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IHS Markit Australia Manufacturing PMI®

Growth accelerates for the Australian manufacturing sector in September

Key findings

Demand and output return to growth

Input cost and output price inflation accelerate to record levels

Business confidence improves in September

Data were collected 13-24 September 2021.

Growth of the Australian manufacturing sector accelerated once again in September after having slowed in August. Demand and production expanded following declines, driving improvements in employment and purchasing activity. Suppliers' delivery times however continued to worsen sharply, which alongside increased demand led to severe price pressures for the manufacturing sector. Overall sentiment nevertheless improved in the latest survey.

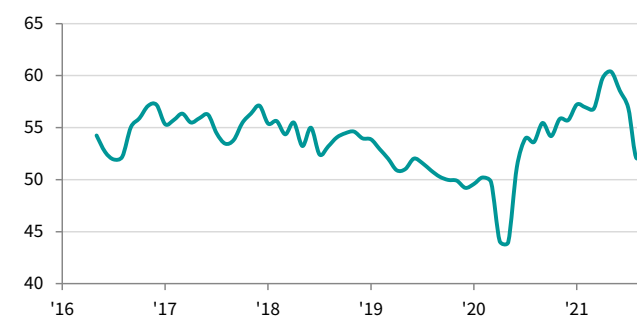
The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) posted 56.8 in September, up from 52.0 in August, to signal a sixteenth consecutive month of expansion. The rate of growth accelerated to the fastest in two months and returned a level above the survey average.

Demand and production saw growth renewed in September after easing in August. Output rose as manufacturers better adapted to the ongoing COVID-19 situation according to anecdotal evidence. Panellists also suggested that domestic demand helped to support the increase in production as foreign demand contracted once again in September, albeit marginally.

Manufacturers continued to raise their employment levels and at a faster rate in September. Purchasing activity likewise rose, with manufacturers reporting both the need to meet current and anticipated demand. In turn, stocks of purchases growth picked up at the fastest rate since May, which was prior to when the latest widespread lockdowns were implemented.

Amid the rise in demand and prolongment of COVID-19
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:

“Australia’s manufacturing sector showed better performance in September according to the latest IHS Markit Australia Manufacturing PMI. This was despite COVID-19 cases staying elevated in the month with anecdotal evidence suggesting that manufacturers were able to better adapt to ongoing virus disruptions.

“Improved demand conditions alongside ongoing COVID-19 restrictions however contributed to worsening supply constraints in September as lead times and price pressures both built situations that will be worth monitoring going forward.

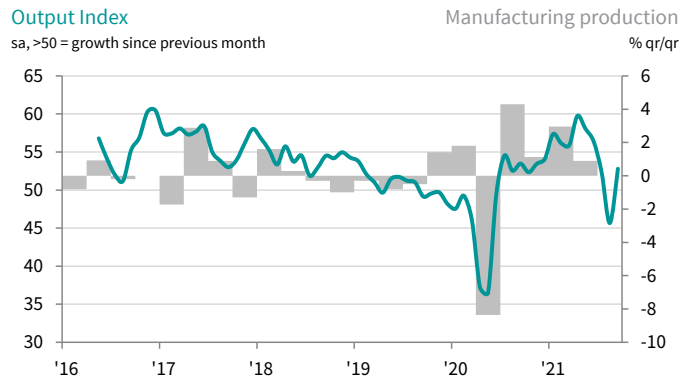
“Broadly, better business confidence was seen by the Future Output sub-index indication, the only sentiment gauge, and through better employment and purchasing activity recorded. Hopefully this momentum will carry through to the fourth quarter with the virus situation appearing to have turned a corner in September.”

restrictions, both domestically and abroad, vendor performance deteriorated. More than half of survey respondents reported experiencing longer suppliers' delivery times in September.

Meanwhile several factors influenced manufacturers' post-production inventories, which rose at a slower speed according to the latest survey. The level of finished goods was balanced between a drain from higher demand, increased production requirements and outbound shipping constraints.

Long lead times meanwhile led to further price pressures accumulating in September. Both input cost and output price inflation accelerated to the fastest rates since the survey began collecting results in May 2016. Higher prices reported across a range of categories, such as raw material and transportation, drove the gain in average costs which firms continued to pass on to clients.

That said, overall business confidence improved in September to the highest level in three months. Australian manufacturers were generally more hopeful for the COVID-19 situation to improve and enable better economic conditions ahead.



Sources: IHS Markit, Australian Bureau of Statistics.

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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.

Survey dates and history

September data were collected 13-24 September 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.

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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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