



AIB Ireland Manufacturing PMI®

New orders and output expand more slowly in September

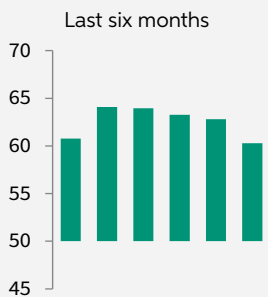
Key Findings

PMI eases to six-month low but still signals strong growth

Backlogs of work continue to rise sharply

Record inflation of both input and output prices

Ireland Manufacturing PMI



Manufacturing business conditions in Ireland continued to improve strongly in September, according to the AIB PMI® data. Growth rates for output, new orders, employment and purchasing all remained relatively strong, and backlogs expanded at one of the fastest rates on record. That said, all these variables registered slower expansions than in recent months. The latest survey also highlighted record rates of input and output price inflation in manufacturing.

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

"The AIB Irish Manufacturing PMI posted another strong number of 60.3 in September, though this is down somewhat from 62.8 in August. While it was the lowest PMI since March, September was still the sixth highest reading registered since the survey began in 1998. The index has now been above 60 for six consecutive months, pointing to a very strong rebound in the sector this year.

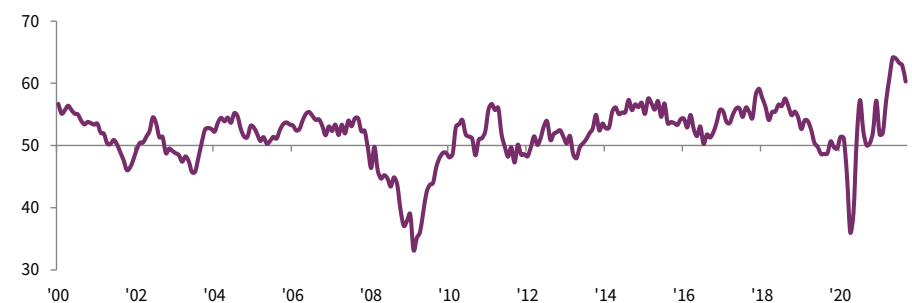
"The easing back of the Irish PMI is in line with the trend seen in other countries, with the flash September readings for the index falling from 60.3 to 56.3 in the UK and from 61.4 to 58.7 in the Eurozone. Shortages of raw materials, key inputs and labour are holding back manufacturing activity in many economies.

"The sub-components of the Irish PMI survey showed that while rates of growth have moderated in recent months, they

remain at high levels. Output growth, while off its peak, remains strong. New orders, both domestic and overseas, continue to show good growth, though the pace of increase has slowed in recent months. The 12-month outlook for production remains very upbeat and, indeed, improved slightly from August.

"Meanwhile, employment rose for the twelfth month running, but some firms reported difficulties in hiring workers. There was another increase in order backlogs reflecting a combination of demand pressures, supply chain delays as delivery times continued to lengthen, and staffing shortages. These factors are contributing to the on-going marked upward trend in input and output prices, with both increasing at a record pace in September, as inflationary pressures continue to build in the sector."

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 eased further from May's record high to 60.3 in September, from 62.8 in August. The latest figure signalled the slowest overall improvement in Irish manufacturing business conditions since March, and the month-on-month drop in the headline figure in September of 2.5 points was the largest observed in the current four-month sequence of weaker monthly figures. That said, the PMI still signalled strong overall growth in the goods-producing sector and was the sixth-highest registered since the survey began in 1998.

Over the third quarter as a whole the PMI registered 62.1. This was down from the record quarterly figure of 62.9 set in the second quarter, and the first quarter-on-quarter decline since Q2 2020, but still the second-best performance of any quarter over the survey history.

New orders expanded for the seventh month running as markets continued to reopen and customers put in advance orders to safeguard against future supply delays. The rate of growth was strong overall but the weakest since March. New export orders followed the same pattern as total new work, with growth reported from the US, UK and Middle East.

Production rose in tandem with new orders in September, extending the current growth sequence to seven months. The rate of

expansion eased to a five-month low, however, and remained softer than new business growth for the fourth consecutive month. As a result, backlogs rose strongly again in September, with the rate of accumulation the fourth-fastest ever recorded by the survey. The 12-month outlook for production remained positive and improved slightly since August.

Firms supported sales by selling from stock, although the rate of depletion in post-production inventories slowed to a marginal pace having been the fastest in nearly ten years in August.

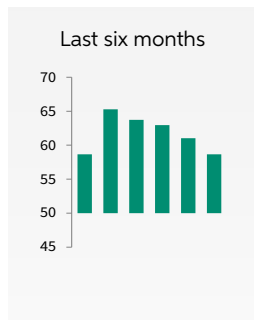
Employment in manufacturing rose for the twelfth consecutive month in September as firms sought to address capacity constraints. The rate of job creation was strong overall, albeit the weakest since February. Some firms reported difficulty replacing leavers.

Purchasing activity was raised again to meet new order requirements, and to build safety stocks in response to ongoing supply chain delays. In line with new order growth, the rate of expansion in purchasing activity was strong overall, but the weakest since March. Stocked inputs rose again, and the rate of growth was the third-highest on record despite slowing since August. This partly reflected the build-up of unused raw materials due to shortages of key components such as semiconductors. Suppliers' delivery times continued to lengthen markedly in September.

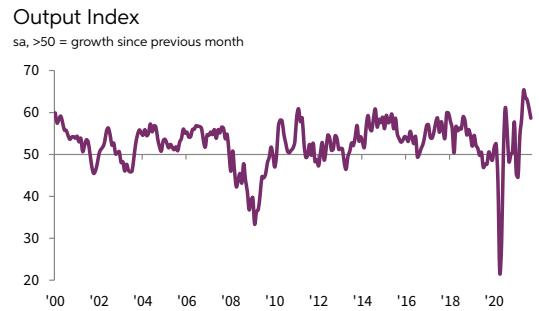
Having eased in July and August, input price inflation rebounded sharply in September to set a new survey record high, surpassing the previous peak set in March 2011. Subsequently, output price inflation also accelerated to a new series high.



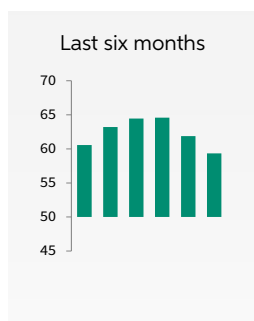
Output Index



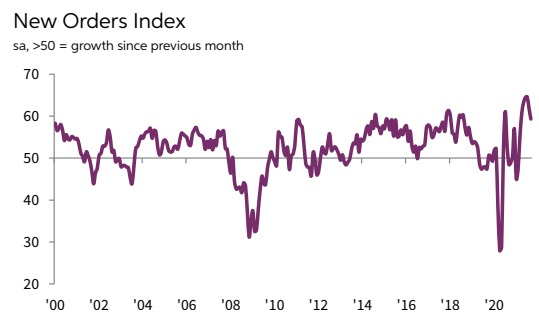
Goods producers in Ireland raised output for the seventh month running in September. Higher output was linked to rising demand, the reopening of the economy, customers restocking and customers placing orders early in anticipation of price increases. The rate of expansion remained strong, but eased for the fourth month running from May's survey record high to equal that registered back in April.



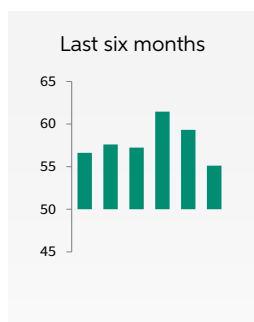
New Orders Index



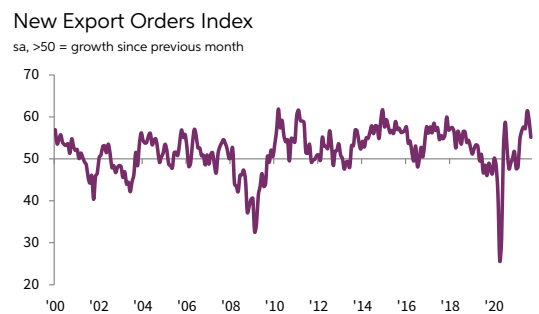
The volume of new orders in the Irish manufacturing sector expanded for the seventh successive month in September. Demand was linked to the continued reopening of the domestic economy and also export business. The rate of growth slowed to a six-month low, but remained well above the long-run survey average.



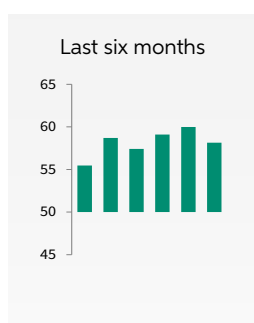
New Export Orders Index



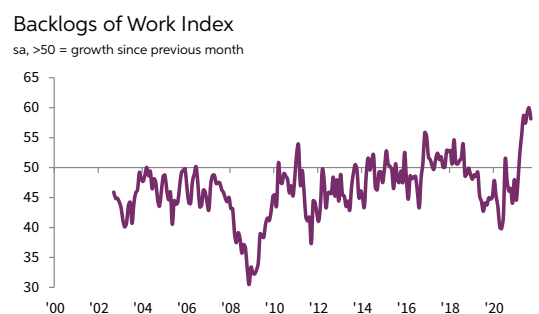
International demand for Irish goods continued to increase in September, with US, UK and Middle Eastern markets mentioned as sources of growth. The overall volume of new export orders rose for the seventh month running, albeit at the slowest rate since March. That said, the seasonally adjusted New Export Orders Index remained above its long-run average of 51.9.



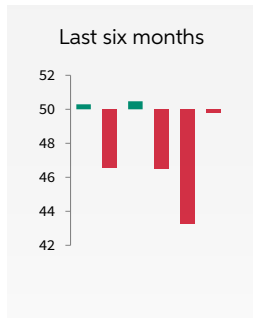
Backlogs of Work Index



Pressure on manufacturing capacity continued to build in September. Higher backlogs were linked to staff absences due to COVID, raw material shortages and rising demand. Backlogs rose for the seventh month running, the second-longest sequence since the series began in late-2002. The rate of growth eased from August's record high, but was still the fourth-sharpest ever registered.

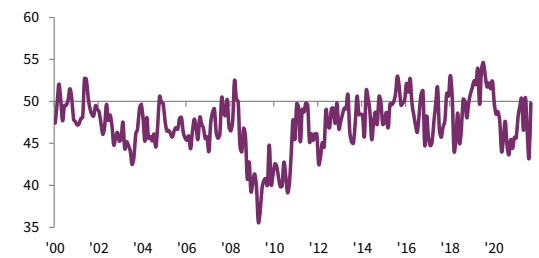


Stocks of Finished Goods Index

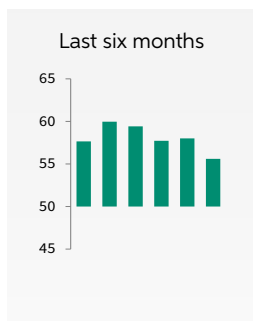


The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 in September, indicating ongoing destocking at Irish manufacturers. Inventory levels have declined in each month since January 2020 except for marginal increases in April and June. The rate of decline slowed notably from August's nine-and-a-half year record, however, and was only fractional.

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

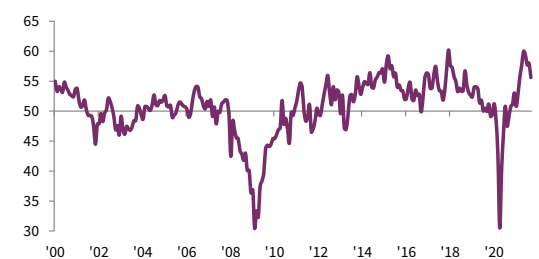


Employment Index

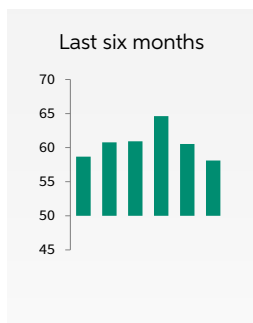


Manufacturers continued to expand workforces to support output requirements in September. The level of employment rose for the twelfth consecutive month, and the rate of growth remained strong despite easing to the weakest since February. The seasonally adjusted Employment Index remained well above its long-run trend level of 51.0.

Employment Index
sa, >50 = growth since previous month

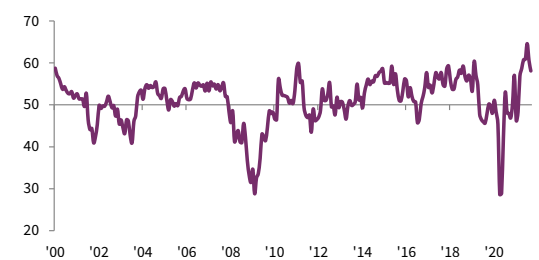


Quantity of Purchases Index

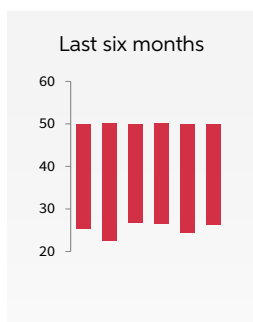


In line with the trends for output and new orders, purchasing activity by manufacturers rose for the seventh consecutive month in September. Firms increased purchasing to meet new orders and build safety stocks in advance of price increases and worsening supply shortages. The rate of input buying slowed further from July's record high, but remained strong.

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

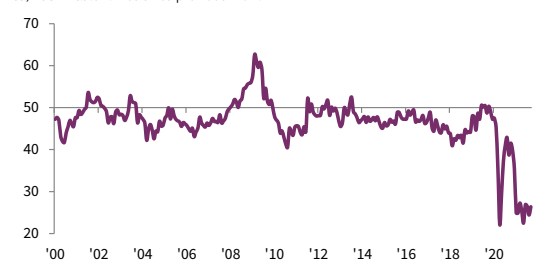


Suppliers' Delivery Times Index

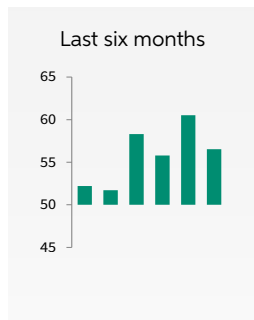


Survey data indicated ongoing severe delays in supply chains, linked to global shortages of raw materials and electronic components, stretched shipping capacity and UK customs issues. Input lead times continued to lengthen substantially, with the seasonally adjusted Suppliers' Delivery Times Index remaining among the lowest on record. Around 46% of firms reported longer times than in August, while a further 52% stated no change in supplier performance over the month.

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



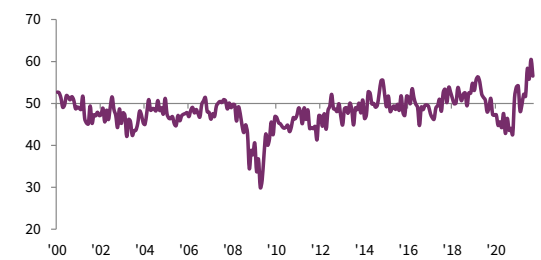
Stocks of Purchases Index



There was a further build-up of inputs held in stock at Irish manufacturers in September. The seasonally adjusted Stocks of Purchases Index remained above 50.0 for the sixth successive month, and the latest figure signalled the third-fastest rate of growth in the survey history (behind August and June). Firms reported stocking up to secure inputs, and to meet strengthening demand.

Stocks of Purchases Index

sa, >50 = growth since previous month



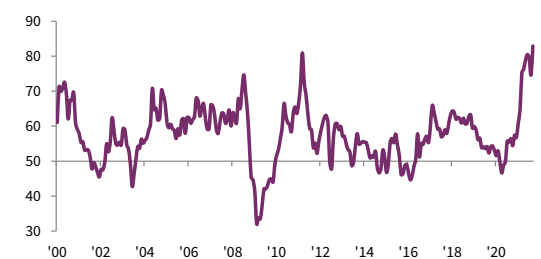
Input Prices Index



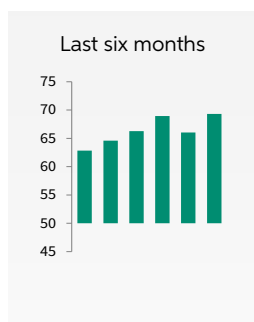
Cost inflationary pressures spiked higher in September to a new survey record high. The seasonally adjusted Input Prices Index rose sharply to the highest level since the series began in May 1998, surpassing the previous peak set in March 2011. Firms reported widespread shortages of raw materials and electronic components, and also attributed price increases to Brexit. Average input prices have risen every month since July 2020.

Input Prices Index

sa, >50 = inflation since previous month



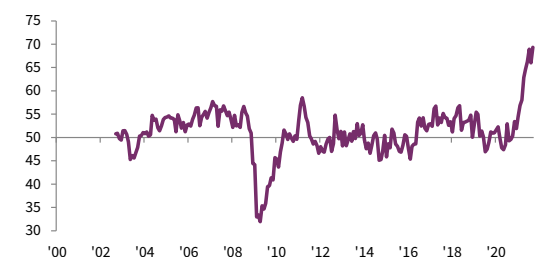
Output Prices Index



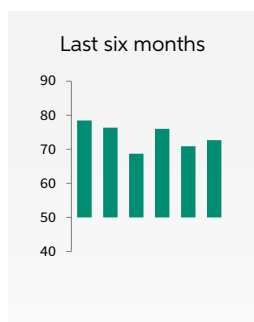
The rate of output price inflation in the Irish manufacturing sector accelerated for the eighth time in nine months in September to a new series record high. Companies reported passing on higher raw material costs to customers, as well as increased energy and transport costs. Around 38% of firms reported raising their prices during the month, a record high for the survey.

Output Prices Index

sa, >50 = inflation since previous month



Future Output Index

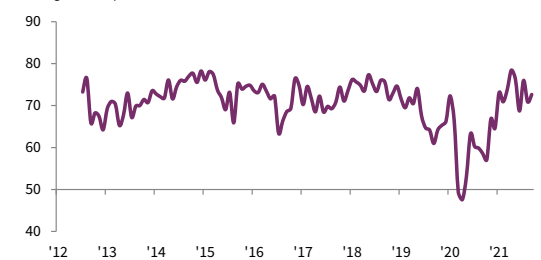


Manufacturers' output expectations remained strongly positive in September, with exactly half of firms expecting growth over the next 12 months, compared with just 5% forecasting declines.

Sentiment over the third quarter as a whole eased slightly compared with the second quarter, but was nevertheless above the long-run series trend.

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 13-23 September 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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