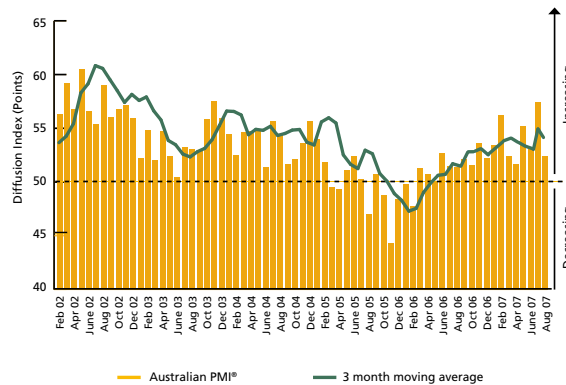


AUSTRALIAN PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING ACTIVITY EASES AS NEW ORDER GROWTH UNWINDS

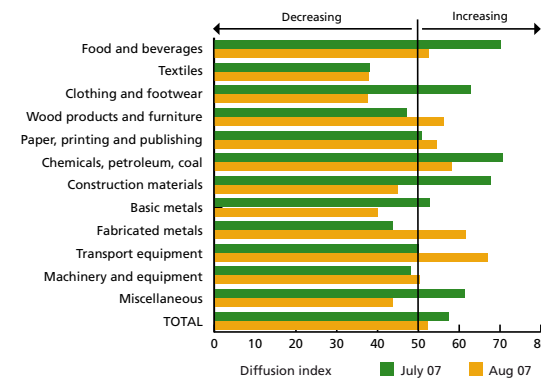
KEY FINDINGS

- The pace of manufacturing activity eased in August, as growth in consumer demand and new orders unwound from their recent strong highs.
- While the seasonally adjusted Australian Industry Group/ PricewaterhouseCoopers **Australian PMI®** fell 5.0 points in the month to 52.4, it was nevertheless, the 15th consecutive month of growth.
- The softening in activity was reflected across all key indicators - production, new orders, finished stocks, deliveries and exports, although employment remained largely unchanged. Food and beverages, basic metal manufacturers (including exporters) and small firms took the largest hit from the easing in demand. As well, input costs edged higher.
- Companies cited softer orders, an excess supply of inventories, skill shortages, and the impact of the currency on exports, as factors contributing to a moderation in demand and activity.
- Activity lifted in NSW and Victoria, remained steady in WA but eased in Queensland. In contrast, activity fell in SA and Tasmania.



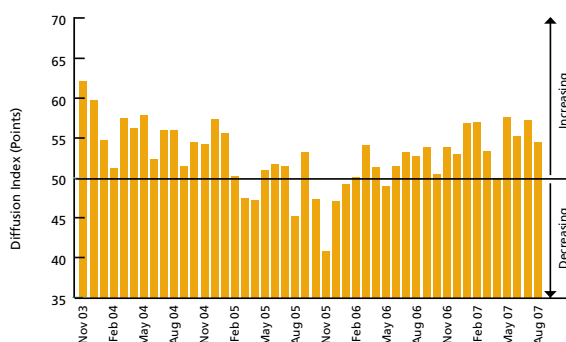
SECTORS

- Seasonally adjusted, activity expanded in six sectors (and remained steady in one) in August, compared with eight in July.
- Activity was strongest in the transport equipment and fabricated metal products sectors, each recording activity of over 60.0 points, a significant improvement on the previous month.
- Stronger activity was also cited in the wood, wood products & furniture and paper, printing & publishing sectors, while activity in the machinery & equipment sector remained unchanged.
- In contrast, growth in activity slowed sharply in the food & beverages and chemicals, petroleum & coal products sectors.
- Activity declined in the remaining five sectors, with textiles; clothing & footwear; and basic metal products experiencing the largest reduction in activity.

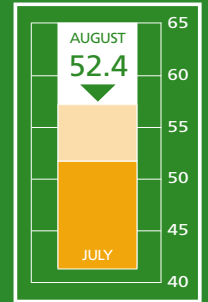


PRODUCTION

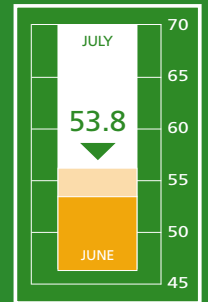
- Seasonally adjusted, the production sub-index fell 2.9 points to 54.6. In unadjusted terms, the number of sectors reporting higher production was six (unchanged on the previous month).
- Production growth was strongest in the transport equipment and paper, printing & publishing sectors, lifting from the declines of the previous month, as well as in the food & beverages sector, which slowed from the strong gains in July.
- More moderate production growth occurred in the wood, wood products & furniture; chemicals, petroleum & coal products; and fabricated metal products sectors.
- After reporting moderate production in the previous month, growth fell in the clothing & footwear and basic metal products sectors.
- Production continued to fall in the remaining sectors: textiles; construction material products; machinery & equipment; and miscellaneous manufacturing.



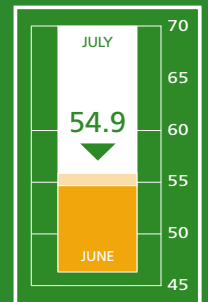
AUSTRALIAN PMI®



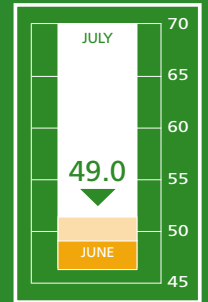
USA ISM PMI



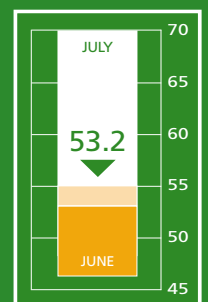
EUROZONE PMI



JAPANESE PMI

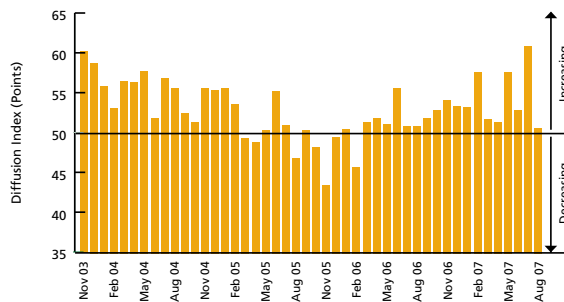


CHINESE PMI



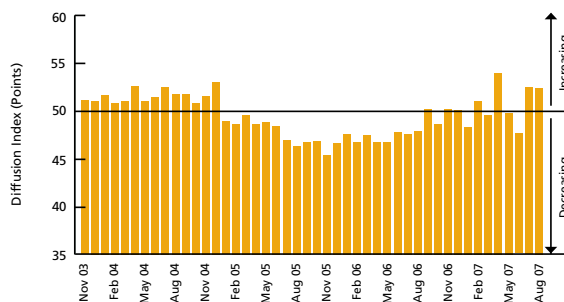
NEW ORDERS

- The new orders sub-index fell 10.4 points to 51.1, from the varies strong reading in July (the highest in over five years).
- The number of sectors reporting increases fell from seven to five (unadjusted), with orders remaining unchanged in two sectors as in the previous month.
- Orders fell in the clothing & footwear; paper, printing & publishing; basic metal products; construction material products; and miscellaneous manufacturing sectors.
- Order growth remained unchanged in the textiles sector, (after falling in the previous month) and machinery & equipment sectors.
- Transport equipment reported the largest increase in new orders, strengthening considerably on the previous month. Orders growth also improved and turned positive in the wood, wood products & furniture and fabricated metals products sectors.
- While new orders remained moderate in the food & beverages and chemicals, petroleum and coal products sectors, these were way off very strong readings in July.



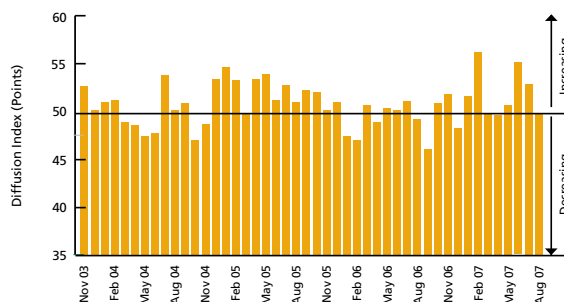
EMPLOYMENT

- Seasonally adjusted, the employment sub-index fell only marginally by 0.1 points to 52.8. In unadjusted terms, employment grew in five sectors, and remained unchanged in three sectors, mirroring the outcome in July.
- Employment gains were strongest in the fabricated metal products sector, after falling in July, and in miscellaneous manufacturing.
- Employment continued to grow in the food & beverages; chemicals, petroleum & coal products; and transport equipment sector, albeit at a significantly slower rate.
- After falling the previous month, employment was steady in the textiles and wood, wood products & furniture sector, along with basic metal products.
- Employment fell in clothing & footwear; paper, printing & publishing; construction material products; and machinery & equipment sectors.



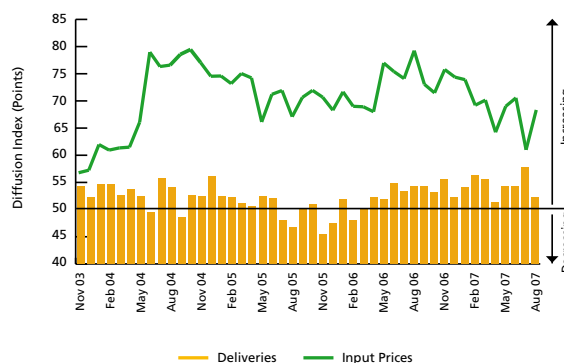
FINISHED STOCKS

- The inventories sub-index eased 3.0 points to 50.3 (seasonally adjusted), following a sharp rise over the previous two months. Unadjusted, the number of sectors reporting increases was five, unchanged from July.
- Inventories fell in the food & beverages; textiles; clothing & footwear; wood, wood products & furniture; chemicals, petroleum & coal products; and miscellaneous manufacturing sectors.
- Stock levels remained steady in the basic metal products sector, following a moderate increase in July, and rose slightly in the machinery & equipment sector.
- The largest rise in finished stocks was in paper, printing & publishing and construction materials sectors. Stocks also rose in the fabricated metal products and transport equipment sectors.



DELIVERIES AND INPUT COSTS

- Seasonally adjusted, the supplier deliveries sub-index fell by 5.6 points, to 52.2. As in the previous month, unadjusted, five sectors experienced higher deliveries, with four reporting no change.
- Deliveries rose strongly in the transport equipment and paper, printing & publishing sectors, and fell strongly in the construction material products and miscellaneous manufacturing sectors.
- By contrast, the raw material cost index rose 7.3 points to 68.4 (seasonally adjusted). In unadjusted terms, the level of cost rises moderated in three sectors (compared to eight in July) and rose in seven sectors.
- Cost pressures lifted appreciably in the textiles; wood, wood products & furniture and fabricated metal products sectors.
- Cost increases moderated the most in the food & beverages and chemicals, petroleum & coal products sectors.



NATIONAL INDEXES

	Aug 07	Aug 06	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06
AUSTRALIAN PMI	52.4	51.4	57.4	53.1	55.2	51.7	52.4	56.2	53.4	52.2	53.6	51.6
PRODUCTION	54.6	52.9	57.5	55.4	57.7	50.1	53.4	57.1	57.0	53.1	54.0	50.5
NEW ORDERS	51.1	51.4	61.5	53.3	58.3	51.9	52.3	58.4	53.8	53.9	54.8	53.4
EMPLOYMENT	52.8	48.2	52.9	47.8	50.1	54.5	49.9	51.5	48.6	50.4	50.6	49.0
INVENTORIES	50.3	49.6	53.3	55.6	51.1	50.0	50.2	56.8	52.1	48.6	52.2	51.4
DELIVERIES	52.2	54.3	57.8	54.3	54.3	51.3	55.6	56.3	54.1	52.2	55.5	53.1
INPUT PRICES	68.4	79.3	61.1	70.6	69.1	64.3	70.2	69.3	74.0	74.4	75.8	71.5
EXPORTS	47.8	50.7	51.9	50.0	56.0	49.4	52.1	50.0	53.1	60.4	60.2	51.7

Further Information: Results for the third month of each quarter are based on an expanded sample (in excess of 500 companies). Results for the other months are based on responses from approximately 200 companies. 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 2007.

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, Global Industrial Manufacturing Leader.

PRICEWATERHOUSECOOPERS

CONTACT

Heather Ridout
Chief Executive
Ai Group
work 02 9466 5504

Graeme Billings
Global Industrial
Manufacturing Leader
PricewaterhouseCoopers
work 03 8603 3007
mobile 0408 572 729

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