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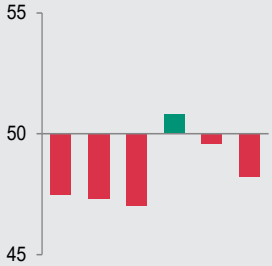
AIB Ireland Manufacturing PMI®

Sharpest fall in production since July as sluggish demand conditions persist

48.2

IRELAND MANUFACTURING PMI OCT '23

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



Business conditions across the Irish manufacturing sector weakened to the greatest extent for three months in October as subdued export demand, customer destocking and lacklustre global economic conditions weighed on sales. Staff hiring stagnated as goods producers became less optimistic about growth prospects for the year ahead.

Manufacturers cut their output charges to help stimulate demand and retain market share, but input costs rose slightly as higher oil prices added to operating expenses.

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

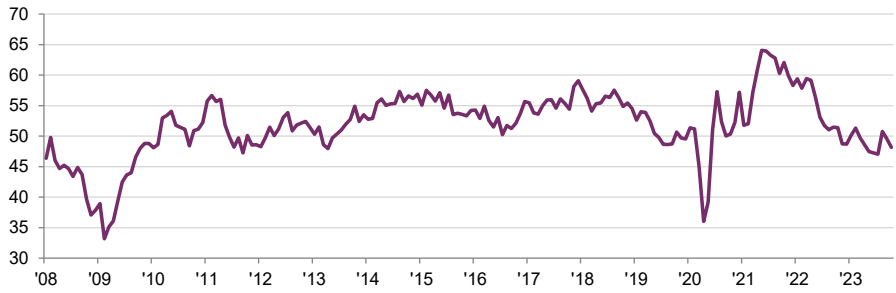
"The AIB Irish Manufacturing PMI survey for October showed a further deterioration in business conditions in the month. The headline index fell to 48.2 from 49.6 in September and 50.8 in August, though it is still above the readings seen during the May-July period. Furthermore, the Irish PMI remains higher than elsewhere in Europe. The flash manufacturing PMI readings remained very weak in October in the Eurozone and UK, at 43.0 and 45.2, respectively. These were also well below the US index, which stood at 50.0.

"Significant declines in new orders and output were the primary factors behind the continued weakening in Irish manufacturing conditions in October. Firms reported that subdued demand in both domestic and export markets, higher borrowings costs and leaner inventory strategies all weighed on activity. New orders, in particular, fell at their fastest pace since last December.

"Other elements of the October PMI data also painted a weak picture of manufacturing. Employment numbers stagnated after increasing over the third quarter. There was another steep fall in order backlogs, as well as a renewed decline in stocks of finished goods. October also saw a marked reduction in the purchases of inputs, while the stock of pre-production inventories declined too. Manufacturers were also somewhat less optimistic on the outlook for the year ahead, though they continue to expect an increase in output.

"Meanwhile, input prices rose slightly in October following six months of declines. This reflected higher fuel prices and transportation costs following the rise in oil prices since mid-year. Manufacturers, though, continued to lower factory gate prices, largely on account of further falls in their raw material prices."

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



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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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Overview

Sharpest reduction in new work in 2023 so far

Tighter inventory management recorded in October

Input prices rise for first time since March

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.

Adjusted for seasonal influences, the AIB Ireland Manufacturing PMI registered 48.2 in October, down from 49.6 in September and below the neutral 50.0 value for the second month running. The latest reading was the lowest since July, but signalled only a modest downturn in manufacturing performance.

Faster reductions in output volumes and incoming new work were the main factors weighing on the headline PMI in October. The latest fall in new order intakes was the steepest since December 2022. Manufacturers noted that higher borrowing costs and subdued global economic conditions had restrained client demand, alongside cost of living pressures for consumers.

New export orders decreased at the fastest pace since June, with manufacturers mostly citing weak demand from elsewhere in Europe. Some firms also noted that overstocking among clients had acted as a drag on export sales.

Employment numbers stagnated in October, which contrasted with solid job creation during the third quarter of the year. This partly reflected a lack of pressure on operating capacity, as signalled by another steep fall in backlogs of work. However, some goods producers continued to note efforts to boost payroll numbers in anticipation of new product launches and rising output requirements.

October data highlighted positive sentiment regarding the outlook for production volumes during the year ahead, with around 48% of the survey panel forecasting a rise and only 8% predicting a decline. A number of firms attributed positive sentiment to export-led business expansion plans. The overall degree of confidence nonetheless eased for the second month in a row to its lowest since July. Survey respondents suggested that concerns about the broader economic outlook and cutbacks to investment spending among clients had impacted business confidence.

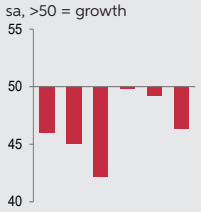
Weaker expectations for production growth and efforts to reduce inventories contributed to a marked decline in input buying across the manufacturing sector in October. Stocks of purchases resumed their downward trend, while finished goods inventories decreased to the greatest extent since June 2022. Goods producers noted that softer demand conditions, fewer supply shortages and higher borrowing costs had encouraged leaner inventory strategies.

Meanwhile, input prices increased for the first time since February. Higher fuel and transportation costs more than offset lower raw material prices, according to survey respondents in October. That said, the overall rate of inflation was only marginal. Relatively muted cost pressures and strong competition for new work meant that price discounting continued across the manufacturing sector. Lower factory gate prices have now been recorded for six consecutive months, but the rate of decline eased markedly since September.

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Output and demand

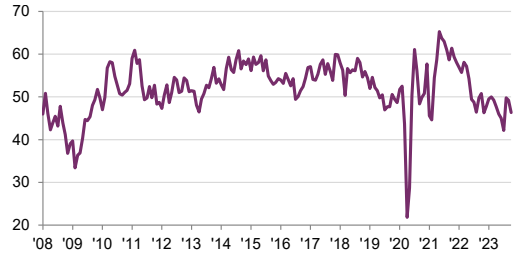
Output Index
May - Oct '23
sa, >50 = growth



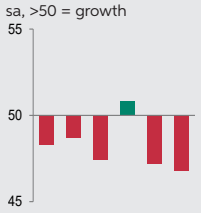
Output

The seasonally adjusted Output Index registered below the 50.0 no-change value for the eighth consecutive month in October. Moreover, the rate of decline accelerated to the fastest since July. Manufacturers generally cited subdued demand in both domestic and overseas markets, with higher borrowing costs also limiting spending. Some firms nonetheless noted that fewer supply shortages had boosted production schedules.

Output Index
sa, >50 = growth since previous month



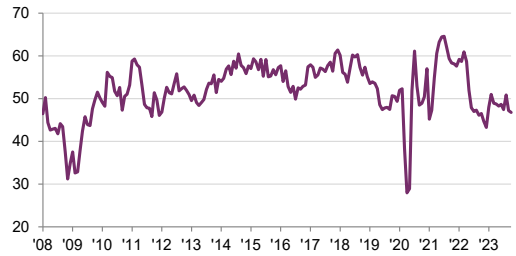
New Orders Index
May - Oct '23
sa, >50 = growth



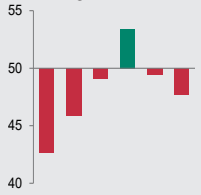
New orders

October data pointed to a solid reduction in new work received by manufacturers in Ireland, with the rate of contraction accelerating to the fastest since December 2022. Survey respondents commented on sluggish global economic conditions, a slowdown in demand from the construction sector, and reduced household budgets due to cost of living pressures.

New Orders Index
sa, >50 = growth since previous month



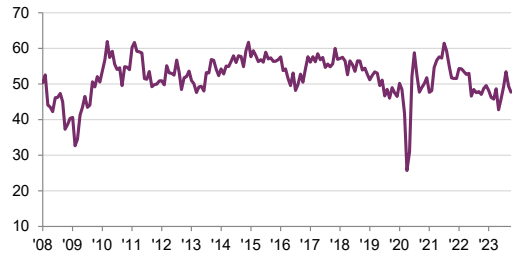
New Export Orders Index
May - Oct '23
sa, >50 = growth



New export orders

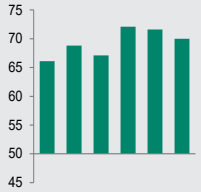
Manufacturers indicated a second successive monthly fall in new work from abroad during October. The seasonally adjusted New Export Orders Index was also at its lowest level since June. Falling export sales were partly linked to overstocked customers, as well as lacklustre underlying demand across Europe.

New Export Orders Index
sa, >50 = growth since previous month



Business expectations

Future Output Index
May - Oct '23
>50 = growth expected



The number of manufacturers expecting a rise in production over the year ahead (48%) continued to exceed those forecasting a decline (8%). However, the degree of confidence signalled by the resulting Future Output Index was the weakest since July.

Worries about the broader economic outlook and subdued investment spending among clients were reported in October. Those reporting optimism typically commented on long-term business expansion plans and export-led growth strategies.

Future Output Index
>50 = growth expected over next 12 months

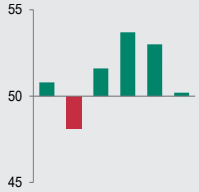


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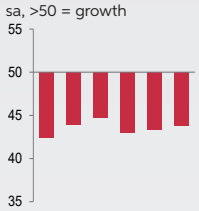
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Employment and capacity

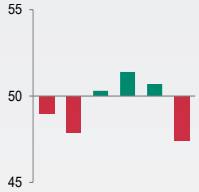
Employment Index
May - Oct '23
sa, >50 = growth



Backlogs of Work Index
May - Oct '23
sa, >50 = growth



Stocks of Finished Goods Index
May - Oct '23
sa, >50 = growth



Employment

Workforce numbers increased only fractionally in October, with the rate of job creation easing further from August's six-month peak. Additional hiring was linked to expected business activity growth during the year ahead. However, some manufacturers commented on the non-replacement of leavers in response to worsening order books.

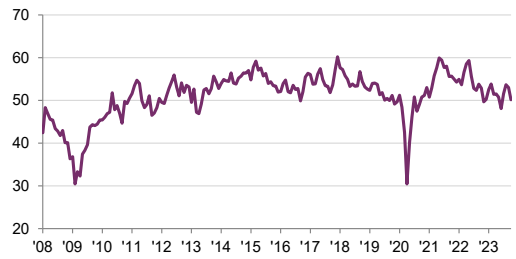
Backlogs of work

The seasonally adjusted Backlogs of Work Index posted below the 50.0 no-change threshold for the eighteenth month in a row during October. Moreover, the latest reading continued to signal a sharp rate of decline. Fewer backlogs of work were attributed to increased business capacity and softer demand conditions.

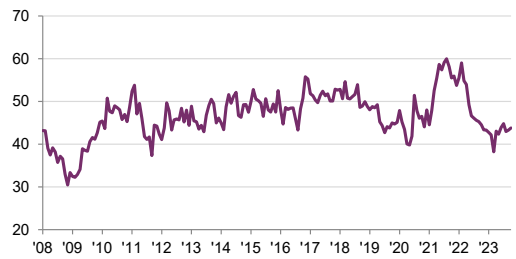
Stocks of finished goods

October data highlighted a renewed decline in post-production inventories across the manufacturing sector, thereby ending a three-month period of stock accumulation. The seasonally adjusted Stocks of Finished Goods Index pointed to the fastest rate of destocking since June 2022. Survey respondents mostly noted deliberate inventory reduction policies.

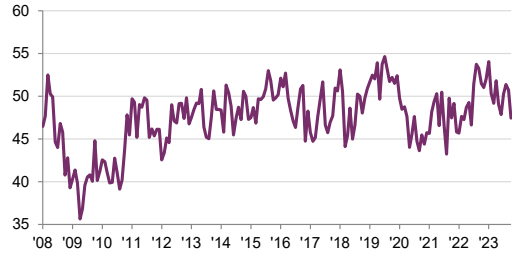
Employment Index
sa, >50 = growth since previous month



Backlogs of Work Index
sa, >50 = growth since previous month



Stocks of Finished Goods Index
sa, >50 = growth since previous month



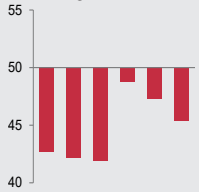


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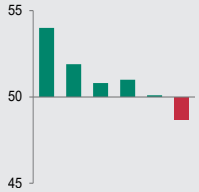
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Purchasing

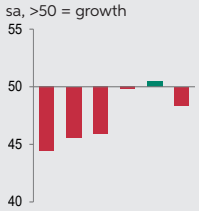
Quantity of Purchases Index
May - Oct '23
sa, >50 = growth



Suppliers' Delivery Times Index
May - Oct '23
sa, >50 = faster times



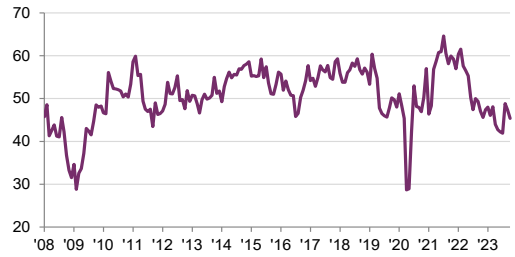
Stocks of Purchases Index
May - Oct '23
sa, >50 = growth



Quantity of purchases

Manufacturers reported a marked reduction in their input buying during October. The respective seasonally adjusted index has posted below the 50.0 no-change value in each month since September 2022 and the latest fall was the fastest since July. This was partly linked to destocking efforts during October.

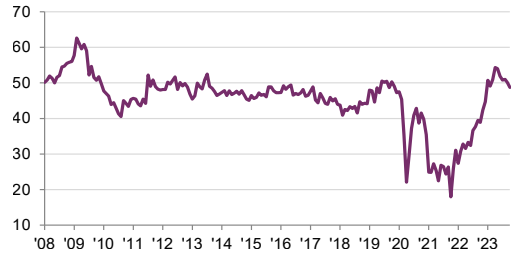
Quantity of Purchases Index
sa, >50 = growth since previous month



Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index highlighted worsening vendor performance for the first time since February, although the extent of the deterioration was only marginal. Some manufacturers suggested that there had been a negative impact on suppliers' delivery times arising from delays at UK customs during the latest survey period.

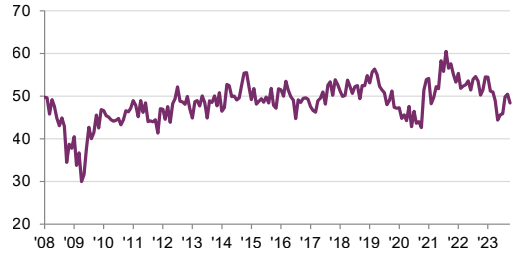
Suppliers' Delivery Times Index
sa, >50 = faster times since previous month



Stocks of purchases

Pre-production inventories declined in October, albeit only modestly. Lower stocks of purchases were linked to falling demand and ongoing inventory reduction strategies. Some firms noted that rising borrowing costs and fewer raw material shortages had encouraged tighter inventory management.

Stocks of Purchases Index
sa, >50 = growth since previous month





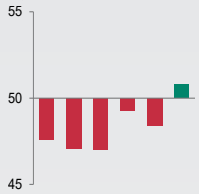
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Input Prices Index

May - Oct '23

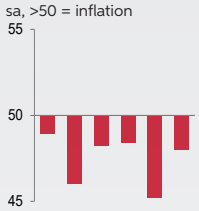
sa, >50 = inflation



Output Prices Index

May - Oct '23

sa, >50 = inflation



Prices

Input prices

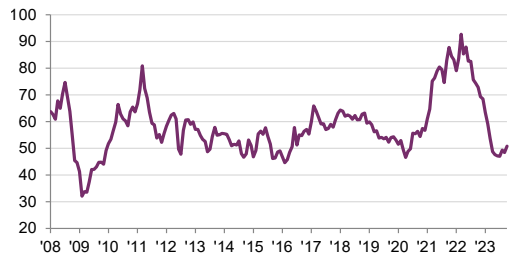
The seasonally adjusted Input Prices Index signalled a renewed increase in average cost burdens across the manufacturing sector in October, which ended a six-month period of falling prices. That said, the rate of purchase price inflation was only marginal. Manufacturers mostly noted rising fuel prices and transportation costs, which more than offset falling raw material prices.

Output prices

Goods producers continued to reduce their factory gate prices in October. The seasonally adjusted Output Prices Index posted below the 50.0 mark for the sixth successive month, but signalled only a moderate pace of price discounting. Lower output charges typically reflected falling raw material prices and efforts to boost market share, according to survey respondents.

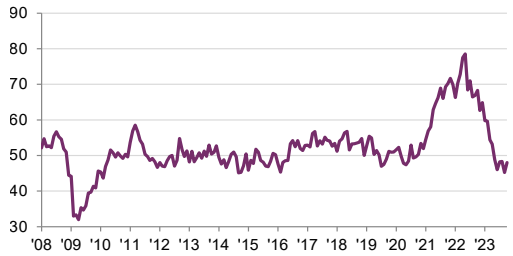
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month





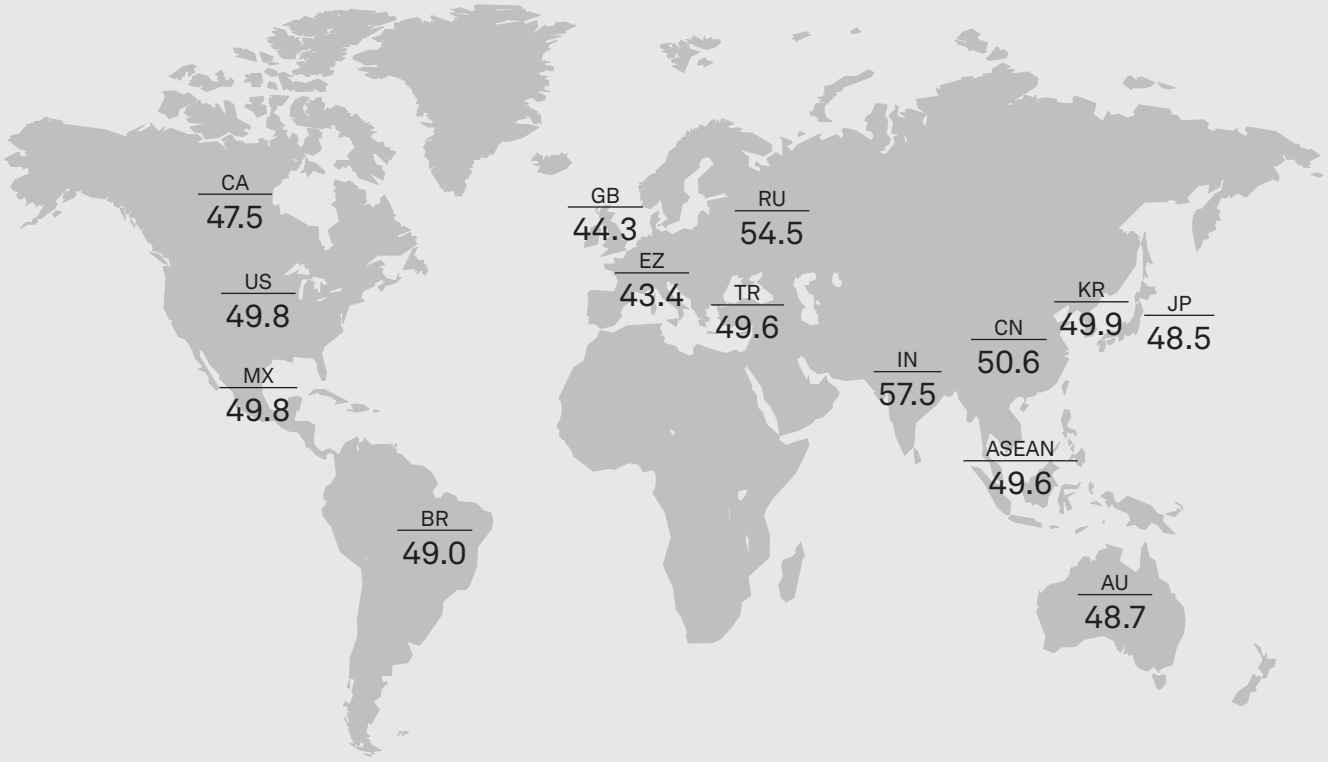
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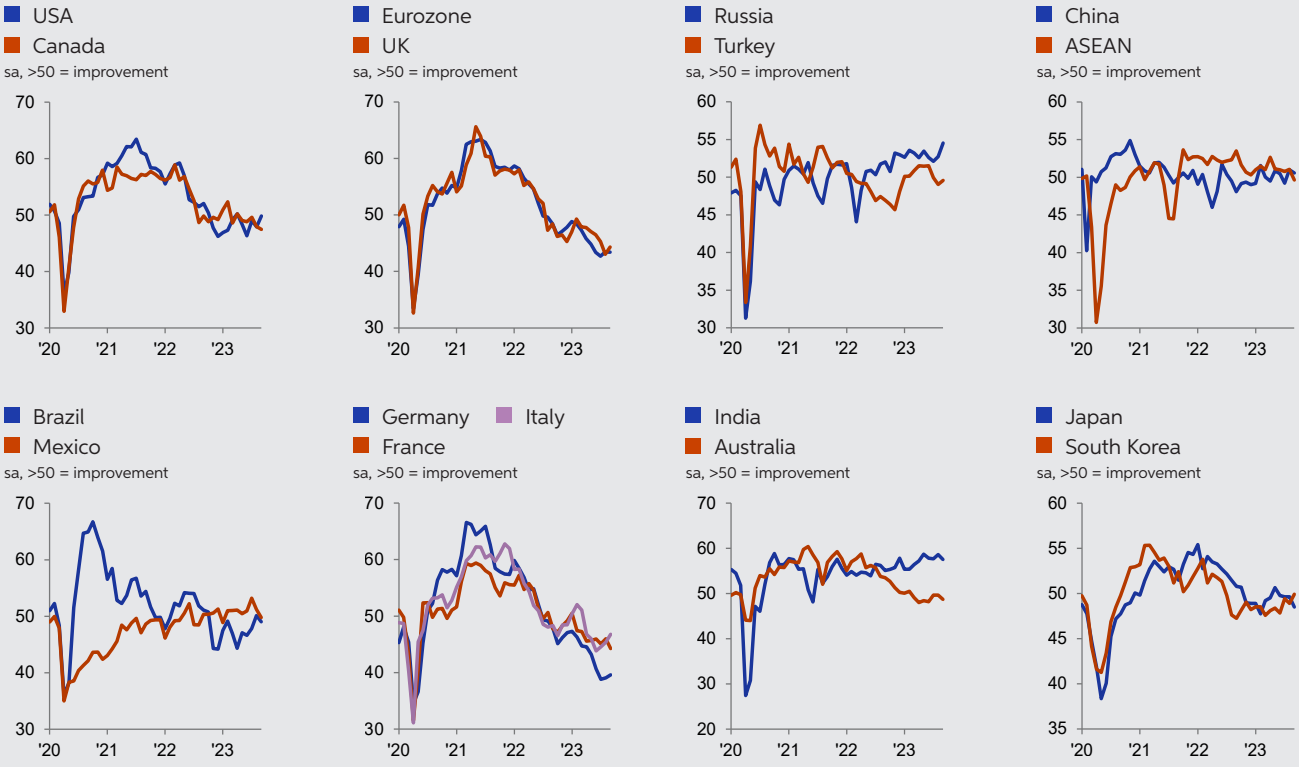
International PMI

Manufacturing PMI, Sep '23

sa, >50 = improvement since previous month



Manufacturing PMI



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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@spglobal.com.

Survey dates

Data were collected 12-24 October 2023.

Survey questions

Manufacturing sector

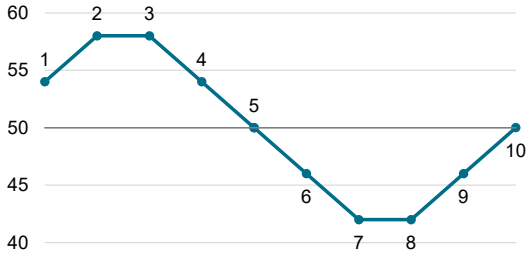
- Output
- New Orders
- New Export Orders
- Future Output
- Employment
- Backlogs of Work
- Stocks of Finished Goods
- Quantity of Purchases
- Suppliers' Delivery Times
- Stocks of Purchases
- Input Prices
- Output Prices

Index calculation

% "Higher" + (% "No change")/2

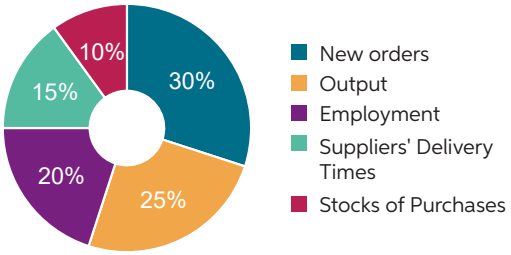
Index interpretation

50.0 = no change since previous month



1 Growth
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
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
- C11 - Beverages
- C12 - Tobacco Products
- C13 - Textiles
- C14 - Wearing Apparel
- C15 - Leather and Related Products
- C16 - Wood and of Products of Wood and Cork, Except Furniture; Articles of Straw and Plaiting Materials
- C17 - Paper and Paper Products
- C18 - Printing and Reproduction of Recorded Media
- C19 - Coke and Refined Petroleum Products
- C20 - Chemicals and Chemical Products
- C21 - Basic Pharmaceutical Products and Pharmaceutical Preparations
- C22 - Rubber and Plastic Products
- C23 - Other Non-Metallic Mineral Products
- C24 - Basic Metals
- C25 - Fabricated Metal Products, Except Machinery and Equipment
- C26 - Computer, Electronic and Optical Products
- C27 - Electrical Equipment
- C28 - Machinery and Equipment N.E.C.
- C29 - Motor Vehicles, Trailers and Semi-Trailers
- C30 - Other Transport Equipment
- C31 - Furniture
- C32 - Other Manufacturing
- C33 - Repair and Installation of Machinery and Equipment

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Contact

Oliver Mangan
AIB Chief Economist
T: +353-1-6417176
AIBeconomics.Unit@aib.ie
www.aibeconomics.com

Paddy McDonnell
AIB Press Office
T: +353-87-739-0743
paddy.x.mcdonnell@aib.ie

Louise Kelly
AIB Press Office
T: +353-87-216-1545
louise.Y.kelly@aib.ie

Tim Moore
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-067
tim.moore@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.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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