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IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

Stronger inflow of new work boosts output growth in March

Key data

Flash Australia Composite Output Index
Mar: 56.2, 3-month high (Feb final: 53.7)

Flash Australia Services Business Activity Index
Mar: 56.2, 3-month high (Feb final: 53.4)

Flash Australia Manufacturing Output Index
Mar: 56.0, 3-month low (Feb final: 56.1)

Flash Australia Manufacturing PMI
Mar: 57.0, 2-month high (Feb final: 56.9)

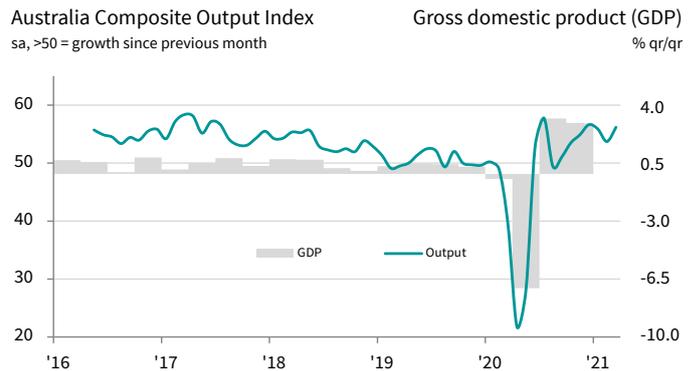
Data were collected 12-19 March 2021.

Flash PMI® data for March indicated that the loosening of coronavirus disease 2019 (COVID-19) restrictions led to a surge in new work received by Australian companies, which in turn underpinned a stronger expansion in business activity. With operating capacities coming under pressure, firms continued to lift employment at a solid pace. The latest results also highlighted a survey-record increase in input costs, with panellists mentioning higher prices for a wide range of materials and a spike in shipping fees.

The IHS Markit Flash Australia Composite Output Index* was at 56.2 in March, up from the final February reading of 53.7 and pointing to the strongest increase in business activity since last December. Survey participants linked the upturn to the easing of COVID-19 restrictions, strengthening demand, greater raw material availability, low interest rates and government stimulus. Output growth in the manufacturing industry was little-changed since February, while a notable acceleration was evident in the service sector.

New order growth hit a 44-month high in March, with quicker increases recorded in the manufacturing and service sectors. The upturn was led by the latter. Underlying data indicated that new business had mainly been generated domestically, as aggregate new export orders decreased for the fourteenth month in a row. The deterioration in external demand was felt at goods producers and service providers, with firms often citing difficulties in international shipping, travel restrictions and subdued demand from key export partners.

continued...



Sources: IHS Markit, Australian Bureau of Statistics.

Comment

Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

"Private sector companies benefited from strong gains in new work during March, which prompted them to lift output and continue with their hiring efforts. In particular, there were notable accelerations in growth rates for new orders and business activity across the service sector."

"The latest results rounded off a strong quarter for the private sector, the best since the second quarter of 2017, suggesting that the economic rebound through the second half of 2020 reported by the official statistics office will have extended into 2021."

"Inflation remains an area of concern, with March data showing the strongest rise in input costs in the survey history. While companies opted to pass on to their clients only part of their additional cost burdens, future upward adjustments to charges could restrict demand."

"Supply-chain disruption was cited by panellists as the main driver of inflation, a factor that also restricted business optimism towards growth prospects."

February data highlighted an increasing degree of pressure on the capacity of Australian private sector firms, as backlogs of work rose at the quickest pace in one-and-a-half years. However, the rate of accumulation was slight overall.

Private sector employment expanded at the end of the first quarter, taking the current sequence of growth to five months. The rate of job creation eased from February's record, but remained solid.

Amid reports of higher material, fuel and freight costs, aggregate input prices increased further in March. The rise was sharp and the fastest since data collection started in May 2016. The rate of inflation in the manufacturing sector hit a survey peak, while service providers observed the fastest upturn since August 2017.

While additional cost burdens had been passed on to clients by upward adjustments to output charges, the rate of increase in aggregate selling prices was unchanged from February.

IHS Markit Flash Australia Services PMI®

Rising from 53.4 in February to 56.2 in March, The *IHS Markit Flash Services Business Activity Index* highlighted the quickest rate of output expansion in 2021 so far. The uptick in growth was underpinned by a faster increase in new work intakes. Survey members reported that softer COVID-19 restrictions, low borrowing costs, marketing efforts and improved market conditions stimulated demand.

March data pointed to back-to-back increases in outstanding business at Australian service providers, with the pace of accumulation the fastest since the start of 2020. As a result, companies took on additional workers in the latest month. The rise in employment was solid, despite easing from February's record.

On the price front, there was a sharp and accelerated increase in input costs, while the rate of charge inflation was broadly similar to February. Meanwhile, business confidence weakened to a seven-month low amid concerns surrounding international trade, supply-chain distortions and the end of government incentives aimed at reducing the negative impacts of COVID-19.

IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® rose from a final reading of 56.9 in February to 57.0 in March. The uptick was supported by quicker increases in factory orders and employment, while production growth eased marginally from February.

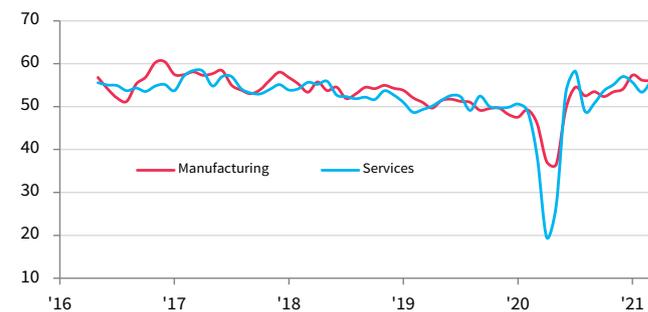
Although manufacturing output increased at a softer rate, the rise was nevertheless among the strongest recorded over the past three-and-a-half years. Concurrently, firms noted marked gains in new work and took on extra staff at the quickest pace in three months due to additional capacity pressures. Backlogs of work expanded to the greatest extent since last September.

Finally, goods producers registered the steepest increase in input costs in the survey history, which they associated with supply-chain constraints. This led firms to lift their own fees at a marked pace again.

**The IHS Markit Flash Australia Composite Output Index is a GDP-weighted average of the IHS Markit Flash Manufacturing Output Index and the IHS Markit 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.*

Output Index by sector

sa, >50 = growth since previous month



Source: IHS Markit.

Australia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Composite Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Flash Australia Composite PMI® is compiled by IHS Markit 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 IHS Markit 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 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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Survey dates and history

March 2021 data were collected 12-19 March 2021.

Survey data were first collected May 2016.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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.

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