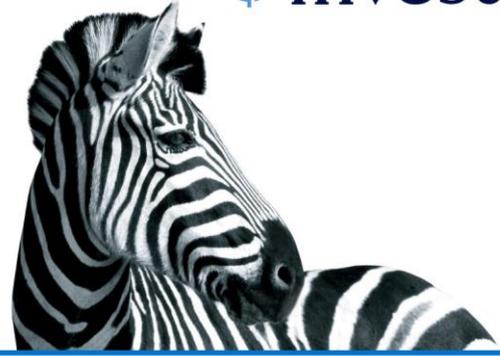


Investec Manufacturing PMI® Ireland



Economics Monthly

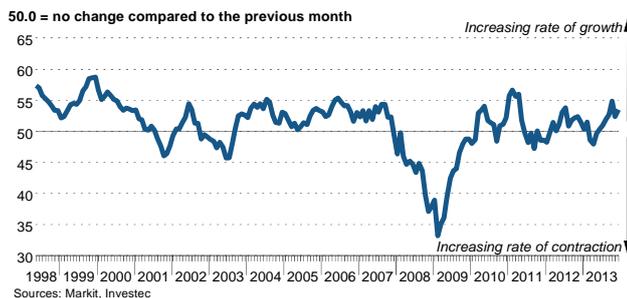
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Output growth quickens slightly in December

Summary:

The Irish manufacturing sector ended 2013 on a positive note as growth of output and new orders gained momentum in December. Meanwhile, the current sequence of job creation was extended to seven months. On the price front, input cost inflation picked up slightly while firms raised their output prices for the fourth month running.

Investec Purchasing Managers' Index®:



The seasonally adjusted Investec Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – rose to 53.5 in December from 52.4 in November. This signalled a solid improvement in business conditions, and the seventh in as many months.

New orders in the Irish manufacturing sector increased for the sixth month in a row during December, with the solid rate of expansion quicker than that seen in the previous month. Some respondents highlighted rising new export orders, which increased amid new business from the UK, US and China. That said, growth of new export orders eased to the slowest in six months.

Higher new business led manufacturers to increase their output during the month, extending the current sequence of growth to seven months. Moreover, the rate of expansion picked up from that seen in November.

Despite a sharper rise in new business, backlogs of work decreased for the third month running, and at a solid pace.

A further rise in employment was recorded in support of increased production requirements. Although slowing for the second month running, the rate of job creation remained solid.

The rate of input cost inflation quickened slightly in December, but remained weaker than the series average. Higher prices for raw materials including timber were noted by respondents. As input costs increased, manufacturers raised their selling prices. The rate of output charge inflation was solid, and the fastest in three months.

A lack of stocks at suppliers, due in part to raw material shortages, was mentioned by panellists as a factor leading to longer delivery times. Lead times lengthened solidly, and for the fifth month running.

Manufacturers continued to raise their purchasing activity in December in response to increased workloads. The rate of growth picked up slightly from that seen in November.

Stocks of purchases rose slightly in line with higher demand, with the accumulation the strongest since July 2012. Meanwhile, stocks of finished goods fell for the second successive month, partly reflecting increased deliveries to clients.

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Investec Contact Details: www.investec.ie Investec.Economics@investec.ie +353 1 421 0496
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Markit Economics, Henley on Thames, Oxon RG9 1HG, UK Tel: +44 1491 461000 Fax: +44 1491 461001 e-mail: economics@markit.com

Comment:

Commenting on the Investec Republic of Ireland Manufacturing PMI survey data, Philip O'Sullivan, Chief Economist at Investec Ireland said:

"The latest Investec Manufacturing PMI Ireland report shows a solid finish to 2013 for the sector. The headline PMI improved to 53.5 in December from the previous month's 52.4, extending the current sequence of expansion to seven months.

"Within the data we note a pick-up in the rate of growth in New Orders, in spite of the pace of expansion in New Export Orders slowing for a third successive month. Those respondents who reported growth from overseas attributed this to improved demand from the US, UK and China.

"On margins, we note that the rate of increase in Input Prices rose to a three month high during December, led by raw material costs, although

Output Prices also rose for the fourth consecutive month.

"Employment has been a highlight of the Manufacturing PMI report in recent months and today's release shows that firms continued to add to headcounts into year end. Respondents attributed this latest rise in staffing levels to a need to support rising production.

"The Quantity of Purchases component remained above the 50 no-change level for a fifth successive month in December, with the rate of expansion marginally higher than November's outturn, while the Stocks of Purchases component rose above 50 for the second time in the past three months. This purchasing behaviour, allied to firms' continued willingness to add to payrolls and rising new orders, suggests that the positive momentum in the manufacturing sector in H2 2013 is likely to persist into the New Year."

For further information please contact:

Markit

Andrew Harker, Senior Economist
Telephone +44-1491-461-016
Email andrew.harker@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44- 781-5812162
Email caroline.lumley@markit.com

Investec

Philip O'Sullivan, Chief Economist
Telephone +353-1-421-0496
Email philip.osullivan@investec.ie

Ronán Roche, Corporate Reputations Ltd
Telephone +353-1-661-8915
Email Ronan@corporatereputations.ie

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[Notes on Data and Survey Methodology](#)

The Investec Republic of Ireland Manufacturing PMI[®] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 285 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Irish GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

The Purchasing Managers' Index[®] (PMI[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction. The PMI is designed to show a convenient single-figure summary of the health of the manufacturing sector.

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index[®] (PMI[®]) series, which is now available for 32 countries and key regions including the Eurozone. The PMIs have become 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. For more information, e-mail economics@markit.com.

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