



AIB Ireland Manufacturing PMI®

Output falls for second month running in July

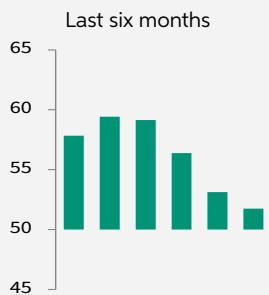
Key Findings

Further, and faster, decline in factory production

Demand conditions deteriorate again

Rate of cost inflation remains elevated

Ireland Manufacturing PMI



The latest PMI® survey data from AIB highlighted continued challenges across the Irish manufacturing sector in July. Output declined for the second time in as many months, and at a faster rate, as order book volumes fell at the strongest pace since January 2021. According to panellists, demand conditions had weakened both domestically and abroad, in part due to rising costs. Nonetheless, firms raised their charges again in July in response to greater cost burdens.

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

"The AIB Irish Manufacturing PMI survey for July shows a continuing loss of momentum in the sector amidst a global slowdown in activity as demand weakens in the face of rising price pressures. The Irish PMI fell to 51.8 in the month, down from 53.1 in June and 56.4 in May. While the index remained in expansion territory, it was the lowest reading since January 2021. The fall was in line with the trend seen elsewhere - the flash July index fell to 52.2 in the UK and dropped to 49.6 in the Eurozone."

finished goods rise for the first time in over a year.

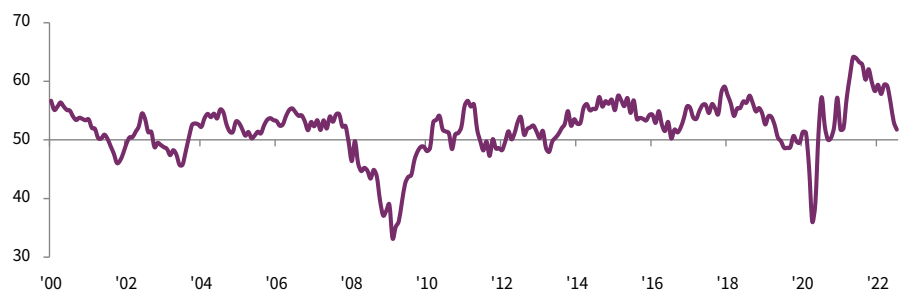
"The overall headline PMI was supported by a further rise in employment, albeit at the slowest pace since February 2021, as well as a solid increase in stocks of input purchases. There was also a continued lengthening of supplier delivery times, amid reports of shortages of materials and transport delays. In terms of the 12-month outlook, sentiment remained positive, though it is at a subdued level on a historical basis."

"The impact of weakening demand on Irish manufacturing activity was most evident in the second consecutive monthly contractions in both output and new orders. The drop in new orders resulted in a further easing in capacity pressures, as evidenced by declining backlogs for a third month running. Weakening demand also saw stocks of

"Meanwhile, inflationary pressures remain pronounced, with prices rising at close to their fastest pace since the survey began in 1998. There were further marked increases in material, energy and labour costs, while the rate of output price inflation remained elevated."

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 registered 51.8 in July, down from 53.1 in June. Although still above the neutral level of 50.0, the latest figure was indicative of the slowest improvement in the health of the sector since January 2021.

Trends for output and new orders continued to contrast with the headline figure in July. Factory production declined for the second month running, with the pace of reduction accelerating since June. Panellists linked the latest fall to weak client demand. That said, the fall in output was only marginal overall.

Weak demand was reflected in a further contraction of new orders during July. The rate of decline was the quickest since January 2021 and moderate overall, also outpacing that for output. Weak client demand, in part due to higher prices, was attributed through anecdotal evidence to the latest fall. Weakness was also apparent with respect to order book volumes from abroad, as new export orders fell marginally.

Elsewhere, factory gate charges rose again in July, with the rate of charge inflation picking up on the month and the fifth-quickest on record. Firms were reportedly hiking prices amid efforts to pass greater cost burdens through to customers, as input prices increased markedly again.

At the same time, Irish goods producers reduced their buying activity for the first time

since February 2021 in July. Survey respondents linked the fall, which was moderate, to lower production requirements. Nonetheless, pre-production inventories increased again, attributed by panellists to efforts to build safety stocks in previous months. Moreover, the rate of increase was the fastest for six months and strong overall. Stocks of finished goods meanwhile rose for the first time in over a year.

Concurrently, average suppliers' delivery times lengthened again in July, amid reports of material shortages and transport delays. Delays were the least widespread since November 2020, however.

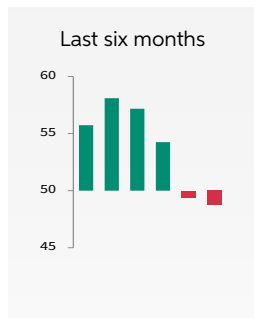
Despite sustained falls in output and new work, Irish goods producers expanded their staffing levels further in July. The rate of job creation was the softest since February 2021, but still moderate overall. The easing rate of job creation partially reflected reduced capacity pressures at manufacturers, as backlogs of work declined for the third month in a row and at a sharp pace.

Looking ahead, Irish manufacturers remained positive overall towards the outlook for output over the next 12 months, with optimism ticking up to a three-month high. However, the level of sentiment remained historically subdued amid concerns around the near-term economic outlook.





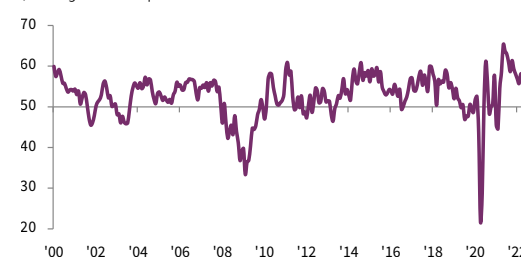
Output Index



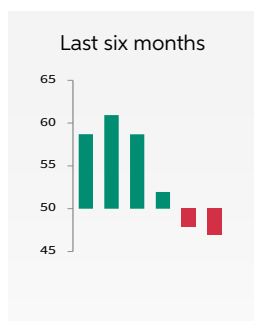
Factory production across the Irish manufacturing sector fell for the second month in a row during July. Anecdotal evidence attributed the latest decrease to weak demand conditions. The rate of reduction accelerated on the month, but was nonetheless only marginal overall.

Output Index

sa, >50 = growth since previous month



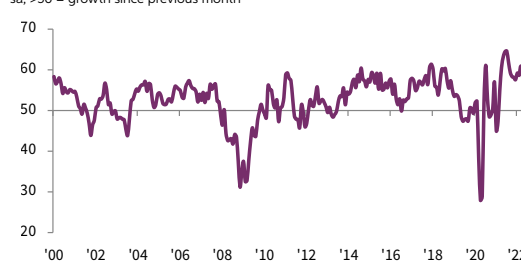
New Orders Index



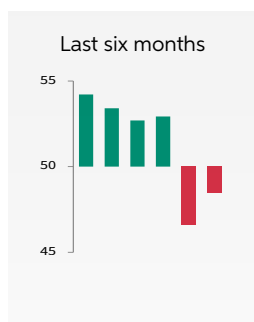
A back-to-back decline in order book volumes was recorded during July. According to panellists, the latest fall was the result of weak client demand, linked in part to higher costs. Notably, the pace of contraction quickened since June and was the strongest since January 2021.

New Orders Index

sa, >50 = growth since previous month



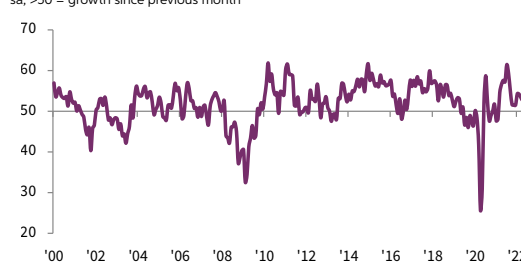
New Export Orders Index



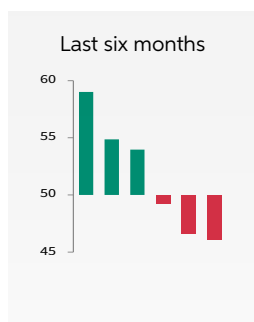
Irish manufacturers registered another fall in new export orders in July, amid reports of weak demand conditions in key foreign markets. That said, the pace of decline eased on the month to just a modest rate overall.

New Export Orders Index

sa, >50 = growth since previous month



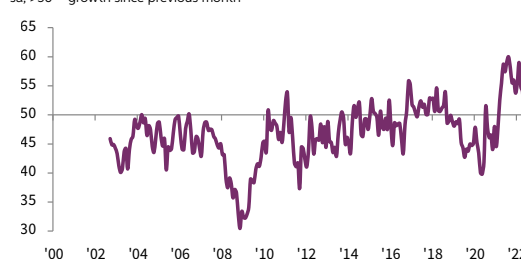
Backlogs of Work Index



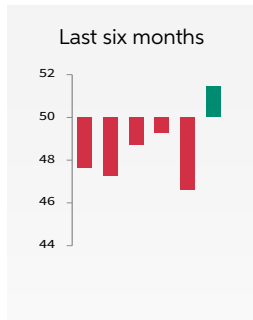
For the third time in as many months, the level of work in hand (but not yet completed) at Irish goods producers decreased in July. Weak sales and subsequently, lower production requirements, allowed resources to be used for outstanding work according to panellists. The rate of backlog depletion accelerated for the second month in a row and was sharp overall.

Backlogs of Work Index

sa, >50 = growth since previous month



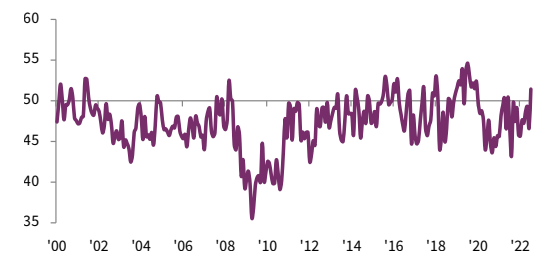
Stocks of Finished Goods Index



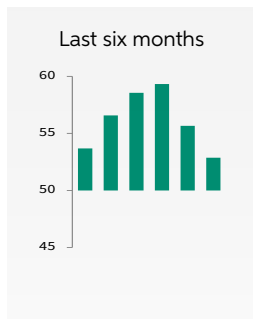
Stocks of finished goods held by Irish manufacturers rose for the first time for over a year in July. Firms were building stocks up due to supply issues, according to panellists. The rate of increase was the fastest since December 2019, but only modest overall.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



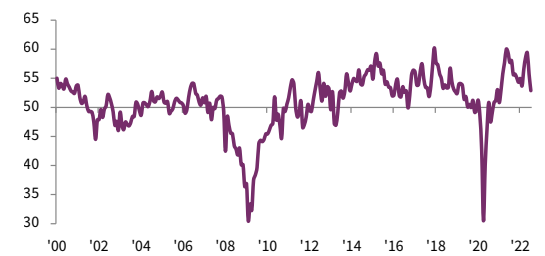
Employment Index



Employment across the Irish manufacturing sector continued to rise in July, despite further falls in output and order book volumes. According to survey respondents, outstanding vacancies had now been filled. The rate of job creation was the slowest since February 2021, but nonetheless moderate.

Employment Index

sa, >50 = growth since previous month



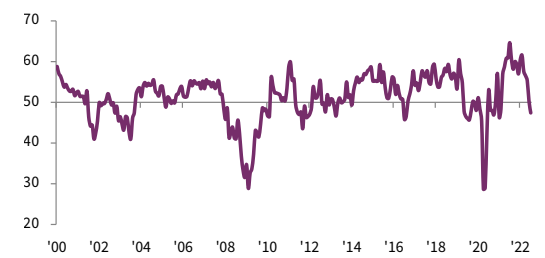
Quantity of Purchases Index



For the first time since February 2021, Irish goods producers registered a decline in buying activity during July. Panellists linked the fall to lower output requirements, as well as issues sourcing materials. The rate of reduction was moderate overall.

Quantity of Purchases Index

sa, >50 = growth since previous month



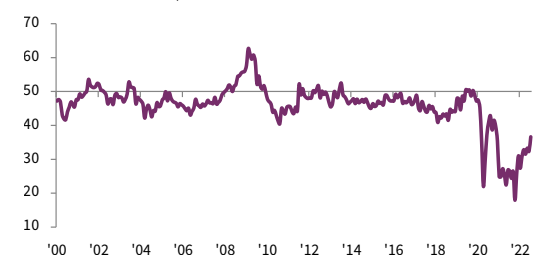
Suppliers' Delivery Times Index



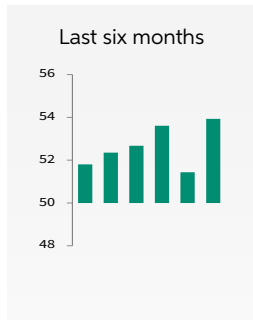
Average lead times for inputs continued to lengthen in July. Delays were attributed through anecdotal evidence to the war in Ukraine, material shortages and transport delays. The extent to which lead times lengthened was, however, the smallest since November 2020.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



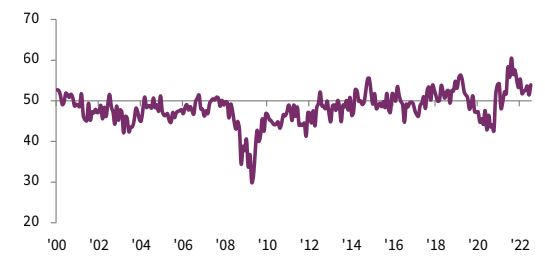
Stocks of Purchases Index



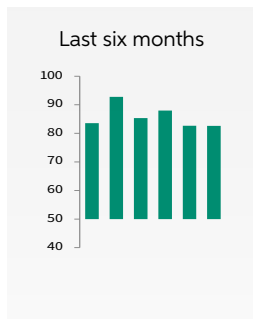
A sixteenth consecutive monthly uplift in pre-production inventories at Irish manufacturers was registered in July. Respondents linked the latest rise to efforts to build stocks in previous months amid supply issues. Moreover, the rate of increase was the quickest since January and solid.

Stocks of Purchases Index

sa, >50 = growth since previous month



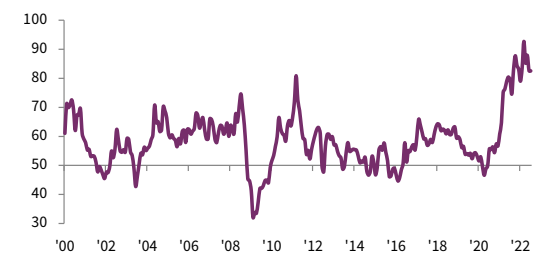
Input Prices Index



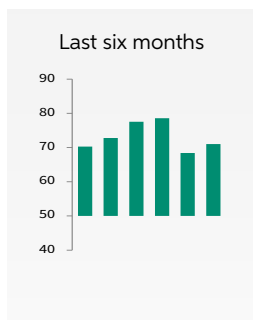
Cost burdens increased further in July, amid reports of higher material, energy and labour costs. The rate of cost inflation was unchanged since June and remained amongst the fastest since the survey began in May 1998.

Input Prices Index

sa, >50 = inflation since previous month



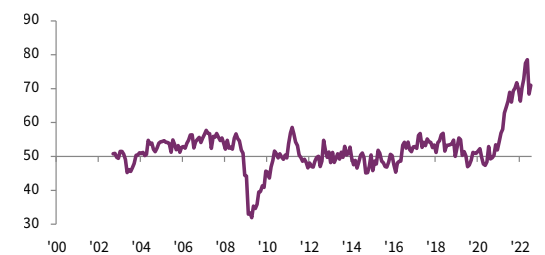
Output Prices Index



July data pointed to a further round of charge inflation in the Irish manufacturing sector, extending the current sequence of price hikes to 22 months. Firms were reportedly raising their factory gate charges in response to greater cost burdens. Notably, the rate of increase accelerated on the month to the fifth-fastest on record and was marked overall.

Output Prices Index

sa, >50 = inflation since previous month



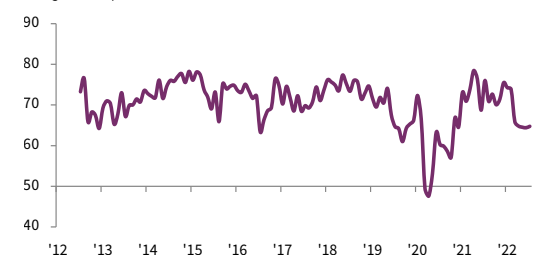
Future Output Index



Irish goods producers remained optimistic overall towards output over the next 12 months. Anecdotal evidence linked confidence with hopes of improved demand conditions both domestically and abroad. Despite picking up to a three-month high, sentiment remained subdued in the context of historical data amid concerns around the near-term economic outlook.

Future Output Index

>50 = growth expected over next 12 months



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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.

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 12-22 July 2022.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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