

Embargoed until 0600 Dublin (0600 UTC) 5 February 2019

# AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

## Service sector activity growth slowest since May 2013

### Key Findings

**Business activity growth slows for fourth successive month**

**New order growth slowest since October 2016**

**Employment growth at ten-month low**

Activity growth among Irish service providers slowed at the start of 2019 for the fourth successive month and was the weakest since May 2013. Meanwhile, the rate of expansion of new orders dipped to its slowest since October 2016. As a result of softer demand conditions, Irish service providers eased payroll expansion to the slowest pace in ten months.

The headline seasonally adjusted Business Activity Index posted 54.2 at the start of 2019, down from 56.3 in December and signalling the lowest reading in 68 months. That said, activity growth among Irish service providers was still solid 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 at the start of 2019 to its slowest pace since October 2016, amid reports of softer customer demand. At the sector level, Technology, Media & Telecoms (TMT) firms posted the fastest increase in overall new business.

New business from abroad also rose, though at a slower pace than in December. As with total new orders, the Technology, Media & Telecoms (TMT) sector led growth of new business from abroad.

Softer new order growth resulted in a weaker increase of backlogs. Outstanding business rose modestly in January, with the rate of accumulation easing to its slowest since September 2016.

The rate of job creation eased from December to a ten-month low at the start of 2019. Where employment rose,

Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

panellists reported hiring staff in expectation of greater customer demand in coming months. As was the case with new business, the TMT sector posted the strongest expansion in staffing levels.

Service providers recorded another above-average increase in input prices at the start of 2019, despite the latest rise being weaker than in December. Panellists mainly linked inflation to higher staffing costs, although there were also reports of increased fuel costs.

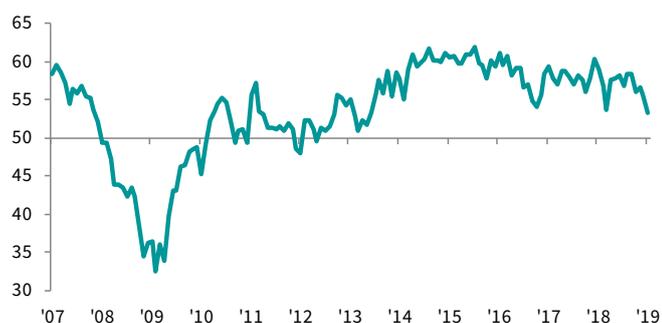
Companies responded to the slip in input cost inflation by increasing their output charges at a slower rate. The pace of increase was solid but dipped to a three-month low. Financial Services companies left their output prices unchanged in January.

Looking forward, business confidence ticked up to its highest in three months at the start of 2019 as service providers remained optimistic that business activity will increase over the coming 12 months. Close to 44% of panellists predict a rise in activity over the coming year with expectations of stronger customer demand, improved export orders and business investments cited as reasons to be optimistic.

## Output rises at slowest pace since June 2013

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 53.3 at the start of 2019, down from 55.5 in December and signalling the weakest monthly rise in business activity since June 2013.

Central to the slowdown of Irish private sector output growth were weaker rises in both manufacturing production and services activity which grew at their slowest rates in ten and 68 months respectively.

Moreover, the rate of expansion in private sector new business eased for the second consecutive month to its weakest in 27 months. Both service sector sales and manufacturing order book volumes rose at slower rates in January. This contributed to a softer monthly rise in backlogs of work, which grew at the joint-slowest pace in the current two-and-a-half year sequence of expansion.

On the employment front, composite workforce expansion was the slowest pace since October 2016, amid a weakening of payroll growth among Irish manufacturers and service providers.

The rate of input price inflation was unchanged during January, as a slower rise in service sector input costs was offset by a quickening of manufacturing purchasing cost inflation. Output charge inflation accelerated in pace, as a result of a pick-up in factory gate charges.

Sentiment towards output over the coming year weakened to its joint-lowest in 28 months amid slower rises in output, new business and employment.

### Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The decline in business activity in the AIB Services PMI for January to its lowest level since May 2013 will likely capture most of the headlines. However, the index reading of 54.2 in January still represents a strong pace of expansion in the sector. It is also well above the flash January Services PMI for the Eurozone, which came in at 50.8, and is right in line with the flash January Services PMI reading of 54.2 in the strongly growing US economy.*

*"Nevertheless, it is a significant move down to 54.2 in January's services business activity index from its levels of 56.3 in December and 57.1 in November. The decline in the other components of the PMI survey, though, was much less pronounced, most notably new export business and employment. Indeed, quite encouragingly, business expectations in the survey rose to a three month high. Furthermore, business activity actually picked up in two of the four sectors in the survey, financial services and business services. It declined in the other two, Technology/Media/Telecoms and Transport/Tourism/Leisure.*

*"Overall, though, the January AIB Services PMI signals a somewhat slower start to 2019 for the economy, after the robust rate of expansion recorded in the past number of years. It suggests that growth in the Irish economy is likely to slow this year, which is hardly surprising given the loss of momentum in the global economy in recent times."*

---

## 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)

### IHS Markit

Amritpal Virdee  
Economist  
T: +44-207-064-6460  
E: [amritpal.virdee@ihsmarkit.com](mailto:amritpal.virdee@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44-207-260-2234  
E: [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.

January 2019 data were collected 11-28 January 2019.

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 (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](http://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.

---