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AUSTRALIAN

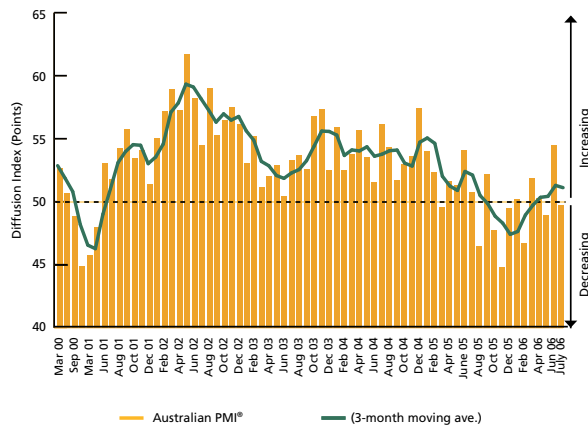
PERFORMANCE OF MANUFACTURING INDEX®

JULY 2006

GROWTH STALLS AS DEMAND TURNS MORE MIXED

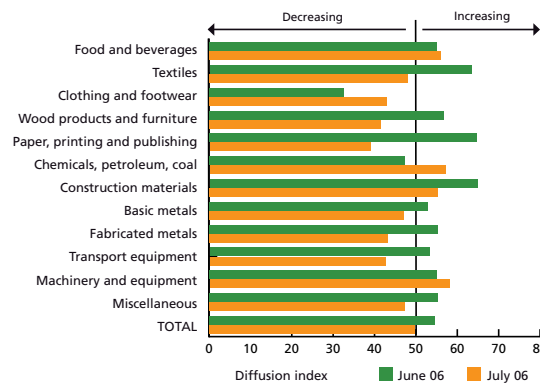
KEY FINDINGS

- Growth in manufacturing activity stalled in July, following a moderate lift the previous month. The seasonally adjusted Australian Industry Group/ PricewaterhouseCoopers Australian PMI® fell 4.8 points to 49.7, marginally below the 50.0 level separating expansion from contraction.
- Activity turned decidedly more mixed across sectors in July, following earlier upturns in a range of areas sensitive to consumer and construction demand. Just four sectors reported growth in the month, compared with 10 in June.
- Growth was also more mixed across states, only three reporting expansions in activity (down from five previously). Growth strengthened in Queensland and Western Australia, while activity in New South Wales also expanded for the fifth consecutive month. Activity fell in the other three states.
- In aggregate, production and supplier delivery growth both slowed sharply in July, while new orders and inventories dipped slightly (the first declines in either component since February 2006). Export growth also weakened.
- More positively, input cost increases moderated sharply for the second consecutive month.



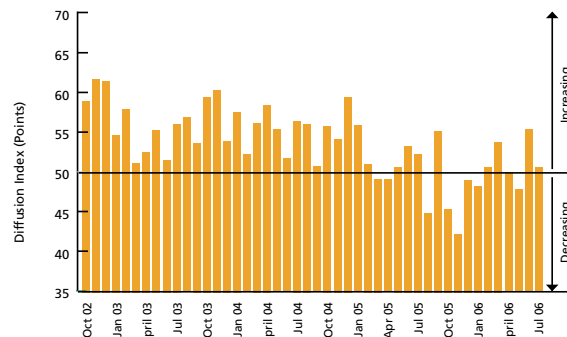
SECTORS

- Seasonally adjusted, growth was strongest in machinery & equipment, and improved also in the chemicals, petroleum & coal products and food & beverages sectors.
- Activity also continued to expand in construction material products, although at a slower rate than in June.
- Activity contracted in the other eight sectors, seven of which reported growth the previous month. The largest falls were in the consumer-based sectors, specifically paper, printing & publishing and wood, wood products & furniture. Activity declined more moderately in textiles.
- Activity also fell sharply in transport equipment and fabricated metal products, and declined more moderately in basic metal products and miscellaneous manufacturing.
- Clothing & footwear reported the second consecutive decline in activity, although the rate of decline eased slightly.

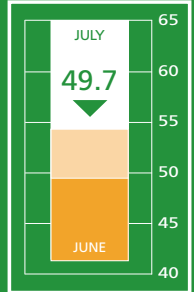


PRODUCTION

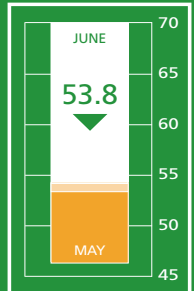
- In seasonally adjusted terms, the production sub-index fell 5.1 points to 50.5. Unadjusted, only machinery & equipment and food & beverages reported growth, compared with seven sectors the previous month (although the sharp fall in the number of expanding sectors was partly attributable to the start of the new financial year).
- The largest declines were in transport equipment and paper, printing & publishing.
- Significant falls were also recorded in textiles; clothing & footwear; construction material products; basic metal products; and miscellaneous manufacturing.
- Activity declined more moderately in wood, wood products & furniture; chemicals, petroleum & coal products, and was unchanged in fabricated metal products.



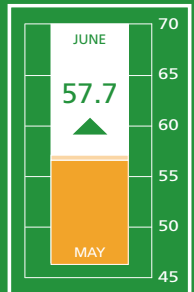
AUSTRALIAN PMI®



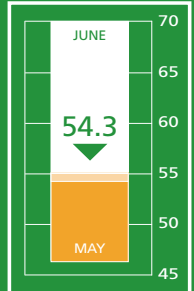
USA ISM PMI



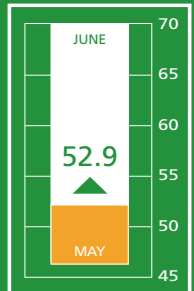
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



NEW ORDERS

- After adjustment for seasonal factors, the new orders sub-index fell 8.1 points to 49.2. Unadjusted, the number of sectors reporting higher orders fell from nine to four (and again partly reflecting seasonal factors).
- The strongest growth was in machinery & equipment, followed by construction material products. More moderate increases were reported in food & beverages and fabricated metal products.
- The steepest falls in orders were in paper, printing & publishing and chemicals; petroleum & coal products.
- Textiles; wood, wood products & furniture; transport equipment; and miscellaneous manufacturing reported more moderate falls in orders.
- Orders were unchanged in clothing & footwear and basic metal products.

EMPLOYMENT

- Seasonally adjusted, the employment sub-index rose 0.3 of a percentage point to 47.3. Nevertheless, it was the 13th consecutive fall in employment (a reading below 50.0).
- In unadjusted terms, chemicals, petroleum & coal products was the only sector to increase employment in the month (an unchanged number from June). Employment was also unchanged in machinery & equipment.
- The largest declines were in the textiles and wood, wood products & furniture sectors.
- Clothing & footwear; paper, printing & publishing; construction material products; basic metal products and transport equipment also reported significant falls.
- More moderate falls were recorded in food & beverages; fabricated metal products; and miscellaneous manufacturing.

FINISHED STOCKS

- In seasonally adjusted terms, the inventories sub-index fell 1.1 points to 49.8. Unadjusted, four sectors reported a rise in inventories, compared with three the previous month.
- All four sectors, comprising wood, wood products & furniture; chemicals, petroleum & coal products; construction material products; and machinery & equipment, reported relatively large increases.
- Of the four, however, new orders increased in only machinery & equipment and construction material products, suggesting the rise in inventories in the other two were unplanned.
- Inventory levels were unchanged in food & beverages, and fell in the other seven sectors.
- The sharpest fall was in clothing & footwear, while textiles; paper, printing & publishing; and miscellaneous manufacturing also reported significant declines.

DELIVERIES AND INPUT COSTS

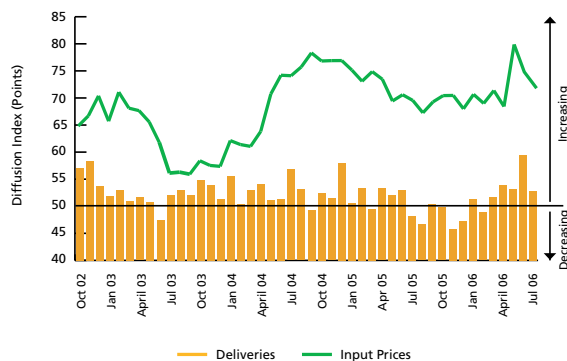
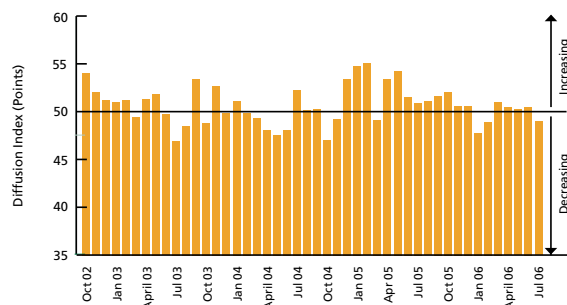
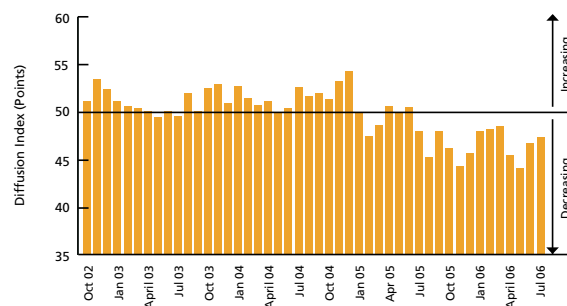
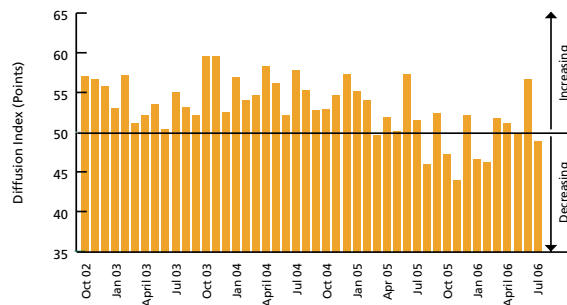
- After adjustment for seasonal factors, the supplier delivery sub-index fell 6.8 points to 52.7. Unadjusted, deliveries increased in only four sectors, down from seven previously.
- In seasonally adjusted terms, the input cost sub-index fell 3.1 points to 71.9. It was the second consecutive fall, and contrasts with the record high of 80.0 recorded in May 2006.
- In unadjusted terms, all 12 sectors again reported higher raw material costs in the month. For the second consecutive month, basic metal products reported the largest increase (although the rate of increase was unchanged from June).
- Four sectors, comprising clothing & footwear; wood, wood products & furniture; chemicals, petroleum & coal products; and fabricated metal products, recorded faster cost increases in July.
- The rate of increase moderated in the other seven sectors.

NATIONAL INDEXES

	Jul 06	Jul 05	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sep 05
AUSTRALIAN PMI*	49.7	50.8	54.5	48.9	50.3	51.9	48.7r	48.4r	49.5	44.8	47.7	52.2
PRODUCTION	50.5	52.5	55.6	48.0	50.0	54.1	50.9	48.4	49.2	42.4	45.6	55.4
NEW ORDERS	49.2	52.1	57.3	50.2	51.6	52.4	46.7	47.1	52.8	44.4	47.7	53.0
EMPLOYMENT	47.3	48.3	47.0	44.2	45.6	48.8	48.5	48.3	46.0	44.6	46.5	48.3
INVENTORIES	49.8	51.4	50.9	50.7	50.9	51.5	49.3	48.2	51.1	51.1	52.5	52.1
DELIVERIES	52.7	48.2	59.5	53.2	54.0	51.7	48.8	51.3	47.2	45.8	49.8	50.5
INPUT PRICES	71.9	69.7	75.0	80.0	68.6	71.5	69.2	70.8	68.2	70.6	70.6	69.4
EXPORTS	50.7	51.8	51.1	47.9	57.5	51.8	44.4	46.4	50.1	52.1	49.1	52.3

Further Information: Results are based on responses from approximately 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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