



AIB Ireland Manufacturing PMI®

Sharp uplift in jobs boosts Irish manufacturing performance in April

Key Findings

April's rise in employment among fastest on record

Output and new order growth ease but remain strong

Record rate of inflation in manufacturing output prices

Data were collected 11-22 April 2022.

The latest PMI® survey data from AIB showed a notable boost to Irish manufacturing employment in April, the fifth-sharpest in the survey history, and further strong increases in new orders and output. Supply constraints remained a key factor limiting growth of the latter, although delays were still less widespread than in 2021. Input price inflation eased from March's record but was still among the highest ever, leading to a record rise in output prices.

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 slightly to 59.1 in April, from 59.4 in March, broadly in line with the trend for 2022 so far (59.0) but down on 2021's average reading of 59.7. The latest reading signalled another strong overall improvement in Irish manufacturing business conditions, and was among the highest in the 24-year survey history.

The slight downward movement in the headline figure reflected slower expansions in output and new orders. These impacts were almost offset by a sharper rise in employment, coupled with a slightly stronger increase in input stocks and greater supplier delays (longer suppliers' delivery times boost the PMI).

New order growth eased slightly in April and remained down on last July's record expansion, but was still strong in the context of historical survey data. Some firms mentioned that uncertainty and high prices had weighed slightly on demand. New export orders increased at the slowest rate in 2022 so far.

Output rose for the fourteenth successive month in April. The rate of growth eased since March but remained much stronger than the long-run survey average. In line with the trend for the

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, S&P Global.

first three months of 2022, production rose more slowly than incoming business, resulting in another strong increase in backlogs and a further drop in stocks of finished goods. Backlogs rose at the slowest rate in four months, however, while the rate of destocking eased to a five-month low.

Output expectations remained positive in April but eased further. Having slumped heavily in March due to the Russian invasion of Ukraine, sentiment dipped again to a 16-month low. Anecdotal evidence revealed much uncertainty surrounding inflation, labour shortages and the situation in Ukraine.

There was a notable boost to manufacturing employment in April. The rate of job creation accelerated to a ten-month high and was the fifth-strongest since the survey began in 1998. Anecdotal evidence linked recruitment to current workloads and future projects.

Manufacturers increased purchasing activity in April to support workloads and build buffer stocks in light of ongoing supply shortages. The rate of growth was strong overall, but the slowest in the current 14-month sequence of expansion. That said, stocked inputs continued to grow, rising for a record thirteenth successive month.

Suppliers' delivery times continued to lengthen in April, linked to raw material and labour shortages, ongoing COVID-19 related transport problems and the war in Ukraine. The degree to which times increased remained historically marked, but was the second-lowest since the start of 2021.

Widespread shortages of production inputs, coupled with rising energy and fuel prices, led to more upward pressure on firms' costs in April. Input price inflation eased from March's peak but was still the third-fastest on record. This led to the strongest rate of output price inflation since the series began in 2002.



Comment

Oliver Mangan, AIB Chief Economist, commented:

"The AIB Irish Manufacturing PMI survey for April shows continuing very strong growth in the sector, a trend that has been in place for over a year now. The headline index eased back slightly to 59.1 from 59.4 in March, thus remaining at a very high level. The Irish PMI is well above the flash April index readings for the Eurozone and UK, which both stood at 55.3.

"The Irish data for April paint a very similar picture to March, with strong growth in orders, output and employment, but less confidence on the outlook for business activity and continuing very elevated inflationary pressures. April saw a slight moderation in the pace of growth in new orders and output, partly due to uncertainty and rising prices weighing on demand. However, employment registered its biggest rise in ten months, reflecting the current strength of business activity.

"In this regard, backlogs of unfinished work continued to rise. Firms also reported a further lengthening in delivery times for supplies owing to multiple factors, including raw material and labour shortages as well as ongoing transport delays. Manufacturers responded with another rundown in their inventories of finished goods. In terms of the 12-month outlook, while sentiment remains positive, it fell to its lowest level since end 2020, amid much uncertainty around inflation and the situation in Ukraine.

"Meanwhile, inflationary pressures remain intense. Some 80% of manufacturers reported higher input prices in the month, including increases in raw materials, energy and fuel costs. Faced with surging input prices, manufacturers raised their own prices by a survey-record degree for a second successive 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 11-22 April 2022.

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

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