



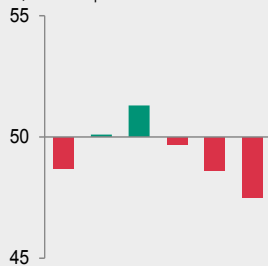
AIB Ireland Manufacturing PMI®

Irish manufacturing conditions deteriorate at sharpest pace for three years in May

47.5

IRELAND
MANUFACTURING PMI
MAY '23

Manufacturing PMI
Dec '22 - May '23
sa, >50 = improvement



Weighed down by sharper falls in output and new orders, Ireland’s manufacturing sector remained rooted in a downturn in May. Subsequently, purchasing activity fell at the strongest pace since June 2020, inventory levels were scaled back, and business sentiment remained historically subdued. There was, however, some positive news brought about by the current demand weakness. Vendor performance improved for the third month in a row, with input costs falling further and leading firms to reduce their selling prices for the first time in over two-and-a-half years.

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

“The AIB Irish Manufacturing PMI for May showed a continuation of the downturn in activity in the sector, with the headline index falling further to 47.5 from 48.6 in April and 49.7 in March. This is no surprise as manufacturing activity globally remains in contraction, with the pace of decline gathering momentum. The flash May Manufacturing PMIs for the Eurozone, UK and US slipped further to 44.6, 46.9 and 48.5, respectively.

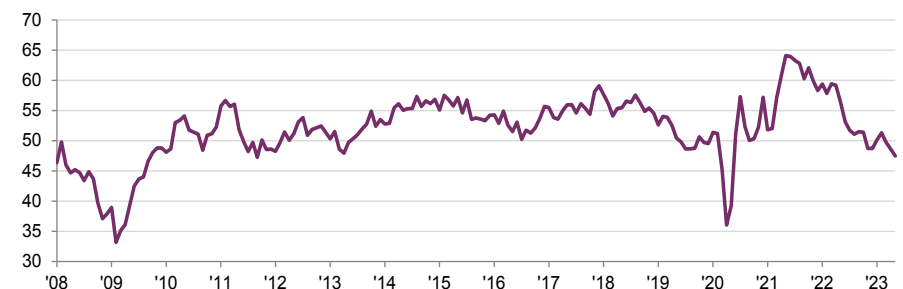
“The downturn in global manufacturing stems from weak demand, with declining new orders, falling production and a rundown of inventories. These traits are very evident in the latest Irish data. May saw further declines in new orders, with a particularly sharp fall in export orders, the steepest since April 2009 apart from during the early period of the COVID pandemic. Spare capacity rose further as backlogs of work maintained their steep decline. Stocks of finished goods fell,

while firms continued to scale back their purchases of inputs at a marked pace, resulting in a sharp drop in the stock of inputs.

“On a positive note, employment increased for a sixth consecutive month, albeit only marginally. There was also a further shortening in supplier delivery times, with the easing of pressures on supply chains being aided by the general weakness of demand. Irish manufacturers continue to be optimistic about the future, although confidence levels remain low by historical norms.

“Meanwhile, there was a further marked easing of inflationary pressures in the sector. Indeed, input prices fell for the second consecutive month amid a continuing moderation in raw material and energy prices. This led to the first fall in output prices since September 2020.”

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

Sharpest fall in production since February 2021

Marked reduction in purchasing activity

First fall in selling prices since September 2020

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 headline PMI index fell from 48.6 in April down to 47.5 in May to signal a third successive contraction in the Irish manufacturing sector. Moreover, having quickened for a second month in a row, the rate of deterioration was solid overall and the most pronounced in three years.

Demand weakness remained a central theme within the latest survey data and was reportedly the main factor driving a sustained decrease in new orders in May. The latest decline was the third in successive months and the quickest over this period. Downwards pressure on demand conditions was more severe among foreign clients. May data marked a year-long sequence of monthly reductions in new export orders with the latest decrease the sharpest in three years.

Irish manufacturing firms responded to subdued orders books by scaling back their production levels for a third consecutive month in May. In fact, the drop in output was solid overall and the strongest since February 2021.

Despite weak demand conditions, companies remained resilient in their recruitment endeavours in May. Staffing levels have now increased in each of the past six months. That said, the rate of job creation was only marginal overall and considerably softer than the average over the past three years. Still, firms were able to make some considerable progress in their backlogs of work in May, as subdued demand led to resources being diverted towards work-in-hand. The decrease in the level of outstanding work was marked overall and the thirteenth in successive months.

Against a backdrop of falling new orders and declining output, companies pared back their buying activity again in May. The rate of decline was sharp overall and, when excluding the initial pandemic period, the quickest since August 2009. Subsequently, pre-production inventories contracted markedly and there was a fresh decrease in holding of finished goods. Firms reportedly looked to strategically wind-down stock levels in line with the drop in incoming orders.

With demand for inputs waning, vendor performance across the Irish manufacturing sector improved for a third consecutive month in May. Albeit slightly softer than the near 14-year high registered in April, the extent to which lead times shortened remained significant in the context of historical data.

Elsewhere, amid reports of further moderations in raw material and energy prices, average operating expenses in the Irish goods producing sector fell for a second month running. The rate of decline quickened slightly from April and was the fastest in just over three years.

Moreover, a sustained reduction in input prices filtered through to a renewed drop in selling prices in May. Output charges fell for the first time since September 2020, albeit only marginally. A combination of competitive pricing tactics and the pass-through of cost savings to customers led to the fresh fall in prices charged, according to panellists.

Looking to the future, Irish manufacturing firms were generally optimistic regarding expectations of an increase in output over the next year in May. Positive sentiment mainly stemmed from hopes of a boost in new sales over the next year. That said, amid going concerns about the longer-term effects of current demand weakness, the degree of confidence fell short of its historical average.

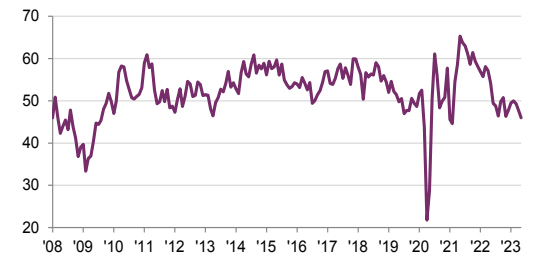
Output and demand

Output

The downturn in Irish manufacturing output entered its third month midway through the second quarter of the year. Notably, the rate of decline sharpened and was the strongest since February 2021. When explaining the latest fall in production, panel members mentioned slowing demand conditions and a lack of incoming new orders.

Output Index

sa, >50 = growth since previous month

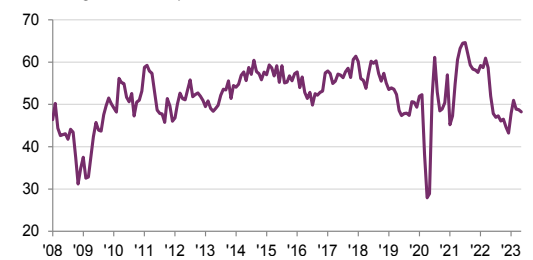


New orders

Irish goods producers noted a another drop in new orders during May, taking the current sequence of decline to three successive months. While the quickest in the aforementioned period, the latest fall was only marginal overall. Weak underlying demand remained the key factor driving the latest decrease, according to survey respondents.

New Orders Index

sa, >50 = growth since previous month

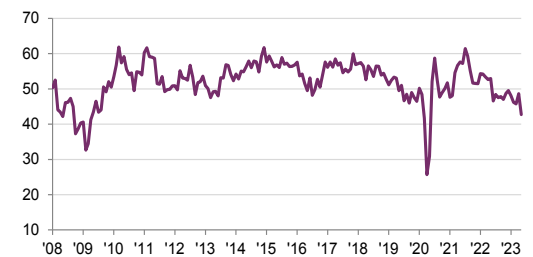


New export orders

May data marked one year of successive monthly decreases in the volume of international orders received by Irish manufacturers. Notably, the decrease in new export orders was marked and, when excluding the initial pandemic periods, the most pronounced since April 2009. According to panel members, global demand remained subdued amid challenging economic conditions in key export markets.

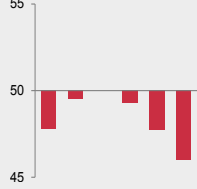
New Export Orders Index

sa, >50 = growth since previous month



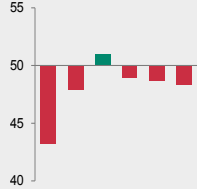
Output Index

Dec '22 - May '23
sa, >50 = growth



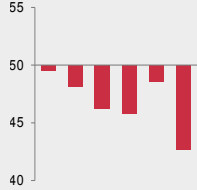
New Orders Index

Dec '22 - May '23
sa, >50 = growth



New Export Orders Index

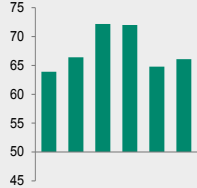
Dec '22 - May '23
sa, >50 = growth



Business expectations

Future Output Index

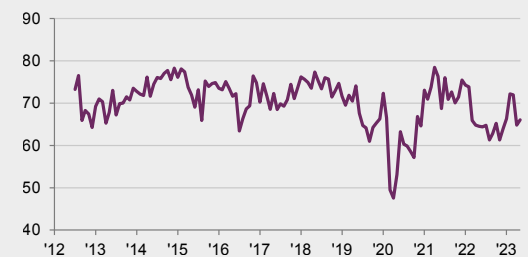
Dec '22 - May '23
>50 = growth expected



Looking to the future, Irish manufacturers expect to see an uplift in their output levels over the coming 12 months. Positive sentiment was mainly underpinned by hopes for new business gains and a pick-up in demand conditions. That said, the degree of confidence fell short of the long-run series average amid ongoing uncertainty surrounding future new order inflows amid muted demand.

Future Output Index

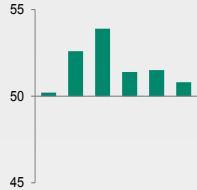
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Dec '22 - May '23
sa, >50 = growth

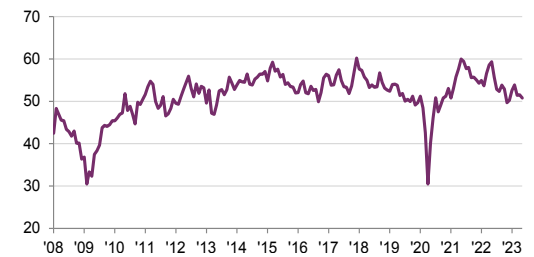


Employment

Irish manufacturing firms added to their headcounts for the sixth month in a row in May. That said, the rate of job creation was only slight and the weakest in the year thus far. Reportedly, some companies increased their staffing levels amid investment in capacity expansion while others cut jobs in response to a lack of new orders.

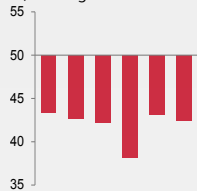
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Dec '22 - May '23
sa, >50 = growth

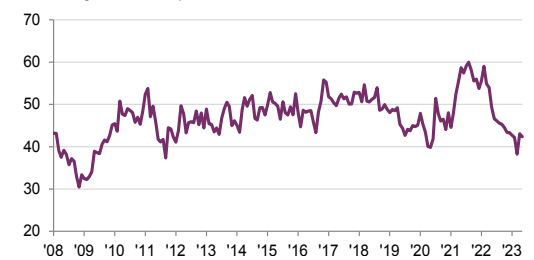


Backlogs of work

Another sub-50.0 reading in the seasonally adjusted Backlogs of Work index in May signalled a thirteenth consecutive monthly depletion in the level of outstanding work in the Irish goods producing sector. Notably, the latest decrease in work-in-hand was historically marked and sharper than that seen in April. According to survey respondents, the general lack of new orders provided firms with the excess capacity to focus on processing any incomplete work.

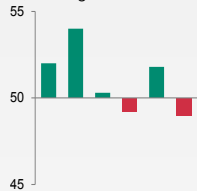
Backlogs of Work Index

sa, >50 = growth since previous month



Stocks of Finished Goods Index

Dec '22 - May '23
sa, >50 = growth

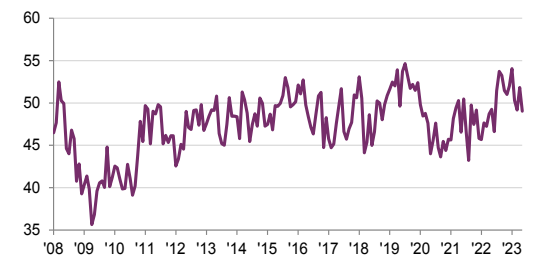


Stocks of finished goods

Stocks of finished goods in the Irish manufacturing sector returned to contraction territory in May. The decrease in post-production inventory levels was only marginal overall but was in contrast to the modest upturn seen in the previous survey period. Survey respondents frequently mentioned destocking efforts as they looked to realign inventory holdings with current low levels of demand.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



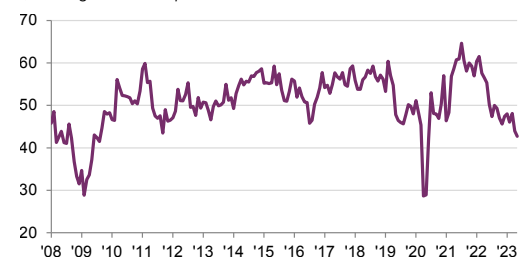
Purchasing

Quantity of purchases

May data signalled a further reduction in input buying across the Irish manufacturing sector, thereby extending the current sequence of decrease to nine months. Moreover, the rate of decline was marked overall and, when excluding the initial pandemic period, the most pronounced since August 2009. Survey respondents reportedly reduced input buying to reflect muted demand conditions and as part of efforts to limit stock holdings.

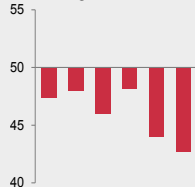
Quantity of Purchases Index

sa, >50 = growth since previous month



Quantity of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Suppliers' delivery times

Average lead times faced by Irish manufacturing firms shortened for the third month in a row midway through the second quarter of the year. Moreover, the extent to which delivery times quickened was little-changed from April's near 14-year record and solid overall. Anecdotal evidence suggested that logistics improvements and global demand weakness aided the sustained recovery in supply chains.

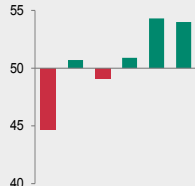
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Suppliers' Delivery Times Index

Dec '22 - May '23
sa, >50 = faster times

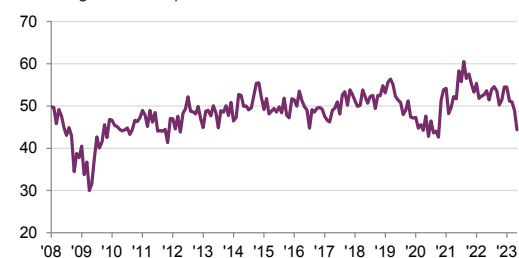


Stocks of purchases

Irish manufacturers recorded a further reduction in pre-production inventory levels in May. In fact, the latest contraction in stocks of purchases was sharp overall the steepest since October 2020. Companies reported efforts to wind down their inventory levels to mirror quieter demand conditions.

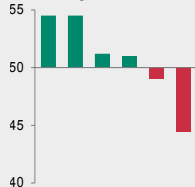
Stocks of Purchases Index

sa, >50 = growth since previous month



Stocks of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Prices

Input prices

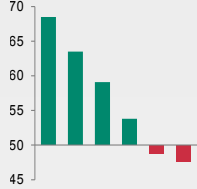
Average cost burdens faced by Irish manufacturers declined for a second successive month in May. Moreover, the drop in prices quickened on the month to reach its sharpest rate in just over three years. Lower raw material and energy prices were reportedly the primary factors underpinning the decrease in operating expenses.

Output prices

The seasonally adjusted Output Prices Index posted below the neutral 50.0 threshold in May to signal the first decrease in selling prices since September 2020. The rate of decrease was the most pronounced in just short of three years and contrasted with the survey record increase in charges recorded in the same period last year. Companies reportedly lowered their output charges in response to a reduction in input costs and due to competitive pressures.

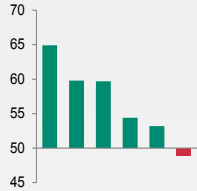
Input Prices Index

Dec '22 - May '23
sa, >50 = inflation



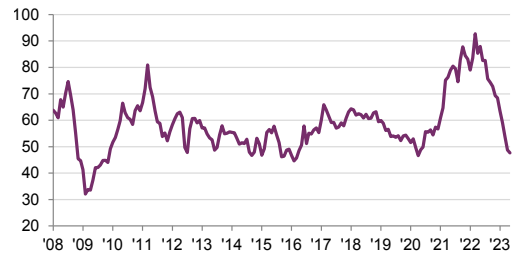
Output Prices Index

Dec '22 - May '23
sa, >50 = inflation



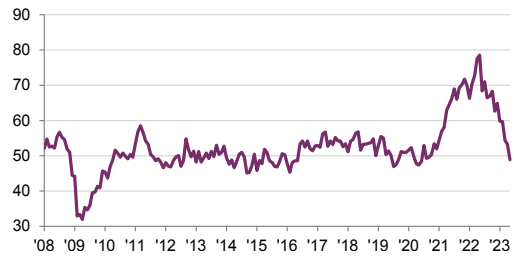
Input Prices Index

sa, >50 = inflation since previous month



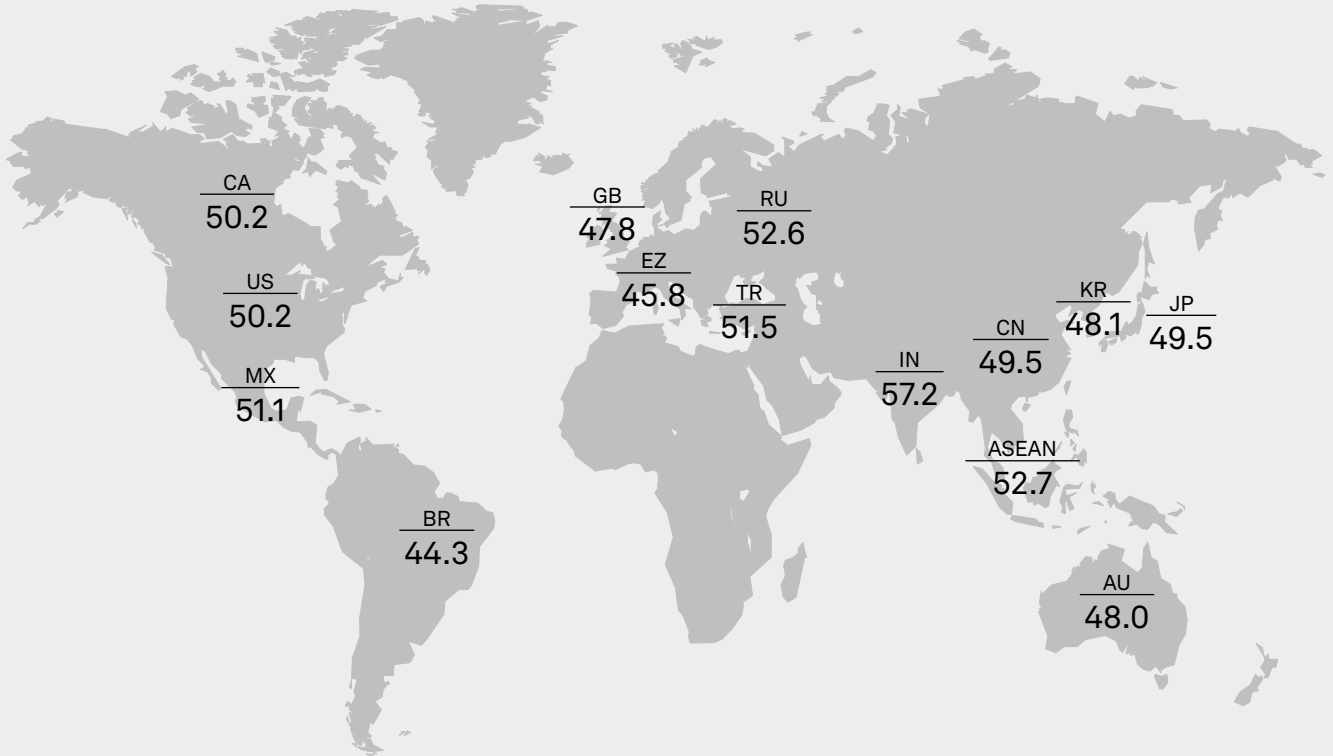
Output Prices Index

sa, >50 = inflation since previous month

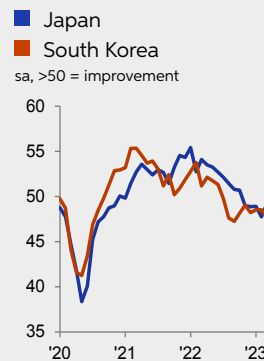
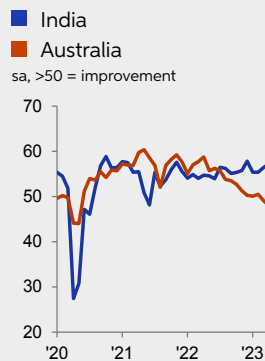
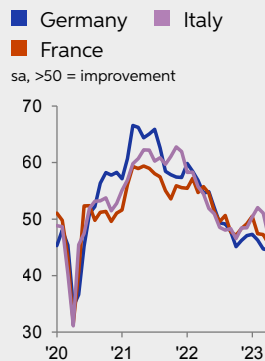
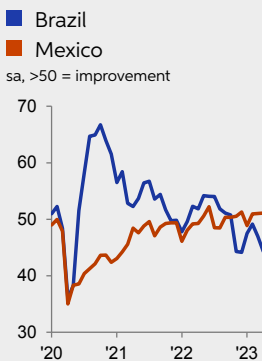
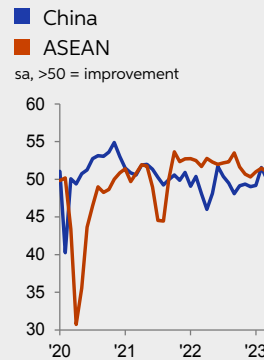
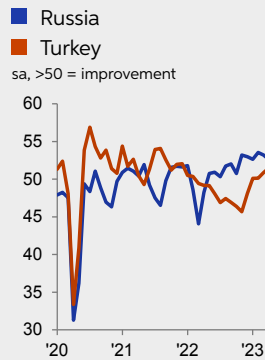
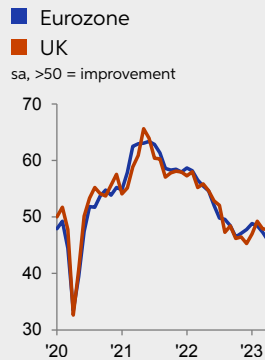
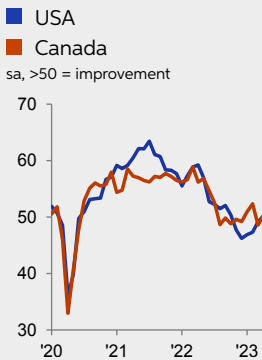


International PMI

Manufacturing PMI, Apr '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 11-23 May 2023.

Survey questions

Manufacturing sector

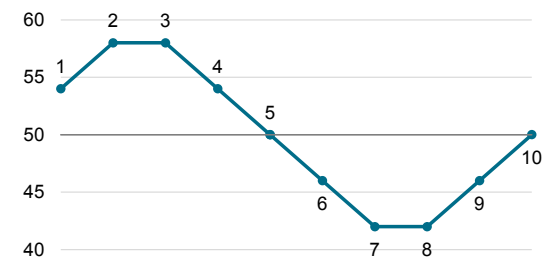
| | |
|--------------------------|---------------------------|
| Output | Quantity of Purchases |
| New Orders | Suppliers' Delivery Times |
| New Export Orders | Stocks of Purchases |
| Future Output | Input Prices |
| Employment | Output Prices |
| Backlogs of Work | |
| Stocks of Finished Goods |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

Index calculation

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

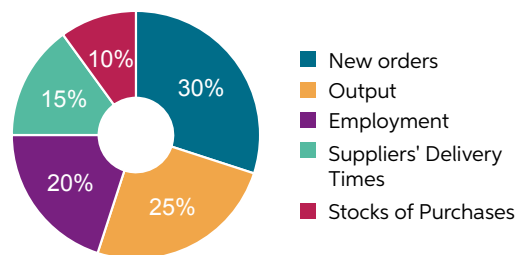
Index interpretation

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.4 codes:

| | | |
|---|---|--|
| C10 - Food Products | C19 - Coke and Refined Petroleum Products | C27 - Electrical Equipment |
| C11 - Beverages | C20 - Chemicals and Chemical Products | C28 - Machinery and Equipment N.E.C. |
| C12 - Tobacco Products | C21 - Basic Pharmaceutical Products and Pharmaceutical Preparations | C29 - Motor Vehicles, Trailers and Semi-Trailers |
| C13 - Textiles | C22 - Rubber and Plastic Products | C30 - Other Transport Equipment |
| C14 - Wearing Apparel | C23 - Other Non-Metallic Mineral Products | C31 - Furniture |
| C15 - Leather and Related Products | C24 - Basic Metals | C32 - Other Manufacturing |
| C16 - Wood and of Products of Wood and Cork, Except Furniture; Articles of Straw and Plaiting Materials | C25 - Fabricated Metal Products, Except Machinery and Equipment | C33 - Repair and Installation of Machinery and Equipment |
| C17 - Paper and Paper Products | C26 - Computer, Electronic and Optical Products | |
| C18 - Printing and Reproduction of Recorded Media | | |



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**