

MANUFACTURING STRENGTHENS FURTHER IN NOVEMBER

Australian PMI®
 Nov 2015: 52.5 ↑

US Flash PMI
 Nov 2015: 52.6 ↓

Markit Eurozone PMI
 Sep 2015: 52.3 ↑

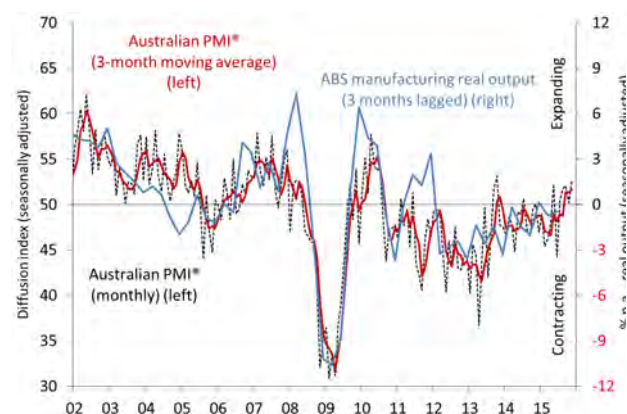
UK CIPS PMI
 Oct 2015: 55.5 ↑

Japan Flash PMI
 Nov 2015: 52.8 ↑

China Caixin PMI
 Oct 2015: 48.3 ↑

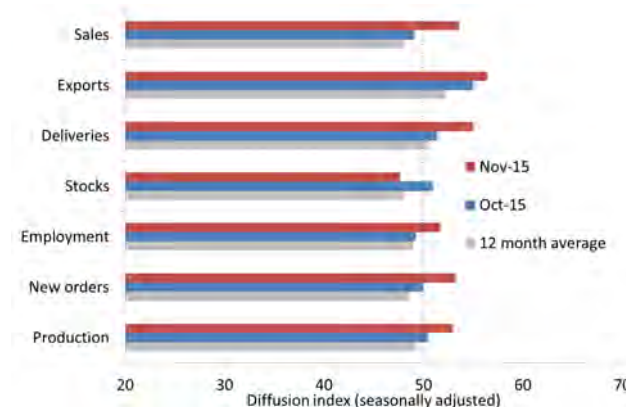
KEY FINDINGS

- The Australian Industry Group Australian Performance of Manufacturing Index (**Australian PMI®**) improved by 2.3 points to 52.5 points in November, indicating a net expansion across the manufacturing industries. (Readings above 50 points indicate expansion).
- November was the 5th consecutive month in which the **Australian PMI®** has been above 50 points (net expansion). This is the longest unbroken run of expansion since 2010. Six of the past seven months have had an **Australian PMI®** above 50 points.
- November's improvement saw the **Australian PMI®** recover from October's deceleration in growth, to a very similar level to September. It is possible that some of the deceleration in October might have been due to an additional public holiday in Victoria, for the first time this year. This holiday was confirmed at short notice and disrupted many manufacturers' production, distribution and sales plans nationally. The disruption was compounded due to the timing of this holiday which was held just before public holidays in other states.
- Five of the eight manufacturing sub-sectors in the **Australian PMI®** expanded in November, up from four in October, with food and beverages moving back into expansion after a brief pause last month (which might have been related to Victoria's extra holiday).
- Positive trends identified by manufacturers in November included: the low dollar supporting exports and local orders; better local confidence; and stronger demand for suppliers to the housing construction sector. These positives were offset for others by declining automotive production, engineering projects and Government infrastructure projects.



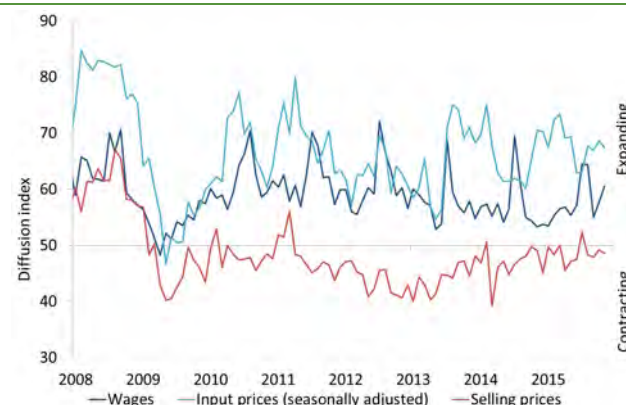
ACTIVITY SUB-INDEXES

- Of the seven activity sub-indexes, only stocks (47.6 points) was under 50 points and indicating contraction in November. This suggests that some manufacturers are selling down their stock levels to meet stronger demand or ahead of their summer shut-down.
- Importantly for the outlook, the new orders sub-index in the **Australian PMI®** jumped 3.3 points higher to 53.2 points in November, after stabilising (49.9 points) in October. This key sub-index has indicated a welcome expansion in orders in four of the past seven months.
- The sales sub-index recovered to expansion (53.6 points) after stabilising in October at 49.0 points. The sales sub-index has indicated expansion in three of the past five months.
- Manufacturing exports strengthened further in November, with the exports sub-index up by 1.4 points to 56.4 points, its strongest result since May. Exports have expanded in nine of the eleven months of 2015 to date, supported by the lower Australian dollar.
- In response to these indicators of stronger demand, manufacturing production expanded for a fifth month in November, and at a stronger pace. The **Australian PMI®** production sub-index improved by 2.6 points to 53.0 points. Supplier deliveries also expanded again.
- The manufacturing employment sub-index improved to expansion in November (51.7 points) after a brief and mild decline in October (49.2 points). The employment sub-index has indicated expansion (above 50 points) in four of the past seven months, suggesting an improving but patchy labour demand trend among manufacturers.
- Manufacturers' capacity utilisation rate decreased a touch (-0.6 percentage points) to 75.1% of capacity being utilised by manufacturers in November.



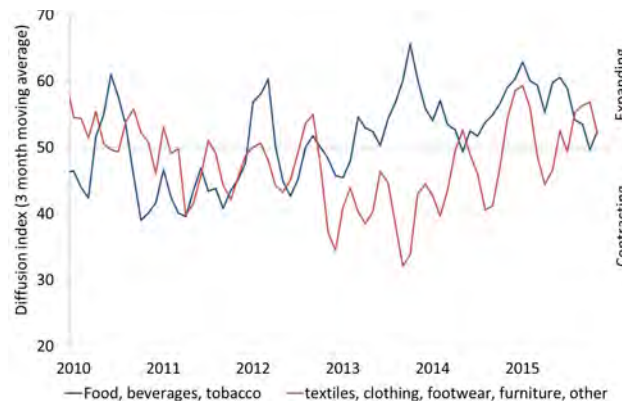
WAGES AND PRICES SUB-INDEXES

- The input prices sub-index decreased by 1.2 points to 67.4 points in November, but remains relatively elevated. This sub-index suggests annual growth in manufacturing input prices have accelerated again since the beginning of this year, as the depreciation of the Australian dollar has raised prices for imported inputs.
- The wages sub-index of the **Australian PMI®** increased by a further 2.8 points to 60.5 points in November. This acceleration might suggest demand for labour in manufacturing is stabilising. ABS data indicated a fall of -3.3% p.a. in the three months to August.
- The manufacturing selling prices sub-index decreased by a marginal 0.6 points, to 48.6 points in November. This signalled a very mild contraction in selling prices. Manufacturers continue to face strong competition and downward pricing pressures, despite the growing pressure on margins due to more expensive imported inputs and possibly wage pressures.



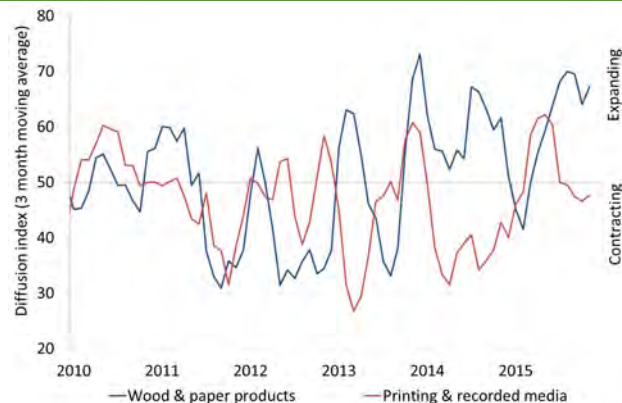
FOOD & BEVERAGES; TEXTILES, CLOTHING, FURNITURE & OTHER*

- The **food, beverages and tobacco sub-sector** moved back into expansion in November (52.4 points) after stabilising in October (49.7 points). It is possible that the pause in October was related to the disruption of the new public holiday in Victoria. This giant sub-sector has expanded in 17 of the past 18 months, as the lower Australian dollar benefits exports and the replacement of imports. Respondents in this sub-sector have however, raised concerns about higher prices for imported and local raw food materials due to the low dollar and worsening drought conditions in many parts of Australia.
- The small, very diverse **textiles, clothing, footwear, furniture and other manufacturing sub-sector's** index slowed to 52.0 points in November, indicating a slower rate of expansion. The lower Australian dollar, ongoing strength in the housing market and improving consumer confidence seem to be supporting demand for Australian-made furniture, furnishings and household goods, despite fierce import competition.



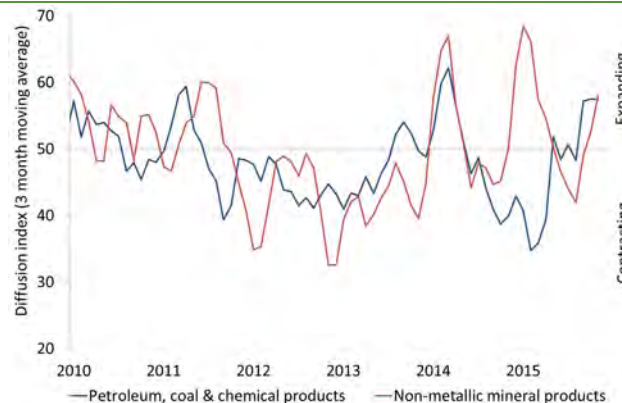
WOOD & PAPER; PRINTING & RECORDED MEDIA*

- The relatively small **wood and paper products sub-sector** expanded for a ninth consecutive month in November, and at an accelerating pace. The sub-sector's index jumped 3.2 points higher, to 67.2 points.
- Respondents indicated that the wood and paper products sub-sector is benefiting from higher residential construction activity, which is boosting demand for wood-based building products. Elsewhere in the sub-sector, local paper-based packaging products are seeing somewhat stronger demand from the growth in food manufacturing over the past year.
- Activity in the very small **printing and recorded media sub-sector** declined for a fourth month in November, following a promising period of recovery earlier in 2015. The sub-sector's index was up 1 point, to 47.6 points. Despite the lower Australian dollar, rapid technology change and intense import competition continue to weigh heavily on this sector.



PETROLEUM, COAL & CHEMICALS; NON-METALLIC MINERALS*

- The **petroleum, coal, chemicals and rubber products sub-sector** expanded for a third month after a weak performance over the preceding year. The sub-sector's index was largely unchanged, at 57.4 points in November. A lower Australian dollar and increased residential building activity are supporting demand for a range of consumer products (such as pharmaceuticals, toiletries) as well as construction-related chemicals (such as paints, adhesives and treatments). However, further declines in the automotive and mining sectors are reducing demand for related products supplied by this sub-sector.
- The **non-metallic mineral products sub-sector** expanded for a second month in November, with the sub-sector's index improving by a further 5.4 points to 58.0 points. This was the strongest result for this sub-sector since February. Feedback suggests increased demand for local building products (such as tiles, bricks, cement and glass) from the residential building sector is lifting this sub-sector into expansion again, despite falling demand from engineering construction and from the local automotive supply chain.



METAL PRODUCTS; MACHINERY & EQUIPMENT*

- The large **metal products sub-sector's** index moved up by a further 0.9 points to 49.0 points and very close to stabilising in November. This was the highest level recorded for this sub-sector since Aug 2010 (54.0 points). This sub-sector has contracted continuously since September 2010. The lower Australian dollar and higher residential (but not engineering) construction appear to be supporting demand for some types of steel, aluminium and related metallic products, in the face of fierce global competition.
- The index for the closely related **machinery and equipment sub-sector** dropped 1.9 points to 43.1 points in November. This sub-sector has been in continuous contraction since February 2012, largely reflecting the progressive closure of Australian automotive assembly. Elsewhere in this sub-sector, concerns about worsening drought in rural areas are affecting local orders for specialised agricultural machinery and transport equipment.



Seasonally adjusted	Index this month	Change from last month	12 month average		Index this month	Change from last month	12 month average
Australian PMI®	52.5	2.3	49.1	Exports	56.4	1.4	52.2
Production	53.0	2.6	49.4	Sales	53.6	4.5	47.9
New Orders	53.2	3.3	48.6	Input Prices	67.4	-1.2	68.2
Employment	51.7	2.4	49.0	Selling Prices (unadj.)	48.6	-0.6	48.3
Inventories (stocks)	47.6	-3.3	48.0	Average Wages (unadj.)	60.5	2.8	57.5
Supplier Deliveries	55.0	3.7	50.5	Cap. Utilisation % (unadj.)	75.1	-0.6	72.0

* All sub-sector indexes in the **Australian PMI®** are reported as three-month moving averages (3mma), so as to better identify the trends in these volatile monthly data.

What is the Australian PMI®? The Australian Industry Group **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 around 200 manufacturing companies each month. New monthly seasonal adjustment factors were applied in April 2013. New industry classifications applied from December 2012 (and back-dated to 2009) based on the ANZSIC 2006 coding system and ABS 2011-12 industry weights. For further economic analysis and information from the Australian Industry Group, visit <http://www.aiigroup.com.au/economics>.

*For further information on international PMI data, visit <http://www.markiteconomics.com> or <http://www.cipsa.com.au>.

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