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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Slowest rise in Austrian manufacturing new orders for almost three years in December

KEY FINDINGS

New orders barely rise as export downturn deepens

Solid, but slower increases in output and employment

Input cost inflation cools to 16-month low

The latest PMI® data from UniCredit Bank Austria showed a near-stalling of order book growth across the country's manufacturing sector in December, as the recent decline in goods exports accelerated. Both output and employment also rose more slowly, with the respective rates of expansion well down on those seen at the start of 2018. More positively, cost inflation slowed sharply to its lowest for 16 months.

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 slipped back again in December and recorded its second-lowest reading for over two years, registering just above October's recent nadir. At 53.9, down from 54.8 in November, the index was above its average over the series history since (October 1998), but well below December 2017's record high of 64.3.

The loss of growth momentum seen in December continued the broad trend seen throughout 2018 and was led a slowdown in inflows of new orders. Order books edged closer to stagnation at the end of the fourth quarter, rising only fractionally and at the slowest rate since January 2016. A drop in new export orders was recorded for the third month running as surveyed firms reported lower demand from the automotive sector and weaker sales to emerging markets. Moreover, December's decrease in exports was the most

Manufacturing PMI
sa, >50 = improvement since previous month



marked since August 2016.

Output growth was sustained in December, and at a quicker rate than new orders. However, the pace of expansion eased since November, partly reflecting a slight decline in the level of production across the consumer goods sector.

Manufacturers raised buying levels and took on additional staff to support higher output. Unsurprisingly, however, the rate of increase slowed on both fronts, with December's rise in purchasing activity being the softest in more than two-and-a-half years. Job creation, on the other hand, remained relatively solid as firms reported a further (albeit slower) increase in backlogs of work, pointing to the continuing presence of capacity pressures.

A slowdown in input cost inflation provided some respite for Austrian manufacturers in December. The rate of increase in purchase prices was at a 16-month low, which anecdotal evidence partly linked to the recent drop in oil prices. Nevertheless, with cost pressures remaining elevated by historical standards, firms raised output charges, albeit at a slightly slower rate compared to November.

The survey's measure of business confidence remained relatively subdued in December. Though firms were slightly more about the outlook for output than in November, the degree of optimism signalled was still the second-lowest in almost four years.



Source: Bank Austria, IHS Markit, Eurostat.

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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 2018 data were collected 5-14 December 2018.

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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