METALTECHNOLOGY AUSTRIA

OUTLOOK
INDICATORS AND UP TO DATE FIGURES

April 2019

NO GROWTH IN THE METAL TECHNOLOGY INDUSTRY

Backlog of orders bolsters production for the months to come

Lack of skilled labour despite declining demand

German automotive industry in crisis

Short-term expectations
Short term prospects still solid.

Business situation 6 months from now
Major uncertainty in both branches as to the second half of the year.

Production - last 3 months
Production growth has come to a standstill.

Exports
Export balance: +4.6 % in 2018.

Situation machinery
Significant decline of new orders; backlog of orders still within normal range.

Skilled Workforce
Structural lack of skilled labour remains.

Situation metalware
Metalware orders with a further downward trend.

Purchasing Manager Index
According to the Puchasing Managers' Index the economic boom has come to an end.

German car manufacturers register a production decline of 7.1 %

Over the year 2018 the production of cars and car parts has shown a significant drop; in the second half-year it was 7.1 % below the volume of the first half-year. This comes as a warning shot for the Austrian metal technology industry which is closely intertwined with this sector. This trends was partly due to homologation issues in October, but WSM, the German association of metal processing, expects the production to keep decreasing in 2019.

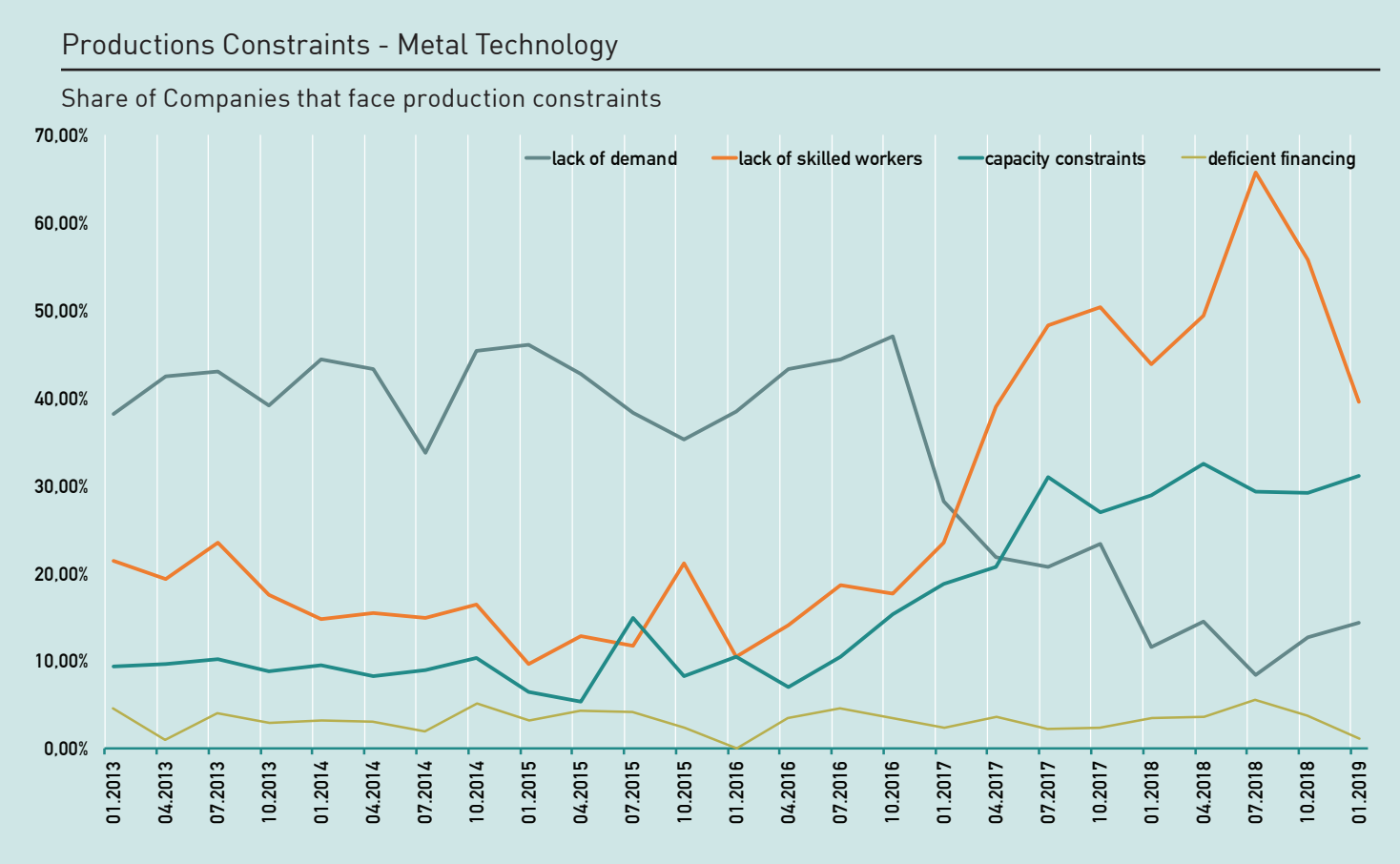
Sector Outlook April 2019

Identify the trends at an early stage.

Business survey
The evaluation of the business survey for the machinery and metalware industry throws a light on the most important economic issues concerning the current situation and prospects. In the past, the business survey has always anticipated to a high degree the actual development as reflected afterwards by official economic statistics.The following pages contain the findings of the survey, customized for for the Metaltechnology Industry.

For further details please contact:
Martin Baminger
Telefon:+43 (0)5 90 900-3477
E-Mail: baminger@fmti.at

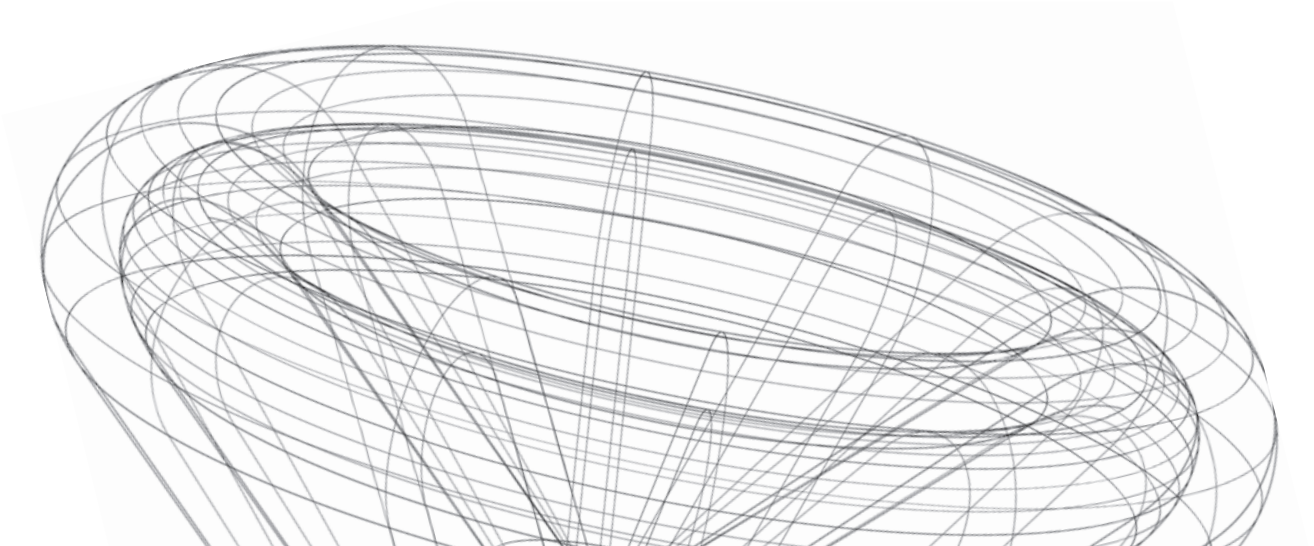
ASSOCIATION OF METALTECHNOLOGY INDUSTRIES
1045 Wien, Wiedner Hauptstraße 63
Telephon: +43 5 909 00-3482,
FAX: +43 1 505 1020
Mail: office@fmti.at
www.metalltechnischeindustrie.at
An Organisation of the Austrian Federal Economic Chamber



Source: WIFO Konjunkturtest 2019

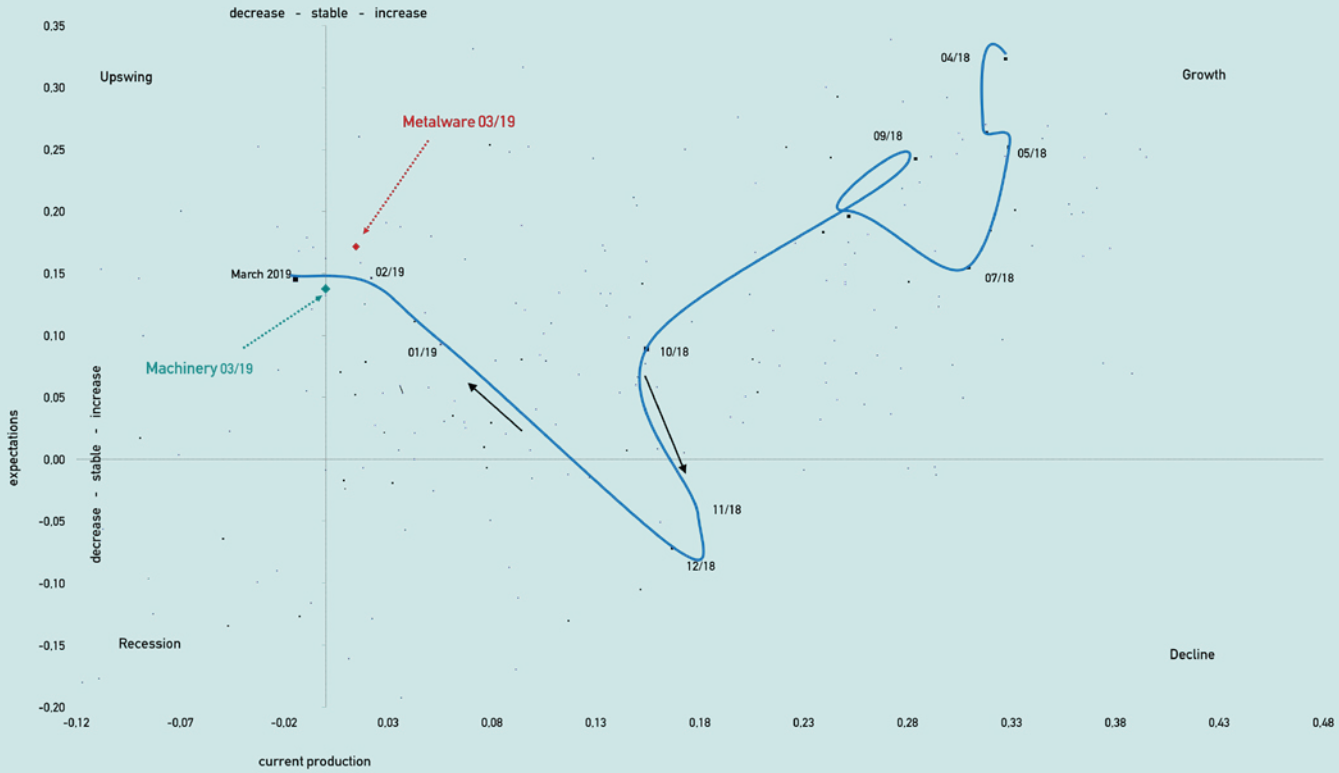
Lack of skilled labour still the obstacle #1

Despite the already noticeable decline of industrial activities, lack of skilled labour remains the first production obstacle in the metal technology industry. Almost 40 % of the companies reporting a production obstacle mention the lack of skilled workforce as their most urgent problem. This trend is curious for several reasons. Even if lack of skilled labour force has diminished significantly since summer, it still is above normal; most of the time "lack of demand" ranks first. Currently "lack of demand" is only the 3rd production obstacle, even "capacity bottlenecks" (rather an issue of the production process) are considered more important. This leads us to the conclusion that there exists a structural skilled labour problem. This does not come as a big surprise, but recent data substantiate this fact in an impressive way. In view of the weak business trend the labour market is not likely to overheat and still just cannot provide the required workforce.



Business-cycle clock

Metaltechnology Austria 01/2000-03/2019
every data point represents one month



Source: Wifo Konjunkturtest, Metalltechnische Industrie 2019

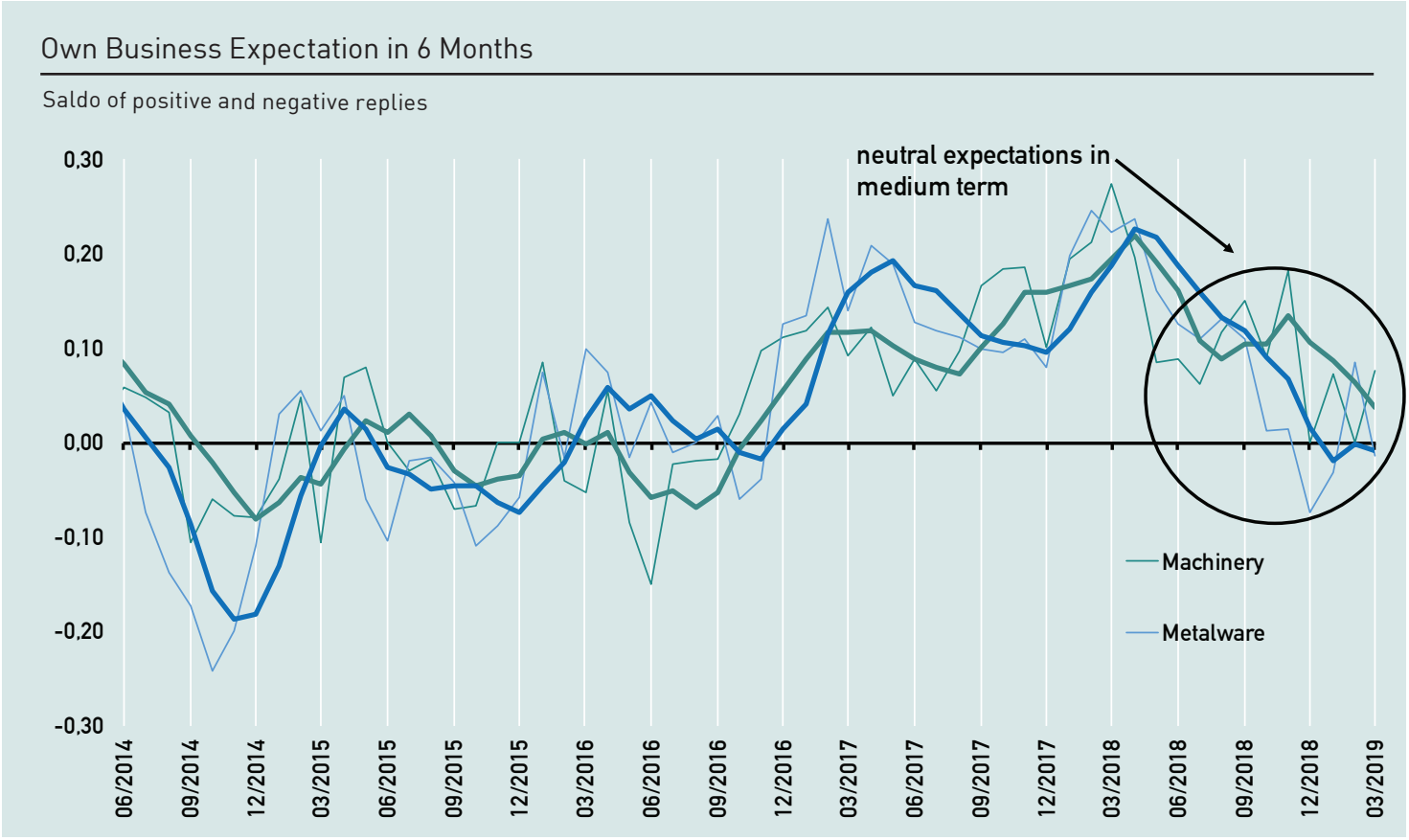
Negative growth for the first time, solid prospects for second quarter

The „business-cycle clock":
The "business-cycle clock" is a 4-phase graphic representation, an excellent tool for following and gauging the development of business-cycles, based on the companies' monthly assessment of current production (horizontal axis) and production expectations (vertical axis). The two values combined yield monthly data points, which -depending on the economic situation- are in one of the four quadrants. In the ideally typical case, the branch moves during a business cycle clockwise through all four quadrants.
The greater the deviation from the zero-line, the more pronounced the business-cycle.

Industrial activity loses steam during the second quarter of 2019. In the international environment there is increasing evidence of a downturn and assessments for Austria are also deteriorating. But what have Austrian metal industrialists to say in this respect? They report a stagnant production for the first months of 2019 and slightly optimistic prospects.

Solid outlook for the second quarter
Both branches are rather optimistic with regard to the trend of the next few months. Even in the metalware industry, after a weak start into the year there has returned a slightly better mood. Even if the further weakening order situation does not suggest an increasing growth momentum during the next months, companies expect no imminent recession.

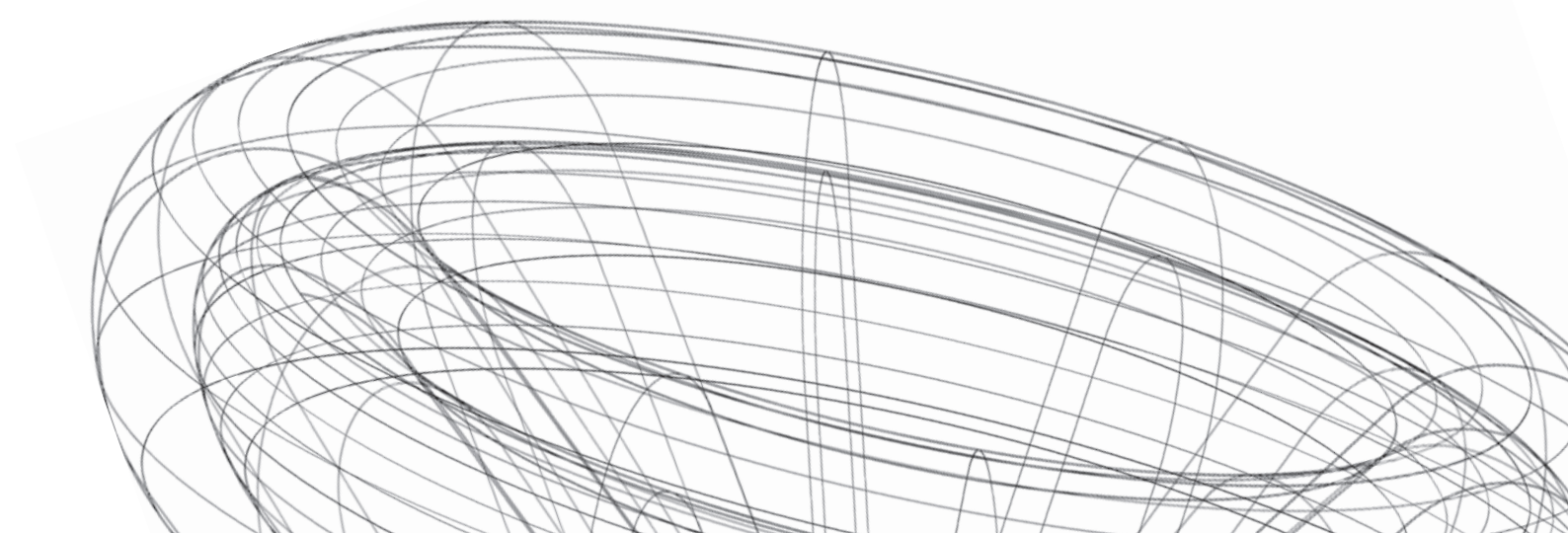
Current situation: negative growth for the first time
Since summer of 2018, growth has been suffering a more or less constant decline, which came as no surprise due to worsening expectations. In March we entered for the first time the negative range, i.e. production already has declined, albeit marginally, during the last three months. In view of the production expectations of the last months we anticipate no further deterioration for the next months. Until recently, mechanical engineering had fared slightly better; now the branch has followed the metalware industry to the zero line. The total value of the metal technology industry still is farther to the left than both sub-sectors because it includes several metal companies that push it downwards



Source: Wifo Konjunkturtest, Metalltechnische Industrie 2019

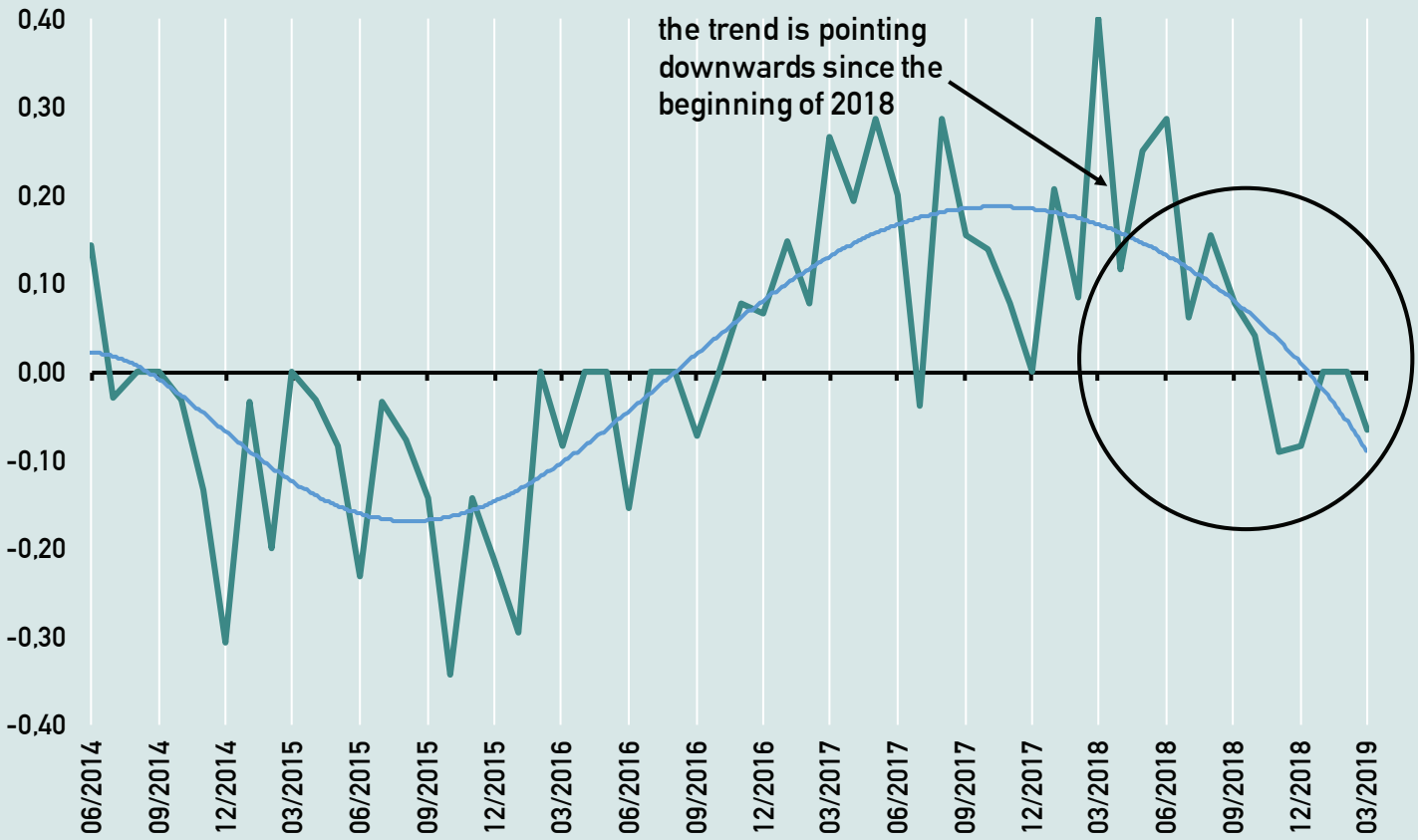
Uncertainty for second half-year of 2019

Contrary to short-term prospects, medium-term expectations are in the neutral range. The central message is that our companies have little to say about the trend of the second half-year of 2019. Many uncertainties could lead to a downward revision of economic prospects. They include the weakness of the German automotive industry, which has a massive impact mainly on the metalware sector. Due to longer order-processing times, machine manufacturers may expect business to remain satisfactory for a longer period, whereas metalware producers have been more pessimistic for some months. It is notable that the general share of pessimists has increased and amounts now to 11 %. In 2018 the share of companies expecting a deterioration of the business situation was between 0 and 4 %.



Sales Price of Metals - Expectations

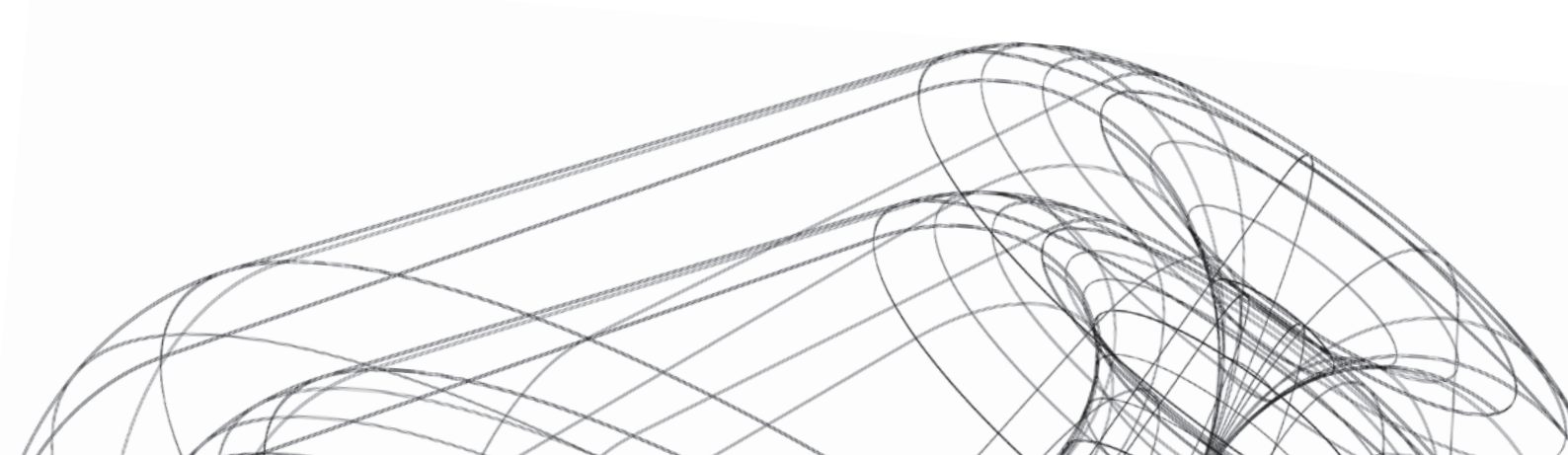
Saldo of positive and negative replies of metalproducers

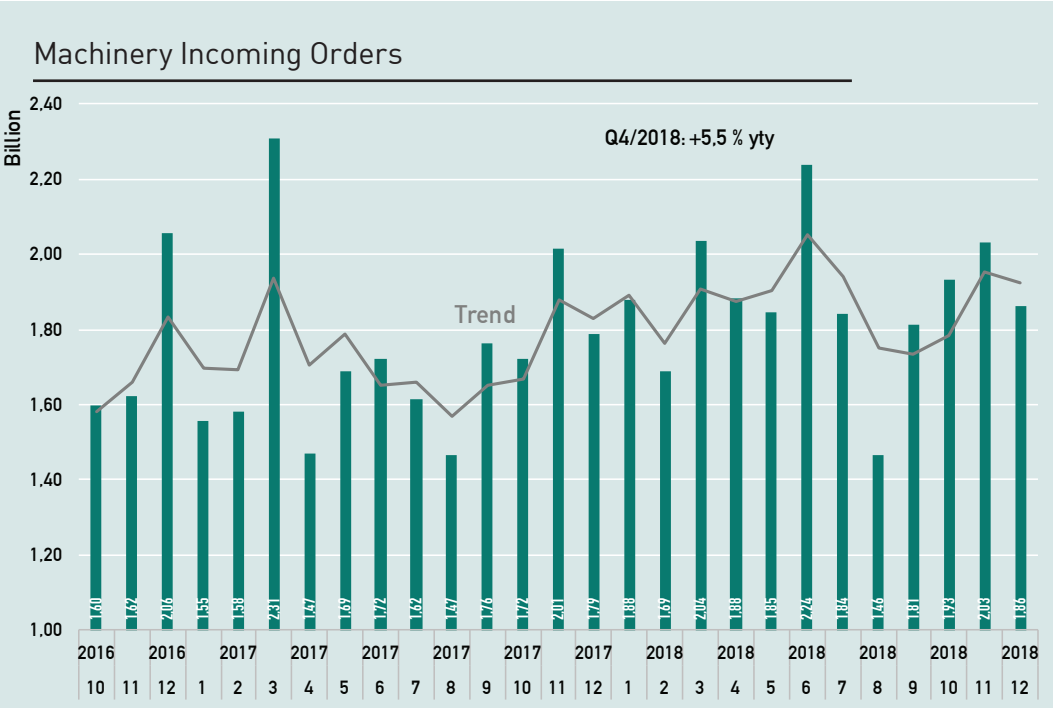


Souce: Wifo Konjunkturtest, Metalltechnische Industrie 2019

Metal prices expectations follow downward trend

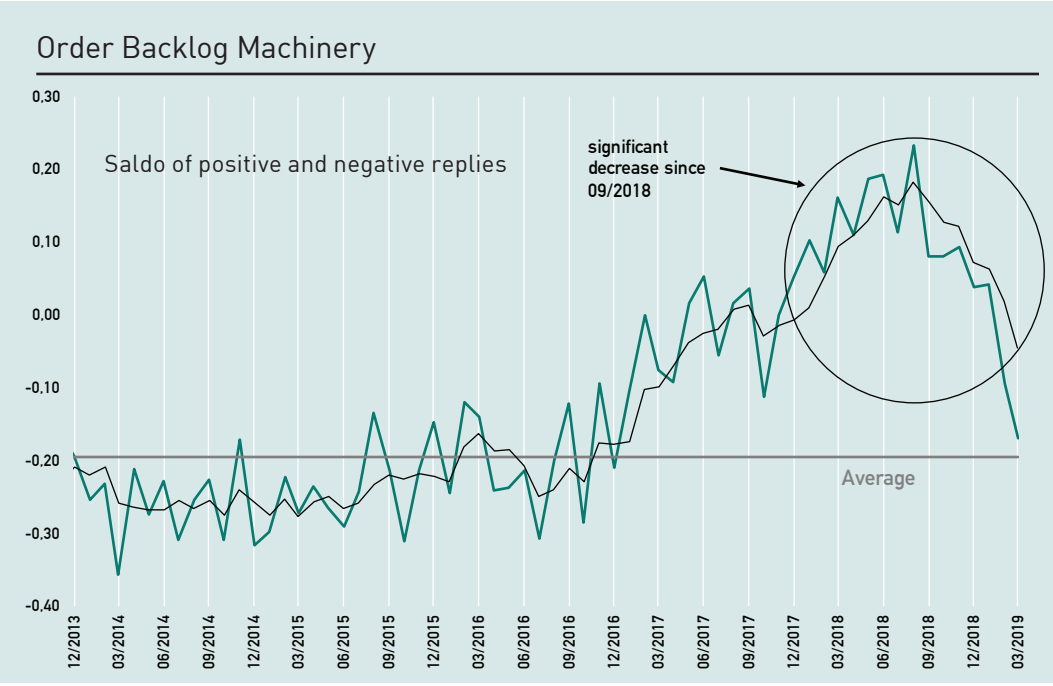
At the end of 2018 and the beginning of 2019, price expectations of metal manufacturers in Austria have moved again to the neutral range while still following a negative trend. Due to a lack of demand, manufacturers anticipate falling prices. This is not only relevant for metal prices; price expectations are also an excellent indicator for industrial demand on the global markets, which at the moment seem to lack momentum.





Source: Statistik Austria Konjunkturstatistik NACE 28, 2019

Compared to the previous year, incoming orders in the machinery sector increased in the fourth quarter by another 5.5 %, better than had been feared. This was also the reason for the (still) positive production trend in the first quarter of 2019 in the machinery industry. For the next few months we anticipate a significative decline of new orders, at least this is suggested by the results of the economic survey.



Source: Wifo Konjunkturtest, Metalltechnische Industrie 2019

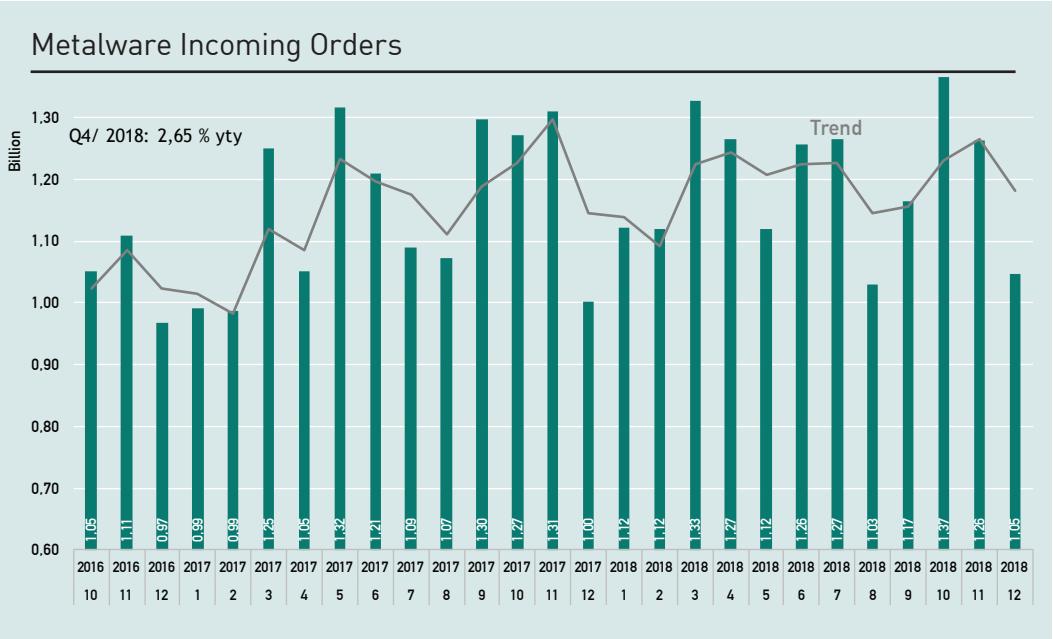
In the last two months the backlog of orders in the machinery sector suffered a massive decline. Prior to that, the order situation had been far better than in the metalware industry. One of four machine builders describes his order situation now as „insufficient", in summer of 2018 their share had amounted only to 8 %. The machinery sector has to prepare for an end of the economic upswing. In view of the current order situation, any production growth is very unlikely.

For more details on the different sectors and a wealth of indicators for the metal technology industry please visit www.metalltechnischeindustrie.at → Facts & Figures

Machinery Employees

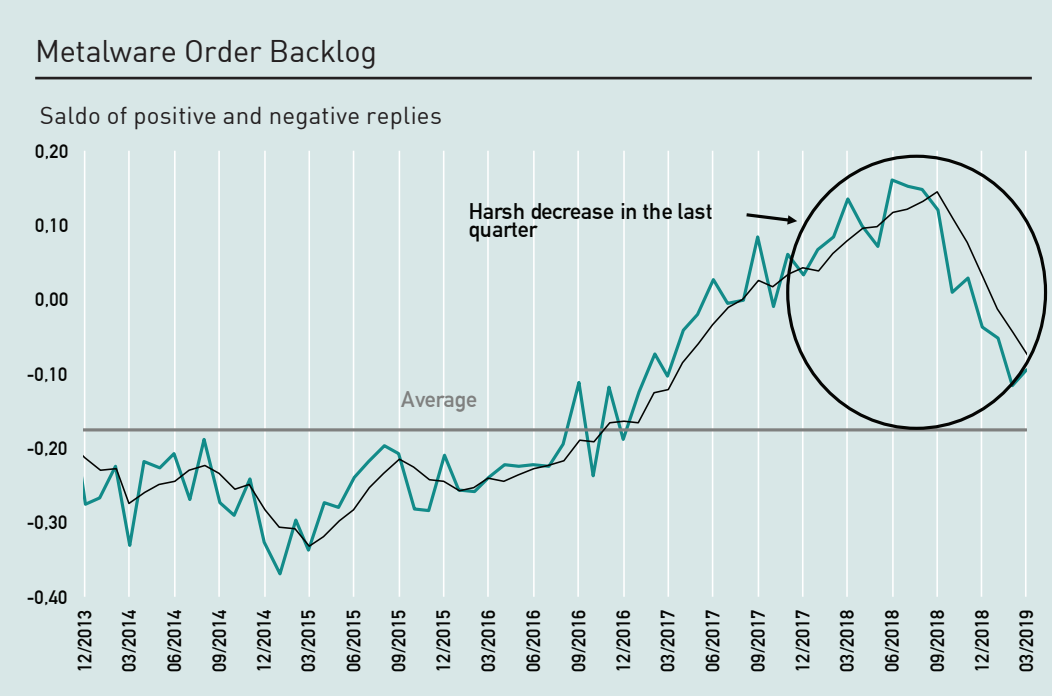
Source: Statistik Austria - Konjunkturstatistik NACE 28, 2019

In 2018, employment in the machinery sector increased by a remarkable 4.2 %. In view of the reported lack of skilled labour this increase could have been even higher. Towards the end of the year this trend lost steam; there was no further increase in the last quarter.



Source: Statistik Austria - Konjunkturstatistik NACE 25, 2019

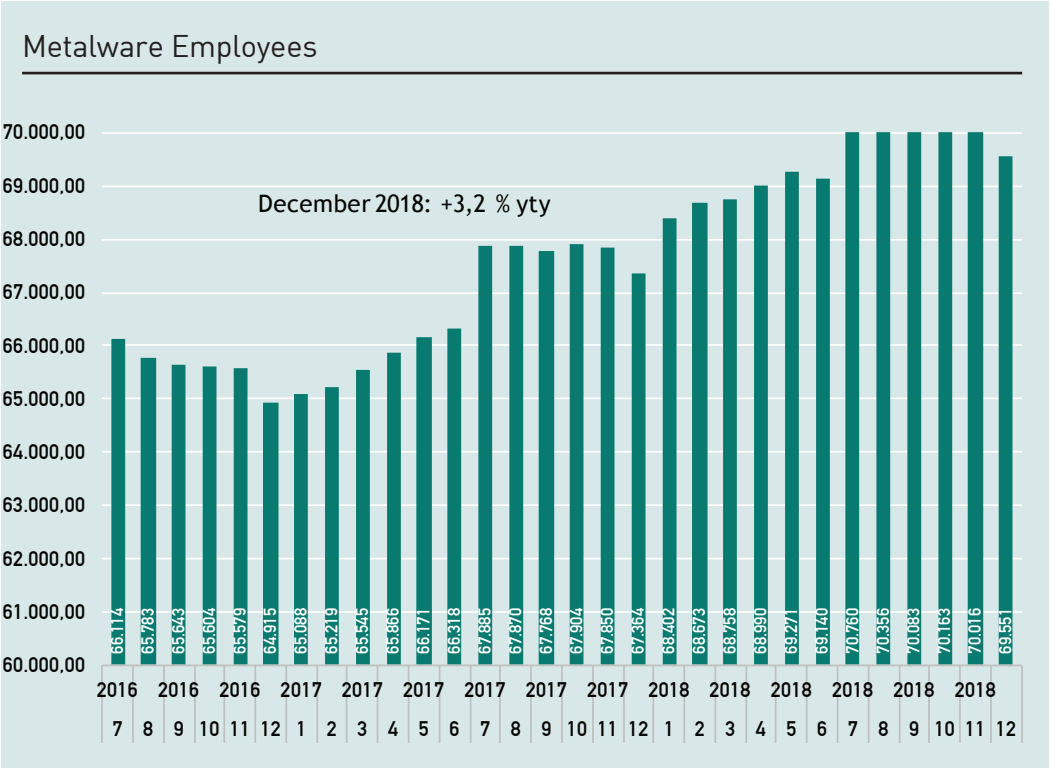
In the fourth quarter of 2018 the volume of incoming orders was slightly above the volume of the previous year (+2.65 %); however the trend in the metalware industry already points downwards. This is in line with the data of the economic survey. Cancelled orders are clearly above the figures of the previous year. All in all, according to real figures, demand began to decline earlier than in the mechanical engineering sector.



Source: Wifo Konjunkturtest, Metalltechnische Industrie 2019

The trend of declining orders in the metalware sector has been continuing during the last few months. In March there was registered a marginal upward correction. We are still above the longtime average but compared to summer, the volume of incoming orders was far below the volume of processed orders. This leads us to expect a rather modest year. Still, in view of the current level no recession is anticipated either, provided that no negative external impacts occur.

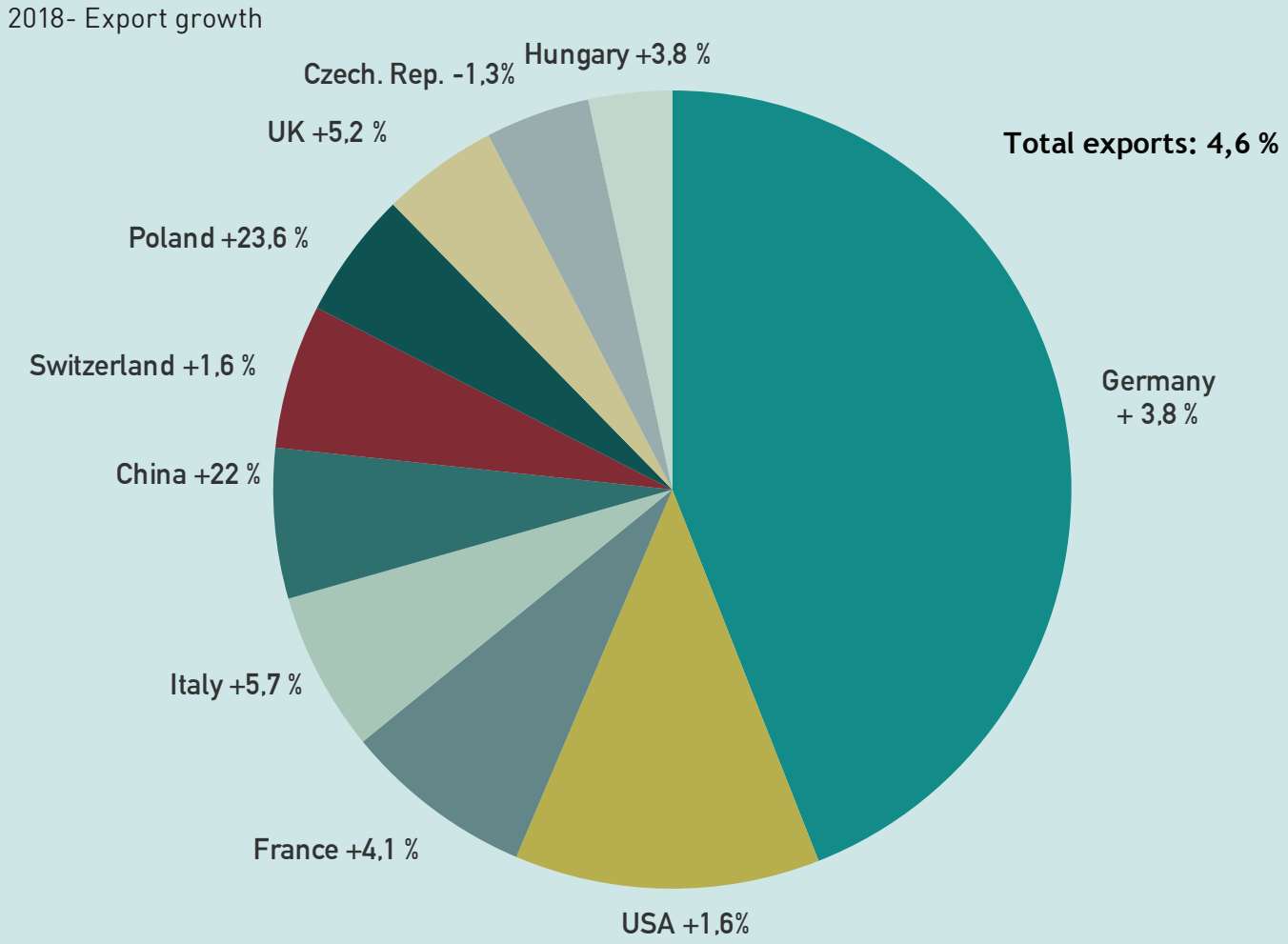
For more details on the different sectors and a wealth of indicators for the metal technology industry please visit www.metalltechnischeindustrie.at → Facts & Figures



Source: Statistik Austria - Konjunkturstatistik NACE 25, 2019

The trend of employment in the metalware sector was positive in 2018, albeit less dynamic than in the machinery sector. Since summer, the number of workers declined again, in parallel to the weakening economic trend. In general, however, the labour market benefitted tremendously from the increased labour demand in the metal technology industry.

The Top Trading Partners of Metaltechnology Austria - Export Growth



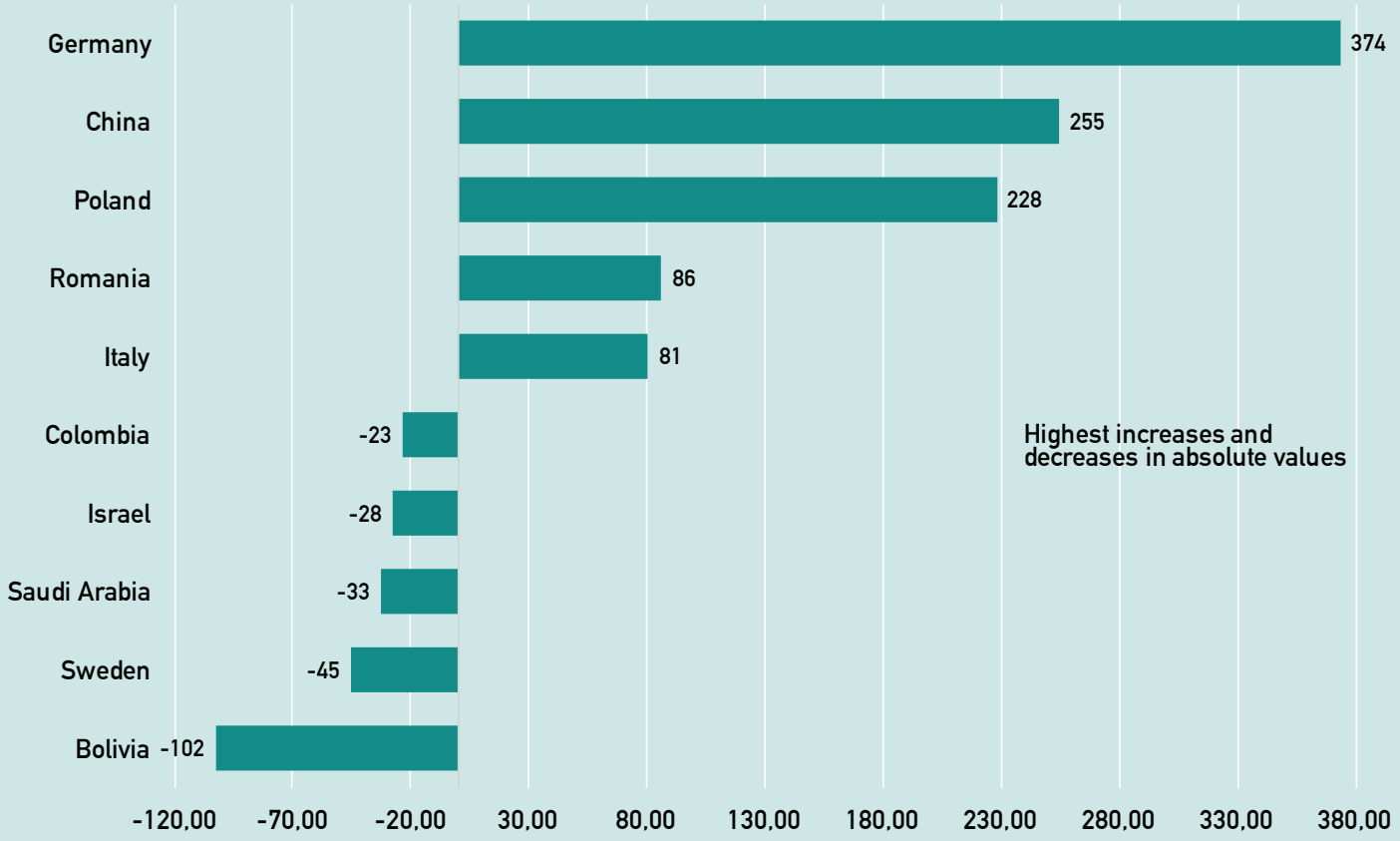
Source: Statistik Austria, Außenhandel Sonderauswertung Metalltechnische Industrie 2019

Exports increased in 2018 by 4.6 %

In the first-half of 2018, the USA gave rise to concern because of a significant decrease. Even if later on exports stabilized again, the trend on this important market will be rather uncertain over the current year. On the one hand, US-American industrial activity rests on shaky foundations, on the other hand, US import tariffs could be a trade obstacle. All in all, exports increased by 4.6 % in 2018. Even if this is not bad it is not very encouraging either in a year which was to be a year of recovery. Our two main export partners, Germany and the USA, showed a solid but not very dynamic trend. In the case of Germany this is likely due to the crisis in the automotive sector. Production in the automotive industry fell by 7 % during the second half-year, a circumstance which will have its impact on the Austrian export balance.

Top and Flop - Trading Partners

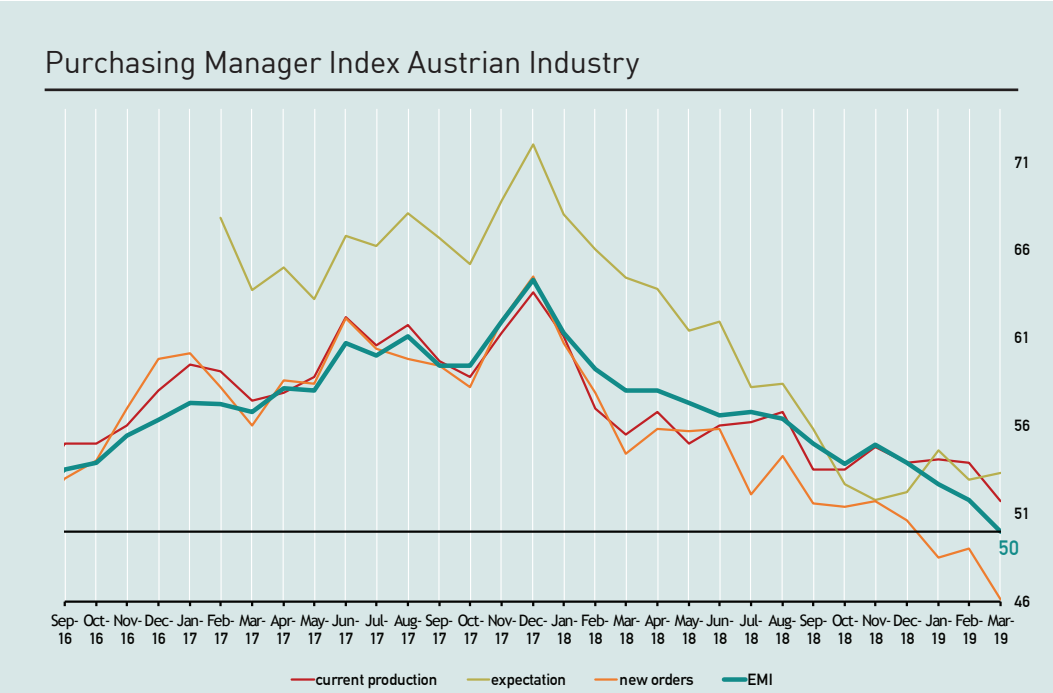
2018 - in Million Euros



Source: Statistik Austria, Außenhandel Sonderauswertung Metalltechnische Industrie 2019

Germany the export engine, once again

Due to its sheer market size, Germany is almost always the main driver of Austrian exports, at least as long as it enjoys economic growth. A growth rate of 3.8 % was sufficient to become once again the export market with the strongest growth (in absolute figures). China and Poland registered significant growth rates in 2018. In China this was also due to a slightly weaker trend during previous years. The growth of 81 million in crisis-ridden Italy comes as a big surprise. On the other hand, Bolivia ranks highest in the negative range because of a large single order in the preceding year. Apart from that, no country registered a massive decline in 2018. Russia and Turkey had already anticipated this trend at an earlier stage.



Source: Unicredit-BA Einkaufsmanagerindex 2019

Growth has come to a standstill

The Purchasing Managers' Index fell to 50.0 having returned in March for the first time to the no-growth range. The index for new orders is especially negative with 46.1, i.e. industrial demand is decreasing significantly. Just as in the metal technology industry, the index of expectations still is slightly positive. Existing orders bolster prospects of the upcoming months. Actually, the PMI confirms exactly the trends reflected by the economic survey of the metal technology industry.

WIFO Forecasts 2019, %

	2019	2020
GDP	1,7	1,8
Gross capital formation	2,3	1,8
Industrial Production	1,5	2,0
Exports of Goods	3,1	3,6
Inflation	1,7	1,8

Source: WIFO Prognosen 2019

Further revision of prospects

In March of 2019 the WIFO had to realize an unusually sharp negative adjustment of the GDP-forecast for 2019. Instead of 2.0 % it is now 1.7 %. The forecast for industrial growth is also rather modest; with 1.5 % the growth period has practically come to an end. Consumer prices also will increase less than foreseen, i.e. it becomes less likely that the European Central Bank will increase interest rates.

IMPRESSUM

METALTECHNOLOGY AUSTRIA

1045 Vienna ,
Wiedner Hauptstraße 63

Tel.: +43 5 909 00-3482
FAX: +43 1 505 1020
Mail: office@fmti.at
www.metalltechnischeindustrie.at

An Organisation of the Austrian Federal Economic Chamber

Published in Vienna