

AIB Ireland Services PMI®

Employment cut at fastest rate since October 2020 as growth remains weak

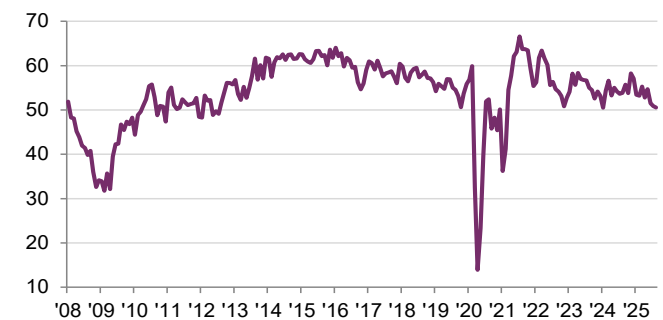
Key findings

Job shedding recorded for first time since January

Growth of total activity eases to lowest in 19 months

Expectations continue to recover from April's low

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 another weak increase in business activity at service providers in August, leading to lower employment. Activity rose only marginally for the second month running, and workforce numbers shrank at the fastest rate since October 2020 as the volume of outstanding business fell for the second time in three months. More positively, new business rose at the fastest rate in three months – albeit still modestly overall – and the year ahead outlook improved.

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 third straight month to 50.6 in August, from 50.9 in July, signalling a marginal rate of expansion and the weakest since January 2024. Growth of business activity has been maintained in every month since March 2021, but the latest increase was the second-slowest over this sequence.

Only two sectors registered growth of activity in August. Technology, Media & Telecoms (53.8) recorded a faster expansion than in July, while Business Services (51.3) posted only modest growth. Financial Services (50.0) registered no change in activity while Transport, Tourism & Leisure (46.0) registered a sixth successive monthly decline and at the fastest rate since June.

Although growth of new business picked up to a three-

month high in August, the rate of expansion remained well below the long-run average. Transport, Tourism & Leisure posted a sixth successive decline in new work, and Financial Services registered broadly no change. International new business rose at a slightly faster rate, but this masked declines in both Financial Services and Transport, Tourism & Leisure.

With demand growth remaining relatively subdued in August, the level of outstanding business declined for the second time in three months.

With work-in-hand declining in August and new business growth running well below-trend, Irish service providers cut staffing. The pace of job shedding was modest overall, but the fastest registered since October 2020. Lower headcounts were linked to natural attrition, higher costs and the alignment of capacity with workloads. Moreover, all four sectors registered declines, the first broad-based fall since July 2020. Transport, Tourism & Leisure and Financial Services posted the steepest job cuts.

Irish service providers remained optimistic of growth of total activity at their units over the next 12 months. The overall degree of confidence continued to recover from April's four-and-a-half year low, but remained below the long-run survey trend. Confidence was linked to investment in new products and services, economic recovery and new technologies, although companies continued to mention elevated levels of economic uncertainty. By sector, expectations for activity were strongest in Technology, Media & Telecoms and weakest in Business Services.

Input cost inflation in the Irish services sector reached a four-month high in August, and was broadly in line with the long-run survey trend. Firms linked greater input price

pressures to wages, insurance, freight and IT costs. Financial Services registered the strongest cost pressures during the latest period, and Technology, Media & Telecoms the weakest.

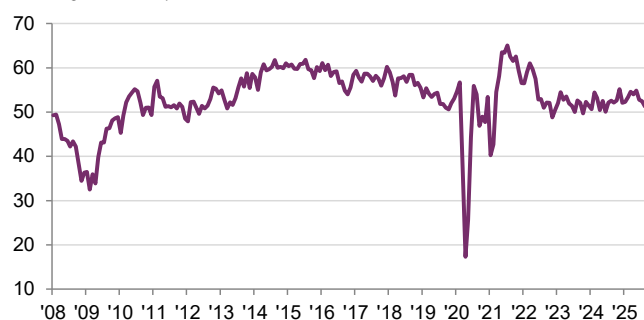
Service providers raised their charges at the fastest rate in three months, and one that remained above the long-run trend. Financial Services posted the sharpest increase and Transport, Tourism & Leisure the weakest.

AIB Ireland Composite PMI®

Weakest rise in output for over a year

AIB Ireland Composite PMI Output Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

Irish private sector output rose only modestly in August as new business growth eased further and employment increased fractionally.

The AIB Ireland Composite PMI® Output Index* registered 51.3 in August, down from 52.5 in July and signalling the weakest rate of expansion since June 2024. The Index remained below the long-run trend (Index average of 53.9 since 2000). Rates of expansion softened in both manufacturing and services, with the latter expanding at the slower overall pace for the fifth straight month.

New business rose at the slowest rate in the current 14-month upturn, with a near-stalling in manufacturing new orders offsetting a slightly sharper expansion in services. Work-in-hand declined for the second time in three months. Employment rose only marginally as service providers shed staff.

Input price inflation eased slightly and remained below the long-run average, while charge inflation rose to a five-month high.

*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 August shows a continued slowdown in growth in the sector, with the index dipping to 50.6 from 50.9 in July. This marks the slowest pace of growth since January 2024, driven by marginal gains in output and new business, and a fall in employment. Overall, the rate of growth in the Irish services sector underperformed the Eurozone, US, and UK flash PMIs at 50.7, 55.4, and 53.6, respectively.

"New business grew at a modest, albeit accelerating pace in August compared to July. However, outstanding business declined in August, reversing the small gain in the prior month. From a sectoral perspective, just two of the four sub-sectors expanded output and new business on the month. Technology, Media & Telecoms (TMT) remained the best performing of the four sectors, followed by robust growth in Business Services. Elsewhere, Financial Services activity was flat, while the Transport, Tourism & Leisure (TTL) registered a decline in activity once again for a sixth consecutive month.

"Overall, employment fell on the month, with the index falling to its lowest level since October 2020. For the first time since July 2020, all four sub-sectors recorded lower staff levels, led by sharp declines in the TTL sector. Lower headcounts were linked to natural attrition, higher costs and aligning capacity with current workloads.

"On the inflation front, input price inflation was higher, owing to wage and administrative cost pressures. The prices charged index was also slightly higher, and above the long-term survey average.

"Despite weak current activity levels, 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. Confidence was linked to new products and services, expected economic growth and new technologies."

Contact

David McNamara
AIB Chief Economist
T: +353-(0)87-4071825
david.g.mcnamara@aib.ie
[AIBeconomics.Unit@aib.ie](https://www.aibeconomics.com)
www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-87-739-0743
paddy.x.mcdonnell@aib.ie

Louise Kelly
AIB Press Office
T: +353 87 216 1545
louise.Y.Kelly@aib.ie

Trevor Balchin
Economics Director
S&P Global Market Intelligence
T: 44-1491-461-065
trevor.balchin@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

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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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