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Manufacturing PMI hits survey-record low in November

Key findings

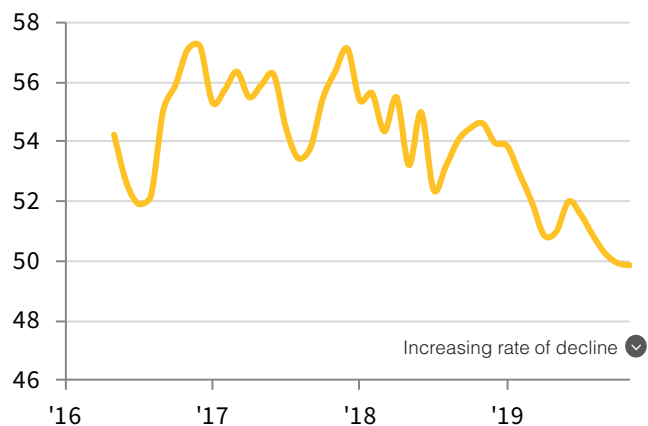
Australian manufacturing conditions were broadly stagnant in November, as a survey-record fall in new orders and a decline in output weighed on the headline PMI. A weakening sales trend contributed to a further fall in backlogs which, in turn, dampened hiring. Jobs growth was marginal. Meanwhile, firms once again failed to add to inventories of both inputs and final goods while business confidence fell to the lowest since June 2016.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – Nov 2019

(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 from 50.0 in October to 49.9 in November, indicating broadly unchanged manufacturing conditions. Notably, the latest reading marked the first time that the headline index registered below the neutral 50.0 level since the survey history started in May 2016.

The headline PMI is a single-figure composite indicator derived from questions on output, new orders, employment, input inventories and delivery times, and designed to provide a quick snapshot of the performance of the manufacturing economy.

Summary

	PMI	Interpretation
Nov-19	49.9	Contraction, change of direction
Oct-19	50.0	No change

Subdued operating conditions were accompanied by new orders falling at the steepest rate in the survey history during November. Overall sales declines occurred concurrently with only marginal growth in export orders. Consequently, backlogs of work fell for a fifth month running in November, albeit only slightly. Jobs growth also softened and was marginal overall.

Lower sales weighed on production, where a reduction in output was reported for a third consecutive month in November, although the rate of decrease was slight. Softening economic conditions, coupled with a slowing housing market and worsening drought-related disruptions dampened business confidence in November. Goods producers were at their least upbeat towards the 12-month outlook for production for nearly three-and-a-half years.

Purchasing activity meanwhile rose in November after three months of decline, although the gain was marginal. Some firms mentioned efforts to build-up stocks as the end of the year approaches, although a number of panellists that cut down on input purchases continued to highlight lower sales and reduced output as reasons. Despite increased buying levels, input inventories decreased further in November. Post-production stocks also shrank.

Finally, overall cost burdens continued to rise at a solid rate in November, with price increases often linked to a weak exchange rate and higher costs for raw materials such as food, paper and wool. Efforts to pass on greater expenses to customers led firms to raise selling prices at the fastest rate in four months.

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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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