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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Manufacturing sector continues to lose momentum as downturn in exports deepens

KEY FINDINGS

Headline PMI slips to 29-month low in January

Total new orders fall for first time in over three years

Input cost inflation eases to weakest since November 2016

Austria's goods-producing sector saw a further loss of momentum at the start of the year, according to the latest PMI® data from UniCredit Bank Austria, led by an accelerated decline in new export orders. There was better news on the cost front, however, as the rate of input price inflation faced by manufacturers fell to a 26-month low.

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 above 50.0 indicates overall improvement of the sector.

The PMI came in at 52.7 in January, down from 53.9 in December, signalling the slowest improvement in overall business conditions in the Austrian manufacturing sector for almost two-and-a-half years.

The latest drop in the headline index was due in large part to a deterioration in new orders, which fell in January for the first time in over three years. Behind the decline in total order books was a steep and accelerated decrease in exports – the most marked since October 2012. A fall in international demand has now been recorded in each of the past four months.

Despite weaker inflows of new work, output growth was maintained across the Austrian manufacturing sector in January. The rate of expansion was solid and slightly quicker than that observed in December, with makers of intermediate goods recorded the most marked rise in output.

Manufacturing PMI
sa, >50 = improvement since previous month

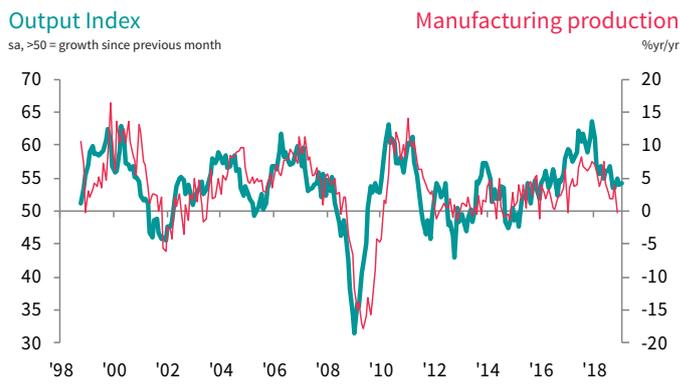


Goods producers continued to take on additional staff during the opening month of the year, in some case reflecting efforts to clear backlogs of work. The rate of job creation was solid by historic standards but eased for the second month running to the weakest in two years.

Higher production requirements also resulted in a rise in manufacturers' buying levels. The rate of growth in purchasing activity recovered slightly from December's 32-month low, though it was still the second-weakest seen for more than two years. Stocks of purchases meanwhile rose marginally, as did post-production inventories.

Elsewhere, January's survey found evidence of pressure continuing to come off supply chains. Though lead-times on purchased items increased on average compared to the month before, linked to ongoing capacity constraints and problems sourcing certain products, the overall incidence of delays was the lowest since January 2017.

In line with softer supply-side pressures, January saw a further slowdown in the rate of increase in purchase prices. Input cost inflation eased to a 26-month low, with panellists highlighting the influence of the recent falls in oil and steel prices. The latest rise in factory gate charges was meanwhile the weakest for three months.



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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 2019 data were collected 11-24 January 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.

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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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