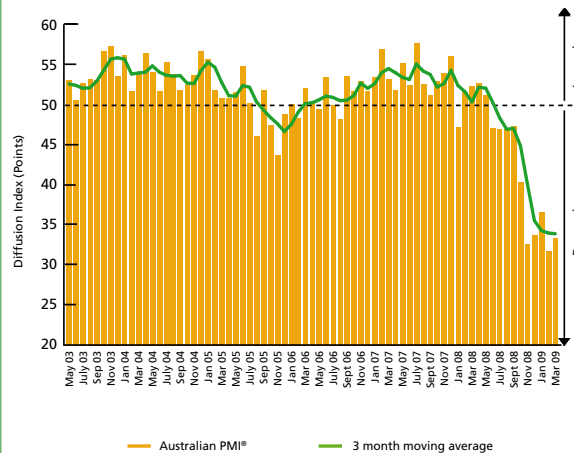


# Australian PERFORMANCE OF MANUFACTURING INDEX®

## ACTIVITY FALLS AGAIN BUT PACE OF DECLINE EASES

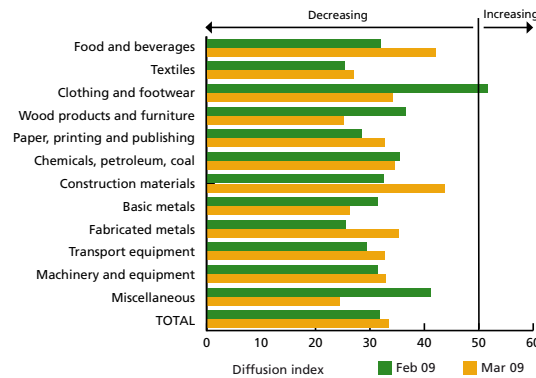
### KEY FINDINGS

- Manufacturing activity fell again in March, though the rate of decline has eased.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI**® rose slightly, by 1.7 points to 33.4, still well below the 50-point mark separating expansion from contraction. All components of the index remained below 50, indicating falls in the level of each indicator.
- The inventory adjustment process continued in March, with sales being partly drawn from existing stocks as new orders fell again. The associated decline in manufacturing production gathered further momentum in March and employment fell for the 13th consecutive month.
- Firms continue to point to weak domestic and global demand for manufactures, including from China; project cancellations; lack of credit availability; and competition from overseas products as the prime causes of the downturn in manufacturing.
- Input cost growth eased modestly in March, while selling prices remained essentially stable. Wages growth eased for the sixth consecutive month. Exports fell as global manufactures demand continues to decline.
- Manufacturing activity fell in all states except Tasmania where it rose slightly. The largest falls were recorded in New South Wales and South Australia.



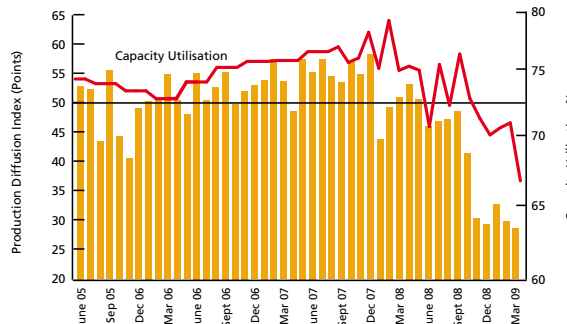
### SECTORS

- Seasonally adjusted, activity expanded in no sector in March, compared with only the clothing & footwear sector in February.
- Activity declined more slowly in March in the construction materials and food & beverages sectors. The former may reflect the impact of the Federal Government's higher first homebuyer grants and lower mortgage interest rates on housing demand and solid infrastructure spending.
- The textiles; wood, wood products & furniture; basic metal products; and miscellaneous manufactures sectors recorded the largest falls in activity in March.
- Solid falls in activity were also reported in the clothing & footwear; paper, printing & publishing; fabricated metal products; chemicals, petroleum & coal products; transport equipment; and machinery & equipment sectors in March.

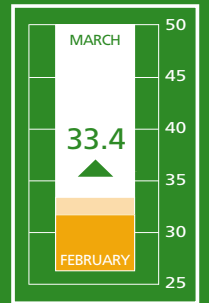


### PRODUCTION AND CAPACITY

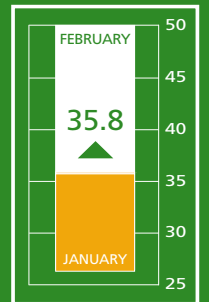
- Seasonally adjusted, the production sub-index fell by 1.4 points to 28.7, well below the 50-point mark separating expansion from contraction. Unadjusted, no sector reported higher production in March, as in February.
- One sector, clothing & footwear, maintained stable production levels in March, as it did in February.
- Production fell most strongly in the textiles; wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; basic metal products; transport equipment; and miscellaneous manufactures sectors.
- The food & beverages; construction materials; fabricated metal products; and machinery & equipment sectors saw more moderate falls in output.
- Capacity utilisation fell to 67.3%, the lowest level since the series began in 1992, reflecting ongoing declines in production.



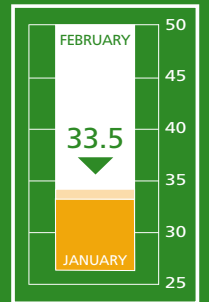
### AUSTRALIAN PMI®



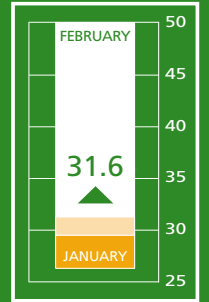
### USA ISM PMI



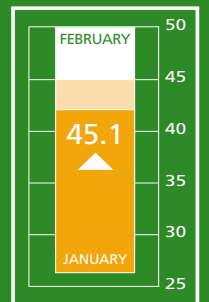
### EUROZONE PMI



### JAPANESE PMI

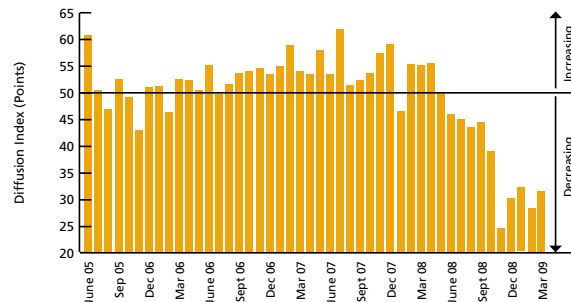


### CHINESE PMI



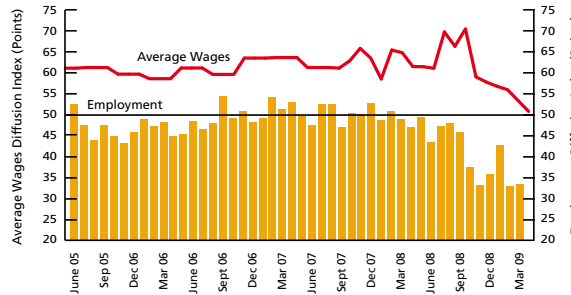
## NEW ORDERS

- The seasonally adjusted new orders sub-index rose by 3.3 points to 31.4 in March, still well below 50 and indicating falling new orders as global and Australian demand for manufactures eased into 2009.
- This fall was the 11th consecutive decline in new orders, and this has driven the ongoing drop in manufacturing production over the past year.
- No sector reported higher new orders (unadjusted) in March, as in the previous four months, although orders were again steady in the clothing & footwear sector.
- Paralleling their production performance, the largest falls in new orders were recorded in the textiles; wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; basic metal products; transport equipment; and miscellaneous manufactures sectors.
- More moderate falls in orders were experienced in the machinery & equipment; food & beverages; construction materials; and fabricated metal products sectors.



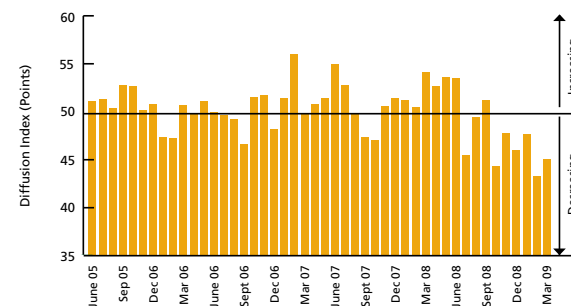
## EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell for the 13th successive month. The rate of decline eased slightly in March, with the sub-index rising 0.8 points to 33.6.
- In unadjusted terms, employment expanded in no sectors in March, as in February.
- Employment fell most heavily in the textiles; clothing & footwear; paper, printing & publishing; construction materials; and wood, wood products & furniture sectors.
- More moderate, though significant, falls were registered in the food & beverages; chemicals, petroleum & coal products; basic metal products; fabricated metal products; transport equipment; machinery & equipment; and miscellaneous manufactures sectors.
- Wages growth eased for a sixth consecutive month, with the index falling 2.6 points to 51.3.



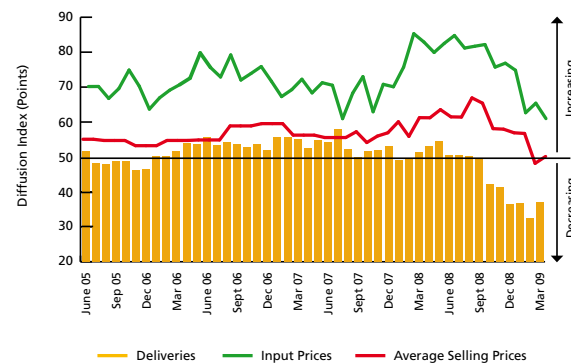
## FINISHED STOCKS

- Manufacturing inventories were run-down for a sixth consecutive month in March, though at a moderately slower rate with the seasonally adjusted sub-index rising by 2.0 points to 45.4.
- Unadjusted, two sectors reported an accumulation in stocks, the same as in February.
- Stocks lifted solidly in the food & beverages sector, and moderately in the transport equipment sector. The textiles and chemicals, petroleum & coal products sectors saw stocks remain stable.
- Stocks fell modestly in the machinery & equipment; construction materials; and fabricated metal products sectors.
- They fell more significantly in the miscellaneous manufactures; basic metal products; paper, printing & publishing; wood, wood products & furniture; and clothing & footwear sectors.



## DELIVERIES, INPUT COSTS, OUTPUT PRICES

- In seasonally adjusted terms, supplier deliveries fell for a seventh consecutive month in March though more slowly, with the sub-index up 4.6 points to 37.1.
- Deliveries (unadjusted) rose only in the clothing & footwear sector, compared with no sectors in February.
- The largest falls in deliveries were in the miscellaneous manufactures; paper, printing & publishing; and wood, wood products & furniture sectors.
- Growth in raw materials prices eased in March, with the seasonally adjusted index down by 4.4 points to 61.1.
- The highest input cost growth was seen in the clothing & footwear and paper, printing & publishing sectors (unadjusted).
- Selling prices were largely stable, with the index up 1.9 points to 50.2. The largest price gains were in the clothing & footwear and transport equipment sectors. Selling prices fell most in fabricated metal products and wood, wood products & furniture.



## NATIONAL INDEXES

	Mar 09	Mar 08	Feb 09	Jan 09	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08
<b>AUSTRALIAN PMI®</b>	33.4	52.2	31.7	36.6	33.7	32.7	40.4	47.2	47.0	46.9	47.0	51.2
<b>PRODUCTION</b>	28.7	51.0	30.1	33.0	29.3	30.4	41.5	48.7	47.4	47.1	46.1	50.8
<b>EMPLOYMENT</b>	33.6	49.3	32.8	42.7	36.0	33.2	37.6	46.0	48.2	47.4	43.8	49.8
<b>NEW ORDERS</b>	31.4	54.9	28.1	31.8	30.1	24.5	38.9	44.3	43.2	44.8	45.8	49.8
<b>INVENTORIES</b>	45.4	54.6	43.4	47.9	46.3	48.1	44.6	51.7	49.8	45.8	54.0	54.2
<b>DELIVERIES</b>	37.1	51.2	32.5	36.9	36.5	41.4	42.3	49.2	50.2	50.5	50.5	54.6
<b>INPUT PRICES</b>	61.1	83.0	65.5	62.8	74.9	76.9	75.8	82.3	81.8	81.3	84.9	82.6
<b>EXPORTS</b>	32.5	56.4	44.2	46.7	43.0	35.7	46.3	58.4	49.1	52.3	44.5	40.1
<b>SELLING PRICES*</b>	50.2	61.3	48.3	56.8	57.0	58.1	58.2	65.5	67.0	61.5	61.6	63.6
<b>AVERAGE WAGES*</b>	51.3	65.1	53.9	56.4	57.2	58.2	59.4	70.6	66.6	70.0	61.4	61.8
<b>CAPACITY UTILISATION†</b>	67.25	74.60	71.11	70.78	70.31	71.40	72.74	75.69	72.28	75.00	70.85	74.61

Further Information Results are based on responses from over 200 companies from a rotating sample of manufacturers. 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.com.au](http://www.aigroup.com.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 Industry Group - PricewaterhouseCoopers Australian Performance of Manufacturing Index (Australian PMI®) is a seasonally adjusted national composite index based on the diffusion indices 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. Survey results are based on a rotating sample of manufacturing companies each month.

More information can be obtained from the Ai Group web site [www.aigroup.com.au](http://www.aigroup.com.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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