

PMI AUSTRALIAN

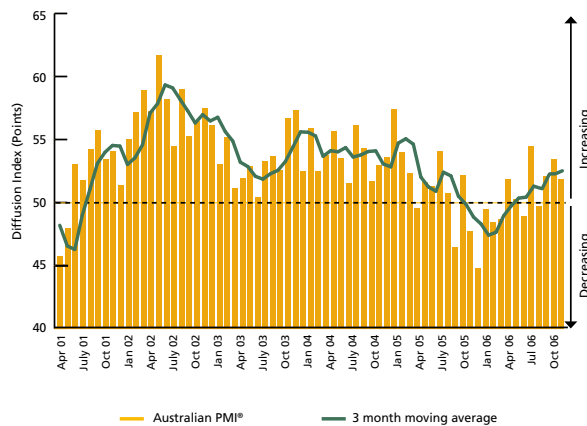
PERFORMANCE OF MANUFACTURING INDEX®

OCTOBER 2006

GROWTH EASES AMID CONTINUED PATCHY DEMAND

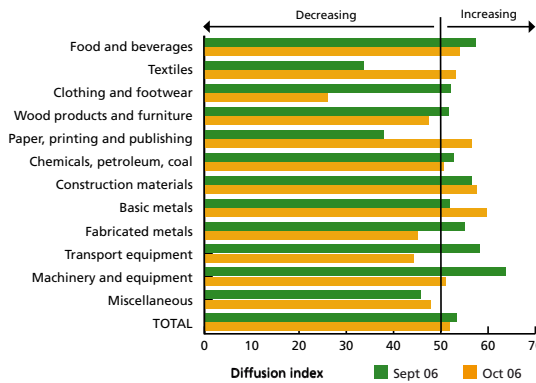
KEY FINDINGS

- Growth in manufacturing activity slowed in October, reflecting weaker exports, patchy domestic demand and import competition.
- The Australian Industry Group/PricewaterhouseCoopers Australian PMI® fell 1.6 points to 51.9 (seasonally adjusted), although still above the 50.0 level separating expansion from contraction.
- Growth in production, new orders, employment and supplier deliveries all eased in the month, partly offset by a small rise in manufacturing inventories. Export growth also moderated (although the fifth consecutive month of expansion), while input costs rose at a slightly faster rate.
- Activity was mixed across consumer, industrial and construction related sectors.
- New South Wales and Victoria were the only two states to report growth in the month. Declines in activity in Western Australia and Tasmania followed strong growth in September, but activity fell for the second consecutive month in both Queensland and South Australia.



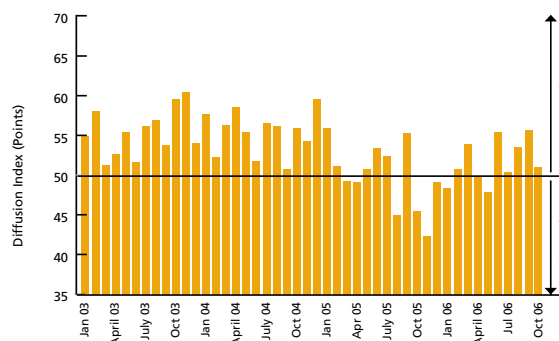
SECTORS

- In seasonally adjusted terms, seven sectors reported expansions in activity, down from nine in September.
- Growth was strongest in basic metal and construction material products, following moderate increases the previous month. However, activity fell moderately in wood, wood products & furniture (after a small rise in September).
- Textiles and paper, printing & publishing both reported increases in activity, following sharp falls the previous month. Across other consumer-related sectors, growth slowed in food & beverages, while activity fell sharply in clothing & footwear.
- In the industrial based-sectors, growth eased in the chemicals, petroleum & coal product and machinery & equipment sectors. Activity also contracted in fabricated metals and transport equipment, after rises in September.
- Activity fell in miscellaneous manufacturing for the second month.



PRODUCTION

- Seasonally adjusted, the production sub-index fell 4.5 points in October to 51.2. Nevertheless, it was the fifth consecutive month of expansion.
- In unadjusted terms, the number of sectors reporting higher production fell from nine to seven. The strongest increases were in textiles, and paper, printing & publishing, following large contractions in both sectors the previous month.
- Other sectors to report relatively strong increases were construction materials (following a more moderate expansion previously), and food & beverages (although easing from September).
- Moderate growth continued in wood, wood products & furniture; basic metal products; and miscellaneous manufacturing.
- Production contracted in the other five sectors, following increases in all five the previous month.



AUSTRALIAN PMI®
USA ISM PMI
EUROZONE PMI
JAPANESE PMI
CHINESE PMI

OCTOBER

51.9

▼

SEPTEMBER

SEPTEMBER

52.9

▼

AUGUST

SEPTEMBER

56.6

▲

AUGUST

SEPTEMBER

54.8

▲

AUGUST

SEPTEMBER

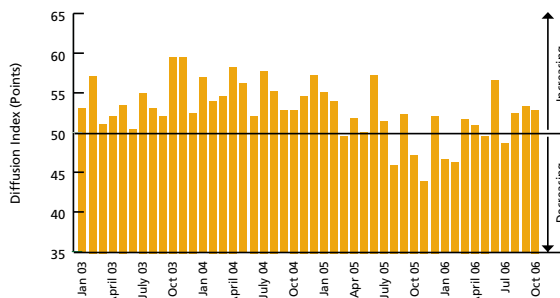
52.4

▼

AUGUST

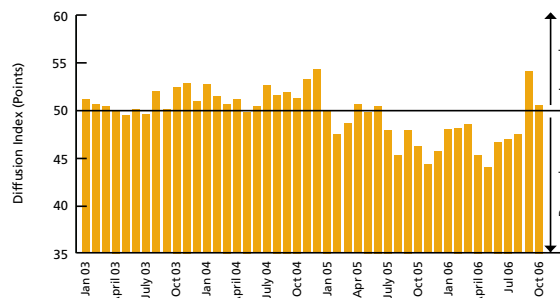
NEW ORDERS

- Seasonally adjusted, the new orders sub-index slipped 0.4 of a percentage point to 53.5. It was the seventh rise in new orders in the past eight months.
- In unadjusted terms, orders expanded in seven sectors, compared with eight previously.
- Basic metal products; textiles; paper, printing & publishing; and miscellaneous manufacturing all reported strong increases, following falls in September. Growth in orders also remained relatively strong in food & beverages, although slowing from the previous month.
- More subdued growth was also reported in chemicals, petroleum & coal products and construction materials.
- Orders fell moderately in fabricated metals; transport equipment; and machinery & equipment. The largest declines were in clothing & footwear and wood, wood products & furniture.



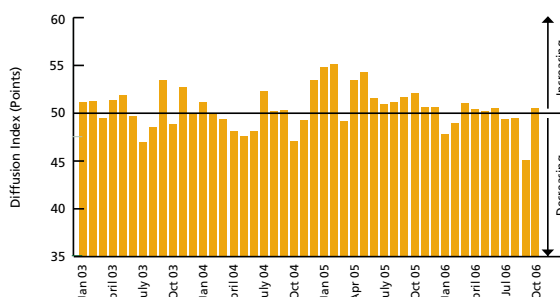
EMPLOYMENT

- Employment increased for the second consecutive month, although slowing relative to September. The employment sub-index fell 3.6 points to 50.9 (seasonally adjusted).
- Unadjusted, employment increased in five sectors, down from seven the previous month. The strongest rise was in paper, printing & publishing, after a moderate fall in September.
- Employment growth also strengthened in construction material products, following an unchanged level previously. Food & beverages; chemicals, petroleum & coal products; and machinery & equipment all reported further increases, although the rate of growth slowed.
- Employment was unchanged in wood, wood products & furniture and basic metal products, following rises previously.
- The five sectors reporting falls were miscellaneous manufacturing; fabricated metals; clothing & footwear; textiles; and transport equipment.



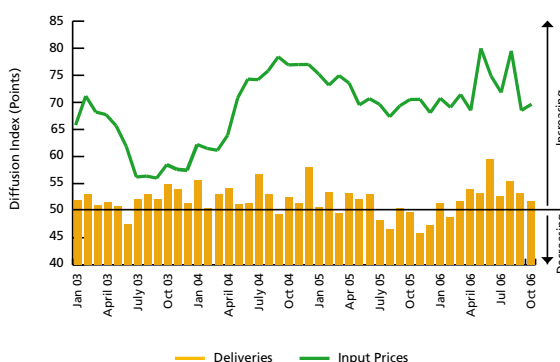
FINISHED STOCKS

- Inventories rose slightly after three successive declines, the seasonally adjusted inventories sub-index rising 5.6 points to 50.9. The unadjusted number of sectors reporting increases rose from five to seven.
- The largest increase was in transport equipment, and may have been largely unplanned. Other large rises were reported in chemicals, petroleum & coal products; miscellaneous manufacturing; and wood, wood products & furniture, but are likely to partly reflect seasonal factors.
- More moderate rises were reported in food & beverages; textiles; and construction materials.
- Inventories fell in clothing & footwear; basic metal products; and machinery & equipment, following rises or unchanged levels previously.
- By contrast, inventories continued to decline in paper, printing & publishing and fabricated metal products.



DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries slowed in tandem with the moderation in production and new orders, the seasonally adjusted supplier delivery index falling 1.4 points to 51.7. Unadjusted, the number of sectors reporting increases in deliveries fell from 10 to seven.
- Raw material cost increases accelerated slightly in the month, the input cost sub-index rising 1.1 points to 69.7 (seasonally adjusted).
- In unadjusted terms, cost increases strengthened in seven sectors (up from only two in September). The largest increase was again in basic metal products, followed by clothing & footwear.
- Cost increases also picked up in food & beverages; chemicals, petroleum & coal products; construction materials; transport equipment; and miscellaneous manufacturing (although the smallest rise of all 12 sectors).
- Cost increases moderated in the other five sectors.



NATIONAL INDEXES

	Oct 06	Oct 05	Sept 06	Aug 06	Jul 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05
AUSTRALIAN PMI*	51.9	47.7	53.5	52.1	49.7	54.5	48.9	50.3	51.9	48.7	48.4	49.5
PRODUCTION	51.2	45.6	55.7	53.5	50.5	55.6	48.0	50.0	54.1	50.9	48.4	49.2
NEW ORDERS	53.5	47.7	53.9	52.9	49.2	57.3	50.2	51.6	52.4	46.7	47.1	52.8
EMPLOYMENT	50.9	46.5	54.5	47.7	47.3	47.0	44.2	45.6	48.8	48.5	48.3	46.0
INVENTORIES	50.9	52.5	45.3	49.8	49.8	50.9	50.7	50.9	51.5	49.3	48.2	51.1
DELIVERIES	51.7	49.8	53.1	55.3	52.7	59.5	53.2	54.0	51.7	48.8	51.3	47.2
INPUT PRICES	69.7	70.6	68.6	79.6	71.9	75.0	80.0	68.6	71.5	69.2	70.8	68.2
EXPORTS	51.7	49.1	53.8	56.6	50.7	51.1	47.9	57.5	51.8	44.4	46.4	50.1

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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