

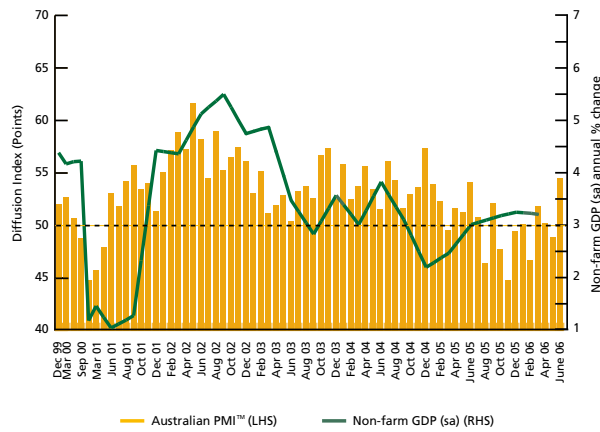
PERFORMANCE OF MANUFACTURING INDEX™

JUNE 2006

# ACTIVITY STRENGTHENS AMID BROAD-BASED LIFT IN DEMAND

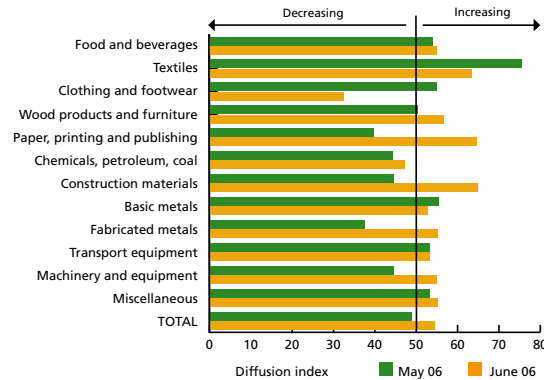
## KEY FINDINGS

- Manufacturing has shrugged-off further rises in raw material costs and the increase in official interest rates, with the Australian Industry Group/PricewaterhouseCoopers **Australian PMI™** increasing 5.6 points in June to 54.5 (seasonally adjusted).
- The strengthening in activity was underpinned by rises in new orders, supplier deliveries and production. Reflecting lingering caution, however, inventories rose only marginally, while employment continued to fall.
- Indeed, exports expanded only moderately in June. Material costs again rose sharply, although at a slower rate than in May.
- Growth was reported in 10 of 12 sectors. Activity continued to expand in most consumer-based sectors, strengthening also in the industrial- and construction-related sectors.
- Correspondingly, activity improved in Victoria and South Australia, following earlier declines in both states. Activity continued to expand in New South Wales, and rebounded also in Queensland and Tasmania. Activity declined only in Western Australia, although following 27 consecutive months of growth.
- The **Australian PMI™** suggests growth in non-farm GDP of around 3.0%, and growth in manufacturing of over 1.5%.



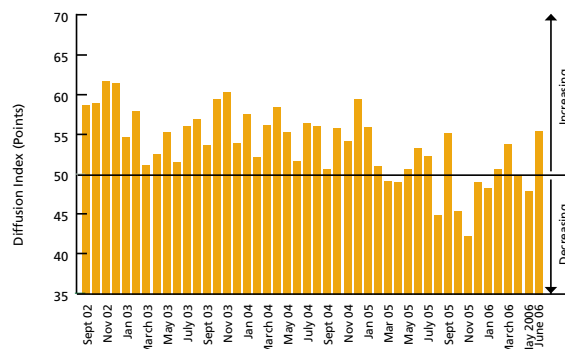
## SECTORS

- Seasonally adjusted, the number of sectors reporting growth increased from seven to 10. Growth was equally strongest in construction material products and paper, printing & publishing, following falls in both sectors in May.
- Growth was also strong in textiles, although easing from the previous month. In addition, conditions improved markedly in fabricated metals and machinery & equipment, after large falls previously.
- Activity expanded for the second consecutive month in transport equipment (reflecting early production of new passenger vehicle models); basic metal products; and miscellaneous manufacturing.
- Activity also continued to expand steadily in food & beverages and wood, wood products & furniture. By contrast, activity fell for the second consecutive month in chemicals, petroleum & coal products, and contracted also in clothing & footwear.

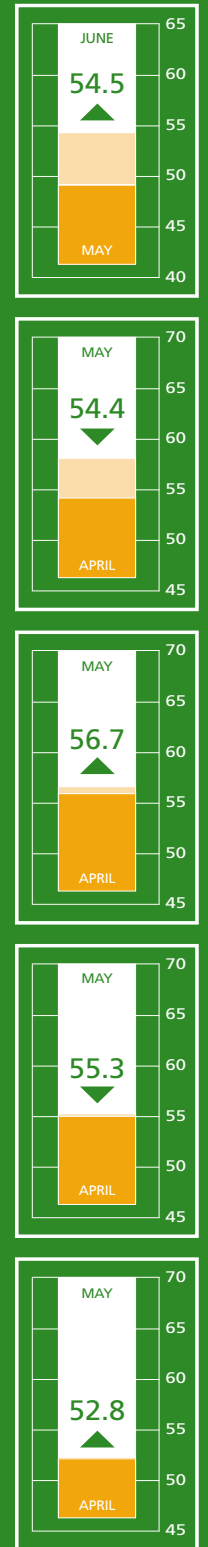


## PRODUCTION

- Seasonally adjusted, production increased 7.6 points to 55.6. In unadjusted terms, seven sectors reported increases, compared with five in May.
- The textile sector reported the strongest growth for the second consecutive month. Strong gains were also reported in transport equipment (following moderate growth in May), as well as in machinery & equipment; construction material products; and paper, printing & publishing (after production contracted in all three sectors the previous month).
- Production expanded more moderately in both the basic and fabricated metal product sectors, and was unchanged in food & beverages; wood; wood products & furniture; and miscellaneous manufacturing.
- By contrast, production fell for the second consecutive month in both the chemicals; petroleum & coal products and clothing & footwear sectors.

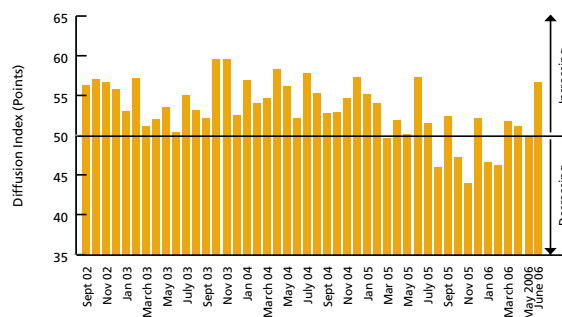


AUSTRALIAN PMI™  
USA ISM PMI  
EUROZONE PMI  
JAPANESE PMI  
CHINESE PMI



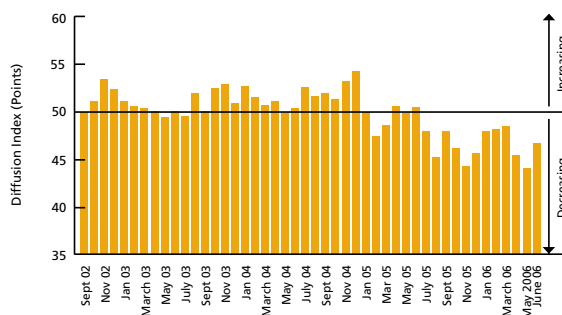
## NEW ORDERS

- After adjustment for seasonal factors, new orders jumped 7.1 points to 57.3 (and the highest reading in a year). Unadjusted, new orders expanded in nine sectors, up from just four in May.
- Orders again rose strongly in textiles, and continued to expand more moderately in both food & beverages and transport equipment.
- New orders also rebounded sharply in construction material products and paper, printing & publishing, and recovered more moderately in wood, wood products & furniture; fabricated metal products; machinery & equipment and miscellaneous manufacturing.
- Orders were unchanged in basic metals, and fell in chemicals, petroleum & coal products (for the second straight month) and in clothing & footwear.



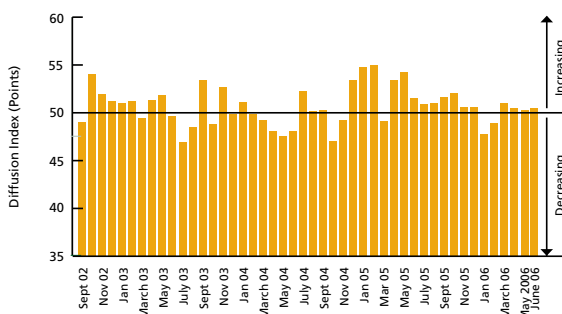
## EMPLOYMENT

- Employment fell for the 12th consecutive month, although the rate of decline eased slightly. Seasonally adjusted, the employment sub-index rose 2.8 points in June to 47.0.
- In unadjusted terms, the number of sectors reporting an increase in employment was unchanged at one. Despite consecutive declines in orders and production, employment increased in the chemicals, petroleum & coal products sector.
- Employment was unchanged in paper, printing & publishing; construction materials; and machinery & equipment.
- After a large gain the previous month, employment fell in miscellaneous manufacturing. Of the other seven sectors reporting falls, the rate of decline accelerated in food & beverages; textiles; and clothing & footwear.
- Employment fell at a broadly steady rate in fabricated metals and transport equipment, while the rate of decline slowed in wood, wood products & furniture, and basic metal products.



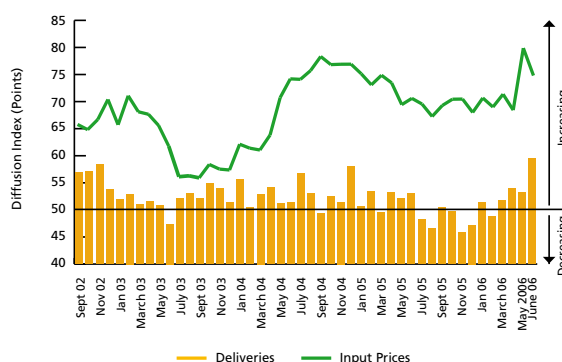
## FINISHED STOCKS

- Inventories again increased only slightly in June. Seasonally adjusted, inventories increased 0.2 of a point to 50.9.
- In unadjusted terms, inventories rose in three sectors, half the number reporting increases in May. Stocks increased moderately in wood, wood products & furniture; fabricated metals; and machinery & equipment, and accompanied gains in new orders in all three sectors.
- Inventory levels were unchanged in food & beverages and paper, printing & publishing.
- Among the seven sectors to report falls in stock levels, textiles; construction material products; transport equipment; and miscellaneous manufacturing all reported higher orders.
- Falling inventories were accompanied by flat or falling sales in the other three sectors – clothing & footwear; chemicals, petroleum & coal products; and basic metal products.



## DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries strengthened sharply in June, accompanying the acceleration in production. Seasonally adjusted, supplier deliveries increased 6.3 points to 59.5.
- Unadjusted, seven sectors reported increased inward deliveries, up from six in May.
- By contrast, raw material costs increases moderated slightly in June, although following a record jump in May. Seasonally adjusted, the input cost sub-index fell 5.0 points to 75.0.
- In unadjusted terms, all sectors again reported increases in input costs in the month, with the largest increases in basic metals; fabricated metals; and miscellaneous products. A further two sectors, comprising machinery & equipment and construction material products, reported larger increases than in May.
- Cost increases moderated in the remaining seven sectors.



## NATIONAL INDEXES

	June 06	June 05	May 06	April 06	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sep 05	Aug 05
<b>AUSTRALIAN PMI™</b>	54.5	54.1	48.9	50.3	51.9	46.7	50.2	49.5	44.8	47.7	52.2	46.4
<b>PRODUCTION</b>	55.6	53.5	48.0	50.0	54.1	50.9	48.4	49.2	42.4	45.6	55.4	45.0
<b>NEW ORDERS</b>	57.3	58.1	50.2	51.6	52.4	46.7	47.1	52.8	44.4	47.7	53.0	46.4
<b>EMPLOYMENT</b>	47.0	50.8	44.2	45.6	48.8	48.5	48.3	46.0	44.6	46.5	48.3	45.5
<b>INVENTORIES</b>	50.9	52.0	50.7	50.9	51.5	49.3	48.2	51.1	51.1	52.5	52.1	51.6
<b>DELIVERIES</b>	59.5	53.0	53.2	54.0	51.7	48.8	51.3	47.2	45.8	49.8	50.5	46.6
<b>INPUT PRICES</b>	75.0	70.8	80.0	68.6	71.5	69.2	70.8	68.2	70.6	70.6	69.4	67.4
<b>EXPORTS</b>	51.1	53.3	47.9	57.5	51.8	44.4	46.4	50.1	52.1	49.1	52.3	44.7

**Further Information:** Results are based on responses from approximately 200 companies from the Survey of Australian Manufacturing. 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](http://www.aigroup.asn.au).

\* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2006

## 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](http://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, Industrial Products Leader.

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