News Release

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UNICREDIT BANK AUSTRIA MANUFACTURING PMI®

Austrian manufacturing sector moves further from deep contraction territory in June

KEY FINDINGS

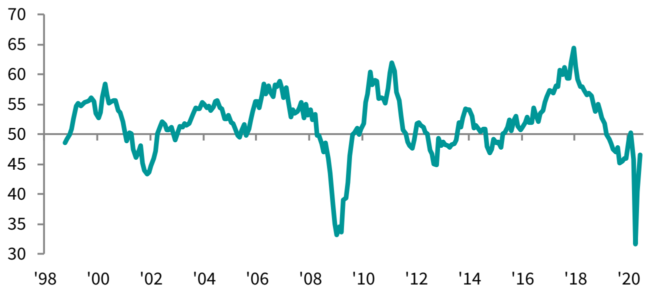
PMI improves to highest since February

Decline in output slows, but lack of demand continues to stifle recovery and confidence

Conditions lead to steep and accelerated drop in prices

Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Bank Austria, IHS Markit.

June data were collected 12-23 June 2020.

June saw a further marked easing of the historic downturn in Austria's manufacturing sector that was induced by the coronavirus disease 2019 (COVID-19) pandemic, with output falling to the smallest extent during the crisis so far. However, the recovery continued to be undermined by demand weakness, a lack of export sales and reduced appetite for investment, leading firms to remain downbeat about the outlook and continue to cut jobs.

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 – moved to a four-month high of 46.5 in June. This was up sharply from May's 40.4 and a further improvement on the record low in April. Still, the latest reading was below the 50.0 threshold that separates growth from contraction.

A key factor behind the sector's ongoing slump was lower inflows of new orders, which surveyed businesses often attributed to hesitancy among clients amid an uncertain outlook. Demand across the capital goods industry remained particularly subdued. However, with an increasing number of firms reporting higher new orders and the consumer goods sector even recording a returning to growth in sales, the overall rate of decline eased to the weakest since February. Data also pointed to domestic demand firming up more quickly than export demand.

On the output front, the decline eased further from April's survey-record to the weakest in the current four-month sequence of contraction. The consumer goods sector, which had seen the steepest collapse in production at the peak of the lockdown in April, recorded slight output growth for the second month running. This compared with slower rates of contraction in the intermediate and capital goods categories.

Backlogs of work continued to diminish during June, showing that firms still operated below capacity. As such, the month saw more redundancies and cuts to temp staff numbers, leading to a fourth straight fall in employment. In line with trends elsewhere, however, the decline was the weakest since February.

Following a record increase in May, stocks of finished goods rose at a much slower pace in June. Pre-production inventories meanwhile fell – albeit only slightly – for the first time in four months. Some firms reported holding safety stocks due to ongoing concerns over supply, though reports of delivery delays were down on May.

Generally weak demand for raw materials and semi-manufactured goods contributed to a steep and accelerated drop in input costs, the most marked since July 2012. In turn, factory gate charges fell to the greatest extent since May 2009, amid reports of strong competition for new work leading to widespread discounting.

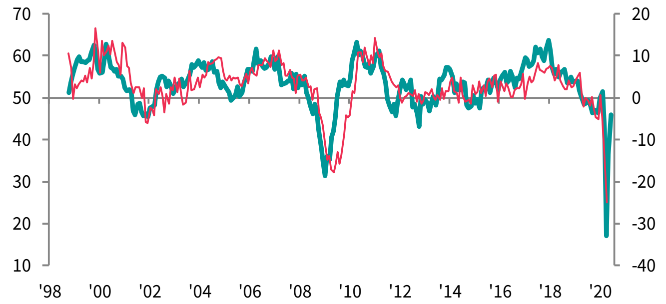
Finally, although rebounding further from April's historic low, business expectations remained in negative territory in June. Firms' concerns were often related to a potential longer-term squeeze on customer spending.

Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



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.

June data were collected 12-23 June 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.

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.

The high level of expertise of UniCredit Bank Austria's employees in complex issues concerning finance, financial investments and investment projects is one of the reasons why UniCredit Bank Austria is a leading commercial bank. Our employees take advantage of the information lead. We use this acquired knowledge for the business success of our customers.

OPWZ

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In cooperation with experts from economy and science, the OPWZ is setting standards in education that meet international requirements and national needs.

With its experience of more than 60 years and over half a million graduates the OPWZ is the knowledge motor of productivity and economic efficiency in Austria, enhancing the competitive capacity of corporations and organizations. www.opwz.com/forum-einkauf/

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