

S&P Global Flash Australia PMI[®]

Australian private sector output contracts for first time in 18 months in March

March 2026

Flash Australia Composite PMI Output Index: 47.0
(Feb: 52.4)

Flash Australia Services PMI Business Activity Index: 46.6 (Feb: 52.8)

Flash Australia Manufacturing PMI: 50.1 (Feb: 51.0)

Flash Australia Manufacturing PMI Output Index: 49.8
(Feb: 49.6)

The Australian private sector ended the first quarter of 2026 in contraction, according to the latest flash PMI[®] data by S&P Global. The reduction in activity was the first for a year-and-a-half as demand faltered. The decline in output was the strongest recorded since the end of 2023, owing largely to a solid drop in services activity which fell for the first time in over two years. Meanwhile, Australian manufacturers posted a fractional dip in output.

Businesses faced steep cost pressures, with the rate of inflation at a more than three-year high. At least some of this increased cost burden was passed through to customers, however, with selling prices rising at the sharpest rate since August 2023.

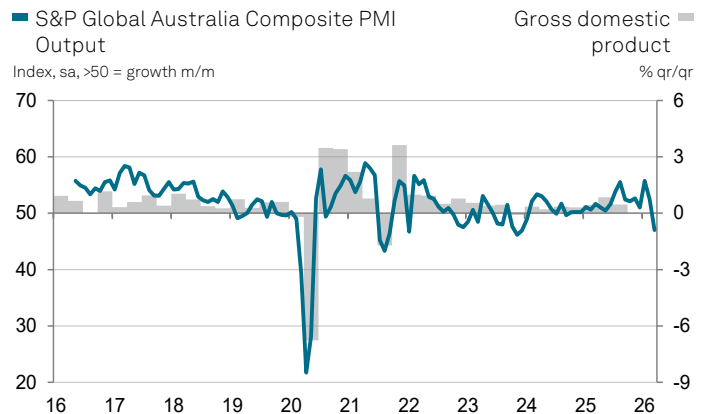
At 47.0, the headline seasonally adjusted S&P Global Flash Australia PMI[®] Composite Output Index dropped below the crucial 50.0 mark that separates growth from contraction in March. Down from 52.4 in February and ending a 17-month run of growth, the latest reading indicated the steepest drop in output since December 2023. The contraction was broad-based by sector, though more prominent in the services economy.

Qualitative evidence linked lower output to a deterioration in demand conditions, in part a reflection of global uncertainty and economic disruption due to the Middle East war.

In stark contrast to the healthy inflows of new work seen in recent months, March saw new orders placed at businesses in Australia fall for the first time since July 2024, although the rate of contraction was only slight in nature. That being said, export sales increased at the strongest pace in over three-and-a-half years, with growth centred on the manufacturing sector.

When asked about their expectations for the coming 12 months, companies in Australia were less optimistic in March. The Future Output Index dropped to a 20-month low and was well below its average amid worries over demand fragility due to the war in the Middle East.

Private sector employment expanded modestly in March, but



Data were collected 12-20 March 2026.
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.
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Comment

Eleanor Dennison, Economist at S&P Global Market Intelligence said:

"March's S&P Global Flash PMI data showed the Australian economy on a weaker footing as the opening quarter comes to a close. Business activity contracted for the first time in a year-and-a-half, amid a fresh drop in demand for Australian services and manufactured goods. Interestingly, demand for goods from abroad strengthened, but this was insufficient to stop a contraction in overall sales.

"March saw a steep rise in input prices faced by Australian private sector firms. At the composite level, the rate of cost inflation jumped to its strongest in over three years, with the equivalent reading for charges reaching its highest level since August 2023.

"These flash data provide the first look into the extent to which war in the Middle East has rippled through the global economy. March's data show that Australian companies are feeling less optimistic towards the year ahead, with cost inflationary pressures at their highest in more than three years, faltering demand and supply chain disruption. Positively, firms continued to hire new staff, albeit at a softer rate, hinting at some resilience in the labour market."

at the softest rate in four months, as firms were able to deplete their outstanding business volumes for the first time so far this year. At the sector level, service providers signalled the weakest increase in staffing levels in four months. Meanwhile, the manufacturing sector reported the strongest round of job losses since October 2024 with firms often reporting the non-replacement of leavers.

On prices, average cost burdens faced by Australian firms increased rapidly in March. The rate of input price inflation was the most pronounced in over three years. There was a noticeable intensification in cost pressures signalled across both broad sectors.

Manufacturing data showed cost inflation at a three-and-a-half year high despite muted demand for inputs and lower employment. Panel members linked the increase to elevated raw material prices and fuel costs, often a result of war in the Middle East which was also seen to have severely disrupted supply chains.

In response to increased cost burdens, private sector firms in Australia were more aggressive in their own price setting in March. The rate of charge inflation, albeit milder than that for costs, rose to its highest in over two-and-a-half years and was strong in nature.

Methodology

Final March data are published on 1 April for manufacturing and 7 April for services and composite indicators.

The S&P Global Flash Australia PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

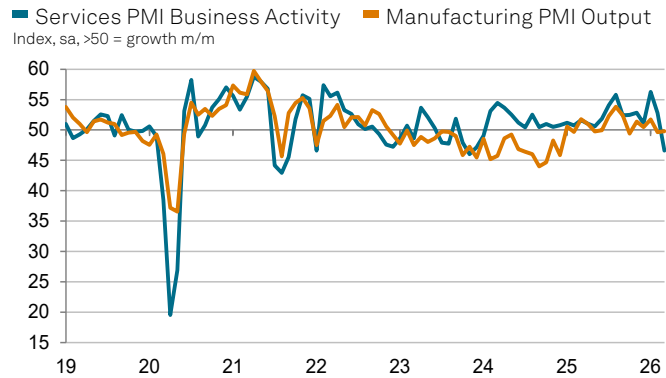
The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

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Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.5)

Services Business Activity Index = 0.1 (absolute difference 0.6)

Manufacturing PMI = 0.1 (absolute difference 0.3)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global.

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

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