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# IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

## Private sector contraction shows signs of easing in September

### Key data

Flash Australia Composite Output Index  
Sep: 46.0, 3-month high (Aug final: 43.3)

Flash Australia Services Business Activity Index  
Sep: 44.9, 3-month high (Aug final: 42.9)

Flash Australia Manufacturing Output Index  
Sep: 53.3, 3-month high (Aug final: 45.7)

Flash Australia Manufacturing PMI  
Sep: 57.3, 3-month high (Aug final: 52.0)

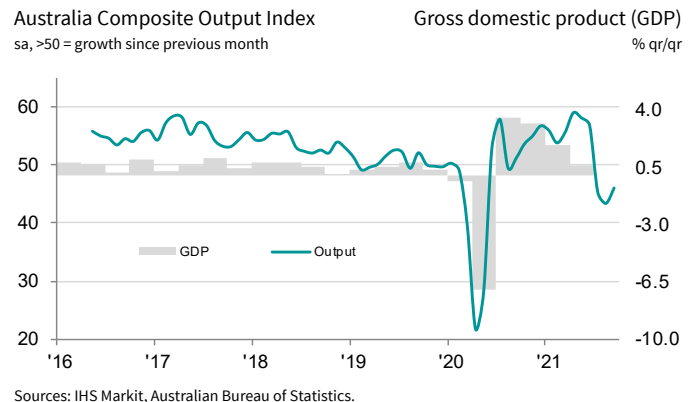
Data were collected 13-21 Sep 2021.

Australia's private sector saw business activity decline for a third consecutive month in September, according to Flash PMI® data, though the rate of contraction eased to the slowest in the current sequence. Survey respondents reported that the slight easing of COVID-19 restrictions in September coupled with firms in the manufacturing sector being able to better adapt to ongoing disruptions enabled a slower drop in demand and output. This is while private sector employment levels returned to growth. Price pressures meanwhile intensified for private sector firms in September, although overall optimism among firms sustained.

The IHS Markit Flash Australia Composite Output Index\* rose from 43.3 in August (final reading) to a three-month high of 46.0 in September but remained below the 50.0 no-change mark to signal a third straight month of contraction.

With COVID-19 lockdowns continuing to affect Australia into September, output and new orders remained in contraction for the third month running in September. This included foreign demand, though the speed of decline eased further from August with anecdotal evidence suggesting that some demand returned from the likes of the US, UK and Asia.

Amid softer demand conditions, the level of outstanding business declined once again and at a faster rate compared to August. This was primarily attributed to a fall in service sector backlogs with instances of cancellations reported by service providers.



### Comment

Jingyi Pan, Economics Associate Director at IHS Markit, said:

"The extension of COVID-19 restrictions into September continued to dampen business conditions in the Australian private sector, although the slight easing of restrictions was picked up in the latest IHS Markit Flash Australia Composite PMI, seeing the overall Composite Output Index contracting at a slower rate in September. This may also be suggesting that we are looking at early signs of a turning point.

"The employment index meanwhile pointed to higher workforce levels, which was a positive sign following the decline recorded in August, driven by the severe COVID-19 disruptions.

"That said, price pressures intensified once again for Australian private sector firms while evidence of worsening supply constraints gathered, all of which remains a focal point for the Australian economy."

continued...

That said, employment levels returned to growth following a brief drop in August, driven by fluctuations in the service sector.

Price pressures meanwhile intensified for Australian private sector firms as input price inflation accelerated in September to a two-month high. Firms reported experiencing higher costs across raw materials, transport and wages. As a result, private sector firms continued to pass on these cost burdens to clients, driving output charge inflation to a three-month high.

Overall business sentiment however continued to improve in September. Firms were the most confident in three months with hopes of better vaccination rates enabling further easing of mobility restrictions, which can in turn provide a boost to business activity.

### IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index rose to 44.9 in September from a final reading of 42.9 in August. This marked a third consecutive month of service sector contraction, albeit at the slowest pace in the current sequence.

Extensions of lockdown conditions for various Australian states through September continued to affect service sector performance. That said, some easing of mobility restrictions in the country enabled demand and activity to fall at slower rates in September. Service providers also increased their workforce levels amid optimism regarding the year ahead.

Cost pressures however sustained for service sector firms with input cost inflation rising in September while output charges increased at the fastest rate seen since June's survey record.

### IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® rose from a final reading of 52.0 in August to 57.3 in September, printing a three-month high.

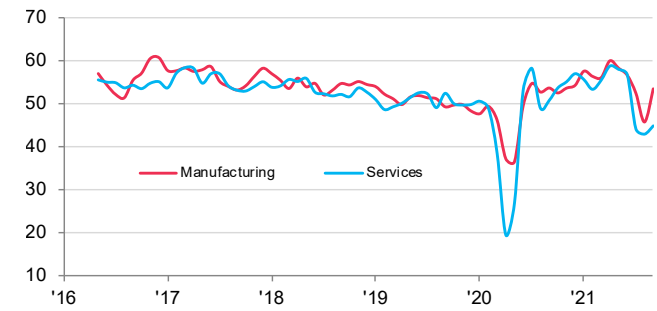
Output and new orders returned to growth after a brief month of contraction in August as manufacturers reported to have better adapted to ongoing COVID-19 conditions. Improved demand meanwhile drove firms to hire staff and acquire inputs at faster rates in September.

That said, supply constraints simultaneously intensified with suppliers' delivery times having lengthened at the fastest pace since the April 2020 survey record. Shortages of inputs and delivery delays also led to increased price pressures for manufacturers as input price inflation accelerated to the fastest on record. Overall optimism amongst manufacturers nevertheless sustained in September, with business confidence having risen to the highest since June.

*\*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

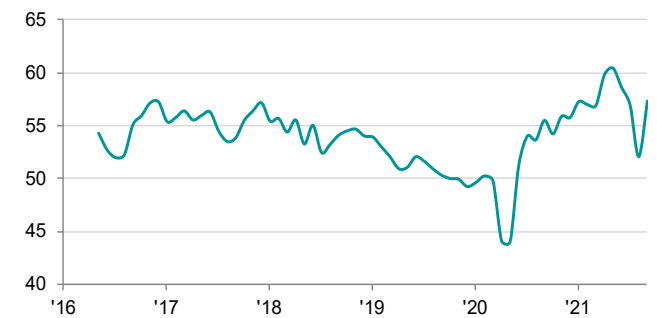
sa, >50 = growth since previous month



Source: IHS Markit.

Australia Manufacturing PMI®

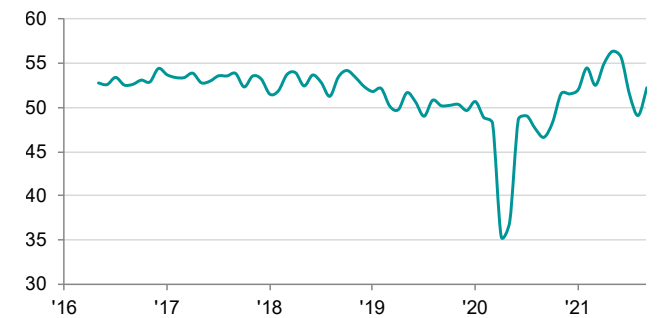
sa, >50 = improvement since previous month



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 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](mailto:economics@ihsmarkit.com).

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### Survey dates and history

September 2021 data were collected 13-21 September 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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### About PMI

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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