

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) January 30 2017

Bank Austria Manufacturing PMI®

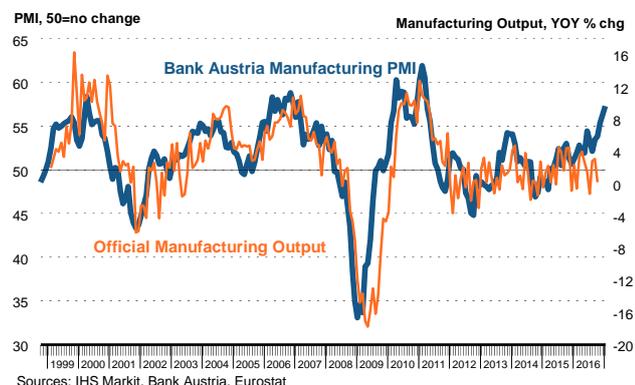
Manufacturing conditions improve at fastest rate in close to six years

Key findings:

- Headline PMI hits 70-month high
- Output, new orders and new export work all rise substantially
- Outlook remains strongly positive despite mounting cost pressures

Data collected from January 12-24

Bank Austria Manufacturing PMI:



Austria's manufacturing sector enjoyed its strongest performance in nearly six years at the start of 2017. This was highlighted by the seasonally adjusted Bank Austria Manufacturing *PMI*® – a composite indicator designed to provide a single-figure snapshot of manufacturing performance – posting at a 70-month high of 57.3 in January. With operating conditions also improving substantially towards the end of last year (55.4 in November and 56.3 in December), manufacturers saw their best three-month period of growth since early 2011.

Sector data indicated that consumer goods producers underperformed relative to their counterparts in intermediate and investment goods. The latter two sub-sectors signalled sharp improvements in business conditions, while consumer goods reported a broad stagnation.

Overall manufacturing conditions were bolstered by greater output in January. Production rose at the quickest rate since March 2011. There were reports of stronger demand, particularly from clients based in Germany.

Survey data corroborated anecdotal evidence of improved demand, as new orders increased substantially. The latest rise was the most marked in almost six years, supported by a similarly steep expansion of new export work. Panellists cited Germany, Eastern Europe and the US as sources of new business.

Austrian manufacturers stepped up their purchasing activity in response to rising workloads. Growth of input buying accelerated to a 70-month high. Meanwhile, both pre- and post-production inventories were depleted in January.

Employment rose at a solid pace that was little-changed from that seen in the prior two months. The rate of job creation was above the average seen across 2016 as a whole. That said, capacity pressures continued to mount regardless of a larger workforce. Backlogs of work rose to the greatest extent since March 2011.

There was also evidence of increasing pressure on supply chains in January. Average lead times lengthened to a larger degree than in December, with firms blaming a lack of personnel and materials at suppliers' units.

On the price front, input costs rose sharply in the first month of 2017. The rate of inflation picked up for the fourth month running, reaching its highest in over five-and-a-half years. Anecdotal responses pointed to greater raw material prices, notably oil and metals. These were often reflected in higher selling prices, which likewise increased at the

fastest pace since mid-2011.

With regard to the 12-month business outlook, the benefits of an economic upturn outweighed the

threats of rising cost pressures for Austrian goods producers. The degree of optimism was close to December's series-record high.

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Note to Editors:

The Bank Austria Manufacturing *PMI*[®] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in 300 industrial companies. The panel is stratified by GDP and company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. All data are seasonally adjusted.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

The Bank Austria Manufacturing *PMI* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction. The *PMI* is designed to show a convenient single-figure summary of the health of the manufacturing sector.

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About PMI

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 30 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 www.markit.com/product/pmi.

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