

# AI GROUP PERFORMANCE INDEXES



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## Manufacturing activity in February

- The manufacturing sector recorded another positive result in February with the seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI**<sup>®</sup> rising by 2.8 points to 53.8 (a reading above 50 indicates expansion in activity).
- Stronger production and input deliveries and a solid growth in new orders fuelled the growth in manufacturing in February. Inventories fell at a slower rate while employment was essentially stable in the month.
- Selling prices rose for the first time in five months and wages growth eased. However, input costs rose for a fourth consecutive month.
- Sectors linked to the housing and resources sectors – construction materials; transport equipment; chemicals, petroleum & coal products; and basic and fabricated metal products grew solidly.
- Consumer-related sectors, including food & beverages and clothing & footwear, saw lower levels of activity.
- Activity rose in all states, with the strongest performances again in South Australia; Queensland; and Western Australia.
- While demand is lifting modestly, survey respondents continue to point to the high exchange rate and weak retail sales as constraints on activity.

## Services activity in February

- Subdued demand led to a second consecutive monthly contraction in services activity in February, although the pace of decline abated slightly.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI**<sup>®</sup>) rose by 0.9 percentage points to 48.3, below the 50.0 level separating expansion from contraction.
- Sales of services fell for the first time since September 2009 and new orders continued to decline at a similar pace as in the previous two months.
- Employment and supplier delivery levels dropped further and inventories of finished goods rose for the first time in four months.
- Firms cited soft consumer and business confidence and cautious levels of investment as factors holding back services demand.
- Activity rose in only two states: Western Australia and South Australia.

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## Construction activity in February

- The national construction industry expanded for a second consecutive month in February.
  - The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index<sup>®</sup> registered 52.8 in February, to remain above the critical 50 points level separating expansion from contraction. Although this reading was 4.9 points below the level of the previous month to indicate an easing in growth, it maintained the improving trend in industry conditions (as indicated by the three month moving average of the **Australian PCI**<sup>®</sup>).
  - The slower pace of growth in February coincided with reports of a lower acquisition of new contracts during the month, and in some instances, the completion of existing projects. In addition, residential builders indicated that the interest rate increases of last year and the unwinding of the First Home Buyers stimulus had flowed through to a slight easing in work levels during the month. However, it was noted by house builders that customer enquiries and buyer confidence had remained resilient, while some firms pointed to an improvement in investor activity.
  - By sector, the survey results revealed a continued increase, albeit at a slower rate, in work undertaken on house building, engineering and commercial construction projects, while the apartment sector declined markedly to offset the improvement recorded in the previous month.
  - On an aggregate industry basis, both activity and new orders recorded a second straight month of growth in February. However the pace of increase eased, leading to a lesser rate of growth in both employment and deliveries from suppliers.
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## What are the Australian PMI<sup>®</sup>, Australian PSI<sup>®</sup> and Australian PCI<sup>®</sup>?

- The Australian Performance of Manufacturing Index (**Australian PMI**<sup>®</sup>) is a seasonally adjusted composite index based on the diffusion indexes for production, new orders, deliveries and inventories in the manufacturing sector, all with varying weights.
  - The Australian Performance of Services Index (**Australian PSI**<sup>®</sup>) is a seasonally adjusted composite index based on the diffusion indexes for sales, new orders, employment, inventories and deliveries in the services sector, all with varying weights.
  - The Australian Performance of Construction Index (**Australian PCI**<sup>®</sup>) is a seasonally adjusted national composite index based on the diffusion indexes for activity, orders/new business, deliveries and employment in the construction sector, all with varying weights.
  - A reading above 50 in each of the surveys indicates activity 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 about of each of the surveys can be obtained from the Ai Group Website at [www.aigroup.asn.au](http://www.aigroup.asn.au).
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