News Release
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S&P Global Australia Manufacturing PMI®

Manufacturing production returns to expansion

Incoming new orders decline at softest pace in nearly two years

Marginal rise in employment levels

Highest input price inflation since November 2022 drives increase in selling prices

Australia's manufacturing sector performance improved for the first in a year during January. Output returned to growth with new orders falling at a softer rate. Employment levels also increased, supporting the clearance of backlogged work. That said, purchasing activity and inventory levels fell, while business optimism also declined among manufacturers.

Turning to prices, an intensification of cost pressures contributed to selling prices rising at the fastest pace in eight months.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index™ (PMI®) posted 50.2 in January, up from 47.8 in December. This marked the first improvement in manufacturing conditions since January last year, albeit only marginally. The latest rise in the headline index was attributed to higher index readings across gauges of output, new orders, employment and stocks of purchases.

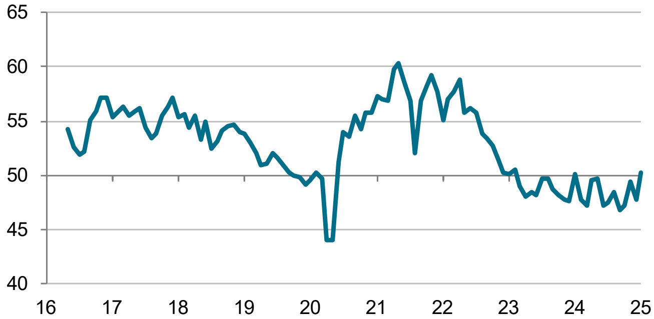
Manufacturing production returned to growth at the start of 2025, with firms working through existing orders. The rate of output growth was marginal, but nevertheless marked the first rise in production since November 2022.

Meanwhile the rate of new order contraction eased in January, decelerating to the softest in nearly two years. While weak underlying demand and reduced client spending negatively affected new orders, some firms reported signs of market improvement. Export orders continued to fall at a solid rate, however, dampened by subdued business conditions overseas and trade uncertainties.

Headcounts were raised alongside production in January after falling at the end of 2024. Anecdotal evidence suggested that Australian manufacturers increased their staffing levels to cope with ongoing workloads. The rise in workforce capacity also supported a twenty-sixth successive month of backlog reduction.

Purchasing activity continued to shrink in the Australian manufacturing sector as new orders declined, further leading to lower stocks of purchases. Post-production inventories also fell amid lower demand and increased

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



Data compiled 09-27 January 2025.
Source: S&P Global PMI. ©2025 S&P Global.

Comment

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

"January's Australian Manufacturing PMI data revealed that business conditions improved for the first time in a year. Manufacturing production returned to growth after falling for over two years as new business fell at a noticeably slower rate. Firms were further willing to raise staffing levels, adding to signs of a turnaround in the goods producing sector.

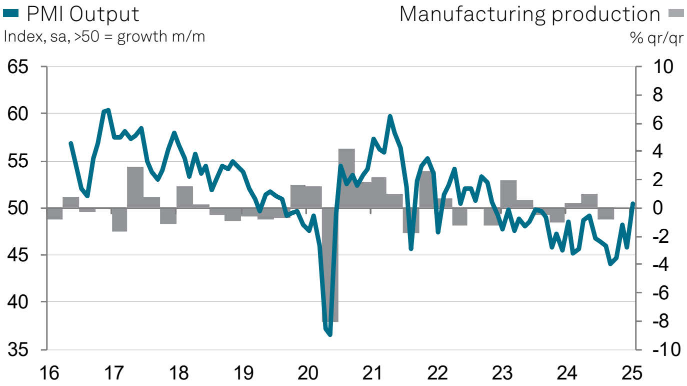
"That said, purchasing activity fell at a faster rate while optimism levels also declined at the start of the year amid domestic and external uncertainties. At the root of the issue remains subdued demand, which will need to improve to inspire better confidence among manufacturers.

"Rising price pressures will also need to be monitored. Although selling prices inflation remained below average, further rise in charges should not be ruled out amid intensifying cost pressures for manufacturers. This could contribute to a delayed start to the rate cut cycle in Australia."

outbound shipment of goods for order fulfilment. Reflecting easing shipping congestions, broader lead times for the delivery of inputs to manufacturers lengthened at the least pronounced pace in 16 months.

Price pressures intensified for Australian manufacturers in January. The rate of input cost inflation was the highest since November 2022. Panellists often mentioned rising input prices and a softening domestic currency as reasons for the intensification of cost pressures. Consequently, selling prices climbed at the start of the year as firms shared their additional cost burdens with clients. The rate of output price inflation was the highest in eight months.

Finally, sentiment in the Australian manufacturing sector remained positive at the start of 2025. Firms were optimistic that improvements in economic conditions and greater promotional efforts can help to drive sales growth. The level of confidence eased slightly since December, however, and remained below-average.



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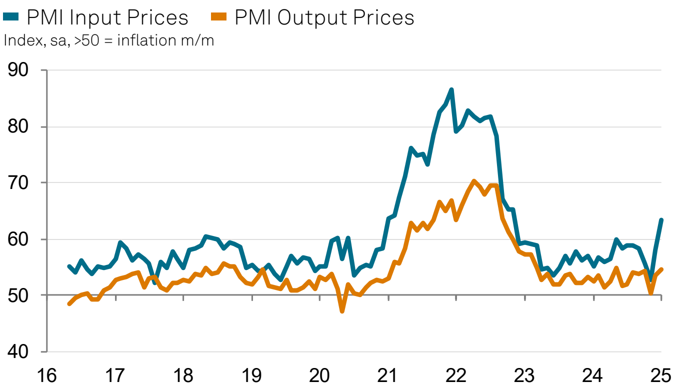

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Methodology

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.

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

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