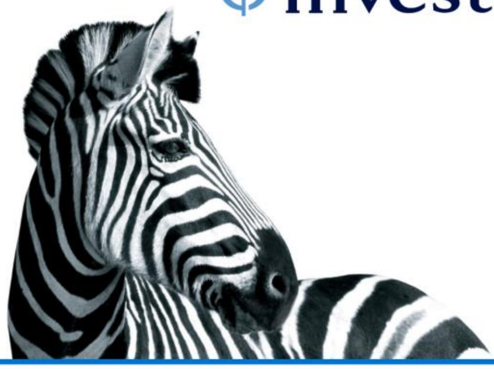


Investec Manufacturing PMI® Ireland

Economics | Monthly

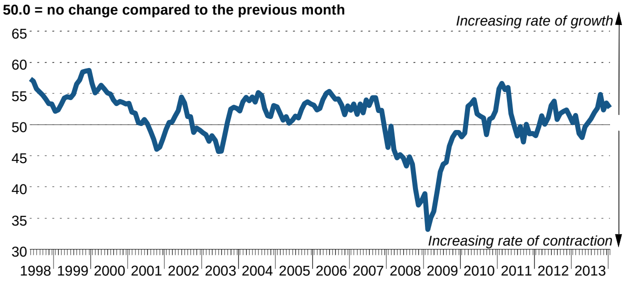
Embargoed until: 06:00 (UK Time) 3 February 2014

Output continues to rise, albeit at slower pace

Summary:

Business conditions in the Irish manufacturing sector continued to improve in January as output, new orders and employment all increased again. However, there were some signs of an easing in momentum at the start of the year as production growth slowed to the weakest in five months and firms lowered their purchasing activity.

Investec Purchasing Managers' Index®:



Sources: Markit, Investec

The seasonally adjusted Investec Purchasing Managers' Index® (PMI®) – an indicator designed to provide a single-figure measure of the health of the manufacturing industry – showed a solid strengthening of operating conditions in January. However, falling to 52.8 from 53.5 in December, the rate of improvement weakened slightly from the end of 2013.

The drop in the PMI partly reflected weaker production growth in January, with output increasing at the slowest pace since last August. That said, output still rose solidly on the back of a further expansion in new orders.

New business increased at a pace that was only slightly weaker than recorded in the previous month as firms reported improving client demand in both domestic and export markets. The rate of growth in new export orders quickened to the fastest in three months, with some panellists highlighting the UK as a source of new work.

A marked reduction in backlogs of work was registered in January, with panellists linking this to the shipping of goods to clients. This also impacted on stocks of finished goods which fell modestly for the third month in a row.

Manufacturers continued to increase their employment during the month in line with improved workloads. Moreover, the rate of job creation was solid, having accelerated from the previous month.

The rate of input cost inflation remained broadly stable and was below the series average. Costs of materials including cartons, ethylene and timber were reported to have increased over the month. However, firms lowered their output prices slightly, ending a four-month sequence of charge inflation.

Average lead times lengthened for the sixth successive month, with respondents noting a lack of stock at vendors. That said, the rate of deterioration eased for the second month running.

Purchasing activity decreased for the first time in six months during January, albeit only marginally. Some panellists indicated that input buying had been reduced in line with efforts to lower inventories. As a result, stocks of purchases decreased at a solid pace. The latest fall in pre-production inventories was the second in the past three months, following a slight increase at the end of 2013.

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compiled by markit

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 report shows that activity in the Irish manufacturing sector continued to grow in January, albeit at a slightly slower rate (52.8) than in December (53.5). The marginal slowdown in growth is primarily attributable to a moderation in output growth, which expanded at the slowest rate since August.

"Although production growth slowed in January, new orders remained relatively robust, with improved demand reported from both domestic and export customers. In relation to the latter, growth in new export orders quickened to the fastest rate in three months during January. Once again, the UK market was highlighted as a source of particular strength.

"One of the most encouraging aspects of recent PMI reports has been firms' willingness to hire additional staff. January saw a continuation of this trend, with employment increasing across all three market groups (investment goods, intermediate goods and consumer goods) and at a faster rate than in December. January represented the eighth successive month in which staffing levels have increased.

"Manufacturers' margins were squeezed during January, with output prices recording their first decline in five months and input prices continuing to rise (in line with the rate of inflation experienced in recent months). The drop in output prices, albeit very marginal, is disappointing as firms had been able to increase prices in five of the six prior months. Anecdotal evidence suggests that competitive pressures were the primary factor behind firms' decision to lower prices.

"In all, today's report represents a solid, if unspectacular, start to 2014 for the manufacturing sector. Broadly speaking, with activity having grown in every month since June 2013, the underlying trend remains intact. Given the momentum building both at home and abroad, we do not envisage any reversal of this trend in the near term."

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recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance.
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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.

About Markit Economics

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.

About Investec

Investec in Ireland, a member of the Investec Group, is a leading specialist bank and wealth and investment manager in Ireland and is based in Harcourt Street, Dublin 2.The Investec Group is a leading international, specialist-banking group, with headquarters in Johannesburg, South Africa. The group was founded in 1974 and currently has approximately 8,000 employees with offices in 14 countries. Investec acquired NCB in 2012. NCB Group, now trading as Investec Securities Holdings Ireland Limited is one of Ireland's leading financial services groups, whose main activities include Stockbroking (private client and institutional), Bonds, Corporate Finance, Venture Capital Investment and International Funds Listing. Investec Group is quoted on the Johannesburg and London stock exchanges with a market capitalisation of circa £4.2bn as of 31 March 2013. Investec's three principal areas of business worldwide are Specialist Banking, Wealth and Investment and Asset Management. For more information, visit www.investec.ie.