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IHS MARKIT IRELAND MANUFACTURING PMI®

Continued strong output growth at the end of the third quarter

KEY FINDINGS

Output rises sharply amid higher new orders

Rate of job creation at seven-month high

Backlogs decrease for first time in 17 months

The Irish manufacturing sector continued to perform strongly during September. New orders and output rose sharply again, while firms responded by upping their rate of job creation. The rate of input cost inflation remained elevated, encouraging manufacturers to continue raising output prices.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 56.3 at the end of the third quarter of the year, down slightly from 57.5 in August but still signalling a marked monthly improvement in the health of the sector. Business conditions have now strengthened in each of the past 64 months.

The rate of growth in Irish manufacturing production remained considerable during September, easing only slightly from the previous month. Panellists linked increases in production to expanded capacity amid continued rises in new orders.

Increases in capacity were evidenced by a marked acceleration in the rate of job creation in the manufacturing sector. Employment increased at the fastest pace in seven months.

New orders expanded for the twenty-sixth successive month in September. Although the rate of growth moderated somewhat from that seen in August, it was still marked. New export business also increased, and at a broadly similar pace to the previous month.

Despite further growth of new orders, manufacturers made

Manufacturing PMI
sa, >50 = improvement since previous month



conscious efforts to deplete backlogs of work. The fall in outstanding business was the first in 17 months.

Some panellists reported using stocks of finished goods to help reduce backlogs. On the other hand, other respondents reportedly attempted to build inventories. On balance, post-production inventories were unchanged in September.

The rate of growth in purchasing activity remained marked at the end of the third quarter. Higher demand for inputs and stock shortages at suppliers resulted in a further lengthening of vendor lead times, albeit the weakest since last November.

Delays in receiving purchased items contributed to a drop in stocks of inputs, with strong client demand also mentioned by respondents. The fall in pre-production inventories ended a six-month sequence of accumulation.

The rate of input cost inflation ticked up, with firms reporting higher raw material prices. The passing on of increased input costs to customers led to a further rise in output prices, the twenty-eighth in as many months.

Finally, firms remained confident that output will increase over the coming year. Optimism reflected predictions of higher new orders, the launch of new products and higher operating capacity.

COMMENT

Andrew Harker, Associate Director at IHS Markit, which compiles the Ireland Manufacturing PMI survey, commented:

"The Irish manufacturing sector continued to buck the recent trend of weakening growth seen in the eurozone, with manufacturing output rising sharply again in September. Irish firms continue to be able to generate new business at a rapid rate.

"The main highlight from the latest PMI survey is a sharp pick-up in the rate of job creation, with employment increasing at the fastest pace in seven months as firms responded to higher workloads and looked to expand capacity."

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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.

September 2018 data were collected 12-21 September 2018.

For further information on the PMI survey methodology, please contact 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).