



AIB Ireland Manufacturing PMI®

Further record increase of stocks of purchases in March

Key Findings

Record increase in stocks of purchases for second month running

Slower growth of output and new orders

Fastest rise in employment since October 2018

Ireland Manufacturing PMI



Growth in the Irish manufacturing sector eased slightly during March, driven by softer increases in output and new work. Despite this, the rate of job creation quickened from February to the fastest since October 2018. Meanwhile, as a result of ongoing Brexit uncertainty, pre-production inventories among Irish manufacturers increased at the fastest pace in the near 21-year series history for the second month running.

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

"The AIB Irish Manufacturing PMI for March at 53.9 was little changed from its level in February of 54.0. The March reading is consistent with continued very solid growth in the sector. The Irish reading is well above the flash March Manufacturing PMI for the Eurozone, which sank to 47.6, its lowest level in nearly six years, and well below the key 50 level that separates expansion from contraction."

"Irish manufacturing was helped in March by a pick-up in new export orders as result of an improvement in foreign demand. Meanwhile, employment in the sector rose at its fastest rate since October. Business optimism in manufacturing remains very upbeat, hitting a three month high, though the rate of output growth did ease slightly in March."

"As in February, the impact of Brexit was again evident in the March survey data as some firms act to avoid possible disruptions to supply chains. Pre-production inventories increased at their fastest pace in the 21-year history of the survey. Purchases of raw materials and semi-finished goods remained at high levels as firms moved to guard against possible delays or interruption to supplies owing to Brexit."

"Overall, the continued strength of the Irish Manufacturing PMI is very notable given the loss of momentum in the sector globally in recent months, especially in Europe. It augurs well for the growth prospects of the Irish economy this year."

Manufacturing PMI

sa, >50 = improvement since previous month



Overview

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 53.9 in March, down from 54.0 in February, but still signalled a solid improvement in operating conditions at Irish manufacturing firms. Business conditions have now increased on a monthly basis for almost six years.

As observed in February, inventory building was a feature of the latest survey. Attempts by panellists to mitigate potential supply disruptions from Brexit fed through to holdings of raw materials and semi-finished goods. For the second month running, pre-production inventories increased at the fastest rate in the near 21-year series history.

The record accumulation of pre-production inventories was supported by a further rise in purchasing activity. Despite easing from February's more than 19-year high, the rate of increase was sharp and much faster than the series average. Anecdotal evidence from panellists indicated that a number of firms had brought forward stock purchases to secure supplies in the event of any Brexit supply disruptions. Other companies raised their buying activity in response to greater customer demand in March.

Holdings of finished items, meanwhile, increased for the fourth successive month in March. Despite easing slightly from February, the rate of accumulation was solid.

Underpinning the slower improvement in overall manufacturing business conditions were softer increases in output and new business. The rate of overall new order growth, though solid, dipped slightly from February. That said, new business from

abroad increased at the fastest pace in four months, amid some reports of greater demand from UK firms.

Despite a sustained increase in new work, the overall volume of incomplete business decreased for the seventh month in a row.

Production expanded solidly in March, with the rate of growth easing slightly from February. Anecdotal evidence from panellists attributed this to softer demand conditions. That said, output has now expanded on a monthly basis since August 2016.

In contrast to the slower increases in output and new work, employment growth quickened to the fastest since October 2018 during March. The faster rise in headcounts was attributed by panellists to attempts to fulfil customer demand and bolster productive capacity for future orders.

Cost burdens increased during March, fuelled by rising raw material prices, particularly for steel. That said, the rate of inflation slowed to a 27-month low. In response to higher input costs, Irish manufacturers increased their selling prices, though at a softer pace than in February.

Business confidence improved to a three-month high in March, with firms strongly optimistic that output will be higher in 12 months' time than current levels. Positive sentiment was supported by increased sales forecasts, new product launches and hopes of greater overseas demand. Just over half of panellists expect output to rise over the coming year.

Output Index



Irish manufacturing output continued to rise during March, extending the current sequence of growth to 32 months. Though solid, the pace of expansion eased from February. Panellists indicated that production had been raised in response to greater customer demand.

Output Index

sa, >50 = growth since previous month



New Orders Index



As was the case with production, new business growth among Irish manufacturers dipped slightly during March. Panellists reported that factory orders had risen due to an improving Irish economy and greater overseas demand. Order book volumes have now risen on a monthly basis since August 2016.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



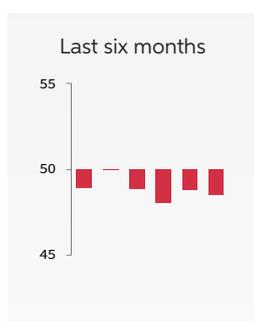
As has been the case in each of the past 31 months, new export orders increased during March. The rate of growth was sharp and the fastest in four months. Manufacturers reported that they had observed a general improvement in foreign demand. Moreover, some panellists noted an increase in orders from UK firms seeking to build stocks before Brexit.

New Export Orders Index

sa, >50 = growth since previous month



Backlogs of Work Index



Despite solid increases in output and new business, Irish manufacturers recorded the seventh consecutive monthly fall of work outstanding in March. The rate of backlog depletion was modest, but faster than seen in February. Anecdotal evidence from panellists indicated that they were able to work through their unfinished workloads due to softer customer demand.

Backlogs of Work Index

sa, >50 = growth since previous month



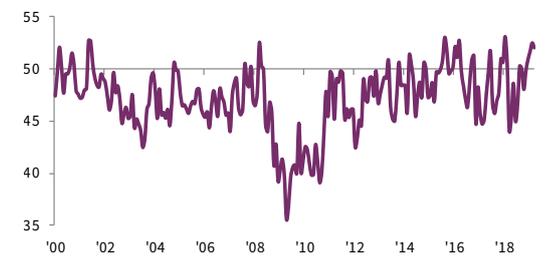
Stocks of Finished Goods Index



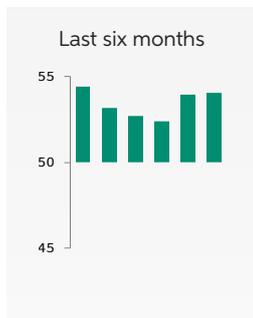
Stocks of finished goods rose for the fourth successive month during March. That said, the rate of increase slowed from February. Panellists commented that post-production inventories had risen due to softer new order growth.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



Employment Index



The rate of job creation quickened in the Irish manufacturing sector during March, with the latest rise in employment the fastest since October 2018. Staffing levels have now increased on a monthly basis throughout the past two-and-a-half years. Anecdotal evidence from panellists indicated that they had raised payrolls to fulfil existing customer orders and increase capacity for future production requirements.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



Irish manufacturers responded to higher new orders by increasing their purchasing activity in March. The rate of expansion was substantial, despite easing from February's 19-year high. As in February, a number of panellists stated that they had increased their buying levels in order to secure inputs in the event of any stock problems resulting from Brexit.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



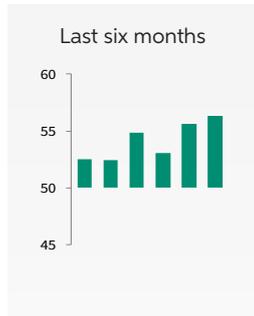
Vendor performance deteriorated for the sixty-eighth month in a row in March. The rate at which delivery times worsened was sharp and quickened to a three-month high. Some panellists commented that greater demand from Brexit stockpiling added to pressure on supply chains.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index



For the second month in a row, Irish manufacturers raised their pre-production inventories at the fastest pace in almost 21 years of data collection. As in February, anecdotal evidence from panellists indicated that they had increased their holdings of raw materials and semi-finished items to cushion themselves from potential supply disruptions caused by Brexit.

Stocks of Purchases Index

sa, >50 = growth since previous month



Input Prices Index



The rate of input cost inflation eased to a 27-month low in March and was slightly below the series average. Panellists reported higher prices for a range of raw materials, in particular steel. Purchasing costs in the Irish manufacturing sector have now risen continuously since May 2016.

Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index



The passing on of higher input costs to customers resulted in a third consecutive monthly rise in selling prices in March. The rate of inflation was marked but eased from February. Just over 12% of respondents noted a rise in output prices, compared with 2% that posted a fall.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index



Manufacturers remained confident that output will increase over the coming year, with just over half of respondents forecasting growth. Overall sentiment was strongly positive and the highest in three months. Confidence emanated from increased sales forecasts, new product launches and hopes of greater overseas demand.

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.

March 2019 data were collected 12-22 March 2019.

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

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