

S&P Global Australia Manufacturing PMI[®]

Manufacturing sector growth decelerates

June 2025

Fractional falls in output and new work

New export orders down markedly in June

Charges rise at softest pace since March

Australia's manufacturing sector growth further softened in June, according to PMI[®] data. This was amidst a fractional fall in production, while new orders returned to contraction, underpinned by a marked fall in exports. Additionally, purchasing activity and inventory levels both declined, though goods producers continued to hire to cope with ongoing workloads. Business optimism also eased amid concerns over the growth outlook.

On the price front, output charge inflation lowered in June despite an intensification of cost pressures.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index™ (PMI) posted above the 50.0 no-change for a sixth straight month in June to signal that manufacturing sector conditions continued to improve. At 50.6, down from 51.0 in May, the latest reading was the lowest since February, however.

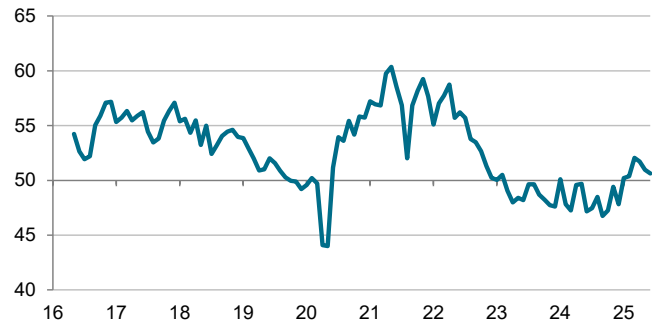
Manufacturing output declined fractionally as incoming new orders fell. Adequate inventory holdings at clients and a deterioration of market conditions led to the first fall in new work in five months, according to panellists. The rate of new order contraction was only marginal, however. In comparison, export orders declined markedly. Panellists often mentioned that US trade policy was negatively affecting global demand for manufactured goods, including for Australian products.

Reflective of the reduction in both new orders and manufacturing output, purchasing activity contracted for a second straight month in June. This was also driven by a reluctance to hold additional inventory during a period of falling demand among goods producers. Pre- and post-production inventories were both depleted over the latest survey period.

Headcounts in the Australian manufacturing sector rose in June, albeit at the softest pace in the current four-month sequence. Survey respondents indicated that both full- and part-time workers were hired to cope with ongoing workloads. Greater workforce capacity and lower new work intakes thereby led to another sharp reduction in the volume of backlogged orders.

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 12-24 June 2025.

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Comment

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

“Australia's Manufacturing PMI data showed that growth of the goods-producing sector moderated for a third consecutive month in June. While flash data initially pointed to renewed output growth, the final reading indicated a slight downturn in production, reflecting some weakness into the end of the month. This was amidst a renewed fall in new orders, while the Future Output Index showed reduced optimism among manufacturers, and pointing to weaker growth in the months ahead. Additionally, the New Export Orders Index was also reflective of subdued trade conditions in June, with a marked fall in new work from abroad recorded.

“Notably, margin pressures were observed in June, though the continued fall in selling price inflation is a welcome development to support sales growth whilst also boding well for the lowering of interest rates into the second half of 2025.”

Supply chain constraints persisted in June. Vendor performance deteriorated at the most pronounced pace so far this year on the back of shipment delays and supply shortages. Anecdotal evidence suggested that bad weather also contributed to the extension of lead times.

At the same time, prices of raw materials also increased, which alongside higher fuel and shipping costs, led to an upturn in cost inflation. Manufacturers, in some instances, opted to partially absorb cost increases amid heightened competition, which limited selling price inflation in June.

Finally, sentiment among Australian goods producers remained positive in June as firms placed trust in their business development plans to boost sales in the next 12 months. That said, concerns over the economic outlook intensified, resulting in firms being the least upbeat since last October.

Contact

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

Corporate Communications
S&P Global Market Intelligence
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.

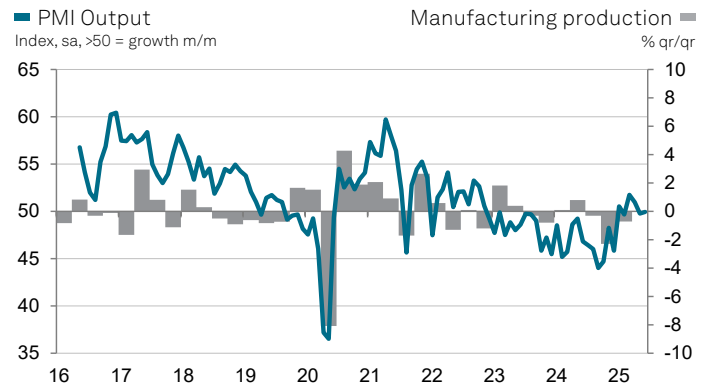
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

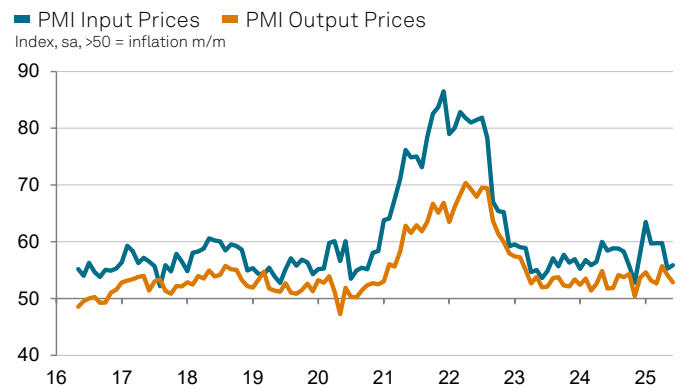
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PMI by S&P Global

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