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IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

Growth of private sector output hits survey peak

Key data

Flash Australia Composite Output Index
Apr: 58.8, survey record (since May 2016) (March final: 55.5)

Flash Australia Services Business Activity Index
Apr: 58.6, survey record (since May 2016) (March final: 55.5)

Flash Australia Manufacturing Output Index
Apr: 59.8, 52-month high (March final: 55.9)

Flash Australia Manufacturing PMI
Apr: 59.6, survey record (since May 2016) (March final: 56.8)

Data were collected 12-21 April 2021.

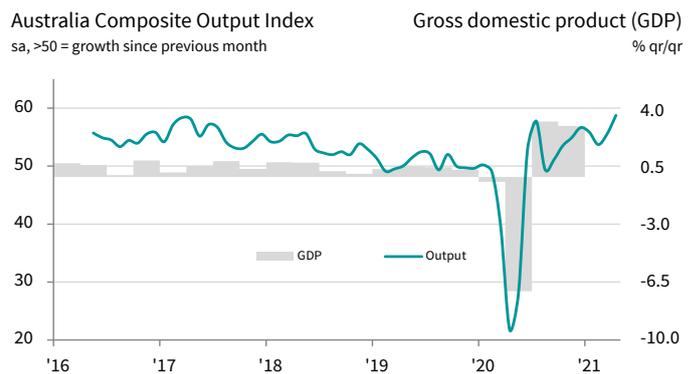
Private sector growth in Australia gathered considerable momentum in April, according to Flash PMI® data. Survey participants noted that the easing of COVID-19 restrictions boosted consumer confidence and supported demand. Indeed, new work intakes and output expanded at the sharpest rates since data collection started in May 2016. In response, companies took on additional workers at a survey-record pace. On the price front, rates of input cost and output charge inflation reached new records.

Rising from 55.5 in March (final reading) to 58.8 in April, the IHS Markit Flash Australia Composite Output Index* highlighted the steepest rate of expansion in private sector activity in the survey history. The upturn was associated with improved client confidence, buoyant market conditions, strengthening demand, the easing of COVID-19 restrictions and low interest rates. Moreover, growth quickened across the manufacturing and service sectors.

Aggregate new orders likewise increased at a survey-record pace. According to panellists, the upturn was underpinned by a recovery in sectors such as construction and automotive as well as the reduced impact of the COVID-19 pandemic. Firms also noted a rebound in confidence and restocking efforts among clients.

The rise in total sales was supported by a recovery in new export orders. International demand for Australian goods and services increased for the first time since January 2020 and at the fastest pace in close to two-and-a-half years.

continued...



Sources: IHS Markit, Australian Bureau of Statistics.

Comment

Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

“Australia’s private sector started the second quarter on a strong footing, with growth of output accelerating for the second time in a row to the steepest on record as sales were boosted by improved market confidence due to a reduction in the negative impact of COVID-19.

“The stronger growth momentum filtered through to the labour market, with April data showing the fastest increase in private sector jobs since the survey started five years ago. Firms reportedly hired extra staff due to an intensification of capacity pressures, demand strength and optimism towards the outlook. The overall degree of business sentiment improved from March’s seven-month low and was above its average.

“Ongoing supply-chain disruptions continued to exert upward pressure on inflation. The flash results highlighted the steepest increases in both input costs and selling charges since the inception of the survey.”

With total new orders expanding at an unprecedented rate, companies saw their backlogs of work increase during April. The rise was the third in successive months and the most pronounced since December 2017.

Additional capacity pressures led firms to expand their workforces at the start of the second quarter. Private sector employment increased at a sharp rate that was the strongest seen since the inception of the survey in May 2016.

Input prices rose sharply in April, which panel members attributed to supply shortages, difficulties in international shipping and increased employment costs. The overall rate of inflation reached a survey peak.

Selling prices also rose at the fastest pace on record as companies sought to protect their margins by passing on to their clients part of the additional cost burden.

Looking ahead, firms were strongly confident that output will increase over the course of the coming 12 months. The overall level of positive sentiment rose from March and was above the series average.

IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index rose to 58.6 in April, from a final reading of 55.5 in March, signalling the strongest increase in output in the survey history. The upturn was boosted by the quickest expansion in new business inflows on record. Although international demand for Australian services improved for the first time in 15 months, the rise in new export orders was only slight.

To accommodate for the improvement in demand conditions, businesses hired extra staff at a record pace in April. Another contributing factor to job creation was an intensification of capacity pressures. Service providers noted the quickest rise in outstanding business since the end of 2018.

Anecdotal evidence suggested that supply-chain constraints, as well as higher fuel and wage costs pushed up input prices in April. Input costs increased at the sharpest rate since the inception of the survey and output charge inflation hit a 40-month high.

IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® stood at 59.6 in April, increasing from 56.8 in March to its highest mark in the survey history. The three largest sub-components of the PMI, new orders, production and employment, all rose over the month.

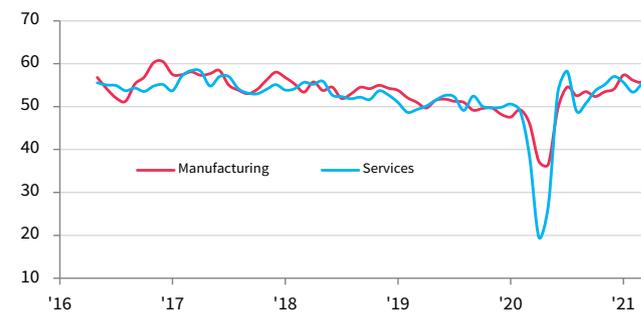
Not only did factory orders expand for the tenth consecutive month, but also to the greatest extent since data collection started. A moderate rise in new export work was also recorded, one that was the quickest since November 2018.

Strengthening demand conditions encouraged goods producers to step-up output in April. The pace of expansion was sharp and the fastest in close to four-and-a-half years. Manufacturing sector employment grew at the second-quickest pace on record, behind February 2018. Finally, rates of both input cost and output charge inflation reached new records.

**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 for 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

April 2021 data were collected 12-21 April 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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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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