pmi AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

AUSTRALIAN INDUSTRY GROUP

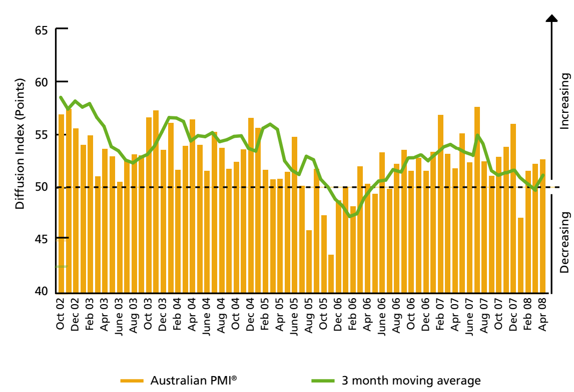
PRICEWATERHOUSECOOPERS

APRIL 2008

MANUFACTURING GROWTH REMAINS MODEST

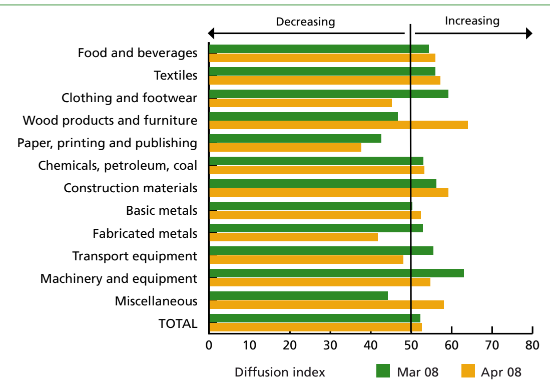
KEY FINDINGS

- Manufacturing growth was subdued again in April, for the fourth consecutive month. Manufacturing continues to feel the impact of higher interest rates, easing global growth and the high Australian dollar.
- Following a review of seasonal adjustment factors, the seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI**® rose slightly, by 0.4 points in the month, to 52.7, following a 0.7 point rise in March.
- Production grew moderately in April while employment fell for the second consecutive month. Overall activity in April was supported by a moderate lift in new orders and input deliveries while stocks also rose, though more slowly than in March. Exports growth eased.
- Consistent with other indicators, input cost growth remained strong though it fell mildly in April. Selling prices growth remained solid. Growth in wages eased again in April, while capacity utilisation rose slightly.
- Manufacturers cited positive effects on activity from solid demand from miners and infrastructure development and improved demand from the agricultural sector following recent rains. On the negative side were weaker global growth; lack of skilled labour; raw material costs; the high $A and Chinese competition.
- Manufacturing activity rose in all states except South Australia and Tasmania.



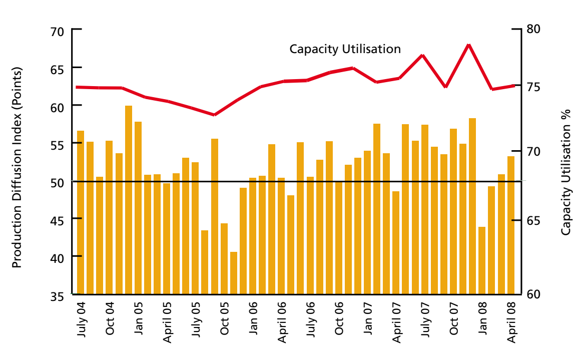
SECTORS

- Seasonally adjusted, activity expanded in eight sectors in April, a similar outcome to March.
- Growth was strongest in the wood; wood products & furniture; construction materials; and miscellaneous manufactures sectors and moderate in the food & beverages; chemicals, petroleum & coal products; textiles; machinery & equipment; and basic metal products sectors.
- Paper, printing & publishing activity contracted again in April. The sector has now seen weak or negative growth for the past eight months.
- Activity also fell in the clothing & footwear; fabricated metal products; and transport equipment sectors.

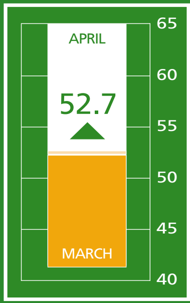


PRODUCTION AND CAPACITY

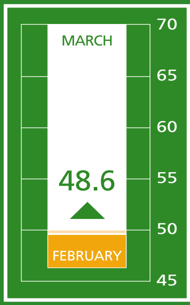
- Seasonally adjusted, the production sub-index rose 2.3 points to 53.3, above the 50 point mark separating expansion from contraction. Unadjusted, three sectors reported higher production, while six experienced flat output. Production fell in three sectors.
- Production grew strongly in the wood, wood products & furniture; chemicals, petroleum & coal products; and miscellaneous manufactures sectors. Production was stable in the food & beverages; basic metal products; clothing & footwear; construction materials; machinery & equipment; and transport equipment sectors.
- Production fell in the textiles; paper, printing & publishing; and fabricated metal products sectors.
- Unadjusted capacity utilisation rose slightly to 74.9% in April, up from 74.6% in March.



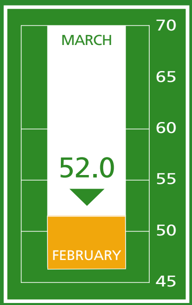
AUSTRALIAN PMI®



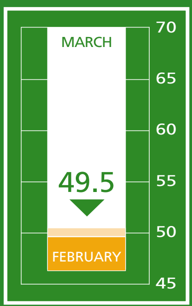
USA ISM PMI



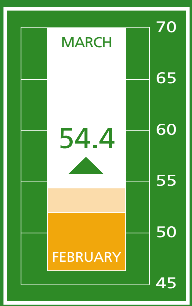
EUROZONE PMI



JAPANESE PMI



CHINESE PMI

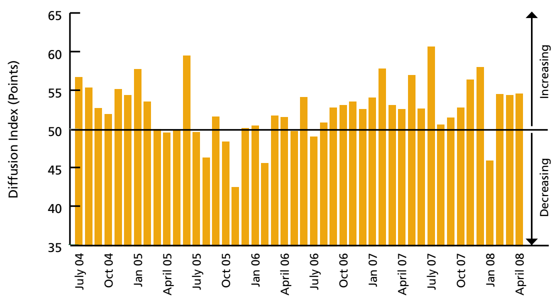


Performance of Manufacturing Index

CIPS Australia

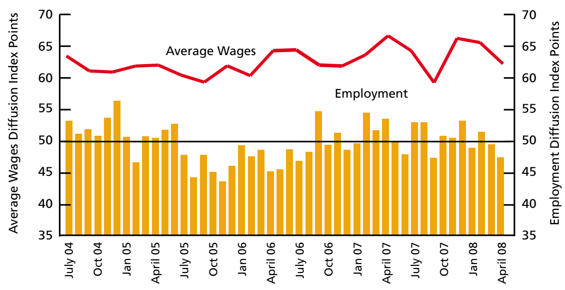
NEW ORDERS

- The new orders sub-index rose by 0.4 points to 55.3 in April, the third consecutive expansion in orders.
- Six sectors reported new order increases (unadjusted) while orders fell in four sectors and remained stable in two.
- The strongest increases in new orders were experienced in the chemicals, petroleum & coal products; wood, wood products & furniture; and miscellaneous manufactures sectors.
- Orders also grew in the food & beverages; machinery & equipment; and transport equipment sectors.
- Orders were flat in the clothing & footwear and construction materials sectors.
- Orders declined in the paper, printing & publishing; basic metal products; fabricated metal products; and textiles sectors.



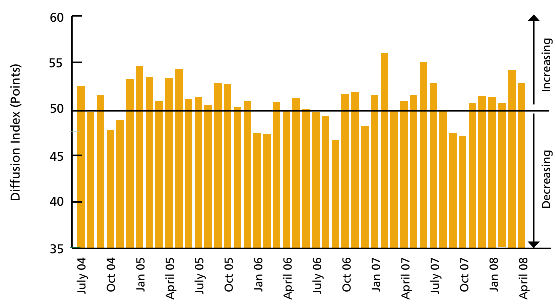
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index fell by 2.0 points to 47.3 in April, the second consecutive moderate easing in employment.
- In unadjusted terms, employment grew in three sectors, fell in six and remained stable in three.
- Employment rose moderately in the wood, wood products & furniture; chemicals, petroleum & coal products; and machinery & equipment sectors.
- Employment was flat in the food & beverages; transport equipment; and miscellaneous manufactures sectors.
- Consistent with poor production performance, employment fell in the textiles; paper, printing & publishing; and fabricated metal products sectors. Employment also fell in the clothing & footwear; construction materials; and basic metal products sectors.
- In April the average wages growth index moderated to 61.8 compared to 65.0 points in March.



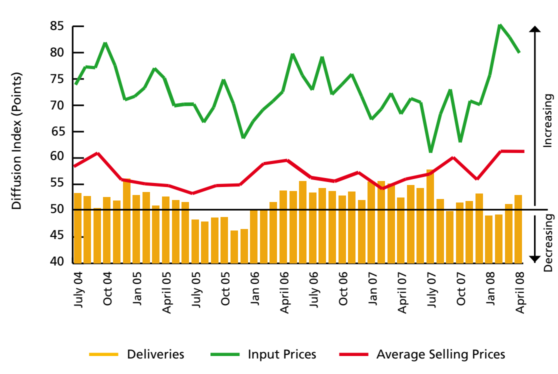
FINISHED STOCKS

- The inventories sub-index fell by 1.4 points to 53.2 (seasonally adjusted), though stocks continued to rise. Unadjusted, the number of sectors reporting increased stocks was eight. Stocks fell in three sectors and remained stable in one.
- Stocks rose most strongly in the textiles; construction materials; miscellaneous manufactures; and chemicals, petroleum & coal products sectors.
- Inventories also rose moderately in the paper, printing & publishing; basic metal products; fabricated metal products; and machinery & equipment sectors. Inventories were flat in the wood, wood products & furniture sector.
- Stocks fell in the food & beverages; clothing & footwear; and transport equipment sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 1.8 points, to 53.0. Unadjusted, six sectors saw higher deliveries; two sectors saw declines, while deliveries were flat in four.
- Deliveries rose most strongly in the machinery & equipment; miscellaneous manufactures; and wood, wood products & furniture sectors. The textiles; chemicals, petroleum & coal products; and basic metal products sectors posted modest gains in deliveries.
- The transport equipment; construction materials; paper, printing & publishing; and clothing & footwear sectors saw flat deliveries. Food & beverages and fabricated metal products saw declines.
- The raw material cost index eased 3.0 points to 80.0 (seasonally adjusted). In unadjusted terms, costs rose in all sectors except clothing & footwear, where they remained stable.
- The strongest cost gains were in the wood, wood products & furniture; machinery & equipment; and basic metal products sectors.
- Selling price growth was stable on average across manufacturing. The most significant price gains were in basic metal products; wood, wood products & furniture; and fabricated metal products.



NATIONAL INDEXES

	Apr 08	Apr 07	Mar 08	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07
AUSTRALIAN PMI	52.7	51.8	52.3	51.6	47.2	56.0	53.8	52.9	51.1	52.5	57.6	52.4
PRODUCTION	53.3	48.7	51.0	49.4	43.9	58.4	55.0	57.0	53.6	54.6	57.5	55.4
EMPLOYMENT	47.3	53.4	49.3	51.2	48.9	53.1	50.4	50.7	47.3	52.8	52.9	47.8
NEW ORDERS	55.3	53.2	54.9	55.0	46.4	58.8	57.1	53.4	52.1	51.1	61.5	53.3
INVENTORIES	53.2	51.3	54.6	50.9	51.7	51.8	51.0	47.4	47.7	50.3	53.3	55.6
DELIVERIES	53.0	52.5	51.2	49.2	49.0	53.2	51.8	51.6	49.9	52.2	57.8	54.3
INPUT PRICES	80.0	68.4	83.0	85.4	75.8	70.2	70.9	63.0	73.1	68.4	61.1	70.6
EXPORTS	53.7	51.6	56.4	54.6	53.6	53.4	53.0	52.7	51.4	51.8	52.2	52.3
SELLING PRICES#	61.3		61.3	56.0	60.2	57.0	56.1	54.2	57.3			56.0
AVERAGE WAGES#	61.8		65.1	65.7	58.9	63.8	66.1	63.2	61.5			61.6
CAPACITY UTILISATION#	74.88		74.60	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 June 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 2008.**

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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