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Unicredit Bank Austria Manufacturing PMI®

Austria manufacturing sector sees stronger growth in February, but also record supply delays

Key findings

Production and new orders rise markedly

Expectations continue to improve, supporting quicker rate of job creation

Input cost inflation at near-decade high amid unprecedented supply delays

Data were collected 11-19 February

Austrian manufacturers recorded a strong performance in February, registering accelerated growth in both output and new order levels, latest PMI® data showed. The rate of factory job creation quickened to the fastest for more than two years as firms looked to expand capacity and showed increased optimism towards the year-ahead outlook for activity.

At the same time, however, there was a further intensification of supply chain pressures, with record numbers of goods producers facing delivery delays. Accordingly, input cost inflation spiked to a near-decade high.

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 – rose steeply from 54.2 in January to 58.3 in February, its highest for three years.

One of the drivers was an acceleration in the rate of new order growth, to the quickest since last October. Firms reported increased demand across both domestic and international markets, including Asia, Germany and the US. Indeed, export sales rose markedly and to the greatest extent for four months.

Rising inflows of new work in February led to a further build-up of outstanding orders at Austrian manufacturers during the month. Backlogs increased at a rate not seen for three years.

Production levels were ramped up accordingly and showed the steepest increase for seven months. The upturn was centred on the intermediate and capital goods categories, with consumer goods seeing a sustained decline in output.

In order to meet demand, a number of firms reported selling directly from stock, resulting in a further decline in post-production

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

inventories during February. Furthermore, the extent to which stocks of finished goods decreased was the most marked for 11 years.

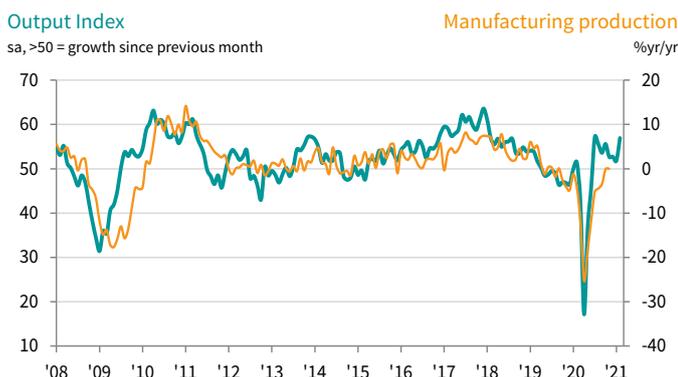
Pre-production inventories also fell in February, down for the ninth month in a row, albeit only marginally. This was despite a sustained upturn in manufacturers' purchasing activity, that was the quickest for nearly three years. As well as supporting higher production requirements, the increase in buying levels reflected firms' efforts to bring forward purchases amid concerns over future supply.

February saw widespread reports of raw material and component shortages, as well as frequent mentions of a lack of availability of transport capacity, particularly shipping containers. This was reflected in a record increase in average lead times on inputs, with around 55% of firms reporting delays.

The growing incidence of supply side bottlenecks meanwhile contributed to further upward pressure on input prices in February. The rate of cost inflation accelerated sharply to the quickest in almost a decade and was among the fastest since data collection began in 1998.

In many cases, stronger demand enabled firms to pass on part of the burden of higher costs to clients, with latest data signalling the steepest rise in average output prices since April 2018. The increase was broad-based across each of the three main industrial groupings and led by intermediate goods.

Lastly, February's survey showed business confidence towards future output at its highest in over three years. Many firms were optimistic about a further improvement in demand over the next 12 months, aided by the rollout of coronavirus disease 2019 (COVID-19) vaccines.



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

February data were collected 11-19 February 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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