

S&P Global Flash Australia PMI[®]

Average selling prices rise at quickest pace in six months

Key findings, December:

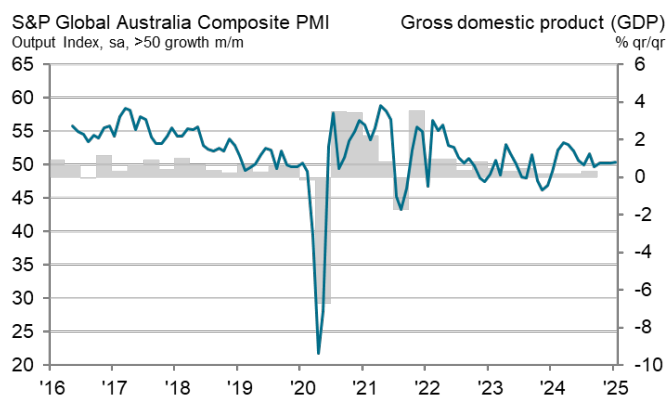
Flash Australia PMI Composite Output Index⁽¹⁾: 50.3 (Dec: 50.2). 5-month high.

Flash Australia Services PMI Business Activity Index⁽²⁾: 50.4 (Dec: 50.8). 6-month low.

Flash Australia Manufacturing Output Index⁽³⁾: 50.0 (Dec: 45.8). 26-month high.

Flash Australia Manufacturing PMI⁽⁴⁾: 49.8 (Dec: 47.8). 12-month high.

Data were collected 09-22 January 2025.



Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence. © S&P Global 2025.

Business activity in Australia's private sector rose marginally at the start of 2025, underpinned by rising services activity while manufacturing output stabilised. Growth in activity was supported by higher new business, although export orders continued to fall in January. A lack of capacity pressure meanwhile led to employment falling for a second successive month. Business optimism also eased slightly at the start of the year.

Turning to prices, average input costs increased at an accelerated rate in January, leading output charges to rise at the fastest pace in six months.

At 50.3 in January, the headline seasonally adjusted **S&P Global Flash Australia PMI Composite Output Index** was up from 50.2 in the prior three months. The index signalled that Australia's private sector output expanded marginally for a fourth successive month. Moreover, the rate of expansion was the most pronounced since August 2024.

Business activity growth was again limited to the service sector, though the rate at which services activity rose eased to a six-month low. Meanwhile, manufacturing output stabilised after falling continuously since December 2022. Anecdotal evidence suggested that while some manufacturers continued to lower output in line with the trend for goods orders, others started to see a turnaround in manufacturing sector conditions.

Overall **new business** increased at an accelerated rate at the start of 2025. While marginal, the rate at which incoming new business increased rose past the 12-month average in January. Growth in new work was likewise driven by improvements in the service sector. That said, manufacturing new orders declined at a rate that was modest and the softest in eight months.

In contrast, **new export business** shrank at an accelerated rate in January as the downturn in the goods producing sector deepened on the back of global uncertainties and reduction in demand from key export markets, according to panellists.

Staffing levels across Australia's private sector declined for a second successive month, lowering across both the manufacturing and service sectors. The rate of job shedding was marginal, however. Australian businesses indicated that both resignations and redundancies contributed to the fall in employment levels amidst a lack of capacity pressure. A fractional decline in the **level of unfinished work** was observed at the start of the new year.

The opening month of the year also saw **average input prices** increase at an accelerated rate. The rate of input price inflation climbed to the highest since September 2024, rising past the long-run average. Panellists often mentioned higher input material, energy, financing and wage costs contributing the latest increase in input prices. The rate of cost inflation increased across both the manufacturing and service sectors at the start of the year, with the former reaching a 26-month high.

Consequent of the widespread intensification of cost pressures, Australian businesses opted to share their rising cost burdens with clients. The rate of **output price inflation** was similarly above its series average, climbing to the highest since July 2024. Prices rose at a quicker pace in the manufacturing sector compared with services.

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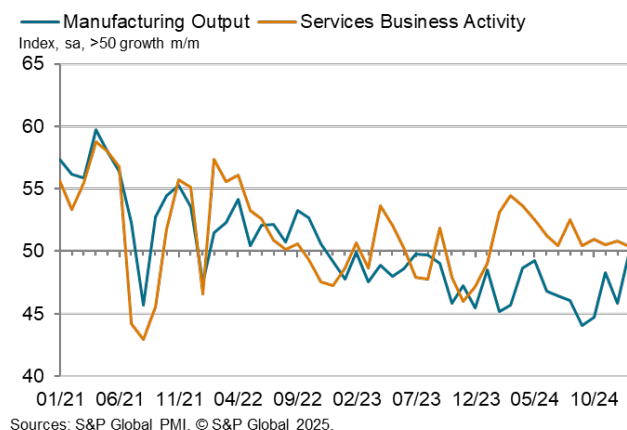
Finally, **business sentiment** in the Australian private sector remained positive at the start of 2025, buoyed by hopes for better economic conditions and business development plans bearing fruit. That said, the level of business confidence eased since December with some firms expressing concerns over elevated interest rates and inflation dampening growth in the next 12 months.

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

“The first set of S&P Global Flash Australia PMI data for 2025 brought positive news with Australia’s private sector remaining in growth territory amid rising services activity, while manufacturing output stabilised after falling for over two years straight.

“Incoming new orders meanwhile expanded at an accelerated rate, hinting at further growth in the near-term. That said, the uptick in new work was underpinned mainly by improvements in domestic demand, as the reduction in export orders, particularly in the manufacturing sector, outlined the uncertainties pertaining to external trade.

“Rising inflationary pressures observed from these early PMI indicators also outlined a challenging outlook for sales. Not only have rising prices dampened sales thus far according to anecdotal evidence, the potential to keep interest rates elevated for longer also poses a threat to the outlook for growth in 2025. Overall, S&P Global Market Intelligence forecasts growth at 2.1% for Australian GDP in 2025.”



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Notes to editors

Final January data are published on 3 February for manufacturing and 5 February for services and composite indicators.

The S&P Global Flash Australia 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 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

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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)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"
4. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.

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PMI by S&P Global

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