

Purchasing Managers' Index















 **Bank Austria**
Member of  **UniCredit**

NOVEMBER 2024



OVERVIEW

The downturn in Austrian industry slows towards the end of the year

| | UniCredit Bank Austria PMI | New orders | Output | Employ- ment | Suppliers' delivery times | Stocks of purchases | Future output ¹⁾ |
|--------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Nov-24 | 44.5 | 45.5 | 46.1 | 39.4 | 50.3 | 40.0 | 50.1 |
| <i>In comparison to previous month</i> |  |  |  |  |  |  |  |
| average since 2000 |  |  |  |  |  |  |  |

¹⁾ not in the overall index / business expectations 12 months

Source: S&P Global, UniCredit

- The UniCredit Bank Austria Purchasing Managers' Index rose to 44.5 points in November, signalling a slight easing of the economic weakness in the middle of the third year of recession
- Slightly fewer declines in orders resulted in fewer production restrictions than in the previous month
- However, job losses in domestic industrial companies picked up speed again in November
- The accelerated reduction in purchasing volumes led to a further significant decrease in stocks of purchases
- The output price reductions as a result of weak demand were greater than the cost savings from falling raw material prices
- The outlook for Austrian industry stabilised at a low level: the index of production expectations within a year rose to 50.1 points in November, just above the neutrality threshold

Imprint

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IN DETAIL

UniCredit Bank Austria Purchasing Managers' Index increased to 44.5 points in November

In November, there were cautious signs of stabilisation in the industrial economy for the first time in months. The UniCredit Bank Austria Purchasing Managers' Index rose by 2.5 points to 44.5 points in November compared to the previous month. However, the indicator was still well below the 50-point mark that signals growth in domestic industry and thus pointed to a continuation of the recession in domestic industry, albeit to a lesser extent. This is because the downward trend in production and orders slowed down. On the other hand, the reduction in employment accelerated and weak demand further increased caution in stockpiling. In addition, there was even greater pressure to grant price reductions in sales.

Fewer declines in orders, fewer production restrictions

The biggest contribution to the rise in the UniCredit Bank Austria Purchasing Manager Index in November came from the noticeable slowdown in the decline in new orders. New domestic business developed more favourably than export business, which remained more subdued due to weak demand from Europe, particularly from the important German market. In addition to restrained demand, increasing geopolitical uncertainty and the current financing conditions, however, new business continues to be held back by customers' high inventory levels in some cases. Despite the increase to 45.5 points, the index for new orders has been below the production index for three months. Domestic companies therefore continued to focus on working off order backlogs, which consequently fell sharply again in November. However, the negative trend slowed here too. Due to the reduction in order backlogs, average delivery times also fell in November, but only at a very slow pace.

Job cuts

The production index rose to 46.1 points, the second-highest value in a year and a half. Domestic companies reduced production less sharply than in the previous month because the decline in new business also slowed. The pace of the decline in domestic orders in particular slowed noticeably.

Despite the slowdown in the decline in production, job losses in Austrian industry accelerated again in November. The employment index fell to 39.4 points, the lowest value of the current recession apart from September.

UniCredit Bank Austria Purchasing Managers' Index



Source: S&P Global, UniCredit Research

In the course of the ongoing adjustment of production to declining new business, employment in the domestic industry began to fall exactly one and a half years ago. Since then, almost 14,000 jobs have been lost in the sector. In view of the ongoing recession, more and more domestic companies have had to refrain from retaining qualified employees in order to be well equipped for a coming economic recovery. The sharp drop in capacity utilisation to well below the long-term average has accelerated the necessary adjustment of personnel capacities to the lower production requirements in recent months, especially as the shortage of skilled workers has also eased noticeably in the meantime. In November, the seasonally adjusted unemployment rate in manufacturing rose to 4.1 per cent, the highest level in three and a half years.

Output prices fell more sharply than costs

In the weak demand environment, job losses are expected to continue in the coming months and the unemployment rate in industry is expected to rise further. If expectations of a recovery in the course of 2025 are fulfilled, a turnaround in the labour market can be expected around the turn of the year 2025/2026. We expect the annual average unemployment rate to rise to 3.8 per cent in 2024 after just 3.2 per cent in the previous year. Despite higher momentum, the unemployment rate will remain significantly lower than in the economy as a whole at 7.0 per cent. An above-average deterioration is expected in the industrial strongholds of Upper Austria and Styria.

Costs fell more sharply than output prices

Due to the lower demand for raw materials and primary products, domestic companies once again reduced their purchasing volumes in November, which was not only reflected in a further reduction in inventories of primary materials, but also led to a continuation of the decline in purchasing costs. "Weak demand has now supported a decline in input prices for exactly one year. However, the companies' costs for preliminary products and raw materials have fallen more slowly recently. The decline in costs had to be passed on to customers due to the strong competition in a weak demand environment. Output prices fell even more sharply than costs due to discounts, particularly in the capital goods industry. On average, the earnings situation of companies is likely to have deteriorated somewhat as a result of the price trends.

Risks increased, recovery still not in sight

The slowdown in the downward trend in domestic industry, which was reflected in lower declines in new orders and output than in the previous month, was accompanied by a decline in pessimism among companies in November. The rise in the production expectations index to over 50 points for the first time in three months signals a stabilisation of the economy in the medium term, albeit at the current low level. The balance between new orders and stocks of finished goods for the first time since May also supports hopes of a foreseeable end to the recession in Austrian industry.

However, the cautious stabilisation trends are on rather shaky ground, which is underlined not only by the increased risks for global trade but also by the impending political changes in the USA and the persistently challenging European environment. The preliminary Purchasing Managers' Index for the manufacturing industry in the eurozone fell to 45.2 points in November. The weakness of German industry is also weighing heavily on other markets besides Austria, including France.

Despite a slight stabilisation trend, there is no end in sight to the recession in domestic industry for the time being. While the starting position for Austria's industry is particularly challenging due to the sharp rise in unit labour costs and the resulting reduction in price competitiveness, the further easing of monetary policy and the rising real purchasing power of domestic consumers for 2025 are also delicate signs of a return to a moderate growth trajectory over the course of the year. However, in view of increased risks due to further intensifying political uncertainties and increasing protectionism in global trade, our expectations are very limited. Following the decline in industrial production by almost 4 per cent in real terms in 2024, we only expect production of goods to stabilise in 2025 with an increase of less than one per cent.

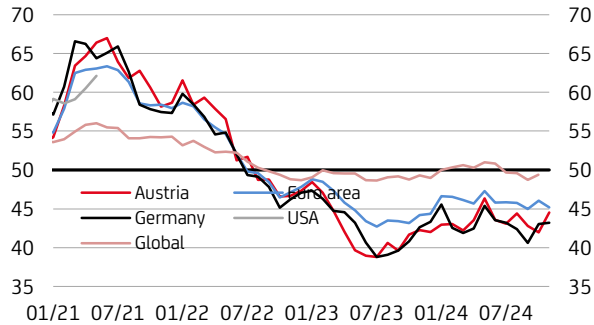
UniCredit Bank Austria Purchasing Managers' Index and components

| | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Ø since 2000 |
|----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| UniCredit Bank Austria Purchasing Managers' Index | 42.0 | 43.0 | 43.0 | 42.2 | 43.5 | 46.3 | 43.6 | 43.1 | 44.4 | 42.8 | 42.0 | 44.5 | 51.6 |
| Output | 41.4 | 41.6 | 44.4 | 45.3 | 45.7 | 49.2 | 44.5 | 45.2 | 43.8 | 43.2 | 41.4 | 46.1 | 52.4 |
| New orders | 39.9 | 40.6 | 41.2 | 40.5 | 43.5 | 47.1 | 44.7 | 41.7 | 44.5 | 41.5 | 40.6 | 45.5 | 50.5 |
| Employment | 43.3 | 45.3 | 42.6 | 42.3 | 43.2 | 46.1 | 41.6 | 40.9 | 41.1 | 39.0 | 40.7 | 39.4 | 50.8 |
| Suppliers' delivery times (inverse) | 56.5 | 51.5 | 54.1 | 58.5 | 58.2 | 57.1 | 56.8 | 54.2 | 52.6 | 51.2 | 51.5 | 50.3 | 44.9 |
| Stocks of purchases | 45.0 | 40.5 | 41.6 | 40.0 | 41.0 | 42.5 | 42.7 | 42.3 | 47.5 | 44.0 | 40.3 | 40.0 | 49.1 |
| Stocks of finished goods ¹⁾ | 49.0 | 46.2 | 48.6 | 48.5 | 50.6 | 46.8 | 49.2 | 47.3 | 49.9 | 45.1 | 42.2 | 45.3 | 49.0 |
| Backlog of work ¹⁾ | 36.4 | 37.3 | 38.1 | 39.6 | 41.0 | 42.9 | 41.8 | 41.2 | 43.0 | 38.3 | 38.2 | 42.7 | 50.4 |
| New export orders ¹⁾ | 42.9 | 41.5 | 43.2 | 39.7 | 43.8 | 47.7 | 42.1 | 42.1 | 43.3 | 37.9 | 38.5 | 41.8 | 49.8 |
| Quantity of purchases ¹⁾ | 35.7 | 37.1 | 40.3 | 42.0 | 40.0 | 43.1 | 40.0 | 40.1 | 40.2 | 35.8 | 39.0 | 38.8 | 50.5 |
| Input prices ¹⁾ | 42.4 | 41.2 | 43.7 | 42.7 | 46.5 | 48.2 | 52.5 | 52.0 | 53.6 | 50.2 | 44.8 | 47.8 | 57.5 |
| Output prices ¹⁾ | 47.8 | 47.8 | 48.6 | 46.1 | 47.1 | 47.0 | 48.3 | 48.2 | 48.6 | 44.5 | 47.3 | 44.9 | 52.2 |
| New orders/Stocks of finished goods ²⁾ | 0.81 | 0.88 | 0.85 | 0.84 | 0.86 | 1.01 | 0.91 | 0.88 | 0.89 | 0.92 | 0.96 | 1.01 | 1.04 |
| Future output ¹⁾ | 48.7 | 49.9 | 54.2 | 56.4 | 55.5 | 56.3 | 57.8 | 55.2 | 50.7 | 47.9 | 46.3 | 50.1 | 54.8 |

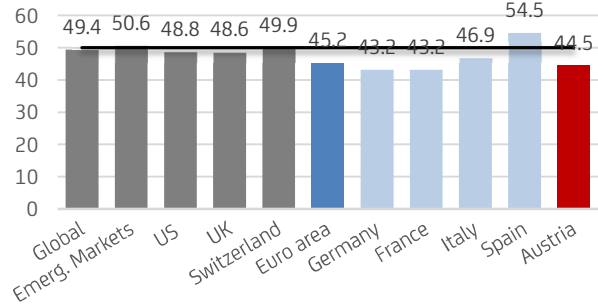
Note: PMI figures above the 50.0 mark indicate growth, readings below the 50.0 mark indicate contraction in the manufacturing sector compared to the previous month. The greater the divergence from 50.0, the greater the change signaled. This report contains the original data from the monthly survey among purchasing managers of industrial companies in Austria. The survey is sponsored by UniCredit Bank Austria and has been carried out by S&P Global under the patronage of ÖPWZ, the Austrian Productivity and Efficiency Centre, since October 1998.

ONGOING RECESSION IN EUROPEAN INDUSTRY

Purchasing Managers' Indices in comparison



Purchasing Managers' Indices in comparison
(last available value)

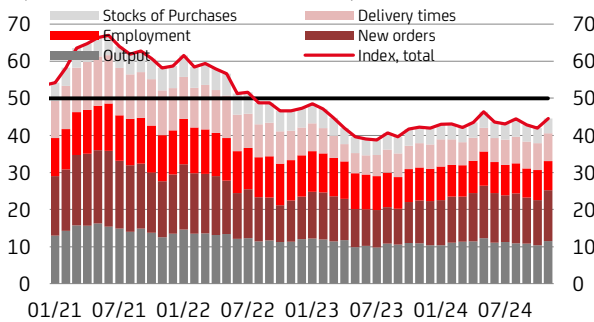


■ The situation in European industry deteriorated somewhat again in November. The purchasing managers' index for the euro area fell to 45.2 points and remains well below the growth threshold of 50 points.

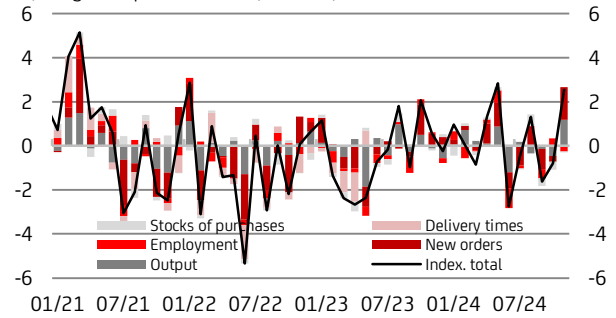
■ The preliminary Purchasing Managers' Index for the manufacturing industry in the euro area fell to 45.2 points in November, weighed down by a significant decline in France, among other things.

RECESSION IN AUSTRIAN INDUSTRY CONTINUES TO PROLONG

UniCredit Bank Austria Purchasing Managers' Index
(share of the sub-indices in the total value)



UniCredit Bank Austria Purchasing Managers' Index
(change over previous month, absolute)

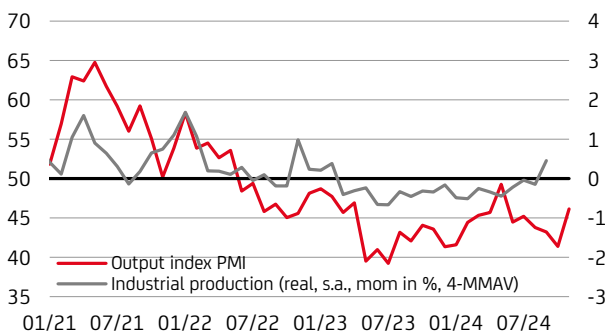


■ The UniCredit Bank Austria Purchasing Manager Index rose to just 44.5 points in November. However, the indicator was still well below the 50—point mark, indicating a further prolongation of the recession in domestic industry.

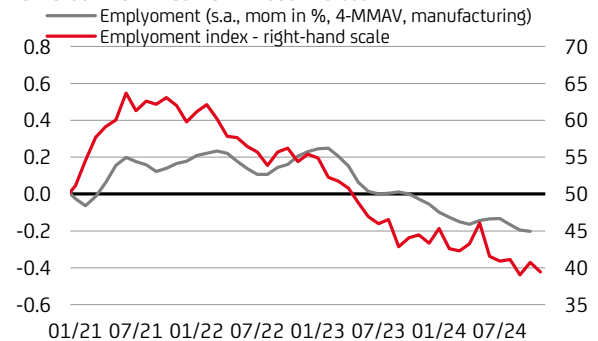
■ The slight improvement was attributable in particular to the production and order development subcomponents, while the reduction in the number of employees accelerated in November.

THE DECLINE IN OUTPUT SLOWED IN NOVEMBER, BUT THE PACE OF JOB CUTS ACCELERATED SOMEWHAT

UniCredit Bank Austria PMI and industrial production



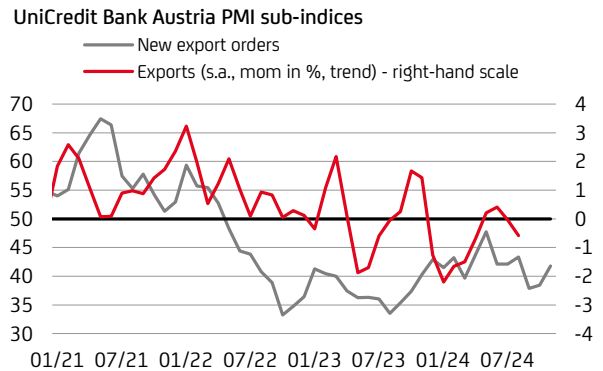
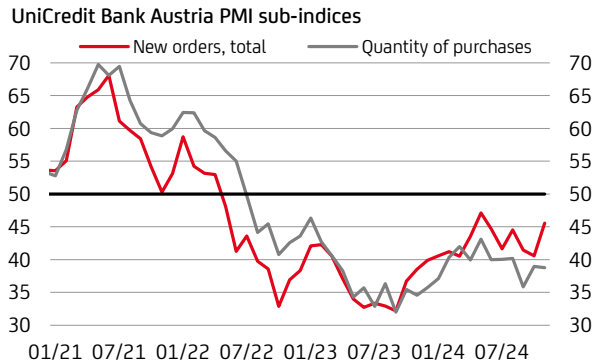
UniCredit Bank Austria PMI sub-indices



■ Domestic companies again reduced their production output in November, but at a slightly slower pace than in the previous month. The output index increased to 46.1 points.

■ Job cuts in domestic industry continued in November. The pace even increased. The employment index fell to 39.4 points.

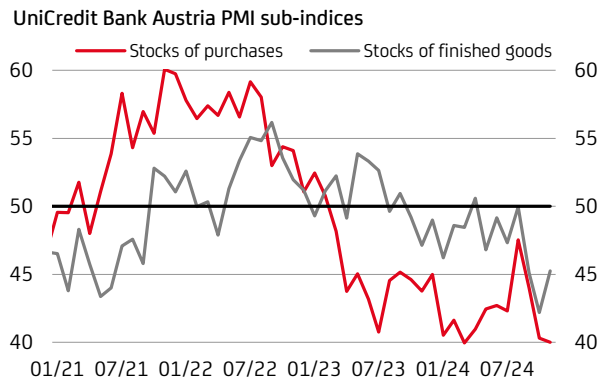
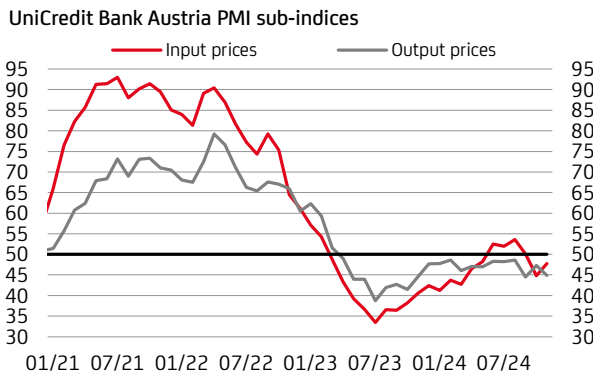
THE DECLINE IN NEW BUSINESS DECREASED IN NOVEMBER, THANKS MAINLY TO ORDERS FROM DOMESTIC CLIENTS



■ New orders fell sharply again in November, but at a slower pace than in the previous month. The new order index rose to 45.5 points.

■ The decline in demand for industrial products from abroad was again very strong in November. However, the export orders index improved slightly to 41.8 points.

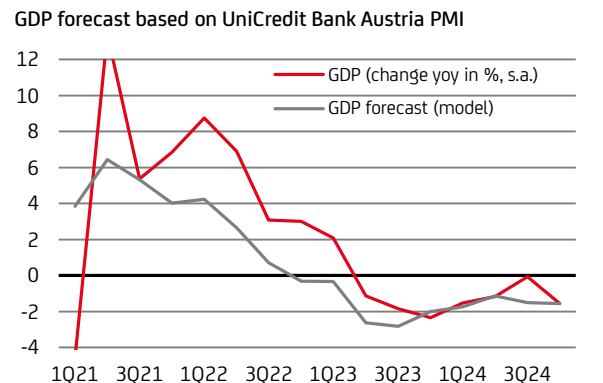
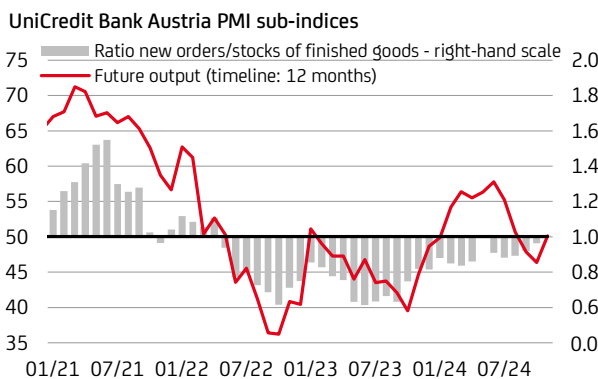
RAW MATERIAL PRICES REDUCED COSTS AND ALLOWED PRICE REDUCTIONS IN SALES, INVENTORIES WERE REDUCED



■ Input prices fell again in November. Output prices were reduced even more sharply due to weak demand in a fiercely competitive environment.

■ In view of falling purchasing volumes, stocks of purchases decreased significantly. The corresponding index fell to 40.0 points. Stocks of finished goods have decreased at a much lower rate.

PROSPECTS REMAIN GLOOMY AND INDUSTRY WILL NOT BE ABLE TO CONTRIBUTE TO GDP GROWTH IN THE MONTHS TO COME



■ The index ratio of new orders to inventories suggests that production is stabilizing at a low level. Companies are no longer so pessimistic in the medium term either: production expectations rose to 50.1 points.

■ The Purchasing Managers' Index for manufacturing has so far pointed to a slight deterioration in the overall economic situation for the fourth quarter of 2024.

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