AUSTRALIAN

pmi

PERFORMANCE OF MANUFACTURING INDEX®

AUSTRALIAN INDUSTRY GROUP

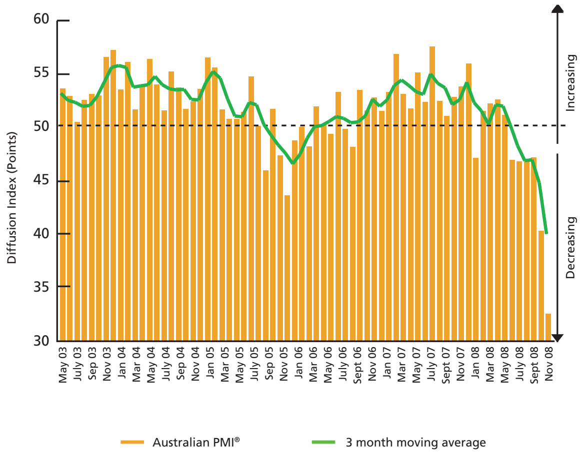
PRICEWATERHOUSECOOPERS

NOVEMBER 2008

ACTIVITY FALLS AGAIN AS NEW ORDERS DIVE

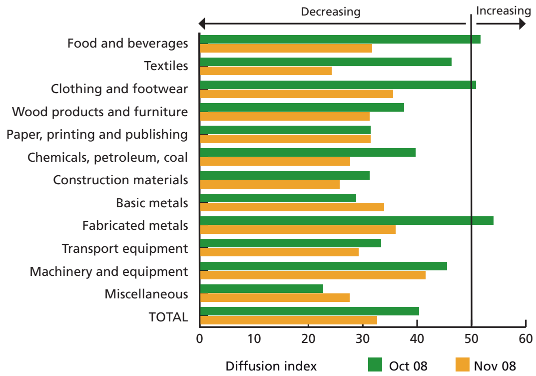
KEY FINDINGS

- Manufacturing activity fell for a sixth month in a row in November.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** fell solidly, by 7.7 points to 32.7, well below the 50 point mark separating expansion from contraction. This represents a second consecutive new low for the series since it was begun in 1992.
- Recent results reflect an accelerating loss of consumer and business confidence, driven by worsening news on the global economy, falling household wealth, and the weak housing sector. This climate is being reflected in falling demand for manufactures.
- November's fall in the **Australian PMI®** reflects declines across all components of the index. Production fell for the sixth consecutive month and more strongly than in recent months. This reflected the ongoing decline in new orders, which fell rapidly and for the seventh consecutive month. In line with the easing of production, employment fell for the ninth month in November.
- On the positive side, wages growth eased slightly and selling price growth was broadly stable. Input cost growth rose marginally.
- Inventories fell moderately, while supplier deliveries fell solidly. Exports fell sharply in line with the decline in global manufactures trade.
- Manufacturing activity fell in all states with New South Wales the best and Tasmania the worst performing states.



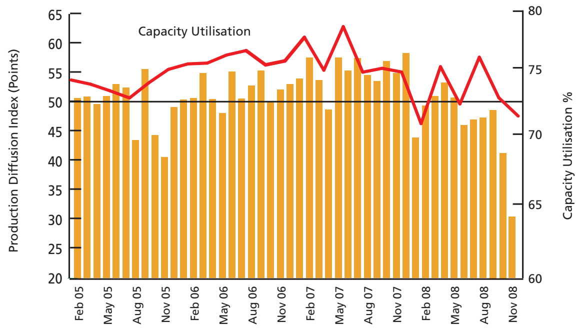
SECTORS

- Seasonally adjusted, all 12 sectors saw activity fall in November, compared to growth in two sectors in October.
- The textiles; miscellaneous manufactures; construction materials; and chemicals, petroleum & coal products sectors registered the largest declines in activity as measured by the index.
- The machinery & equipment; fabricated metal products; clothing & footwear; and basic metal products sectors registered relatively smaller declines in activity in November as measured by the index.
- The food & beverages sector saw a sharp turnaround, with activity falling solidly in November following mild growth in October. Elsewhere, the wood, wood products & furniture and transport equipment sectors both saw activity fall for the sixth consecutive month. Activity fell in paper, printing & publishing at a similar rate as in October.

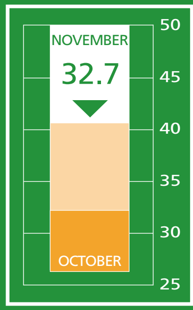


PRODUCTION AND CAPACITY

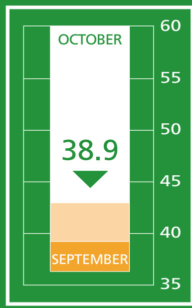
- Seasonally adjusted, the production sub-index fell by 11.1 points to 30.4. Unadjusted, no sectors reported higher production, compared to three in October.
- Production fell most strongly in the textiles; clothing & footwear; paper, printing & publishing; basic metal products; transport equipment; chemicals, petroleum & coal products; and miscellaneous manufactures sectors.
- The food & beverages; wood, wood products & furniture; construction materials; fabricated metal products; and machinery & equipment sectors experienced more moderate falls in output.
- In line with weaker production, capacity utilisation fell to 71.4% in November, down from 72.7% in October.



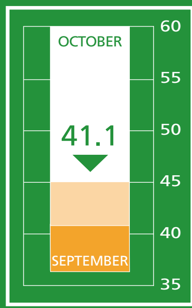
AUSTRALIAN PMI®



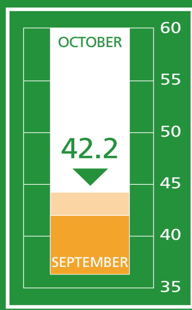
USA ISM PMI



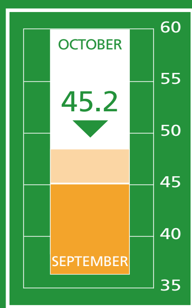
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



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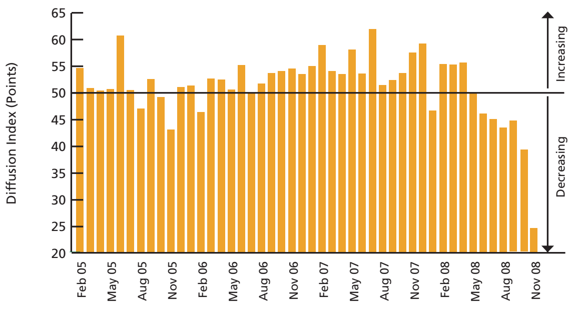
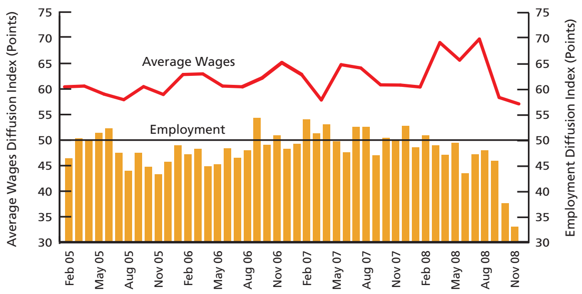
NEW ORDERS

- The seasonally adjusted new orders sub-index fell by 14.4 points to 24.5 in November, the lowest reading since the survey commenced.
- This represents the seventh consecutive decline in new orders, a key driver of ongoing falls in manufacturing production.
- No sectors reported higher new orders (unadjusted) in November, compared to two reporting growth in October.
- Orders fell most strongly in the food & beverages; textiles; clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; construction materials; basic metal products; fabricated metal products; transport equipment; and miscellaneous manufactures sectors.
- More moderate, though still solid, falls were experienced in the wood, wood products & furniture and machinery & equipment sectors.



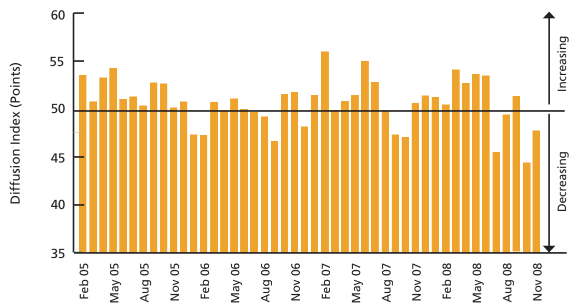
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell for the ninth consecutive month. The rate of decline strengthened slightly in November, with the sub-index falling by 4.4 points to 33.2.
- In unadjusted terms, employment fell in all 12 sectors, compared with falls in 11 in October.
- Employment fell most sharply in the textiles; construction materials; basic metal products; transport equipment; miscellaneous manufactures; and chemicals, petroleum & coal products sectors.
- Employment fell more moderately in the food & beverages; clothing & footwear; wood, wood products & furniture; paper, printing & publishing; fabricated metal products; and machinery & equipment sectors.
- Wages growth eased again, with the index falling 1.2 points to 58.2.



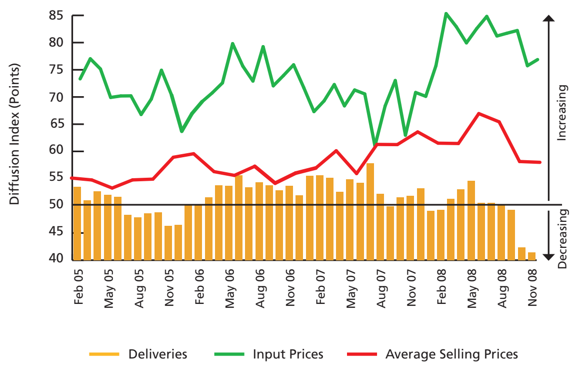
FINISHED STOCKS

- Stocks fell marginally with the sub-index rising by 3.5 points to 48.1 (seasonally adjusted). Unadjusted, two sectors reported an increase in inventories while stocks remained stable in two. Stocks fell in eight sectors.
- Stocks rose solidly in the machinery & equipment and basic metal products sectors.
- Stocks fell moderately in the food & beverages; clothing & footwear; wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; and fabricated metal products sectors. They fell more significantly in the miscellaneous manufactures and textiles sectors.
- Inventories were stable in the transport equipment and construction materials sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index fell by 0.9 points to 41.4.
- Deliveries (unadjusted) rose only in the machinery & equipment sector and were stable in the paper, printing & publishing and chemicals, petroleum & coal products sectors.
- The food & beverages; construction materials; basic metal products; transport equipment; textiles; clothing & footwear; miscellaneous manufactures; wood, wood products & furniture; and fabricated metal products sectors saw falls in supplier deliveries.
- Raw material cost growth rose slightly with the index up by 1.1 points to 76.9 (seasonally adjusted). In unadjusted terms, input costs continue to rise in all sectors.
- The major cost gains were in clothing & footwear and paper, printing & publishing.
- Selling price growth was largely stable on average across manufacturing. The largest price gains were in wood, wood products & furniture and chemicals, petroleum & coal products. Prices fell in clothing & footwear and miscellaneous manufactures.



NATIONAL INDEXES

	Nov 08	Nov 07	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08	Apr 08	Mar 08	Feb 08	Jan 08
AUSTRALIAN PMI	32.7	53.8	40.4	47.2	47.0	46.9	47.0	51.2	52.7	52.3	51.6	47.2
PRODUCTION	30.4	55.0	41.5	48.7	47.4	47.1	46.1	50.8	53.3	51.0	49.4	43.9
EMPLOYMENT	33.2	50.4	37.6	46.0	48.2	47.4	43.8	49.8	47.3	49.3	51.2	48.9
NEW ORDERS	24.5	57.1	38.9	44.3	43.2	44.8	45.8	49.8	55.3	54.9	55.0	46.4
INVENTORIES	48.1	51.0	44.6	51.7	49.8	45.8	54.0	54.2	53.2	54.6	50.9	51.7
DELIVERIES	41.4	51.8	42.3	49.2	50.2	50.5	50.5	54.6	53.0	51.2	49.2	49.0
INPUT PRICES	76.9	70.9	75.8	82.3	81.8	81.3	84.9	82.6	80.0	83.0	85.4	75.8
EXPORTS	35.7	53.0	46.3	58.4	49.1	52.3	44.5	40.1	53.7	56.4	54.6	53.6
SELLING PRICES#	58.1	56.1	58.2	65.5	67.0	61.5	61.6	63.6	61.3	61.3	56.0	60.2
AVERAGE WAGES#	58.2	66.1	59.4	70.6	66.6	70.0	61.4	61.8	61.8	65.1	65.7	58.9
CAPACITY UTILISATION#	71.40	75.42	72.74	75.69	72.28	75.00	70.85	74.61	74.88	74.60	77.92	74.74

Further Information Results for the third month of each quarter are based on an expanded sample (in excess of 500 companies). Results for the other months are based on responses from over 200 companies. An evaluation of the Australian PMI prepared by the Melbourne Institute of Applied Economic and Social Research can be obtained from the Ai Group website on www.aigroup.asn.au.

Results for capacity utilisation, average wages and output prices to Jun 2007 based on quarterly surveys. From this point data will be collected in the monthly PMI survey.

New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2008.

WHAT IS THE AUSTRALIAN PMI®?

The **Australian Performance of Manufacturing Index (Australian PMI®)** is a seasonally adjusted composite index based on the diffusion indexes for production, new orders, deliveries, inventories and employment, with varying weights.

An **Australian PMI®** reading above 50 points indicates that manufacturing is generally expanding; below 50, that it is declining. The distance from 50 is indicative of the strength of the expansion or decline.

More information can be obtained from the Ai Group web site www.aigroup.asn.au.

SPONSOR STATEMENT

PricewaterhouseCoopers is delighted to be associated with the Survey of Australian Manufacturing and the Australian Industry Group. This association brings together the significant experience and expertise of Australia's leading industry body and the largest business adviser to the manufacturing sector. We look forward to continuing our association with the Australian Industry Group and its members, and to playing our part in the ongoing development of Australian manufacturing.
Graeme Billings,
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