

## TWO YEARS OF UNINTERRUPTED EXPANSION IN MANUFACTURING

**Australian PMI®**  
 Sep 2018: 59.0 ↑

**US Flash PMI**  
 Sep 2018: 55.6 ↑

**Eurozone Flash PMI**  
 Sep 2018: 53.3 ↓

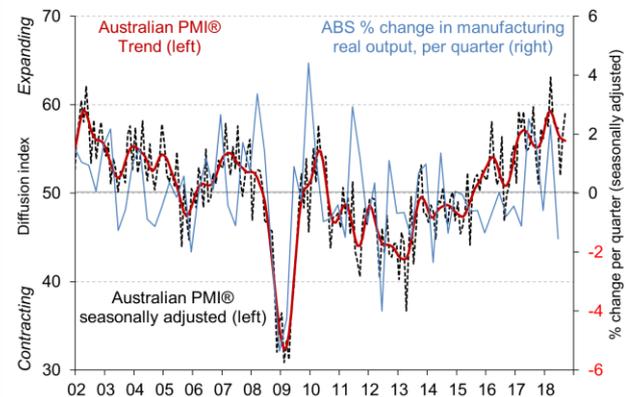
**UK IHS PMI**  
 Aug 2018: 52.8 ↓

**Japan Flash PMI**  
 Sep 2018: 52.9 ↑

**China Caixin PMI**  
 Aug 2018: 50.6 ↓

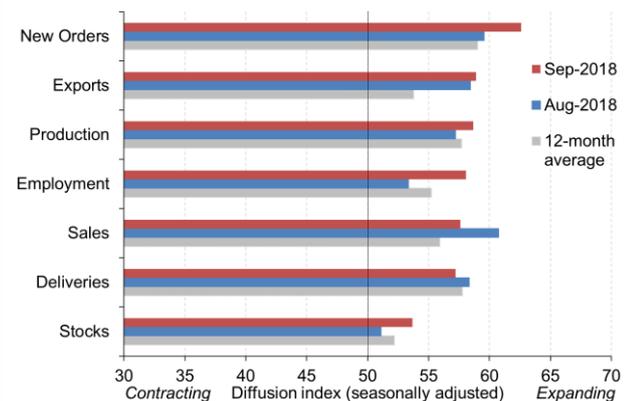
### KEY FINDINGS

- The Australian Industry Group Australian Performance of Manufacturing Index (**Australian PMI®**) climbed 2.3 points to 59.0 points in September (seasonally adjusted), indicating faster growth across the manufacturing sector. Results above 50 points indicate expansion with higher results indicating a stronger expansion.
- The **Australian PMI®** has now indicated two years of uninterrupted expansion (results above 50 points), which is the longest run of growth since 2005.
- All seven activity sub-indexes in the **Australian PMI®** expanded in September (seasonally adjusted). Five activity sub-indexes accelerated with the new orders sub-index reaching a six-month high. Only the deliveries and sales sub-indexes slowed in September.
- Five of the eight sub-sectors in the **Australian PMI®** expanded in September (trend). Expansions were stronger in the food & beverages, non-metallic minerals and wood and paper products sectors. The smaller 'printing and recorded media' sub-sector contracted, while the 'textiles, clothing & other manufacturing' and the chemical products sub-sector were broadly stable. Recovery in the chemicals sub-sector has been slowing in recent months with many respondents reporting that rising oil prices were putting upward pressure on input costs.
- The manufacturing sector has confounded doubters in recent years by lifting employment and production despite the exit of passenger car assembly from Australia. Australia's manufacturing sector is diverse and comprised of multiple sub-sectors that are continuing to adapt to their operating environment. An improving economy, along with infrastructure, mining, renewable and defence projects continue to support demand for manufacturing products in 2018.



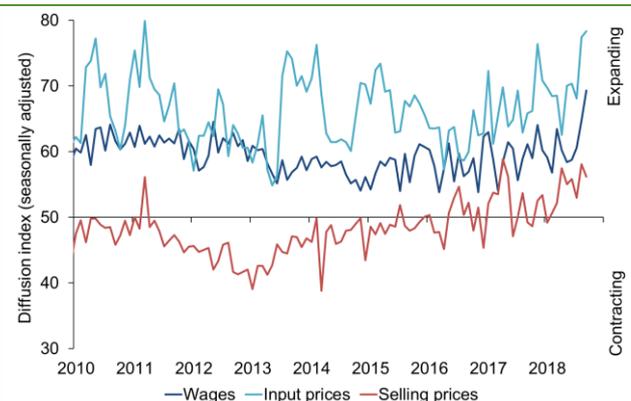
### ACTIVITY SUB-INDEXES

- New orders rose to the highest level since March 2018, increasing by 3.0 points to 62.6 points in September. This suggests that there will be further growth in many parts of manufacturing in the coming months.
- The exports sub-index edged up 0.5 points to 58.9 points, indicating that exports expanded at a faster pace in September.
- The production index indicated a continuation of solid growth, rising by 1.5 points to 58.7 points in September. Production was again strong in the large food and beverages and non-metallic mineral products sub-sectors.
- The employment sub-index increased by 4.8 points to 58.1 points, indicating a faster rate of growth in manufacturing employment. This sub-index indicated more mild growth at the start of the 2018-19 financial year but has accelerated again in September. This is reflected in ABS data which shows that across all industries, job gains over the year to August 2018 were strongest in the manufacturing sector with national manufacturing employment rising to its highest level since 2010 (trend).
- The sales sub-index fell 3.1 points to 57.6 points in September and appears to have steadied after months of volatility.
- The deliveries sub-index fell to 57.2 points in September, indicating a slowing, albeit growing supply of raw materials being ordered to meet forward production needs.
- The finished stocks sub-index increased by 2.6 points to 53.7 points.
- Capacity utilisation rose by 1.4 percentage points to 78.9% of available capacity.



### WAGES AND PRICES SUB-INDEXES

- The input prices sub-index continued to rise in September, lifting by 0.9 points to its highest level since March 2011 at 78.3 points. Increased prices for oil and other imported components were mainly cited by respondents as adding to cost burdens, reflecting the global rise in crude oil prices and the depreciation of the Australian dollar.
- The average wages sub-index continued to rise in September, increasing by 4.6 points to a record high of 69.3 points. This indicates a higher proportion of businesses are facing wage increases across manufacturing. The average wages sub-index has accelerated above the long-run average of 59.1 points in the last three months. This might reflect wage increases linked to this year's minimum wage increase of 3.5% (from 1 July 2018) making their way through Australia's system of industrial awards and agreements.
- The manufacturing selling price sub-index decreased by 1.9 points to 56.2 points, indicating slowing price increases for manufacturing customers in September. This sub-index has been trending upwards in 2018, indicating that customer price increases are becoming more widespread again among manufacturing businesses.

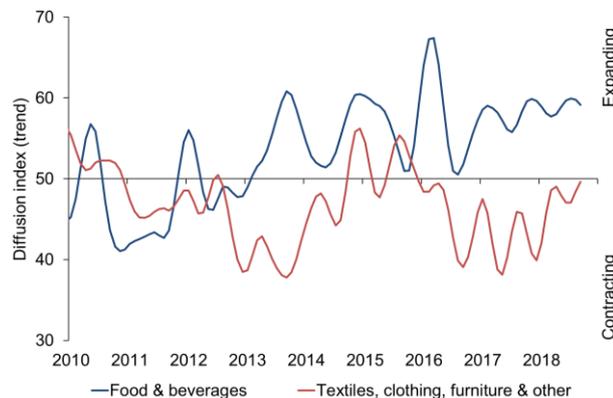


## FOOD & BEVERAGES\*

- The index for the largest manufacturing sub-sector, food and beverages, eased by 0.7 points to 59.1 points in September (trend). This sub-sector has been expanding since early 2013 with latest ABS data indicating expanding volumes of production and employment over the past year. Food and beverage manufacturers reported strong expansions in production, new orders and exports in September, but also rising input prices for raw agricultural inputs because of the drought.

## TEXTILES, CLOTHING, FURNITURE & OTHER\*

- The index for the small but diverse 'textile, clothing, furniture & other manufacturing' rose 1.2 points and was broadly stable at 49.6 points in September (trend). The improvement this month is welcome, but the sub-sector has been contracting since 2015 and continues to face tough local and global trading conditions, with intense competition and falling consumer prices.

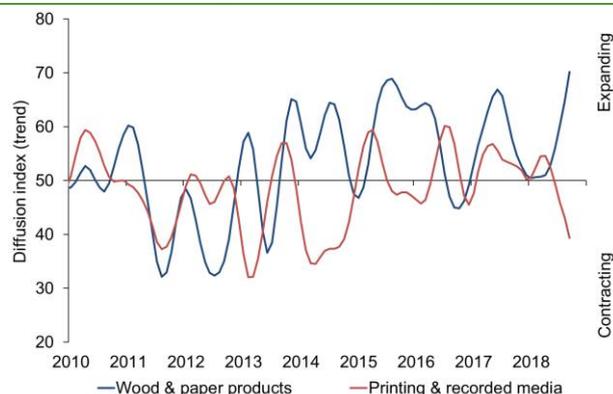


## WOOD & PAPER\*

- The small wood and paper products sub-sector's index jumped by 5.5 points to 70.2 points, indicating expansion in September (trend). This sub-sector experienced a relatively strong recovery throughout 2017, benefiting from the growth in food processing which has generated related growth in the production of food packaging products. Some parts of wood manufacturing have also benefitted from strong building activity in the eastern states.

## PRINTING & RECORDED MEDIA\*

- The very small printing and recorded media sub-sector's index fell further into contraction in September, falling by 3.9 points to 39.3 points (trend). Despite some respite in 2017 and early 2018, this sub-sector faces ongoing long-term challenges from rapid technology changes and intense import competition.

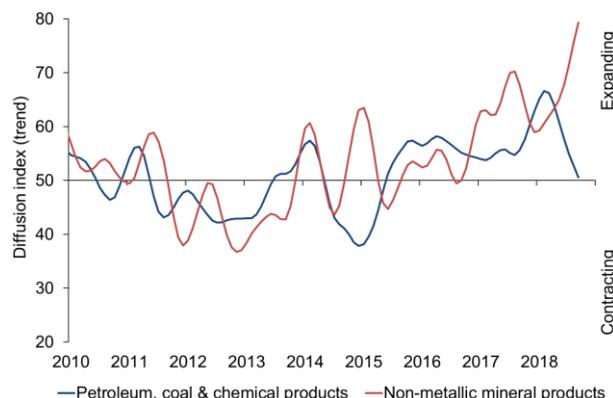


## PETROLEUM, COAL & CHEMICALS\*

- This sub-sector was broadly stable at 50.5 points in September. Recovery in the chemicals sub-sector has been slowing in recent months, with many respondents reporting a lower Australian dollar and rising oil prices putting pressure on input costs and profit margins. High gas costs remain a special concern for chemical producers in this sub-sector, many of whom use gas as a feedstock rather than an energy source and cannot substitute other materials.

## NON-METALLIC MINERALS\*

- The index for the non-metallic mineral products (mainly building-related products) sub-sector rose to another record high of 79.3 points in September (trend). Demand for building-related products (e.g. glass, cement and tiles) remains elevated due to the strong pipeline of residential construction and non-residential construction work yet to be done.

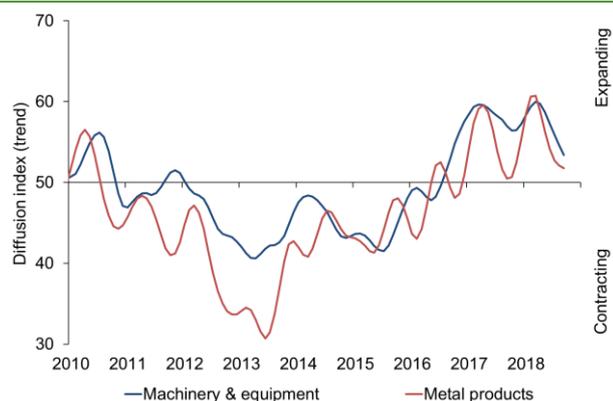


## METAL PRODUCTS\*

- The metals sub-sector eased by 0.3 points to 52.8 points in September. This sub-sector has been slowing in recent months, after welcome recoveries in orders in 2017 and early 2018. Many respondents are reporting strong demand from infrastructure projects, but the cost of raw materials and rising energy costs remain a concern for this sub-sector.

## MACHINERY & EQUIPMENT\*

- The large machinery and equipment sub-sector's index decreased by 1.2 points to 53.4 points in September. This sub-sector makes specialist equipment for mining, agriculture, food processing and other markets, as well as transport vehicles other than cars (e.g. trucks, trains, buses and boats) all of which are in demand in 2018. Drought conditions in Queensland and New South Wales continue to have an adverse impact on sales of machinery and equipment to the agricultural sector and some respondents are also noting difficult finding people with suitable skills in some disciplines such as qualified fitters and machinists.



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>59.0</b>	<b>2.3</b>	<b>57.1</b>	Exports	58.9	0.5	53.8
Production	58.7	1.5	57.7	Sales	57.6	-3.1	55.9
New Orders	62.6	3.0	59.0	Input Prices	78.3	0.9	70.6
Employment	58.1	4.8	55.2	Selling Prices	56.2	-1.9	53.5
Inventories	53.7	2.6	52.2	Average Wages	69.3	4.6	61.2
Supplier Deliveries	57.2	-1.1	57.8	Capacity Utilisation (%)	78.9	1.4	78.1

\* 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/>. © The Australian Industry Group, 2015. This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part to 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 any person relying in whole or in part upon the contents of this publication.