

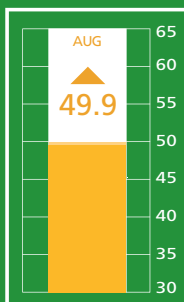
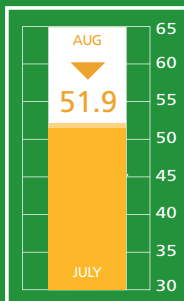
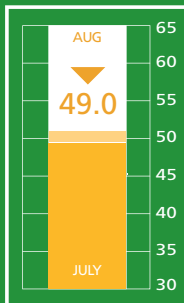
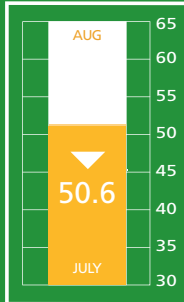
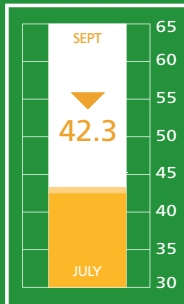
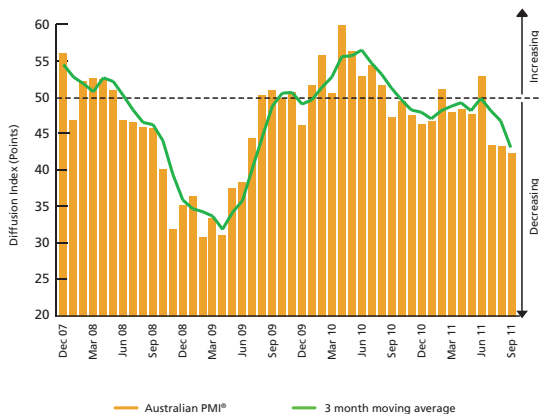
PMI AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING WEAKENS AGAIN IN SEPTEMBER

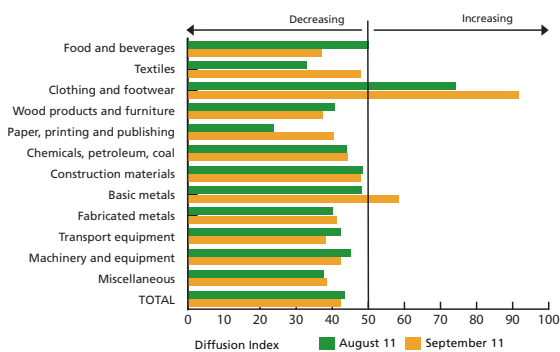
KEY FINDINGS

- Conditions in the manufacturing sector weakened in September with the seasonally adjusted Australian Industry Group-PwC **Australian PMI®** down 1.0 point to 42.3, indicating a further contraction in the sector.
- The decline in manufacturing activity was especially pronounced in the food and beverages; wood products and furniture; transport equipment; and miscellaneous manufactures sub-sectors.
- Most survey respondents remained cautious about the outlook for the manufacturing sector citing reduced domestic demand, the strong Australian dollar, increased overseas competition and uncertainty surrounding proposed carbon pricing as factors weighing on the sector.
- Wages and input costs continued to rise in September, while the decline in selling prices persisted, suggesting that manufacturing profit margins continued to narrow.
- Queensland was the only state that recorded an expansion in manufacturing activity.



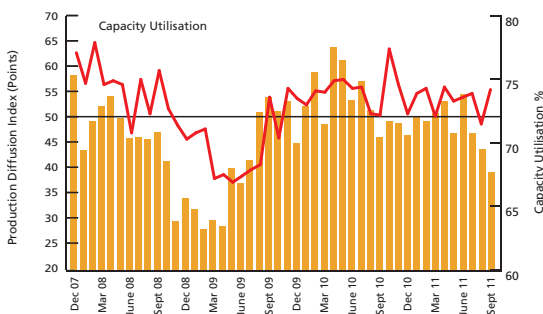
SECTORS

- Seasonally adjusted, 10 out of the 12 manufacturing sub-sectors recorded declines in activity in September, unchanged from August.
- The decline in activity in food and beverages; wood products and furniture; transport equipment; and miscellaneous manufactures sub-sectors is partly attributed to increased competition from cheaper imports; the slowing of domestic demand; weak consumer confidence; and the strong Australian dollar.
- The clothing and footwear and basic metals sub-sectors were the only two sub-sectors that recorded expansions during September. However, the strong rise in activity in the clothing and footwear sub-sector may reflect the relatively low response rate in this month's survey.



PRODUCTION AND CAPACITY UTILISATION

- Seasonally adjusted, the production sub-index fell 4.7 points to 39.2, indicating that manufacturing output contracted for the third consecutive month in September.
- The fall in manufacturing output was led by decreases in production in the textiles; paper, printing and publishing; chemicals, petroleum and coal products; fabricated metals; and miscellaneous manufactures sub-sectors.
- On an unadjusted basis, the number of sub-sectors reporting declines in production rose to nine in September, from eight in August.
- Overall, capacity utilisation increased by 2.7 percentage points to 74.2% in September, largely reflecting the increase in capacity utilisation in the food and beverages; clothing and footwear; and miscellaneous manufactures sub-sectors.



NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose by 1.2 points to 44.6 in September, pointing to a continuing fall in new orders though the pace of decline has eased somewhat.
- Unadjusted, new orders dropped in seven of the 12 sub-sectors.
- The paper, printing and publishing; chemicals, petroleum and coal products; and transport equipment sub-sectors recorded significant decreases in new orders.

EMPLOYMENT AND AVERAGE WAGES

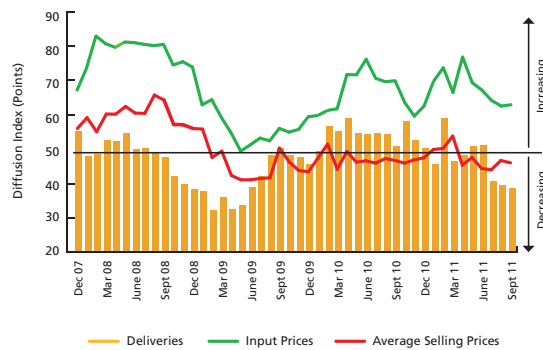
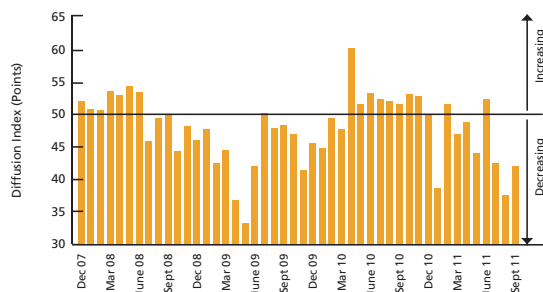
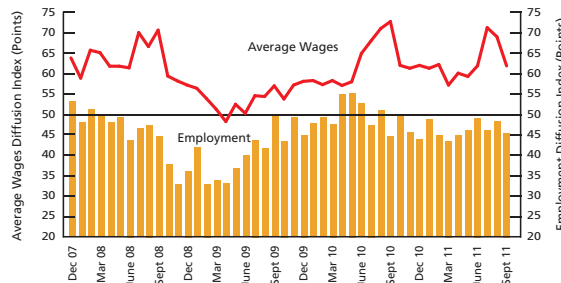
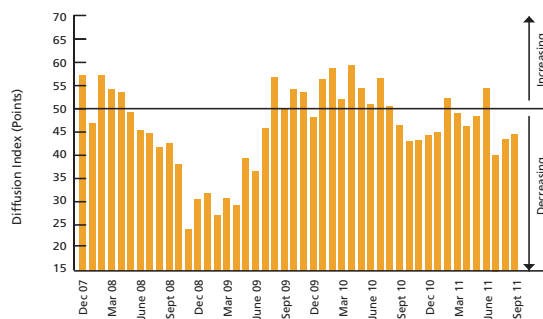
- The seasonally adjusted employment sub-index decreased 2.7 points to 45.7 in September, remaining below the 50-point level separating expansion from contraction, and marking the 11th straight month of decline in manufacturing employment.
- Sharp declines in employment were recorded in the food and beverages and fabricated metals sub-sectors.
- Despite the continued declines in employment in the manufacturing sector over the recent months, wage growth in the sector continued albeit at a slower pace. The wages sub-index fell, with the sub-index down 7.1 points to 61.9 in September.

FINISHED STOCKS

- Manufacturing inventories decreased at a slower pace in September, with the seasonally adjusted sub-index rising by 4.6 points to 42.3, below the 50-point level.
- Inventories decreased strongly in the food and beverages; paper, printing and publishing; chemicals, petroleum and coal products; construction materials; and miscellaneous manufactures sub-sectors.
- The clothing and footwear sub-sector recorded the strongest increase in inventories.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in September declined again, with the sub-index falling by 0.9 points to 38.6.
- Unadjusted, deliveries fell in eight sub-sectors, with the wood products and furniture sub-sector recording the strongest decline.
- The increase in input costs persisted in September, with the seasonally adjusted sub-index increasing 0.4 points to 64.1. All sub-sectors recorded increases in input costs.
- Selling prices continued to fall in September, with the selling prices sub-index decreasing 0.7 points to 46.7.



WHAT IS THE AUSTRALIAN PMI®?

The Australian Industry Group - PwC 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.

SPONSOR STATEMENT

PwC 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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AUSTRALIAN PMI®

	September 2011	August 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	42.3	43.3	-1.0	Contracting	Faster	3
PRODUCTION	39.2	43.9	-4.7	Contracting	Faster	3
EMPLOYMENT	45.7	48.4	-2.7	Contracting	Faster	11
NEW ORDERS	44.6	43.4	1.2	Contracting	Slower	3
INVENTORIES	42.3	37.7	4.6	Contracting	Slower	3
SUPPLIER DELIVERIES	38.6	39.5	-0.9	Contracting	Faster	3
INPUT PRICES	64.1	63.7	0.4	Expanding	Slower	112
EXPORTS	37.1	41.0	-3.9	Contracting	Faster	12
SELLING PRICES	46.7	47.4	-0.7	Contracting	Faster	6
AVERAGE WAGES	61.9	69.0	-7.1	Expanding	Slower	29
CAPACITY UTILISATION (%)	74.2	71.5	2.7 pts	Higher	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 the Australian Bureau of Statistics were applied in April 2011.

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