Ireland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues). Additionally, uncertainty over the future trade relationship between the EU and the United Kingdom persists (as the UK is a large importer of Irish agricultural products). While agriculture value added is forecast to contract by more than 6% in 2020, the prospects for a short-term rebound are good.

Automotive/Transport

Remains Poor

The automotive sector suffers from lower sales of passenger cars and commercial vehicles, while transport has been impacted by decreased traffic and demand for logistics due to the coronavirus-related lockdown. Transport value added is expected to shrink by more than 12% in 2020. During the lockdown, there was a large number of payment delays. However, most of those have been repaid or are in payment plans. Still, it is expected that payment problems in the industry will increase again in the coming months, and that highly leveraged buyers will face a higher insolvency risk.

Chemicals/Pharmaceuticals

Remains Good

As one of Europe's leading producers and exporters of pharmaceutical and biotech products, businesses will likely benefit from increasing health expenses globally. Pharmaceuticals businesses' financials are generally robust. Furthermore, these businesses have generally had good payment records and low insolvency rates compared to other industries. Healthcare value added is expected to increase by almost 13% in 2020.

Construction/ Construction Materials

Remains Bleak

Construction orders and output deteriorated during the lockdown in early 2020 but rebounded quickly after the lifting. They are currently operating at 90% of pre-lockdown levels. However, investment and new project announcements are decreasing again, mainly due to the ongoing economic slowdown (in 2020 Irish GDP is expected to contract by more than 6%). Construction value added is expected to decline by more than 7% in 2020, and both payment delays and insolvencies are expected to increase in the coming months.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporary closed as a result of the lockdown. Despite a 2% VAT reduction starting on September 1st, subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. After two years of solid growth, retail value added is expected to decline by about 2% in 2020.

Electronics/ICT

Remains Poor

ICT sales have sharply deteriorated due to the temporary closure of businesses during the lockdown, currently remaining constrained due to subdued consumer sentiment. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. ICT value added is expected to shrink by 6% in 2020, followed by a 12% rebound in 2021. There has been no increase in insolvencies so far in this industry.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Poor
The sector is severely impacted by the general economic downturn, with increased financial troubles for businesses and consumers alike leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by more than 13% in 2020.

Food

Remains Good
The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues), and value added is forecast to decrease by about 1% in 2020. Despite the efforts of food exporters to diversify shipments away from Britain, a hard Brexit remains a major threat. Any future imposition of tariffs by the UK on food imports from the EU after leaving could be devastating for the Irish food sector. A hard Brexit could also cause delays in shipments of fresh food to Europe, increasing costs and reducing competitiveness (almost 80% of Irish exports to Europe go via the UK).

Machines/Engineering

Remains Poor
The investments of manufacturing businesses in machines and related items have sharply deteriorated. Sector value added is expected to contract by more than 27% in 2020, and payment delays have increased since Q2 of 2020. Insolvencies are expected to increase in Q4 of 2020 and Q1 of 2021.

Metals

Remains Poor
Orders and output are impacted by the economic downturn in Ireland, as GDP is expected to contract by more than 6% in 2020, and demand from key buyer sectors is decreasing. Metals value added is expected to decline by 8% in 2020, and business insolvencies are forecast to increase in 2021, mainly as a consequence of sharply decreasing metals demand from the construction industry.

Paper

Remains Bleak
Besides the ongoing digitalization that has led to decreasing demand over the past couple of years, paper producers are impacted by deteriorating sales due to lockdown measures and the economic slump. Value added of the industry is expected to contract by more than 8% in 2020.

Services

Remains Bleak
Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruisers, tourism, travel agencies and tour operators. Service sector value added is forecast to contract by 10% (hotel and catering by more than 20%) in 2020. Both payment delays and insolvencies have sharply increased since Q2 of 2020, and are expected to rise further in the coming months.

Steel

Remains Poor
Orders and output are impacted by the economic downturn in Ireland, as GDP is expected to contract by more than 6% in 2020, and demand from key buyer sectors is decreasing. Metals value added is expected to decline by 7.5% in 2020, and business insolvencies are forecast to increase in 2021, mainly due to sharply decreasing metals demand from the construction industry.

Textiles

Remains Poor
Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition, thin margins, lower sales, changes in customer behaviour and increased competition from new online retailers. The performance has further deteriorated due to low sales during the lockdown. Textile value added is expected to shrink by more than 14% in 2020. Payment delays have significantly increased over the past couple of months, and insolvencies are expected to increase in Q4 of 2020 and in early 2021.