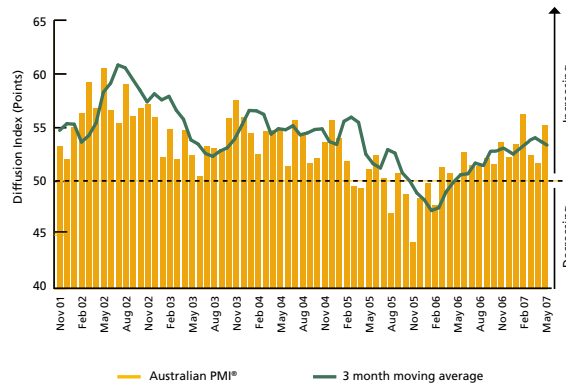


# Australian PERFORMANCE OF MANUFACTURING INDEX®

## INCREASED CONFIDENCE FUELS STRONGER GROWTH IN ACTIVITY

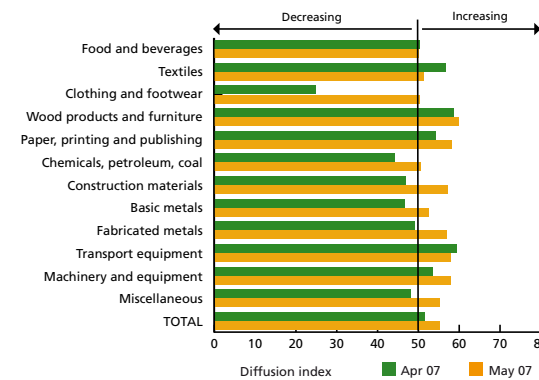
### KEY FINDINGS

- Growth in manufacturing activity strengthened in May, underpinned by a broad-based lift in demand. The seasonally adjusted Australian Industry Group/PricewaterhouseCoopers Australian PMI® increased 3.5 points to 55.2, and the 15th consecutive month in which the index has been at or above the 50.0 level separating expansion from contraction.
- New orders increased sharply in the month, reflecting the combination of diminishing fears of a further rise in interest rates, the wide-ranging measures announced in the budget, and record high consumer confidence. Exports also increased modestly, following a decline the previous month.
- Correspondingly, growth in production and supplier deliveries strengthened markedly. However, inventory-building failed to keep pace with the rise in demand, stock levels increasing only slightly. Employment was also broadly flat, although following a relatively strong rise in April. Input costs increased at a moderately faster rate in the month.
- Activity expanded in all six states in May, compared with only four reporting increases in April. Growth was strongest in Western Australia for the second consecutive month.



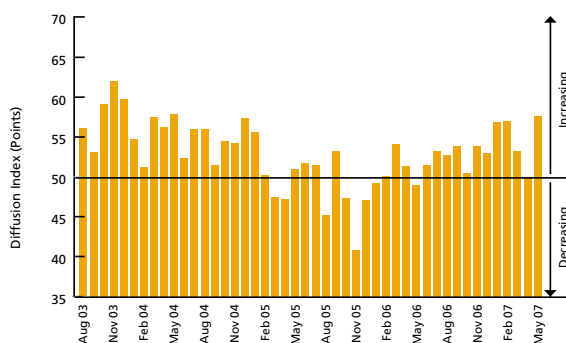
### SECTORS

- Seasonally adjusted, all 12 sectors expanded in May (although activity increased only marginally in three), up from six in April. Of the six sectors to report consecutive increases in activity, the rate of growth strengthened in three.
- Growth was strongest in wood, wood products & furniture, with transport equipment; machinery & equipment; and paper, printing & publishing also enjoying strong increases in activity. All four sectors reported relatively strong growth the previous month.
- Following declines in April, activity turned around appreciably in the construction material products; basic metal products; fabricated metal products; and miscellaneous manufacturing sectors. Chemicals, petroleum & coal products and clothing & footwear were the other two sectors to report falls in April, but reported only marginal growth in May.
- Activity increased also only marginally for the second consecutive month in food & beverages (reflecting the continuing effects of the drought), while growth continued to slow in textiles.

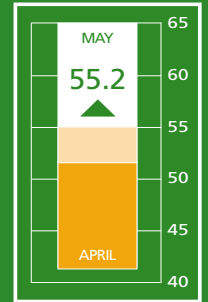


### PRODUCTION

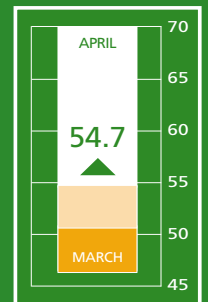
- Seasonally adjusted, the production sub-index jumped 7.6 points to 57.7, the highest reading since May 2004. In unadjusted terms, production grew in seven sectors, up from four in April.
- Production growth was strongest in miscellaneous manufacturing, following a sharp fall in April. Growth also continued at a brisk pace in transport equipment, but slowed in fabricated metals.
- Elsewhere, basic metals and machinery & equipment reported strong rises, following flat growth in both sectors the previous month. Production also increased moderately in food & beverages and construction materials, following falls in both sectors in April.
- By contrast, production continued to fall in clothing & footwear and chemicals, petroleum & coal products, although the rate of decline slowed in both. Following a rise in April, production also declined in textiles, and fell after flat growth the previous month in paper, printing & publishing.



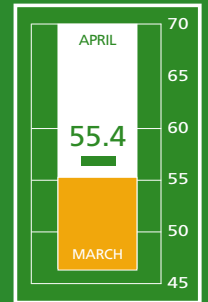
### AUSTRALIAN PMI®



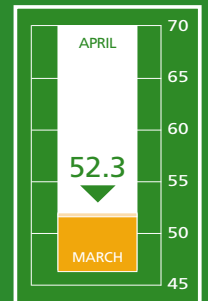
### USA ISM PMI



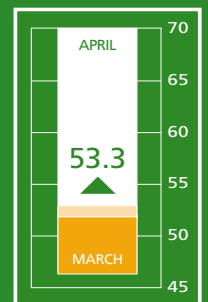
### EUROZONE PMI



### JAPANESE PMI

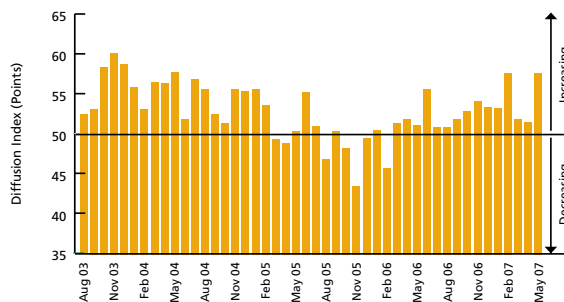


### CHINESE PMI



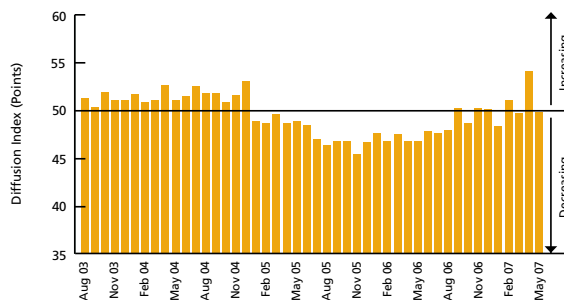
## NEW ORDERS

- Seasonally adjusted, the new orders sub-index rose 6.4 points to 58.3. Unadjusted, eight sectors reported rises, up from five.
- The strongest increase was in transport equipment, following a moderate rise the previous month. Food & beverages and machinery & equipment were the only other sectors to report consecutive increases in orders.
- While orders also grew strongly in basic metals, the increase followed flat growth in April. Clothing & footwear; construction materials; fabricated metals; and miscellaneous manufacturing all reported moderate rises in May, after declines previously. Orders in textiles were unchanged for the second consecutive month.
- By contrast, orders fell in wood, wood products & furniture and chemicals, petroleum & coal products, following strong growth in both sectors the previous month. After an unchanged level in April, orders also fell in paper, printing & publishing.



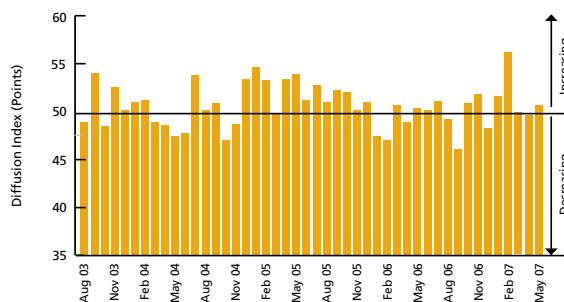
## EMPLOYMENT

- Seasonally adjusted, the employment sub-index fell 4.4 points to 50.1. Unadjusted, the number of sectors reporting rises fell from five to four.
- Growth was strongest in the clothing sector, after a sharp fall the previous month. Following a decline also in April, employment increased more modestly in wood, wood products & furniture.
- Machinery & equipment and paper, printing & publishing were the only two to report consecutive rises. However, the rate of growth was relatively weak in both sectors in May.
- Chemicals, petroleum & coal products; basic metals; and transport equipment reported falls, after increases in all three in April. Falls in textiles and construction materials followed flat growth previously. However, employment continued to decline in food & beverages and miscellaneous manufacturing, and was unchanged for the second consecutive month in fabricated metals.



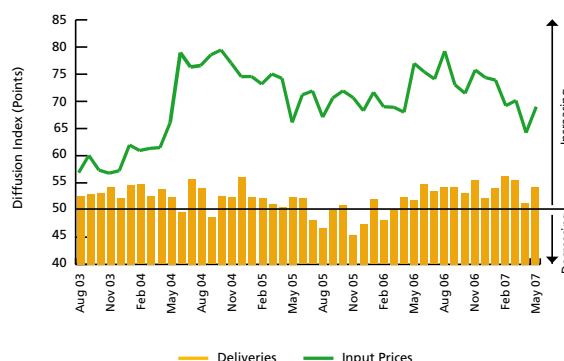
## FINISHED STOCKS

- The seasonally adjusted inventories sub-index edged up 1.1 points to 51.1. Unadjusted, inventories rose in six sectors, up from four previously.
- The largest rise was in basic metals, and followed an even stronger increase in April. Fabricated metals and construction materials also reported consecutive rises, although again the rate of increase slowed.
- Among the other sectors to report rises, the increases in paper, printing & publishing and miscellaneous manufacturing followed unchanged levels in April. The rise in machinery & equipment followed a fall previously. Inventories steadied in textiles; clothing & footwear; and chemicals, petroleum & coal products, after falls in all three the previous month.
- Of the three sectors reporting falls in May, food & beverages and wood, wood products & furniture also reported declines in April. The decline in transport equipment followed a rise previously.



## DELIVERIES AND INPUT COSTS

- Supplier deliveries also increased at a faster rate. The seasonally adjusted supplier deliveries sub-index rose 3.0 points to 54.3, while the number of sectors reporting increases jumped from four to 10 (unadjusted).
- Clothing & footwear and chemicals, petroleum & coal products were the only two sectors to report declines in deliveries. The strongest increase was in transport equipment, and followed a large rise the previous month.
- Raw material cost increases also accelerated in May, the seasonally adjusted input cost index rising 4.8 points to 69.1. Costs increased in all 12 sectors in May (unadjusted), up from 11.
- The largest increases were in construction materials; basic metals; and chemicals, petroleum & coal products. A further five sectors reported faster rates of increase. Food & beverages; paper, printing & publishing; and fabricated metals were the only sectors to report more moderate rises.



## NATIONAL INDEXES

	May 07	May 06	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sept 06	Aug 06	Jul 06
<b>AUSTRALIAN PMI*</b>	55.2	50.0	51.7	52.4	56.2	53.4	52.2	53.6	51.6	52.1	51.4	51.5
<b>PRODUCTION</b>	57.7	49.1	50.1	53.4	57.1	57.0	53.1	54.0	50.5	54.0	52.9	53.3
<b>NEW ORDERS</b>	58.3	51.6	51.9	52.3	58.4	53.8	53.9	54.8	53.4	52.4	51.4	51.5
<b>EMPLOYMENT</b>	50.1	47.0	54.5	49.9	51.5	48.6	50.4	50.6	49.0	50.6	48.2	47.9
<b>INVENTORIES</b>	51.1	50.8	50.0	50.2	56.8	52.1	48.6	52.2	51.4	46.4	49.6	51.6
<b>DELIVERIES</b>	54.3	51.9	51.3	55.6	56.3	54.1	52.2	55.5	53.1	54.3	54.3	53.4
<b>INPUT PRICES</b>	69.1	77.0	64.3	70.2	69.3	74.0	74.4	75.8	71.5	73.1	79.3	74.2
<b>EXPORTS</b>	56.0	47.9	49.4	52.1	50.0	53.1	60.4	60.2	51.7	53.8	50.7	50.7

**Further Information:** Results for the middle 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 approximately 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](http://www.aigroup.asn.au).

\* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2007.

## 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, Global Industrial Manufacturing Leader.

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