

MARKET SENSITIVE INFORMATION

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S&P Global Flash Australia Composite PMI®

Private sector expansion continues amid record price pressures

Key findings:

Flash Australia PMI Composite Output Index at 57.1 (Feb: 56.6). 10-month high.

Flash Australia Services PMI Activity Index at 57.9 (Feb: 57.4). 10-month high.

Flash Australia Manufacturing Output Index at 52.0 (Feb: 51.5). 3-month high.

Flash Australia Manufacturing PMI at 57.3 (Feb: 57.0). 3-month high.

Data were collected 11-22 March 2022.

Australia's private sector recorded a second straight month of growth, according to Flash PMI® data. Private sector output and demand both expanded at solid rates, leading to higher employment levels. Supply constraints worsened, however, contributing to record price inflation for both private sector firms and their clients. Overall business confidence in the private sector fell to the lowest level in almost two years.

The S&P Global Flash Australia Composite Output Index* rose from 56.6 in February (final reading) to 57.1 in March. This marked a second consecutive month of expansion for Australia's private sector and the fastest since May 2021.

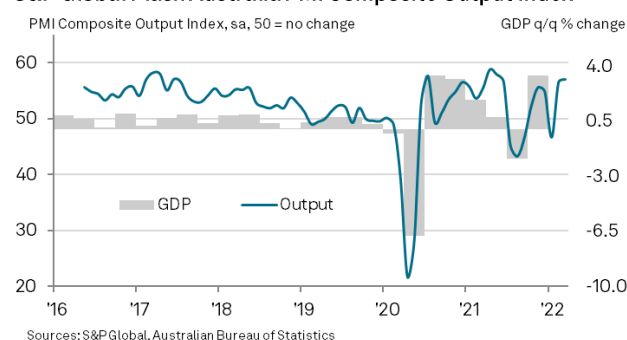
Private sector firms saw business activity expanding at faster rates across both the manufacturing and service sectors as demand rose following the easing of COVID-19 restrictions. Foreign demand has yet to return to growth, however, despite the first expansion of services export orders in nine months.

Firms meanwhile increased their workforce capacity at a faster rate in March, which alongside higher output led to backlogs rising at a slower rate in March.

Price pressures mounted in March with both input cost and output price inflation hitting record rates. Survey respondents reported higher costs across an array of categories, including fuel, wages and raw material prices, aggravated by both flooding in Australia and the Ukraine conflict.

Overall sentiment in the Australian private sector remained positive, but the level of business confidence

S&P Global Flash Australia PMI Composite Output Index



fell to the lowest since April 2020 amid concerns over rising costs.

S&P Global Flash Australia Services PMI®

The S&P Global Flash Services Business Activity Index rose to 57.9 in March from 57.4 in February, marking a second consecutive month in which Australian services output expanded.

Business activity rose at a faster rate amid higher overall demand. New export business returned to growth in March as travel restrictions eased. As a result, service providers hired at a faster rate in March.

Input cost and output price inflation meanwhile surged to record rates in March. Firms widely reported higher fuel costs and wages in March, while global supply chain constraints and issues of flooding and the Ukraine conflict also pushed up overall input costs. Sentiment amongst service providers nevertheless remained positive in March.

S&P Global Flash Australia Manufacturing PMI®

The S&P Global Flash Manufacturing PMI® improved from a final reading of 57.0 in February to 57.3 in March. This marked the twenty-second successive month in which conditions in the manufacturing sector strengthened, with the latest improvement the most marked in three months.

Manufacturing production rose as new order growth accelerated in March. Firms reported that a lessening of COVID-19 disruption led to the increase in demand. In turn, employment levels and purchasing activity

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continued to rise in March, contributing to higher stocks of purchases.

Supply constraints persisted for manufacturers, however, with vendor performance deteriorating in March. According to anecdotal evidence, flood issues in Australia, international supply delays and shortages of materials led to the lengthening of lead times.

Price pressures also worsened in March with both input costs and output prices rising at faster rates. Manufacturers reported shortages and rising costs of raw materials, attributed to disruptions from both COVID-19 and the Ukraine war, leading to the higher inflation. Business confidence amongst Australian manufacturers fell in March.

**The S&P Global Flash Australia Composite Output Index is a GDP-weighted average of the S&P Global Flash Manufacturing Output Index and the S&P Global 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.*

S&P Global Flash Australia Manufacturing PMI



Commenting on the flash PMI data, Jingyi Pan, Economics Associate Director at S&P Global said:

"The Australian economy continued to expand strongly in March, according to the S&P Global Flash Australia Composite PMI, reflecting robust business conditions post the COVID-19 Omicron wave.

"Price pressures worsened, however, unsurprisingly aggravated by the slew of issues including floodings in Australia, the Ukraine war and broader supply chain constraints. This will be worth watching going forward with business confidence amongst private sector firms clearly hit by concerns over rising costs.

"Higher employment levels in March had been a positive sign, though firms also widely reported higher wages. Meanwhile the reopening of international borders led to the first new export business growth in the service sector since June 2021, which was a boost for domestic activity."

-Ends-

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Note to Editors

The S&P Global Flash Australia Composite PMI® is compiled by S&P Global 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 S&P Global 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 = 0.1 (absolute difference 0.6)

Services Business Activity Index = 0.1 (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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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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