News Release

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AIB Ireland Manufacturing PMI®

Output growth slows at start of 2026

Key findings

Weakest rise in production for three months

Subdued export demand weighs on order books

Business activity expectations improve to 29-month high

Irish manufacturers experienced a relatively subdued start to the year, with production and incoming new work rising at weaker rates than in December. This was often attributed to lacklustre export demand and hesitancy among clients in response to heightened economic uncertainty. However, goods producers are optimistic about their growth prospects for the next 12 months. Confidence reached its highest since August 2023, which supported solid rises in input buying and staff hiring during January.

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 factors, the AIB Ireland Manufacturing PMI posted 52.2 in January, to signal a moderate overall improvement in manufacturing sector conditions. The latest reading was unchanged since December and above the neutral 50.0 value for the thirteenth successive month.

A faster upturn in manufacturing employment and renewed inventory accumulation were positive influences on the headline PMI in January. This helped to offset the impact of weaker expansions in output and new business.

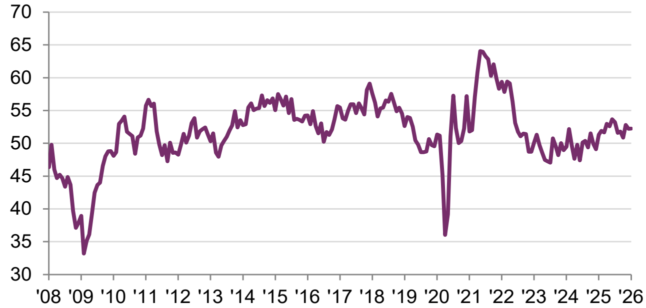
Production volumes increased moderately in January, but the rate of expansion eased to its lowest for three months. This mostly reflected a further slowdown in new business gains at the start of 2026. Latest data signalled only a marginal rise in total new work, with growth the weakest since August 2025.

Survey respondents cited elevated economic uncertainty, risk aversion among clients and softer demand across export markets as the main factors weighing on order books. New work from abroad has now decreased in five of the past six months. That said, the overall rate of contraction was only marginal amid some reports of an improvement in European demand.

Staffing levels across the manufacturing sector expanded at a solid pace in January, which extended the current period of growth to 14 months. Moreover, the speed of job creation accelerated to its fastest since last July. Goods producers suggested that long-term business development plans and projected improvements in customer demand had encouraged greater staff recruitment in January.

AIB Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, S&P Global PMI.
Data were collected 12-23 January 2026.

Comment

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

"The AIB Irish Manufacturing PMI indicated that the sector started the year on a positive footing, with the index at 52.2, unchanged compared to December. The Manufacturing PMI has now signalled growth in each month since the beginning of 2025. The expansion in January was due to sustained gains in output, new orders and employment. The Irish Manufacturing PMI remains above the flash January readings for the Eurozone, US and UK at 49.4, 51.9 and 51.6, respectively.

"Output rose modestly in January, slowing from the pace observed in December. Respondents noted that elevated global uncertainty acted as a sales headwind. This was also evident in sluggish growth of new orders and a fall in export orders. Nonetheless, some firms cited better demand in European markets. Despite the muted demand backdrop, hiring accelerated to the fastest rate since July 2025, as firms' plans for expansion spurred a rise in employment. Moreover, purchasing activity and stock building by firms also picked in January, pointing to some optimism for the year ahead, despite current uncertainty.

"The rate of inflation for input and output costs increased sharply in January. Respondents noted raw materials and staff costs, but client demand was strong enough to offset input cost pressures with higher prices for customers. Looking ahead, Irish manufacturers maintained an upbeat assessment of the outlook for activity levels over the coming year. Around 51% predict an increase in output over the course of 2026, while only 7% forecast a reduction. Businesses were hopeful of improved economic conditions, both from domestic and international markets."

Positivity regarding near-term production requirements also led to a solid upturn in purchasing activity at the start of the year. Latest data indicated the fastest rise in input buying since June 2025. This contributed to a renewed accumulation of pre-production inventories in January. Although only marginal, the increase in stocks of purchases was the sharpest for just under three years. Meanwhile, stocks of finished goods were close to stabilisation.

Stronger demand for manufacturing items and ongoing transportation delays contributed to longer wait times for supplier deliveries in January. Worsening vendor performance have been recorded in each month since May 2025 and the incidence of delays remained greater than the long-run survey average.

Meanwhile, input cost inflation accelerated sharply in January and reached its highest level for three years. Survey respondents widely commented on higher raw material prices and efforts by suppliers to pass on rising wage costs. Factory gate charges also increased at the start of 2026, albeit to a much lesser extent than input costs. Subdued demand and international competition were cited as weighing on pricing power.

Finally, business activity expectations rebounded to the highest for nearly two-and-a-half years in January. Just over half of the survey panel anticipate a rise in production volumes during the year ahead, while only 7% forecast a decline. Manufacturers mostly commented on hopes of a turnaround in global demand conditions and improved export opportunities, despite concerns about rising operating costs and fragile confidence among clients.

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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.

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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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