

PMI AUSTRALIAN

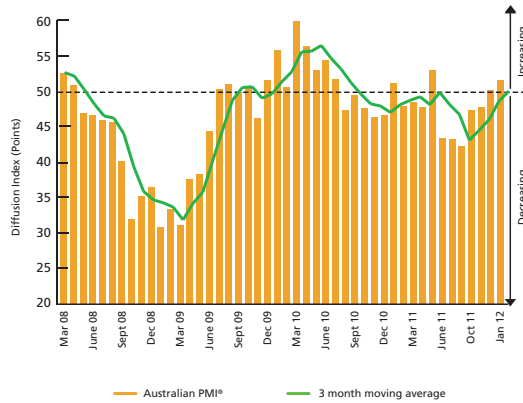
PERFORMANCE OF MANUFACTURING INDEX®

JANUARY 2012

MANUFACTURING HOLDS POSITIVE TERRITORY

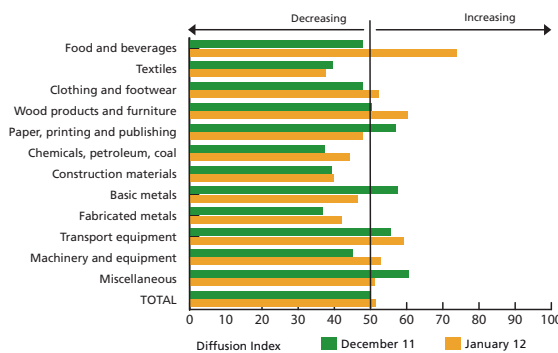
KEY FINDINGS

- Manufacturing activity remained in positive territory in January, albeit by a slim margin. The seasonally adjusted Australian Industry Group-PwC Australian Performance of Manufacturing Index (Australian PMI®) rose by 1.4 points to 51.6 to be slightly above the critical 50 points mark separating expansion from contraction.
- Overall conditions in January were supported by rises in the delivery of inputs and inventories of finished goods.
- Employment expanded slightly after contracting in the previous two months. Both production and new orders remained unchanged.
- Encouragingly, there were gains in important sectors such as food and beverages, wood products and furniture, transport equipment and machinery and equipment.
- The weakest conditions were evident in the textiles sub-sector. Sectors with links to the construction industry, including fabricated metal products, construction materials and basic metal products also reported poor performances in the month.
- Most survey respondents remained cautious about the outlook for manufacturing, citing the negative influences of sluggish domestic demand, heightened global economic uncertainty and strong overseas competition.
- Wages and input costs continued to rise in January, while the decline in selling prices persisted for a 10th consecutive month, maintaining the strong pressure on profit margins.



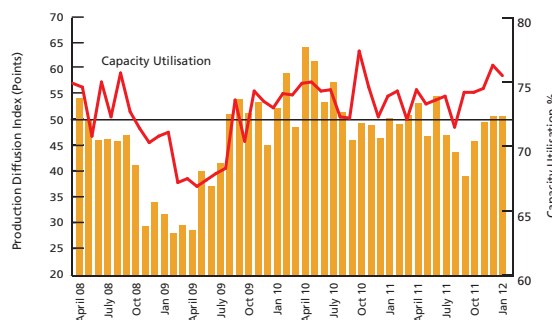
SECTORS

- Seasonally adjusted, six out of the 12 manufacturing sub-sectors recorded declines in activity in January as compared with seven sub-sectors in December.
- Activity was weakest in the textiles and construction materials sub-sectors with both recording sub-40.0 points index readings of 37.7 and 39.9 respectively.
- The food and beverages sector showed the strongest growth in activity over the month. This was followed by wood products & furniture and transport equipment with the latter sector appearing to benefit from rising transport system requirements in the mining sector.

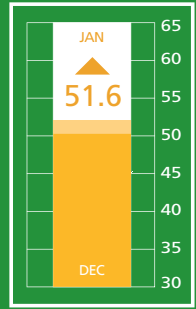


PRODUCTION AND CAPACITY UTILISATION

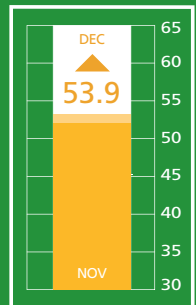
- Seasonally adjusted, the production sub-index registered 50.7 in January. This was 0.3 points below the reading in December and indicative of broadly unchanged manufacturing output in January.
- Solid production expansions in the food & beverages and wood, wood products & furniture and transport equipment sectors, in particular, were largely offset by worsening conditions (as compared with the previous month) in the basic metals, paper, printing & publishing and miscellaneous products sectors.
- Overall, capacity utilisation in January fell by 0.8 percentage points to 75.5%.



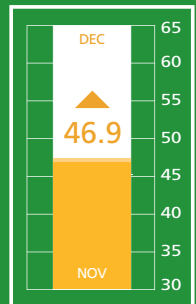
AUSTRALIAN PMI®



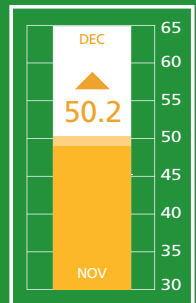
USA ISM PMI



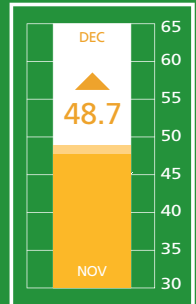
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index was unchanged at 49.9 in January, pointing to stagnant overall demand conditions.
- The textiles, clothing & footwear and construction materials sub-sectors recorded the most pronounced rates of decline in new orders.
- In contrast, new orders increased at a solid rate in the food and beverages sub-sector.

EMPLOYMENT AND AVERAGE WAGES

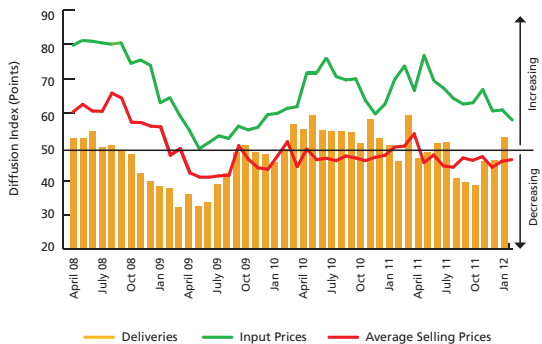
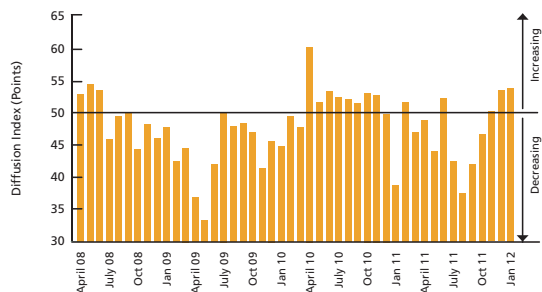
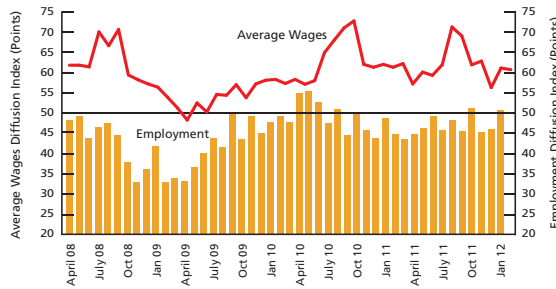
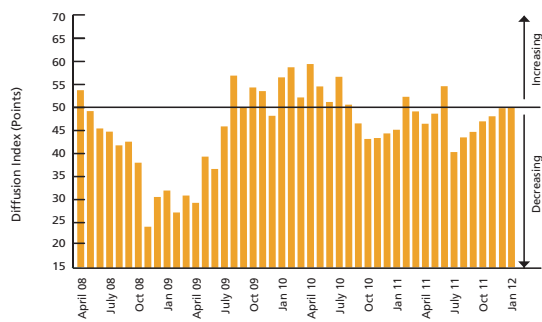
- Employment expanded marginally in January (following two consecutive months of decline) with the seasonally adjusted employment sub-index registering 51.0, a rise of 5.0 points on the previous month.
- Nevertheless, nine of the 12 sub-sectors reported declines in employment (unadjusted), up from four sub-sectors in December.
- The fabricated metals and clothing and footwear sub-sectors recorded the most pronounced rates of decline in employment whereas the strongest growth was reported in the transport equipment and food & beverages sub-sectors.
- Average wages growth in the manufacturing sector continued, although at a slightly slower pace, with the wages sub-index easing back by 0.4 points to 60.7 in January.

FINISHED STOCKS

- Inventory holdings expanded further in January, with the seasonally adjusted finished stocks sub-index registering 54.3, up by 0.4 points on the previous month.
- Inventories increased most strongly in the transport equipment, textiles and wood products and furniture sub-sectors.
- Stock reductions were most pronounced in the clothing & footwear and fabricated metals sub-sectors.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries increased in January, with the sub-index rising by 2.8 points to 55.6.
- However, increases in deliveries (unadjusted) were confined to three sub-sectors, namely transport equipment, basic metals and chemicals, petroleum and coal products.
- The increase in input costs persisted in January, although at a slower pace with the seasonally adjusted sub-index falling by 3.0 points to 58.9. Ten of the 12 sub-sectors recorded increases in input costs.
- Selling prices fell in January for a 10th straight month. The selling prices sub-index registered 46.9, a slight easing of 0.5 points on December's rate of decline.



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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AUSTRALIAN PMI®

	January 2012	December 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	51.6	50.2	1.4	Expanding	Faster	2
PRODUCTION	50.7	51.0	-0.3	Expanding	Slower	2
EMPLOYMENT	51.0	46.0	5.0	Expanding	From contracting	1
NEW ORDERS	49.9	49.9	0.0	Contracting	Unchanged	7
INVENTORIES	54.3	53.9	0.4	Expanding	Faster	3
SUPPLIER DELIVERIES	55.6	52.8	2.8	Expanding	Faster	2
INPUT PRICES	58.9	61.9	-3.0	Expanding	Slower	116
EXPORTS	49.4	47.4	2.0	Contracting	Slower	2
SELLING PRICES	46.9	46.4	0.5	Contracting	Slower	10
AVERAGE WAGES	60.7	61.1	-0.4	Expanding	Slower	33
CAPACITY UTILISATION (%)	75.5	76.3	-0.8 pts	Decrease		

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.