

AIB Ireland Manufacturing PMI®

Manufacturing operating conditions improve to weakest extent since October 2016

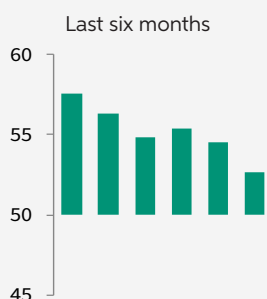
Key Findings

Output rises at slowest pace in ten months

New order growth slowest since November 2016

Rate of job creation at 16-month low

Ireland Manufacturing PMI



Manufacturing conditions in Ireland improved to the weakest extent since October 2016 in January, as production growth eased to a ten-month low. In line with output, inflows of new business expanded at a slower pace, one that was the weakest since November 2016. As a result of softer customer demand, the rate of job creation eased to a 16-month low.

The seasonally adjusted Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – posted 52.6 at the start of 2019, down from 54.5 in December, signalling the weakest improvement in the health of the sector since October 2016. That said, the rate of improvement was solid and business conditions have now strengthened in each of the past 68 months.

Underpinning the slower improvement in manufacturing operating conditions was an easing of output growth. Production expanded modestly in January and at the slowest pace in ten months. Panellists attributed this to softer demand conditions both domestically and internationally.

New orders expanded for the thirtieth successive month in January. The rate of growth was solid, but slowed to a 26-month low. New export business also increased, albeit at the weakest pace since October 2016 amid reports of reduced UK orders.

With new order growth slowing, Irish manufacturers were able to deplete backlogs of work. The fall in outstanding business was the fastest since August 2016.

Post-production inventories increased for Manufacturing PMI

sa, >50 = improvement since previous month



the second month running during January. The rate of accumulation was modest, but the fastest since January 2018. A number of respondents increased inventory holdings due to new product launches in 2019, while others suggested that they had built stocks in order to guard against any delays resulting from Brexit.

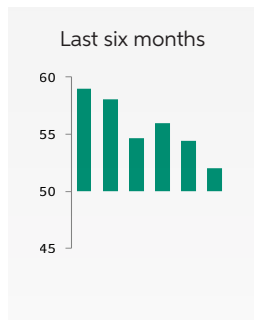
On the employment front, Irish manufacturers continued to take on additional staff in January, with headcounts rising for the twenty-eighth successive month. However, faced with softer customer demand from both domestic and international markets, the rate of job creation slowed to a 16-month low.

Purchasing activity increased for the twenty-ninth consecutive month during January. Despite this, the rate of growth eased amid weaker demand conditions for Irish manufacturers. Higher demand for inputs and capacity constraints resulted in a further lengthening of vendor lead times, albeit the weakest since February 2017.

Input price inflation remained sharp and quickened in pace from December, with many panellists reporting higher raw material prices. The passing on of greater cost burdens led to a rise in output charges, following no change in the previous month.

Finally, sentiment among Irish manufacturers softened from December to the weakest in three months. Firms continued to predict output growth over the coming year, however. Expectations of increased customer orders, improved marketing efforts and continued strength in export markets were cited as reasons to be optimistic.

Output Index

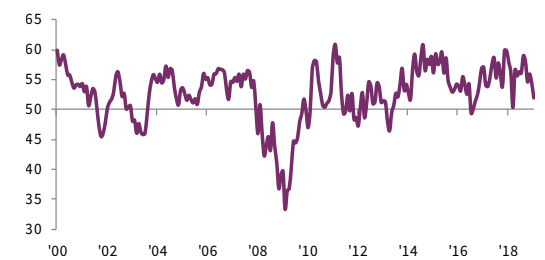


Irish manufacturing output continued to rise at the start of 2019, extending the current sequence of growth to 30 months. That said, the rate of expansion was modest and the slowest since March 2018. Panellists indicated that higher new orders were central to the latest increase in production.

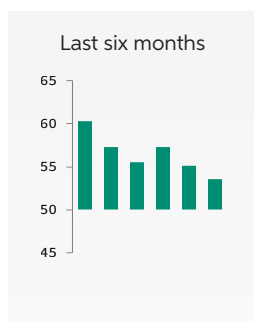
Consumer goods producers saw an increase in output, while contractions were recorded in the intermediate and investment sectors.

Output Index

sa, >50 = growth since previous month



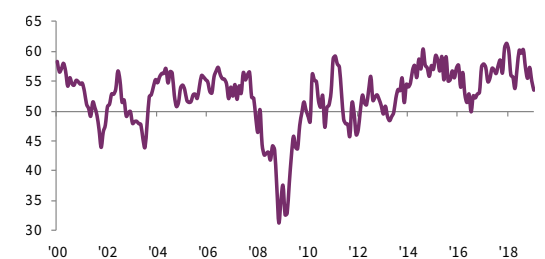
New Orders Index



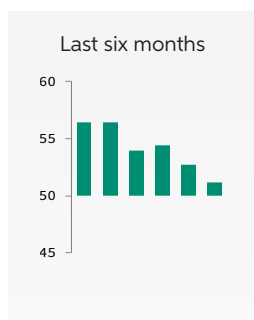
Amid reports of softer customer demand from domestic and international markets, the level of new orders placed with Irish manufacturers increased at the slowest pace since November 2016. That said, the rate of increase was still solid.

New Orders Index

sa, >50 = growth since previous month



New Export Orders Index



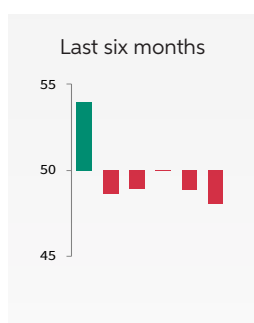
As has been the case in each of the past 29 months, new export orders increased during January. The rate of growth was modest and the slowest since October 2016. Anecdotal evidence from panellists suggested that Brexit uncertainty was weighing down orders from the UK.

New Export Orders Index

sa, >50 = growth since previous month



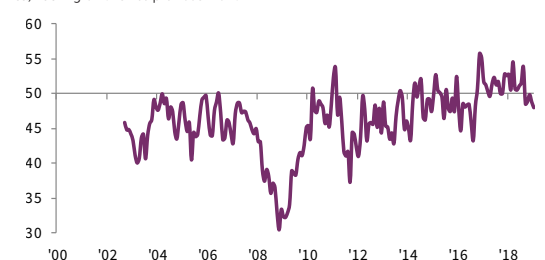
Backlogs of Work Index



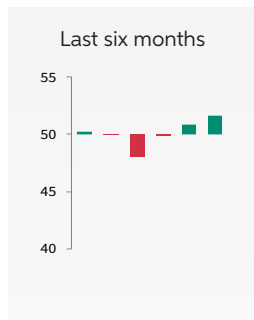
Irish manufacturers recorded a fifth successive decline in backlogs in January. The rate of backlog depletion was solid and the fastest since August 2016. Slower new order growth was cited by panellists as the principal factor behind lower outstanding business.

Backlogs of Work Index

sa, >50 = growth since previous month



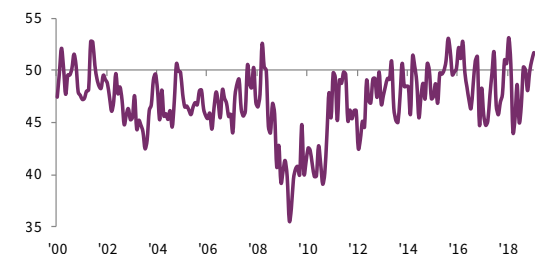
Stocks of Finished Goods Index



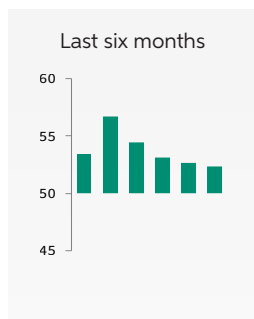
Inventories of finished goods increased for the second consecutive month during January. Moreover, the rate of accumulation was marked and the fastest since January 2018. A number of respondents increased inventory holdings due to new product launches in 2019, while others suggested that they had built stocks in order to guard against any delays resulting from Brexit.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



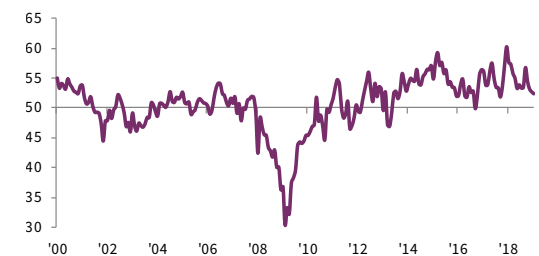
Employment Index



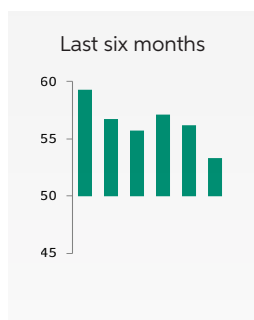
Employment growth amongst Irish manufacturers weakened in January, mirroring the softer rise in production. The rate of job creation, whilst solid, eased to the weakest in 16 months. Anecdotal evidence from panellists indicated that they had taken on additional staff in anticipation of a pick-up in new orders later in 2019.

Employment Index

sa, >50 = growth since previous month



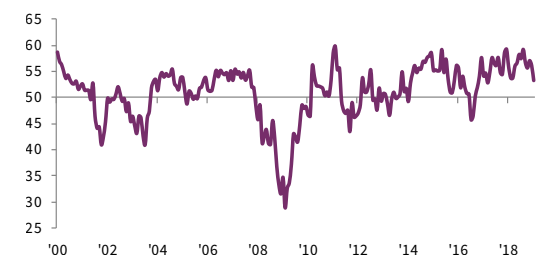
Quantity of Purchases Index



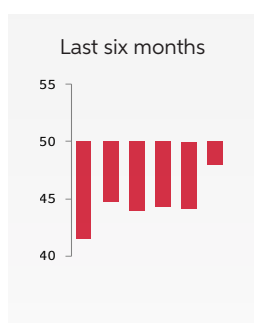
Purchasing activity among Irish manufacturers increased in January for the twenty-ninth successive month. Despite this, the rate of expansion softened for the second month running and was the weakest since March 2017. Intermediate goods producers posted the fastest rise in purchasing of the three broad sectors covered.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index



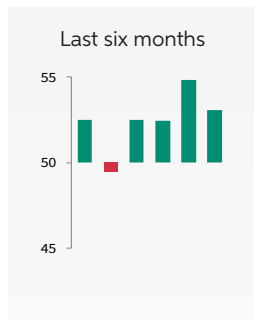
January data pointed to a further lengthening of suppliers' delivery times, linked by respondents to difficulties in sourcing raw materials and increased demand for inputs. That said, the rate of deterioration in vendor performance eased to the weakest in 23 months.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

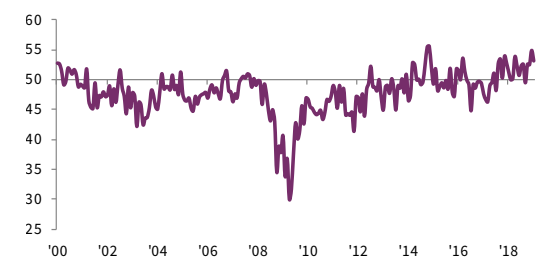


Irish manufacturers recorded a fourth successive monthly rise in stocks of purchases in January. Despite slowing from December, the rate of accumulation was solid. Some respondents increased inventories due to stock availability concerns after Brexit.

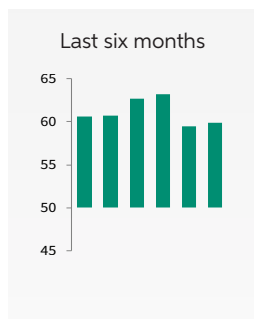
Pre-production inventories in the consumer goods sector grew marginally, while solid rises were seen among investment and intermediate goods producers.

Stocks of Purchases Index

sa, >50 = growth since previous month



Input Prices Index

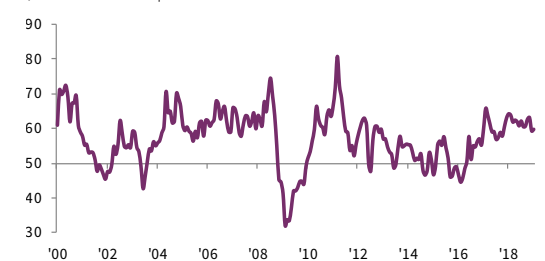


Input prices continued to increase sharply during January, and at a faster pace than both the series average and December's reading. Panellists stated that rises in raw material prices (notably steel and paper) was the principal factor behind greater cost burdens.

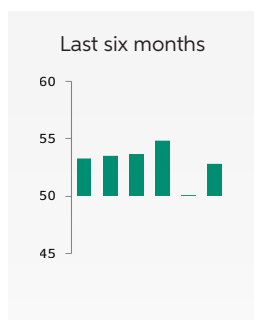
At the sector level, input costs for investment goods producers rose sharply in January and at a much faster rate than at consumer or intermediate goods producers.

Input Prices Index

sa, >50 = inflation since previous month



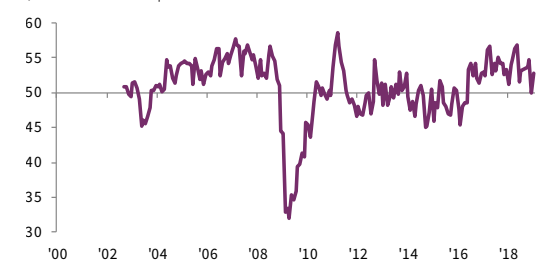
Output Prices Index



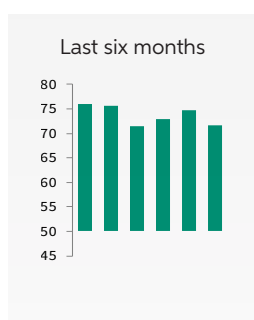
January data signalled the return of output charge inflation in the manufacturing sector. After charges were unchanged in December, the increase was solid and faster than the long-run series average. Panellists attributed the up-tick in selling prices to greater raw material costs which they passed onto their customers.

Output Prices Index

sa, >50 = inflation since previous month



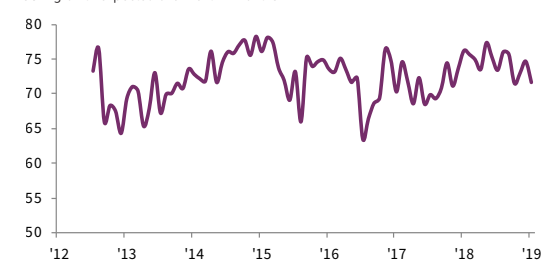
Future Output Index



Sentiment among Irish manufacturers softened from December to the weakest in three months. Close to 48% of the survey panel indicated positive output expectations, against just over 4% who forecast lower production. Expectations of increased customer orders, improved marketing efforts and continued strength in export markets were cited as reasons to be optimistic.

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.

January 2019 data were collected 11-24 January 2019.

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

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About PMI

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