

IHS Markit Australia Manufacturing PMI®

Manufacturing sector expansion hits survey peak, accompanied by record cost inflation

Key findings

Marked improvement in output amid surge in new orders

Supply constraints drive input cost inflation to new survey record

Outlook improves alongside hiring conditions

Data were collected 12-26 April 2021.

Australia's manufacturers saw the sector's growth accelerate to the highest level since the survey began in May 2016 during April. Recovery from the pandemic as COVID-19 restrictions eased helped to boost business confidence and support demand, although supply constraints continued to feature strongly, contributing to a record rise in input costs.

The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) recorded 59.7, up from 56.8 in March to print the steepest rate of expansion seen in the survey history. Business conditions have now improved in 11 straight months, following the COVID-19 pandemic hit to the sector last year.

Output and new orders increased strongly in April. New order growth was at a fresh survey high, with output rising at a pace only just shy of the record seen in December 2016. Recovery from COVID-19 lockdowns and government support reportedly supported the growth in demand, while renewed orders from existing customers had also helped to boost workloads.

Suppliers' delivery times continued to lengthen at a severe rate in April, although the instances of delays moderated slightly and were the least pronounced since July last year. Supply chain constraints coupled with the increase in demand led to the sharpest rise in backlogs of work since December 2017.

As a result of supply constraints, firms continued to pre-emptively build up safety stocks to guard against further
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:

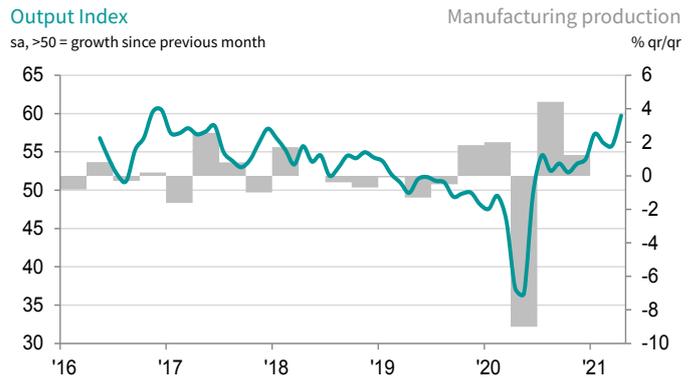
“The manufacturing PMI surging to the highest on record is an encouraging sign for the recovery of the Australian economy from COVID-19 restrictions. Despite evidence of an increase in new COVID-19 cases globally, demand rose both domestically and externally, reflecting resilient economic conditions.

“Supply constraints however continued to propel a surge in input cost inflation, even as lockdowns eased, which may be worth continued scrutiny moving forward. Broadly, however, the improvements in the outlook and hiring suggest that business confidence continues to pick up in the Australian economy.”

delays. Purchasing activity expanded at a record pace, and this translated into a fourth successive accumulation of pre-production inventories. Moreover, the rate of increase was the fastest in two-and-a-half years. Stocks of finished goods were also up markedly. Higher demand, positive expectations and some delays in the shipping of finished items all contributed to the accumulation of post-production inventories, according to respondents.

The implications for prices of supply issues were notable with input price inflation accelerating to the highest on record. Sharply rising input costs pushed firms to continue passing these on to customers, leading selling price inflation to similarly rise to the highest since at least May 2016.

Business expectations meanwhile improved in April with the easing of COVID-19 restrictions buoying firms' confidence. Positive projections for sales and activity also contributed to better employment conditions as firms made further efforts to rebuild operating capacity. Moreover, the rate of job creation was the fastest in the five-year series history.



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.

Survey dates and history

April data were collected 12-26 April 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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