



AIB Ireland Manufacturing PMI®

Weaker fall in output contrasts with sharper decline in new orders in September

Key Findings

Stronger jobs growth and stable output trend lift PMI

New orders fall at fastest rate since January 2021

Input price inflation remains high, but eases to 19-month low

Ireland Manufacturing PMI



The latest PMI® survey data from AIB showed a mixed performance from the Irish manufacturing sector in September. Although output was only fractionally lower on the month and the rate of job creation accelerated, new orders and backlogs both fell at faster rates. Lower demand led to a cut in purchasing and a further easing of pressure on supply chains. The rate of input price inflation eased to a 19-month low, but output price inflation edged higher.

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 September. The PMI rose to 51.5 from 51.1 in August and was close to the reading of 51.8 in July. This signals a further modest improvement in business conditions in the sector, but is below the long-run average of 52.3. Much weaker readings, though, are being seen in the rest of Europe, with the flash September Manufacturing PMI in contraction territory at 48.5 in both the Eurozone and UK.

with employment rising at its fastest pace in three months.

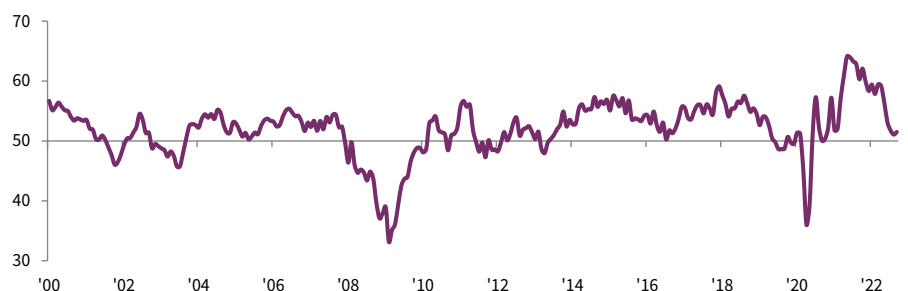
"Pressures on supply chains continued to ease in September, with lead times lengthening to the smallest degree since November 2020. Meanwhile, manufacturers cut their purchases of inputs for only the second time since early 2021. In terms of the 12-month outlook, sentiment rose only slightly from August, thus remaining near a two year low, weighed down by high inflation and fears of recession.

"The Irish data for September were a bit of a mixed bag. New orders, including export orders, fell for a fourth consecutive month, a worrying sign reflective of weakening demand in the face of rising price pressures. There was only a marginal decline in output, though, as manufacturers continued to work to clear backlogs and rebuild stocks of finished goods. As a result, firms were still hiring,

"Despite some easing in supply and capacity constraints, inflationary pressures remain strong. Input costs continued to rise sharply, though the rate of increase slowed further to a 19-month low. Output price inflation also remained elevated, though again it has eased appreciably from earlier in the year."

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 51.5 in September, up slightly from August's 22-month low of 51.1, indicating a twenty-fourth successive overall improvement in operating conditions in the goods-producing sector. The rate of growth was the second-weakest since October 2020 and only modest, with the PMI remaining below its long-run average of 52.3.

The slight rise in the PMI was driven by a much weaker fall in output and a faster rate of employment growth. These twin impacts were almost offset by a sharper decline in new orders, reduced pressure on suppliers' delivery times (worsening lead times positively influence the PMI score) and a slower rise in stocks of purchases.

The overall improvement in business conditions signalled by the headline figure masked a fourth successive monthly contraction in new orders, the longest sequence of consecutive monthly falls since mid-2019. Moreover, the rate of decline was the fastest since January 2021. New export orders also fell for the fourth month running, albeit at a modest pace. Lower demand reportedly reflected increased caution among customers due to the risk of a recession in the economy, high prices and geopolitical instability.

Production declined for the fourth month running in September. That said, the latest contraction was only marginal and weaker

than the drop in new work, reflecting efforts to clear backlogs. Incomplete work fell for the fifth consecutive month, and at the fastest rate since January 2021. The comparatively strong trend in output versus new orders was also reflected in another solid rise in stocks of finished goods, the third in succession and the fifth-sharpest on record.

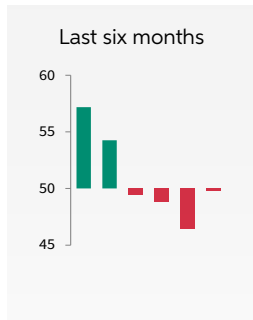
A sign of weak output over the coming months was provided by the new orders to inventories ratio, which fell to its lowest since May 2020. The 12-month outlook for production improved slightly since August, but was still the second-lowest in nearly two years with anecdotal evidence highlighting recession and inflation risks. Despite the weak outlook, employment rose at the fastest rate in three months.

Irish manufacturers cut their purchases of inputs in volume terms for only the second time since early-2021 in September. This was linked to a drop-off in demand as well as high raw material and energy prices placing pressure on budgets. Pressure eased on supply chains, with lead times lengthening to the smallest degree since November 2020. But the delayed delivery of previously ordered items led to a further rise in input stocks. Some firms mentioned recent bulk buying to avoid price increases.

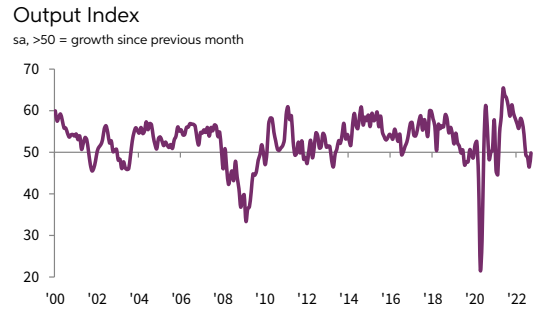
Input prices continued to rise steeply in September, linked to ongoing global shortages, the strong US dollar and high energy prices. That said, the rate of inflation eased further to a 19-month low, partly reflecting weaker demand and reduced supply chain pressures. The rate of output price inflation was little-changed from August's seven-month low, but still higher than in any survey period prior to July 2021.



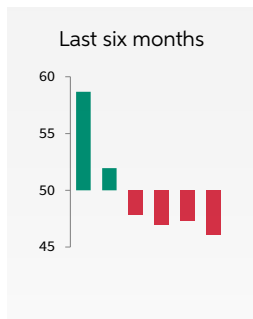
Output Index



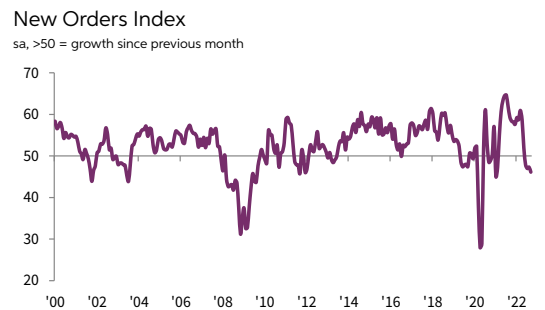
September data indicated a near-stabilisation in Irish manufacturing production, following three successive monthly declines. The seasonally adjusted Output Index remained below the no-change mark of 50.0 but rose solidly from August's 18-month low and signalled only a fractional decrease in production. The month-on-month rise in the Index was only the third registered over the past 16 months, since it hit a record high in May 2021.



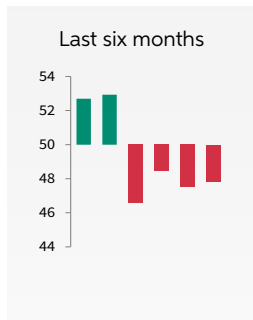
New Orders Index



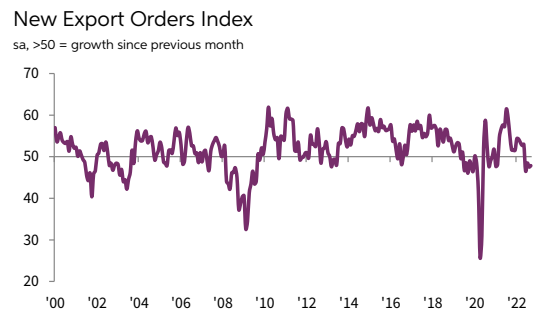
The volume of new business received by Irish manufacturers fell for the fourth month running in September. This marked the longest run of contraction since mid-2019. Moreover, the rate of decline accelerated since August, after adjusting for seasonality, to the fastest since January 2021. Firms mainly linked lower new orders to weaker demand and also price increases.



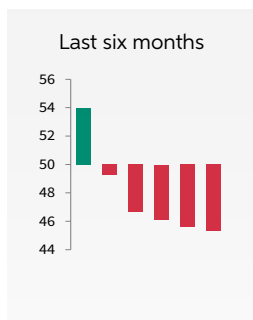
New Export Orders Index



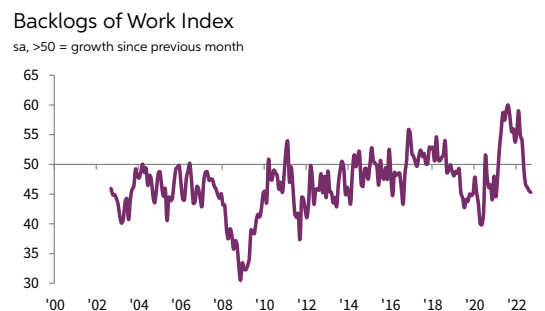
Goods producers in Ireland reported a fall in new export contracts for the fourth consecutive month in September. Companies linked lower international work to weaker demand and also uncertainty related to the war in Ukraine. The rate of decline was moderate and broadly in line with the trend over the current sequence.



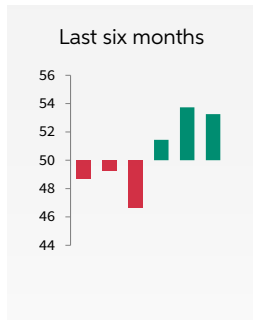
Backlogs of Work Index



The volume of incomplete work held by Irish manufacturers declined for the fifth month running in September, in a further sign of easing pressure on capacity. The latest figure indicated the fastest rate of decline since January 2021. Firms linked lower backlogs to falling demand and some improvements in supply chains.



Stocks of Finished Goods Index

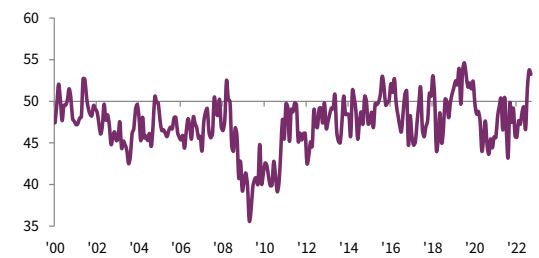


The level of finished goods held in stock rose for the third successive month in September. Some firms linked the build-up of excess stock to the recent fall in demand.

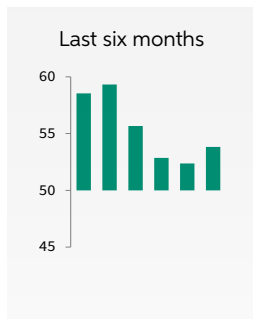
The rate of growth eased only slightly since August's three-year high, and was the fifth-fastest since the survey began in 1998.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



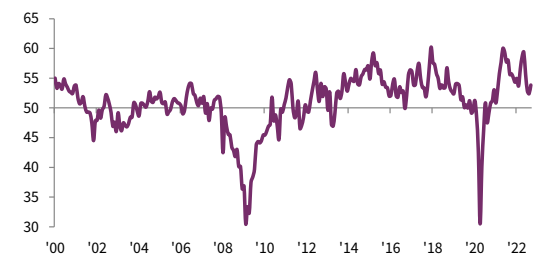
Employment Index



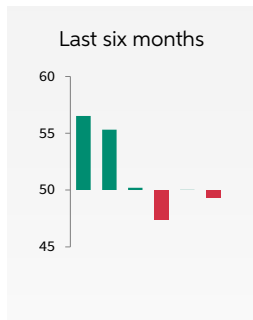
Manufacturing employment increased at the fastest rate in three months in September. The rate of job creation was below the trend for the current two-year period of growth, but still well above the long-run survey average. Anecdotal evidence linked recruitment to efforts to clear backlogs and planned future capacity increases.

Employment Index

sa, >50 = growth since previous month



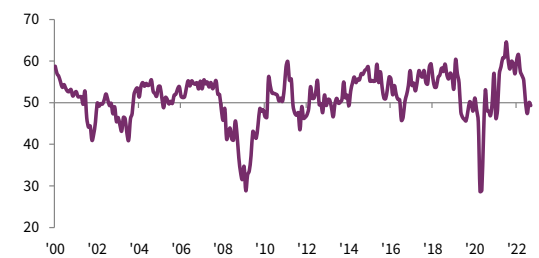
Quantity of Purchases Index



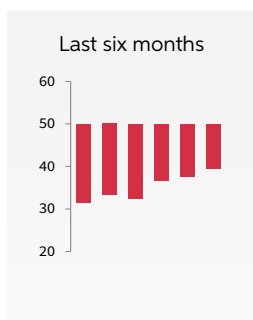
Input volumes ordered by Irish manufacturers fell for the second time in three months in September. Firms attributed lower purchasing to a drop-off in demand and reduced production requirements, as well as high raw material and energy prices placing pressure on budgets. The rate of decline was only marginal, however, and slower than the previous fall seen in July.

Quantity of Purchases Index

sa, >50 = growth since previous month



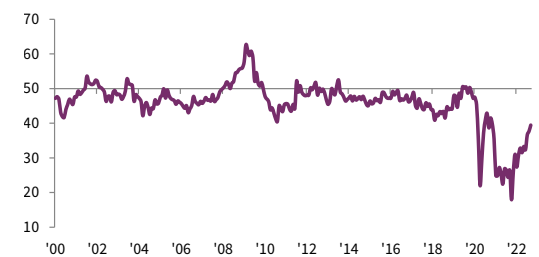
Suppliers' Delivery Times Index



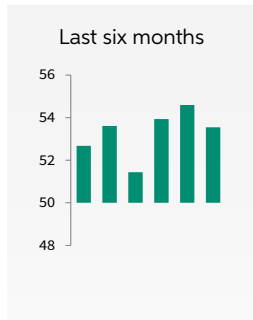
Average lead times lengthened further in September, extending the current sequence of deteriorating supplier performance that began in November 2019. Delays were linked to shortages of electronic components, port congestion and UK customs checks. That said, the degree to which times lengthened during the latest month was the smallest since November 2020.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



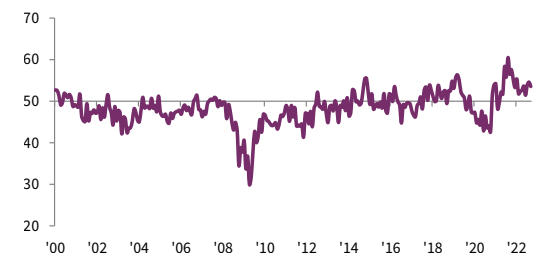
Stocks of Purchases Index



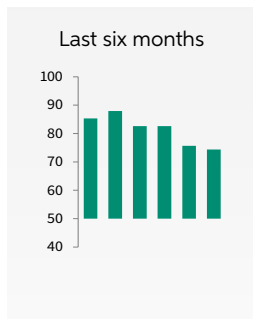
The seasonally adjusted Stocks of Purchases Index remained above the no-change mark of 50.0 for the eighteenth successive month in September, indicating a further expansion in pre-production inventories at Irish manufacturers. The rate of growth eased to a three-month low, but was still strong in the context of historic survey data. A number of firms reported bulk buying to avoid expected price increases.

Stocks of Purchases Index

sa, >50 = growth since previous month



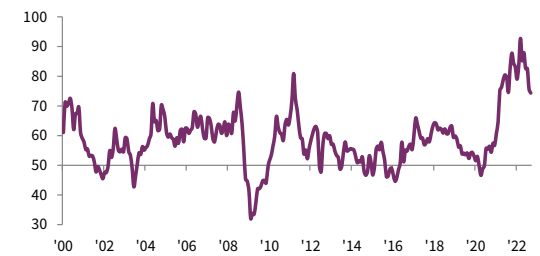
Input Prices Index



Average input costs paid by Irish manufacturers rose for the twenty-seventh successive month in September. The rate of inflation slowed further to a 19-month low, but remained well above the long-run survey average. Rising raw material prices were linked to ongoing global shortages, the strong US dollar and high energy prices.

Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

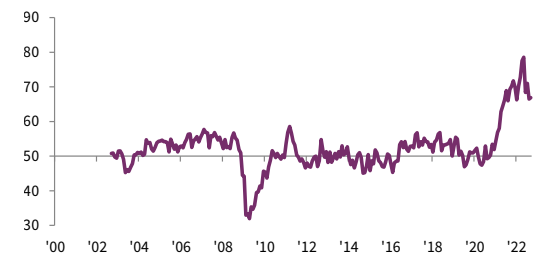


Manufacturers in Ireland continued to pass on higher input costs to customers in September, as output prices rose for the twenty-fourth successive month.

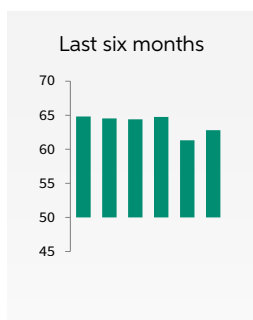
The rate of inflation was little-changed from August's seven-month low, but still higher than in any survey period prior to July 2021.

Output Prices Index

sa, >50 = inflation since previous month



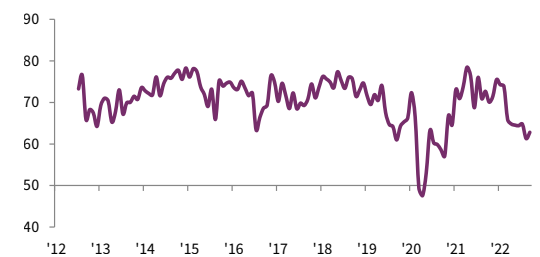
Future Output Index



There was a slight month-on-month improvement in the 12-month outlook for production among Irish manufacturers in September, as the Future Output Index rose for only the second time in nine months. That said, it was still the second-lowest since October 2020 and well below its long-run trend level of 70.4 (since 2012). Companies reported that confidence had been undermined by inflation – especially regarding energy costs – and recession risks.

Future Output Index

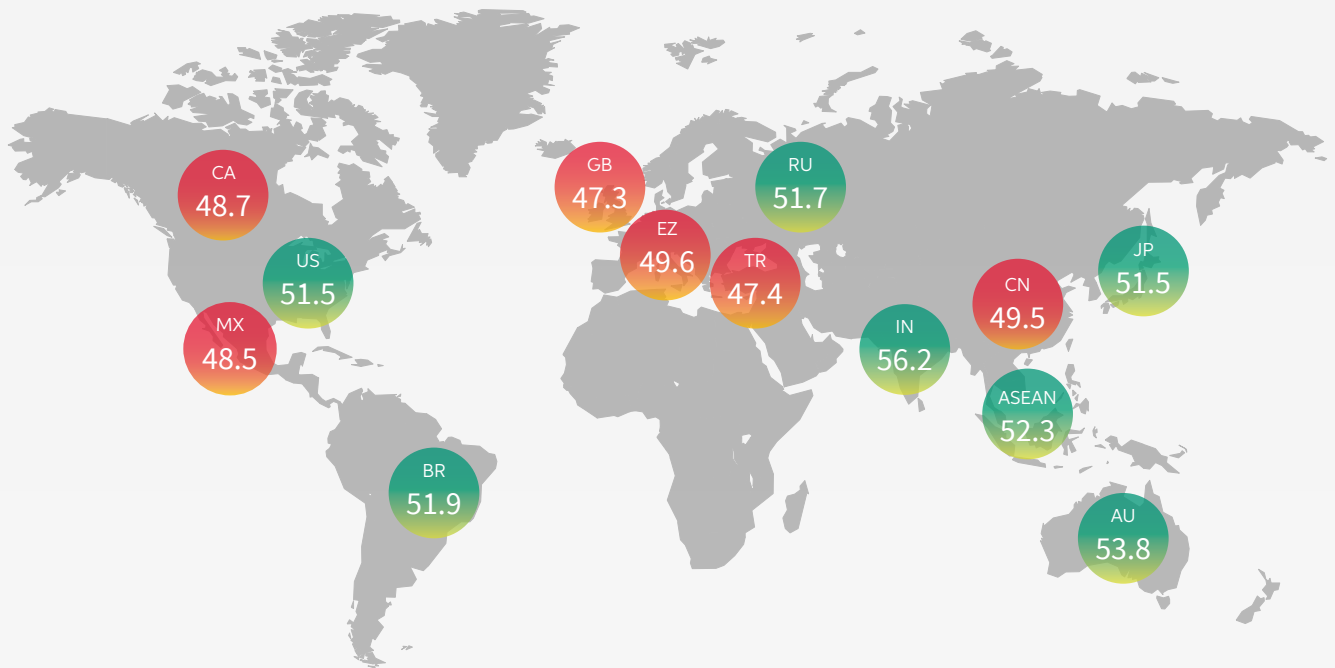
>50 = growth expected over next 12 months



International PMI

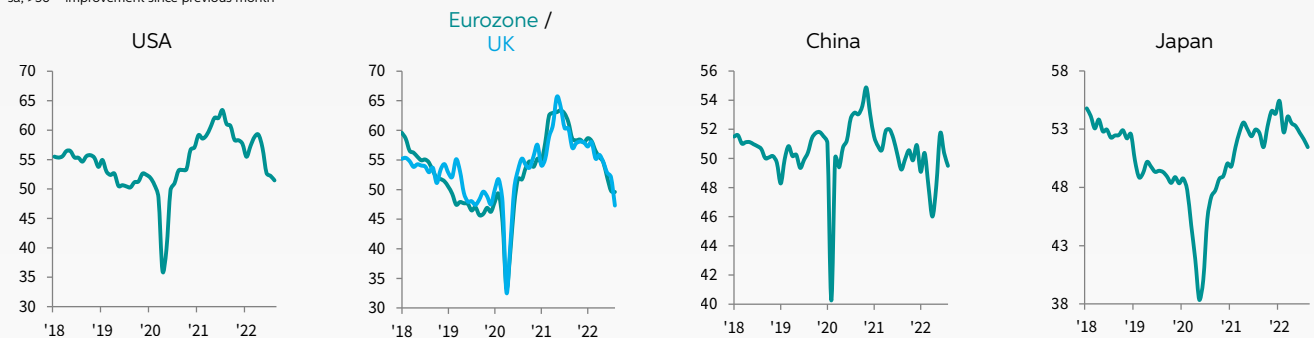
Manufacturing PMI, Aug '22

sa, >50 = improvement since previous month



Manufacturing PMI

sa, >50 = improvement since previous month



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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 12-23 September 2022.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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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