

News Release

Embargoed until 0900 AEDT 21 March 2024

Judo Bank Flash Australia Composite PMI[®] Fastest business activity growth since April 2023

Key findings

Flash Australia Composite PMI Output Index: 52.4 (Feb: 52.1), 11-month high

Flash Australia Services PMI Business Activity Index: 53.5 (Feb: 53.1), 11-month high

Flash Australia Manufacturing PMI Output Index: 45.4 (Feb: 45.2), 2-month high

Flash Australia Manufacturing PMI: 46.8 (Feb: 47.8), 46-month low

Australia's private sector activity expansion was sustained in March, albeit limited to the service sector. Higher incoming new business drove growth of business activity and employment. This was while price pressures declined with lower rates of input cost and output price inflation recorded in March. Overall sentiment rose to the joint-highest in seven months.

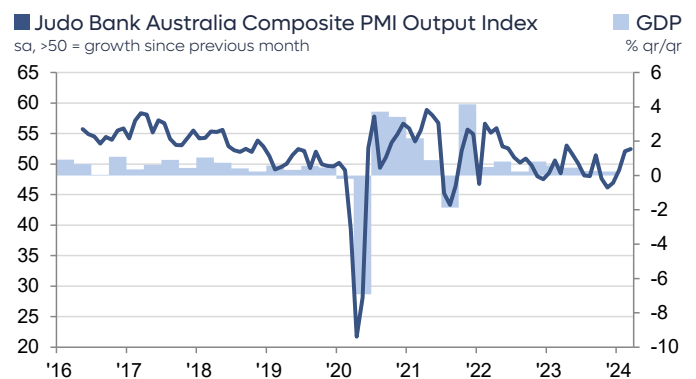
The Judo Bank Flash Australia Composite PMI[®] Output Index* posted 52.4 in March, up from 52.1 in February. The latest reading signalled that private sector activity expanded for a second consecutive month and at the quickest pace since April 2023.

Business activity expanded in March though with faster services activity growth contrasting with a sustained fall in manufacturing output.

Increased new queries and better demand conditions in the service sector kept services new business in growth. On the other hand, high interest rates and subdued economic conditions continued to dampen new orders for goods. Overall new business nevertheless rose for a second straight month in March, but at a slower pace.

To support ongoing operations, Australian private sector firms expanded their workforce capacity in March. The rate of growth slowed to the softest since last July, however, as manufacturing headcounts declined again and at a quicker pace.

Meanwhile cost pressures eased across both manufacturing and service sectors, leading to lower selling price inflation in March. The rate of input cost inflation was the lowest since August 2021, though remained above the series average.



Sources: Judo Bank, S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.
Data were collected 11-18 March 2024.

Finally, sentiment within Australia's private sector improved in March, driven by higher service sector optimism. Firms were generally hopeful that business conditions can improve in the year ahead to drive higher sales.

Judo Bank Flash Australia Services PMI

The Judo Bank Flash Australia Services PMI Business Activity Index posted 53.5 in March, up from 53.1 in February. This marked a second successive expansion and the quickest since last April.

Sustained new business growth, underpinned by rising queries and improving underlying demand conditions, supported business activity growth in March. Employment growth was also maintained at the end of the first quarter.

At the same time, input costs and output prices rose at softer rates, though both rates of inflation remained above their respective averages.

Overall sentiment improved in the latest period, with business confidence rising to the highest level in seven months on the back of hopes for better sales in the coming year.

Judo Bank Flash Australia Manufacturing PMI

The Judo Bank Flash Australia Manufacturing PMI fell to 46.8 in March, down from 47.8 in February. This indicated that manufacturing sector conditions deteriorated for a second straight month and at the fastest pace since May 2020.

A sharper decline in new orders for goods led to output

falling at a marked pace at the end of the first quarter. Consequently, goods producers shed staff at a quicker rate while simultaneously reducing their purchases and inventory holdings.

Price pressures eased with both input cost and output price inflation rates easing in the latest survey period and staying subdued.

Overall optimism declined for a second straight month to the lowest level since November 2023 with some firms concerned about high interest rates and soft economic conditions further affecting demand.

*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 Judo Bank Flash Composite Output index increased for the fourth consecutive month in March and is now comfortably in expansion territory, indicative of an economy picking up from the cyclical slowdown of 2023.

“Over the survey’s nine-year history, this is the largest four-month increase in the Composite Output index outside of the two recovery periods when the economy was locked down during the pandemic.

“The strong recovery in business conditions in 2024 contrasts with the RBA forecasts and broader perceptions of a weak Australian economy. These results suggest the economy is wandering off the ‘narrow path’ defined by the RBA’s forecasts.

“We are always cautious in reading too much into monthly movements in economic statistics and even more cautious when looking at emerging trends in the data over the summer months. However, we have now seen four monthly improvements in the survey measure of output and can safely conclude that the cyclical signal coming from the Australian PMI is sound.

“The underlying details of the survey highlight that the improvement in business performance in 2024 is not even across the economy. Manufacturing activity remains soft in early 2024, with the Australian Manufacturing PMI down to a new cyclical low point well below 50.0.

“This is largely irrelevant to the overall economic assessment, given that manufacturing represents less than 10% of the Australian economy. Manufacturing employment and new orders are weak, while the manufacturing price indicators point to low (but positive) goods price inflation in Australia.

“Australia’s economic recovery in 2024 is being led by the services sector, which is experiencing growth in output and new business activity. Services employment pulled back slightly in the March Flash reading but remained firmly in expansionary territory. At no stage in the current economic slowdown has the Australian services employment index fallen below the neutral 50.0 level. This highlights that the RBA’s desire to maintain the employment gains of the pandemic era remains on track.

“The inflation readings improved in the month, although the inflation measures for services pointed to elevated producer and consumer price outcomes in early 2024. Domestically generated inflation pressure lags the economic cycle. It should be no surprise that inflation pressures are easing somewhat in early 2024 after the significant slowdown in economic activity in 2023.

“For a central bank, inflation expectations are driven by economic activity and capacity utilisation rates, which hopefully also inform their policy decisions. Global financial markets appear to be missing this at the moment: they are happy to watch inflation pressures ease but complacent about inflation risks in the future from the rebound in economic activity we are witnessing.

“The March Flash results are another blow to rate-cut expectations. Central banks will find no comfort in a rebound in economic activity while inflation remains above target. These trends not only reduce the chance of rate cuts, but also bring into play a further tightening of monetary policy in 2024, just as the RBA has been warning us for the past few months.”

Contact

Warren Hogan
Chief Economic Advisor
Judo Bank
T: +61 414 498 675
warren.hogan@judo.bank

Casey Van Liessum
Director, Corporate Affairs
Judo Bank
T: +61 403 119 671
casey.vanliessum@judo.bank

Jingyi Pan
Economics Associate Director
S&P Global Market Intelligence
T: +65-6439-6022
jingyi.pan@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82-2-6001-3128
sungha.park@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index[™] and PMI[®] are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

By providing this Content, Judo Bank Pty Ltd ABN 11 615 995 581 AFSL and Australian Credit Licence 501091 ("Judo Bank") does not intend to provide any financial or other advice or recommendation. This Content is of a general nature only and you should seek independent financial, legal, tax and other relevant professional advice having regard to your particular objectives, needs and circumstances. Judo Bank, its related companies, associated entities and any officer, employee, agent, adviser or contractor thereof ("Judo Group") does not warrant the information contained in the Content is accurate, reliable, complete or current, and shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Content. If any law prohibits the exclusion of such liability, the Judo Group's liability is limited to the re-supply of the Content. You should independently verify the information contained in the Content. It may not be reproduced or distributed without Judo Bank's consent. For further details of this disclaimer please go to www.judobank.com/disclaimer.

About Judo Bank

Judo Bank is Australia's first purpose-built challenger bank for small and medium-sized businesses (SMEs) and the first fully licensed Australian bank to IPO in 25 years. Judo was founded by a small group of experienced lending professionals and its purpose is to be the most trusted SME business bank in Australia. The company's relationship-led lending model, which brings back the craft of relationship banking, is enabled by its legacy free, digital, cloud-based technology architecture. Lending products are originated and distributed through direct and third-party channels and are funded by deposits, wholesale debt and regulatory capital. www.judobank.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

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