

Embargoed until 0900 AEDT 21 Feb 2022 (2200 UTC 20 Feb 2022)

# IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

## Private sector output returns to growth as COVID-19 conditions improve

### Key data

Flash Australia Composite Output Index  
Feb: 55.9, 8-month high (Jan final: 46.7)

Flash Australia Services Business Activity Index  
Feb: 56.4, 8-month high (Jan final: 46.6)

Flash Australia Manufacturing Output Index  
Feb: 52.5, 2-month high (Jan final: 47.5)

Flash Australia Manufacturing PMI  
Feb: 57.6, 2-month high (Jan final: 55.1)

Data were collected 10-17 February 2022.

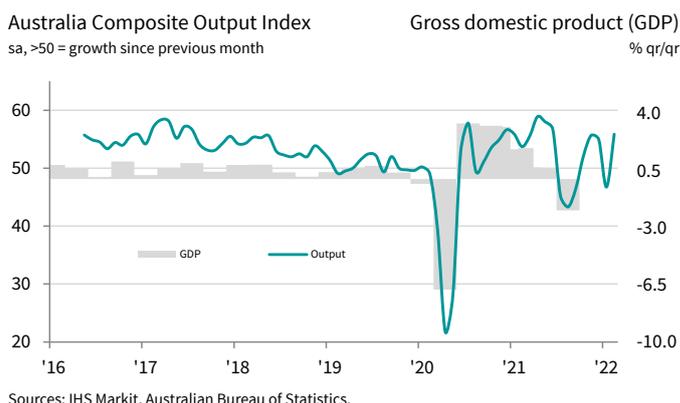
The easing of the COVID-19 Omicron wave enabled Australia's private sector to return to growth in February, according to Flash PMI® data. Private sector output and demand both expanded after shrinking at the start of the year, leading to higher employment levels. Supply constraints nevertheless persisted, causing the accumulation of backlogged work and the worsening of price pressures with output price inflation rising to a record. That said, business optimism improved in February.

The IHS Markit Flash Australia Composite Output Index\* rose from 46.7 in January (final reading) to an eight-month high of 55.9 in February. This marked a return to expansion for Australia's private sector following a brief month of contraction in January.

Private sector firms saw business activity expand once again, and across both the manufacturing and service sectors, with the improvement in COVID-19 conditions in February. Service sector demand likewise returned to growth, supporting the expansion of composite new orders. Foreign demand for Australian goods and services however remained suppressed with the easing of border restrictions yet to take effect in the data collection period.

As a result of the increase in demand and output, private sector firms hired at a faster rate in February. Anecdotal evidence continued to suggest that difficulties in hiring were present across both the manufacturing and service sectors.

continued...



### Comment

Jingyi Pan, Economics Associate Director at IHS Markit, said:

*"The Australian economy bounced back quickly in February, according to the IHS Markit Flash Australia Composite PMI, after contracting sharply at the start of 2022, hit by the COVID-19 Omicron wave."*

*"Demand and output both returned to growth, boding well for hiring activity in February. That said, shortages of input materials and labour persisted as issues for private sector firms. This led to input prices continuing to increase sharply while selling price inflation hit a record according to the latest PMI survey. While this perhaps comes as no surprise in the initial recovery phase from the latest COVID-19 wave, the lingering impact on overall inflation and wages will have to be closely followed."*

*"Business confidence amongst private sector firms improved once again in February after briefly dipping in January, reflecting the short-lived nature of the latest COVID-19 wave, which was a positive sign."*

Supply chain issues also persisted in the Australian manufacturing sector, with longer lead times and manpower constraints contributing to the increase in backlogged work in February.

On prices, input price inflation eased from the January record but remained steep. Firms reported cost increases across categories such as input materials, shipping and wages. This led private sector firms to continue passing on the costs to clients and at the fastest pace on record.

Overall business sentiment in the Australian private sector remained positive with the level of confidence rising to a two-month high. Survey respondents were generally hopeful that output will continue to expand as the Australian economy recovers from the COVID-19 Omicron wave.

### IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index rose to 56.4 in February from 46.6 in January, marking a return to growth and the fastest expansion in eight months.

The receding of the COVID-19 Omicron wave from the peak in January enabled new business and activity to expand though foreign demand remained subdued.

As a result of higher overall demand, hiring activity picked up as firms expanded operating capacity accordingly.

Price pressures meanwhile persisted within the Australian service sector with selling prices rising at a survey record rate. Input price inflation eased from the January record but remained steep by historical standards.

Overall optimism nevertheless improved as service providers were hopeful for continued growth in demand as the economy recovers.

### IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® improved from a final reading of 55.1 in January to 57.6 in February. This marked the twenty-first successive month in which conditions in the manufacturing sector strengthened, with the latest improvement the most marked in two months.

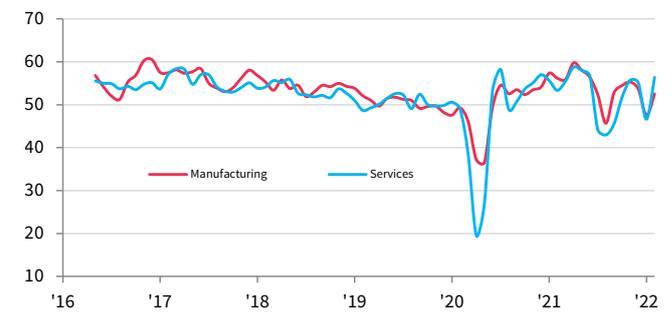
Manufacturing output returned to expansion following a brief month of contraction at the start of 2022 while new order growth accelerated. Firms reported higher demand coupled with an easing of COVID-19 disruptions enabling output to return to growth.

Employment levels likewise rose to meet the growth in demand. That said, suppliers' delivery times lengthened at a more severe rate, leading to the accumulation of backlogged work. Shipping delays, manpower constraints and COVID-19 disruptions were listed as reasons contributing to the lengthening of lead times.

As a result, price pressures worsened with both input costs and output prices rising at faster rates. That said, business confidence amongst Australian manufacturers improved on hopes of recovery from the latest COVID-19 wave.

*\*The IHS Markit Flash Australia Composite Output Index is a GDP-weighted average of the IHS Markit Flash Manufacturing Output Index and the IHS Markit 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.*

Output Index by sector  
sa, >50 = growth since previous month



Source: IHS Markit.

Australia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Composite Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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### Survey methodology

The IHS Markit Flash Australia Composite PMI® is compiled by IHS Markit 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 IHS Markit 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 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 0.6)

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### Survey dates and history

February 2022 data were collected 10-17 February 2022.

Survey data were first collected May 2016.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### About PMI

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.

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