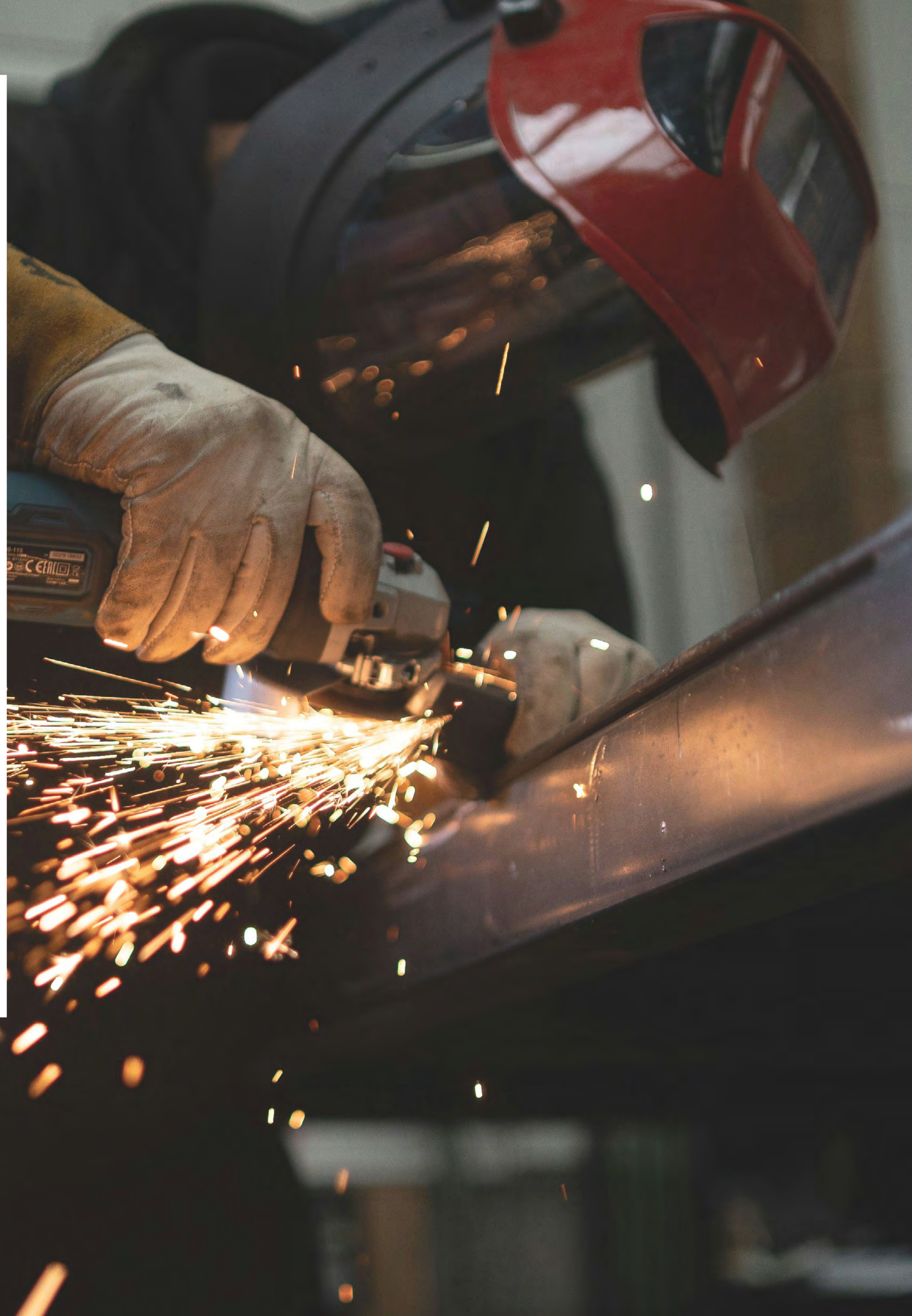
Bank of Ireland

# Manufacturing 2026 H1 Insights and H2 2026 Outlook

July 2026

Right with you



# H1 2026 Insights

**€21bn/€55bn**
-70%/+4-% YOY in exports (YTD May)

Total exports -38% Jan to May 2026 YOY with pharma exports to US -70% returning to normal levels following tariff induced amplified activity in 2025.[1]

**-13%/+3%**
GDP and MDD Growth

CSO records negative Q1 YOY GDP -13.2% attributed to 2025 export volatility.[2] MDD for same period is +3.3%.

**54/51**
PMI

Purchasing Managers Index (PMI) continued in expansion, avg. 54, with EU averaging 51 in H1 2026.[3]

**-16.4%**
Industry Output

Industry output is YOY Mar. to May. -16.4% split by -18% in modern sector and -8.6% in traditional sector.[4]

**€14.7Bn**
in Corporation Tax

Total corporation tax H1 2026 is up 5% YOY at €14.7Bn with manufacturing contributing ca. €5Bn.[5]

**+3.2%**
Inflation

HICP rose in Jun. to +3.2%[6] reflecting the imapct of the ME crisis with energy increases spilling over to other input prices.

**2.7% / $81Bn**
IE Avg. Tariff Rate/Total US Tariff Refunds

Following SCOTUS ruling against tariffs and even with new Section 301 (forced Labour) tariffs –IE avg. rate stays low at 2.7%. $81Bn in total tariff refunds YTD.

**323,000**
Employees

Employment continues strong but rate of growth has slowed, amid caution around continued geo uncertainty.

In summary 2026 H1 delivered a solid performance with “negative data” mostly attributed to a correction from 2025.


## Key Trends

- **Continued Expansion:** Irish Manufacturing has enjoyed 18 months of expansion since Dec. 2024 with average PMI for H1 2026 of 54.1 for IE and 51.2 for EU respectively. Part of this expansion can be attributed to stock building activity to avoid inflation and supply chain disruptions related to ME Crisis.
- **Higher Inflation:** Irish Inflation (HICP) rose to 3.2% in June while Euro Inflation eased back from 3.2% in May to 2.8%.[7]
- **Rising Cost Pressures, Input Inflation and Margin Erosion:** Manufacturing costs continue to rise. Businesses are contending with minimum wage increases, pension and healthcare obligations, and higher energy costs compared to peers.
- **Strong Employment:** Employment has continued strong in H1 2026 in Ireland, but rate of increase has slowed. Further growth potential is constrained by US tariff uncertainty, caution around investment activity, and skills shortages.
- **US Tariffs are low compared to peers at average of 2.7%[8]:** US tariff policy has arguably backfired with recent tariff revenues been offset with refunds to the tune of $81Bn.[9] Exposed companies are negotiating best outcomes. including passing on some or all of cost impact.
- **Complex Geopolitics:** 2026 will continue with the risks associated with geopolitics. Prevailing and heightened uncertainty inhibits new investment, dampens recruitment and triggers downward revisions of earning forecasts.

## Key Trends (Cont.)

- **Exports revert to "normal levels":** Exports have dropped overall by 38% following an exceptionally strong 2025.
- **Negative GDP and Positive MDD:** Given the amplified GDP growth of 8% in 2025, due to abnormally high pharma exports, it should come as no surprise that negative GDP is forecast for 2026. BOI are forecasting -3.0%, while MDD is forecast at +3.5%.[10]
- **Infrastructure Constraints and Planning delays:** Energy grid, water and housing bottlenecks along with planning delays are all compromising the next wave of growth in Irish manufacturing. Published in 2025, the National Development Plan[11] sets out an investment of €275.4Bn from 2026 to 2035, with an allocation of €102.4Bn up to the end of 2030 to address much needed infrastructure improvements across all sectors.
- **ESG and Green transition:** Manufacturing businesses are embracing green and carbon reduction as a strategic and competitive imperative. In 2025 Ireland's greenhouse gas emissions decreased by 2.2% (-1.2 Mt CO2eq) with Manufacturing down 3.9%.[12] The pace of reductions is not enough to deliver on our legally binding carbon budgets
- **US Tariffs are low compared to peers at average of 2.7%8:** US tariff policy has arguably backfired with recent tariff revenues been offset with refunds to the tune of $81Bn.9 Exposed companies are negotiating best outcomes. including passing on some or all of cost impact.
- **Digital and AI adoption:** Investment increasing with AI now a priority for 52% of businesses (IBEC).[13] AI adoption will support productivity and efficiency improvements including automation and certain labour shortages.

## Market Dynamics, Conditions & Drivers

**PMI continues in Expansion and Exports drop back**

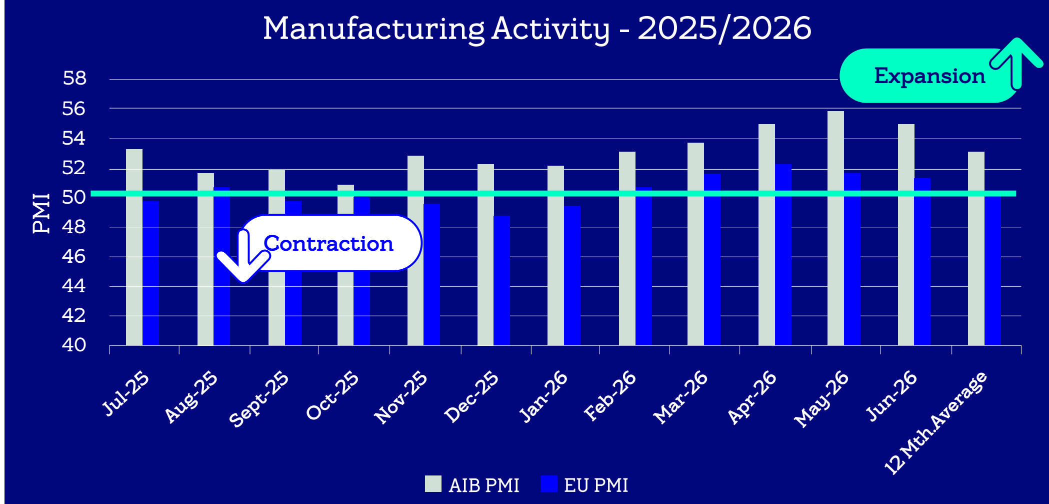



Table 1: Source: PMI by S&P Global July 2026 2025


Table 2: Source: CSO July 2026

Both Ireland and the EU continue to enjoy expansion in 2026 underlined by average PMIs of 54 and 51 respectively (Table 1). H1 exports have drop back to close to "normal levels". YOY total goods exports are -38%, US exports are -70% and Pharma exports to US are -79%, (Table 2). In comparison to 2024 exports are YOY -7%.

# Market Dynamics, Conditions & Drivers (Cont.)

### ME Conflict triggered inflation continues and input prices remain elevated[14]

While there has been some relief in commodity prices following what now seems like a short lived peace agreement, prices remain elevated (Table 3). Marine transport as monitored by the Drewry index[15] has risen 139% from $1899 to $4547 per container. This spike is due to a combination of higher fuel and insurance costs, routing disruptions, and capacity restrictions. to implement.

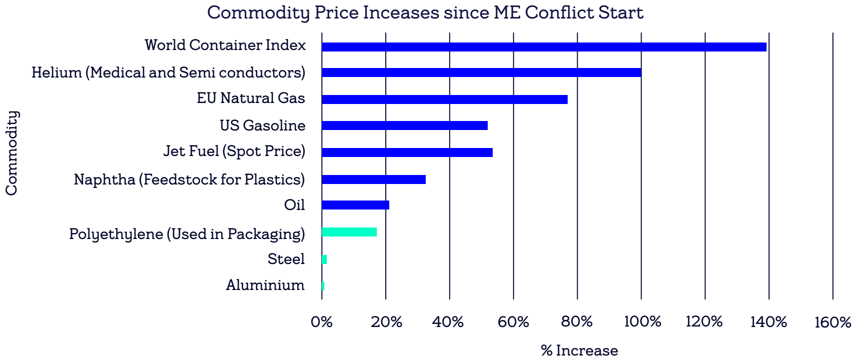



Table 3: Source: Trading Economics, Drewry Index, IATA[16]

### US tariffs continue at an effective rate of 2.7% and refunds of $81Bn have been processed.

Following the US Supreme Court ruling 20.2.26 against IEEPA related tariffs, Ireland enjoys one of the lowest effective tariff rate of 2.7%, Table 4. In addition refunds for these unlawful tariffs have started and so far $81bn have been processed. A temporary section 122 tariff of 10% was put in place which is due to expire on 24.7.26. This will be replaced with Section 301 – linked to alleged forced labour imports. Either way there will be no material impact overall on Ireland.

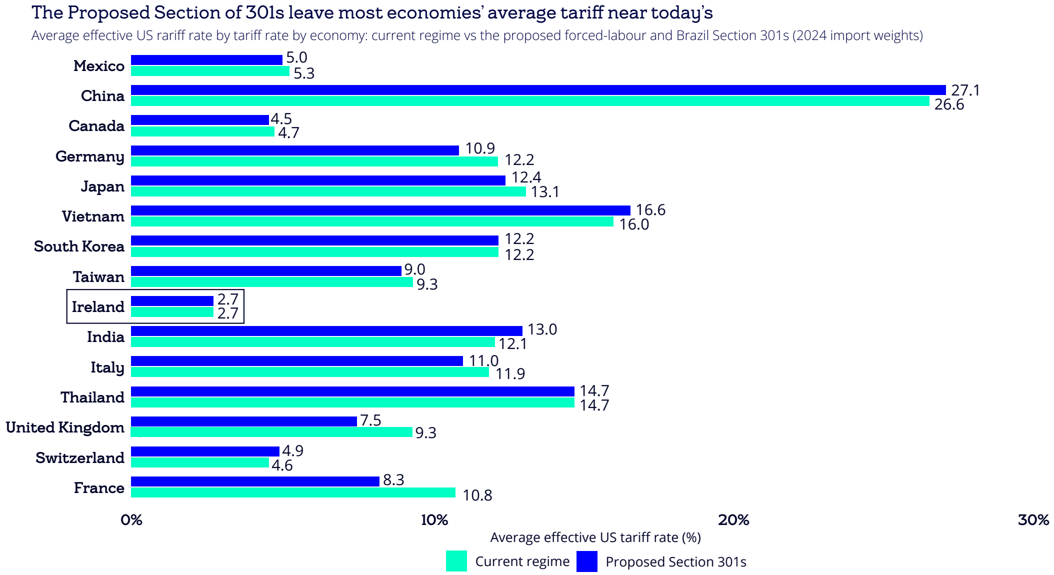



Table 4: Source: Global Trade Alert

### Manufacturing embracing ESG as a strategic imperative but greater momentum needed

The latest EPA Ireland Greenhouse Emissions Report 2025[17] published May 2026 underlines how far of track to target we are.

With existing measures (WEM) we will achieve a 13% reduction. With additional measures (WAM) we will achieve 25% reduction. By 2025 we have achieved just 14.5%.

IFAC in its report the "Hidden Costs of Inaction" , July 2026[18] estimate a potential cost of €13Bn to the state  associated with EU fines for noncompliance and delayed actions which will invariably cost more to implement.

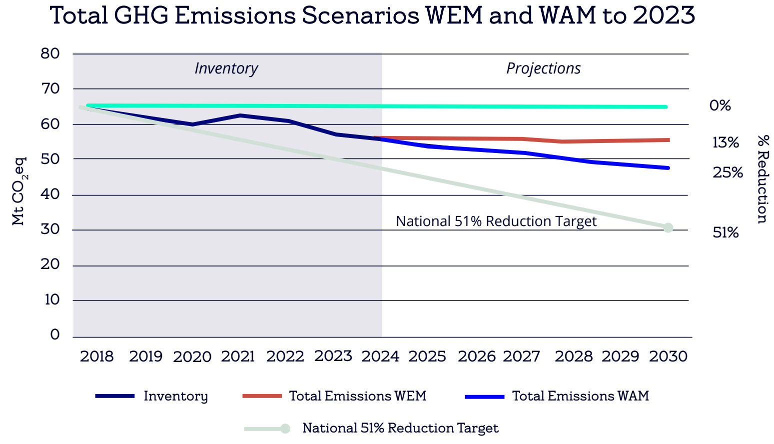
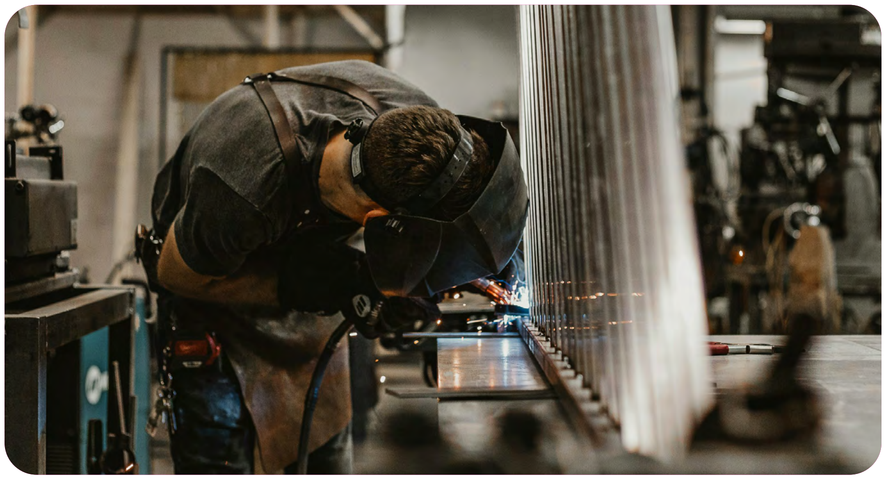



Table 5: Source: EPA





Classification: Green

# Market Dynamics, Conditions & Drivers (Cont.)

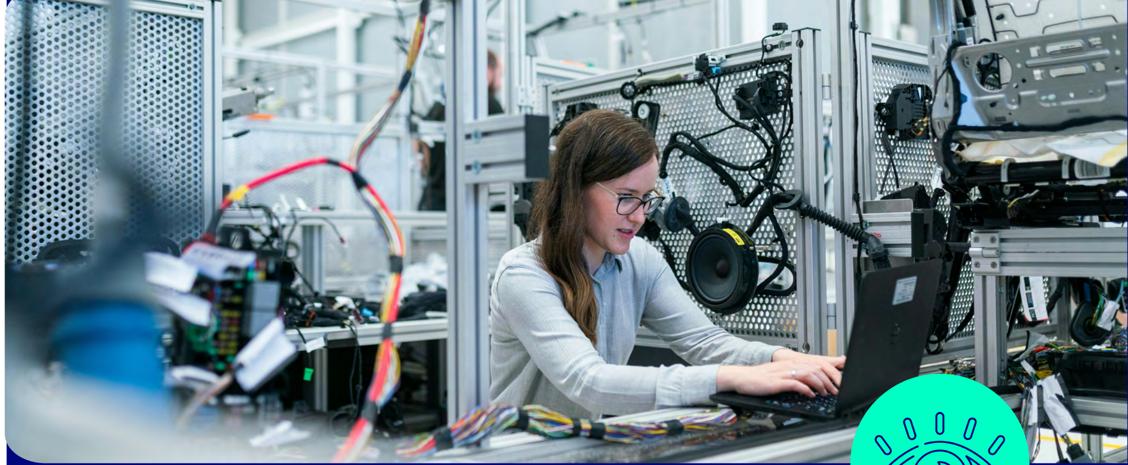
**Digital and AI activity in Ireland can be viewed through two lenses – transition & investments.**

Ireland is **transitioning** from **Industry 4.0 digitalisation to AI-enabled manufacturing.** The most advanced deployments are in MedTech, Pharma, Semiconductors and Food Manufacturing, with current investment and support funding focused on[19]:

- Computer vision and smart wearables for defect detection
- AI-powered predictive maintenance
- Autonomous and collaborative robotics
- Digital twins
- Production scheduling optimisation

Secondly Ireland is home to 15 of the world's largest 30 semiconductor companies and has benefited from big ticket **investments** from companies including Intel, Analog Devices, AMD, Infineon.[20] Most recently Intel has announced a €5Bn investment to expand manufacturing capacity in Ireland to support growing demand for AI and high performance computing.[21] The sector employs over 20,000 people across R&D and Manufacturing. Given the growing demand for semiconductors driven by AI, Datacentres, Cloud Computing and EVs, employment is forecast to rise to over 50,000 by 2040.

This projected growth is reflected in recent trade data. Between 2021 and 2026, imports of AI-enabling equipment and materials have risen from €10.7billion to €29.4 billion while exports have risen concurrently over the same period from €14.3 billion to €26.7 billion.[22]



## H2 2026 Outlook

Given the exaggerated activity level in 2025 and current YTD indicators, overall growth in the Manufacturing sector for FY2026 is on a knife edge. With a laser focus on costs and margins, combined with an eye for leveraging competitive advantage from green credentials, Irish manufacturing fundamentals are strong and well positioned for continued momentum in 2026.

**Tailwinds 2026**

- Irish Manufacturing is hugely resilient with positive learning dividends gained by shocks of Brexit, COVID-19, global conflicts and US tariffs, positioning them well to navigate the uncertainties of 2026.
- SMEs continue to benefit from MNCs reconfiguring their supply chains to local and more secure partners.
- SMEs have benefited from vertical integration changes in response to supply chain headwinds.
- FDI activity continues to deliver investments particularly in RD&I, talent development and sustainability.[23]
- Manufacturing is embracing ESG, and rate of adoption is increasing as funding grants increase.
- National development Plan (NDC) is a key enabler for growth in Engineering related sectors.

**Headwinds 2026**

- US Tariffs and wider impacts on global trade resulting in investment delays, recruitment slowdown and forecast downgrades.
- The risks of geopolitics complexity and uncertainty continue high.
- Elevated input costs driven by ongoing middle east crisis, including materials, minimum wage, social costs will weaken competitive profile and must be countered with a laser focus on business costs and margins.
- Labour shortages and competition for certain talent in a tight market continues.
- There may be capacity adjustments in certain sectors depending on how macroeconomic play out.
- Infrastructure of transport, housing, utility grids need to match manufacturing ambitions and not be a barrier to growth.

## Strategic implications and action points

Manufacturing businesses are "familiar" with permanent volatility. Investment and funding will vary across subsectors and can be characterised as cautious and in a holding pattern. Businesses may delay to understand geo shocks, will forensically assess financial rational, and focus capital resources on areas with greatest degree of control. Sustainability, automation and AI opportunities typically represent strategically best options. Manufacturing will continue to:

- Focus most on the "controllables" with a sharp eye on costs and profit margins.
- Build momentum on green agenda and leverage customer loyalty.
- Use AI and digital to capture automation and efficiency improvements.
- Negotiate best outcome with stakeholders for US tariff exposed businesses.
- Diversify geography and product portfolios to offset geopolitical including tariff headwinds.
- Capture opportunities arising from Infrastructure development and the rollout of the National Development Plan funds of €102.4Bn allocated till end of 2030.

In summary, Manufacturing remains positive, with 42% predicting a rise in activity in 2026.[3] However against the relentless geopolitical uncertainty, sentiment has shifted to a more cautious and pragmatic approach.


**Conor Magee**
conor.magee@boi.com
087 227 9830




Sources: [1]Goods Exports and Imports May 2026 - Central Statistics Office [2]Quarterly National Accounts Quarter 1 2026 Final - Central Statistics Office [3]PMI Releases July 2026 [4]Industrial Production and Turnover May 2026 - Central Statistics Office [5]Ireland's Corporate Tax Revenue Reaches €14.7 Billion...July 2026 [6]Consumer Price Index June 2026 - Central Statistics Office [7]Euro area annual inflation down to 2.8% - Euro indicators - Eurostat [8]New Section 301s would hold the US average tariff near today's level - Global Trade Alert [9]US refunds $81bn in Trump tariffs after supreme court ruled them illegal | Trump tariffs | The Guardian [10]Bank of Ireland eyes domestic economic growth of 3.5% [11]Government publishes updated National Development Plan [12]Ireland's greenhouse gas emissions decrease by 2.2% in 2025 | Environmental Protection Agency [13]Manufacturing in Ireland - IBEC [14]Commodities - Live Quote Price Trading Data [15]Drewry - Service Expertise - World Container Index - 16 Jul [16]IATA - Fuel Price Monitor [17]Ireland's Greenhouse Gas Emissions Projections 2025-2030 [18]The hidden costs of inaction - Irish Fiscal Advisory Council [19]IMR End of Year Report 2025 [20]Silicon Isle [21]Intel Invests €5 Billion to Expand Manufacturing in Europe - Intel Newsroom [22]Quarterly Economic Outlook - IBEC [23]Strength and resilience of FDI propels growth, innovation, and competitiveness | IDA Ireland