



AIB Ireland Services PMI®

Service sector activity and demand collapses due to coronavirus outbreak

Key Findings

Strongest falls in output and new business since April 2009

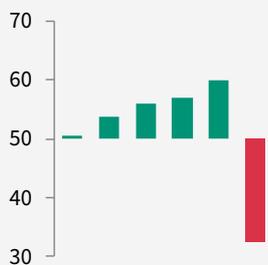
Record decline in international new orders

Fastest rate of job shedding since January 2012

Ireland Services Business Activity Index



Last six months



The Irish services economy was hit hard by the economic impact of the escalating coronavirus outbreak in Europe in March, according to the latest AIB PMI® data. Activity and new work both dropped at the fastest rates since April 2009. New business from international markets fell the most in any month since this series began in June 2002. Firms cut staff at a marked pace, reflecting the weakest expectations for activity since the survey began in May 2000.

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

"As expected, the AIB Irish Services PMI report for March shows that activity levels in the sector collapsed in the month as the coronavirus pandemic wreaked havoc for businesses. The business activity index registered an unprecedented drop of 27.4 points, nose diving to 32.5 from 59.9 in February, which was an over two-year high.

could remain low for some time. Indeed, expectations for activity in twelve months' time fell to their lowest level in the twenty year history of the survey. Service providers responded to the sharp deterioration in business conditions by cutting staff numbers for the first time since 2012.

"The Services PMI has sank far below the key 50 level that signals a move into contraction territory. The very sudden and rapid deterioration in business conditions in March is in line with that seen in flash PMI surveys for other countries.

"All four of the services sectors covered in the survey saw marked contractions in activity. Not surprisingly, the most pronounced weakness was in Transport/Tourism/Leisure, followed by Business Services.

"There was an implosion in new orders, both domestic and export. As a result, the volume of incomplete work, or orders backlog, contracted sharply in March, with the monthly drop the biggest on record. This suggests that activity levels

"Overall, the PMI data show that there was an abrupt and rapid contraction in activity in the services sector in March. PMI data also show that manufacturing contracted in the month. Thus, there is little doubt that recessionary conditions have gripped the Irish economy."

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 plummeted from February's 26-month high of 59.9 to 32.5 in March, indicating the fastest decline in Irish service sector output since April 2009, and the third-strongest on record. Moreover, the month-on-month decrease in the Index was unprecedented in the near-20 year survey history. At 27.4 points, the drop was more than four times greater than the previous record, a 6.3 point fall in April 2001.

All four sub-sectors registered rapid contractions in activity in March. Transport, Tourism & Leisure registered the fastest decline – the worst since February 2009 – while Technology, Media & Telecoms posted a survey-record fall. Financial Services and Business Services both saw the sharpest reductions in activity since April 2009.

In line with the trend for total service sector activity, new business fell at the fastest rate since April 2009. Demand from international markets collapsed, dropping at the fastest rate since this series began in June 2002. On both measures, Transport, Tourism & Leisure suffered the steepest declines. Prior to March, new business had risen continuously since August 2012.

The volume of outstanding business fell at a slower rate than new contracts, but still at the fastest pace since October 2010. Transport, Tourism & Leisure recorded a rapid contraction, while Financial Services posted only a modest fall.

Faced with much lower inflows of new business and a substantial fall in outstanding contracts, Irish service providers cut staff for the first time since August 2012. Moreover, the rate of job shedding was the fastest since January 2012. This occurred despite continued workforce growth in Financial Services and Technology, Media & Telecoms, as headcounts fell notably in the Transport, Tourism & Leisure sector.

Job shedding also reflected a collapse in business confidence in March as firms considered the long-term economic impact of the coronavirus outbreak. The 12-month outlook for business activity was the weakest since the survey began in May 2000, just surpassing the previous low registered in November 2008. Sentiment was lowest in Financial Services, followed by Business Services.

Average input prices at Irish service providers continued to rise in March, with some firms linking increased labour, food and IT costs to the impact of the coronavirus outbreak. That said, the overall rate of inflation slowed notably to the weakest since January 2015. The Input Prices Index posted its steepest one-month fall in over 11 years. A number of firms reported lower fuel prices during the month.

Service providers cut their charges for the first time in six years in March, as they attempted to shore up sales amid disruption from the outbreak. The rate of reduction was only marginal, however. Charges fell sharply in the Transport, Tourism & Leisure sector.



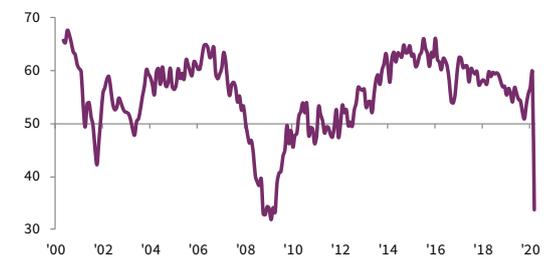
New Business Index



The accelerating coronavirus outbreak led to a near-record drop in new business received by Irish service providers in March. The rate of contraction was the fastest since April 2009, during the depths of the global financial crisis. Moreover, the month-on-month fall in the New Business Index, at 26.2 points, was almost four times greater than the next biggest drop, in October 2008 (6.6 points). Prior to March, new business had risen continuously since August 2012.

New Business Index

sa, >50 = growth since previous month



New Export Business Index



The volume of new work Irish service providers received from international markets contracted in March at the fastest rate since the series was first compiled in June 2002. The New Export Business Index also posted a record month-on-month drop of 24.5 points. Firms reported a collapse in demand due to the escalating coronavirus outbreak.

New Export Business Index

sa, >50 = growth since previous month



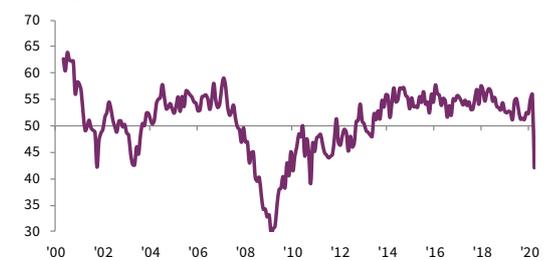
Outstanding Business Index



The volume of incomplete work in the Irish services sector contracted sharply in March, as new business fell rapidly. The Outstanding Business Index signalled the sharpest rate of decline since October 2010, and the monthly drop since February (13.8 points) was more than double the previous record fall (6.6 points in October 2001).

Outstanding Business Index

sa, >50 = growth since previous month



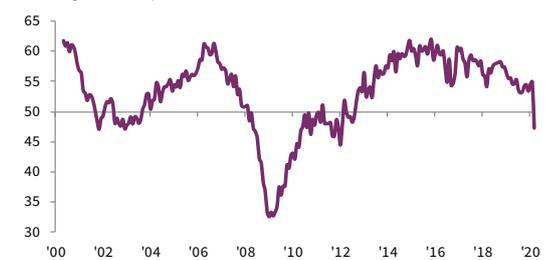
Employment Index



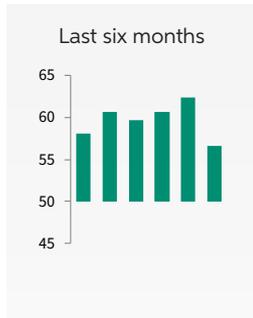
The sharp reductions in new business and workloads in March led to a rate of job shedding not seen since the height of the eurozone debt crisis in 2012. The Employment Index fell by a record 7.7 points and below 50.0 for the first time since August 2012. The latest figure signalled the fastest reduction in headcounts since January 2012. Subsector data indicated that job losses were mainly located in the transport, tourism & leisure and business services sub-sectors.

Employment Index

sa, >50 = growth since previous month



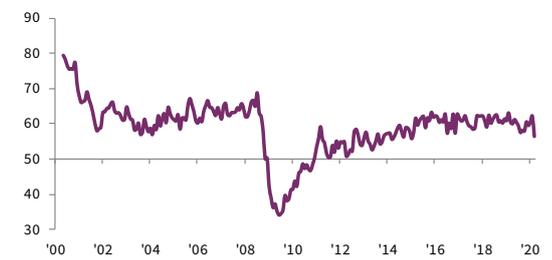
Input Prices Index



Average input prices rose in March at the weakest rate since January 2015. The Input Prices Index posted its steepest one-month fall in over 11 years, and was below its long-run average of 59.0. Anecdotal evidence pointed to higher labour costs, partly linked to COVID-19, and also greater IT and food costs due to the outbreak. Fuel prices were reported to have fallen. Input cost inflation was strongest in financial services and weakest in business services.

Input Prices Index

sa, >50 = inflation since previous month



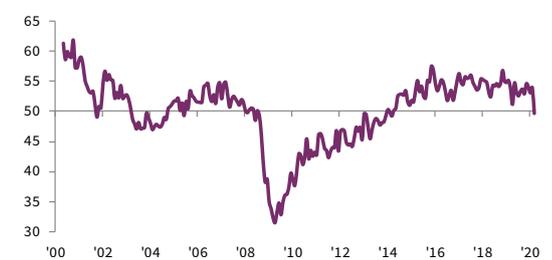
Prices Charged Index



Irish service providers cut their charges for the first time in six years in March, linked to attempts to remain competitive during the coronavirus crisis, lower fuel prices and postponed business due to COVID-19. The transport, tourism & leisure sector was the main source of lower prices. That said, the overall rate of discounting was only marginal.

Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index



Irish service providers were the most pessimistic regarding the 12-month outlook for activity in the survey history in March, dating back to May 2000. The Future Activity Index plummeted a record 24.9 points, to just below the previous nadir in November 2008. While some firms were hopeful of a swift recovery following the worst of the coronavirus outbreak, some 41% of respondents expect their activity levels to fall by March 2021, overwhelmingly linked to the economic impact of efforts to slow the spread of COVID-19.

Future Activity Index

>50 = growth expected over next 12 months



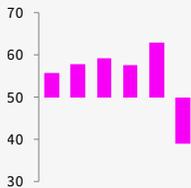
Services Sub-sectors

Business Activity Index

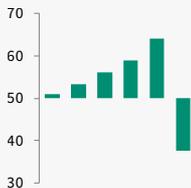
Last six months



Financial Services



Technology, Media & Telecoms



Transport, Tourism & Leisure



Business Services

The Business Services sector registered a sudden, rapid decline in activity in March, the fastest since April 2009 and one of the strongest on record. New business fell sharply, with a survey-record drop from international markets. Employment contracted sharply, while outstanding business fell at the quickest rate since late-2011. The 12-month outlook was the weakest since November 2008. Inflation of input and output prices both eased.

Financial Services

Financial services activity declined at the fastest rate since April 2009 in March, as did the volume of new business. New work from international clients dropped by the most since October 2008. Expectations for business activity were the weakest on record. More positively, employment growth was sustained.

Technology, Media & Telecoms

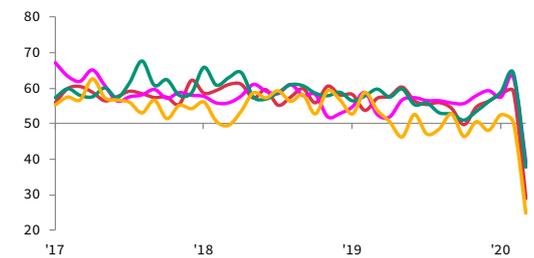
Business activity in the Technology, Media & Telecoms sector registered the fastest decline in the survey history in March. Moreover, the 12-month outlook was also at a series-record low, as new business fell at the third-fastest rate since data were first compiled in May 2000. Outstanding business fell sharply although employment growth was sustained, albeit at a slower rate than February.

Transport, Tourism & Leisure

Companies operating in the Transport, Tourism & Leisure sector registered one of the steepest drops in activity on record in March. The rate of decline was the fastest since February 2009. New business fell to a similar degree, and the outlook was the weakest for over 11 years. The workforce was cut at the fastest rate since September 2009.

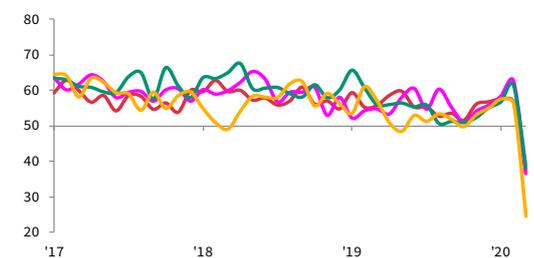
Business Activity Index

sa, >50 = growth since previous month



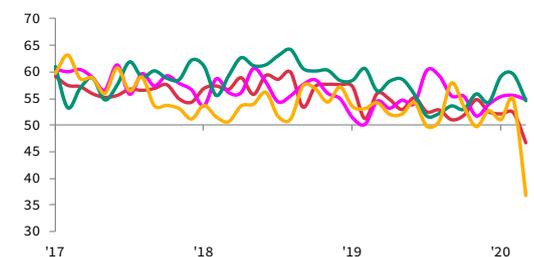
New Business Index

sa, >50 = growth since previous month



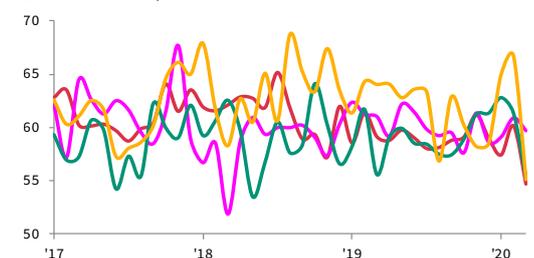
Employment Index

sa, >50 = growth since previous month



Input Prices Index

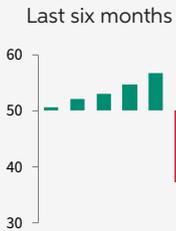
sa, >50 = inflation since previous month



AIB Ireland Composite PMI®

Private sector output falls into steep decline in March as virus outbreak causes disruption

Composite Output Index



The Irish private sector economy suffered a sharp contraction in March as the coronavirus outbreak escalated in Europe, causing output and demand to dive. The Composite Output Index* recorded 37.3, down from February's 17-month peak of 56.7, signalling the fastest contraction since April 2009.

The month-on-month drop in the index was by far the largest recorded since the series began in May 2000. In comparison, the next-biggest drop in the index occurred in April 2001 (from 55.1 to 50.2).

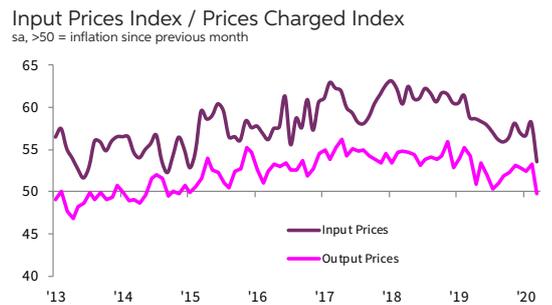
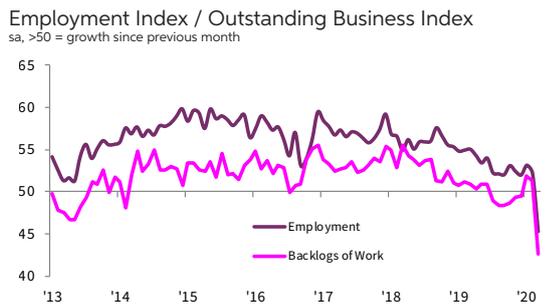
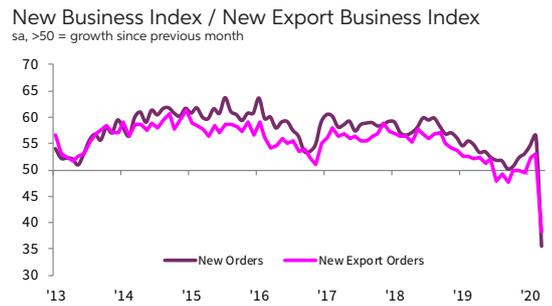
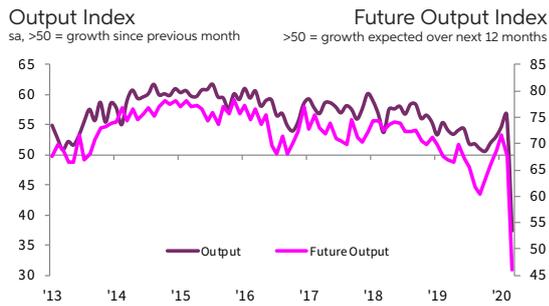
Services registered a much faster decline in activity than manufacturing, while both sectors saw rapid falls in new work. The overall drop in new business was the strongest since April 2009. New export business fell at the sharpest pace since March 2009.

Private sector jobs were cut at the fastest rate

since April 2010 as companies adjusted to the new economic scenario and the outlook darkened. Business expectations for the next 12 months were by far the weakest since the composite series was first compiled in July 2012. In the service sector, firms were the most pessimistic since data collection began in May 2000.

Average input prices continued to rise in March, but the rate of inflation slowed sharply from February's nine-month high to the weakest since January 2015. Prices charged for goods and services fell for the first time in over five years.

*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.



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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.

March data were collected 12-26 March 2020.

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

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