

Perpetual knowledge bank series: purchasing managers index

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Purchasing managers' indexes (PMI) are economic indicators derived from monthly surveys of private sector companies, which provide analysts and investors with data on purchasing trends in the manufacturing and service sectors. These indexes can offer insight into the current and future direction of markets based on whether purchasing managers are bullish or bearish on

business condition metrics such as new orders, inventory levels, production, supplier deliveries and employment.

In the US, the PMI is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activity. The PMI is compiled and released monthly based on a survey sent to senior executives at more than 400 companies, which are weighted by their contribution to US GDP. The surveys include questions about business conditions and any changes, whether it be improving, no changes, or deteriorating. US and global investors watch the PMI and similar surveys closely as purchasing managers often have early access to data about their company's performance, which can be a leading indicator of overall economic performance.

In Australia, there are two indices fulfilling much the same function. The Australian Performance of Manufacturing Index (Australian PMI) is a seasonally adjusted national composite index based on production, new orders, deliveries, inventories and employment. It is compiled with data from a monthly survey of a representative sample of manufacturing businesses. Survey results are based on a rotating sample of manufacturing companies each month. The Australian Services Purchasing Managers Index (PMI) measures the activity level of purchasing managers in the services sector. The report is based on surveys of over 300 business executives in private sector services companies. Each response is weighted according to the size of the company and its contribution to total manufacturing or services output.

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