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Unicredit Bank Austria Manufacturing PMI®

Austrian manufacturing sector continues to grow in January, despite increasing supply delays

Key findings

Goods producers report further gains in output and new orders

Workforce numbers rise for the first time in nearly a year

Growing supply-chain pressures contribute to spike in purchase prices

Data were collected 12-22 January

Further increases in output and new orders in January marked a largely positive start to the year for the Austrian manufacturing sector, with factory employment returning to growth for the first time since the start of the coronavirus disease 2019 (COVID-19) pandemic. However, supply-chain disruption was widely reported, with one of the consequences being a sharp acceleration in input cost inflation.

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 – climbed to 54.2 in January, up from 53.5 in December and its highest since November 2018. The rise in the headline PMI was driven by its employment, stocks of purchases and supplier delivery times sub-components (the last of which is inverted in the calculation).

New orders rose at a solid rate, albeit one that was slightly slower than in the previous month. Higher demand across the intermediate and investment goods categories contrasted with a further decline in sales of consumer goods. It was similar picture for new export orders, growth of which was solid, amid reports of greater demand from Asia and the US, but showed a slight loss of momentum.

Output also increased more slowly in January. The rate of growth eased to a modest pace that was the weakest in the current seven-month sequence of expansion. It was also softer than that of new orders, contributing to a further build-up of backlogs of work.

Some firms reported using stocks of finished goods to meet demand. This led post-production inventories to fall for the seventh month in a row and at a marked pace that was little-changed from December. There was evidence of firms looking to boost staffing capacity, as employment rose for the first time in 11 months, albeit

Austria Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

only modestly.

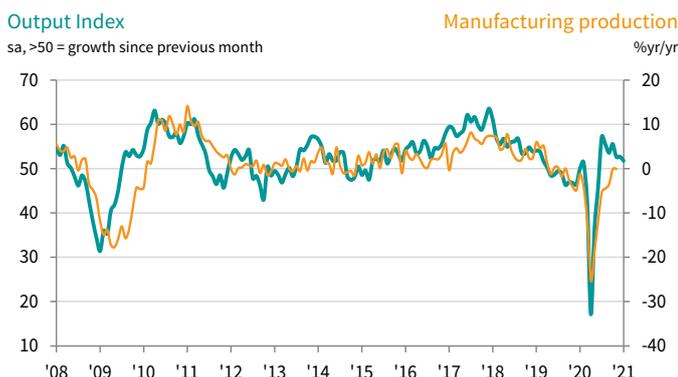
January's survey meanwhile pointed to growing supply-chain disruption. There were widespread reports of a lack of availability of raw materials and components, as well as several mentions of shipping container shortages. As a result, supplier delivery times lengthened sharply, with reports of delays approaching the levels seen last spring during the initial COVID-19 shutdowns.

Manufacturers raised purchasing activity during January, citing not only higher production requirements, but also efforts to ensure future availability of inputs. It was the fourth increase in buying levels in the past five months. Stocks of purchases fell at a much slower rate in January, recording the smallest decline since last June.

The combination of stronger demand for inputs and increased supply-chain bottlenecks caused a spike in input costs at the start of the year. The rate of purchase price inflation accelerated sharply to the quickest since November 2018 and was well above the historical series average. Items reported as up in price included chemicals, metals and timber.

There was an associated rise in average factory gate charges in January as some manufacturers looked to pass on part of the burden of higher costs to clients. Output prices rose for the fourth month running, and at the quickest rate in this sequence. That said, the overall rate of inflation remained only mild, with firms reporting strong competition for new work.

Turning to the outlook for output over the next 12 months, manufacturers reported increased optimism. Sentiment was the most positive since January 2018, reflecting hopes of an easing of the pandemic and a subsequent improvement in demand.



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

January data were collected 12-22 January 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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