

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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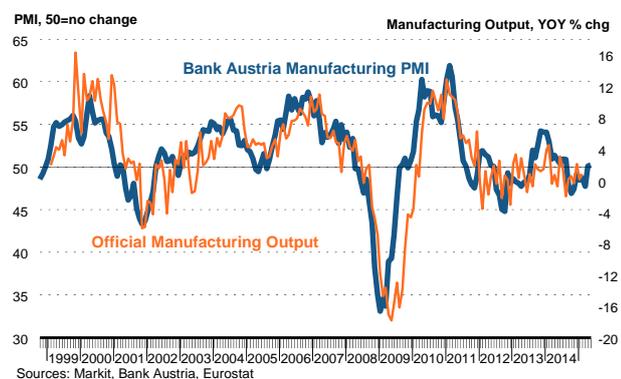
Bank Austria Manufacturing PMI[®]

Manufacturing output rises at strongest rate in nine months

Key points:

- Production increases further despite fractional dip in new orders
- Employment levels fall further, but rate of job shedding eases
- Input and output prices continue to decline

Historical overview:



Summary:

Operating conditions in Austria's goods-producing sector improved marginally in May. Output rose at a stronger rate despite a renewed dip in new business. The survey data also highlighted that companies remained cautious about their stock policies and employment levels. Meanwhile, input costs fell at the weakest rate in eight months, while firms reduced their selling prices to a greater extent.

May data signalled a second successive monthly improvement in operating conditions at Austrian manufacturers, with the seasonally adjusted Bank Austria Manufacturing PMI[®] – a composite indicator designed to provide a single-figure snapshot of manufacturing performance – rising from April's 50.1 to 50.3. While the improvement signalled was only fractional overall, the latest index reading was the best since last August.

The main driver of the improved headline PMI was an acceleration of production growth. The pace of expansion was the quickest since last August. Some companies scaled up their production in order to reduce backlogs, according to anecdotal evidence. Indeed, business outstanding fell for the fourteenth month running in May, and at a stronger rate than in April.

In contrast to the trend observed for output, the amount of new business placed with Austrian manufacturers fell fractionally in May. The decline was centred around intermediate goods producers, as consumer goods manufacturers reported a further increase. The survey data also highlighted that the decline in total new business was driven by lower domestic demand, as new export orders increased for a second month running.

May data signalled that companies remained cautious about their stock policies. Pre- and post-production inventories continued to fall, albeit the rates of decline slowed slightly since April in both cases. Moreover, manufacturers reduced their purchasing activity for the tenth consecutive month.

Despite output rising for a second month running, companies further reduced their workforce numbers in May. The rate of job shedding slowed, however, and was only marginal overall.

Input costs declined further in May, but the rate of deflation slowed since April and was modest overall. Companies attributed the latest fall in input costs to lower prices for some raw materials.

Factory gate prices also fell further in May, which survey respondents linked to a combination of competitive pressures and lower input costs. The rate at which selling prices declined was the most marked in three months.

Meanwhile, suppliers' delivery times in Austria's goods-producing sector lengthened at the most marked rate since January.

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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 geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to GDP.

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@markit.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/economics.

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