

News Release

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UniCredit Bank Austria Manufacturing PMI®

Slump in Austrian manufacturing sector continues in June as demand falls

Key findings

Headline PMI slips to 38-month low of 39.0

Decline in new orders deepens, driving cuts in output and jobs

Input costs fall at fastest rate since May 2009

The slump in the Austrian manufacturing sector continued at the end of the second quarter, led by a sustained sharp decline in new orders, according to the latest UniCredit Bank Austria PMI® data produced by S&P Global. Goods producers scaled back both output and workforce numbers in line with weaker demand, with the latter falling at the quickest rate since October 2020.

The survey meanwhile continued to show the emergence of a buyers' market, with falling demand and the normalisation of supply chains leading to the steepest drop in factory input prices since May 2009. Competitive pressures saw goods producers pass on some of the cost savings through discounts of their own.

The seasonally adjusted UniCredit Bank Austria Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure gauge of performance calculated from measures of new orders, output, employment, supplier delivery times and stocks of purchases – remained on a downward trajectory in June, falling for the fifth month in a row and deeper into sub-50 contraction territory. At 39.0, down from May's 39.7, the latest reading was the lowest since April 2020.

Driving the decline was another sharp drop in new orders, which surveyed businesses attributed to a range of factors, including customer destocking, falling construction activity and strain on consumer spending from high inflation. The rate of contraction in new orders was the quickest since March 2009, barring the initial COVID-19 shutdowns in early-2020. New export orders fell at a sharp pace that was unchanged from the previous survey period, albeit noticeably weaker than that of total sales.

Manufacturers responded to the sustained softening of demand by scaling back output in June, the thirteenth month running in which this has been the case. The rate of decline in production eased slightly from May but was still faster than at any other time in the past three years. Production fell at a far slower pace than new orders, however, with manufacturers

UniCredit Bank Austria Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-23 June 2023.

working through backlogs and building up stocks of finished goods for the fourth time in the past five months.

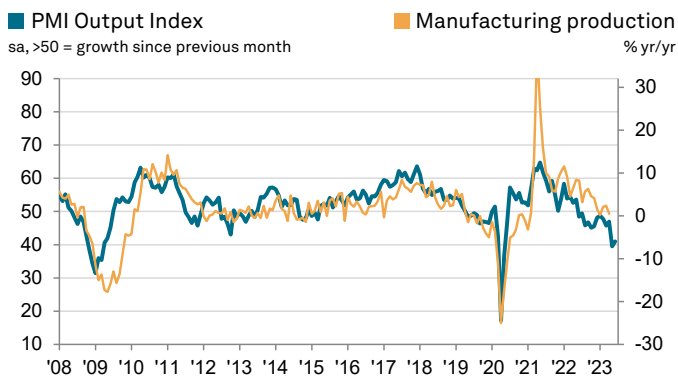
It was a contrasting story for stocks of purchases, which fell for the fourth month running and at the quickest rate since December 2019. Manufacturers reported efforts to reduce pre-production inventories not only in line with falling output requirements, but also due to improving supply chains and efforts to free up liquidity. As such, latest data showed a further sharp drop in purchasing activity during the month.

The improvement in supply chains was underscored by the continued shortening of average lead times on purchases. The extent to which delivery times quickened in June was the second-greatest in the series history after that seen in April.

With demand for inputs falling and their availability improving, there was further downward pressure on purchase prices at the end of the second quarter. In fact, the latest decline in input costs – which was the fourth in a row – was the steepest for over 14 years.

Average factory gate charges meanwhile fell in June, as pressure from customers and efforts to secure new work led manufacturers to pass on some of their cost savings. Output charges fell at a solid pace that was unchanged from the previous survey period.

Turning to employment, June's survey showed a second successive monthly drop in workforce numbers across Austria's manufacturing sector. The result reflected efforts to reduce operating capacity, whilst also tallying with a pessimistic outlook for the year ahead. Expectations did, however, improve slightly in June, marking the first rise in five months.



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Survey methodology

The UniCredit Bank Austria Manufacturing PMI® is compiled by S&P Global 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. Data collection began in October 1998.

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@spglobal.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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