

Embargoed until 0600 Dublin (0600 UTC) 1 November 2018

IHS MARKIT IRELAND MANUFACTURING PMI®

Operating conditions improve at slowest rate for seven months

KEY FINDINGS

Output growth softens...

...amid weaker increases in total new work and export sales

Input price inflation strengthens to eight-month high

Manufacturing conditions in Ireland improved at a softer pace in October. Despite a slowdown in order book growth, employment grew solidly in October, while confidence towards the business outlook remained strongly positive. On the price front, both input costs and output charges rose at sharper rates.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 54.9 in October, down from 56.3 in September. The reading signalled a solid improvement in the health of the sector, albeit the weakest seen for seven months.

Production among Irish manufacturers increased in October, extending the current sequence of growth to 27 months. The rate of expansion was solid but slowed markedly from September. Many firms attributed the rise in output to increased client demand and greater sales.

Although new orders continued to rise during October, the rate of expansion slowed for the second month in a row. Volumes of new work from abroad also increased, albeit at the softest rate for three months. Some respondents commented on increased demand from the UK and Russia.

Expectations of additional orders drove Irish manufacturers to increase staffing levels during October. Employment has now increased for the past 25 months in a row.

In spite of robust order book volumes, backlogs of work fell again during October. The rate of depletion eased since September and was marginal overall.

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Increased new business contributed to a renewed fall in post-production inventories. That said, the rate of depletion was modest.

Purchasing activity increased for the twenty-sixth month running in October. Despite slowing to a seven-month low, the rate of growth remained sharp. Some firms increased their quantity of purchases in response to greater new order volumes. With demand for inputs rising, suppliers' delivery times lengthened again, and to a marked extent.

Reflective of the trend for input buying, stocks of purchased items increased at the start of the fourth quarter. Though modest, the increase contrasted with a decline in September.

Cost burdens increased during October, fueled by rising raw material prices, particularly for steel and timber. Responding to this, Irish manufacturers increased their selling prices, with the rate of charge inflation hitting a five-month high.

Despite falling to an 11-month low, optimism regarding output over the next 12 months was sustained in October. Panellists were especially hopeful of increased export orders, particularly in Asia and the US.

COMMENT

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

"Ireland's manufacturing sector showed signs of a slowdown during October, with the PMI easing to its lowest rate in seven months. New order growth eased to a six-month low, reflecting a combination of softer domestic demand and relatively weak export sales growth.

"Despite this, the Irish manufacturing sector showed signs of resilience with solid growth of employment and purchasing activity. Many firms hired additional staff in anticipation of greater customer orders both at home and in key export markets.

"On the price front, Irish manufacturers saw their input costs rise at the highest rate since February. The principal factor behind this bout of input price inflation was raw material costs.

"Looking forward, panellists were optimistic with almost half of firms surveyed expecting an increase of output over the coming year. Optimism was linked to new product launches and predictions of improving demand in key export markets such as Asia and the US."

CONTACT

IHS Markit

Amritpal Virdee
Economist
T: +44-207-064-6460
amritpal.virdee@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

October 2018 data were collected 12-24 October 2018.

Disclaimer

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.

About IHS Markit

IHS Markit (Nasdaq: 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 © 2018 IHS Markit Ltd. All rights reserved.

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

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](https://www.ihsmarkit.com/products/pmi.html).