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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Austria Manufacturing PMI slips to 25-month low in October

KEY FINDINGS

PMI retreats amid slower growth in new orders and jobs

Renewed decline in export sales

Gloomiest outlook for output since early-2015

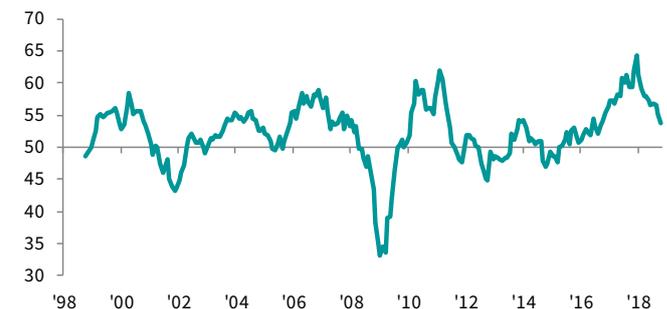
Austria's manufacturing sector registered its weakest growth performance for over two years in October, according to the latest PMI® data from UniCredit Bank. Inflows of new business rose only marginally and at the slowest rate since August 2016, with export sales falling back into decline. The loss of momentum in the sector was reflected in weaker rises in both employment and purchasing activity. Meanwhile, firms' expectations for output reached the lowest in over three-and-a-half years.

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.

October saw the PMI slip to 53.8, down from 55.0 in September and its lowest reading for over two years. Four of the five sub-indices behind the headline PMI contributed to the decline, including a contraction in input stocks. The exception was the output component, with the rate of production growth being identical to that seen in September. Though solid overall, the increase in output was nevertheless the joint-weakest since August 2016.

By sub-sector, investment goods saw the strongest improvement in business conditions during the month, closely followed by the previous month's top performer, intermediate goods.

Manufacturing PMI
sa, >50 = improvement since previous month



New order growth eased to a 26-month low in October. A number of firms commented on stronger underlying demand; however, there were reports from others of a drop in sales linked to a slowdown in the automotive sector and stronger price competition in international markets. Export orders fell (albeit marginally) for the second time in the past four months.

Austrian manufacturers continued to increase their workforce numbers during October, often citing efforts to expand capacity. The rate of job creation slowed in line with the trend in new orders, to its weakest since February last year, though it remained comparatively solid.

Slower growth, troubles in the automotive sector and financial market volatility all weighed on business confidence at the beginning of the fourth quarter. Having weakened for the eighth time in 2018 so far, firms' expectations towards output were the lowest since early-2015.

On the cost front, October's survey showed another steep rise in average input prices across the manufacturing sector, with energy, oil-related products and steel among the main drivers. The rate of inflation pulled back slightly from September's eight-month high but remained elevated by historical standards. Output prices were raised accordingly, albeit at the slowest rate since March 2017.

Finally, supplier delivery times increased on average in October, though reports of delays were the lowest for over one-and-a-half 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.

October 2018 data were collected 12-24 October 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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