

PMI AUSTRALIAN

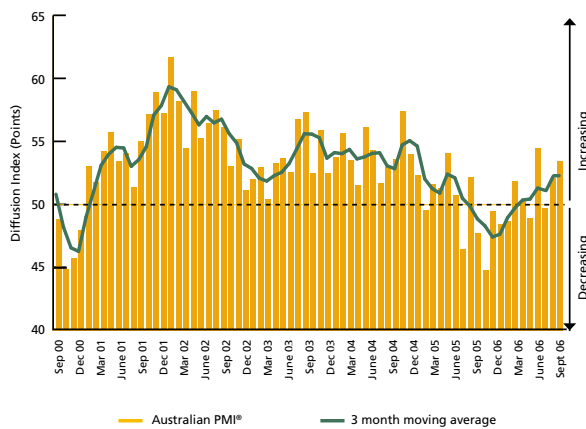
PERFORMANCE OF MANUFACTURING INDEX®

SEPTEMBER 2006

MODERATE GROWTH CONTINUES IN SEPTEMBER

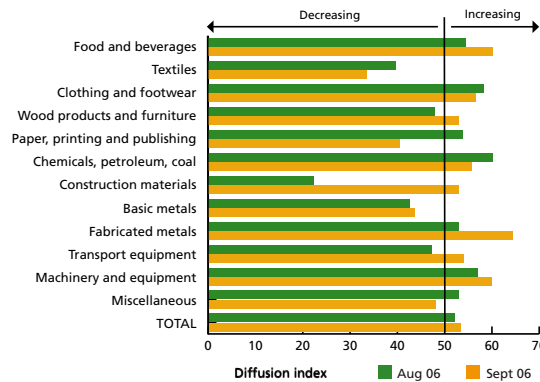
KEY FINDINGS

- Manufacturing activity continued to grow moderately in September, the seasonally adjusted Australian Industry Group/ PricewaterhouseCoopers Australian PMI® rising a further 1.4 points to 53.5.
- The slight strengthening in activity was largely attributable to a further pick-up in production growth and employment.
- By contrast, new orders grew at a steady rate, while growth in supplier deliveries slowed and inventories fell for the third consecutive month. Export growth and raw material cost increases also moderated.
- Activity continued to expand across the industrial-based sectors, but remained mixed in consumer- and construction-related sectors.
- Growth strengthened in New South Wales, Western Australia and Tasmania, while Victoria reported the first increase in activity in three months. Activity declined in Queensland and South Australia, following moderate increases previously.



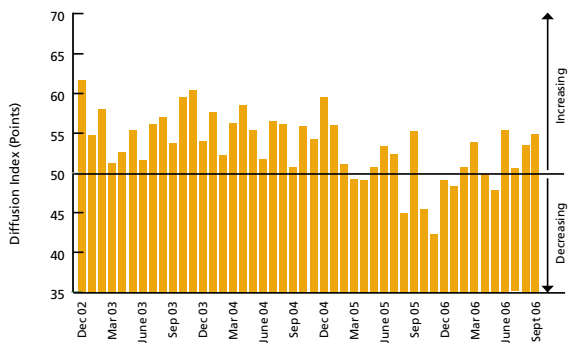
SECTORS

- In seasonally adjusted terms, activity expanded in eight of the 12 sectors, up from seven in August.
- The fabricated metal product sector reported the strongest expansion in activity in September. Among other industrial-based sectors, growth improved also in machinery & equipment and transport equipment. Growth moderated in chemicals, petroleum & coal products.
- In the consumer-related sectors, growth strengthened in food & beverages and wood, wood products & furniture, but eased in clothing & footwear. Activity continued to fall in textiles, and declined in paper, printing & publishing (following a moderate increase the previous month)
- In the construction-related sectors, activity fell for the third consecutive month in basic metal products. However, activity expanded slightly in construction material products, after a sharp fall the previous month.
- Activity also contracted moderately in miscellaneous manufacturing.



PRODUCTION

- Production growth strengthened moderately in September, the seasonally adjusted production sub-index increasing 1.6 points to 55.1.
- In unadjusted terms, production expanded in nine sectors, up from five the previous month.
- Food & beverages; clothing & footwear; chemicals, petroleum & coal products; and machinery & equipment all reported further strong growth in production, following increases the previous month.
- After flat growth or declines in August, production also expanded in wood, wood products & furniture; construction material products; fabricated metal products; transport equipment; and miscellaneous manufacturing.
- Production was unchanged in basic metal products, but declined in textiles and paper, printing & publishing.



AUSTRALIAN PMI®
 SEPTEMBER: 53.5 (▲)
 AUGUST: 52.1

USA ISM PMI
 AUGUST: 54.4 (▼)
 JULY: 55.8

EUROZONE PMI
 AUGUST: 56.5 (▼)
 JULY: 57.9

JAPANESE PMI
 AUGUST: 54.6 (▼)
 JULY: 56.0

CHINESE PMI
 AUGUST: 52.6 (▼)
 JULY: 54.2

NEW ORDERS

- Growth in new orders was unchanged in the month, the new orders sub-index steady at 52.9 (seasonally adjusted).
- Unadjusted, orders rose in eight sectors, up from five previously.
- Order growth continued to strengthen in food & beverages and machinery & equipment, but slowed in clothing and chemicals, petroleum & coal products.
- Orders also increased in wood, wood products & furniture; construction material products; fabricated metal products; and transport equipment, following falls in August.
- Elsewhere, new orders continued to fall (and at a faster rate than in August) in all of textiles; basic metal products; and miscellaneous manufacturing. Orders also fell in paper, printing & publishing, following a moderate increase the previous month.

EMPLOYMENT

- The employment sub-index jumped 7.6 points to 55.3 (seasonally adjusted), the first reading above 50.0 since June 2005.
- In unadjusted terms, seven sectors reported increases compared with only two in August.
- Food & beverages and machinery & equipment both reported further increases in September. The strongest increase in the month was in basic metal products, following a decline in August. These three sectors accounted for the majority of employment gains.
- Wood, wood products & furniture; fabricated metal products; chemicals, petroleum & coal products; and miscellaneous manufacturing also reported increases, after flat growth or declines previously.
- Employment was unchanged in textiles; construction material products; and transport equipment, but continued to fall in clothing & footwear and paper, printing & publishing.

FINISHED STOCKS

- Stocks of finished goods fell sharply in September (and the third consecutive monthly decline), with the seasonally adjusted inventories sub-index falling 3.5 points to 46.3.
- In unadjusted terms, five sectors reported increases in inventory levels, an unchanged number from August.
- Stocks continued to accumulate in clothing & footwear and machinery & equipment, while increases were also reported in construction material products (the largest increase of all 12 sectors in September); food & beverages; and textiles.
- Inventory levels were unchanged in wood, wood products & furniture and in basic metal products.
- By contrast, inventories continued to fall in paper, printing & publishing; fabricated metals; and transport equipment. Inventories also declined in chemicals, petroleum & coal products and miscellaneous manufacturing, after increases the previous month.

DELIVERIES AND INPUT COSTS

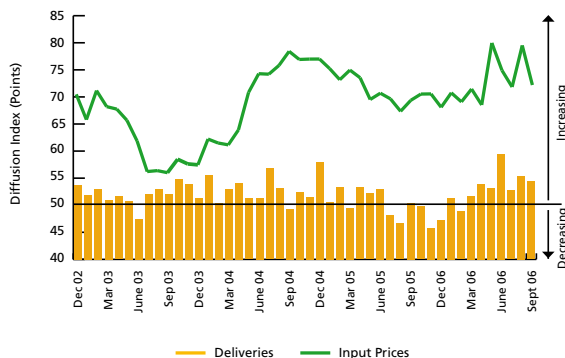
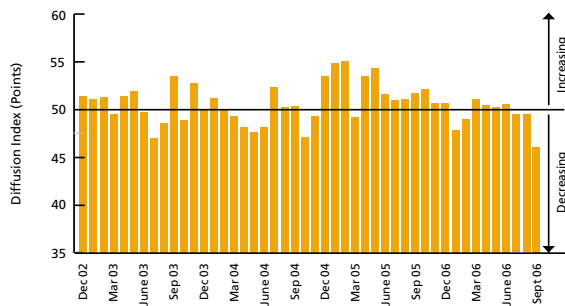
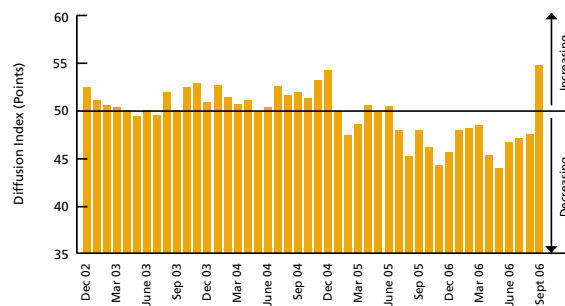
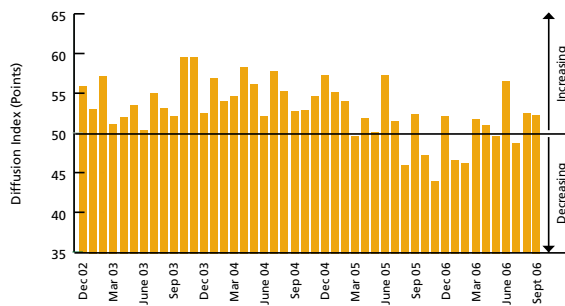
- Supplier delivery growth moderated slightly in the month, the seasonally adjusted sub-index falling 0.9 of a percentage point to 54.4.
- In unadjusted terms, 10 sectors reported an increase in supplier deliveries, up from seven previously. The strongest increase was in food & beverages, while textiles and paper, printing & publishing were the two sectors in which deliveries fell.
- Increases in the costs of purchased supplies also moderated in the month, the input cost sub-index falling 7.3 points to 72.3 (seasonally adjusted).
- Unadjusted, cost increases slowed in all sectors other than clothing & footwear and paper, printing & publishing.
- Although easing, basic metal products reported the largest increase in costs in the month. Strong increases were also reported in fabricated metal products; wood, wood products & furniture and machinery & equipment.
- The smallest increases were in construction materials and miscellaneous manufacturing.

NATIONAL INDEXES

| | Sept 06 | Sept 05 | Aug 06 | Jul 06 | Jun 06 | May 06 | Apr 06 | Mar 06 | Feb 06 | Jan 06 | Dec 05 | Nov 05 |
|------------------------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUSTRALIAN PMI* | 53.5 | 52.2 | 52.1 | 49.7 | 54.5 | 48.9 | 50.3 | 51.9 | 48.7 | 48.4 | 49.5 | 44.8 |
| PRODUCTION | 55.1 | 55.4 | 53.5 | 50.5 | 55.6 | 48.0 | 50.0 | 54.1 | 50.9 | 48.4 | 49.2 | 42.4 |
| NEW ORDERS | 52.9 | 53.0 | 52.9 | 49.2 | 57.3 | 50.2 | 51.6 | 52.4 | 46.7 | 47.1 | 52.8 | 44.4 |
| EMPLOYMENT | 55.3 | 48.3 | 47.7 | 47.3 | 47.0 | 44.2 | 45.6 | 48.8 | 48.5 | 48.3 | 46.0 | 44.6 |
| INVENTORIES | 46.3 | 52.1 | 49.8 | 49.8 | 50.9 | 50.7 | 50.9 | 51.5 | 49.3 | 48.2 | 51.1 | 51.1 |
| DELIVERIES | 54.4 | 50.5 | 55.3 | 52.7 | 59.5 | 53.2 | 54.0 | 51.7 | 48.8 | 51.3 | 47.2 | 45.8 |
| INPUT PRICES | 72.3 | 69.4 | 79.6 | 71.9 | 75.0 | 80.0 | 68.6 | 71.5 | 69.2 | 70.8 | 68.2 | 70.6 |
| EXPORTS | 53.8 | 52.3 | 56.6 | 50.7 | 51.1 | 47.9 | 57.5 | 51.8 | 44.4 | 46.4 | 50.1 | 52.1 |

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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