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IHS MARKIT IRELAND MANUFACTURING PMI®

Manufacturing output growth accelerates during November

KEY FINDINGS

Output and new order growth quicken...

...but job creation eases to a 14-month low

Input price inflation at nine-month high

Irish manufacturers recorded a sharp improvement in business conditions during November, as greater customer levels fed through to solid and accelerated rises in output and new orders. Despite this, the rate of employment growth slowed in November to a 14-month low. On the price front, input cost inflation accelerated to a nine-month high, whilst output charges rose at the fastest pace in six months.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 55.4 in November, up from 54.9 in October. The reading signalled a marked strengthening of the Irish manufacturing sector. Business conditions have improved for 66 consecutive months.

Central to the improvement in operating conditions was a marked increase in new orders. Growth of new work accelerated from October and was much faster than the series average. Anecdotal evidence from panellists indicated that there was a notable increase in demand, including from overseas customers in the US and the UK.

Manufacturers responded to higher new orders by raising production for the twenty-eighth consecutive month. Moreover, the rate of output expansion quickened in November. As well as increasing production, firms also used inventories to satisfy orders. Stocks of finished goods decreased, albeit at a marginal pace.

Efforts to meet customer demand encouraged manufacturers to increase staffing levels in November. Workforce numbers

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

rose for the twenty-sixth successive month during November. Despite this, the rate of employment growth eased to the slowest in 14 months.

Input prices continued to increase at a sharp pace, the fastest in nine months. Panellists reported higher costs for raw materials such as plastics and timber. In addition to this, selling price inflation quickened to a six-month high, as some manufacturers sought to pass on their greater costs to customers.

Irish manufacturers increased their purchasing activity at a substantial pace in November. The rate of expansion was the fastest in three months. This rise in demand for inputs, coupled with supplier capacity pressures, resulted in longer delivery times. Meanwhile, stocks of purchases increased at the same rate as in October.

Looking forward, business confidence improved in November, with around 52% of panellists confident of a rise in output from present levels in 12 months' time. Firms linked optimism to expected rises in customer levels, new product launches and an expansion into new markets.

COMMENT

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

"Irish manufacturers recorded a sharp improvement in business conditions during November, with the PMI increasing from October. Underpinning this were solid increases in output and new orders. Irish manufacturing output and order book volumes have now increased for the past 28 successive months.

"November data indicated that panellists had experienced firm demand from both domestic and international customers. As a result of this increasing demand within the sector, cost burdens remained elevated in November and inflation quickened to the highest in nine months. Confronted by this, panellists sought to pass on their additional cost burdens to customers, with selling prices increasing at the fastest pace in six months.

"Looking forward, panellists were optimistic, with over half of firms surveyed expecting an increase of output over the coming year. Positive sentiment was linked to new product launches and hopes of greater demand."

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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.

November 2018 data were collected 12-23 November 2018.

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