



# AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

## Service sector growth accelerates in May as restrictions ease

### Key Findings

**Sharpest rise in business activity since March 2016**

**Strongest input price inflation since July 2008**

**Outlook for activity brightens for fourth straight month**

Data were collected 12-25 May 2021.

The latest PMI® survey data from AIB signalled a marked pick-up in growth across the Irish services economy in May, as pent-up demand was released with the loosening of lockdown restrictions. Total activity increased at the fastest rate since March 2016 following the fastest rise in new work for over four years. Employment growth strengthened and the 12-month outlook was the brightest since September 2017. The latest survey also revealed the strongest cost pressures for 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 increased sharply for the fourth successive month to 62.1 in May, from to 57.7 in April, pointing to an accelerating rate of growth in Irish services output as COVID-19 restrictions were further eased. The pace of expansion was the strongest since March 2016. In comparison, the Index has trended at 54.8 since its inception in May 2000.

Activity growth was broad-based across all four sub-sectors for the second successive month in May. The fastest expansions were recorded in Technology, Media & Telecoms (70.6) and Business Services (64.3), with both sub-sectors achieving much stronger growth than in April. Financial Services (56.3) also recorded strong growth, albeit the weakest in the current three-month upturn. Transport, Tourism & Leisure (55.8) registered the fastest rise in activity since July 2020, but still the weakest growth among the four sub-sectors.

Ireland Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

The loosening of lockdown restrictions resulted in the release of pent-up demand in May, translating into the sharpest rise in new business since February 2017. This was clearly driven by the domestic market as new export business growth slowed notably since April. All four sub-sectors registered higher new work in May, led by the Technology, Media & Telecoms sub-sector.

Irish service providers were increasingly bullish regarding the 12-month outlook in May, as they expect a boost to business as lockdown restrictions are lifted further and the COVID-19 pandemic recedes. Overall sentiment was the strongest since September 2017.

Capacity pressures continued to build in May as new business growth accelerated, with the rate of expansion in outstanding work unchanged from April's near-three year high. Incomplete work rose especially sharply in the Technology, Media & Telecoms and Business Services sub-sectors, while backlogs were broadly unchanged in Transport, Tourism & Leisure.

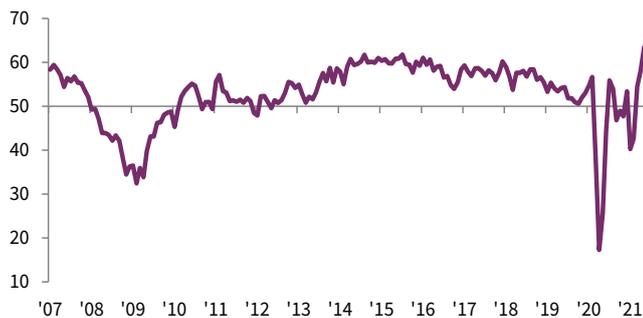
The stronger rise in outstanding business occurred despite a faster expansion in service sector employment in May. Jobs were created for the third successive month, and at the sharpest rate since February 2020. Employment rose sharply in Technology, Media & Telecoms and Business Services. Transport, Tourism & Leisure registered only a marginal increase in staffing while job levels were largely unchanged in Financial Services.

May data signalled a notable acceleration in cost inflationary pressures at Irish service providers in May. The rate of input price inflation hit the highest since July 2008, driven by range of sources including labour, fuel, insurance, Brexit, energy and freight charges. Higher costs were partially passed on to customers, as charges levied by service providers rose at the fastest rate since November 2019.

## AIB Ireland Composite PMI®

# Irish private sector output grows at fastest pace on record in May

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



Sources: AIB, IHS Markit.

Ireland's growth rate surged in May, with the combined output of the manufacturing and service sectors rising at the fastest rate since data were first available in 2000.

The Ireland Composite Output Index registered 63.5 in May, up from April's 58.1 and signalled the fastest rate of growth since the series began in May 2000. Goods production increased at a record pace, while services activity expanded the most since March 2016. Manufacturing production continued to grow at a stronger rate than services output.

New business increased at the fastest pace since January 2016, and the fourth-strongest on record. Moreover, outstanding business grew at a record rate for that series (since September 2002).

The recovery in Ireland's private sector labour market continued in May, with employment rising for the sixth consecutive month and at the fastest rate since September 2018. Manufacturers continued to drive the pace of job creation.

Input price inflation accelerated for the fifth successive month in May, reaching the highest since July 2008. Manufacturers continued to see much steeper increases in input prices than service providers, although the differential narrowed in the latest period. Companies passed on higher costs to customers, with output prices increasing at a record pace in May (since 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 May shows that growth in the sector accelerated further. The business activity index rose to 62.1 from 57.7 in April, its highest level in over five years, driven by a release of pent-up demand as lockdown restrictions were eased. This is in line with trends elsewhere, with the flash Services PMIs for May rising to 61.8, 55.1 and 70.1 in the UK, Eurozone and US, respectively.*

*"The May data signalled surging demand in the Irish economy, with new business increasing at its fastest pace since early 2017. By contrast, growth in new export business slowed, held back in particular by a contraction in business from overseas in the Transport and Tourism sector, no doubt due to continuing restrictions on international travel.*

*"That said, it was encouraging to see that the growth in overall activity was broad-based across all four sub-sectors in the survey for the second consecutive month. Exceptionally strong growth was recorded in the Technology/Media/Telecoms and Business Services sectors. The pick-up in new business resulted in a marked rise in the volume of outstanding work for the third month in a row. Meanwhile, employment also expanded strongly for the third month running.*

*"Cost pressures continue to build, with input price inflation hitting its highest level since 2008 on a broad range of price increases. 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 hitting its 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 12-25 May 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.