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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

PMI falls into contraction territory for first time in over four years in April

KEY FINDINGS

Headline PMI slips to lowest since March 2015

Output growth close to stalling amid faster fall in new orders

Input cost inflation at 31-month low

April saw a deterioration in overall business conditions across Austria's goods-producing sector for the first time in over four years. The headline PMI slipped to 49.2 from 50.0 in March, weighed down in part by a faster decrease in new orders and a near-stagnation of output growth. Weaker demand for materials was meanwhile reflected in a further shortening of supplier delivery times and a slowdown in input price inflation to a 31-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 fell for the eighth time in the past nine months in April and recorded its lowest reading since March 2015. All sub-components imparted a negative directional influence. This included new orders, which decreased for the fourth month in a row and to the greatest extent since November 2014. The survey highlighted weaker demand from clients in the domestic market and abroad, with new export orders falling for a seventh straight month, albeit at the slowest pace in 2019 so far.

Though output continued to rise in April, the rate of growth was the weakest in the current 49-month sequence and only marginal overall. There were slower increases in the production of consumer and capital goods, while makers of intermediate goods recorded a modest fall in output.

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

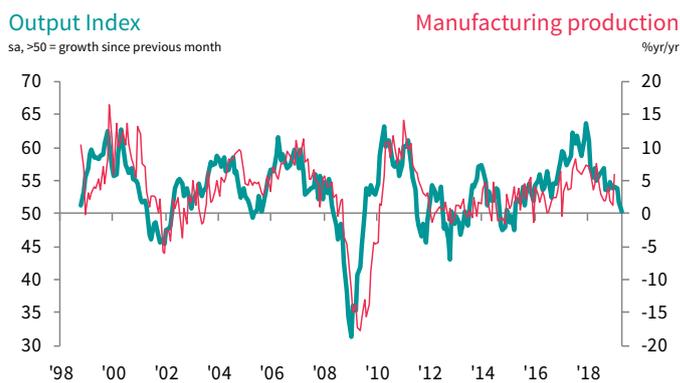
The dichotomy between an overall (albeit marginal) rise in output and falling new orders was reflected in a reduction in outstanding business and an increase in stocks of finished goods. Moreover, the extent to which backlogs fell was the most marked since March 2015.

With capacity pressures continuing to ease, April saw a further slowdown in the rate of job creation across Austria's manufacturing sector. The latest rise in employment was the weakest in almost three years, although still stronger than the historical series average (since 1998).

Manufacturers pared back their purchasing activity for a second consecutive month in April. Furthermore, the rate of decline accelerated to the quickest in four years. Accordingly, supplier delivery times shortened again and to the greatest extent since July 2013.

Supplier pricing power showed further signs of waning in April, as purchase prices faced by manufacturers rose at the slowest rate for over two-and-a-half years. Higher oil prices were a key factor behind overall cost increases, according to anecdotal evidence. Producer price inflation also eased in April, dipping to its weakest since November 2016.

Finally, manufacturers grew slightly more cautious about the outlook for output over the next 12 months, recording a degree of optimism that was the weakest since last November's near four-year low.



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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.

April 2019 data were collected 10-23 April 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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