

IHS Markit Australia Manufacturing PMI®

Australian manufacturing sector growth decelerate further in August

Key findings

Demand and output shrink amid COVID-19 disruptions

Lead times lengthen while price pressures remain elevated

Business confidence improves in August

Data were collected 12-24 August 2021.

Expansion of the Australian manufacturing sector slowed again in August, affected by COVID-19 disruptions and supply-chain constraints. Both demand and production fell for the first time since June 2020 as restrictions were extended. Price pressures remained elevated, while supplier delivery times worsened sharply. That said, firms continued to increase their acquisition of inputs and expand workforce numbers amid improved confidence for future performance.

The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) posted 52.0 in August, down from 56.9 in July, to signal the fifteenth consecutive month of expansion. The rate of growth eased for the third consecutive month, however, and was below the survey average.

Amid the extension of mobility restrictions, including strict lockdown measures across various Australian states, both manufacturing output and new orders declined for the first time in 14 months and at the fastest rates since May 2020. Foreign demand, however, returned to growth territory.

Concurrently, supply constraints persisted, as seen by delivery times lengthening at the fastest rate since April 2020. Anecdotal evidence suggested that the COVID-19 pandemic continued to negatively impact both the availability of inputs and shipping capacity. All of which also contributed to the rise in outstanding business levels and input costs.

Price pressures eased for both input costs and output charges from July. That said, both sub-indices posted readings well above their respective survey averages to signal elevated rates

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Australia Manufacturing PMI
sa, >50 = improvement since previous month



Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Australia’s manufacturing sector continued to feel the effects of the prolonged mobility restrictions, seeing growth ease significantly in August. Demand and output notably slipped into contraction territory, to reflect the slowdown of the economic momentum in the manufacturing sector.

“Supply constraints also impeded the performance of Australian manufacturers, made worse by the latest COVID-19 wave and the corresponding restrictions.

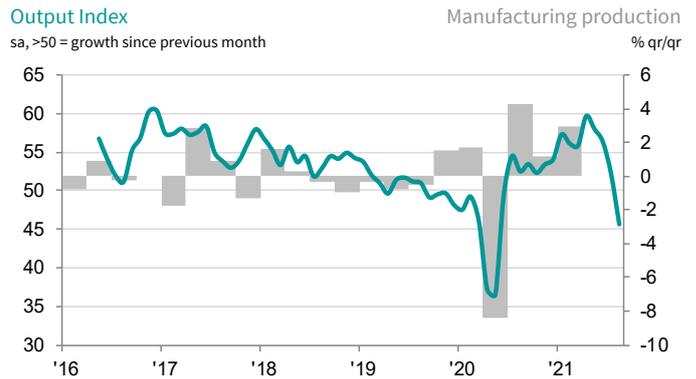
“Looking on the bright side, however, firms remained upbeat towards growth prospects as seen via both the improvement in the Future Output Index reading, the rise in inputs acquisition and job creation. The wait will be for the current decline in production to be reversed and recover from the damaging impacts of COVID-19.”

of inflation in the Australian manufacturing sector.

Despite the easing of demand, Australian manufacturers continued to expand their operating capacity at a rate faster than the survey average. Workforce numbers increased for the tenth straight month, though the rate of increase paled slightly in comparison to that seen in July.

Firms also continued to scale up their pre-production inventories by increasing buying activity. That said, the pace of stock accumulation softened in August. Anecdotal evidence suggested that firms attempted to stockpile raw materials in anticipation of future demand growth and to mitigate shipping delays.

Overall, Australian manufacturers were at their most upbeat towards the year-ahead outlook for production in two months. Firms remained hopeful of an eventual recovery from the current COVID-19 wave and the easing of ongoing movement restrictions.



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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

August data were collected 12-24 August 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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