

PMI AUSTRALIAN

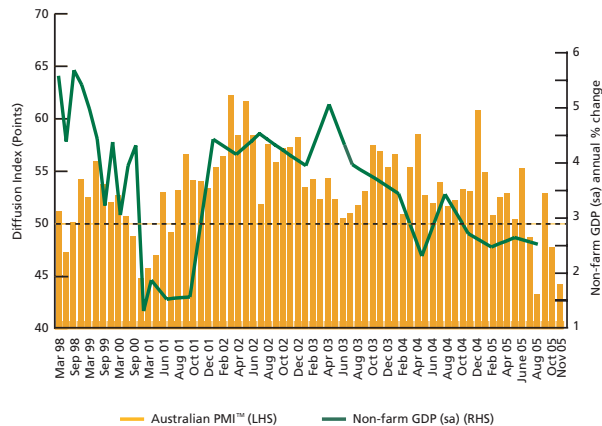
PERFORMANCE OF MANUFACTURING INDEX™

NOVEMBER 2005

MANUFACTURING ACTIVITY FALLS FURTHER AS INVENTORIES PARED BACK

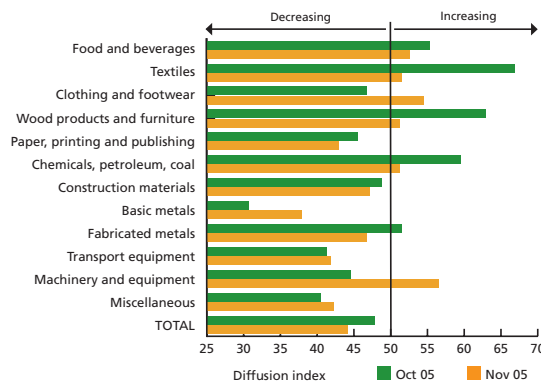
KEY FINDINGS

- Manufacturing activity continued to decline in November. The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI™** fell a further 3.6 points to 44.2 (remaining below the 50.0 level that separates expansion from contraction).
- Production, new orders, employment and supplier deliveries all fell at a faster rate in November. However, production fell more sharply than new orders, leading to the smallest rise in inventories since March 2005.
- Exports expanded moderately in November, while input prices increased at a slightly slower pace than in October.
- As in the previous month, the contraction in activity was confined to small enterprises (25 or fewer employees). Medium- and large companies reported continued growth.
- Queensland and Western Australia were again the only states to enjoy growth in activity, underpinned by continued strength in mining and related infrastructure activity.
- Based on the latest National accounts, the **Australian PMI™** suggests annual growth in non-farm GDP of around 2.5%, and growth in manufacturing production of below 1.5%.



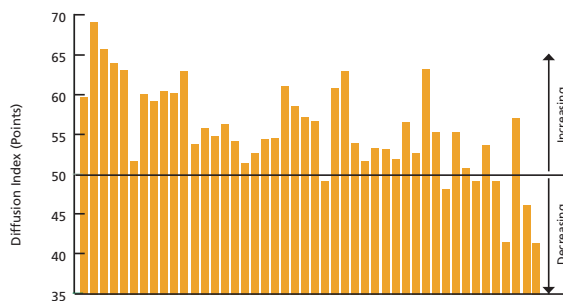
SECTORS

- Partly reflecting seasonal factors, the (unadjusted) number of sectors reporting growth increased to six (from five previously).
- Activity was strongest in machinery & equipment, which has now expanded in six of the past seven months. Among other industrial sectors, chemicals, petroleum & coal products also continued to expand.
- By contrast, basic metal products suffered the sharpest fall (and the second consecutive decline). Activity also contracted further in fabricated metals and transport equipment.
- Among consumer-based sectors, food & beverages; textiles; wood, wood products & furniture all reported further growth in activity.
- But activity fell for the eighth straight month in construction materials, and has fallen in eight of the past nine in paper, printing & publishing.

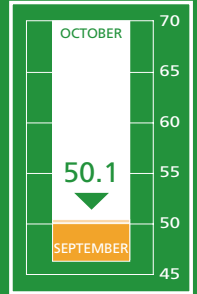
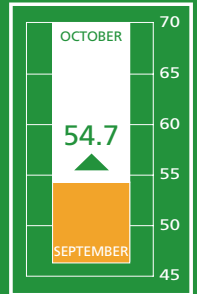
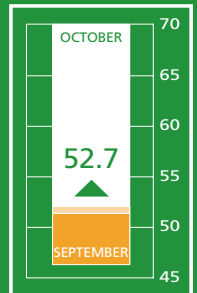
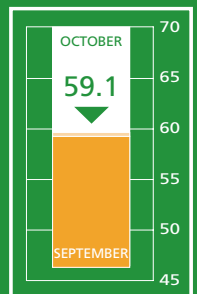
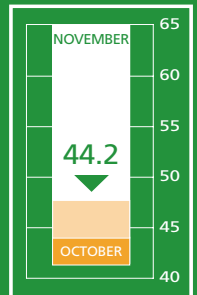


PRODUCTION

- Seasonally adjusted, production slumped a further 4.6 points to 41.5 (the lowest reading since the start of the survey in 1992).
- In unadjusted terms, six sectors recorded growth (up from four). However, three sectors also reported a moderation in growth from the previous month (and despite favourable seasonal factors).
- Growth was strongest in the machinery & equipment sector, with relatively strong increases also in textiles; clothing & footwear; and wood, wood products & furniture. More moderate growth was reported in fabricated metal products and chemical, petroleum & coal products.
- By contrast, basic metals; transport equipment; and construction materials all reported significant declines in production. Smaller falls we recorded in paper, printing & publishing and miscellaneous manufacturing.



AUSTRALIAN PMI™
USA ISM PMI
EUROZONE PMI
JAPANESE PMI
CHINESE PMI



NEW ORDERS

- In seasonally adjusted terms, new orders slipped a further 2.3 points to 44.9 (the fourth contraction in five months).
- Only five sectors reported higher orders in the month (unadjusted), although up from four in October.
- Chemicals, petroleum & coal products; clothing & footwear; and machinery & equipment all enjoyed large increases. Smaller rises were reported in food & beverages and textiles.
- Orders were unchanged in wood, wood products & furniture.
- All six sectors citing declines also reported falls or flat orders the previous month. The largest falls in November were in basic metals and paper, printing & publishing.

EMPLOYMENT

- Employment fell a further 0.9 points to 44.3 (seasonally adjusted).
- It was the fifth consecutive month in which employment has fallen and the lowest reading (or the fastest rate of decline) since December 2000.
- In unadjusted terms, employment expanded in just three sectors, compared with four the previous month. Falls were reported in nine sectors, up from six in October.
- The three sectors to report growth in employment were machinery & equipment; construction materials; and food & beverages.
- Of the nine to report declines, the largest falls were in textiles; chemicals, petroleum & coal products; and miscellaneous manufacturing.

FINISHED STOCKS

- Seasonally adjusted, inventories of finished goods fell 3.5 points to 50.4. Although the eighth consecutive month of rising inventories, it was the smallest increase in the same period.
- Despite inventories typically rising late in the year, the number of sectors citing increases in November fell from eight to seven, while the number reporting declines increased from three to five.
- The largest increases were in food & beverages and construction materials.
- Other sectors to report increases were clothing & footwear; paper, printing & publishing; basic metal products; transport equipment; and miscellaneous manufacturing.
- The largest falls were in fabricated metals and miscellaneous manufacturing, with smaller declines in textiles; wood, wood products & furniture; and machinery & equipment.

DELIVERIES AND INPUT COSTS

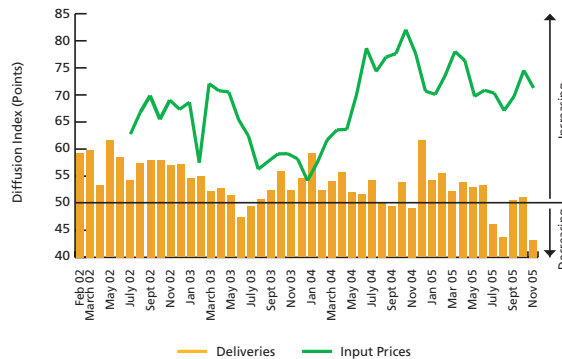
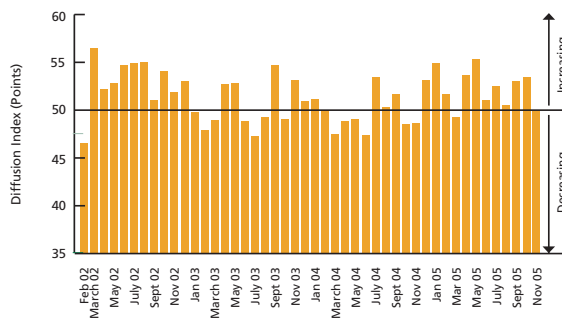
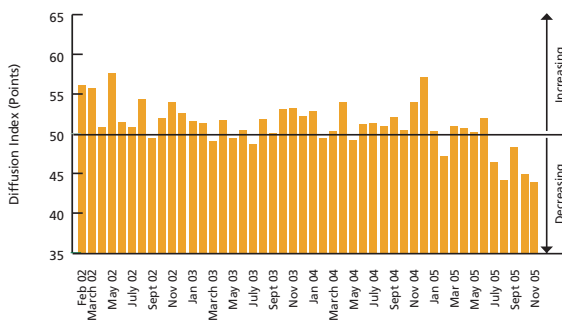
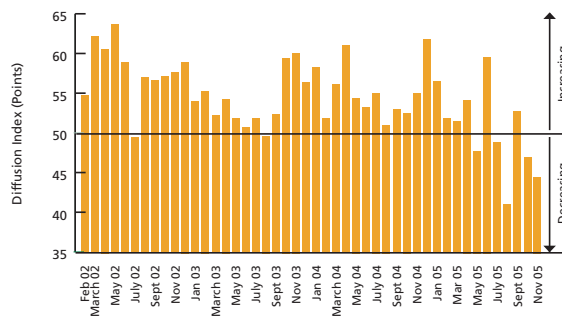
- Supplier deliveries fell 7.8 points to 43.3 (seasonally adjusted). It was the first decline in supplier deliveries in three months and the lowest reading in the history of the survey.
- Unadjusted, only five sectors reported increases in the month (down from seven previously). The number of sectors citing falling deliveries was unchanged at five.
- The rate of input cost increases moderated slightly, the index falling 3.2 points to 71.2. Although input costs continue to increase at a relatively fast rate, the index remains well below the recent cyclical peak (of 82.0 in October 2004).
- Input costs increased in all 12 sectors in the month. Only two sectors – wood, wood products & furniture and basic metal products – reported a faster rate of increase in November.
- The largest increases were in wood, wood products & furniture and also chemicals, petroleum & coal products.

NATIONAL INDEXES

	Nov 05	Nov 04	Oct 05	Sep 05	Aug 05	Jul 05	Jun 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05
AUSTRALIAN PMI™	44.2	53.1	47.8	52.9	43.3	48.7	55.2	50.5	52.9	52.6	50.8	54.9
PRODUCTION	41.5	52.9	46.1	57.2	41.6	49.3	53.9	49.4	50.9	55.5	48.3	55.5
NEW ORDERS	44.9	55.6	47.2	53.2	41.3	49.3	60.3	48.2	54.8	52.0	52.4	57.2
EMPLOYMENT	44.3	54.5	45.2	48.7	44.4	46.8	52.5	50.7	51.2	51.5	47.6	50.9
INVENTORIES	50.4	49.0	53.9	53.5	51.0	53.0	51.5	56.0	54.2	49.7	52.2	55.5
DELIVERIES	43.3	49.1	51.1	50.6	43.7	46.0	53.4	53.0	54.0	52.2	55.5	54.2
INPUT PRICES	71.2	77.6	74.4	69.6	67.0	70.2	70.8	69.7	76.3	77.9	73.5	70.0
EXPORTS	52.1	47.1	49.1	52.3	44.7	51.8	53.3	52.6	47.6	41.0	46.6	50.2

Results are based on responses from 269 companies from the Survey of Australian Manufacturing. An Evaluation of the Australian PMI™ prepared by the Melbourne Institute of Applied Economic and Social Research can be obtained from the Ai Group web site: www.aigroup.asn.au.

* New seasonal adjustments were applied to data in July 2004.



WHAT IS THE AUSTRALIAN PMI™?

The Australian Performance of Manufacturing Index (Australian PMI™) is a seasonally adjusted composite index based on the diffusion indexes 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.

More information can be obtained from the Ai Group web site www.aigroup.asn.au.

SPONSOR STATEMENT

PricewaterhouseCoopers 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, Industrial Products Leader.

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