



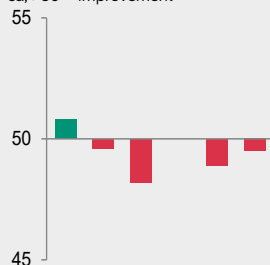
AIB Ireland Manufacturing PMI®

Stronger export sales boost manufacturing production in January

49.5

IRELAND
MANUFACTURING PMI
JAN '24

Manufacturing PMI
Aug '23 - Jan '24
sa, >50 = improvement



Manufacturing output rose to the greatest extent since May 2022, albeit only marginally, accordingly to the latest AIB Ireland Manufacturing PMI®. Production growth was supported by an increase in new work from abroad, alongside efforts to clear backlogs.

Employment also returned to growth in January, but manufacturers continued to report a sharp downturn in purchasing activity amid caution about underlying demand conditions.

Commenting on the survey results, David McNamara, AIB Chief Economist, said:

"The January AIB Irish Manufacturing PMI survey shows improvement for the sector overall, with the headline index rising to 49.5 from 48.9 in December. However, the index remains below the 50 no-change level, signalling another marginal fall in activity during the month. Nonetheless, the Irish PMI remained well above the flash January readings for the Eurozone and UK, of 46.6 and 47.3, respectively.

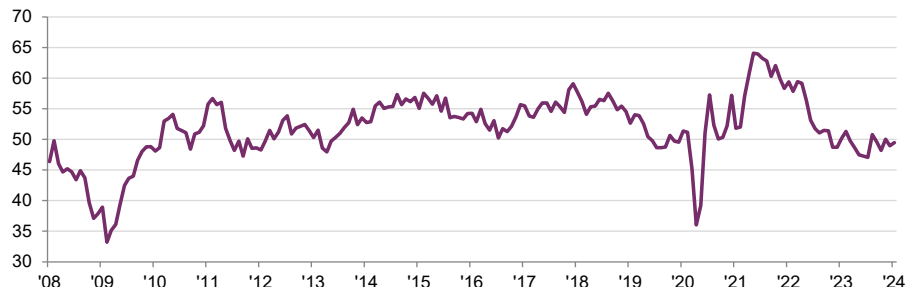
"A rise in output, export orders and employment, alongside marked destocking, were the key features of the January PMI survey. While new orders fell again in January owing to weaker domestic demand, export orders rose for a second consecutive month and at the fastest pace in nearly two years. Higher demand in Europe and Asia were cited as factors in the rebound. Manufacturing production also rose at the fastest pace since May 2022.

"However, firms continued to pursue

inventory reduction strategies against a backdrop of subdued customer demand. This was reflected in further sharp 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. Input price growth also eased during the month, with respondents reporting lower raw material and energy prices. These price declines offset higher shipping costs and supplier price hikes linked to increased delivery times due to trade disruptions on items shipped via the Red Sea.

"Manufacturers remained broadly optimistic about the outlook for the year ahead as firms linked this optimism to investment in new products and expectations of a broader upturn in demand. However, the business expectations index still fell to its lowest level since May 2023 due to ongoing global economic uncertainty."

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



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Overview

Renewed rise in output levels, but total new work declines

Export sales increase to greatest extent since May 2022

Sharpest decline in stocks of purchase for over three years

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 49.5 in January, the AIB Ireland Manufacturing PMI was up from 48.9 in December but still slightly below the crucial 50.0 no-change value. Weaker manufacturing conditions have been recorded in four of the past five months, with the latest downturn largely reflecting another reduction in total new orders.

January data pointed to a modest increase in production volumes across the manufacturing sector. This contrasted with falling output levels during much of the previous calendar year, and the rate of expansion was the fastest since May 2022. Survey respondents cited efforts to catch up on unfinished work, alongside support from rising employment and the strongest upturn in export sales for nearly two years.

Goods producers noted that rising exports had helped to offset subdued domestic demand. New business from abroad increased for the second month running and at a solid pace in January. Manufacturers typically commented on signs of a turnaround in demand across Europe and rising spending in Asia.

New product launches and long-term business expansion plans were cited as factors supporting employment growth at the start of 2024. Manufacturers signalled a modest rebound in job creation, following a soft patch at the end of last year. Greater staffing numbers contributed to a sustained reduction in unfinished work, which stretched the current period of backlog depletion to 21 months.

Purchasing activity decreased at a sharp and accelerated pace in January. Lower input buying reflected hesitancy regarding the near-term demand outlook, alongside ongoing efforts to streamline inventories. Stocks of purchases fell at the fastest pace since October 2020. Meanwhile, post-production inventories dropped for the fourth month running and to the greatest extent for two years.

Tighter inventory policies persisted at the start of 2024 in spite of worsening supply chain performance. Average lead times among vendors lengthened for the second month running and at the sharpest pace since December 2022. Manufacturers mostly commented on shipping delays in the wake of the Red Sea crisis, especially for imports sourced from Asia.

Average cost burdens increased only fractionally in January and the rate of inflation eased from December's nine-month high. While some firms noted higher shipping costs and supplier price hikes linked to increased salaries, this was somewhat offset by lower raw material and energy bills. At the same time, factory gate prices were only fractionally lower at the start of 2024, with the latest round of price discounting the weakest in the current nine-month period of declines.

Finally, business optimism across the Irish manufacturing sector weakened in January. Around 46% of the survey panel predict an increase in output during the year ahead, while only 12% forecast a reduction. This signalled the lowest degree of confidence since May 2023. Survey respondents suggested that heightened geopolitical risks and global economic uncertainty had weighed on sentiment, despite a strong start to the year for export sales.

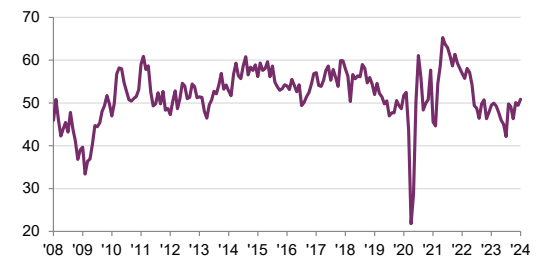
Output and demand

Output

Manufacturing production returned to growth in January, with the seasonally adjusted Output Index posting above the neutral 50.0 value for only the second time since October 2022. Although only marginal, the rate of expansion was the fastest for 20 months. Some firms cited improving demand, while others noted efforts to reduce their backlogs of work.

Output Index

sa, >50 = growth since previous month

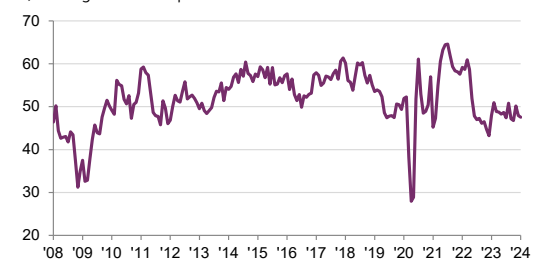


New orders

The seasonally adjusted New Orders Index registered in contraction territory for the second month running in January and signalled a moderate reduction in total new work. Manufacturers generally commented on subdued spending among clients, especially in domestic markets.

New Orders Index

sa, >50 = growth since previous month

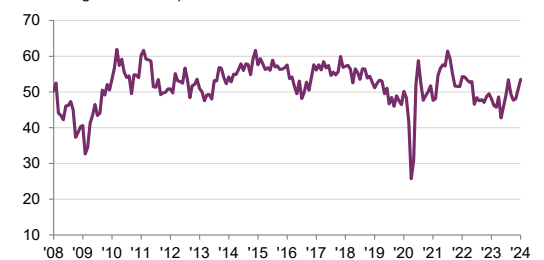


New export orders

January data pointed to a solid upturn in new business from overseas markets, with the seasonally adjusted New Export Orders Index rising to its highest level since February 2022. Anecdotal evidence suggested stronger demand from customers in Asia and Europe had helped to boost export sales at the start of 2024.

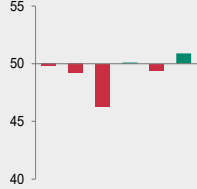
New Export Orders Index

sa, >50 = growth since previous month



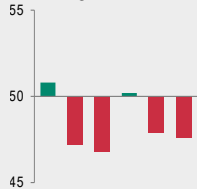
Output Index

Aug '23 - Jan '24
sa, >50 = growth



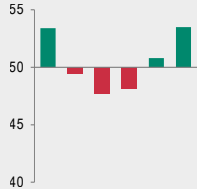
New Orders Index

Aug '23 - Jan '24
sa, >50 = growth



New Export Orders Index

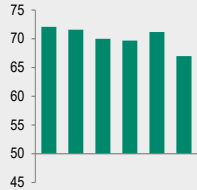
Aug '23 - Jan '24
sa, >50 = growth



Business expectations

Future Output Index

Aug '23 - Jan '24
>50 = growth expected

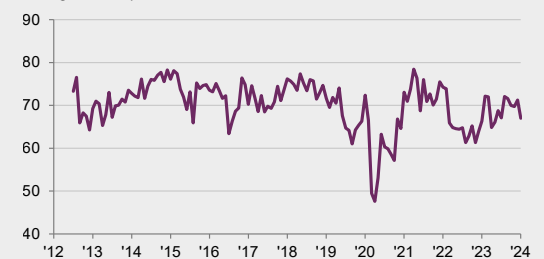


The number of goods producers expecting a rise in output during the year ahead (46%) exceeded those forecasting a reduction (12%). As a result, the Future Output Index remained well above the neutral 50.0 threshold in January. However, the latest reading was the weakest since May 2023.

Optimism was mostly linked to investments in new products and hopes of an upturn in broader demand conditions. Meanwhile, some firms commented on heightened global economic uncertainty.

Future Output Index

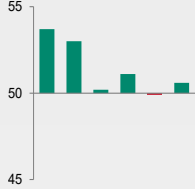
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Aug '23 - Jan '24
sa, >50 = growth

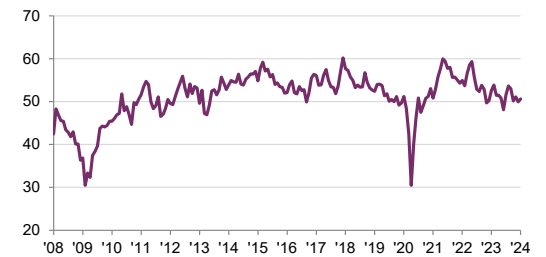


Employment

Mirroring the trend for production levels, latest survey data revealed a renewed increase in staffing numbers across the manufacturing sector. The rate of job creation was only marginal, however, as survey respondents noted that intense margin pressures remained a constraint on headcounts.

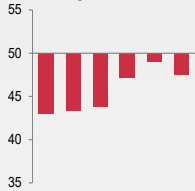
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Aug '23 - Jan '24
sa, >50 = growth

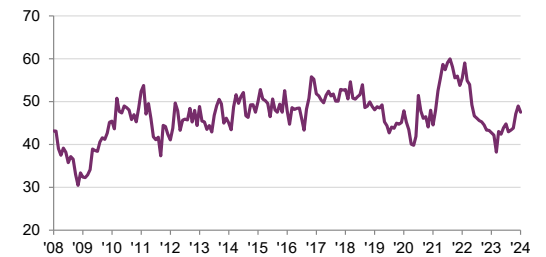


Backlogs of work

The seasonally adjusted Backlogs of Work Index registered below the 50.0 no-change mark for the twenty-first consecutive month in January. That said, the rate of decline signalled by the latest reading was only modest. Some firms suggested that greater production and rising staffing levels had allowed them to clear backlogs.

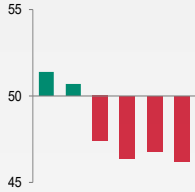
Backlogs of Work Index

sa, >50 = growth since previous month



Stocks of Finished Goods Index

Aug '23 - Jan '24
sa, >50 = growth

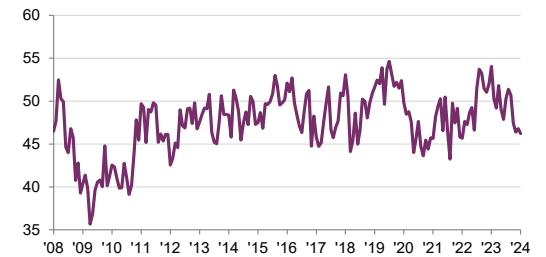


Stocks of finished goods

Irish manufacturers signalled a sharp and accelerated reduction in their stocks of finished goods at the start of 2024. The latest decline in post-production inventories was the fastest for two years. Lower stocks were mostly attributed to subdued demand conditions.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



Purchasing

Quantity of purchases

Input buying continued to decline sharply in January, reflecting a combination of lower demand and an ongoing preference for streamlined stocks. The latest fall in purchasing activity was the fastest since July 2023.

Suppliers' delivery times

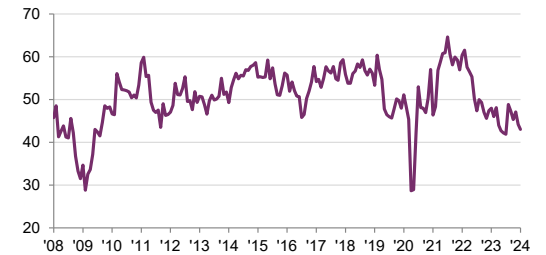
January data signalled a sharper downturn in vendor performance, with the seasonally adjusted Suppliers' Delivery Times Index falling to its lowest level for 13 months. Survey respondents often cited an adverse impact on suppliers' delivery times from the Red Sea crisis, especially for items shipped from Asia.

Stocks of purchases

Stocks of purchases decreased for the fourth consecutive month in January. Moreover, the seasonally adjusted index pointed to the steepest fall in pre-production inventories since October 2020. Manufacturers continued to comment on deliberate stock reduction strategies amid efforts to tighten working capital management.

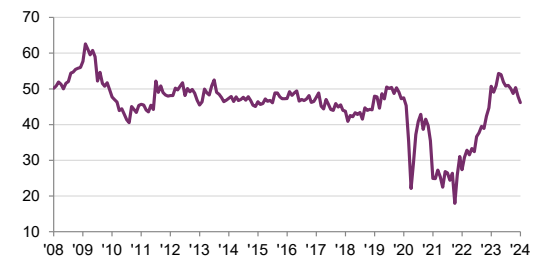
Quantity of Purchases Index

sa, >50 = growth since previous month



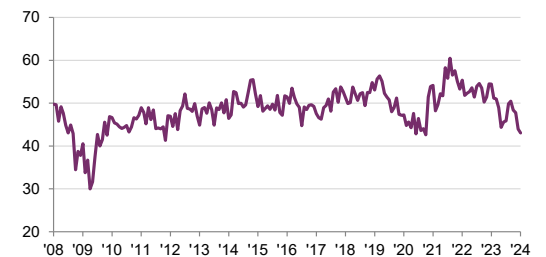
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



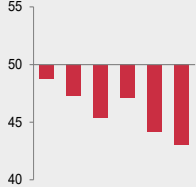
Stocks of Purchases Index

sa, >50 = growth since previous month



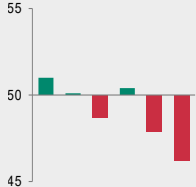
Quantity of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



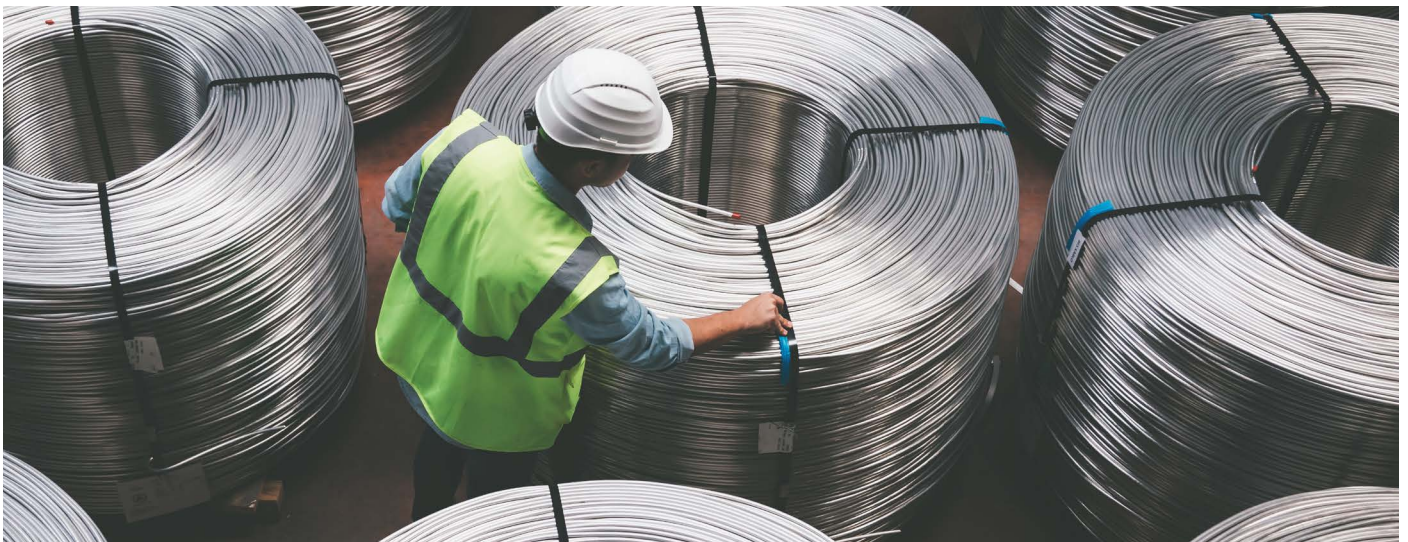
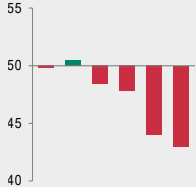
Suppliers' Delivery Times Index

Aug '23 - Jan '24
sa, >50 = faster times



Stocks of Purchases Index

Aug '23 - Jan '24
sa, >50 = growth



Prices

Input prices

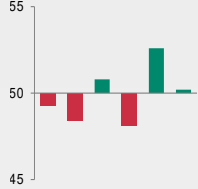
The seasonally adjusted Input Prices Index signalled only a marginal rise in average cost burdens in January and the rate of inflation slowed since the previous month. Goods producers mostly suggested that lower raw material and energy prices had helped to constrain overall purchasing costs.

Output prices

Factory gate charges were close to stabilisation in January, with the seasonally adjusted index at the highest level for nine months but still fractionally below the neutral 50.0 threshold. Some manufacturers commented on pressure to reduce output charges in response to lower demand, while others noted that higher staff salaries had led to rising prices.

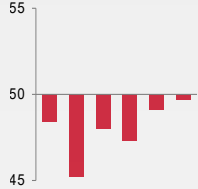
Input Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



Output Prices Index

Aug '23 - Jan '24
sa, >50 = inflation



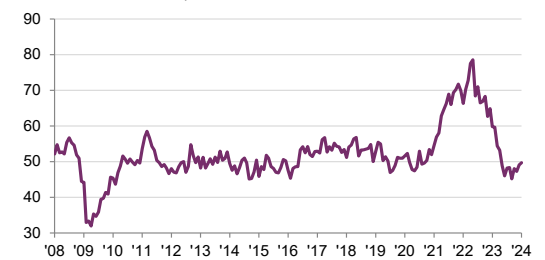
Input Prices Index

sa, >50 = inflation since previous month



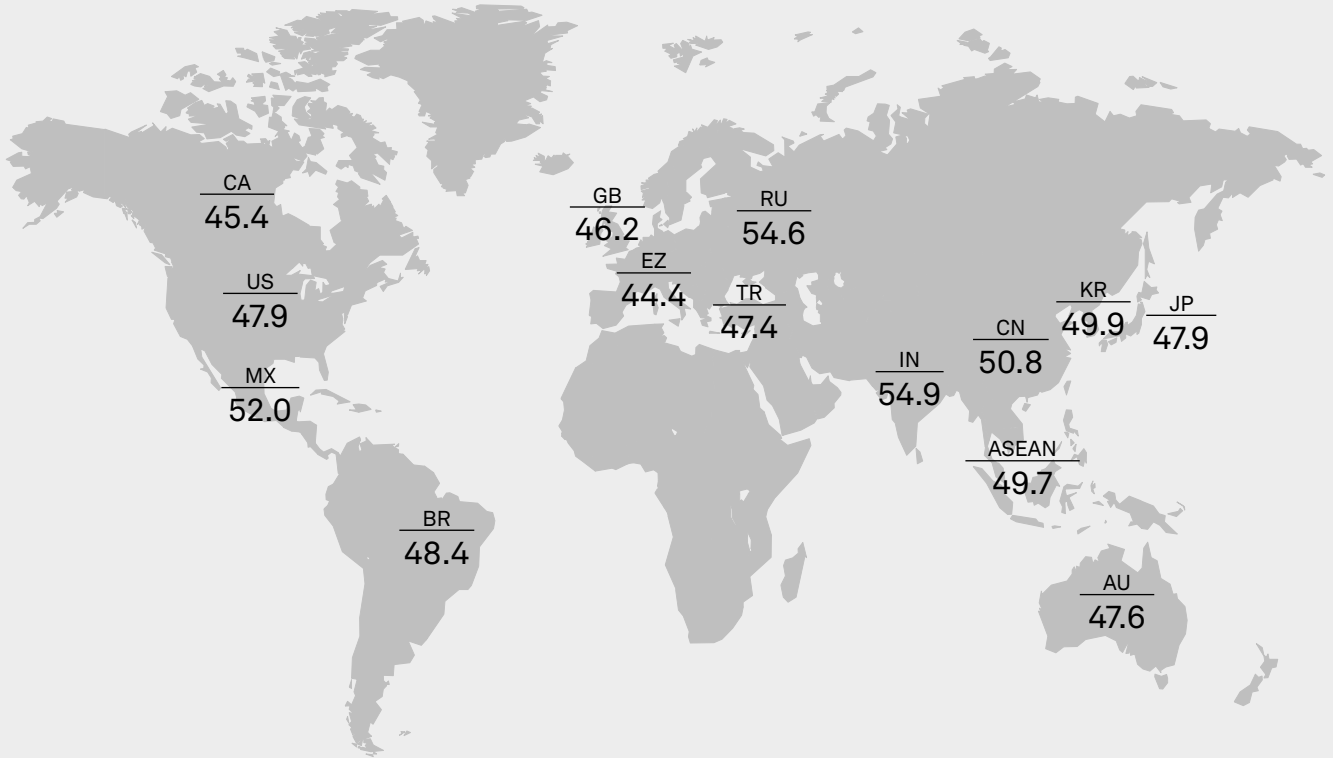
Output Prices Index

sa, >50 = inflation since previous month

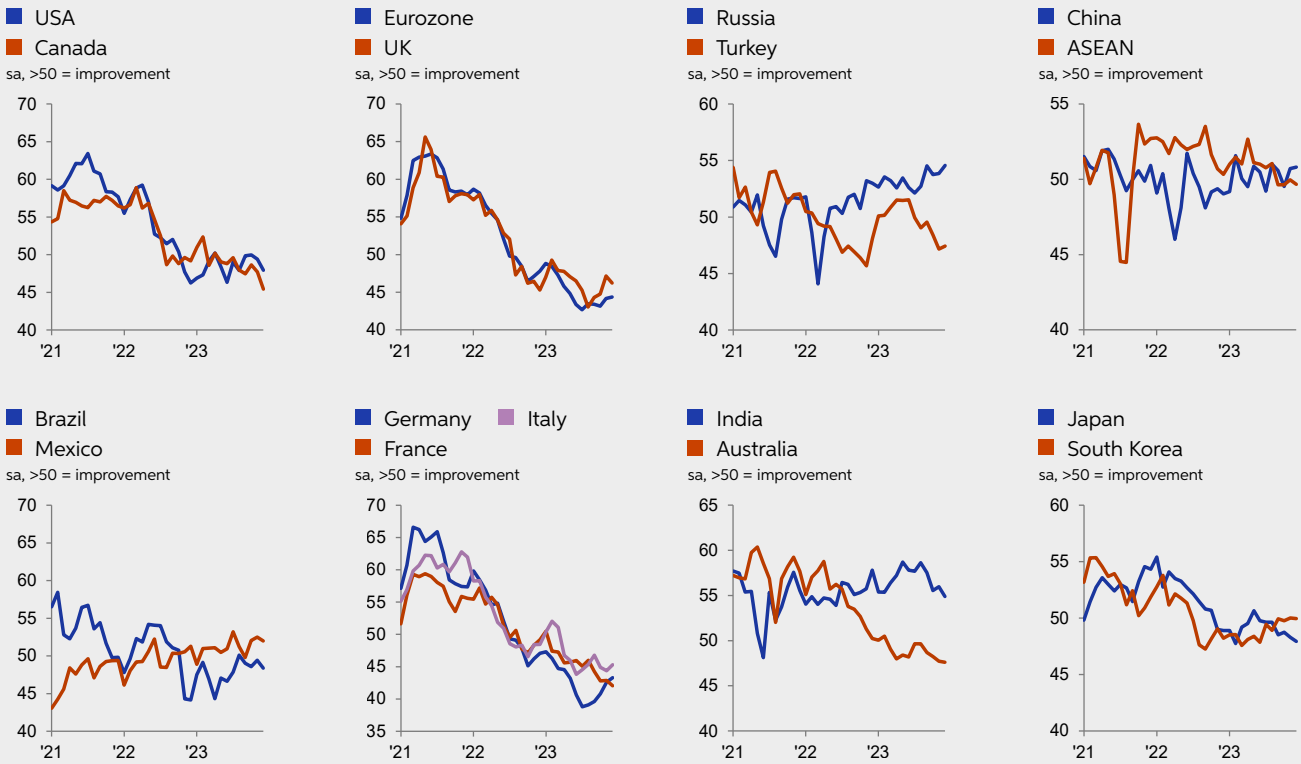


International PMI

Manufacturing PMI, Dec '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.

Survey dates

Data were collected 11-24 January 2024.

Survey questions

Manufacturing sector

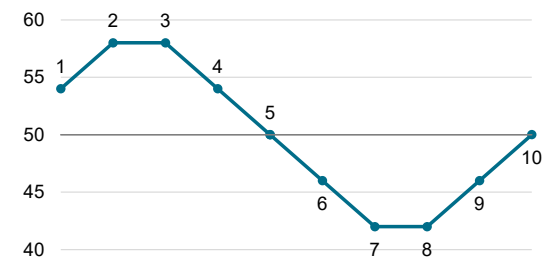
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

Index calculation

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

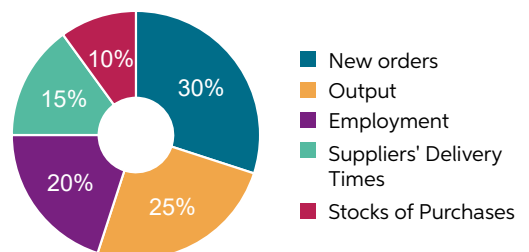
Index interpretation

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.

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