

Embargoed until 01:01 Dublin (01:01 UTC) 2 December 2019

## AIB Ireland Manufacturing PMI®

### First reduction in manufacturing employment since September 2016

#### Key Findings

**Production and employment fall slightly...**

**...whilst total new orders expand**

**Business confidence improves but remains relatively weak**

Irish manufacturing business conditions worsened for the fifth time in the past six months in November, as a reduction in output led to workforce numbers declining for the first time since September 2016. On the demand front, inflows of total new business increased for the second month running, albeit at a marginal pace. On the other hand, export sales decreased in November with the rate of contraction quickening amid weaker demand from US and UK customers.

Meanwhile, business confidence improved to a five-month high, but remained historically weak as Brexit uncertainty weighed on sentiment.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – fell to 49.7 in November from 50.7 in October. The reading signalled the fifth deterioration in business conditions in the past six months. That said, the rate of decline was only marginal.

Central to the latest deterioration in manufacturing operating conditions was a renewed decline in production. Output decreased in November, following October's slight rise, though the rate of contraction was marginal.

In contrast to the decline in manufacturing output, inflows of total new business continued to increase during November. However, the rate of expansion was marginal and eased slightly from October. Anecdotal evidence from panellists indicated that they had seen an improvement in demand resulting from new product launches.

Meanwhile, export sales decreased further during November, with the rate of contraction accelerating from October. Panellists stated that they had observed an overall weakening of foreign demand conditions, singling out weaker US and UK markets.

For the first time since September 2016, Irish manufacturing employment decreased in November. Anecdotal evidence from panellists indicated that they had reduced their staffing numbers in line with softer customer demand.

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



Sources: AIB, IHS Markit.

For the sixth month in a row, stocks of finished goods increased during November. The rate of accumulation was modest, however. Panellists reported that they had increased post-production inventories amid relatively weak sales growth.

On the other hand, holdings of raw materials and semi-finished goods decreased for the third time in the past four months in November. The rate of contraction was solid and the fastest in 32 months. Panellists commented that they had lowered their inventory levels due to weaker customer demand conditions.

In line with the fall in pre-production inventories, purchasing activity decreased in November for the sixth time in the past seven months. The rate of decline was marginal, however, and slower than seen over the recent sequence of contraction. Anecdotal evidence from panellists indicated that they had reduced their input buying in response to softer demand conditions.

Manufacturing backlogs in Ireland declined again in November, extending the current sequence of contraction to 15 months. The rate of backlog depletion was steep and quickened from October. In spite of pressures on supply chains easing, average lead times for inputs lengthened, amid reports of capacity issues among suppliers.

Cost burdens increased during November, fuelled by greater raw material prices, with higher costs for oil and pork noted in particular. Quickening for the second month running, the rate of input price inflation was the sharpest in seven months. Despite facing faster increases in input costs, the rate of output charge inflation eased from October and was only slight.

Sentiment among Irish manufacturers improved from October to the highest in five months. That said, the overall degree of optimism was historically subdued, amid reports of Brexit uncertainty weighing on sentiment. Firms continued to predict output growth over the coming year, however. Expectations of increased customer orders, especially from abroad, and investments in new machinery were among the factors that supported optimism.

## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB manufacturing PMI for November shows that the sector remains in the doldrums, where it has been for the past six months, as a weak external environment continues to weigh on activity. The headline PMI came in at 49.7, which is down from 50.7 in October, but above the levels of 48.6-48.7 recorded from July to September.*

*"Overall, conditions in Irish manufacturing are best described as being flat. The November data show a marginal decline in production with a reading of 49.4, but a slight increase in new orders for a second consecutive month, with this sub-component at 50.5. Meanwhile, there was a small contraction in employment in November, which had increased modestly in the previous month.*

*"The primary source of the slowdown in manufacturing is weakening foreign demand. While total orders again rose marginally in November, new export orders fell for a fifth consecutive month and at a solid pace. Firms report that Brexit related weakness in the UK as well as softer US demand are weighing on export orders.*

*"The Irish November PMI reading of 49.7 remains well above the average for the Eurozone, which is put at 46.6, and the level of 48.3 in the UK as the stronger domestic economy helps support activity here. A further positive note is that confidence among Irish manufacturers regarding future output rose to a five-month high in November. Nonetheless, Brexit uncertainty continues to weigh on confidence levels, which remain low on a historical basis."*

## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353 1 6417176  
E: [AIBeconomics.Unit@aib.ie](mailto:AIBeconomics.Unit@aib.ie)  
W: [www.aibeconomics.com](http://www.aibeconomics.com)

Paddy McDonnell  
AIB Press Office  
T: +353 1 641 2869  
M: +353 87 739 0743  
E: [paddy.x.mcdonnell@aib.ie](mailto:paddy.x.mcdonnell@aib.ie)

### IHS Markit

Amritpal Virdee  
Economist  
T: +44-207-064-6460  
[amritpal.virdee@ihsmarkit.com](mailto:amritpal.virdee@ihsmarkit.com)

Katherine Smith  
Public Relations  
T: +1 781-301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).

### 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.

November 2019 data were collected 12-22 November 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

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

### Disclaimer

This publication is issued by Allied Irish Banks, p.l.c. ("AIB") and is for general information purposes only. This publication should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments or product, securities or any derivative instrument (together, "instruments"), or any other rights pertaining thereto. AIB does not express any opinion as to the present or future value or price of any instruments referred to in this publication.

The information provided in this publication is believed to be valid and accurate on the date it is first published but AIB, along with its directors, officers, or employees, does not accept any liability for any loss arising from the use of the information. The information contained therein, including any expressions of opinion, has been obtained from, or is based on, or compiled from, sources believed to be reliable but its accuracy or completeness is not guaranteed and is subject to change without notice.

Any decision made by a party shall be on the basis of its own research and shall not be influenced or based on any view expressed by AIB in this publication or otherwise. This publication does not address all risks. This publication does not constitute investment advice or a recommendation and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments and/or pursuing any investment strategies. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any instruments, forecasts are not a reliable indicator of future performance.

This publication is not to be reproduced in whole or in part without the prior express written consent of AIB. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.