

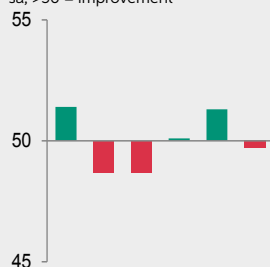
AIB Ireland Manufacturing PMI®

Irish manufacturing downturn resumes amid reports of weak demand

49.7

IRELAND
MANUFACTURING PMI
MAR '23

Manufacturing PMI
Oct '22 - Mar '23
sa, >50 = improvement



Ireland's manufacturing sector crept back into contraction territory in March. Intakes of new orders and manufacturing production both decreased on the month following some tentative signs of improvement in February and consequently, firms scaled back input purchasing further. Spare capacity was evident within the sector, as indicated by the sharpest fall in backlogs since September 2011. More positively, price and supply pressures eased. Vendor performance improved while the rate of input cost inflation dipped to the slowest in the current 33-month sequence of increase.

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

"The AIB Irish Manufacturing PMI eased back to 49.7 in March, having picked up in February to 51.3. Thus, the index remains in the narrow 48.7-51.8 range it has occupied over the past nine months, fluctuating around the 50.0 level that signals broadly stable business conditions. As has been the case for some time, the Irish March reading was again above the flash manufacturing PMIs for the US, Eurozone and UK. These printed at 49.3, 47.1 and 48.0, respectively, pointing to continued subdued manufacturing activity globally.

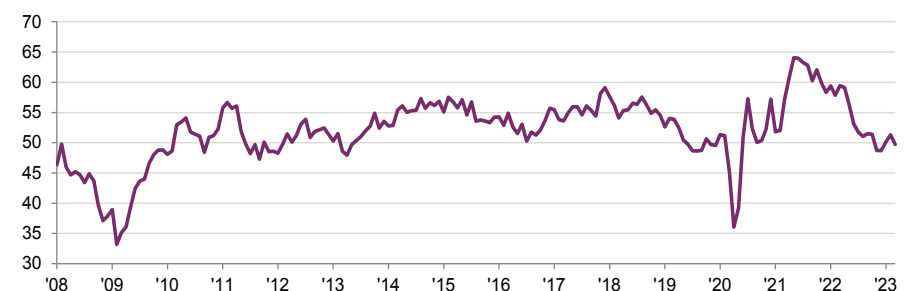
"A primary factor behind the weakening in Irish manufacturing in March was renewed declines in both orders and output, reflecting subdued underlying demand conditions. New exports orders remained particularly weak as a result of sluggish global demand. With order books declining, spare capacity is becoming increasingly evident as backlogs of work continued their steep

decline in March. Meanwhile, stocks of finished goods fell for the first time in eight months, while firms continued to scale back purchases of inputs.

"On a positive note, employment continued to expand, albeit at a modest pace, while supplier delivery times shortened as supply chain issues abate. Irish manufacturers continue to be optimistic about the future, with sentiment on the outlook for the coming 12 months remaining close to its highest level in the past year.

"There was a further marked easing of inflationary pressures in both input and output prices, amid reports of moderating raw material and energy prices. There was a particularly sharp fall in both the indices in March, which are now approaching levels that would signal a stabilisation in prices."

AIB Ireland Manufacturing PMI
sa, >50 = improvement since previous month



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Overview

New orders and factory production decline

Fastest drop in backlogs since September 2011

Input price inflation dips to 33-month low

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 49.7, down from 51.3 in February, the March PMI reading signalled a deterioration in the health of Ireland's manufacturing sector. Despite being only slight, the contraction was the first in three months and signalled a loss of growth momentum across the sector.

Playing a key role in the wider sector downturn was a renewed contraction in order book volumes in March. Survey members suggested that the reduction in new orders was largely a result of weak underlying demand trends. Albeit only slight, the fall seemingly rippled to other areas of the goods-producing economy. One of the most pivotal consequences being a fresh decrease in factory production. Following some tentative signs of improvement last month, the respective seasonally adjusted index dipped back below the neutral 50.0 threshold in March to signal a reduction in manufacturing output. The latest fall was only moderate but the fastest in the 2023 so far.

Little respite was offered in terms of foreign demand. In fact, new export orders contracted for the tenth month in a row with the latest reading signalling the sharpest fall over this period.

Relatively muted customer demand and a weaker sales performance led to a further cutback in input buying across Ireland's goods-producing sector. The decrease was the seventh in as many months and moderate overall. By contrast, March marked exactly two consecutive years of monthly expansions in pre-production inventories. However, as a result of some efforts to realign stocks with weaker demand conditions, the latest increase

was notably softer than the average for this sequence as a whole. Destocking also reportedly led to the first contraction in post-production inventories in nine months.

Elsewhere, the drop in intakes of new work meant that manufacturers were able to continue to focus more on processing outstanding work at the end of the first quarter of the year, as signalled by the sharpest depletion in backlogs of work since September 2011.

Despite current subdued demand conditions, Irish manufacturing firms remained strongly upbeat about their projections for output over the coming 12 months. The degree of confidence remained broadly in line with February's year-long high amid hopes of a pick-up in market conditions, plans for product development and the anticipated commencement of new projects.

More positively, March saw some further alleviation in both supply and price pressures. Lead times shortened for the second time in the past three months and to the greatest extent since July 2013.

Concurrently, input costs and output charges continued to increase during March, but at slower rates. Average operating expenses rose at the softest pace in its current 33-month sequence of inflation while the upturn in selling prices was the weakest in 27 months. Inflation continued to be reported across the board but mentions of moderations in raw material and energy prices have become increasingly widespread.

Finally, firms remained resilient in their recruitment efforts at the end of the first quarter of the year. As has been the case over much of the past two-and-a-half years, manufacturers added to their staffing levels in March. That said, the rate of job creation eased and was only modest overall.

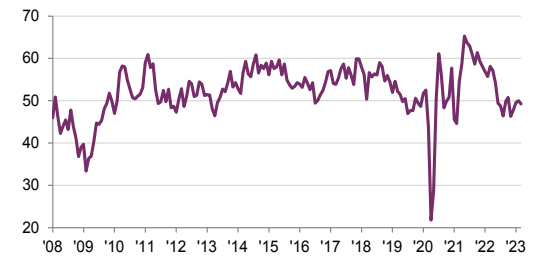
Output and demand

Output

Following a period of stabilisation in February, Irish manufacturers saw factory production return to contraction territory in March, as signalled by the respective seasonally adjusted index posting back below the neutral 50.0 threshold. Survey respondents noted that the decline in output was largely a reflection of muted demand.

Output Index

sa, >50 = growth since previous month

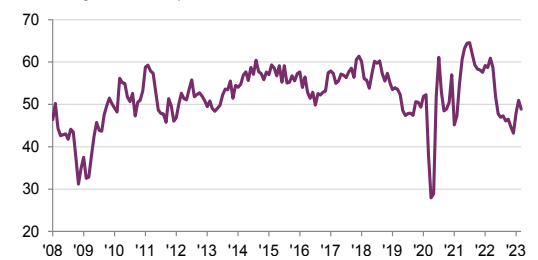


New orders

In contrast to February's positive reading, the seasonally adjusted New Orders index posted below the 50.0 mark of neutrality to indicate a fresh decrease in new orders across the Irish goods-producing sector in March. The latest reduction was the ninth in ten months, but only marginal overall and softer than the average for the last 12 months. The fall in new order intakes was often attributed by survey respondents to weak underlying demand conditions and slowing market trends.

New Orders Index

sa, >50 = growth since previous month

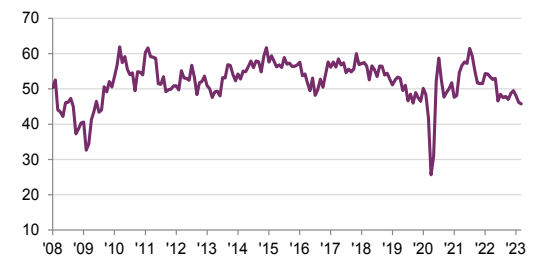


New export orders

Continuing the trend seen since June last year, international orders placed at Irish manufacturing firms declined during March. Notably, the latest downturn was strong and the most pronounced since August 2009, when excluding the initial pandemic period. Anecdotal evidence suggested that global demand was sluggish.

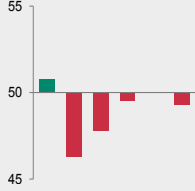
New Export Orders Index

sa, >50 = growth since previous month



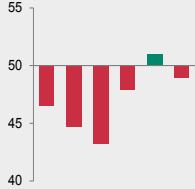
Output Index

Oct '22 - Mar '23
sa, >50 = growth



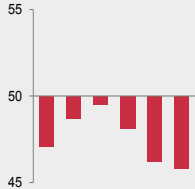
New Orders Index

Oct '22 - Mar '23
sa, >50 = growth



New Export Orders Index

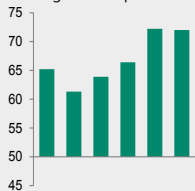
Oct '22 - Mar '23
sa, >50 = growth



Business expectations

Future Output Index

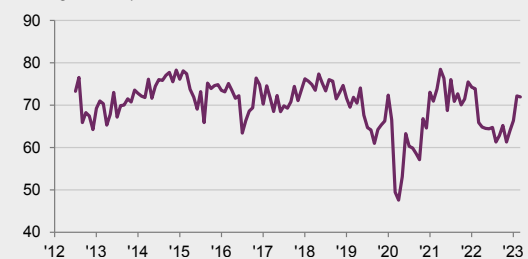
Oct '22 - Mar '23
>50 = growth expected



Overall business sentiment among Irish manufacturing firms remained bright at the end of the first quarter of the year. Remaining broadly in line with February's 12-month high, the degree of optimism was historically elevated and marked overall. Companies who forecast output growth over the coming year often cited plans for product development, the starting of new projects and general hopes for a pick-up in demand conditions.

Future Output Index

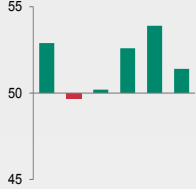
>50 = growth expected over next 12 months



Employment and capacity

Employment Index

Oct '22 - Mar '23
sa, >50 = growth

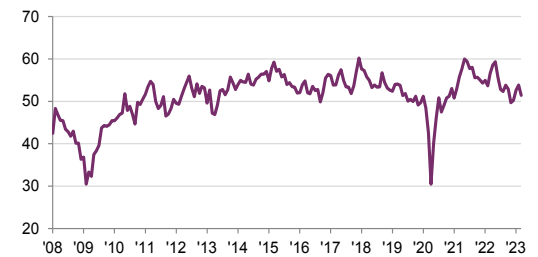


Employment

The level of employment across Ireland's manufacturing sector rose during March, taking the current sequence of increase up to four consecutive months. Companies reportedly added to their workforce numbers in a bid to fill vacant positions and to process incomplete work. That said, the rate of job creation softened from the preceding month and was among the slowest over the past two years.

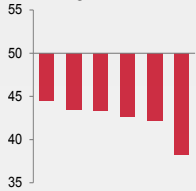
Employment Index

sa, >50 = growth since previous month



Backlogs of Work Index

Oct '22 - Mar '23
sa, >50 = growth

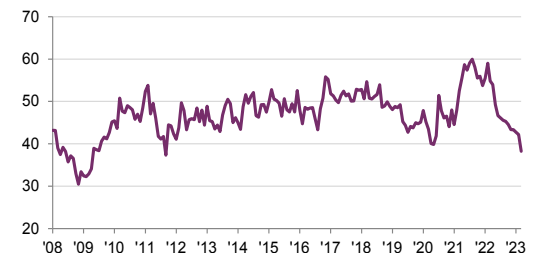


Backlogs of work

March data was indicative of a further decline in the level of outstanding work at Irish manufacturing companies, thereby stretching the current sequence of decrease to just short of a year. Moreover, having quickened notably from February, the rate of backlog depletion was steep and the most pronounced since September 2011. Reportedly, the recent drop off in demand meant that firms had sufficient capacity to work through any existing orders.

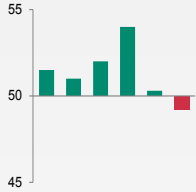
Backlogs of Work Index

sa, >50 = growth since previous month



Stocks of Finished Goods Index

Oct '22 - Mar '23
sa, >50 = growth

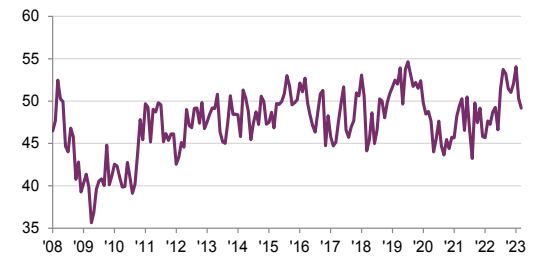


Stocks of finished goods

Holdings of finished items at manufacturing firms in Ireland fell at the end of the first quarter of the year. Albeit only marginal, the latest downturn was the sharpest since last June and ended an eight-month sequence of accumulation. Stock depletion was mostly a result of efforts to realign inventories with subdued demand, according to panellists.

Stocks of Finished Goods Index

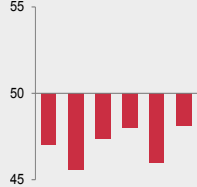
sa, >50 = growth since previous month



Purchasing

Quantity of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth

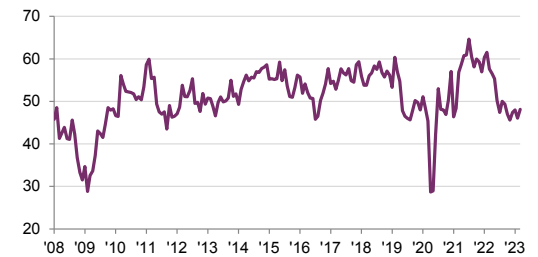


Quantity of purchases

Irish manufacturing firms cut back on input buying again during March. The latest reduction in purchasing activity was the eighth in nine months and was frequently linked to efforts to downwardly adjust stock in line with current demand trends. That said, the pace of decline was only marginal overall and the slowest since last September.

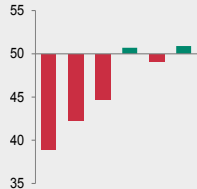
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Oct '22 - Mar '23
sa, >50 = faster times

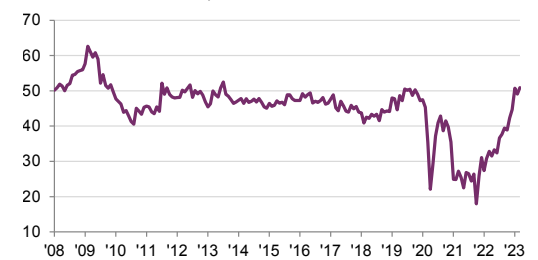


Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index registered above the neutral 50.0 threshold in March, to signal the second improvement in vendor performance in the past three months. Albeit only marginal, average lead times fell to a greater extent than seen at the start of the year and at the most pronounced rate since July 2013. Better supplier performance largely stemmed from a reduction in logistics issues which hampered supply chains, said survey respondents.

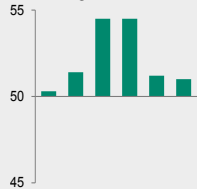
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth

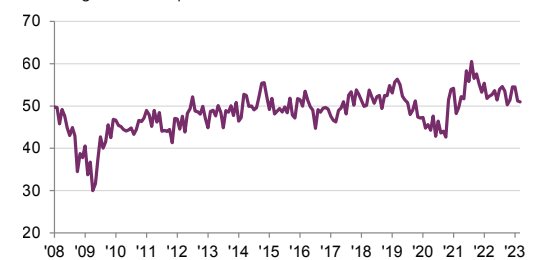


Stocks of purchases

Irish manufacturing firms registered a further expansion in of stocks of purchases in March. Pre-production inventory levels have now increased on a monthly basis for exactly two consecutive years. According to panel members, firms continued to look to build up safety stocks in an attempt to avoid input delivery delays. That said, the rate of stock accumulation was the softest in five months amid some reports of efforts to downwardly adjust inventories following weak demand.

Stocks of Purchases Index

sa, >50 = growth since previous month



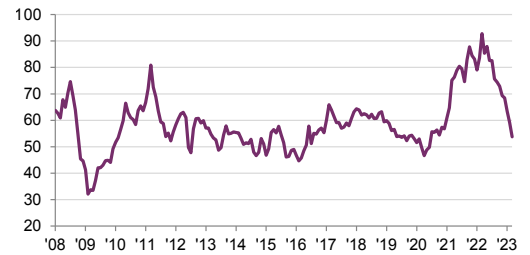
Prices

Input prices

Average cost burdens faced by Irish goods producers rose further in March. Anecdotal evidence suggested that increases due to higher supplier prices remained evident across the board. However, the rate of input price inflation maintained its current downward trajectory and eased to its lowest level seen over the current 33-month sequence of inflation. The latest increase in operating expenses was reportedly curbed by moderations in raw material and energy prices.

Input Prices Index

sa, >50 = inflation since previous month

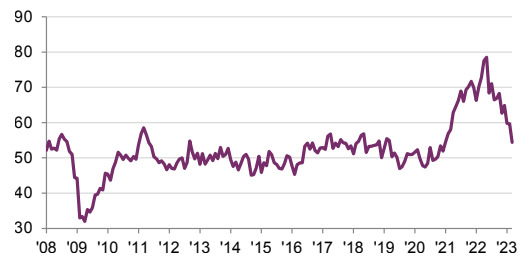


Output prices

March saw Irish manufacturing firms raise their selling prices again to mark two-and-a-half consecutive years of monthly increases in output charges. Companies reportedly continued to look to partly pass-through higher operating expenses to their clients. That said, the pace of inflation in factory-gate charges eased notably from February and was the least pronounced since December 2020.

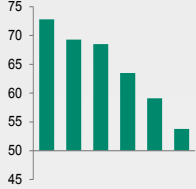
Output Prices Index

sa, >50 = inflation since previous month



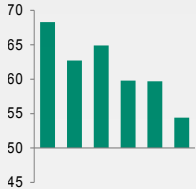
Input Prices Index

Oct '22 - Mar '23
sa, >50 = inflation



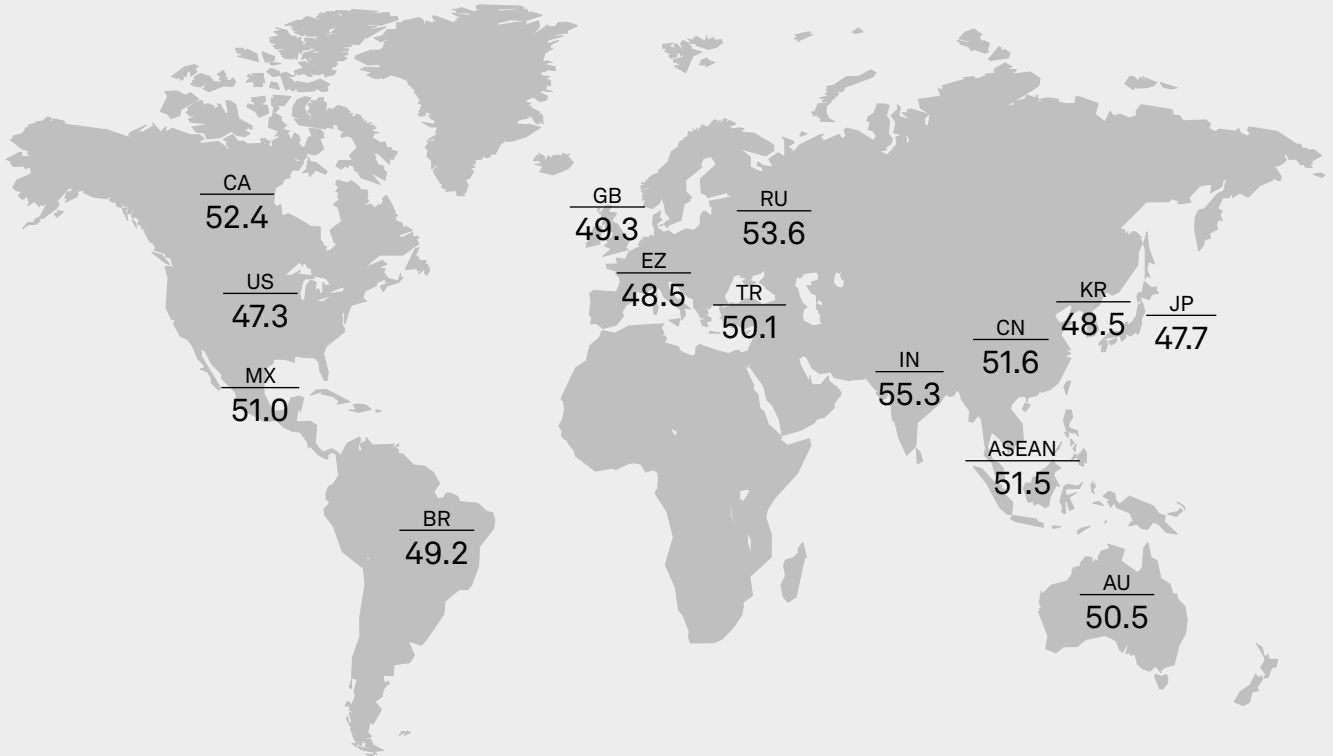
Output Prices Index

Oct '22 - Mar '23
sa, >50 = inflation

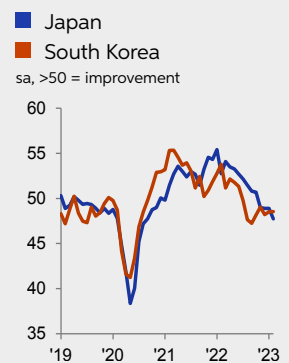
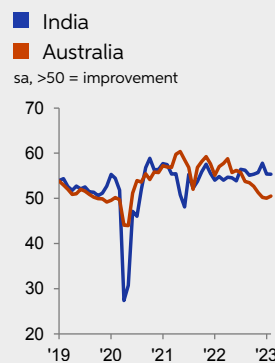
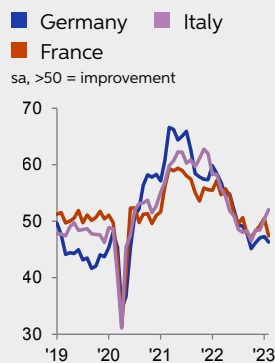
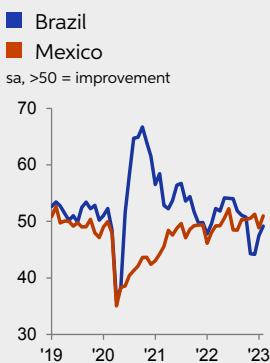
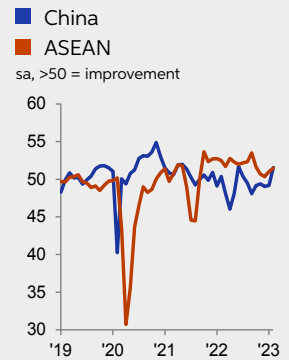
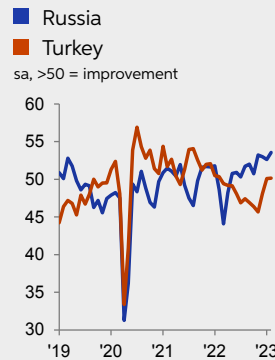
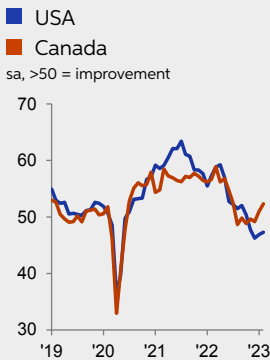


International PMI

Manufacturing PMI, Feb '23
 sa, >50 = improvement since previous month



Manufacturing PMI



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@ihsmarkit.com.

Survey dates

Data were collected 10-24 March 2023.

Survey questions

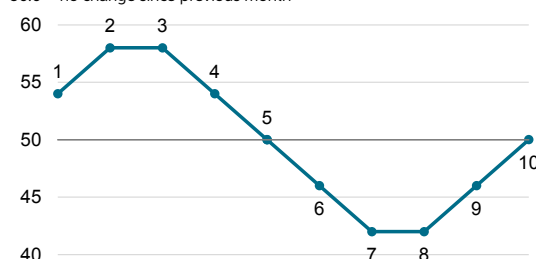
Manufacturing sector	
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change"})/2$$

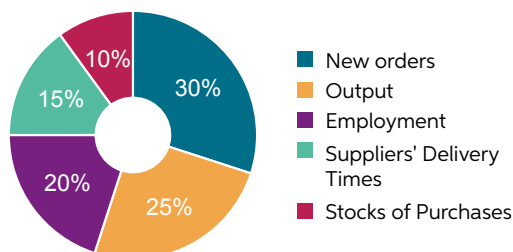
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

Manufacturing PMI data include responses from companies operating in the entire manufacturing sector, including the following ISIC Rev.4 codes:

C10 - Food Products	C19 - Coke and Refined Petroleum Products	C27 - Electrical Equipment
C11 - Beverages	C20 - Chemicals and Chemical Products	C28 - Machinery and Equipment N.E.C.
C12 - Tobacco Products	C21 - Basic Pharmaceutical Products and Pharmaceutical Preparations	C29 - Motor Vehicles, Trailers and Semi-Trailers
C13 - Textiles	C22 - Rubber and Plastic Products	C30 - Other Transport Equipment
C14 - Wearing Apparel	C23 - Other Non-Metallic Mineral Products	C31 - Furniture
C15 - Leather and Related Products	C24 - Basic Metals	C32 - Other Manufacturing
C16 - Wood and of Products of Wood and Cork, Except Furniture; Articles of Straw and Plaiting Materials	C25 - Fabricated Metal Products, Except Machinery and Equipment	C33 - Repair and Installation of Machinery and Equipment
C17 - Paper and Paper Products	C26 - Computer, Electronic and Optical Products	
C18 - Printing and Reproduction of Recorded Media		

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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.

ihsmarkit.com/products/pmi.html

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