

News Release

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S&P Global Australia Manufacturing PMI[®]

Manufacturing sector expansion accelerates amid record selling price inflation

Key findings

Demand and output growth pick up in April...

...as backlogs build at a record pace

Selling price inflation hit series high

The expansion of Australia's manufacturing sector accelerated in April, according to the latest S&P Global PMI[®] data. Manufacturing output growth improved, boosted by higher demand. As a result, hiring and purchasing activity similarly rose. That said, supply constraints and price increases continued, spurring further safety stock building behaviour while backlogs built up further. Overall business sentiment was positive in April.

The seasonally adjusted S&P Global Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted above the 50.0 no-change mark at 58.8 in April, up from 57.7 in March, to signal an expansion of the Australian manufacturing sector. This marked the twenty-third consecutive month in which the sector has grown.

Manufacturing output in Australia rose at a faster pace in April, supported by strong new orders growth as better market conditions underpinned an increase in demand. Foreign demand saw renewed growth following three consecutive months of contraction with the easing of border restrictions in some trading partner nations supported the change.

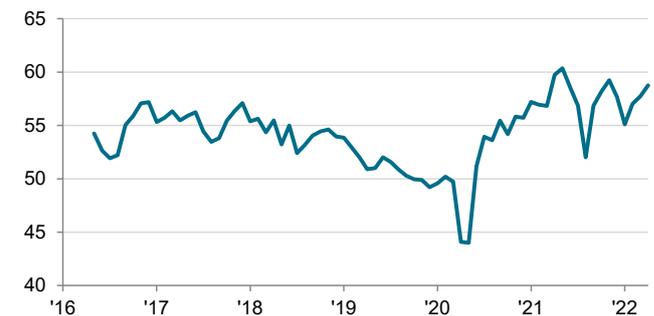
As a result of higher demand and output, employment levels rose at a faster pace in April. That said, panellists continued to reflect difficulties in acquiring skilled labour.

Backlogs of work meanwhile expanded in April at a record rate even as production growth accelerated. Supply issues, including shortages of inputs, shipping delays and a lack of manpower contributed to the accumulation of backlogged work according to panellists. Indeed, suppliers' delivery times continued to lengthen in April at a historically elevated rate.

Purchasing activity also rose in April, both to meet ongoing production requirements and for safety stock building according to survey respondents. In turn, inventories of purchases increased in tandem.

Australia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-25 April 2022.

Comment

Jingyi Pan, Economics Associate Director at S&P Global, said:

"Australia's manufacturing sector continued to expand at a strong pace according to the latest S&P Global Australia Manufacturing PMI, recovering from the latest COVID-19 Omicron wave. Business confidence also improved at the start of the second quarter, which was a positive sign for the near-term outlook and was reflected in higher buying activity and employment."

"That said, supply and capacity issues were prominent as seen through the record rise in backlogged work, coupled with the lengthening of lead times and rising prices. These will be issues worthy of continued monitoring given their potential to limit future output."

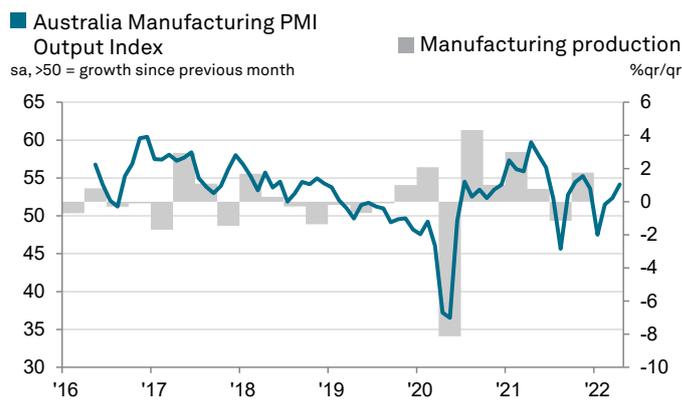
PMI[®]

by S&P Global

Stocks of finished goods likewise increased in April as Australian manufacturers attempted to rebuild their inventory while outbound shipping delays also contributed to growth.

On prices, both input costs and output charges continued to climb in April with the rate of output price inflation accelerating to a fresh record. Australian manufacturers reported facing higher input costs on the back of both the Ukraine war and China lockdowns, thereby sharing these cost burdens with their clients.

Overall sentiment in the Australian manufacturing sector improved in April despite persistent supply issues. The level of business confidence rose to a two-month high but remained below the series average.



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Survey 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@ihsmarkit.com.

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