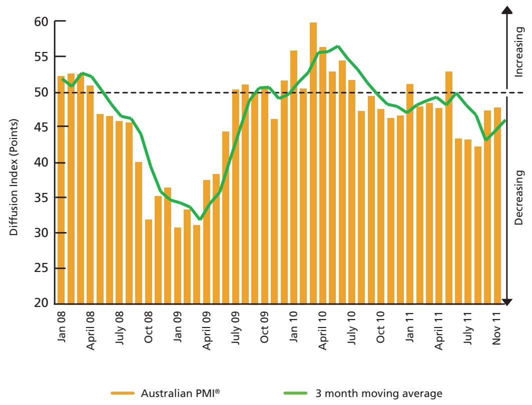
AUSTRALIAN PMI
PERFORMANCE OF MANUFACTURING INDEX®

NOVEMBER 2011

MANUFACTURING REMAINS FLAT IN NOVEMBER

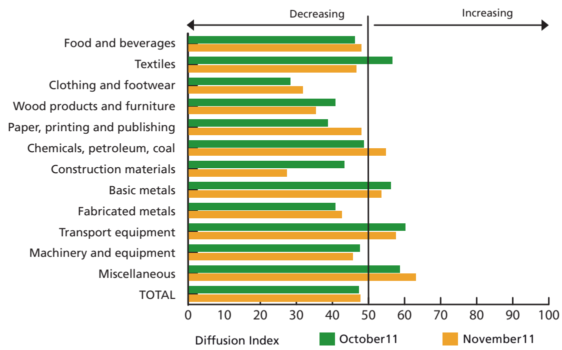
KEY FINDINGS

- Manufacturing activity remained flat in November. The seasonally adjusted Australian Industry Group-PwC **Australian PMI®** rose 0.4 points to 47.8. (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 construction materials; clothing and footwear; and wood products and furniture sub-sectors.
- Most survey respondents remained cautious about the outlook for manufacturing, citing the negative influences of slowing sales, low levels of building activity and cheap imported substitutes. Concerns with respect to skilled labour shortages, rising utility costs and the introduction of the carbon tax were also cited.
- Wages and input costs continued to rise in November, 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.



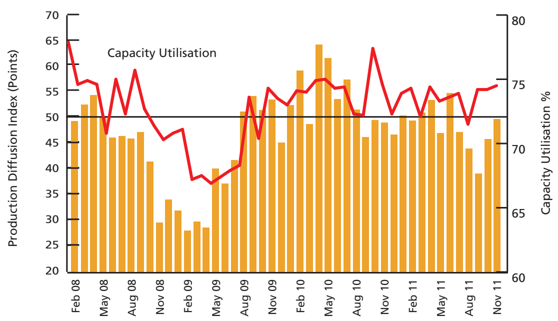
SECTORS

- Seasonally adjusted, eight out of the 12 manufacturing sub-sectors recorded declines in activity in November, unchanged from October.
- The decline in activity in the construction materials; clothing and footwear; and wood products and furniture sub-sectors is partly attributable to softening domestic demand, weakness in residential and commercial building activity, cheaper import substitutes and uncertainty about the global economic outlook.
- The miscellaneous manufactures and transport equipment sub-sectors recorded the strongest expansions during November.

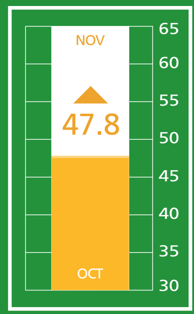


PRODUCTION AND CAPACITY UTILISATION

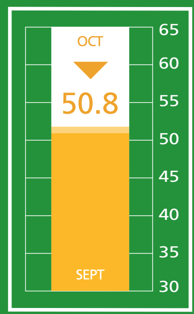
- Seasonally adjusted, the production sub-index rose 3.7 points to 49.6, indicating that manufacturing output was broadly unchanged in November.
- The overall result for manufacturing output reflected the balance between significant decreases in production in the construction materials; clothing and footwear; and textiles sub-sectors and increases in the food and beverages; machinery and equipment; and miscellaneous manufactures sub-sectors.
- On an unadjusted basis, five sub-sectors reported declines in production in November, unchanged from October.
- Overall, capacity utilisation in November rose slightly to 74.5%.



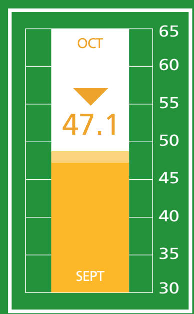
AUSTRALIAN PMI®



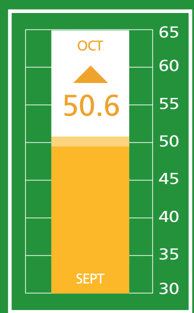
USA ISM PMI



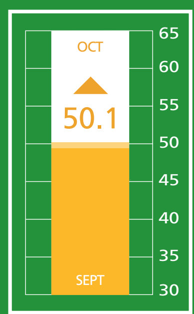
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



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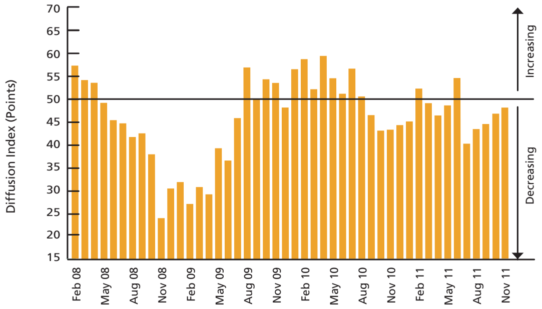
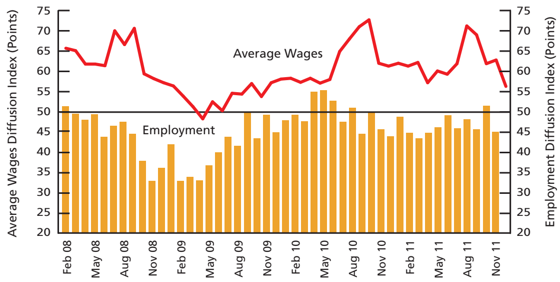
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose by 1.2 points to 48.1 in November, pointing to a continued easing in the pace of decline in new orders.
- Unadjusted, new orders dropped in seven of the 12 sub-sectors.
- The textiles; clothing and footwear and wood products and furniture sub-sectors recorded significant decreases in new orders.
- On the other hand, new orders increased in the food and beverages; basic metals; machinery and equipment; and miscellaneous manufactures sub-sectors.



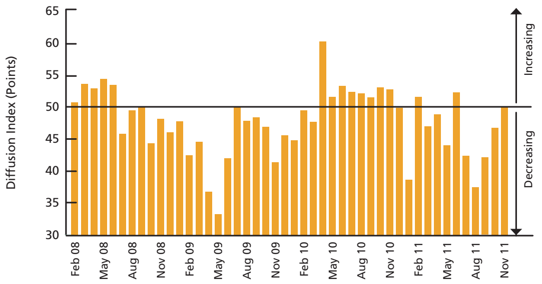
EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index decreased 6.3 points to 45.3 in November, reversing the brief expansion in manufacturing employment in October after 11 consecutive months of decline.
- Decreases in employment were recorded in the construction materials; food and beverages; wood products and furniture; basic metals; fabricated metals; and machinery and equipment sub-sectors.
- Wages growth in the manufacturing sector continued although the pace of wages growth slowed, with the wages sub-index down 6.5 points to 56.3 in November.



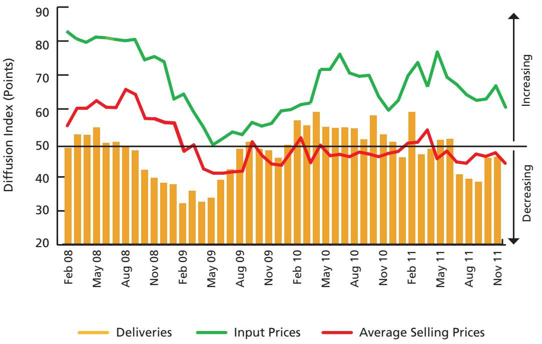
FINISHED STOCKS

- Manufacturing inventories increased slightly in November, with the seasonally adjusted sub-index rising 3.5 points to 50.5, above the 50-point level.
- Inventories increased most strongly in the textiles sub-sector, 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 in November declined at a slower pace, with the sub-index rising by 0.2 points to 45.9.
- Unadjusted, deliveries fell in five sub-sectors, with the clothing and footwear sub-sector recording the strongest decline.
- The increase in input costs persisted in November, with the seasonally adjusted sub-index falling 6.5 points to 61.6. All sub-sectors, except clothing and footwear and transport equipment, recorded increases in input costs.
- Selling prices continued to fall in November, with the selling prices sub-index decreasing 3.2 points to 44.6.



AUSTRALIAN PMI®

	November 2011	October 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	47.8	47.4	0.4	Contracting	Slower	5
PRODUCTION	49.6	45.9	3.7	Contracting	Slower	5
EMPLOYMENT	45.3	51.6	-6.3	Contracting	From expanding	1
NEW ORDERS	48.1	46.9	1.2	Contracting	Slower	5
INVENTORIES	50.5	47.0	3.5	Expanding	From contracting	1
SUPPLIER DELIVERIES	45.9	45.7	0.2	Contracting	Slower	5
INPUT PRICES	61.6	68.1	-6.5	Expanding	Slower	114
EXPORTS	53.4	47.0	6.4	Expanding	From contracting	1
SELLING PRICES	44.6	47.8	-3.2	Contracting	Faster	8
AVERAGE WAGES	56.3	62.8	-6.5	Expanding	Slower	31
CAPACITY UTILISATION (%)	74.5	74.2	0.3 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.

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.

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