

News Release

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S&P Global Australia Manufacturing PMI[®]

Manufacturing sector expansion decelerates again in November

Key findings

Output and new order growth slows

Weaker inflationary pressures signalled

Confidence declines to lowest since April 2020

Australia's manufacturing sector remained in expansion mode midway into the fourth quarter, though the rate of growth eased. New orders and output rose at slower rates which led to lower inventory holdings and a weaker rise in employment levels. Concurrently, inflation eased though vendor performance continued to deteriorate. Overall optimism in the sector deteriorated in November.

The headline seasonally adjusted S&P Global Australia Manufacturing *Purchasing Manager's Index*[™] (PMI[®]) posted 51.3 in November, down from 52.7 in October. Posting above the 50.0 no-change mark, the PMI was consistent with a thirtieth consecutive month of improvement in overall operating conditions, though the rate of expansion slipped to the slowest since June 2020.

Production at Australia's manufacturing firms expanded for the tenth month running in November, underpinned by higher demand. That said, the rates of growth for both new orders and output decelerated midway into the fourth quarter. While general demand conditions continued to improve, higher costs and supply issues reportedly continued to weigh on the manufacturing sector in November.

As a result of the slowdown in overall demand, Australian manufacturers pared back their purchasing activity in November. Some firms reported sufficient inventories holdings, thereby lowering their need to buy more goods. Subsequently, stocks of purchases fell for a third month running in November.

Nonetheless, employment levels continued to increase in November as firms raised their workforce capacity to match current and expected production requirements. Despite the increase in workforce numbers, some Australian manufacturers again reported issues of a shortage of suitable candidates. Indeed, backlogs continued to build in the Australian manufacturing sector reflective of these manpower constraints. Input shortages also played a role in

Australia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-24 November 2022.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

“Against a backdrop of tightening monetary policy and a challenging global macroeconomic environment, the latest November Australia Manufacturing PMI revealed that the manufacturing sector further moderated its growth pace in November. Both sales and output rose at weaker rates, whilst employment growth softened.

“Business sentiment was also affected by a double whammy of rising costs and supply issues, adding to fears that we may see further slowdowns unless there is a material improvement in demand.

“More positively, however, price pressures within the goods producing sector did ease over the month, with both input cost and output price inflation at multi-month lows in November.”

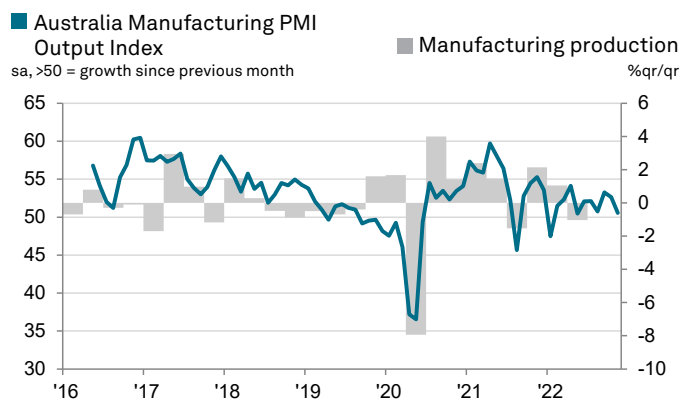
PMI[®]

by S&P Global

November as delays in the delivery of goods from vendors persisted.

Turning to prices, November data signalled a further easing of inflationary pressures. Despite both input costs and output prices rising in November, inflation rates were the weakest in 21- and 19 months respectively. Survey respondents reflected that higher raw material and transport costs led to higher overall costs which they have continued to pass on to clients.

Finally, sentiment in the Australian manufacturing sector remained positive in November, although the level of business confidence slumped to the lowest since April 2020. Rising costs, supply issues and manpower shortages were some of the issues reported to have weighed on business sentiment.



Sources: S&P Global, Australian Bureau of Statistics.

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Survey methodology

The S&P Global Australia Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2016.

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@ihsmarkit.com.

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