



AIB Ireland Manufacturing PMI®

Manufacturing continues to expand sharply despite further loss of momentum

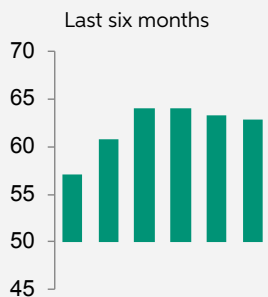
Key Findings

Output growth slows for third month running

Backlogs increase at record pace

Unprecedented increase in input stocks

Ireland Manufacturing PMI



Ireland's manufacturing boom continued into August, according to the AIB PMI® data. Rates of growth in output, new orders, exports and purchasing all slowed since July, but remained among the highest ever recorded. Backlogs increased at a record pace, in a further sign that supply bottlenecks had constrained output. Moreover, stocks of unused inputs were accumulated at a record rate as firms reported shortages of key components.

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

"The AIB Irish Manufacturing PMI for August indicated another month of strong performance for the sector. While the headline index reading of 62.8 was lower than the 63.3 level recorded in July, it was still the fourth highest on record, consistent with a strong rate of improvement in manufacturing. The index has now remained above 60 for five consecutive months. The results from the Irish PMI data remain broadly in line with strong PMIs from some of the key advanced economies.

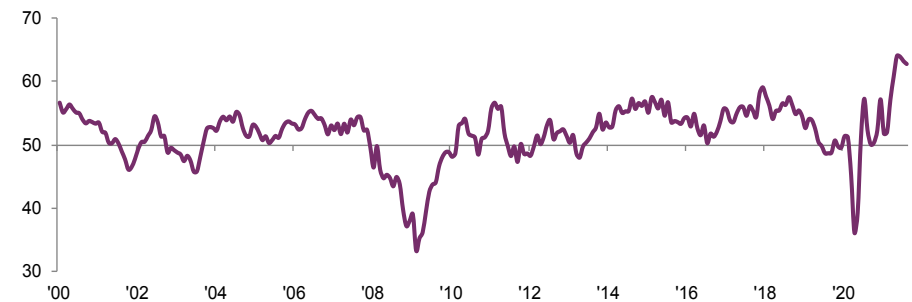
"The sub-components of the Irish PMI survey showed that while the rates of growth slowed since July, they remained among the strongest ever registered. Output rose for a sixth consecutive month, with firms noting rising demand as markets continued to reopen. Although the rate of expansion in new orders eased for the first

time since growth resumed in March, it was still among one of the strongest ever readings. Meanwhile, employment rose for an eleventh month running, although, some firms reported that their hiring plans had been constrained to some degree by labour shortages.

"Amid the on-going robust pace of growth in manufacturing activity, capacity constraints continued to be experienced in the sector. This was evident in another record increase in backlogs of work, which was attributed to a combination of demand pressures, supply chain delays and staff shortages. These factors contributed to on-going upward pressure on both input and output prices.

"Meanwhile, the 12-month outlook for production remained upbeat, but it was not as high as the level recorded in July."

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 eased further from May's record high to 62.8 in August, from 63.3 in July. The latest figure signalled the slowest overall improvement in Irish manufacturing business conditions since April, but was still the fourth-highest ever registered since the survey began in 1998. The PMI has signalled improving business conditions in the goods-producing sector every month since October 2020.

All five components of the PMI had strong overall positive contributions to the headline figure in August. The 0.5-point drop in the PMI since July reflected the output and new orders components, though both remained at historically high levels. The employment, suppliers' delivery times and stocks of purchases sub-indices all had positive directional influences in August, with the latter setting a new record high.

Underlying demand for Irish manufactured goods continued to improve markedly in August. Having expanded at a record rate in July, new orders continued to rise rapidly with the latest expansion the sixth-highest on record, albeit the softest since April. New export orders increased at the second-fastest rate since November 2017, with the UK, continental Europe, US and Asia all reported as sources of growth.

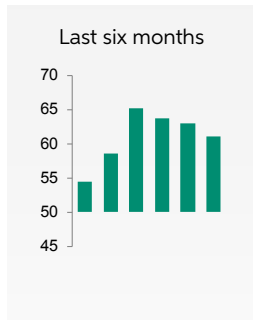
Output followed a similar trend to new orders in August, rising at the slowest rate since April but one that was still among the strongest since the survey began in 1998. The rate of growth in production was weaker than that for new business for the fifth time in the current six-month sequence of expansion, resulting in a record increase in backlogs of work and the sharpest decline in final goods inventories at manufacturers since January 2012. Meanwhile, the 12-month outlook for output remained strongly positive, despite easing since July.

August data signalled that supply chain delays continued to constrain output capacity. Suppliers' delivery times continued to lengthen to a near-record degree, with the seasonally adjusted Suppliers' Delivery Times Index at the third-lowest level on record. The overall volume of inputs purchased continued to rise sharply as firms aimed to build safety stocks, although the rate of expansion eased to a four-month low in line with the trends for new orders and output. Nevertheless, the level of inputs held in stock at manufacturers rose at a survey-record pace in August. This partly reflected the build-up of unused materials due to shortages of key components.

Widespread raw material shortages and rising transport costs continued to drive inflationary pressure in August. Input price inflation eased further from June's near-record high to a six-month low, but was still among the strongest ever recorded. Output prices subsequently rose at the third-fastest pace on record, behind only those registered in June and July.



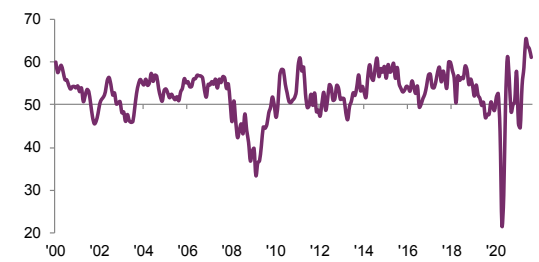
Output Index



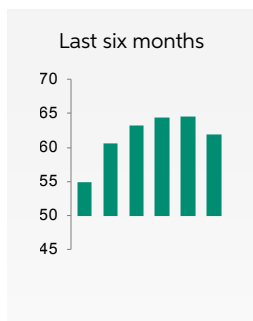
Manufacturers in Ireland continued to expand output in August, extending the current growth sequence to six months. The rate of expansion slowed for the third month running from May's survey-record high, but was still among the strongest registered since the series began in 1998. Firms linked higher production to rising demand as markets continued to reopen.

Output Index

sa, >50 = growth since previous month



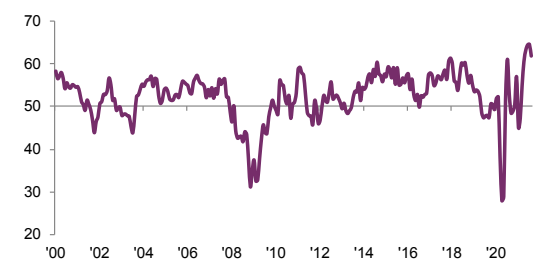
New Orders Index



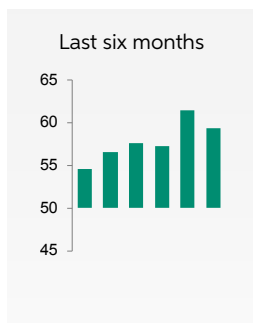
New orders received by Irish manufacturers continued to rise sharply in August, on the back of July's record expansion. The rate of growth eased for the first time in the six-month sequence to a four-month low, but remained among the strongest ever recorded. Firms reported surging demand as COVID restrictions were eased, and stronger-than-expected UK orders.

New Orders Index

sa, >50 = growth since previous month



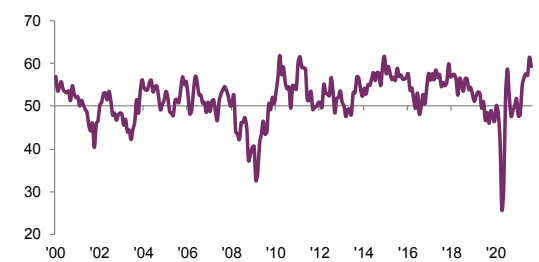
New Export Orders Index



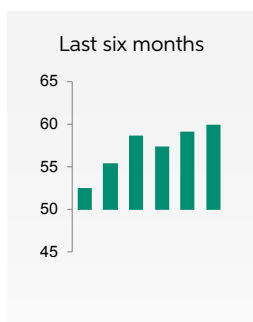
The volume of new work received from export markets continued to rise rapidly in August. The seasonally adjusted New Export Orders Index eased from July's near-record level, signalling a slightly slower rate of growth, but one that was still among the strongest recorded to date. Firms highlighted demand from UK, European, US and Asian markets.

New Export Orders Index

sa, >50 = growth since previous month



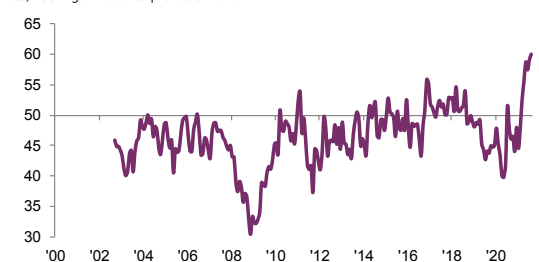
Backlogs of Work Index



Backlogs of incomplete work rose for the sixth consecutive month in August, as output growth again failed to keep pace with demand. Moreover, the rate of expansion in outstanding business accelerated further to a new series record high. The latest anecdotal evidence linked higher backlogs to a combination of demand pressure, supply chain delays and staff shortages.

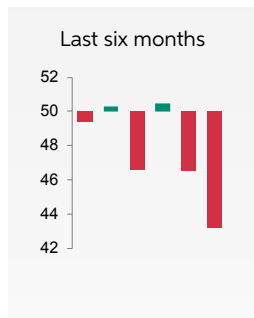
Backlogs of Work Index

sa, >50 = growth since previous month



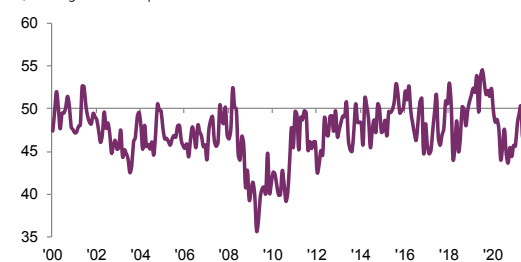


Stocks of Finished Goods Index

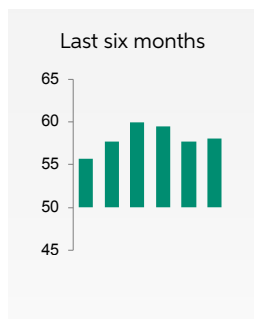


With new orders rising more quickly than output, manufacturers fulfilled sales partly through existing inventories in August. The overall level of finished goods held in stock declined at the sharpest rate since January 2012. Post-production inventories have fallen, on average, every month since the start of 2020 except for slight increases in April and June.

Stocks of Finished Goods Index
sa, >50 = growth since previous month

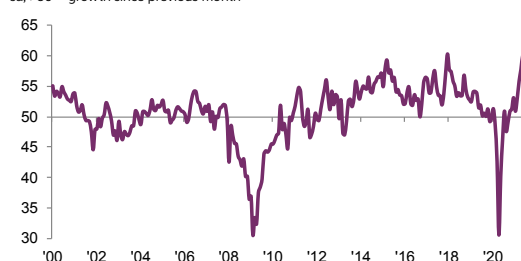


Employment Index

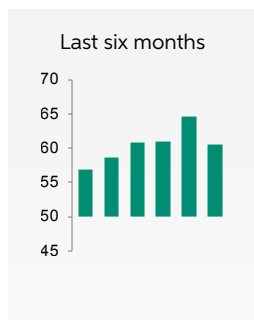


Manufacturing employment in Ireland rose for the eleventh consecutive month in August as companies expanded capacity to meet demand. A number of firms also commented that hiring plans had been constrained somewhat by labour shortages. The rate of job creation edged up from July, and was among the strongest registered since the survey began in 1998.

Employment Index
sa, >50 = growth since previous month

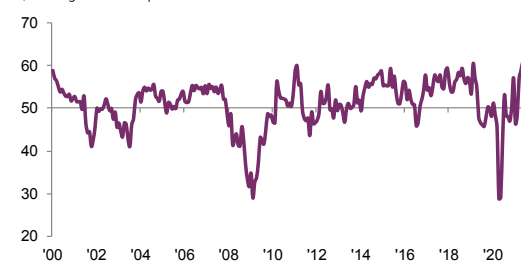


Quantity of Purchases Index



In tandem with output and new orders, the level of inputs purchased by Irish manufacturers rose for the sixth consecutive month in August. The rate of expansion corrected from July's record high, but remained among the fastest registered since the survey began over 23 years' ago. Increased purchasing was partly linked to forward buying in anticipation of shortages and delivery delays.

Quantity of Purchases Index
sa, >50 = growth since previous month



Suppliers' Delivery Times Index



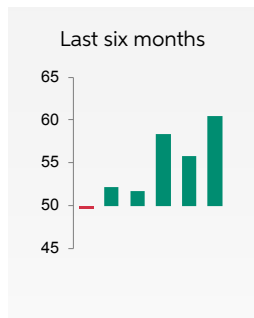
August witnessed a further severe lengthening in suppliers' delivery times with 53% of Irish manufacturers reporting longer lead times compared with July, versus less than 1% stating an improvement. The seasonally adjusted Suppliers' Delivery Times Index fell to the third-lowest level on record, with only May 2021 and April 2020 having seen worse delays over the history of the survey.

Suppliers' Delivery Times Index
sa, >50 = faster times since previous month





Stocks of Purchases Index



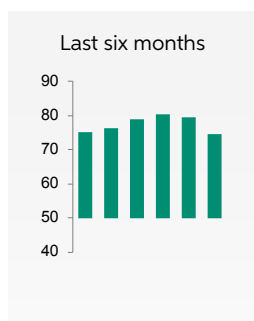
The seasonally adjusted Stocks of Purchases Index rose to a new peak in August, signalling the fastest accumulation of input stocks in the manufacturing sector since the survey began in 1998. Firms linked higher stock levels to the build-of unused items due to shortages of other components, and advance purchasing in anticipation of further shortages and delays. Input stocks have risen every month since April.

Stocks of Purchases Index

sa, >50 = growth since previous month



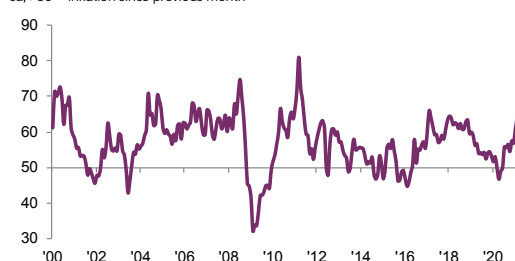
Input Prices Index



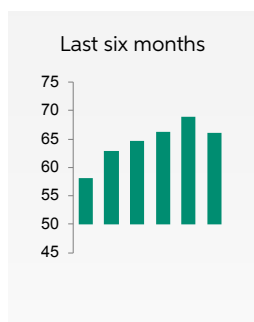
Average input prices paid by Irish manufacturers continued to rise sharply in August, extending the current inflationary sequence that began in July 2020. The rate of inflation slowed further to a six-month low, but was still among the strongest ever recorded by the series. A wide range of inputs were again reported up in price, while transportation costs and Brexit were also mentioned.

Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

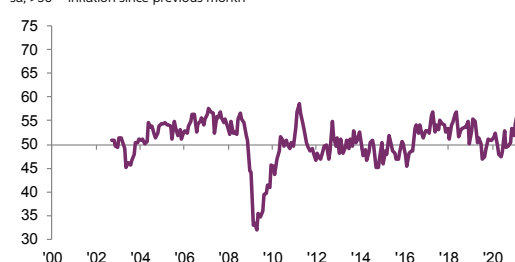


Manufacturers continued to pass on higher raw material and transport costs to customers in August, with factory gate prices rising for the eleventh successive month.

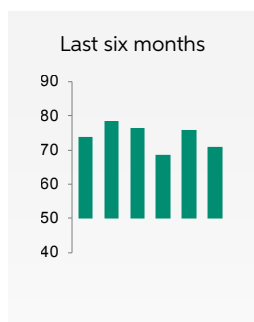
The rate of charge inflation eased from July's record high, but was still stronger than in any period prior to June.

Output Prices Index

sa, >50 = inflation since previous month



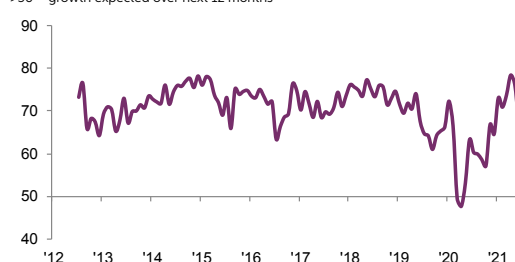
Future Output Index



Irish manufacturers retained a strongly positive 12-month outlook for production in August. The Future Output Index remained well above the no-change mark of 50.0, signalling firm growth expectations. Firms expected strong sales to Europe and UK markets as economies continued to recover from the pandemic, and also increased business due to Brexit. The overall strength of sentiment eased since July, and was broadly in line with the average since the series began in 2012.

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 August 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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