



AIB Ireland Manufacturing PMI®

New orders and output expand more slowly in September

Key Findings

PMI eases to six-month low but still signals strong growth

Backlogs of work continue to rise sharply

Record inflation of both input and output prices

Data were collected 13-23 September 2021.

Manufacturing business conditions in Ireland continued to improve strongly in September, according to the AIB PMI® data. Growth rates for output, new orders, employment and purchasing all remained relatively strong, and backlogs expanded at one of the fastest rates on record. That said, all these variables registered slower expansions than in recent months. The latest survey also highlighted record rates of input and output price inflation in manufacturing.

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.

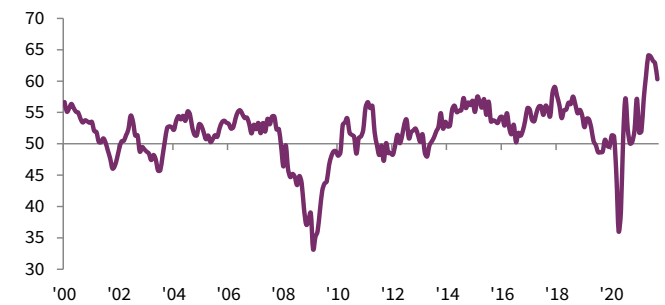
The PMI eased further from May's record high to 60.3 in September, from 62.8 in August. The latest figure signalled the slowest overall improvement in Irish manufacturing business conditions since March, and the month-on-month drop in the headline figure in September of 2.5 points was the largest observed in the current four-month sequence of weaker monthly figures. That said, the PMI still signalled strong overall growth in the goods-producing sector and was the sixth-highest registered since the survey began in 1998.

Over the third quarter as a whole the PMI registered 62.1. This was down from the record quarterly figure of 62.9 set in the second quarter, and the first quarter-on-quarter decline since Q2 2020, but still the second-best performance of any quarter over the survey history.

New orders expanded for the seventh month running as markets continued to reopen and customers put in advance orders to safeguard against future supply delays. The rate of growth was strong overall but the weakest since March. New export orders followed the same pattern as total new work, with

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

growth reported from the US, UK and Middle East.

Production rose in tandem with new orders in September, extending the current growth sequence to seven months. The rate of expansion eased to a five-month low, however, and remained softer than new business growth for the fourth consecutive month. As a result, backlogs rose strongly again in September, with the rate of accumulation the fourth-fastest ever recorded by the survey. The 12-month outlook for production remained positive and improved slightly since August.

Firms supported sales by selling from stock, although the rate of depletion in post-production inventories slowed to a marginal pace having been the fastest in nearly ten years in August.

Employment in manufacturing rose for the twelfth consecutive month in September as firms sought to address capacity constraints. The rate of job creation was strong overall, albeit the weakest since February. Some firms reported difficulty replacing leavers.

Purchasing activity was raised again to meet new order requirements, and to build safety stocks in response to ongoing supply chain delays. In line with new order growth, the rate of expansion in purchasing activity was strong overall, but the weakest since March. Stocked inputs rose again, and the rate of growth was the third-highest on record despite slowing since August. This partly reflected the build-up of unused raw materials due to shortages of key components such as semiconductors. Suppliers' delivery times continued to lengthen markedly in September.

Having eased in July and August, input price inflation rebounded sharply in September to set a new survey record high, surpassing the previous peak set in March 2011. Subsequently, output price inflation also accelerated to a new series high.

Comment

Oliver Mangan, AIB Chief Economist, commented:

"The AIB Irish Manufacturing PMI posted another strong number of 60.3 in September, though this is down somewhat from 62.8 in August. While it was the lowest PMI since March, September was still the sixth highest reading registered since the survey began in 1998. The index has now been above 60 for six consecutive months, pointing to a very strong rebound in the sector this year.

"The easing back of the Irish PMI is in line with the trend seen in other countries, with the flash September readings for the index falling from 60.3 to 56.3 in the UK and from 61.4 to 58.7 in the Eurozone. Shortages of raw materials, key inputs and labour are holding back manufacturing activity in many economies.

"The sub-components of the Irish PMI survey showed that while rates of growth have moderated in recent months, they remain at high levels. Output growth, while off its peak, remains strong. New orders, both domestic and overseas, continue to show good growth, though the pace of increase has slowed in recent months. The 12-month outlook for production remains very upbeat and, indeed, improved slightly from August.

"Meanwhile, employment rose for the twelfth month running, but some firms reported difficulties in hiring workers. There was another increase in order backlogs reflecting a combination of demand pressures, supply chain delays as delivery times continued to lengthen, and staffing shortages. These factors are contributing to the on-going marked upward trend in input and output prices, with both increasing at a record pace in September, as inflationary pressures continue to build in the sector."

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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 13-23 September 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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