AUSTRALIAN INDUSTRY GROUP

PRICEWATERHOUSECOOPERS

pmi AUSTRALIAN

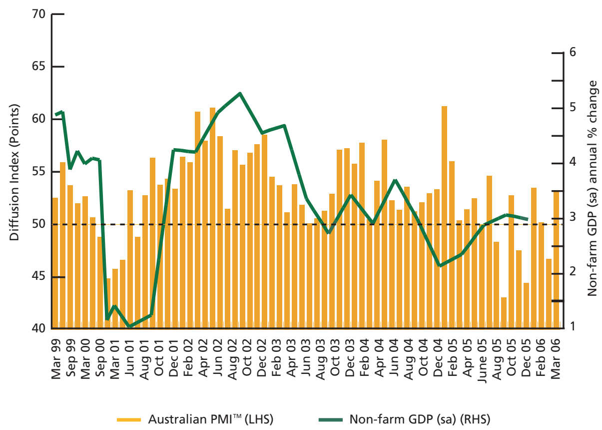
PERFORMANCE OF MANUFACTURING INDEX™

MARCH 2006

GROWTH RESUMES AMID ENCOURAGING SIGNS OF STRONGER DEMAND

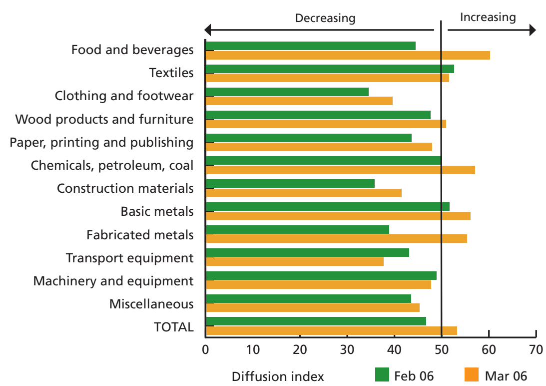
KEY FINDINGS

- Manufacturing activity recorded an encouraging improvement in March, with the seasonally adjusted Australian Industry Group/Pricewaterhouse Coopers **Australian PMI™** rising 6.5 points to 53.2 (and above the 50.0 level that separates expansion from contraction). The upturn in activity in recent months follows a steady deterioration through much of 2005.
- Moderate increases in exports, new orders and inventories all contributed to the strongest rise in production in over a year. Growth in supplier deliveries also strengthened.
- By contrast, employment fell for the ninth consecutive month, while input costs rose at the fastest rate since November 2005. Indeed, coupled with only a moderate strengthening in demand, some uncertainty still surrounds the short-term outlook.
- In unadjusted terms, six of the 12 sectors reported expansions in activity in March, up from two in February.
- Growth was again strongest in Western Australia, while activity also expanded in New South Wales and Queensland (only two states reported increases the previous month). Victoria and South Australia both recorded the third consecutive falls in activity.
- Based on the latest National Accounts, the **Australian PMI™** suggests growth in non-farm GDP of over 2.5%, and growth in manufacturing production of over 1.5%.



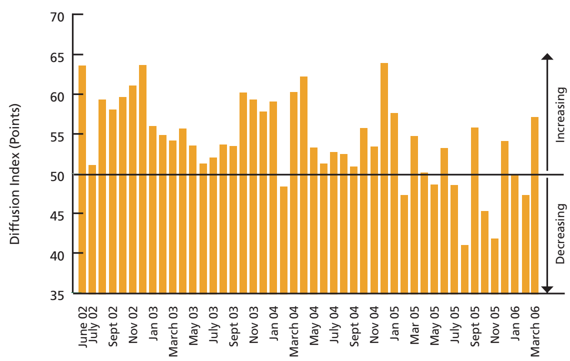
SECTORS

- The number of sectors reporting growth in activity increased from two to six (unadjusted). Growth was strongest in food & beverages, followed by chemicals, petroleum & coal products.
- Growth also strengthened moderately in the metal-based sectors, with basic metal products reporting the second consecutive increase in activity and fabricated metal products the first increase in three months.
- Textiles, and wood, wood products & furniture both reported relatively weak growth in activity.
- The largest fall was in the transport equipment sector, also the eighth consecutive monthly decline.
- Activity also declined in machinery & equipment for the second month in a row, the first such occurrence since early 2003. Activity fell for the third consecutive month in each of the remaining four sectors.

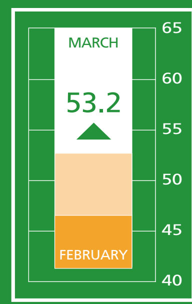


PRODUCTION

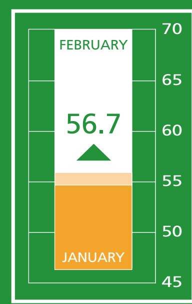
- Seasonally adjusted, production jumped 10.0 points to 57.4. It was the highest reading since January 2005.
- Unadjusted, production rose in seven sectors, up from four previously. Growth was strongest in food & beverages, with fabricated metals also reporting a large rise.
- Growth also strengthened in chemicals, petroleum & coal products; basic metal products; and textiles, after moderate increases the previous month.
- More subdued growth was reported in wood, wood products & furniture and miscellaneous manufacturing.
- The largest falls were in transport equipment; clothing & footwear; and construction material products. Production fell modestly in machinery & equipment.



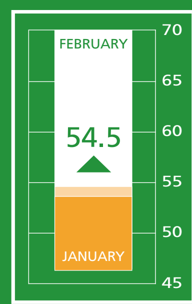
AUSTRALIAN PMI™



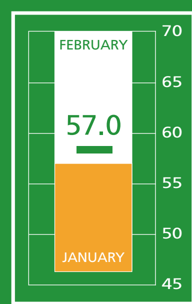
USA ISM PMI



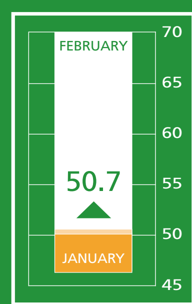
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



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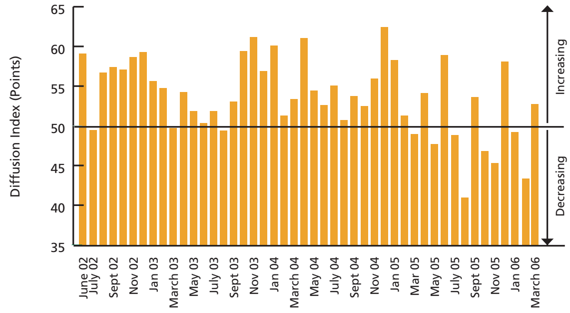
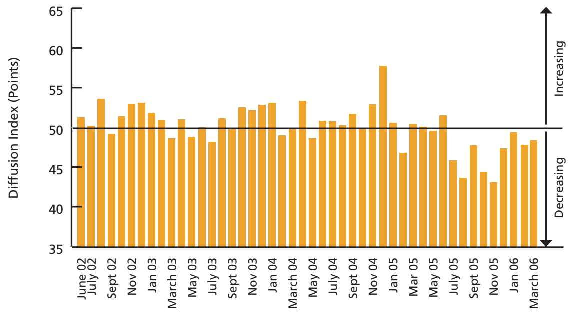
NEW ORDERS

- After seasonal adjustment, new orders increased 9.7 points to 53.3 (and the highest reading since December 2005).
- In unadjusted terms, the number of sectors reporting a lift in new orders increased from zero to five.
- The equal strongest growth was in chemicals, petroleum & coal products and basic metal products, with food & beverages also reporting a relatively large increase.
- More moderate rises were reported in paper, printing & publishing and fabricated metal products.
- Among the seven sectors reporting further falls, the largest declines were in construction material products; textiles and transport equipment.



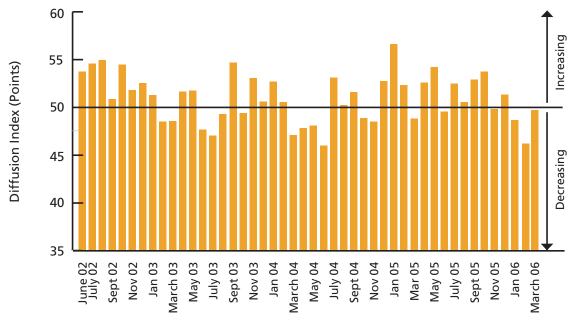
EMPLOYMENT

- Seasonally adjusted, the employment sub-index increased 0.7 points to 48.9. Nevertheless, it was the ninth consecutive reading below 50.0.
- Unadjusted, only the food & beverage and fabricated metal product sectors reported increases in employment in the month.
- By comparison, employment grew in three sectors in February.
- The level of employment was unchanged (a reading of 50.0) in textiles; wood, wood products & furniture; and chemicals, petroleum & coal products.
- Elsewhere, employment fell slightly in the machinery & equipment sector.
- The largest decline was in clothing & footwear, with more moderate falls in the other five sectors.



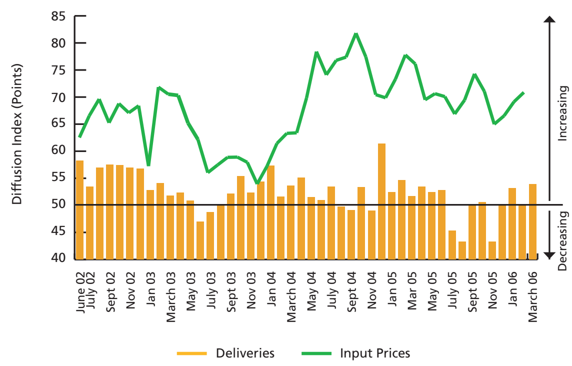
FINISHED STOCKS

- In seasonally adjusted terms, inventories increased 3.7 points to 50.2. Although marginal, it was the first increase in inventories (a reading of above 50.0) since December 2005.
- Unadjusted, inventories rose in four sectors, up from two in February.
- The largest increases were in fabricated metal products and construction material products, although it was most likely an unplanned rise in the second (given the sharp fall in new orders and production).
- More modest rises were reported in food & beverages and wood, wood products & furniture.
- Inventory levels were unchanged in clothing & footwear and transport equipment.
- The largest falls were in miscellaneous manufacturing; textiles; paper, printing & publishing; and basic metal products.



DELIVERIES AND INPUT COSTS

- Deliveries rose by 3.9 points to 53.9 (seasonally adjusted), and the highest reading since February 2005. In unadjusted terms, deliveries expanded in seven sectors, compared with three the previous month.
- The increase in deliveries was strongest in the textiles sector. The equal largest falls were in transport equipment and miscellaneous manufacturing.
- The rate of increase in input costs strengthened for the third consecutive month. Unadjusted, input costs rose a further 1.7 points in March, and to the highest level since November 2005.
- Input costs rose in 11 sectors (compared with 12 previously), and were unchanged in clothing and footwear. The rate of increase strengthened in six sectors, down from eight in February.
- The largest increases were in chemicals, petroleum & coal products; construction material products; and food & beverages.



NATIONAL INDEXES

	Mar 06	Mar 05	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sep 05	Aug 05	Jul 05	Jun 05	May 05
AUSTRALIAN PMI™	53.2	51.4	46.7	50.2	53.5	44.4	47.5	52.8	43.1	48.4	54.6	50.0
PRODUCTION	57.4	55.0	47.4	49.9	54.4	42.0	45.5	56.1	41.2	48.8	53.5	48.9
NEW ORDERS	53.3	49.4	43.6	49.5	58.8	45.7	47.2	54.2	41.3	49.3	59.7	48.2
EMPLOYMENT	48.9	51.0	48.2	49.7	47.8	43.4	44.8	48.2	44.0	46.3	52.1	50.0
INVENTORIES	50.2	49.3	46.5	49.0	51.8	50.3	54.3	53.5	51.0	53.0	50.0	54.8
DELIVERIES	53.9	51.7	50.0	53.2	50.1	43.3	50.6	50.1	43.3	45.3	52.8	52.4
INPUT PRICES	71.0	77.9	69.3	66.7	65.1	71.2	74.4	69.6	67.0	70.2	70.8	69.7
EXPORTS	51.8	41.0	44.4	46.4	50.1	52.1	49.1	52.3	44.7	51.8	53.3	52.6

Results are based on responses from 214 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 January 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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