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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

August PMI signals fifth consecutive monthly contraction in manufacturing sector

KEY FINDINGS

Output falls again, though rate of decline in new orders eases

Future output expectations sink to lowest since mid-2013

Input costs and output charges remain in decline

The Austrian manufacturing sector remained in contraction in August, latest PMI data showed. Both output and employment were reduced as firms adjusted to a further, albeit slower, drop in new orders. Manufacturers' expectations towards future output meanwhile turned increasingly pessimistic.

Signs of weakness in the sector also extended to prices, with firms lowering output charges for a second month running amid strong competitive pressures and falling input costs.

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 – registered below the 50.0 mark that separates growth from contraction for the fifth month in a row in August. That said, the index ticked up for the first time in nine months, rebounding slightly from July's near five-year low of 47.0 to 47.9.

Of the main industrial groupings, intermediate goods producers were the worst performing, with makers of capital goods also recording a deterioration in business conditions during the month. The consumer goods sector meanwhile saw further growth.

The sustained decline in overall manufacturing conditions continued to stem from weaker underlying demand. August saw new orders fall for the eighth month in a row, with a further drop in export sales a contributing factor. That said, the respective rates of decline eased for the second month in

Manufacturing PMI
sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

a row, with overall order books down only modestly and at the slowest pace since February.

The volume of output across the manufacturing sector fell for the fourth straight month in August. Though accelerating slightly since July, the rate of contraction in production remained slower than that of new orders as firms continued to work through backlogs, which fell at the most marked pace since April 2009.

Efforts to adjust capacity more in line with demand saw manufacturing employment fall for the second month in a row during August. The rate of job shedding was solid and little-changed from that seen in July, when data had shown the first drop in workforce numbers for almost three-and-a-half years.

The reduction in staffing capacity was also consistent with a deterioration in business confidence towards the outlook. Future output expectations were the lowest since mid-2013, as firms highlighted concerns towards the construction sector, the car industry and economic conditions generally.

Elsewhere, latest data showed a further marked decrease in purchasing activity among manufacturers. Subsequently, supplier delivery times quickened and average prices paid for inputs fell for the third month running. Strong competition for new work meanwhile led manufacturers to pass on cost-savings in the form of lower factory gate prices. The decline in charges was the second in as many months, though only modest and weaker than in July.



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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.

August 2019 data were collected 12-22 August 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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