

IHS Markit Australia Manufacturing PMI®

Manufacturing sector growth eases from record high

Key findings

Demand and output gains nonetheless remain strong

Lead times continue to worsen underpinning price pressures

Firms' optimism improves in June

Data were collected 11-24 June 2021.

Expansion of the Australian manufacturing sector slowed from May's record but remained strong in June. Movement restrictions in the state of Victoria coupled with sustained supply constraints brought about softer production and demand growth. That said, firms grew slightly more optimistic and continued to expand their operating capacity at a steady pace in June.

The seasonally adjusted IHS Markit Manufacturing Purchasing Managers' Index™ (PMI®) recorded 58.6 in June, down from May's record of 60.4. Despite the slowing of growth momentum, the manufacturing sector expanded at a strong pace compared to historical levels.

Manufacturing output and new orders both rose for the twelfth successive month in June as market confidence remained solid in line with the recovery from the COVID-19 pandemic, although the extended lockdown in Victoria, which carried into June, affected operating conditions at some firms. This was reflected by the marginally softer readings in the latest survey. Exports of Australian manufactured meanwhile rose for a fourth straight month but at a slower rate.

Supply disruptions remained prevalent with average delivery times lengthening at the greatest extent since April 2020. Anecdotally, an assortment of issues including shortages of inputs and shipping delays were listed as reasons adding to supply chain pressures.

In turn, the accumulation of backlogged work continued for Australian manufacturers, albeit at a slower pace in June. Post-
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:

"Australia's manufacturing sector continued to expand at a strong pace despite some signs of disruption from the Victoria lockdown that lingered into June."

"Supply constraints remained a key theme, evidenced by the stronger-than-average pace of input price and output charge inflation in the manufacturing sector. At the same time, average lead times have shown no signs of improvement and in fact worsened in June according to the latest PMI survey. All of these factors could induce pressure on output if not resolved moving forward."

"Labour shortages could be another limitation for growth, observing the reflections from panel members in Australia manufacturing PMI survey of difficulties in recruiting staff."

"That said, firms are generally more optimistic in June and IHS Markit forecasts the Australian economy to grow 3.6% in 2021."

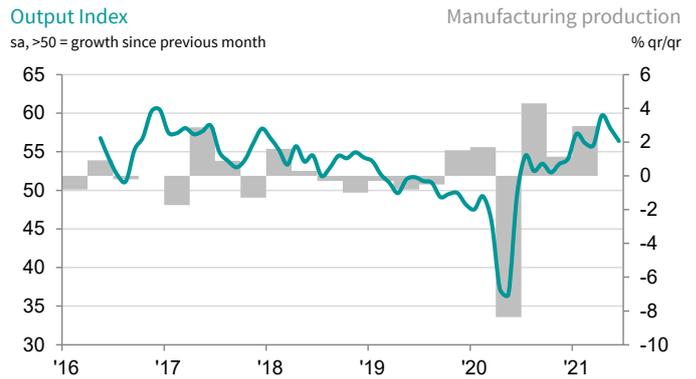
production inventories also rose at a slower pace, with some firms attributing the increase to outward shipping delays.

Price pressures persisted in the manufacturing sector in June with both input and output prices having risen. Although both input costs and output charges rose at marginally slower rates in June, inflation remained at levels noticeably above respective survey averages.

The amalgamation of lengthy delivery times and price inflation led Australian manufacturers to continue increasing their purchasing activity, which lifted pre-production inventory levels. The pace of growth for both buying activity and inventory accumulation however slowed from May.

Amid growth of output and new orders for Australia manufacturers, firms continued to expand their operating capacity for the eighth consecutive month in June. The rate of job creation however declined marginally with some firms reporting difficulties in acquiring staff with suitable skillsets.

Overall, firms remained optimistic with regards to the outlook for the Australian manufacturing sector with the degree of optimism inching up to a two-month high.



Sources: IHS Markit, Australian Bureau of Statistics.

Contact

Jingyi Pan
Economics Associate Director
IHS Markit
T: +65 6439 6022
jingyi.pan@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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

June data were collected 11-24 June 2021.

Survey data were first collected May 2016.

Disclaimer

The intellectual property rights to the data 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. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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.

ihsmarkit.com/products/pmi.html.