

# News Release

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## Judo Bank Flash Australia Composite PMI<sup>®</sup> Output growth slows as new orders decline

### Key findings

**Flash Australia Composite PMI Output Index: 50.6 (May: 52.1), 5-month low**

**Flash Australia Services PMI Business Activity Index: 51.0 (May: 52.5), 5-month low**

**Flash Australia Manufacturing PMI Output Index: 47.7 (May: 49.2), 3-month low**

**Flash Australia Manufacturing PMI: 47.5 (May: 49.7), 3-month low**

Australia's private sector activity expansion sustained in June, but remained services-driven. Firms worked through their backlogs amid a reduction in new business, supported by higher staffing levels. Selling price inflation meanwhile eased in June amid softer cost pressures and a drop in confidence levels.

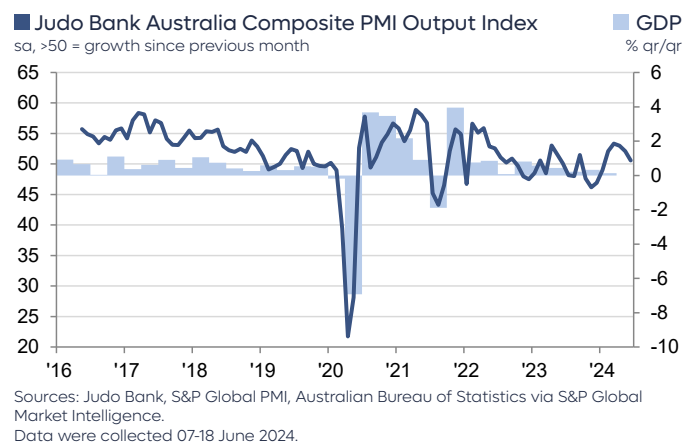
The Judo Bank Flash Australia Composite PMI<sup>®</sup> Output Index\* posted 50.6 in June, down from 52.1 in May. The latest reading signalled that private sector activity expanded for a fifth straight month, but at a slower and only marginal pace.

Business activity growth was again driven primarily by the service sector, while manufacturing output fell at a more pronounced pace compared to May. Firms reported working through their backlogs as incoming new orders declined across both the manufacturing and service sectors for the first time since January. Elevated interest rates and subdued economic conditions were often mentioned by survey panellists as reasons for the deterioration in demand.

Consequent of lower new work, Australian private sector firms further cleared their outstanding business. This was helped by higher staffing levels, though job creation was the slowest in seven months and limited to the service sector.

On prices, average input costs rose at the slowest pace in nearly three-and-a-half years, which led to firms raising selling prices at a softer pace.

Some firms also indicated that they have raised selling prices at a slower pace to support sales. Business confidence slipped to the lowest level in seven months



with some firms concerned that economic conditions may further deteriorate and dampen demand.

### Judo Bank Flash Australia Services PMI

The Judo Bank Flash Australia Services PMI Business Activity Index posted 51.0 in June, down from 52.5 in May. This marked a fifth successive monthly expansion, albeit one that was the slowest in this sequence.

Services activity growth slowed in June on the back of a marginal reduction in new business. Anecdotal evidence suggested that softer economic conditions negatively affected demand for services. This included new export business, which fell for the first time since March.

The rate of job creation thereby eased in June as capacity pressure reduced.

June PMI data also revealed that cost pressures eased in the Australian service sector. Average input prices rose at a rate that was the slowest in 33 months and matched the long-run average. Output prices meanwhile continued to rise at an above-average rate.

Australian service providers remained optimistic that business activity will rise in the year ahead, but with the confidence level falling to a seven-month low.

### Judo Bank Flash Australia Manufacturing PMI

The Judo Bank Flash Australia Manufacturing PMI posted 47.5 in June, down from 49.7 in May. This indicated that manufacturing conditions deteriorated for a fifth successive month and at the fastest pace since March.

Pressure from high interest rates and softening market conditions resulted in new orders and production declining at quicker rates in June. That said, new export orders rose for a second straight month.

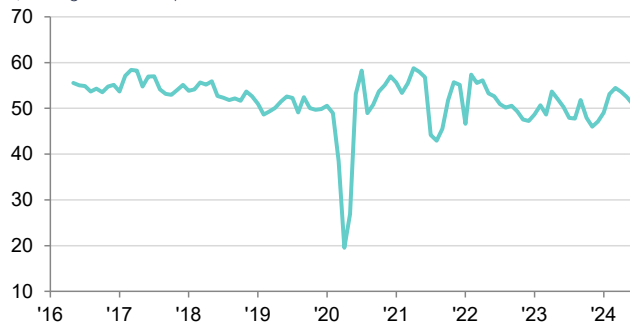
Consequent of the reduction in new work inflows, Australian manufacturers lowered their inventory levels, while employment fell following a slight rise in May.

Meanwhile, inflation rates eased despite lead times lengthening at a more aggravated rate in June. Higher raw material, transport and energy costs contributed to rising input prices, according to panellists, but the rate of input price inflation was below the series average. Average output prices also rose, albeit at the softest pace in three months. Some manufacturers stated that they had reduced their margins in a bid to remain competitive. A loss of confidence was reflected in the Future Output Index, which showed optimism at the lowest level since November 2023.

\*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

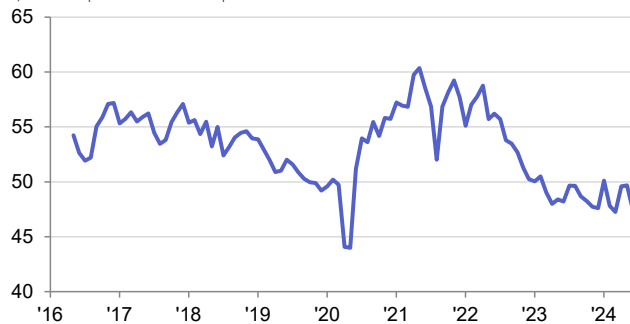
sa, >50 = growth since previous month



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

**Warren Hogan, Chief Economic Advisor at Judo Bank said:**

“The composite output index pulled back in June but remains in expansionary territory. The June flash reading was the lowest since January and has now eased back from the March high point. The June reading suggests that business activity is still growing, but slower than in March and April.

“Critical to the next move in business conditions will be the impact on spending in the economy from the various government cost-of-living relief measures and the income tax cuts, which commence on 1 July.

“New orders also pulled back and are below the 50 neutral level in June, indicative of weakening demand in the final month of the financial year.

“The composite employment index was down but remains comfortably above neutral, suggesting ongoing labour demand in June.

“The various activity indicators suggest a slower pace of business expansion in the Australian economy in June after a very strong period over the first half of calendar year 2024.

“The composite input price index fell below the 60 level for the first time since January 2021, a sign that business cost growth might be easing. Hopefully, we are seeing the start of a genuine moderation in business cost growth. This is essential to reducing inflation in an economy with very little productivity growth over recent years. Final prices also eased but remained at an index level that points to above-target inflation.

“The real weakness in the June flash report was in the manufacturing sector, which has seen the PMI, output and new orders fall back towards the cyclical lows of 2023 at levels well below 50. The Manufacturing PMI has shown signs of a recovery in Australia’s manufacturing sector in 2024, but this looks to have stopped in June.

“Service industry activity pulled back slightly in the month but remained comfortably in the expansionary territory above 50. Our analysis shows that the service sector business activity index strongly correlates with overall employment growth in recent years.

“The pullback in the flash June reading tells us that employment continued to grow in June. The official June employment numbers are a critical data point before the next RBA board meeting in early August.

“Service sector price indicators pulled back in June, consistent with the view that inflation is gradually easing in 2024. However, index levels point to inflation still above the RBA’s target of 2-3%.”

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### 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 0.6)

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@spglobal.com](mailto:economics@spglobal.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. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)