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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Recovery in manufacturing sector continues in August, albeit at a slower pace

KEY FINDINGS

Softer growth in output and new orders

Employment falls markedly as rate of staff cuts reaccelerates

Renewed decline in purchasing activity amid streamlining of stocks

August data were collected 12-21 August 2020.

Latest PMI® data showed a sustained rebound in Austria's manufacturing sector during August, following the record downturn caused by the coronavirus disease 2019 (COVID-19) pandemic. However, rates of growth in both output and new orders were slower than in July, and the pace of staff cuts across the sector quickened for the first time in four months. There was also a renewed decline in buying levels amid efforts to streamline stocks, although confidence towards future output continued to improve.

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 – registered above the 50.0 no-change mark for the second straight month in August. However, at 51.0, the latest reading was down from 52.8 in July, pointing to a loss of momentum in the recovery.

August saw another marked rise in production across Austria's manufacturing sector. The rate of expansion was slower than in July but still among the quickest seen over the past two years. Underlying data showed that growth was largely driven by a steep rise in output across the consumer goods category, with makers of intermediate and investment goods noting only modest increases in production.

Supporting the sustained, albeit slower, rise in output was a second straight monthly increase in order book volumes. As was the case with production, however, the rate of growth slowed from that seen at the beginning of the third quarter. The main drag was from ongoing weakness in demand for

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

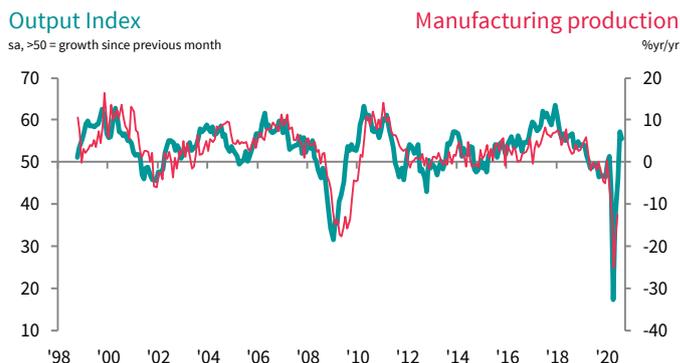
investment goods. Meanwhile, after falling in each of the previous six months, export sales returned to growth in August, albeit rising only marginally and at a slower rate than total new business.

Less positively, latest data showed a marked and accelerated fall in employment in August. It reversed a trend of easing job losses seen since May, although the decline was still much slower than at the height of lockdown in April. A number of firms commented on a need to make redundancies. Capacity at goods producers was sufficient to cope with demand, with backlogs of work broadly unchanged over the month.

As well as cutting workforce numbers, Austrian manufacturers recorded a renewed decline in purchasing activity, following the first – albeit marginal – rise for 17 months in July. A number of firms commented on efforts to reduce stock levels, with both pre- and post-production inventories falling at quicker rates in August.

On the supply side, lead times on inputs lengthened for the seventh month in a row, while average purchase prices fell at the slowest rate for 14 months. The decline in factory gate charges also eased in August, showing the weakest reduction in output prices since March.

Lastly, August's survey showed increased optimism towards the outlook for production, with expectations recovering further from April's record low to the highest for six months. Worries about COVID-19 continued to weigh on sentiment, however.



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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.

August data were collected 12-21 August 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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