News Release

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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

PMI climbs to 12-month high of 50.2 in February

KEY FINDINGS

February sees output and employment return to growth

Input lead times lengthen for first time in 12 months, linked to coronavirus disruption

Expectations improve sharply to highest since June 2018

Austria’s manufacturing sector saw a slightly improved performance in February, recording output growth for the first time in ten months alongside a modest rise in employment, latest PMI® data showed. Firms’ expectations towards output over the next 12 months meanwhile strengthened sharply to the highest since June 2018. Less positively, however, the survey showed lead times on inputs increasing for the first time in a year, linked largely to coronavirus-related disruption in China.

The headline UniCredit Bank Austria Manufacturing PMI – a single-figure snapshot of overall business conditions – climbed to 50.2 in February, up from January’s 49.2 and its highest reading in 12 months.

Supporting the rise in the headline PMI in February was a modest increase in output, which ended a nine-month sequence of contraction. Underlying data showed an expansion of production across all main industrial groupings (consumer, intermediate and investment).

Another contributing factor was a return to growth of employment after seven months of staff cuts. The increase in factory workforce numbers was only modest, however.

Principal upward pressure on the headline PMI came from the supplier delivery times index (which in the calculation of the PMI is inverted). Lead times on inputs, which had shown continuous improvement in the 11 months prior to February on the back of easing supply chain pressures, increased on average during the latest survey period. Panellists overwhelmingly linked delivery delays to the outbreak of coronavirus in China and subsequent supply issues.

New orders received by Austrian manufacturers fell for the fourteenth month in a row in February. Though remaining only modest, the rate of decline in order book volumes accelerated slightly amid a renewed drop in new export orders. Panellists commented on weaker sales to southern Europe and China.

Despite the sustained downturn in new orders, Austrian manufacturers showed increased optimism towards the outlook for output over the next 12 months. Improving for the fifth month in a row (from a near seven-year low in September 2019), business confidence reached the highest since June 2018.

Elsewhere, the decline in manufacturers’ buying levels eased in February. The latest drop was only marginal and the weakest in the current 12-month sequence of contraction. This was reflected in a slightly slower reduction in stocks of purchases – the least marked for five months. Post-production inventories, on the other hand, fell at a solid and accelerated rate that was the quickest for over two years.

On the price front, latest data showed average input costs falling for the ninth month in a row in February, with rate of decline accelerating to the quickest since last September. Output charges neared stabilisation, however, falling only marginally and at the slowest rate in the current eight-month sequence of decline.
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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. February 2020 data were collected 12–21 February 2020.

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.

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