

NEWS RELEASE: Embargoed until 09:00 (AEDT) 3 December 2018

# Manufacturing PMI climbs to five-month high.

## Key findings

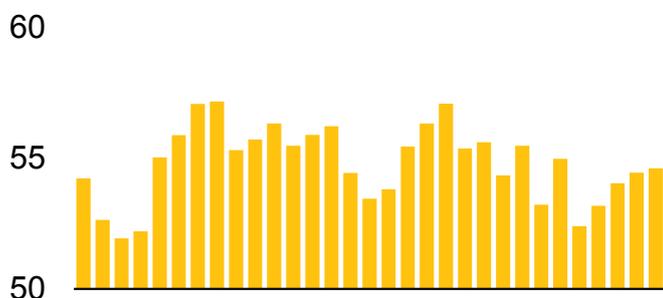
Growth in Australia's manufacturing sector remained solid midway through the fourth quarter. Output and new order growth accelerated, while there was a pick-up in export sales. In response to a build-up in backlogs, firms continued to increase headcounts and scale up purchasing activity. Meanwhile, cost pressures remained marked, leading firms to raise output charges further.

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

May 2016 – Nov 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>) rose to 54.6 in November, slightly higher than 54.5 in October, signalling another strong improvement in the health of the Australian goods producing sector. The latest index was the highest since June.

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
Nov-18	54.6	Expansion, faster rate of growth
Oct-18	54.5	Expansion, faster rate of growth

Stronger demand conditions were the highlight of the latest survey. New business inflows increased at a marked pace, supported by a notable pick-up in export orders. The expansion in overseas sales was the fastest for three months, with anecdotal evidence suggesting that both a more competitive exchange rate and expansion into new markets contributed to the increase. Firmer client demand, in turn, pushed firms to scale up production. Output growth was the strongest since April.

Greater production requirements and higher sales motivated firms to expand operating capacities and build-up inventories. Factory employment rose further and at the quickest rate for five months amid another rise in backlogs. The increase in purchasing activity remained solid and above the average seen so far this year. While this contributed to another rise in input stocks, the rate of accumulation slowed noticeably from October. Efforts to fulfil orders at some factories reportedly curbed the upturn.

Greater appetite for inputs added pressure on supply chains. Longer delivery times were also linked to shipping delays, material shortages and drought-related disruptions. Australian manufacturers continued to face sharp cost increases, with inflation remaining well above its historical average. This prompted firms to raise output prices further, although the latest increase was mild compared to recent months.

Finally, confidence in the manufacturing sector remained upbeat. However, the Future Output Index was at its lowest level in nearly two-and-a-half years.

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**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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