News Release

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UniCredit Bank Austria Manufacturing PMI®

PMI moves into slightly deeper contraction territory in February, but price pressures ease

Key findings

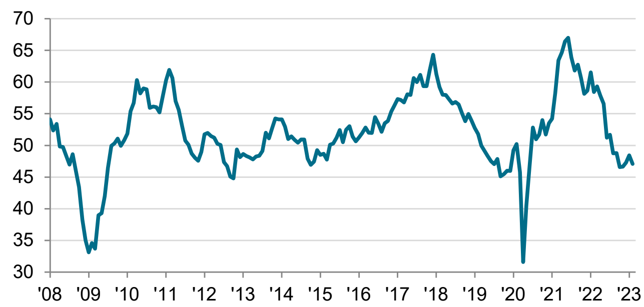
Production falls at fastest rate for three months

New orders continue to exhibit particularly weak trend

Input cost inflation at 27-month low as supply bottlenecks ease

UniCredit Bank Austria Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 10-21 February 2023.

The Austrian manufacturing sector remained mired in a downturn midway through the opening quarter of the year, with output levels falling at the quickest rate for three months and new orders continuing to exhibit a steep decline, latest PMI® data showed. Goods producers' expectations for future output meanwhile faltered, after having briefly turned positive at the start of the year.

At the same time, however, latest data showed a notable easing of supply-chain pressures, with lead times on inputs improving to the greatest extent for over three years and cost inflation slowing to a 27-month low.

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 – came in at 47.1 in February, down from 48.4 in January and its lowest for three months. A reading below 50 signifies deteriorating business conditions, and the further below the 50 threshold the faster the contraction signalled.

Weighing on the headline PMI in February was an accelerated decline in production. It marked the first time in four months that the rate of contraction in output had quickened. Nevertheless, the downturn in production remained shallower than seen during most of the second half of 2022.

Where a decrease in output was recorded in February, this was often linked by surveyed businesses to weaker inflows of new orders. Here, the rate decline eased slightly to the weakest for seven months, but it nevertheless remained marked overall and notably quicker than that of output. Lower inflows of new work were in turn attributed to a wider economic slowdown and customers already having full warehouses. Underlying data showed a particularly soft trend in export sales.

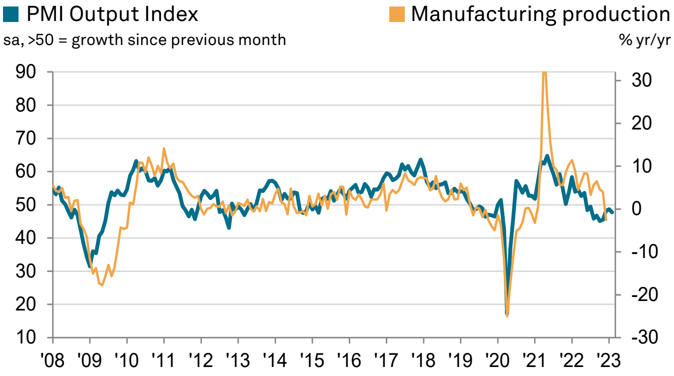
Austrian goods producers recorded a ninth straight monthly decline in backlogs of work during February. The clearing of work-in-hand partly reflected a continued expansion in staffing capacity across the sector. However, having eased for the third time in the past four months, the pace of job creation was the weakest seen for just over two years.

One area where manufacturers did make cutbacks in February was on the purchasing front. In fact, buying levels fell sharply and to the greatest extent since last November. In some cases, lower purchasing activity reflected efforts by businesses to streamline inventories. Others reported that the delayed delivery of inputs had led stocks to rise, but the net increase in pre-production inventories was nevertheless only marginal and weakest for the best part of two years.

Weaker demand for inputs meanwhile helped to alleviate pressure on supply chains, which was underscored by a notable shortening of average lead times in February. At the same time, manufacturers reported a substantial slowdown in the rate of input cost inflation, down to the lowest since November 2020, linked largely to the relaxation of raw material prices.

Factory gate price inflation likewise eased in February, falling to a two-year low. However, unlike input costs, prices charged by manufacturers continued to rise at a rate that was firmly above the historical series average, as firms looked to pass through previous cost increases.

Lastly, February's survey showed a weakening of manufacturers' expectations towards output over the coming year. Sentiment was back in negative territory, meaning a greater number of pessimists than optimists, after briefly turning positive for the first time in eight months in January. Firms were concerned about a general economic slowdown, high inflation and lack of appetite for investment.



Sources: Bank Austria, S&P Global, Eurostat.

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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.

About 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 S&P Global, 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.

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