



# PMI AUSTRALIAN

## PERFORMANCE OF MANUFACTURING INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

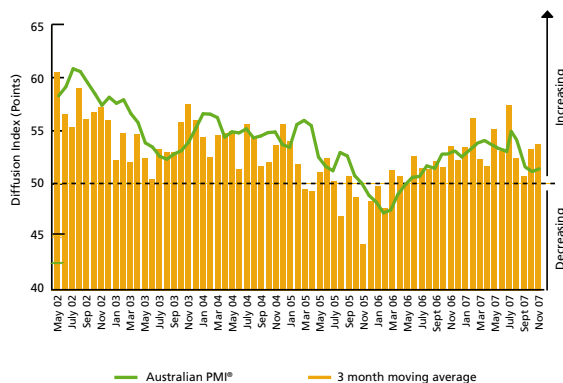
PRICEWATERHOUSECOOPERS

NOVEMBER 2007

## MANUFACTURING RECORDS FURTHER MODERATE GROWTH

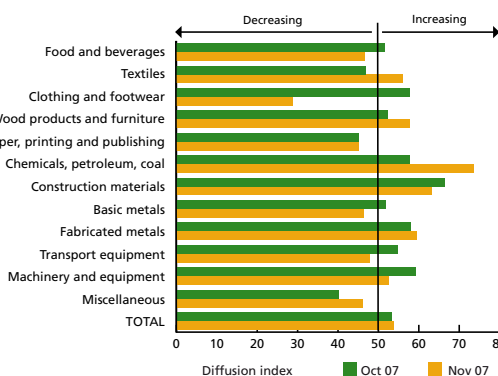
### KEY FINDINGS

- Manufacturing activity grew in November, following October's improvement.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose 0.5 points in the month to 53.8, the 18th consecutive month of growth.
- The lift in activity reflected a third consecutive improvement in new orders, while stocks and deliveries also made some modest gains. Production and employment growth eased.
- Growth in input costs and selling prices rose in November. Growth in wages again lifted moderately while capacity utilisation rose slightly. Exports growth became positive.
- Manufacturers cited solid domestic and international demand conditions as a key positive influence. The higher \$A, skills shortages, weather and Chinese demand and competition persist as the key negative factors in the business environment.
- Manufacturing grew in Queensland and Tasmania in November, while growth eased in NSW, Victoria and WA. SA saw a decline in manufacturing in November.



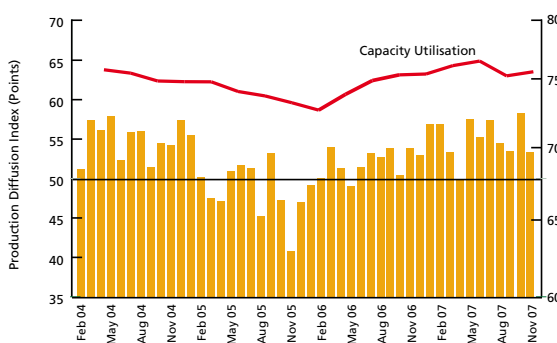
### SECTORS

- Seasonally adjusted, activity expanded in six sectors in November, compared with nine in October.
- Activity was strongest in the chemicals, petroleum & coal products; construction materials; and fabricated metals sectors, each recording activity at over 59.0 index points.
- In contrast, activity fell in the clothing & footwear; paper, printing & publishing; basic metals; food & beverages; miscellaneous manufactures; and transport equipment sectors.
- Moderate growth was recorded in the machinery & equipment; wood products & furniture; and textiles sectors.
- The biggest improvement was seen in the chemicals, petroleum & coal products sector, while clothing & footwear saw the largest easing in the month.

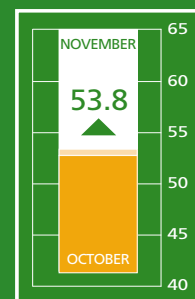


### PRODUCTION AND CAPACITY

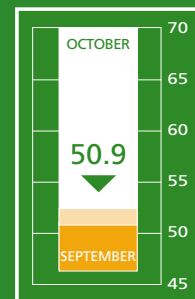
- Seasonally adjusted, the production sub-index eased back 5.0 points to 53.5 maintaining its solid expansion since April 2007, partly reflecting a response to stock holdings. Unadjusted, the number of sectors reporting higher production was eight (down from 10 in the previous month).
- Growth was strongest in the chemicals, petroleum & coal products; wood, wood products & furniture; construction materials; and basic metals sectors.
- The textiles; fabricated metals; and machinery & equipment sectors also saw solid growth in output.
- Production remained relatively stable in the miscellaneous manufactures; food & beverages; and paper, printing & publishing sectors. Production fell in clothing & footwear and transport equipment.
- Capacity utilisation rose slightly to 75.4% in November.



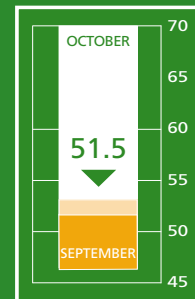
AUSTRALIAN PMI®



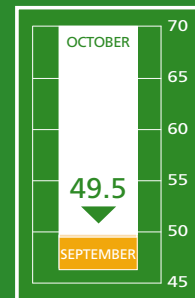
USA ISM PMI



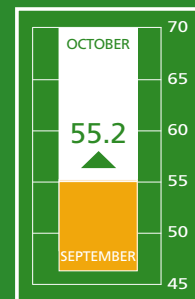
EUROZONE PMI



JAPANESE PMI



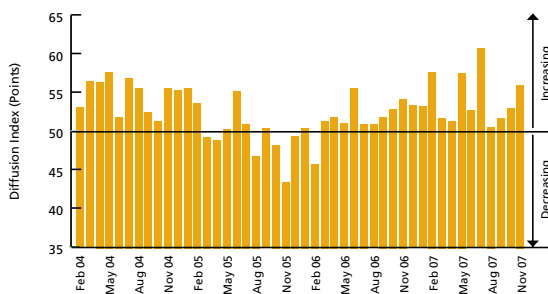
CHINESE PMI





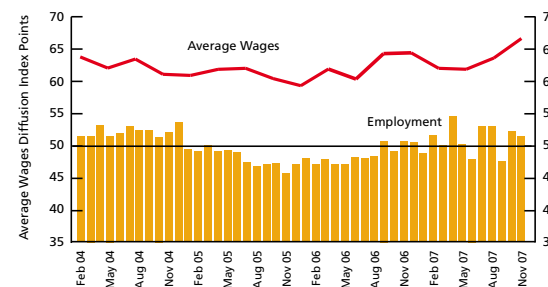
## NEW ORDERS

- The new orders sub-index rose by 3.2 points to 56.7 in November.
- The number of sectors reporting increases rose from six to 10 (unadjusted), with orders falling in two sectors.
- The chemicals, petroleum & coal products; wood, wood products & furniture; construction materials; and miscellaneous manufactures sectors reported the largest increases in new orders. Orders growth was also solid in the textiles; paper, printing & publishing; basic metals; fabricated metals; machinery & equipment; and food & beverages sectors.
- Orders fell in the clothing & footwear and transport equipment sectors.



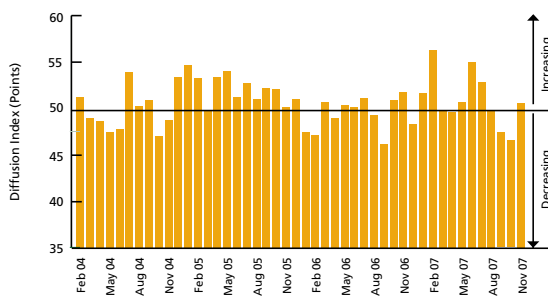
## EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index eased by 0.7 points to 51.3. In unadjusted terms, employment grew in seven sectors, fell in two and remained roughly stable in three sectors.
- Employment gains were strongest in the chemicals, petroleum & coal products; textiles; and fabricated metal products sectors.
- The food & beverages; wood, wood products & furniture; construction materials; and transport equipment sectors saw some modest employment gains.
- Employment fell in the basic metals and miscellaneous manufactures sectors. It remained broadly stable in the clothing & footwear; paper, printing & publishing; and machinery & equipment sectors.
- Wages growth has maintained a relatively stable average path, not trending up or down, over recent years.
- In November the wages index rose moderately to 66.1 compared to 63.2 in October.



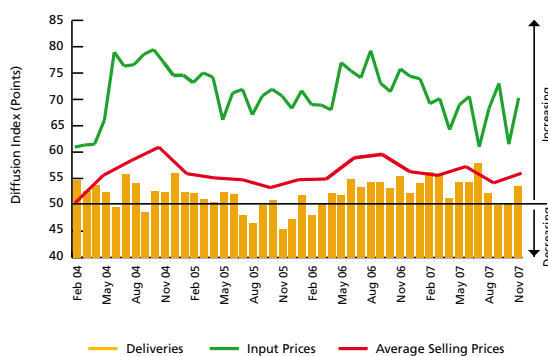
## FINISHED STOCKS

- The inventories sub-index rose 4.2 points to 51.0 (seasonally adjusted), following a recent rundown in stocks. Unadjusted, the number of sectors reporting increases was six, up from five in November. Stocks fell in two sectors and were stable in four sectors.
- Inventories rose in the chemicals, petroleum & coal products; construction materials; fabricated metals; transport equipment; machinery & equipment; and miscellaneous manufactures sectors.
- Stocks fell in the textiles and paper, printing & publishing sectors. They remained stable in the food & beverages; clothing & footwear; wood, wood products & furniture; and basic metals sectors.



## DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 3.3 points, to 53.6. Unadjusted, eight sectors experienced higher deliveries, with three reporting no change and one sector declining.
- Deliveries rose strongly in the chemicals, petroleum & coal products; construction materials; fabricated metals; and wood, wood products & furniture sectors.
- The textiles; paper, printing & publishing; transport equipment; and machinery & equipment sectors posted modest gains. Food & beverages; basic metal products; and miscellaneous manufactures experienced stable deliveries.
- The clothing & footwear sector saw a fall in deliveries.
- The raw material cost index rose 8.8 points to 70.4 (seasonally adjusted). In unadjusted terms, costs rose in all 12 sectors.
- The strongest gains were in basic metals; textiles; food & beverages; clothing & footwear; machinery & equipment and miscellaneous manufactures.
- Selling price rises rose modestly on average across manufacturing.



## NATIONAL INDEXES

	Nov 07	Nov 06	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07
<b>AUSTRALIAN PMI</b>	53.8	53.6	53.3	50.7	52.4	57.4	53.1	55.2	51.7	52.4	56.2	53.4
<b>PRODUCTION</b>	53.5	54.0	58.5	53.6	54.6	57.5	55.4	57.7	50.1	53.4	57.1	57.0
<b>EMPLOYMENT</b>	51.3	50.6	52.0	47.3	52.8	53.0	47.8	50.1	54.5	49.9	51.5	48.6
<b>NEW ORDERS</b>	56.7	54.8	53.5	52.1	51.1	61.5	53.3	58.3	51.9	52.3	58.4	53.8
<b>INVENTORIES</b>	51.0	52.2	46.8	47.7	50.3	53.3	55.6	51.1	50.0	50.2	56.8	52.1
<b>DELIVERIES</b>	53.6	55.5	50.3	49.9	52.2	57.8	54.3	54.3	51.3	55.6	56.3	54.1
<b>INPUT PRICES</b>	70.4	75.8	61.6	73.1	68.4	61.1	70.6	69.1	64.3	70.2	69.3	74.0
<b>EXPORTS (UNADJUSTED)</b>	56.7	60.2	48.3	50.8	47.8	51.9	50.0	56.0	49.4	52.1	50.0	53.1
<b>AVERAGE WAGES<sup>1</sup></b>	66.1		63.2	61.5			61.6			63.9		
<b>SELLING PRICES<sup>2</sup></b>	56.1		54.2	57.3			55.7			56.3		
<b>CAPACITY UTILISATION<sup>3</sup></b>	75.42		75.13	76.17			75.85			75.26		

## 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.



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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.