

# PMI AUSTRALIAN

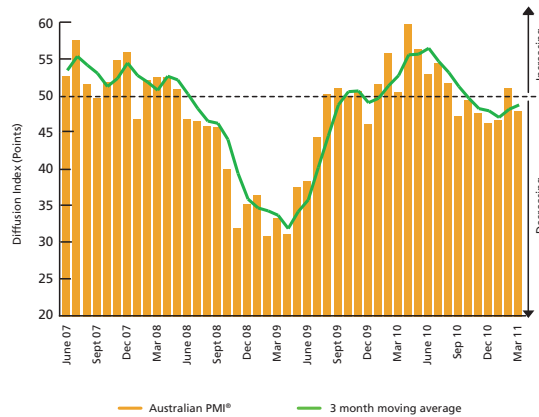
## PERFORMANCE OF MANUFACTURING INDEX®

MARCH 2011

# MANUFACTURING DIPS IN MARCH

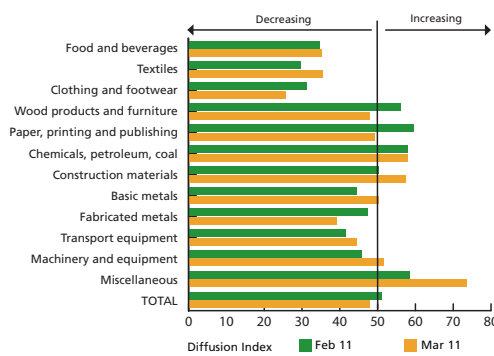
### KEY FINDINGS

- Manufacturing activity declined in March. The seasonally adjusted Australian Industry Group-PwC **Australian PMI®** fell 3.2 points to 47.9, after having risen above the 50-point level separating expansion from contraction in February.
- The decline in manufacturing activity was led by contractions in the clothing & footwear; food & beverages; textiles; and fabricated metals sub-sectors, and, to a smaller extent, by the transport equipment; wood products & furniture; and paper, printing & publishing sub-sectors.
- Survey respondents cited soft domestic demand, the strong Australian dollar, strong overseas competition and rising raw material prices as factors inhibiting the manufacturing sector.
- The rise in wages and input costs continued in March. Although selling prices have increased for the third consecutive month, the extent of this increase is nevertheless smaller than that recorded in wages and input costs, suggesting that manufacturing profit margins continued to narrow.
- Manufacturing activity contracted in Tasmania, Victoria, South Australia and New South Wales, but expanded in Queensland and Western Australia.



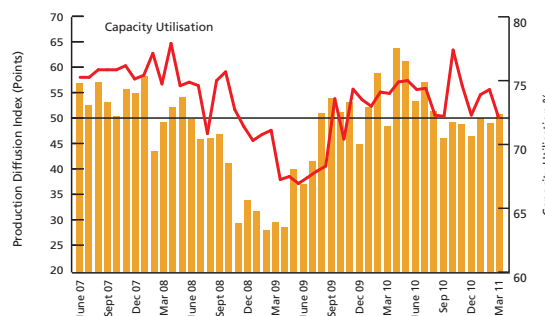
### SECTORS

- Seasonally adjusted, seven out of the 12 manufacturing sub-sectors recorded declines in activity in March, unchanged from February. The expansions in activity in the other five sub-sectors failed to lift overall manufacturing activity.
- The decline in activity was especially pronounced in the clothing & footwear; food & beverages; textiles; and fabricated metals sub-sectors, due to the strong Australian dollar, overseas competition, higher raw material prices and soft domestic demand.

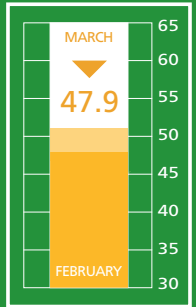


### PRODUCTION AND CAPACITY

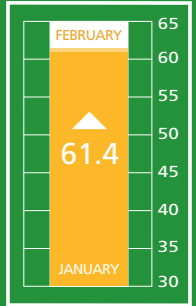
- Seasonally adjusted, the production sub-index rose 1.6 points to 50.9, indicating that manufacturing output remained largely flat in March.
- On an unadjusted basis, the number of sub-sectors reporting declines in production fell from eight in February to seven in March. Significant decreases in output were recorded in the clothing & footwear; food & beverages; and textiles sub-sectors.
- Overall, capacity utilisation fell in March, by 2.2 percentage points to 72.1%, largely reflecting the sharp drop in capacity utilisation in the miscellaneous manufactures and textiles sub-sectors.



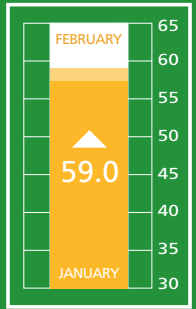
AUSTRALIAN PMI®



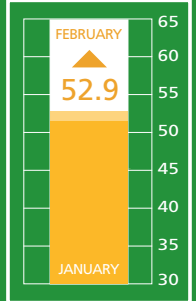
USA ISM PMI



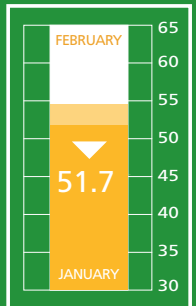
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index fell 3.2 points to 49.1 in March, reversing the first increase in new orders witnessed in February after five months of decline.
- Unadjusted, new orders dropped in eight of the 12 sub-sectors, and remained unchanged in two sub-sectors.
- The clothing & footwear; textiles; transport equipment; and fabricated metals sub-sectors recorded the largest declines in new orders.
- New orders rose sharply in the miscellaneous manufactures sub-sector, but this was insufficient to lift the overall level of new orders in the manufacturing sector.

## EMPLOYMENT AND AVERAGE WAGES

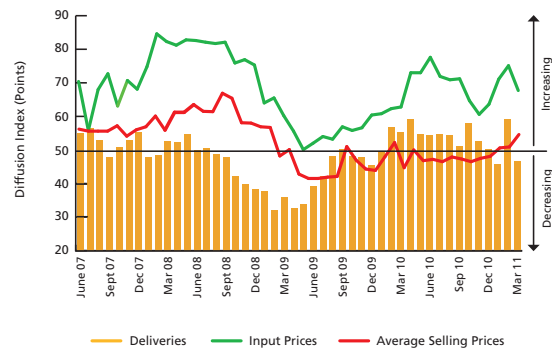
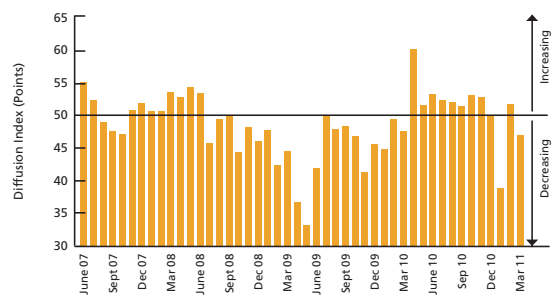
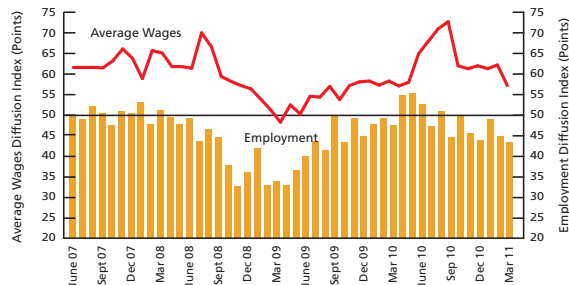
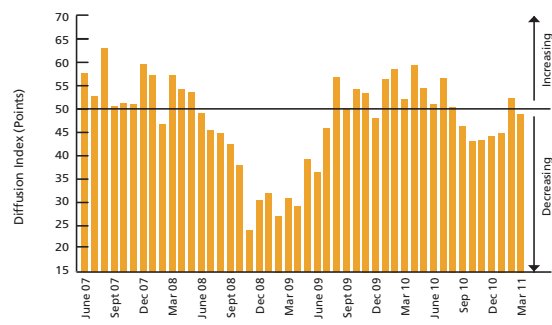
- The seasonally adjusted employment sub-index decreased 1.3 points to 43.7 in March, marking the fifth month of decline in manufacturing employment.
- Sharp declines in employment were recorded in the food & beverages; textiles; paper, printing & publishing; and fabricated metals sub-sectors.
- Despite the continued declines in employment in the manufacturing sector over the recent months, the pace of wage growth remained robust, with the sub-index down 5.0 points to 57.2 in March.

## FINISHED STOCKS

- Manufacturing inventories decreased in March, with the seasonally adjusted sub-index down 4.7 points to 47.4.
- Inventories declined most strongly in the wood products & furniture and paper; printing & publishing; and food & beverages sub-sectors.
- The miscellaneous manufactures sub-sector, on the other hand, recorded a considerable increase in inventories.

## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in March decreased, as the sub-index fell 12.5 points to 46.6.
- Unadjusted, deliveries fell in six sub-sectors, with food & beverages and textiles sub-sectors recording the strongest falls. The wood products & furniture; paper, printing & publishing; chemicals, machinery & equipment; and basic metals also recorded declines in deliveries, albeit more moderately.
- The increase in input costs slowed in March, with the seasonally adjusted sub-index falling 7.4 points to 67.8. The textiles; clothing & footwear; chemicals, petroleum and coal products; construction materials; fabricated metals; and machinery & equipment sub-sectors recorded the strongest increase in input costs.
- Selling prices increased in March. The sub-index rose by 3.7 points to 54.7, above the 50-point level.



## 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®

	March 2011	February 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
<b>AUSTRALIAN PMI®</b>	47.9	51.1	-3.2	Contracting	From expanding	1
<b>PRODUCTION</b>	50.9	49.3	1.6	Expanding	From contracting	1
<b>EMPLOYMENT</b>	43.7	45.0	-1.3	Contracting	Faster	5
<b>NEW ORDERS</b>	49.1	52.3	-3.2	Contracting	From expanding	1
<b>INVENTORIES</b>	47.4	52.1	-4.7	Contracting	From expanding	1
<b>SUPPLIER DELIVERIES</b>	46.6	59.1	-12.5	Contracting	From expanding	1
<b>INPUT PRICES</b>	67.8	75.2	-7.4	Expanding	Slower	106
<b>EXPORTS</b>	48.2	49.2	-1.0	Contracting	Faster	6
<b>SELLING PRICES</b>	54.7	51.0	3.7	Expanding	Faster	3
<b>AVERAGE WAGES</b>	57.2	62.2	-5.0	Expanding	Slower	23
<b>CAPACITY UTILISATION (%)</b>	72.1	74.3	-2.2 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 a TRAMO-SEATS estimation process were applied in April 2010.

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