



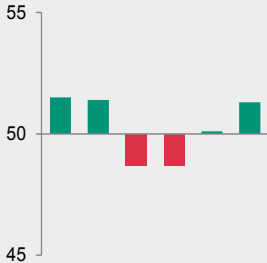
# AIB Ireland Manufacturing PMI®

## First rise in new orders for nine months

# 51.3

IRELAND  
MANUFACTURING PMI  
FEB '23

Manufacturing PMI  
Sep '22 - Feb '23  
sa, >50 = improvement



Ireland's manufacturing sector posted in expansion territory in February amid a renewed upturn in new orders and strong growth in workforce numbers. Output volumes, meanwhile, stabilised and purchasing activity dropped at the sharpest pace in three months. Inflationary pressures continued to cool, as signalled by rates of input price and output charge inflation easing to 26- and 23-month lows, respectively. Firms were optimistic about future output and registered the strongest degree of confidence in a year.

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

*"After a period of weak activity over the winter months, the AIB Irish Manufacturing PMI moved back into expansion mode in February. The headline index rose to 51.3 from 50.1 in January and 48.7 in both December and November. By contrast, the flash manufacturing PMIs for the US, Eurozone and UK remained in contraction territory in February, at 47.8, 48.5 and 49.2, respectively, pointing to ongoing declines in manufacturing activity in those economies.*

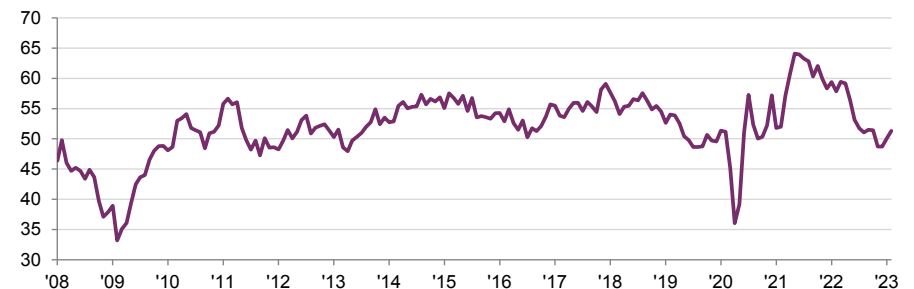
*"A key factor behind the improvement in Irish manufacturing was the first rise in new orders since last May, albeit a modest one and amid continuing weakness in exports orders. Output also stabilised, having contracted in eight of the previous nine months. Increasing order books helped employment expand for a third consecutive month and at the quickest pace since last June.*

*"Meanwhile, spare capacity is becoming increasingly evident, with order backlogs*

*continuing their steep decline for a tenth month in a row. Firms also cut back sharply on the volume of inputs purchased, while stocks of finished goods were broadly stable. Irish manufacturers are becoming increasingly upbeat, with sentiment about the outlook for the coming 12 months climbing to its highest level in the past year.*

*"There was a further easing in inflationary pressures, especially for inputs, where the rate of increase slowed to its lowest level since December 2020. Meantime, the rise in output prices was the smallest in almost two years. That said, prices are still rising, with firms reporting further increases in raw material, energy, transport and labour costs, which they are passing on in higher selling prices to customers."*

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



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## Overview

Production volumes stabilise in February

Sharp drop in backlogs as firms boost staffing

Business sentiment strengthens to one-year high

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.

At 51.3 in February, up from 50.1 in January, the latest PMI reading was indicative of an improvement in the health of Ireland's manufacturing sector, the second in as many months. The latest expansion was the most pronounced since last October but was mild overall and remained subdued in the context of historical data.

The biggest driver in the latest sector improvement was fresh order book volume growth in February. Notably, the upturn was the first since last May and linked to a relative strengthening in underlying demand conditions. By contrast, demand from overseas fell further in February and at the sharpest pace since May 2020.

Against a backdrop of rising intakes of new work and some relative improvement in output volumes, firms added to their headcounts midway through the first quarter of the year. The latest expansion in workforce numbers was the third in as many months and the most pronounced in eight months. Planned company expansions was another factor supporting recruitment endeavours, said survey respondents.

Following three consecutive months of contraction, production volumes across Ireland's manufacturing sector stabilised during February. While some firms registering output growth mentioned increasing inflows of new orders, others who saw a reduction attributed it to historically subdued demand.

There was further evidence of spare capacity in Ireland's manufacturing sector in February. Backlogs of work fell steeply and at the sharpest pace since June 2020 while stocks of finished goods accumulated further in February, albeit only slightly. The respective movements were both linked to historically muted demand conditions.

Reportedly, firms chose to adjust input buying in line with the quieter business conditions seen over the past few months. Purchasing activity was cut for the seventh time in eight months and at the strongest pace since last November. Conversely, there was a sustained, but softer, expansion in holdings of raw materials and semi-finished goods.

Average lead times lengthened in February following the slight improvement in January. The extent of lengthening, however, was significantly lower than rates recorded over much of the past three years.

Pricing pressures came further off the boil midway through the first quarter of the year. In fact, rates of input price and output charge inflation slowed from the preceding month to reach 26- and 23-month lows, respectively. That said, in both cases, prices rose at paces above their historical averages. Anecdotal evidence suggested that higher prices across a broad range of inputs continued to be partly passed on to clients in the form of higher selling prices.

Looking to the coming 12 months, Irish manufacturing firms were strongly upbeat. The degree of confidence was the most pronounced in a year and historically elevated. Where optimism was reported, this was linked to hopes for a general improvement in market conditions.

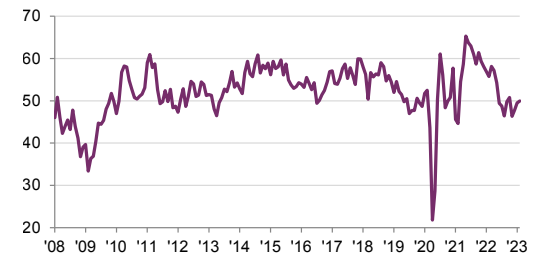
## Output and demand

### Output

Having recorded three consecutive months of contraction up to January, Irish manufacturing firms indicated a stabilisation in production volumes in February. The companies that registered growth in output frequently linked this to the starting of new projects and an improvement in demand, whereas those who saw output fall mentioned relatively muted market conditions

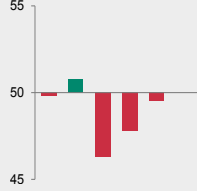
### Output Index

sa, >50 = growth since previous month



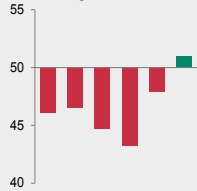
### Output Index

Sep '22 - Feb '23  
sa, >50 = growth



### New Orders Index

Sep '22 - Feb '23  
sa, >50 = growth

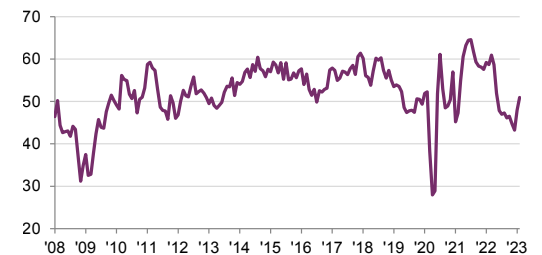


### New orders

The seasonally adjusted New Orders Index posted above the neutral 50.0 threshold in February to signal a fresh expansion in order book volumes. The increase was modest overall but the first since May last year. Firmer underlying demand conditions was the primary factor supporting higher sales volumes, said survey respondents.

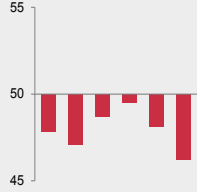
### New Orders Index

sa, >50 = growth since previous month



### New Export Orders Index

Sep '22 - Feb '23  
sa, >50 = growth

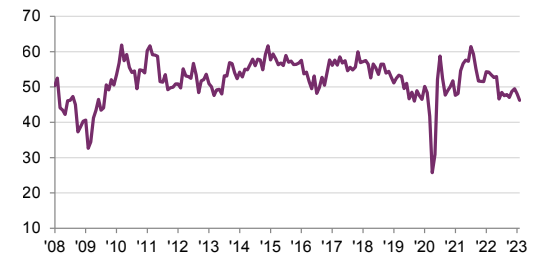


### New export orders

Foreign demand for Irish manufactured goods fell further in February. Notably, the latest reduction was the fastest since May 2020 and strong overall. According to survey respondents, demand conditions in some of Ireland's key export markets remained weak.

### New Export Orders Index

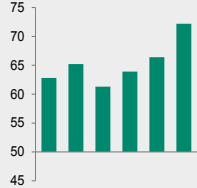
sa, >50 = growth since previous month



## Business expectations

### Future Output Index

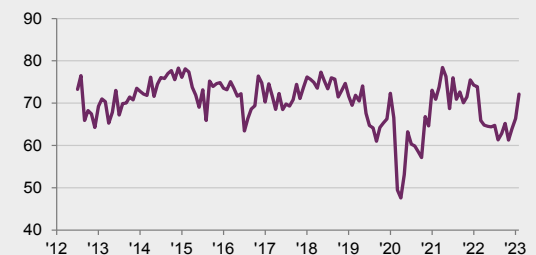
Sep '22 - Feb '23  
>50 = growth expected



Irish manufacturing firms were strongly upbeat with regards to forecasts for output over the coming year in February. In fact, the degree of positive sentiment improved for the third month in a row to reach the highest level in exactly one year. Optimism mostly stemmed from hopes that market conditions would continue to improve. Some firms specifically mentioned sales growth plans as well as upcoming projects.

### Future Output Index

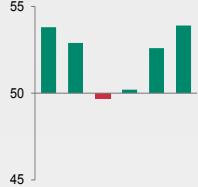
>50 = growth expected over next 12 months



# Employment and capacity

## Employment Index

Sep '22 - Feb '23  
sa, >50 = growth

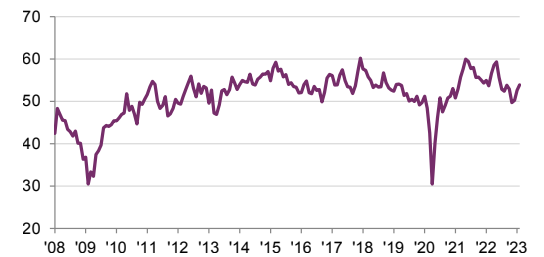


## Employment

February data was indicative of a third successive month whereby Irish manufacturing firms added to their workforces. Notably, the rate of job creation was strong overall, historically elevated, and the sharpest in eight months. Recruitment efforts were largely based around company expansion plans and increasing order book volumes, said panel members.

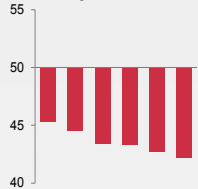
## Employment Index

sa, >50 = growth since previous month



## Backlogs of Work Index

Sep '22 - Feb '23  
sa, >50 = growth

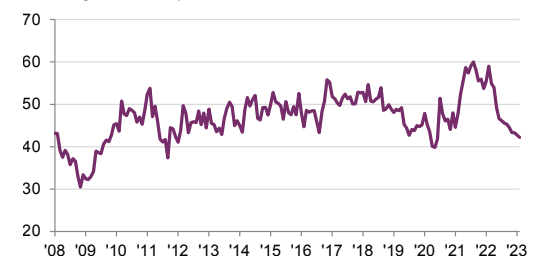


## Backlogs of work

As has been the case since last May, the level of outstanding work across Ireland's manufacturing sector decreased in February. The rate of backlog depletion continued to accelerate and was the most pronounced since June 2020. Anecdotal evidence suggested that lower intakes of new work and generally subdued market conditions allowed firms to focus on working through existing orders.

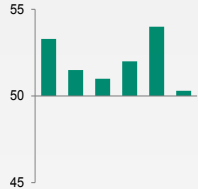
## Backlogs of Work Index

sa, >50 = growth since previous month



## Stocks of Finished Goods Index

Sep '22 - Feb '23  
sa, >50 = growth

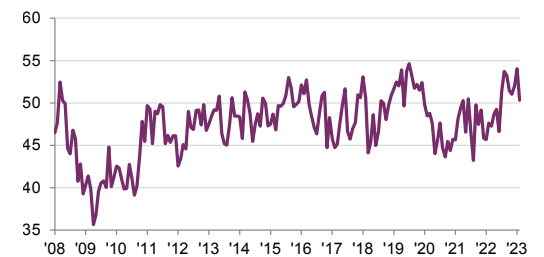


## Stocks of finished goods

The seasonally adjusted Stocks of Finished Goods Index posted above the neutral 50.0 threshold in February, thereby stretching the current sequence of accumulation to eight months. That said, the rate of post-production inventory growth was the softest in the current sequence and only slight. Reportedly, firms have readjusted stocks to align with current trends in demand.

## Stocks of Finished Goods Index

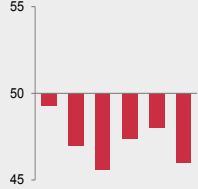
sa, >50 = growth since previous month



# Purchasing

## Quantity of Purchases Index

Sep '22 - Feb '23  
sa, >50 = growth

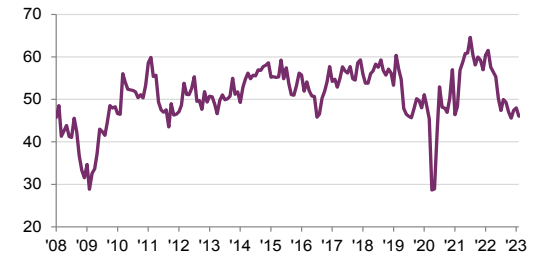


## Quantity of purchases

Once again, Irish goods producers cut back on the volume of inputs purchased in February. Moreover, the rate of decline quickened from the preceding month and was among the fastest over the past two-and-a-half years. According to panel members, historically subdued demand conditions discouraged firms from buying new inputs.

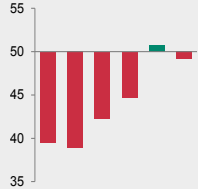
## Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

Sep '22 - Feb '23  
sa, >50 = faster times

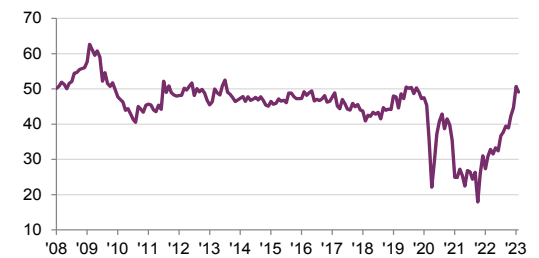


## Suppliers' delivery times

Following a slight improvement in January, supplier performance worsened midway through the first quarter of the year. That said, the overall incidence of delays was only mild and significantly softer than those seen over the past three years. Longer lead times were frequently linked to supply chain delays.

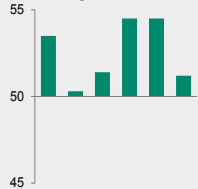
## Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index

Sep '22 - Feb '23  
sa, >50 = growth

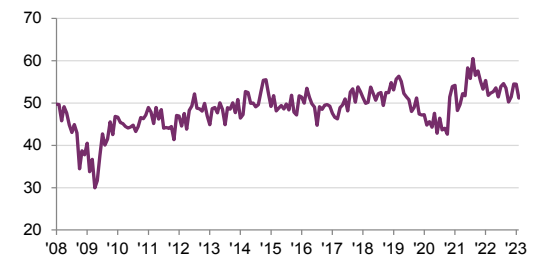


## Stocks of purchases

Adjusted for seasonality, the Stocks of Purchases Index posted above the 50.0 mark of no-change in February, thereby stretching the current sequence of accumulation to just short of two years. The rate of stock expansion, however, was the second-weakest in the current positive sequence. While some firms added to pre-production inventories ahead of anticipated sales volumes, others downwardly adjusted them following quiet business conditions last quarter.

## Stocks of Purchases Index

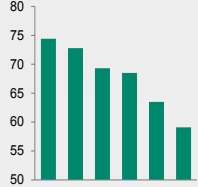
sa, >50 = growth since previous month



## Prices

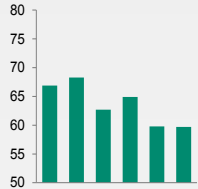
### Input Prices Index

Sep '22 - Feb '23  
sa, >50 = inflation



### Output Prices Index

Sep '22 - Feb '23  
sa, >50 = inflation



### Input prices

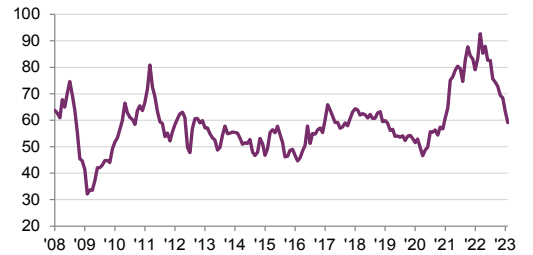
Where Irish manufacturing companies purchased inputs in February, they were faced with a further increase in prices. That said, the rate of input price inflation slowed for the seventh month in a row to reach the lowest since December 2020. Panellists reported inflation across a broad range of products with increases in raw material, energy, transport and labour costs all mentioned.

### Output prices

As has been the case since October 2020, Irish manufacturers raised their selling prices in February. Despite easing only fractionally from the rate seen in January, the latest hike in was the softest in almost two years. Companies mainly linked rising charges to the pass-through of rising cost burdens. That said, amid the current market pressures, some firms reportedly made efforts to price more competitively.

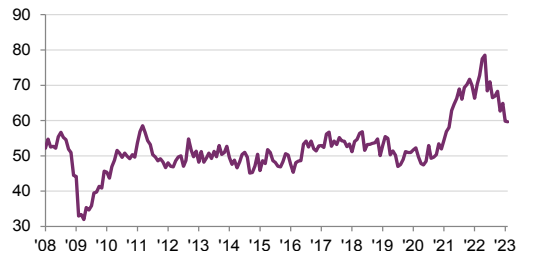
### Input Prices Index

sa, >50 = inflation since previous month



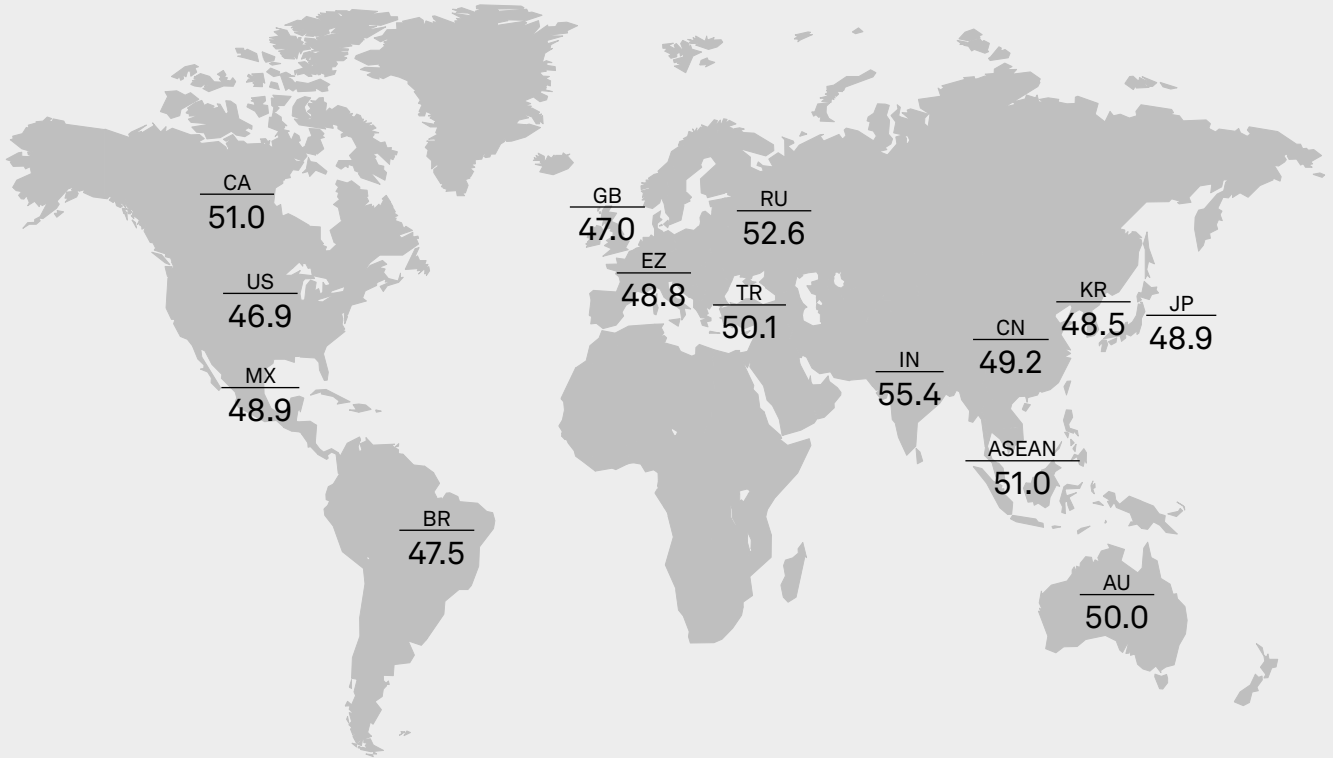
### Output Prices Index

sa, >50 = inflation since previous month



# International PMI

Manufacturing PMI, Jan '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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey dates

Data were collected 10-21 February 2023.

### Survey questions

Manufacturing sector

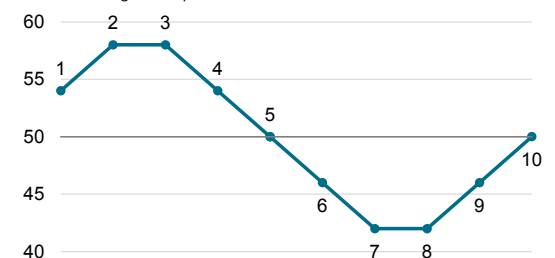
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

### Index calculation

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

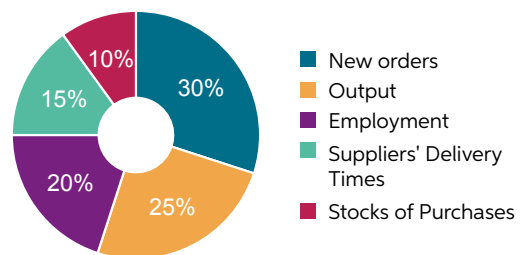
### Index interpretation

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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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