

NEWS RELEASE: Embargoed until 09:00 (AEDT) 1 November 2017

# Manufacturing sector growth quickens to four month high.



## Key findings

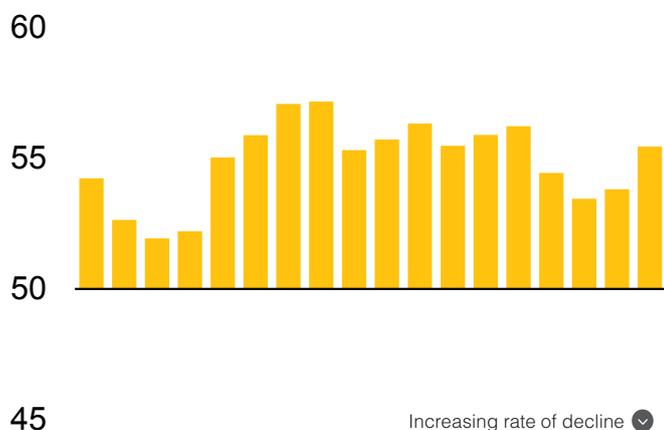
Operating conditions in the Australian manufacturing sector improved to the greatest extent in four months in October. Accelerated increases in production and new orders underpinned the pick-up in growth, while companies added to their payrolls at the fastest rate in ten months. Buoyed by trends in demand, business confidence hit a three-month high.

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

May 2016 – October 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<sup>®</sup>) – a composite indicator designed to measure the performance of the manufacturing economy – recorded 55.5 in October, increasing from 53.8 in September. The latest figure signalled that business conditions improved markedly and at the quickest pace in four months. Growth has been recorded throughout the one-and-a-half year survey history.

## Summary

	PMI	Interpretation
Oct-17	55.5	Expansion, faster rate of growth
Sep-17	53.8	Expansion, faster rate of growth

Following three successive months of easing growth, production and new orders expanded at quicker rates in October. The marked upturn in output was underpinned by greater inflows of new work, while growth of incoming new business was supported by new customer wins and higher export sales. Panellists reported a rise in new orders from a number of countries in the Asia-Pacific region. Consequently, new orders from abroad increased at the fastest pace since July.

Robust demand conditions coincided with backlogs of work rising for a fifteenth successive month. The rate of accumulation was solid, despite easing since September. Anecdotal evidence indicated that new contract wins contributed to the rise in work outstanding. In response, firms enhanced operating capacity by hiring more staff. The rate of job creation was the strongest in ten months.

In line with greater production requirements, firms increased purchasing activity in October. The rate of input buying was strong and the fastest since June. The impact on supply chains was noticeable, with average lead times lengthening to the greatest extent in 18 months of data collection.

On the price front, input cost inflation softened since September, but remained strong nonetheless. Meanwhile, output price inflation eased to the slowest pace in the current one-year sequence of increases.

Business confidence rose to a three-month high in October, with many firms predicting organic growth and increased sales over the coming 12 months.

## Comment

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

*"The PMI fell through the course of the third quarter so the lift in the October readings is an encouraging sign that the slowing in manufacturing growth rates has not spilled over into the fourth quarter. Leading PMI components such as orders, employment and future output expectations remain at supportive levels as well."*

Mr Blythe, added:

*"The sector looks well placed with manufacturers reporting greater customer demand and indicating that the higher AUD has not crimped demand from our major trading partners in Asia. The rise in labour demand is an encouraging sign that manufacturers are seeking to take advantage of the positive backdrop. The lack of capex is not."*

## 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](mailto:media@cba.com.au)

### IHS Markit

#### Joe Hayes

Economist  
Telephone +44 1491 461 006  
Email [joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

#### Bernard Aw

Principal Economist  
Telephone +65-6922-4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

#### Jerrine Chia

Marketing and Communications  
Telephone +65 6922-4239  
Email [jerrine.chia@ihsmarkit.com](mailto: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.

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