



# PMI AUSTRALIAN

## PERFORMANCE OF MANUFACTURING INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

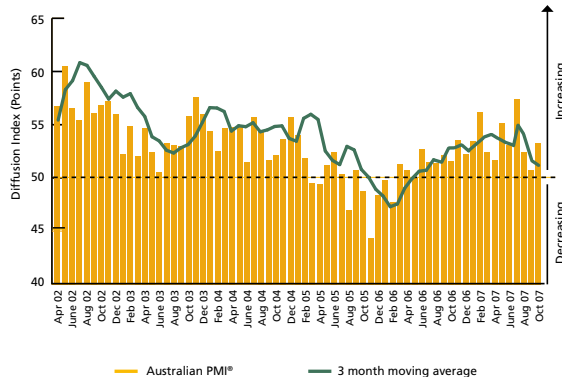
PRICEWATERHOUSECOOPERS

OCTOBER 2007

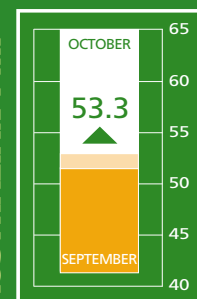
## MANUFACTURING RECORDS MODERATE GROWTH

### KEY FINDINGS

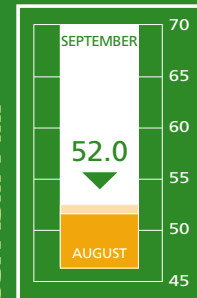
- Manufacturing growth picked up in October to record moderate growth, following consecutive easings. Improved performance reflected better production growth, while employment and new orders growth made some modest gains.
- The seasonally adjusted Australian Industry Group-PriceWaterhouseCoopers **Australian PMI®** rose 2.6 points in the month to 53.3, the 17th consecutive month of growth.
- The improvement in growth was reflected in most key indicators, but to differing degrees. Production growth contributed most while growth in employment and new orders was modest. Deliveries were essentially stable.
- Input cost and selling price growth both eased in October. Growth in wages lifted moderately while capacity utilisation fell slightly. Exports fell modestly.
- While companies cited strong demand conditions as a positive influence, they cited the higher \$A, skills shortages, weather and Chinese demand and competition as factors contributing to challenging business conditions.
- Manufacturing performance picked up in NSW, Victoria, SA, and WA, but deteriorated in Queensland and Tasmania.



AUSTRALIAN PMI®

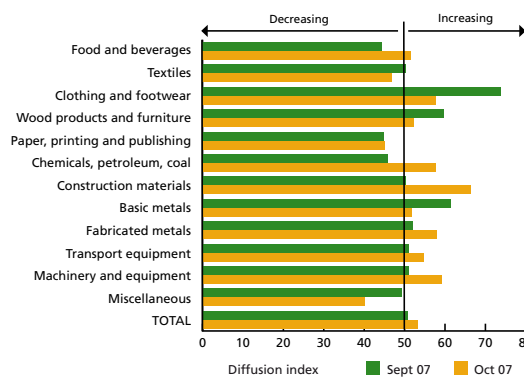


USA ISM PMI

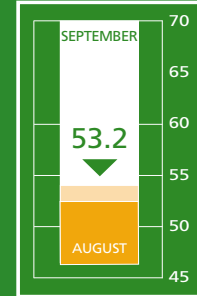


### SECTORS

- Seasonally adjusted, activity expanded in nine sectors in October, compared with six in September.
- Activity was strongest in the machinery & equipment; clothing & footwear; chemicals, petroleum & coal products; construction materials; and fabricated metals sectors, each recording activity at or over 58.0 points.
- In contrast, activity fell in the textiles; paper, printing & publishing; and miscellaneous manufactures sectors.
- Performance improved moderately in the transport equipment sector while remaining essentially stable in the basic metals and food & beverages sectors.

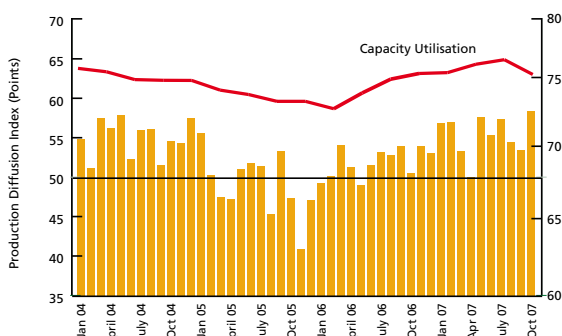


EUROZONE PMI

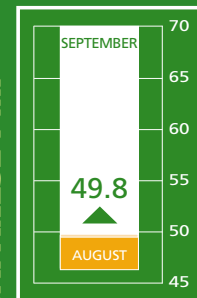


### PRODUCTION AND CAPACITY

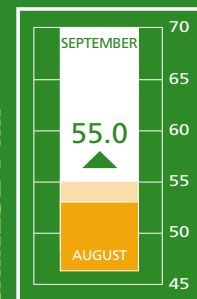
- Seasonally adjusted, the production sub-index rose 4.9 points to 58.5 maintaining its solid expansion since April 2007. Unadjusted, the number of sectors reporting higher production was ten (up from nine in the previous month).
- Growth was strongest in the food & beverages; chemicals, petroleum & coal products; construction materials; and fabricated metals sectors.
- The clothing & footwear; wood, wood products & furniture; paper, printing & publishing; basic metals; transport equipment and machinery & equipment sectors also saw solid growth in output.
- Production fell in textiles while remaining stable in miscellaneous manufactures.
- Capacity utilisation fell slightly to 75.1% in October.



JAPANESE PMI



CHINESE PMI





## NEW ORDERS

- The new orders sub-index rose modestly 1.4 points to 53.5 in October.
- The number of sectors reporting increases fell from eight to six (unadjusted), with orders remaining basically unchanged in three sectors, up one from the previous month.
- Orders fell in the textiles; basic metals; and transport equipment sectors.
- Order growth remained unchanged in the clothing & footwear; wood, wood products & furniture; and miscellaneous manufactures sectors.
- The chemicals, petroleum & coal products; fabricated metals; and machinery & equipment sectors reported the largest increases in new orders. Orders growth was also solid in the construction materials; paper, printing & publishing; and food & beverages sectors.

## EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index rose by 4.7 points to 52.0. In unadjusted terms, employment grew in seven sectors and fell in five.
- Employment gains were strongest in the: clothing & footwear; construction materials; food & beverages; and wood, wood products & furniture sectors.
- The chemicals, petroleum & coal products; transport equipment; and machinery & equipment sectors saw some modest employment gains.
- Employment fell in the textiles; paper, printing & publishing; basic metals; fabricated metals; and miscellaneous manufactures sectors.
- Wages growth has maintained a relatively stable average path, not trending up or down, over recent years.
- In October, the second month of collection of monthly wages data, the wages index rose moderately to 63.2 compared to 61.5 in September.

## FINISHED STOCKS

- The inventories sub-index eased 0.9 points to 46.8 (seasonally adjusted), following a run up in stocks in mid-2007. Unadjusted, the number of sectors reporting increases was five, unchanged from September.
- Inventories rose in the machinery & equipment; construction materials; paper, printing & publishing; basic metals; and wood, wood products & furniture sectors.
- Stocks fell significantly in the chemicals, petroleum & coal products and clothing & footwear sectors and, to a lesser extent, in the food & beverages; textiles; fabricated metals; transport equipment; and miscellaneous manufactures sectors.
- The easing of inventories is likely to reflect some inventory cost management in response to rising input cost levels.

## DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 0.4 points, to 50.3. Unadjusted, seven sectors experienced higher deliveries, with two reporting no change.
- Deliveries rose strongly in the chemicals, petroleum & coal products; construction materials; fabricated metals; and machinery & equipment sectors. The food & beverages; clothing & footwear; and miscellaneous manufactures sectors saw falls in deliveries.
- The raw material cost index fell 11.5 points to 61.6 (seasonally adjusted). In unadjusted terms, the level of cost rises rose in 10 sectors and was stable in two.
- The strongest gains were in transport equipment; wood, wood products & furniture; and chemicals, petroleum & coal products.
- Selling price rises eased on average across manufacturing.

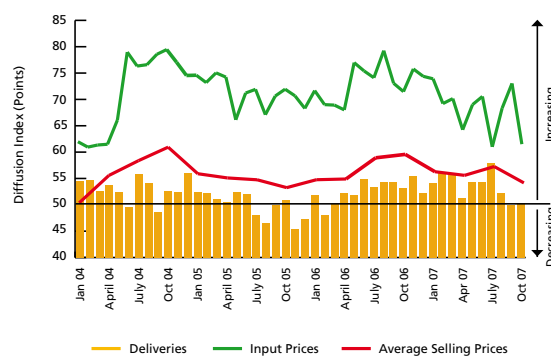
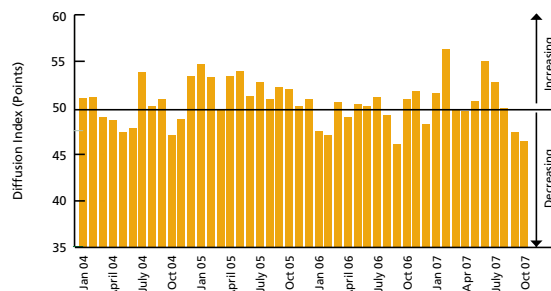
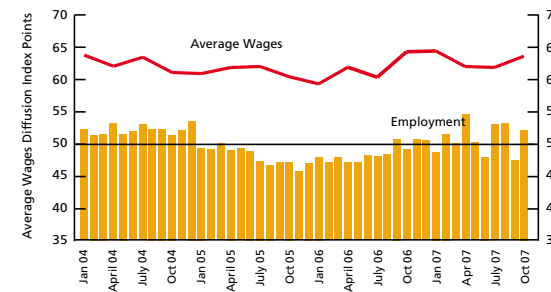
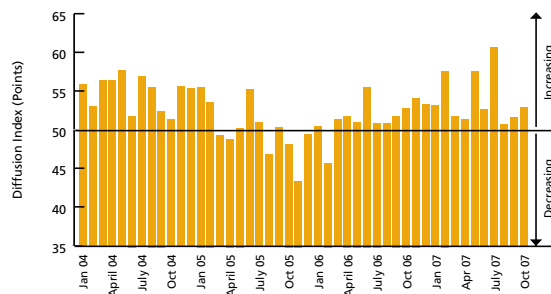
## NATIONAL INDEXES

	Oct 07	Oct 06	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06
<b>AUSTRALIAN PMI</b>	53.3	51.6	50.7	52.4	57.4	53.1	55.2	51.7	52.4	56.2	53.4	52.2
<b>PRODUCTION</b>	58.5	50.5	53.6	54.6	57.5	55.4	57.7	50.1	53.4	57.1	57.0	53.1
<b>EMPLOYMENT</b>	52.0	49.0	47.3	52.8	53.0	47.8	50.1	54.5	49.9	51.5	48.6	50.4
<b>NEW ORDERS</b>	53.5	53.4	52.1	51.1	61.5	53.3	58.3	51.9	52.3	58.4	53.8	53.9
<b>INVENTORIES</b>	46.8	51.4	47.7	50.3	53.3	55.6	51.1	50.0	50.2	56.8	52.1	48.6
<b>DELIVERIES</b>	50.3	53.1	49.9	52.2	57.8	54.3	54.3	51.3	55.6	56.3	54.1	52.2
<b>INPUT PRICES</b>	61.6	71.5	73.1	68.4	61.1	70.6	69.1	64.3	70.2	69.3	74.0	74.4
<b>EXPORTS (UNADJUSTED)</b>	48.3	51.7	50.8	47.8	51.9	50.0	56.0	49.4	52.1	50.0	53.1	60.4
<b>AVERAGE WAGES<sup>1</sup></b>	63.2		61.5			61.6			63.9			63.8
<b>SELLING PRICES<sup>2</sup></b>	54.2		57.3			55.7			56.3			59.6
<b>CAPACITY UTILISATION<sup>3</sup></b>	75.13		76.17			75.85			75.26			75.20

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](http://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<sup>®</sup>) 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<sup>®</sup> 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](http://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. Graeme Billings, Global Industrial Manufacturing Leader.

**PRICEWATERHOUSECOOPERS**

## CONTACT

Heather Ridout  
Chief Executive  
Ai Group  
work 02 9466 5504

Graeme Billings  
Global Industrial  
Manufacturing Leader  
PricewaterhouseCoopers  
work 03 8603 3007  
mobile 0408 572 729

NTC Economics  
[www.ntceconomics.com](http://www.ntceconomics.com)

© The Australian Industry Group, 2007  
This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part may be reproduced by any process or means without the prior written permission of The Australian Industry Group.

**Disclaimer** – The Australian Industry Group provides information services to its members and others, which include economic and industry policy and forecasting services. None of the information provided here is represented or implied to be legal, accounting, financial or investment advice and does not constitute financial product advice. The Australian Industry Group does not invite and does not expect any person to act or rely on any statement, opinion, representation or interference expressed or implied in this publication. All readers must make their own enquiries and obtain their own professional advice in relation to any issue or matter referred to herein before making any financial or other decision. The Australian Industry Group accepts no responsibility for any act or omission by a person relying in whole or in part upon the contents of this publication.