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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Export-led slowdown of Austrian manufacturing sector extends into February

KEY FINDINGS

Headline PMI at 37-month low of 51.8

New export orders fall at fastest rate since October 2012

Slower growth in output and employment

Falling export orders continued to weigh on Austria's manufacturing sector in February, with the latest PMI® data from UniCredit Bank Austria indicating the weakest improvement in business conditions for over three years.

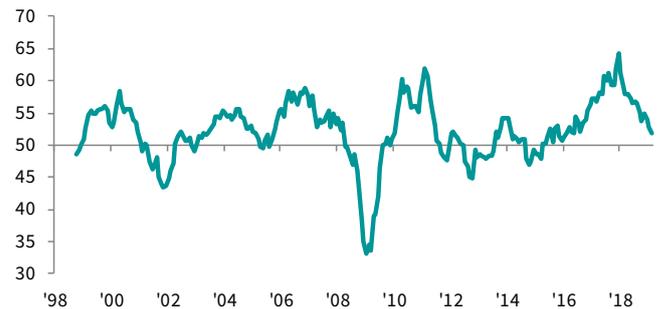
The headline UniCredit Bank Austria Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure above 50.0 indicates overall improvement of the sector.

February saw the PMI slip to a 37-month low of 51.8 from 52.7 in January. The month-on-month fall in the index was driven mainly by the supplier delivery times component, which showed the least marked deterioration in vendor performance since April 2016. Slower employment growth also imparted a negative directional influence on the index.

The slowdown in February was led by a deepening downturn in new export orders, which fell the most since October 2012. This caused a drop in overall order books for the second straight month, although the decline was only marginal and slower than in January, indicating some resilience in the domestic market.

Despite the sustained decline in demand, output levels continued to rise during February. The rate of expansion slowed but was solid overall. Growth in production was broad-based by product type and led by a steep rise in consumer goods output.

Manufacturing PMI
sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

Backlogs of work fell during February as a consequence of the dichotomy between output and new orders. A rise in stocks of finished goods – the fourth in as many months – was also recorded, boding ill for future output unless demand revives.

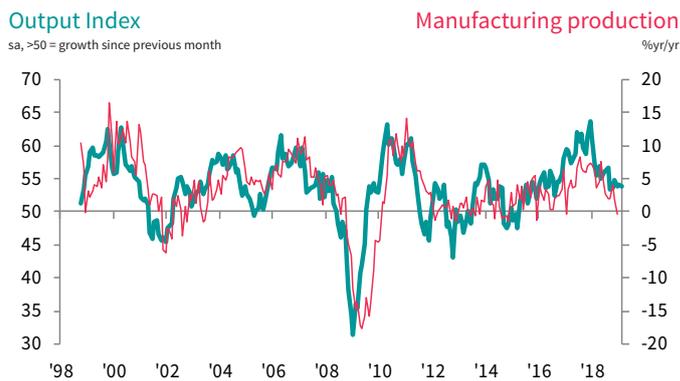
Despite the soft patch in demand, manufacturers – and in particular makers of capital goods – remained in hiring mode. That said, the rate of job creation eased for the third month in a row to its weakest since May 2016.

Growth in manufacturers' purchasing activity meanwhile slowed to near-stagnation in February, showing the weakest rise in buying levels for over three years.

The disinflationary effects of the slowdown were seen in manufacturers' purchasing costs, which rose at the weakest rate in 28 months. While there mentions of higher energy prices and the influence of wage pressures, lower prices for steel and paper products weighed on overall cost increases.

Factory gate charges also rose at a slower pace in February, with the rate of inflation easing for the third month in a row to the lowest since December 2016.

Austria's manufacturers remained cautiously optimistic towards the outlook, citing positive expectations for new products and entry into new markets, but also concerns towards an economic slowdown.



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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.

February 2019 data were collected 12-21 February 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.

The high level of expertise of UniCredit Bank Austria's employees in complex issues concerning finance, financial investments and investment projects is one of the reasons why UniCredit Bank Austria is a leading commercial bank. Our employees take advantage of the information lead. We use this acquired knowledge for the business success of our customers.

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