



AIB Ireland Manufacturing PMI®

Manufacturing business conditions improve more slowly in November amid record rise in output prices

Key Findings

Slowest rise in new orders since March

Supply disruption eases since October but remains severe

Record increase in manufacturing output prices

Data were collected 12-23 November 2021.

The latest PMI® survey data from AIB signalled slower growth in the Irish manufacturing sector in November. Growth rates for output, new orders, employment and purchasing all eased since October, but remained strong overall. Supply chains remained under severe pressure, though there was evidence of less disruption compared with October. Input price inflation was the second-fastest ever, leading to a record increase in factory gate prices.

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 fell for the fifth time in six months to 59.9 in November, from October's 62.1. The latest figure signalled the slowest overall improvement in Irish manufacturing business conditions since March, but was still higher than in any previous month since the survey began in May 1998.

Data for the fourth quarter so far (61.0) are pointing to a slower expansion than in both the second (62.9) and third quarters (62.1), but stronger growth than in any previous quarter. The next-highest quarterly average for the PMI was set in the fourth quarter of 1999 (58.6).

The 2.2-point drop in the PMI in November reflected all five of its component sub-indices. More than half of this came from suppliers' delivery times (-1.2 points), the index for which is inverted in the PMI calculation. Output (-0.5) and stocks of purchases (-0.3) had the next-biggest directional influences, followed by new orders and employment (both -0.1).

Demand for Irish manufactured goods continued to expand sharply in November, with a ninth successive monthly increase. The rate of growth slowed for the fourth month running to the

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



Sources: AIB, IHS Markit.

weakest since March, but remained well above the long-run survey average. New export orders rose further, albeit at only a modest pace.

Manufacturing output continued to expand sharply in November. The rate of growth eased to the weakest since September, but was stronger than the expansion in new work for only the third time in the current nine-month growth sequence. Some companies reported a boost to output from a slight improvement in the availability of raw materials. Backlogs of work continued to rise sharply, but the rate of growth remained below the trend seen from May to September. The 12-month outlook for production remained strongly positive and improved since October.

Demand for manufacturing inputs continued to rise sharply in November, maintaining pressure on supply chains. Average lead times continued to lengthen at a historically marked rate, albeit one that moderated from October's survey record. Goods producers continued to make advance purchases in order to build up buffer stocks in anticipation of future shortages. Input inventories rose for the eighth month running, and the rate of growth remained strong despite easing to a six-month low.

Ongoing raw material and component shortages, rising energy prices and pressure on transport networks kept input price inflation at a historically elevated level in November. The rate of inflation eased from October's record but was the second-strongest in the survey history. Consequently, manufacturing output prices increased at a record pace in November.

Irish manufacturing employment rose for the fourteenth consecutive month in November. The rate of job creation was strong overall, but the weakest since February. A number of firms reported labour shortages.



Comment

Oliver Mangan, AIB Chief Economist, commented:

"The AIB Irish Manufacturing PMI for November shows a continuing strong rate of growth in the sector, though it has eased back somewhat from recent highs. The headline index fell to 59.9 in the month, down from 62.1 in October. However, the November reading is still higher than in any month before April this year, going back to when the survey began in 1998. The Irish index also remains slightly above the strong flash November readings for the Eurozone and UK of 58.6 and 58.2, respectively.

"The subcomponents of the Irish PMI survey also showed continued strong readings, while easing back slightly from October levels. The output index remained at a very high level, though the rate of expansion did slow somewhat. New orders, especially domestic orders, registered another marked increase, though again the pace of growth eased. Meantime, employment in the sector continued to grow at a strong pace, while manufacturers remain very positive on the 12-month outlook for production.

"However, capacity constraints are still very evident in the sector. Backlogs of unfinished work continued to rise sharply. The delivery times for the supply of inputs also lengthened further, reflecting the ongoing pressure on supply chains. Firms in this environment continued to build up their stocks of inputs.

"The combination of strong demand for raw materials and inputs, as well as higher energy and transportation costs, saw further marked upward pressure on input prices. Given these cost pressures, manufacturers raised output prices at their fastest pace in the survey's history. Inflationary pressures, then, remain very strong 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 12-23 November 2021.

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

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