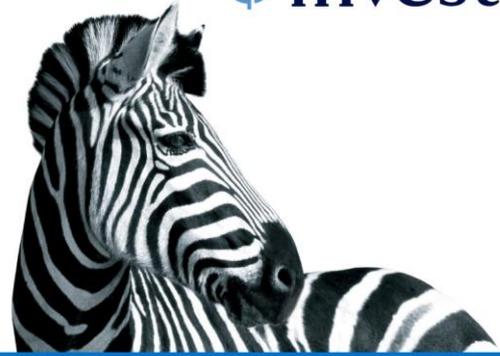


Investec Manufacturing PMI[®] Ireland



Economics Monthly

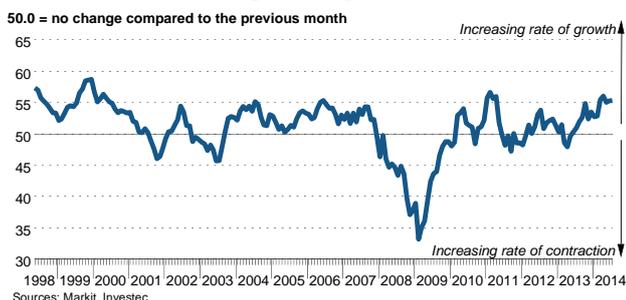
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Output growth hits three-month high in July

Summary:

Strong growth in Irish manufacturing output continued in July on the back of further improvements in client demand both in Ireland and abroad. Employment and purchasing activity also rose again at the start of the second half of the year. Stronger new business inflows enabled firms to increase their output prices for a second successive month, while input costs also rose modestly.

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 – posted 55.4 in July, little-changed from 55.3 in June and signalling a further marked strengthening of business conditions. Operating conditions have now improved in each of the past 14 months.

The rate of growth in Irish manufacturing output quickened to a three-month high in July, with panellists mainly linking higher production to increased new business. Output has risen continuously on a monthly basis since June 2013.

New orders rose for the thirteenth month running amid reports of stronger demand from both domestic

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and export clients. The rate of growth in total new business was sharp, and this was also the case with respect to new export orders which were boosted by higher demand from the UK.

Rising new orders led to a second successive monthly increase in backlogs of work, and the rate of accumulation quickened from the previous month to the strongest since February 2011.

Firms continued to take on extra staff in July, extending the current sequence of job creation to 14 months. Some panellists reported that forecasts of improving new business in coming months had encouraged them to increase employment.

Input prices rose modestly in July, although the rate of inflation quickened from that seen in June. Higher metals prices were mentioned by panellists. Improved client demand enabled some firms to pass on higher input costs, resulting in a second consecutive monthly rise in output prices. That said, the increase was only slight amid ongoing competition.

Manufacturers raised their purchasing activity markedly again in July as increased new business led to higher production requirements. Stronger demand for inputs contributed to another lengthening of suppliers' delivery times.

The rise in input buying was not sufficient to lead to an increase in stocks of purchases as inputs were used to meet order requirements. Stocks of finished goods also decreased, extending the current period of declining inventories to three months.

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 that Q3 has gotten off to a good start for the manufacturing sector. The headline PMI improved to a three-month high of 55.4 in July (June: 55.3), with the run of above-50 readings extended into a 14th month.

"Client demand continued to improve both at home and abroad. The New Orders and New Export Orders indices have posted above-50 readings for 13 successive months now. Panellists identified the UK as a particular source of higher overseas demand, with sterling strength likely to be a contributory factor here.

"Buoyed by this higher demand, manufacturing firms stepped up their purchasing activity in July. The

Quantity of Purchases rose for a sixth successive month, but this was not enough to keep up with demand, with Stocks of Purchases declining marginally for the second time in the past three months. In addition, the Backlogs of Work index posted an above-50 reading for the third time in the past four months as not even a further increase in staffing levels (the Employment index has been in positive territory in each of the past 14 months) could satiate the increase in customer orders.

"In relation to margins, increases in metals prices pushed Input Prices higher for a 12th consecutive month, but some of this was defrayed by a second successive rise in Output Prices.

"Our view has been, and remains, that the recovery both at home and in Ireland's key trading partners bodes well for the domestic manufacturing sector. Therefore, we are optimistic of further good readings, similar in nature to today's, in the months ahead."

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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 PMI series 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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