

NEWS RELEASE: Embargoed until 09:00 (AEDT) 1 November 2019

Australian manufacturing sector stagnates in October

Key findings

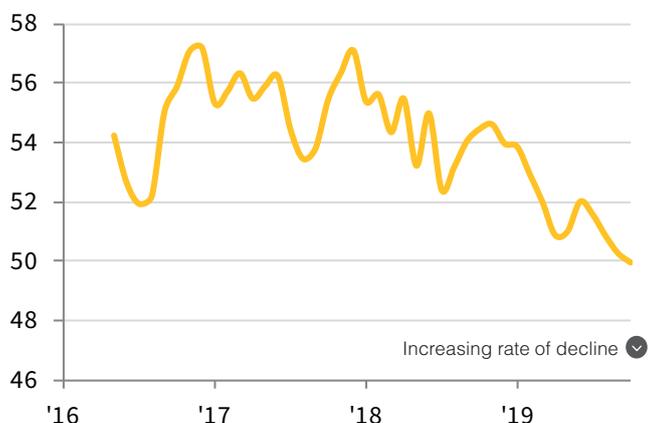
Australia's manufacturing sector failed to expand for the first time in the survey history during October, according to the latest PMI data. Operating conditions were unchanged, with declines reported in both production and new orders. Firms cut back on their purchasing activity while stocks of both inputs and finished goods fell further. Input inflation intensified, but charges rose only modestly. Business sentiment remained below the historical average.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – Oct 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[®]) fell from 50.3 in September to 50.0 in October, indicating no change in manufacturing conditions for the first time since the survey history started in May 2016.

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
Oct-19	50.0	No change
Sep-19	50.3	Expansion, slower rate of growth

The latest survey data indicated that order book volumes fell for the first time since the series started three-and-a-half years ago during October despite rising export sales. Lower sales led to a further contraction in production and contributed to a further fall in backlogs of work.

In a further sign of weakness in the sector, companies cut back on their purchasing activity for a third month in a row during October. This contributed to a fourth straight month of depletion in input inventories, with respondents citing destocking efforts amid reduced sales. A further drop in output also led to an eighth straight month of decline in stocks of finished goods.

Meanwhile, material shortages and weather-related disruptions hampered the distribution of inputs. Delivery times lengthened further in October. The tightness of supply chains added to input cost pressures via higher supplier fees. Input price inflation intensified during the month and was solid overall. Firms also pointed to a weaker exchange rate, higher prices for raw materials such as steel, beef and grain, alongside weather-related disruptions as reasons for inflation. In response to increased costs, output charges rose at the fastest rate for three months, albeit modestly.

While near-term conditions continued to soften, longer-term prospects were more positive. Employment rose in October after declining in September, with firms linking greater hiring to positive projections for future output. Business sentiment rose to a three-month high as firms expect higher sales forecasts, new marketing strategies and a recovery in economic conditions and the trade environment to drive future factory activity higher.

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.

About PMI® by IHS Markit

The intellectual property rights to the Commonwealth Bank Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Commonwealth Bank use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

Things you should know

This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its publication. No guarantee is provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124. AFSL and Australian credit license 234945.