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## AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

### Service sector activity growth at three-month low

#### Key Findings

**New business rises at weakest pace in two-and-a-half years**

**Employment growth slowest since March 2018**

**Output charge inflation at 52-month low**

Activity growth among Irish service providers, though still solid, eased to a three-month low during April. Meanwhile, the rate of expansion of new orders was the slowest in two-and-a-half years. As a result of softer demand conditions, Irish service providers recorded the weakest payroll expansion since March 2018. On the price front, despite a marked increase in cost burdens, panellists raised their output charges at the weakest rate in 52 months.

The headline seasonally adjusted Business Activity Index posted 54.7 in April, down from 55.3 in March and signalling the slowest rise in business activity in three months. That said, activity growth among Irish service providers was still marked and has been recorded on a monthly basis since August 2012. Activity growth was registered across all four broad sectors, but was fastest among Business Services companies.

In line with the picture for business activity, new order growth eased during April and was the slowest in two-and-a-half years. Although the rate of expansion remained solid amid reports of improved customer demand conditions both domestically and abroad, some panellists indicated that Brexit had negatively impacted on sales. As with business activity, companies operating in the Business Services sector posted the fastest increase in overall new business.

New business from abroad also rose during April, but at a pace that was only slightly stronger than March's 28-month low. Technology, Media and Telecoms (TMT) firms recorded the fastest increase of new business from abroad.

Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

Softer new order growth resulted in a weaker increase of backlogs. Outstanding business rose modestly in April, with the rate of accumulation easing to its slowest in 69 months.

The rate of job creation, despite being marked, eased to a 13-month low during April. 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.

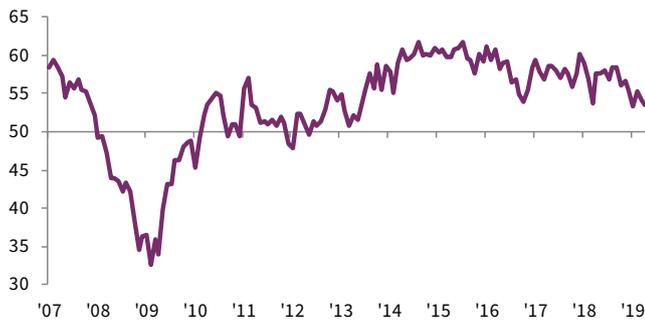
Service providers recorded another above-average increase in input prices during April. The rate of inflation was sharp but dipped to the slowest in over a year. Panellists mainly linked inflation to higher fuel and utilities costs, although there were also reports of greater wage bills.

While the rate of input cost inflation remained sharp, companies increased their output charges at a slower pace. The rate of inflation was modest and eased to the weakest in 52 months.

Looking forward, business confidence improved during April, as service providers remained optimistic that business activity will increase over the coming 12 months. Around 38% of panellists predict a rise in activity over the coming year with expectations of stronger customer demand and investments in new products cited as reasons to be optimistic.

# Output rises at slowest pace in three months

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



Sources: AIB, IHS Markit.

The Composite Output Index\* posted 53.4 in April, down from 54.1 in March and signalling the softest rise in business activity in three months.

Central to the slowdown of Irish private sector output growth were weaker rises in both manufacturing output and services activity, which grew at their slowest rates in 13 and three months respectively.

Moreover, the rate of expansion in private sector new business eased for the second consecutive month to its weakest in almost six years. Both service sector sales and manufacturing order book volumes rose at slower rates in April. This contributed to a softer monthly rise in backlogs of work, which grew at the slowest rate in the current 33-month sequence of expansion.

On the employment front, composite workforce expansion was the slowest in two-and-a-half years, amid a weakening of payroll growth among both Irish manufacturers and service providers. The rate of input price inflation ticked down to a 20-month low during April, as a slower rise in service sector input costs outweighed a quickening of manufacturing purchasing cost inflation. As a result, output charges grew marginally and at the slowest pace since August 2015.

Sentiment towards output over the coming year weakened to its lowest in almost six years amid slower rises in output, new business and employment.

\*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.

## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Services PMI for April printed at 54.7 in April, which was down slightly on its March reading of 55.3. It remained within the 54-56 range that has characterised the index year to date. The April level continues to indicate a strong pace of expansion in business activity in the services sector."*

*"New business though, while still solid at 54.1, experienced the slowest rate of growth for two and a half years. Some respondents noted that Brexit had been a drag on sales in the month. Meanwhile, new export orders picked up modestly in April, after registering a 28 month low in March."*

*"The employment sub index fell to a 13 month low, although at 54.6, it still represented a solid pace of job creation in the sector. Not surprising the more challenging international backdrop and on-going Brexit related uncertainty saw optimism in the sector remain near to the six-and-half-year low recorded in March."*

*"In terms of the four sectors covered in the survey, Business Services and Technology/Media/Telecoms continued to post very strong growth in activity. Solid growth was reported among Financial services firms. Meanwhile, firms in the Transport/Tourism/Leisure industries registered the slowest pace of growth in over a year."*

*"Overall, the AIB Services PMI reading of 54.7 for April suggests that the Irish economy is continuing to expand at a good pace, though not as strong as in recent years."*

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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.

April 2019 data were collected 10-25 April 2019.

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

### About AIB

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### About IHS Markit

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