

AIB Ireland Services PMI®

Service sector growth weakens in June as new business expansion slows

Key findings

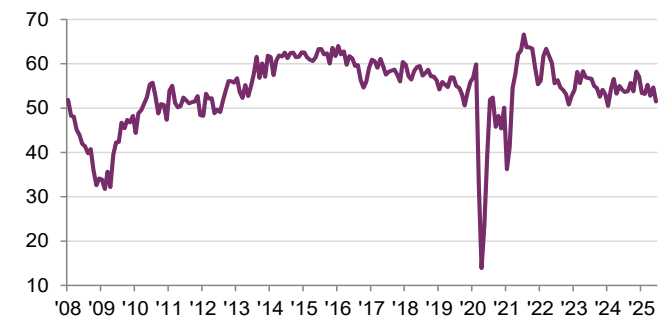
Activity, new business and jobs all rise only modestly

Weakest rise in charges for over four years

Expectations remain close to April's post-pandemic low

AIB Ireland Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

AIB Ireland Services PMI® survey data for June indicated a significant loss of momentum in the services economy at the halfway mark of 2025. Activity, new business and employment all rose only modestly, and expectations remained close to the post-pandemic low. International demand contracted for the first time since October 2023. Cost pressures eased to a nine-month low, while service providers raised their charges at the slowest rate in over four years.

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 51.5 in June, from 54.7 in May, signalling a modest rate of growth and the weakest since January 2024. That said, growth of business activity has been maintained every month since March 2021.

Only two sectors registered growth of activity in June. Technology, Media & Telecoms (59.0) recording a further sharp expansion of business activity, while Business Services (54.0) posted solid growth. Transport, Tourism & Leisure (44.3) registered a fourth successive monthly decline in activity and at the fastest rate since October 2023, while Financial Services (48.0) contracted for the first time since January 2021.

The weaker increase in business activity reflected a loss

of momentum in growth of new work in June. The rate of expansion was among the slowest recorded in the current upturn which began in March 2021. Similar to activity, growth in new work was limited to Technology, Media & Telecoms and Business Services. Transport, Tourism & Leisure posted a fourth successive decline and Financial Services also recorded lower new contracts. International new business across the service economy as a whole fell for the first time since October 2023.

Irish service providers increased their workforces at a slower rate in June, in line with weaker gains in new business and total activity. The pace of job creation was the weakest in the current five-month period of hiring growth, and below the long-run survey average. While Financial Services and Business Services registered moderate increases, Technology, Media & Telecoms posted broadly no change and Transport, Tourism & Leisure saw only a fractional rise in staffing.

The level of outstanding business declined in June, ending a 16-month sequence of increases. Three sectors posted declines, most notably in Financial Services. Technology, Media & Telecoms recorded only a slight increase.

Irish service providers continued to forecast growth of total activity at their units over the next 12 months. Confidence was attributed to new products, investment, customer growth, expansion into UK markets, infrastructure demand and recruitment. That said, the overall degree of confidence remained close to April's post-pandemic low. Firms mentioned that an uncertain economic outlook, geopolitical tensions and the cost of living crisis all weighed on sentiment. By sector, expectations for activity were strongest in Technology, Media & Telecoms and weakest in Business Services.

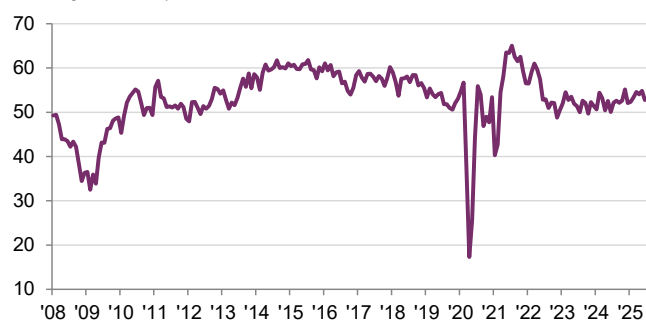
June data signalled a third successive monthly easing in cost pressures at Irish service providers. Average input prices increased at the weakest rate in nine months, and one that was below the long-run survey trend. Business Services and Technology, Media & Telecoms registered the softest cost pressures during the latest period.

With demand growth and cost pressures easing, service providers raised their charges at the slowest rate since April 2021. Moreover, Business Services registered lower charges for the first time in over four years.

AIB Ireland Composite PMI®

Slowest rise in private sector output since January

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



Sources: AIB, S&P Global PMI.

June data revealed slower growth of output and new orders in the Irish private sector, although the rate of job creation was the highest in ten months and confidence improved.

The AIB Ireland Composite PMI® Output Index* registered 52.8 in June, down from May's six-month high of 54.9. The latest figure signalled a moderate rate of expansion that was the weakest since January and below the long-run trend (Index average of 53.9 since 2000). The deceleration in overall growth since May was driven by the service sector, but manufacturing production also rose at a softer rate.

New business rose at the slowest rate since April, again mainly reflecting the service sector. That said, employment growth reached a ten-month high, contributing to a fall in outstanding business.

Input price inflation eased to a seven-month low and was below the long-run average. Charge inflation also eased but remained above-trend.

*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 June showed an easing in growth in the sector, with the index dipping to 51.5 from 54.7 in May. This marks the slowest pace of growth since January 2024, caused by softer output, new business and hiring activity. Overall, the rate of growth in the Irish services sector outperformed the Eurozone and UK flash PMIs at 50.0 and 51.3, respectively; but lagged the US services PMI at 53.1 in June.

"New business expanded at a modest pace in June, dampened by an outright decline in export orders. Some firms linked lower export activity to weaker US and European markets, and the impact of global trade tensions. From a sectoral perspective, just two of the four sub-sectors expanded in June. Technology, Media & Telecoms (TMT) remained the best performing of the four sub-sectors, maintaining a robust pace of growth in line with recent months, following by solid growth in the Business Services sector. Transport, Tourism & Leisure and Financial Services both registered a decline in activity. Overall, hiring eased on the month, with marginal jobs growth across all sub-sectors.

"On the inflation front, input cost pressures eased further to the slowest rate since September 2024, and the prices charged index also decelerated to the lowest level in over four years. Meanwhile, firms in the Irish services sector remained optimistic on the prospects for expansion in activity levels in the coming 12 months. However, sentiment remained close to the post-pandemic low reached in April due to ongoing geopolitical uncertainty."

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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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