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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

PMI climbs to nine-month high in January

KEY FINDINGS

Headline PMI lifted by slower declines in output, new orders and employment

New export orders rise for first time in 16 months

Firms most optimistic about outlook since September 2018

Austria's manufacturing sector took a significant step towards stabilisation at the start of 2020, latest PMI® data showed. The headline UniCredit Bank Austria Manufacturing PMI – a single-figure snapshot of overall business conditions, calculated from indicators of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 49.2 in January, up sharply from December's 46.0 and its highest reading for nine months.

Elsewhere, the survey showed new export orders rising – albeit marginally – for the first time in 16 months, alongside increased optimism among goods producers about the outlook for output over the coming year.

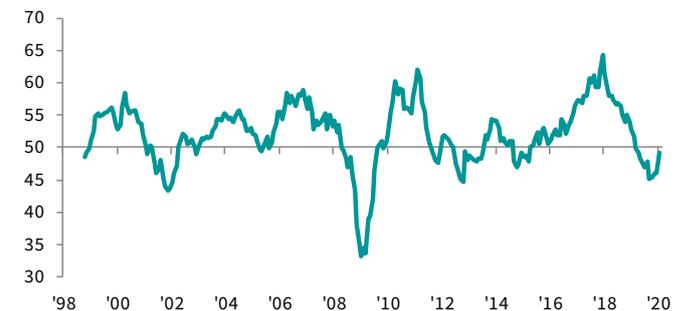
Total new orders received by Austrian manufacturers were down for the thirteenth month in a row in January. However, thanks in part to stronger external sales, the rate of decline was the weakest in this sequence and only marginal.

It was a similar picture for output, which showed almost no change from the month before. Weakness in production was confined to the intermediate goods sectors, with makers of investment goods recording a renewed (albeit modest) increase in output and those producing consumer goods noting solid and accelerated growth.

Manufacturing employment in Austria also fell at a slower rate in January. The pace of staff cuts was only modest and the weakest in the current seven-month sequence of decrease.

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

January saw further reductions in both pre- and post-production inventories across Austria's manufacturing sector. According to anecdotal evidence, this partly reflected the deliberate streamlining of stock amid falling backlogs of work. Firms scaled down their purchases of raw materials and other inputs accordingly. The rate of decline in buying levels was the weakest for five months but still marked overall.

With suppliers to the manufacturing sector facing lower demand, they were able to deliver items more quickly in January – the eleventh month in a row in which this has been the case. That said, the extent to which lead times improved was the least marked since April last year.

Lower demand for inputs was also reflected in a further drop in manufacturers' average purchasing costs in January. The rate of decline in input prices was marked and broadly in line with the average seen over the second half of 2019. A number of surveyed businesses commented on lower steel prices.

The combination of strong competition for new work and lower input costs led manufacturers to reduce output charges for the seventh month in a row in January. The rate of decline was the fastest since last September.

Looking ahead, January's survey showed manufacturers' confidence towards future output at its highest since September 2018. Firms often pinned their hopes on an upturn in export sales.



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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.

January 2020 data were collected 13-24 January 2020.

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](https://www.ihsmarkit.com/products/pmi.html).

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