



# AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

## Service sector continues to take off in June, accompanied by inflation

### Key Findings

**Sharpest growth in activity and new work since January 2016**

**Strongest input price inflation since July 2008**

**Jobs growth approaches four-year high**

Data were collected 11-25 June 2021.

AIB PMI® survey data for June showed a continuing steep rebound in the Irish service sector, as lockdown restrictions were lifted and more sectors of the economy reopened. Total activity, new work and outstanding business all increased at the fastest rates since January 2016, while employment rose the most since September 2017. The 12-month outlook remained strongly positive as firms expect a continued recovery from the pandemic. Less positively, input price inflation reached the highest in nearly 13 years.

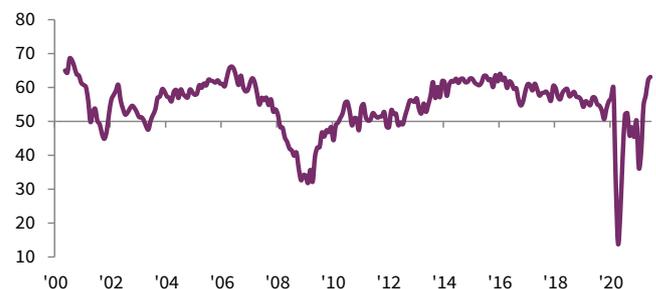
The headline figure is the Services Business Activity Index, a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 remained above the no-change mark of 50.0 for the fourth successive month in June, rising to 63.1 from 62.1 in May. The latest figure signalled the fastest rate of growth since January 2016. Over the second quarter as a whole the Index trended at 61.0, a marked turnaround from the lockdown-influenced 44.0 in the first quarter and the highest quarterly figure since Q1 2016. The month-on-month rise in the Index in June was, however, the smallest in the current growth sequence.

Growth of activity was broad-based by sub-sector for the third consecutive month in June. The strongest rate of growth was signalled in Transport, Tourism & Leisure (71.2), which almost equalled the record rate of expansion set in September 2000. Growth eased since May in Technology, Media & Telecoms (62.6) and Business Services (60.3), and accelerated in Financial Services (60.8).

Ireland Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

The surge in demand for services continued in June, with new business increasing for the fourth month running and at the fastest rate since January 2016. Firms reported new work linked to business reopenings and the lifting of lockdown restrictions. Data indicated that domestic demand remained the main growth driver, as new export business continued to increase more slowly than total new work. By sub-sector, new business increased most in Transport, Tourism & Leisure, which set a new record rate of growth.

The ongoing revival in demand led to greater pressure on business capacity in June. The level of outstanding work rose for the fourth month running, and at the fastest rate since January 2016. Backlogs rose across all four monitored sub-sectors, led by Business Services and Transport, Tourism & Leisure.

Incomplete work rose despite a faster rate of workforce growth in June. Service sector employment increased for the fourth successive month, and at the strongest pace since September 2017. Job creation was most prominent in Technology, Media & Telecoms.

Services sector companies in Ireland remained highly optimistic regarding the 12-month outlook for business activity in June. Sentiment eased only slightly since May and was the second-strongest since September 2017.

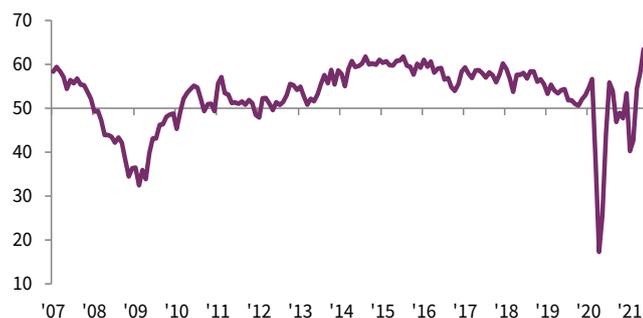
June data indicated a further intensification of inflationary pressures in the Irish service sector. The rate of input price inflation accelerated for the fourth time in five months to the highest since July 2008. Fuel, wages, insurance, utilities, freight and Brexit-related costs were all reported to have risen during the month. Companies continued to pass on higher costs to end customers in June, with average prices charged rising at the fastest rate since November 2018.

## AIB Ireland Composite PMI®

# Output growth remains close to May's record pace in June

Composite Output Index

sa, &gt;50 = growth since previous month



Sources: AIB, IHS Markit.

Irish private sector output continued to expand at a record pace in June, spurred on by a faster rise in new business. Employment grew at the strongest rate in three-and-a-half years, but this failed to prevent another record increase in outstanding business.

The Ireland Composite Output Index registered 63.4 in June, little-changed from May's record high of 63.5 and signalling another marked expansion in private sector business activity. Both manufacturing and services registered sharp rates of growth, with a slight easing of growth in the former offset by an acceleration in the latter.

The volume of new business received by private sector firms increased for the fourth month running, and at the fastest rate since January 2016. Moreover, it was the third-sharpest rate of expansion in the series history. The level of incomplete work increased for the fourth month running, and at a rate unchanged from May's all-time high.

Private sector jobs were added for the seventh consecutive month in June, and at the fastest rate since December 2017. Manufacturers continued to hire at a stronger rate than service providers, although the differential narrowed notably in June.

Input price inflation reached the highest since October 2000 in June, with the manufacturing sector almost setting a new survey record. Output prices increased at the fastest rate since that series began in September 2002.

\*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 for June shows that growth in the sector remained very strong in the month. The business activity index rose to 63.1 from 62.1 in May and 57.7 in April, its highest level since January 2016, driven by a release of pent-up demand as more lockdown restrictions were eased. This is in line with trends elsewhere, with the flash Services PMIs for June standing at 61.7, 58.0 and 64.8 in the UK, Eurozone and US, respectively.*

*"The June data signalled surging demand in the Irish economy, with new business increasing at its fastest pace in five and a half years. Growth in new export business, while improving, is not nearly as strong. It has been held back in part by a continuing contraction in business from overseas in Transport & Tourism.*

*"Growth in overall business activity, though, was very strong across all four sub-sectors in the survey for the third consecutive month. Exceptionally strong growth was recorded in the Transport/Tourism/Leisure sector as hospitality started to re-open. The pick-up in new business resulted in a further marked rise in the volume of outstanding work for the fourth month in a row. Meanwhile, employment expanded particularly strongly in June.*

*"Cost pressures continue to intensify, with input price inflation hitting its highest level since 2008 on a broad range of price rises. Prices charged to customers increased at a more moderate pace, pointing to a continuing margin squeeze in the sector. Firms in all four sub-sectors, though, are very optimistic on the 12-month outlook, with the Future Activity index at its second highest level since September 2017."*

## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353-1-6417176  
E: [AIBeconomics.Unit@aib.ie](mailto:AIBeconomics.Unit@aib.ie)  
W: [www.aibeconomics.com](http://www.aibeconomics.com)

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

Graham Union  
AIB Press Office  
T: +353-1-6412430  
M: +353-85-2088343  
E: [Graham.X.Union@aib.ie](mailto:Graham.X.Union@aib.ie)

### IHS Markit

Trevor Balchin  
Economics Director  
T: +44-1491-461-065  
[trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto: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.

Data were collected 11-25 June 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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 (NYSE: 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 © 2021 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. <https://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.