

AIB Ireland Manufacturing PMI®

Irish manufacturers raise stocks of finished goods at record pace in April

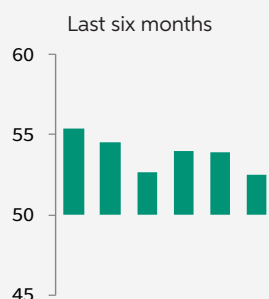
Key Findings

Stocks of finished goods rise at fastest pace in series history

Output growth at 13-month low

New orders increase at slowest pace since September 2016

Ireland Manufacturing PMI



April saw a softer improvement of manufacturing business conditions in Ireland, as output growth eased to a 13-month low. Moreover, inflows of new business increased at the slowest pace since September 2016, as firms observed softer demand conditions in both domestic and international markets. Meanwhile, as a result of continued Brexit uncertainty stocks of finished goods among Irish manufacturers rose at the fastest pace in the 21-year series history.

Commenting on the latest survey results, Oliver Mangan, AIB Chief Economist, said:

"The AIB manufacturing PMI for April showed a loss of momentum in the sector at the start of quarter two. The headline index declined to 52.5 in April from 53.9 in March. This represented its lowest level since October 2016, although, it is just below its January reading of 52.6. The reading of 52.5 is still consistent with solid growth in the sector. Despite falling in April, the Irish manufacturing PMI continues to outperform its Eurozone counterpart, with stood at 47.8 in its first reading in April."

"The underlying data in the Irish PMI survey showed that activity was impacted by the new orders component recording its slowest pace of growth since September 2016. This was on the back of weaker demand on both the domestic and international front. Output

growth, which slowed to a 13 month low, also acted as a drag. Meanwhile, job creation also saw some deceleration, although its level continued to indicate a solid pace of hiring. Optimism amongst Irish manufacturing firms regarding the outlook over the next 12 months remained strong in April."

"The issue of Brexit was once again evident in the PMI data. Inventory building remained a feature as some firms took pre-emptive measures to deal with possible disruptions to supply chains. Stocks of finished goods registered their fastest pace in the 21-year history of the survey. Meanwhile, the rate of increase in pre-production inventories remained elevated."

Manufacturing PMI

sa, >50 = improvement since previous month



Overview

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 52.5 in April, down from 53.9 in March, and signalled the weakest improvement in manufacturing operating conditions since October 2016. Despite this, the rate of improvement was solid and April marked the seventy-first consecutive month of manufacturing expansion.

As observed over the past few months, inventory building was a large feature of April's survey. Attempts by panellists to mitigate any potential supply disruptions from Brexit fed through to holdings of post-production inventories. Stocks of finished goods among Irish manufacturers increased at the fastest rate in the 21-year series history.

Pre-production inventories, meanwhile, increased for the seventh consecutive month during April. The rate of accumulation was sharp, but dipped slightly from the series high recorded in March. As was the case with post-production inventories, panellists stated that they had increased their input stocks to guard against any Brexit-related stock issues.

The sharp accumulation of input stocks was supported by a continued rise in purchasing activity. Despite easing to a three-month low, the rate of expansion was sharp and faster than the series average. Many firms commented that they had brought forward input purchases in order to secure raw materials from any potential stock problems arising from Brexit.

Underpinning the softer improvement in manufacturing operating conditions were slower increases in output and new orders. Growth of new work eased to the slowest since September 2016, amid reports

from panellists of weaker domestic and international demand. Nonetheless, the rate of expansion was solid and April marked the thirty-third successive month of greater new business. Export sales also increased in April, though at a softer rate than observed in March.

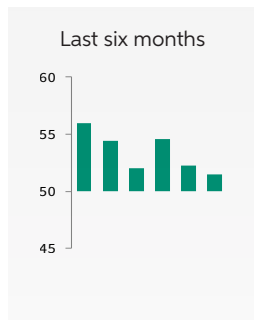
Despite continued new order growth, manufacturers depleted their backlogs of work for the eighth successive month. That said, the rate of backlog depletion was marginal and the softest in five months. Additionally, despite slowing to a three-month low, the rate of job creation among Irish manufacturers was solid.

Manufacturers responded to higher new orders by raising production for the thirty-third month in a row. That said, the rate of increase was modest and eased to the weakest in just over a year. Some panellists linked softer output growth to delayed customer orders resulting from Brexit uncertainty.

On the price front, the rate of input cost inflation quickened from March, but was still the second-slowest in 28 months. Panellists attributed higher costs to greater raw material prices (notably pork). Meanwhile, output charges rose marginally and at the slowest pace in the current four-month sequence of inflation.

Optimism regarding future output was sustained in April, with just under 47% of the survey panel anticipating higher production in one year's time. New product developments and greater new export orders were cited as reasons to be confident. However, ongoing Brexit uncertainty was reported as a factor weighing on optimism. As a result, overall sentiment dipped slightly from March.

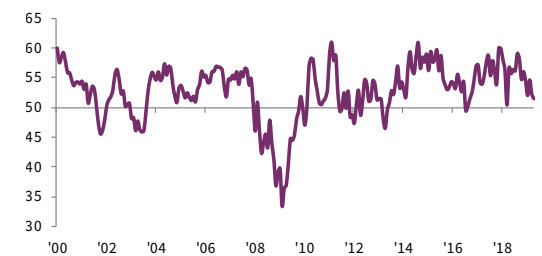
Output Index



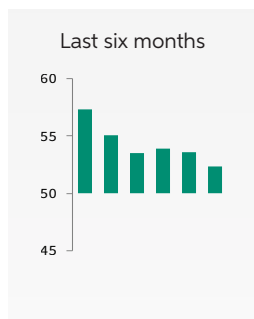
Output growth amongst Irish manufacturers eased in April, with the rate of increase slowing to a 13-month low. Higher new orders supported production, but some panellists linked the weaker expansion to delayed customer orders as a result of Brexit uncertainty. Irish manufacturing output has now increased on a monthly basis since August 2016.

Output Index

sa, >50 = growth since previous month



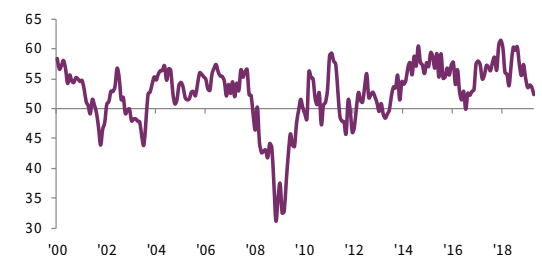
New Orders Index



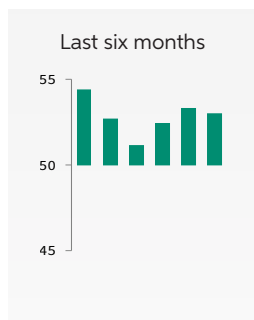
Amid reports of softer customer demand from domestic and international markets, the level of new orders placed with Irish manufacturers increased at the slowest pace September 2016. That said, the rate of increase in April was still solid.

New Orders Index

sa, >50 = growth since previous month



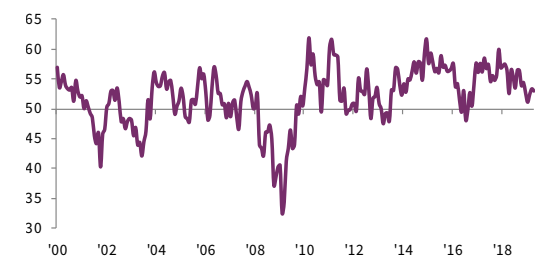
New Export Orders Index



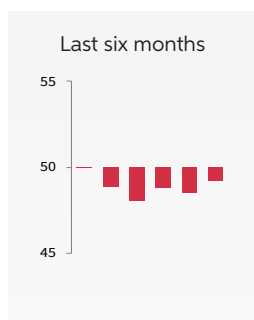
Foreign demand for Irish manufactured goods rose during April, albeit at a softer pace than in March. Volumes of new work from abroad have now expanded for 32 successive months. Anecdotal evidence from panellists indicated that they had in particular received new orders from US and UK customers.

New Export Orders Index

sa, >50 = growth since previous month



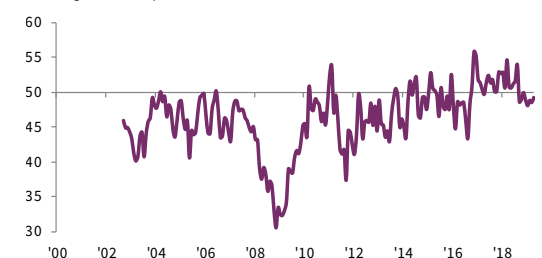
Backlogs of Work Index



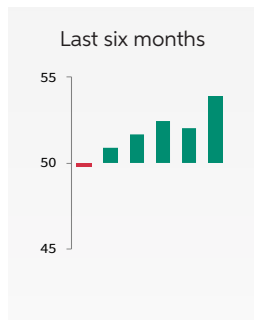
Volumes of unfinished orders decreased for the eighth month in a row, indicating a lack of capacity pressures in the Irish manufacturing sector. That said, the rate of backlog depletion was marginal and the softest in five months. Panellists stated that they were able to meet current sales demand as well as work through accumulated orders during April.

Backlogs of Work Index

sa, >50 = growth since previous month



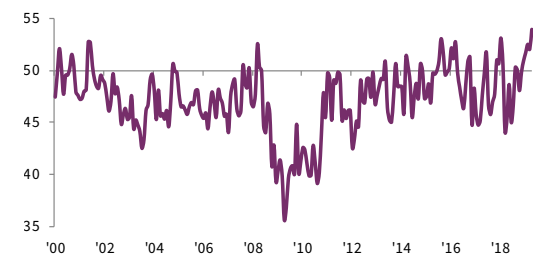
Stocks of Finished Goods Index



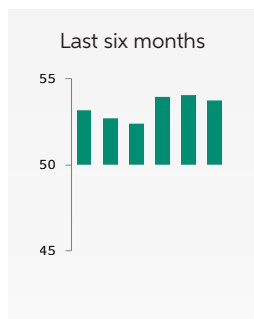
April data saw Irish manufacturers increase their post-production inventories at the fastest pace in 21 years of data collection. Anecdotal evidence from panellists indicated that they had increased their holdings of finished items as a result of Brexit preparedness plans.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



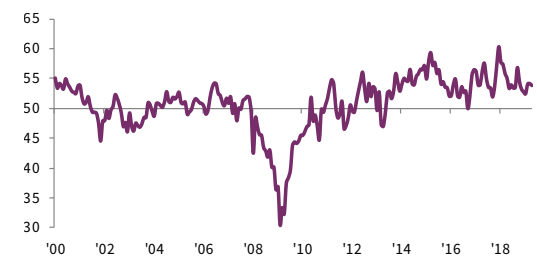
Employment Index



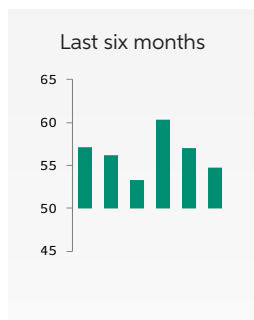
Employment growth among Irish manufacturers eased to a three-month low during April. Despite this, the rate of job creation was marked and faster than the long-run series average. Surveyed firms indicated that they had hired additional staff due to an increase in customer orders.

Employment Index

sa, >50 = growth since previous month



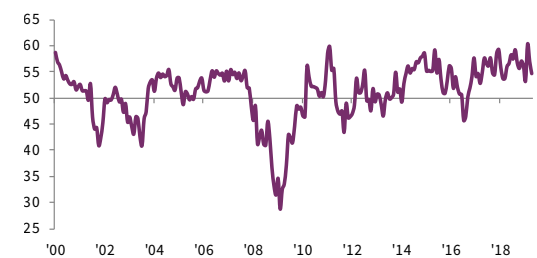
Quantity of Purchases Index



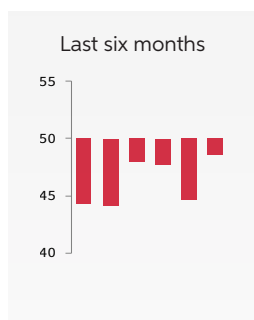
Growth of purchasing activity among Irish manufacturers slowed to a three-month low in April. Nonetheless, the rate of increase was sharp and faster than the long-run survey average. Many panellists stated that they were building up their inventories of raw materials and semi-finished goods in order to guard against any delays resulting from Brexit.

Quantity of Purchases Index

sa, >50 = growth since previous month



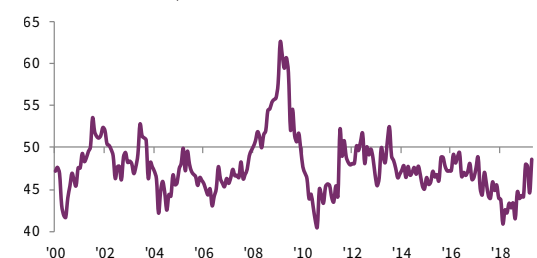
Suppliers' Delivery Times Index



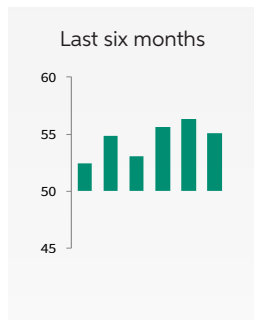
Suppliers' delivery times lengthened for the sixty-ninth month in a row during April. That said, the rate of deterioration in vendor performance was the least marked since February 2017. Several panellists commented that greater demand from Brexit stockpiling added to pressure on supply chains.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



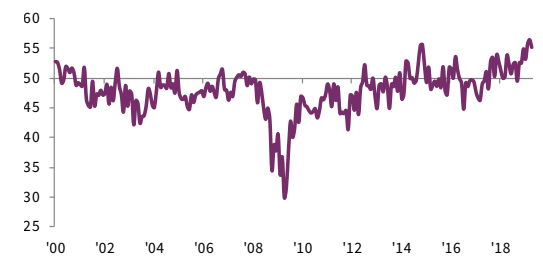
Stocks of Purchases Index



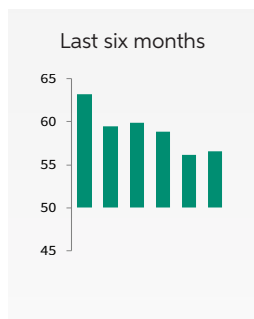
Irish manufacturers continued to increase their pre-production inventories in April. The rate of expansion was substantial, despite easing from March's series high. Anecdotal evidence linked stockpiling efforts to firms securing supplies in the event of any Brexit-related stock problems.

Stocks of Purchases Index

sa, >50 = growth since previous month



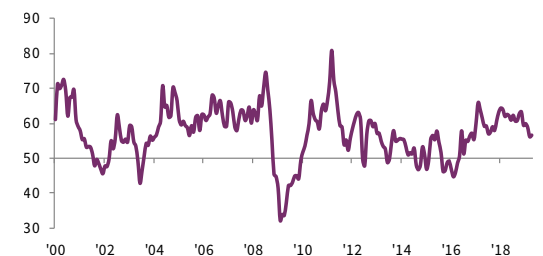
Input Prices Index



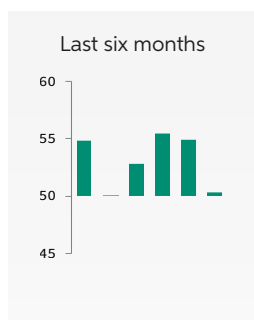
April's data pointed to a further sharp increase in input costs in the Irish manufacturing sector. Panellists reported that higher raw material prices had contributed to increased cost burdens, with pork among the items mentioned as having risen in price. Although quickening from March, the rate of inflation was still the second-slowest in 28 months.

Input Prices Index

sa, >50 = inflation since previous month



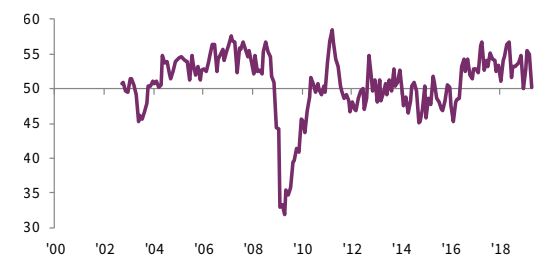
Output Prices Index



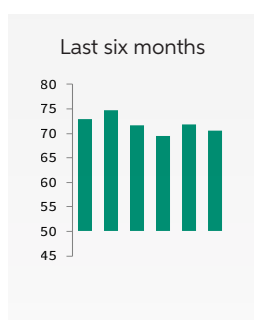
Selling prices among Irish manufacturers increased during April. That said, the rate of inflation was marginal and the slowest in the current four-month sequence of rising charges. According to respondents, higher output prices largely reflected the passing on of increased raw material costs to clients.

Output Prices Index

sa, >50 = inflation since previous month



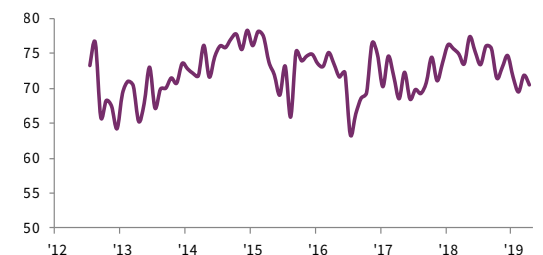
Future Output Index



Although dipping slightly from March, sentiment regarding the 12-month outlook for output remained strongly positive. Around 47% of panellists were confident of a rise in output from present levels in one year's time. Companies linked optimism to investments in new products and hopes of increased export sales.

Future Output Index

>50 = growth expected over next 12 months



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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.

April 2019 data were collected 10-23 April 2019.

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.

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