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IHS MARKIT IRELAND MANUFACTURING PMI®

Manufacturing PMI at nine-month low in December

KEY FINDINGS

Output growth slows to nine-month low

Job creation eases to lowest in 15 months

Output prices unchanged from November

Irish manufacturers recorded a weaker improvement of business conditions in December, with slowing output, new order and employment growth recorded. Despite this, stocks of purchases increased at the fastest rate in 49 months as firms, confident in future market conditions, stockpiled pre-production inventories. On the price front, input cost inflation slowed to a 14-month low, while output charges were unchanged from November.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 54.5 in December, down from 55.4 in November and the lowest in nine months. Despite this, the reading signalled a solid improvement in business conditions for the Irish manufacturing sector.

Underpinning the drop in the headline index was a slowdown in new order growth among Irish manufacturers to the weakest in eight months. That said, the rate of increase was solid and December marked the twenty-ninth successive month of new order growth. Additionally, panellists stated that they had experienced improved export demand from the UK and the Middle East.

Manufacturers responded to the increase in new orders by raising production in December. However, mirroring new orders, the rate of expansion of output eased and was the slowest in nine months. Stocks of finished goods increased for the first time in four months, albeit at a marginal pace.

On the employment front, staffing levels increased at the

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

weakest pace in 15 months. Despite this, the rate of expansion was solid as manufacturers sought to increase capacity in anticipation of greater future demand. December marked the twenty-seventh successive month of employment growth.

Input price inflation eased in December to a 14-month low. Despite this, panellists reported higher costs for raw materials such as steel and paper packaging. Meanwhile, output charges were unchanged, ending a two-and-a-half year sequence of inflation.

Purchasing activity among Irish manufacturers rose sharply in December. The increase in buying levels contributed to a further lengthening in supplier delivery times. Stocks of purchases increased to the greatest extent in 49 months in line with predictions of higher customer demand and some reports of firms stockpiling goods due to concerns over supply disruptions after Brexit.

Finally, sentiment among Irish manufacturers improved in December to the most positive in three months, with around 55% of panellists confident of a rise in output from present levels in 12 months' time. Panellists stated greater future customer demand, new product lines launching in 2019 and hopes of increased export sales in the US and Asia as reasons to be confident.

COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the Ireland Manufacturing PMI survey, commented:

"Irish manufacturers experienced a slowdown in growth in December, with PMI data indicating weaker rises in output, new orders and employment. While some firms saw signs of weaker demand, panellists are confident of a pick-up in the new year, supporting strong growth of purchasing activity and stockbuilding."

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Methodology

The IHS Markit 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.

December 2018 data were collected 5-14 December 2018.

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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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).