

# News Release

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## Judo Bank Australia Manufacturing PMI® Faster deterioration of manufacturing sector in March

### Key findings

**Incoming new orders fall at joint-fastest pace since May 2020**

**Renewal of input destocking in March**

**Inflation rates ease**

Australia's manufacturing sector conditions deteriorated at the fastest pace since May 2020, according to the latest PMI® data from Judo Bank. Underpinning the latest downturn was an accelerated fall in new work inflows, which led to a reduction of manufacturing output. Employment and purchasing levels declined in tandem. Overall business confidence further eased.

Meanwhile, price pressures softened in March. Lower input cost inflation contributed to output prices rising at the slowest pace in three-and-half years.

The headline seasonally adjusted Judo Bank Australia Manufacturing Purchasing Manager's Index™ (PMI) posted 47.3 in March, down from 47.8 in February. This signalled a second successive monthly deterioration in manufacturing sector conditions. Although moderate, the rate of contraction was the most pronounced since May 2020.

Incoming new orders for Australian manufactured goods declined for a sixteenth successive month in March. Additionally, the pace of decline was sharp and the joint-fastest since the height of the pandemic in May 2020 (matched only by November 2023). This was attributed to elevated interest rates and subdued economic conditions according to panellists. New export orders likewise depleted in March, but at only a modest pace. The reduction in new work resulted in lower output in March. Nonetheless, despite firms further cleared their level of outstanding work.

Shrinking capacity requirements led employment levels to fall in March, contrasting with the long-run trend of growth. Furthermore, the rate of job shedding was the fastest since June 2020.

Australian manufacturers also lowered their purchasing activity at a marked pace, leading to a renewed fall in stocks of purchases in March. At the same time, the level of post-production inventories eased in March. This reflected caution among Australian manufacturers in holding additional warehouse stock during a time of receding demand.

Vendor performance meanwhile continued to deteriorate at a marked pace at the end of the first quarter, though driven mainly by Red Sea and other external disruptions according to anecdotal evidence.

Turning to prices, average input costs continued to increase on the back of rising raw material and transport costs. However, the rate of inflation softened in March. In turn, selling prices at Australian manufacturers increased at a slower pace, the softest since September 2020. Rates of input cost and output price inflation were also well below their respective series averages.

Finally, sentiment in the Australian manufacturing sector remained positive at the end of the first quarter of the year with firms hopeful of a rise in sales in the coming 12 months. The level of confidence fell for a second straight month to the lowest of the year so far, however, as concerns over heightened competition, elevated interest rates and rising costs dampened optimism.

### Comment

Warren Hogan, Chief Economic Advisor at Judo Bank said:

"The manufacturing sector remained in a cyclical slowdown in March 2024, best characterised as a soft landing. There are signs of stabilising manufacturing activity in early 2024, although the latest PMI survey suggests little cyclical recovery is imminent.

"The Judo Bank Australian Manufacturing PMI weakened further in March to a cyclical low of 47.3. The PMI has been hovering around the 47-48 level for most of the last six months. PMI readings in the mid-to-high 40s are consistent with a soft landing for the economy. We need to see a significant decline in the PMI to signal recession.

"Activity indicators remained soft, with both output and new orders indexes holding near cyclical lows, although both rose slightly in March. We would need to see a much bigger improvement in these index readings to begin talking about a cyclical recovery in the Australian manufacturing sector.

"The employment index in the manufacturing sector fell to a new cyclical low and was well below the 50.0 index level. While this might not indicate outright job shedding in the sector, there certainly appears to be a hold on expanding manufacturing workforces in Australia in early 2024.

"Supplier delivery times remained stretched in March, with index readings in the low 40s. While still nowhere near the extremes seen at the height of the pandemic, stretched supplier delivery times in 2024 likely reflect shipping disruptions in the Middle East. The March result shows that delivery times remain extended three months into the new year.

"Cost pressures eased slightly in March, although they are still elevated compared to the pre-pandemic period. Input prices could be affected by various factors, including shipping costs, labour costs and the price of other raw materials.

"These cost pressures are not being passed onto final prices. The output prices index fell to a cyclical low point consistent with very little goods inflation across the Australian economy. Manufacturers' inability to pass on goods price inflation to consumers will continue to assist the RBA in reducing overall inflation.

"The manufacturing sector is playing out in line with expectations for a soft landing in the economy. While this will help with the desired re-balancing of Australia's macro economy, manufacturing is a small component of the Australian economy, accounting for less than 10% of total output.

"We must see these trends replicated across the service sector to be confident that the economy remains on the RBA's narrow path. Over the first three months of 2024, we have seen a divergence between the Australian manufacturing sector, which remains firmly in the middle of a cyclical slowdown, and the service sector, which has seen a robust recovery in key activity indicators since the cyclical low point of November 2023."

**Judo Bank Australia Manufacturing PMI**

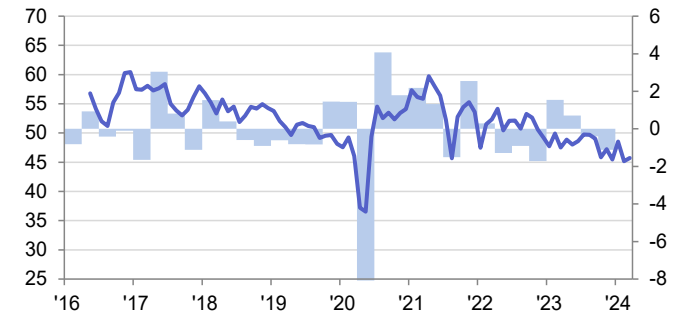
sa, >50 = improvement since previous month



Sources: Judo Bank, S&P Global PMI.  
Data were collected 11-22 March 2024.

**Australia Manufacturing PMI Output Index**

sa, >50 = growth since previous month



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

**Contact**

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

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

Jingyi Pan  
Economics Associate Director  
S&P Global Market Intelligence  
T: +65 6439 6022  
[jingyi.pan@spglobal.com](mailto:jingyi.pan@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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**Survey methodology**

The Judo Bank 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](mailto:economics@spglobal.com).

**Flash vs. final data**

Since May 2016 the average difference between final and flash Services PMI values is 0.0 (0.6 in absolute terms).

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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. [www.spglobal.com/marketintelligence/en/mi/products/pmi.html](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html)