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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Contraction in December ends worst year for manufacturing sector since 2009

KEY FINDINGS

Headline PMI unchanged at 46.0 in December

Output posts steeper drop despite slower fall in new orders

Output expectations improve to highest since April

Austria's manufacturing sector ended 2019 with further falls in output, new orders and employment, latest PMI® data showed, to conclude its worst calendar year for a decade. Destocking intensified during December, while there was further downward pressure on prices. More positively, firms' expectations towards output in a year's time picked up to the highest in eight months, albeit with the degree of optimism remaining subdued by historical standards.

The headline UniCredit Bank Austria Manufacturing PMI – a single-figure snapshot of overall business conditions, calculated from indicators of output, new orders, employment, suppliers' delivery times and stocks of purchases – was unchanged at 46.0 in December, signalling the continuation of a solid rate of deterioration in overall manufacturing conditions. The PMI has registered in contraction territory for nine consecutive months, with its average for the year as a whole the lowest since 2009.

Output fell at a slightly accelerated rate in December, to show one of the steepest declines in production over the past ten years. A breakdown of the data by main industrial grouping indicated that growth in the consumer goods category was outweighed by sustained contractions in intermediate and investment goods output.

Where production decreased, this was often linked to lower new orders, with surveyed firms noting the influence of an aversion to investment, weakness in the automotive sector and generally subdued demand. Order book volumes fell markedly, though the rate of decline was the weakest since

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

August. New orders from abroad also decreased more slowly, posting the second-smallest drop in the whole of 2019.

Nevertheless, December saw a sharp and accelerated reduction in manufacturers' buying levels, with pre-production inventories recording the steepest decline for more than ten years. There was also a renewed fall in stocks of finished goods, with the rate of depletion the quickest since November 2017.

Lower demand for raw materials and other inputs was reflected in a further reduction in supplier delivery times in December, the tenth month in a row in which an improvement has been recorded. Manufacturers reported being able to negotiate lower prices with vendors, which led to a drop in overall purchasing costs for the seventh straight month. However, competition for new work meant that costs savings were often passed on by manufacturers in the form of lower factory gate charges.

Manufacturers' output expectations improved for a third consecutive month to the highest since April. That said, coming off a near seven-year low in September, the degree of confidence remained subdued by historical standards, with firms highlighting ongoing concerns towards the global economic growth outlook. As such, manufacturers retained a preference for lower workforce numbers.



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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.

December data were collected 5-16 December 2019.

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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UniCredit Bank Austria

Our customers' success is one of our primary concerns. For this reason we are pleased to prepare the Purchasing Managers' Index on a monthly basis jointly with IHS Markit, thereby enhancing the quality of our information on the Austrian economy. Because having access to accurate information at the right time is decisive for business decisions, especially in an increasingly harsher competitive environment.

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