



# AIB Ireland Services PMI®

Including AIB Ireland Composite PMI®

## Services sector continues to expand rapidly in September

### Key Findings

**September completes strongest quarter since Q2 2006**

**New and outstanding business continue to rise sharply**

**Input price inflation highest since December 2000**

Data were collected 13-27 September 2021.

The latest AIB PMI® survey data signalled another rapid rise in Irish services output in September. The pace of expansion was unchanged from August, and rounded off the strongest quarter of growth since the second quarter of 2006. New and outstanding work both continued to expand sharply while jobs were added at a robust pace, albeit one that slowed further from July's recent multi-year peak. Cost pressures in the service sector reached their highest since December 2000, while charge inflation eased slightly but remained strong.

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.

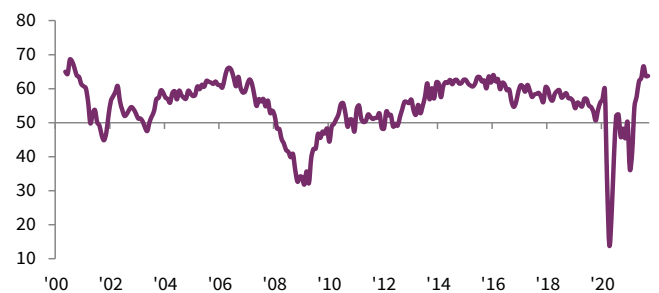
The Services Business Activity Index registered 63.7 in September, unchanged since August and signalling another rapid increase in Irish services output. Over the third quarter as a whole the Index registered 64.7, the strongest quarterly average since the second quarter of 2006 and the third-highest since the series began in 2000.

Growth rates remained strong across all four sub-sectors. Financial Services (68.0) registered the fastest increase in activity – the strongest in nearly seven years – followed by Business Services (64.1) which also posted a quicker expansion than in August. These trends were offset by slower growth in Transport, Tourism & Leisure (61.5) and Technology, Media & Telecoms (60.5).

Total services activity was lifted by a further sharp rise in demand in September. The volume of new business rose for the seventh month

Ireland Services Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, IHS Markit.

running, at a rate that remained historically sharp and accelerated since August. Firms linked growth to the continued easing of restrictions, employees returning to workplaces and recovering tourism. Financial Services registered a notable acceleration in growth of new contracts during the month.

With demand for services remaining strong, pressure remained on business capacity. The level of outstanding business rose for the seventh month running, and the rate of expansion remained elevated. On a quarterly basis, incomplete work rose in the third quarter as the fastest rate since the third quarter of 2000.

The latest build-up of work outstanding occurred despite continued investment in staffing in September. Service sector employment rose for the seventh month running, and the rate of growth remained strong despite easing to a four-month low. Rapid increases in jobs in the Technology, Media & Telecoms and Business Services sectors contrasted with only modest increases in Financial Services and Transport, Tourism & Leisure.

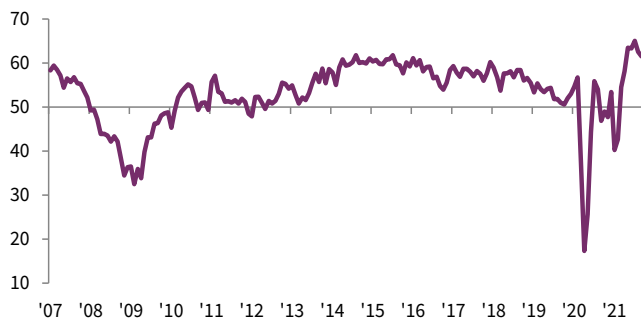
Companies remained strongly confident of growth over the coming 12 months. Sentiment regarding expected business activity remained above the long-run survey average, with confidence again highest in the Technology, Media & Telecoms and Financial Services sectors.

Cost pressures at service providers continued to build in September. Input price inflation accelerated for the seventh time in eight months to the highest since December 2000. Fuel, labour, insurance, UK suppliers and shipping were all highlighted as up in price during the month. By sector, Transport, Tourism & Leisure posted the sharpest cost inflation for the fourth straight month. Greater costs continued to be passed on to customers in September with charges rising at one of the strongest rates in the survey history, albeit one that eased since August.

## AIB Ireland Composite PMI®

## Private sector output growth remains strong, but eases further from July record

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



Sources: AIB, IHS Markit.

The combined output of the Irish manufacturing and services sectors rose sharply again in September, albeit at the slowest rate in five months. Expansions in new work, backlogs and employment also slowed, while price pressures intensified.

The Ireland Composite Output Index registered 61.5 in September, down from 62.6 in August. The latest figure signalled strong overall growth, but a further moderation since July's series record. The latest easing in growth reflected the manufacturing sector, as services activity expanded at a rate unchanged on August.

New business also rose strongly in September, but at the slowest rate since April. This again reflected a loss of momentum in manufacturing, as services new business growth accelerated.

Private sector employment increased for the tenth successive month in September, albeit at the slowest rate since April. Service providers continued to expand workforces at a faster rate than manufacturers, as has been the case throughout the third quarter.

Cost pressures intensified further in September to the highest since May 2000. Manufacturing input price inflation hit a new record high (since 1998). Private sector output charges increased at the strongest 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 September showed that the sector continues to experience very strong growth. The business activity index was unchanged from August at 63.7, the second highest reading since January 2016. The index has been comfortably above 60 for five consecutive months. This highlights the very sharp rebound in services activity as pent-up demand is released amid the on-going easing of Covid-19 restrictions.*

*"The continuing very high Irish PMI readings contrasts with the easing trend seen in other European countries. The flash Services PMIs fell to 56.3 in the Eurozone and 54.6 in the UK in September. This may reflect that restrictions started to be eased here at a later stage.*

*"The sub-components of the Irish PMI showed little change in September from the robust levels recorded over the summer months. Indeed, growth in new business accelerated from August, with a notable strengthening in new export business. Meanwhile, firms remain very optimistic on the 12 month outlook for business.*

*"The strong growth in business activity was evident across all four sub-sectors of the services survey. Financial services registered the fastest increase, the strongest in nearly seven years. With demand for services rising strongly, there was a further marked increase in outstanding business in September. Not surprisingly, then, the sector posted another strong rise in employment for a seventh consecutive month.*

*"Meanwhile, cost pressures continue to build. Input price inflation picked up to its highest level since December 2000 on a broad range of price rises. This saw prices charged to customers increase at their second fastest pace since February 2001."*

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### 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 13-27 September 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About AIB

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