

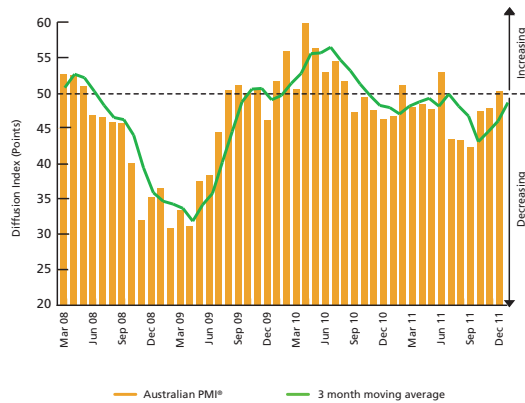
# PMI AUSTRALIAN

## PERFORMANCE OF MANUFACTURING INDEX®

# MANUFACTURING REMAINS FLAT IN DECEMBER

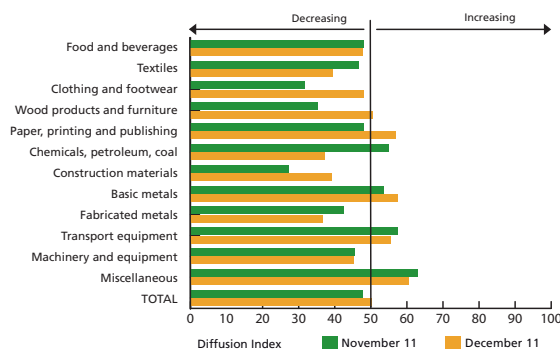
### KEY FINDINGS

- Manufacturing activity remained broadly unchanged in December. The seasonally adjusted Australian Industry Group-PwC Australian PMI® rose 2.4 points to 50.2. (Readings above 50 indicate an expansion in activity with the distance from 50 indicative of the strength of the increase.)
- The increase in manufacturing activity in the miscellaneous manufactures; basic metals; paper, printing and publishing; and transport equipment sub-sectors was largely balanced by the significant decline in activity in the fabricated metals; chemicals; petroleum and coal products; construction materials; and textiles sub-sectors.
- Most survey respondents remained cautious about the outlook for manufacturing, citing the negative influences of softer domestic demand, heightened global economic uncertainty and cheaper import substitutes.
- Wages and input costs continued to rise in December, while the decline in selling prices persisted, pointing to a narrowing of manufacturing profit margins.
- Queensland was the only State to record an expansion in manufacturing activity.



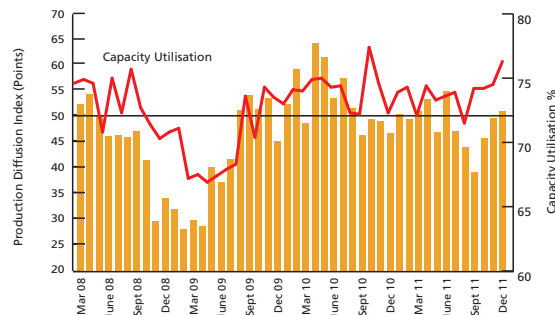
### SECTORS

- Seasonally adjusted, seven out of the 12 manufacturing sub-sectors recorded declines in activity in December, down from eight sub-sectors in November.
- The decline in activity in the fabricated metals; chemicals, petroleum and coal products; construction materials; and textiles sub-sectors is partly attributable to softer domestic demand, weaker consumer confidence, cheaper import substitutes and uncertainty about the global economic outlook.
- The miscellaneous manufactures; basic metals; paper, printing and publishing; and transport equipment sub-sectors recorded the strongest expansions during December.

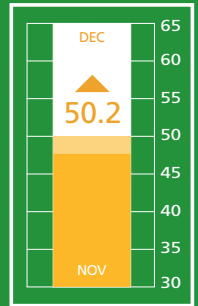


### PRODUCTION AND CAPACITY UTILISATION

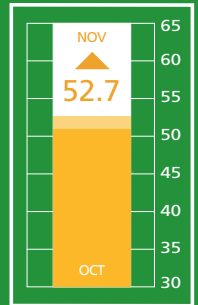
- Seasonally adjusted, the production sub-index rose 1.4 points to 51.0, indicating that manufacturing output increased in December.
- The result for manufacturing output reflected significant increases in production in the food and beverages; clothing and footwear; wood products and furniture; paper, printing and publishing; and basic metals sub-sectors.
- On an unadjusted basis, three sub-sectors reported declines in production in December, down from five sub-sectors in November.
- Overall, capacity utilisation in December rose to 76.3%.



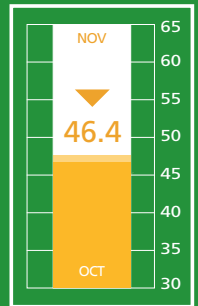
### AUSTRALIAN PMI®



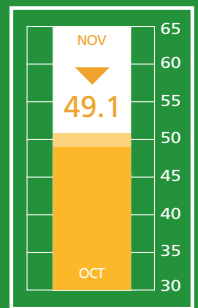
### USA ISM PMI



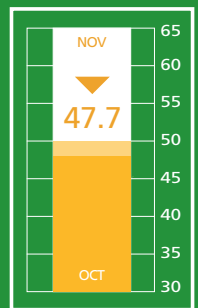
### EUROZONE PMI



### JAPANESE PMI



### CHINESE PMI



## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose by 1.8 points to 49.9 in December, pointing to a continued easing in the pace of decline in new orders.
- Unadjusted, new orders dropped in five of the 12 sub-sectors.
- The textiles and construction materials sub-sectors recorded significant decreases in new orders.
- On the other hand, new orders increased in miscellaneous manufactures; clothing and footwear; basic metals; and food and beverages sub-sectors.

## EMPLOYMENT AND AVERAGE WAGES

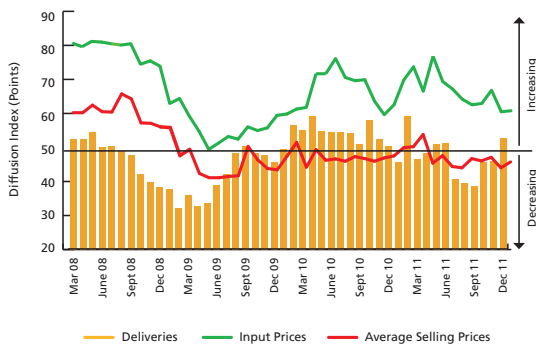
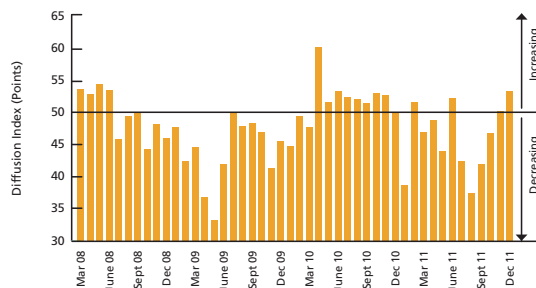
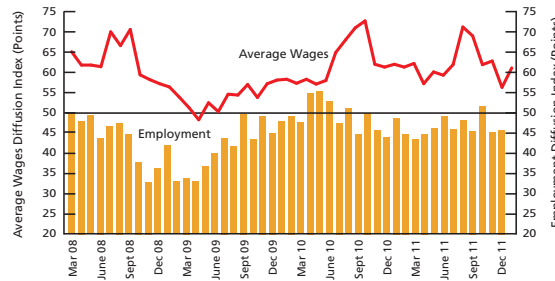
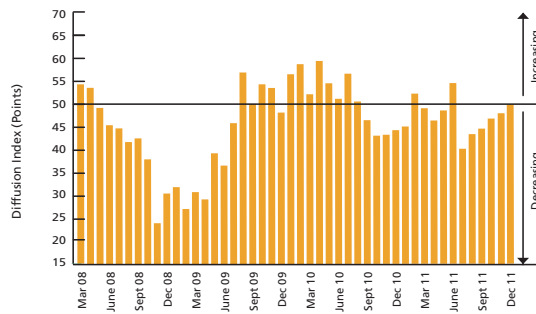
- The seasonally adjusted employment sub-index increased 0.7 points to 46.0 in December, indicating that manufacturing employment has resumed the decline witnessed through the most part of this year.
- Decreases in employment were recorded in the food and beverages; chemicals, petroleum and coal; basic metals; and fabricated metals sub-sectors.
- Wages growth in the manufacturing sector continued, with the wages sub-index up 4.8 points to 61.1 in December.

## FINISHED STOCKS

- Manufacturing inventories increased slightly in December, with the seasonally adjusted sub-index rising 3.4 points to 53.9, above the 50-point level.
- Inventories increased most strongly in the paper, printing and publishing; textiles; and basic metals sub-sectors, while the clothing and footwear sub-sector recorded the strongest decrease in inventories.

## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries increased in December, with the sub-index rising by 6.9 points to 52.8.
- Unadjusted, deliveries rose in eight sub-sectors, with the textiles; food and beverages; paper, printing and publishing; clothing and footwear; and miscellaneous manufactures sub-sectors recording significant increases.
- The increase in input costs persisted in December, with the seasonally adjusted sub-index rising 0.3 points to 61.9. All sub-sectors recorded increases in input costs.
- Selling prices continued to fall in December, with the selling prices sub-index increasing 1.8 points to 46.4.



## 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.



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## AUSTRALIAN PMI®

|                                 | December 2011 | November 2011 | Monthly Change | Direction   | Rate of Change   | Trend** (Months) |
|---------------------------------|---------------|---------------|----------------|-------------|------------------|------------------|
| <b>AUSTRALIAN PMI®</b>          | 50.2          | 47.8          | 2.4            | Expanding   | From contracting | 1                |
| <b>PRODUCTION</b>               | 51.0          | 49.6          | 1.4            | Expanding   | From contracting | 1                |
| <b>EMPLOYMENT</b>               | 46.0          | 45.3          | 0.7            | Contracting | Slower           | 2                |
| <b>NEW ORDERS</b>               | 49.9          | 48.1          | 1.8            | Contracting | Slower           | 6                |
| <b>INVENTORIES</b>              | 53.9          | 50.5          | 3.4            | Expanding   | Faster           | 2                |
| <b>SUPPLIER DELIVERIES</b>      | 52.8          | 45.9          | 6.9            | Expanding   | From contracting | 1                |
| <b>INPUT PRICES</b>             | 61.9          | 61.6          | 0.3            | Expanding   | Faster           | 115              |
| <b>EXPORTS</b>                  | 47.4          | 53.4          | -6.0           | Contracting | From expanding   | 1                |
| <b>SELLING PRICES</b>           | 46.4          | 44.6          | 1.8            | Contracting | Slower           | 9                |
| <b>AVERAGE WAGES</b>            | 61.1          | 56.3          | 4.8            | Expanding   | Faster           | 32               |
| <b>CAPACITY UTILISATION (%)</b> | 76.3          | 74.5          | 1.8 pt         | Increase    | 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.