PRESS RELEASE Embargoed until: 01:01 May 11th 2020

Severe declines in output and new orders recorded in April

Today sees the release of April data from the Ulster Bank Northern Ireland PMI®. The latest report – produced for Ulster Bank by IHS Markit – pointed to a severe contraction of the Northern Ireland private sector, and one that was by far the worst since the survey began in August 2002. Output and new orders were particularly badly affected amid company shutdowns, while confidence around the 12-month outlook continued to fall.

Commenting on the latest survey findings, Richard Ramsey, Chief Economist Northern Ireland, Ulster Bank, said:

“The PMI surveys are the first fact-based indicator of regional economic health each month. They track changes in the rate of growth – as opposed to levels of activity – across a range of indicators relative to the previous month. With a full lockdown maintained throughout April, it came as no surprise that all twelve UK regions posted record rates of decline in output and employment. Northern Ireland’s private sector reported an additional raft of record rates of decline with new orders, exports, backlogs and business confidence. Furthermore, the rates of decline in output and new orders amongst local firms were steeper than elsewhere across the UK.

“Interestingly, however, Northern Ireland’s rapid rate of decline in employment was not as sharp as most other UK regions. Other survey evidence suggests that Northern Ireland’s uptake of the Job Retention Scheme – and the process of furloughing staff – has been notably higher than the national average. Just over half (52%) of local firms left workforce numbers unchanged. Nevertheless, it is still worrying that even with unprecedented levels of government job support, employment is still falling at a record pace. Around 45% of local firms reported that they reduced their headcount in April.

“Until this pandemic struck, figures in the 20s were extremely rare. However, post the start of the COVID-19 pandemic we have seen PMI readings around the world fall into the teens and even a few into single digits. Northern Ireland’s headline indicator of business activity collapsed to 8.3 last month. All four monitored sectors recorded business activity readings below 10. So what does this actually mean?

“Prior to COVID-19, the lowest PMI reading for business activity in Northern Ireland was 32.1 in January 2009. The lowest manufacturing and services readings were 29.5 and 35.9 respectively. The scale of the collapse in demand in April relative to 2009 is clear when looking at the proportion of firms reporting a fall in output. Around 87% of manufacturing firms and 90% of service sector firms reported a decline in output in April relative to March. Back in January 2009 the corresponding percentages were 44% (Manufacturing) and 48% (Services). The speed and scale of the current slump is of a much greater magnitude than the last recession.

“From an employment perspective, the key difference with this downturn is the scale of the job losses within the services sector. 42% of firms reported a reduction in headcount in April. Back in January 2009 just over 1 in 7 firms were shedding staff. Meanwhile manufacturers are reporting similar rates of job losses, 39% versus 37% in January 2009. Remember these readings are with the Job Retention Scheme in place. What happens when this safety net is removed is a major cause for concern.

“April will undoubtedly mark the low watermark with all of the UK PMI surveys. It provides an extremely low base which private sector growth in May will be measured against. As a result, we can expect to see some strong rates of output growth in the coming months but this must be interpreted with caution. The key point is that actual levels of activity will remain extremely weak for some time. Job losses are expected to surge in the second half of 2020. Returning to the levels of private sector activity and employment that existed before the pandemic will take years not months. COVID-19 will leave scars on the economy that will last even longer.”

The main findings of the April survey were as follows:

The headline seasonally adjusted Business Activity Index collapsed to 8.3 in April, from 29.1 in March which itself had already signalled a record contraction in output. The latest fall was unprecedented and the fastest of all 12 UK regions covered by the survey.
Notes on data

The survey data are presented as index numbers, which are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

Sector data published in the Ulster Bank Northern Ireland PMI® report are intended to give an indication of underlying trends in the manufacturing, services and construction industries within the Northern Ireland private sector economy. Data at the sector level are more volatile than the headline total private sector economy figures, and month-on-month movements in the sector data should therefore be treated with a degree of caution.

Press information

For further information please contact Richard Ramsey, Chief Economist Northern Ireland, on +44 (0)28 9027 6354 or +44 (0)7881 930955 or email: richard.ramsey@ulsterbankcm.com
http://www.ulsterbankcapitalmarkets.com/

Purchasing Managers' Index® (or PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to https://ihsmarkit.com/products/PMI.html.

Ulster Bank Limited Registered Number: R733 Northern Ireland.
Registered Office: 11-16 Donegall Square East, Belfast BT1 5UB.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and entered on the Financial Services Register (Registration Number 122315).

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

The Northern Ireland PMI® is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Northern Ireland PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Ulster Bank use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited and/or its affiliates.