



# AIB Ireland Manufacturing PMI®

## Further drop in manufacturing new orders in October

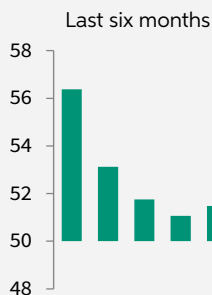
### Key Findings

New orders decline at slightly weaker rate

Output rises for first time in five months as firms cut backlogs

Input price inflation eases to 20-month low

### Ireland Manufacturing PMI



The October PMI® survey data from AIB revealed persistently weak underlying demand at the start of the final quarter of 2022 as new orders fell for the fifth month running. Output and employment both rose on the month, however, as firms made further inroads into backlogs. Input prices rose at a strong overall rate, albeit the slowest in 20 months as supply chains showed a further relative improvement and demand weakened.

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

*There was little change in the headline index in the AIB Irish Manufacturing PMI survey for October. The PMI remained within a narrow 51-52 range for a fourth consecutive month, with the index edging down to 51.4 from 51.5 in September. This signals a further modest improvement in business conditions in the sector. Much weaker readings are being seen in the rest of Europe, with the flash Manufacturing PMIs sinking deeper into contraction territory in October, at 46.6 in the Eurozone and 45.8 in the UK.*

*another solid increase in employment in the month.*

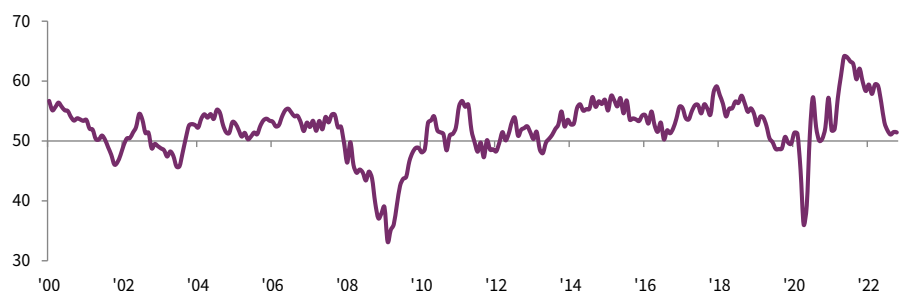
*"While suppliers' delivery times continued to lengthen in October, there are signs of easing pressures on supply chains. Meanwhile, manufacturers cut their purchases of inputs for the third time in four months. In terms of the 12-month outlook, sentiment rose for the second month running, hitting a seven month high, though it remains below its long run average.*

*"However, there are some warning signals in the Irish data, with new orders, including export orders, declining for a fifth consecutive month as high inflation weighs on consumer demand, both at home and abroad. There was a slight increase in output as manufacturers continued to work to clear order backlogs and rebuild stocks of finished goods. As a result, firms were still hiring, with*

*"Despite the weakening in demand, inflationary pressures remain strong. Input prices continued to rise sharply, with pressure on energy, fuel, materials and labour costs, though the rate of increase slowed further to a 20-month low. Output price inflation also remained elevated, edging up to a 3-month high, as firms passed on higher costs to customers."*

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 51.4 in October, little-changed from September's 51.5 and signalling a further modest overall improvement in operating conditions in the goods-producing sector. The October figure matched the average for the third quarter, and remained below its long-run trend level (since 1998) of 52.3.

The positive print in the October PMI figure reflected four of its five components. Output, employment and stocks of purchases all expanded during the month, while suppliers' delivery times lengthened further. New orders, the largest PMI component with a weight of 30%, remained negative.

New business received by Irish goods producers fell for the fifth consecutive month in October. The rate of reduction remained solid despite easing slightly since September. Survey respondents reported that high inflation had deterred customers from placing new orders. International demand remained weak, with new export orders falling the most since June.

Although new business fell, Irish manufacturers expanded output for the first time in five months. This reflected work to reduce outstanding contracts, with backlogs falling at the fastest rate since January 2021. Inventories of finished goods rose for the

fourth consecutive month, but at a slower rate than in August and September.

The sustained drop in new work influenced firms' purchases of inputs in October, with a decline registered for the third time in four months. As well as lower demand, reduced buying activity reflected sufficient stock levels, which rose for the nineteenth month running on the back of the arrival of previously ordered materials. That said, input inventories rose at the slowest rate over this sequence.

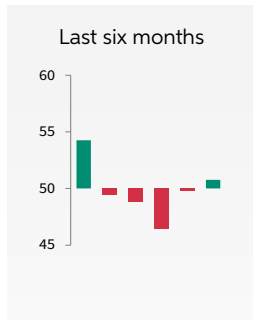
Suppliers' delivery times continued to lengthen to a historically marked degree in October, linked to staff shortages and high fuel costs in the transport sector, and ongoing shortages of electronic components. That said, the increase in lead times was the second-smallest of the past 23 months in a further sign of easing pressure on supply chains.

Input price inflation remained historically strong in October but eased for the fourth time in five months to a 20-month low, reflecting both improving supply chains and weakening demand conditions. In contrast, output price inflation edged up to a three-month high as firms passed on greater costs from materials, labour, fuel and energy.

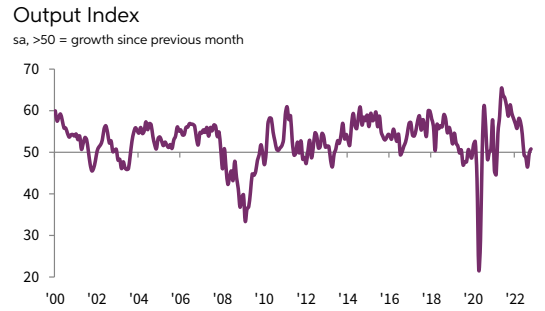
The 12-month outlook among Irish manufacturers improved to a seven-month high in October. Anecdotal evidence linked positive expectations to export forecasts and hopes that the current downturn in demand will prove temporary. Reflecting expectations of higher output and ongoing efforts to address backlogs, firms continued to raise employment at the start of the fourth quarter.



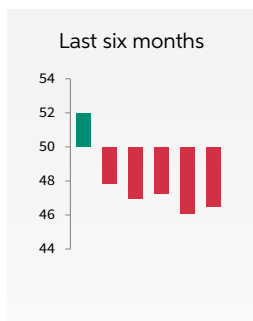
## Output Index



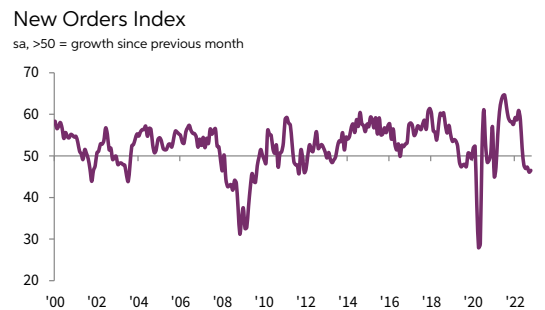
Manufacturers in Ireland raised output in October, following a four-month period of decline. Anecdotal evidence from survey respondents linked higher production to efforts to reduce backlogs and improved supply chains. That said, the rate of growth in output was only marginal, well down on the strong trend seen throughout much of 2021 and the first half of 2022.



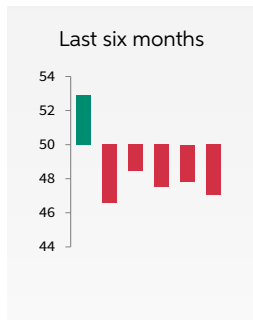
## New Orders Index



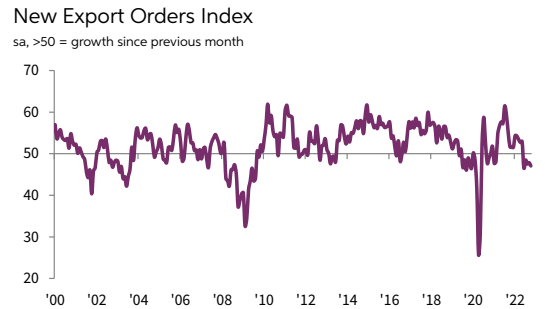
Demand for Irish manufactured goods continued to fall at the start of the final quarter of 2022. The volume of new orders declined for the fifth successive month, marking the joint-longest downturn experienced by the sector since 2009. The rate of contraction remained strong despite easing since September. Weak demand partly reflected high inflation deterring customers.



## New Export Orders Index



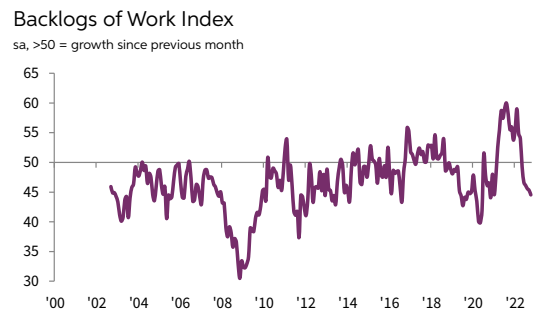
The seasonally adjusted New Export Orders Index remained below the no-change mark of 50.0 for the fifth successive month in October, indicating a sustained drop in demand from overseas markets. Moreover, the rate of contraction was the fastest since June. The current downturn in exports is the longest recorded since the second half of 2019.



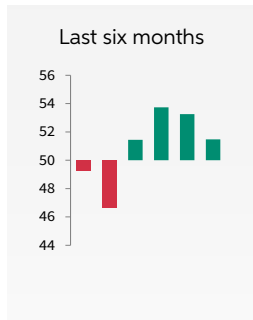
## Backlogs of Work Index



Irish goods producers reduced the level of outstanding business in the sector for the sixth successive month in October, mainly reflecting the weaker trend in new orders compared with output. Firms also linked falling backlogs to an improving supply situation. The overall decline in outstanding business was the strongest since January 2021.



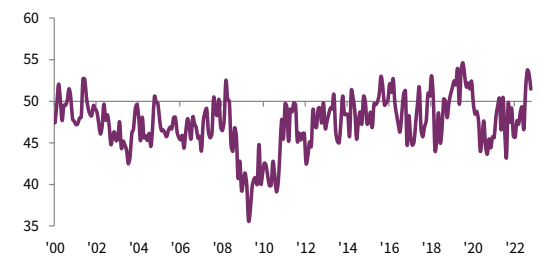
## Stocks of Finished Goods Index



The level of finished goods held in stock at Irish manufacturers rose for the fourth month running in October. Firms linked stockbuilding to sustained output despite falling demand, and slower shipping of orders to clients. That said, the rate of growth was the weakest in three months.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



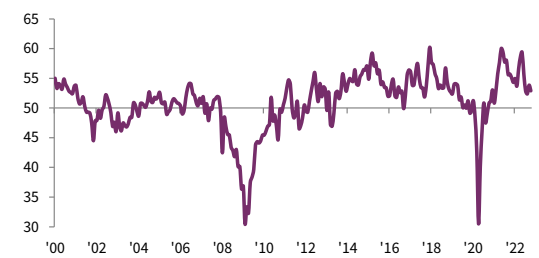
## Employment Index



Manufacturing employment in Ireland rose further in October, extending the current sequence of job creation that began in October 2020. Firms reported seeking to grow capacity and address backlogs. The rate of expansion was weaker than the trend over the past two years but broadly in line with the average for the third quarter and remaining above the survey's long-run average.

Employment Index

sa, >50 = growth since previous month



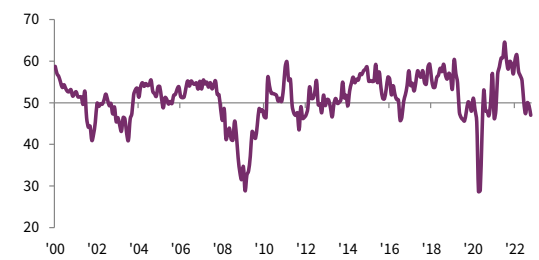
## Quantity of Purchases Index



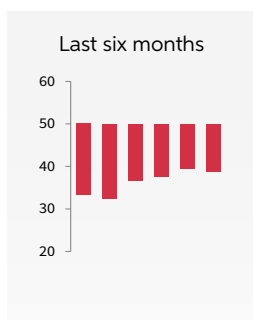
Manufacturers reduced purchasing activity in volume terms for the third time in four months in October. Moreover, the rate of decline was the fastest since January 2021. Lower purchasing was linked to attempts to keep costs down, a drop-off in demand, adjusting purchasing in line with lower forecasts and using up excess stocks from earlier in the year.

Quantity of Purchases Index

sa, >50 = growth since previous month



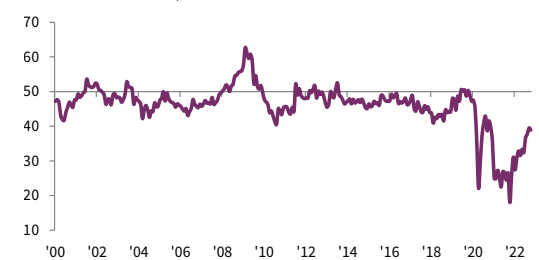
## Suppliers' Delivery Times Index



October data signalled a further lengthening in average suppliers' delivery times. Supplier performance has deteriorated every month since November 2019. Longer times were linked to staff shortages and high fuel costs in the transport sector, and ongoing shortages of electronic components. The extent to which times lengthened remained severe relative to the survey's historic trend, but the incidence of delays in the latest period was the second-lowest since November 2020.

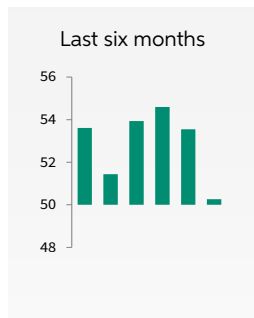
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



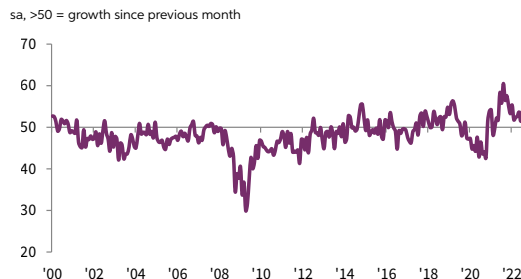


## Stocks of Purchases Index

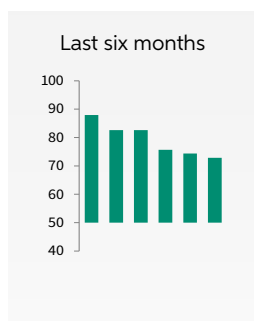


There was another increase in the volume of inputs held in stock at manufacturers in October, as the seasonally adjusted Stocks of Purchases Index remained above 50.0 for the nineteenth successive month. That said, the Index fell sharply, signalling a much slower rate of expansion that was the weakest in the current sequence. Some firms reported using up excess stocks accumulated earlier in the year.

Stocks of Purchases Index



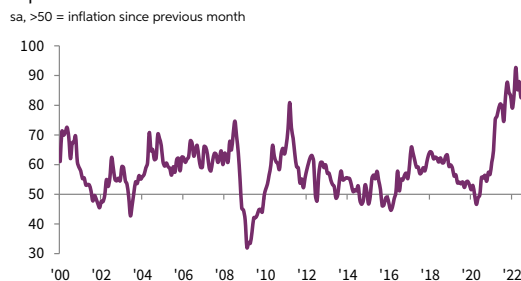
## Input Prices Index



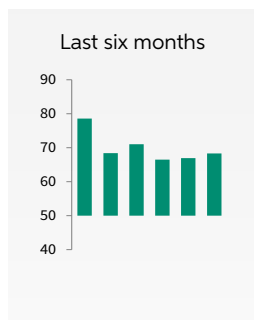
Input price inflation eased for the fourth time in five months to a 20-month low in October, reflecting both improving supply chains and weakening demand conditions.

That said, the rate of inflation was still higher than in any survey period prior to March 2021 except for March 2011 (Index value 80.9) and July 2008 (74.7), reflecting widespread pressure on energy, materials, fuel and labour costs.

Input Prices Index

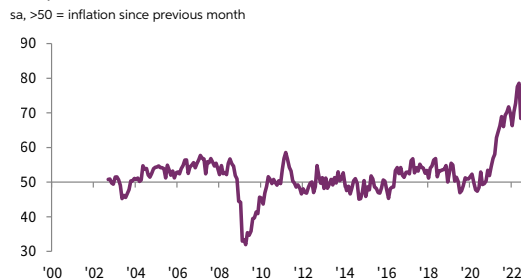


## Output Prices Index

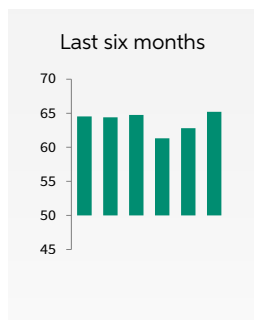


Irish manufacturers increased their output prices for the twenty-fifth consecutive month in October, and the rate of inflation edged up to a three-month high. It remained below the trend shown over the second half of 2021 and the first half of 2022, but was still higher than in any period prior to July 2021. Higher output prices reportedly reflected firms' greater costs from materials, labour, fuel and energy.

Output Prices Index

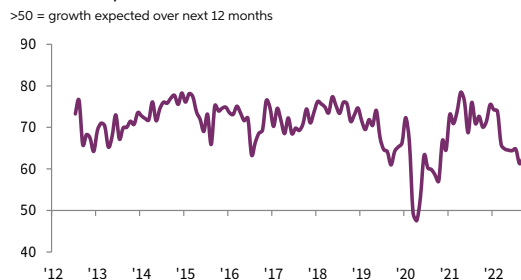


## Future Output Index



Manufacturers remained confident in the 12-month outlook for production in October. Moreover, the strength of sentiment improved to a seven-month high. Anecdotal evidence linked positive expectations to export demand and hopes that the current downturn in demand will prove temporary. That said, overall optimism remained below the long-run series average.

Future Output Index



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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 October 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

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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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