

Embargoed until 1000 CET (0900 UTC) 28 October 2020

Unicredit Bank Austria Manufacturing PMI®

Manufacturing recovery gathers pace in October

Key findings

PMI climbs to 23-month high amid faster growth in output and new orders

Job cuts continue as expectations weaken for first time in six months

Inflationary pressures begin to emerge

Data were collected 12-23 October

October saw business conditions improve markedly across the Austrian manufacturing sector, driven by a steep increase in order book volumes, latest PMI® data showed. Production levels were raised on the back of improving demand, which in turn led to a pick-up in firms' purchasing activity and modest inflationary pressure on both input costs and output prices. Still, goods producers continued to trim workforce numbers amid efforts to save costs.

The improvement in the health of the sector was highlighted by the headline UniCredit Bank Austria Manufacturing PMI® – a single-figure measure of performance calculated from measures of output, new orders, employment, stocks of purchases and supplier delivery times – registering 54.0 in October, up from 51.7 in September and its highest reading for almost two years.

Key to the result was a steep rise in new orders, the strongest seen since January 2018. Surveyed businesses reported an increase in sales both domestically and abroad, with new export orders rising for the third month in a row and to the greatest extent for more than two-and-a-half years. The strongest performances during the month were recorded across the intermediate and investment goods sectors.

Rising inflows of new work led Austrian manufacturers to further ramp up production during October, the fourth month in a row in which an increase has been recorded. Furthermore, the rate of growth accelerated to the second-quickest since August 2018, behind that seen at the beginning of the rebound from the coronavirus disease 2019 (COVID-19) shutdowns in July.

October saw a continued build-up of outstanding business at Austrian good producers due to rising levels of new work, with the

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

rate of backlog accumulation reaching the fastest for more than two years. Still, the effects of the COVID-19 crisis, including an onus on firms to cut costs, meant that payroll numbers across the sector were down for the eighth month in a row and at a quicker rate than in September.

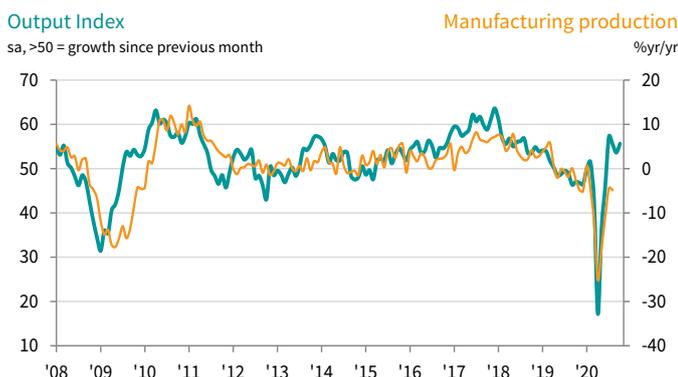
By contrast, manufacturers' purchasing activity rose strongly on the month, recording the steepest rise since November 2018. Both pre- and post-production inventories continued to fall, although the respective rates of decline were the slowest for four months.

Higher demand for inputs meanwhile placed greater pressure on supply chains. Lead times on purchases lengthened to the greatest extent since April, albeit with reports of delays remaining well below the levels seen during the initial COVID-19 lockdown in the spring.

Average prices paid for purchases increased – albeit marginally – for the first time in almost a year-and-a-half in October. Anecdotal evidence pointed to a rise in the cost of a number of raw materials, including a range of metals.

It was an identical picture for factory gate charges which, after having fallen in each of the previous 15 months, rose slightly at the start of the fourth quarter. Reports from some surveyed firms suggested that recovering demand had allowed them to pass on the burden of higher costs to clients.

Lastly, October survey data indicated a slight drop in manufacturers' optimism towards the outlook for activity over the next 12 months. The result followed five straight months of increasing confidence. Firms generally remained positive towards future output, citing hopes of an eventual end to the COVID-19 pandemic and an associated improvement in demand.



Sources: Bank Austria, IHS Markit, Eurostat.

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Survey methodology

The Unicredit 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.

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

Survey dates and history

October data were collected 12-23 October 2020.

Survey data were first collected October 1998.

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.

ihsmarkit.com/products/pmi.html.

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UniCredit Bank Austria

Our customers' success is one of our primary concerns. For this reason we are pleased to prepare the Purchasing Managers' Index on a monthly basis jointly with IHS Markit, thereby enhancing the quality of our information on the Austrian economy. Because having access to accurate information at the right time is decisive for business decisions, especially in an increasingly harsher competitive environment.

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