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Unicredit Bank Austria Manufacturing PMI®

Austrian manufacturing growth softens in July

Key findings

Output and new orders increase at slowest rates for five months

Factory gate price inflation reaches new record high as bottlenecks push up costs

Employment continues to rise sharply amid ongoing efforts to expand capacity

Data were collected 12-23 July

Latest PMI® data indicated a slowdown in the rate of growth in the Austrian manufacturing sector in July, following a record expansion during the second quarter. Ongoing severe supply bottlenecks were reported as causing disruption to production and driving unprecedented increases in both input costs and output prices. On a more positive note, factory employment levels continued to rise sharply amid efforts by manufacturers to expand capacity.

After hitting an all-time high of 67.0 in June, the headline UniCredit Bank Austria Manufacturing PMI® – a single-figure gauge of performance calculated from measures of output, new orders, employment, stocks of purchases and supplier delivery times – retreated to 63.9 in July. This was still well inside growth territory but nevertheless its lowest reading for four months.

The decline in the headline index was driven largely by an easing of the rate of growth in new orders, which was down from a record high in June to the slowest since February. A number of surveyed businesses commented that demand had started to cool after booming in recent months. At the same time, others highlighted the influence of the semi-conductor shortage in the automotive sector on order books.

There was a particularly stark loss of momentum in growth of new export orders. This was in turn led by the investment goods sub-sector, although all three main industrial groupings recorded a slower increase in international sales.

Difficulties sourcing materials hindered output levels across a number of industries during July, the survey's anecdotal evidence showed. The rate of production growth signalled by manufacturers was still strong overall but the slowest for five months.

July once again saw goods producers struggle to keep pace with demand, as underscored by a further rise in backlogs of work. That

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

said, outstanding business accumulated at a slower pace, as the rate of new order growth converged with that of output. This was also reflected in an easing of the decline in stocks of finished goods.

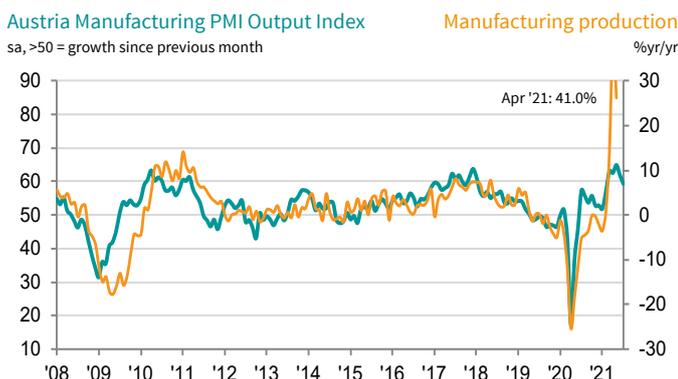
Pre-production inventories held by Austrian manufacturers meanwhile showed a record increase in July, supported by sharp growth in purchasing activity. There were widespread reports of safety stocks being built up due to concerns over supply shortages and lengthening input lead times. Adding to this, difficulties sourcing certain items and associated constraints on production reportedly led to excess holdings of other materials and components.

Around 72% of Austrian manufacturers recorded longer supplier delivery times in July. This was again down from May's record but still historically high. Delays were widely attributed to a lack of availability of materials, particularly electronics and steel.

The ongoing imbalances between supply and demand continued to result in higher purchase prices for inputs. Furthermore, the rate of input cost inflation accelerated to a fresh record high in July, the fourth month in a row in which this has been the case.

Strong underlying demand allowed Austrian manufacturers to pass on part of the burden of higher costs to customers through higher factory gate charges. The rate of output price inflation showed a notable acceleration, taking it well beyond anything seen before in the series history (data on output prices were first collected in October 2002).

Lastly, July's survey showed a slight easing of manufacturers' optimism towards growth prospects in the coming year. Expectations were still highly positive, but the lowest seen in 2021 so far.



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

July data were collected 12-23 July 2021.

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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