

# S&P Global Australia Manufacturing PMI<sup>®</sup>

## New orders continue to fall amid strong inflationary pressures

### May 2026

Steepest fall in new orders since last October

Selling price inflation at 45-month high amid sharp rises in input costs

Employment ticks higher

New orders decreased solidly in the Australian manufacturing sector during May as steep price rises were recorded again due to the war in the Middle East. Production was also down, while there were renewed falls in purchasing activity and stocks of inputs. Supply-chain disruption remained severe. More positively, a slight rise in employment was recorded and business confidence ticked higher.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) posted 50.7 in May, down slightly from 51.3 in April but still above the 50.0 no-change mark.

As was the case in the previous month, however, the headline PMI calculation was heavily influenced by a sharp lengthening of suppliers' delivery times, the index for which is inverted in the PMI calculation to reflect the fact that longer lead times are typically associated with pressure on capacity due to improving demand. Other indices from the latest survey pointed to deteriorating business conditions midway through the second quarter of the year.

Chief among these was new orders, which decreased for the third month running in May and at the steepest pace since last October. Respondents indicated that squeezed client budgets amid sharp price rises and muted demand had been behind the latest fall in new business.

New export orders also decreased at a solid pace, with some firms highlighting weakness from Asian markets.

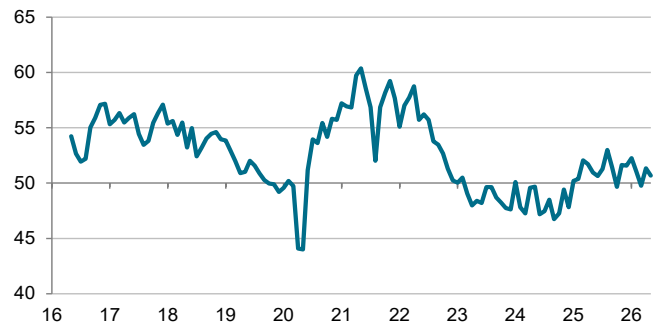
Lower sales, higher prices, uncertainty caused by the war in the Middle East and staffing issues all contributed to a further reduction in manufacturing production during May. Output decreased for the fourth consecutive month, albeit slightly and at a softer pace than in April.

Prices data pointed to substantial increases in both input costs and selling prices again in May. Higher fuel costs were widely reported, while transportation prices also rose.

Although the rate of input cost inflation eased slightly from April, the latest increase was still the second-fastest in almost four years. Meanwhile, output price inflation quickened further and was the steepest since August 2022.

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 12-22 May 2026.

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### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence

“Familiar themes were evident in the Australian manufacturing PMI data during May, with the war in the Middle East continuing to cause steep price rises and supply-chain disruption. As a result, firms are finding it increasingly difficult to secure new orders.

“One small positive from the latest survey was a rise in employment as firms looked to speed up production lines. The increase was only marginal, however, and unlikely to be sustained if new business continues to fall in the months ahead.

“Based on historical relationships between the PMI figures and official data, we face the prospect of official manufacturing figures showing a fall in production during the second quarter unless we see a marked turnaround in fortunes during June.”

Higher fuel costs also contributed to longer suppliers' delivery times, while there were widespread reports of international shipping delays because of the war in the Middle East. Lead times lengthened substantially again in May, and to the second-largest degree in 46 months.

Renewed falls in input buying and stocks of purchases were recorded in May, following increases in the previous month. Firms linked reductions to lower new orders and falling output requirements. Stocks of finished goods also decreased.

More positively, employment increased in May, the first rise in three months. That said, the pace of job creation was only marginal. According to respondents, hiring reflected efforts to speed up production, as well as planning for future projects.

With employment rising at a time of falling new orders, firms were able to deplete backlogs of work, and at a solid pace that was faster than in the previous month.

Looking to the future, business confidence remained relatively muted given the uncertainty caused by the war in the Middle East and negative impact of higher prices on demand.

Optimism ticked up from April, however, amid hopes of an improvement in new orders over the coming year.

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## Methodology

The S&P Global 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.

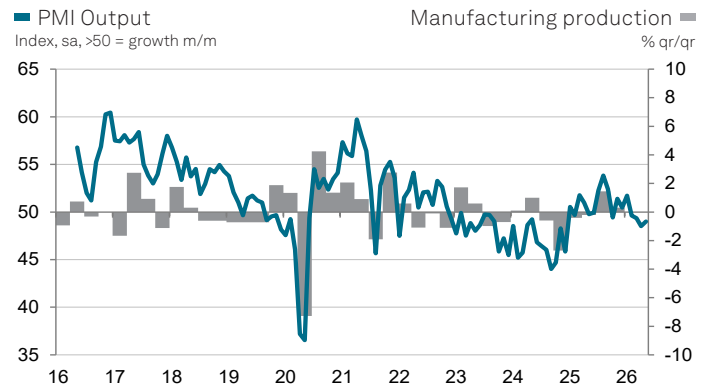
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

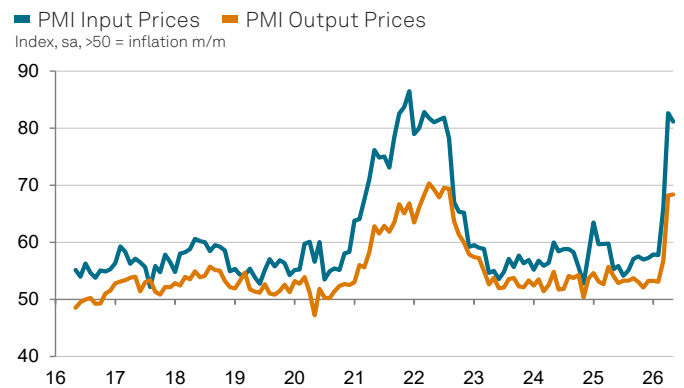
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