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IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

Private sector growth accelerates in November, price pressures persist

Key data

Flash Australia Composite Output Index
Nov: 55.0, 5-month high (Oct final: 52.1)

Flash Australia Services Business Activity Index
Nov: 55.0, 5-month high (Oct final: 51.8)

Flash Australia Manufacturing Output Index
Nov: 55.0, 5-month high (Oct final: 54.5)

Flash Australia Manufacturing PMI
Nov: 58.5, 5-month high (Oct final: 58.2)

Data were collected 12-19 November 2021.

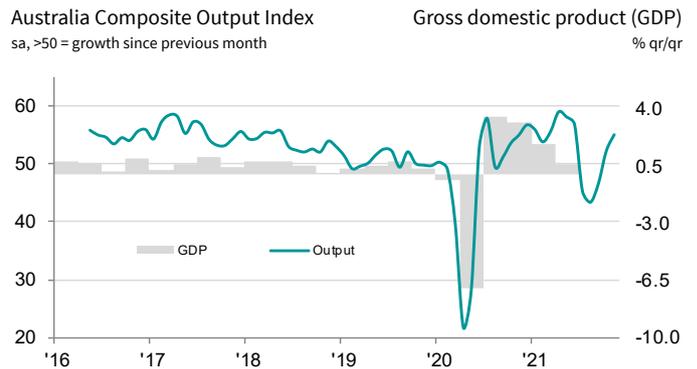
Australia's private sector growth accelerated in November, according to Flash PMI® data, supported by a further easing of COVID-19 restrictions which had caused a three-month contraction in activity from July to September. Private sector output and demand growth both picked up from October with business confidence improving. Employment conditions likewise improved in tandem. Price pressures however persisted with input price inflation soaring to a survey record level.

The IHS Markit Flash Australia Composite Output Index* rose from 52.1 in October (final reading) to a five-month high of 55.0 in November. This marks a second consecutive month in which the Australian private sector registered growth.

A further easing of COVID-19 restrictions had been a welcome development for the Australian economy, enabling the expansion of both manufacturing and services demand to accelerate in November, contributing to better overall performance. That said, while services exports concluded four months of contraction, foreign demand for Australian manufacturing goods grew at a slower rate in November, leading to a softer expansion of Australian private sector exports.

Overall employment conditions meanwhile continued to improve with private sector firms having expanded their operating capacity at a faster pace in response to the pick-up in demand. Despite employment level rising at the fastest pace since June, anecdotal evidence also suggested that firms across both the manufacturing and service sectors faced difficulties in their hiring endeavours.

continued...



Sources: IHS Markit, Australian Bureau of Statistics.

Comment

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

"The Australian economy grew at a faster pace in November, according to the IHS Markit Flash Australia Composite PMI, and this is reflective of the positive effects from the continued easing of COVID-19 restrictions and decline in new cases. The rate of expansion picked up to a five-month high, indicating that the Australian economy continued to enjoy the strengthening of growth momentum."

"That said, supply chain issues featured strongly in the Australian PMI survey as delivery times lengthened, widespread shortages were reported and price increases continued to be seen. While some of these can be attributed to the presence of pent-up demand that was reported, it will be worth watching if the constraints clear over time."

"Overall business confidence improved in the latest survey and this was a very positive sign. Private sector firms were also more willing to expand their workforce capacity, though instances of labour shortages had continued to surface."

Meanwhile, supply issues persisted, which alongside the unleashing of pent-up demand following the easing of COVID-19 restrictions, led backlogged work to accumulate at a faster pace in November. These supply constraints, coupled with shipping and labour issues, also contributed to persistent price increases. Input prices rose in November at a survey record rate.

Sentiment in the Australian private sector remained positive in November with business confidence rising to the strongest level seen since February. Survey respondents expressed optimism that the easing of restrictions will bring about better growth ahead for the Australian economy.

IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index increased from 51.8 in October to 55.0 in November, sustaining a second straight month of expansion.

A further easing of COVID-19 restrictions in Australia enabled service sector business activity to grow at the fastest rate since June. Growth of new business also accelerated to the fastest pace in five months, with the easing of restrictions unleashing some pent-up demand.

In turn, service providers hired at a faster pace in November to meet the increased operating capacity needs. Business optimism also improved in the latest survey as respondents look forward to better economic conditions as COVID-19 restrictions ease.

Cost pressures however remained a recurring theme. Input price inflation jumped to a survey record rate while output prices also continued to rise. These were reflective of constraints across supply, transportation and labour according to panellists.

IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® rose from a final reading of 58.2 in October to 58.5 in November, printing a five-month high.

Growth of manufacturing output and new orders accelerated in November amid reports of a further reopening of the Australian economy while market confidence improved alongside better COVID-19 conditions. As a result, employment levels and buying activity continued to expand.

Suppliers' delivery times however continued to lengthen and at a survey record rate, affected by supply chain issues according to panellists. This caused backlogged work to similarly accumulate at a record pace.

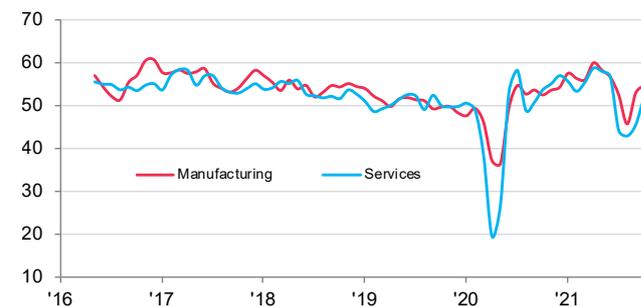
Meanwhile prices continued to increase rapidly across both input costs and output charges. Input cost inflation was notably seen at a fresh survey record as supply and transportation constraints contributed to higher prices.

Overall sentiment remained positive with hopes for sustained recovery from the latest COVID-19 wave.

**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®

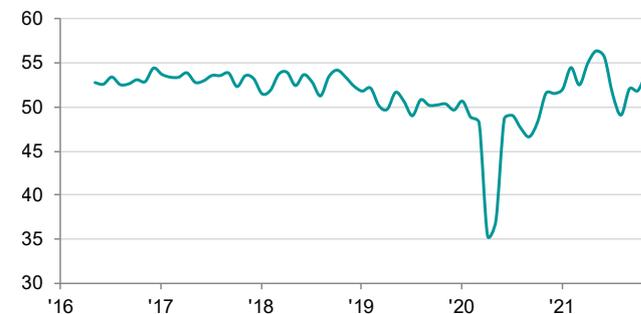
sa, >50 = improvement since previous month



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.

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Survey dates and history

November 2021 data were collected 12-19 November 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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