



AIB Ireland Manufacturing PMI®

Manufacturing booms in April as PMI hits record high

Key Findings

PMI surges to 60.8, highest since survey began in 1998

Output expectations also reach new peak

Record rate of output price inflation as input costs soar

Data were collected 12-23 April 2021.

Irish manufacturing boomed in April, according to the latest PMI® data from AIB. Overall conditions improved the most in any month since the survey began in 1998, while output expectations also hit a new peak. The headline PMI was again elevated by another severe lengthening in suppliers' delivery times while input price inflation reached the second-highest rate ever, prompting firms to hike their own prices at a series-record pace.

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 rose sharply again in April to 60.8, from 57.1 in March, indicating a rapid improvement in manufacturing business conditions in Ireland at the start of the second quarter. The latest figure was the highest ever recorded since the survey began in May 1998, surpassing the previous peak of 59.1 set in December 2017.

All five components of the PMI had positive influences in April, both in terms of index level and movement since March. New orders provided the greatest weighted contributions both for direction and index level, followed by output and employment respectively. These three indices provide 75% of the weight of the headline PMI, with suppliers' delivery times and stocks of purchases accounting for the remaining 25%.

New orders rose for the second month running in April, and at the fastest rate since July 2020 when the economy reopened following the first COVID-19 lockdown. Excluding this spike in demand, growth in April was the fastest since December 2017 and among the strongest ever recorded. Firms reported the release of pent-up demand as some restrictions were eased. New export orders followed a similar trend, with the

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

second-sharpest increase since February 2018. Companies highlighted improving demand from UK, US and Asian markets.

Production rose for the second month running and at the fastest rate in nine months, with the seasonally adjusted Output Index well above the long-run trend level of 52.8. Companies were able to expand capacity as some restrictions were eased and demand improved. Despite the stronger rate of growth, backlogs of work rose at the second-fastest rate ever recorded. Data on backlogs were first compiled in late-2002, with the latest increase only slightly slower than that seen in November 2016. Growth of output was, however, sufficiently strong to generate a rise in post-production inventories for the first time since December 2019. Looking ahead 12 months, firms had the strongest output expectations on record in April (since 2012).

With demand and output rising, firms added to workforces at the fastest rate since December 2017. Higher employment also reflected the return to full hours for some existing staff.

Firms raised input buying at the fastest rate in over two years in April, leading to higher input stocks for the first time since the stockpiling seen at the turn of the year due to the end of the Brexit transition period. Supply chains remained under severe pressure, however, with average lead times lengthening to one of the greatest degrees on record. Delays were again linked to global raw material shortages (particularly from Asia) and Brexit, with reports that the recent Suez Canal blockage had exacerbated logistical bottlenecks. Supply shortages led to input prices rising at the second-fastest rate in the survey history in April, behind only the increase seen in March 2011. Consequently, manufacturers raised their own prices at the fastest rate since that series was first compiled in late-2002.



Comment

Oliver Mangan, AIB Chief Economist, commented:

"The AIB Irish Manufacturing PMI for April shows record or near record readings across numerous components of the survey, as firms here participate in a global rebound in industrial activity. The Irish PMI jumped to a record high of 60.8 in April from 57.1 in March and 52.0 in February. This is very much in line with the flash April manufacturing PMI readings for the UK, eurozone and US, which rose to 60.7, 63.3 and 60.6, respectively, as the recovery in the global economy gathers momentum.

"The sub-components of the Irish PMI survey all point to rapidly improving business conditions in manufacturing. Output growth accelerated sharply driven by rising demand, with a marked pick-up in new orders as Covid restrictions start to be eased. Export orders rose at their second-quickest pace since February 2018.

"As a result, there was a rise in backlogs of unfilled orders for the second month running, while purchases of inputs increased at their strongest pace since February 2019. Meanwhile, employment rose for the seventh month running, growing at its fastest pace since December 2017.

"Supply chains remain under severe pressure, with longer delivery times owing to new UK Customs arrangements, transport delays and raw materials shortages. These factors, combined with strengthening demand, are leading to a heightening of inflationary pressures. Input prices increased at their fastest pace in ten years, while output prices rose at a series-record pace.

"Meanwhile, the 12-month outlook for production also hit a record high. Firms widely expect vaccination programmes to allow a full reopening of economies, providing a major fillip to business activity."

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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.

Data were collected 12-23 April 2021.

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

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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.

ihsmarkit.com/products/pmi.html

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