

UniCredit Bank Austria Manufacturing PMI®

Struggling manufacturing sector sees deeper cuts to production and output prices in July

Key findings

Rate of decline in output reaches quickest since May 2020

Output prices fall at second-fastest rate on record

Outlook deteriorates as demand continues to fall sharply

Austria's manufacturing sector endured a difficult start to the third quarter, according to the latest UniCredit Bank Austria PMI® data produced by S&P Global, registering a sharp and accelerated drop in production levels alongside a near-record fall in factory gate charges. The decline in backlogs of work across the sector meanwhile gathered pace as demand continued to fall, which in turn led to increased pessimism among firms towards the outlook and a pick-up in the rate of job losses.

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 – edged deeper into sub-50 contraction territory in July, falling from June's 39.0 to 38.8. This was its lowest reading since April 2020. The drop in the headline index reflected faster declines in output, employment and stocks of purchases.

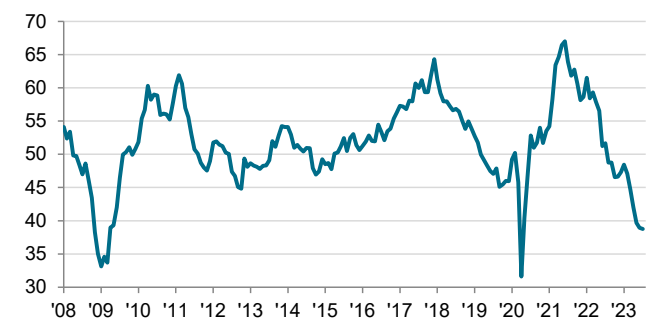
The rate of decline in production in July was the quickest seen for over three years. Where output schedules were scaled back, surveyed firms generally attributed this to reduced inflows of new orders and an associated drop in backlogs of work.

A fifteenth straight monthly decline in new orders was recorded in July, amid reports of customer destocking, tighter financial conditions, weaker demand from the construction sector and general client hesitancy. Although easing slightly from the previous month, the rate of contraction remained sharp and was still quicker than that of output. Contributing to the decline in total new business was a sustained sharp downturn in international sales.

A lack of incoming new orders to replace completed projects saw manufacturers' backlogs of work continue to fall during July. Furthermore, the rate of depletion accelerated to the quickest since May 2020. At the same time, the latest survey showed a third successive monthly rise in stocks of finished goods, which surveyed firms attributed to the postponement

UniCredit Bank Austria Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-24 July 2023.

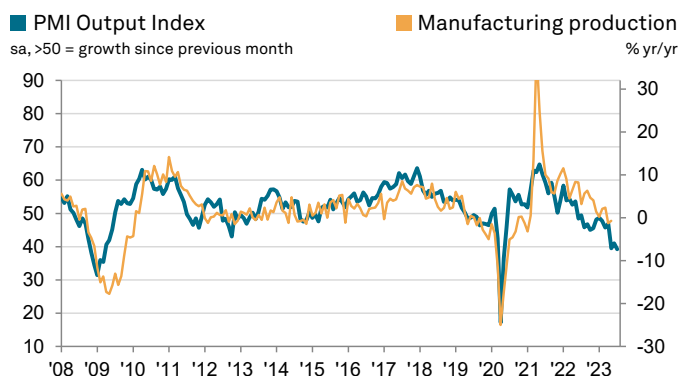
of orders and slow retrieval of goods by customers.

Manufacturers reported deep cuts to output prices at the start of the third quarter as competition for new work intensified. Having accelerated notably from the previous survey period, the rate of decline in factory gate charges was the second-fastest in series history after that recorded in March 2009.

A growing number of firms reported the pass-through of lower purchase prices, which fell in July for the fifth month running and at the quickest rate for more than 14 years. Alongside an easing of energy costs, surveyed firms widely commented on lower prices paid for raw materials, highlighting the influence of reduced input demand.

Austrian manufacturers cut their purchasing activity for a thirteenth consecutive month in July. The rate of decline in buying levels was the fastest since May 2020 and outstripped that of output as many firms looked to reduce stocks of purchases. Indeed, pre-production inventory levels fell at the quickest rate since November 2009 as customer demand waned and material availability improved. The latter underscored by a further substantial shortening of average supplier delivery times.

As well as cutting quantities of purchases, Austrian manufacturers recorded a third straight monthly reduction in workforce numbers in July. The rate of job losses even picked up slightly and was the quickest since August 2020. The result tallied with a darkening assessment of future conditions, with manufacturers' expectations towards output in the coming year deteriorating to the lowest in 2023 so far.



Sources: Bank Austria, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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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.

ihsmarkt.com/products/pmi.html

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