

News Release

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UniCredit Bank Austria Manufacturing PMI®

PMI sinks to six-month low in September as export orders plunge

Key findings

Faster falls in output, new orders, employment and input stocks

Export orders post steepest drop since last October

Business expectations turn negative

September saw a deepening downturn in the Austrian manufacturing sector, with PMI® data showing accelerated declines in output, new orders, employment and stocks of purchases. Central to the deterioration in business conditions was a sharp drop in export sales – the steepest seen for nearly a year. As such, business expectations towards production in the coming 12 months turned negative.

On the supply side, input prices broadly stagnated, after having risen in each of the previous three months. Alongside the weakness in demand for goods, this led to deeper price cuts by manufacturers. Supplier delivery times meanwhile quickened only slightly on average, registering the smallest improvement in more than a year-and-a-half.

The seasonally adjusted UniCredit Bank Austria Manufacturing Purchasing Managers' Index™ (PMI®) is a single-figure gauge of business conditions calculated from measures of new orders, output, employment, supplier's delivery times and stocks of purchases. Its latest reading of 42.8 was down from 44.4 in August and the lowest since March. It was also below the average recorded since the current deterioration in business conditions began in August 2022 (43.7).

The decline in the headline index owed in large part to a sharp and accelerated contraction in new orders, which panellists attributed to hesitancy among clients, investment reticence and weakness in the automotive sector. Contributing to the decline in total inflows of new work was a steep drop in new business received from abroad. Export sales recorded the most marked fall since last October as a number of surveyed businesses commented on softer demand from Germany.

Accordingly, Austrian manufacturers scaled back output in September. Again, the rate of contraction accelerated, to show the sharpest drop in production since the opening month of the year.

A sharp reduction in backlogs of work – the steepest seen for seven months – pointed to underutilised capacity across the goods-producing sector at the end of the third quarter.

UniCredit Bank Austria Manufacturing PMI

sa, >50 = growth since previous month



Sources: Bank Austria, S&P Global PMI.

Data were collected 12-23 September 2024.

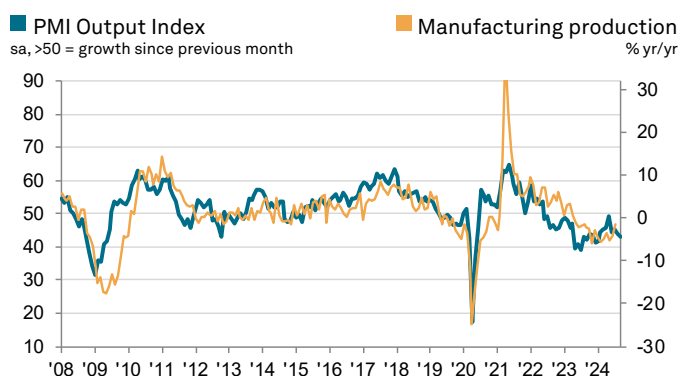
Businesses, therefore, upped the rate of job shedding, leading to the steepest fall in factory employment since April 2020.

Manufacturers also remained in inventory retrenchment mode in September, further reducing their holdings of both pre- and post-production inventories. The latest decrease in stocks of finished goods was the most pronounced in over three years. Warehoused inputs also fell at a faster rate, as manufacturers pared back their purchasing activity to the greatest extent since December last year.

Weaker demand for inputs was reflected in another reduction in supplier delivery times in September. That said, the latest improvement was only modest and the smallest recorded since January 2023, amid some reports of delayed container deliveries.

Average prices paid for purchases meanwhile rose only fractionally, with the rate of inflation cooling notably from August's 18-month high to the slowest in the current four-month sequence of increase. The combination of softer cost pressures, weaker customer demand and competition from international rivals led Austrian manufacturers to make more aggressive cuts to factory gate charges in September. The decrease in average output prices was in fact the steepest seen for almost a year.

Looking ahead, manufacturers' expectations towards production prospects in the coming year turned negative – the first time since January that this has been the case. Anecdotal evidence highlighted a range of factors weighing on confidence, including concerns for the economy, a lack of appetite for investment and high costs.



Sources: Bank Austria, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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Survey methodology

The UniCredit Bank Austria Manufacturing PMI® is compiled by S&P Global 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. Data collection began in October 1998.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.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.

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