Manufacturing momentum continues in March

The Australian PMI for March adds weight to the good performance of industry highlighted in the findings of last week's Australian Industry Group/ PricewaterhouseCoopers' Survey of Australian Manufacturing.

The Australian Performance of Manufacturing Index© was 59.1 in March - up 2.7 points on the February reading. Continued growth in new orders and a large build up of stocks in line with the business cycle contributed strongly to gains during the month.

Growth among Australian manufacturers has now been maintained for eight consecutive months, however future gains will be dependent on demand being sustained at current levels.

Other key findings were:

- Production, finished stocks and deliveries of raw materials all recorded stronger growth, while new orders remained steady.
- Employment increased, albeit at a lesser rate.
- Production increased in eleven of the twelve manufacturing sectors, with the strongest gains recorded in the wood, wood products and furniture; transport equipment; and food and beverages sectors.
- Seasonally adjusted State PMI(c) readings show all states recorded positive growth in March, with the strongest trends in NSW and Victoria.
- Gains were mostly confined to large and medium sized firms.

Heather Ridout, Deputy Chief Executive, of the Australian Industry Group said "The March index shows that manufacturers have weathered the worst of the global slowdown, with activity boosted by strong local demand and a build up in stock levels.

"However, while manufacturing has performed well so far this year, it is important that industry turns rising stock levels into sales, and lift investment to secure long term growth", she said.

PricewaterhouseCoopers Industrial Products Leader, Bruce Carlstein, said that firms should make the most of the current climate.

"The rapid rise in stocks in March shows that companies are benefiting from sustained growth in consumer demand. Firms now need to make the most of opportunities provided by the upswing in the business cycle by increasing their focus on marketing and customer service."
The Australian PMI© is produced by the Australian Industry Group and PricewaterhouseCoopers. Based on input by over 230 companies, it is the most up-to-date indicator of industry performance.

The Australian PMI© can be downloaded from http://www.aigroup.asn.au.

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Manufacturing Performance "So Far, Very Good"

While Canberra has adopted a cautious, "so far-so good" attitude to Australia's economic performance in 2002, the latest Australian Industry Group / PricewaterhouseCoopers survey shows that this is largely because the overall performance of the manufacturing sector is so far -very good.

The Survey of Australian Manufacturing for the March quarter shows manufacturing activity has reached an eight-year cyclical peak and was a key factor contributing to Australia's solid growth in defiance of the global downturn.

Nearly half the surveyed companies (46%) reported growth in the past three months and 57% expected further growth in the June quarter.

The twelve-month outlook also points to firmer production activity throughout 2002, reflecting improved business confidence.

However the survey shows growth was mainly confined to larger and medium firms with smaller firms reporting a marginal easing in activity.

The good news is that these gains are beginning to be translated into jobs, with one in four companies reporting job increases. The disappointing news is that we are yet to see any sustained lift in manufacturing investment. Only 46% of firms expected to increase expenditure on new plant and equipment over the next twelve months, compared to 42% who forecasted no change.

The survey is the leading indicator of industry performance and is based on input by over 839 manufacturers with a combined annual turnover of $50 billion, covering 25% of manufacturing activity.

The key findings of the survey were:

- Strong March quarter production growth, with almost one in two firms reporting production increases.
- Production increases were reported in eleven of the twelve sectors, compared to eight in the last quarter.
- The biggest gains were recorded in textiles, basic metal products and machinery and equipment.
- Positive production outcomes were recorded in all states. Queensland recorded the strongest trend with 55% of firms reporting an increase.
- Profits increased for the first time since the September quarter 1999, but only for large firms, with small to medium firms continuing to report falling profits.
- Wage pressures increased across all sectors during the quarter, with almost one in three firms reporting an
quarter, with almost one in three firms reporting an increase.
- Raw material costs eased for the third successive quarter, largely in response to lower oil prices and a highly competitive market. Selling prices remained subdued.

A further improvement is expected in the June quarter 2002.

- Production and sales are forecast to maintain solid growth, with medium and large sized firms are most optimistic about prospects ahead.
- Finished stock levels will rise, contributing to growth, with ten sectors expecting an increase.
- Employment and overtime are expected to continue the trend upwards.

Ai Group Deputy Chief Executive, Heather Ridout, said findings confirm that recovery is continuing and is underpinning the growth in the Australian economy and job prospects.

"The news is not so much 'so far, so good' but so far, very good," she said. "The quarterly results show that manufacturing is leading the growth in the Australian economy and generating new jobs. But we still need more good news before investment starts to strengthen."

PricewaterhouseCoopers Industrial Products Leader, Bruce Carlstein, said the current course of solid growth is great news for the industry.

"Manufacturers now need to ensure they capture the benefits of the continuing upturn and sustain the good performance through a planned approach to investment and business renewal," he said.

"Building inventory, improving liquidity, taking advantage of low borrowing rates and developing an investment plan should be an essential part of business planning for the year ahead."

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