

# PMI AUSTRALIAN

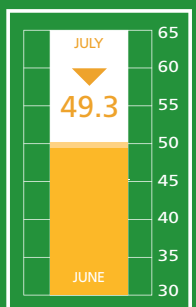
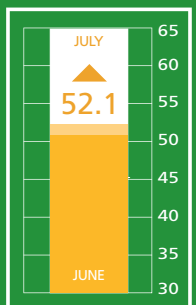
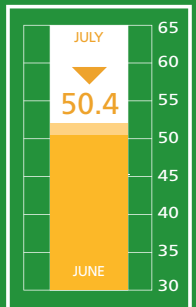
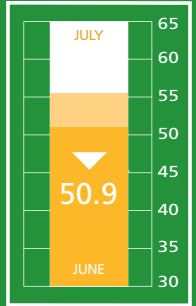
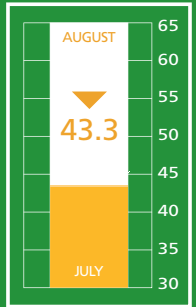
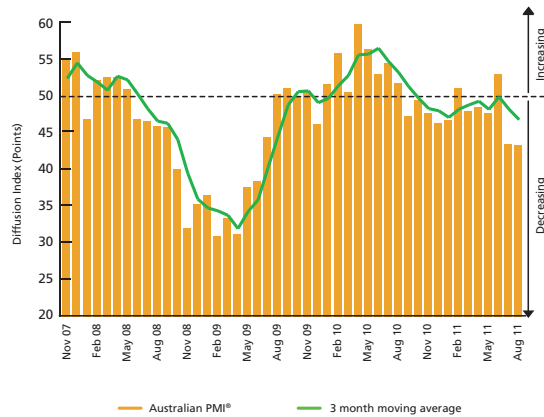
## PERFORMANCE OF MANUFACTURING INDEX®

AUGUST 2011

# MANUFACTURING WEAKENS FURTHER IN AUGUST

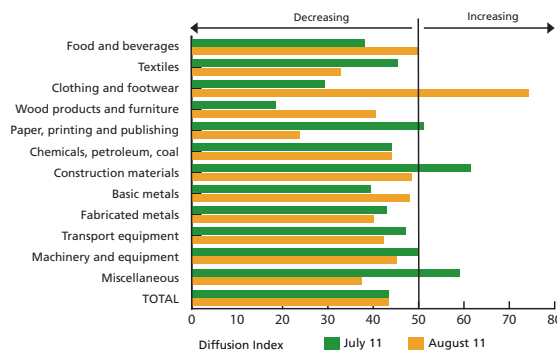
### KEY FINDINGS

- Conditions in the manufacturing sector deteriorated further in August with the seasonally adjusted Australian Industry Group-PwC Australian PMI® down a slight 0.1 points to 43.3. It remains well below the 50-point level indicating a further contraction in activity.
- The decline in manufacturing activity was especially pronounced in the paper, printing and publishing; textiles; miscellaneous manufactures; and fabricated metals sub-sectors.
- Most survey respondents remained cautious about the outlook for the manufacturing sector citing reduced domestic demand, the strong Australian dollar, increased overseas competition, high interest rates, uncertainty surrounding proposed carbon pricing and renewed weakness in the global economy as factors weighing on the sector.
- Wages and input costs continued to rise in August, while the decline in selling prices persisted, suggesting that manufacturing profit margins continued to narrow.
- Manufacturing activity remained weak across most states.



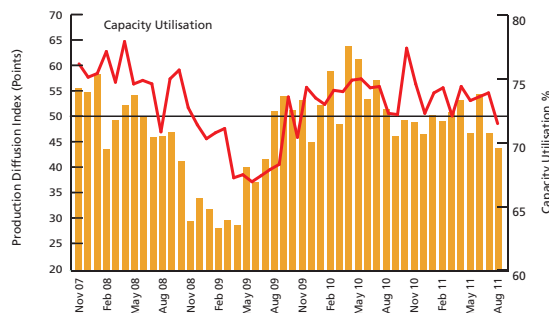
### SECTORS

- Seasonally adjusted, 10 out of the 12 manufacturing sub-sectors recorded declines in activity in August, up from nine in July.
- The decline in activity in the paper, printing and publishing; textiles; miscellaneous manufactures; and fabricated metals sub-sectors could be attributed to increased competition from cheaper imports, the soft housing market, the downturn in retail sales; weak consumer confidence; and the strong Australian dollar.
- The food and beverage and clothing and footwear sub-sectors were the only two sub-sectors that recorded expansions during August.



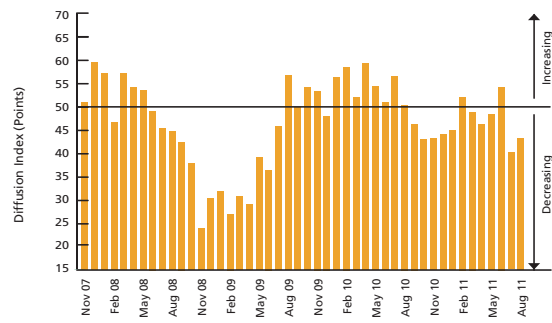
### PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index fell 3.2 points to 43.9, indicating that manufacturing output contracted further in August.
- The fall in manufacturing output was led by decreases in production in the paper, printing and publishing; textiles; fabricated metals; and miscellaneous manufactures sub-sectors.
- On an unadjusted basis, the number of sub-sectors reporting declines in production rose to eight in August, from six in July.
- Overall, capacity utilisation fell by 2.4 percentage points to 71.5% in August, largely reflecting the decrease in capacity utilisation in the transport equipment and miscellaneous manufactures sub-sectors.



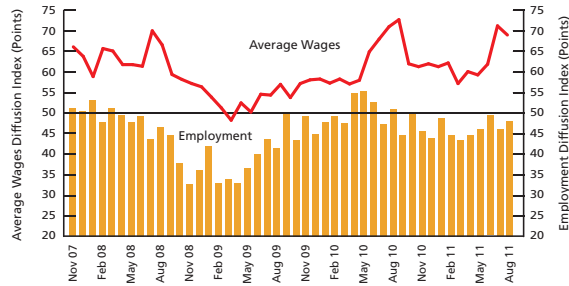
## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose by 3.2 points to 43.4 in August, pointing to a continuing fall in new orders though the pace of decline of new orders eased somewhat.
- Unadjusted, new orders dropped in 10 of the 12 sub-sectors.
- The textiles; transport equipment; paper, printing and publishing; fabricated metals; and wood products and furniture sub-sectors recorded significant decreases in new orders.



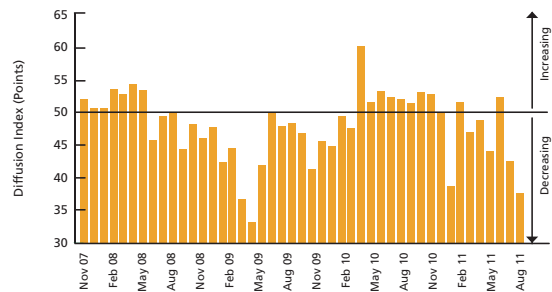
## EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index increased 2.3 points to 48.4 in August, remaining below the 50-point level separating expansion from contraction, and marking the 10th straight month of decline in manufacturing employment.
- Sharp declines in employment were recorded in the paper, printing and publishing; textiles; wood products and furniture; construction materials; and miscellaneous manufactures sub-sectors.
- Despite the continued declines in employment in the manufacturing sector over the recent months, wage growth in the sector continued albeit at a slower pace. The wages sub-index fell, with the sub-index down 2.2 points to 69.0 in August.



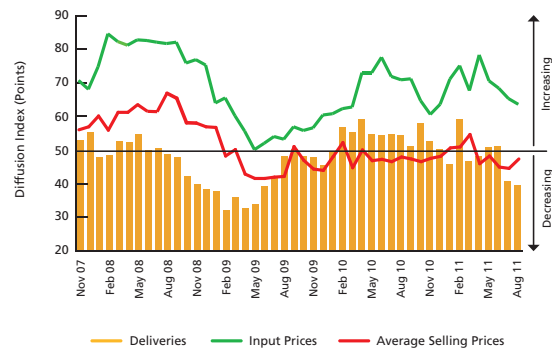
## FINISHED STOCKS

- Manufacturing inventories decreased in August, with the seasonally adjusted sub-index falling by 5.0 points to 37.7, below the 50-point level.
- Inventories decreased strongly in the construction materials; paper, printing and publishing; fabricated metals; wood products and furniture; chemicals, petroleum and coal products; transport equipment; and miscellaneous manufactures sub-sectors.
- The clothing and footwear sub-sector recorded the strongest increase in inventories.



## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in August declined again, with the sub-index falling by 1.3 points to 39.5.
- Unadjusted, deliveries fell in seven sub-sectors, with the paper, printing and publishing sub-sector recording the strongest decline.
- The increase in input costs moderated in August, with the seasonally adjusted sub-index falling 1.7 points to 63.7. All sub-sectors recorded increases in input costs.
- Selling prices continued to fall in August, with the selling prices sub-index increasing 2.8 points to 47.4.



## 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](http://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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## AUSTRALIAN PMI®

|                                 | August 2011 | July 2011 | Monthly Change | Direction   | Rate of Change | Trend** (Months) |
|---------------------------------|-------------|-----------|----------------|-------------|----------------|------------------|
| <b>AUSTRALIAN PMI®</b>          | 43.3        | 43.4      | -0.1           | Contracting | Faster         | 2                |
| <b>PRODUCTION</b>               | 43.9        | 47.1      | -3.2           | Contracting | Faster         | 2                |
| <b>EMPLOYMENT</b>               | 48.4        | 46.1      | 2.3            | Contracting | Slower         | 10               |
| <b>NEW ORDERS</b>               | 43.4        | 40.2      | 3.2            | Contracting | Slower         | 2                |
| <b>INVENTORIES</b>              | 37.7        | 42.7      | -5.0           | Contracting | Faster         | 2                |
| <b>SUPPLIER DELIVERIES</b>      | 39.5        | 40.8      | -1.3           | Contracting | Faster         | 2                |
| <b>INPUT PRICES</b>             | 63.7        | 65.4      | -1.7           | Expanding   | Faster         | 111              |
| <b>EXPORTS</b>                  | 41.0        | 40.4      | 0.6            | Contracting | Slower         | 11               |
| <b>SELLING PRICES</b>           | 47.4        | 44.6      | 2.8            | Contracting | Slower         | 5                |
| <b>AVERAGE WAGES</b>            | 69.0        | 71.2      | -2.2           | Expanding   | Faster         | 28               |
| <b>CAPACITY UTILISATION (%)</b> | 71.5        | 73.9      | -2.4 pts       | Lower       | 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.