



# AIB Ireland Manufacturing PMI®

## Manufacturing sector rebounds in March following subdued start to 2021

### Key Findings

PMI hits 57.1 as growth of output and new orders resume

Second-fastest rate of input price inflation on record

Output expectations strongest since May 2019

### Ireland Manufacturing PMI



The Irish manufacturing sector performed strongly in March, according to the latest PMI® data from AIB. Output, new orders and exports all rose solidly and for the first time since the end of 2020. The 12-month outlook for production brightened and jobs were added at the fastest rate in two-and-a-half years. That said, severe supply chain pressures led to the fastest rate of input price inflation since March 2011.

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

*"The AIB Irish Manufacturing PMI for March shows a surge in activity in the sector, jumping to 57.1 from 52.0 in February and 51.8 in January. This takes the index back up to its peak readings of recent years. It also sees Ireland join a global rebound in manufacturing, with the March flash PMI readings for the UK, Eurozone and US all at historically high levels.*

*"The sub-components of the Irish PMI survey all point to a big improvement in business conditions in the sector. Output returned to a strong growth path after contracting in the previous two months, driven by a marked pick-up in orders, including from abroad, as demand strengthened.*

*"This resulted in a rise in backlogs of unfilled orders for only the second month in the last two-and-a-half years. It also saw purchases on inputs increase at their strongest pace since March 2019.*

*Meanwhile, employment rose for the sixth month running, growing at its fastest pace since September 2018.*

*"Supply chains remain under severe pressure, with delays in shipping owing to new Customs arrangements, as well as difficulties in sourcing raw materials and inputs, leading to a further marked lengthening in delivery times. These factors, combined with the strengthening in demand, are generating increased inflationary pressures. Both input and output prices rose at their fastest pace in ten years in March.*

*"Meanwhile, firms have become very optimistic about the 12-month outlook for production, which reached a near two-year high. They expect the rollout of Covid vaccines will see an easing of lockdown restrictions, resulting in a much improved business environment."*

Manufacturing PMI

sa, >50 = improvement since previous month



## Overview

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 surged to 57.1 in March, from 52.0 in February, signalling a marked overall improvement in Irish manufacturing business conditions at the end of the first quarter. The latest figure was broadly comparable with the peaks set during the past three years, and well above the long-run trend level (since 1998) of 51.8. Moreover, the month-on-month rise in the headline figure of 5.1 points was the third-largest on record, behind only those registered in June and July last year as the sector rebounded from the first lockdown. Over the first quarter as a whole the PMI averaged 53.6, the strongest quarterly trend since the fourth quarter of 2018.

The upward surge in the PMI mainly reflected much stronger contributions from the new orders and output components, which in the first two months of 2021 had registered firmly in contraction territory. Excluding the post-lockdown bounce in July 2020 and pre-Brexit demand last December, new orders rose in March at the fastest rate since the end of 2018. Similarly, output rose at one of the fastest rates of the past two years.

Survey data indicated improving export demand in March, with the growth of new work from abroad the second-fastest since September 2018. Firms reported improving demand from the European and US markets.

The overall improvement in business conditions also reflected a stronger increase in employment during March. The manufacturing workforce expanded for the sixth month running, and at the fastest rate for two-and-a-half years. Companies linked hiring activity to rising workloads and improving forecasts. Output expectations strengthened in March, with overall sentiment the strongest since May 2019.

March survey data continued to reveal severe pressure on manufacturing supply chains. Average delivery times for inputs lengthened markedly again, with the first three months of 2021 seeing longer delays than in any other period in the near 23-year survey history except for April 2020 during the first COVID-19 lockdown. Firms linked longer suppliers' delivery times to post-Brexit customs checks, global shortages of raw materials and shipping bottlenecks.

Raw material shortages, new UK trading rules and shipping delays placed greater upward pressure on input prices in March. Average input costs rose at the fastest rate in ten years, and at the second-fastest pace on record. Moreover, the same pattern was registered for output prices as firms passed on greater cost burdens to customers.

New order inflows and supply chain problems generated rising backlogs of work in March. Latest data signalled only the second increase in outstanding business in just over two-and-a-half years, the other occasion being in July 2020. Companies continued to sell from stocks, with final goods inventories declining for the fifteenth successive month.



## Output Index



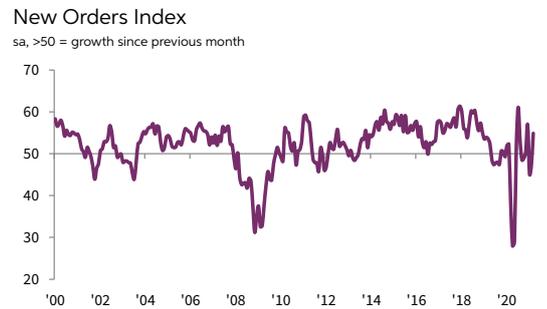
Irish manufacturing output rose in March, following sharp declines in the first two months of 2021. The rate of expansion was solid overall and above the long-run survey average, albeit weaker than those registered in July, August and December last year. Firms linked higher production to stronger demand, notably from Europe and the US. The seasonally adjusted Output Index posted the third-largest month-on-month gain (9.9 points) in the survey history.



## New Orders Index



The volume of new orders received by Irish goods producers rose for the first time in three months in March. The rate of expansion was above the long-run series trend and solid overall. The seasonally adjusted New Orders Index posted the fourth-largest month-on-month gain (7.6 points) in the survey history. Firms reported stronger exports influenced by improving conditions in Europe and the US.



## New Export Orders Index



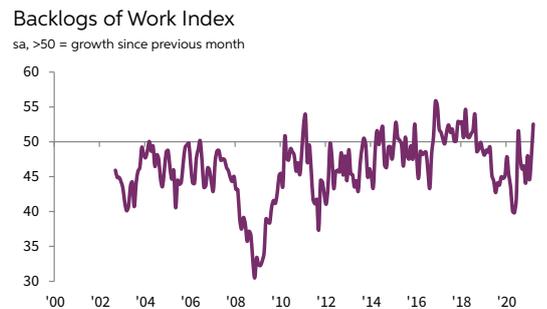
Manufacturers in Ireland reported higher inflows of new export business for the first time since December last year. Excluding last August's spike, the rate of export growth in March was the strongest since September 2018. Firms reported improving demand from Europe and the US. The seasonally adjusted New Export Orders Index was well above its long-run trend level of 51.8.



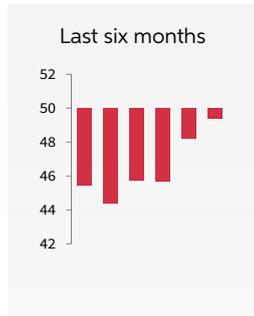
## Backlogs of Work Index



Stronger demand and supply chain delays placed pressure on capacity in the Irish manufacturing sector in March. Backlogs of work increased for the first time since July 2020, and for only the second time in just over two-and-a-half years. The rate of growth in outstanding business at the end of the first quarter was the fastest since August 2018.



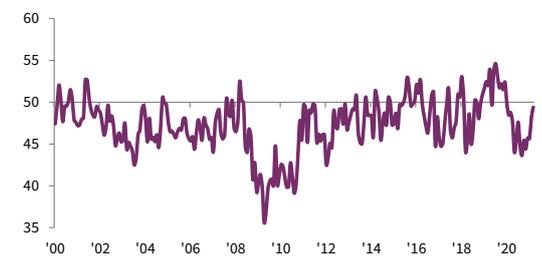
## Stocks of Finished Goods Index



The seasonally adjusted Stocks of Finished Goods Index remained below the no-change mark of 50.0 for the fifteenth successive month in March, indicating a further round of destocking by manufacturers. Some firms reported selling direct from stock due to delays in the supply of new inputs. That said, the overall rate of reduction was only marginal and the slowest since January 2020.

Stocks of Finished Goods Index

sa, >50 = growth since previous month



## Employment Index



Irish manufacturing employment rose for the sixth month running in March. Moreover, the rate of job creation accelerated to the fastest since September 2018 with 21% of firms reporting new recruitment during the month. Companies linked hiring activity to rising workloads and improving business plans.

Employment Index

sa, >50 = growth since previous month



## Quantity of Purchases Index



In line with the trends for output and new orders, purchasing activity at Irish manufacturers rose for the first time in 2021 so far in March. Excluding the pre-Brexit boost to purchasing last December, the rate of growth in the latest period was the strongest since March 2019. Firms mainly linked increased input volumes to recovering demand conditions.

Quantity of Purchases Index

sa, >50 = growth since previous month



## Suppliers' Delivery Times Index



March data indicated ongoing severe pressure on Irish manufacturing supply chains. Average input delivery times lengthened to one of the greatest degrees since data collection began in 1998. The seasonally adjusted Suppliers' Delivery Times Index rose from the level set in January and February, but was still lower than at any other time in the survey history except for April 2020. Firms widely linked delays with shipping and customs to new UK trading rules, though global raw material shortages were also mentioned.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



## Stocks of Purchases Index



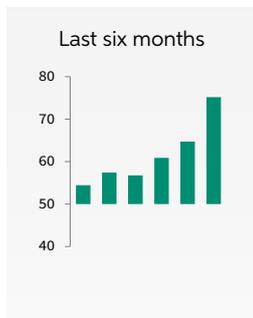
The level of inputs held in stock at Irish manufacturers fell for the second month running in March, following a three-month period of growth that started last November as firms prepared for the end of the Brexit transition period. The latest decline was only marginal, however, and slower than in February. Firms reported difficulties replenishing stocks due to supply chain problems.

Stocks of Purchases Index

sa, >50 = growth since previous month



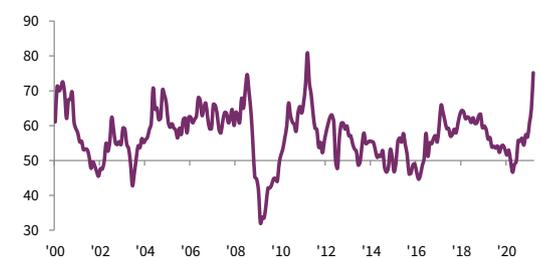
## Input Prices Index



Manufacturing input prices rose rapidly in March, reflecting global raw material shortages (notably in Asia), higher shipping costs and the impact of new UK trading rules. The rate of inflation surged to the fastest for ten years, and the second-highest since the survey began in 1998. The month-on-month increase in the Input Prices Index, at 10.5 points, was the second-largest on record.

Input Prices Index

sa, >50 = inflation since previous month



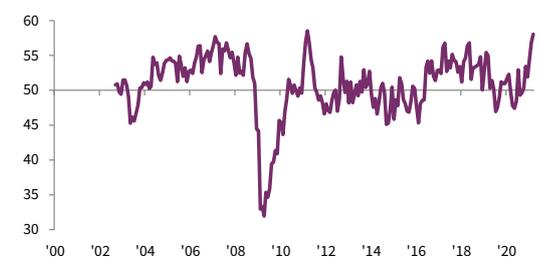
## Output Prices Index



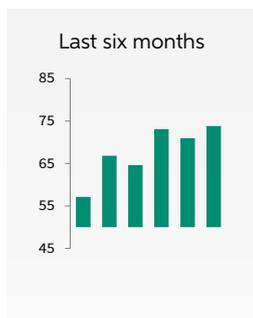
Faced with near-record increases in input costs, manufacturers hiked their output prices in March. Charges rose for the sixth month running, and the rate of inflation accelerated for the third consecutive month to the strongest since March 2011. It was also the second-highest on record since the series began in late-2002.

Output Prices Index

sa, >50 = inflation since previous month



## Future Output Index



Irish manufacturers were more confident regarding the 12-month outlook for production in March. The Future Output Index rose to a 22-month high, and remained above its long-run trend level (since mid-2012) for the third month running. Firms widely expected a pick-up in business as lockdown restrictions are eased alongside the rolling out of vaccinations.

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.

Data were collected 12-24 March 2021.

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

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## About PMI

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.

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