



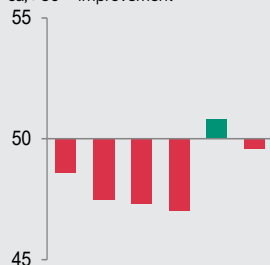
AIB Ireland Manufacturing PMI®

Renewed downturn in manufacturing performance as lower export sales hit total order books

49.6

IRELAND
MANUFACTURING PMI
SEP '23

Manufacturing PMI
Apr - Sep '23
sa, >50 = improvement



September data revealed a setback for the Irish manufacturing sector as new orders fell at the fastest pace so far this year, following a brief rebound during August. Subdued global demand conditions and customer destocking were factors holding back new business intakes. As a result, export sales resumed their downward trend in September, largely driven by falling spending by European clients. On a more positive note, a solid pace of job creation was maintained and manufacturers remain more upbeat about their year ahead growth prospects than seen on average in the first half of 2023.

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

"The AIB Irish Manufacturing PMI survey for September showed a slight deterioration in business conditions in the month. The headline index fell to 49.6 from 50.8 in August, but remains well above the readings of 47.0 for July and 47.3 in June. Furthermore, the Irish PMI remains higher than elsewhere. The flash September Manufacturing PMI readings were again very weak in the Eurozone and UK, at 43.4 and 44.2, respectively, while the US index stood at 48.9.

"A significant decline in new orders, following their brief pick-up during August, was the primary factor behind the weakening in Irish manufacturing conditions in September. Firms reported that destocking by customers and subdued global economic conditions weighed on demand. There was only a marginal decline in manufacturing production, though, with firms continuing to work through order backlogs, which helped maintain output levels.

"In addition, there was another solid increase in employment, which rose at one of the fastest rates seen in the past year. Stocks of inputs and finished goods both showed only slight increases in September, with firms commenting on a need for tighter inventory management in response to the easing of supply chain issues. Meantime, there was a strong degree of optimism about the outlook for the year ahead, with confidence levels holding close to August's six-month high.

"There was also a further appreciable easing of inflationary pressures in the sector. Input prices declined for the sixth consecutive month, helped by falling raw material and energy costs. The drop in input costs continued to be passed on in lower factory gate prices, which fell markedly at their quickest pace in nine years."

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



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Overview

Marginal fall in production volumes

Fastest drop in new work since December 2022

Output charges reduced at steepest pace for nine years

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.

At 49.6 in September, the headline PMI was slightly below the neutral 50.0 threshold and down from August's six-month high of 50.8. A solid fall in new orders was the main drag on manufacturing conditions in September. The latest PMI reading nonetheless compared favourably with the average seen in the first half of 2023 (49.1).

September data highlighted a marginal reduction in output volumes across the manufacturing sector as production schedules adjusted to subdued demand patterns. Lower levels of output have been recorded in each month since March.

Goods producers signalled a renewed fall in new work, following a slight expansion during the previous month. Moreover, the rate of contraction was the sharpest recorded since December 2022. Survey respondents noted that destocking among clients and fragile global economic conditions had a negative impact on demand.

New business from abroad decreased in September, which resumed the downward trend seen since mid-2022. Manufacturers commented on lacklustre demand in key export markets, especially the UK and euro area.

A combination of softer order books and improving supply conditions meant that backlogs of work continued to fall sharply in September. Reduced volumes of outstanding business have now been recorded for 17 consecutive months.

Adding to signs of rising business capacity, the latest survey indicated a solid rate of job creation across the manufacturing sector. The speed of staff hiring was only slightly down from August's six-month high, with manufacturers often noting

an expected rebound in production requirements. Some firms nonetheless commented on the non-replacement of voluntary leavers due to elevated pressure on operating margins.

Looking ahead, the percentage of manufacturing firms expecting a rise in output levels over the next 12 months (51%) exceeded those forecasting a decline (8%) by a wide margin. The degree of business optimism edged down since August, but was still the second-highest since March. Survey respondents mostly commented on new product launches, planned investment spending and hopes of a turnaround in export conditions during the year ahead.

September data meanwhile signalled a fractional shortening of vendor lead times, which marked seven consecutive months of improving supply performance, the longest sequence since 2009. Greater raw material availability was often reported by manufacturers, but others cited ongoing challenges with logistics capacity and staff shortages among suppliers. Stocks of inputs and finished goods both increased in September, but at only marginal rates. Survey respondents typically noted efforts to tighten their inventory management, partly in response to improving supply conditions.

Finally, latest data signalled a moderate decline in average cost burdens across the manufacturing sector. Lower input prices have been recorded in each month since April, with manufacturers noting the impact of falling commodity prices and energy costs. Survey respondents were under pressure to cut their own prices charged in September. Latest data pointed to the fastest decline in factory gate charges since September 2014, and therefore suggested that efforts to stimulate sales have added to pressures on operating margins.

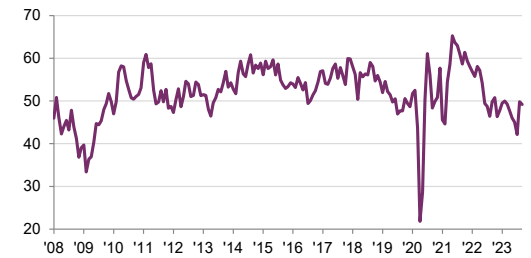
Output and demand

Output

September data indicated a marginal decline in production volumes across the manufacturing sector. The seasonally adjusted Output Index has posted below the neutral 50.0 value in each month since March. Survey respondents mostly attributed lower output to softer demand conditions and a lack of new work to replace completed orders.

Output Index

sa, >50 = growth since previous month

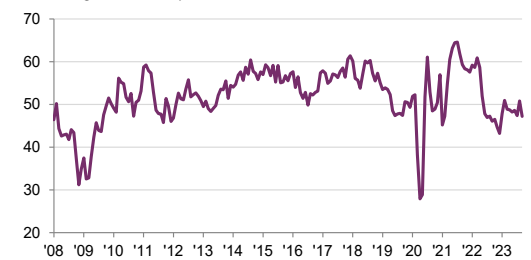


New orders

Goods producers experienced a renewed downturn in new business intakes during September, following a marginal rise in the previous month. Moreover, the seasonally adjusted index pointed to the fastest pace of decline since December 2022. Reduced volumes of new work reflected subdued global economic conditions and ongoing customer destocking.

New Orders Index

sa, >50 = growth since previous month

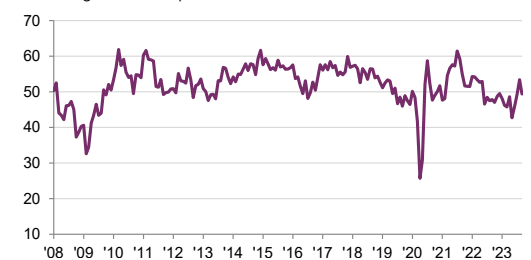


New export orders

The seasonally adjusted New Export Orders Index pointed to a slight decline in sales to clients in overseas markets, which represented a setback after the solid expansion seen in August. That said, the rate of decline was only marginal and much softer than seen on average in the first half of 2023. Manufacturers noted weakening business conditions in major export destinations.

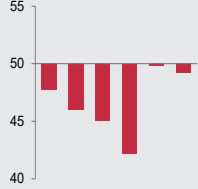
New Export Orders Index

sa, >50 = growth since previous month



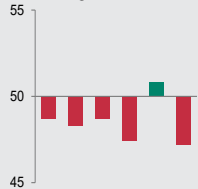
Output Index

Apr - Sep '23
sa, >50 = growth



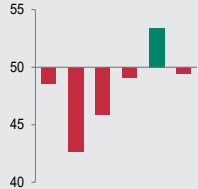
New Orders Index

Apr - Sep '23
sa, >50 = growth



New Export Orders Index

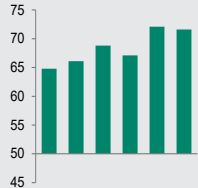
Apr - Sep '23
sa, >50 = growth



Business expectations

Future Output Index

Apr - Sep '23
>50 = growth expected

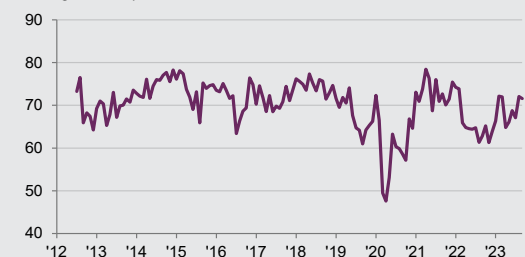


Just over half of the survey panel (51%) forecast an increase in business activity during the year ahead, while only 8% predict a reduction. The resulting Future Output Index signalled a strong degree of business optimism in September, with confidence holding close to August's six-month high.

Positive business expectations were mostly linked to long-term expansion plans, forthcoming investments in new products, and hopes of a recovery in export sales.

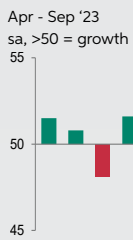
Future Output Index

>50 = growth expected over next 12 months



Employment and capacity

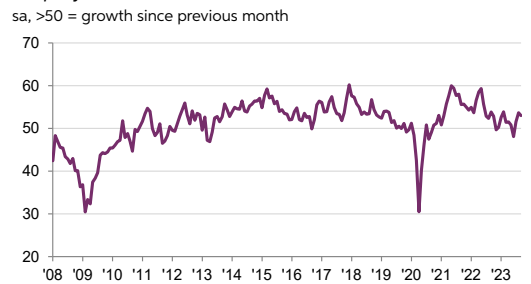
Employment Index



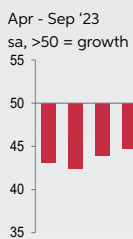
Employment

Staffing numbers increased for the third consecutive month during September. The latest survey highlighted a solid rate of job creation that was among the fastest seen over the past year. Additional recruitment reflected efforts to boost capacity and expected increases in production requirements. However, some manufacturers noted that cost pressures had contributed to the non-replacement of voluntary leavers.

Employment Index



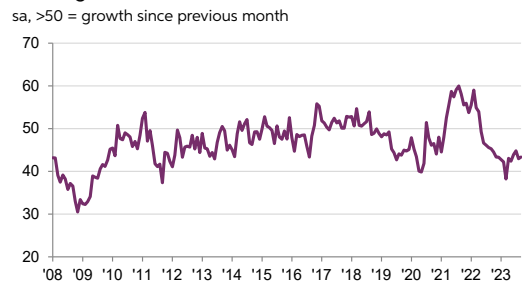
Backlogs of Work Index



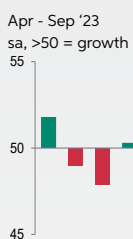
Backlogs of work

September data indicated that goods producers worked through their outstanding orders at a considerable pace. The seasonally adjusted Backlogs of Work Index has registered below the neutral 50.0 value in each month since May 2022. A number of firms noted that improved supply conditions and softer demand had helped them to reduce their work-in-hand.

Backlogs of Work Index



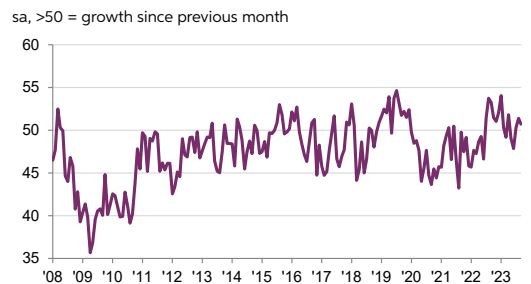
Stocks of Finished Goods Index



Stocks of finished goods

Manufacturers continued to accumulate finished goods inventories in September, with the seasonally adjusted index in positive territory for the third month in a row. However, the rate of stock building was only marginal and eased from that seen in August.

Stocks of Finished Goods Index



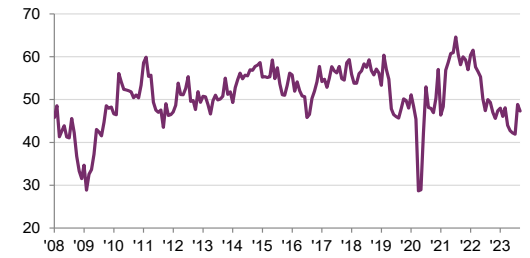
Purchasing

Quantity of purchases

Input buying decreased again in September, although the rate of contraction remained slower than seen on average in the first half of 2023. Reduced purchasing activity was linked to subdued order books and efforts to limit inventory accumulation during the latest survey period.

Quantity of Purchases Index

sa, >50 = growth since previous month

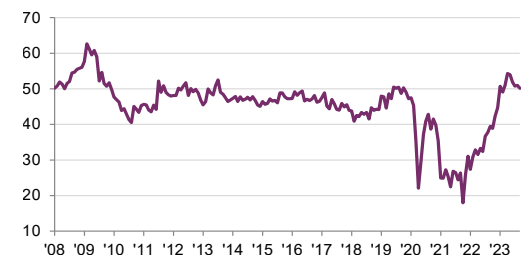


Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index pointed to an improvement in vendor performance for the seventh successive month during September, although the degree to which lead times shorten was only fractional. Goods producers commented on improved raw material availability across their supply chains, although some noted a headwind from logistics delays and ongoing staff shortages.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

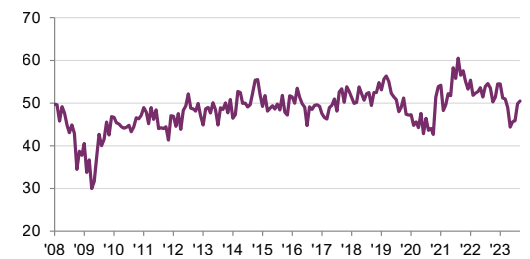


Stocks of purchases

September data illustrated a renewed increase in pre-production inventories across the manufacturing sector, thereby ending a five-month period of decline. That said, the rate of stock building was only marginal as survey respondents still commented on the need for tight inventory management policies and fewer safety stocks.

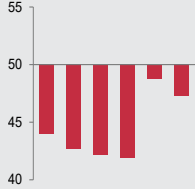
Stocks of Purchases Index

sa, >50 = growth since previous month



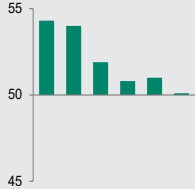
Quantity of Purchases Index

Apr - Sep '23
sa, >50 = growth



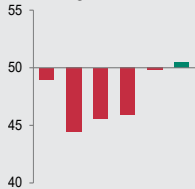
Suppliers' Delivery Times Index

Apr - Sep '23
sa, >50 = faster times



Stocks of Purchases Index

Apr - Sep '23
sa, >50 = growth



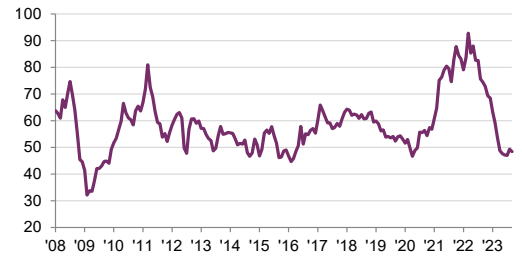
Prices

Input prices

Average cost burdens decreased for the sixth successive month in September and, although only modest, the rate of decline accelerated since August. Manufacturers widely commented on lower commodity prices and subsequent reductions in raw material costs. Some firms also cited the impact of falling energy costs.

Input Prices Index

sa, >50 = inflation since previous month

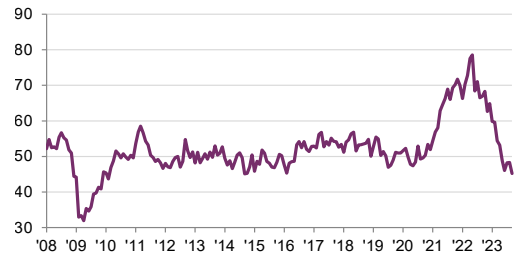


Output prices

The seasonally adjusted Output Prices Index pointed to a sharp and accelerated reduction in average prices charged by manufacturing companies in September. Moreover, the rate of price discounting was the fastest for nine years. Anecdotal evidence suggested that competitive pressures and lower purchase prices had resulted in falling output charges during the latest survey period.

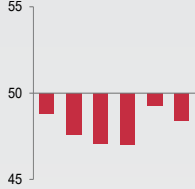
Output Prices Index

sa, >50 = inflation since previous month



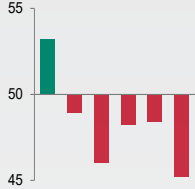
Input Prices Index

Apr - Sep '23
sa, >50 = inflation



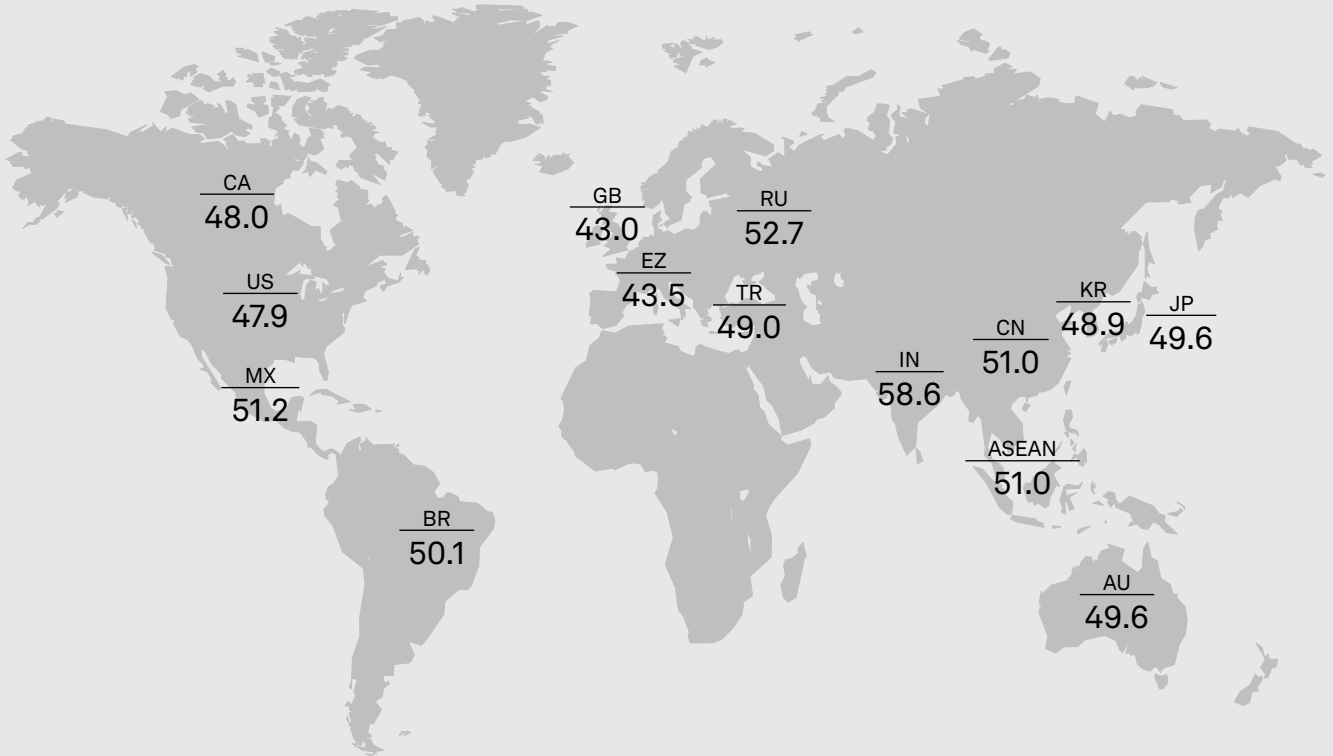
Output Prices Index

Apr - Sep '23
sa, >50 = inflation

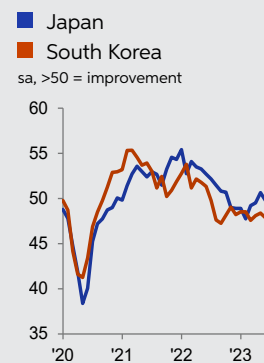
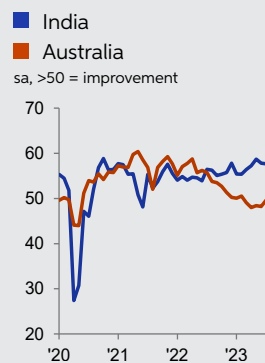
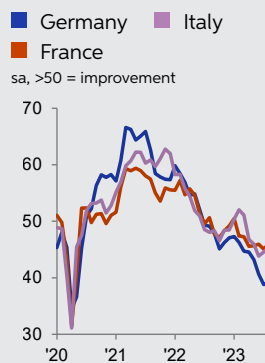
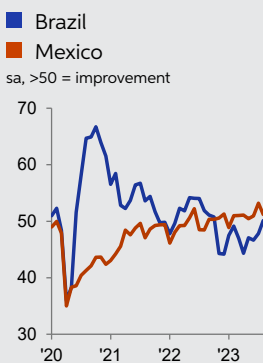
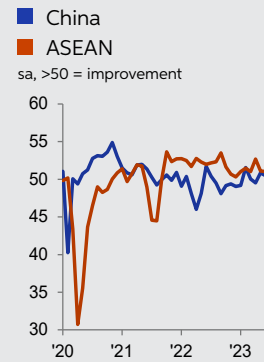
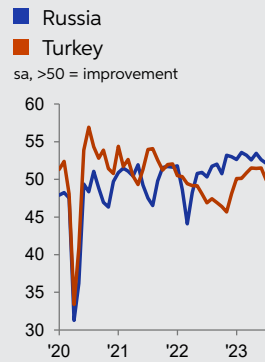
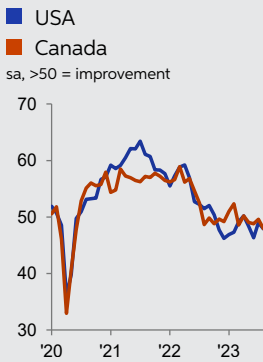


International PMI

Manufacturing PMI, Aug '23
sa, >50 = improvement since previous month



Manufacturing PMI



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@ihsmarkit.com.

Survey dates

Data were collected 12-22 September 2023.

Survey questions

Manufacturing sector

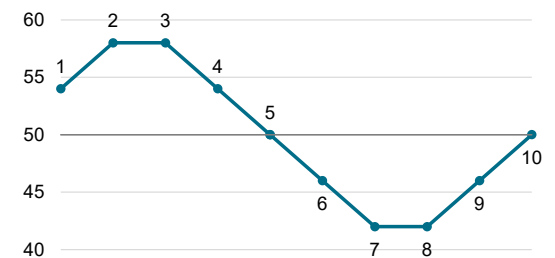
Output	Quantity of Purchases
New Orders	Suppliers' Delivery Times
New Export Orders	Stocks of Purchases
Future Output	Input Prices
Employment	Output Prices
Backlogs of Work	
Stocks of Finished Goods	

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change"})/2$$

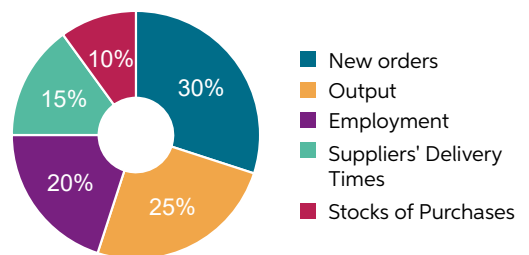
Index interpretation

50.0 = no change since previous month



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



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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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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PMI®

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