

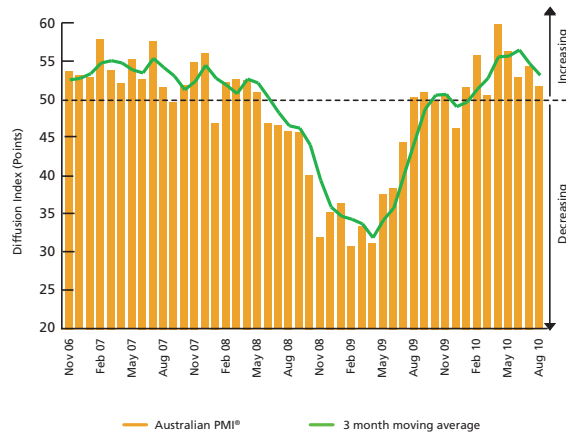
# australian

## PERFORMANCE OF MANUFACTURING INDEX®

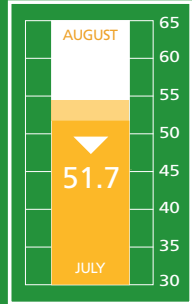
## MANUFACTURING GROWTH WEAKENS IN AUGUST

### KEY FINDINGS

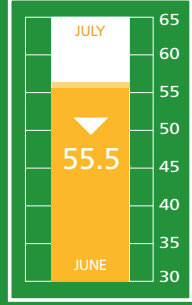
- The pace of growth in manufacturing activity slowed in August.
- The seasonally adjusted Australian Industry Group-PriceWaterhouseCoopers **Australian PMI®** fell by 2.7 points to 51.7, above the 50-point level separating expansion from contraction.
- The weaker August result was largely driven by significantly slower growth in production and new orders, while growth in stocks and deliveries eased slightly. Reflecting this, capacity utilisation eased. Employment rose moderately.
- Fewer manufacturing sub-sectors saw growth in August. The food & beverages; paper, printing & publishing; fabricated metals; and chemicals, petroleum & coal products sectors recorded substantial declines in activity while the mining and infrastructure-related sectors recorded expansions in activity.
- The strong rise in wages continued in August and, though input cost growth moderated, it remains at a high level. Selling prices fell for a fourth consecutive month, suggesting a narrowing of manufacturing margins.
- Manufacturing activity rose moderately in New South Wales and South Australia, and marginally in Victoria while it fell in the other states.
- Survey respondents cited the strong Australian dollar, higher cost of raw materials and uncertainty surrounding the Federal election as negative influences, amongst others.



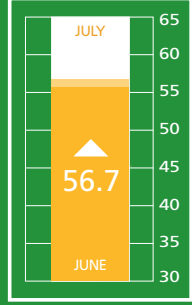
### AUSTRALIAN PMI®



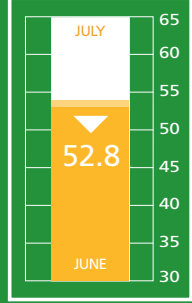
### USA ISM PMI



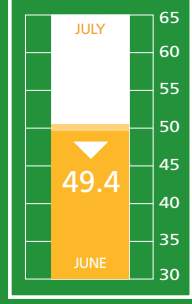
### EUROZONE PMI



### JAPANESE PMI

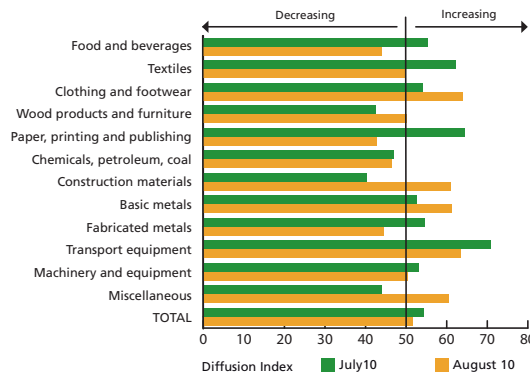


### CHINESE PMI



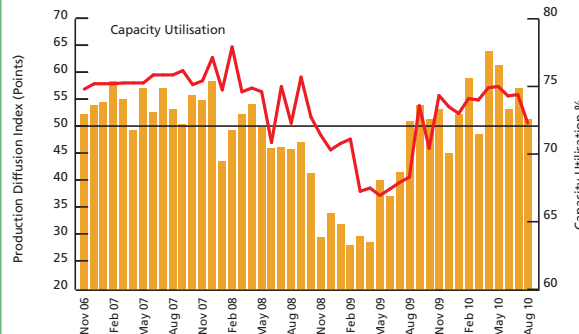
### SECTORS

- Seasonally adjusted, seven manufacturing sub-sectors saw growth in activity in August, down from eight in July.
- The consumer-related sector of clothing & footwear recorded solid growth, likely supported by the strengthening of employment prospects over the recent months.
- The food & beverages sector, however, experienced a contraction in activity due to higher cost of raw materials and strong competition from overseas companies.
- Robust mining, construction and infrastructure-related demand drove a rise in activity in the transport equipment; basic metal products; and construction materials sectors.
- Activity fell in the paper, printing & publishing; chemicals, petroleum & coal products; and fabricated metals sectors.



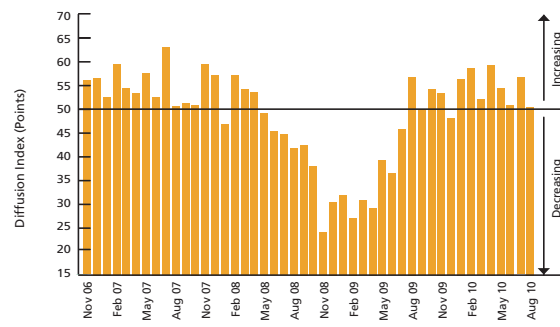
### PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index fell by 5.8 points to 51.5, indicating considerably weaker output growth in the manufacturing sector.
- On an unadjusted basis, the number of sectors reporting higher production fell to seven in August from eight in July.
- Strong growth was seen in the miscellaneous manufactures; transport equipment; and clothing & footwear sectors. Production expanded more moderately in the food & beverages; wood products and furniture sectors; and paper, printing & publishing sectors.
- The fabricated metals and textiles sectors recorded significant falls in production, while output in the chemicals, petroleum & coal products sectors declined more moderately.
- Capacity utilisation dropped in July, by 2.1 percentage points to 72.3%.



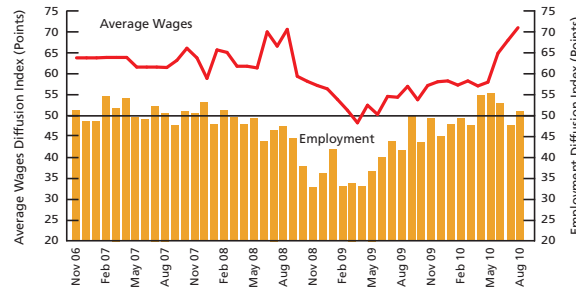
## NEW ORDERS

- In seasonally adjusted terms, new orders rose only mildly in August, following seven months of solid growth. The new orders sub-index fell by 6.1 points to 50.6, just above the 50-point level separating expansion from contraction.
- Unadjusted, new orders fell in six of the 12 sub-sectors, up from four sectors recorded in July.
- The fabricated metals and textiles sectors recorded significant declines in new orders, while the fall in the food & beverages; construction materials; wood products and furniture; and chemicals, petroleum & coal products sectors was more moderate.
- The transport equipment; miscellaneous manufactures; clothing & footwear; and paper, printing & publishing sectors saw increases in new orders.



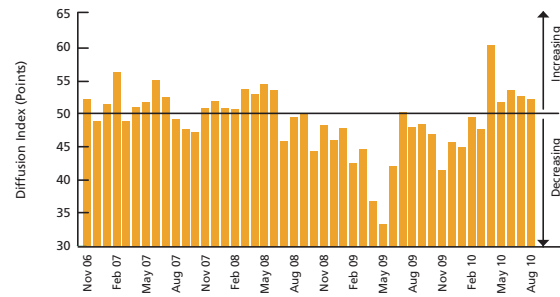
## EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index rose by 3.6 points in August to 51.3, reversing the decline in July.
- In unadjusted terms, seven sectors saw employment growth in August, up from four in July.
- The basic metal products sector recorded the strongest rise in employment in August, followed by clothing & footwear and textiles.
- The sharpest declines in employment were seen in the chemicals, petroleum & coal products and food & beverages sectors.
- Average wages growth rose solidly in August, with the sub-index up 3.0 points to 71.0.



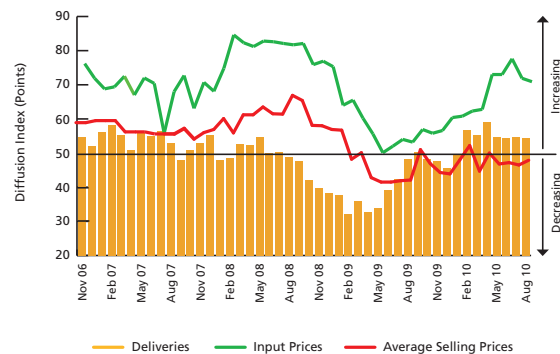
## FINISHED STOCKS

- Manufacturing inventories rose moderately in August, but at a slightly slower pace, with the seasonally adjusted sub-index down 0.3 points to 52.6.
- Unadjusted, six sectors reported a rise in stocks in July, with the food & beverages and miscellaneous manufactures sectors having stable stock levels.
- Inventories rose most strongly in the transport equipment sector, and rose more moderately in the basic metal products and construction materials sectors.
- The largest falls in inventories were in the paper, printing & publishing sector.



## DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in August rose at a slightly slower pace than in July, as the sub-index fell by 0.3 points to 54.3.
- Unadjusted, deliveries rose in eight sectors, with the basic metal products; construction materials; and paper, printing & publishing sectors recording the strongest growth.
- Input costs grew strongly in August, though at a moderately slower rate than in July, with the seasonally adjusted sub-index falling 1.0 point to 71.0.
- The largest input price increases were in the textiles; wood products & furniture; and chemicals, petroleum & coal products sectors.
- Selling prices fell for the fourth consecutive month in August, although the rate of decline moderated. The sub-index rose from 46.6 to 48.0.
- The food & beverages sector saw the strongest fall in selling prices, followed by the clothing & footwear; construction materials; and chemicals, petroleum & coal products sectors.



## AUSTRALIAN PMI®

	August 2010	July 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
<b>AUSTRALIAN PMI®</b>	51.7	54.4	-2.7	Expanding	Slower	8
<b>PRODUCTION</b>	51.5	57.3	-5.8	Expanding	Slower	5
<b>EMPLOYMENT</b>	51.3	47.7	+3.6	Expanding	From contracting	1
<b>NEW ORDERS</b>	50.6	56.7	-6.1	Expanding	Slower	8
<b>INVENTORIES</b>	52.6	52.9	-0.3	Expanding	Slower	5
<b>SUPPLIER DELIVERIES</b>	54.3	54.6	-0.3	Expanding	Slower	7
<b>INPUT PRICES</b>	71.0	72.0	-1.0	Expanding	Slower	99
<b>EXPORTS</b>	53.1	49.2	+3.9	Expanding	From contracting	1
<b>SELLING PRICES</b>	48.0	46.6	+1.4	Contracting	Slower	4
<b>AVERAGE WAGES</b>	71.0	68.0	+3.0	Expanding	Faster	16
<b>CAPACITY UTILISATION (%)</b>	72.3	74.4	-2.1% pts	Lower	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 a TRAMO-SEATS estimation process were applied in April 2010.

Visit <http://www.aigroup.com.au/economics> for further economic analysis and information.

## WHAT IS THE AUSTRALIAN PMI®?

The Australian Industry Group - PricewaterhouseCoopers 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

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. Graeme Billings, Global Industrial Manufacturing Leader.

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