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# IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

## Private sector output growth remains strong, but slows amid virus uncertainties and supply constraints

### Key data

Flash Australia Composite Output Index  
Jun: 56.1, 3-month low (May final: 58.0)

Flash Australia Services Business Activity Index  
Jun: 56.0, 3-month low (May final: 58.0)

Flash Australia Manufacturing Output Index  
Jun: 56.1, 3-month low (May final: 58.0)

Flash Australia Manufacturing PMI  
Jun: 58.4, 3-month low (May final: 60.4)

Data were collected 11-21 Jun 2021.

Expansion of the Australian private sector continued at a strong pace in June, though slowed for the second month running following April's record, according to Flash PMI® data. Survey respondents reflected that the sudden lockdown of Australia's Victorian state had affected economic and demand conditions in the country. Private sector optimism likewise softened in the month. Meanwhile, inflationary pressures eased in June but remained elevated compared to historical data.

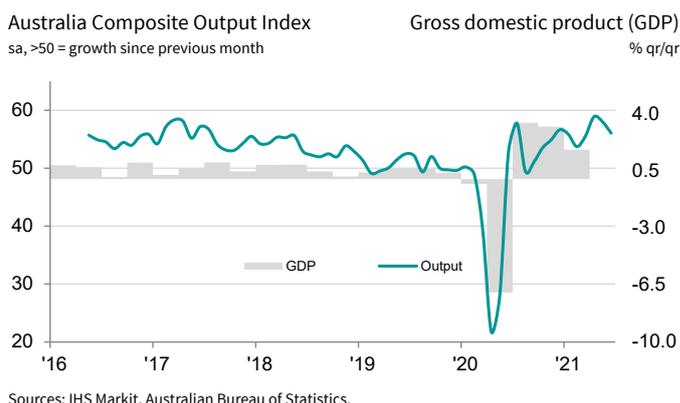
Easing from 58.0 in May (final reading) to 56.1 in June, the IHS Markit Flash Australia Composite Output Index\* fell to a three-month low but remained above the series average. Private sector output continued to expand alongside new orders, though growth slowed due to factors such as the heightened COVID-19 restrictions in Victoria and supply bottlenecks.

Demand growth across both the manufacturing and service sectors slowed in the June update. While manufacturing export orders also rose at a slower pace, foreign demand for Australian services was an exception, with the pace of expansion accelerating to the highest since April 2018.

Stronger-than-average demand growth also kept the backlogs of work increasing for a fifth successive month, though the pace of backlog accumulation softened from May's record. While several respondents reported catching up with some backlogged work, many continued to be constrained by issues from labour shortages to supply delays.

Employment conditions remained robust even as private sector

*continued...*



### Comment

Jingyi Pan, Economics Associate Director at IHS Markit, said:

*"Australia's private sector growth momentum further eased in June but remained at a strong level to indicate continued improvement in economic conditions during the recovery from the COVID-19 pandemic."*

*"Renewed movement restrictions in the Victorian state and supply constraints stood out as two key reasons weighing on the growth momentum for Australia in the June flash PMI data, which is worth scrutinising."*

*"Meanwhile private sector firms were also slightly less optimistic with regards to output in the next 12 months amid the uncertain virus and supply situation."*

firms slowed in their hiring activities. Private sector employment continued to increase at a sharp rate in June, and one which was only marginally slower than the record seen in May. Anecdotally, private sector firms across both the manufacturing and service sectors reported difficulty in securing skilled labour.

Input price growth remained steep in June even as it eased from the May record. Panel members reported to have experienced higher raw material and freight costs, in addition to unfavourable currency conversions. The overall rate of inflation remained significantly above the series average.

Output price inflation meanwhile eased marginally in tandem with input costs. Companies continued to share their cost burdens with clients in June.

Overall, Australian private sector firms remained optimistic with regards to output for the coming 12 months, though optimism eased for a second straight month in June to a level below the survey average.

### IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index slipped to 56.0 in June, from a final reading of 58.0 in May. Growth momentum nevertheless remained strong. June also marked the tenth straight month of services expansion.

Anecdotal evidence suggested that business activity and demand growth momentum slowed in June with Australia’s Victoria state lockdown affecting business conditions. As a result, employment growth and the accumulation of outstanding business also decelerated in June. That said, exports of Australian services improved to the greatest extent in over three years.

On prices, the rate of selling price inflation accelerated fractionally to a fresh series record. This contrasted with a slightly slower rise in input costs.

### IHS Markit Flash Australia Manufacturing PMI®

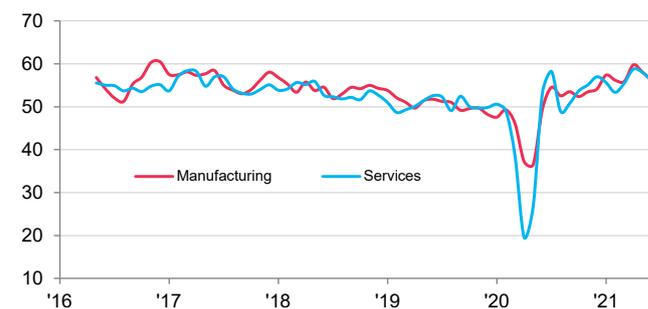
The IHS Markit Flash Manufacturing PMI® fell to 58.4 in June from the survey record of 60.4 in May.

Factory orders and output both saw the twelfth consecutive month of expansion, with growth moderating from the previous month. Concurrently, the rises in employment and stocks of purchases also eased.

Lead times continued to worsen in June, and price pressures remained elevated. That said, both input costs and output prices increased at slower rates than in May. Overall manufacturing sector optimism improved in June after being slightly dented in May.

*\*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](mailto:economics@ihsmarkit.com).

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### Survey dates and history

June 2021 data were collected 11-21 June 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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### 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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