

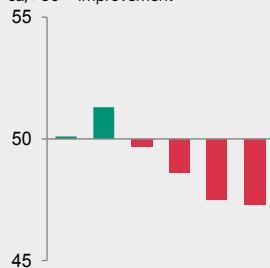
AIB Ireland Manufacturing PMI®

Strongest deterioration in Irish manufacturing sector performance for over three years in June

47.3

IRELAND
MANUFACTURING PMI
JUN '23

Manufacturing PMI
Jan - Jun '23
sa, >50 = improvement



Amid ongoing demand weakness, Irish manufacturing firms continued to see a decline in the health of the sector during June. Downturns in new orders and output were both sustained with the rate of contraction in the latter the sharpest since February 2021. Firms responded accordingly by cutting back their buying activity at the steepest pace for three years. Employment numbers were down for the first time in seven months as firms were increasingly reluctant to replace voluntary leavers. Meanwhile, cost pressures continued to ease, as reflected in the sharpest fall in selling prices since February 2016.

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

"The AIB Irish Manufacturing PMI for June indicates that the sector remained in contractionary territory at the end of the second quarter. The headline index registered a reading of 47.3 in June, which was slightly below the 47.5 level it recorded in May and marked the fourth consecutive month of contraction. The contraction in Irish manufacturing activity is in line with the trend in most other economies, amid a global downturn in the sector. The flash June Manufacturing PMIs for the Eurozone, UK and US slipped further to 43.6, 46.2 and 46.3, respectively.

"Irish manufacturing continued to be hampered by subdued demand, including in overseas markets. This was reflected in new orders falling for a fourth month in-a-row, with export orders contracting for a thirteenth successive month. The weakness in demand, meant that production continued to be scaled back, and is now at its lowest level since early 2021.

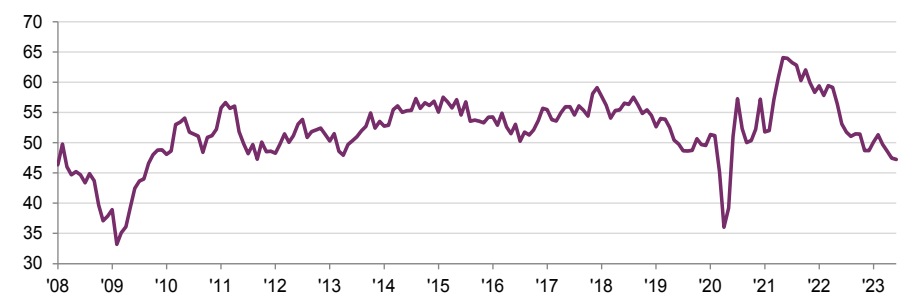
"Amid the lower level of production, firms continued to scale back their purchases of inputs, with June seeing the sharpest pace of reduction in three years. Spare capacity continued to be evident in the sector as backlogs of outstanding work maintained their steep downward trend.

"Against the backdrop of weaker activity levels, employment decreased for the first time in seven months, with the rate of decline, the sharpest in nearly three years.

"Despite the more challenging market conditions, Irish manufacturers continue to be optimistic about the future, with confidence rising to a three month high.

"Meanwhile, the weaker demand dynamics in the sector resulted in a further marked easing in inflationary pressures. Input prices fell for the third consecutive month, driven by falls in raw material and energy prices. A combination of reduced inputs costs and increased competition saw output prices decrease again in June."

AIB Ireland Manufacturing PMI
sa, >50 = improvement since previous month



Contents

Comment
Overview
Output and demand
Business expectations
Employment and capacity
Purchasing
Prices
International PMI
Survey methodology
Further information

Overview

Output declines at quickest rate since February 2021

Fresh reduction in employment levels

Sharpest fall in selling prices since February 2016

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.

Posting at 47.3 in June, falling fractionally from 47.5 in May, the headline PMI index pointed towards a fourth successive deterioration in the overall health of the Irish manufacturing sector. Moreover, the rate of decline was the strongest in over three years.

Reports of demand weakness were widespread across the latest survey. The impacts of this were clearly felt with regards to new orders, which declined for the fourth month running in June. Difficulties in securing sales were especially prevalent in the export market. Foreign client demand deteriorated for the thirteenth successive month and at a strong rate overall.

Matching the subdued picture for demand, Irish manufacturers scaled back production during June. The decline in output levels was the eighth in successive months and the most pronounced since February 2021. Aside from demand weakness, less favourable weather conditions were named as a factor contributing to the latest reduction.

With production requirements falling, firms responded accordingly by reducing their purchasing activity during June. Moreover, the rate of decline quickened to a substantial pace that was the sharpest in three years. As such, pre-production inventory levels contracted for the third month in a row and at a strong pace overall. When explaining the decline, panel members often mentioned their efforts to purposefully reduce stocks of purchases in line with subdued demand. Firm also maintained a preference towards lower post-production inventories, as highlighted

by a second consecutive fall in stocks of finished goods.

Elsewhere, there was a fresh reduction in staffing numbers during June. Irish manufacturers lowered employment levels for the first time in seven months and at the sharpest rate in close to three years. According to survey respondents, voluntary resignations and a growing reluctance to replace leavers led to the latest decline in workforce numbers.

Nevertheless, an element of spare capacity within the Irish manufacturing sector remained evident at the end of the second quarter of the year. The level of outstanding work depleted for a fourteenth successive month and at a marked pace overall. Firms were reportedly able to make inroads in their backlogs due to the current lull in demand.

The weak demand environment acted to reduce cost pressures further in June. Input prices dropped for the third month in a row and at the sharpest pace since April 2020. The fall in operating expenses provided firms with some leeway to reduce their own output charges. Selling prices subsequently decreased for a second successive month, and at the pace that was the most pronounced since February 2016. Lower raw material and energy prices combined with current competitive pressures led to the sustained declines, according to survey respondents.

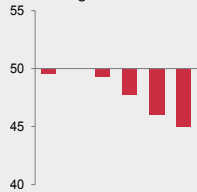
Meanwhile, supply pressures also subsided. Average lead times shortened for the fourth month in a row, aided by an improvement in shipping times from overseas suppliers.

Despite deteriorating market conditions, Irish manufacturing firms remained optimistic in their projections for future output in June. The degree of confidence strengthened to a three-month high amid hopes of an upcoming boost in sales volumes.

Output and demand

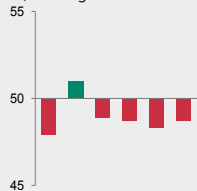
Output Index

Jan - Jun '23
sa, >50 = growth



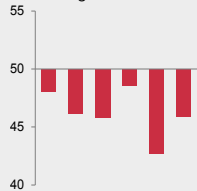
New Orders Index

Jan - Jun '23
sa, >50 = growth



New Export Orders Index

Jan - Jun '23
sa, >50 = growth



Output

The seasonally adjusted Output Index moved further below the neutral 50.0 threshold in June to signal a fourth successive monthly drop in Irish manufacturing production. Notably, the rate of decline was the most pronounced since February 2021 and strong overall. Anecdotal evidence suggested that the latest drop in output was mainly a result of subdued demand and a sustained fall in new orders. There were also mentions of unfavourable weather conditions hampering new sales.

New orders

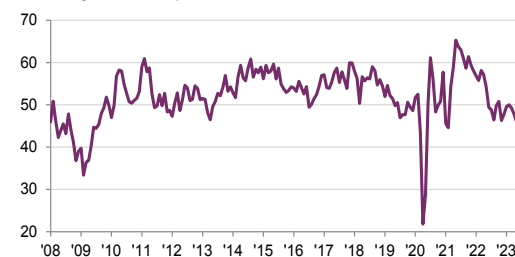
June data highlighted another contraction in Irish manufacturing order book volumes. That said, the rate of decline remained broadly in line with each of those seen in the three months prior and was only marginal overall. The latest decline in new sales was overwhelmingly linked by panel members to current demand fragility.

New export orders

Irish manufacturing firms continued to report declining new export orders at the end of the second quarter of the year, the thirteenth decrease in successive months. Weakness in international demand remained central to the fall in new business from abroad, according to respondents. The pace of contraction softened from May's three-year record fall, but was strong nonetheless.

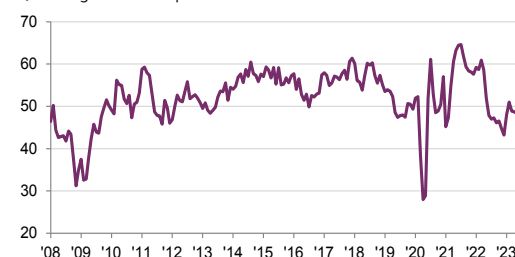
Output Index

sa, >50 = growth since previous month



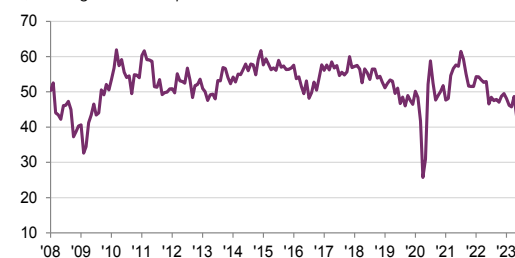
New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

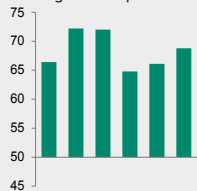
sa, >50 = growth since previous month



Business expectations

Future Output Index

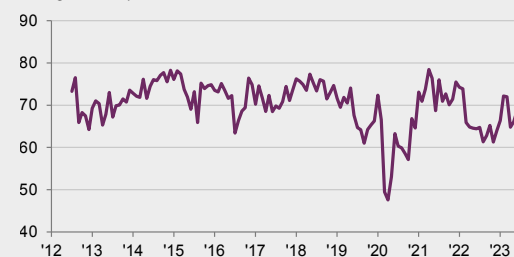
Jan - Jun '23
>50 = growth expected



The Future Output Index moved further above the neutral 50.0 threshold during June to indicate a sustained improvement in the outlook for output over the year-ahead. Positive sentiment was mainly underpinned by hopes for a bounce back in demand. There were also mentions of new clients and upcoming projects. The degree of confidence was the strongest in three months, albeit below the historical series average.

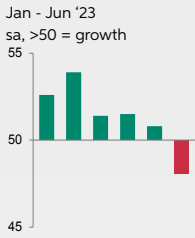
Future Output Index

>50 = growth expected over next 12 months



Employment and capacity

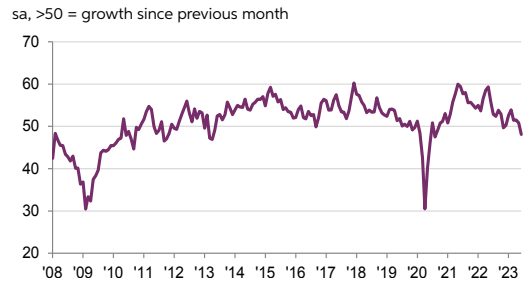
Employment Index



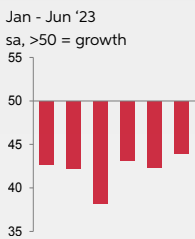
Employment

A sub-50.0 reading in the seasonally adjusted Employment Index pointed to a fresh decline in Irish manufacturing employment levels during June. While only modest overall, the cut in staffing numbers was the first in seven months and the strongest since August 2020. According to survey respondents, voluntary resignations combined with a growing reluctance to replace leavers led to the decline.

Employment Index



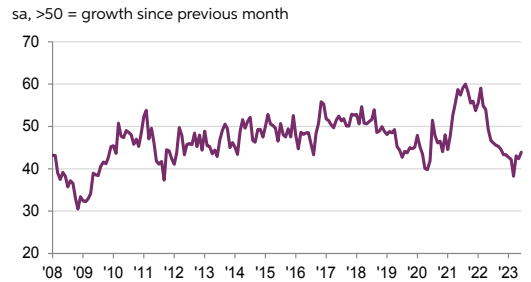
Backlogs of Work Index



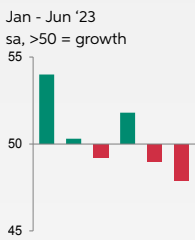
Backlogs of work

The level of outstanding work in the Irish goods producing sector was depleted for the fourteenth month in a row during June. Where a decrease in backlogs was reported, panel members often highlighted a general lack of demand and a sustained reduction in new order inflows. The rate of decline was marked overall, despite easing to the softest since last October.

Backlogs of Work Index



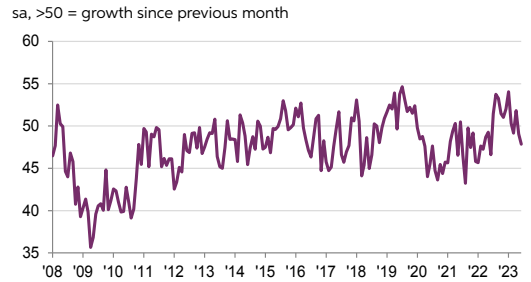
Stocks of Finished Goods Index



Stocks of finished goods

June data was indicative of back-to-back contractions in stocks of finished goods held by Irish manufacturing companies. Moreover, having accelerated from May, the rate of stock depletion was solid overall and the most pronounced in a year. In an effort to reduce inventory holdings in line with current demand trends, firms reported using pre-existing stock to fulfil any incoming new order requirements.

Stocks of Finished Goods Index



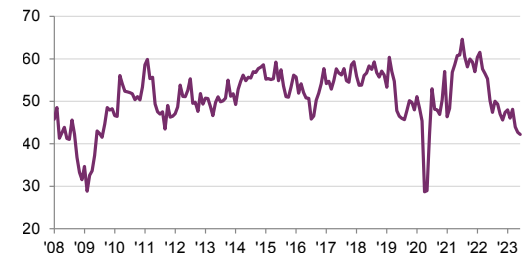
Purchasing

Quantity of purchases

June data highlighted another fall in Irish manufacturing purchasing activity, thereby extending the current sequence of decrease to ten months. The rate of decline accelerated for the third month in a row to reach its fastest pace in three years. Anecdotal evidence suggested that the reduction primarily reflected lower production requirements due to a drop in new orders.

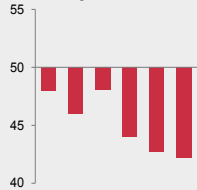
Quantity of Purchases Index

sa, >50 = growth since previous month



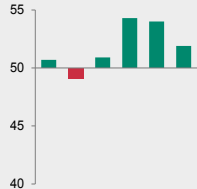
Quantity of Purchases Index

Jan - Jun '23
sa, >50 = growth



Suppliers' Delivery Times Index

Jan - Jun '23
sa, >50 = faster times

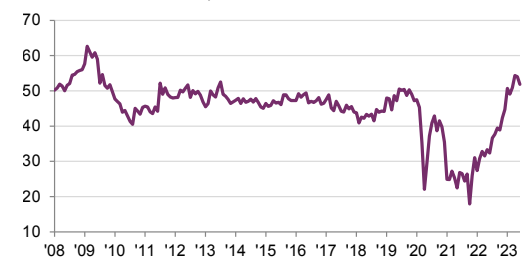


Suppliers' delivery times

The shortening of average delivery times for inputs was sustained in June, with panel members often attributing this to an improvement in the performance of overseas suppliers. Anecdotal evidence suggested that fewer delays at overseas suppliers supported the reduction in pressure on supply chains. That said, the extent to which lead times shortened moderated further from April's near 14-year record and was only modest overall.

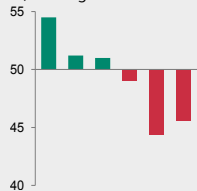
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Jan - Jun '23
sa, >50 = growth

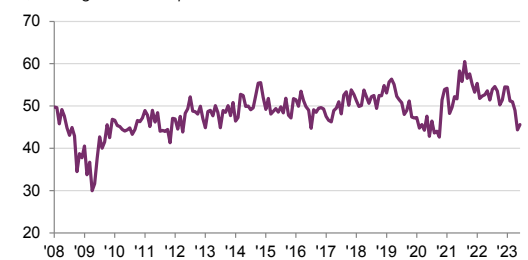


Stocks of purchases

Irish goods producers noted a third successive decrease in pre-production inventories at the end of the second quarter of the year. The latest decline was strong overall, despite the pace of contraction slowing from that seen in May. Respondents often indicated that stocks of purchases were reduced to mirror current demand trends.

Stocks of Purchases Index

sa, >50 = growth since previous month



Prices

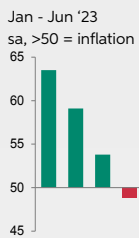
Input prices

Input costs dropped at a solid pace during June, thereby stretching the current sequence of decline to three consecutive months. In fact, the rate of decrease accelerated to the quickest since April 2020. The latest fall was primarily driven by moderations in raw material prices, though lower energy and gas costs were also noted as contributing factors by survey respondents.

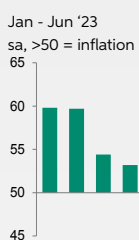
Output prices

June data signalled back-to-back decreases in factory gate charges, as highlighted by the respective seasonally adjusted index posting below the neutral 50.0 threshold for a second month in a row. The rate of decline was solid overall and the steepest since February 2016. The fall in charges reflected a combination of reduced costs which were passed through to customers and increased competition.

Input Prices Index

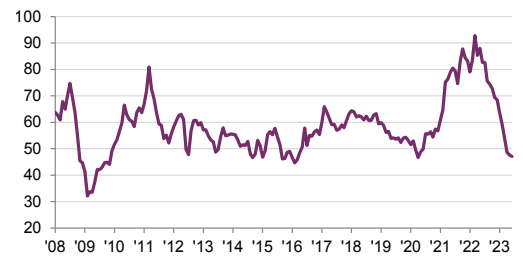


Output Prices Index



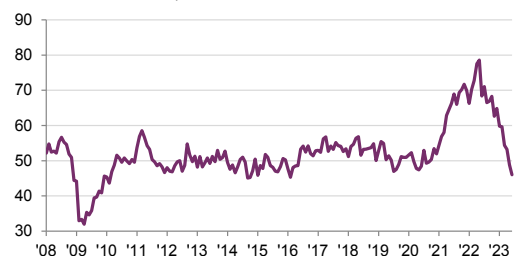
Input Prices Index

sa, >50 = inflation since previous month



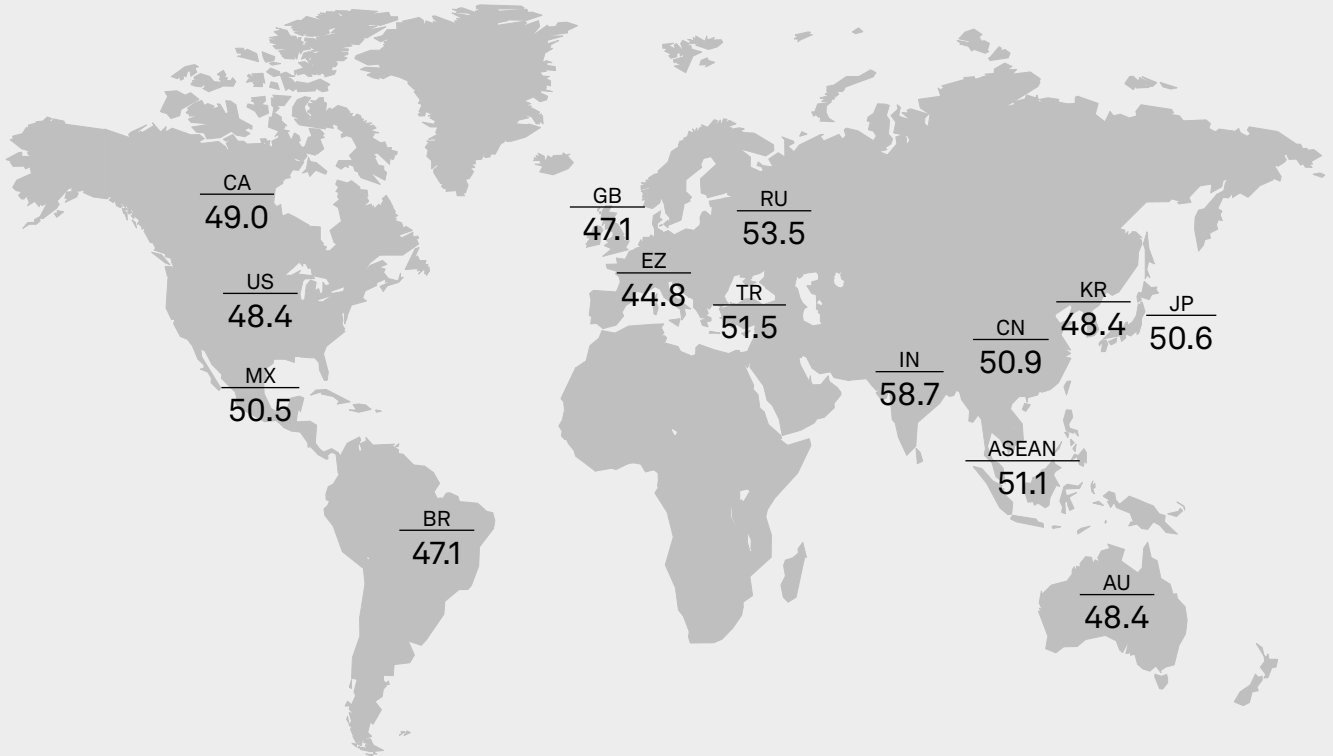
Output Prices Index

sa, >50 = inflation since previous month

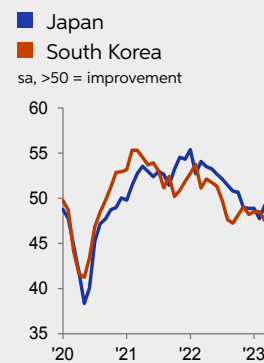
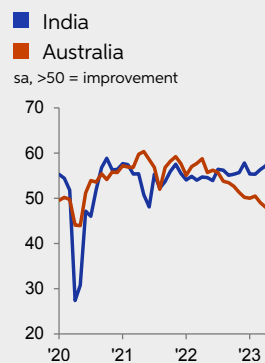
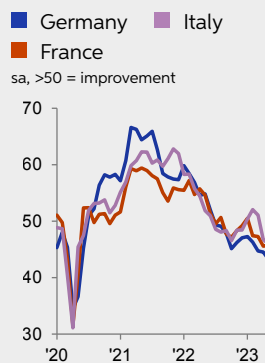
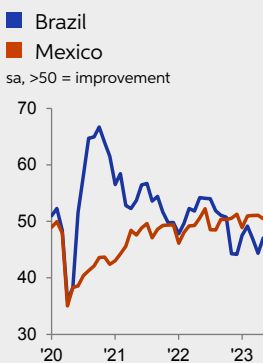
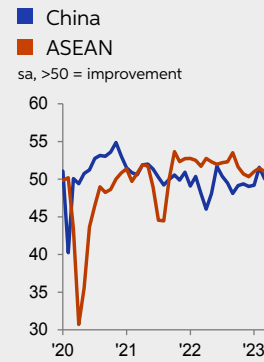
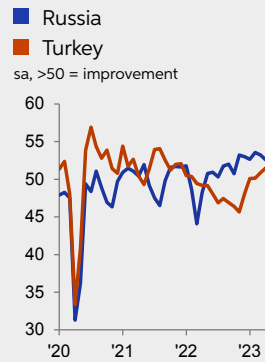
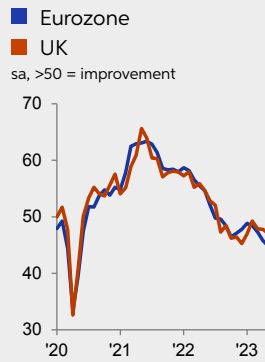
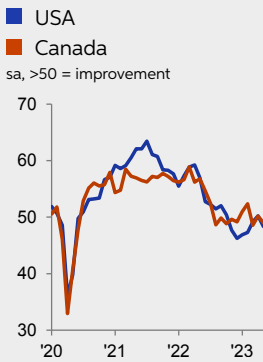


International PMI

Manufacturing PMI, May '23
 sa, >50 = improvement since previous month



Manufacturing PMI



Survey methodology

The AIB Ireland Manufacturing PMI® is compiled by S&P Global 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. Data collection began in May 1998.

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.

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

Survey dates

Data were collected 12-23 June 2023.

Survey questions Manufacturing sector

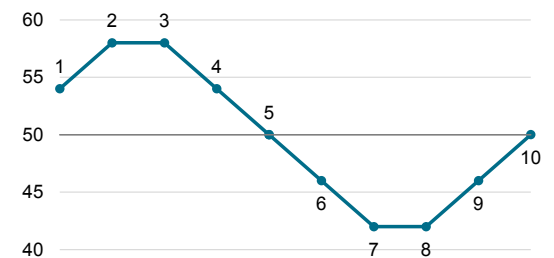
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change"})/2$$

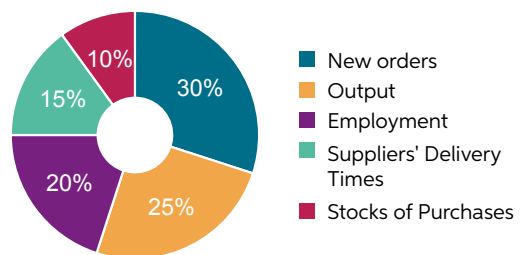
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

Manufacturing PMI data include responses from companies operating in the entire manufacturing sector, including the following ISIC Rev.3 codes:

- | | | |
|--|--|---|
| 15 Food and beverages | 23 Coke and refined petroleum products | 31 Electrical equipment |
| 16 Tobacco products | 24 Chemicals and chemical products | 32 Communication equipment |
| 17 Textiles | 25 Rubber and plastic products | 33 Medical, precision and optical instruments |
| 18 Wearing apparel | 26 Other non-metallic mineral products | 34 Motor vehicles, trailers and semi-trailers |
| 19 Leather and related products | 27 Basic metals | 35 Other transport equipment |
| 20 Wood and wood products | 28 Fabricated metal products | 36 Other manufacturing |
| 21 Paper and paper products | 29 Machinery and equipment n.e.c. | |
| 22 Printing and reproduction of recorded media | 30 Office machinery and computers | |

Contact

Oliver Mangan
AIB Chief Economist
T: +353-1-6417176
AIBeconomics.Unit@aib.ie
www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-87-739-0743
paddy.x.mcdonnell@aib.ie

Louise Kelly
AIB Press Office
T: +353-87-216-1545
louise.Y.kelly@aib.ie

Laura Denman
Economist
S&P Global Market Intelligence
T: +44-134-432-7221
laura.denman@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.
www.spglobal.com

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

Disclaimer

This publication is issued by Allied Irish Banks, p.l.c. ("AIB") and is for general information purposes only. This publication should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments or product, securities or any derivative instrument (together, "instruments"), or any other rights pertaining thereto. AIB does not express any opinion as to the present or future value or price of any instruments referred to in this publication.

The information provided in this publication is believed to be valid and accurate on the date it is first published but AIB, along with its directors, officers, or employees, does not accept any liability for any loss arising from the use of the information. The information contained therein, including any expressions of opinion, has been obtained from, or is based on, or compiled from, sources believed to be reliable but its accuracy or completeness is not guaranteed and is subject to change without notice.

Any decision made by a party shall be on the basis of its own research and shall not be influenced or based on any view expressed by AIB in this publication or otherwise. This publication does not address all risks. This publication does not constitute investment advice or a recommendation and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments and/or pursuing any investment strategies. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any instruments, forecasts are not a reliable indicator of future performance.

This publication is not to be reproduced in whole or in part without the prior express written consent of AIB. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

PMI®

by **S&P Global**