

# S&P Global Australia Manufacturing PMI<sup>®</sup>

## Renewed fall in new orders as input cost inflation hits three-and-a-half year high

March 2026

New orders decrease for first time in five months

Renewed falls in employment and purchasing

Sharpest rise in input costs since September 2022

The Australian manufacturing sector fell into contraction territory at the end of the opening quarter of the year.

New orders decreased for the first time in five months, with renewed falls in employment and purchasing activity also seen in March. Meanwhile, production decreased for the second month running and business confidence waned, while the war in the Middle East led to intensifying inflationary pressures.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) dropped below the 50.0 no-change mark in March to signal a worsening in the health of the sector for the first time in five months. At 49.8, the PMI was down from 51.0 in February and indicative of a marginal deterioration in business conditions.

Manufacturers posted a renewed fall in new orders at the end of the first quarter, thereby ending a four-month sequence of growth. Muted customer demand and a drop in market confidence were among the factors leading to the decline, according to respondents.

In contrast, new export orders continued to rise, and at a marked pace that was the fastest since May 2021.

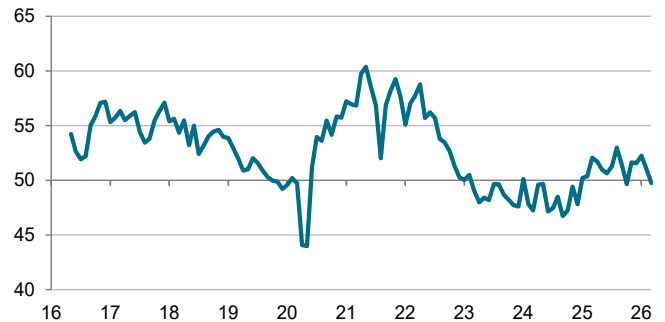
Despite sustained growth in new export orders, the weakness in overall demand contributed to a second successive slight fall in manufacturing production. Panellists also reported that material shortages limited output.

Difficulties for firms to secure materials were highlighted by data on suppliers' delivery times, which showed a marked deterioration in vendor performance during the month. Lead times lengthened to the greatest extent in almost a year-and-a-half amid shipping delays, often caused by the war in the Middle East.

The outbreak of war also resulted in an intensification of inflationary pressures. Input costs rose sharply as higher oil prices fed through most notably to increases in the costs of freight and fuel. The rate of inflation was the steepest in three-and-a-half years, with close to 40% of respondents signalling a rise in input prices during March.

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 12-25 March 2026.

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### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence

“The Australian manufacturing sector suffered some of the effects of the war in the Middle East in March, most notably an intensification of inflationary pressures and disruption to supply chains.

“Customer demand also waned, despite a sustained expansion in new export orders. It remains to be seen how long international demand will be able to hold up given the wider environment.

“Indeed, firms were much less optimistic regarding the future than they had been in February. Whether the sector can resume growth in the second quarter will in large part depend on how long the war in the Middle East persists.”

In turn, output price inflation also quickened, hitting the highest since February 2023.

Some firms reported purchasing inputs in advance to try to mitigate price rises and supply disruption, but this was outweighed by those manufacturers that cut back on input buying amid lower new orders. As a result, purchasing activity decreased for the first time in five months. Stocks of purchases were also down, and to the largest extent in 16 months.

As well as scaling back input buying, manufacturers also lowered their staffing levels in March. Employment decreased for the first time in five months, and at a solid pace that was the sharpest since October 2024. Lower workloads, cost considerations and difficulties recruiting replacements for departing staff were among the reasons for the reduction in workforce numbers.

Backlogs of work continued to fall, with lower new orders meaning a lack of pressure on capacity. Stocks of finished goods were also down, falling for the second consecutive month and to the largest extent since August 2020.

Turning to the future, concerns around the impacts of the war in the Middle East led to a sharp drop in confidence regarding the year-ahead outlook for output in March. Sentiment was the lowest in 20 months.

Those firms that expect production to expand linked this to hopes of a more certain international environment, sustained growth of exports and a pick-up in domestic demand.

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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.

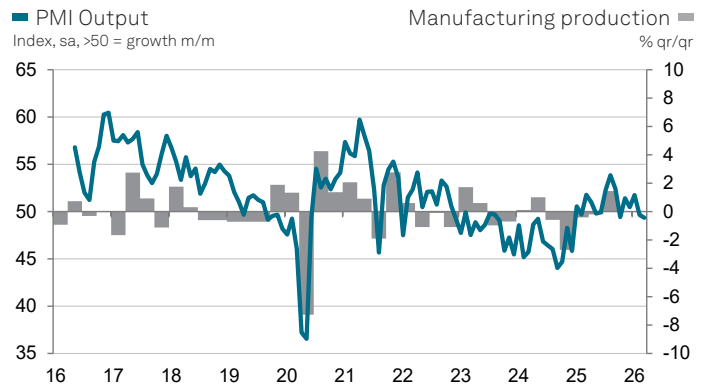
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

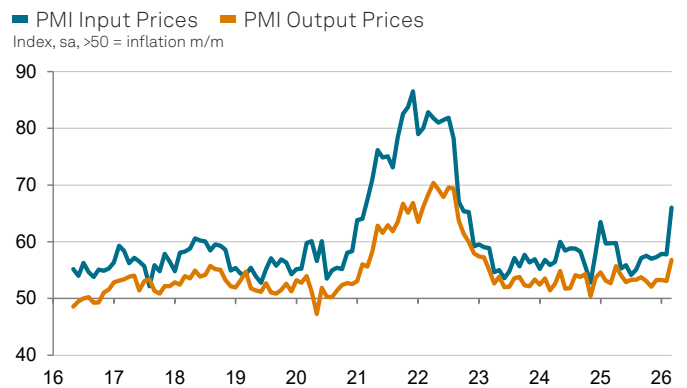
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