



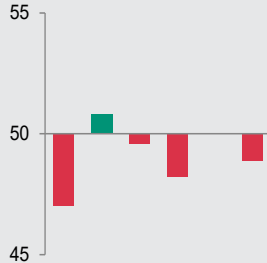
# AIB Ireland Manufacturing PMI®

## Renewed downturn in manufacturing order books, but business optimism improves slightly

# 48.9

IRELAND  
MANUFACTURING PMI  
DEC '23

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



The AIB Ireland Manufacturing PMI® pointed to worsening business conditions as 2023 drew to a close, representing a setback after the stabilisation seen during November.

Overstocked customers and caution regarding the near-term economic outlook remained headwinds to new order intakes in December. Irish manufacturers also reduced their own stocks of purchases at the fastest pace since October 2020. On a more encouraging note, output expectations for the year ahead edged up to a three-month high.

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

*"The AIB Irish Manufacturing PMI survey for December showed a slight deterioration in business conditions in the month. The headline index fell to 48.9 from 50.0 in November. It has been confined to a narrow 48-50 range during the final four months of 2023. The December reading was also very close to the average for year of 49.1. The Irish PMI remained well above the flash December readings for the Eurozone and UK, of 44.2 and 46.4, respectively. It was also higher than the flash US index of 48.2.*

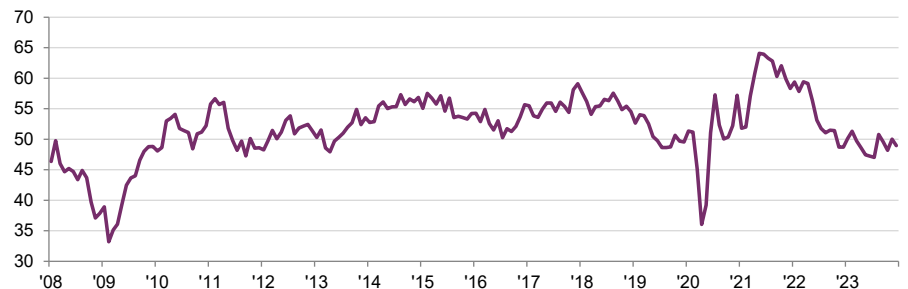
*"A marginal fall in output, renewed decline in new orders, stable employment and marked destocking were the key features of the December PMI survey. While new orders fell, partly due to a focus on destocking, export orders rose for the first time in four months, with manufacturers reporting an upturn in demand from the UK. Meanwhile, difficulties in recruitment*

*was cited as the main factor constraining employment growth, which was broadly unchanged in the month.*

*"Firms continued to pursue inventory reduction strategies against a backdrop of subdued customer demand. This was reflected in further marked falls in stocks of both inputs and finished goods, with the former declining at the sharpest pace in over three years amid a steep drop in the purchasing of inputs.*

*"Manufacturers, however, remained optimistic on the outlook for the year ahead, with the business expectations index edging up to its highest level since September. Firms saw renewed pressure on margins, though, with input prices moving higher in December, as factory gate prices declined for the eighth consecutive month in the face of ongoing competitive pressures to lower prices."*

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

Marginal declines in production and new work

Sharp fall in stocks of purchases

Output expectations improve for first time since August

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.

Adjusted for seasonal influences, the AIB Ireland Manufacturing PMI registered 48.9 in December, down slightly from 50.0 in November and below the neutral threshold for the third time in the past four months. The latest reading was close to the average for 2023 as a whole (49.1) and signalled a marginal overall downturn in business conditions.

December data pointed to a renewed decline in production volumes, albeit only slight. Survey respondents noted that hesitancy among customers and caution about the broader economic outlook had contributed to lower output requirements. Adding to downward pressure on production schedules, manufacturers sought to reduce their stocks of finished goods, as signalled by a third consecutive monthly fall in post-production inventories.

New order intakes decreased at a moderate pace in December, with customer destocking and squeezed budgets again cited as headwinds to sales. In contrast to the trend seen in the previous month, export orders were a bright spot during December. Latest data indicated a rise in new orders from abroad for the first time in four months, albeit at only a marginal rate. A number of goods producers commented on rising demand from clients based in the United Kingdom.

Softer demand and improved raw material availability contributed to a modest fall in backlogs of work in

December. However, the rate of decline in outstanding business was the slowest since May 2022, which was linked to the completion of post-pandemic backlogs.

A lack of pressure on business capacity and difficulties recruiting suitably skilled staff acted as a brake on hiring in December. Total workforce numbers were broadly unchanged during the latest survey period, which ended a five-month period of job creation.

Meanwhile, input buying decreased for the sixteenth consecutive month in December and at the sharpest pace since July. This partly reflected efforts to streamline inventories, as signalled by the fastest decline in stocks of purchases since October 2020. Suppliers' delivery times for manufacturing items lengthened to the greatest extent for one year, despite reports citing fewer shortages of raw materials.

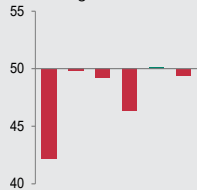
Average cost burdens increased moderately in December and the rate of inflation was the highest for nine months. Goods producers often noted that suppliers had passed on higher staffing costs, which somewhat offset the impact of lower commodity prices. Factory gate charges nonetheless decreased again in December, with survey respondents citing ongoing competitive pressures to discount prices.

Looking ahead, just under half of the survey panel (49%) forecast a rise in production volumes over the course of 2024, while 7% predict a decline. The resulting index pointed to the strongest degree of business optimism since September. Manufacturers commented on hopes of a turnaround in customer demand in the months ahead, alongside positivity linked to new product launches and long-term investment plans.

## Output and demand

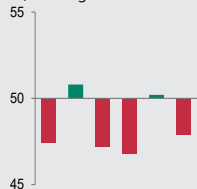
### Output Index

Jul - Dec '23  
sa, >50 = growth



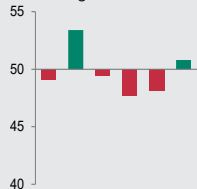
### New Orders Index

Jul - Dec '23  
sa, >50 = growth



### New Export Orders Index

Jul - Dec '23  
sa, >50 = growth



### Output

December data indicated a renewed fall in manufacturing production, with the seasonally adjusted index posting below the 50.0 neutral value for the ninth time in the past ten months. However, the rate of decline was only marginal in December and much softer than seen in the middle of 2023.

Survey respondents commented on a reluctance to spend among clients and hesitancy regarding the broader economic outlook.

### New orders

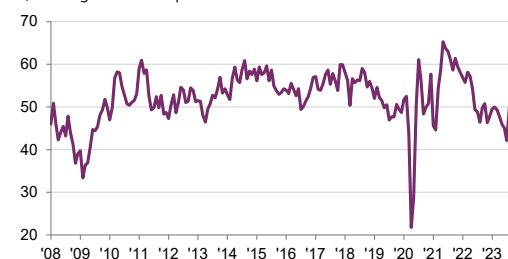
Manufacturers signalled a setback for new order intakes during December, following a stabilisation in demand patterns during the previous survey period. The seasonally adjusted New Orders Index pointed to a moderate overall decline in new work. Some firms continued to note that overstocked customers had constrained sales at the end of 2023. There were also reports citing subdued business investment among clients, in part due to elevated borrowing costs.

### New export orders

The seasonally adjusted New Export Orders Index moved into expansion territory for the first time since August and signalled a marginal upturn in new work from abroad. There were some reports citing an upturn in demand from clients based in the United Kingdom. Manufacturers nonetheless commented on a headwind to export sales from relatively subdued global economic conditions.

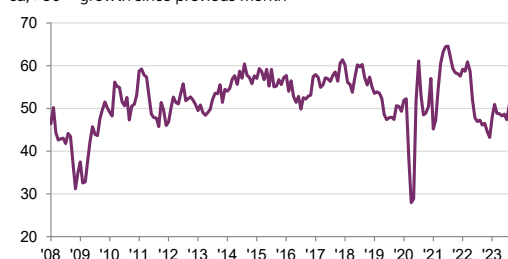
### Output Index

sa, >50 = growth since previous month



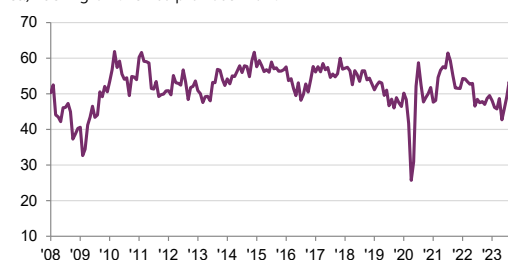
### New Orders Index

sa, >50 = growth since previous month



### New Export Orders Index

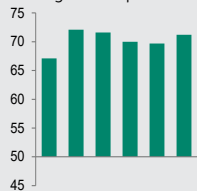
sa, >50 = growth since previous month



## Business expectations

### Future Output Index

Jul - Dec '23  
>50 = growth expected

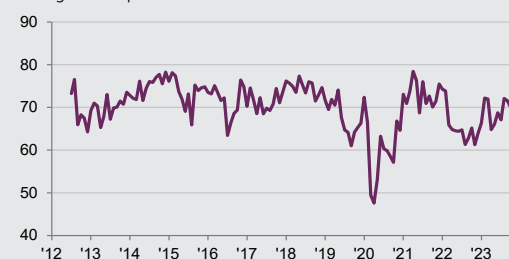


Despite a renewed fall in production volumes, manufacturing companies remain upbeat about their prospects for growth over the course of 2024. Around 49% predict an increase in output during the next 12 months, while 7% forecast a decline. Moreover, the degree of confidence edged up to its highest since September.

Goods producers attributed confidence to long-term business expansion projects and hopes of rising customer demand, although some noted lingering recession concerns.

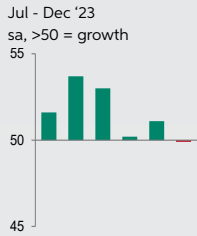
### Future Output Index

>50 = growth expected over next 12 months



# Employment and capacity

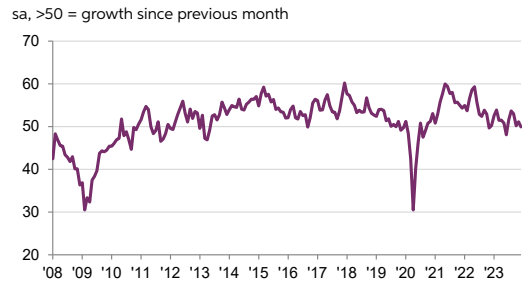
## Employment Index



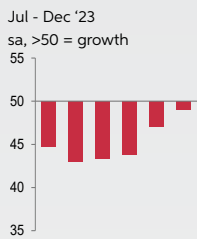
## Employment

Manufacturing employment numbers were broadly unchanged in December, which ended a five-month period of job creation. Anecdotal evidence suggested that subdued workloads had acted as a brake on hiring, as well as rising wages. However, some firms noted that shortages of suitably skilled candidates were the main factor weighing on staffing levels.

## Employment Index



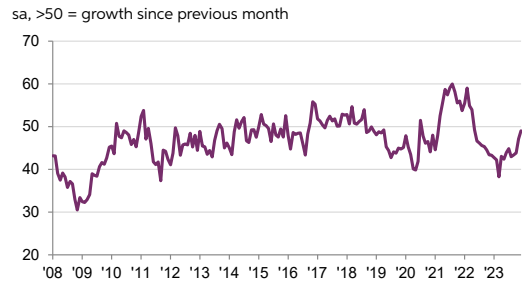
## Backlogs of Work Index



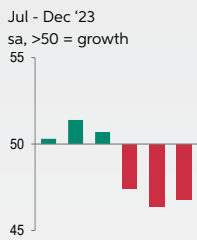
## Backlogs of work

December data pointed to only a marginal decline in unfurnished work across the manufacturing sector. A slowing rate of decline has been recorded in each of the past four months, and the seasonally adjusted Backlogs of Work Index was the highest since May 2022. Where lower levels of outstanding work were reported, this was mainly linked to a lack of pressure on business capacity.

## Backlogs of Work Index



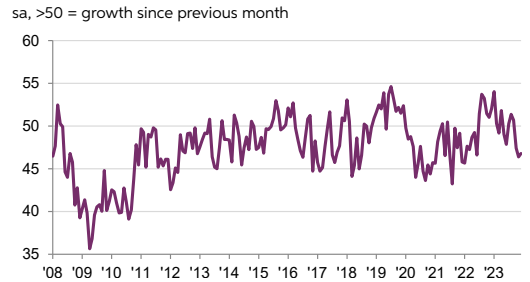
## Stocks of Finished Goods Index



## Stocks of finished goods

Post-production inventories were reduced for the third month running in December and at a solid pace. Survey respondents linked lower stocks of finished goods to deliberate inventory reduction strategies in the wake of elevated borrowing costs and improved transportation availability.

## Stocks of Finished Goods Index



# Purchasing

## Quantity of purchases

Cutbacks to purchasing activity continued in December, with the seasonally adjusted index signalling the fastest downturn in input buying since July. Anecdotal evidence cited a combination of softer demand and ongoing efforts to streamline stocks of purchases at the end of 2023.

## Suppliers' delivery times

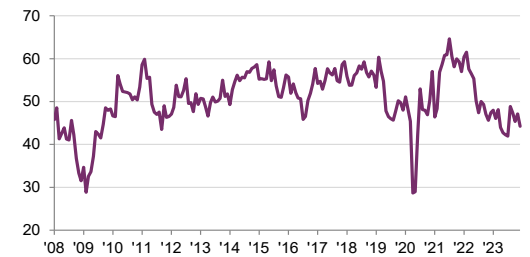
The seasonally adjusted Suppliers' Delivery Times Index dipped back below the neutral 50.0 mark in December. Although signalling only a modest lengthening of lead times, the downturn in vendor performance was the sharpest for one year. Some manufacturers noted that stretched supply capacity had contributed to renewed delays for the receipt of purchases from vendors.

## Stocks of purchases

Pre-production inventories decreased at a sharp and accelerated pace in December. The seasonally adjusted Stocks of Purchases Index pointed to the fastest rate of decline since October 2020. A number of firms noted destocking efforts due to improved raw material availability and subdued customer demand.

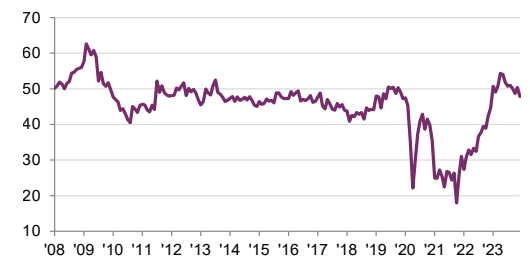
Quantity of Purchases Index

sa, >50 = growth since previous month



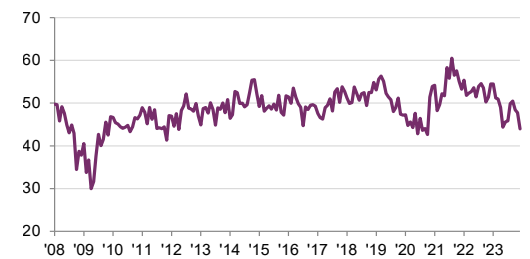
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



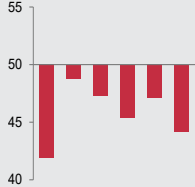
Stocks of Purchases Index

sa, >50 = growth since previous month



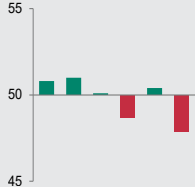
Quantity of Purchases Index

Jul - Dec '23  
sa, >50 = growth



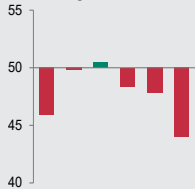
Suppliers' Delivery Times Index

Jul - Dec '23  
sa, >50 = faster times



Stocks of Purchases Index

Jul - Dec '23  
sa, >50 = growth



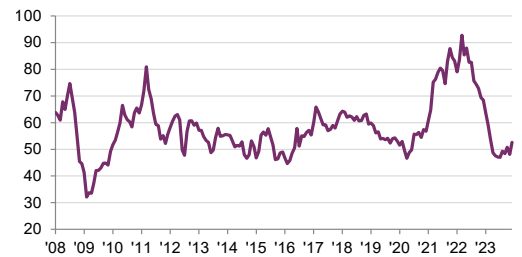
## Prices

### Input prices

December data pointed to a reversal of the recent downward trend for purchasing costs across the manufacturing sector. The seasonally adjusted Input Prices Index signalled a moderate increase in average cost burdens and the rate of inflation was the highest since March. A number of firms noted that suppliers had passed on higher labour costs, which offset the impact of lower commodity prices during the latest survey period.

### Input Prices Index

sa, >50 = inflation since previous month

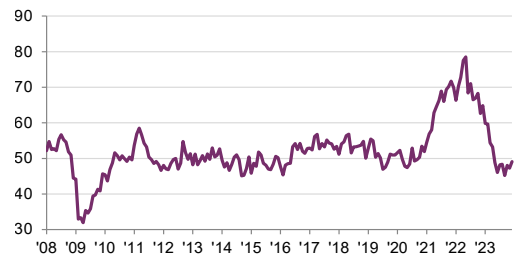


### Output prices

Despite a renewed increase in purchasing prices, latest data signalled a further decline in factory gate charges. Panel members commented on competitive pressures to pass on lower raw material costs. However, the seasonally adjusted Output Prices Index pointed to the slowest fall in factory gate prices since the current phase of discounting began in May.

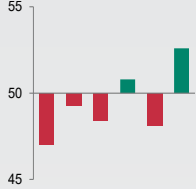
### Output Prices Index

sa, >50 = inflation since previous month



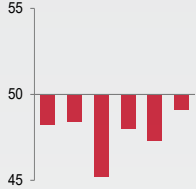
#### Input Prices Index

Jul - Dec '23  
sa, >50 = inflation



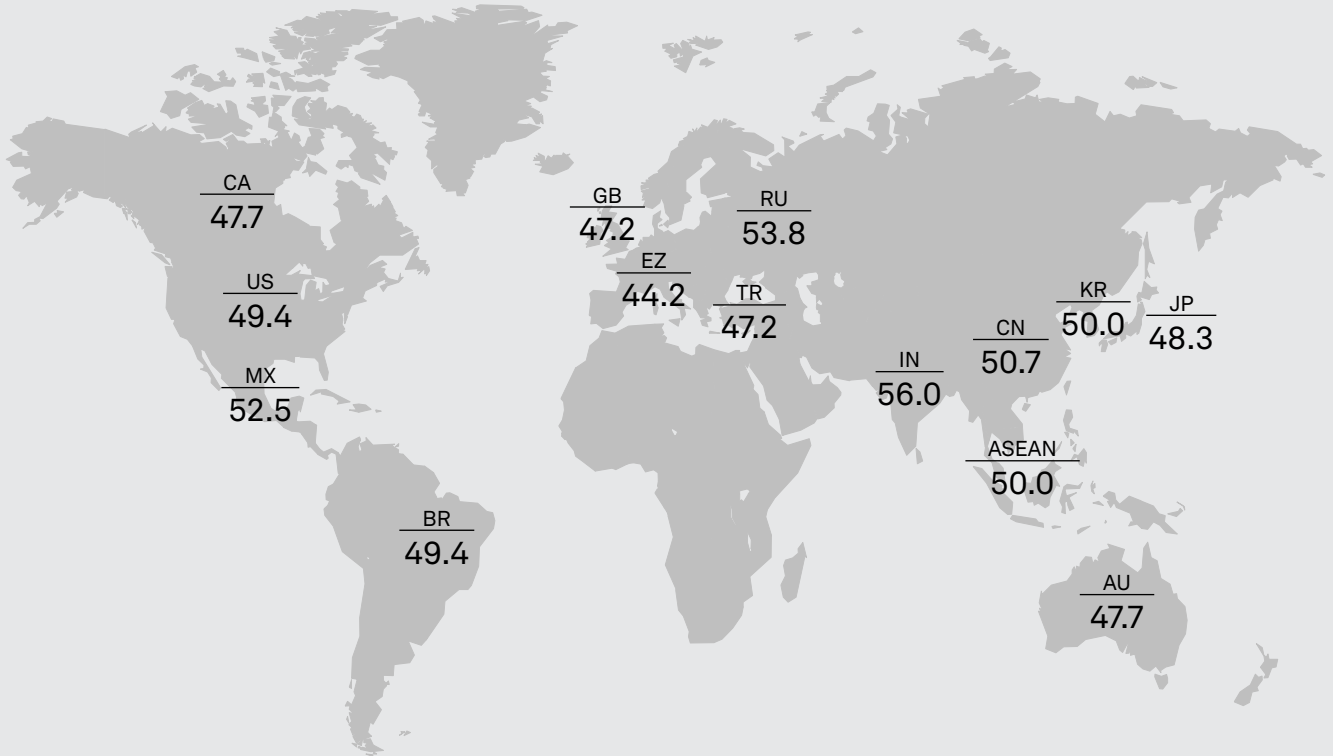
#### Output Prices Index

Jul - Dec '23  
sa, >50 = inflation

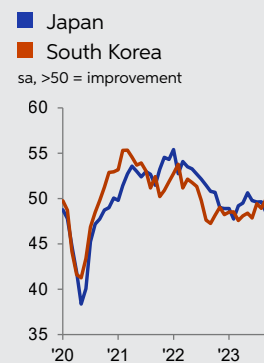
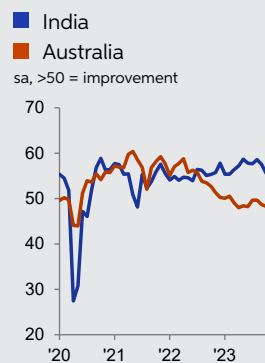
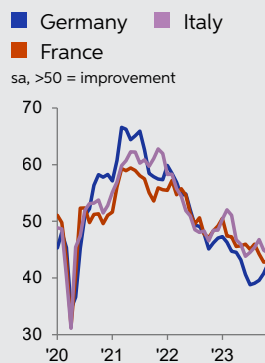
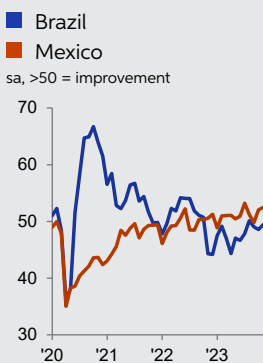
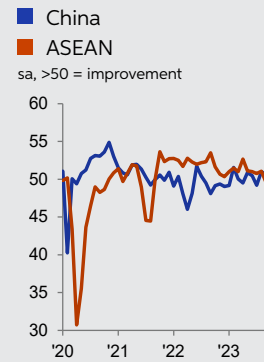
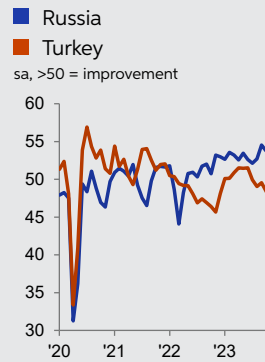
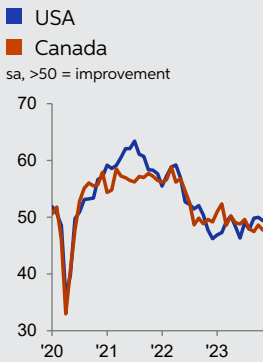


# International PMI

Manufacturing PMI, Nov '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@spglobal.com](mailto:economics@spglobal.com).

### Survey dates

Data were collected 06-15 December 2023.

#### Survey questions

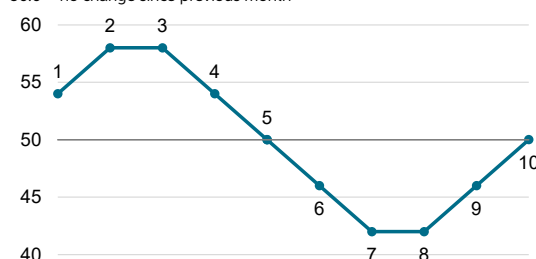
Manufacturing sector	
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

#### Index calculation

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

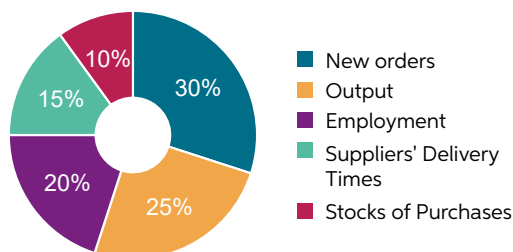
#### Index interpretation

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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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.

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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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