

Embargoed until 0600 Dublin (0600 UTC) 5 March 2019

AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

Service sector activity rises at faster pace in February

Key Findings

Business activity and new orders increase markedly

Input prices rise at fastest pace since November 2015

Business sentiment lowest since May 2013

Growth of Irish service sector activity accelerated during February, amid a pick-up in new order expansion. Less positive were a slowdown in the pace of job creation and stronger cost inflation. Meanwhile, despite the faster rise in business activity, sentiment among Irish service providers regarding year-ahead activity weakened to its lowest level since May 2013.

The headline seasonally adjusted Business Activity Index posted 55.9 in February, up from 54.2 at the start of 2019 and signalling a marked rise in business activity. Activity among Irish service providers has now increased on a monthly basis since August 2012. At the sector level, Financial Services companies posted the fastest rise in business activity.

Underpinning the faster rise in business activity was a quickening of new order growth in February. The rate of expansion was marked amid reports by panellists of improving economic conditions and successful marketing efforts. Transport & Leisure companies posted the fastest increase in overall new business.

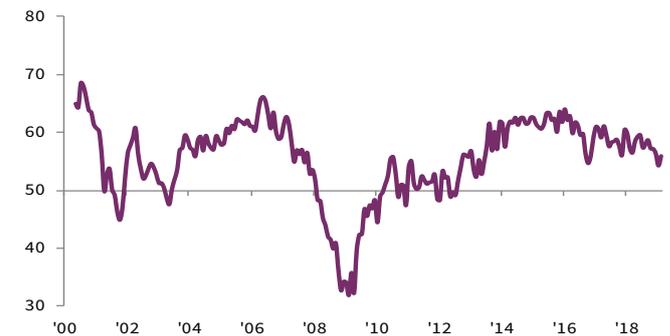
New business from abroad also rose, though at the slowest pace in the current 27-month sequence of expansion. Among the monitored sectors, firms in the Technology, Media & Telecoms (TMT) category led export sales growth, whilst Financial Services companies posted a fourth consecutive decline in foreign demand.

Faster new order growth resulted in a stronger rise in work outstanding, with backlogs rising solidly in February.

Employment growth eased for the second consecutive month in February, posting the slowest increase in staffing

Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

levels since March 2018. Anecdotal evidence from panellists indicated that payroll expansion was curbed by the non-replacement of leaving staff at some firms. Companies operating in the TMT sector posted the strongest expansion in staffing levels.

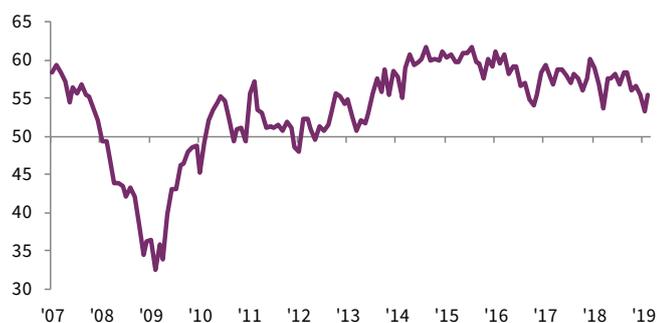
Both input prices and output charges increased at quicker rates during February. The rate of input price inflation was sharp and the fastest since November 2015, amid reports by panellists of greater staffing costs. As a result, selling prices rose at the fastest pace in three months. All monitored categories recorded increases in both input costs and output charges.

Finally, sentiment among Irish service providers eased notably during February to its lowest since May 2013, amid comments by some panellists of Brexit affecting their customer base. That said, the future outlook among Irish service providers was still positive, with expected increases in business activity and greater marketing and sales efforts cited as reasons to be optimistic.

Output rises at faster pace in February

Composite Output Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

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. The Composite Output Index posted 55.4 in February, up from 53.3 at the start of 2019 and signalling a sharp rise in business activity.

Central to the up-turn of Irish private sector output growth were faster rises in both manufacturing production and services activity with the former growing at the fastest pace in three months.

Moreover, the rate of expansion in private sector new business accelerated in February, with both service sector sales and manufacturing order book volumes rising at stronger rates than at the start of 2019. This contributed to a build up in capacity pressures with backlogs accumulating at the fastest pace in three months.

On the employment front, Irish private sector job creation was solid in February. Accelerated payroll growth was seen among manufacturers. On the other hand, service sector employment rose at the slowest pace in almost a year and the rate of composite workforce expansion was only marginally higher than January's 27-month low.

Input cost inflation increased to the steepest in three months during February, as slower manufacturing purchasing cost growth was offset by a quicker rise in service sector input costs. Similarly, output price inflation accelerated to a three-month high.

Despite faster business activity growth in February, sentiment towards output over the coming year weakened to a 67-month low as both manufacturing and service sector optimism eased.

Comment

Oliver Mangan, AIB Chief Economist, commented:

"After four months of declines, the AIB Services PMI rose to 55.9 in February from 54.2 in January. Although still below the levels seen last year, the February reading is consistent with strong growth in business activity in the services sector. It is close to the flash Services PMI February PMI of 56.2 in the strongly growing US economy, and well above the flash Eurozone Services PMI of 52.3 for the same month.

"The pick-up in the Irish index was accompanied by a marked rise in new business, with companies reporting an increase in new domestic orders, as well as stronger demand from the UK. The strengthening in activity saw a rise in the backlog of orders, suggesting that there may be capacity pressures emerging in the sector. There are also signs of increasing inflationary pressures, with rising input costs and output prices.

"Of the four sectors covered in the survey, Financial Services and Transport/Tourism/Leisure posted the strongest growth in business activity, closely followed by Technology/Media/Telecoms. Slower growth was reported among Business Services companies.

"Overall, the pick-up in the AIB Services PMI for February to 55.9 suggests that the Irish economy is continuing to expand at an impressive pace. However, the readings for the opening two months of the year are below the levels seen in 2018. This indicates that while the Irish economy will perform strongly in 2019, it is unlikely to maintain the robust rate of economic growth seen in recent years."

Contact

AIB

Oliver Mangan
AIB Chief Economist
T: +353-1-6417176
E: AIBeconomics.Unit@aib.ie
W: www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-1-641-2869
M: +353-87-739-0743
E: paddy.x.mcdonnell@aib.ie

IHS Markit

Amritpal Virdee
Economist
T: +44-207-064-6460
E: amritpal.virdee@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
E: joanna.vickers@ihsmarkit.com

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.

February 2019 data were collected 12-25 February 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 (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

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.

Disclaimer

This publication is issued by Allied Irish Banks, p.l.c. ("AIB") and is for general information purposes only. This publication should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments or product, securities or any derivative instrument (together, "instruments"), or any other rights pertaining thereto. AIB does not express any opinion as to the present or future value or price of any instruments referred to in this publication.

The information provided in this publication is believed to be valid and accurate on the date it is first published but AIB, along with its directors, officers, or employees, does not accept any liability for any loss arising from the use of the information. The information contained therein, including any expressions of opinion, has been obtained from, or is based on, or compiled from, sources believed to be reliable but its accuracy or completeness is not guaranteed and is subject to change without notice.

Any decision made by a party shall be on the basis of its own research and shall not be influenced or based on any view expressed by AIB in this publication or otherwise. This publication does not address all risks. This publication does not constitute investment advice or a recommendation and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments and/or pursuing any investment strategies. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any instruments, forecasts are not a reliable indicator of future performance.

This publication is not to be reproduced in whole or in part without the prior express written consent of AIB. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.