

# AIB Ireland Manufacturing PMI®

## Growth of output and new orders lift PMI above 50 in June

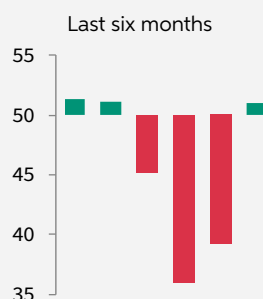
### Key Findings

**First increases in production and new work since February**

**Exports grow at fastest rate since April 2019**

**Employment continues to contract**

### Ireland Manufacturing PMI



The June PMI® data from AIB indicated a nascent recovery in Irish manufacturing business conditions as lockdown measures began to be lifted. Output and new orders both increased for the first time since February, with notable growth in exports, and expectations for production improved to a four-month high. That said, the respective indices all remained weak relative to their long-run averages and manufacturers continued to shed staff at a marked – albeit slower – rate.

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

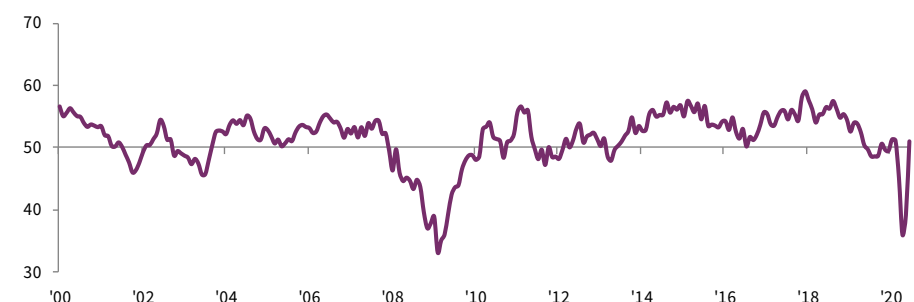
*“A record 11.8 point monthly jump in the AIB Irish Manufacturing PMI for June to 51.0 from 39.2 in May is a clear indication of improving economic conditions as lockdown restrictions are gradually eased, both here and abroad. The headline index has also moved back into positive growth territory above 50 for the first time since February.*

*“Two key components of the survey, new orders and output, registered very large increases in particular. New orders rebounded from 28.9 in May to 51.8, while output leapt from 28.7 to 50.4. Indeed, new export orders rose at their fastest rate since April 2019 as economies reopened in Europe and the US. Meanwhile, the 12-month outlook continued to recover from its April lows, with a record 10.2 point rise in June to 63.3, though this is still below its long run average.*

*“Manufacturing conditions, however, have not returned to normal. The collapse in orders in the March-May period means that backlogs continued to fall sharply, while inventories of finished goods shrunk further, with stocks of inputs also still in marked decline. Many firms are also still operating at less than full capacity, with the growth in both output and orders running below their long run norms. As a result, there was further job shedding in the sector, with one-in five companies cutting staff numbers in June.*

*“The Irish data are in line with global trends. The flash readings for the Eurozone, UK and US June manufacturing PMIs also saw large rises to 46.9, 50.1 and 49.6, respectively, as the world economy emerges from its deep slump.”*

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 posted a record one-month gain of 11.8 points in June, taking it above the neutral threshold of 50.0 into growth territory at 51.0, from 39.2 in May. The headline figure has returned to broadly where it was in January (51.4) and February (51.2.), indicating a modest overall improvement in manufacturing business conditions.

The ascent of the headline figure primarily reflected the two largest components by weight: new orders (30%) and output (25%). These indices both registered record one-month gains since May (22.9 and 21.7 points respectively), and signalled expansion for the first time since February. A number of firms reported that factories had reopened as lockdown measures began to be eased. Total new orders were boosted by the fastest rise in exports since April 2019. That said, growth rates for production and new work were weak relative to their respective long-run averages.

Higher production was not matched by a rise in employment in June, with many plants operating well below full capacity. Manufacturers cut workforces for the fifth successive month, albeit at the slowest rate in four months. One-in-five firms cut staff during June, down from 29% in May and

41% in April.

Although new work and output both increased in June, the volume of outstanding business at manufacturers continued to decline sharply. This reflected the severe falls in new orders during March, April and May as lockdowns took effect across Europe and the wider world. That said, the drop in backlogs was slower than those in April and May.

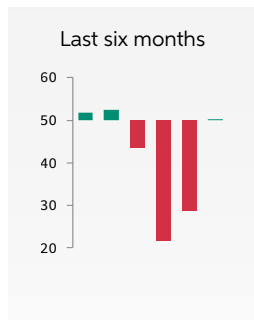
Manufacturers continued to cut back on purchasing of new inputs in June, reflecting uncertainty around the near-term outlook for demand as lockdowns ease. Purchasing fell markedly, albeit less so than in April and May. Data suggested that firms had increasingly resorted to using up existing stocks in production, as input inventories declined at the fastest rate since November 2011. Stocks of finished goods also fell sharply in June.

Inflationary pressures continued to weaken in June. Input prices and prices charged for finished goods both fell for the fourth successive month, albeit at weak rates that were slightly slower than in May.

At the mid-point of 2020, Irish manufacturers were increasingly confident of growth of output over the next 12 months as lockdown measures are lifted. The Future Output Index posted a record one-month gain of 10.2 points since May to its highest since February. That said, it remained below its eight-year long-run average, reflecting uncertainty around the length and severity of recessions triggered by the coronavirus pandemic.



## Output Index

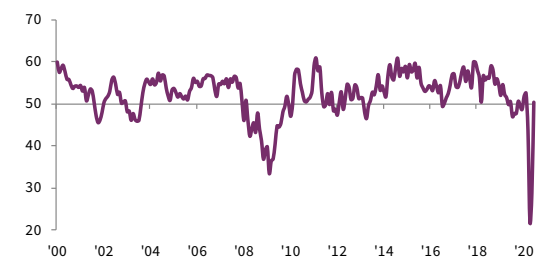


Manufacturing output in Ireland rose in June compared with one month previously. A number of firms reported that factories had reopened as lockdown measures were eased.

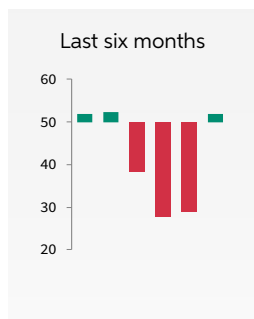
June's growth followed a three-month downturn that was the sharpest in the survey history. That said, the rate of expansion in the latest period was weak, reflecting subdued overall demand due to COVID-19.

### Output Index

sa, >50 = growth since previous month



## New Orders Index

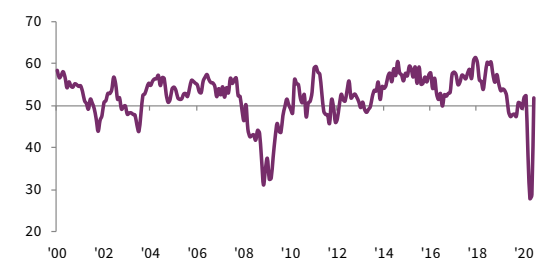


The seasonally adjusted New Orders Index rose by nearly 23 points in June to a level above the neutral threshold of 50.0, indicating a rise in new work at Irish manufacturers at the halfway point of 2020.

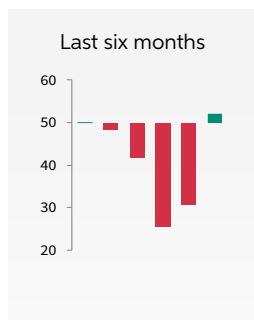
That said, the rate of growth was weaker than the average over the 22-year survey history, as the ongoing coronavirus pandemic blunted demand.

### New Orders Index

sa, >50 = growth since previous month



## New Export Orders Index

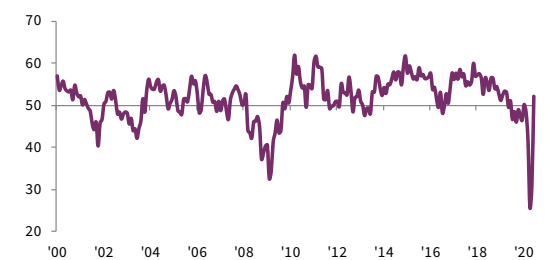


Irish manufacturers reported higher inflows of new work from export markets for the first time in five months in June. Moreover, the rate of expansion was the fastest since April 2019. A number of firms reported the reopening of markets in Europe and the US.

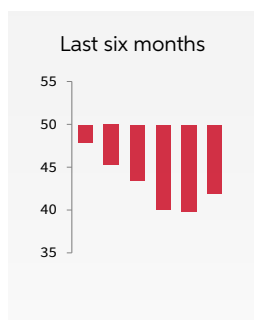
The seasonally adjusted New Export Orders Index was slightly above its long-run average of 51.8 during the month.

### New Export Orders Index

sa, >50 = growth since previous month



## Backlogs of Work Index

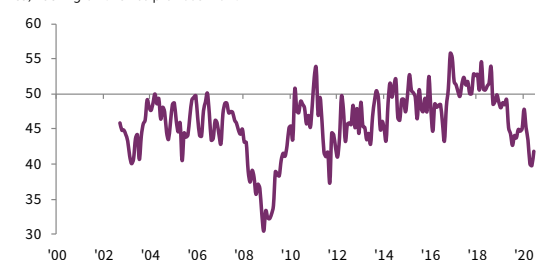


Although new work rose in June, the collapse in demand during the prior three months meant that overall workloads remained low and backlogs continued to fall sharply. The rate of contraction eased from the multi-year records seen in April and May, but was marked nonetheless.

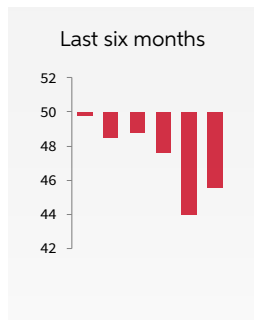
Backlogs of work at Irish manufacturers have declined continuously since September 2018.

### Backlogs of Work Index

sa, >50 = growth since previous month



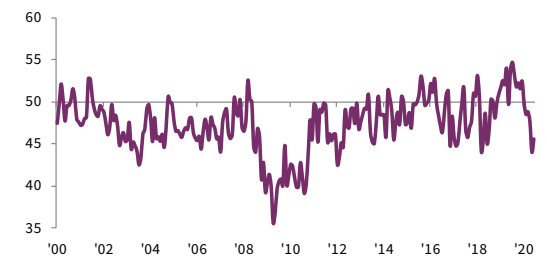
## Stocks of Finished Goods Index



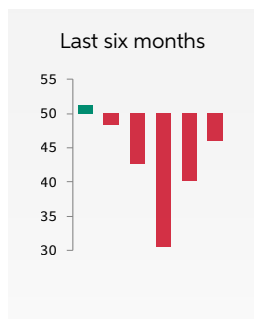
The level of finished goods held in stock at Irish manufacturers fell for the sixth month running in June, the longest period of decline in over three years. The rate of contraction slowed from May's 99-month record, but remained strong. A number of firms reported selling from stock to meet orders.

### Stocks of Finished Goods Index

sa, >50 = growth since previous month



## Employment Index

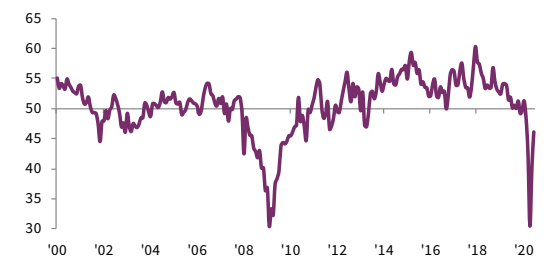


Manufacturing employment in Ireland fell further in June, as firms continued to adjust capacity to low overall workloads despite June's increase in new orders. The workforce has shrunk for five consecutive months, the longest period of job shedding in nearly ten years.

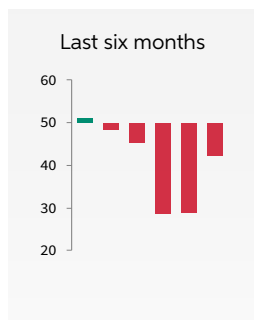
The rate of reduction slowed further from April's joint-record pace, but remained solid.

### Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index

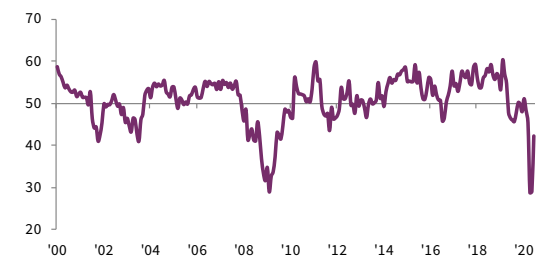


The volume of inputs ordered by Irish manufacturers fell further in June, the twelfth contraction of the past 14 months.

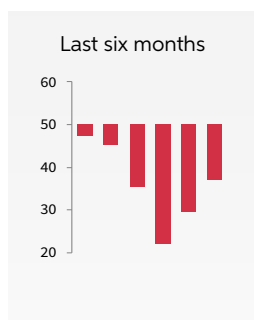
The rate of decline was much slower than in April and May, but still faster than in any prior month stretching back nearly 11 years.

### Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index



June data indicated an easing of manufacturing supply chain pressures, following extreme disruption in the previous three months since lockdowns were imposed. Times continued to lengthen overall, but to the least extent since February.

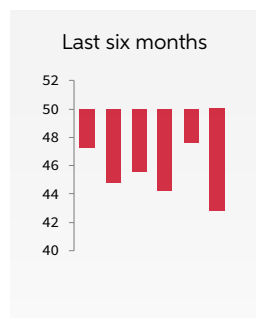
Firms reported that ongoing virus restrictions had continued to result in shortages and shipping delays.

### Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index



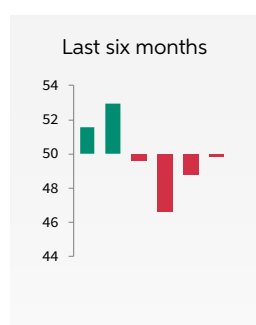
Destocking of inputs continued apace in June as manufacturers adjusted capacity to weak demand levels, and used up pre-existing stocks as output restarted. The seasonally adjusted Stocks of Purchases Index signalled an eighth successive monthly decline, and at the fastest rate since November 2011.

Stocks of Purchases Index

sa, >50 = growth since previous month



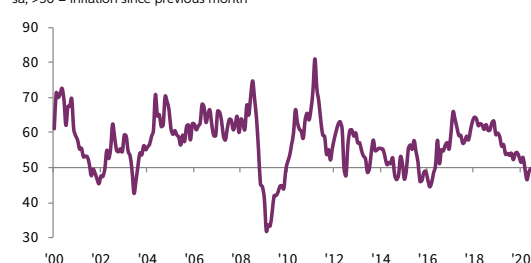
## Input Prices Index



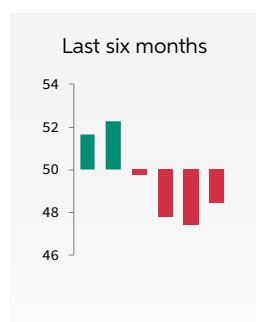
The seasonally adjusted Input Prices Index remained below the no-change mark of 50.0 in June, indicating a fourth successive monthly decline in average input costs at Irish manufacturers. That said, the overall rate of reduction in manufacturing input prices was the slowest in the current sequence.

Input Prices Index

sa, >50 = inflation since previous month



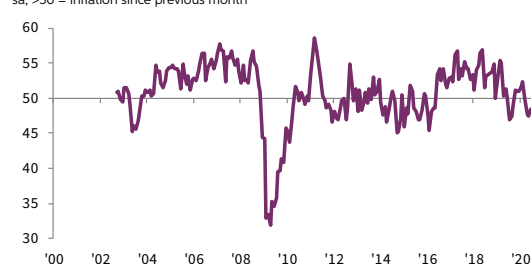
## Output Prices Index



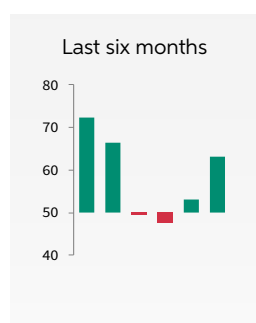
Prices charged by Irish manufacturers continued to fall in June, extending the current sequence of discounting to four months. Lower charges reflected reduced cost pressures and attempts to stimulate demand. The rate of reduction was weaker than in both April and May, however.

Output Prices Index

sa, >50 = inflation since previous month



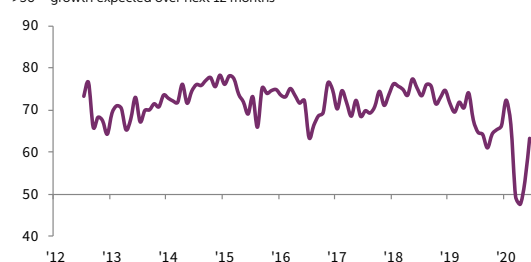
## Future Output Index



Sentiment in the goods-producing sector continued to recover in June from the lockdown-induced lows in March and April. The Future Output Index rose by 10.2 points since May – a series record one-month gain – though it remained below the levels seen in the first two months of 2020 and its long-run trend level of 71.0. Nearly half of survey respondents expect higher activity by mid-2021 (47%), compared with 21% that forecast a decline.

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 12-23 June 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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