

MARKET SENSITIVE INFORMATION

Embargoed until 0900 AEDT 23 November 2022 (2200 UTC 22 November 2022)

S&P Global Flash Australia Composite PMI®

Australian private sector output contracts faster in November

Key findings:

Flash Australia PMI Composite Output Index at 47.7 (Oct: 49.8). 10-month low.

Flash Australia Services PMI Activity Index at 47.2 (Oct: 49.3). 10-month low.

Flash Australia Manufacturing Output Index at 50.5 (Oct: 52.7). 6-month low.

Flash Australia Manufacturing PMI at 51.5 (Oct: 52.7). 29-month low.

Data were collected 10-18 November 2022.

Australian private sector output contracted for a second straight month in November according to Flash PMI® data. Output fell in tandem with new orders while the level of work outstanding declined marginally from the month prior. Employment levels nevertheless remained in growth as prices rose. Overall optimism eased to a 31-month low.

The S&P Global Flash Australia Composite Output Index* fell from 49.8 in October (final reading) to 47.7 in November. The reading signalled that the private sector shrank for a second consecutive month.

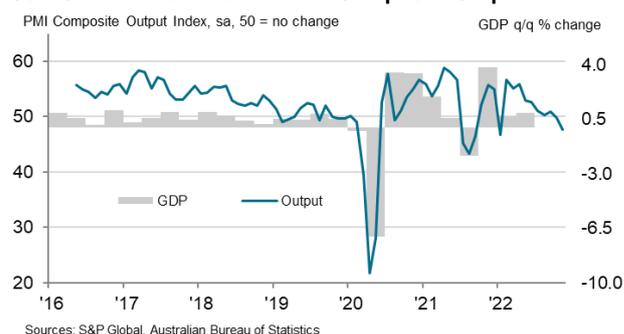
Private sector output slipped in November as incoming new orders fell at a faster rate. Anecdotal evidence suggested a worsening of economic conditions led to the contraction of new work. The fall in demand was concentrated in the service sector while demand for Australian manufactured goods stayed in expansion. In contrast, foreign demand improved and at a faster rate in November, buoyed by overseas factory orders.

On the back of the fall in overall demand, the volume of incomplete work dipped for a fifth straight month, albeit at a marginal rate.

On the other hand, even as demand declined, firms continued to increase their workforce capacity at a solid rate. According to panellists, employment levels rose as firms worked to rebuild their workforce capacity with some reporting difficulties in acquiring skilled labour.

Inflationary pressures worsened in November with both input costs and output prices rising at faster rates. Survey respondents reported higher shipping, raw material and manpower costs contributing to the higher prices. In turn, firms continued to share these cost burdens with clients.

S&P Global Flash Australia PMI Composite Output Index



Overall sentiment in the Australian private sector remained positive but the level of business confidence slipped to the lowest since April 2020.

S&P Global Flash Australia Services PMI®

The S&P Global Flash Services Business Activity Index posted 47.2 in November, down from 49.3 in October, to indicate a second straight month of contraction of the service sector.

Demand for Australian services declined in November, leading to the reduction in business activity. Worsening economic conditions amid the tightening of monetary policy weighed on new business according to survey panellists. Foreign demand likewise cooled.

Despite the fall in new business, employment levels continued to rise as firms reported to be rebuilding their labour capacity to pre-Covid levels.

Meanwhile, price pressures heightened for Australian service providers. Selling price inflation climbed to a four-month high as firms reported passing on higher costs to clients. Business confidence also deteriorated.

S&P Global Flash Australia Manufacturing PMI®

The S&P Global Flash Australia Manufacturing PMI® posted 51.5 in November, down from a final reading of 52.7 in October. This marked the thirtieth successive month in which conditions in the manufacturing sector strengthened, but the latest improvement was the softest since June 2020.

Production growth was supported by higher new orders in November, albeit both slowing from the prior month. Anecdotal evidence suggested that new client wins and

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improvements in demand underpinned the expansion in activity. In turn, manufacturers continued to increase their workforce capacity.

That said, the slowdown in sales growth led to greater caution with purchasing activity. Firms were also the least upbeat since April 2020 with greater concerns of higher costs and slowing domestic and international demand.

This is while constraints in the manufacturing sector persisted with lead times lengthening at a faster rate in November. According to panellists, flooding issues, manpower and supply shortages were blamed for the deterioration in vendor performance. Concurrently, input costs also rose at a faster rate in November on the back of higher raw material prices, shortages and supply chain issues. As a result, output prices increased at a slightly sharper rate midway into the fourth quarter.

**The S&P Global Flash Australia Composite Index is a GDP-weighted average of the S&P Global Flash Manufacturing Output Index and the S&P Global 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.*

S&P Global Flash Australia Manufacturing PMI



Commenting on the flash PMI data, Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence said:

“The latest S&P Global Flash Australia Composite PMI data revealed that the private sector economy further contracted midway into the fourth quarter, faced with deteriorating demand conditions. In particular, the service sector continued to be affected by higher interest rates and capacity constraints, leading to a sharper fall in business activity.

“That said, with price inflation further climbing in November, the pressure remains on the central bank to keep tightening monetary policy to rein in prices. This is also amid indications of solid employment growth from the PMI data.

“The mix of deteriorating demand and worsening price pressures does not bode well for the near-term outlook, and this has also been reinforced by the decline in private sector confidence in November.”

-Ends-

Contact

S&P Global Market Intelligence

Jingyi Pan
Economics Associate Director
Telephone +65-6439-6022
Email: jingyi.pan@spglobal.com

S&P Global Market Intelligence

SungHa Park
Corporate Communications
Telephone +82-2-6001-3128
Email: sungha.park@spglobal.com

Note to Editors

The S&P Global 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

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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 0.6)

Services Business Activity Index = 0.0 (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.

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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