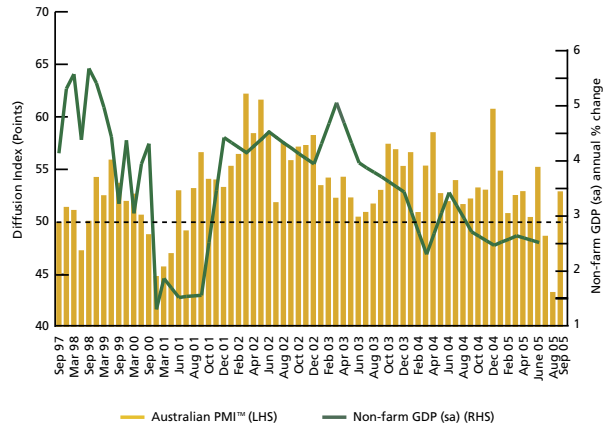


ACTIVITY REMAINS SUBDUED, DESPITE A LIFT FROM A RECORD LOW

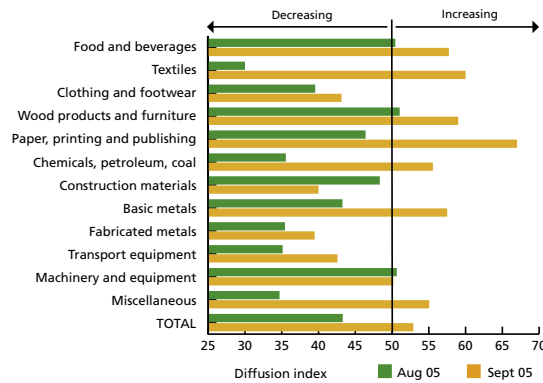
KEY FINDINGS

- Activity remained subdued in September, despite a lift from the previous month's record low, contributing to further job losses across all states.
- While the Australian Industry Group – PricewaterhouseCoopers **Australian PMI™** rose by 9.6 to 52.9, it was off the back of two prior months of declines and a record low of 43.3 in August.
- The gain was spurred by an improvement in new orders, up 11.9 points to 53.2, but again off a record low in August. This contributed to production rising to 57.2 points. Nevertheless, employment fell for the third consecutive month, with a seasonally adjusted index of 48.7 (a reading below 50.0 representing a decline).
- Eight sectors compared to three in the previous month reported growth in September, with clothing & footwear; construction material products; fabricated metal products; and the transport equipment sectors continuing to experience declining activity.
- Based on the latest National Accounts, the **Australian PMI™** suggests annual growth in non-farm GDP of around 2.5% and manufacturing of under 1.5%.



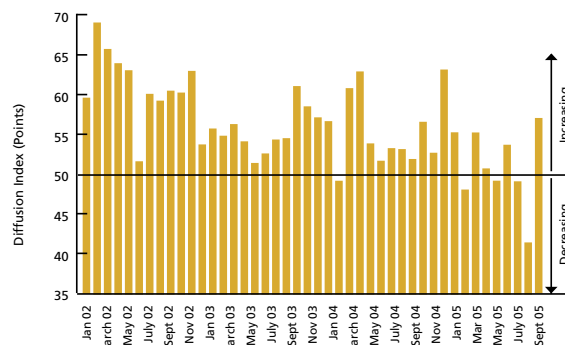
SECTORS

- In unadjusted terms activity remained mixed, despite eight sectors reporting growth in September, up from three in the previous month.
- Activity showed strength only in the paper, printing & publishing; textiles; and wood, wood products & furniture sectors, all with index readings approaching 60.0 points or higher.
- Activity however grew moderately in the food & beverages; chemicals, petroleum & coal products; basic metal products; and miscellaneous manufacturing sectors.
- Ten sectors reported improved activity on the record low of August, with the largest improvement being recorded in the paper, printing & publishing and textiles sectors.
- In contrast, two sectors experienced weaker activity – construction material products and machinery & equipment.



PRODUCTION

- Seasonally adjusted, production rose by 15.6 points to 57.2, lifting from the record low experienced in the previous month (of 41.6 points).
- Declines in production continued to be reported in the clothing & footwear; construction material products; fabricated metal products; and transport equipment sectors (unadjusted).
- Production expanded in eight sectors compared to two in August, with the strongest outcomes in the food & beverages; paper, printing & publishing; textiles; and wood, wood products & furniture sectors.
- Production grew in all states except Western Australia and Tasmania.
- After plunging in August, small firms (less than 26 employees) recovered some lost ground in September, with growth also being experienced in large (more than 100 employees) and medium-sized firms.



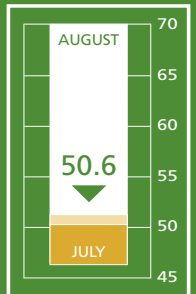
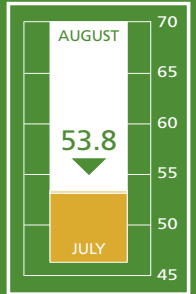
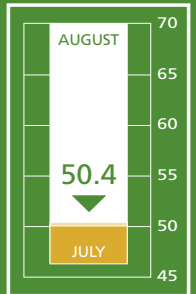
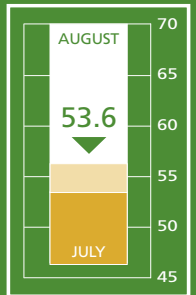
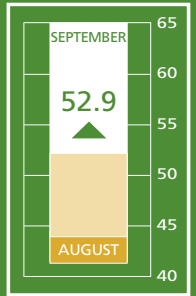
AUSTRALIAN PMI™

USA ISM PMI

EUROZONE PMI

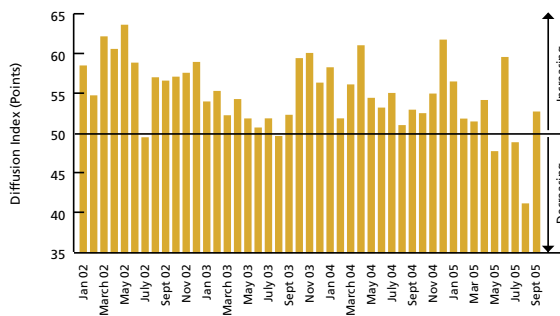
JAPANESE PMI

CHINESE PMI



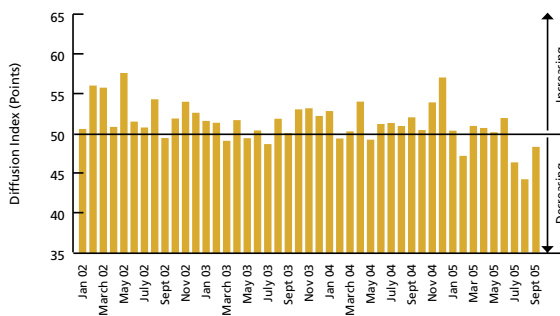
NEW ORDERS

- Seasonally adjusted new orders regained some momentum from its record low of 41.3 points in August, lifting 11.9 points to 53.2.
- Unadjusted, new orders fell in the metal-based sectors of fabricated metal products; transport equipment; and machinery & equipment.
- New orders were steady in three sectors, but rose in the remaining six, with the strongest orders registered in the food & beverages; textiles; and paper, printing & publishing sectors, all reflecting an improvement on the very weak orders of previous months.
- Queensland and South Australia recorded new order growth, with the other states continuing to experience weak or declining orders.
- Orders rose among small firms, but continued to fall for large and medium-sized firms.



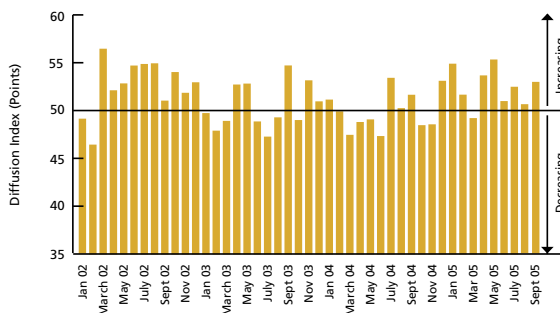
EMPLOYMENT

- Employment fell for the third consecutive month, albeit at a lesser rate. The seasonally adjusted index rose to 48.7 from 44.4 in August, a gain of 4.3 points.
- Employment continued to fall in four sectors (compared to seven previously), particularly the metal-based sectors of fabricated metal products; transport & equipment; and machinery & equipment, along with a fall in construction material products.
- Employment gains were recorded in four sectors (clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; and miscellaneous manufacturing), and remained steady in the remaining four sectors.
- Unadjusted, employment fell across all six states and for large and small firms for the second consecutive month.



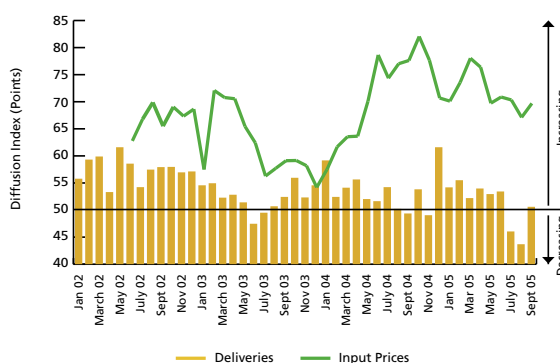
FINISHED STOCKS

- Manufacturing inventories increased for the sixth consecutive month. The rate of increase however remains down from six months earlier, but still trended higher in September. The seasonally adjusted index rose 2.5 points to 53.5.
- Three sectors reported falls in stocks, compared to six in the previous month - clothing & footwear; wood, wood products & furniture; and fabricated metal products (unadjusted).
- The number of sectors recording higher inventories rose from four to seven in September. The largest stock increases were in the construction material products and miscellaneous manufacturing sectors.
- Stocks rose in all states excluding Western Australia, where they were steady, and Tasmania, where stock levels fell.
- Stocks rose in both medium and large-sized companies, and continued to fall among small firms.



DELIVERIES AND INPUT COSTS

- Consistent with subdued production activity, supplier deliveries rose marginally in September, with the seasonally adjusted index at 50.6 (up 6.9 points).
- In unadjusted terms, supplier deliveries rose in six sectors compared to two in the previous quarter.
- Declines in deliveries were reported in the metal-based sectors of fabricated metal products and transport equipment; construction material products; and clothing & footwear.
- Input cost increases edged slightly higher, the index rising 2.6 points to 69.6. Costs increased in all sectors other than textiles, with the largest rises in the chemicals, petroleum & coal products; construction material products; and miscellaneous manufacturing sectors.
- Cost increases were strongest in Queensland and Western Australia, and amongst small firms.



NATIONAL INDEXES

	Sep 05	Sep 04	Aug 05	Jul 05	Jun 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04
AUSTRALIAN PMI™	52.9	52.2	43.3	48.7	55.2	50.5	52.9	52.6	50.8	54.9	60.8	53.1
PRODUCTION	57.2	52.1	41.6	49.3	53.9	49.4	50.9	55.5	48.3	55.5	63.4	52.9
NEW ORDERS	53.2	53.5	41.3	49.3	60.3	48.2	54.8	52.0	52.4	57.2	62.6	55.6
EMPLOYMENT	48.7	52.6	44.4	46.8	52.5	50.7	51.2	51.5	47.6	50.9	57.7	54.5
INVENTORIES	53.5	52.2	51.0	53.0	51.5	56.0	54.2	49.7	52.2	55.5	53.7	49.0
DELIVERIES	50.6	49.4	43.7	46.0	53.4	53.0	54.0	52.2	55.5	54.2	61.6	49.1
INPUT PRICES	69.6	77.5	67.0	70.2	70.8	69.7	76.3	77.9	73.5	70.0	70.6	77.6
EXPORTS	52.3	49.1	44.7	51.8	53.3	52.6	47.6	41.0	46.6	50.2	57.9	47.1

Results are based on responses from 200 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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