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# IHS Markit Flash Australia Composite PMI®

Including IHS Markit Flash Australia Manufacturing and Services PMI®

## Australian economic growth gathers momentum at year end

### Key data

Flash Australia Composite Output Index  
Dec: 57.0, 5-month high (Nov final: 54.9)

Flash Australia Services Business Activity Index  
Dec: 57.4, 5-month high (Nov final: 55.1)

Flash Australia Manufacturing Output Index  
Dec: 54.5, 5-month high (Nov final: 53.4)

Flash Australia Manufacturing PMI  
Dec: 56.0, 36-month high (Nov final: 55.8)

Data were collected 4-11 December 2020.

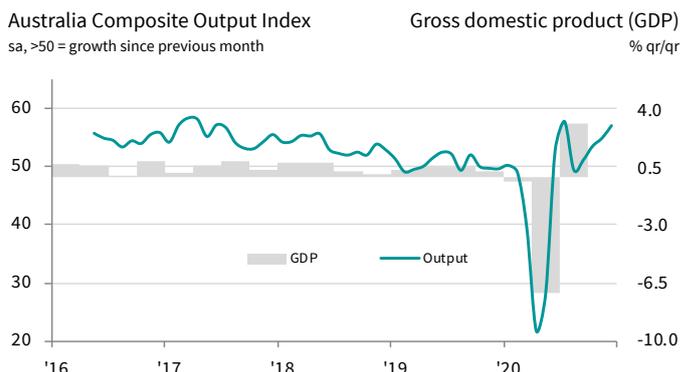
The preliminary PMI results for Australia showed a pick-up in growth of private sector output during December, reflecting the loosening of coronavirus disease 2019 (COVID-19) restrictions, with faster expansions evident in both the manufacturing and services economies. Aggregate sales rose at the quickest pace since mid-2017, underpinning back-to-back increases in employment. Companies became more upbeat towards growth prospects, with the overall level of positive sentiment strengthening to a 28-month high. Meanwhile, input cost inflation eased from November while selling prices rose at the fastest rate since January.

The headline figure derived from the survey is the *IHS Markit Flash Australia Composite Output Index*, which is designed to provide timely indications of changes in output in the Australian private sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration. The 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, published approximately one week after the flash release.

Amid reports of strengthening demand conditions and a reduction in COVID-19 restrictions, private sector output rose at the fastest pace since July. Goods producers and service providers signalled stronger increases in business activity.

December data highlighted the fastest upturn in new work intakes among private sector firms in close to three-and-a-half years.

*continued...*



### Comment

Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

*"Not only was the Australian economic recovery sustained in December, but growth also gathered momentum as the loosening of COVID-19 restrictions underpinned further improvements in demand for goods and services. As such, private sector output expanded at the quickest pace in five months."*

*"The preliminary PMI results also brought good news regarding employment. Both goods producers and service providers continued to hire extra staff, the former to the greatest extent in close to three years."*

*"News of vaccine development and hopes that COVID-19 worries will fade underpinned upbeat growth projections towards the year-ahead outlook for business activity. Private sector companies were at their most optimistic in over two years."*

*"One area that failed to improve was exports, with stricter lockdown measures in some nations, border controls and travel restrictions continuing to restrict external demand for Australian goods and services. The latest fall in international sales was the eleventh in successive months."*

Anecdotal evidence suggested that sales growth was boosted by the easing of COVID-19 restrictions, the reopening of borders, increased publicity and improved client demand.

New orders from abroad continued to decline in December, but the rate of contraction softened to the weakest in three months and was only slight.

Buoyed by sustained growth of new business, private sector companies increased employment for the second straight month in December. The overall rate of job creation was moderate and little-changed from November. Manufacturing firms lifted headcounts at a quicker pace than their services counterparts.

Outstanding business broadly stabilised in December, following four successive months of declines. Sector data indicated that a fractional fall in the service economy offset an increase in manufacturing backlogs.

Although aggregate input costs continued to increase, the rate of inflation softened from November. Output charges rose at the quickest pace in close to a year, but the rate of inflation was moderate and much weaker than that seen for input costs.

Business confidence improved at the end of 2020, with the overall degree of optimism reaching its highest since August 2018. News of vaccine development was the key factor underpinning positive projections for the year-ahead outlook for business activity.

### IHS Markit Flash Australia Services PMI®

The IHS Markit Flash Services Business Activity Index is designed to provide a timely indication of changes in business activity in the Australian service sector economy as a whole. Readings above 50.0 signal an improvement in business activity on the previous month, while readings below 50.0 show deterioration.

Service providers noted the sharpest expansion in business activity for five months in December. In addition to softer COVID-19 restrictions and strengthening demand, companies linked the upturn to low interest rates, government stimulus and improved housing market activity. Firms enjoyed the strongest rise in new work in 41 months and responded to this by continuing with their hiring efforts. With input costs increasing at a slower rate, prices charged for the provision of services were lifted only slightly.

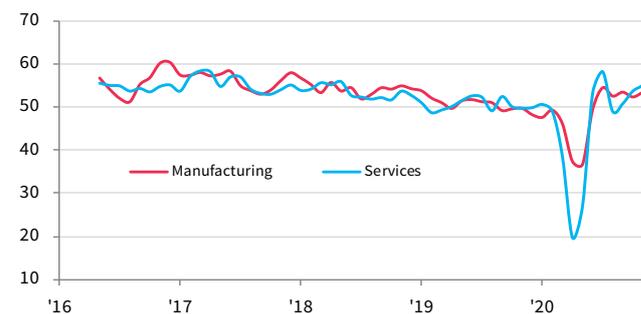
### IHS Markit Flash Australia Manufacturing PMI®

The IHS Markit Flash Manufacturing PMI® is designed to provide a timely indication of changes in business conditions in the Australian manufacturing economy. Readings above 50.0 signal an improvement in conditions on the previous month, while readings below 50.0 show deterioration. The PMI is calculated from five indices for output, new orders, employment, suppliers' delivery times and stocks of purchases.

Amid reports of looser COVID-19 restrictions, a pick-up in sales and stock-building initiatives, Australian manufacturers lifted production in December. The rise was the sixth in consecutive months and the strongest since July. New order growth hit a 25-month high and employment expanded at the fastest rate in just under three years. On the price front, there were stronger increases in both purchasing costs and factory gate charges. Rates of inflation reached six- and nine-month highs respectively.

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 = 0.1 (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

December 2020 data were collected 4-11 December 2020.

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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