

AIB Ireland Services PMI®

Service sector outlook weakens and costs rise in March, linked to outbreak of war in Middle East

Key findings

Activity rises only slightly in March and outlook weakens

Input price inflation surges to three-year high

Service providers shed staff due to high costs

The Irish service sector expanded only slightly in March and inflationary pressures escalated, according to the latest AIB Ireland Services PMI® survey. Overall activity increased, but at one of the weakest rates over the past five years as new business growth moderated. Input price inflation accelerated sharply to a three-year high and the year-ahead outlook for business activity softened, linked to uncertainty regarding the economic impact of the war in the Middle East. Faced with high costs, overall employment declined slightly in March.

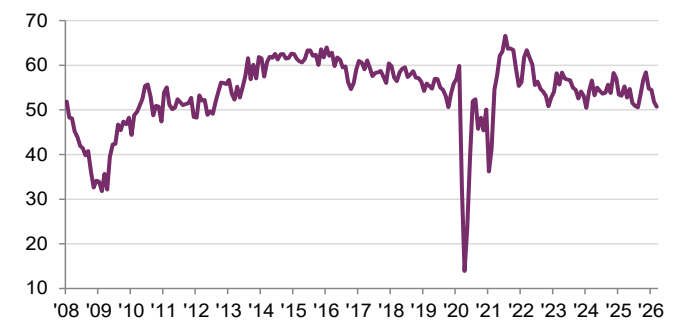
The AIB Ireland Services Business Activity Index is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 for the fourth month running to 50.7 in March, from 51.8 in February. The latest figure signalled the weakest rate of growth for seven months, and the third-slowest in the current upturn which began in March 2021. Growth of activity was weaker than the long-run survey average (55.0) for the fourth successive month.

Three sectors – Business Services (51.5), Financial Services (51.0) and Technology, Media & Telecoms (TMT, 51.4) registered only modest increases in activity in March, although the expansion in the latter represented a relative improvement following a stagnation in February. Transport, Tourism & Leisure (47.6) registered a decrease in activity, the ninth over the past 12 months.

New business at Irish service providers continued to increase in March, but the rate of growth lost momentum for the fourth month running. The latest expansion was the weakest since last August, and among the softest in the current five-year period of growth. New business fell in two sectors – Financial Services and Transport, Tourism & Leisure – and rose only modestly in Business Services. TMT bucked the overall trend

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



Sources: AIB, S&P Global PMI. Data were collected 12-26 March 2026.

with a strong increase. Meanwhile, new export business across the service sector as a whole was broadly flat in March.

The level of outstanding work rose again in March despite the slower increase in new business. Business outstanding increased for the fifth time in six months, but the rate of growth in the latest period was only marginal. The Business Services sector posted a contraction in outstanding work.

March data indicated a sharp acceleration in input price inflation to a three-year high. Anecdotal evidence from survey respondents linked higher costs to fuel, energy, wages, pension contributions, raw materials and professional services, with the war in the Middle East and related supply chain disruption mentioned as a contributing factor.

Faced with surging input costs, service providers increased their own prices at a stronger rate in March despite slowing demand growth.

Sector data showed that Transport, Tourism & Leisure registered the fastest increases in both input costs and charges in March, and Financial Services the weakest.

Uncertainty linked to the impact of the war in the Middle East on the global economy and domestic consumer confidence weighed on the business outlook in March. Irish service providers expected activity to rise over the next 12 months, but the strength of sentiment was the weakest since October 2020 during the first year of the pandemic. Expectations moderated since February in all four sub-sectors.

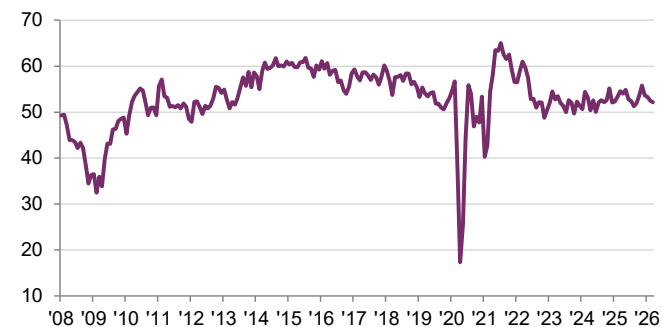
With input costs rising sharply, new business growth slowing and an uncertain outlook, service providers shed staff in March. Employment fell for only the third time in the past five years, albeit at a marginal rate. Jobs fell slightly in three sectors, with Financial Services posting a slight increase.

AIB Ireland Composite PMI®

Irish business activity expands at slowest pace in six months

AIB Ireland Composite PMI Output Index

sa, >50 = growth since previous month



*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.

Sources: AIB, S&P Global PMI.

Private sector output in Ireland continued to rise in March, but a lacklustre pace of expansion in services weighted on growth even as manufacturing production increased at a faster rate.

The AIB Ireland Composite PMI® Output Index* eased from 52.5 in February to 52.1 in March. The latest figure signalled a modest overall expansion that was the slowest in six months, and below than the long-run average (53.8).

Services activity increased at one of the weakest rates in the current five-year period of expansion. This was partly countered by the strongest growth in manufacturing output since last July.

New business rose at a rate unchanged from February's six-month low. Employment growth eased to a seven-month low, as service providers shed staff.

Input price inflation accelerated sharply to a 39-month high, while charge inflation was among the strongest in three years.

Comment

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

"The AIB Irish Services PMI for March shows very modest growth in the sector, with the PMI easing to 50.7 from 51.8 in February. Activity levels waned amid a slowdown in new business growth, weaker hiring, and rising costs linked to the war in the Middle East. The rate of growth in the Irish services sector was ahead of the flash Eurozone PMI at 50.1; but behind the UK and US PMIs at 51.2 and 51.1, respectively.

"New business rose at its slowest pace in seven months, with new export business growth near stagnant. The volume of outstanding work also eased to a modest pace of growth in March.

"The four sub-sectors covered in the survey registered weak growth or outright contraction in March. Financial Services, Business Services and Technology, Media & Telecoms all rose at a similar, muted pace. However, the Transport, Tourism & Leisure saw a contraction in activity, exasperated by a surge in input prices related to the Middle East conflict. There was also broad-based weakness in hiring activity with a decline in employment levels in the services sector overall.

"On the inflation front, input costs spiked to a three-year high, driven by energy, wages, pension contributions, raw materials and professional services. The war in the Middle East and resulting supply chain disruptions contributed to cost pressures. However, the rate of increase in prices charged also accelerated, implying some margin protection for firms seeking to pass on these higher costs.

"In terms of the outlook, business sentiment remained in positive territory. However, expectations were the weakest since October 2020. High costs, economic uncertainty and the impact of the war in the Middle East were mentioned as weighing on future activity levels."

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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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