

# IHS Markit Australia Manufacturing PMI®

## Manufacturing sector expands faster in November

### Key findings

Demand and output growth accelerate as restrictions further ease

Input prices rise at a record rate amid supply shortages

Suppliers' delivery times lengthen at strongest ever pace

Data were collected 12-24 November 2021.

Australia's manufacturing sector expanded at a faster pace in November, according to the latest IHS Markit PMI™ data, as COVID-19 restrictions further eased. Growth of demand and production accelerated, boosting hiring and purchasing activity. On the other hand, suppliers' delivery times deteriorated sharply, leading to an accumulation of backlogged work and increased price pressures. Overall sentiment remained positive but softened as a result of constraints reported.

The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) posted above the 50.0 no-change mark at 59.2 in November, up from 58.2 in October, to signal an expansion of the Australian manufacturing sector. This marks the eighteenth straight month in which the sector grew and at the third-fastest rate on record.

A further easing of COVID-19 restrictions boosted market confidence and enabled demand to rise at a stronger pace in November. In turn, production likewise ramped up according to the latest survey results. New export orders improved as well with COVID-19 restrictions easing abroad, though the rate of growth fell amidst ongoing shipping issues..

Given the improvements in growth momentum as the COVID-19 Delta wave subsided, Australian manufacturers also maintained a positive view on future output in November. The level of business confidence dipped to a level below the series average, however, with some firms voicing concerns with regards to supply chain issues hampering future production.

Indeed, suppliers' delivery times worsened at a record rate in  
*continued...*

Australia Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

*“Improvements in the COVID-19 situation, both domestically and in the region, enabled Australia’s manufacturing sector to expand faster in November.*

*“That said, supply chain issues affected foreign demand, inventory building efforts and contributed to a significant rise in work outstanding for Australian manufacturers. Business sentiment likewise was affected by these supply issues.*

*“Once again, the accumulation of supply chain issues may be linked to reopening-related surge in demand and it will be worth monitoring whether these clear in the short- to medium-term, especially in the context of price pressures. On the flip side, overall growth momentum only improved, helping to provide some relief from supply concerns.”*

November. Anecdotal evidence suggested that supply shortages and shipping issues led to the deterioration in lead times.

Meanwhile as Australian manufacturers continued to expand their workforce capacity in line with production, employment levels rose at a slower rate compared to October. Difficulties in hiring and a slide in workforce numbers due to vaccination policies were reported in instances where lower staffing levels were seen. These production constraints also led to the accumulation of backlogged work at a record rate in November.

To mitigate against shipping delays and to accommodate increased demand and production needs, firms were seen ramping up their buying activity in November which led to greater holdings of pre-production inventories. Stocks of finished goods rose as well, though at a slower rate compared to October given issues of input shortages.

On prices, the array of supply chain issues led to input prices rising at a record rate in November. Manufacturers continued to pass these on to clients, sending output price inflation up to the second-fastest in the survey history.



Sources: IHS Markit, Australian Bureau of Statistics.

## Contact

Jingyi Pan  
Economics Associate Director  
IHS Markit  
T: +65 6439 6022  
[jingyi.pan@ihsmarkit.com](mailto:jingyi.pan@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Survey methodology

The IHS Markit Australia Manufacturing PMI® is compiled by IHS Markit 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.

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](mailto:economics@ihsmarkit.com).

### Survey dates and history

November data were collected 12-24 November 2021.

Survey data were first collected May 2016.

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### Flash vs. final data

Flash data were calculated from 80-90% of final responses. Since May 2016 the average difference between final and flash Manufacturing PMI values is 0.1, or 0.4 in absolute terms.

### About IHS Markit

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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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