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## IHS Markit Australia Manufacturing PMI®

# Manufacturing sector growth eases in December amid supply constraints

### Key findings

Demand and output growth expand at slower rates...

...as supply constraints persist

Input cost and output price inflation surge to record levels

Data were collected 6-17 December 2021.

Growth of Australia's manufacturing sector slowed in December, according to the latest IHS Markit PMI™ data. Demand and output rose at slower rates, as did purchasing activity. However, the rate of job creation was unchanged. Supply constraints persisted, with longer lead times recorded, contributing to higher backlogged orders. Price pressures meanwhile climbed to a record level, though Australian manufacturers continued to hold a positive outlook.

The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) posted above the 50.0 no-change mark at 57.7 in December, down from 59.2 in November, to signal an expansion of the Australian manufacturing sector. This marks the nineteenth straight month in which the sector grew, though the rate of growth slowed to a three-month low.

While the easing of COVID-19 disruptions continued to support manufacturing sector expansion, both new orders and output growth slowed from recent peaks in November. Supply constraints were reported to have hampered production according to panellists. Foreign demand meanwhile expanded at a faster rate, aided by the easing of COVID-19 restrictions abroad.

In turn, purchasing activity expanded in December, leading to higher stocks of purchases, though rates of growth fell in accordance with demand and output. Anecdotal evidence suggested that supply constraints also limited stockpiling efforts for some manufacturers.

Employment levels meanwhile rose at a rate comparable  
*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:

*“Some growth momentum was lost for the Australian manufacturing sector in December as the reopening boost faded and supply constraints hampered production according to panellists.*

*“While some green shoots are spotted with regards to supply constraints, such as in the form of suppliers’ delivery times lengthening at a slower rate, price pressures have continued to worsen. This invited some concerns from manufacturers in December and will be worth watching into the new year.*

*“That said, current growth momentum remains strong by historical standards and firms have maintained an optimistic view with regards to future output. IHS Markit forecasts for Australia’s GDP to expand by 2.7% in 2022.”*

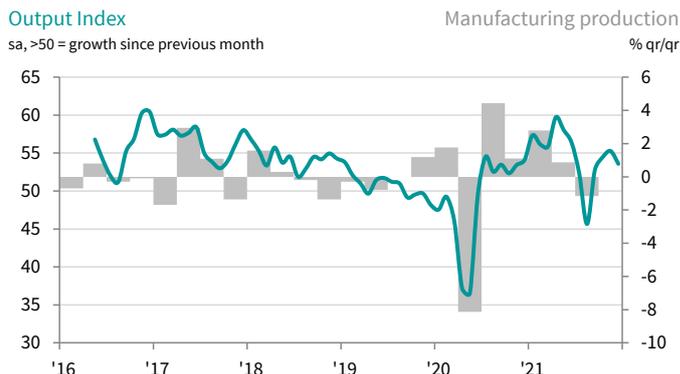
to November as manufacturers continued to expand their operating capacity to meet demand growth. Where lower workforce numbers were reported, firms cited persistent difficulties in hiring.

Meanwhile vendor performance continued to deteriorate in December, though lead times lengthened at a slower rate compared to November's record. This nevertheless contributed to backlogged work accumulating at a rapid rate, in addition to issues of labour and supply constraints.

Stocks of finished goods also fell for the first time in a year in the Australian manufacturing sector. Higher demand and ongoing input supply issues led to inventory depletion.

Despite vendor performance deteriorating at a softer rate, price pressures worsened in December. Input cost and output price inflation both accelerated to record rates amid the rise in prices across an array of input materials and shipping. As a result, manufacturers continued to share their cost burdens with customers.

Overall sentiment remained positive amongst Australian manufacturers with hopes of continued growth. That said, the level of business confidence slipped from November with some concerns over supply issues and price trends.



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

December data were collected 6-17 December 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.

### 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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