



AIB Ireland Manufacturing PMI®

Manufacturing booms in April as PMI hits record high

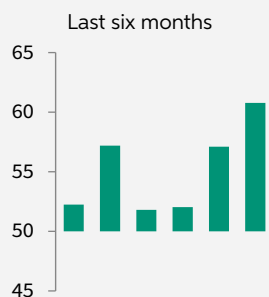
Key Findings

PMI surges to 60.8, highest since survey began in 1998

Output expectations also reach new peak

Record rate of output price inflation as input costs soar

Ireland Manufacturing PMI



Irish manufacturing boomed in April, according to the latest PMI® data from AIB. Overall conditions improved the most in any month since the survey began in 1998, while output expectations also hit a new peak. The headline PMI was again elevated by another severe lengthening in suppliers' delivery times while input price inflation reached the second-highest rate ever, prompting firms to hike their own prices at a series-record pace.

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

"The AIB Irish Manufacturing PMI for April shows record or near record readings across numerous components of the survey, as firms here participate in a global rebound in industrial activity. The Irish PMI jumped to a record high of 60.8 in April from 57.1 in March and 52.0 in February. This is very much in line with the flash April manufacturing PMI readings for the UK, eurozone and US, which rose to 60.7, 63.3 and 60.6, respectively, as the recovery in the global economy gathers momentum."

"The sub-components of the Irish PMI survey all point to rapidly improving business conditions in manufacturing. Output growth accelerated sharply driven by rising demand, with a marked pick-up in new orders as Covid restrictions start to be eased. Export orders rose at their second-quickest pace since February 2018."

"As a result, there was a rise in backlogs

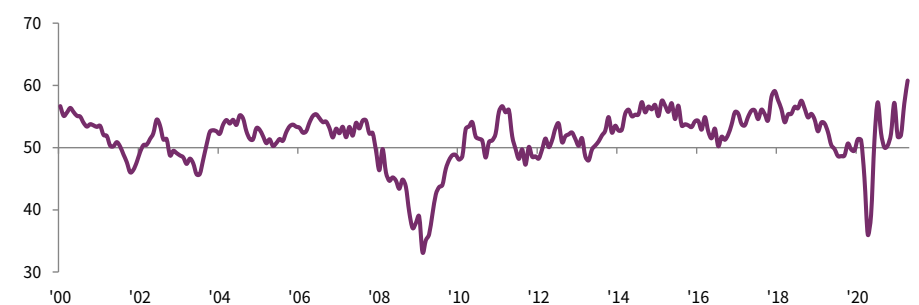
of unfilled orders for the second month running, while purchases of inputs increased at their strongest pace since February 2019. Meanwhile, employment rose for the seventh month running, growing at its fastest pace since December 2017."

"Supply chains remain under severe pressure, with longer delivery times owing to new UK Customs arrangements, transport delays and raw materials shortages. These factors, combined with strengthening demand, are leading to a heightening of inflationary pressures. Input prices increased at their fastest pace in ten years, while output prices rose at a series-record pace."

"Meanwhile, the 12-month outlook for production also hit a record high. Firms widely expect vaccination programmes to allow a full reopening of economies, providing a major fillip to business activity."

Manufacturing PMI

sa, >50 = improvement since previous month



Overview

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 sharply again in April to 60.8, from 57.1 in March, indicating a rapid improvement in manufacturing business conditions in Ireland at the start of the second quarter. The latest figure was the highest ever recorded since the survey began in May 1998, surpassing the previous peak of 59.1 set in December 2017.

All five components of the PMI had positive influences in April, both in terms of index level and movement since March. New orders provided the greatest weighted contributions both for direction and index level, followed by output and employment respectively. These three indices provide 75% of the weight of the headline PMI, with suppliers' delivery times and stocks of purchases accounting for the remaining 25%.

New orders rose for the second month running in April, and at the fastest rate since July 2020 when the economy reopened following the first COVID-19 lockdown. Excluding this spike in demand, growth in April was the fastest since December 2017 and among the strongest ever recorded. Firms reported the release of pent-up demand as some restrictions were eased. New export orders followed a similar trend, with the second-sharpest increase since February 2018. Companies highlighted improving demand from UK, US and Asian markets.

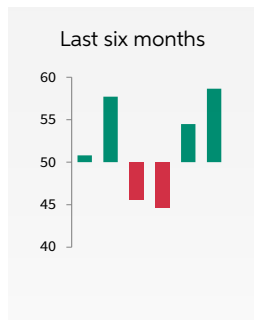
Production rose for the second month running and at the fastest rate in nine months, with the seasonally adjusted Output Index well above the long-run trend level of 52.8. Companies were able to expand capacity as some restrictions were eased and demand improved. Despite the stronger rate of growth, backlogs of work rose at the second-fastest rate ever recorded. Data on backlogs were first compiled in late-2002, with the latest increase only slightly slower than that seen in November 2016. Growth of output was, however, sufficiently strong to generate a rise in post-production inventories for the first time since December 2019. Looking ahead 12 months, firms had the strongest output expectations on record in April (since 2012).

With demand and output rising, firms added to workforces at the fastest rate since December 2017. Higher employment also reflected the return to full hours for some existing staff.

Firms raised input buying at the fastest rate in over two years in April, leading to higher input stocks for the first time since the stockpiling seen at the turn of the year due to the end of the Brexit transition period. Supply chains remained under severe pressure, however, with average lead times lengthening to one of the greatest degrees on record. Delays were again linked to global raw material shortages (particularly from Asia) and Brexit, with reports that the recent Suez Canal blockage had exacerbated logistical bottlenecks. Supply shortages led to input prices rising at the second-fastest rate in the survey history in April, behind only the increase seen in March 2011. Consequently, manufacturers raised their own prices at the fastest rate since that series was first compiled in late-2002.



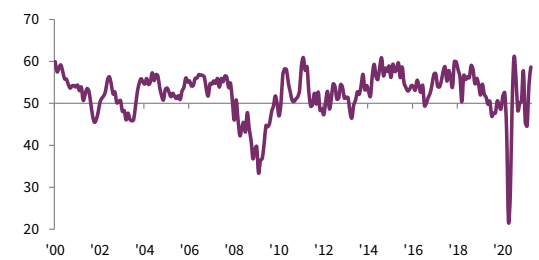
Output Index



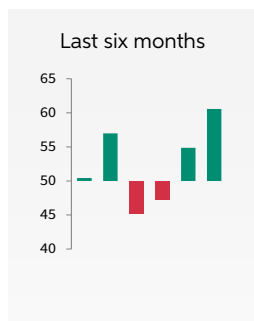
Irish manufacturing output expanded sharply in April, linked by survey respondents to increased capacity and rising demand as some COVID-19 restrictions were eased. The rate of growth was the strongest since July 2020 when the sector reopened following the first lockdown. Excluding this spike, growth in April was the fastest since August 2018.

Output Index

sa, >50 = growth since previous month



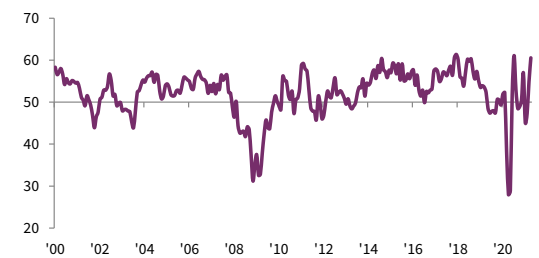
New Orders Index



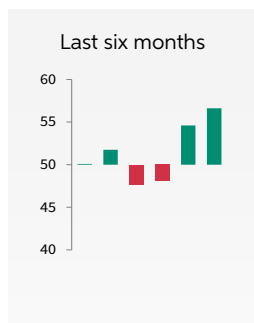
Inflows of new orders at Irish manufacturers accelerated in April. The rate of growth was the fastest since July 2020, and the second-strongest since December 2017. Moreover, the seasonally adjusted New Orders Index was at one of the highest levels registered since the series began in 1998. Firms reported the release of pent-up demand as some restrictions were eased, and also new export business from the UK and US markets.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

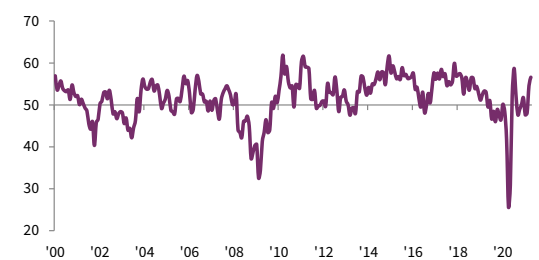


New export contracts rose for the second month running in April, and at the fastest rate since February 2018 when excluding the post-lockdown bounce in July 2020.

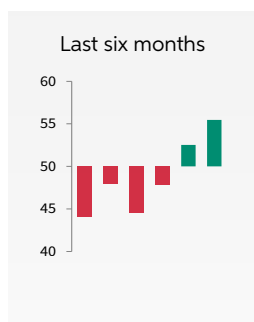
The USA, UK and, to a lesser extent, Asia were reported as the main sources of rising demand in April.

New Export Orders Index

sa, >50 = growth since previous month



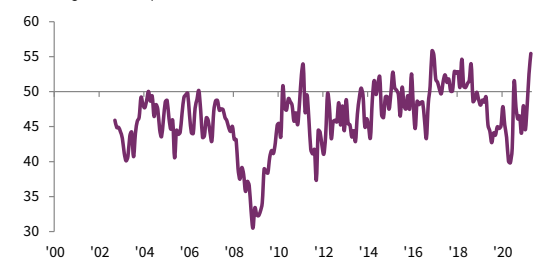
Backlogs of Work Index



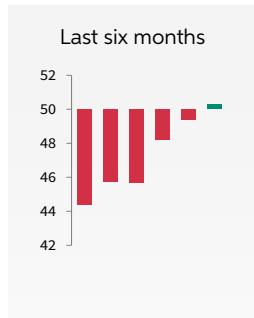
April data signalled rising pressure on Irish manufacturing capacity, as backlogs of work rose for the second month running and at the fastest rate since November 2016. Moreover, the seasonally adjusted Backlogs of Work Index was at the second-highest level on record since the series began in late-2002. Anecdotal evidence linked higher backlogs to the release of pent-up demand and supply chain issues.

Backlogs of Work Index

sa, >50 = growth since previous month



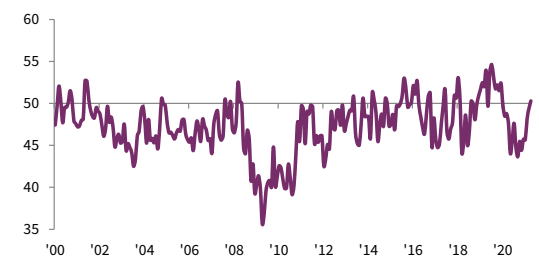
Stocks of Finished Goods Index



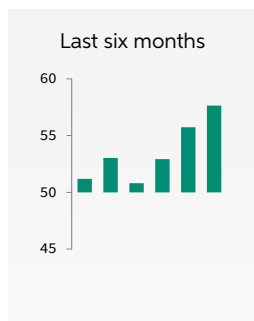
The seasonally adjusted Stocks of Finished Goods Index rose above the no-change mark of 50.0 in April, indicating an overall rise in post-production inventories held by Irish manufacturers for the first time since December 2019. The preceding 15-month downturn had been the longest registered in nearly eight years. Higher stock levels were linked to increased output, improving demand and issues relating to Brexit.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



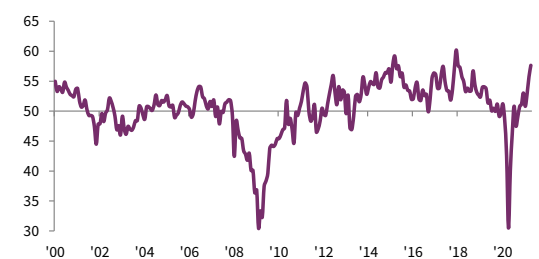
Employment Index



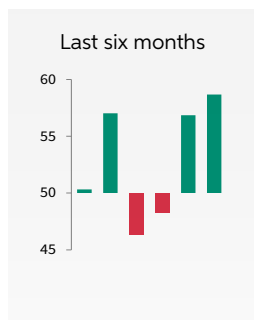
Manufacturing employment rose at a historically marked pace in April. The workforce expanded for the seventh month running and the pace of job creation accelerated for the third straight month to the quickest since December 2017. The seasonally adjusted Employment Index posted the sixth-highest level on record. Firms linked higher staffing to higher demand and the return of workers who had either been temporarily laid off or on reduced hours.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index

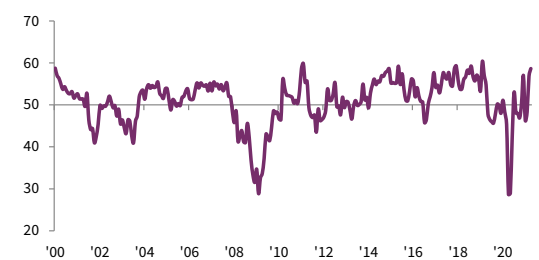


The volume of inputs purchased rose for the second consecutive month in April, following the same trends as output and new orders. Moreover, the rate of growth accelerated to the fastest since February 2019.

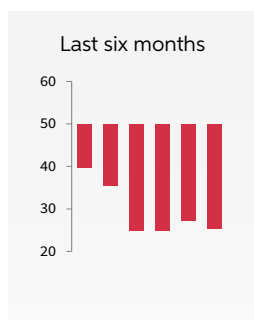
Firms linked higher purchasing to rising workloads and efforts to rebuild input stocks.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



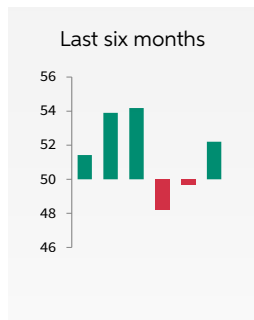
Latest survey data signalled ongoing severe pressure on manufacturing supply chains in April. Just over half of firms (52%) reported longer delivery times than in March, compared with just 2% reporting an improvement. The seasonally adjusted Suppliers' Delivery Times Index was the fourth-lowest on record in April. Firms linked longer times to ongoing UK customs delays and raw material shortages stemming from Asia, which had been exacerbated by the Suez Canal blockage.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



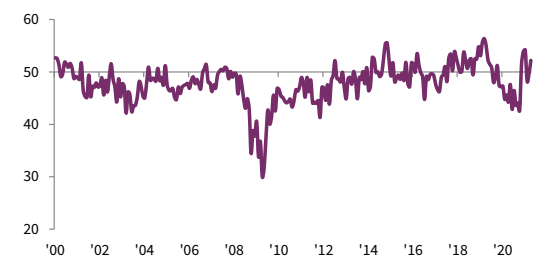
Stocks of Purchases Index



Irish goods producers increased their holdings of raw materials and other inputs in April, following a two-month period of destocking. Firms linked stockbuilding to expected growth in demand as restrictions are eased further, and in anticipation of potential supply shortages. The rate of growth was moderate overall, and weaker than those registered in December and January.

Stocks of Purchases Index

sa, >50 = growth since previous month



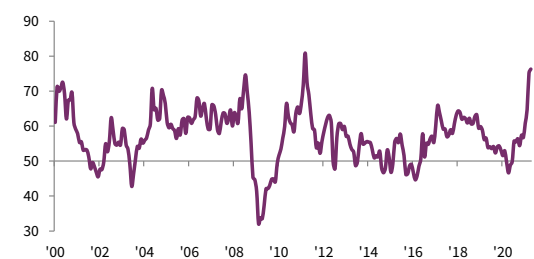
Input Prices Index



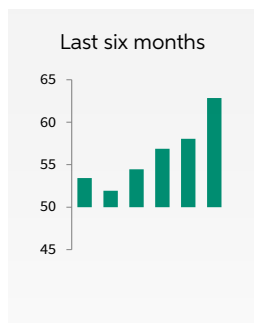
Average input prices paid by Irish manufacturers increased at the second-fastest rate on record in April, with only March 2011 seeing a stronger rise in input costs over the survey history stretching back to 1998. Around 58% of firms reported higher average input prices during the month, linked mainly to shortages, transport issues and Brexit.

Input Prices Index

sa, >50 = inflation since previous month



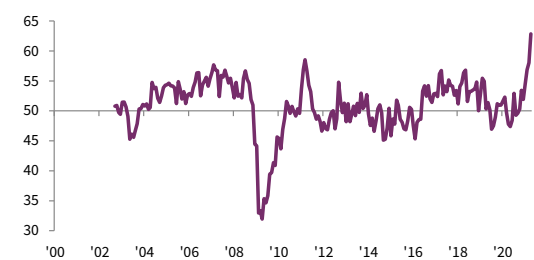
Output Prices Index



Manufacturers responded to greater costs and improving demand by hiking their output prices in April. Moreover, the seasonally adjusted Output Prices Index surged to a new peak, indicating the fastest rate of charge inflation since at least 2002 when the series was first compiled. Almost one-third (32%) of firms raised their prices during the month, also a series record.

Output Prices Index

sa, >50 = inflation since previous month



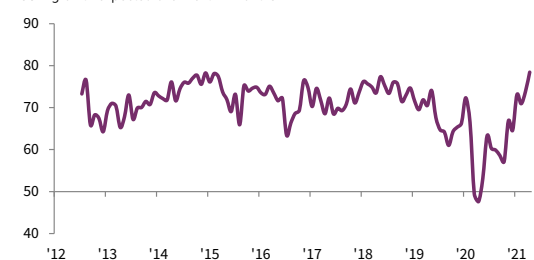
Future Output Index



Irish manufacturers were increasingly optimistic in April regarding the 12-month outlook for production. The Future Output Index rose for the fourth time in six months to a new record high, signalling the strongest sentiment since data on expectations were first collected in mid-2012. Firms widely expect a boost to business as economies fully reopen once vaccination programmes have taken effect.

Future Output Index

>50 = growth expected over next 12 months





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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 April 2021.

For further information on the PMI survey methodology, please contact 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.

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