

News Release

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UniCredit Bank Austria Manufacturing PMI®

Pressure on manufacturing output eases in January as supply improves and cost inflation cools

Key findings

Downturn in output softens at the start of the year

Cost inflation sinks to 26-month low amid fading supply bottlenecks

Job creation stays strong as optimism returns

The pressure on Austria's manufacturing sector from supply constraints and falling demand eased somewhat in January, with output moving closer to stabilisation amid improved lead times on inputs and a slower fall in new orders. Input cost inflation retreated sharply to its lowest in over two years, although this contrasted with a sharp and accelerated rise in prices charged by manufacturers. Goods producers were more confident about the outlook, with expectations towards output over the year ahead turning optimistic for the first time in eight months. In turn, this helped to preserve the resilient trend in the jobs market.

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 – rose to 48.4 in January, up from December's 47.3. Although still in contraction territory, the latest reading was the highest for four months and showed the sector moving towards stabilisation at the start of the year.

Production levels at Austrian manufacturers were down for an eighth straight month in January. However, the rate of contraction slowed for the third month running to only a modest pace that was the weakest since last July. Where lower output was recorded, firms generally linked this to one of three factors (or a combination of them): weaker demand; supply chain disruption; or high input costs. However, there was evidence that each of these negative influences on production had begun to wane.

New orders continued to exhibit a notable rate of decline in January, with firms reporting hesitancy among clients due to tightening financial conditions and economic uncertainty. That said, the pace at which new orders fell slowed further from October's recent record to the weakest in six months. This included a slower (albeit still sharp) fall in new export orders.

There were further signs of an easing of supply-chain

UniCredit Bank Austria Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 January 2023.

bottlenecks in January. The survey's measure of average lead times on purchased inputs breached the neutral 50.0 threshold for the first time in three years, amid reports of improved material availability and reduced pressure on transport capacity.

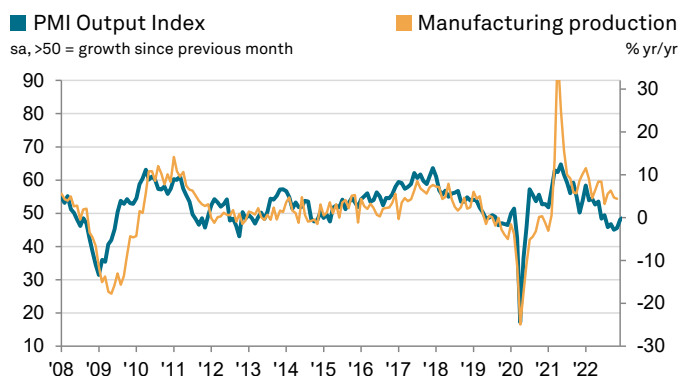
The alleviation of supply-chain strains, which in part reflected a sustained decline in demand for inputs, coincided with a considerable slowdown in the rate of cost inflation faced by manufacturers at the start of the year. It marked the eighth time in the past nine months that a fall in the rate of cost inflation has been recorded, taking it to its lowest since November 2020 and slightly below the series long-run average (since October 1998). Panel members commented on the relaxation of certain prices from the highs observed over the past two years, including steel.

Average prices charged by manufacturers, on the other hand, continued to rise sharply, with the rate of inflation even picking up slightly from December's 22-month low.

On the employment front, January's survey signalled ongoing job creation across the manufacturing sector as firms looked to fill vacancies. The rate of workforce growth slowed slightly since December but was still strong in the context of the historical trend.

Manufacturers' expectations towards future output meanwhile turned positive – albeit only just – for the first time in eight months. Confidence remained subdued but had greatly improved from its recent nadir last October.

Lastly, January saw stocks of finished goods at Austrian manufacturers fall for the first time in nine months, albeit slightly. This compared with a sustained rise in stocks of purchases.



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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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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.

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With its experience of more than 60 years and over half a million graduates the OPWZ is the knowledge motor of productivity and economic efficiency in Austria, enhancing the competitive capacity of corporations and organizations. www.opwz.com/forum-einkauf/

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