News Release
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S&P Global Flash Australia PMI®

Australian private sector sees steepest fall in new business in over four-and-a-half years

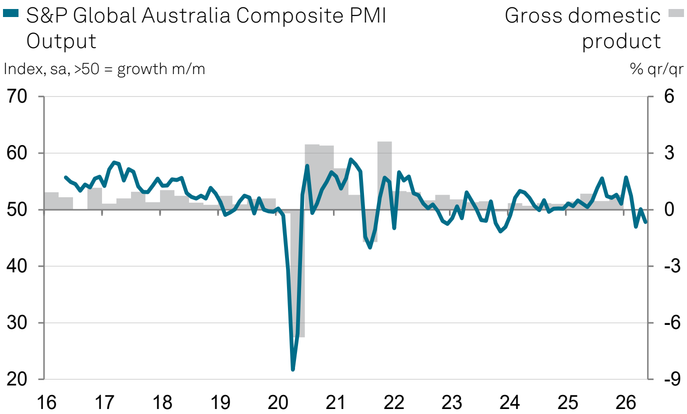
May 2026

Flash Australia Composite PMI Output Index: 47.8 (Apr: 50.4)

Flash Australia Services PMI Business Activity Index: 47.7 (Apr: 50.7)

Flash Australia Manufacturing PMI: 50.2 (Apr: 51.3)

Flash Australia Manufacturing PMI Output Index: 48.5 (Apr: 48.5)



Data were collected 12-19 May 2026.
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.

Although the Australian private sector economy moved back into contraction mode in May, according to Flash PMI® data by S&P Global, the decline in output was softer than that seen in March. Still, new orders fell at the fastest pace since September 2021, and employment was down for the first time since the end of 2024. Meanwhile, business sentiment was at its joint-weakest on record, as concerns over elevated inflationary pressures lingered.

Down from 50.4 in April, the headline seasonally adjusted S&P Global Flash Australia PMI® Composite Output Index dropped below the crucial 50.0 mark to 47.8 in May. This marked the second contraction in three months and one that was moderate in nature.

The downturn was broad-based by sector, though led by the services economy where a renewed contraction in activity was signalled in May (index at 47.7). Here, the rate of decline was softer than that seen in March, however. May data signalled another modest reduction in manufacturing output that was the fourth in consecutive months (48.5). Both readings compared unfavourably with their respective long-run trends of growth.

The decline in overall new business gained momentum in May, signalling the strongest drop since September 2021. There were similarly solid contractions in order books across both monitored sectors. Panel members often linked this to muted market conditions as a result of raised uncertainty due to war in the Middle East.

As has been the case across each month of the year so far, business sentiment across the Australian private sector was down again in May. The level of confidence was the joint-lowest seen since the inception of the survey over ten years ago (in line with the start of the COVID-19 pandemic in March 2020), with panellists noting worries about costs, potential interest rate hikes and challenging market conditions.

Inflationary pressures remained elevated as outlays on fuel,

Comment

Eleanor Dennison, Economist at S&P Global Market Intelligence said:

"These preliminary data provide insight into the health of the Australian private sector as we move into the third month since the outbreak of war in the Middle East. The situation remains one that is challenging to navigate given that the length of the disruption is unknown.

"Although firms continued to report significantly elevated price pressures often linked to raised energy costs and its knock-effects, the rate of inflation softened from April. It remains the case that manufacturers are bearing the brunt here, so much so, they were looking to minimise their exposure to these elevated prices and u-turned when it came to stockpiling efforts.

"Overall, the demand environment deteriorated further, as signalled by a faster and solid reduction in orders, which led to a fresh fall in output and encouraged firms back into retrenchment mode when it came to workforce numbers.

"Through the lens of output, the position of the Australian economy appears to be less downbeat compared to March, but demand and employment have taken a greater hit. The level of confidence among Australian business was among the lowest on record, only matched by that seen during the first pandemic lockdown in March 2020."

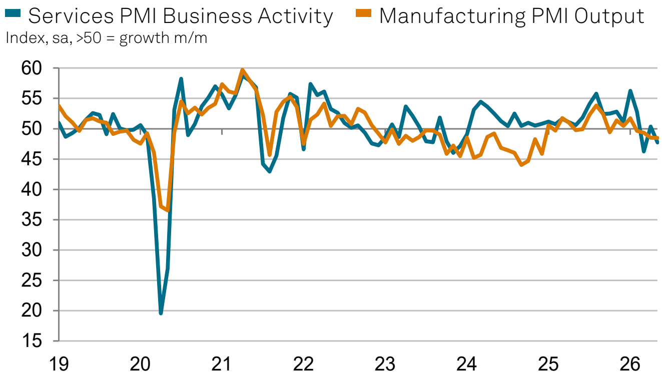
PMI by S&P Global

raw materials, transportation and other inputs pushed cost burdens higher. Although down on the month, the rate of input price inflation was the second-strongest since August 2022. Manufacturers continued to report far-steeper pressure on costs than their services counterparts. Although there was another substantial increase in output charges in May, the rate of inflation was still noticeably weaker than that of costs.

For the first time in nearly a year-and-a-half, there was a reduction in private sector employment across Australia midway through the second quarter. Although only marginal, the rate of job shedding was the joint-fastest in over five-and-a-half years (matching that seen in August 2021). The service sector joined manufacturing in retrenchment mode.

War in the Middle East continued to disrupt manufacturing supply chains amid reports from firms of vessel delays, material shortages and fuel prices impacting delivery times. According to goods producers, the decline in supplier performance was the second-largest in nearly four years (behind that seen in April).

A marked lengthening of suppliers' delivery times kept the headline manufacturing PMI just inside positive territory, despite negative contributions elsewhere. Indeed, there was a renewed fall in stocks of purchases as firms signalled a fresh decline in purchasing that was the strongest in 15 months.



Source: S&P Global PMI. ©2026 S&P Global.

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Methodology

Final May data are published on 1 June for manufacturing and 3 June 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 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 0.3)

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

S&P Global

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