



AIB Ireland Manufacturing PMI®

New order growth accelerates at start of 2022

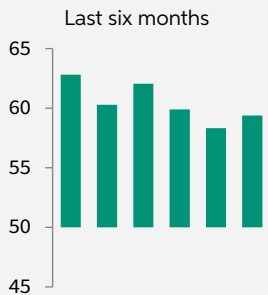
Key Findings

PMI rises for only second time in eight months to 59.4

Slowest rise in output since March 2021

Input price inflation eases further from October record

Ireland Manufacturing PMI



A faster increase in new orders boosted the Irish manufacturing sector in January, according to the first PMI® survey data for 2022 from AIB. Demand for Irish goods increased at the fastest rate in four months, although output growth slowed to a ten-month low due to ongoing material and staff shortages. Cost pressures remained severe but eased further from last October's series record high, leading to the slowest rise in output prices in five months.

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

"The AIB Irish Manufacturing PMI for January shows continuing strong growth in the sector, with the headline index picking up to 59.4 from 58.3 in December. The index remains at an elevated level historically, with the January reading higher than in any month prior to April 2021. The Irish reading is on a par with the flash January index for the Eurozone, which picked up from 58.0 to 59.0, and above the flash indices for the UK and US of 56.9 and 55.0, respectively

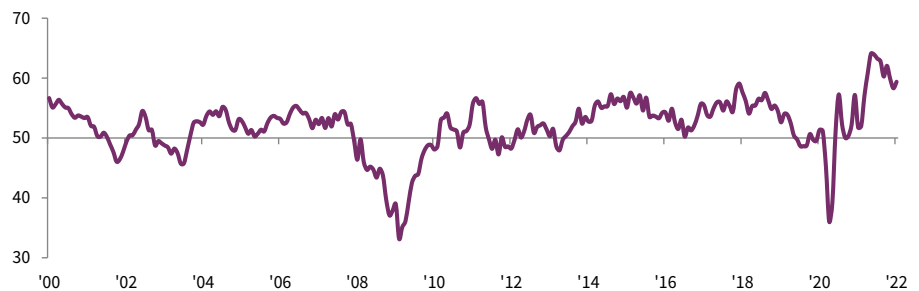
Not surprisingly, with orders picking up but constraints on production, backlogs of unfinished work continued to rise sharply. Firms responded with another marked rundown in their inventories of finished goods. Meanwhile, the delivery times for inputs also lengthened again, reflecting the ongoing pressure on supply chains. Manufacturers were very positive on the 12-month outlook for production, with the recovery from the pandemic expected to continue in 2022 and new business growing.

"The subcomponents of the Irish PMI survey also registered strong readings. The most encouraging aspect was a marked rise in new orders, including for exports. Growth in output, though, while remaining strong was constrained by staffing problems, often due to absences linked to Covid. However, overall employment in the sector continued to grow at a very solid pace.

"The combination of strong demand, disruptions to supply chains and continuing upward trend in prices of raw materials, energy and transportation, meant the pressure on costs remained intense. There were further marked rises in firms input and output prices, though the rate of increase has eased somewhat recently."

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 to 59.4 in January, from December's nine-month low of 58.3. The latest figure signalled a strong overall improvement in manufacturing business conditions, and was higher than in any survey period prior to April 2021. The PMI was only fractionally below its 2021 average of 59.7.

The month-on-month gain in the PMI in January was only the second registered since last May's record high. It was reflected in four of the five components, the exception being output. The largest positive directional influences were provided by suppliers' delivery times (the index for which is inverted in the PMI calculation) and new orders.

Demand for Irish manufactured goods rose for the eleventh month running in January. Moreover, the rate of growth accelerated to the fastest since last September, partly linked to new customers. Export demand also improved following subdued increases throughout the final quarter of 2021.

Although new business inflows quickened in January, Irish manufacturing output failed to keep pace due to ongoing material and staff shortages. Production rose for the eleventh month running, albeit at the weakest rate since last March. That said, growth remained strong overall in the context of the survey history.

With growth of output slowing, manufacturers continued to fulfill orders by selling direct from existing stock. Inventories of finished goods declined for the seventh consecutive month, and at the fastest rate since last August.

Backlogs of work continued to rise in January, reflecting pressure on capacity from stronger new orders, supply shortages and high levels of staff absences. The rate of growth quickened since December and was among the strongest on record.

Manufacturers continued to add to their workforces in January, to address capacity constraints and in expectation of higher output requirements in 2022. Staffing in the goods-producing sector rose for the sixteenth consecutive month, and the rate of job creation picked up from December's ten-month low.

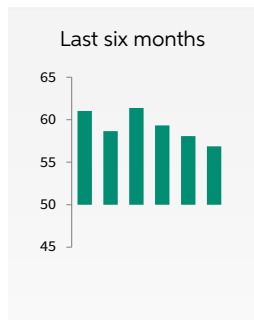
Purchasing of inputs sped up in January in line with the faster increase in new orders. Buying activity rose at the strongest rate since last August, with firms also linking higher purchases to efforts to secure stocks ahead of expected price increases and supply delays. Input stocks rose at one of the fastest rates on record, while supply chains remained stretched in January. Input lead times lengthened to a greater extent than in December, albeit less so than the trend seen over 2021 as a whole.

Inflationary pressures in the manufacturing sector remained severe in January, but showed signs of easing. Input and output prices both increased at the slowest rates since last August, albeit ones that remained among the highest on record.

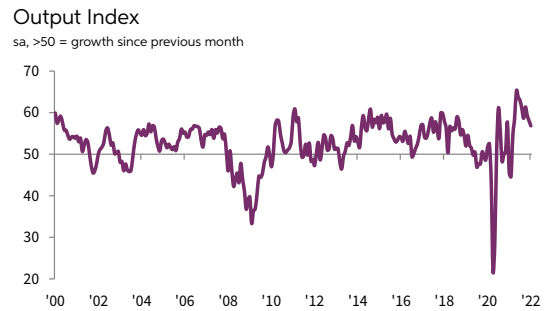




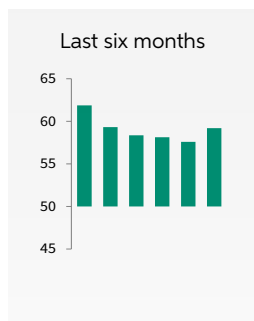
Output Index



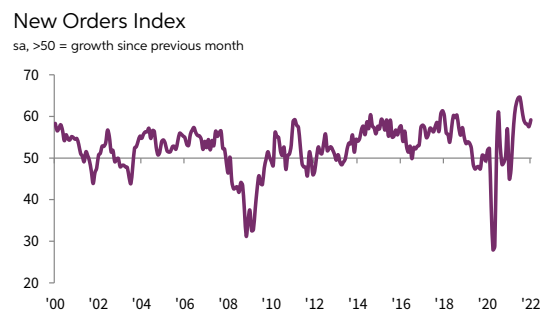
Growth of manufacturing production in Ireland was registered for the eleventh successive month in January. The rate of growth slowed for the seventh time in eight months to the weakest since last March, but remained strong overall and above the long-run survey average. A number of firms reported that staff shortages had constrained output at the start of 2022.



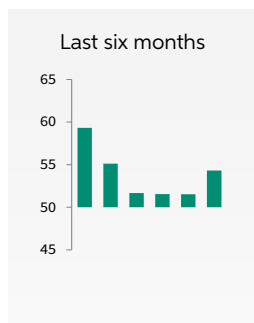
New Orders Index



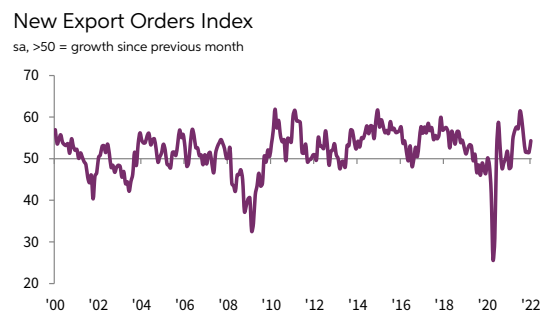
Demand for Irish manufactured goods improved in January. New orders rose for the eleventh successive month, and at the fastest rate since last September. The acceleration in growth in the latest period was the first observed in six months. Firms reported strong demand for their products and new customers.



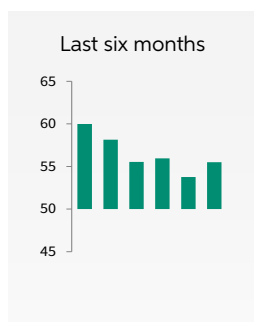
New Export Orders Index



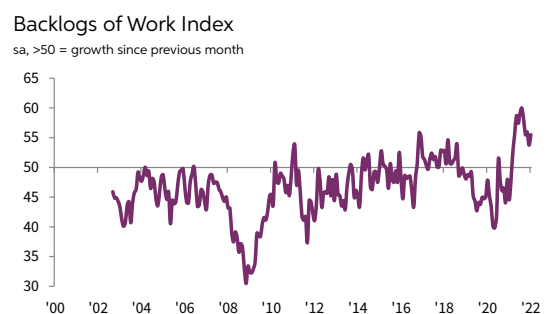
Following subdued growth throughout the fourth quarter of 2021, new export orders rose strongly in January. The seasonally adjusted New Export Orders Index rose sharply to a four-month high, and was above its long-run trend level of 51.9. Growth was broadly in line with the trend for 2021 as a whole. Exports have risen every month since March 2021. New clients were often mentioned in the latest anecdotal evidence.



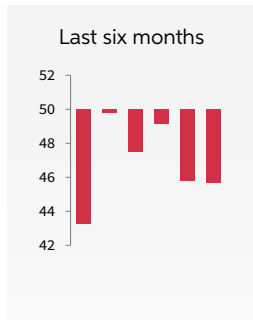
Backlogs of Work Index



Inflows of new work and shortages of staff and materials continued to pressurise production capacity in January. Backlogs of work rose for the eleventh consecutive month, and at a faster rate than in December. Staff absences were often linked to COVID cases.



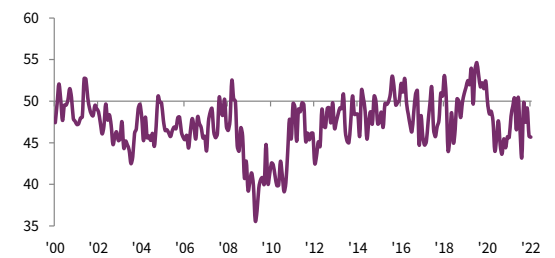
Stocks of Finished Goods Index



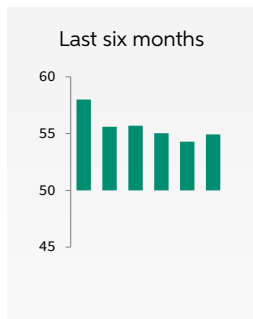
January data showed that new orders rose more strongly than output and, as a result, manufacturers continued to deplete their inventories. Stocks of finished goods declined for the seventh month running, and at the fastest rate since last August. Moreover, inventories have declined every month since January 2020 with two exceptions, in April and June 2021.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



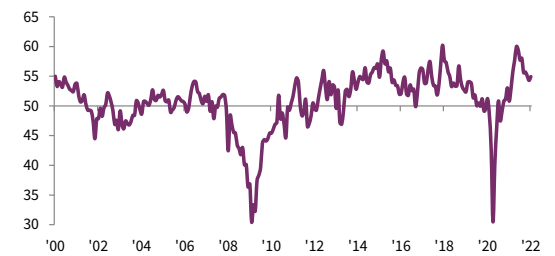
Employment Index



The seasonally adjusted Employment Index remained above the no-change mark of 50.0 for the sixteenth consecutive month in January, signalling sustained hiring growth at Irish manufacturers. The rate of expansion picked up from December's ten-month low, and was broadly in line with the average for the current sequence. Some companies linked hiring to strong output forecasts for 2022.

Employment Index

sa, >50 = growth since previous month



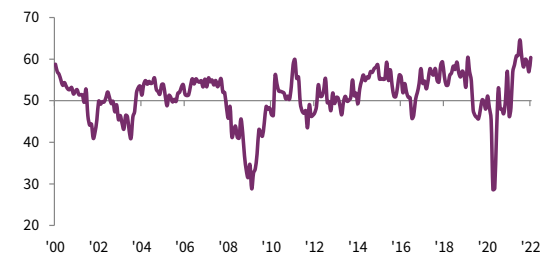
Quantity of Purchases Index



Purchasing activity was stepped up in January as firms reacted to improving demand and continued to build input stocks to guard against supply shortages. The rate of growth accelerated to a five-month high, and was among the fastest registered since the survey began in 1998. Input volumes have increased every month since March 2021.

Quantity of Purchases Index

sa, >50 = growth since previous month



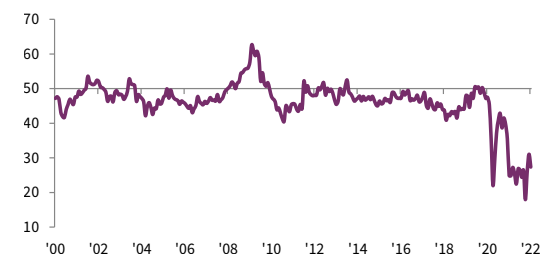
Suppliers' Delivery Times Index



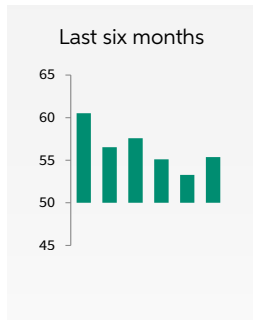
January data signalled another substantial lengthening in supplier delivery times. Moreover, the incidence of delays increased, having eased in November and December. Around 45% of firms reported longer times in January, up from 38% in December but still below the all-time high of 61% last October. Shortages and transport delays were blamed on both the pandemic and Brexit.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



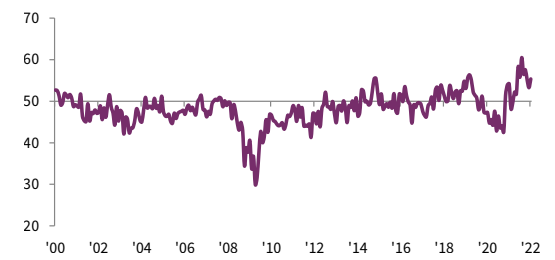
Stocks of Purchases Index



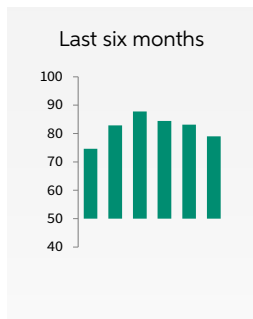
Manufacturers in Ireland continued to increase their stocks of inputs in January, due to expected price increases and as part of contingency efforts to secure materials due to ongoing supply chain delays. Input inventories rose for the tenth month running, and at one of the fastest rates on record.

Stocks of Purchases Index

sa, >50 = growth since previous month



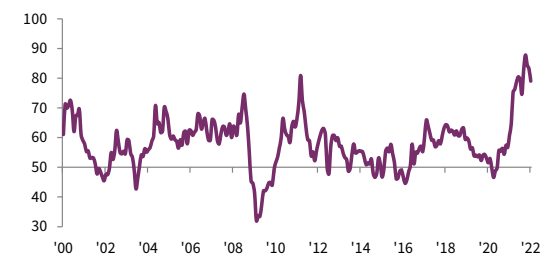
Input Prices Index



Cost pressures remained intense in January. Average input prices rose for the nineteenth consecutive month and, although the rate of inflation eased further from last October's record, it remained one of the highest registered by the survey to date. Energy, raw materials, Brexit and shipping costs were all widely reported drivers of inflationary pressure.

Input Prices Index

sa, >50 = inflation since previous month



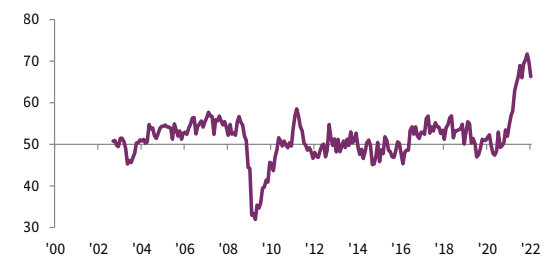
Output Prices Index



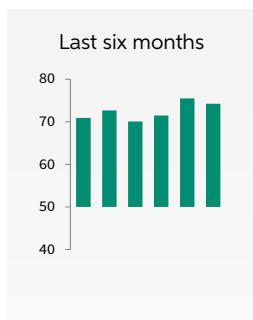
Manufacturers in Ireland continued to raise their output prices at a rapid pace in January. The rate of inflation eased to a five-month low, but was still stronger than in any period prior to June 2021. Charges have risen every month since October 2020 as firms have attempted to recoup increased raw material and transport costs.

Output Prices Index

sa, >50 = inflation since previous month



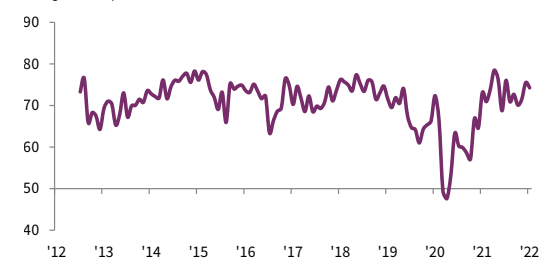
Future Output Index



Irish goods producers generally held positive forecasts for output in 2022 at the start of the year, linked to new products, the continued recovery from the pandemic and investment in capacity. The Future Output Index remained well above the no-change mark of 50.0, and eased only fractionally from December's five-month high. Sentiment was stronger than the trend shown over 2021, and the long-run series average since 2012.

Future Output Index

>50 = growth expected over next 12 months





Contact

AIB

Oliver Mangan
AIB Chief Economist
T: +353-1-6417176
E: AIBeconomics.Unit@aib.ie
W: www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-1-641-2869
M: +353-87-739-0743
E: paddy.x.mcdonnell@aib.ie

Graham Union
AIB Press Office
T: +353-1-6412430
M: +353-85-2088343
E: Graham.X.Union@aib.ie

IHS Markit

Trevor Balchin
Economics Director
T: +44-1491-461-065
trevor.balchin@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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 12-24 January 2022.

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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