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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

COVID-19 lockdown causes unprecedented collapse in manufacturing output in April

KEY FINDINGS

Record falls in output and new orders as pandemic causes global economic disruption

Future output expectations hit fresh survey-record low

Factory gate charges drop at fastest rate in over five years

Data were collected 7-23 April 2020.

With the COVID-19 pandemic resulting in lockdown measures across much of the world during April, Austria's manufacturing sector suffered its steepest declines in output and new orders in over two decades of PMI® data collection. Despite widespread use of short-time work, employment fell at a near-record pace, as firms looked to cut costs and reported a subdued outlook for the coming year.

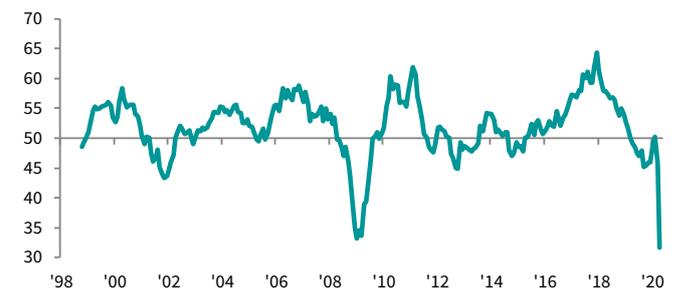
April saw the headline UniCredit Bank Austria Manufacturing PMI drop sharply for the second month in a row, down from 45.8 in March to 31.6. This latest reading surpassed the previous record-low of 33.1 seen at the depth of the global financial crisis in January 2009. The survey's Output Index – which is one of five sub-components alongside measures of new orders, employment, suppliers' delivery times and stocks of purchases – sank even deeper into negative territory, registering a historic low of 17.2. The decline in the headline PMI was softened by a lengthening of input lead times and a rise in stocks of purchases, both linked to supply-side disruption, and both contrary to trends normally seen during a downturn.

Like output, new orders across the Austrian manufacturing sector showed an unprecedented collapse in April, with firms reporting order cancellations or postponements, client closures, and general uncertainty weighing on demand. Data showed a similarly sharp drop in export sales, reflecting the global nature of the COVID-19 outbreak.

The decline in activity led manufacturers to cut workforce numbers at the fastest pace in more than 11 years during

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

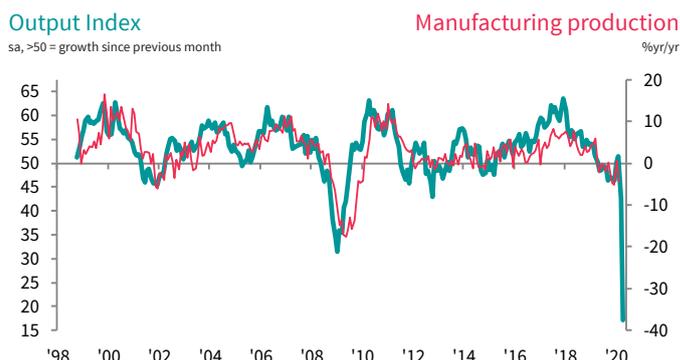
April. The non-renewal or cancellation of contracts, the non-replacement of retirees, and redundancies all contributed to the drop in employment. On top of staff cuts, there were widespread reports of the use of short-time work.

Purchasing activity meanwhile fell to the greatest extent in the series history in April. The decline was slower than the falls in output and new orders, however, reflecting efforts by some firms to build up buffer stocks amid increasingly difficult supply conditions. Delivery delays on inputs reached an unprecedented level in April due to a combination of increased border controls, international freight disruption and supplier closures.

Transport disruption also contributed to an accumulation of post-production inventories during April, as a number of firms reported being unable to make deliveries to clients. Combined with a collapse in sales, this resulted in a record rise in stocks of finished goods.

Lower demand for inputs led to a further decline in average purchase prices in April, the eleventh in as many months. Data meanwhile showed an increasing number of manufacturers offering discounts to secure sales, resulting in the steepest drop in average factory gate charges since January 2015.

April saw output expectations hit a record low for the second successive month. Many firms feared long-lasting effects from the pandemic, including extended disruption to production and supply, and a weak investment outlook.



Sources: Bank Austria, IHS Markit, Eurostat.

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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.

April data were collected 7-23 April 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.
ihsmarkit.com/products/pmi.html

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