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Manufacturing PMI rises to three-month high in June

Key findings

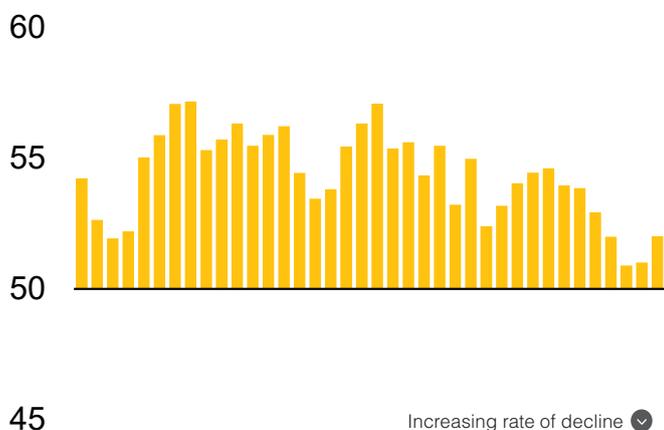
Australia's manufacturing sector finished off the second quarter on a stronger note, according to latest survey data. Faster expansions in both production and new orders lifted the headline index which, in turn, encouraged firms to boost hiring and raise purchasing activity. Supply chains remained under pressure and backlogs accumulated while business confidence headed higher. However, inflationary pressures moderated further.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – Jun 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[®]) rose from 51.0 in May to 52.0 in June. The latest reading was the highest since March, indicating a modest improvement in the health of the manufacturing sector.

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
Jun-19	52.0	Expansion, faster rate of growth
May-19	51.0	Expansion, faster rate of growth

Demand conditions strengthened midway through the year, as indicated by a faster rise in new orders. Sales growth was largely driven by the domestic market, with survey data showing signs of weakening overseas demand. New export orders fell in June and at the fastest rate in the survey history. Nonetheless, in response to greater overall client demand, production volumes were expanded for a second month running.

Other PMI indicators also pointed to a sustained recovery in the Australian manufacturing sector. Factory jobs rose for the first time since February, while purchasing activity increased for a second successive month. The level of outstanding workloads accumulated in June, marking the first increase for three months. Holdings of input purchases also returned to growth, albeit marginally. Business expectations about output improved, with around half of the respondents anticipating higher production in the year ahead.

The average time taken for vendors to deliver inputs to Australian factories continued to lengthen. Pressure on supply chains stemmed from a combination of higher sales and a lack of certain raw materials, such as steel and food items, according to anecdotal evidence.

Inflation continued to moderate in June. Input costs rose at the slowest rate since August 2017, while output charges were raised at the softest pace for 20 months. A weaker exchange rate, supply shortages, higher commodity prices and increased suppliers' fees were all reasons cited for inflation.

For further information, please contact:**Commonwealth Bank of Australia****Daniel Ferguson**

Group Corporate Affairs
Institutional and Business Banking
Telephone +61 2 9118 4531
Email media@cba.com.au

IHS Markit**Bernard Aw**

Principal Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

Joanna Vickers

Marketing and Communications
Telephone +44 (0) 207-260-2234
Email joanna.vickers@ihsmarkit.com

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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