

# News Release

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## Judo Bank Australia Manufacturing PMI® Manufacturing sector downturn continues

### Key findings

**Sharpest fall in new orders since May 2020**

**Marginal decline in staffing levels**

**Slower rates in inflation signalled**

Australia's manufacturing sector continued to contract midway into the fourth quarter, according to the latest PMI® data from Judo Bank. A sharper fall in new orders underpinned the decline in manufacturing output, further driving reductions in employment and purchasing activity whilst there was reduced optimism among firms. Although some delays were observed with regards to delivery times, inflationary pressures were found to have eased in the latest survey period.

The headline seasonally adjusted Judo Bank Australia Manufacturing Purchasing Manager's Index™ (PMI) posted 47.7 in November, down from 48.2 in October. The latest reading signalled a ninth monthly deterioration in manufacturing sector conditions and at the quickest pace since May 2020.

Order book volumes fell in the Australian manufacturing sector for the twelfth successive month. Moreover, the pace of decline accelerated from October and was the quickest since May 2020. Foreign demand likewise deteriorated as new orders from abroad fell in November. According to survey respondents, soft domestic and global economic conditions, affected by high interest rates, weighed on demand in November.

As a result of lower new orders, manufacturing production levels declined in November for the twelfth successive month. That said, the pace of contraction eased from October and was moderate overall. Firms worked through their existing orders to support production, leading to backlogged work falling at one of the fastest rates in the survey history. A lack of pressure on capacity meanwhile resulted in employment levels falling, albeit marginally, for the first time in just over three years.

In contrast, purchasing activity continued to fall and at a marked rate. Australian manufacturers acquired inputs at the slowest pace since June, leading to reduced stocks of purchases. Notably, the pace of pre-production inventory depletion was the most pronounced in nearly three years with sustained destocking efforts observed among manufacturing firms.

Stocks of finished goods also declined in the latest survey period on the back of lowered production, though only modestly amid reports of outbound shipment delays. This occurred at the same time as vendor performance deteriorated at the most pronounced rate since September 2022. Instances of shipment delays and product unavailability were reported by panellists.

On prices, rates of input cost and selling price inflation softened in November to levels below their respective series averages. Average input prices continued to rise, attributed to high raw material and shipping costs in November, though the rate of increase fell to a two-month low. Concurrently, manufacturers shared their increased cost burdens at a slower rate, partly to drive sales.

Overall sentiment in the Australian manufacturing sector remained positive in November, but the level of business confidence slipped to the lowest since April 2020. Concerns over rising competition, high interest rates and softening economic conditions led to reduced optimism amongst panellists.

### Comment

Warren Hogan, Chief Economic Advisor at Judo Bank said:

"The Australian Manufacturing PMI fell further in November to record the lowest reading in the 8-year history of the survey outside of periods of lockdown. The PMI fell below 48 which is an index level broadly consistent with a soft landing for the manufacturing sector and the wider economy.

"The manufacturing output index rose in November, coming off the October cyclical low point but still well below the neutral 50 index level. This key activity indicator continues to point to a soft landing for Australia's manufacturers.

"The pick-up in the output index was one of the few bright spots across the survey's activity indicators. New orders fell from already weak levels and at 43.7 is getting close to 'recession' levels. New orders are also at the lowest index level, outside of periods of lockdown since the survey commenced in 2016.

"The seasonally adjusted Backlog of Work index is also weak with a reading well below 50. Following the stresses and strains put on supply chains through the pandemic, we are now seeing a major drop off in the work pipeline.

"Export orders remain weak, pretty much in line with the outcomes since the start of the year. This confirms that the more recent slowdown in the survey is largely a result of weakening domestic demand.

"Another important outcome was the fall in the employment index below the neutral 50 level for the first time in this cycle. Indeed, the employment index is at its lowest level in 3 years, since the original lockdowns of 2020.

"Expectations for future output remain firmly in positive territory at an index reading of 60 but it should be noted that this is the lowest reading on this measure of manufacturers confidence in the survey's history.

"The good news is that the inflation indicators are continuing to improve with both the input and output price indexes down in November.

"Input prices, essentially an indicator of cost pressures, are showing a gradual easing in recent months after jumping up through the middle of the year. Input prices remain elevated and well above the average levels seen prior to the pandemic.

"Output prices have all but normalised for Australian manufacturers which while good news for the broader inflation picture, is bad news for manufacturers margins and profits as cost pressure remain elevated.

"There is strong evidence in the November survey that manufacturers capacity to pass on cost pressures has been compromised by the broader economic slowdown. This is pressuring profitability and business activity and will work to reinforce the slowdown in economic activity already underway.

"For the RBA these results should be welcome news. The Judo Bank Manufacturing PMI confirms that the economy is responding to higher interest rates with weaker activity and easing inflation pressures.

"While the steep decline in new orders since September is concerning, the overall picture painted by the latest Australian manufacturing PMI is of a soft landing for the economy with a meaningful easing in inflation pressures."

**Judo Bank Australia Manufacturing PMI**

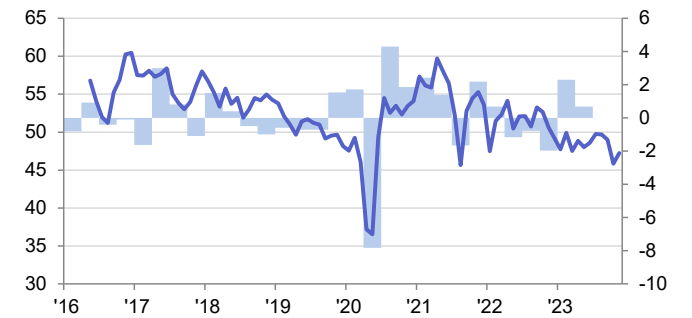
sa, >50 = improvement since previous month



Sources: Judo Bank, S&P Global PMI.  
Data were collected 08-24 November 2023.

**Australia Manufacturing PMI Output Index**

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.

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**Survey methodology**

The Judo Bank 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@spglobal.com](mailto:economics@spglobal.com).

**Flash vs. final data**

Since May 2016 the average difference between final and flash Services PMI values is 0.0 (0.6 in absolute terms).

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