

# S&P Global Australia Manufacturing PMI<sup>®</sup>

## PMI at highest level in two years

Incoming new orders return to growth for the first time since November 2022

Inflationary pressures ease in February

Manufacturers most optimistic since April 2022

Australia's manufacturing sector performance further improved in February with new orders rising for the first time since November 2022, supported by higher export orders. Business optimism also climbed to the highest level in almost three years. That said, firms were cautious with regards to staffing levels as falling output and backlogged work led to a lack of capacity pressure at their plants. Firms also lowered their purchasing activity due to sufficient inventory holdings.

Turning to prices, inflationary pressures eased within the Australian manufacturing sector. Both rates of input cost and output price inflation softened in February.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index™ (PMI<sup>®</sup>) posted 50.4 in February, up from 50.2 in January. This signalled a second consecutive improvement in manufacturing sector conditions. Although only marginally above the 50.0 neutral mark, the latest headline index was the highest seen since February 2023.

Incoming new orders returned to growth in February, marking the first expansion recorded in 27 months. Growth in new work was supported by better underlying demand conditions and business development efforts bearing fruit. This included export orders, which rose for the first time in six months and at a rate faster than overall new orders. Anecdotal evidence pointed to rising new orders originating from the US, mainland China, Europe, New Zealand and Southeast Asia.

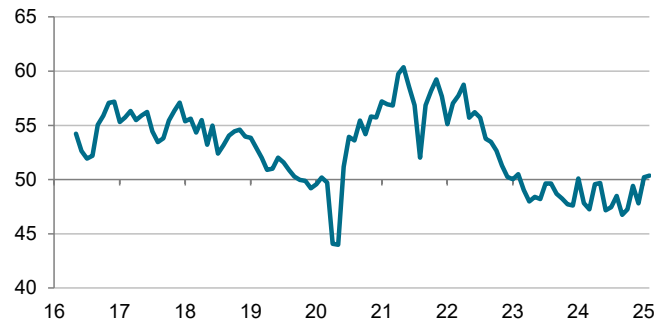
Despite the growth in new orders, manufacturing production fell in February. This was due to manufacturers having sufficient finished goods holdings, including from the rise in production at the start of the year. Firms opted to deplete current holdings of post-production inventory, resulting in a ninth successive monthly reduction in stocks of finished goods.

The level of backlogged orders also fell in February as there remained some excess capacity within the manufacturing sector. Consequently, Australian manufacturers opted not to replace job leavers, leading to a marginal decline in employment levels in February.

Purchasing activity also fell midway through the first quarter of 2025, lengthening the period of decline to nearly two-and-a-half years. Adequate holdings of stocks of purchases, which were little changed in February, contributed to the reduction in buying activity among firms.

Average input prices meanwhile continued to increase for

S&P Global Australia Manufacturing PMI  
Index, sa, >50 = improvement m/m



Data were collected 10-24 February 2025.

Source: S&P Global PMI. ©2025 S&P Global.

### Comment

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

“February’s Australian Manufacturing PMI data showed that business conditions in the goods producing sector continued to improve. Forward-looking indicators, including a renewed rise in new orders and the highest future output reading seen in nearly three years, further provided positive signals for output growth in the coming months.

“While current production fell in February, this is largely a reflection of continued excess capacity in the early stages of demand recovery. This is likewise the reason for a marginal decline in employment levels and a sustained downturn in purchasing activity. It will be important to see further increase in new sales to help drive future output and employment growth in the goods producing sector.

“Price pressures eased in the latest survey period with input prices notably rising at a pace below the long-run average in February, thereby supporting the softening of output price inflation. The continuation of an easing inflation trend will be important to help support improvements in demand over the coming months.”

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Australian manufacturing companies. Higher raw material, energy and shipping costs were listed as factors behind the rise in input prices. Indeed, lead times lengthened for the twentieth month in a row amid supply shortages and shipping delays. The rate at which delivery times extended was the softest since September 2023, however.

As a result of rising costs, Australian goods producers shared their additional cost burdens with clients, leading to higher selling prices in February. That said, a stronger Australian dollar in February limited input cost inflation, which overall weakened for the first time in three months. This contributed to output price inflation also falling to the lowest since last November.

Finally, sentiment in the Australian manufacturing sector remained positive in February. The level of business confidence rose to the highest level since April 2022 but remained below the long-run average. Firms were hopeful that greater marketing efforts and better economic conditions, supported by lower interest rates, can boost production in the next 12 months.

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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.

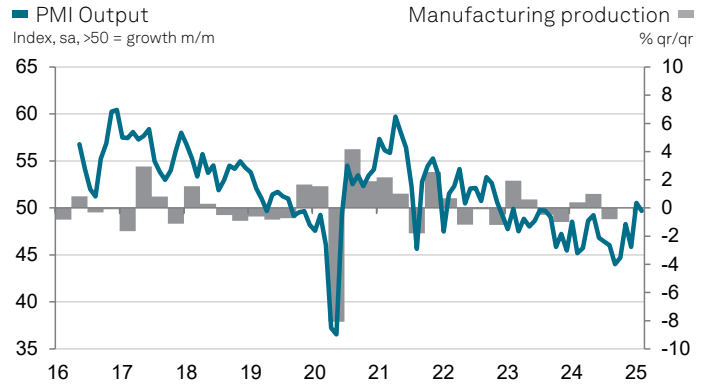
The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted 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.

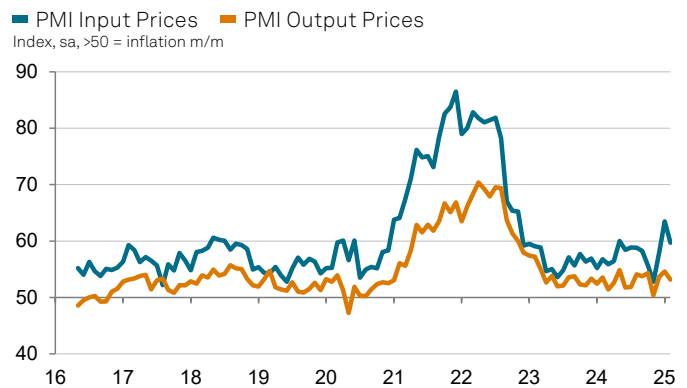
For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

## PMI by S&P Global

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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)



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