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Unicredit Bank Austria Manufacturing PMI®

Manufacturing sector continues to make steady progress in September

Key findings

Output rises for third month in a row, albeit at a slower rate

Fewer job losses as backlogs of work accumulate

Both input and output prices show signs of stabilising after prolonged slump

Data were collected 11-23 September

Latest PMI® data showed Austria's manufacturing sector continuing to make up the ground lost during the coronavirus disease 2019 (COVID-19) shutdowns in the second quarter. September saw further increases in output and new orders, with the respective rates of growth still solid but slower than at the start of the recovery. Stronger output expectations and rising backlogs of work meanwhile helped slow the rate of factory job shedding to the weakest since the start of the virus outbreak.

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 – ticked up to 51.7 in September from August's 51.0. The latest reading was still down slightly on July's recent high, however, and indicative of only a modest rate of improvement in overall manufacturing conditions.

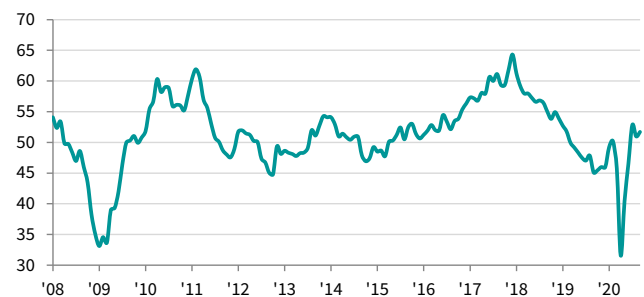
Production levels were up for the third month in a row in September. Output growth remained solid but eased further from that seen at the beginning of the rebound in July. Firms raised production in line with a further increase in new orders, which showed a slightly stronger rate of expansion thanks in part to an upturn in export sales.

Rising inflows of new orders contributed to higher backlogs of work across the manufacturing sector at the end of the third quarter. As such, firms showed a reduced willingness to cut staff numbers, with employment down only marginally and at the slowest rate in the current seven-month sequence of job shedding.

Another factor helping to slow the pace of staff cuts was an improvement in manufacturers' confidence towards future output. Expectations picked up for the fifth month in a row

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

and were only just below the level seen in February prior to the COVID-19 shutdowns.

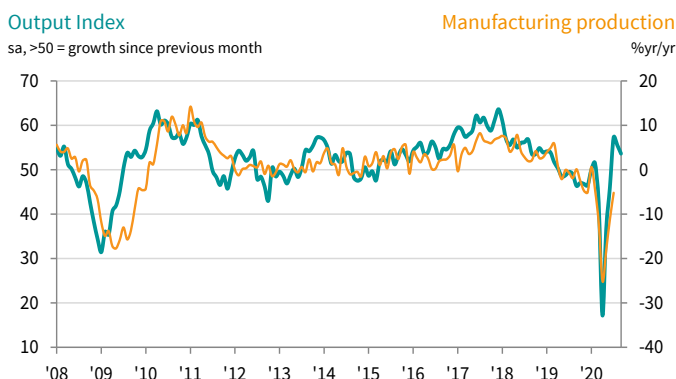
Purchasing activity among Austrian goods producers returned to growth in September, marking the second rise in the past three months. Although the fastest since January 2019, the increase in buying levels was still slower than the respective rises in output and new orders. This was partly due to some firms looking to run down stocks of purchases in order to free up working capital. Pre-production inventories decreased markedly and at the second-quickest rate in almost five years.

It was a similar picture for stocks of finished goods, which, after recording growth during the second quarter of 2020, remained on an accelerating downward trajectory.

Turning to prices, September data showed a marginal decrease in factory gate charges. The decline was the weakest in the current 15-month sequence of discounting, reflecting a steady rebalancing of supply and demand.

Average purchase prices faced by Austrian manufacturers also fell at a slower rate in September, posting the smallest reduction for 16 months. While there some reports of lower costs for raw materials, including steel, anecdotal evidence pointed to a degree of upward pressure on prices as a result of supply shortages and capacity constraints upstream.

Lead times on inputs increased further in September. Vendor performance showed the greatest deterioration since June, although the number of reports of delays remained well down on the highs seen during the second quarter of 2020. Surveyed businesses often linked longer delivery times to short-time work schedules among suppliers.



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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

September data were collected 11-23 September 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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