Performance of Manufacturing Index

CIPS Australia

AUSTRALIAN pmi

PERFORMANCE OF MANUFACTURING INDEX®

AUSTRALIAN INDUSTRY GROUP

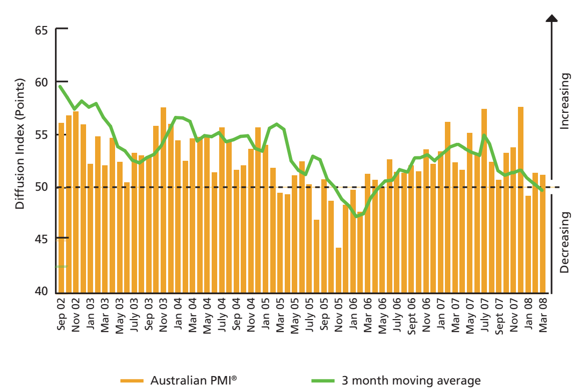
PRICEWATERHOUSECOOPERS

MARCH 2008

MANUFACTURING GROWTH STILL SOFT

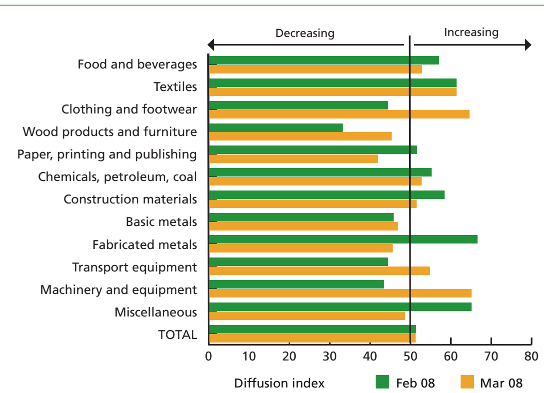
KEY FINDINGS

- Manufacturing activity remained subdued in March for the third consecutive month. Performance in early 2008 continues to be affected by uncertainty on the outlook for the global economy, rising input costs and higher interest rates.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** eased slightly, by 0.2 points in the month, to 51.2, following a 2.2 point rise in February.
- Production was essentially stable in March while employment eased for the third consecutive month. Overall activity in March was supported by a modest lift in new orders (though down on the previous month) and input deliveries while stocks also rose. Exports grew solidly.
- Input cost price growth eased in March, though selling prices rose more quickly than in recent months indicating some margin improvement. Growth in wages was stable in March, while capacity utilisation (unadjusted) declined moderately.
- Manufacturers cited positive effects on activity from solid orders growth in the resources sector and infrastructure spending. Consistent with past quarters, on the negative side were import competition; cost of and lack of skilled labour; the rising cost of raw materials; the high $A and Chinese competition.
- Manufacturing activity grew in all states except South Australia.



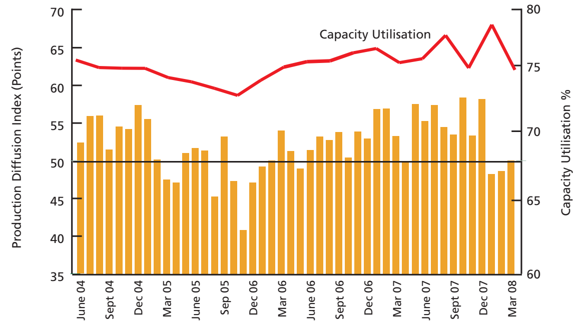
SECTORS

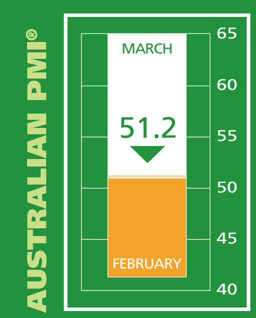
- Seasonally adjusted, activity expanded in seven sectors in March, as in February.
- Growth was strongest in the textiles; clothing & footwear; and machinery & equipment sectors and moderate in the food & beverages; chemicals, petroleum & coal products; and transport equipment sectors. Construction materials saw mild expansion in March.
- Paper, printing & publishing returned to contraction in March. This followed February's mild expansion, which broke a run of five consecutive months of decline.
- Activity also fell in the fabricated metal products; basic metal products; miscellaneous manufactures; and wood, wood products & furniture sectors.

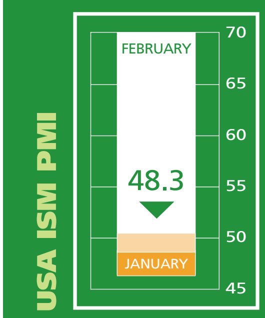


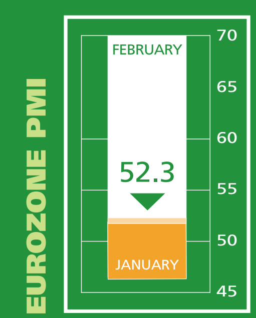
PRODUCTION AND CAPACITY

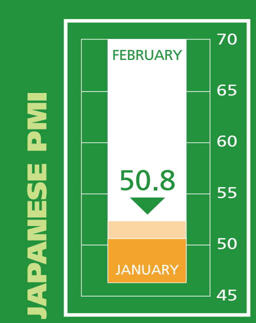
- Seasonally adjusted, the production sub-index rose 1.3 points to 50.1, above the 50 point mark separating expansion from contraction. Unadjusted, the number of sectors reporting higher production was seven (up from four in the previous month).
- Production grew strongly in the machinery & equipment; textiles; clothing & footwear; and chemicals, petroleum & coal products sectors. Production growth was moderate in the food & beverages; fabricated metal products; and transport equipment sectors.
- Production fell in the wood, wood products & furniture; paper, printing & publishing; construction materials; basic metal products; and miscellaneous manufactures sectors.
- Unadjusted capacity utilisation eased back to 74.6% in March.

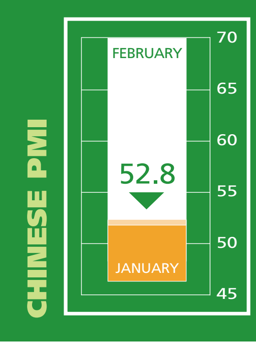












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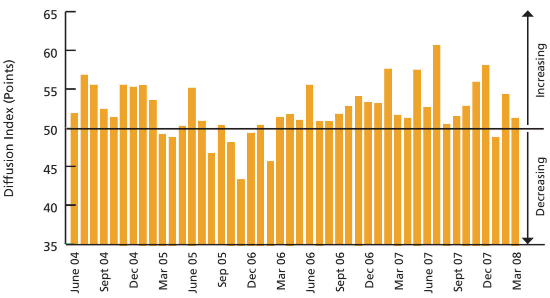
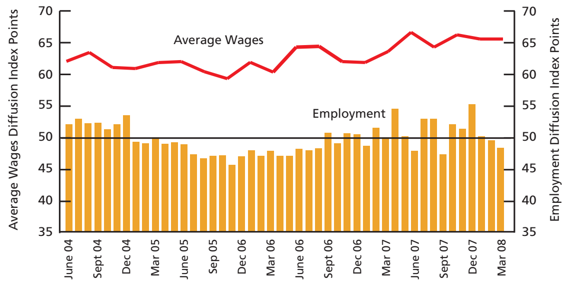
NEW ORDERS

- The new orders sub-index eased back by 3.0 points to 51.9 in March.
- Seven sectors reported new order increases (unadjusted), the same number as in February. Orders fell in three sectors and remained stable in two.
- The strongest increases in new orders were experienced in the clothing & footwear; wood, wood products & furniture; basic metal products; transport equipment; and machinery & equipment sectors.
- Orders also grew in the food & beverages and fabricated metal products sectors.
- Orders were flat in the textiles and construction materials sectors.
- Orders declined in the paper, printing & publishing; chemicals, petroleum & coal products; and miscellaneous manufactures sectors.



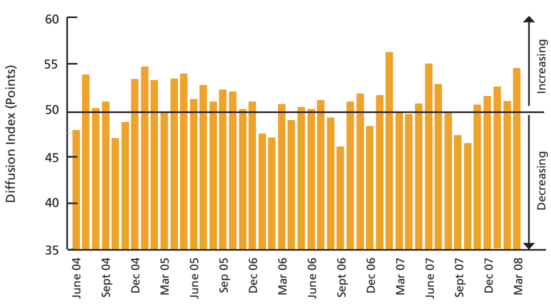
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index fell by 1.0 points to 48.3 in March, the third consecutive slight easing in employment.
- In unadjusted terms, employment grew in five sectors, fell in six and remained stable in one.
- Employment grew most strongly in the textiles; clothing & footwear; and machinery & equipment sectors.
- Reflecting construction activity, employment also grew solidly in the construction materials sector. Transport equipment employment grew modestly while chemicals, petroleum and coal products employment remained stable.
- Consistent with declining production, employment fell in the wood, wood products & furniture; paper, printing & publishing; basic metal products; and miscellaneous manufactures sectors. Employment also fell in the food & beverages sector.
- In March the average wages growth index moderated to 65.1 compared to 65.7 points in February.



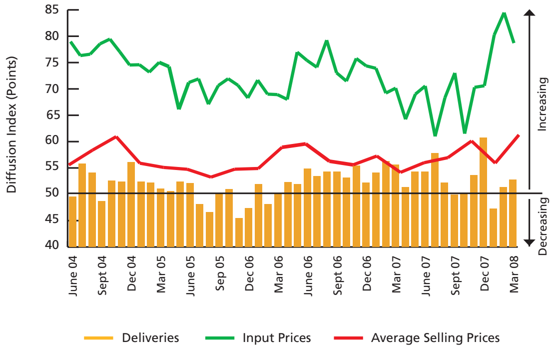
FINISHED STOCKS

- The inventories sub-index rose by 3.8 points to 55.1 (seasonally adjusted), with stocks continuing to rise. Unadjusted, the number of sectors reporting increases was eight, up from four in February. Stocks fell in four sectors.
- Stocks rose most strongly in the textiles; clothing & footwear; basic metal products; chemicals, petroleum & coal products; and transport equipment sectors.
- Inventories rose solidly in the food & beverages; paper, printing & publishing; and construction materials sectors.
- Stocks fell in the wood, wood products & furniture; miscellaneous manufactures; fabricated metal products; and machinery & equipment sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 1.4 points, to 52.8. Unadjusted, seven sectors experienced higher deliveries and five sectors saw declines.
- Deliveries rose most strongly in the textiles; clothing & footwear; paper, printing & publishing; construction materials; and transport equipment sectors. The chemicals, petroleum & coal products and machinery & equipment sectors posted solid gains in deliveries.
- The food & beverages; wood, wood products & furniture; basic metal products; fabricated metal products; and miscellaneous manufactures sectors saw declines.
- The raw material cost index eased 5.7 points to 78.8 (seasonally adjusted). In unadjusted terms, costs rose in all sectors except clothing & footwear, where they remained stable.
- Selling price accelerated on average across manufacturing. The most significant price gains were in food & beverages; chemicals, petroleum; and coal products; and basic metal products.



NATIONAL INDEXES

	Mar 08	Mar 07	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07
AUSTRALIAN PMI	51.2	52.4	51.4	49.2	57.6	53.8	53.3	50.7	52.4	57.4	53.1	55.2
PRODUCTION	50.1	53.4	48.8	48.4	58.4	53.5	58.5	53.6	54.6	57.5	55.4	57.7
EMPLOYMENT	48.3	49.9	49.3	49.9	55.2	51.3	52.0	47.3	52.8	53.0	47.8	50.1
NEW ORDERS	51.9	52.3	54.9	49.2	58.9	56.7	53.5	52.1	51.1	61.5	53.3	58.3
INVENTORIES	55.1	50.2	51.3	52.9	52.0	51.0	46.8	47.7	50.3	53.3	55.6	51.1
DELIVERIES	52.8	55.6	51.4	47.3	60.7	53.6	50.3	49.9	52.2	57.8	54.3	54.3
INPUT PRICES	78.8	70.2	84.5	80.3	70.7	70.4	61.6	73.1	68.4	61.1	70.6	69.1
EXPORTS (UNADJUSTED)	69.2	52.1	45.5	50.6	50.9	56.7	48.3	50.8	47.8	51.9	50.0	56.0
SELLING PRICES#	61.3	56.3	56.0	60.2	57.0	56.1	54.2	57.3			55.7	
AVERAGE WAGES#	65.1	63.9	65.7	58.9	63.8	66.1	63.2	61.5			61.6	
CAPACITY UTILISATION#	74.60	75.26	77.92	74.74	77.14	75.42	75.13	76.17			75.85	

Results for the third month of each quarter are based on an expanded sample (in excess of 500 companies). Results for the other months are based on responses from over 200 companies An Evaluation of the Australian PMI prepared by the Melbourne Institute of Applied Economic and Social Research can be obtained from the Ai Group website on www.aigroup.asn.au.

Results for capacity utilisation, average wages and output prices to Jun 2007 based on quarterly surveys. From this point data will be collected in the monthly PMI survey.

• New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2007.

WHAT IS THE AUSTRALIAN PMI®?

The **Australian Performance of Manufacturing Index (Australian PMI®)** is a seasonally adjusted composite index based on the diffusion indexes 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.

More information can be obtained from the Ai Group web site www.aigroup.asn.au.

SPONSOR STATEMENT

PricewaterhouseCoopers 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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Global Industrial
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