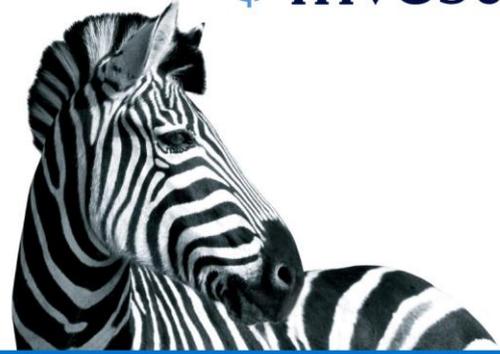


Investec Manufacturing PMI® Ireland



Economics Monthly

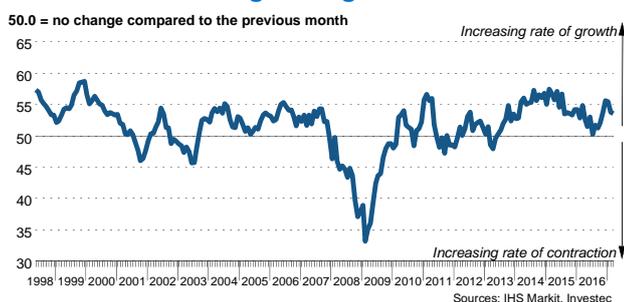
Embargoed until: 06:00 (Dublin) / 05:00 (UTC) April 3rd 2017

Output growth eases to slowest since last October

Summary:

Business conditions continued to improve in the Irish manufacturing sector at the end of the first quarter of the year, but there were signs of growth easing in March. Output, new orders and purchasing activity all increased at weaker rates. Meanwhile, the rate of input cost inflation remained elevated and firms reacted by raising their own selling prices to the greatest extent in almost six years.

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 53.6 in March to signal a further solid monthly strengthening of sector business conditions. However, the reading was down from 53.8 in February. The PMI has now fallen in three successive months and signalled the weakest improvement in the health of the sector since last October in the latest survey period.

The trend in the headline index was matched by those seen for output and new orders during March. Production increased for the eighth month running, but the rate of growth continued to ease from January's recent peak. Where output rose, panellists

mentioned higher new orders and improved operating capacity.

Total new business continued to increase markedly, despite the rate of growth easing to a four-month low. Some panellists reported higher new orders from international clients. These reports were backed up by a sharp rise in new export business during the month.

Backlogs of work increased marginally, and at the slowest pace in the current six-month sequence of accumulation. Rising new business was behind the latest increase, but weaker growth of new work enabled some firms to reduce backlogs.

The rate of job creation remained solid in March and was little-changed from the previous month as manufacturers responded to higher output requirements. This also led firms to increase purchasing activity, albeit to the least extent since last October. Panellists suggested that increasing demand for inputs imparted capacity pressure on suppliers, thereby leading to the most marked lengthening of delivery times in 27 months.

Slower growth of purchasing activity contributed to a further reduction in stocks of inputs, the eleventh in as many months. Moreover, the pace of depletion was the strongest since July 2016. Stocks of finished goods also decreased markedly.

Despite easing from February's 69-month high, the rate of input cost inflation remained elevated in March. Panellists mainly attributed this to higher raw material costs, with plastics mentioned in particular.

All Intellectual Property Rights owned by IHS Markit

Investec Contact Details: www.investec.ie Investec.Economics@investec.ie +353 1 421 0496
To view the full range of Investec Research & Insights go to www.investec.ie/research

Markit Economics, Henley on Thames, Oxon RG9 1HG, UK Tel: +44 1491 461000 Fax: +44 1491 461001 e-mail: economics@ihsmarkit.com

A number of firms sought to pass on higher input costs to clients by way of increased selling prices. In fact, the rate of output price inflation quickened to the sharpest since April 2011.

Expectations of further growth of new orders meant that manufacturers retained strong optimism for the future, with 51% of panellists predicting a rise in output over the coming year.

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 the rate of growth in business activity slowed marginally in March. The headline PMI eased to 53.6, extending the run of above-50 readings to 46 months, from February's 53.8.

"Despite a recent moderation, the rate of increase in New Orders remains marked as Irish manufacturers report increased new business from international clients. More than twice as many firms reported growth in New Export Orders as against those who experienced a contraction in demand.

"Notwithstanding the continued increases in demand, the rate of growth in Backlogs of Work moderated to the slowest in the current six month sequence of expansion. This is likely explained by a combination of the increased resources available to manufacturers (Employment in the sector increased for a sixth month in a row in March) and utilisation of inventories to meet orders (Stocks of Finished Goods were depleted for a fifth successive month).

"Turning to margins, there was another marked increase in Input Costs in March, which panellists attributed in part to currency movements. Firms were, however, able to defray at least a portion of these cost pressures by hiking Output Prices at their fastest pace since April 2011. However, this was not enough to prevent a third consecutive decline in the Profitability Index.

"Looking ahead, apart from ongoing growth in Employment and firms' Quantity of Purchases, another indication that manufacturers remain upbeat on the outlook is the Future Output index, which reveals that more than half of all firms expect to raise their output over the coming 12 months. Given the improving global economic backdrop, we think that this optimism is warranted."

For further information please contact:

IHS Markit

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

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Investec

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

Ronán Roche, The Reputations Agency
Telephone +353-1-661-8915
Email ronan@thereputationsagency.ie

Disclaimer

Investec Bank plc (Irish branch) ("**Investec**") has issued and is responsible for production of this publication. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules. Investec Bank plc is a member of the London Stock Exchange and the Irish Stock Exchange.

This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "**investments**"). Investec does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Investec.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Investec, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

All Intellectual Property Rights owned by IHS Markit

Investec Contact Details: www.investec.ie Investec.Economics@investec.ie +353 1 421 0496
To view the full range of Investec Research & Insights go to www.investec.ie/research

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

Investec (or its directors, officers or employees) may to the extent permitted by law, own or have a position in the investments (including derivative instruments or any other rights pertaining thereto) of any issuer or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such investments or financial transactions.

Investec's conflicts of interest policy is available at <http://www.investec.ie/legal/uk/conflicts-of-interest.html>

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 by GDP and company workforce size. 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 IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

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.

This document is not intended to be and must not be construed as an offer to buy or sell stocks or shares. It may not be reproduced in whole or in part or passed to third parties without permission.

The Investec Republic of Ireland Purchasing Managers' Index[®] series is produced by Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world. Copies of the report are available on annual subscription from Markit. For subscription details please contact: economics@ihsmarkit.com. The intellectual property rights to the Republic of Ireland Manufacturing PMI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Investec use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.

All Intellectual Property Rights owned by IHS Markit

Investec Contact Details: www.investec.ie Investec.Economics@investec.ie +353 1 421 0496
To view the full range of Investec Research & Insights go to www.investec.ie/research