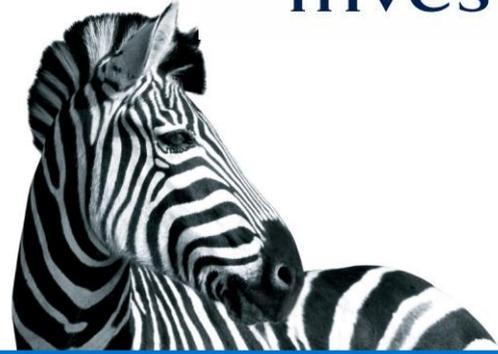


Investec Manufacturing PMI[®] Ireland



Economics Monthly

Embargoed until: 06:00 (Dublin) / 06:00 (UTC) May 1st 2018

Output growth rebounds, but new orders rise at weaker pace in April

Summary:

Growth of manufacturing output rebounded from March's weather-related slowdown during April, helping lead to a stronger improvement in business conditions. On a less positive note, the rate of expansion in new orders eased for the fourth month running. Meanwhile, both input costs and output prices rose at sharper rates at the start of the second quarter.

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 55.3 in April from 54.1 in March, thereby signalling a marked and accelerated monthly improvement in the health of the sector. Business conditions have now strengthened in each of the past 59 months.

After production lines had been impacted by snow disruption in March, the rate of expansion in manufacturing output picked up markedly in April and was sharp. As well as improved weather conditions, panellists also linked production growth to higher new orders.

Although new orders continued to rise in April, the rate of expansion slowed for the fourth month in a row to the slowest since November 2016. The rate

of expansion in new business from abroad also eased and was the weakest for a year-and-a-half.

With production lines back up and running, the rate of backlog accumulation was much slower in April. Outstanding business was up only marginally over the month. Meanwhile, firms continued to use inventories to help fulfil orders, resulting in a second successive monthly fall in stocks of finished goods.

The rate of job creation eased further from December's record, but remained sharp as manufacturers took on extra staff to support growth of output. Employment has now risen in 19 successive months.

Inflationary pressures strengthened in April, with both input costs and output prices rising at faster rates than in March. Where input prices increased, panellists mentioned higher costs for raw materials such as paper, steel and timber. The passing on of these higher cost burdens to customers led to a further marked increase in selling prices, and one that was the fastest for a year.

The rate of growth in purchasing accelerated to the fastest in 2018 so far as firms responded to rising new orders. Strong increases in input buying fed through to an increase in stocks of purchases, and at the joint-fastest pace since November 2014.

Rising demand for inputs and raw material shortages led to a marked lengthening of suppliers' delivery times. The deterioration in vendor performance was one of the strongest in the survey's history.

Firms generally expect output to rise over the coming year, with optimism linked to predictions of

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

improving market conditions and new product launches. That said, confidence eased from March.

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 growth of output has rebounded from March's weather-related slowdown. The headline PMI strengthened to 55.3 in April from the 12 month low of 54.1 that was recorded in March.

"The improvement in the headline PMI does not, however, map on to each of the components of the survey. New Order growth cooled to the slowest since November 2016, while New Export Orders advanced at their weakest pace since October 2016. On the latter point, Asia and Europe were seen as the strongest sources of demand in the month.

"The moderation in client demand has had a knock-on effect on other components of the report. While Backlogs of Work have increased for 12 successive months, the latest rise was only slight. Employment growth cooled to a six month low, with only one-in-seven firms adding to headcounts in April.

"On the margin side, Irish manufacturing firms signalled a further sharp increase in input costs last month, with higher raw materials prices (including paper, steel and timber) blamed for this. That inflationary pressure, in turn, has led to a strengthening in the rate of growth in output prices, to the fastest in a year, as firms seek to pass on higher costs. However, higher sales prices were not enough to prevent a deterioration in the Profitability Index, where the rate of decline has quickened to the strongest since the three months to end-March 2017.

"Notwithstanding the uptick in costs, firms stepped up their Quantity of Purchases last month. Admittedly, some of this may have been down to an element of catch-up following the snow in March. Our suspicion in this regard is driven by the rate of accumulation in Stocks of Purchases accelerating to the joint-fastest since November 2014.

"The forward-looking Future Output index cooled to its lowest for five months, although it remains well into positive territory, with around 95% of panellists saying that they anticipate output to be either the same or higher 12 months hence. With global growth at a seven year high, we think that this optimism is well-placed."

For further information please contact:

IHS Markit

Andrew Harker, Associate Director
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.

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. IHS 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 © 2018 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 IHS Markit, 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 IHS 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.