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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

August sees slowest overall growth in manufacturing since end of 2016

KEY FINDINGS

Weakest job creation for a year-and-a-half

Strongest rise in new orders in five months

Output expectations remain relatively subdued

The latest PMI® data from Unicredit Bank Austria provided a mixed picture for manufacturing business conditions in August. Although new orders and output both expanded more quickly than in July – partly reflecting a renewed increase in new export business – the rate of employment growth in the sector slowed to the weakest in a year-and-a-half. This was the main factor driving the headline PMI to its lowest level since December 2016, albeit one that remained strong overall.

The headline UniCredit Bank Austria Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI fell for the sixth time in 2018 so far to 56.4 in August, from 56.8 in July. The latest figure was the lowest in 20 months but still well above the long-run average of 52.3, signalling a strong overall improvement in business conditions. The decline in the headline figure mainly reflected weaker employment growth and a less severe lengthening in supplier delivery times.

By sub-sector, investment goods continued to show the strongest overall improvement in business conditions in August, followed by intermediate and consumer goods respectively. Investment goods has been the top-performing sub-sector for 18 months.

Output growth picked up to a four-month high in August,

Manufacturing PMI
sa, >50 = improvement since previous month



but remained softer than the pace shown at the start of 2018 and throughout 2017. Meanwhile, the rate of growth in new business accelerated to the fastest in five months, partly reflecting a renewed expansion in new export orders. Subsequently, backlogs of work and input purchasing also increased at the strongest rates in five months.

Austria's manufacturing workforce continued to expand in August. Though strong in the context of the survey history, the rate of job creation slowed to the weakest since February 2017.

Manufacturing supply chains remained under pressure in August. The incidence of delays was the lowest since May 2017, but remained substantial overall. Producers of investment goods continued to face the greatest delays from vendors.

Input price inflation at Austrian goods producers remained strong in August, despite easing to a three-month low. Firms generally linked higher prices to raw material shortages.

Manufacturers continued to hold a positive outlook for output growth over the next 12 months. That said, the overall degree of sentiment in August was the second-weakest in over two-and-a-half years. This partly explained a slower rise in output prices during the month, the weakest since March 2017.



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Methodology

The Bank Austria Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2018 data were collected 13-22 August 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are 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. To learn more go to ihsmarkit.com/products/pmi.html.

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