

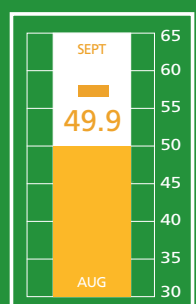
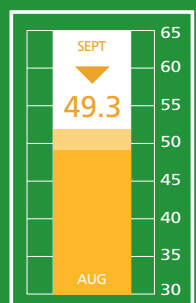
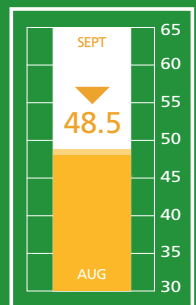
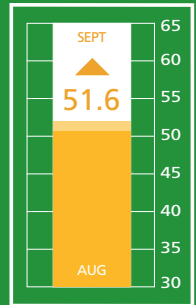
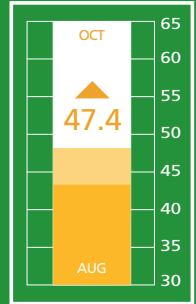
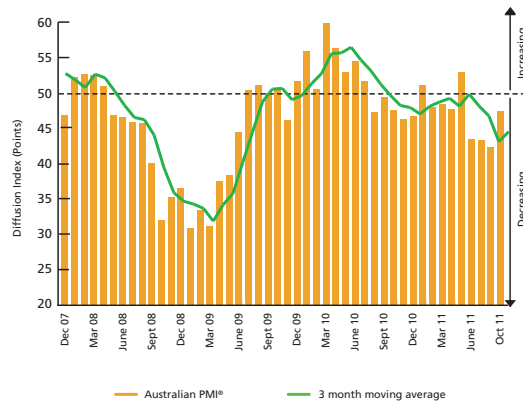
# Australian PERFORMANCE OF MANUFACTURING INDEX®

OCTOBER 2011

## PACE OF MANUFACTURING DECLINE EASES IN OCTOBER

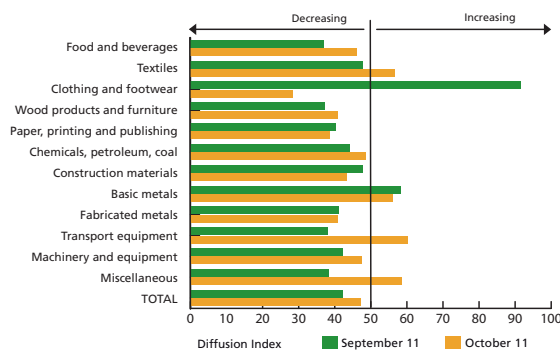
### KEY FINDINGS

- The decline in manufacturing activity continued in October, albeit at a slower pace. The seasonally adjusted Australian Industry Group-PwC Australian PMI® rose 5.1 points to 47.4. (Readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decline.)
- The decline in manufacturing activity was particularly pronounced in the clothing and footwear sector. In addition, sectors linked to the construction industry, including wood products and furniture, fabricated metals and construction materials continued to exhibit substantial weakness.
- Most survey respondents remained cautious about the outlook for manufacturing, citing the negative influences of slowing sales, the strong Australian dollar, cheap import substitutes, and a weak construction market. Concern with respect to skilled labour shortages and the introduction of the carbon tax was also cited.
- Wages and input costs continued to rise in October, while the decline in selling prices persisted, pointing to a narrowing of manufacturing profit margins.
- Queensland and South Australia were the only States that recorded expansions in manufacturing activity.



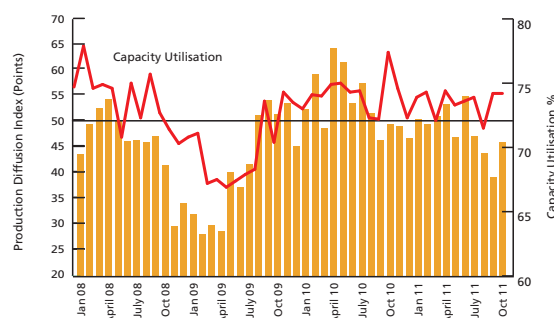
### SECTORS

- Seasonally adjusted, eight out of the 12 manufacturing sub-sectors recorded declines in activity in October, down from 10 in September.
- The decline in activity in the clothing and footwear and paper, printing and publishing sub-sectors is partly attributable to slowing demand, weakening business confidence and uncertainty about the economic outlook.
- The textiles; basic metals; transport equipment and miscellaneous manufactures sub-sectors recorded the strongest expansions during October, in part reflecting stronger demand from the mining sector in the month.



### PRODUCTION AND CAPACITY UTILISATION

- Seasonally adjusted, the production sub-index rose 6.7 points to 45.9, indicating that manufacturing output contracted for the fourth consecutive month in October.
- The fall in manufacturing output reflected decreases in production in the fabricated metals; clothing and footwear; paper, printing and publishing; food and beverages; and wood products and furniture sub-sectors.
- On an unadjusted basis, the number of sub-sectors reporting declines in production fell to five in October, from nine in September.
- Overall, capacity utilisation in October remained unchanged from September at 74.2%.



AUSTRALIAN PMI®

USA ISM PMI

EUROZONE PMI

JAPANESE PMI

CHINESE PMI

## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose by 2.3 points to 46.9 in October, pointing to a continuing fall in new orders although the pace of decline has eased somewhat.
- Unadjusted, new orders dropped in six of the 12 sub-sectors.
- The clothing and footwear and fabricated metals sub-sectors both recorded significant decreases in new orders.

## EMPLOYMENT AND AVERAGE WAGES

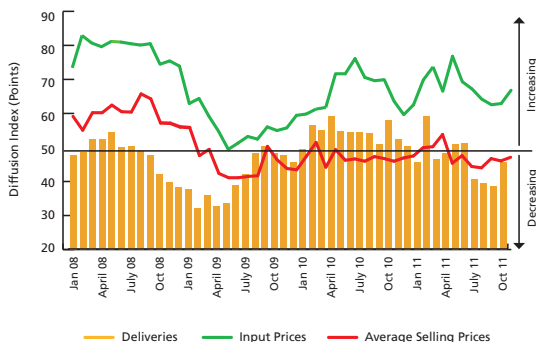
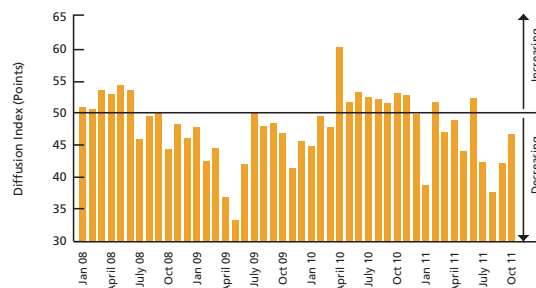
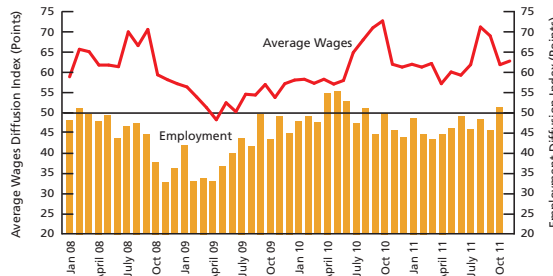
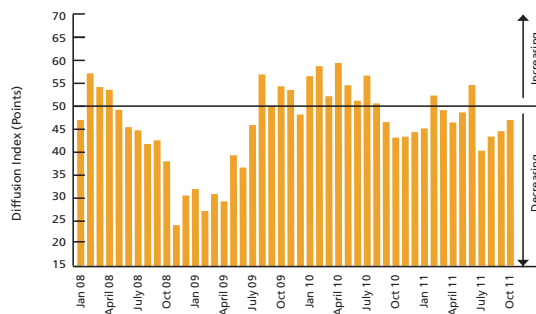
- The seasonally adjusted employment sub-index increased 5.9 points to 51.6 in October, marking the first expansion in manufacturing employment after 11 consecutive months of decline.
- Increases in employment were recorded in the textiles; chemicals, petroleum and coal products; basic metals; transport equipment; machinery and equipment; and miscellaneous manufactures sub-sectors.
- Wages growth in the manufacturing sector continued, with the wages sub-index up 0.9 points to 62.8 in October.

## FINISHED STOCKS

- Manufacturing inventories decreased at a slower pace in October, with the seasonally adjusted sub-index rising by 4.7 points to 47.0, below the 50-point level.
- Inventories decreased most strongly in the wood product and furniture sub-sector, while 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 October declined at a slower pace, with the sub-index rising by 7.1 points to 45.7.
- Unadjusted, deliveries fell in five sub-sectors, with the paper, printing and publishing sub-sector recording the strongest decline.
- The increase in input costs persisted in October, with the seasonally adjusted sub-index increasing 4.0 points to 68.1. All sub-sectors, except clothing and footwear recorded increases in input costs.
- Selling prices continued to fall in October, with the selling prices sub-index increasing 1.1 points to 47.8.



## AUSTRALIAN PMI®

	October 2011	September 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
<b>AUSTRALIAN PMI®</b>	47.4	42.3	5.1	Contracting	Slower	4
<b>PRODUCTION</b>	45.9	39.2	6.7	Contracting	Slower	4
<b>EMPLOYMENT</b>	51.6	45.7	5.9	Expanding	From contracting	1
<b>NEW ORDERS</b>	46.9	44.6	2.3	Contracting	Slower	4
<b>INVENTORIES</b>	47.0	42.3	4.7	Contracting	Slower	4
<b>SUPPLIER DELIVERIES</b>	45.7	38.6	7.1	Contracting	Slower	4
<b>INPUT PRICES</b>	68.1	64.1	4.0	Expanding	Faster	113
<b>EXPORTS</b>	47.0	37.1	9.9	Contracting	Slower	13
<b>SELLING PRICES</b>	47.8	46.7	1.1	Contracting	Slower	7
<b>AVERAGE WAGES</b>	62.8	61.9	0.9	Expanding	Faster	30
<b>CAPACITY UTILISATION (%)</b>	74.2	74.2	0 pt	No change	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](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.



## CONTACT

Heather Ridout  
Chief Executive  
Ai Group  
work 02 9466 5504

Markit Economics  
[www.markiteconomics.com](http://www.markiteconomics.com)

© The Australian Industry Group, 2011  
This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part may be reproduced by any process or means without the prior written permission of The Australian Industry Group.

**Disclaimer** - The Australian Industry Group provides information services to its members and others, which include economic and industry policy and forecasting services. None of the information provided here is represented or implied to be legal, accounting, financial or investment advice and does not constitute financial product advice. The Australian Industry Group does not invite and does not expect any person to act or rely on any statement, opinion, representation or interference expressed or implied in this publication. All readers must make their own enquiries and obtain their own professional advice in relation to any issue or matter referred to herein before making any financial or other decision. The Australian Industry Group accepts no responsibility for any act or omission by any person relying in whole or in part upon the contents of this publication.