

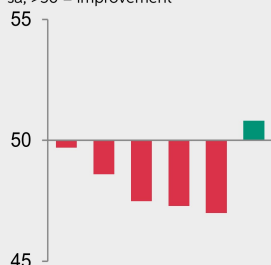
AIB Ireland Manufacturing PMI®

Irish manufacturing sector expands for first time in six months during August

50.8

IRELAND
MANUFACTURING PMI
AUG '23

Manufacturing PMI
Mar - Aug '23
sa, >50 = improvement



The Irish manufacturing sector posted its first expansion in six months during August, driven by a fresh upturn in new orders. Moreover, the downturn in manufacturing production approached the point of stabilisation signalling a notable improvement from July's steep rate of decline. These encouraging trends propelled the most robust hiring amongst firms since February and fostered an improved outlook for future output. Elsewhere, both input costs and output charges continued to fall, albeit at softer rates than those observed in July.

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

"The AIB Irish Manufacturing PMI survey for August showed an improvement in business conditions in the sector. The headline index rose to 50.8, up from 47.0 in July and 47.3 in June. This was the first expansion in Irish manufacturing activity since February and is in marked contrast to the trend elsewhere. The flash August Manufacturing PMI readings were very weak in the Eurozone and UK, at 43.7 and 42.5, respectively, while the US index slipped back from 49.0 to 47.0.

"A pick-up in new orders was a key driver of the improvement in Irish manufacturing in August. They rose for the first time in six months, with particularly strong growth in new export orders, which ended a 14-month sequence of declines. Firms attributed the rebound to better demand conditions. The pick-up in new orders saw manufacturing production move very close to stabilisation during August following a number of months of sharp falls.

"Rising orders also resulted in a marked increase in employment. Stocks of finished goods rose too, while inventory levels of inputs were little changed following three months of steep declines. Meantime, confidence about the outlook for the sector in the year ahead rose to its highest level in six months. It will be interesting to see, though, if the expansion in Irish activity in August can be sustained given the ongoing weakness of manufacturing globally.

"Meantime, inflationary pressures continued to ease in the sector. Input prices fell for the fifth consecutive month, driven by falling raw material and energy costs, though the rate of decline slowed. The drop in input costs continued to be passed on in lower factory gate prices, which fell for the fourth month in a row."

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



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Overview

Renewed growth in new orders

Decline in output slows notably

Strongest rate of job creation in six months

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 50.8 in August, up from 47.0 in July, the headline PMI index moved above the neutral 50.0 threshold to signal the first improvement in the health of the Irish manufacturing sector since February. The rate of expansion, however, was only marginal overall and weaker than the historical average.

Supporting the overall improvement in the sector was fresh growth in new orders during August. Despite being only marginal, the expansion in order book volumes was in contrast to the declines posted in each of the five previous survey periods and the second-strongest over the past 15 months. Contributing to the uplift in total sales was a renewed and solid increase in demand from overseas. The expansion in new export orders was the first since May 2022 and the joint-fastest in a year-and-a-half.

Firms responded to higher volumes of new work by adding to their headcounts during August. The latest rise in employment was solid overall and among the fastest over the past year.

The renewed upturn in overall demand meant that manufacturing production neared the point of stabilisation during August. Output levels fell only fractionally and at the weakest rate in the current six-month sequence of decline.

Firms were hopeful that the upward trend in demand would continue into the future and, as such, noted a stronger sense of optimism towards their outlook

for output in the year ahead. The degree of confidence strengthened to a historically elevated level that was the most pronounced in six months.

As part of efforts to prepare for future growth, companies recorded a back-to-back accumulation in their stocks of finished goods during August. Moreover, the rate of expansion was solid in the context of historical data and the sharpest seen since April. For the same reason, firms depleted their pre-production inventory levels at a much softer rate – the weakest in the current five-month sequence of decline.

Purchasing activity continued to decrease in August, but the rate of contraction eased notably since July to the weakest in close to a year. While some firms commented on low levels of demand, those who registered an increase in input buying mentioned preparatory efforts amid recent signs of market improvement.

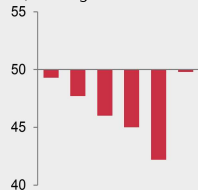
Elsewhere, backlogs of work depleted for the sixteenth month in a row and at a rapid pace. Survey respondents commonly associated the decline with an excess of production in relation to demand.

Finally, on the price front, the survey showed further discounting, albeit at softer rates. Underpinned by falling raw material and energy costs, input prices dropped for the fifth month in a row. However, the rate of decrease was only slight and the weakest in this period. The case was similar with regard to output charges. While efforts by manufacturers to pass on cost savings to clients led to a fourth consecutive fall in selling prices, the rate of discounting slowed since July and was only marginal overall.

Output and demand

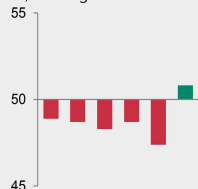
Output Index

Mar - Aug '23
sa, >50 = growth



New Orders Index

Mar - Aug '23
sa, >50 = growth



New Export Orders Index

Mar - Aug '23
sa, >50 = growth



Output

The seasonally adjusted Output Index neared the neutral 50.0 threshold in August to signal only a fractional decrease in Irish manufacturing production. The latest decline was subsequently the weakest in the current six-month sequence of decrease and signalled a notable improvement from July's steep fall. While some companies continued to comment on historically weak demand, others mentioned signs of improvement in market conditions.

New orders

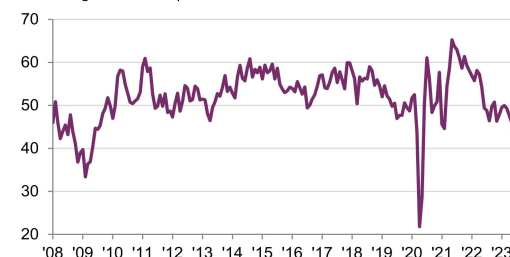
August data highlighted a renewed upturn in overall demand for Irish manufactured goods. Albeit only marginal, the increase contrasted with declines posted in each of the five months prior and was the second-strongest in more than a year. Anecdotal evidence was indicative of better demand conditions.

New export orders

Inflows of new orders from abroad rose during August, thereby ending a 14-month sequence of reduction. Moreover, the rate of increase was solid overall and among the strongest over the past two years. When explaining the expansion, panel members frequently cited demand growth from overseas, with the UK and Middle East specifically mentioned.

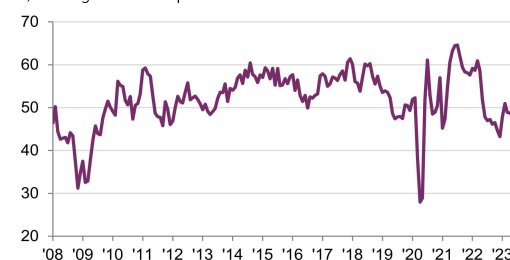
Output Index

sa, >50 = growth since previous month



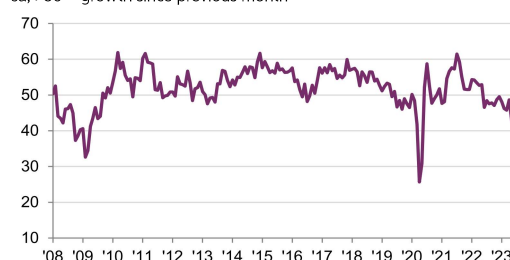
New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

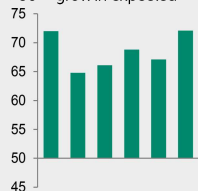
sa, >50 = growth since previous month



Business expectations

Future Output Index

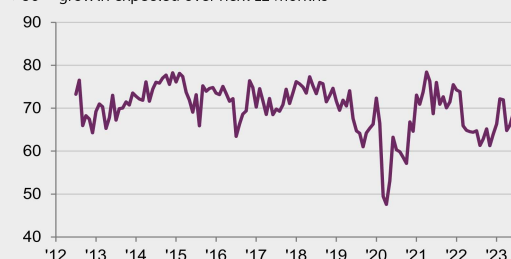
Mar - Aug '23
>50 = growth expected



Irish manufacturing companies retained a positive outlook with regards to output over the year ahead during August. In fact, the degree of confidence improved to its strongest level since February and was historically elevated. According to panel members, hopes for a pick-up in market conditions, new export opportunities and company expansion plans were factors that supported optimism.

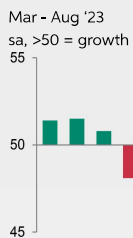
Future Output Index

>50 = growth expected over next 12 months



Employment and capacity

Employment Index

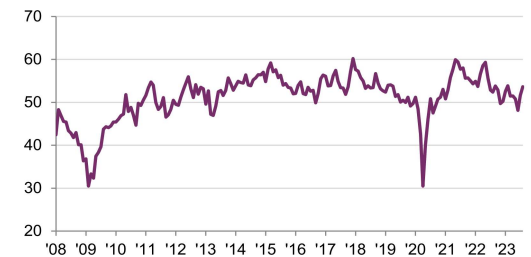


Employment

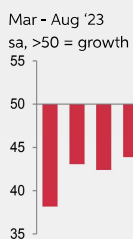
Factory employment across Ireland increased for the second month running midway through the third quarter. The rate of job creation was solid overall and among the most pronounced over the past year. Survey respondents frequently associated higher headcounts with increased inflows of new orders as well as preparatory efforts in anticipation of further demand improvements.

Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

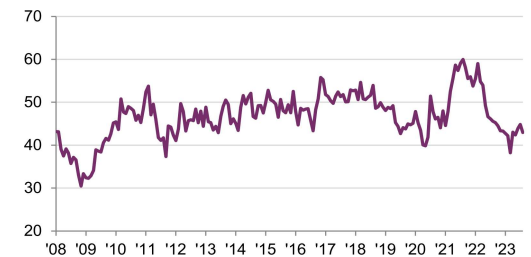


Backlogs of work

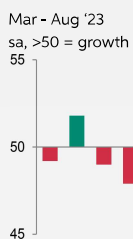
August survey data indicated another contraction in the volume of unfinished business across the Irish goods-producing sector, thereby extending the current run of depletion to 16 months. Moreover, the pace of decline was marked and the fastest in three months. A lack of new orders relative to production led to the latest decrease, said panel members. Some even mentioned that they had cleared their backlogs completely.

Backlogs of Work Index

sa, >50 = growth since previous month



Stocks of Finished Goods Index

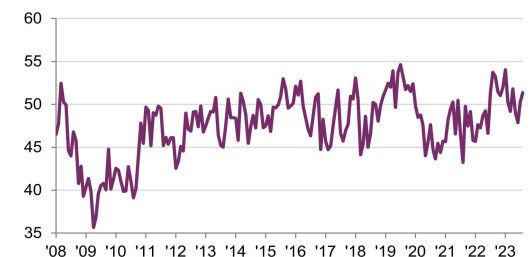


Stocks of finished goods

The seasonally adjusted Stocks of Finished Goods Index remained above the critical 50.0 mark to indicate back-to-back expansions in post-production inventory levels. Anecdotal evidence suggested that low levels of demand enabled firms to focus efforts on building up stock levels in preparation for the future.

Stocks of Finished Goods Index

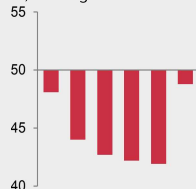
sa, >50 = growth since previous month



Purchasing

Quantity of Purchases Index

Mar - Aug '23
sa, >50 = growth

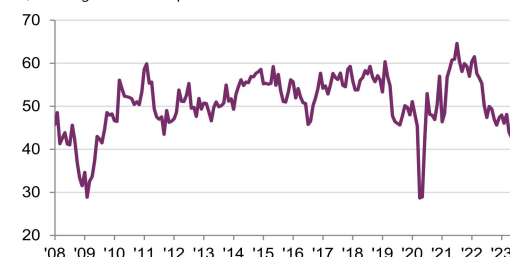


Quantity of purchases

The August survey period marked a year-long sequence of declining buying activity across the Irish goods producing sector. Companies continued to associate lower levels of input buying with weak demand in the sector. That said, having eased to the slowest seen in close to a year, the latest decrease was only marginal overall.

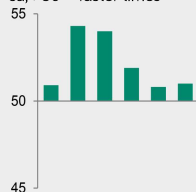
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Mar - Aug '23
sa, >50 = faster times

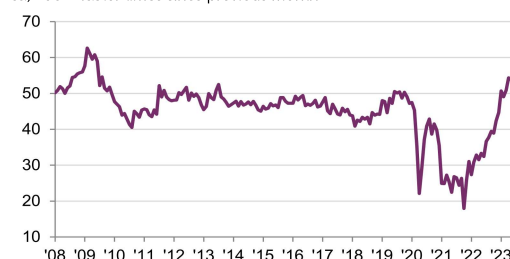


Suppliers' delivery times

The average time taken for inputs to be delivered to goods producers in Ireland shortened again in August, thereby stretching the current sequence of improving supplier performance to six months. Companies that experienced a quickening in lead times frequently linked this to weak demand for inputs.

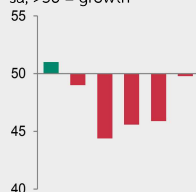
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Mar - Aug '23
sa, >50 = growth

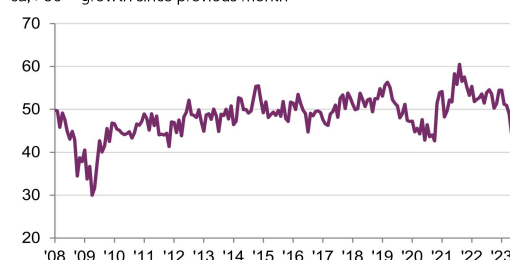


Stocks of purchases

Pre-production inventory levels neared the point of stabilisation during August, as signalled by the respective seasonally adjusted index registering only fractionally below the neutral 50.0 threshold. The decline was subsequently the least pronounced in the current five-month sequence of decrease. Reportedly, some companies lowered their inventory levels amid de-stocking efforts while others accumulated inputs in preparation for future growth.

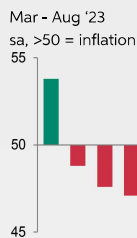
Stocks of Purchases Index

sa, >50 = growth since previous month



Prices

Input Prices Index

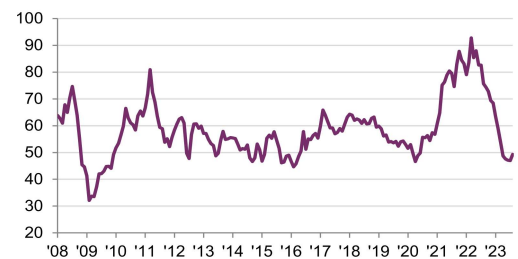


Input prices

August data pointed to another drop in input costs faced by manufacturing firms in Ireland, the fifth decrease in as many months. That said, the rate of decline was the least pronounced in this period and only marginal overall. According to survey respondents, falling raw material and energy prices remained the key factors driving the sustained drop.

Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

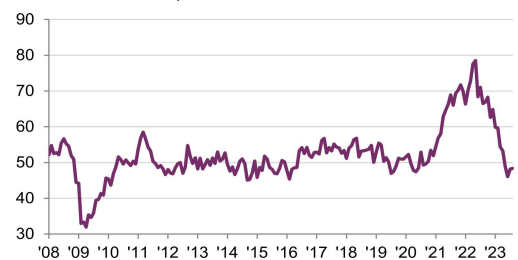


Output prices

Factory gate prices in the Irish goods-producing sector decreased for the fourth month in a row during August. Firms often mentioned lowering their charges as part of efforts to pass on cost savings to their customers. The rate of discounting, however, was only modest and the least pronounced since May.

Output Prices Index

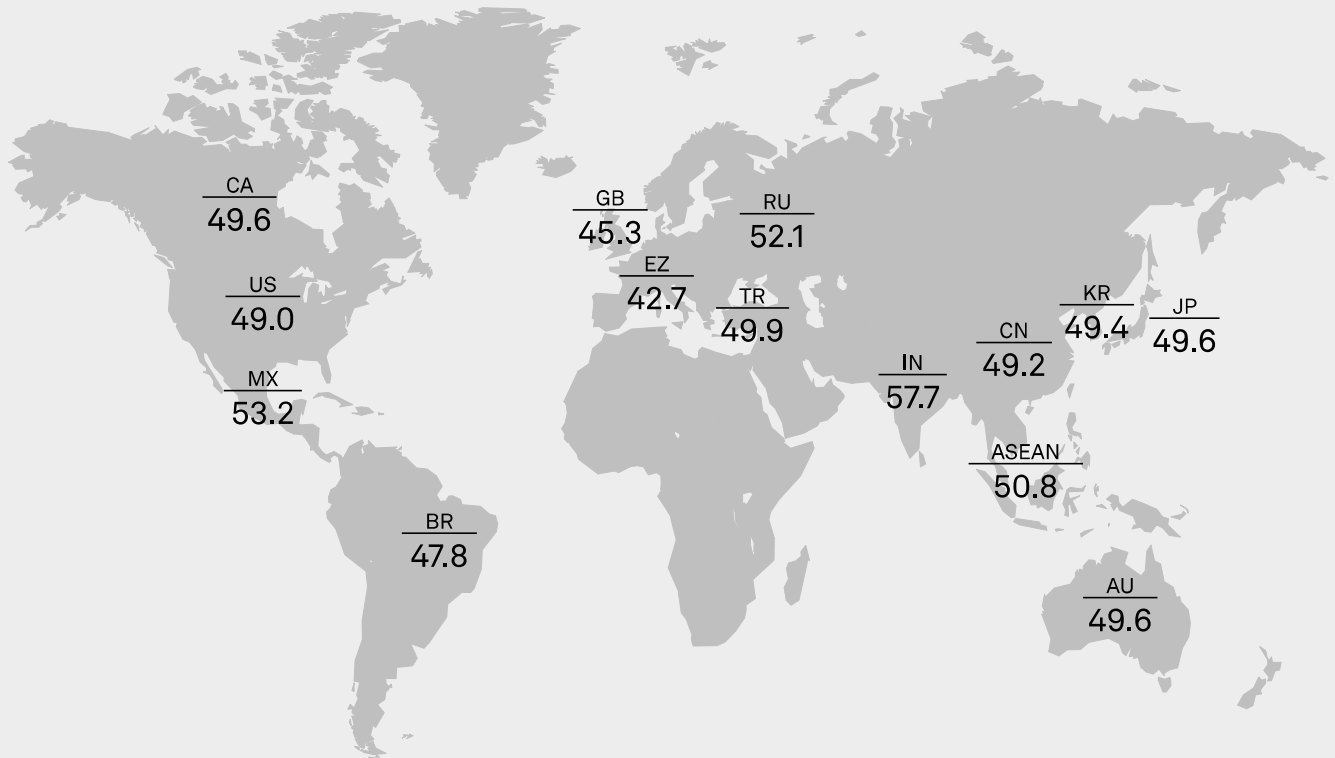
sa, >50 = inflation since previous month



International PMI

Manufacturing PMI, Jul '23

sa, >50 = improvement since previous month

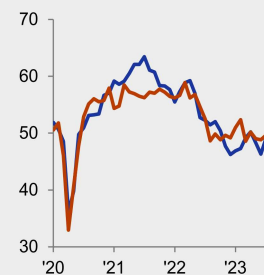


Manufacturing PMI

■ USA

■ Canada

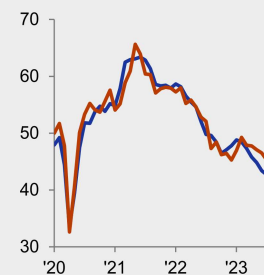
sa, >50 = improvement



■ Eurozone

■ UK

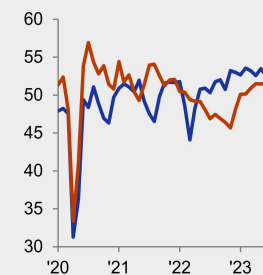
sa, >50 = improvement



■ Russia

■ Turkey

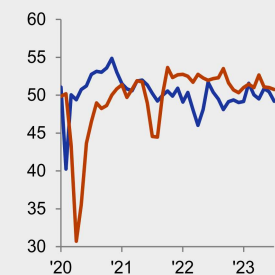
sa, >50 = improvement



■ China

■ ASEAN

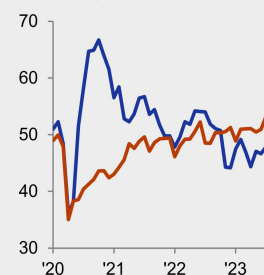
sa, >50 = improvement



■ Brazil

■ Mexico

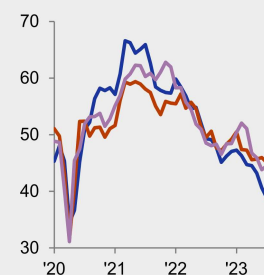
sa, >50 = improvement



■ Germany

■ France

sa, >50 = improvement



■ India

■ Australia

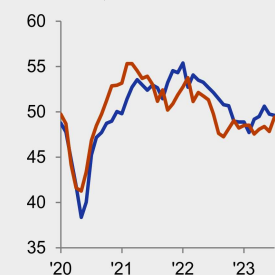
sa, >50 = improvement



■ Japan

■ South Korea

sa, >50 = improvement



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 10-23 August 2023.

Survey questions

Manufacturing sector

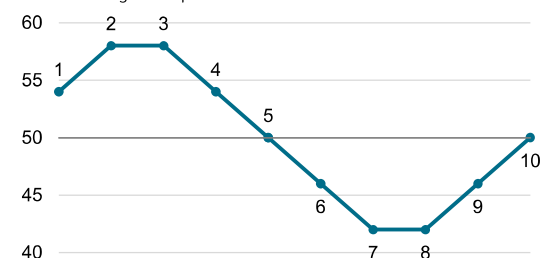
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

Index calculation

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

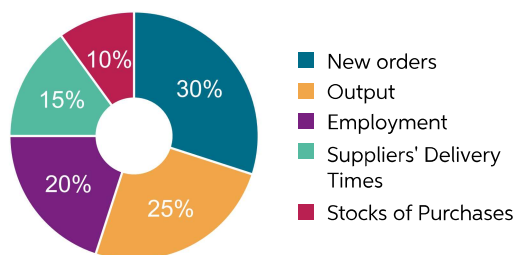
Index interpretation

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		

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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.
ihsmarkit.com/products/pmi.html

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PMI®

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