

AIB Ireland Services PMI®

Services growth weakens in July

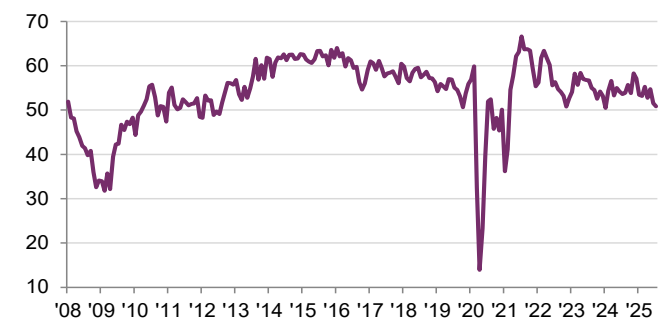
Key findings

Weak growth of both new business and total activity

Input price inflation joint-weakest in over four years

Business expectations improve but remain relatively subdued

AIB Ireland Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

The latest AIB Ireland Services PMI® survey data signalled only weak growth at service sector companies in July. Activity and new business rose marginally, and expectations remained subdued despite improving since June. Employment rose more slowly and the volume of outstanding business was little-changed on the month. Cost pressures eased to a ten-month low, while prices charged by service providers increased at a rate unchanged on June's four-year low.

The AIB Ireland Services Business Activity Index is 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 seasonally adjusted AIB Ireland Services Business Activity Index fell to 50.9 in July, from 51.5 in June, signalling a marginal rate of expansion and the weakest since January 2024. Growth of business activity has been maintained every month since March 2021, but the latest increase was the third-weakest over this sequence.

Three sectors registered growth of activity in July. Technology, Media & Telecoms (52.2) recorded a much slower expansion, while Business Services and Financial Services (both 51.6) posted only modest growth. Transport, Tourism & Leisure (47.0) registered a fifth successive monthly decline in activity, but at a slower rate.

Weaker growth of business activity at the start of the third quarter mainly reflected a further slowdown in new business expansion. The rate of growth in demand for

services in Ireland was among the slowest recorded in the current upturn which began in March 2021. Transport, Tourism & Leisure posted a fifth successive decline in new work, and at a faster rate, while growth slowed in Business Services and Technology, Media & Telecoms. Financial Services registered a slight rise in new business following June's decline. International new business rose at a similarly weak rate as total sales, although this represented a slight improvement from June's contraction.

Although new business intakes almost stalled in July, Irish service providers continued to increase their workforces. The pace of job creation was, however, the weakest in the current six-month period of hiring growth and below the long-run survey average. Only two sectors, Financial Services and Technology, Media & Telecoms, posted higher staffing, with marginal falls seen in Business Services and Transport, Tourism & Leisure.

The level of outstanding business stabilised in July, having declined for the first time in over a year in June. A further decrease in work-in-hand in Business Services was offset by weak to modest increases in the other three sectors monitored.

Irish service providers were more optimistic of growth of total activity at their units over the next 12 months. The overall degree of confidence was the strongest since March, but remained subdued in the context of historic survey data as uncertainty persisted. Growth forecasts were linked to new products, investment and pent-up infrastructure demand. By sector, expectations for activity were strongest in Financial Services and weakest in Transport, Tourism & Leisure.

July data signalled a fourth successive monthly easing in

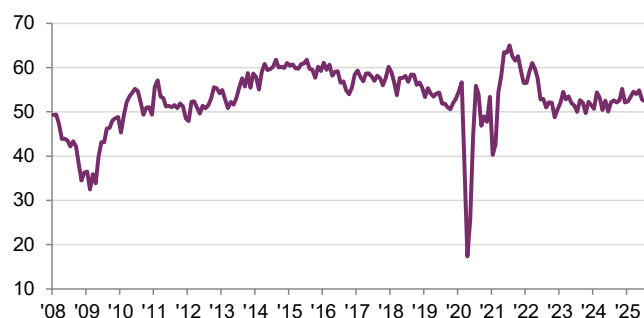
cost pressures in the Irish services sector. Average input prices increased at the joint-weakest rate since February 2021, and one that was below the long-run survey trend. Technology, Media & Telecoms registered the softest cost pressures during the latest period, and Transport, Tourism & Leisure the strongest.

Service providers raised their charges at a rate unchanged from June's four-year low, as market conditions remained subdued. Technology, Media & Telecoms posted no change in charges since June, in contrast to a sharp increase in Transport, Tourism & Leisure.

AIB Ireland Composite PMI®

Output growth eases further in July

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



Sources: AIB, S&P Global PMI.

Irish private sector output and new orders both expanded at slower rates in July, with the services sector registering only marginal increases.

The AIB Ireland Composite PMI® Output Index* registered 52.5 in July, down from June's 52.8 and signalling the weakest rate of expansion since January. The Index was below the long-run trend (Index average of 53.9 since 2000). The further easing in overall growth was driven by the service sector, with manufacturing production rising at a pace broadly similar to June's solid rate.

New business rose at the slowest rate since September 2024, with growth easing in both manufacturing and services. That said, work-in-hand rose slightly in July, having fallen in June. Employment growth was slightly stronger than the long-run trend.

Input price inflation picked up from June's seven-month low but remained below the long-run average. Charge inflation was unchanged from June and solid overall.

*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.

Comment

Commenting on the survey results, David McNamara, AIB Chief Economist, said:

"The AIB Irish Services PMI for July shows a further easing in growth in the sector, with the index dipping to 50.9 from 51.5 in June. This marks the slowest pace of growth since January 2024, driven by softer output, new business and hiring activity. Overall, the rate of growth in the Irish services sector underperformed the Eurozone, US, and UK flash PMIs at 51.2, 55.2, and 51.2, respectively.

"New business grew at a marginal pace in July, one of the slowest expansions in the current sequence that began in 2021. From a sectoral perspective, just three of the four sub-sectors expanded output and new business on the month. Technology, Media & Telecoms (TMT) remained the best performing of the four sub-sectors, but saw a significantly weaker pace of growth, slightly ahead of gains in the Business & Financial Services sectors. Transport, Tourism & Leisure registered a decline in activity once again in July, for a fifth consecutive month. Overall, employment growth cooled further on the month, with modest jobs growth in just two sub-sectors – Financial Services and TMT.

"On the inflation front, input price growth was in line with last month - the slowest input inflation rate since September 2024. The prices charged index was also in line with the June reading – itself the lowest level in over four years. Despite the weak current activity level, firms in the Irish services sector remained optimistic on the prospects for expansion in activity levels over the coming 12 months, with sentiment ticking up slightly on last month. While many noted economic uncertainty, most continue to expect sales growth in the coming year."

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Survey 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. Data collection began in May 2000.

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.

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

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