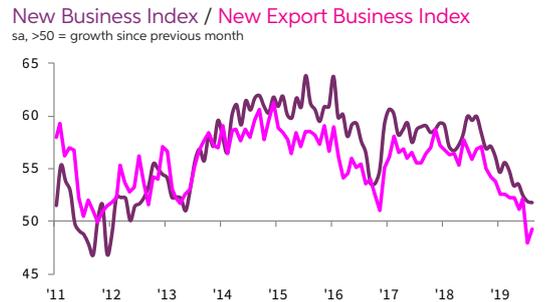
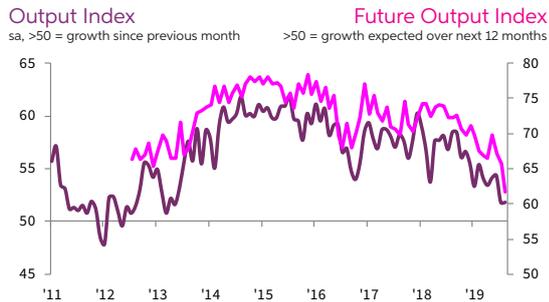
On the employment front, Irish private sector workforce numbers rose modestly and at the

slowest pace since May 2013. Service providers increased their headcounts at the slowest pace in 75 months, whilst manufacturing employment growth picked up slightly.

Input price inflation slowed to a 37-month low, amid the softest increase in service sector cost burdens since November 2016. In contrast, output charge inflation quickened from July.

Sentiment regarding output in the year ahead dropped to a series low during August. Optimism among service providers was the lowest since December 2011, whilst manufacturers were the least confident since July 2016.

*\*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.*



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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.

August 2019 data were collected 12-27 August 2019.

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

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