

News Release

Embargoed until 0900 AEST 1 May 2024

Judo Bank Australia Manufacturing PMI® Marginal contraction of manufacturing sector in April

Key findings

Incoming new orders and output both fall at shallower rates

Inflation rates rise in April

Business confidence improves at start of second quarter

Australia's manufacturing sector conditions deteriorated at a slower and only marginal pace in April, according to the latest PMI® data from Judo Bank. This was as rates of contraction for new orders and production both decelerated since March. Purchasing levels also declined at a softer pace, while inventory levels fell only moderately. Meanwhile employment levels were broadly unchanged whilst there was an improvement in sentiment among firms. That said, price pressures intensified with input costs and output prices rising at stronger rates in April.

The headline seasonally adjusted Judo Bank Australia Manufacturing Purchasing Manager's Index™ (PMI) posted 49.6 in April, up from 47.3 in March. This indicated a third successive monthly deterioration in manufacturing sector conditions, but at a marginal pace that was the lowest in the current sequence.

Incoming new orders for Australia manufacturing goods continued to contract in April, lengthening the period of reduction to nearly one-and-a-half years. This was attributed to subdued market conditions and the impact of elevated interest rates according to survey respondents. External conditions similarly remained soft, thereby leading to another deterioration in foreign demand. That said, the pace of decline for new orders was the lowest for three months, for exports the weakest since August 2023.

Subsequently, production levels fell at a less aggravated rate in April, the softest since September 2023. The volume of backlogged work also depleted at a weaker pace, whilst employment levels were little changed in April. Some firms hired additional workers to ensure that they kept on top of workloads.

Purchasing activity meanwhile continued to decline in the goods producing sector, reflective of the downturn in output. The pace of contraction similarly eased, however, and led to stocks of purchases falling at only a moderate pace in the latest survey period.

On the price front, average input costs continued to increase in the Australian manufacturing sector, attributed to higher raw material, energy and transport costs. Indeed, supply constraints worsened in April according to the seasonally adjusted Suppliers' Delivery Times Index, which pointed to another marked deterioration in lead times as a result of disruptions in the Red Sea and a lack of input material availability. Australian manufacturers opted to share their added cost burdens with clients, contributing to another hike in average selling prices. Although rates of input cost and output price inflation rose from March, they remained below their respective series averages.

Finally, overall sentiment improved among Australian manufacturers with the level of confidence climbing back above its rolling 12-month average in April. Businesses were generally hopeful that economic conditions can improve in the year ahead to support higher sales and output.

Comment

Warren Hogan, Chief Economic Advisor at Judo Bank said:

"Manufacturing activity improved sharply in April after a sustained period of cyclical weakness. The Flash manufacturing PMI rose back towards the neutral 50.0 level while output and new orders were both higher in the month.

"It is too early to call an end to the cyclical slowdown experienced by Australia's manufacturing sector over the past 12 months. The key activity indicators are still below neutral. We have only seen one month (January 2024) with an expansionary reading in the last year, and since then the index has dipped lower again. We will need to see a number of months of stronger readings to be confident of a recovery in Australia's manufacturing sector.

"The price indicators were up slightly in April, suggesting inflation remains a problem within the Australian economy in 2024. The manufacturing sector price indicators have mostly normalised back to pre-pandemic levels over the past six months. The jump in April is relatively small, with manufacturing input and output prices still below the readings from the services sector.

"The jump in the input price index in April suggests that cost pressures are rising, likely due to a combination of higher raw materials prices and the effects of a weaker Australian dollar. Labour costs are still on an upward trajectory due to tight labour markets and skills shortages.

"While margin pressures are still evident in both the service sector and across the manufacturing industry, businesses appear to be having some success passing on input price pressures to final prices.

"The Judo Bank PMI highlights the resilience of the business sector in Australia. The business sector is continuing to hire and invest even as consumers remain cautious. While employment levels continue to expand in service industries, they remain soft for the manufacturing sector. The employment index improved throughout April, increasing to 49.9 which, while below the neutral level, is the highest reading in six months. If activity indicators continue to improve over the months ahead, we expect this will quickly translate into increased labour demand.

"While not yet apparent in the future activity index, it is possible that the Government's announcement of the 'Future Made In Australia' Act has boosted manufacturing confidence. We will be watching the announcement of specific initiatives to see if this could materially impact manufacturing activity in the short term."

Judo Bank Australia Manufacturing PMI

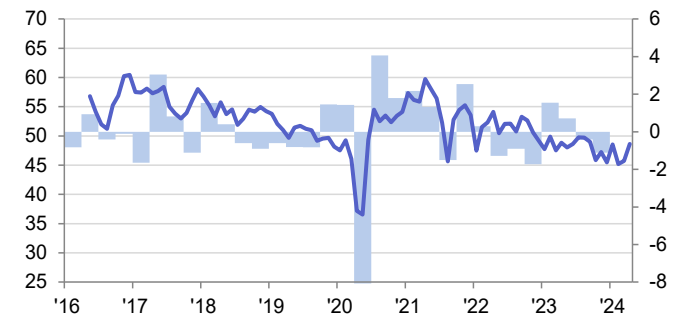
sa, >50 = improvement since previous month



Sources: Judo Bank, S&P Global PMI.
Data were collected 10-24 April 2024.

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.

Contact

Warren Hogan
Chief Economic Advisor
Judo Bank
T: +61 414 498 675
warren.hogan@judo.bank

Casey Van Liessum
Director, Corporate Affairs
Judo Bank
T: +61 403 119 671
casey.vanliessum@judo.bank

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

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

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).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

By providing this Content, Judo Bank Pty Ltd ABN 11 615 995 581 AFSL and Australian Credit Licence 501091 ("Judo Bank") does not intend to provide any financial or other advice or recommendation. This Content is of a general nature only and you should seek independent financial, legal, tax and other relevant professional advice having regard to your particular objectives, needs and circumstances. Judo Bank, its related companies, associated entities and any officer, employee, agent, adviser or contractor thereof ("Judo Group") does not warrant the information contained in the Content is accurate, reliable, complete or current, and shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Content. If any law prohibits the exclusion of such liability, the Judo Group's liability is limited to the re-supply of the Content. You should independently verify the information contained in the Content. It may not be reproduced or distributed without Judo Bank's consent. For further details of this disclaimer please go to www.judo.bank/disclaimer.