

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

Operating conditions improve strongly in November.

Key findings

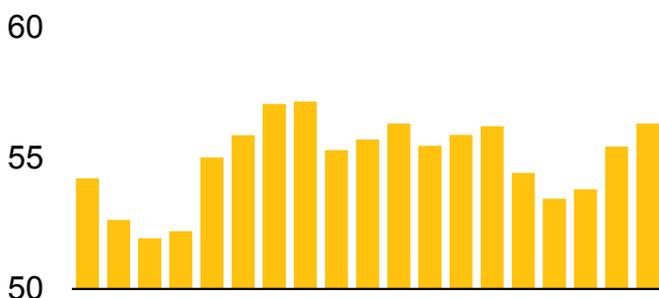
Growth in the Australian manufacturing sector gained further momentum in November, underpinned by the strongest increases in output and new orders for five months. With manufacturers confident that demand growth will be sustained, output prices were raised. Meanwhile, rising capacity pressures encouraged firms to add to their payrolls at a quickened pace, with the rate of job creation at a survey peak.

Commonwealth Bank Manufacturing PMI[®]

May 2016 – November 2017

(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™ (PMI[®]) – a composite indicator designed to measure the performance of the manufacturing economy – rose to 56.3 in November from 55.5 in October. This signalled the joint-fastest improvement in business conditions since December 2016, on a par with March. Manufacturing sector growth has now accelerated for three consecutive months.

Summary

	PMI	Interpretation
Nov-17	56.3	Expansion, faster rate of growth
Oct-17	55.5	Expansion, faster rate of growth

Incoming new business increased markedly in November and at the fastest pace since June. Some panellists noted that demand from abroad was a contributing factor behind greater inflows of new work. New Zealand, China and the US were all cited as sources of new business growth. Subsequently, new export orders increased solidly and at the quickest rate in four months. The buoyant demand environment encouraged firms to raise production. Output growth accelerated in November to a five-month high.

November data signalled a further rise in capacity pressures. Backlogs of work were accumulated at a faster rate amid reports of staff and raw material shortages. Consequently, firms hired additional staff. In fact, the rate of job creation was the sharpest seen across the 19-month survey history.

Robust demand conditions also exerted pressure on supply chains. Average lead times lengthened to a marked degree in November. Concurrently, purchasing activity increased sharply.

On the price front, input cost inflation accelerated to the highest since March amid rising global commodity prices. This, combined with strong demand, encouraged firms to raise output charges.

Output expectations remained strong in November. The degree of optimism was unchanged from October's three-month high. Projections of new customer acquisitions, organic growth and new marketing campaigns underpinned an upbeat outlook.

Comment

Commenting on the Commonwealth Bank Manufacturing PMI data, Gareth Aird, Senior Economist at the Commonwealth Bank, said:

"After some softness in the September quarter we have seen a decent lift in both the November and October readings. The continued improvement in the global economy coupled with a slightly weaker AUD is providing support to the local manufacturing sector."

Mr Aird, added:

"Broad-based strength in the PMI components such as output, new orders and employment suggests that Australia's manufacturing sector looks well placed heading into the new year. The sharp lift in input prices points to some downstream inflationary pressures. But the favourable backdrop of rising global demand means that local manufacturers have been able to lift output prices accordingly."

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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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