

AIB Ireland Manufacturing PMI®

Manufacturing boom sustained in June with fresh record rise in new orders

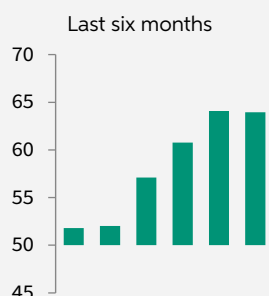
Key Findings

PMI holds close to May's all-time peak

Cost pressures approach survey record levels

Output price inflation highest on record

Ireland Manufacturing PMI



The Irish manufacturing sector continued to rebound strongly in June as more sectors of the economy reopened and restrictions were eased, according to the latest AIB PMI® data. New orders rose at the fastest rate ever, leading to the second-strongest expansion in output to date. Growth in backlogs, jobs and purchasing were also close to record levels. Input price inflation accelerated further to the second-highest in the survey history, resulting in a record rate of output price inflation.

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

"The AIB Irish Manufacturing PMI for June shows a further marked improvement in business conditions in the sector. The index stood at 64.0 for the month, within a whisker of the all-time record high of 64.1 hit in May. It is the third consecutive month that the index has been above 60. Thus, activity in the sector is clearly picking up strongly as economies re-open following the easing of Covid restrictions in Ireland and elsewhere over the second quarter of the year."

"Indeed, there is a global boom underway in manufacturing. The Irish data are very much in line with very strong PMI June readings for the UK, Eurozone and US of 64.2, 63.1 and 62.6, respectively, as the recovery in the global economy gathers momentum."

"The sub-components of the Irish PMI survey all point to continuing rapidly improving business conditions in manufacturing. Output rose at a near record pace, driven

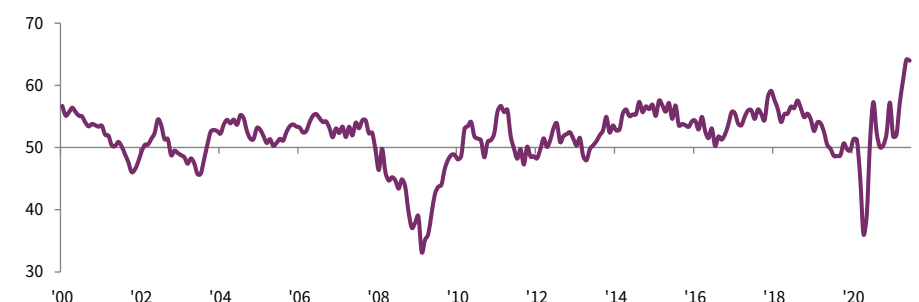
by rebounding demand, with record growth in new orders as businesses re-open. As a result, backlogs of unfilled orders also rose at a near record pace. Meanwhile, employment increased for the ninth month running, growing at the third fastest rate on record."

"Supply chains, though, remain under severe pressure owing to Brexit related customs checks, transport delays in shipping and raw materials shortages. These factors, combined with strengthening demand, saw further strong upward pressure on both input and output prices, with rises becoming more broad based."

"Meanwhile, the 12-month outlook for production remained upbeat, but fell back appreciably from May on concerns that the current very strong rebound in demand would not be sustained to mid-2022."

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. At 64.0 in June, the PMI was little-changed from May's all-time high of 64.1 and signalled another rapid overall improvement in manufacturing business conditions. In comparison, the next-highest PMI readings in the survey history were April's 60.8 and 59.1 in December 2017. Since the survey began in 1998 the headline figure has trended at 52.0.

On a quarterly basis, the PMI also set a new record high in the second quarter of 2021, at 62.9, well above the previous record of 58.6 set in the fourth quarter of 1999.

Of the PMI's five component sub-indices, new orders and stocks of purchases both set new record highs in June and were the only components to have positive directional influences on the headline figure. The output and employment indices were the second- and third-highest on record, respectively, and suppliers' delivery times the sixth-highest (with the index inverted for the PMI calculation).

New business growth in the Irish manufacturing sector accelerated for the third month running to a new survey record in June. Data again signalled surging domestic demand as more sectors of the economy saw restrictions loosened. New export orders rose strongly overall, but at a much slower rate than total new work and one that eased slightly since May's ten-month high.

Manufacturing production rose for the fourth month running in June, the most sustained

period of growth in over two years. The rate of expansion eased since May's all-time high, but was still the second-strongest on record.

Data revealed further pressure on capacity in June, as backlogs of work rose for the fourth consecutive month. As was the case with output, the rate of growth in outstanding business eased from May's record but was the second-fastest to date.

The Irish manufacturing workforce expanded at the third-fastest rate in the survey history in June, thanks to a combination of recruitment linked to rising demand and the return of furloughed staff. Employment in the sector has risen every month since October 2020.

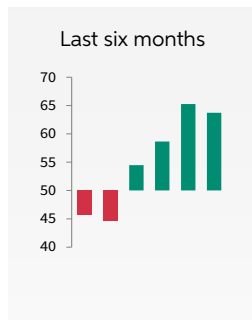
Manufacturers continued to expand purchasing operations in June to support rising workloads. The volume of inputs ordered increased at one of the fastest rates in the survey history, while stocks of purchases grew to an unprecedented degree. This occurred despite severe ongoing supply chain delays, with suppliers' delivery times continuing to lengthen markedly due to raw material shortages, customs checks on UK trade and global shipping problems including port congestion in Asia and container shortages.

A combination of rising demand and supply chain problems led to a near-record rate of input price inflation in June, the second-highest on record since the survey began in 1998. This resulted in an unprecedented increase in manufacturing output prices.

Finally, the 12-month outlook for production remained strong in June. That said, sentiment moderated to a six-month low, reflecting some firms' concerns over the longevity of the current rebound in demand.



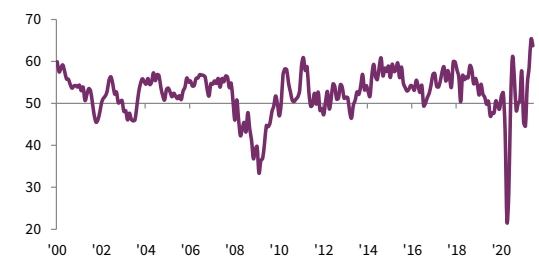
Output Index



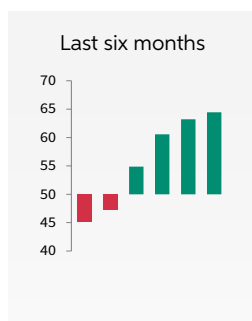
Irish manufacturing production rose for the fourth month running in June, the longest sequence of continuous growth in over two years. Moreover, the rate of growth was the second-fastest since the survey began in 1998, only slightly slower than May's record. Firms linked higher production to the removal of COVID-19 restrictions and more sectors of the economy opening up.

Output Index

sa, >50 = growth since previous month



New Orders Index

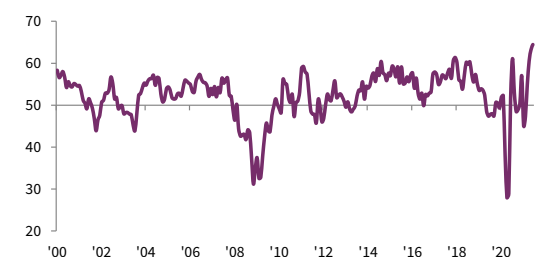


June data signalled surging demand for Irish-manufactured goods. The pace of expansion accelerated further to the fastest since the survey began in 1998. Firms reported a boost to demand as more sectors opened up and restrictions were removed.

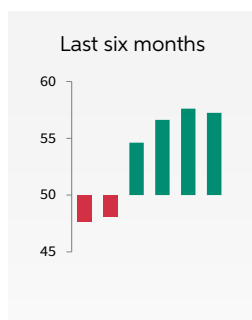
The current four-month sequence of growth is the longest observed in over two years.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

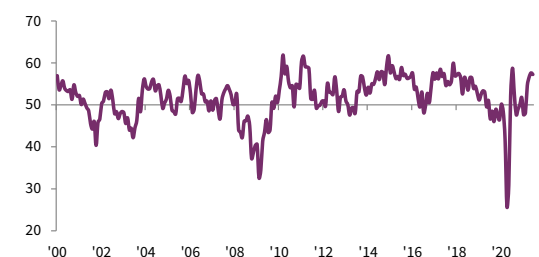


The volume of new export orders received by Irish manufacturers rose for the fourth successive month in June. The rate of growth eased slightly since May's ten-month high, but remained strong overall.

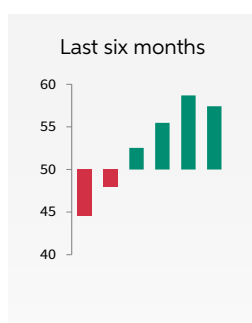
Anecdotal evidence mentioned new customers in the UK, USA and Asia, and demand related to new product ranges.

New Export Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index

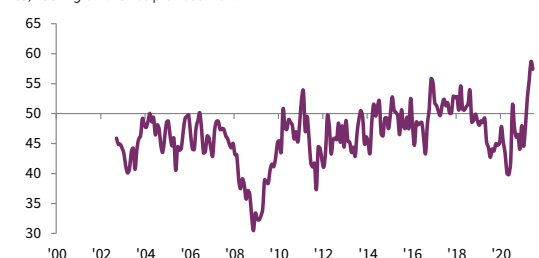


Backlogs of work in the Irish goods-producing sector accumulated further in June, continuing the trend shown since March. Firms linked higher backlogs to pent-up demand, labour shortages and supply chain delays.

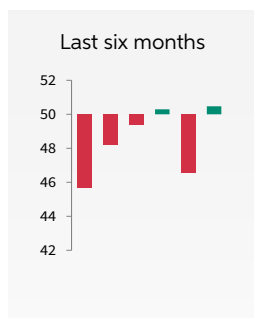
The rate of growth in outstanding business eased from May's series record, but was still the second-strongest since backlogs data were first compiled in September 2002.

Backlogs of Work Index

sa, >50 = growth since previous month



Stocks of Finished Goods Index

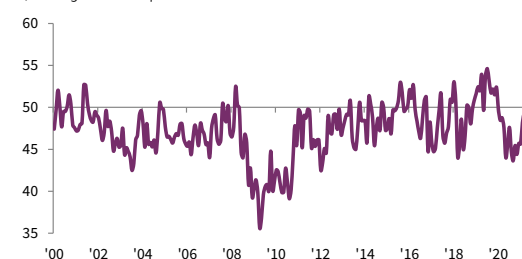


Inventories of final goods rose for the second time in three months in June, following a 15-month period of continuous decline.

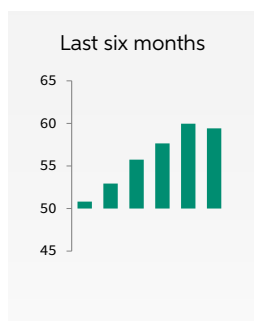
The rate of growth was only marginal, however, and weaker than those registered during the second half of 2019.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



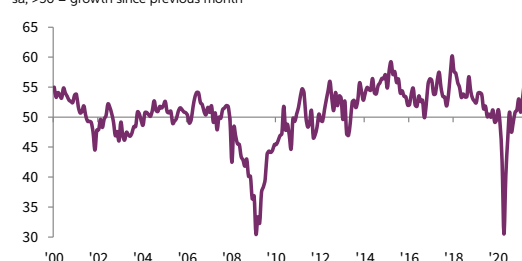
Employment Index



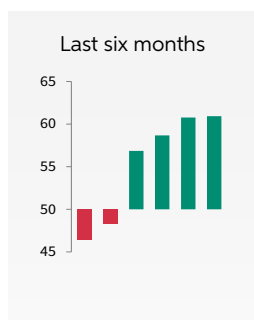
The manufacturing workforce in Ireland continued to grow at a near-record pace in June. The seasonally adjusted Employment Index was little-changed from May's 41-month high, and the third-highest on record. Jobs in the sector have increased for nine consecutive months. Higher staffing levels were linked to rising demand and the return of furloughed workers.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index

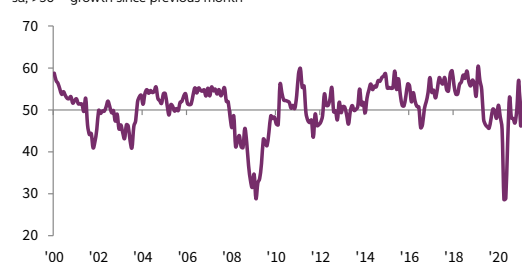


The seasonally adjusted Quantity of Purchases Index edged higher in June, signalling the fastest increase in input buying by Irish manufacturers since December 1999. Moreover, the rate of growth was the fourth-strongest since the survey began in 1998.

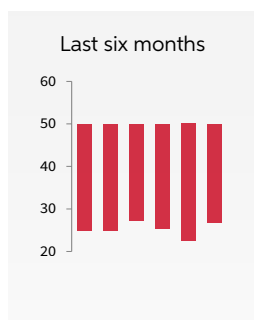
Anecdotal evidence linked higher purchasing orders to rising demand, Brexit and supply chain delays.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

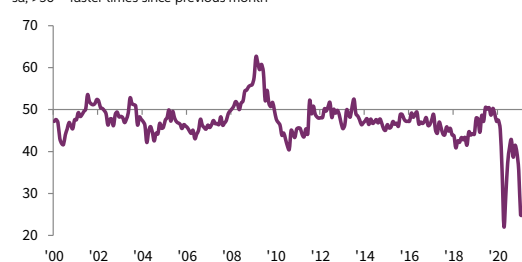


Irish manufacturers continued to report severe supply chain delays in June. The seasonally adjusted Suppliers' Delivery Times Index improved to a three-month high but remained at a historically low level, signalling a further marked lengthening of average input lead times.

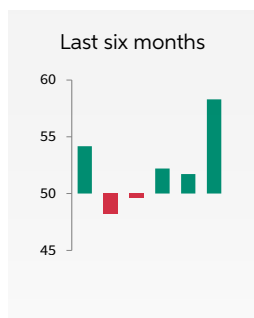
Firms continued to report raw material shortages, Brexit-related customs checks and shipping problems including container shortages and port congestion in Asia.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



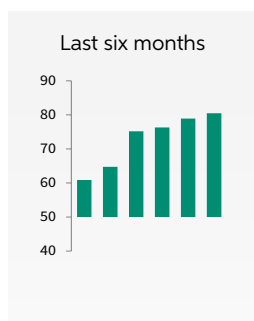
Manufacturers in Ireland built up their stocks of inputs at an unprecedented rate in June. The seasonally adjusted Stocks of Purchases Index rose sharply since May to its highest ever reading, surpassing the previous peak set in March 2019. Input stocks have risen six times in the past eight months as firms expanded capacity to meet the recent recovery in demand.

Stocks of Purchases Index

sa, >50 = growth since previous month



Input Prices Index

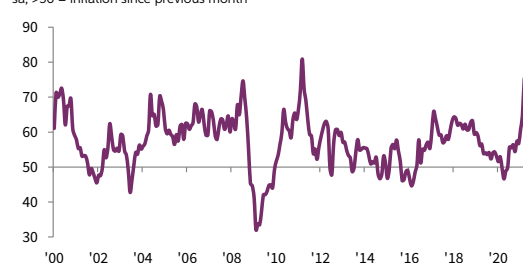


Average input prices paid by Irish manufacturers increased at a near-record pace in June. The rate of input price inflation accelerated for the sixth successive month to the second-highest on record, only fractionally below March 2011's peak.

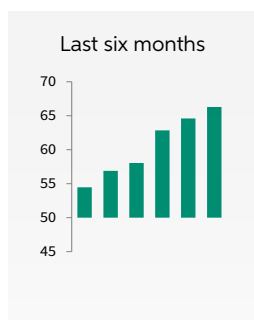
Anecdotal evidence mentioned a wide range of raw materials becoming more expensive during June, including packaging, chemicals, plastics, timber and metals.

Input Prices Index

sa, >50 = inflation since previous month



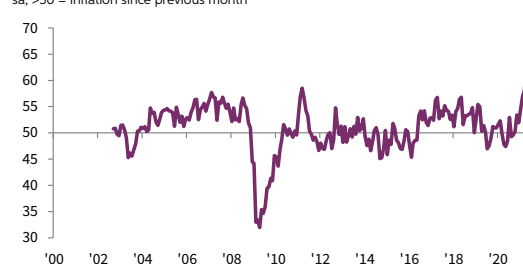
Output Prices Index



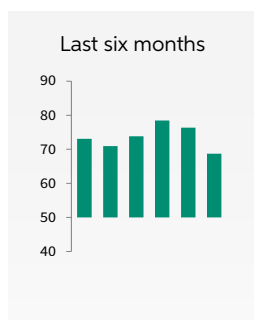
Prices charged by Irish manufacturers rose for the ninth month running in June as firms continued to pass on higher input costs to customers. Moreover, the rate of inflation accelerated for the sixth successive month to the fastest since data on output prices were first collected in September 2002. The proportion of firms reporting higher output prices, at 36%, was also a series record.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index



Sentiment among manufacturers regarding the 12-month outlook for production remained strongly positive in June, linked to the further reopening of the economy with the easing of restrictions.

That said, the overall strength of confidence moderated noticeably since May and was the lowest since December 2020. A number of firms cited concerns over whether the current rebound in demand would be sustained to mid-2022.

Future Output Index

>50 = growth expected over next 12 months



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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 11-23 June 2021.

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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