

NEWS RELEASE: Embargoed until 09:00 (AEDT) 1 November 2018

Manufacturing PMI climbs to four-month high.



Key findings

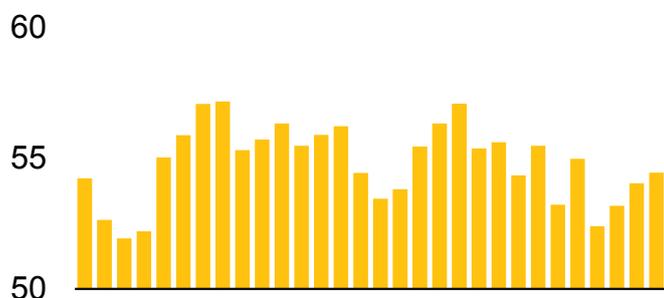
Australia's manufacturing sector continued to expand solidly in October, with the pace of growth accelerating from September. While demand conditions remained robust, there was some indication of slower growth momentum in total new orders and export sales. Nevertheless, firms took on more workers and built up inventories. Survey data also pointed to strong cost inflation pressures which, in turn, prompted firms to raise output prices.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – Oct 2018

(50 = no change on previous month)

Increasing rate of growth 



45 Increasing rate of decline 

The headline index from the survey, the seasonally adjusted Commonwealth Bank Manufacturing *Purchasing Managers' Index*[™] (PMI[®]) rose to 54.5 in October, from 54.0 in September, signalling a solid improvement in the health of the Australian goods-producing sector. Moreover, the latest figure was the highest for four months.

The headline PMI is a single-figure composite indicator designed to provide a quick snapshot of the performance of the manufacturing economy.

Summary

	PMI	Interpretation
Oct-18	54.5	Expansion, faster rate of growth
Sep-18	54.0	Expansion, faster rate of growth

Even though the upturn in manufacturing sector conditions improved in October, the survey brought signs of slower growth in demand, particularly for Australian goods exports. New business intakes increased robustly, but the pace of growth was below the average seen over the first half of 2018. Export sales meanwhile rose at the softest rate since August 2017. The Future Output Index, the gauge for business confidence, remained elevated, but came in at the lowest level for just over two years.

That said, a continued expansion in manufacturing activity motivated firms to enhance their operating capacities. Job creation rose to a four-month high as companies stepped up hiring to accommodate additional workloads. Backlogs increased for the third month running in October. Australian goods producers scaled up input purchases, with the extent of buying activity growth the greatest seen in six months. This in turn boosted stock building, with input inventories accumulating at the fastest pace for nearly a year.

Supply chains were squeezed by the greater appetite for manufacturing inputs. Longer delivery times were also attributed to shipping delays and shortages of certain raw materials such as steel and plastics. With demand continuing to exceed supply, input costs rose further. Cost inflation remained marked and well above its historical average. Firms seeking to protect margins raised their output prices, albeit to a lesser extent compared to the rise in costs.

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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.

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