

# News Release

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## S&P Global Australia Manufacturing PMI®

### Manufacturing sector expansion continues in July

#### Key findings

Overall growth in demand remains solid despite...

... the second-highest ever rate of selling price inflation

Renewed contraction in post-production inventories

Australia's manufacturing sector continued to record an improvement in operating conditions during July albeit at a slightly slower rate than in June, according to the latest S&P Global PMI® data. Manufacturing production and new orders remained in expansion territory amid reports of strong underlying demand conditions and sales growth. Job creation continued across the manufacturing industry despite staff shortages being recurrently cited as a constraint to sector growth. Demand reportedly outweighed production leading to a further accumulation of backlogged work and a renewed depletion in post-production inventories. At the same time, severe inflationary pressures remained across the industry. Notably, output price inflation surged to the second highest on record amid reports of firms partially sharing the burdens of input cost inflation with their clients.

The headline seasonally adjusted S&P Global Australian Manufacturing Purchasing Manager's Index™ (PMI™) posted at 55.7 in July, down from 56.2 in June. Having posted above the 50.0 no-change mark, the headline PMI was consistent with a twenty-sixth month of improvement in the health of the Australian manufacturing sector. That said, the rate of improvement did slip to the joint lowest in the past six months.

July data pointed to a sixth month of expansion in production across Australia's manufacturing sector. Survey respondents attributed growth to strong overall demand as well as additional shifts being worked. That said, the rate of expansion was unchanged from June.

Order book volumes increased for an eleventh consecutive month and at the quickest rate since April. Concurrently, growth in new export orders was solid overall and the sharpest since last October. Alongside strong underlying demand conditions, anecdotal evidence suggested that firms were expanding into new markets and that global supply points were shifting to the benefit of Australian producers.

Australia Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 11-25 July 2022.

#### Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

*"Expansion across Australia's manufacturing sector continued into July, according to the latest S&P Global PMI® data. A further acceleration in new orders growth was recorded while manufacturing output expanded but at a rate unchanged from June. Strong underlying demand conditions supported a faster rate of job creation but some firms continued to report difficulties in hiring new staff. Subsequently, staff shortages constrained output levels and contributed to the accumulation of backlogged orders and the renewed contraction in stocks of finished goods."*

*"Meanwhile, inflationary pressures remain severe with selling price inflation reaching a near survey record. Input costs have been listed as the primary driver behind charge inflation as firms continue to share part of the cost burden with clients. Should orders continue to outweigh output, as indicated by July's data, we may see further inflationary pressures in the months ahead."*

PMI®

by S&P Global

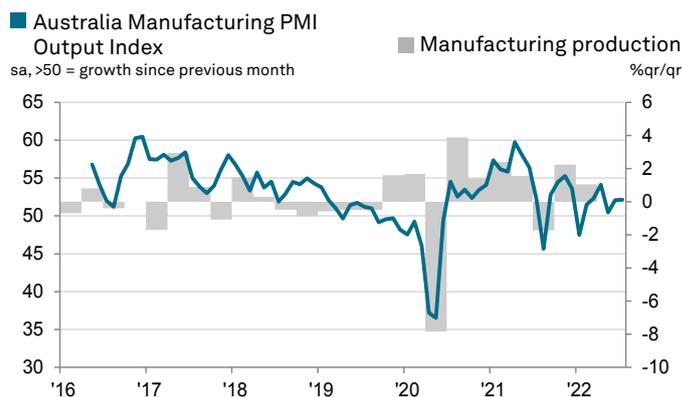
To accommodate current demand levels, firms increased their workforce numbers at the fastest rate in three months. That said, anecdotal evidence suggested that some firms continued to experience difficulties in filling vacancies. For reasons also related to orders and production requirements, Australian manufacturing firms also increased their purchasing activity and pre-production inventories.

Amid further reports of staff shortages and production inefficiencies, backlogged work accumulated at a historically elevated pace and post-production inventories recorded a renewed decline. Survey respondents mentioned that order books were growing at a rate that outweighed current production capacities.

Meanwhile, vendor performance continued to deteriorate in July amid reports of shipping delays and supply chain disruptions. That said, the rate of deterioration was the slowest in 15 months with some firms mentioning that logistics companies were improving their reliability.

Turning to prices, inflationary pressures remained severe across the Australian manufacturing economy in July. Freight, transport and raw material cost increases were reportedly factors driving higher input prices. Firms reported making their own price adjustments in line with higher input costs, leading to the second-highest rate of selling price inflation in the survey history.

Finally, the 12-month forecast for output remained optimistic among Australian manufacturers. That said, the degree of confidence slipped to a 27-month low. Concerns surrounding inflationary pressures and global issues were frequently cited.



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## Survey methodology

The S&P Global Australia Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey 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.

The headline figure is the 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.

Underlying 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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