

# S&P Global Flash Australia PMI®

## Employment falls for first time since August 2021

### Key findings, December:

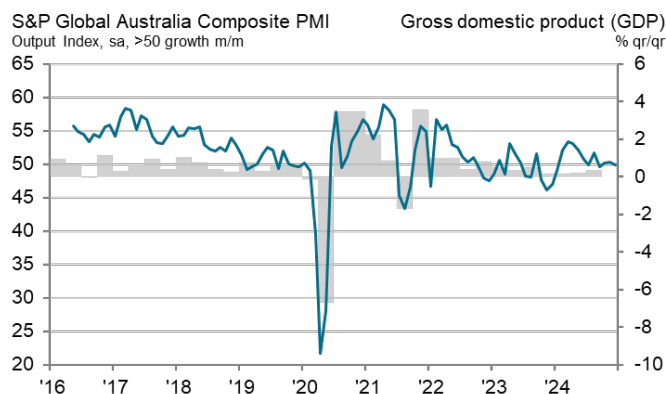
Flash Australia PMI Composite Output Index<sup>(1)</sup>: 49.9 (Nov: 50.2). 3-month low.

Flash Australia Services PMI Business Activity Index<sup>(2)</sup>: 50.4 (Nov: 50.5). 5-month low.

Flash Australia Manufacturing Output Index<sup>(3)</sup>: 46.1 (Nov: 48.3). 2-month low.

Flash Australia Manufacturing PMI<sup>(4)</sup>: 48.2 (Nov: 49.4). 2-month low.

Data were collected 05-12 December 2024.



Business activity in Australia's private sector fell slightly in the final month of 2024, driven by a downturn in manufacturing production. New order growth softened, with export business falling again. There remained a lack of pressure on capacity and firms lowered their workforce capacity for the first time since August 2021.

Despite the softening of conditions, optimism rose to the highest level in just over two-and-a-half years. That said, firms were hesitant to pass on cost increases in full, keeping selling price inflation muted despite an intensification of cost pressures.

At 49.9 in December, the headline seasonally adjusted **S&P Global Flash Australia PMI Composite Output Index** was down from 50.2 in November and the lowest in three months. The index signalled that Australia's private sector output declined marginally following two consecutive months of expansion.

**Business activity** fell fractionally in December as

slower services activity growth failed to offset a sharper downturn in manufacturing production. Where lower manufacturing output was reported, manufacturers indicated that deteriorating market conditions affected operations in the goods producing sector. Services activity growth was meanwhile the joint-softest in the current 11-month sequence, equal with that seen in July.

The reduction in business activity took place against a backdrop of softening **new business** growth. The seasonally adjusted New Orders Index posted the lowest reading in three months to signal only a modest rise in new work inflows. Growth in new business was limited to the service sector while manufacturing new orders declined at the sharpest pace since October. Additionally, new business expansion was supported by domestic demand as **new export business** declined again and at a more pronounced pace than in November.

**Backlogs of work** meanwhile depleted in December to suggest a lack of pressure on business capacity. The rate at which the volume of unfinished work fell was faster than the average for the year as a whole despite easing from November. Consequent of a lack of capacity pressures, Australian businesses lowered their **staffing levels** in December. Whilst marginal, the fall in employment was the first since August 2021. Job shedding was notably observed in the growing service sector while manufacturing headcounts increased for a second successive month, though at a softer pace.

Despite the reduction in overall business activity and slower new business growth, **business confidence** rose for a third straight month in December. Firms across both the manufacturing and service sectors were more upbeat at the end of the year with hopes that lower interest rates and increased business development efforts can stimulate growth in 2025. Although still below the survey's long-run average, the level of optimism was the highest seen since May 2022.

Finally, cost pressures intensified in December as average **input prices** increased at quicker rates across both the manufacturing and service sectors. Manufacturers and service providers mentioned that higher input material, transportation and labour costs contributed to the latest uptick in input prices.

As a result of the rise in input prices, Australian service providers opted to raise **selling prices** in December.

## News release

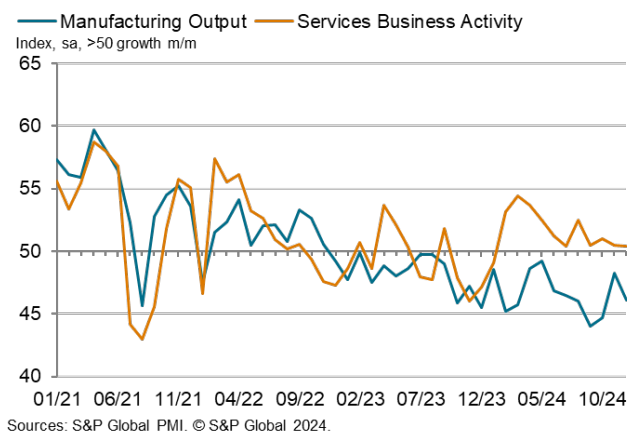
The rate at which output prices increased was unchanged from November and softer than the pace at which input costs rose, however. December also marked the second successive month in which output prices rose at a below-average pace. According to survey respondents, some firms opted to partially absorb cost increases in order to support sales amid rising competition.

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

*“December’s S&P Global Flash Australia PMI reflected a softening of business conditions in the final month of the year. While the smaller goods producing sector led the downturn, services activity growth notably softened to the joint-slowest recorded since the expansion streak commenced in February.*

*“Forward-looking indicators meanwhile provided mixed signals. While business confidence climbed to the highest level in over two-and-a-half years, new business growth softened to a marginal pace and the level of unfinished work further fell. Importantly, the employment gauge showed a contraction for the first time since August 2021, including in the growing service sector.*

*“The softening of business conditions and muted selling price inflation are supportive of the lowering of interest rates by the Australian central bank in the new year, though rising cost pressure will need to be monitored for passthrough to selling prices in the coming months.”*



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## Notes to editors

Final December data are published on 2 January for manufacturing and 6 January 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 be referred to as the 'Composite PMI' but is not

## News release

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)

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](mailto: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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