



AIB Ireland Manufacturing PMI®

Factory production growth cools to 15-month low in May

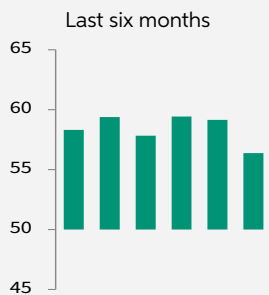
Key Findings

Output rises at slowest pace in current 15-month sequence

Expansion in new work eases to modest pace

Rate of cost inflation re-accelerates

Ireland Manufacturing PMI



The latest PMI® survey data from AIB showed a sustained improvement in Irish manufacturing conditions during May amid further upturns in output and new work. However, the rates of increase slowed sharply on the month to the weakest in the respective 15-month sequences, as higher prices reportedly dampened client demand. Production was also weighed on by ongoing supply issues which pushed input price inflation to a near-record high in May.

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

"The AIB Irish Manufacturing PMI survey for May showed a further solid improvement in activity in the sector, but with a clear easing in growth momentum from the elevated levels of the past year. The headline index fell to 56.4 from 59.1 in April, which is the lowest reading since February 2021. The fall was in line with the trend seen in other economies - the flash May indices fell to 54.4 and 54.6 in the Eurozone and UK, respectively.

"The easing in the pace of expansion reflects slower growth in output and particularly new orders, with some respondents saying that rising prices are weighing on demand. Notably though, continuing pressure on workloads saw employment increase markedly at the fourth-quickest pace on record.

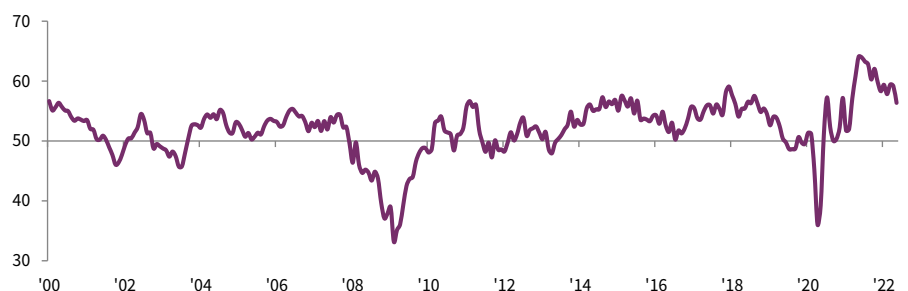
"With order growth slowing, backlogs of work at manufacturing firms declined for

the first time in over a year. Furthermore, the fall in stocks of finished goods was only marginal and the slowest since last September, while inventories of inputs rose at their fastest pace in four months. Firms also reported that, although delivery times for input supplies continued to lengthen appreciably, it was the least pronounced rise since December 2020.

"In terms of the 12-month outlook, while sentiment remains positive, it was at its lowest level since end 2020, amid concerns around rapidly rising inflation and the war in Ukraine. In this regard, input prices rose at their second-fastest pace on record, with marked increases in raw materials, energy and fuel costs. Faced with surging input prices, manufacturers raised their own prices by a survey-record degree for a third successive month."

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 56.4 in May to signal an improvement in manufacturing conditions for the twentieth month running, and one that was solid overall. Down from 59.1 in April, however, the latest figure pointed to the slowest rate of improvement since February 2021, indicative of an easing of growth momentum.

The downwards movement in the headline PMI was primarily reflective of slower rates of increase in new orders and output during May, alongside a weaker lengthening of suppliers' delivery times (which is inverted in the calculation of the PMI). Quicker rises in employment and stocks of purchases meanwhile had small positive impacts on the headline figure.

Amid reports of strong demand conditions, order book volumes at Irish goods producers rose further during May, driven in part by a moderate uplift in new export orders. The rate of expansion eased sharply, however, to the weakest in the current 15-month sequence and was only modest overall. Some survey respondents noted that higher charges for goods had dampened demand.

A similar trend was recorded for output during May, which continued to rise, but at the weakest pace since the current growth sequence began in March 2021. The rate of increase was still solid overall, however. With production outpacing order book growth,

backlogs of work at manufacturers declined for the first time in over a year, as firms were able to work through unfinished business.

Nonetheless, goods producers continued to take on additional staff during May, extending the current sequence of higher workforce numbers that began in October 2020. Moreover, the rate of job creation was the fourth-quickest on record and marked.

At the same time, buying activity at Irish goods producers rose again, with panellists citing efforts to build stocks due to supply issues and greater production requirements. Although the slowest in the current 15-month sequence, the rate of increase was solid. Consequently, inventories of purchases rose at the strongest pace for four months.

Elsewhere, supply delays continued into May. Respondents blamed material shortages, customs checks, the conflict in Ukraine and Brexit. The extent to which lead times lengthened was sharp, but notably, the weakest since December 2020.

Turning to prices, the rate of cost inflation re-accelerated in May, edging closer to March's peak. Greater material, fuel and transport costs, Brexit and the war in Ukraine were all cited in anecdotal evidence as drivers of cost inflation. In response, firms again raised their factory gate charges in an attempt to pass greater cost burdens on to clients. Moreover, the pace of increase in average charges hit a series record for the third month in a row.

Looking ahead, business confidence weakened to a 19-month low in May, with the war in Ukraine and steep inflationary pressures reportedly weighing on sentiment.



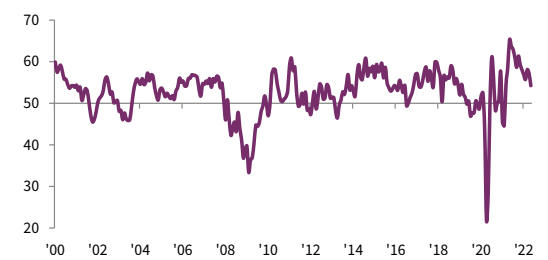
Output Index



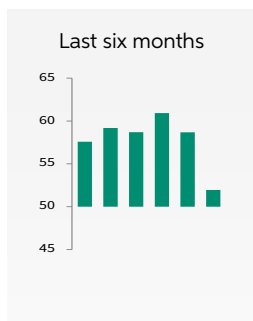
Factory production continued to rise in May, amid reports of a strong pipeline of new work and easing supply constraints. Although still solid overall, the rate of output growth slowed noticeably on the month and was the weakest since the current sequence of increase began in March 2021.

Output Index

sa, >50 = growth since previous month



New Orders Index

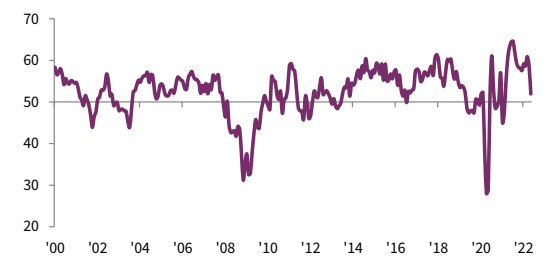


Order book volumes at Irish goods producers rose further in May. Panellists linked the latest upturn to strong client demand both domestically and abroad.

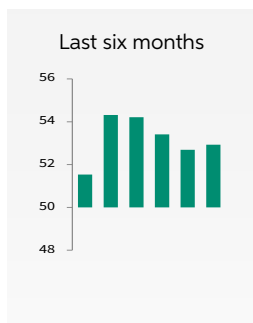
The rate of growth slowed sharply on the month to the weakest in the current 15-month sequence, however, and was only mild overall. Some respondents noted that higher prices had dampened demand.

New Orders Index

sa, >50 = growth since previous month



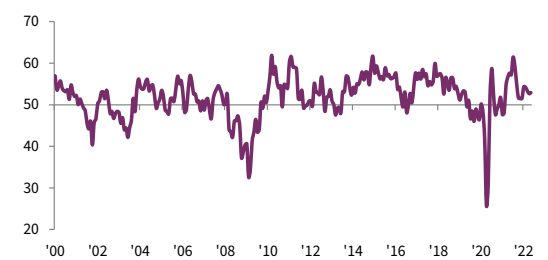
New Export Orders Index



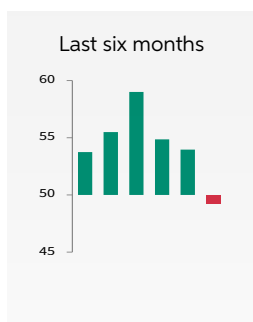
May data highlighted a sustained upturn in international demand for Irish goods. New export orders rose for the fifteenth month in a row, with the rate of growth picking up slightly since April and remaining moderate overall.

New Export Orders Index

sa, >50 = growth since previous month



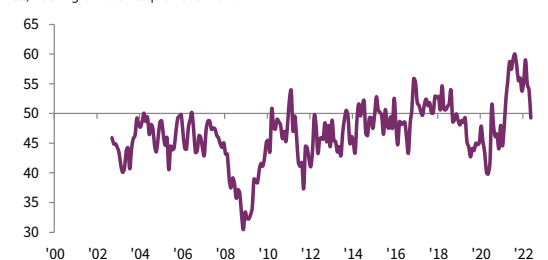
Backlogs of Work Index



For the first time since February 2021, backlogs of work at Irish goods producers declined in May. Anecdotal evidence cited weaker demand growth and efforts to catch up on orders as the causes of the fall. That said, the rate of backlog depletion was only marginal.

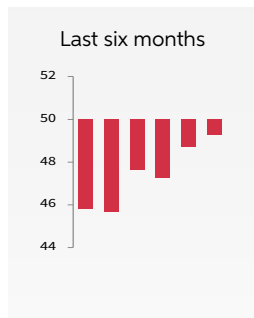
Backlogs of Work Index

sa, >50 = growth since previous month

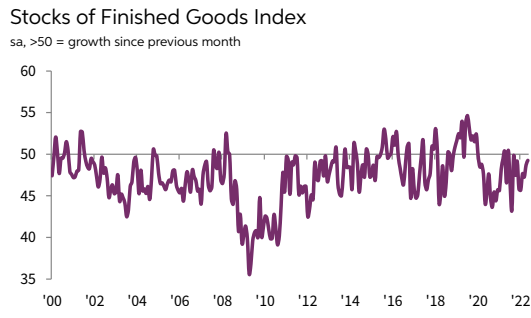




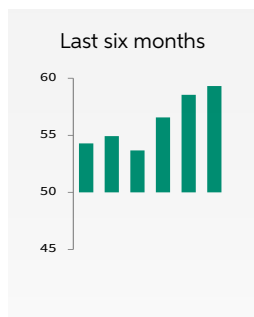
Stocks of Finished Goods Index



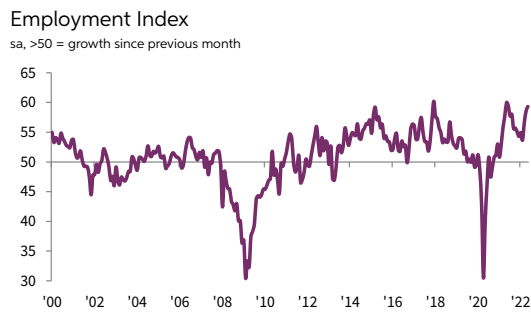
Irish manufacturers recorded an eleventh consecutive monthly fall in stocks of finished goods during May, amid reports of delays in shipping completed orders. However, the pace of reduction was the weakest since September last year and only marginal overall.



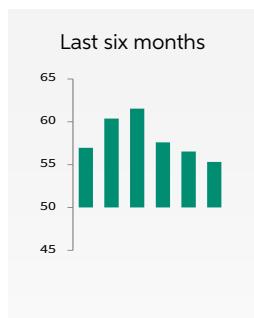
Employment Index



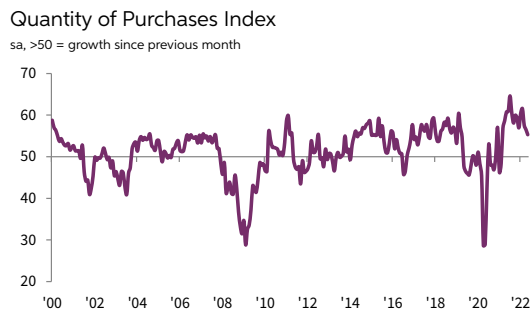
Job creation at Irish goods producers was sustained into May, stretching the current sequence to over a year-and-a-half. According to panellists, higher staffing levels were the result of greater workloads. Moreover, the rate of expansion in workforce numbers was the fastest since last June and the fourth most marked on record.



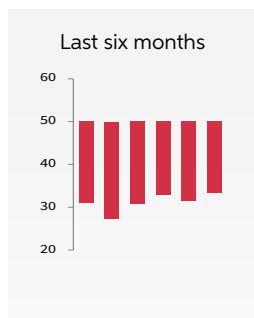
Quantity of Purchases Index



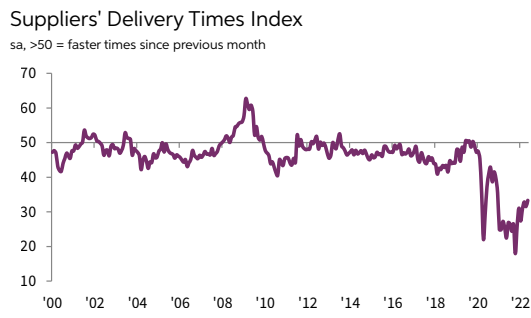
As has been the case in each month since March 2021, Irish manufacturers raised their buying activity during May. Shortages and supply delays, in addition to greater production requirements, reportedly drove the latest upturn. Albeit the weakest in the aforementioned sequence, the rate of increase was solid overall.



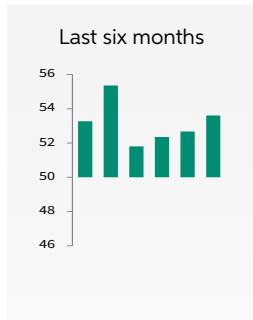
Suppliers' Delivery Times Index



The seasonally adjusted Suppliers' Delivery Times Index remained firmly below the 50.0 mark during May, to signal a further lengthening of lead times for inputs. Respondents blamed shortages, customs checks, Brexit and the war in Ukraine. That said, delays were the least widespread since December 2020.



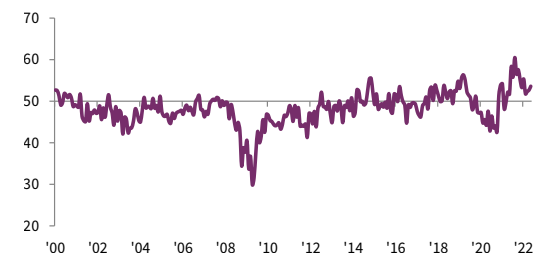
Stocks of Purchases Index



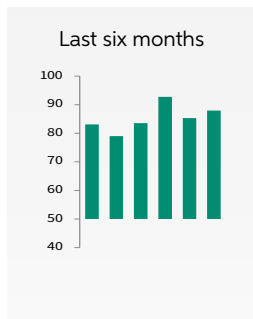
A fourteenth successive monthly upturn in pre-production inventories at Irish goods producers was recorded in May. The latest rise was linked through anecdotal evidence to greater input buying in response to supply disruptions. Furthermore, the rate of increase accelerated to a four-month high and was moderate overall.

Stocks of Purchases Index

sa, >50 = growth since previous month



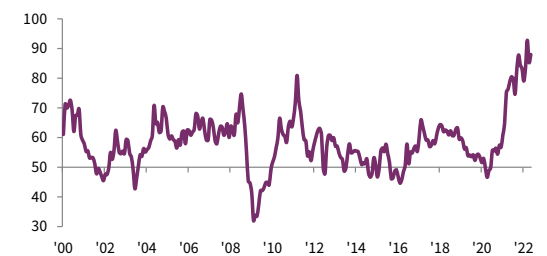
Input Prices Index



Irish manufacturers recorded another rise in cost burdens during May, extending the current sequence of increase to 23 months. The rate of inflation picked up from April and was the second-fastest on record (behind March 2022). Panellists cited greater material, energy and transport costs, the war in Ukraine and Brexit as drivers of inflation in May.

Input Prices Index

sa, >50 = inflation since previous month



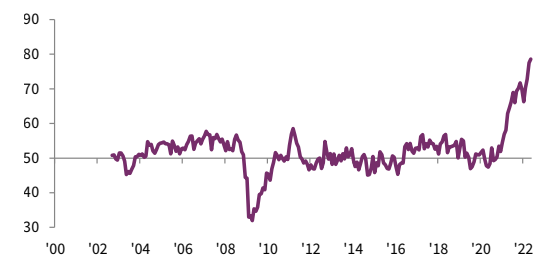
Output Prices Index



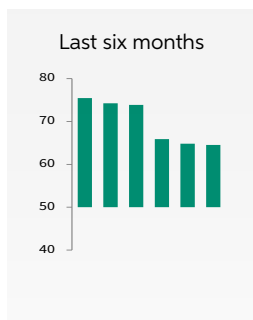
May data pointed to a further steep round of charge inflation at Irish goods producers, amid reports that greater cost burdens were being passed through to clients where possible. Notably, the rate of increase in output prices hit a survey record for the third month running.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index

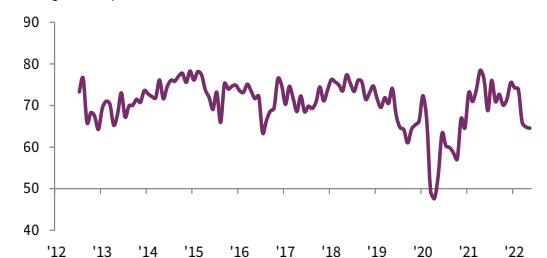


Business confidence at Irish manufacturers weakened in May, with the Future Output Index falling to a 19-month low. Supply issues and inflationary pressures reportedly weighed on confidence.

Where firms were optimistic of higher output over the coming year, this was attributed to hopes of strong demand conditions, and expectations of a sustained economic recovery.

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 12-24 May 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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