



AIB Ireland Manufacturing PMI®

Manufacturing continues to expand sharply despite further loss of momentum

Key Findings

Output growth slows for third month running

Backlogs increase at record pace

Unprecedented increase in input stocks

Data were collected 12-23 August 2021.

Ireland's manufacturing boom continued into August, according to the AIB PMI® data. Rates of growth in output, new orders, exports and purchasing all slowed since July, but remained among the highest ever recorded. Backlogs increased at a record pace, in a further sign that supply bottlenecks had constrained output. Moreover, stocks of unused inputs were accumulated at a record rate as firms reported shortages of key components.

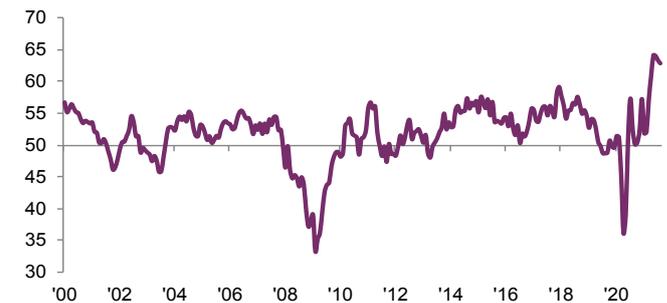
The headline AIB Ireland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI eased further from May's record high to 62.8 in August, from 63.3 in July. The latest figure signalled the slowest overall improvement in Irish manufacturing business conditions since April, but was still the fourth-highest ever registered since the survey began in 1998. The PMI has signalled improving business conditions in the goods-producing sector every month since October 2020.

All five components of the PMI had strong overall positive contributions to the headline figure in August. The 0.5-point drop in the PMI since July reflected the output and new orders components, though both remained at historically high levels. The employment, suppliers' delivery times and stocks of purchases sub-indices all had positive directional influences in August, with the latter setting a new record high.

Underlying demand for Irish manufactured goods continued to improve markedly in August. Having expanded at a record rate in July, new orders continued to rise rapidly with the latest expansion the sixth-highest on record, albeit the softest since April. New export orders increased at the second-fastest rate

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



Sources: AIB, IHS Markit.

since November 2017, with the UK, continental Europe, US and Asia all reported as sources of growth.

Output followed a similar trend to new orders in August, rising at the slowest rate since April but one that was still among the strongest since the survey began in 1998. The rate of growth in production was weaker than that for new business for the fifth time in the current six-month sequence of expansion, resulting in a record increase in backlogs of work and the sharpest decline in final goods inventories at manufacturers since January 2012. Meanwhile, the 12-month outlook for output remained strongly positive, despite easing since July.

August data signalled that supply chain delays continued to constrain output capacity. Suppliers' delivery times continued to lengthen to a near-record degree, with the seasonally adjusted Suppliers' Delivery Times Index at the third-lowest level on record. The overall volume of inputs purchased continued to rise sharply as firms aimed to build safety stocks, although the rate of expansion eased to a four-month low in line with the trends for new orders and output. Nevertheless, the level of inputs held in stock at manufacturers rose at a survey-record pace in August. This partly reflected the build-up of unused materials due to shortages of key components.

Widespread raw material shortages and rising transport costs continued to drive inflationary pressure in August. Input price inflation eased further from June's near-record high to a six-month low, but was still among the strongest ever recorded. Output prices subsequently rose at the third-fastest pace on record, behind only those registered in June and July.

Comment

Oliver Mangan, AIB Chief Economist, commented:

"The AIB Irish Manufacturing PMI for August indicated another month of strong performance for the sector. While the headline index reading of 62.8 was lower than the 63.3 level recorded in July, it was still the fourth highest on record, consistent with a strong rate of improvement in manufacturing. The index has now remained above 60 for five consecutive months. The results from the Irish PMI data remain broadly in line with strong PMIs from some of the key advanced economies.

"The sub-components of the Irish PMI survey showed that while the rates of growth slowed since July, they remained among the strongest ever registered. Output rose for a sixth consecutive month, with firms noting rising demand as markets continued to reopen. Although the rate of expansion in new orders eased for the first time since growth resumed in March, it was still among one of the strongest ever readings. Meanwhile, employment rose for an eleventh month running, although, some firms reported that their hiring plans had been constrained to some degree by labour shortages.

"Amid the on-going robust pace of growth in manufacturing activity, capacity constraints continued to be experienced in the sector. This was evident in another record increase in backlogs of work, which was attributed to a combination of demand pressures, supply chain delays and staff shortages. These factors contributed to on-going upward pressure on both input and output prices.

"Meanwhile, the 12-month outlook for production remained upbeat, but it was not as high as the level recorded in July."

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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 August 2021.

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

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About PMI

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ihsmarkit.com/products/pmi.html

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