

News Release

Embargoed until 0900 AEDT 24 October 2024

Judo Bank Flash Australia Composite PMI® Private sector output nears stabilisation

Key findings

Flash Australia Composite PMI Output Index: 49.8 (Sep: 49.6), 2-month high

Flash Australia Services PMI Business Activity Index: 50.6 (Sep: 50.5), 2-month high

Flash Australia Manufacturing PMI Output Index: 43.7 (Sep: 44.0), 53-month low

Flash Australia Manufacturing PMI: 46.6 (Sep: 46.7), 53-month low

Business activity in Australia's private sector declined at a slower and only marginal pace in October amid sector divergences. Faster services new business inflows led to quicker overall new order growth, powering an acceleration of job creation. Meanwhile price pressures were relatively muted while sentiment improved slightly at the start of the quarter.

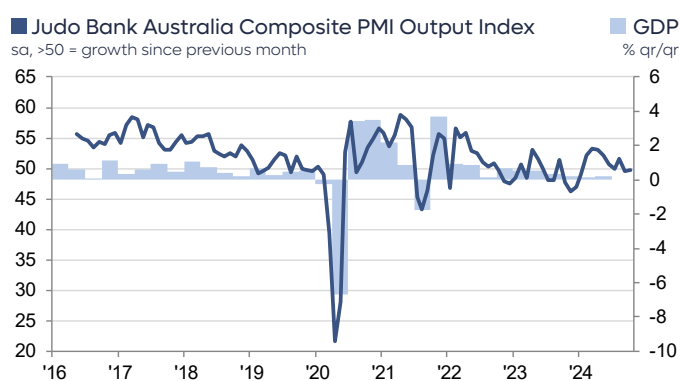
The Judo Bank Flash Australia Composite PMI® Output Index* posted 49.8 in October, up from 49.6 in September. This marked a second consecutive month in which private sector output fell, but at a slower and only marginal pace.

The near-stabilisation of private sector output again masked sector divergences, as a faster manufacturing output contraction more than offset a quicker rise in services activity.

The divergence was likewise seen for new orders, with differences in underlying demand conditions underpinning the sectoral trends. That said, in contrast to the trend for activity, overall new orders rose for a third successive month as services new business growth accelerated. Meanwhile, export business was a common area of weakness for both manufacturers and service providers, falling at a faster rate across both sectors.

On the back of faster overall new business growth, Australian private sector firms hired additional staff at a quicker pace in October. This also supported a faster clearance of existing orders into the final quarter of the year.

On prices, average input prices rose at the slowest



Sources: Judo Bank, S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.
Data were collected 09-21 October 2024.

pace in four years as cost pressures eased in both the manufacturing and service sectors. Australian firms opted to raise selling prices at a rate unchanged from September, however, as optimism about the future improved.

Judo Bank Flash Australia Services PMI

The Judo Bank Flash Australia Services PMI Business Activity Index rose to 50.6 in October, up from 50.5 in September. Posting above the 50.0 neutral mark for a ninth straight month, the latest data indicated that services activity increased again, though only modestly.

Incoming new business expanded at a quicker pace in October, driving higher services activity. Improvements in domestic demand underpinned new business growth, whereas export business contracted at a more pronounced pace in October.

Services firms raised their employment levels at the quickest pace in five months in response to the growth in new work, further supporting the clearance of existing business.

Price pressures cooled with both input cost and output price inflation falling in the latest survey period. Business confidence rose at the start of the final quarter of the year.

Judo Bank Flash Australia Manufacturing PMI

The Judo Bank Flash Australia Manufacturing PMI posted 46.6 in October, down from 46.7 in September. The index signalled that the health of the sector deteriorated for a ninth successive month and at the fastest pace since

May 2020.

Subdued market conditions and weak underlying demand for goods kept new orders for Australian manufactured goods contracting at a sharp pace at the start of the fourth quarter. This led to another steep decline in production, the fastest in 53 months.

As a result of the fall in new work, Australian manufacturers reduced their purchases and lowered staffing levels at quicker rates in October. Inventory levels also continued to fall while lead times lengthened to a lesser extent than in September.

Turning to prices, average input costs continued to rise but at a reduced rate in October as demand cooled. Selling price inflation meanwhile intensified but remained below the series average.

Finally, sentiment in the goods producing sector was again positive in October but the level of confidence eased to a three-month low amid concerns over the outlook for sales.

*The Judo Bank Flash Australia Composite Index is a GDP-weighted average of the Judo Bank Flash Manufacturing Output Index and the Judo Bank Flash Services Business Activity Index. Flash indices are based on around 85% of final survey responses and are intended to provide an advance indication of the final indices.

Judo Bank Australia Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global PMI.

Judo Bank Australia Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Judo Bank, S&P Global PMI.

Comment

Matthew De Pasquale, Economist at Judo Bank said:

“The October flash PMI recorded a modest increase in the activity indicators while price pressures eased in the month. Once again, conditions for manufacturers are much weaker than for service industries.

“Given that manufacturing is such a small part of the Australian economy, the improvement in service sector indicators points to ongoing growth in economic activity over the second half of 2024. The price indicators are also moving in the right direction, with input and output price indexes falling in October. This suggests that inflation remains on track to gradually return to the RBA’s 2% to 3% target band, although the impact of government policy measures on these results is not clear.

“Australia’s manufacturing sector is on the verge of recession, with key output and new orders measures both falling in the month to levels historically consistent with a recession. The manufacturing employment index fell again in October, with a reading well below the 50 neutral level.

“The services sector, which makes up more than 80% of Australia’s economic output, is performing much better. Growth in business activity remains soft, just above the neutral level of 50, although up slightly in the month. In an encouraging sign for the short-term outlook, new business activity increased in October to be firmly in expansionary territory and is now at the highest level since May.

“The employment index also increased in the October Flash result, reaching its highest level since May. This is consistent with the strong employment growth we are seeing in the official statistics, including the big jump in the September full-time employment numbers from the ABS.

“Although manufacturing activity could be a headwind to economic growth over the second half of 2024, service industries are growing and expect to see more business coming in the months ahead.

“The most pleasing part of the result is further progress in getting inflation down. Input cost pressures were down in October to be at the lowest index reading since the start of the pandemic inflation in 2021. This is a quick retreat after high results in July and August.

“Final prices are also drifting off, particularly in service industries. This suggests that inflation remains on track to return to the RBA’s 2% to 3% target band. It is not clear if government subsidies are impacting these survey results. The September quarter official data will confirm the situation when released next week, including the underlying inflation pulse that is calculated by removing the impact of government policy measures.

“The October Flash results suggest that the Australian economy continued to expand early in the December quarter with a favourable mix of easing inflation pressures and rising employment levels.”

Contact

Matthew De Pasquale
Economist
Judo Bank
T: +61 417 731 106
matthew.depasquale@judo.bank

Casey Van Liessum
Director, Corporate Affairs
Judo Bank
T: +61 403 119 671
caseyvanliessum@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: +81-3-6262-1575
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 Flash Australia Composite 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 by S&P Global 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.

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 0.4)

Underlying final 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.

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.