

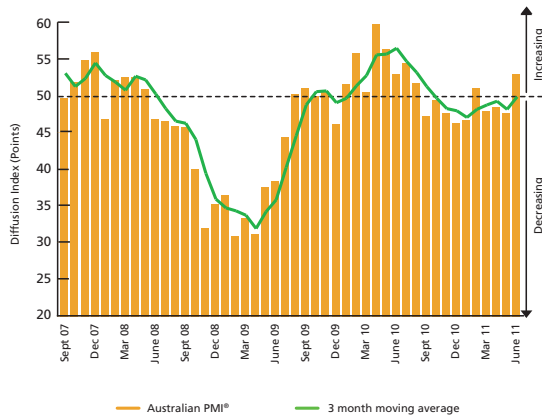
PMI AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING TICKS UP IN JUNE

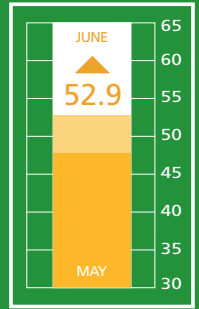
KEY FINDINGS

- Manufacturing activity moved into positive territory in June with the seasonally adjusted Australian Industry Group-PwC **Australian PMI®** increasing 5.2 points to 52.9 to be above the 50-point level separating expansion from contraction for the first time since February.
- The manufacturing sector was supported by expansions in the construction materials; basic metals; chemicals, petroleum and coal products; and textiles sub-sectors, and, to a smaller extent, in the machinery and equipment and miscellaneous manufactures sub-sectors.
- Despite the expansions in activity in several sub-sectors, most survey respondents remained cautious, citing soft domestic demand, the strong Australian dollar and increased import competition as factors inhibiting the manufacturing sector.
- Manufacturing output, new orders, supplier deliveries and inventories all moved into positive territories, while the contraction in manufacturing employment eased.
- Manufacturing activity remained soft across most states, with contractions recorded in New South Wales, South Australia and Western Australia.

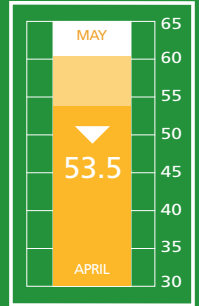


JUNE 2011

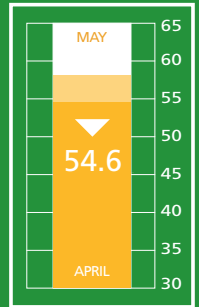
AUSTRALIAN PMI®



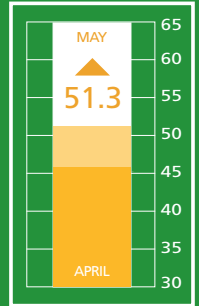
USA ISM PMI



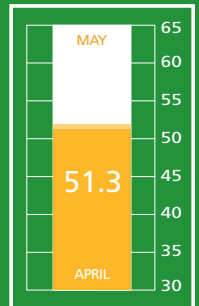
EUROZONE PMI



JAPANESE PMI

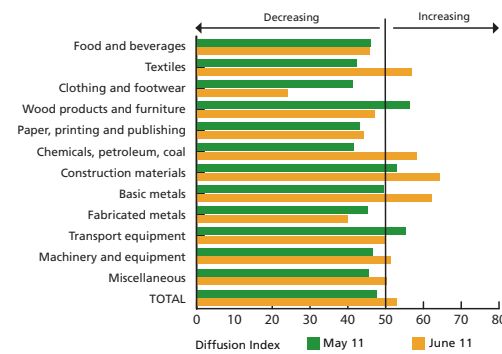


CHINESE PMI



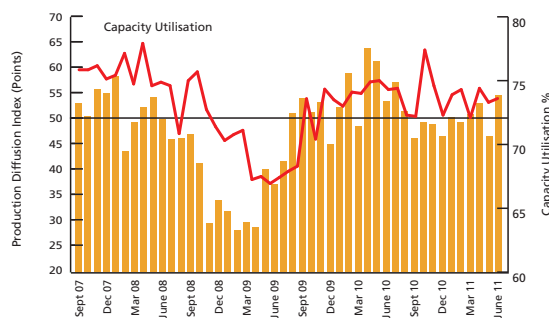
SECTORS

- Seasonally adjusted, six out of the 12 manufacturing sub-sectors recorded declines in activity in June, down from nine in May.
- The decline in activity was most evident in the clothing and footwear and fabricated metals sub-sectors, due to the strong Australian dollar, soft domestic demand and increased competition from cheaper imports.
- The construction materials and basic metals sub-sectors recorded expansions during June.



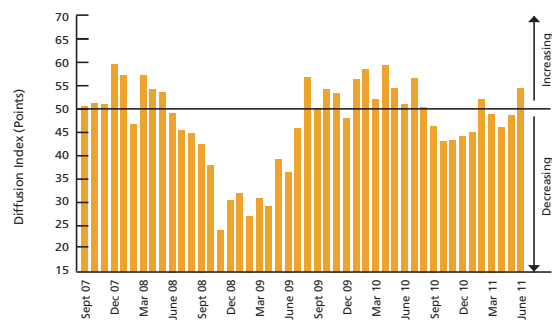
PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index rose 7.8 points to 54.7, indicating that manufacturing output expanded in June.
- The rise in manufacturing output was led by increases in production in the construction materials and basic metals sub-sectors.
- The strong increase in production in these sub-sectors was only partly offset by decreases in output in the clothing and footwear; fabricated metals; paper, printing and publishing; wood products and furniture; and food and beverages sub-sectors.
- On an unadjusted basis, the number of sub-sectors reporting declines in production fell to seven in June, down from nine in May.
- Overall, capacity utilisation rose in June, by only 0.3 percentage points to 73.6%, largely reflecting the increase in capacity utilisation in the clothing & footwear sub-sector.



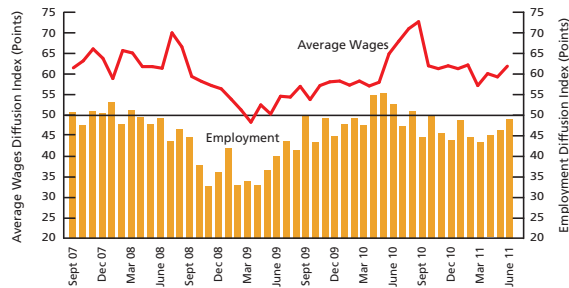
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose 6.0 points to 54.6 in June, marking the first expansion in new orders since February and the highest level reached since July 2010.
- Unadjusted, new orders dropped in seven of the 12 sub-sectors.
- The construction materials and basic metals sub-sectors recorded the strongest increase in new orders, while the clothing and textiles sub-sector experienced the steepest decline in new orders.



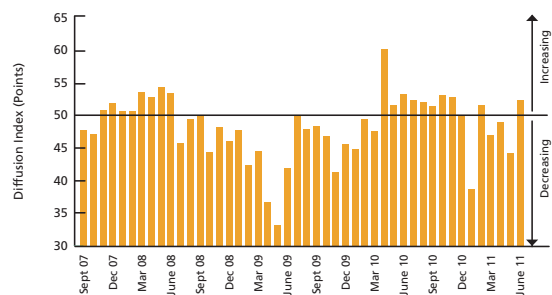
EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index increased 3.0 points to 49.4 in June, remaining below the 50.0 level separating expansion from contraction, and marking the eighth straight month of decline in manufacturing employment.
- Sharp declines in employment were recorded in the food and beverages; wood products and furniture; and machinery and equipment sub-sectors.
- Despite the continued declines in employment in the manufacturing sector over the recent months, the wages sub-index rose, with the sub-index up 2.6 points to 61.9 in June, indicating a pick-up in the pace of wage rises.



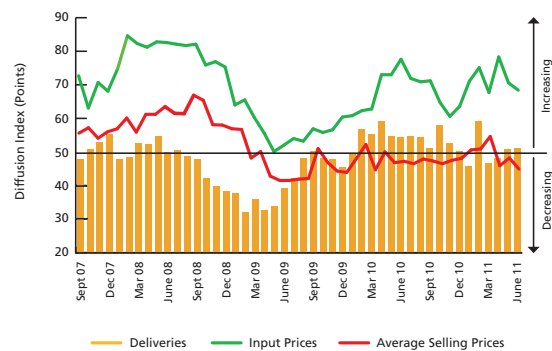
FINISHED STOCKS

- Manufacturing inventories increased in June, with the seasonally adjusted sub-index increasing by 8.4 points to 52.8, above the 50.0 level for the first time since February.
- Inventories increased most strongly in clothing and footwear and miscellaneous manufactures sub-sectors.
- The fabricated metals sub-sector was the only sub-sector that recorded a decrease in inventories.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in June increased slightly, with the sub-index rising by 0.3 points to 51.2.
- Unadjusted, deliveries rose in five sub-sectors, with construction materials recording the strongest gain.
- The increase in input costs moderated in June, with the seasonally adjusted sub-index falling 2.2 points to 68.5. All sub-sectors recorded strong increases in input costs.
- The fall in selling prices worsened in June, as the sub-index fell 3.3 points to 45.0.



AUSTRALIAN PMI®

	June 2011	May 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	52.9	47.7	5.2	Expanding	From contracting	1
PRODUCTION	54.7	46.9	7.8	Expanding	From contracting	1
EMPLOYMENT	49.4	46.4	3.0	Contracting	Slower	8
NEW ORDERS	54.6	48.6	6.0	Expanding	From contracting	1
INVENTORIES	52.8	44.4	8.4	Expanding	From contracting	1
SUPPLIER DELIVERIES	51.2	50.9	0.3	Expanding	Faster	2
INPUT PRICES	68.5	70.7	-2.2	Expanding	Slower	109
EXPORTS	45.9	43.1	2.8	Contracting	Slower	9
SELLING PRICES	45.0	48.3	-3.3	Contracting	Faster	3
AVERAGE WAGES	61.9	59.3	2.6	Expanding	Faster	26
CAPACITY UTILISATION (%)	73.6	73.3	0.3 pts	Higher	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 as well as other economic research and analysis can be obtained from the Ai Group website on <http://www.aigroup.com.au/economics>.

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 PMI survey.

** Number of months moving in current direction.

New monthly seasonal adjustment factors derived directly from the Australian Bureau of Statistics were applied in April 2011.

Visit <http://www.aigroup.com.au/economics> for further economic analysis and information.

WHAT IS THE AUSTRALIAN PMI®?

The Australian Industry Group - PwC 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 website www.aigroup.com.au.

SPONSOR STATEMENT

PwC 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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