

NEWS RELEASE: Embargoed until 09:00 (AEDT) 2 January 2019

# Manufacturing conditions improve solidly in December.

## Key findings

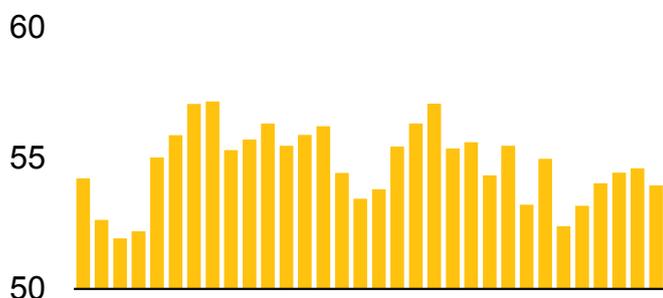
Australia's manufacturing sector rounded off 2018 on a solid note, with business conditions improving at a strong pace in December. Growth of both production and sales remained robust, while firms continued to add headcounts to keep on top of additional workloads. Notably, inflationary pressures eased amid reports of lower oil prices. Business confidence remained generally upbeat, despite slipping further.

## Commonwealth Bank Manufacturing PMI<sup>®</sup>

May 2016 – Dec 2018

(50 = no change on previous month)

Increasing rate of growth 



45 Increasing rate of decline 

The headline index from the survey, the seasonally adjusted Commonwealth Bank Manufacturing *Purchasing Managers' Index*<sup>™</sup> (PMI<sup>®</sup>) dipped to 54.0 in December, from 54.6 in November, indicating another solid improvement in the health of the Australian goods producing sector. The latest reading contributed to a strong quarterly average that was the highest since the second quarter.

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
Dec-18	54.0	Expansion, slower rate of growth
Nov-18	54.6	Expansion, faster rate of growth

Driving the upturn was a continued expansion in overall new orders, reflecting robust demand conditions. International markets also supported sales, with export orders rising for a sixteenth straight month. Anecdotal evidence pointed to greater demand from the United States and New Zealand.

To accommodate for higher order books, firms maintained a strong rate of output expansion. Efforts to build-up stocks had also driven production volumes.

Supporting greater production was a further increase in input purchasing. Though softer than in the previous two months, the expansion remained solid overall. Some panel members indicated that higher order inflows underpinned greater purchasing activity. Increased acquisitions of raw materials and semi-manufactured goods in turn boosted input inventories, which accumulated at a robust pace in December.

Distributors remained unable to keep up with the sustained uptick in input demand, as indicated by another lengthening in delivery times in December. Shipping delays and material shortages related to Chinese environmental laws weighed on suppliers' ability to fulfill deliveries. Meanwhile, capacity pressures were also evident among manufacturers despite further staff expansions. Backlogs accumulated for a fifth month running.

The survey also brought signs of easing inflationary pressures, with reports of lower global oil prices. Input costs rose at the weakest pace for nearly a year, prompting firms to raise prices only modestly. Finally, business confidence remained elevated, but slipped to the lowest in two-and-a-half years amid some concerns over the housing market.

**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](mailto:media@cba.com.au)

**IHS Markit****Bernard Aw**

Principal Economist  
Telephone +65-6922-4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Jerrine Chia**

Marketing and Communications  
Telephone +65 6922-4239  
Email [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@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.