

AIB Ireland Manufacturing PMI®

Irish manufacturing suffers record falls in output and new orders in April as coronavirus pandemic worsens

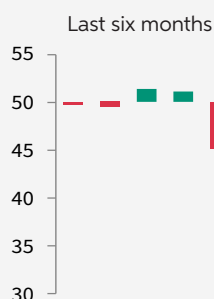
Key Findings

Unprecedented declines in output, new orders and exports

PMI boosted by record supplier delays, but still drops sharply

Joint-record rate of job shedding

Ireland Manufacturing PMI



The April AIB PMI® survey of Irish manufacturers revealed a deepening downturn in the sector at the start of the second quarter of 2020, as the economic fallout from lockdowns imposed across Europe and the wider world led to a collapse in demand. Output, new orders, exports and purchasing all fell at the fastest rates in the 22-year survey history. Jobs were shed at the joint-fastest rate on record and the 12-month outlook deteriorated further.

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

“The AIB Irish Manufacturing PMI data for April paint a bleak picture of the impact on the sector of the lockdowns associated with the coronavirus pandemic. The headline index declined sharply to 36.0 from 45.1 in March, with the 9.1 point fall in the month the largest on record.

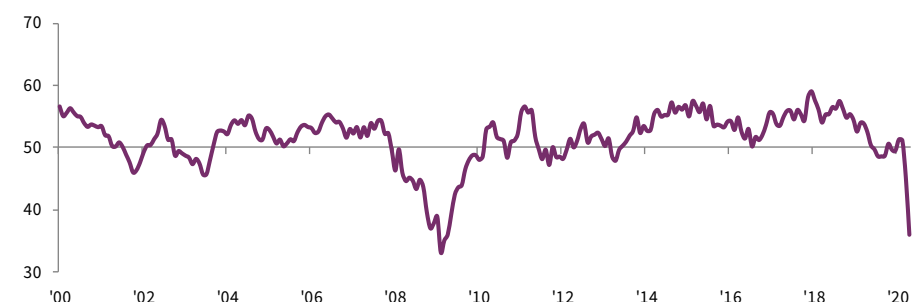
“Meantime, purchasing activity also declined to below its previous low set in 2009. Falling orders saw depleting levels of backlogs despite steep production cuts. There were also unprecedented delays in the delivery of inputs as a result of disruptions caused by the lockdowns.

“However, the severity of the hit to the sector is really shown by the very poor readings for the key sub-components of output, orders and employment. The output index halved, falling to a record low of just 21.8, with almost 70% of firms reporting a decline in production. New orders fell to 27.9, with almost two-thirds of companies reporting declines. There was a particularly sharp fall in export orders. Employment also took a hammering, with over 40% of firms cutting staff numbers.

“The Irish figures are no surprise as they are in line with global trends. The flash readings for the Eurozone, UK and US manufacturing PMIs for April show declines to 33.6, 32.9 and 36.9, respectively, similar readings to Ireland. There were some glimmers of hope in the very weak Irish data. There was a smaller decline in the new orders index than in March, while the fall in the future output index was very modest in April, having plunged in March. The data will improve as lockdown restrictions are eased.”

Manufacturing PMI

sa, >50 = improvement since previous month



Overview

The headline AIB Ireland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI plummeted to 36.0 in April, from 45.1 in March, the lowest since March 2009. The month-on-month decline in the headline figure, at 9.1 points, was a new survey record, easily beating March's 6.1-point fall. The latest figure was the third-lowest on record, behind February 2009 and March 2009.

As was the case in March, the level of the PMI was supported by a record lengthening of suppliers' delivery times, the index for which is inverted in the PMI calculation as longer times are usually associated with improving demand. With a 15% weight, the 13.3-point drop in the suppliers' delivery times index boosted the PMI by 2 points.

A truer picture of the severity of the hit to manufacturing activity in April was provided by the indices for output and new orders, accounting for 55% of the PMI weight. Both hit record lows during the month, signalling rates of decline that were unprecedented in at least 22 years. The output index fell a record 21.8 points, eclipsing March's drop. More encouragingly, new orders declined at a slower rate than production, as the respective index posted a less marked month-on-month drop than in March.

Manufacturing employment also weighed heavily on the headline PMI in April. The rate of job shedding, already sharp in March,

accelerated to the joint-fastest in the 22-year survey history, matching the pace recorded in February 2009.

Data signalled collapsing demand from both domestic and export markets. New export orders contracted at a survey-record pace, with the decline sharper than that recorded for total new orders.

Although output declined rapidly in April, backlogs of work contracted at the fastest rate since September 2011, continuing a sequence of depletion that began in September 2018.

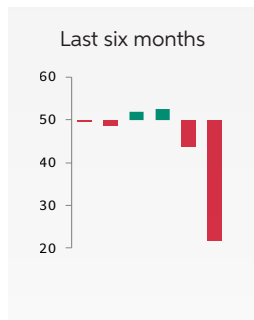
Purchasing activity was substantially scaled back in light of the collapse in demand linked to the global coronavirus pandemic. The volume of inputs ordered by manufacturers fell at a survey-record rate that was similar to the extent of the drop seen in new work. Consequently, stocks of inputs fell at the fastest rate in eight years, despite the rapid decline in production.

Lower demand for inputs generally and also the crash in global oil prices led to the fastest decline in average input prices since March 2016. Meanwhile, manufacturers cut their charges at the strongest rate since August 2019, in an attempt to bring in revenues.

The 12-month outlook weakened further in April as companies expected a recession in the aftermath of the coronavirus crisis. The Future Output Index hit a new record low during the month, but the month-on-month decline in the index (-1.9 points) was much smaller than March's 17-point plunge.



Output Index

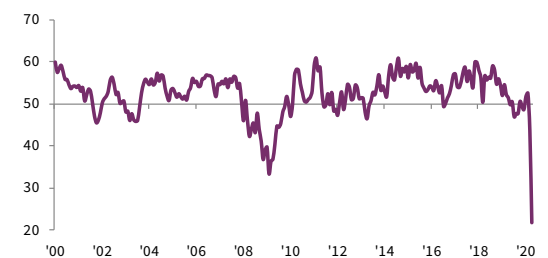


Manufacturing output in Ireland nosedived in April as domestic and global demand collapsed in the face of the worsening coronavirus pandemic.

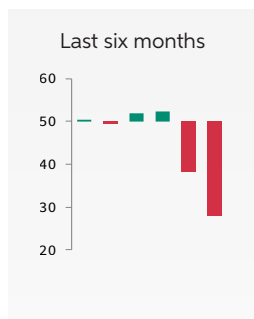
The Output Index plummeted to a record low, as almost 70% of survey respondents reported lower production than in March, with just 13% seeing growth. Where output rose, this was linked to healthcare products.

Output Index

sa, >50 = growth since previous month



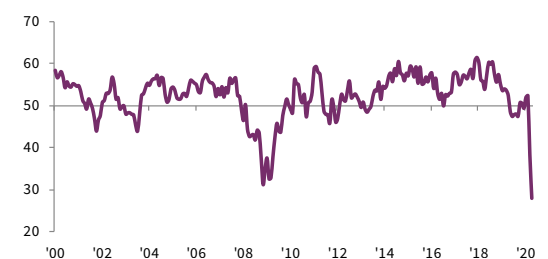
New Orders Index



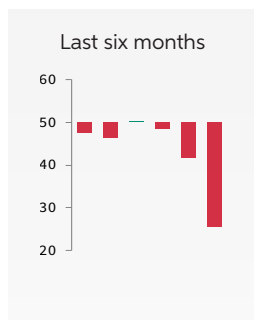
April saw an unprecedented decline in new business received by Irish manufacturers. The New Orders Index sank to a new record low, surpassing the previous nadir set in November 2008. Almost two-thirds of firms reported lower demand for their products.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

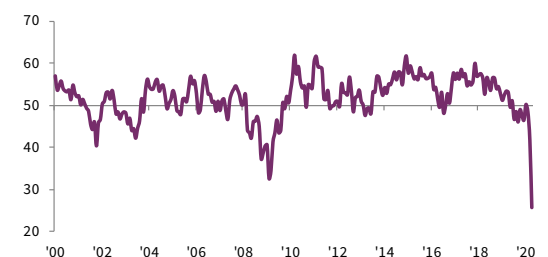


The volume of new work received from export markets contracted at the fastest rate since the survey began 22 years ago in April.

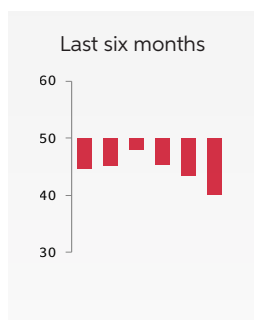
The New Export Orders Index shed 16 points on the month, taking it well below the previous record low set in February 2009 during the global financial crisis.

New Export Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index

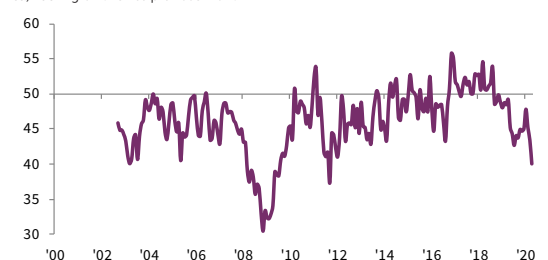


With incoming new orders falling rapidly, the overall level of backlogs in the Irish manufacturing sector fell sharply in April despite production stoppages.

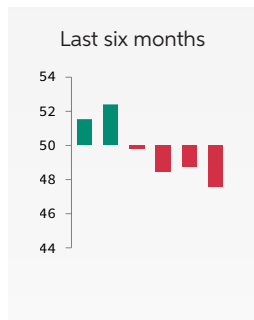
The rate of decline in outstanding work was the fastest since September 2011 and extended the current sequence of depletion to 20 months.

Backlogs of Work Index

sa, >50 = growth since previous month



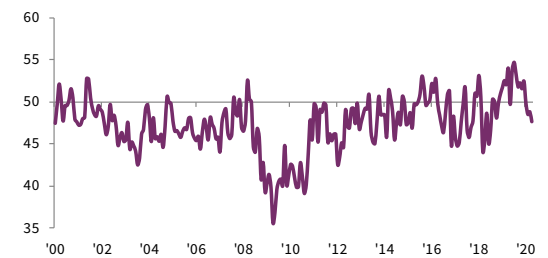
Stocks of Finished Goods Index



With output declining at a record rate in April, firms turned to existing inventories to complete orders. The level of final goods held in stock declined for the fourth month running, and at the strongest rate since July 2018. That said, the Stocks of Finished Goods Index was broadly in line with its long-run trend level during the month.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



Employment Index

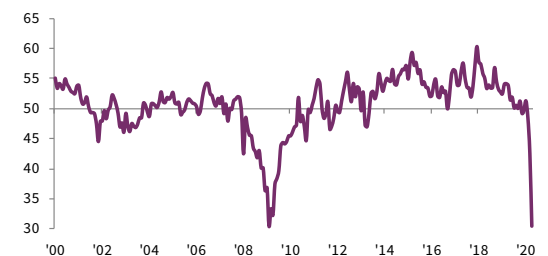


The pace of job shedding at Irish manufacturers equalled the worst on record in April. The seasonally adjusted Employment Index dived an unprecedented 12 points to match the low set in February 2009.

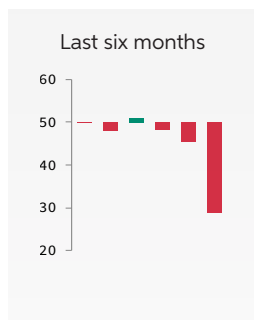
Around 41% of firms cut staff during the month, partly linked to temporary layoffs. Just 2.5% raised staff levels during the month.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index

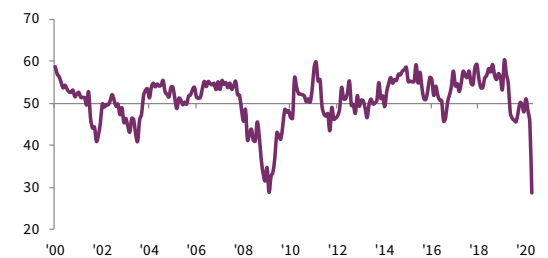


Purchasing of new inputs followed a similar trajectory to those for output and new orders in April, as firms sought to adjust capacity to much lower workloads.

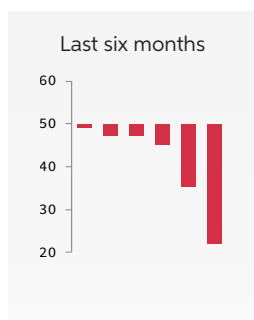
The Quantity of Purchases Index fell to a fresh series low, just below the previous nadir set in February 2009.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



More than half of survey respondents (58%) reported longer supplier delivery times in April, compared with 35% in March. Delays were usually linked to supplier closures and the general impact of lockdowns on logistics.

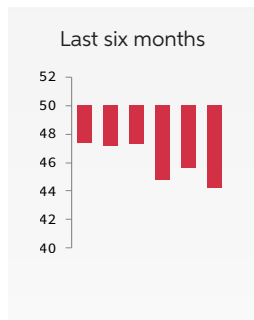
The Suppliers' Delivery Times Index hit a new record low during the month. Moreover, the month-on-month drop exceeded that seen in March.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

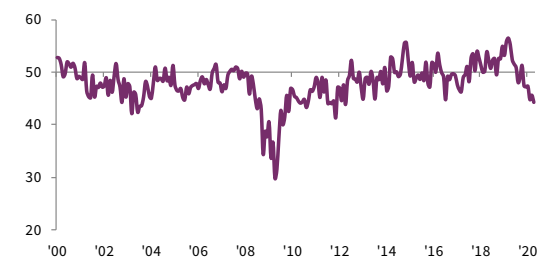


The level of inputs held in stock in the Irish manufacturing sector fell for the sixth time in nine months in April, amid a record fall in purchasing and unprecedented supplier delays.

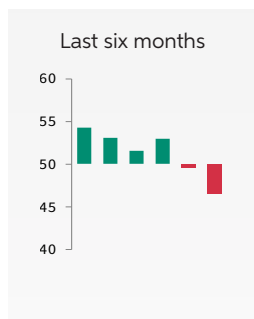
The rate of stock reduction accelerated to the fastest since April 2012.

Stocks of Purchases Index

sa, >50 = growth since previous month



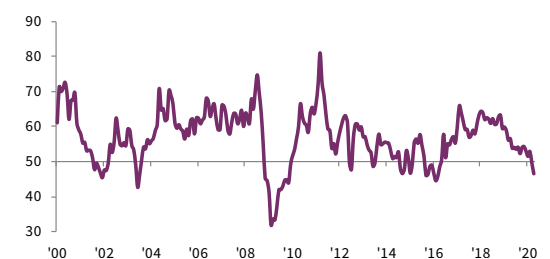
Input Prices Index



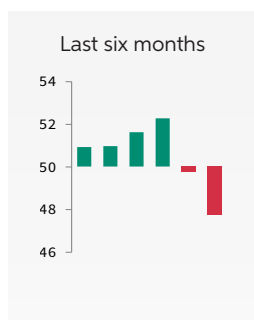
With demand for inputs declining sharply in April, average input prices fell further. The rate of reduction accelerated from the previous survey period and was the strongest since March 2016. Respondents linked lower cost pressures to reduced economic activity and falling oil prices.

Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

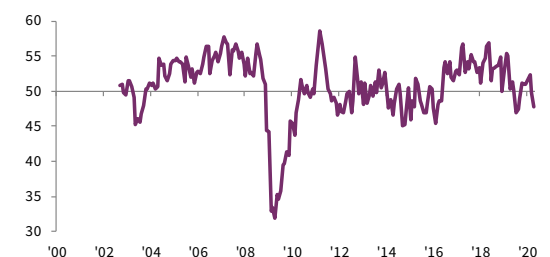


Irish manufacturers cut their output prices for the second month running in April, following a five-month sequence of inflation. Moreover, the rate of discounting was the fastest since August 2019.

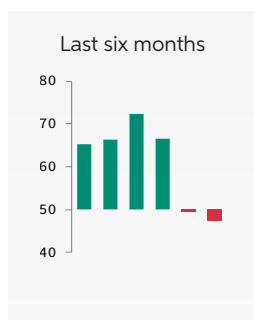
Lower charges were linked to declining oil prices and also efforts to bring in revenues amid the coronavirus crisis.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index

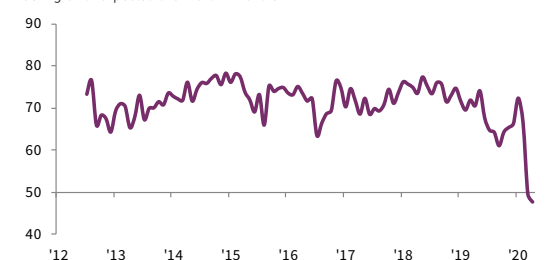


The 12-month outlook for Irish manufacturing remained negative in April, as the European economy crashed amid ongoing lockdowns in force to halt the coronavirus spread.

The Future Output Index fell to a new record low, although the month-on-month decline was far less than March's 17-point plunge.

Future Output Index

>50 = growth expected over next 12 months



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Methodology

The AIB Ireland Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. 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 Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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 7-23 April 2020.

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

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About PMI

Purchasing Managers' Index® (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.

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