

## AIB Ireland Services PMI®

### Growth of activity picks up but outlook remains subdued

#### Key findings

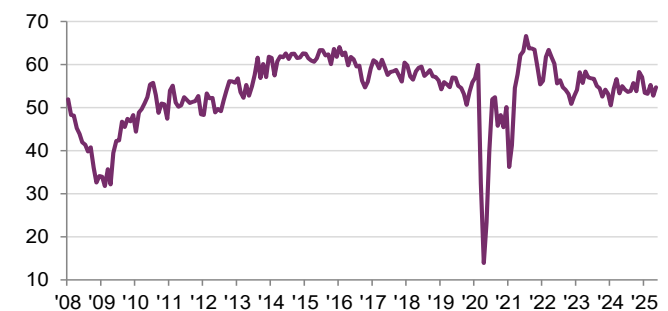
Faster increases in new business and activity

Weaker job creation as growth expectations remain subdued

Input price inflation eases to eight-month low

AIB Ireland Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

The AIB Ireland Services PMI® survey data for May indicated a partial recovery in the services economy, but the outlook remained below par as concerns over international trade tensions lingered. Total activity and new business increased at faster rates than April, although growth in outstanding business and employment both eased. The 12-month outlook improved only slightly from April's post-pandemic low, reflecting ongoing business uncertainty. Cost pressures eased to an eight-month low, but charge inflation picked up and remained well above the long-run trend.

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 rose to 54.7 in May, from 52.8 in April, signalling a solid rate of growth that was in line with the average over the past 12 months. That said, the Index remained below the long-run trend level of 55.1 since 2000. Growth of business activity has been maintained every month since March 2021.

Technology, Media & Telecoms (59.1) recorded the fastest expansion of business activity in May, followed by Business Services (56.0) and Financial Services (54.2). Transport, Tourism & Leisure (47.0) registered a third successive monthly decline in activity, and at the fastest rate since October 2023.

The recovery in growth of business activity was primarily driven by a faster increase in new work in May. The rate of

expansion rebounded from April's 18-month low, although it remained weaker than the post-pandemic average. The strongest inflow of new business was recorded in Technology, Media & Telecoms, while Transport, Tourism & Leisure posted a third successive decline. Growth of international new business across the service economy as a whole remained relatively subdued.

Although there was an upturn in growth of activity in May, Irish service providers increased their workforces at a slower rate. The pace of job creation was the weakest since January's pause in recruitment. While Technology, Media & Telecoms and Business Services registered stronger increases, these were more than offset by a decline in Transport, Tourism & Leisure and much slower hiring growth in Financial Services.

The level of outstanding business increased at the slowest rate in four months in May, influenced by a fifth decline in six months in Transport, Tourism & Leisure. Looking ahead 12 months, service providers continued to forecast growth of total activity at their units, on balance. That said, the overall degree of confidence failed to fully recover from April's post-pandemic low as firms mentioned ongoing economic uncertainty linked to international trade relations. Service providers anticipating an upturn in activity attributed this to investments in new services, AI innovation, larger sales teams and tourism. By sector, forecasts were strongest in Financial Services and weakest in Business Services.

May data signalled a further easing in cost pressures at Irish service providers. Average input prices increased at the weakest rate in eight months, and one that was below the long-run survey trend. Financial Services registered a notable easing in cost pressures during the latest period. In contrast, charges levied by service providers increased at a stronger rate than in April. Wages remained a key driver of

## Comment

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

"The AIB Irish Services PMI for May indicated an acceleration in growth in the sector, with the index rising to 54.7 from 52.8 in April. The uptick was driven by stronger new business growth and a recovery in output expectations, albeit outstanding business and employment growth both eased. Overall, the rate of growth in the Irish services sector outperformed the Eurozone, UK and US flash PMIs for May, at 48.9, 50.2, and 52.3, respectively.

"Both new business and export business increased during the month, although export growth was more subdued. From a sectoral perspective, three of the four sub-sectors expanded in May. Transport, Tourism & Leisure was the only sub-sector to see contraction compared to April. Technology, Media & Telecoms (TMT) remained the best performing of the four sub-sectors. Overall, jobs growth eased on the month, with Transport, Tourism & Leisure posting a decline in employment for the first time since August 2024, and Financial Services registering only a slight increase.

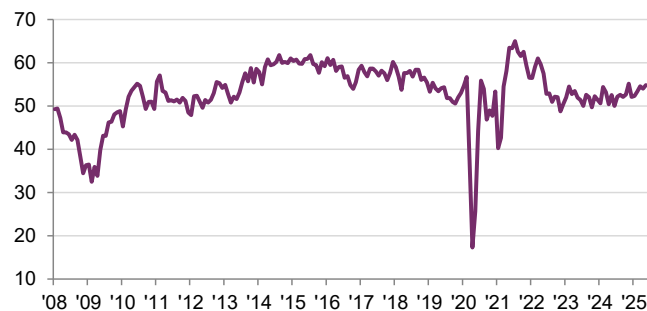
"On the inflation front, input cost pressures eased further to the slowest rate since last September, but prices charged picked up and remain well above the long-term average. Meanwhile, firms in the Irish services sector remained optimistic on the prospects for expansion in activity levels over the coming 12 months. However, the strength of sentiment improved only marginally from the post-pandemic low reached last month. Firms cited the ongoing uncertainty in relation to international trade relations."

## AIB Ireland Composite PMI®

Output growth accelerates in May as demand strengthens

AIB Ireland Composite PMI Output Index

sa, >50 = growth since previous month



Sources: AIB, S&P Global PMI.

May data signalled faster growth of output and new orders in the Irish private sector, although the rate of job creation eased.

The AIB Ireland Composite PMI® Output Index\* registered 54.9, up from 54.0 in April. This signalled a solid rate of expansion that was the fastest since last November and above the long-run trend (Index average of 53.9 since 2000). The acceleration in overall growth since April was driven by the service sector, although manufacturing production continued to rise at a steeper overall rate.

New business rose at the second-fastest rate since February 2023. That said, employment growth eased to a four-month low as capacity broadly matched demand. The level of outstanding business was stable.

Input price inflation eased to a six-month low and was below the long-run average. In contrast, charge inflation picked up from April's 17-month low and 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.

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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](mailto:economics@spglobal.com).

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