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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

PMI points to stronger growth in November, but outlook darkens

KEY FINDINGS

Fastest increase in output for three months

Rate of job creation also improves

Business confidence towards future output at 45-month low

Austria's manufacturing sector enjoyed a stronger overall performance in November, according to the latest PMI® data from UniCredit Bank, recording faster increases in output, new orders and employment. However, export orders were found to have fallen for the second month running and to the greatest extent since August 2016, while business expectations towards the year-ahead outlook for output were the lowest for nearly four 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.

November saw the PMI rise for the first time in four months, from 53.8 in October to 54.9. The slight uptick reflected not only faster growth in output, new orders and employment, but also a renewed increase in stocks of purchases and a greater deterioration in supplier delivery times. Nevertheless, the rate of improvement in operating conditions was still the second-slowest in over two years.

Stronger growth in the capital goods sector provided the main impetus to the overall upturn in performance in November.

Output growth across the Austrian manufacturing sector recovered to a three-month high in November, having been at the lowest for over two years during September and October. Data also showed a slightly faster increase in new

Manufacturing PMI
sa, >50 = improvement since previous month



orders, though the rate of expansion remained relatively subdued as inflows of new business from abroad fell for the second month in a row. The loss export sales was partly linked to a slowdown across the European car industry. With output growth outstripping that of new orders, November saw a build-up of stocks of finished goods.

Manufacturers' expectations towards output in a year's time weakened in November, maintaining the broad downward trend in optimism seen throughout 2018 so far. The degree of confidence was the lowest since February 2015, with concerns centred on a general slowdown in economic growth and difficulties in the autos sector.

Higher production requirements led a further increase in factory workforce numbers in November. The rate of job creation picked up from October's 20-month low, though was still among the weakest seen over the past two years. Manufacturers also recorded a slightly faster increase in purchasing activity.

Higher demand for inputs helped to maintain pressure on supply chains, with November seeing a further increase in average delivery times.

Costs pressures meanwhile remained strong as manufacturers faced another steep monthly increase in average input prices. Efforts to protect margins were reflected in a further marked rise in output charges.



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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.

November 2018 data were collected 12-23 November 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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