



# AIB Ireland Manufacturing PMI®

## Factory production growth cools to 15-month low in May

### Key Findings

**Output rises at slowest pace in current 15-month sequence**

**Expansion in new work eases to modest pace**

**Rate of cost inflation re-accelerates**

Data were collected 12-24 May 2022.

The latest PMI® survey data from AIB showed a sustained improvement in Irish manufacturing conditions during May amid further upturns in output and new work. However, the rates of increase slowed sharply on the month to the weakest in the respective 15-month sequences, as higher prices reportedly dampened client demand. Production was also weighed on by ongoing supply issues which pushed input price inflation to a near-record high in May.

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 registered 56.4 in May to signal an improvement in manufacturing conditions for the twentieth month running, and one that was solid overall. Down from 59.1 in April, however, the latest figure pointed to the slowest rate of improvement since February 2021, indicative of an easing of growth momentum.

The downwards movement in the headline PMI was primarily reflective of slower rates of increase in new orders and output during May, alongside a weaker lengthening of suppliers' delivery times (which is inverted in the calculation of the PMI). Quicker rises in employment and stocks of purchases meanwhile had small positive impacts on the headline figure.

Amid reports of strong demand conditions, order book volumes at Irish goods producers rose further during May, driven in part by a moderate uplift in new export orders. The rate of expansion eased sharply, however, to the weakest in the current 15-month sequence and was only modest overall. Some survey respondents noted that higher charges for goods had dampened demand.

A similar trend was recorded for output during May, which

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, S&P Global.

continued to rise, but at the weakest pace since the current growth sequence began in March 2021. The rate of increase was still solid overall, however. With production outpacing order book growth, backlogs of work at manufacturers declined for the first time in over a year, as firms were able to work through unfinished business.

Nonetheless, goods producers continued to take on additional staff during May, extending the current sequence of higher workforce numbers that began in October 2020. Moreover, the rate of job creation was the fourth-quickest on record and marked.

At the same time, buying activity at Irish goods producers rose again, with panellists citing efforts to build stocks due to supply issues and greater production requirements. Although the slowest in the current 15-month sequence, the rate of increase was solid. Consequently, inventories of purchases rose at the strongest pace for four months.

Elsewhere, supply delays continued into May. Respondents blamed material shortages, customs checks, the conflict in Ukraine and Brexit. The extent to which lead times lengthened was sharp, but notably, the weakest since December 2020.

Turning to prices, the rate of cost inflation re-accelerated in May, edging closer to March's peak. Greater material, fuel and transport costs, Brexit and the war in Ukraine were all cited in anecdotal evidence as drivers of cost inflation. In response, firms again raised their factory gate charges in an attempt to pass greater cost burdens on to clients. Moreover, the pace of increase in average charges hit a series record for the third month in a row.

Looking ahead, business confidence weakened to a 19-month low in May, with the war in Ukraine and steep inflationary pressures reportedly weighing on sentiment.



## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Irish Manufacturing PMI survey for May showed a further solid improvement in activity in the sector, but with a clear easing in growth momentum from the elevated levels of the past year. The headline index fell to 56.4 from 59.1 in April, which is the lowest reading since February 2021. The fall was in line with the trend seen in other economies - the flash May indices fell to 54.4 and 54.6 in the Eurozone and UK, respectively.*

*"The easing in the pace of expansion reflects slower growth in output and particularly new orders, with some respondents saying that rising prices are weighing on demand. Notably though, continuing pressure on workloads saw employment increase markedly at the fourth-quickest pace on record.*

*"With order growth slowing, backlogs of work at manufacturing firms declined for the first time in over a year. Furthermore, the fall in stocks of finished goods was only marginal and the slowest since last September, while inventories of inputs rose at their fastest pace in four months. Firms also reported that, although delivery times for input supplies continued to lengthen appreciably, it was the least pronounced rise since December 2020.*

*"In terms of the 12-month outlook, while sentiment remains positive, it was at its lowest level since end 2020, amid concerns around rapidly rising inflation and the war in Ukraine. In this regard, input prices rose at their second-fastest pace on record, with marked increases in raw materials, energy and fuel costs. Faced with surging input prices, manufacturers raised their own prices by a survey-record degree for a third successive month."*

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### Methodology

The AIB Ireland Manufacturing PMI® is compiled by S&P Global 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 12-24 May 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.

[ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html)

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