

AIB Ireland Manufacturing PMI®

First reduction in manufacturing employment since September 2016

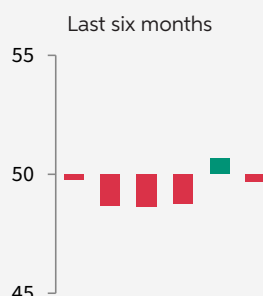
Key Findings

Production and employment fall slightly...

...whilst total new orders expand

Business confidence improves but remains relatively weak

Ireland Manufacturing PMI



Irish manufacturing business conditions worsened for the fifth time in the past six months in November, as a reduction in output led to workforce numbers declining for the first time since September 2016. On the demand front, inflows of total new business increased for the second month running, albeit at a marginal pace. On the other hand, export sales decreased in November with the rate of contraction quickening amid weaker demand from US and UK customers. Meanwhile, business confidence improved to a five-month high, but remained historically weak as Brexit uncertainty weighed on sentiment.

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

"The AIB manufacturing PMI for November shows that the sector remains in the doldrums, where it has been for the past six months, as a weak external environment continues to weigh on activity. The headline PMI came in at 49.7, which is down from 50.7 in October, but above the levels of 48.6-48.7 recorded from July to September."

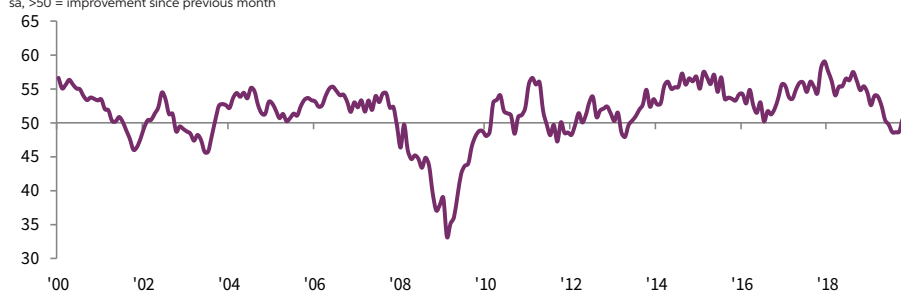
"Overall, conditions in Irish manufacturing are best described as being flat. The November data show a marginal decline in production with a reading of 49.4, but a slight increase in new orders for a second consecutive month, with this sub-component at 50.5. Meanwhile, there was a small contraction in employment in November, which had increased modestly in the previous month."

"The primary source of the slowdown in manufacturing is weakening foreign demand. While total orders again rose marginally in November, new export orders fell for a fifth consecutive month and at a solid pace. Firms report that Brexit related weakness in the UK as well as softer US demand are weighing on export orders."

"The Irish November PMI reading of 49.7 remains well above the average for the Eurozone, which is put at 46.6, and the level of 48.3 in the UK as the stronger domestic economy helps support activity here. A further positive note is that confidence among Irish manufacturers regarding future output rose to a five-month high in November. Nonetheless, Brexit uncertainty continues to weigh on confidence levels, which remain low on a historical basis."

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 – fell to 49.7 in November from 50.7 in October. The reading signalled the fifth deterioration in business conditions in the past six months. That said, the rate of decline was only marginal.

Central to the latest deterioration in manufacturing operating conditions was a renewed decline in production. Output decreased in November, following October's slight rise, though the rate of contraction was marginal.

In contrast to the decline in manufacturing output, inflows of total new business continued to increase during November. However, the rate of expansion was marginal and eased slightly from October. Anecdotal evidence from panellists indicated that they had seen an improvement in demand resulting from new product launches.

Meanwhile, export sales decreased further during November, with the rate of contraction accelerating from October. Panellists stated that they had observed an overall weakening of foreign demand conditions, singling out weaker US and UK markets.

For the first time since September 2016, Irish manufacturing employment decreased in November. Anecdotal evidence from panellists indicated that they had reduced their staffing numbers in line with softer customer demand.

For the sixth month in a row, stocks of finished goods increased during November. The rate of accumulation was modest, however. Panellists reported that they had increased post-production inventories amid relatively weak sales growth.

On the other hand, holdings of raw materials and semi-finished goods decreased for

the third time in the past four months in November. The rate of contraction was solid and the fastest in 32 months. Panellists commented that they had lowered their inventory levels due to weaker customer demand conditions.

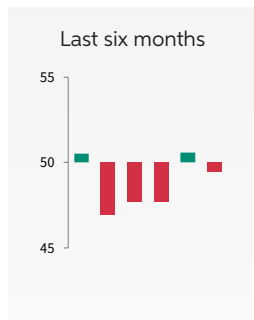
In line with the fall in pre-production inventories, purchasing activity decreased in November for the sixth time in the past seven months. The rate of decline was marginal, however, and slower than seen over the recent sequence of contraction. Anecdotal evidence from panellists indicated that they had reduced their input buying in response to softer demand conditions.

Manufacturing backlogs in Ireland declined again in November, extending the current sequence of contraction to 15 months. The rate of backlog depletion was steep and quickened from October. In spite of pressures on supply chains easing, average lead times for inputs lengthened, amid reports of capacity issues among suppliers.

Cost burdens increased during November, fuelled by greater raw material prices, with higher costs for oil and pork noted in particular. Quickening for the second month running, the rate of input price inflation was the sharpest in seven months. Despite facing faster increases in input costs, the rate of output charge inflation eased from October and was only slight.

Sentiment among Irish manufacturers improved from October to the highest in five months. That said, the overall degree of optimism was historically subdued, amid reports of Brexit uncertainty weighing on sentiment. Firms continued to predict output growth over the coming year, however. Expectations of increased customer orders, especially from abroad, and investments in new machinery were among the factors that supported optimism.

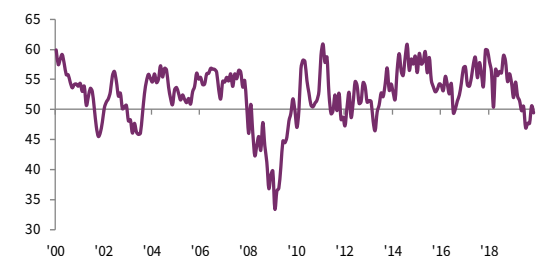
Output Index



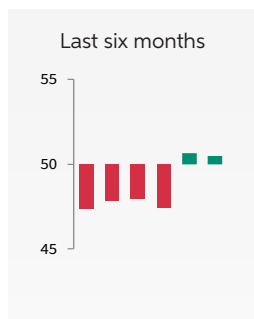
For the fourth time in the past five months, Irish manufacturers recorded a fall in output during November. That said, the rate of contraction was only marginal. Anecdotal evidence from panellists attributed lower production in November to softer customer demand conditions.

Output Index

sa, >50 = growth since previous month



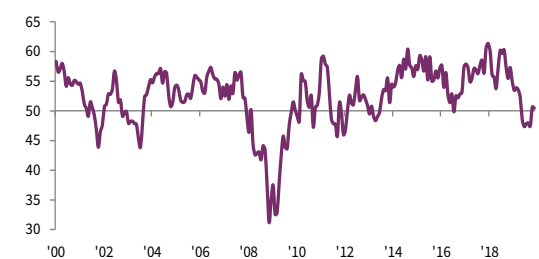
New Orders Index



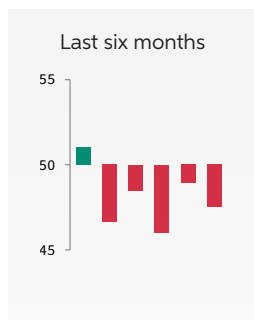
In contrast to production, the level of new orders placed with Irish manufacturers increased for the second consecutive month during November. However, the rate of expansion was marginal. Panellists stated that they had received increased orders relating to new product launches as well as new business initiatives.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



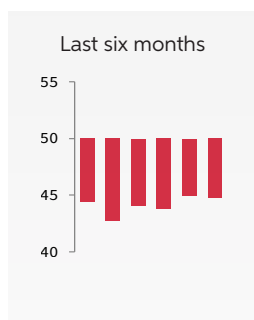
November data highlighted the sixth decrease in the past seven months of export sales among Irish manufacturers. Moreover, the rate of contraction was solid and quickened from October. Firms reported an overall decrease in foreign demand, with Brexit-related weakness from UK customers as well as softer US demand.

New Export Orders Index

sa, >50 = growth since previous month



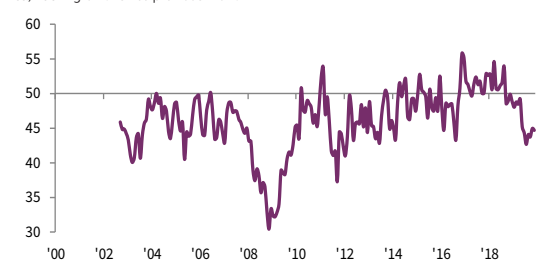
Backlogs of Work Index



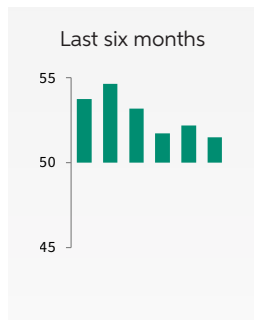
There were further signs of a lack of pressure on manufacturers' capacity in November, as highlighted by another decrease in work outstanding. November's data signalled the fifteenth month in succession that a fall in backlogs had been registered, with the latest reduction sharper than observed in October.

Backlogs of Work Index

sa, >50 = growth since previous month



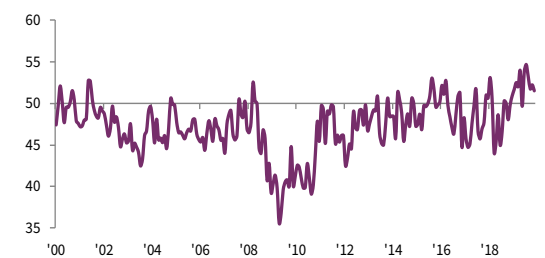
Stocks of Finished Goods Index



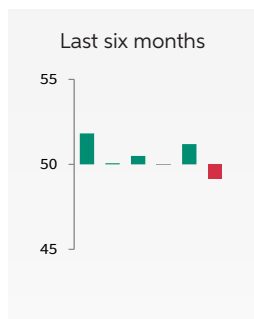
Inventories of finished goods increased for the sixth consecutive month during November. That said, the rate of growth was modest and eased from October. Anecdotal evidence from manufacturers indicated that soft customer demand led to a rise in post-production inventories.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



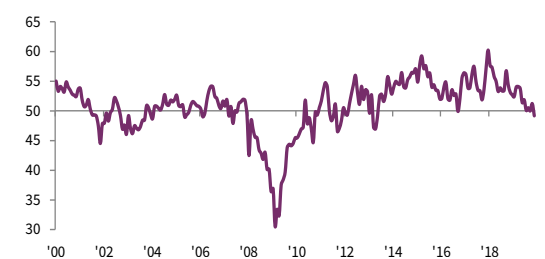
Employment Index



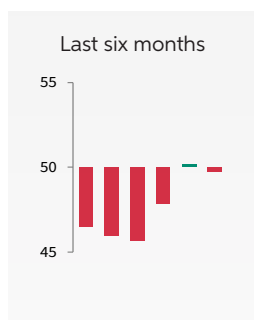
For the first time since September 2016, Irish manufacturers recorded a decrease in their workforce numbers during November. In fact, the marginal fall was only the second since May 2013. Where a decline in workforce numbers was recorded, firms stated that they had reduced their headcounts in line with slower customer demand.

Employment Index

sa, >50 = growth since previous month



Quantity of Purchases Index



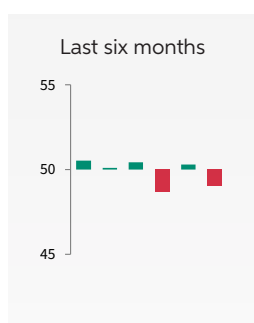
For the sixth time in the past seven months, Irish manufacturers decreased their purchasing activity during November. Despite this, the rate of decline was marginal. Anecdotal evidence among panellists indicated that they had sought to lower their input buying in response to weak customer demand.

Quantity of Purchases Index

sa, >50 = growth since previous month



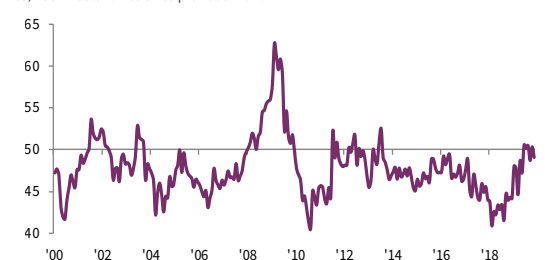
Suppliers' Delivery Times Index



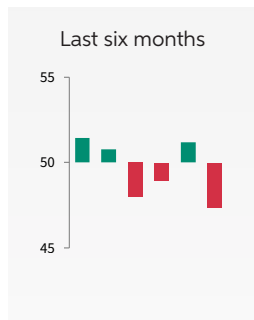
Suppliers' delivery times lengthened for the second time in the past three months in November. The extent of the deterioration in vendor performance was only slight, however. Respondents indicated that capacity issues at suppliers and difficulties sourcing raw materials had been behind delivery delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



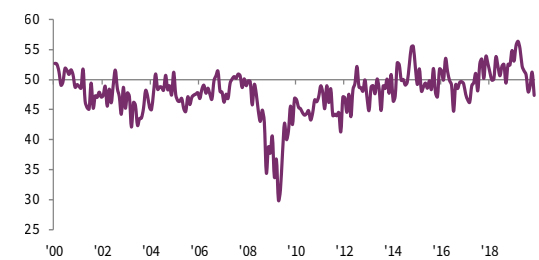
Stocks of Purchases Index



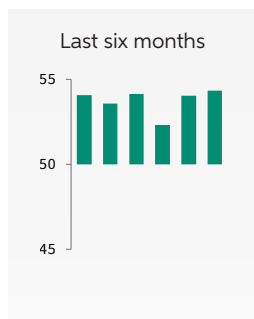
In line with a reduction in purchasing activity, pre-production inventories among Irish manufacturing firms decreased in November. Moreover, the rate of decline was solid and the fastest since March 2017. A number of companies commented that they had lowered their input stocks as a result of softer customer demand.

Stocks of Purchases Index

sa, >50 = growth since previous month



Input Prices Index



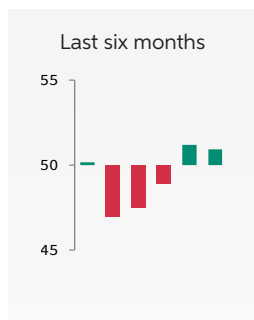
Cost burdens among Irish manufacturers continued to rise during November. The rate of input cost inflation was marked and the quickest in seven months. Anecdotal evidence from panellists indicated that greater prices for raw materials such as oil and pork was the principal factor behind rising cost burdens.

Input Prices Index

sa, >50 = inflation since previous month



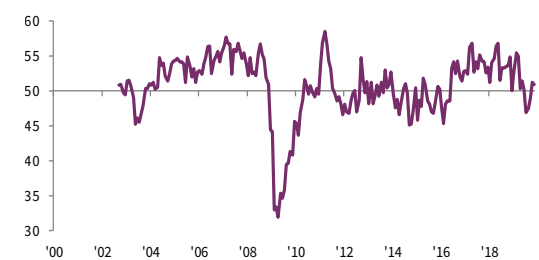
Output Prices Index



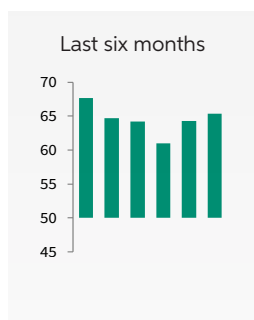
In contrast to the picture for input costs, the pace at which output prices rose eased slightly from October. Moreover, the rate of inflation was marginal. Around 6% of panellists raised their charges, against just over 5% that lowered them.

Output Prices Index

sa, >50 = inflation since previous month



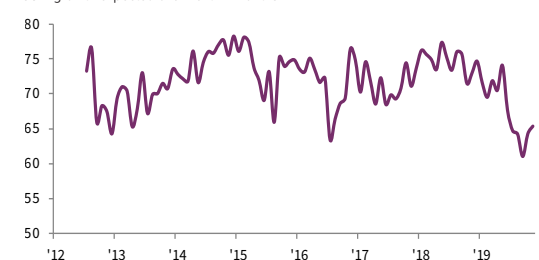
Future Output Index



Sentiment among Irish manufacturers regarding output over the coming year improved to a five-month high during November. Just under 42% of the survey panel indicated positive output expectations, against 11% who forecast lower production. Expectations of greater customer numbers and investments in new machinery were cited as reasons to be optimistic. However, Brexit uncertainty was cited as the key risk-factor undermining sentiment.

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.

November 2019 data were collected 12-22 November 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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