



AIB Ireland Services PMI®

Historic drop in Irish services activity in April as economy shuts down to combat coronavirus

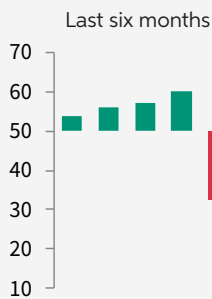
Key Findings

Business Activity Index plummets to 13.9, lowest in 20-year survey history

All other non-price indices also hit record lows

Sentiment shows tentative signs of bottoming out

Ireland Services Business Activity Index



The April AIB Irish services PMI® data revealed a historic plunge in activity in the sector as the economy shut down to halt the spread of the coronavirus outbreak. All six non-price indices registered the lowest levels on record, covering total activity, new work, exports, backlogs, employment and business expectations (the survey was first compiled in May 2000). Some encouragement was provided as sentiment stabilised following March's plunge.

Commenting on the survey results, Oliver Mangan, AIB Chief Economist, said:

"The extent to which activity has ground to a halt in large parts of the Irish economy as a result of the measures taken to contain the coronavirus outbreak is clearly shown by the AIB Irish Services PMI data for April. The business activity index collapsed in the month to just 13.9, by far and away the worst reading in the 20-year history of the survey. The previous low was 31.8 during the depths of the global financial crisis in early 2009. The index stood at 59.9 as recently as February.

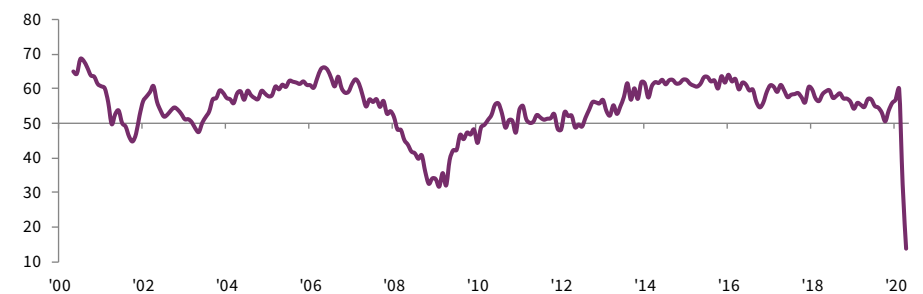
and Business Services fell to just 5.2 and 7.4, respectively.

"The extent of the weakness in April is truly remarkable: 78% of firms reported lower business activity; 80% recorded declines in new orders; over 40% of companies cut staff numbers, while almost 60% saw a decline in order backlogs. Furthermore, the recessionary conditions saw both input and output price declines in all four service sectors.

"The April reading is not a surprise as flash April Services PMIs for the Eurozone and UK also showed very sharp declines to record lows of 11.7 and 12.3, respectively, just below the Irish figure. All four sectors covered in the Irish survey registered unprecedented contractions in business activity – indeed, the index readings for Transport/Tourism/Leisure

"The national lockdown to contain the spread of the coronavirus clearly decimated service sector activity in April. One glimmer of hope was that business sentiment may be stabilising, with the index for the outlook for the next 12 months falling only slightly after its big plunge in March."

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



Overview

The headline figure from the survey is the Ireland 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 Business Activity Index continued its historic descent in April to 13.9, indicating the fastest decline in Irish service sector output in the 20-year survey history. The month-on-month decrease in the Index, at 18.6 points, was smaller than March's 27.4-point plunge, but still far exceeded anything else in the series to date. More than three-quarters (78%) of firms recorded lower activity at the start of the second quarter.

All four sub-sectors registered unprecedented contractions in business activity in April with two categories – Transport, Tourism & Leisure and Business Services – recording single-digit index readings (5.2 and 7.4 respectively). Financial Services (23.5) posted a slightly weaker fall than Technology, Media & Telecoms (20.0).

Activity levels were severely impacted by a record decline in new business in April. The index showed a similar trend to business activity, with 80% of survey respondents reporting falls. The index has dropped by a combined 46.1 points since February, compared with a net loss of 21.5 points in the 14 months to the previous low in February 2009. New export business also dropped at a record pace in April. A glimmer of hope was provided, however, by both indices falling by less than in March.

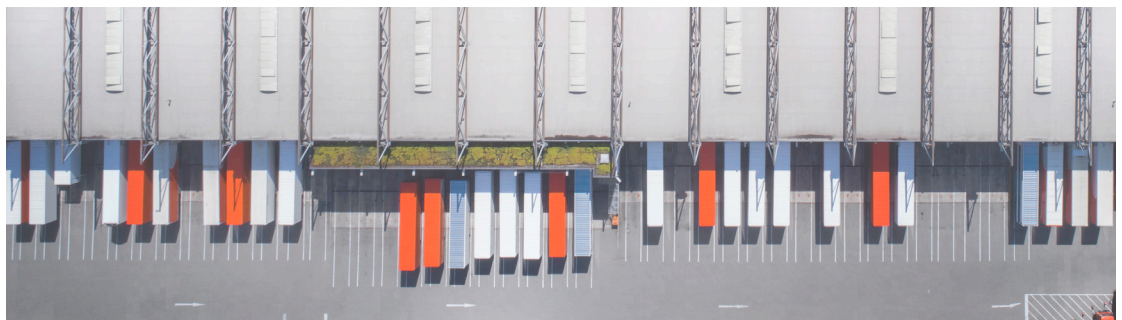
Reflecting unprecedented declines in new work over the past two months, the volume of incomplete business held by Irish services

providers fell at a survey-record pace in April, with 59% of firms reporting contractions. Moreover, the index fell by 16.7 points, even more than March's decline of 13.8 points.

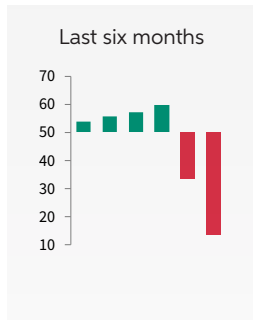
Having declined for the first time in nearly eight years in March as the lockdown took effect, Irish service sector employment fell at the fastest rate in the 20-year survey history in April. Around 40% of firms reported staff cuts during the month, though some of these were reported as temporary layoffs or reduced hours.

When asked about their expectations for activity over the next 12 months, nearly half the survey respondents (47%) reported that they expected a decline from current levels, compared with 31% expecting an increase. Subsequently, the Future Activity sank to a new low since the series began in May 2000. More encouragingly, the 1.3-point drop in the Index was far less than March's 24.9-point collapse, indicating that sentiment had bottomed out at the start of the second quarter. By sector, Travel, Tourism & Leisure was the most pessimistic, and Technology, Media & Telecoms the least.

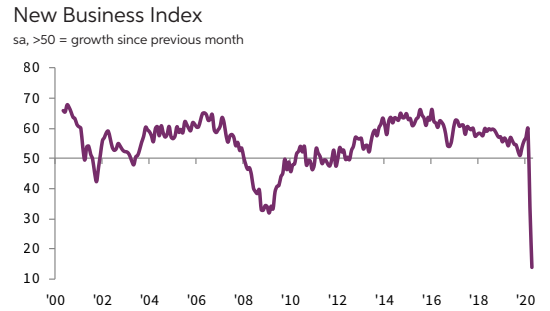
The only survey indicators to avoid record lows in April were the two price indices. That said, average input prices still fell at the sharpest rate since March 2010 as firms reported lower wage and fuel costs. Meanwhile, companies cut their own fees the most in seven years in an attempt to bring in revenues amid the lockdown. Prior to March charges had risen every month since April 2014, a survey-record sequence of inflation.



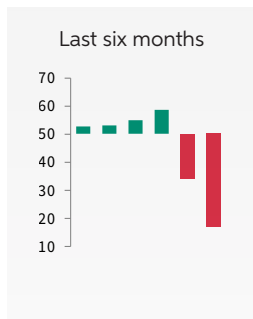
New Business Index



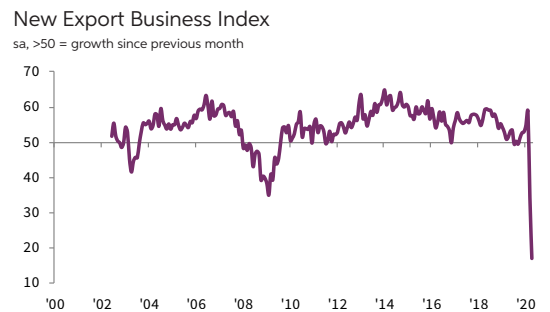
The rate of decline in new business received by Irish service providers accelerated to a new survey-record pace in April. Four in every five companies reported lower new business, compared with just 7% that achieved higher sales. The collapse in demand was overwhelmingly attributed to business shutdowns linked to the coronavirus pandemic. The month-on-month drop in the seasonally adjusted New Business Index was not as severe as in March, however (-19.9 points versus -26.2).



New Export Business Index



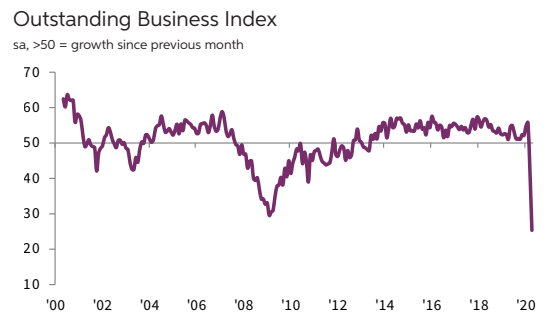
The rate of decline in new work Irish service providers received from international markets hit a new series record in April. The New Export Business Index fell a further 17.4 points following March's 24.5 point plunge, both unprecedented since the series began in June 2002. Lower international business reflected lockdown measures in the European and wider global economy.



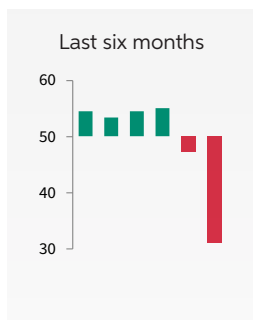
Outstanding Business Index



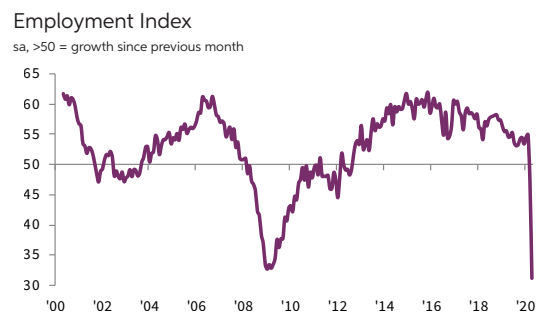
The collapse in new work at Irish service providers was reflected in a record drop in outstanding business in April. Reduced levels of incomplete work also reflected cancelled projects. Moreover, the seasonally adjusted Outstanding Business Index posted a steeper month-on-month decline than in March (-16.7 points versus -13.8 points respectively). Almost 60% of firms reported lower incomplete business during the latest period.



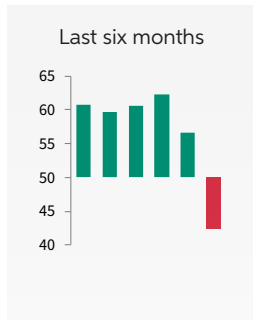
Employment Index



Having declined for the first time in nearly eight years in March, private service sector employment in Ireland shrank at a much faster pace in April. The seasonally adjusted Employment Index fell by an unprecedented 16.2 points to a new record low as over 40% of firms reduced workforces, ten times the proportion reporting growth. There were, however, some reports of temporary layoffs and reduced hours as opposed to permanent redundancies.



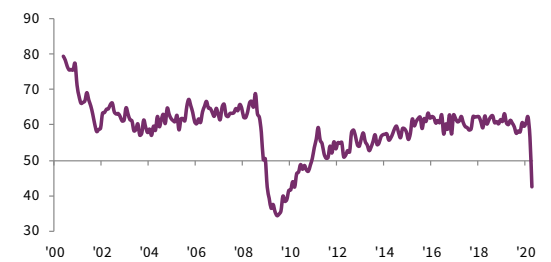
Input Prices Index



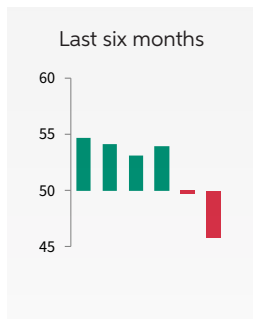
Average input prices paid by Irish service providers declined in April, ending a sequence of continuous inflation that began in December 2010. The rate of reduction was the fastest since March 2010, heavily linked to lower fuel and labour costs. The seasonally adjusted Input Prices Index posted a record one-month fall of 14.2 points, almost double the previous record drop of 8 points in January 2009.

Input Prices Index

sa, >50 = inflation since previous month



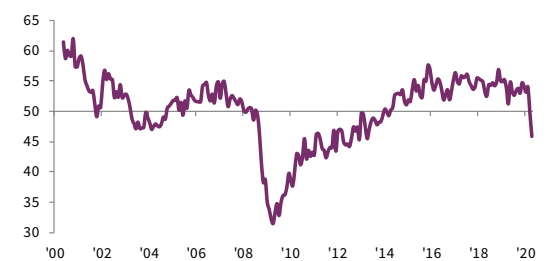
Prices Charged Index



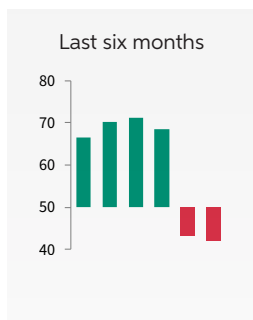
Irish service providers cut their prices charged for the second month running in April. Companies reported offering discounts to attract business in the current environment, and also passing on lower fuel prices to customers. The rate of reduction accelerated since March to the fastest since April 2013. Prior to March charges had risen every month since April 2014, a survey-record sequence of inflation.

Prices Charged Index

sa, >50 = inflation since previous month



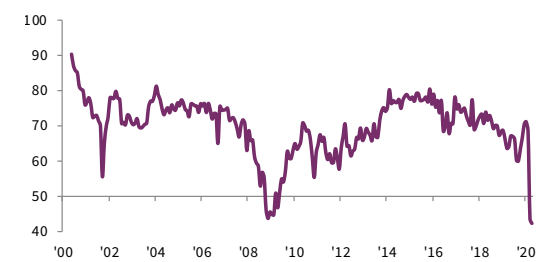
Future Activity Index



The 12-month outlook for Irish service sector activity deteriorated further in April as firms reported great uncertainty around the duration of lockdown measures and contemplated a 'new normal' for business operations. The Future Activity Index hit a new record low, with 47% of firms expecting lower workloads by April 2021, compared with 31% forecasting growth. More positively, the Index fell only slightly during the month (-1.3 points), following March's 24.9-point plunge, suggesting sentiment may have bottomed out.

Future Activity Index

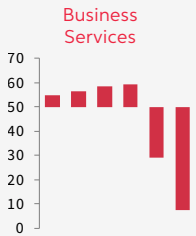
>50 = growth expected over next 12 months



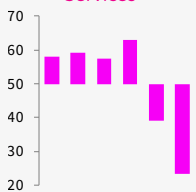
Services Sub-sectors

Business Activity Index

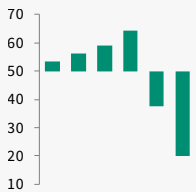
Last six months



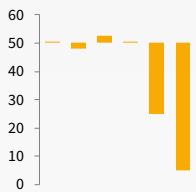
Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

The Business Services sector registered a historic contraction in April, with the business activity, new business and new export business indices all in single digits for the first time. Outstanding business fell at a record pace, while jobs were cut at the strongest rate since January 2009. Business expectations were the weakest since November 2008.

Financial Services

Financial services activity declined at the fastest rate since data were first compiled 20 years ago in April, as did new business and new international work. That said, the sector registered slower declines in activity, employment and outstanding business than the three other monitored segments. Moreover, the Future Activity Index rose from March's record low, signalling that firms were less pessimistic.

Technology, Media & Telecoms

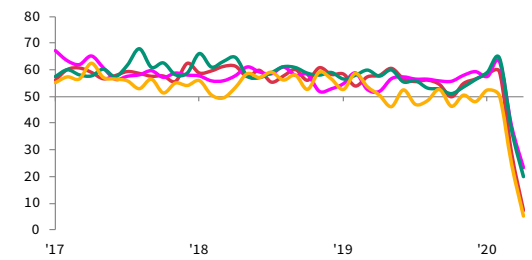
The Technology, Media & Telecoms sector registered the fastest declines in output, new business, exports, employment and outstanding business in the survey history in April. The Future Activity Index rose from March's series-record low, however, and companies in the sector were less pessimistic than the other monitored sectors.

Transport, Tourism & Leisure

The Transport, Tourism & Leisure sector suffered a severe downturn in April, with the business activity, new business and new export business indices all in single digits for the first time. The sector registered the fastest contractions of the four monitored categories for all non-price survey variables.

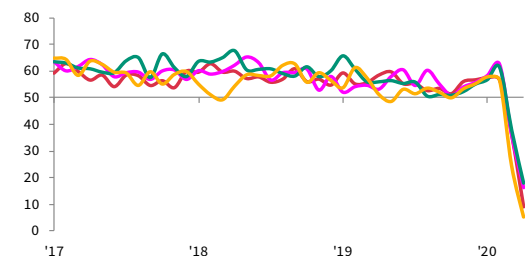
Business Activity Index

sa, >50 = growth since previous month



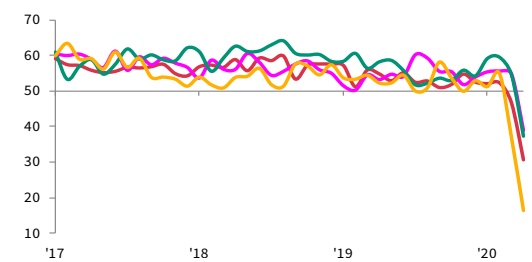
New Business Index

sa, >50 = growth since previous month



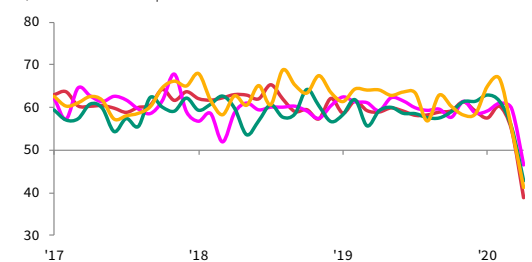
Employment Index

sa, >50 = growth since previous month



Input Prices Index

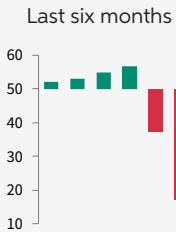
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Private sector output drops at unprecedented rate in April

Composite Output Index



The combined output of the Irish manufacturing and service sectors declined at an unprecedented rate in April as the economy was shut down as a result of measures imposed to tackle the coronavirus pandemic. The Composite Output Index* plunged 20 points to 17.3, by far the lowest reading since the series was first compiled in May 2000. The month-on-month drop in the index in April took the combined collapse since February to a massive 39.4 points.

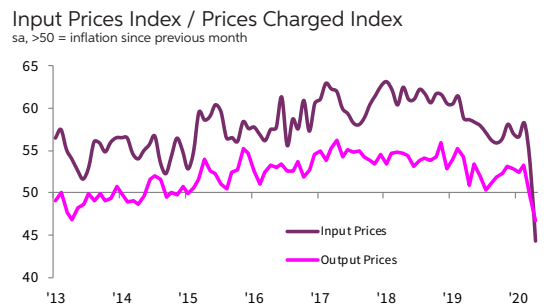
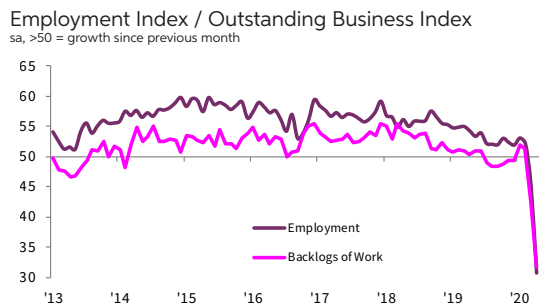
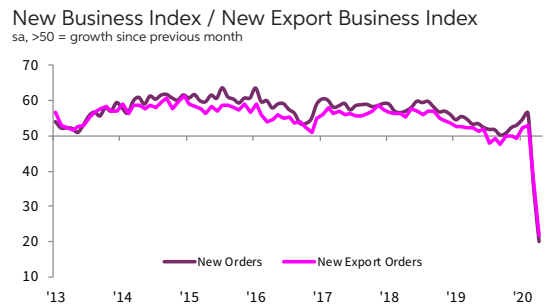
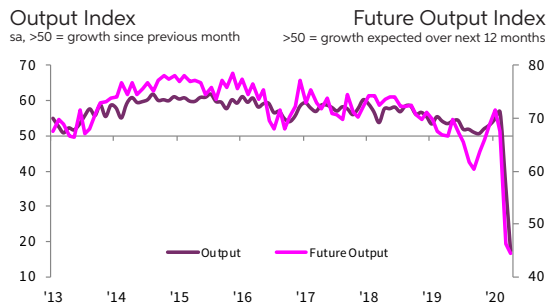
Services again registered a faster decline in activity than manufacturing production, with both sectors posting record contractions. The differential between services and manufacturing narrowed since March, however.

New business also fell at the sharpest rate on record in April, while backlogs declined the most since March 2009.

Private sector jobs were cut at an unparalleled rate in April, as the pace of job shedding surpassed the previous record set in February 2009. There were some reports of temporary layoffs and reduced working hours, however.

The Future Output Index sank to a new record low since the series was first compiled in July 2012. That said, the month-on-month decline in the index was much less severe than in March, suggesting sentiment may have bottomed out as firms foresee an easing of lockdown measures in the coming months and associated recovery in business activity.

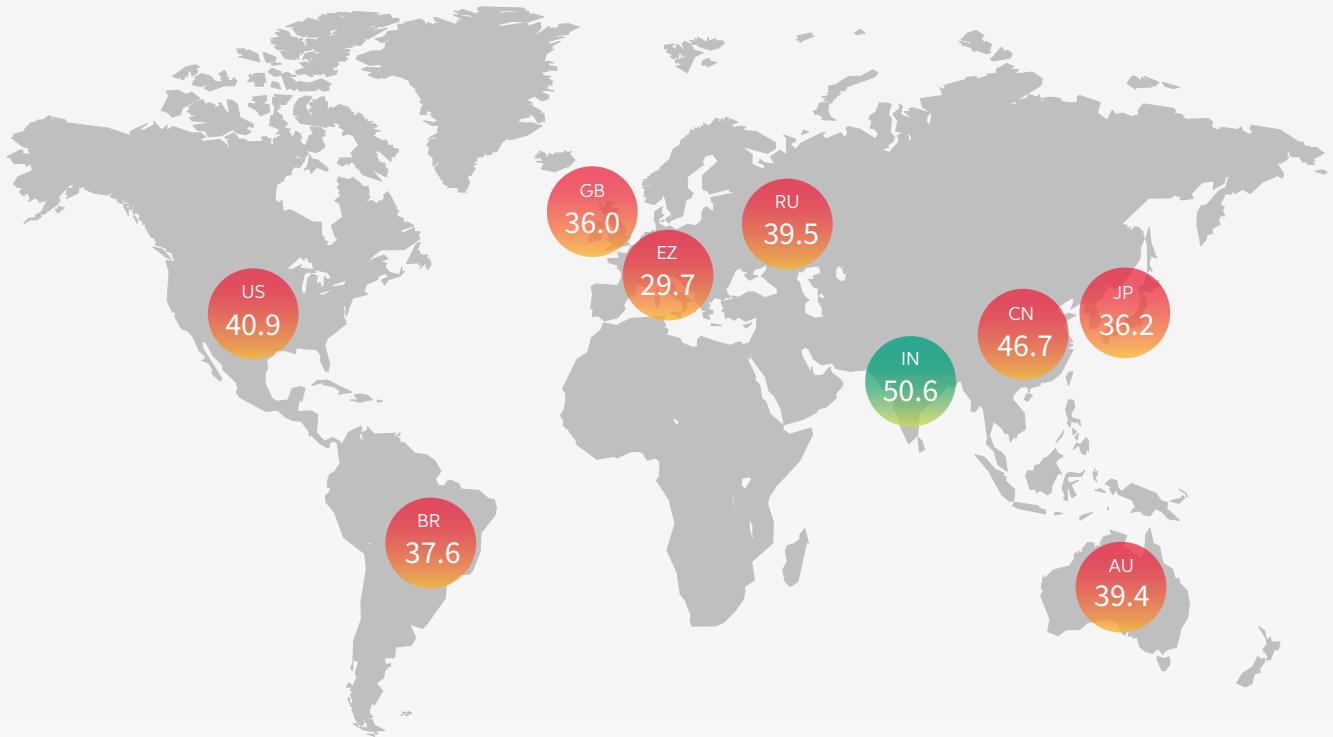
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.



International PMI

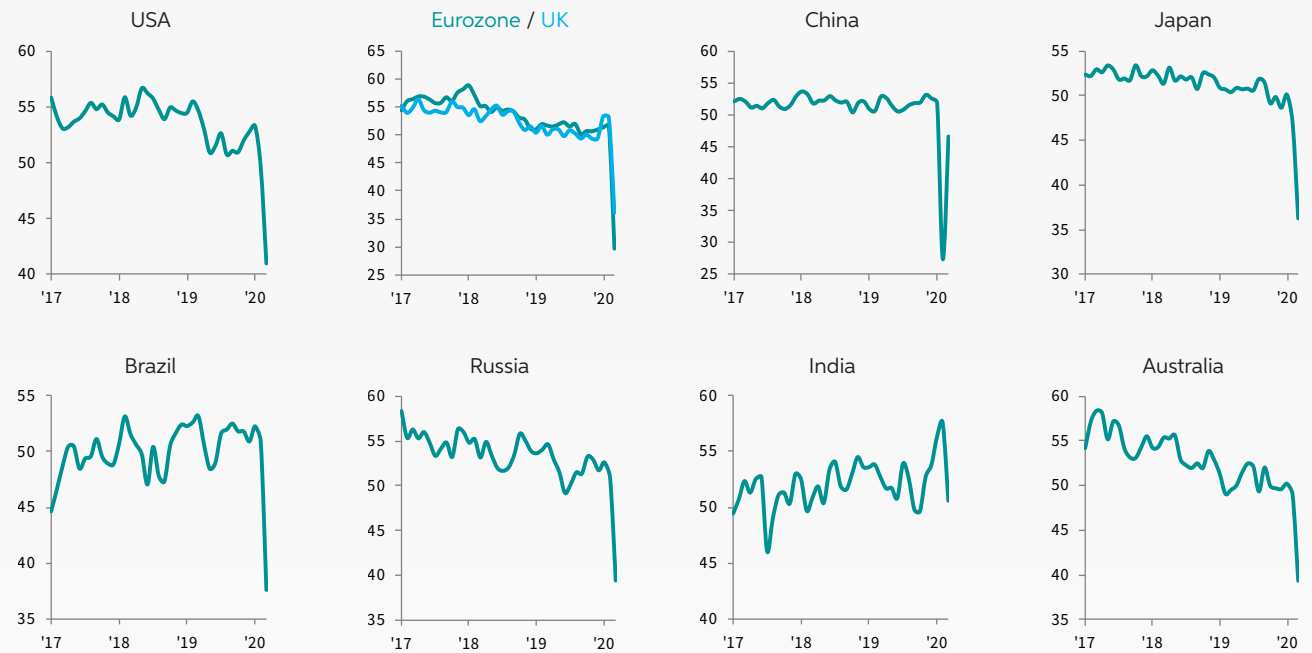
Composite Output Index, Mar '20

sa, >50 = growth since previous month



Composite Output Index

sa, >50 = growth since previous month



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Methodology

The AIB Ireland Services PMI® is compiled by IHS Markit 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.

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.

Data were collected 7-27 April 2020.

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

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