News Release
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S&P Global Australia Manufacturing PMI®

Manufacturing sector expansion softens in May

May 2025

Production shrinks for the first time in three months

New orders rise at weaker pace

Stocks of purchases decline as buying activity falls

Growth of the Australian manufacturing sector weakened in May, according to PMI® data. Incoming new orders rose at a slower pace despite renewed export growth, while output declined. Stocks of purchases meanwhile were depleted with reduced buying activity and delivery delays. Despite the fall in output, optimism levels rose across the manufacturing sector while firms raised their staffing levels for a third successive month.

On the price front, selling price inflation eased in May whilst average input costs rose at the slowest pace in six months.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index™ (PMI) posted above the 50.0 no-change for a fifth straight month in May to signal that manufacturing sector conditions continued to improve. At 51.0, down from 51.7 in April, the latest reading was the lowest since February, however.

Incoming new orders expanded midway through the second quarter. This included better export demand, as orders from abroad grew for the first time in three months. The rate of overall new business growth softened to a three-month low in May, however. This was partly attributed to the federal election.

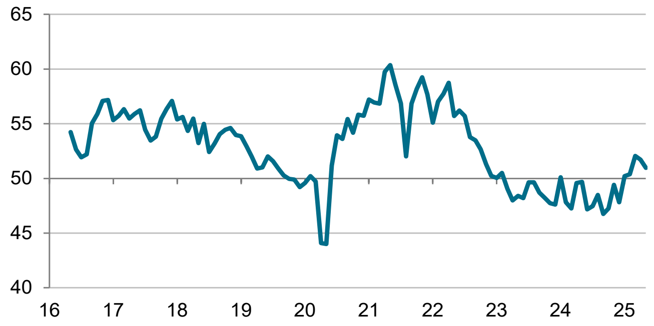
Manufacturing production was also impacted, contracting for only the second time in the year-to-date. The rate of reduction was marginal but nevertheless led to the stalling of post-production inventory levels following two consecutive months of accumulation.

The softening of new order growth and lowered production in May also led to a renewed reduction in purchasing activity. Slower replenishment of raw materials and input products coupled with delivery delays thereby led to a modest fall in stocks of purchases. Anecdotal evidence suggested that supply and shipping constraints had underpinned the lengthening of lead times in May. The rate at which vendor performance deteriorated was sharp and the most pronounced in the year-to-date.

Manufacturers in Australia continued to raise their employment levels despite May's fall in production. Firms mentioned hiring additional staff and backfilled roles

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 12-23 May 2025.
Source: S&P Global PMI. ©2025 S&P Global.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence

"May's Australia Manufacturing PMI data revealed that the goods producing sector continued to expand. Despite a moderation in the pace of growth, anecdotal evidence suggested that the slower rate of expansion, including a slight reduction in output, was partially driven by the election and may therefore prove temporary.

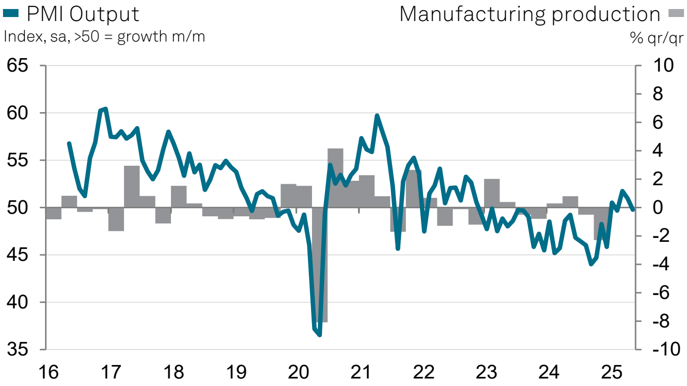
"Indeed, forward-looking indicators provided signs that output may increase in the coming months with renewed export order growth, and the first recorded lift to business confidence since February. Employment gains also continued at a solid pace as firms showed willingness to backfill previously lost roles to support operations.

"On the price front, easing inflation in May also represented a positive development for demand growth in the coming months, with cost pressures among the lowest in over a year."

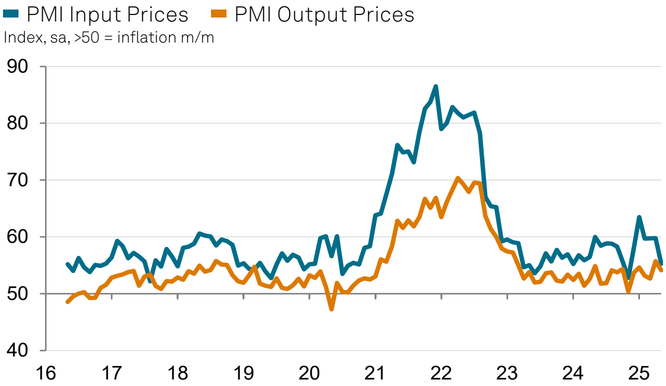
to support capacity. The expanded workforce helped contribute to the fastest clearance of backlogged work since last November.

Overall business confidence improved for the first time in three months. Firms are hopeful of higher sales in the year ahead, reflective of business development plans and greater stability in economic and trade conditions.

Finally, average input prices increased in May amidst rising raw material and transport costs. That said, the rate of inflation eased since April to the lowest since last November. This meant goods producers raised charges at a below-average rate in May.



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



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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@spglobal.com.

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PMI by S&P Global

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

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