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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Austria Manufacturing PMI at near seven-year low in September

KEY FINDINGS

Faster decreases in output, new orders and employment

Expectations gloomiest since late-2012

Input costs fall to greatest extent since March 2016

Latest PMI data showed a further deterioration in the health of the Austrian manufacturing sector in September, with output and new orders both falling at the fastest rate for nearly seven years. The pace of job losses also gathered pace, reaching the quickest for almost a decade, as firms grew increasingly pessimistic about the outlook.

Meanwhile, the survey showed further downward pressure on producer prices from competition for new work and a steep fall in input costs – the sharpest seen since March 2016.

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 – sank deeper into contraction territory at the end of the third quarter, dropping from 47.9 in August to an 83-month low of 45.1.

The deterioration was led by a further slump in new orders, which have now decreased for nine consecutive months. Furthermore, having accelerated sharply since the previous survey period, the rate of decline was the quickest seen since October 2012. Reasons for the latest decrease included clients postponing orders and an economic slowdown both at home and abroad. Indeed, September's survey showed a further sharp drop in new export orders, with Germany highlighted as a particular source of weaker sales.

Production also fell at the fastest rate since October 2012 in September. The solid reduction in output reflected contractions across each of the three main industrial

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

groupings, with makers of investment goods noting the steepest overall decline.

Austrian manufacturers remained in retrenchment mode in September, cutting staffing numbers for the third month in a row. Moreover, the extent to which employment fell was the greatest since November 2009. There was also a more marked decrease in goods producers' buying levels amid efforts to streamline stocks. Lower-than-expected sales nevertheless led to a slight rise in post-production inventories during the month.

The more gloomy jobs data in part reflected a deterioration in firms' expectations for future output. Sentiment on this front was the most negative since November 2012.

With demand for inputs continuing to decline, latest data showed a further reduction in supplier delivery times and a fourth straight monthly drop in purchase prices. The extent of the improvement in vendor performance was among the greatest seen over the past decade, while the fall in input costs was the steepest for three-and-a-half years. Items mentioned as down in price included cellulose, chemicals, plastics and steel.

These cost savings were passed on by manufacturers in the form of lower output charges, which likewise fell at a faster rate in September.



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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.

September 2019 data were collected 12-23 September 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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