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Unicredit Bank Austria Manufacturing PMI®

Upturn in Austrian manufacturing sector continues in December

Key findings

Rising export sales drive sustained increase in production

Employment close to stabilising as output expectations improve

Costs pressures strengthen further amid increased strain on supply chains

Data were collected 04-16 December

The Austrian manufacturing sector ended 2020 with further gains in production and new orders, as the recovery from the coronavirus disease 2019 (COVID-19) pandemic continued. Driving the upturn was a solid and accelerated rise in export sales. The decline in factory employment meanwhile eased amid a marked improvement in manufacturers' outlook for activity, with payroll numbers close to stabilising.

Less positively, however, December's survey highlighted growing supply chain pressures and an associated pick-up in the rate of input cost inflation faced by manufacturers.

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 – climbed to 53.5 in December from November's 51.7. The latest reading was the second-highest in the past two years behind October's recent peak, and indicative of a solid overall improvement in manufacturing conditions.

Contributing to the uptick in the headline PMI was a faster rise in new orders. This in turn was driven by a solid and accelerated increase in new export orders at the end of the fourth quarter.

Accordingly, production was ramped up for the sixth month in a row in December, after having fallen sharply during the initial COVID-19 outbreak and subsequent lockdown earlier in the year. Though solid overall, the rate of growth was unchanged since November and thereby the joint-weakest in the current sequence.

Underlying data showed varied trends at the market group level. The intermediate and investment goods categories each saw marked increases in both output and new orders. By contrast, makers of consumer goods scaled back production amid a

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

sustained decline in new work.

Employment across Austria's manufacturing sector fell only marginally in December. The rate of decline eased for the second month in a row and was the weakest seen since payroll numbers began falling in March.

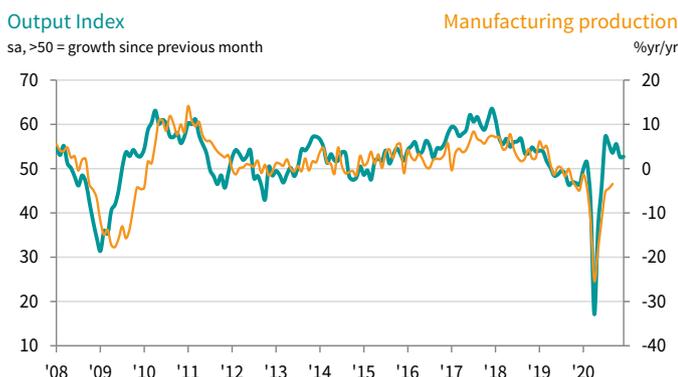
Manufacturers meanwhile scaled up their purchasing activity during December, thereby reversing the modest reduction seen the month before. Latest data nevertheless showed a further (albeit slower) decrease in stocks of purchases across the sector. In some cases, firms attributed lower pre-production inventories to raw materials shortages and associated supply delays.

Indeed, December saw lead times on inputs lengthen sharply and to the greatest extent since the height of the pandemic in April, amid reports of increased pressure on capacity in supply chains and sea freight delays due in part to a lack of available containers.

The growing incidence of supply-side bottlenecks was reflected in a second successive monthly acceleration in the rate of input cost inflation to the highest since January 2019. Surveyed firms reported higher prices for a range of metals, chemicals and plastics.

Average factory gate charges also increased in December, rising for the third month in a row. However, while ticking up slightly, the rate of inflation of output prices remained subdued compared to that of costs, amid reports of still-strong competition for new work.

Lastly, December's survey signalled a marked improvement in manufacturers' confidence towards future activity, in line with the recent positivity around the development of COVID-19 vaccines. Expectations reached the highest since February 2018.



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

December data were collected 04-16 December 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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