AUSTRALIAN INDUSTRY GROUP

PRICEWATERHOUSECOOPERS

pmi AUSTRALIAN

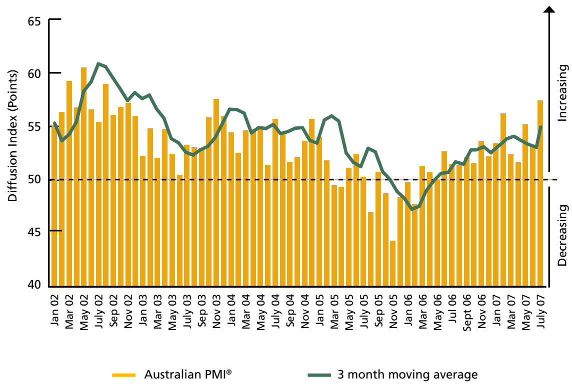
PERFORMANCE OF MANUFACTURING INDEX®

JULY 2007

STRONGER DOMESTIC DEMAND LIFTS MANUFACTURING ACTIVITY

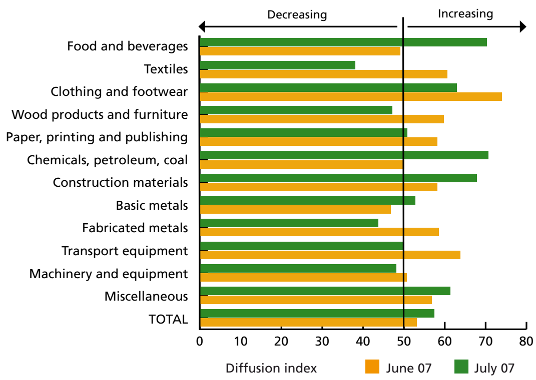
KEY FINDINGS

- Manufacturing activity lifted in July (for the 14th consecutive month) as stronger domestic demand fed into higher production and employment.
- The seasonally adjusted Australian Industry Group/ PricewaterhouseCoopers **Australian PMI®** rose 4.3 points in the month to 57.4, more than reversing the moderate easing of the previous month.
- The strengthening in activity was reflected in an improvement across all key indicators - production, new orders, employment, finished stocks, and deliveries. Exports remained subdued as the higher Australian dollar placed a brake on growth. Despite higher production, input costs moderated.
- Companies cited new orders, stronger customer demand, improved weather conditions, along with strengthening supermarket buying, as contributing to better conditions.
- Production expanded in all states, with Queensland, Western Australia and Tasmania reporting the strongest conditions.



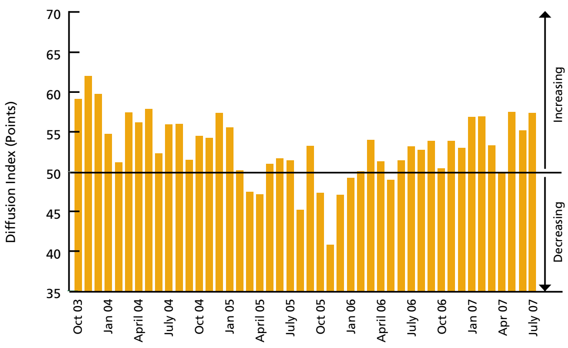
SECTORS

- Seasonally adjusted, activity expanded in eight sectors in July, compared with nine in June.
- Growth was strongest in the food & beverages and chemicals, petroleum & coal products sectors, each recording activity of over 70.0 points, a significant improvement on the previous month.
- Strong growth (lifting further in July) was cited in the construction material products sector, while the clothing & footwear sector continued to report solid growth, despite some easing in the month.
- The basic metal products and miscellaneous manufacturing sectors experienced moderate increases in the month.
- There was also a small increase in activity in the transport equipment and paper printing & publishing sectors.
- In contrast, activity declined in four sectors: textiles; wood, wood products & furniture; fabricated metal products; and machinery & equipment.



PRODUCTION

- Seasonally adjusted, the production sub-index rose 2.1 points to 57.5. In unadjusted terms, the number of sectors reporting higher production was six (down by one sector).
- Production growth was strongest in the food & beverages and construction material products sectors, the former lifting strongly from the decline of the previous month. As well, production lifted strongly in the basic metal products sector.
- More moderate production growth persisted in the clothing & footwear; chemicals, petroleum & coal products; and miscellaneous manufacturing sectors.
- After reporting strong production in the previous month, growth fell in the textiles; wood, wood products & furniture; fabricated metal products; and transport equipment sectors. Production also fell in the machinery & equipment and paper, printing & publishing sectors.



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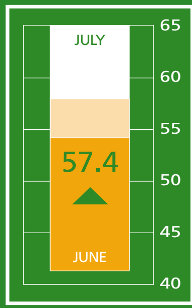
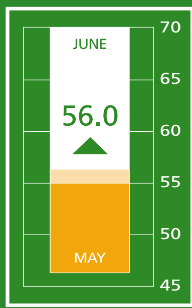
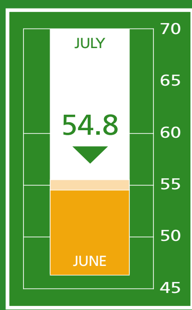


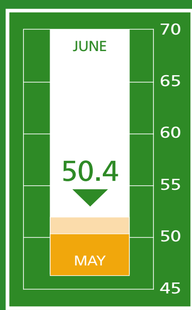
USA ISM PMI



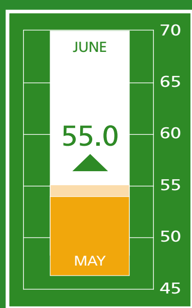
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



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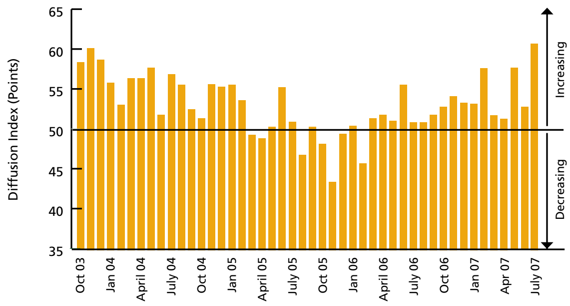
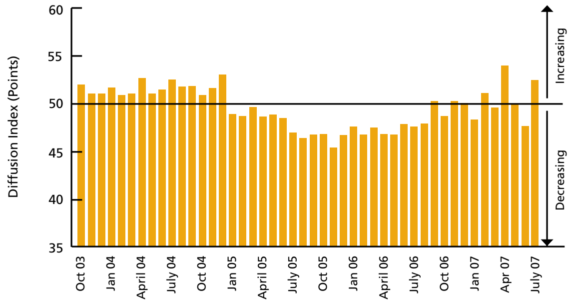
NEW ORDERS

- The new orders sub-index rose 8.2 points to 61.5, the highest reading since May 2002.
- The number of sectors reporting increases rose from five to seven (unadjusted), although orders were also unchanged in a further two (compared with five in June).
- Food & beverages and chemicals, petroleum & coal products reported the largest increase in new orders, strengthening considerably on the previous month. Orders growth also strengthened in the basic metal products; fabricated metal products; and miscellaneous manufacturing sectors.
- Order growth slowed in transport equipment, and remained unchanged in the paper, printing & publishing and machinery & equipment sectors.
- Orders fell in the textiles; wood, wood products & furniture; and fabricated metal products sectors.



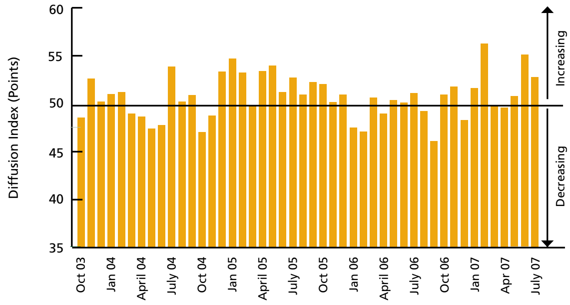
EMPLOYMENT

- Seasonally adjusted, the employment sub-index rose 5.1 points to 52.9, reflecting the increase in production and orders. In unadjusted terms, employment grew in five sectors, and remained unchanged in three sectors.
- Employment gains were strongest in the construction material products; clothing & footwear; and transport equipment sectors, all improving on the previous month.
- Employment continued to grow in the wood, wood products & furniture and chemicals, petroleum & coal products sector.
- After falling the previous month, employment was steady in food & beverages and basic metal products. Employment was also steady in the miscellaneous manufacturing sector.
- Employment fell in textiles; paper, printing & publishing; fabricated metal products and machinery & equipment sectors.



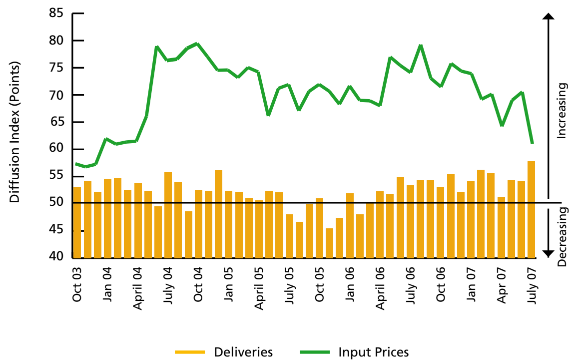
FINISHED STOCKS

- The inventories sub-index eased 2.3 points to 53.3 (seasonally adjusted), following a sharp rise in the previous month. Unadjusted, the number of sectors reporting increases was five, down from six in June.
- The largest rise in finished stocks was in wood, wood products & furniture, the second consecutive month of large increases. There was also a significant rise in the chemicals, petroleum and coal products sector.
- More moderate rises in inventories occurred in the textiles; basic metal products; and fabricated metal products sector.
- Inventories remained steady in paper, printing & publishing; construction material products; and miscellaneous manufacturing.
- By contrast, inventories fell in the food & beverages; clothing & footwear; and machinery & equipment, and (for the second consecutive month), the transport equipment sectors.



DELIVERIES AND INPUT COSTS

- Seasonally adjusted, the supplier deliveries sub-index rose by 3.5 points, to 57.8. Unadjusted, five sectors experienced higher deliveries, with four reporting no change.
- Deliveries rose strongly in three sectors: food & beverages and chemicals, petroleum & coal products (for the second consecutive month), along with construction material products.
- By contrast, the raw material cost index fell 9.5 points to 61.1 (seasonally adjusted). In unadjusted terms, cost rises moderated in eight sectors and rose in four sectors.
- Cost pressures were highest in clothing & footwear; wood, wood products & furniture; and basic metal products sectors.
- Cost increases were lowest (and remained steady) in the paper, printing & publishing and chemicals, petroleum & coal products sectors.



NATIONAL INDEXES

	Jul 07	Jul 06	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sep 06
AUSTRALIAN PMI	57.4	51.5	53.1	55.2	51.7	52.4	56.2	53.4	52.2	53.6	51.6	52.1
PRODUCTION	57.5	53.3	55.4	57.7	50.1	53.4	57.1	57.0	53.1	54.0	50.5	54.0
NEW ORDERS	61.5	51.5	53.3	58.3	51.9	52.3	58.4	53.8	53.9	54.8	53.4	52.4
EMPLOYMENT	52.9	47.9	47.8	50.1	54.5	49.9	51.5	48.6	50.4	50.6	49.0	50.6
INVENTORIES	53.3	51.6	55.6	51.1	50.0	50.2	56.8	52.1	48.6	52.2	51.4	46.4
DELIVERIES	57.8	53.4	54.3	54.3	51.3	55.6	56.3	54.1	52.2	55.5	53.1	54.3
INPUT PRICES	61.1	74.2	70.6	69.1	64.3	70.2	69.3	74.0	74.4	75.8	71.5	73.1
EXPORTS	51.9	50.7	50.0	56.0	49.4	52.1	50.0	53.1	60.4	60.2	51.7	53.8

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.
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