



# 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**

Data collected 12-23 June 2020

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.

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

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

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.



## Comment

Oliver Mangan, AIB Chief Economist, commented:

*“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.”*

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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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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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