



AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

Service providers increase charges at survey-record rate in April

Key Findings

Fastest rise in charges since survey began in 2000

Second-fastest rate of input price inflation on record

Further marked increases in activity and new business

Data were collected 11-26 April 2022.

The April AIB PMI® survey data signalled further strong growth in Irish services activity, but a record increase in prices charged as firms grappled with rising costs. Inflation concerns and the war in Ukraine continued to undermine the 12-month outlook, which picked up only slightly since plunging in March following the invasion. More positively, employment increased at another marked pace and the Transport, Tourism & Leisure sector's strong recovery continued.

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 eased from March's five-month high of 63.4 to 61.7 in April, signalling another rapid increase in Irish service sector output. Growth has been maintained every month since March 2021, and has registered above the long-run survey trend level (Index reading of 55.1) since April 2021. That said, April's month-on-month easing in the pace of growth was the first registered in 2022 so far.

Growth rates eased in three of the four monitored areas of the services economy in April, but remained well above their long-run averages in each case. The fastest overall expansion was again seen in Transport, Tourism & Leisure (69.2), where growth eased from March's near-record pace but remained among the fastest registered since the survey began in 2000. Financial Services was the next-fastest growing sector (63.3) followed by Technology, Media & Telecoms (60.3), which was the only segment to record a faster expansion than in March. Business Services (56.2) posted the

Ireland Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global.

slowest growth in 2022 so far.

Inflows of new business at Irish service providers continued to increase sharply in April. The rate of growth was slightly down on February and March, but still well above the long-run survey average. Growth was linked to the continued easing of pandemic restrictions, and was again strongest in Transport, Tourism & Leisure as consumer-facing sectors continued to fully reopen. International demand for Irish services continued to expand sharply, reportedly driven by consumers and UK business.

Service providers continued to increase their staffing in April, linked to rising workloads and efforts to replace previous leavers. The rate of job creation eased for the first time in four months, but was nonetheless among the fastest seen over the past three years and well above the long-run survey average.

Rising employment helped firms to manage business capacity in April, as shown by a slower rise in outstanding work than in February and March. That said, pressure on capacity remained strong overall with some firms reporting a lack of resources to cope with demand.

Pressure on input costs remained severe in April, linked to wages, energy, fuel, insurance, shipping, food and oil. The war in Ukraine and Brexit also mentioned as driving inflationary pressures. The rate of input price inflation eased from March's peak but was the second-highest on record. Surging costs drove a record increase in prices charged by service providers in April, with almost one-in-three firms raising their prices.

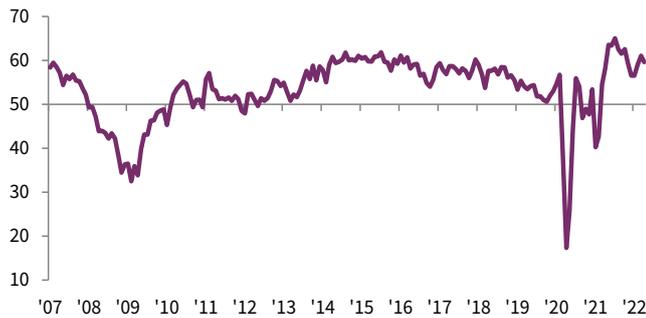
Concerns over inflation and the ongoing war in Ukraine continued to dampen confidence in April. Expectations for activity picked up slightly since March, but were the second-weakest since the first month of 2021.

AIB Ireland Composite PMI®

Companies hike charges at record pace in April as costs continue to surge

Composite Output Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global.

Private sector firms in Ireland increased their prices at the fastest rate on record, following another rapid increase in input costs. Output, new business and employment all rose strongly, with the latter expanding at the fastest rate since August 2021. The 12-month outlook for activity picked up slightly since March's 15-month low but remained relatively subdued, reflecting ongoing concerns over the impact of the war in Ukraine and inflation.

The Ireland Composite Output Index registered 59.6 in April, down from March's five-month high of 61.0 but still indicative of a strong rate of growth in private sector activity. In comparison, the Index has trended at 54.1 since it was first compiled in May 2000. Output has risen continuously since March 2021 and the Index has averaged 60.2 over this period.

Data by sector indicated strong growth in both manufacturing output and services activity, although the latter easily outpaced goods production for the third straight month, partly reflecting the reopening of consumer services sectors.

April data also revealed further severe inflationary pressures, with input price inflation down only slightly on March's record high, and an unprecedented increase in output prices.

*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 showed continuing very strong growth in the sector in April. The Business Activity Index eased from March's five-month high of 63.4 to 61.7. It was the third consecutive month that the index has been above 60 as the recovery in services activity continued to gain momentum following the lifting of COVID restrictions earlier in the year.

"There was another sharp rise in new business, including exports, as demand continued to strengthen, with employment growth remaining firm. Strong growth in activity was evident once more in all the four sub-sectors covered in the survey. Most notably, growth was again strongest in Transport, Tourism & Leisure. Indeed, it registered the fastest growth of all four sectors for total activity, new business, exports, outstanding business and employment.

"The rebound in demand is putting growing pressure on operating capacity, with another significant rise in outstanding business in the month. Some firms reported a lack of resources to cope with the marked pick-up in demand. The Future Activity Index, though, remained below its long-run average as ongoing concerns around the war in Ukraine and high inflation dampened confidence about the 12-month outlook for activity.

"In this regard, businesses continued to experience severe upward pressure on input prices, in particular from higher wages, energy, fuel, insurance, shipping and food costs. The rate of input price inflation was the second fastest in the 21-year history of the survey. Meantime, the prices charged by service providers rose at a record pace for the second month in a row as higher costs were passed through to customers."



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Methodology

The AIB Ireland Services PMI® is compiled by S&P Global 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 11-26 April 2022.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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