



# AIB Ireland Manufacturing PMI®

## Stronger growth of output in October alongside record supply delays and price pressures

### Key Findings

**Fastest rise in output in three months**

**Record lengthening in input lead times**

**Unprecedented increases in both input and output prices**

Data were collected 12-22 October 2021.

October PMI® survey data from AIB signalled further strong growth in the Irish manufacturing sector, accompanied by record inflationary and supply chain pressures. Output growth accelerated as firms received new orders and addressed backlogs. Production remained constrained by supply delays, however, with lead times lengthening the most in any month on record. Subsequently, rates of input and output price inflation both reached new survey highs in October.

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 for the first time in five months to 62.1 in October, from September's six-month low of 60.3. The latest figure signalled the strongest overall improvement in Irish manufacturing business conditions since August, and was the fifth-highest on record. The PMI has registered above 60.0 for seven months running, having never previously passed that threshold.

The level of incoming new work rose sharply in October, as markets continued to reopen and customers placed advance orders to protect operations against delivery delays. The overall rate of new business growth was sharp and well above the long-run survey average, but the weakest since March. This partly reflected only a modest rise in new export orders during the month.

Irish manufacturing output rose at a stronger rate in October. Moreover, growth outpaced new orders for only the second time in the current eight-month sequence of expansion for both variables. This partly reflected companies progressing backlogged work. Outstanding business rose for the eighth

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

month running, but at the slowest rate since April.

The biggest directional influence on the PMI in October came from the suppliers' delivery times component, which is inverted the calculation of the headline figure. The Suppliers' Delivery Times Index hit a new record low in October, signalling unprecedented supply chain delays as more than 60% of manufacturers reported longer lead times for the first time in the survey history.

Record delays in the delivery of inputs and surging energy prices resulted in a further intensification of cost pressures in the manufacturing sector in October. Average input prices increased the most in any month since the survey began in 1998, with more than three-quarters of firms reporting increases since September. Anecdotal evidence linked higher costs to a wide range of raw materials, transport charges, gas prices and Brexit-related issues.

The survey revealed the widespread pass-through of higher input prices to end products in October. Output charges increased for the thirteenth straight month, and at the fastest rate since the series began in 2002.

In light of rising demand and supply chain pressures, manufacturers sought to boost capacity in October. Manufacturing employment rose strongly, albeit at a rate little-changed on September's seven-month low. Meanwhile, stocked inputs increased at the third-fastest rate ever recorded as manufacturers sought to secure long-term stocks in light of supply chain risks. In contrast, final goods inventories declined for the fifth time in six months.

Irish goods producers remained strongly confident of higher output over the next 12 months, linked to an ongoing recovery in demand, exports, new products, new markets and less supply chain disruption.

## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Irish Manufacturing PMI for October registered another month of robust performance. The headline index rose to 62.1 in October, from 60.3 in September. The latest reading represents its fifth highest level on record, indicating a continuing strong rate of growth in the Irish manufacturing sector. Indeed, the index has now remained above 60 for seven consecutive months, illustrating the very solid rebound in manufacturing this year.*

*"The subcomponents of the PMI survey provided further evidence of the strong performance in the sector. The output index recorded its first acceleration in growth in five months, rising at its fourth fastest pace since late 1999. Firms noted the higher level of production was against a backdrop of rising demand as the economy continued to reopen and attempts to clear backlogs. Meanwhile, new orders, from both domestic and overseas customers, rose for an eight month in-a-row. At the same, the sector continued to add more jobs amid increased workloads and efforts to expand production capacity."*

*"However, capacity constraints remained evident in the sector. For an eight successive month, the backlog of work rose, with firms attributing the higher levels of incomplete work to supply delays and staff absences. Meantime, the Suppliers Delivery Times Index deteriorated to a new record level, reflecting unprecedented supply chain delays. This combination of supply delays and higher energy prices brought further upward pressure on both input and output prices. Notably, the pass through of increasing input costs to end products saw the output cost index rise at its fastest pace on record."*

## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353 1 6417176  
E: [AlBeconomics.Unit@aib.ie](mailto:AlBeconomics.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)

Graham Union  
AIB Press Office  
T: +353-1-6412430  
M: +353-85-2088343  
E: [Graham.X.Union@aib.ie](mailto:Graham.X.Union@aib.ie)

### IHS Markit

Trevor Balchin  
Economics Director  
T: +44-1491-461-065  
[trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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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 12-22 October 2021.

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

[ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html)

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