

# PMI AUSTRALIAN

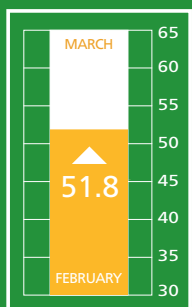
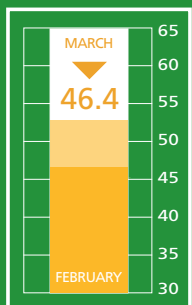
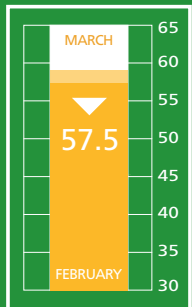
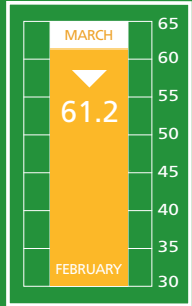
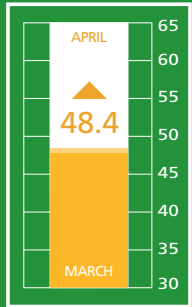
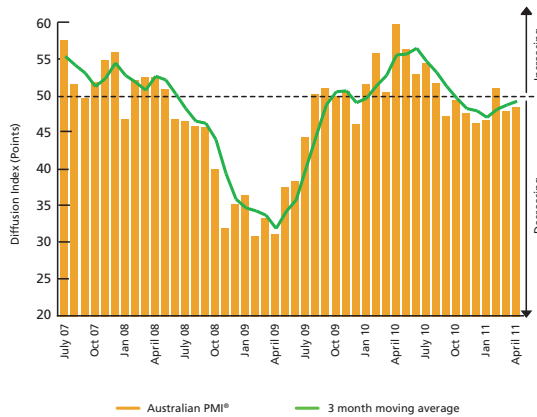
## PERFORMANCE OF MANUFACTURING INDEX®

APRIL 2011

### MANUFACTURING REMAINS IN NEGATIVE TERRITORY

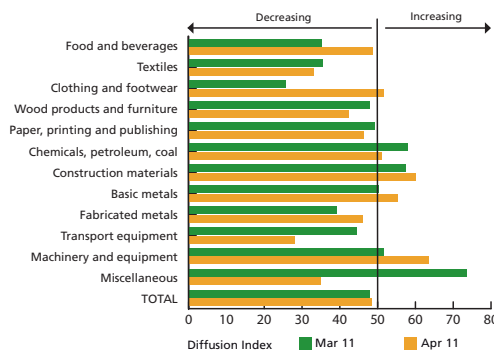
#### KEY FINDINGS

- Manufacturing activity remained in negative territory in April with the seasonally adjusted Australian Industry Group-PwC Australian PMI® rising 0.5 points to 48.4 to remain below the 50-point level separating expansion from contraction.
- The manufacturing sector was weighed down by significant contractions in the transport equipment; textiles; and miscellaneous manufactures sub-sectors, and, to a smaller extent, by the wood products & furniture; paper, printing & publishing; fabricated metals; and food & beverages sub-sectors.
- Survey respondents cited soft domestic demand, the strong Australian dollar and increased import competition as factors inhibiting the manufacturing sector.
- Wages and input costs continued rising in April, while selling prices dipped, suggesting that manufacturing profit margins continued to narrow.
- Manufacturing activity contracted in Victoria, Queensland and Western Australia, but expanded in the other states.



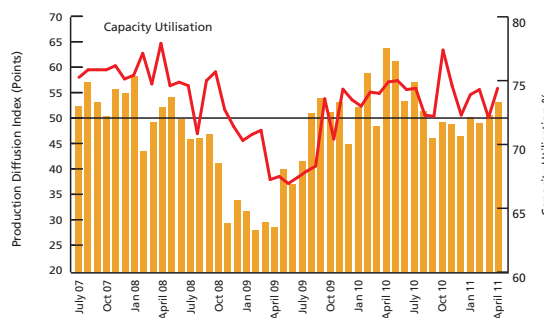
#### SECTORS

- Seasonally adjusted, seven out of the 12 manufacturing sub-sectors recorded declines in activity in April, unchanged from March. The expansions in activity in the other five sub-sectors, which was led by the machinery & equipment and construction materials sub-sectors, failed to lift overall manufacturing activity.
- The decline in activity was especially pronounced in the transport equipment; textiles; and miscellaneous manufactures sub-sectors, due to the strong Australian dollar, soft domestic demand and cheaper imports.



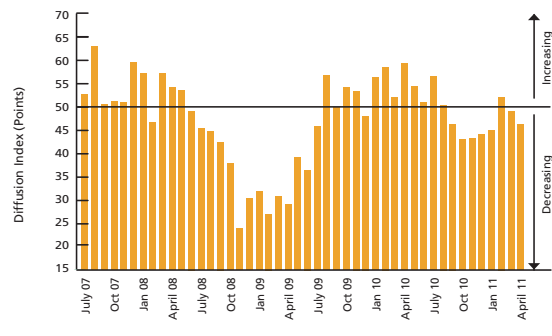
#### PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index rose 2.4 points to 53.3, indicating that manufacturing output expanded in April.
- The increase in manufacturing output was led by expansions in production in the clothing & footwear; basic metals; and machinery & equipment sub-sectors.
- The strong lift in production in these sub-sectors was partly offset by significant decreases in output in the transport equipment; textiles; and paper, printing and publishing sub-sectors.
- On an unadjusted basis, the number of sub-sectors reporting declines in production rose to eight in April, up from seven in March.
- Overall, capacity utilisation rose in April, by 2.3 percentage points to 74.4%, largely reflecting the increase in capacity utilisation in the miscellaneous manufactures and food & beverages sub-sectors.



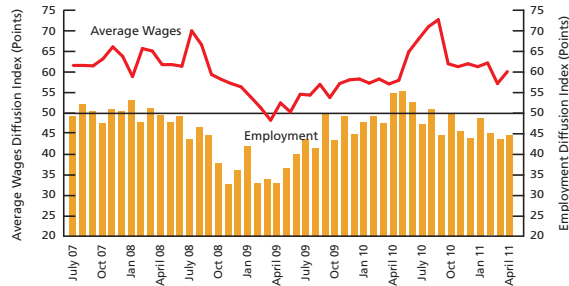
## NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index fell 2.7 points to 46.4 in April, marking the second consecutive month of decline in new orders for the manufacturing sector.
- Unadjusted, new orders dropped in nine of the 12 sub-sectors.
- The clothing & footwear; wood products & furniture; transport equipment; textiles; and construction materials sub-sectors recorded the largest declines in new orders.



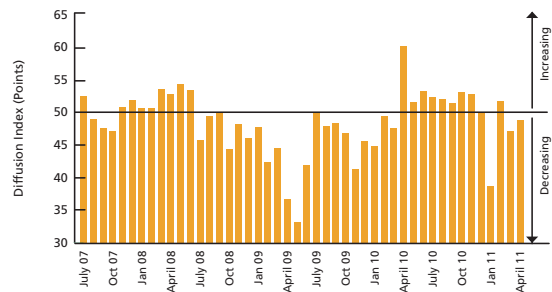
## EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index increased 1.3 points to 45.0 in April, remaining below the 50.0 level separating expansion from contraction, and marking the sixth straight month of decline in manufacturing employment.
- Sharp declines in employment were recorded in the clothing & footwear; transport equipment; miscellaneous manufactures; and paper, printing & publishing 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 up 2.9 points to 60.1 in April.



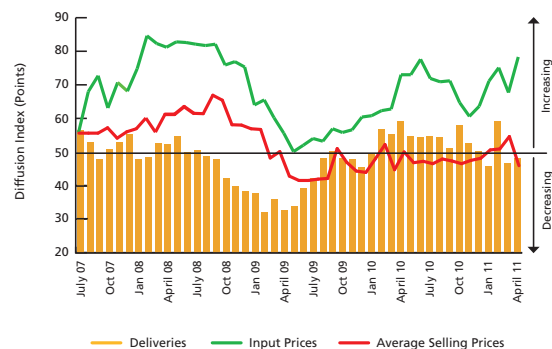
## FINISHED STOCKS

- Manufacturing inventories decreased in April, with the seasonally adjusted sub-index rising by 1.9 points to 49.3 and remaining below 50.0.
- Inventories declined most strongly in the textiles; miscellaneous manufactures; transport equipment; and wood products & furniture sub-sectors.
- Inventories in the other sub-sectors, on the other hand, either remained flat or recorded only moderate increases.



## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in April declined, with the sub-index rising by 1.7 points to 48.3.
- Unadjusted, deliveries fell in seven sub-sectors, with food & beverages; clothing & footwear; and transport equipment sub-sectors recording the strongest falls. The textiles; miscellaneous manufactures; fabricated metals; and paper, printing & publishing also recorded declines in deliveries, albeit more moderately.
- The increase in input costs picked-up in April, with the seasonally adjusted sub-index rising 10.6 points to 78.4. All sub-sectors recorded strong increases in input costs.
- Selling prices dropped in April, as the sub-index declined 8.7 points to 46.0.



## AUSTRALIAN PMI®

	April 2011	March 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
<b>AUSTRALIAN PMI®</b>	48.4	47.9	0.5	Contracting	Slower	2
<b>PRODUCTION</b>	53.3	50.9	2.4	Expanding	Faster	2
<b>EMPLOYMENT</b>	45.0	43.7	1.3	Contracting	Slower	6
<b>NEW ORDERS</b>	46.4	49.1	-2.7	Contracting	Faster	2
<b>INVENTORIES</b>	49.3	47.4	1.9	Contracting	Slower	2
<b>SUPPLIER DELIVERIES</b>	48.3	46.6	1.7	Contracting	Slower	2
<b>INPUT PRICES</b>	78.4	67.8	10.6	Expanding	Faster	107
<b>EXPORTS</b>	49.5	48.2	1.3	Contracting	Slower	7
<b>SELLING PRICES</b>	46.0	54.7	-8.7	Contracting	From expanding	1
<b>AVERAGE WAGES</b>	60.1	57.2	2.9	Expanding	Faster	24
<b>CAPACITY UTILISATION (%)</b>	74.4	72.1	2.3 pts	Higher	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.



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