

MARKET SENSITIVE INFORMATION

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S&P Global Flash Australia Composite PMI®

Output continues to rise, but pace of growth slows further

Key findings:

Flash Australia PMI Composite Output Index at 52.6 (May: 52.9). 5-month low.

Flash Australia Services PMI Activity Index at 52.6 (May: 53.2). 5-month low.

Flash Australia Manufacturing Output Index at 51.9 (May: 50.5). 2-month high.

Flash Australia Manufacturing PMI at 55.8 (May: 55.7). 2-month high.

Data were collected 13-21 June 2022.

Australia's private sector recorded a fifth straight month of growth, according to Flash PMI® data. Private sector output and new orders continued to expand at solid rates, leading to a continued expansion in Australia's private sector workforce. That said, rates of expansion eased since April. Meanwhile, supply constraints persisted, contributing to a further accumulation of backlogged work. Turning to prices, inflationary pressures remained severe and among the highest on record. Overall business confidence remained positive, but eased to the lowest in over two years.

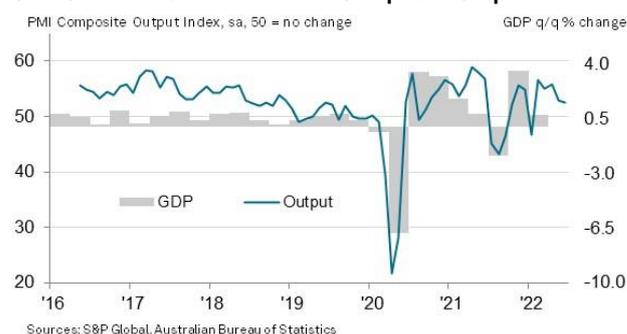
The S&P Global Flash Australia Composite Output Index* eased from 52.9 in May (final reading) to 52.6 in June, a five-month low. This marked a fifth consecutive month of Australian private sector growth, albeit one that was the slowest in the current sequence of expansion.

The overall easing in output growth in June was underpinned by a slowdown in the service sector. Despite the lessening of COVID-19 disruption and easing of travel restrictions, recent hikes in interest rates and persistent inflationary pressures weighed negatively upon output, according to firms.

New orders, both from domestic and foreign sources, were in growth territory according to June data amid reports of strengthening demand conditions and new client wins. As a result of higher orders, the level of outstanding business and private sector employment increased.

Price pressures persisted in June. Anecdotal evidence continued to suggest that rising prices of raw materials, fuel and oil primarily drove input cost inflation. Firms also opted to partly share higher cost burdens with their clients.

S&P Global Flash Australia PMI Composite Output Index



Overall business sentiment across the Australian private sector remained positive. That said, the degree of confidence dipped to the lowest point in over two years amid concerns around slowing market conditions and rising interest rates.

S&P Global Flash Australia Services PMI®

The S&P Global Flash Services Business Activity Index fell to 52.6 in June from a final reading of 53.2 in May, marking a fifth consecutive month of expansion in the Australian service sector. That said, the rate of growth was the slowest in the current sequence.

Fewer COVID-19 restrictions continued to support improvements in business activity and new orders. Similarly, new export business grew at a solid rate amid reports of travel restrictions easing. However, higher interest rates and price inflation reportedly weighed negatively upon the strength of these upturns.

Australia's service sector continued to experience intense inflationary pressures in June with both input cost and output price inflation remaining close to survey records. Anecdotal evidence suggested that rising supplier prices, fuel costs and higher interest rates all contributed to higher input costs. In turn, many firms chose to at least partly share increased cost burdens with their clients. Despite remaining positive, overall business confidence in the service sector dropped to its lowest in over two years in June.

S&P Global Flash Australia Manufacturing PMI®

The S&P Global Flash Manufacturing PMI® marginally improved from a final reading of 55.7 in May to 55.8 in June. This marked the twenty-fifth month in which

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conditions in the manufacturing sector strengthened.

Manufacturing production growth accelerated in June, extending the current sequence of expansion to five months. In line with output expansion, the rate of new order growth quickened. This was underpinned by strengthening demand conditions from both domestic and foreign sources amid reports of new client wins and projects. As a result, employment levels continued to expand in June. Manufacturers also reported increasing their purchasing activity to cope with higher demand levels.

Latest survey data revealed that rates of inflation remained elevated. Meanwhile, supply-chain disruption was widespread, but the least marked in just over a year.

The 12-month outlook across the Australian manufacturing sector remained positive in June. That said, the degree of confidence slipped to a 26-month low.

**The S&P Global Flash Australia Composite Output Index is a GDP-weighted average of the S&P Global Flash Manufacturing Output Index and the S&P Global 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.*

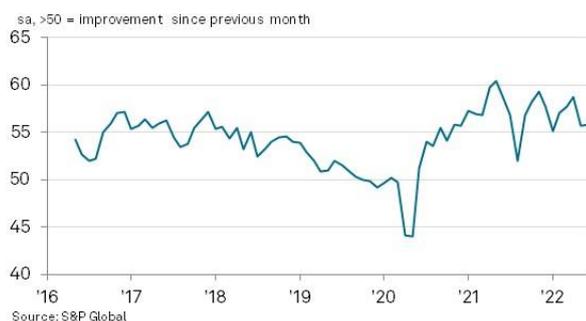
Commenting on the flash PMI data, Laura Denman, Economist at S&P Global Market Intelligence said:

“Expansion across Australia’s private sector economy continued in June, according to the S&P Global Flash Australia Composite PMI. The easing of COVID-19 policies and opening of international borders has encouraged growth in demand, especially overseas. Stronger demand conditions have had a positive influence on other areas of the economy, with employment levels continuing to rise at a solid rate.

“That said, firms have taken advantage of rising demand levels and passed through higher costs to their selling prices at a substantial pace. With interest rates rising to contain rapid price pressures, as well as a fading boost to economic activity post-lockdown, downside risks to the Australian economy have increased.”

-Ends-

S&P Global Flash Australia Manufacturing PMI



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Note to Editors

The S&P Global 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

PMI®

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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 = 0.0 (absolute difference 0.6)

Services Business Activity Index = 0.0 (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@ihsmarkit.com.

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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