

S&P Global Australia Manufacturing PMI[®]

Manufacturing conditions improve at a softer pace in February

February 2026

Output fell for the first time in four months...

...with slower growth in new orders

Business confidence at eight-month low

Australia's manufacturing sector expansion softened in February, according to PMI[®] data from S&P Global. Incoming new orders from both domestic and foreign sources rose at slower rates in February, which led to a mild contraction in output. Employment growth also decelerated amid an absence of capacity pressure, while inventory levels fell alongside a loss of confidence.

Meanwhile, supply conditions further worsened in February, though rates of inflation eased slightly since the start of the year.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index[™] (PMI) posted above the 50.0 no-change mark for the fourth month in a row in February to signal another improvement in the health of the manufacturing sector. That said, at 51.0, down from 52.3, the latest reading indicated the slowest growth in the current sequence.

Better underlying demand conditions, increased marketing and new contract wins led to a fourth monthly expansion in new orders for Australian manufactured goods in February. However, the degree to which new orders expanded was slower than at the start of the year and only marginal overall. This was partly attributed to a loss of foreign demand growth momentum.

A weaker rise in new orders led to a reduction in manufacturing output in February, marking the first decline in four months, though some companies also noted machinery maintenance and upgrades as reasons.

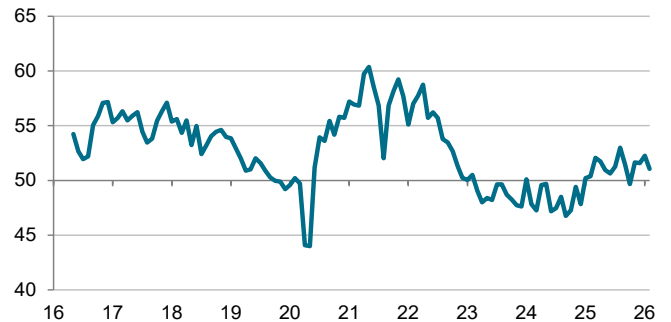
February data showed that employment mirrored the trend in new orders, expanding at a slower and only marginal pace. This was amid a lack of capacity pressure as the level of outstanding orders fell again.

Concerns over the outlook for economic growth meanwhile led to a lowering of business confidence in February. Firms were at their least optimistic since last June, though overall sentiment remained positive with hopes that business expansion plans would help to drive sales growth in the year ahead.

Reduced optimism among manufacturers thereby led to

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 10-23 February 2026.

Source: S&P Global PMI. ©2026 S&P Global.

Comment

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

“After a strong start to the year, growth momentum in the manufacturing sector had clearly been lost in February according to the latest PMI data. Recent economic developments, including the tightening of monetary policy in Australia and external uncertainties, negatively affected both the pace of demand growth and optimism among goods producers. While forward-looking PMI indicators continued to point to the likelihood of output growth in the coming months, the rate of expansion may be modest.

“Supply conditions notably worsened at a more pronounced degree in the manufacturing sector in February. That said, it was positive to see inflation rates falling slightly for goods producers, breaking from the trend of intensifying price pressures at the start of the year.”

caution with regards to inventories. Both pre- and post-production inventories declined in February. Notably, the rate at which stocks of finished goods depleted was the fastest in over five years.

In contrast, purchasing activity continued to rise midway through the first quarter, although this was partly attributed to concerns over delays in the receipt of inputs. Indeed, suppliers' delivery times lengthened at one of the fastest rates in the past year due to raw material shortages and congestion.

Instances of supply shortages also contributed to higher input prices in February, with panellists often mentioning greater outlays for metals. As a result of rising costs, manufacturers further lifted their selling prices in February. That said, both the rates of input cost and output price inflation softened slightly since the start of the year and were below their respective series averages.

Contact

Jingyi Pan
Economics Associate Director
S&P Global Market Intelligence
T: +65 6439 6022
jingyi.pan@spglobal.com

Eri Amano
APAC Senior Communications Manager
S&P Global Market Intelligence
T: +81 (0) 80 3714 7658
eri.amano@spglobal.com
press.mi@spglobal.com

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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.

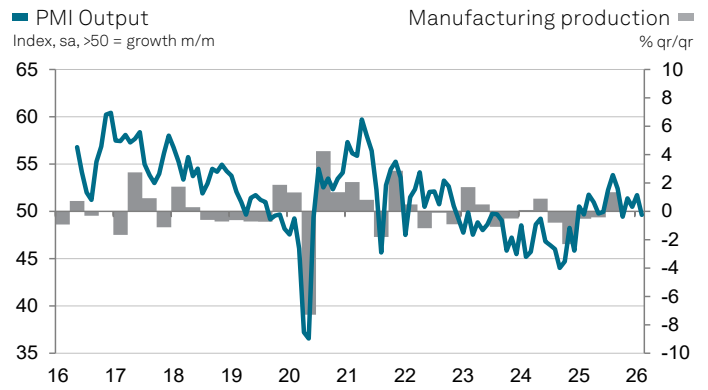
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

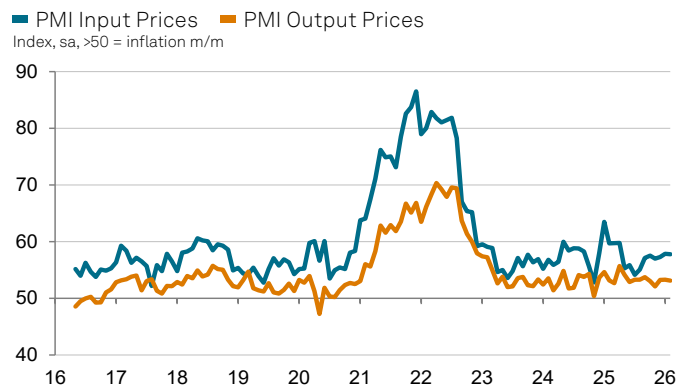
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S&P Global

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PMI by S&P Global

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