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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Manufacturing growth slowest in nearly two years in September

KEY FINDINGS

Headline PMI at 23-month low in September

New export orders rise only marginally

Output expectations weakest since end of 2015

The latest PMI® data from UniCredit Bank Austria signalled slowing manufacturing growth in Austria in September. Output and new orders both increased at the weakest rates in over two years, while firms were the least optimistic regarding future expansion since the end of 2015. Manufacturers also faced greater cost pressures, with input price inflation accelerating to an eight-month high.

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 greater than 50.0 indicates overall improvement of the sector.

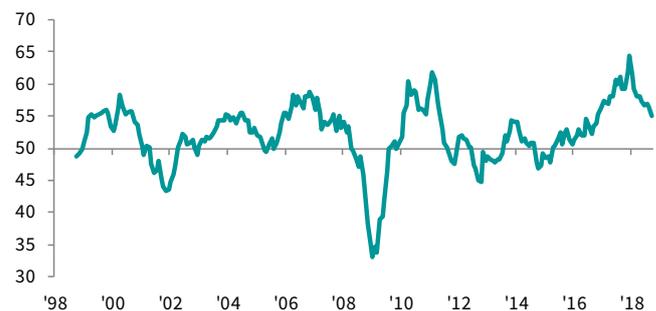
The PMI fell for the seventh time in 2018 so far to 55.0 in September, from 56.4 in August. The latest figure was the lowest in 23 months but still well above the long-run average of 52.3, signalling a solid overall improvement in business conditions. The decline in the headline figure reflected slower growth of output, new orders and stocks of purchases, tempered by a slightly stronger rise in employment and greater supply delays.

By sub-sector, intermediate goods showed the strongest overall improvement in business conditions in September. Previously, investment goods had been the top-performing sub-sector for a year-and-a-half.

New orders increased at the slowest rate since August 2016 in September. The loss of momentum during the month also took the pace of growth below the survey's long-run average.

Manufacturing PMI

sa, >50 = improvement since previous month



Data signalled only a marginal rise in the volume of new export orders.

Output growth was maintained for the forty-second month running in September, the longest run of expansion in the twenty-year survey history. That said, the pace of growth in the latest period was the slowest in just over two years. The level of work in hand continued to rise, but at the weakest rate in nearly two years.

Austria's manufacturing workforce continued to expand in September. Though strong in the context of the survey history, the rate of job creation was the second-slowest since February 2017.

September data signalled growing cost pressures and further pressure on supply chains. Average input prices increased at the strongest rate since January, reflecting raw material shortages, while suppliers' delivery times continued to lengthen substantially. Meanwhile, manufacturers increased their output prices at a strong overall rate.

Manufacturers continued to hold a positive outlook for output growth over the next 12 months. That said, the overall degree of sentiment in September was the weakest since December 2015.



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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.

September 2018 data were collected 12-21 September 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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