



AIB Ireland Manufacturing PMI®

Stronger growth of output in October alongside record supply delays and price pressures

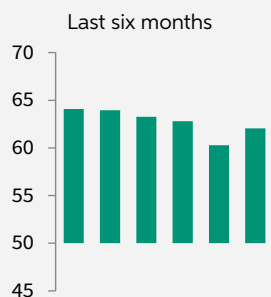
Key Findings

Fastest rise in output in three months

Record lengthening in input lead times

Unprecedented increases in both input and output prices

Ireland Manufacturing PMI



October PMI® survey data from AIB signalled further strong growth in the Irish manufacturing sector, accompanied by record inflationary and supply chain pressures. Output growth accelerated as firms received new orders and addressed backlogs. Production remained constrained by supply delays, however, with lead times lengthening the most in any month on record. Subsequently, rates of input and output price inflation both reached new survey highs in October.

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

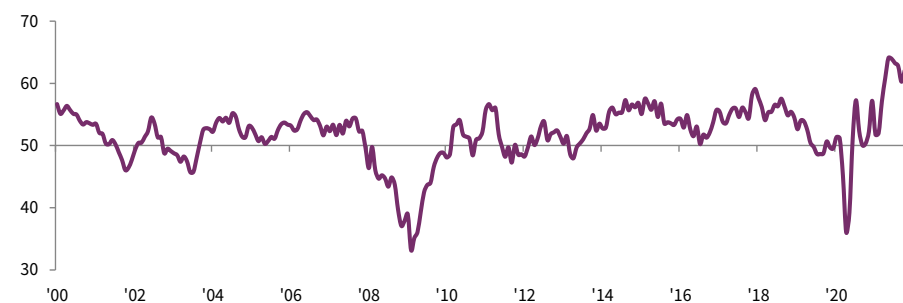
"The AIB Irish Manufacturing PMI for October registered another month of robust performance. The headline index rose to 62.1 in October, from 60.3 in September. The latest reading represents its fifth highest level on record, indicating a continuing strong rate of growth in the Irish manufacturing sector. Indeed, the index has now remained above 60 for seven consecutive months, illustrating the very solid rebound in manufacturing this year."

new orders, from both domestic and overseas customers, rose for an eight month in-a-row. At the same time, the sector continued to add more jobs amid increased workloads and efforts to expand production capacity."

"The subcomponents of the PMI survey provided further evidence of the strong performance in the sector. The output index recorded its first acceleration in growth in five months, rising at its fourth fastest pace since late 1999. Firms noted the higher level of production was against a backdrop of rising demand as the economy continued to reopen and attempts to clear backlogs. Meanwhile,

"However, capacity constraints remained evident in the sector. For an eight successive month, the backlog of work rose, with firms attributing the higher levels of incomplete work to supply delays and staff absences. Meantime, the Suppliers Delivery Times Index deteriorated to a new record level, reflecting unprecedented supply chain delays. This combination of supply delays and higher energy prices brought further upward pressure on both input and output prices. Notably, the pass through of increasing input costs to end products saw the output cost index rise at its fastest pace on record."

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 for the first time in five months to 62.1 in October, from September's six-month low of 60.3. The latest figure signalled the strongest overall improvement in Irish manufacturing business conditions since August, and was the fifth-highest on record. The PMI has registered above 60.0 for seven months running, having never previously passed that threshold.

The level of incoming new work rose sharply in October, as markets continued to reopen and customers placed advance orders to protect operations against delivery delays. The overall rate of new business growth was sharp and well above the long-run survey average, but the weakest since March. This partly reflected only a modest rise in new export orders during the month.

Irish manufacturing output rose at a stronger rate in October. Moreover, growth outpaced new orders for only the second time in the current eight-month sequence of expansion for both variables. This partly reflected companies progressing backlogged work. Outstanding business rose for the eighth month running, but at the slowest rate since April.

The biggest directional influence on the PMI in October came from the suppliers' delivery times component, which is inverted the calculation

of the headline figure. The Suppliers' Delivery Times Index hit a new record low in October, signalling unprecedented supply chain delays as more than 60% of manufacturers reported longer lead times for the first time in the survey history.

Record delays in the delivery of inputs and surging energy prices resulted in a further intensification of cost pressures in the manufacturing sector in October. Average input prices increased the most in any month since the survey began in 1998, with more than three-quarters of firms reporting increases since September. Anecdotal evidence linked higher costs to a wide range of raw materials, transport charges, gas prices and Brexit-related issues.

The survey revealed the widespread pass-through of higher input prices to end products in October. Output charges increased for the thirteenth straight month, and at the fastest rate since the series began in 2002.

In light of rising demand and supply chain pressures, manufacturers sought to boost capacity in October. Manufacturing employment rose strongly, albeit at a rate little-changed on September's seven-month low. Meanwhile, stocked inputs increased at the third-fastest rate ever recorded as manufacturers sought to secure long-term stocks in light of supply chain risks. In contrast, final goods inventories declined for the fifth time in six months.

Irish goods producers remained strongly confident of higher output over the next 12 months, linked to an ongoing recovery in demand, exports, new products, new markets and less supply chain disruption.



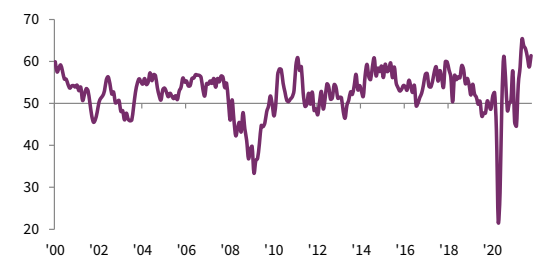
Output Index



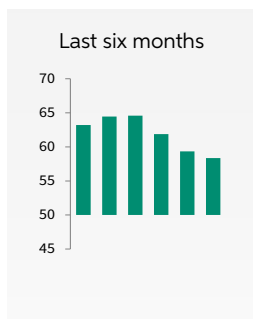
The rate of growth in Irish manufacturing production accelerated for the first time in five months in October. The latest expansion was the strongest since July, and the fourth-fastest since the end of 1999. Firms linked higher production to a sustained improvement in demand as the economy continued to reopen, and efforts to clear backlogs. Output has risen for eight consecutive months.

Output Index

sa, >50 = growth since previous month



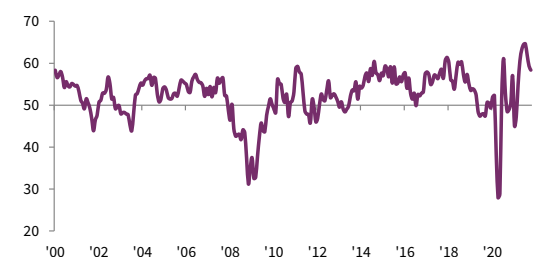
New Orders Index



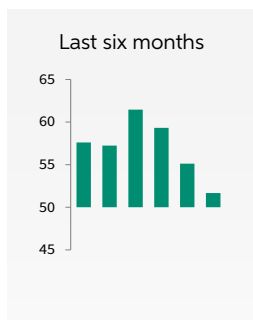
Demand for Irish manufactured goods rose for the eighth successive month in October. The rate of expansion eased for the third month running to the slowest since March but was strong nonetheless. The seasonally adjusted New Orders Index posted well above its long-run trend level of 52.7.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

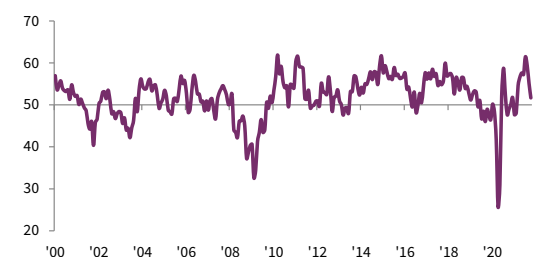


New export orders rose for the eighth month running in October, with Asia, the Middle East and UK all reported as sources of demand growth.

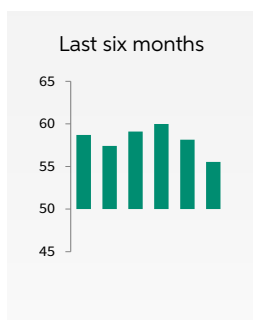
The rate of expansion slowed for the third consecutive month from July's near-record high, however, and was only modest. A number of firms attributed lower exports to Brexit-related customs charges and paperwork.

New Export Orders Index

sa, >50 = growth since previous month



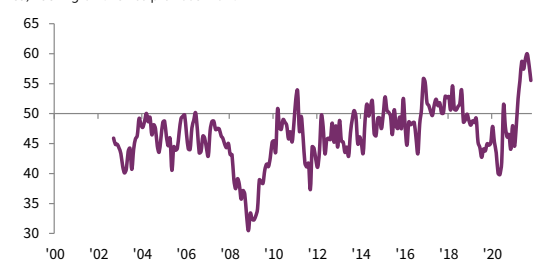
Backlogs of Work Index



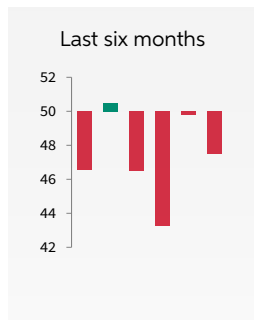
Pressure on manufacturing capacity continued to build in October, with backlogs of work rising for the eighth successive month. Higher levels of incomplete work mainly reflected supply delays and staff absences. The rate of accumulation slowed to a six-month low, but remained strong overall. The seasonally adjusted Backlogs of Work Index posted its seventh-highest level on record since the series began in 2002.

Backlogs of Work Index

sa, >50 = growth since previous month



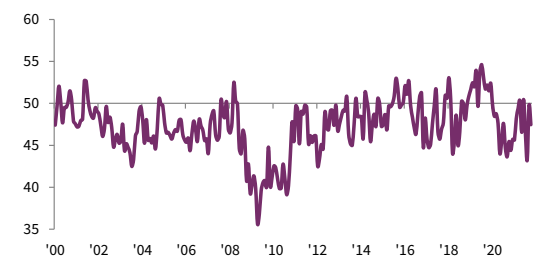
Stocks of Finished Goods Index



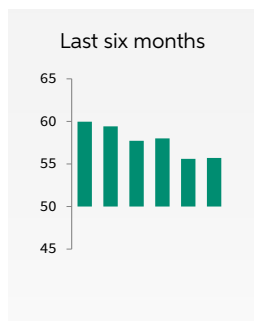
Manufacturers in Ireland continued to reduce their inventories of finished products in October. Since the start of 2020, final goods stocks have declined every month except for slight increases this April and June. The rate of reduction accelerated in October, and was in line with the long-run survey average. Anecdotal evidence linked lower stock levels to raw material and staff shortages.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



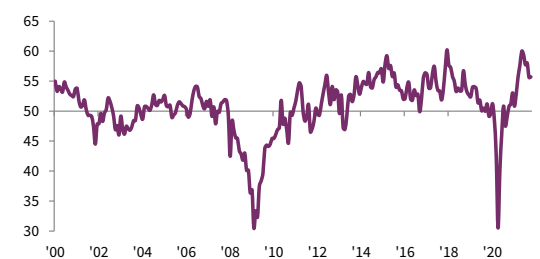
Employment Index



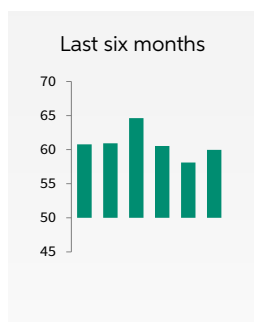
The Irish manufacturing sector workforce continued to expand in October, continuing the current run of job creation that began in October 2020. Firms linked recruitment to rising workloads and efforts to expand capacity. The rate of growth in employment was little-changed from September's seven-month low, but was strong overall and well above the long-run survey trend.

Employment Index

sa, >50 = growth since previous month



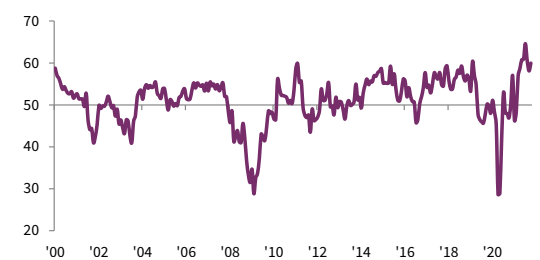
Quantity of Purchases Index



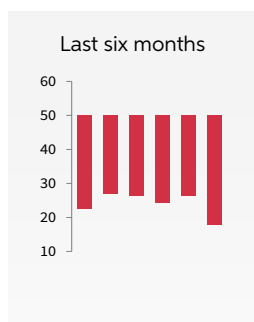
The seasonally adjusted Quantity of Purchases Index remained above the no-change mark of 50.0 for the eighth successive month in October, indicating sustained growth of input purchasing by Irish manufacturers. The rate of growth accelerated from September's six-month low, and was among the sharpest registered in the survey history. Firms increased purchases to meet demand, address backlogged work and secure input stocks, according to anecdotal evidence.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



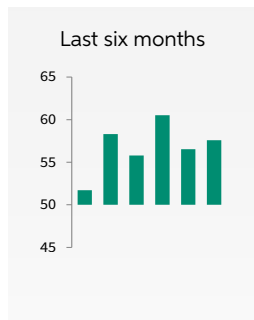
October data signalled the worst deterioration in supplier performance since the series began in 1998. The seasonally adjusted Suppliers' Delivery Times Index sank to a new record low, indicating a greater incidence of supplier delays during the month than in any previous survey period. The proportion of firms reporting longer times during the month rose to 61%, higher even than the 58% registered in April 2020 during the first lockdown. Shortages, transport issues and Brexit were again all widely mentioned as contributing to delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



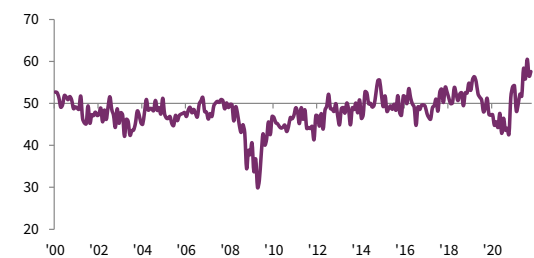
Stocks of Purchases Index



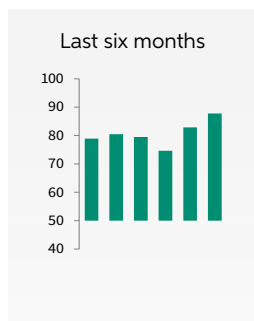
Goods producers continued to report higher levels of inputs held in stock in October. Companies linked higher stocks of inputs to advance purchasing in response to supply chain delays. Moreover, the rate of expansion accelerated since September and was the third-sharpest on record. The current period of inventory growth now stretches to seven months.

Stocks of Purchases Index

sa, >50 = growth since previous month



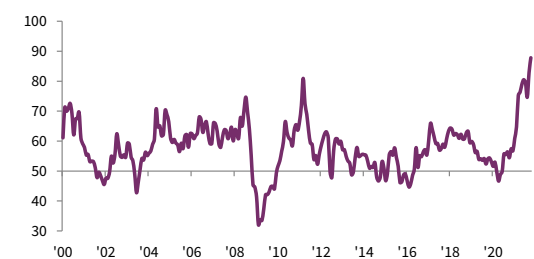
Input Prices Index



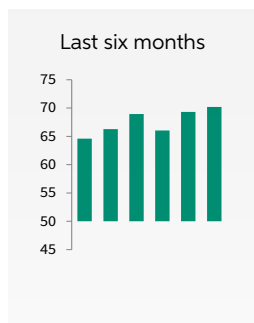
Average input prices paid by Irish manufacturers increased for the sixteenth successive month in October. Moreover, the rate of inflation accelerated further to the strongest in the 23-year survey history. For the first time, more than three-quarters of firms reported higher input prices than one month previously, linked to a wide range of raw materials, transport, gas prices and Brexit.

Input Prices Index

sa, >50 = inflation since previous month



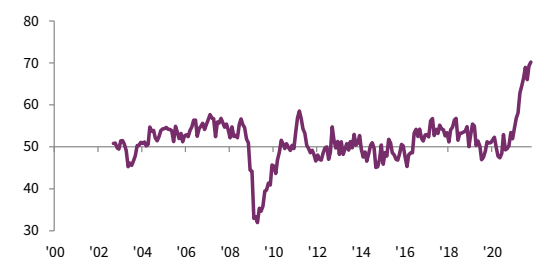
Output Prices Index



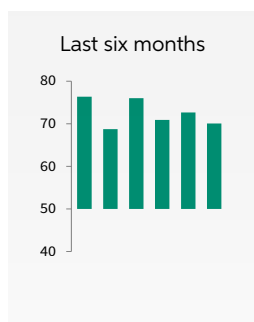
With cost pressures intensifying during October, Irish manufacturers hiked their own prices further. Manufacturing output prices rose for the thirteenth consecutive month, and at the strongest rate since the series began in 2002. Companies widely reported passing on higher input prices to customers.

Output Prices Index

sa, >50 = inflation since previous month



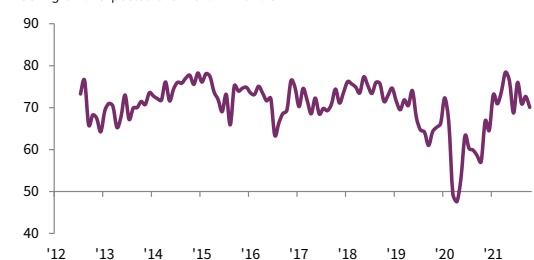
Future Output Index



Irish manufacturers remained strongly confident of higher output over the next 12 months in October. Around 44% of survey respondents expect growth at their units, linked to an ongoing recovery in demand, exports, new products, new markets and less supply chain disruption. The strength of sentiment eased since September and was below the trend for 2021 so far, but broadly in line with its long-run average (since 2012).

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.

Data were collected 12-22 October 2021.

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.

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