

pmi AUSTRALIAN

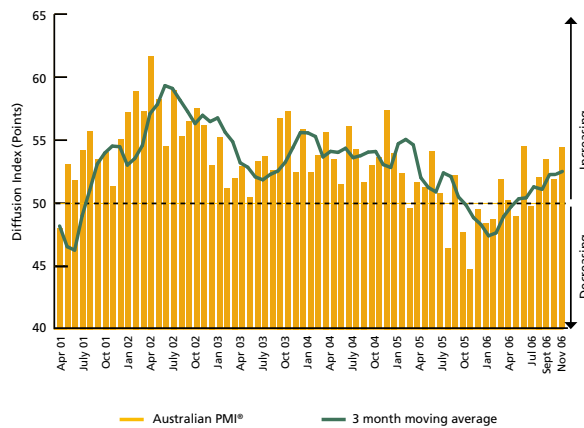
PERFORMANCE OF MANUFACTURING INDEX®

NOVEMBER 2006

MODERATE GROWTH CONTINUES AS EXPORTS OFFSET COST PRESSURES

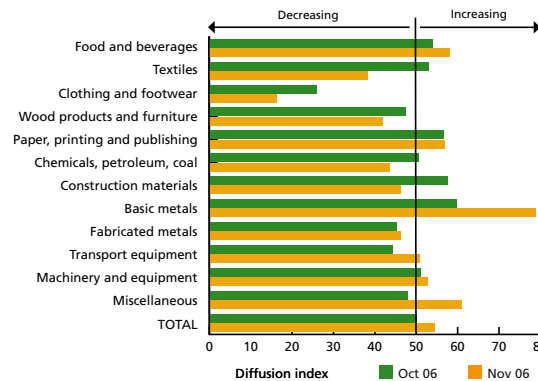
KEY FINDINGS

- Manufacturing activity continued to expand moderately in November, the seasonally adjusted Australian Industry Group/PricewaterhouseCoopers **Australian PMI®** increasing 2.5 points to 54.4 (the fourth consecutive month in which the index has exceeded the 50.0 level separating expansion from contraction).
- The pick-up in activity was underpinned by a jump in export growth, with the export index rising to the highest level recorded. It was also the sixth consecutive month of export growth.
- Nevertheless, the strengthening in activity was confined to a small number of sectors, with a growing proportion of respondents citing adverse impacts from input costs, labour shortages, and higher interest rates.
- Growth in production, new orders, employment, supplier deliveries and inventories all strengthened marginally in November.
- Activity expanded in all states other than Victoria (where activity declined), compared with two states reporting increases in October. However, growth was generally moderate across the five states reporting increases.



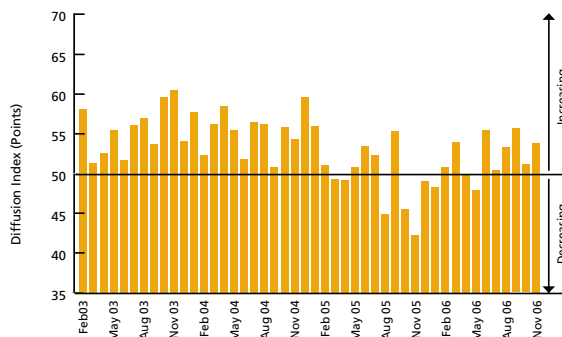
SECTORS

- In seasonally adjusted terms, activity expanded in six of the 12 sectors, down from seven in October.
- Growth was strongest in basic metal products for the second consecutive month, gathering further momentum in November. Growth also recovered in miscellaneous manufacturing and transport equipment, following falls the previous month.
- Growth also continued to strengthen in food & beverages and machinery & equipment, and was steady in paper; printing & publishing.
- Elsewhere, textiles; chemicals, petroleum & coal products; and construction material products all reported contractions in activity following moderate growth the previous month.
- By contrast, activity continued to decline in clothing & footwear (the largest contraction of all 12 sectors in November); wood, wood products & furniture; and fabricated metal products.



PRODUCTION

- After adjustment for seasonal influences, the production sub-index rose 2.7 points to 53.9, the sixth consecutive month of growth. Unadjusted, the number of sectors reporting growth fell from seven to six.
- Basic metal products reported the strongest increase in the month, following a moderate rise in October. Production growth also strengthened in food & beverages and miscellaneous manufacturing, while machinery & equipment reported a rise after falling previously.
- Growth eased in paper, printing & publishing and chemicals, petroleum & coal products, although from relatively strong levels. The level of production was unchanged (index readings of 50.0) in transport equipment and wood, wood products & furniture.
- By contrast, production continued to fall in clothing & footwear (the largest fall in the month); construction materials; and fabricated metals. Production also fell in textiles after a strong rise in October.



AUSTRALIAN PMI®
NOVEMBER: 54.4
OCTOBER: 51.9

USA ISM PMI
OCTOBER: 51.2
SEPTEMBER: 50.8

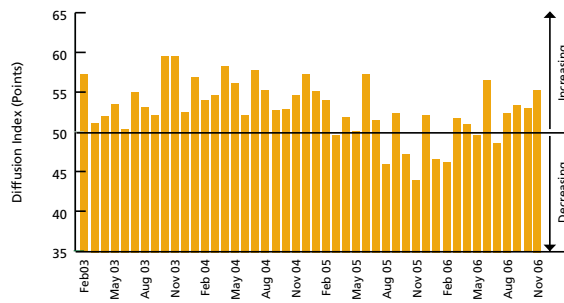
EUROZONE PMI
OCTOBER: 57.0
SEPTEMBER: 54.5

JAPANESE PMI
OCTOBER: 54.1
SEPTEMBER: 52.6

CHINESE PMI
OCTOBER: 52.1
SEPTEMBER: 50.5

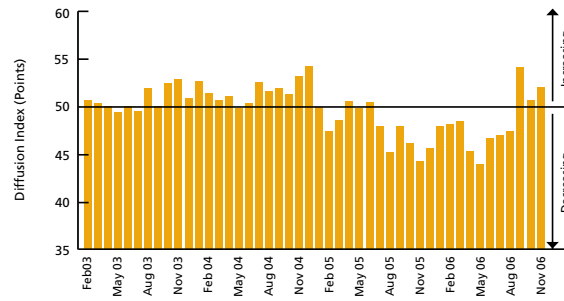
NEW ORDERS

- Seasonally adjusted, the new orders sub-index increased 2.5 points to 56.0. In unadjusted terms, the number of sectors reporting growth in orders was unchanged at seven.
- Basic metal products; food & beverages; paper, printing & publishing; and miscellaneous manufacturing all enjoyed a further acceleration in new orders growth, following increases in October.
- A more moderate strengthening was reported in construction materials, while orders also increased in transport equipment and machinery & equipment, after falls the previous month.
- The level of orders was unchanged (index readings of 50.0) in wood, wood products & furniture and fabricated metals.
- Elsewhere, orders continued to decline in clothing & footwear, and fell in textiles and chemicals, petroleum & coal products after rises in October.



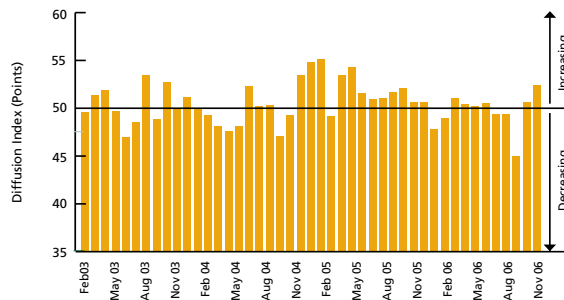
EMPLOYMENT

- Seasonally adjusted, the employment sub-index edged up 1.6 points to 52.5, the third consecutive month of growth.
- Unadjusted, employment grew in six sectors, up from five. The strongest increase was in basic metal products, while growth also strengthened appreciably in machinery & equipment.
- Employment continued to grow moderately in food & beverages and chemicals, petroleum & coal products, while wood, wood products & furniture and miscellaneous manufacturing also reported rises after weakness previously.
- The level of employment was unchanged in paper, printing & publishing, although after strong growth in October.
- By contrast, employment continued to fall in textiles; clothing & footwear; fabricated metals; and transport equipment. Employment also fell in construction materials, after a moderate increase in October.



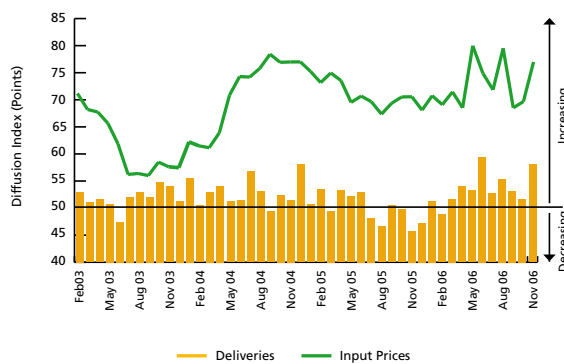
FINISHED STOCKS

- Seasonally adjusted, the inventory sub-index increased 1.9 points to 52.8. In unadjusted terms, the number of sectors in which inventories rose was unchanged at seven.
- The largest increases were in paper, printing & publishing and basic metal products, following falls in both sectors the previous month, while inventories also continued to rise strongly in food & beverages.
- Earlier falls in fabricated metals and machinery & equipment were followed by moderate rises in both sectors in November. However, stocks increased at a slower rate in both transport equipment and miscellaneous manufacturing. Inventories were unchanged in construction materials.
- Textiles; wood, wood products & furniture; and chemicals, petroleum & coal products all reported falls following rises in October, while inventories continued to fall steadily in clothing & footwear.



DELIVERIES AND INPUT COSTS

- Growth in inward supplies accelerated in the month, the seasonally adjusted supplier delivery sub-index jumping 4.1 points to 55.8.
- In unadjusted terms, deliveries increased in all sectors other than clothing & footwear and fabricated metals (in which they were unchanged) and textiles (where they declined).
- Input cost increases also strengthened in November, the seasonally adjusted input cost sub-index jumping 6.0 points to 75.7 (the highest reading since August).
- Unadjusted, costs increased in all 12 sectors. Moreover, the rate of increase strengthened in all sectors other than clothing & footwear; basic metal products; paper, printing & publishing; and chemicals, petroleum & coal products.
- Nevertheless, basic metals and clothing & footwear both reported among the highest increases in the month, along with machinery & equipment.



NATIONAL INDEXES

	Nov 06	Nov 05	Oct 06	Sept 06	Aug 06	Jul 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06
AUSTRALIAN PMI*	54.4	44.8	51.9	53.5	52.1	49.7	54.5	48.9	50.3	51.9	48.7	48.4
PRODUCTION	53.9	42.4	51.2	55.7	53.5	50.5	55.6	48.0	50.0	54.1	50.9	48.4
NEW ORDERS	56.0	44.4	53.5	53.9	52.9	49.2	57.3	50.2	51.6	52.4	46.7	47.1
EMPLOYMENT	52.5	44.6	50.9	54.5	47.7	47.3	47.0	44.2	45.6	48.8	48.5	48.3
INVENTORIES	52.8	51.1	50.9	45.3	49.8	49.8	50.9	50.7	50.9	51.5	49.3	48.2
DELIVERIES	55.8	45.8	51.7	53.1	55.3	52.7	59.5	53.2	54.0	51.7	48.8	51.3
INPUT PRICES	75.7	70.6	69.7	68.6	79.6	71.9	75.0	80.0	68.6	71.5	69.2	70.8
EXPORTS	60.2	52.1	51.7	53.8	56.6	50.7	51.1	47.9	57.5	51.8	44.4	46.4

Further Information: Results are based on responses from over 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 website on www.aigroup.asn.au.

* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2006

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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