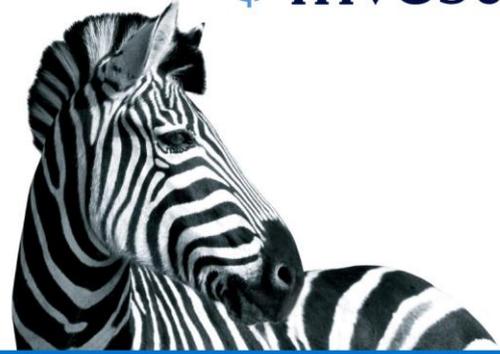


# Investec Manufacturing PMI® Ireland



Economics Monthly

Embargoed until: 06:00 (Dublin) / 06:00 (UTC) February 1st 2017

## Sharpest rise in manufacturing output for 18 months

### Summary:

The Irish manufacturing sector remained comfortably in growth territory during the opening month of 2017, with both output and new orders increasing at sharper rates. Firms remained strongly optimistic that output would increase further over the coming year, with positive sentiment encouraging manufacturers to take on extra staff. Meanwhile, the rate of input cost inflation quickened to the sharpest since October 2012 and firms raised their output prices at a solid pace.

### 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 55.5 in January, broadly unchanged from the reading of 55.7 in December and thereby signalling a further sharp monthly improvement in the health of the sector.

Central to the latest improvement in business conditions was a sharp and accelerated increase in new orders at manufacturing firms. The rise in new work was the sixth in as many months and the strongest since July 2015. Meanwhile, new business from abroad also increased sharply.

Firms responded to higher new orders by raising production. The rate of expansion ticked up and was the fastest in a year-and-a-half.

Forecasts of higher sales volumes in future months supported optimism among companies that output will continue to increase over the coming year. Sentiment remained strongly positive as close to 48% of panellists predicted an expansion.

Positive forecasts alongside increases in current production requirements led firms to take on extra staff again in January. The rate of job creation was sharp, albeit slightly weaker than at the end of 2016.

Despite a further marked rise in staffing levels, backlogs of work continued to increase, extending the current sequence of accumulation to four months. That said, the latest rise was much weaker than posted in the previous month.

The rate of input cost inflation accelerated sharply in January and was the fastest since October 2012. Respondents mentioned higher commodity prices, the weakness of the euro against the US dollar and higher charges by UK suppliers. Some firms were able to pass on rising cost burdens to clients, thereby resulting in a further solid increase in output prices.

Manufacturers increased their purchasing activity for the fifth consecutive month in January, and at a solid pace. This imparted capacity pressure on suppliers, leading to a further lengthening of delivery times.

Despite higher input buying, stocks of purchases continued to fall as inputs were used in the production process. Stocks of finished goods were

All Intellectual Property Rights owned by IHS Markit

Investec Contact Details: [www.investec.ie](http://www.investec.ie) [Investec.Economics@investec.ie](mailto:Investec.Economics@investec.ie) +353 1 421 0496  
To view the full range of Investec Research & Insights go to [www.investec.ie/research](http://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](mailto:economics@ihsmarkit.com)

also depleted, with products delivered to customers to help fulfil orders.

#### 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 further sharp monthly improvement in the health of the sector. The headline PMI was little changed at 55.5 in January from the previous month's 55.7 reading.*

*"A key highlight within today's report is the New Orders component, which recorded its fastest pace of growth since July 2015. Panellists reported higher demand from both new and existing clients. Overseas demand was robust, as evidenced by the fifth successive monthly expansion in New Export Orders – interestingly, some respondents indicated higher new orders from the UK, a welcome (if somewhat surprising) outturn given recent currency moves.*

*"Higher New Orders led to a further accumulation in Backlogs of Work. In response to this, manufacturers added to payrolls (as they have done in each of the past four months). Despite a further expansion in the Quantity of Purchases (albeit at a*

*somewhat slower pace than in the previous month), depletions were recorded in both Stocks of Purchases (for a ninth successive month) and Stocks of Finished Goods (for a third month in a row).*

*"On the margin side, the rate of input cost inflation accelerated sharply during January to the fastest since October 2012. There were a number of factors behind this, including higher commodity prices, the weakness of the euro against the US dollar and price rises at UK suppliers. Some firms were able to pass on at least a portion of these cost pressures by hiking Output Prices (as they have done for eight successive months now). Nonetheless, the Profits component (a new addition to the Manufacturing PMI report this month) dipped back into negative territory after posting a modest increase in December.*

*"Another new addition to the PMI this month is the Future Output index. While the rate of optimism implied by this moderated slightly in January, with more than 90% of firms expecting to see output levels either being maintained or increased over the coming year, it is clear that sentiment on the whole remains positive."*

#### For further information please contact:

##### IHS Markit

Andrew Harker, Senior Economist  
Telephone +44-1491-461-016  
Email [andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

##### Investec

Philip O'Sullivan, Chief Economist  
Telephone +353-1-421-0496  
Email [philip.osullivan@investec.ie](mailto:philip.osullivan@investec.ie)

Ronán Roche, The Reputations Agency  
Telephone +353-1-661-8915  
Email [ronan@thereputationsagency.ie](mailto: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](http://www.investec.ie) [Investec.Economics@investec.ie](mailto:Investec.Economics@investec.ie) +353 1 421 0496  
To view the full range of Investec Research & Insights go to [www.investec.ie/research](http://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<sup>®</sup> 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<sup>®</sup> (PMI<sup>®</sup>) 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](http://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](http://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<sup>®</sup> 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](mailto: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<sup>®</sup> and PMI<sup>®</sup> 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](http://www.investec.ie) [Investec.Economics@investec.ie](mailto:Investec.Economics@investec.ie) +353 1 421 0496**  
**To view the full range of Investec Research & Insights go to [www.investec.ie/research](http://www.investec.ie/research)**