



# AIB Ireland Manufacturing PMI®

## Severe manufacturing downturn continues in May

### Key Findings

**Further rapid falls in output and new orders**

**Most indices improve since April but remain historically weak**

**Output expectations pick up slightly**

Data collected 12-21 May

May PMI® from AIB showed a further severe deterioration in Irish manufacturing business conditions as large swathes of the local and global economies remained locked down to contain the spread of the coronavirus pandemic. Although many indicators recovered some of the ground lost in April's collapse, they still signalled rapid falls. Output, new orders and exports all dropped at the second-strongest rates on record. The 12-month outlook brightened but remained very weak.

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 rose from April's 11-year low of 36.0 to 39.2 in May. The latest figure represented a slower month-on-month overall deterioration in operating conditions than in April - the first full month of lockdown - but still a rapid contraction nonetheless. The May figure was the eighth-lowest on record, falling far short of March's 45.1.

The output and new orders components both registered higher figures in May but still indicated stronger declines than in any survey period prior to April, dating back to May 1998. The new orders index rose by only a single point from April, as demand remained very weak in the midst of the lockdown measures. The employment component regained more territory but still signalled the second-fastest rate of job shedding in nearly 11 years. Suppliers' delivery times lengthened by less than in April, but the index still served to elevate the level of the headline PMI relative to output and new orders. The fifth component, stocks of purchases, signalled the slowest rate of input

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

destocking in seven months.

With many markets still in lockdown, the volume of new export orders continued to fall at a historically marked rate in May. The pace of contraction was the second-fastest on record, behind April's plunge.

Although many factories remained shut down in May, survey respondents reported that backlogs of work fell at the fastest rate since September 2011, reflecting the severe decline in new orders over the past three months.

Purchasing activity continued to be cut back drastically due to suspended output and the collapse in demand due to the global coronavirus pandemic. The volume of inputs ordered by manufacturers fell at the second-strongest rate in the survey history in May while input stocks contracted for the seventh month running, albeit at a slower rate.

With demand for inputs remaining very low and continued weakness in global oil prices, average input prices fell or the third month running in May. That said, the rate of reduction eased since April. Meanwhile, manufacturers cut their charges for the third month running and at the strongest rate since July 2019.

Irish manufacturers reported overall optimism regarding future output in May, following a record degree of pessimism in April. The Future Output Index rose to a three-month high and above 50.0 as more firms predicted growth (38%) than decline (31%) by May 2021. That said, the strength of sentiment remained historically weak.

## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Irish Manufacturing PMI data for May paint a downbeat picture of the sector for the third month in a row as the lockdowns associated with the coronavirus pandemic continue to depress activity. At least the headline index managed to rise to 39.2 from 36.0 in April. It is also the case that the index fell to even lower levels in the 2008-09 recession, when it troughed at 33.2. Furthermore, the 12-month outlook improved, although it still remains at a relative low level historically.*

*"Manufacturing output remained weak, with nearly 60% of respondents reporting lower production in May. Total new orders, including for exports, are mired at historically low levels, although their rates of decline eased. Employment in the sector continued to contract, but the pace of job shedding did slow appreciably from April.*

*"The marked weakness of new orders saw a further depletion in the volume of backlogs, which dropped at their quickest pace since September 2011. With production running at low levels, manufacturers continued to destock at a rapid pace. Stocks of inputs also fell further, while input purchase volumes continued to decline, with severe disruptions to supply chains also being reported by firms.*

*"The Irish data are in line with global trends. The flash readings for the Eurozone, UK and US manufacturing PMIs also saw modest rises in their May headline indices to 39.5, 40.6 and 39.8, respectively, very similar to Ireland. The indices should continue to move higher as lockdown restrictions are eased and economic activity picks up again."*

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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 12-21 May 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.

[ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html)

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