

NEWS RELEASE: Embargoed until 09:00 (AEDT) 1 April 2020

Output and sales fall at record rate as COVID-19 hits sector

Key findings

Australian manufacturing conditions deteriorated in March, led by record falls in output and new orders as COVID-19 hit the economy. Reports of production halts saw firms cut back on hiring, purchasing activity and inventories. Business confidence fell to the lowest on record. Supply chains came under great pressure amid import restrictions and other anti-virus measures. Supply shortages and a weaker Australian dollar led to a surge in input costs, accompanied by a rise in selling prices.

Commonwealth Bank Manufacturing PMI[®] May 2016 – Mar 2020

(50 = no change on previous month)

Increasing rate of growth 



The headline index from the survey, the seasonally adjusted Commonwealth Bank Manufacturing *Purchasing Managers' Index*[™] (PMI[®]) fell to 49.7 in March, down from 50.2 in February. The headline PMI is calculated from a weighted average of output, new orders, employment, input inventories and delivery times.

In recent months, the headline index has been heavily influenced by the coronavirus-related pressure on supply chains as reflected by the severe lengthening of delivery times, which under normal circumstances will reflect a busier manufacturing economy.

Summary

	PMI	Interpretation
Mar-20	49.7	Contraction, change of direction
Feb-20	50.2	Expansion, change of direction

Measures to limit the spread of COVID-19 continued to severely impact supply chains, with material shortages at distributors leading to delivery delays according to anecdotal evidence. Suppliers' delivery times lengthened at the fastest pace in the survey history during March.

Demand conditions weakened further in March amid stricter containment measures. Total new orders fell at a rate not seen in the near four-year series history, accompanied by a record decline in export sales. Firms highlighted that the COVID-19 outbreak had dampened demand, as well as reports of bushfires limiting sales. The downturn in sales led firms to cut back further on production. Output fell for a seventh straight month and at the quickest rate since the survey started in May 2016.

The weakening sales trend contributed to a further development of spare capacity. Backlogs of work fell at one of the fastest rates on record. Consequently, job shedding accelerated to the quickest pace in the series history, with firms reportedly either shutting down operations temporarily or laying off workers.

Firms also scaled back on purchasing activity, while inventories of both input and final products fell, with both contracting at survey-record rates. Business confidence fell to the lowest level seen in the near four-year series history, with many Australian firms highlighting concerns about the coronavirus impact on economic activity.

Finally, input costs rose at the fastest for 20 months as the weaker Australian dollar and supply shortages reportedly drove inflation higher. Firm partially passed on the increase in cost to customers, with output charge inflation rising to a one-year high.

For further information, please contact:

Commonwealth Bank of Australia

Daniel Ferguson

Group Corporate Affairs
Institutional and Business Banking
Telephone +61 2 9118 4531
Email media@cba.com.au

IHS Markit

Bernard Aw

Principal Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

Katherine Smith

Public Relations
Telephone +1 781-301-9311
Email katherine.smith@ihsmarkit.com

About Commonwealth Bank Manufacturing PMI® and the Purchasing Managers' Index™ Report

The Commonwealth Bank has commissioned IHS Markit to conduct research and provide insights for this edition of the Commonwealth Bank Manufacturing PMI through the Purchasing Managers' Index Report. The Commonwealth Bank Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to a representative panel of purchasing executives in over 400 private sector manufacturing firms in Australia. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following nine broad categories: Food & Drink, Textiles & Clothing, Wood & Paper, Chemicals, Plastics & Rubber, Metals & Metal Products, Electronic & Electrical Equipment, Machinery & Equipment, Transport Equipment and Other Manufacturing.

About PMI® by IHS Markit

The intellectual property rights to the Commonwealth Bank Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Commonwealth Bank use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

Things you should know

This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its publication. No guarantee is provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124. AFSL and Australian credit license 234945.