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Unicredit Bank Austria Manufacturing PMI®

Output growth slows to nine-month low amid headwinds to demand and worsening supply delays

Key findings

October sees slowest rise in new orders since January

Increased reports of longer lead times on materials and components

Output price inflation hits new record high as cost pressures intensify

Data were collected 12-22 October

The Austrian manufacturing sector saw the weakest rises in output and new orders for nine months in October, latest PMI® survey data showed, as supply bottlenecks and acute price pressures acted as brakes on growth. The pace of factory job creation remained strong as companies look to expand capacity. However, optimism about the outlook waned.

The headline UniCredit Bank Austria Manufacturing PMI® – a single-figure gauge of performance calculated from measures of output, new orders, employment, stocks of purchases and supplier delivery times – ticked down for the third time in the past four months in October, registering 60.6 from 62.8 in September.

After a brief acceleration at the end of the third quarter, the rate of output growth showed a renewed slowdown in October, easing sharply and to the lowest overall since January. Anecdotal evidence indicated that a lack of materials and components had constrained production volumes.

Inflows of new orders were also impacted by supply chain issues. A number of surveyed firms reported reduced demand from clients in the automotive sector, owing to forced downtime resulting from the ongoing chip crisis. Combined with strong price pressures, another headwind to order book growth, this led to the slowest rise in new orders since the opening month of the year.

Supply delays were increasingly widespread. Around 67% of surveyed businesses recorded a lengthening of average supplier delivery times in October, the highest proportion since July. Transportation problems, particularly a dearth of available shipping capacity from Asia, contributed to longer lead times on purchases.

Average input costs faced by Austrian manufacturers meanwhile rose sharply, with the rate of inflation accelerating for the second straight month and running just below July's survey-record high. As

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

well as reporting higher prices paid for materials and transportation, a number of firms also commented on an increase in energy costs.

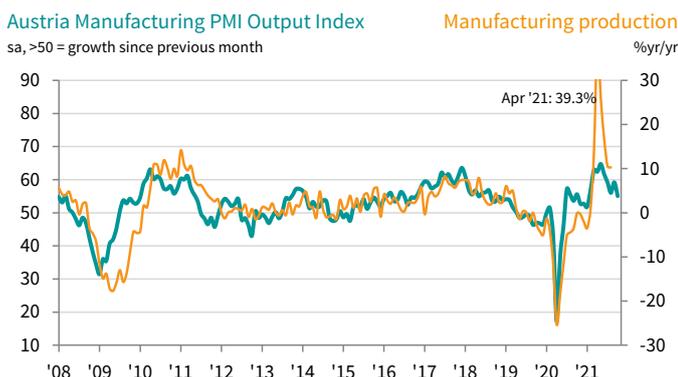
Latest data showed an unprecedented rise in average factory gate charges. The rate of output price inflation surpassed the previous record set in July, with an increasing number of firms looking to pass on higher costs to customers.

Austrian manufacturers reported the first rise in stocks of finished goods for 16 months in October. This reflected the postponement or cancellation of orders by some customers, alongside instances of deliberate safety stock building.

Pre-production inventories meanwhile increased for the sixth successive month in October. The rate of accumulation was slower than that recorded in the previous survey period but still marked overall. While easing, growth of manufacturers' buying levels continued to far outstrip that of output, as a number of firms reported over-purchasing goods to mitigate against supply shortages. At the same time, a lack of certain components led to the unintentional build-up of other inputs.

With firms often unable to increase production in line with demand, there was a further steep increase in backlogs of work during October. Further efforts were made by manufacturers to increase staffing capacity, leading to a tenth straight monthly rise in employment. Moreover, the rate of job creation accelerated and was just below June's recent peak.

Looking ahead, however, manufacturers showed less optimism towards the outlook for output over the next 12 months. Though still strongly positive by historical standards, expectations were the weakest since last November.



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

October data were collected 12-22 October 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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