



# The British Constructional Steelwork Association Limited

Unit 4 Hayfield Business Park, Field Lane, Auckley, Doncaster DN9 3FL  
Telephone: 020 7839 8566  
Email: [postroom@steelconstruction.org](mailto:postroom@steelconstruction.org)  
Website: [www.steelconstruction.org](http://www.steelconstruction.org)

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3 February 2022

**ALL MEMBERS MEMORANDUM No 32-22**

## **REPUBLIC OF IRELAND MANUFACTURING PMI – JANUARY 2022**

### *New order growth accelerates at start of 2022*

The headline **AIB Ireland Manufacturing PMI**<sup>®</sup> 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 rose to 59.4 in January, from December's nine month low of 58.3. The latest figure signalled a strong overall improvement in manufacturing business conditions, and was higher than in any survey period prior to April 2021. The PMI was only fractionally below its 2021 average of 59.7.

The full Republic of Ireland Manufacturing PMI<sup>®</sup> Report is attached.

**Lorraine MacKinder**  
**BCSA Marketing & Membership Administrator**



# AIB Ireland Manufacturing PMI®

## New order growth accelerates at start of 2022

### Key Findings

**PMI rises for only second time in eight months to 59.4**

**Slowest rise in output since March 2021**

**Input price inflation eases further from October record**

Data were collected 12-24 January 2022.

A faster increase in new orders boosted the Irish manufacturing sector in January, according to the first PMI® survey data for 2022 from AIB. Demand for Irish goods increased at the fastest rate in four months, although output growth slowed to a ten-month low due to ongoing material and staff shortages. Cost pressures remained severe but eased further from last October's series record high, leading to the slowest rise in output prices in five months.

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The month-on-month gain in the PMI in January was only the second registered since last May's record high. It was reflected in four of the five components, the exception being output. The largest positive directional influences were provided by suppliers' delivery times (the index for which is inverted in the PMI calculation) and new orders.

Demand for Irish manufactured goods rose for the eleventh month running in January. Moreover, the rate of growth accelerated to the fastest since last September, partly linked to new customers. Export demand also improved following subdued increases throughout the final quarter of 2021.

Although new business inflows quickened in January, Irish

Ireland Manufacturing PMI

sa, >50 = improvement since previous month



Sources: AIB, IHS Markit.

manufacturing output failed to keep pace due to ongoing material and staff shortages. Production rose for the eleventh month running, albeit at the weakest rate since last March. That said, growth remained strong overall in the context of the survey history.

With growth of output slowing, manufacturers continued to fulfill orders by selling direct from existing stock. Inventories of finished goods declined for the seventh consecutive month, and at the fastest rate since last August.

Backlogs of work continued to rise in January, reflecting pressure on capacity from stronger new orders, supply shortages and high levels of staff absences. The rate of growth quickened since December and was among the strongest on record.

Manufacturers continued to add to their workforces in January, to address capacity constraints and in expectation of higher output requirements in 2022. Staffing in the goods-producing sector rose for the sixteenth consecutive month, and the rate of job creation picked up from December's ten-month low.

Purchasing of inputs sped up in January in line with the faster increase in new orders. Buying activity rose at the strongest rate since last August, with firms also linking higher purchases to efforts to secure stocks ahead of expected price increases and supply delays. Input stocks rose at one of the fastest rates on record, while supply chains remained stretched in January. Input lead times lengthened to a greater extent than in December, albeit less so than the trend seen over 2021 as a whole.

Inflationary pressures in the manufacturing sector remained severe in January, but showed signs of easing. Input and output prices both increased at the slowest rates since last August, albeit ones that remained among the highest on record.



## Comment

Oliver Mangan, AIB Chief Economist, commented:

*"The AIB Irish Manufacturing PMI for January shows continuing strong growth in the sector, with the headline index picking up to 59.4 from 58.3 in December. The index remains at an elevated level historically, with the January reading higher than in any month prior to April 2021. The Irish reading is on a par with the flash January index for the Eurozone, which picked up from 58.0 to 59.0, and above the flash indices for the UK and US of 56.9 and 55.0, respectively*

*"The subcomponents of the Irish PMI survey also registered strong readings. The most encouraging aspect was a marked rise in new orders, including for exports. Growth in output, though, while remaining strong was constrained by staffing problems, often due to absences linked to Covid. However, overall employment in the sector continued to grow at a very solid pace.*

*"Not surprisingly, with orders picking up but constraints on production, backlogs of unfinished work continued to rise sharply. Firms responded with another marked rundown in their inventories of finished goods. Meanwhile, the delivery times for inputs also lengthened again, reflecting the ongoing pressure on supply chains. Manufacturers were very positive on the 12-month outlook for production, with the recovery from the pandemic expected to continue in 2022 and new business growing.*

*"The combination of strong demand, disruptions to supply chains and continuing upward trend in prices of raw materials, energy and transportation, meant the pressure on costs remained intense. There were further marked rises in firms input and output prices, though the rate of increase has eased somewhat recently."*

## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353 1 6417176  
E: [AlBeconomics.Unit@aib.ie](mailto:AlBeconomics.Unit@aib.ie)  
W: [www.aibeconomics.com](http://www.aibeconomics.com)

Paddy McDonnell  
AIB Press Office  
T: +353 1 641 2869  
M: +353 87 739 0743  
E: [paddy.x.mcdonnell@aib.ie](mailto:paddy.x.mcdonnell@aib.ie)

Graham Union  
AIB Press Office  
T: +353-1-6412430  
M: +353-85-2088343  
E: [Graham.X.Union@aib.ie](mailto:Graham.X.Union@aib.ie)

### IHS Markit

Trevor Balchin  
Economics Director  
T: +44-1491-461-065  
[trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

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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 January 2022.

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

### About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

### About IHS Markit

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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.

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

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