

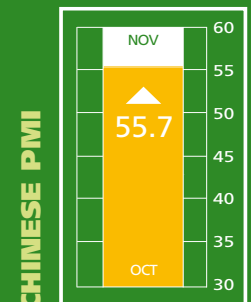
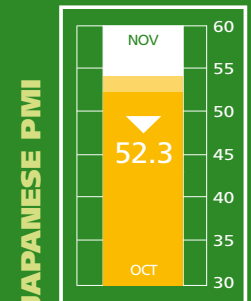
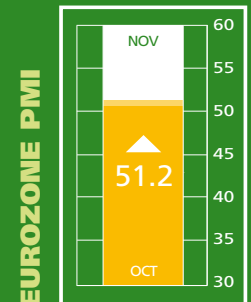
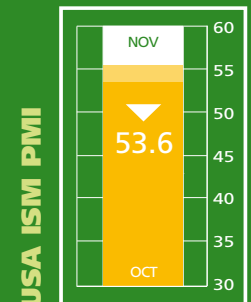
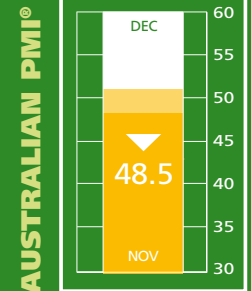
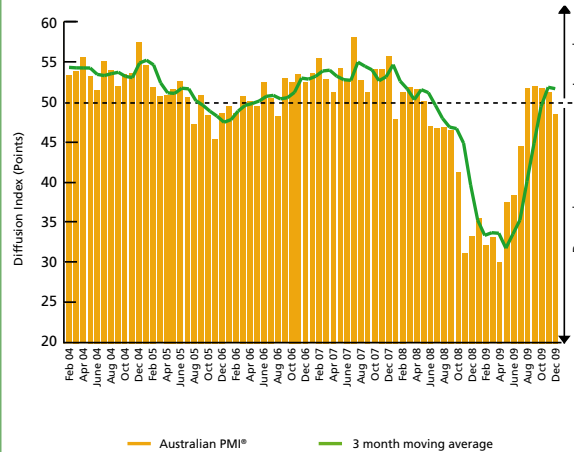
# PMI AUSTRALIAN

## PERFORMANCE OF MANUFACTURING INDEX®

## MANUFACTURING ACTIVITY EASES IN DECEMBER

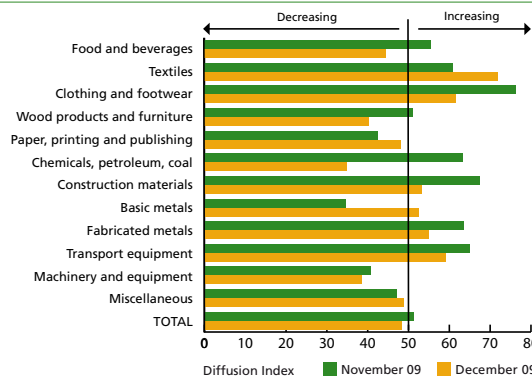
### KEY FINDINGS

- Manufacturing activity fell slightly in December, following four consecutive rises. This reflected modest falls in production and input deliveries and a marginal decline in new orders. Inventories rose a little while employment grew slightly for a second month reflecting the lagged impact of recent higher activity.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers Australian PMI® fell by 2.7 points in December, to 48.5, just below the 50 point level separating expansion from contraction.
- December's result illustrates the tenuous nature of the recovery in manufacturing as it contends with a high exchange rate, moderate growth in domestic demand and a still weak global economy.
- The sectors showing solid growth over recent months are those being driven by consumer demand, a pick up in housing activity and higher levels of infrastructure spending, all of which have been supported by policy stimulus.
- Consistent with this, survey respondents cite construction activity, government contracts and infrastructure as factors supporting activity. The high exchange rate and higher interest rates are among the negatives affecting the sector.
- Input and wages cost growth rose in December, but selling prices fell, maintaining strong pressure on profit margins.
- Activity rose in all states except Victoria and South Australia which saw solid falls.



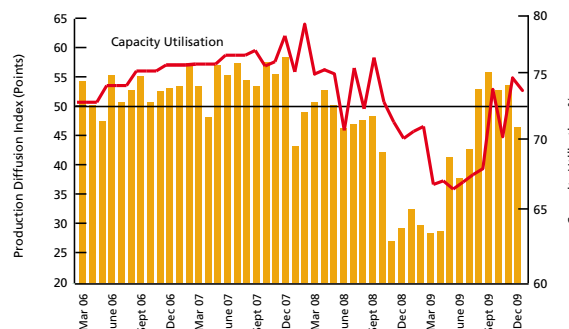
### SECTORS

- December saw a fall in the number of manufacturing sub-sectors experiencing an increase in activity.
- Six sectors saw rises in activity in seasonally adjusted terms compared with eight in November. These sectors appear to have benefitted from the economic stimulus flowing from low interest rates and expansionary fiscal policy.
- The textiles; clothing & footwear; and transport equipment sectors recorded significant rises in activity in December, while the fabricated metal products; construction materials; and basic metal products sectors saw more modest increases.
- Activity fell moderately in the miscellaneous manufactures; paper, printing & publishing; and food & beverages sectors.
- Activity fell more strongly in the machinery & equipment; wood, wood products & furniture; and chemicals, petroleum & coal products sectors.



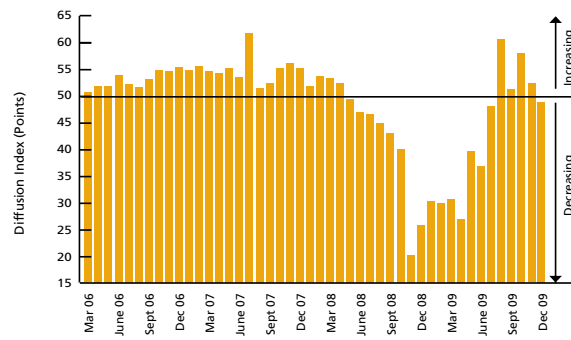
### PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index fell by 7.4 points to 46.6, indicating the first, albeit modest, fall in production in five months.
- In unadjusted terms, nine of the 12 sectors reported higher production, as in November.
- Strong rises in production were recorded in the textiles; construction materials; clothing & footwear; fabricated metal products; and transport equipment sectors.
- The food & beverages; paper, printing & publishing; miscellaneous manufactures; and wood, wood products & furniture sectors experienced more moderate rises in output, while the chemicals, petroleum & coal products; machinery & equipment; and basic metal products sectors saw falls.
- In line with lower production, capacity utilisation fell in December, down by 0.8 of a percentage point to 73.5%.



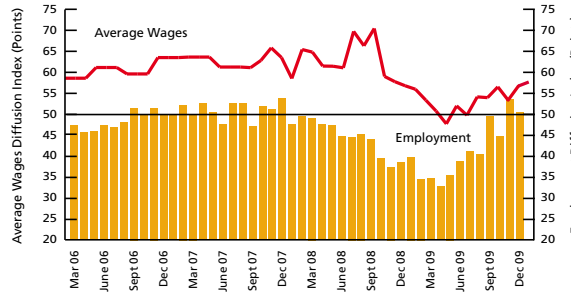
## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index fell by 3.3 points, to 48.6, indicating a mild fall in the level of new orders.
- The new orders index has remained volatile over recent months indicating ongoing caution among buyers of manufactures.
- In unadjusted terms, eight manufacturing sub-sectors saw rises in new orders in December compared to nine in November.
- Paralleling their production performance, new orders rose strongly in the clothing & footwear; textiles; construction materials; transport equipment; fabricated metal products; food & beverages; and paper, printing & publishing sectors.
- Orders also rose solidly in the miscellaneous manufactures sector, while they were stable in the basic metal products sector.
- New orders fell in the wood, wood products & furniture; chemicals, petroleum & coal products; and machinery & equipment sectors.



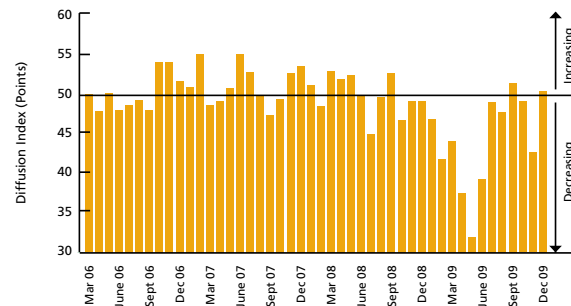
## EMPLOYMENT AND AVERAGE WAGES

- Manufacturing employment rose for a second successive month in December, if only slightly. The sub-index fell 2.9 points to 50.8.
- In unadjusted terms, employment rose in a smaller range of sub-sectors, five in December compared to eight in November.
- Employment rose strongly in the clothing & footwear; textiles; basic metal products; and construction materials sectors, and more moderately in the paper, printing & publishing sector. It remained stable in the transport equipment sector.
- Employment fell in the fabricated metal products; food & beverages; wood, wood products & furniture; chemicals, petroleum & coal products; machinery & equipment; and miscellaneous manufactures sectors.
- Average wages growth rose mildly in December, with the index registering a rise of 0.9 points, to 58.1.



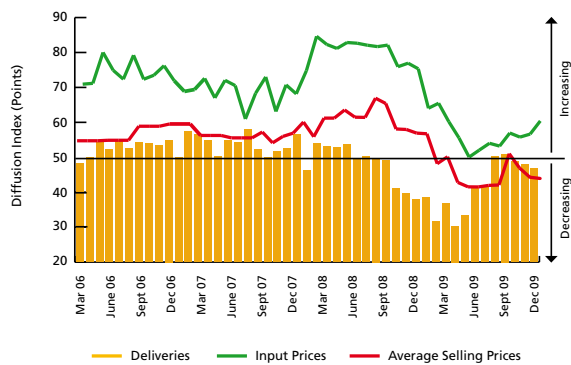
## FINISHED STOCKS

- Manufacturing inventories rose marginally in December, with the seasonally adjusted sub-index rising by 8.0 points to 50.8.
- Unadjusted, four sectors reported an increase in stocks in December, as in November. Inventories remained steady in the food & beverages and basic metal products sectors.
- Textiles; clothing & footwear; chemicals, petroleum & coal products; and transport equipment firms reported a lift in stocks.
- Falls in inventories were reported in the paper, printing & publishing; wood, wood products & furniture; machinery & equipment; miscellaneous manufactures; fabricated metal products; and construction materials sectors.



## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries fell in December, with the sub-index easing modestly by 1.1 points to 46.8.
- However, deliveries rose in seven of the 12 sectors, textiles; clothing & footwear; food & beverages; miscellaneous manufactures; transport equipment; construction materials; and basic metal products.
- Input price growth rose in December, with the seasonally adjusted sub-index up 3.8 points to 60.5. The strongest input price increases were in the textiles; construction materials; and miscellaneous manufactures sectors.
- The average selling prices index fell 0.4 points in December to 44.0.
- Rises in selling prices were recorded in the paper, printing & publishing and construction materials sectors. Prices fell most in the basic metal products; machinery & equipment; and chemicals, petroleum & coal products sectors.



## AUSTRALIAN PMI®

|                                 | December 2009 | November 2009 | Monthly Change | Direction   | Rate of Change   | Trend** (Months) |
|---------------------------------|---------------|---------------|----------------|-------------|------------------|------------------|
| <b>AUSTRALIAN PMI®</b>          | 48.5          | 51.2          | -2.7           | Contracting | From expanding   | 1                |
| <b>PRODUCTION</b>               | 46.6          | 54.0          | -7.4           | Contracting | From expanding   | 1                |
| <b>EMPLOYMENT</b>               | 50.8          | 53.7          | -2.9           | Expanding   | Slower           | 2                |
| <b>NEW ORDERS</b>               | 48.6          | 51.9          | -3.3           | Contracting | From expanding   | 1                |
| <b>INVENTORIES</b>              | 50.8          | 42.8          | +8.0           | Expanding   | From Contracting | 1                |
| <b>SUPPLIER DELIVERIES</b>      | 46.8          | 47.9          | -1.1           | Contracting | Faster           | 3                |
| <b>INPUT PRICES</b>             | 60.5          | 56.7          | +3.8           | Expanding   | Faster           | 91               |
| <b>EXPORTS</b>                  | 44.0          | 43.6          | +0.4           | Contracting | Slower           | 3                |
| <b>SELLING PRICES</b>           | 44.0          | 44.4          | -0.4           | Contracting | Faster           | 3                |
| <b>AVERAGE WAGES</b>            | 58.1          | 57.2          | +0.9           | Expanding   | Faster           | 8                |
| <b>CAPACITY UTILISATION (%)</b> | 73.5          | 74.3          | -0.8% pts      | Contracting | na               | na               |

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 June 2007 based on quarterly surveys. From this point data will be collected in the monthly survey.

\*\* Number of months moving in current direction.

New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2009.

## 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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