

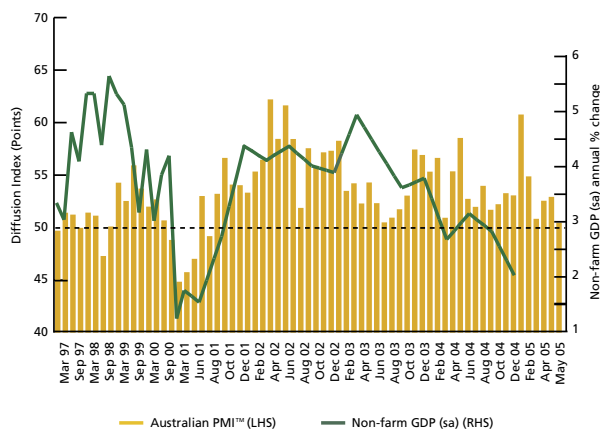
PERFORMANCE OF MANUFACTURING INDEX™

MAY 2005

WEAKNESS IN CONSUMER MANUFACTURES PERSISTS

KEY FINDINGS

- Further weakness among consumer manufacturers, along with softer construction materials activity, contributed to flat growth in overall manufacturing activity in May.
- The Australian Industry Group - PricewaterhouseCoopers **Australian PMI™** fell by 2.4 points to 50.5 – the lowest May reading in three years.
- New orders fell sharply by 6.6 points, reflecting weaker consumer demand, and production fell by 1.5 points (for the second consecutive month). Inventories rose by 1.8 points as sales slowed.
- On a positive note, cost pressures subsided (the index falling by 6.6 points to its lowest level in over a year), and exports rose for the first time in four months.
- Overall activity was strongest in Queensland, and weakest in Victoria and Tasmania.
- The **Australian PMI™** points to annual manufacturing growth slowing to below 2% and non-farm GDP growth below 2.5%.



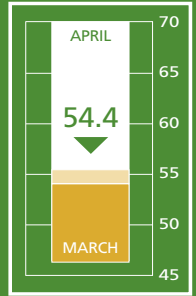
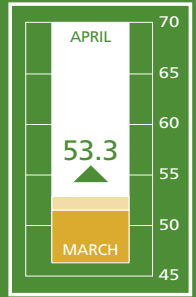
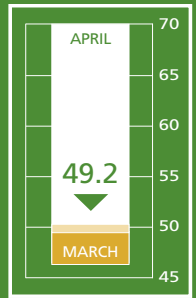
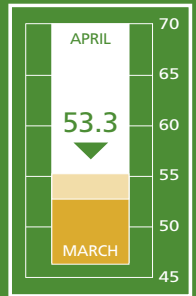
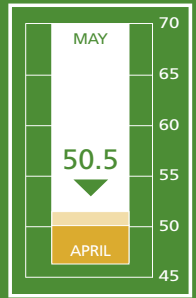
AUSTRALIAN PMI™

USA ISM PMI

EUROZONE PMI

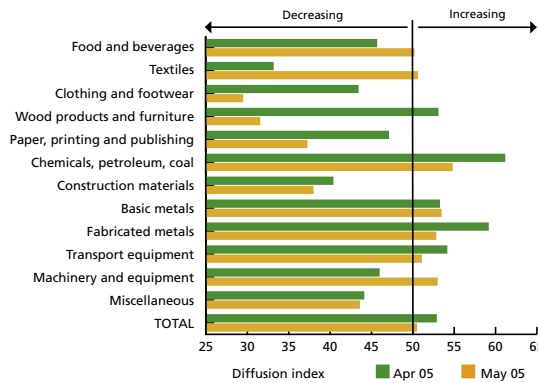
JAPANESE PMI

CHINESE PMI



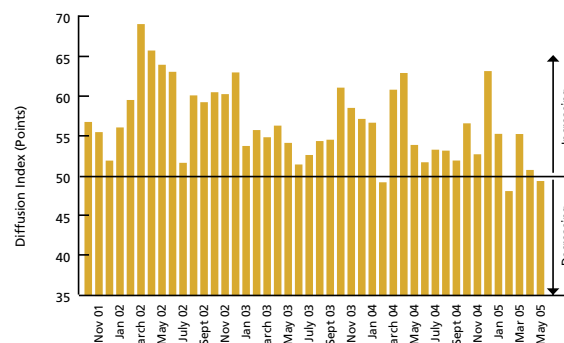
SECTORS

- In unadjusted terms, activity expanded in only five sectors, all industrial-based manufacturers – chemicals, petroleum & coal products; basic metals; fabricated metal products; transport equipment; and machinery & equipment.
- Nevertheless, some slowing in growth was evident in the chemicals, petroleum & coal products and fabricated metal sectors in May.
- In contrast, activity was weak or declining in the consumer- and construction-based sectors, with only food & beverages and textiles showing an increase in activity.
- The slowdown in activity deepened in the remaining five sectors, particularly in clothing & footwear (with demand affected by unseasonably hot weather); wood, wood products & furniture; and paper, printing & publishing.
- The construction material products and miscellaneous manufacturing sectors continued to report declines.



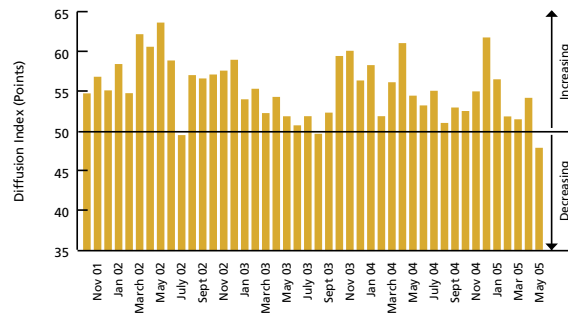
PRODUCTION

- Seasonally adjusted, the production sub-index fell a further 1.5 points to 49.4 in May (following a 4.6 point fall in April). It was the first contraction in production in May in three years, and the second decline in the past four months.
- In unadjusted terms, production rose in five sectors, all but one (textiles) being metal (industrial-based) manufacturers. As well, production was steady in the chemicals, petroleum and coal products sector.
- Production declined in six sectors, with the weakest activity being in the clothing & footwear; and wood, wood products & furniture sectors.
- In unadjusted terms, production rose in New South Wales, Queensland and South Australia, but fell in the other states.
- Large firms (employing more than 100 people) experienced the largest decline in production.



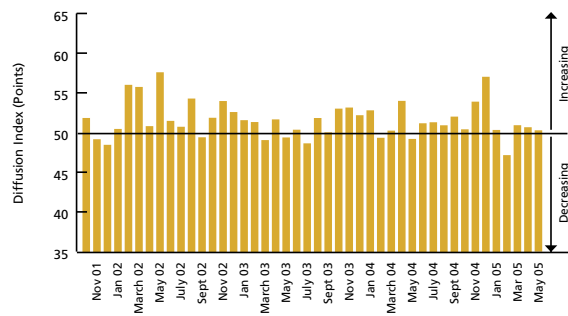
NEW ORDERS

- Seasonally adjusted new orders fell by 6.6 points to 48.2 in May, reflecting slower sales growth and higher imports.
- However, only four of the 12 sectors (one less than previously) recorded unadjusted increases in new orders (a reading above 50 points). Growth was strongest in the basic metals sector.
- Other sectors recording higher orders included food & beverages; textiles; and chemicals, petroleum & coal products.
- Seven sectors (compared with five previously) recorded a decline in new orders, with the rate of contraction greatest in clothing & footwear; wood, wood products & furniture; and construction material products.
- Unadjusted new orders fell in New South Wales, Victoria and South Australia, the three largest manufacturing states.



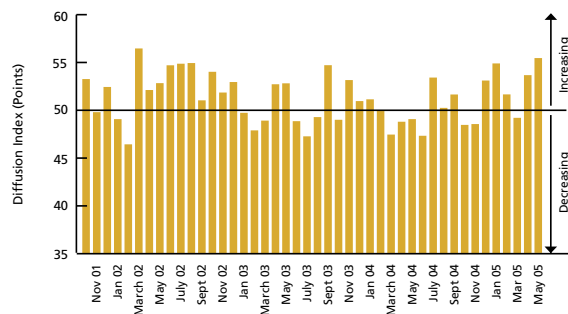
EMPLOYMENT

- Employment growth eased in May, with the seasonally adjusted employment index moderating 0.5 points to 50.7.
- Three sectors (as in the previous month) recorded higher job numbers, comprising chemicals, petroleum & coal products; transport equipment; and machinery & equipment.
- Employment declined in six sectors, with declines sharpest in the textiles; clothing & footwear; and construction material products.
- Employment gains (unadjusted) were mostly confined to Western Australia, with some marginal gains in South Australia.
- Employment fell among firms of all sizes, particularly large firms.



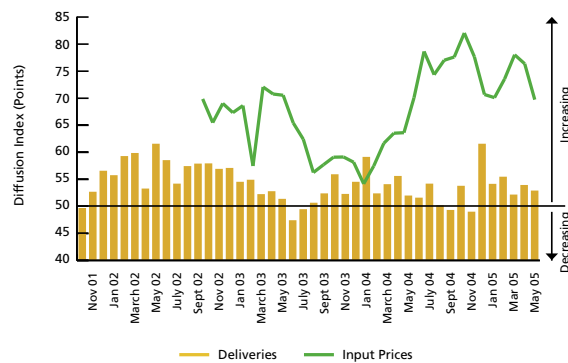
FINISHED STOCKS

- Reflecting the slowing in demand, finished stocks lifted for the second consecutive month. The seasonally adjusted stocks index rose by 1.8 points to 56.0.
- On an unadjusted basis, seven sectors recorded higher finished stocks, with the rate of accumulation greatest in the textiles; fabricated metal products; and transport equipment sectors (which mostly experienced little stock increases in April).
- Stock levels remained steady in all other sectors, except miscellaneous manufacturing where they fell.
- Prior to seasonal adjustment, finished stocks rose in all states, except Western Australia and Tasmania.
- Stock increases were largely confined to medium sized firms (employing between 26 and 100 persons).



DELIVERIES AND INPUT COSTS

- After seasonal adjustment, the pace of supplier deliveries slowed by 1.0 point to 53.0. In unadjusted terms, five sectors recorded higher deliveries, with growth strongest in textiles and fabricated metal products sectors.
- Deliveries declined (a reading below 50 points) in seven sectors (up from four). The greatest fall in deliveries was in the wood, wood products & furniture; paper, printing & publishing; and construction material products sectors.
- Input cost pressures eased further after the strong rise in March, falling by 6.6 points in May to an unadjusted 69.7.
- By sector, input cost rises were strongest in the metal sectors, including basic and fabricated metal products; machinery & equipment; and also in textiles.
- Large firms experienced the greatest input cost pressure.



NATIONAL INDEXES

	May 05	May 04	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04	Oct 04	Sep 04	Aug 04	July 04
AUSTRALIAN PMI™	50.5	52.7	52.9	52.6	50.8	54.9	60.8	53.1	53.3	52.2	51.7	54.0
PRODUCTION	49.4	54.1	50.9	55.5	48.3	55.5	63.4	52.9	56.8	52.1	53.4	53.5
NEW ORDERS	48.2	55.1	54.8	52.0	52.4	57.2	62.6	55.6	53.1	53.5	51.5	55.7
EMPLOYMENT	50.7	49.7	51.2	51.5	47.6	50.9	57.7	54.5	50.9	52.6	51.5	51.9
INVENTORIES	56.0	49.5	54.2	49.7	52.2	55.5	53.7	49.0	48.9	52.2	50.7	54.0
DELIVERIES	53.0	52.0	54.0	52.2	55.5	54.2	61.6	49.1	53.8	49.4	50.2	54.2
INPUT PRICES	69.7	70.0	76.3	77.9	73.5	70.0	70.6	77.6	82.0	77.5	76.9	74.3
EXPORTS	52.6	n.a	47.6	41.0	46.6	50.2	57.9	47.1	52.8	49.1	52.1	48.1

Results are based responses from 230 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 on 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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