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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

July sees growth in manufacturing sector as PMI breaches 50.0 level for first time in five months

KEY FINDINGS

Strong rises in both output and new orders

Pace of job shedding eases to slowest for five months

Output expectations continue to recover

July data were collected 13-24 July 2020.

Austria's manufacturing sector started the second half of the year on a stronger footing, with goods producers recording marked rises in both output and new orders in July, following the downturns related to the coronavirus disease 2019 (COVID-19) pandemic seen in previous months. Employment in the sector continued to fall, though the latest decline was by far the weakest in the crisis so far amid a renewed increase in backlogs and stronger business confidence.

The headline UniCredit Bank Austria Manufacturing PMI® – an indicator of overall business conditions calculated from measures of output, new orders, employment, stocks of purchases and supplier delivery times – rose sharply again in July, moving further from April's record low and registering in growth territory for the first time in five months. At 52.8, up from June's 46.5, the latest reading was the highest since December 2018 and pointed to sustained upward momentum in the sector.

Underpinning the improvement in the headline PMI in July were steep rises in the output and new order sub-components, both of which breached the 50.0 no-change level and pointed to marked rates growth that were the fastest for two-and-a-half years. The upturns were led by the consumer goods category, with makers of investment goods lagging behind the rest of the sector.

The rise in new orders was the first since late-2018 and led by a strengthening of domestic demand, according to underlying data. Indeed, firms reported lower export sales for the sixth month in a row in July, albeit with the rate of

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

decline being only marginal and the slowest in the current sequence.

With overall inflows of new orders increasing strongly in July, Austrian manufacturers recorded a rise in backlogs of work for the first time since February. In turn, firms showed a reduced willingness to cut workforce numbers, with the pace of job shedding slowing for the third month in a row to the weakest in the current sequence that began in March.

Another factor helping curb the rate of staff cuts was an improvement in expectations for activity over the year ahead. For the first time since February, more firms anticipated a rise in output than a fall, reflecting growing hopes of a recovery. That said, sentiment in July was still below the historical average, with several firms expecting the pandemic to continue to weigh on demand, especially investment.

Purchasing activity among manufacturers rose for the first time in almost one-and-a-half years in July. The increase was only marginal, however, as many firms reported a preference for running down inventories.

On the supply side, latest data showed a near-stabilisation of input delivery times, following the severe delays caused by the pandemic and associated lockdowns earlier in the year. Prices paid for purchases meanwhile fell for the fourteenth month in row, which, combined with strong competition for new work, led to a further drop in factory gate charges. That said, the respective rates of decline eased since June.



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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.

July data were collected 13-24 July 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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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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