

# MANUFACTURING REMAINS BUOYANT IN APRIL

**Australian PMI®**  
Apr 2018: 58.3 ↓

**US Flash PMI**  
Apr 2017: 56.5 ↑

**Eurozone Flash PMI**  
Apr 2018: 56.0 ↓

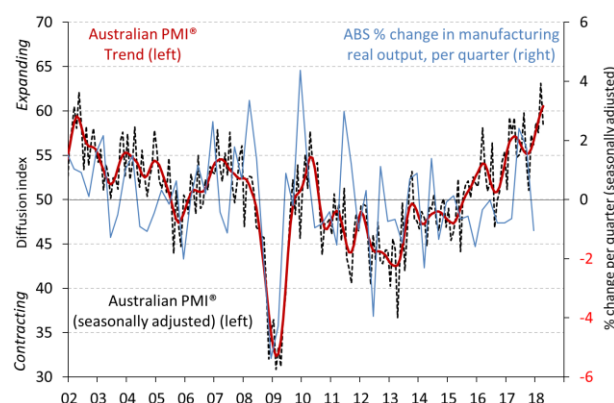
**UK IHS PMI**  
Mar 2017: 55.1 ↑

**Japan Flash PMI**  
Apr 2018: 53.3 ↑

**China Caixin PMI**  
Mar 2017: 51.0 ↓

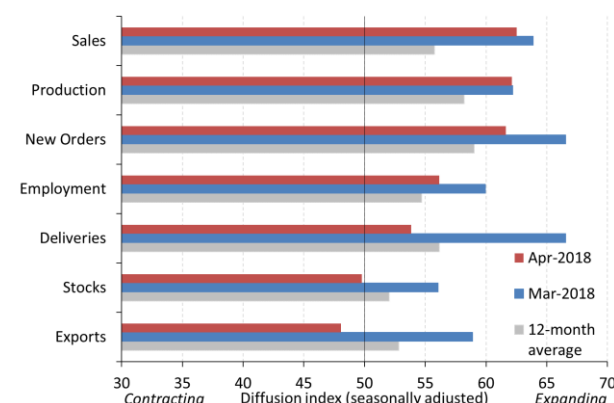
## KEY FINDINGS

- The Australian Industry Group Australian Performance of Manufacturing Index (**Australian PMI®**) fell 4.8 points to 58.3 points in April, indicating a slower – but still buoyant - rate of expansion in April, after reaching a record high in March (seasonally adjusted). Results above 50 points indicate expansion with higher results indicating a stronger expansion.
- April 2018 marked a nineteenth month of expanding or stable conditions for the **Australian PMI®** and the longest run of continuous expansion since 2005.
- Five of the seven activity sub-indexes in the **Australian PMI®** indicated expansion in April, but at a slower pace than in March. New orders, production and sales remained above 60 points, indicating healthy demand and a strong likelihood of further near-term growth. The exports sub-index contracted mildly, indicating a pause in exports. Employment decelerated and stock levels (inventories) were stable.
- Six of the eight sub-sectors in the **Australian PMI®** expanded and two contracted in April (trend). Four of the eight sub-sectors reached record highs in trend terms, including the petroleum, coal, chemical and rubber products; metal products; machinery and equipment and the textiles, clothing & other sub-sectors. Weaker conditions remain evident in the relatively smaller wood & paper and printing & recording media sub-sectors.
- With the exception of high energy costs (which continue to eat into margins), manufacturing conditions remain positive on the east coast. Manufacturers in NSW and Victoria continue to report strong demand because of higher levels of activity in the civil engineering (mainly transport projects), commercial building and residential construction industries.



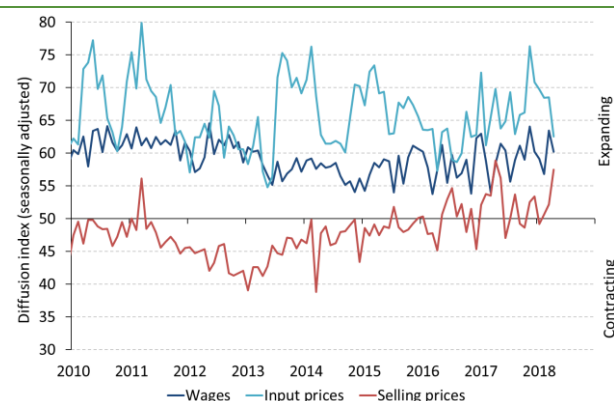
## ACTIVITY SUB-INDEXES

- The sales sub-index fell by 1.4 points to 62.5 points in April, indicating expanding domestic demand in manufacturing, albeit at a slightly slower pace than the record high in March.
- The production sub-index eased 0.1 points to 62.1 points in April, Production is especially strong at present in the petroleum, coal, chemicals and rubber products and the non-metallic mineral products sub-sectors, reflecting demand from the building industry.
- New orders fell by 5.0 points to 61.6 points in April, from a record high of 66.6 points in March. This index has been strongly positive (expanding) since late 2016, and continues to indicate good growth prospects for manufacturing for the remainder of 2018.
- The employment sub-index weakened by 3.9 points to 56.1 points in April, indicating a slower rate of recovery in manufacturing employment numbers.
- The deliveries index dropped to 53.8 points in April, from a record high of 66.6 points in March. This indicated a slower rate of expansion of supplies being ordered to meet forward production needs. Some respondents said wet weather in Queensland and public holidays interrupted the delivery of raw materials in April. The record high in March suggests that some manufacturers brought their deliveries forward, ahead of the public holidays.
- Stocks (inventories) were stable in April, with this sub-index falling 6.2 points to 49.8 points.
- The exports sub-index dropped by 10.9 points to a mild contraction in April (48.0 points), for the first time since October 2017. Exports weakened in the food and beverages and the petroleum, coal, chemicals and rubber products sub-sectors.
- Capacity utilisation eased to 79.9% of available capacity in April, after a record high in March. This is still high by historical standards and suggests some manufacturers will need more investment and/or employment in order to meet future growth in demand.



## WAGES AND PRICES SUB-INDEXES

- The input prices sub-index fell by 6.0 points to 62.5 points in April. Input prices remain elevated for the petroleum, coal, chemical and rubber products and the metal products sub-sectors, reflecting their high energy input costs. Some respondents reported that the cumulative effect of higher energy prices is hurting their competitiveness and complicating their investment funding decisions, despite good prospects for growth in demand.
- The wages sub-index slowed by 3.1 points to 60.3 points in April, indicating a slower pace. This sub-index remains above its long run average (58.9 points since May 2009).
- The manufacturing selling price sub-index increased by 5.3 points to 57.5 points, indicating price increases for manufacturers' customers in April. Although monthly data can be volatile, continuing expansion in this sub-index (results above 50 points) suggests that more of the cost pressures from manufacturing inputs (especially energy input costs) are being passed on to their customer base.



## FOOD & BEVERAGES\*

- The index for the largest manufacturing sub-sector, food and beverages, slowed by 0.6 points to 56.7 points in April (trend) but continued its long run of expansion. This sub-sector has been expanding since early 2013 (trend). ABS data confirms the real volume of output (inflation adjusted value-added output) from food, beverages and tobacco sector grew by 3.5% p.a. in 2017.

## TEXTILES, CLOTHING, FURNITURE & OTHER\*

- The small but diverse textiles, clothing, furniture and other manufacturing sub-sector's index jumped by 5.6 points to 57.1 points in April (trend), indicating improving conditions. This sub-sector was in contraction throughout 2016 and 2017 but it has improved rapidly in 2018. April was this sub-sector's best month in the **Australian PMI**® since at least 2009.

## WOOD & PAPER\*

- The small wood and paper products sub-sector's index decreased by 1.8 points to 48.0 points, indicating a modest contraction in April (trend). This sub-sector's strong recovery in 2017 appears to have abated. Some parts of wood manufacturing were benefiting from elevated residential building activity (generating demand for wood-based building products) throughout 2017, but this boost appears to be waning in 2018, as the residential construction cycle slows. Paper and packaging producers are still benefiting from growth in the food and beverages processing sector and from groceries production.

## PRINTING & RECORDED MEDIA\*

- The very small printing and recorded media sub-sector's index eased by 0.5 points to 48.6 points (trend), indicating another mild contraction in April. This sub-sector has been particularly volatile of late, with changes in seasonal ordering and purchasing patterns likely playing a part. This sub-sector continues to face headwinds from rapid digital and online technology changes and intense import competition.

## PETROLEUM, COAL & CHEMICALS\*

- The large petroleum, coal, chemicals and rubber products sub-sector's index accelerated by 0.4 points to a record high of 67.6 points in April, driven by high levels of production (trend). This sub-sector has been recovering steadily since mid-2015, supported by the recent housing construction boom and more recently by large transport infrastructure projects on the east coast. ABS data confirms that real output volumes (inflation adjusted value-added output) from this sector grew by an impressive 7.3% p.a. in 2017. This extremely diverse sub-sector includes fertilisers, agricultural chemicals, pharmaceuticals, toiletries and health supplements, as well as construction-related products such as paints, adhesives and surface treatments.

## NON-METALLIC MINERALS\*

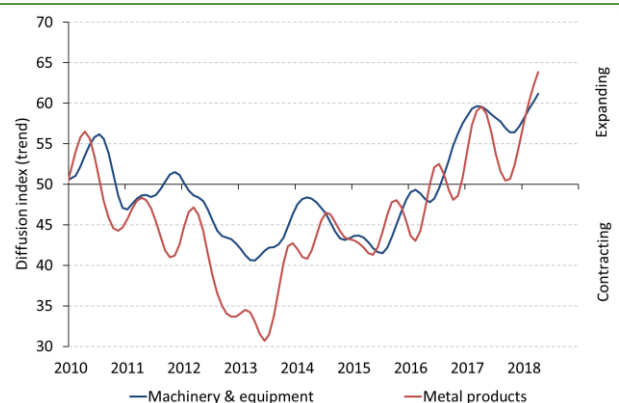
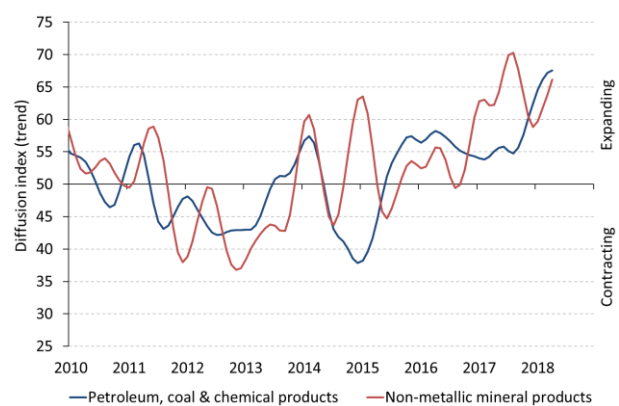
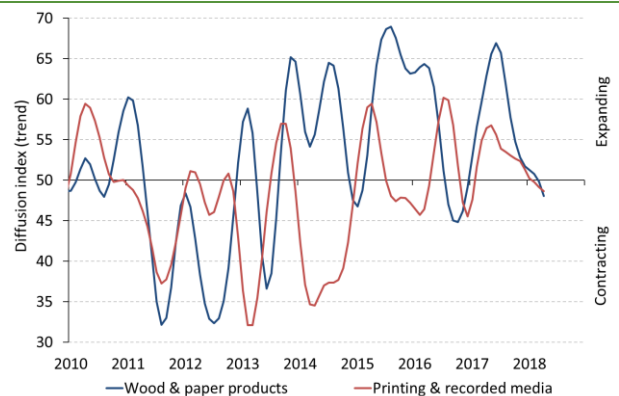
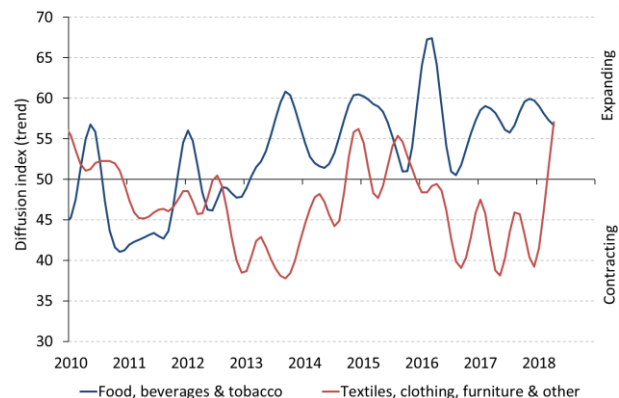
- The non-metallic mineral products (mainly building-related products) sub-sector's index improved by 2.4 points to 66.1 points in April, driven by high levels of production and deliveries of raw materials. Local residential building activity is beginning to ease from recent peaks, but non-residential building activity is now picking up pace. High energy prices remain a pressing concern for this sub-sector.

## METAL PRODUCTS\*

- The large metal products sub-sector's index reached another record high of 63.8 points in April. Increased local demand from east coast infrastructure projects, energy projects and the mining sector are supporting stronger sales again in 2018, following a recent slow patch (trend).

## MACHINERY & EQUIPMENT\*

- The large machinery and equipment sub-sector's index built on last month's positive result, reaching a record high of 61.2 points in April. Capacity utilisation remains particularly high for this sub-sector which suggests that machinery and equipment manufacturers will need to increase their investment and/or employment in order to meet future demand. This sub-sector includes specialist equipment for mining, agriculture, food processing and other markets, as well as transport vehicles other than cars - such as trucks, trains, buses and boats - which appear to be in demand in 2018.



Seasonally adjusted	Index this month	Change from last month	12-month average		Index this month	Change from last month	12-month average
<b>Australian PMI®</b>	<b>58.3</b>	<b>-4.8</b>	<b>56.8</b>	Exports	48.0	-10.9	52.8
Production	62.1	-0.1	58.2	Sales	62.5	-1.4	55.7
New Orders	61.6	-5.0	59.0	Input Prices	62.5	-6.0	67.5
Employment	56.1	-3.9	54.7	Selling Prices	57.5	5.3	51.7
Inventories	49.8	-6.2	52.0	Average Wages	60.3	-3.1	60.1
Supplier Deliveries	53.8	-12.8	56.2	Capacity Utilisation (%)	79.9	-1.3	77.7

\* All sub-sector indexes in the **Australian PMI**® are reported in trend terms (Henderson 13-month filter) 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 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 indicates the strength of the expansion or decline. Australian PMI® results are based on responses from a national sample of manufacturers that includes all states and all sub-sectors. The **Australian PMI**® uses the ANZSIC industry classifications for manufacturing sub-sectors and sub-sector weights derived from ABS industry output data. Seasonal adjustment and trend calculations follow ABS methodology. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/policy-and-research/economics/economicindicators/>.

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