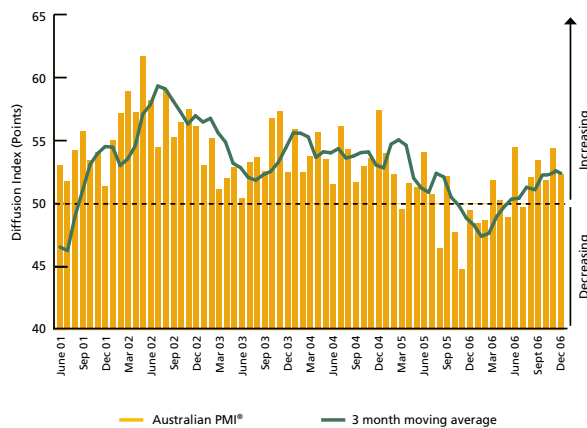


EXPORTS UNDERPIN MODERATE GROWTH IN ACTIVITY

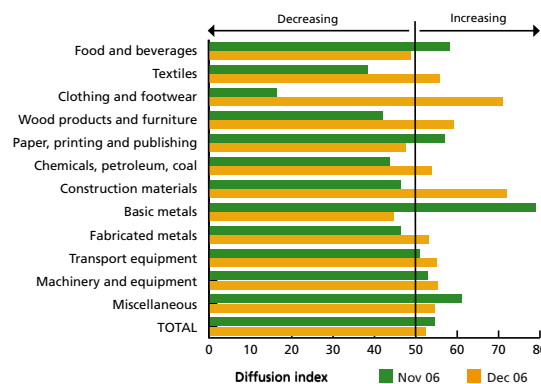
KEY FINDINGS

- Growth in manufacturing activity eased in December, the Australian Industry Group/PricewaterhouseCoopers **Australian PMI**® falling 2.0 points to 52.4 (seasonally adjusted). Although the sixth consecutive month of expansion (index readings above 50.0), underlying growth remains relatively weak and follows a significant downturn in activity late 2005 and early 2006.
- The slowdown in December reflected smaller rises in production and supplier deliveries, while employment and inventories both declined marginally. Growth in new orders was unchanged in the month. The rate of increase in raw material costs also eased.
- By contrast, exports continued to grow strongly, the export index rising to the highest level recorded.
- The number of sectors reporting expansions in activity increased from six to nine. However, the drought contributed to the first decline in the food & beverage sector since January 2006.
- Activity expanded in five states (an unchanged number from November). Growth recovered moderately in Victoria, following a sharp fall in the previous month, with only Western Australia reporting a fall in December (although due largely to the drought and other supply constraints).



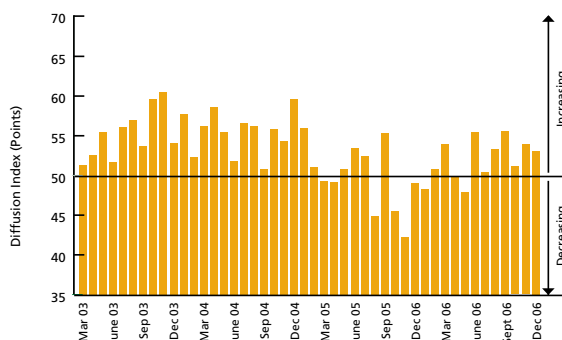
SECTORS

- Seasonally adjusted, activity expanded in all sectors other than food & beverages; paper, printing & publishing; and basic metals.
- Growth was strongest in construction material products and clothing & footwear, after earlier declines in both sectors.
- Activity continued to expand, although at a more moderate pace, in transport equipment; machinery & equipment; and miscellaneous manufacturing.
- Moderate growth was also reported in the textile; wood, wood products & furniture; chemicals, petroleum & coal product; and fabricated metal product sectors, following declines in November.
- The falls in food & beverages; paper, printing & publishing; and basic metal products followed relatively strong growth in all three sectors in the previous two months.

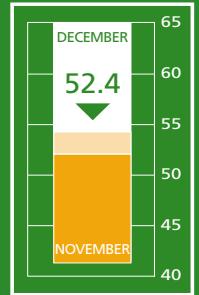


PRODUCTION

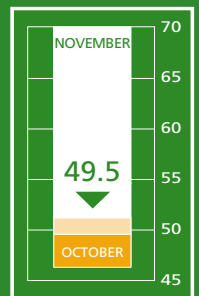
- In seasonally adjusted terms, the production sub-index slipped 0.8 of a percentage point to 53.1. Unadjusted, and partly reflecting the seasonal strengthening in demand, the number of sectors reporting increases in production jumped from six to 11.
- After increases in November, growth strengthened further in construction material products; machinery & equipment; and miscellaneous manufacturing. By contrast, growth eased slightly in food & beverages and paper, printing & publishing.
- Production also expanded in wood, wood products & furniture and transport equipment, following flat growth previously.
- Growth also resumed in textiles; clothing & footwear; chemicals, petroleum & coal products; and fabricated metals, after falls in November.
- Production was unchanged (an index reading of 50.0) in basic metal products, although following a sharp increase the previous month.



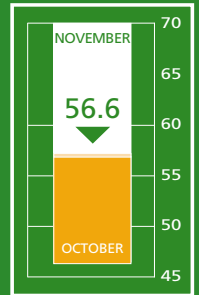
AUSTRALIAN PMI®



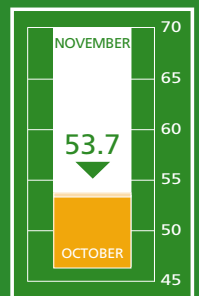
USA ISM PMI



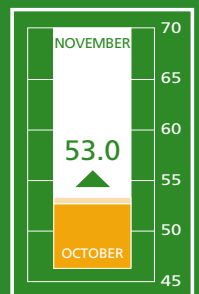
EUROZONE PMI



JAPANESE PMI

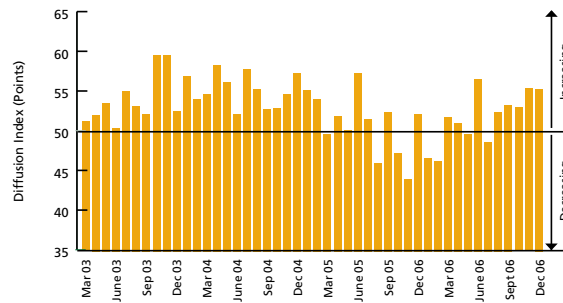


CHINESE PMI



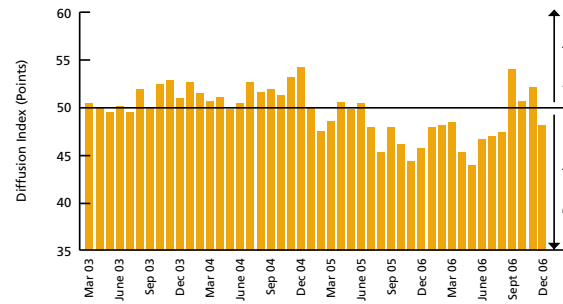
NEW ORDERS

- Seasonally adjusted, the new orders sub-index was unchanged at 56.0. In unadjusted terms, 11 sectors enjoyed increases in new orders in December (up from seven the previous month). Basic metal products was the only sector to report a fall (although after a sharp rise the previous month).
- The largest increases were in clothing & footwear; construction material products; and textiles, following falls in all three sectors in November.
- Wood, wood products & furniture and fabricated metal products also reported increases after unchanged levels of orders (index readings of 50.0) in November.
- Among the other six sectors, new orders grew at a stronger rate in chemicals, petroleum & coal products; transport equipment; machinery & equipment; and miscellaneous manufacturing.
- By contrast, orders growth slowed in food & beverages and paper, printing & publishing.



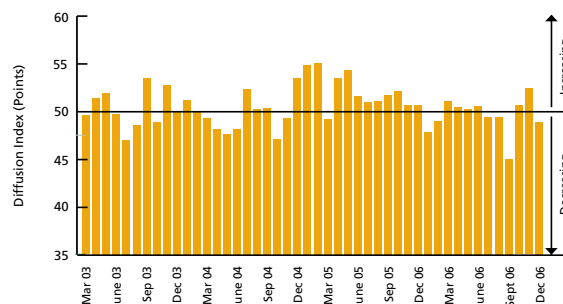
EMPLOYMENT

- After adjustment for seasonal factors, the employment sub-index fell 4.0 points to 48.5. The decline in employment followed three consecutive monthly increases.
- In unadjusted terms, however, the number of sectors reporting a lift in employment increased from six to 10.
- The strongest increase was in wood, wood products & furniture, following moderate growth the previous month.
- Employment growth also strengthened in miscellaneous manufacturing, while clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; fabricated metal products; and transport equipment all reported increases after falls or flat growth in November.
- By contrast, employment growth slowed in food & beverages and machinery & equipment. Employment continued to decline in textiles, and fell also in basic metal products (although following a strong gain the previous month).



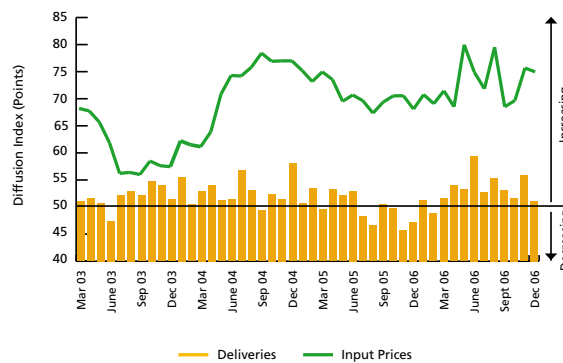
FINISHED STOCKS

- In seasonally adjusted terms, the inventory sub-index fell 3.5 points to 49.3, the first fall in inventories since September.
- Only four sectors reported increases: food & beverages; wood, wood products & furniture; machinery & equipment (all three also reported increases in November); and clothing & footwear (following a large fall the previous month). In contrast, inventories rose in seven sectors in November.
- Inventory levels were unchanged in six sectors, up from one previously. Of the six, paper, printing & publishing; basic metal products; fabricated metals; and miscellaneous manufacturing, reported increases previously.
- Inventories were unchanged for the second consecutive month in chemicals, petroleum & coal products, while the flat outcome in construction materials followed a fall in November.
- Stocks fell in textiles and transport equipment.



DELIVERIES AND INPUT COSTS

- Reflecting the moderation in production growth and the fall in inventories, growth in supplier deliveries eased in December. Seasonally adjusted, the supplier delivery sub-index fell 4.7 points to 51.1.
- Unadjusted, however, 11 sectors reported increases (up from nine previously), while deliveries were unchanged in transport equipment.
- The rate of increase in raw material costs also moderated slightly in December, the seasonally adjusted input cost index falling 0.7 of a percentage point to 75.0.
- Unadjusted, input costs again increased in all 12 sectors in December. Although easing slightly, machinery & equipment reported the largest increase for the second consecutive month.
- Costs moderated in a further nine sectors, with only food & beverages reporting a faster rate of increase. The rate of increase was unchanged in wood, wood products & furniture.



NATIONAL INDEXES

	Dec 06	Dec 05	Nov 06	Oct 06	Sept 06	Aug 06	Jul 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06
AUSTRALIAN PMI*	52.4	49.5	54.4	51.9	53.5	52.1	49.7	54.5	48.9	50.3	51.9	48.7
PRODUCTION	53.1	49.2	53.9	51.2	55.7	53.5	50.5	55.6	48.0	50.0	54.1	50.9
NEW ORDERS	56.0	52.8	56.0	53.5	53.9	52.9	49.2	57.3	50.2	51.6	52.4	46.7
EMPLOYMENT	48.5	46.0	52.5	50.9	54.5	47.7	47.3	47.0	44.2	45.6	48.8	48.5
INVENTORIES	49.3	51.1	52.8	50.9	45.3	49.8	49.8	50.9	50.7	50.9	51.5	49.3
DELIVERIES	51.1	47.2	55.8	51.7	53.1	55.3	52.7	59.5	53.2	54.0	51.7	48.8
INPUT PRICES	75.0	68.2	75.7	69.7	68.6	79.6	71.9	75.0	80.0	68.6	71.5	69.2
EXPORTS	60.4	50.1	60.2	51.7	53.8	56.6	50.7	51.1	47.9	57.5	51.8	44.4

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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