



AIB Ireland Manufacturing PMI®

Inflationary pressures hit survey record high in March while Ukraine war dampens confidence

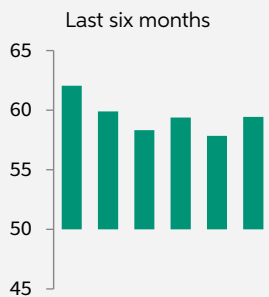
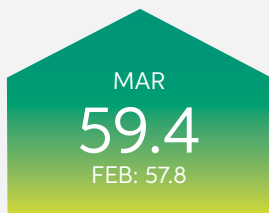
Key Findings

Record rates of input and output price inflation

Steep drop in confidence due to Russian invasion of Ukraine

Faster rise in new work linked to advance orders

Ireland Manufacturing PMI



The latest PMI® survey data from AIB revealed record inflationary pressures in the Irish manufacturing sector in March, as both input and output prices increased at the fastest rates in the near-24 year survey history. Although output and new work rose more quickly, linked to advance customer orders, the 12-month outlook for production weakened notably since February as firms warned of the impact of the war in Ukraine on both demand and supply.

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

"The AIB Irish Manufacturing PMI survey for March shows continuing strong growth in the sector. The headline index rose to 59.4 from 57.8 in February, thus remaining at a very high level on a historic basis. The Irish PMI is also above the flash March readings for the Eurozone and UK, which fell back to 57.0 and 55.5, respectively.

"There are three clear messages that can be gleaned from the Irish PMI manufacturing data for March; continuing strong growth in activity, a weakening of sentiment on the outlook for business and very elevated inflationary pressures. In terms of the current environment, March saw a pick-up in new orders and output growth, partly reflecting advance ordering by customers due to ongoing supply chain uncertainty and fears over rising prices, exacerbated by the Russian invasion of Ukraine. Meanwhile, employment registered its

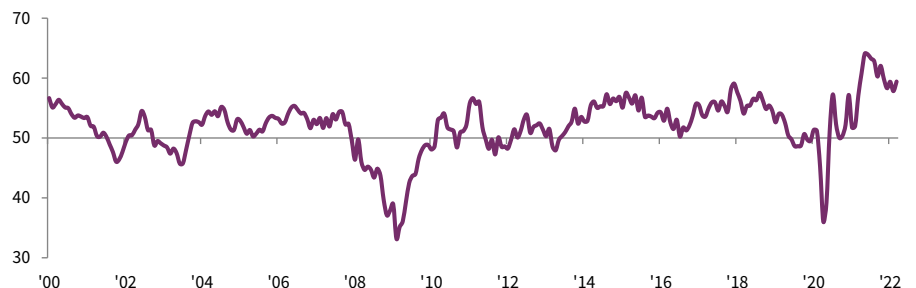
biggest increase in seven months.

"With rising new orders, backlogs of unfinished work continued to rise, with firms reporting a further lengthening in delivery times for supplies. Manufacturers responded with another rundown in their inventories of finished goods. In terms of the 12-month outlook, sentiment while still positive, saw its biggest decline in two years with firms expressing concerns about the impact on activity from the war in Ukraine.

"Inflation picked up to its highest levels in the 24 year history of the survey. Some 88% of manufacturers reported higher input prices in the month, including increases in fuel, energy and transport costs. Faced with surging input prices, manufacturers raised their own prices by a survey-record degree in March."

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 rose from February's 11-month low of 57.8 to 59.4 in March, signalling a marked overall improvement in manufacturing business conditions in Ireland. Conditions have strengthened every month since October 2020. Moreover, the latest figure was the joint-ninth highest in nearly 24 years of data collection, with all these readings set during the last 12 months. That said, the elevated level of the PMI continued to be heavily influenced by the suppliers' delivery times component.

The rise in the headline figure in March was mainly driven by the new orders, output and employment components, which each having similar positive directional influences of between 0.6-0.7 points. Stocks of purchases boosted the PMI by 0.1 points, while suppliers' delivery times had a negative contribution (-0.3 points).

March survey data signalled the strongest inflationary pressures in the manufacturing sector since the survey began in 1998. Both input and output prices increased at record rates, with costs driven by raw materials, components, energy, fuel and transport charges and general market volatility and uncertainty due to the war in Ukraine. Around 88% of manufacturers reported higher input prices.

Demand for Irish manufactured goods strengthened in March, as new orders rose at

the fastest rate since August 2021. Moreover, the pace of growth was among the highest on record. That said, demand partly reflected advance ordering by customers due to ongoing supply chain uncertainty and fears over rising prices, exacerbated by the Russian invasion of Ukraine. New export growth moderated compared with February as some firms reported increased caution among international customers.

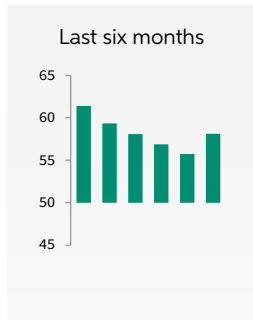
Output growth accelerated in March to a three-month high. Firms linked higher production to improving demand, customer stockpiling and some easing of pressure on supply chains. Although well above the long-run survey average, the rate of expansion was slightly below the trend for the current 13-month sequence of growth. Employment rose at the strongest rate in seven months, boosting production capacity.

Production continued to rise more slowly than incoming new work in March, partly reflecting supply delays and staff shortages due to COVID. Backlogs increased for the thirteenth month running, albeit at a weaker rate than in February as there was some evidence of reduced pressure on supply chains. Suppliers' delivery times lengthened markedly, albeit to the weakest extent since December 2020. Firms continued to sell direct from stock to meet demand, with post-production inventories declining for the ninth consecutive month.

Purchasing activity was boosted in March as firms sought to secure stocks due to expected delays and price increases. That said, the increases in buying activity and input stocks were both slower than recent trends.



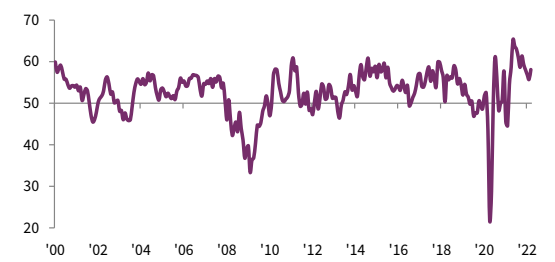
Output Index



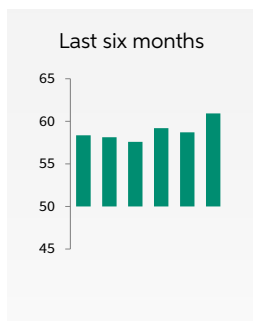
Manufacturing production rose for the thirteenth consecutive month in March. The rate of expansion accelerated for the first time since last October, to the strongest in 2022 so far, but remained slightly below the trend over the current growth sequence. Higher output was linked to improving demand and stockpiling by customers.

Output Index

sa, >50 = growth since previous month



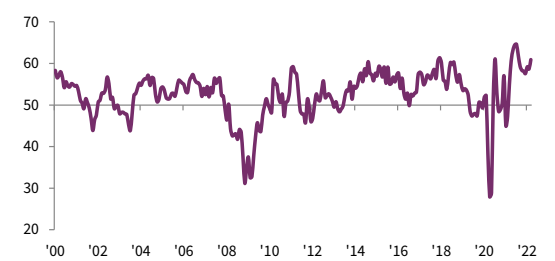
New Orders Index



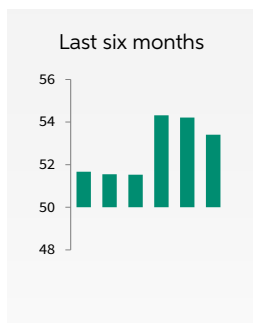
Demand for Irish manufactured goods strengthened at the end of the first quarter. New orders rose in March at the fastest rate since August 2021, and one of the sharpest on record. Growth in the latest period was also above the trend over the current 13-month sequence of expansion. Firms generally reported improving demand, partly linked to advance buying by customers to avoid price increases.

New Orders Index

sa, >50 = growth since previous month



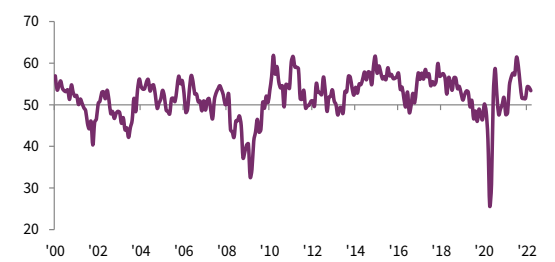
New Export Orders Index



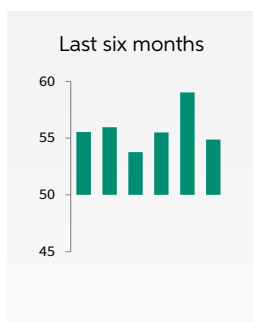
New orders from export markets rose further in March, but more slowly than in January and February as some firms reported increased caution among customers. The rate of growth was below the average for the current 13-month expansionary sequence, but still stronger than the long-run survey trend.

New Export Orders Index

sa, >50 = growth since previous month



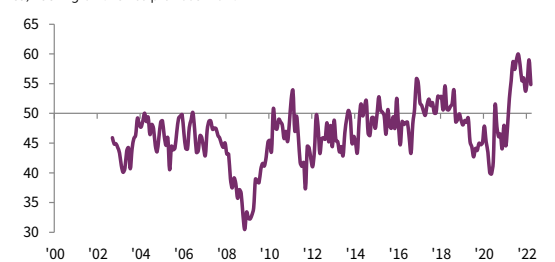
Backlogs of Work Index



Production capacity remained under pressure in March as backlogs rose for the thirteenth month running. The rate of accumulation slowed from February's six-month high, but was strong overall. Firms linked rising backlogs to improving demand, supply chain delays and COVID-related operational problems.

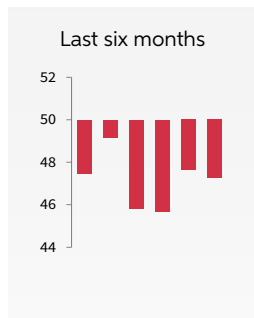
Backlogs of Work Index

sa, >50 = growth since previous month



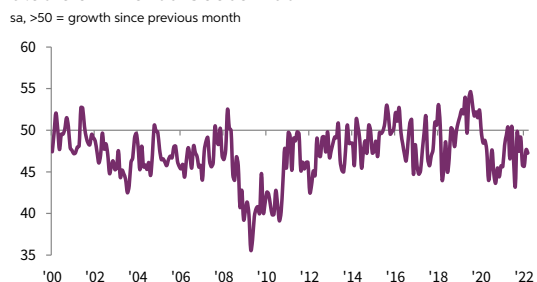


Stocks of Finished Goods Index

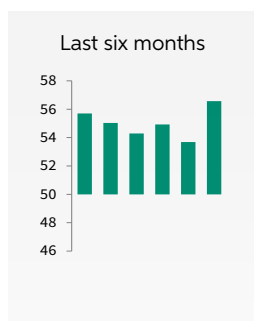


The level of finished goods held in stock at Irish manufacturers declined for the ninth successive month in March. The rate of destocking was little-changed from February, and broadly in line with the long-run survey average. Some firms commented that lower stocks reflected the immediate shipment of orders as output failed to keep pace with demand.

Stocks of Finished Goods Index



Employment Index

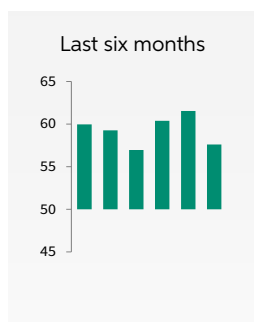


Having slowed to a 12-month low in February, the rate of growth in Irish manufacturing employment accelerated in March. The seasonally adjusted Employment Index rose sharply to a seven-month high, and was above the average for the current 18-month expansionary sequence. Firms linked recruitment to increased demand.

Employment Index



Quantity of Purchases Index

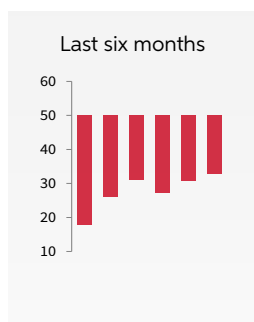


The volume of inputs purchased by Irish manufacturers rose for the thirteenth consecutive month in March. The rate of growth was the second-slowest for a year, but still strong in the context of historic survey data. Higher buying activity was linked to increased demand and the need to build safety stocks against future shortages and price increases.

Quantity of Purchases Index



Suppliers' Delivery Times Index

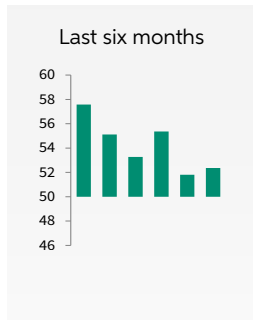


Suppliers' delivery times lengthened further in March, as they have every month since November 2019. Delays were linked to shipping, customs, shortages and the war in Ukraine. Vendor performance deteriorated markedly in the context of the 24-year survey history, but to the weakest degree since December 2020. Around 43% of firms reported longer times in March, down from a record 61% last October.

Suppliers' Delivery Times Index



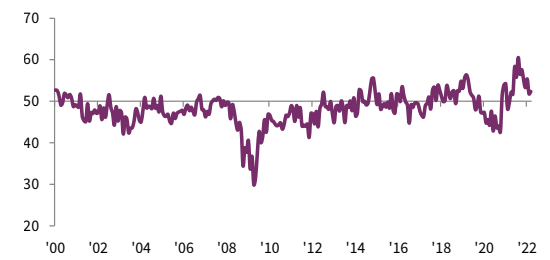
Stocks of Purchases Index



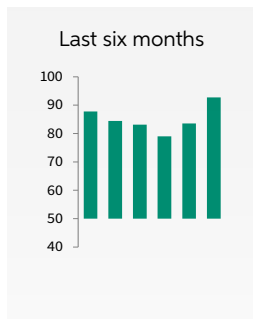
The seasonally adjusted Stocks of Purchases Index remained above the no-change mark of 50.0 for the twelfth consecutive month in March, indicating higher input inventories on average at Irish manufacturers. This marked the longest sequence of growth in the 24-year survey history. Higher stocks were linked to precautionary purchasing due to supply and price concerns. The rate of growth picked up from February but remained below the average over the current sequence.

Stocks of Purchases Index

sa, >50 = growth since previous month



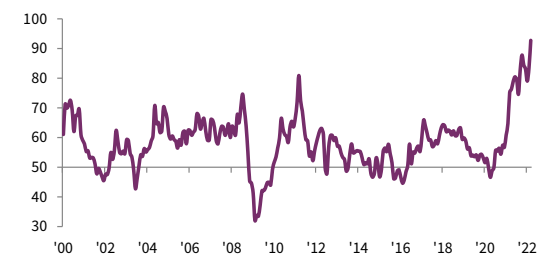
Input Prices Index



Average input prices rose for the twenty-first month running in March. Moreover, the rate of inflation accelerated sharply to hit a new record high in nearly 24 years of data collection. Raw materials, components, energy, fuel and transport charges were all widely mentioned by firms, as was the war in Ukraine. Around 88% of manufacturers reported higher input prices, a series record.

Input Prices Index

sa, >50 = inflation since previous month



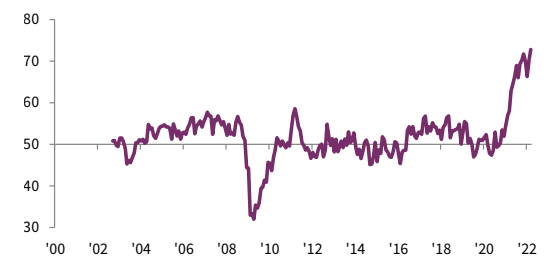
Output Prices Index



Faced with surging input prices, Irish manufacturers raised their own prices to a survey-record degree in March. The seasonally adjusted Output Prices Index surpassed the previous record set last November, with a record 52% of firms reporting higher list prices. Output prices have risen continuously since October 2020.

Output Prices Index

sa, >50 = inflation since previous month



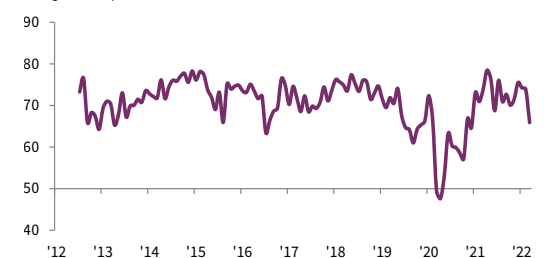
Future Output Index



Output expectations in the Irish manufacturing sector remained positive in March, as signalled by the Future Output Index posting above 50.0. That said, sentiment weakened notably since February. The Index recorded the biggest month-on-month drop since March 2020 and the fourth-largest since the series began in 2012. Anecdotal evidence linked weaker confidence to the war in Ukraine.

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 11-24 March 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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