

NEWS RELEASE: Embargoed until 09:00 (AEDT) 1 May 2019

Manufacturing PMI sinks to three-year survey low.

Key findings

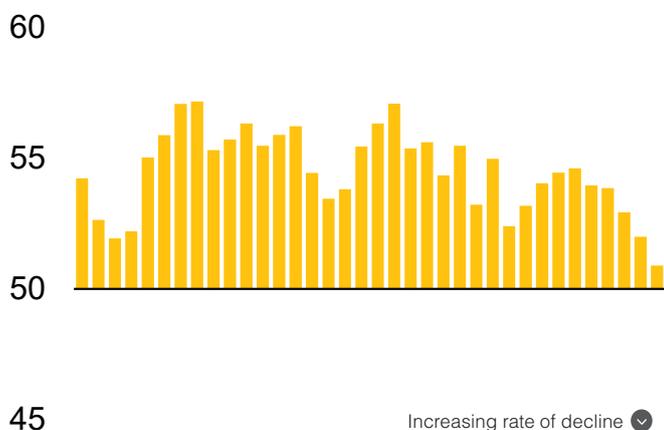
The slowdown in Australia's manufacturing sector gained momentum at the start of the second quarter. The headline index sank to its lowest level in the three-year survey history, dragged down by lower output and markedly slower order book growth. Employment was stagnant, while firms cut back on purchasing activity for the first time since the series inception. Cost pressures intensified and business confidence was the second-lowest on record.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – Apr 2019

(50 = no change on previous month)

Increasing rate of growth 



The headline index from the survey, the seasonally adjusted Commonwealth Bank Manufacturing *Purchasing Managers' Index*[™] (PMI[®]) slipped to 50.9 in April, down from 52.0 in March. The latest reading was the lowest recorded since the survey began three years ago, indicating only a marginal improvement in the health of the manufacturing sector.

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
Apr-19	50.9	Expansion, slower rate of growth
Mar-19	52.0	Expansion, slower rate of growth

Production volumes fell for the first time in the survey history during April, alongside a notable slowdown in order book growth. New order intakes rose at a survey-rate low, as export sales declined, to indicate stalling demand conditions. Consequently, the level of unfinished work dropped, ending an eight-month period of increase. The presence of spare capacity saw firms reluctant to take on more workers, with net factory employment remaining unchanged in April.

Meanwhile, there continued to be reports of input shortages at distributors. As a result, delivery times lengthened further. According to panellists, freight delays and flooding also contributed to the longer wait.

Tight supply led to higher input costs. Input price inflation intensified and was marked overall during April. Anecdotal evidence suggested that suppliers' price hikes and greater costs for raw materials such as steel, paper and fuel contributed to increased expenses. In response to higher cost burdens, firms raised output charges further, but the rate of increase was the weakest for one-and-a-half years amid reports of price reductions and high competition.

Softer demand conditions pushed firms to trim purchasing activity. The survey registered the first decline in input purchases in the series history which, in turn, contributed to a slower rise in input inventories. Stocks of finished goods fell and at the steepest rate since the survey began in May 2016.

Finally, business confidence remained positive in April, although the Future Output Index slipped to its second-lowest level in the survey history.

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

IHS Markit**Bernard Aw**

Principal Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

Joanna Vickers

Marketing and Communications
Telephone +44 (0) 207-260-2234
Email joanna.vickers@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.

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