

News Release

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Judo Bank Flash Australia Composite PMI[®] Fastest new business expansion in nearly two years

Key findings

Flash Australia Composite PMI Output Index: 52.6 (Apr: 53.0), 3-month low

Flash Australia Services PMI Business Activity Index: 53.1 (Apr: 53.6), 3-month low

Flash Australia Manufacturing PMI Output Index: 48.9 (Apr: 48.6), 8-month high

Flash Australia Manufacturing PMI: 49.6 (Apr: 49.6), joint 9-month high

Australia's private sector activity expansion sustained midway into the second quarter of 2024, supported again mainly by services activity growth. Incoming new business rose at the fastest pace since June 2022, leading to faster job creation in the private sector. Price pressures intensified for Australian firms, however, affecting business sentiment in May.

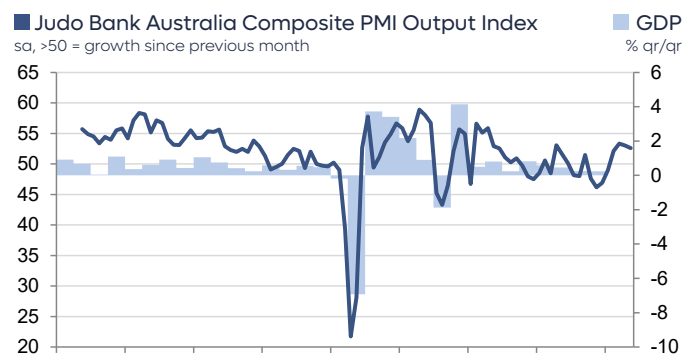
The Judo Bank Flash Australia Composite PMI[®] Output Index* posted 52.6 in May, down from 53.0 in April. The latest reading signalled that private sector activity expanded for a fourth straight month, albeit at the slowest pace since February.

Business activity growth was driven primarily by expansions in the service sector, but the pace at which manufacturing output declined also eased for a third straight month to the slowest since September 2023.

Overall new business meanwhile increased at the joint-fastest pace in two years with incoming new business for Australian service providers rising at a solid rate, while manufacturing new orders fell only fractionally. New work from abroad notably rose for the first time in 15 months and at the quickest pace since September 2022.

In turn, Australian private sector firms hired more staff to cope with ongoing workloads. The rate at which headcounts climbed in the Australian private sector was the fastest in eight months. Higher staffing levels therefore enabled businesses to continue clearing their backlogged orders.

Meanwhile input prices rose at a quicker rate midway into the second quarter, the fastest in six months, attributed



Sources: Judo Bank, S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.
Data were collected 09-20 May 2024.

to rising cost inflation in both the manufacturing and service sectors. Consequently, both manufacturers and service providers opted to share their rising cost burdens with clients at faster rates.

Overall sentiment in the Australian private sector remained positive in May, with the level of confidence slipping slightly from April.

Judo Bank Flash Australia Services PMI

The Judo Bank Flash Australia Services PMI Business Activity Index posted 53.1 in May, down from 53.6 in April. This marked a fourth successive monthly expansion, and at a slower but still solid pace.

Services new business growth was sustained with rising client interests and a widening of customer bases for Australian service providers. This included new business from abroad, altogether supporting the expansion of services activity and staffing levels in the service sector.

Higher input material, transport and labour costs meanwhile drove up average costs, while output price inflation also increased at a faster rate in May. As a result, some service providers grew more concerned with higher prices affecting demand, though the overall level of confidence remained above the rolling 12-month average in May.

Judo Bank Flash Australia Manufacturing PMI

The Judo Bank Flash Australia Manufacturing PMI posted 49.6 in May, unchanged from April. This indicated that manufacturing sector conditions continued to deteriorate only fractionally in the latest survey period.

Production levels fell for an eighteenth successive month, underpinned by a reduction in new orders. That said, the rate at which output and new orders declined were the slowest in eight and 15 months respectively and marginal overall. New export orders notably rose for the first time since November 2022.

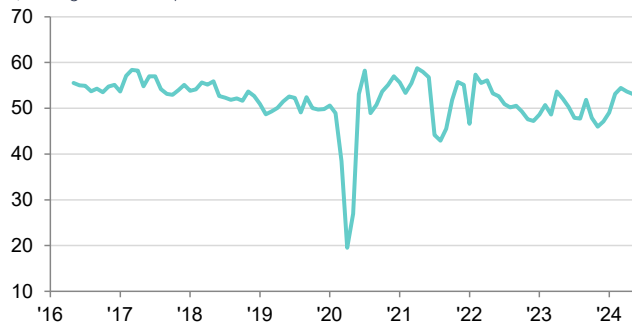
Employment levels meanwhile stabilised in the manufacturing sector, though manufacturers continued to lower their stocks of purchases amid reduced optimism with regards to future output.

Price pressures rose with both input cost and output price inflation rates quickening on the back of higher raw material and transportation costs. The rate at which lead times lengthened remained solid even as it eased for a fourth straight month.

*The Judo Bank Flash Australia Composite Index is a GDP-weighted average of the Judo Bank Flash Manufacturing Output Index and the Judo Bank Flash Services Business Activity Index. Flash indices are based on around 85% of final survey responses and are intended to provide an advance indication of the final indices.

Judo Bank Australia Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global PMI.

Judo Bank Australia Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Judo Bank, S&P Global PMI.

Comment

Warren Hogan, Chief Economic Advisor at Judo Bank said:

“The Judo Bank Flash PMI for May remains firmly in expansionary territory, indicative of ongoing business activity and output growth across the Australian economy. This is in marked contrast to recent consumer sentiment and spending indicators, which remain weak.

“At face value, the strength in the Australian PMI activity indexes in 2024 points to an economy growing at around the long-term trend rate, if not a touch higher. But we know that consumer spending remains soft and will be a drag on growth over the first half of 2024.

“The good news is that despite soft consumption growth, businesses are still hiring and creating jobs, which should keep the economy expanding over the year ahead.

“The composite output index fell slightly in the May Flash reading after reaching a two-year high in April. However, the composite output index in the May Flash survey is still well above the neutral 50 reading. Other activity indicators, such as employment and new orders, were higher in May, further reinforcing the point that Australian business conditions continue to improve in 2024.

“The increase in the employment index to its highest level in more than six months suggests that private sector demand for labour remains strong, particularly in light of the weakness in consumer spending over the first three months of the year. The results are consistent with the official employment figures, which show an average monthly increase in total employment in Australia of around 40,000 in 2024, made up of both full-time and part-time jobs.

“The survey’s price indicators were slightly up in April, highlighting the ongoing cost pressure facing businesses and the continued upward pressure on consumer prices.

“The composite input price index increased to the highest level in six months. Service industry cost pressures were up slightly, confirming that we have seen no real easing of cost pressures in the last 12 months. This does not suggest that we will see a material step down in domestic inflation pressures in Q2.

“Manufacturing input prices jumped higher in May to the highest level in a year, casting some doubt on further deflation in domestic goods prices in 2024. This has been a key factor in bringing inflation down below 4% over the past year. Any increase in goods inflation in the presence of stubbornly high domestic service sector inflation is a major concern for the RBA, which expects inflation to fall further over the next 18 months.

“The Flash PMI report points to resilience in Australia’s business sector despite ongoing cost pressures and skill shortages. Most impressive has been the ability for businesses to navigate this difficult operating environment as well as weak consumer spending. With the Government injecting more than \$30bn into household finances in 2024/25 through cost-of-living relief and tax cuts, Australian businesses should be expecting to see some improvement in consumer spending.”

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Survey methodology

The Judo Bank Flash Australia Composite PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined by S&P Global as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing 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.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.6)

Services Business Activity Index = 0.1 (absolute difference 0.6)

Manufacturing PMI = 0.1 (absolute difference 0.4)

Underlying final 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.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi