

NEWS RELEASE: Embargoed until 09:00 (AEST) 3 July 2017

June PMI signals strong growth of manufacturing sector.

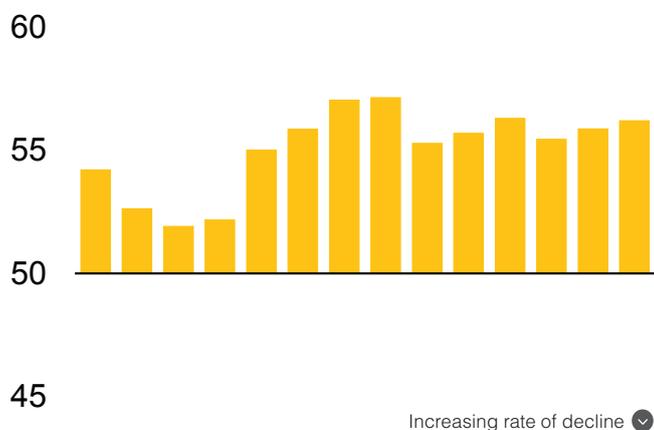
Key findings

Growth of Australia's manufacturing sector was sustained at a marked pace in June, underpinned by faster gains in both output and new orders. Demand and market activity were both reported to have strengthened since May, and this placed further pressure on manufacturers' capacity. With manufacturers confident that growth will be sustained, employment, purchasing activity and stock building were all subsequently increased.

Commonwealth Bank Manufacturing PMI[®] May 2016 – June 2017

(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[®]) – a composite indicator designed to measure the performance of the manufacturing economy – recorded 56.2 in June. Rising from 55.9 in the preceding month, the latest index reading pointed to the sharpest improvement in manufacturing sector operating conditions since March. Readings above 50.0 signal growth, while those below 50.0 indicate contraction. The index has signalled continuous expansion throughout the fourteen months that data have been collected.

Summary

	PMI	Interpretation
Jun-17	56.2	Expansion, faster rate of growth
May-17	55.9	Expansion, slower rate of growth

In line with the trend of recent months, the PMI was underpinned by stronger gains in the two principal constituents of the index: output and new orders. Production was expanded to the greatest degree of 2017 so far, while new work rose at the strongest rate since March. There were many reports from the panel of a positive economic environment and higher client confidence. New export orders also increased, with Asia a frequently mentioned source of higher demand.

Pressure on capacity persisted as evidenced by a further rise in work outstanding. This prompted manufacturers to add to payroll numbers. Growth in overall employment was again marked, and only slightly down on May's five-month peak.

Manufacturers were also confident that production would increase in the next 12 months, with around two-thirds of respondents expecting to raise output. Panellists widely anticipate organic growth, new product introductions and firmer demand over the coming year.

Positive projections for growth meant that Australian manufacturers raised their purchasing activity at a rate that was only just lower than May's survey high. Input inventories were also replenished to a marked degree, whilst strong demand led to a further lengthening of supplier delivery times.

Vendors were subsequently willing to pass through higher prices to Australian manufacturers, ensuring that overall cost inflation remained marked in June. However, output charges were raised only modestly.

Comment

Commenting on the Commonwealth Bank Manufacturing PMI data, Michael Blythe, Chief Economist at the Commonwealth Bank, said:

"The strongly positive PMI readings are an encouraging sign of underlying momentum in the Australian economy after the disappointing Q1 GDP growth numbers".

Mr Blythe, added:

"The pressure on capacity evident in the survey responses is a positive indication for further jobs growth and brings us a step closer to the long-awaited lift in business capex. It may also signal an incipient turn in what has been a very benign inflation backdrop in recent years".

For further information, please contact:

Commonwealth Bank of Australia

Beth Stanford

Group Public Affairs and Communications
Institutional Banking & Markets
Telephone +61 2 9118 6919
Email media@cba.com.au

IHS Markit

Paul Smith

Senior Economist
Telephone +44 1491 461 038
Email paul.smith@ihsmarkit.com

Bernard Aw

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

Jerrine Chia

Marketing and Communications
Telephone +65 6922-4239
Email jerrine.chia@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.

About PMI® by IHS Markit

The intellectual property rights to the Commonwealth Bank Manufacturing PMI® 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. Commonwealth Bank use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

Things you should know

This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its publication. No guarantee is provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124. AFSL and Australian credit license 234945.