

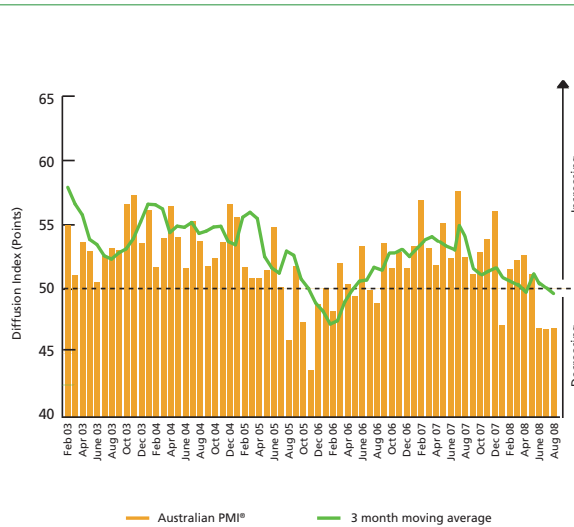
pmi AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING CONTRACTS FOR A THIRD MONTH

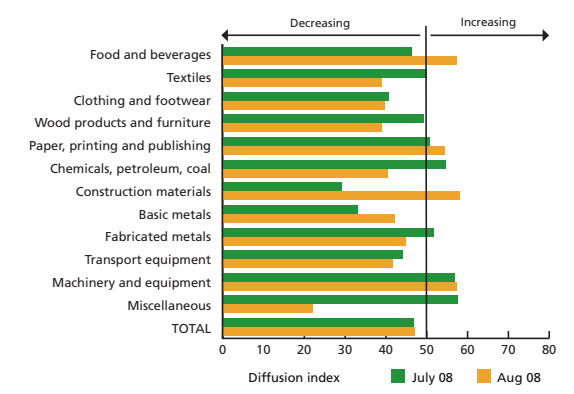
KEY FINDINGS

- Manufacturing activity fell for a third consecutive month in August. Tighter financial conditions have driven an easing of consumer demand and weaker housing construction, which have reduced demand for manufactures. Manufacturing is also being buffeted by weaker global growth, rising input costs and the still high Australian dollar.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose marginally in August, by 0.1 points to 47.0, to remain below the 50 point mark separating expansion from contraction.
- Production and employment fell again in August, though at a slightly slower rate than in July. New orders fell for a fourth consecutive month, putting pressure on future production. Inventories and supplier deliveries were stable. Exports fell.
- Input costs grew strongly again in August while selling price growth accelerated. Wage increases eased in August but remained solid. Capacity utilisation declined moderately.
- Manufacturers again cited positive effects on activity from infrastructure and mining related demand. Key negatives were: a weak retail sector; soft housing construction; raw material costs and shortages, especially steel; and import competition.
- Manufacturing activity grew in Western Australia and was stable in Queensland but declined in all other states.



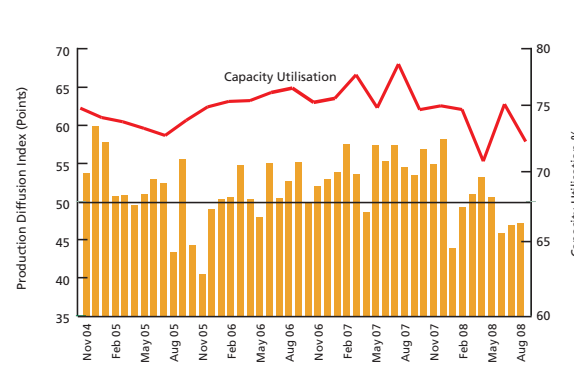
SECTORS

- Seasonally adjusted, activity expanded in four sectors in August, compared to five in July. Activity fell in eight sectors.
- The construction materials sector saw solid growth in August, reflecting solid mining and infrastructure related demand, following two months of significant decline. The machinery & equipment; food & beverages; and paper, printing & publishing sectors saw moderate growth.
- The miscellaneous manufactures sector saw significantly lower levels of activity.
- Activity was also softer in the chemicals, petroleum & coal products; textiles; clothing & footwear; wood, wood products & furniture; basic metal products; fabricated metal products; and transport equipment sectors.

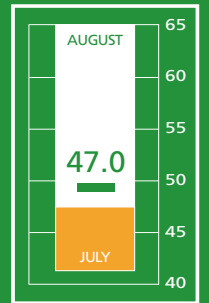


PRODUCTION AND CAPACITY

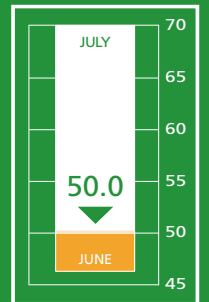
- Seasonally adjusted, the production sub-index rose marginally by 0.3 points to 47.4, but remained below the 50-point mark separating expansion from contraction. Unadjusted, three sectors reported higher production, while production fell in nine sectors.
- Production grew solidly in the food & beverages; paper, printing & publishing; and machinery & equipment sectors.
- Production fell sharply in the miscellaneous manufactures; textiles; clothing & footwear; wood, wood products & furniture; chemicals, petroleum & coal products; basic metal products; and transport equipment sectors.
- Production fell more moderately in the construction materials and fabricated metal products sectors.
- Capacity utilisation fell moderately to 72.3% in August, down from 75.0% in July, in line with weaker overall production in the manufacturing sector.



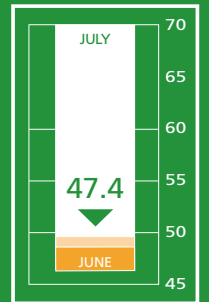
AUSTRALIAN PMI®



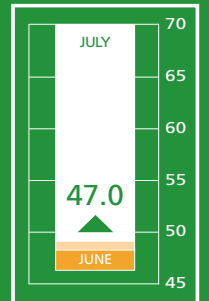
USA ISM PMI



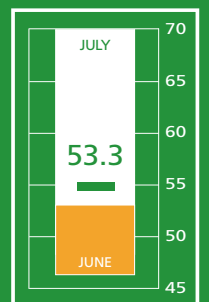
EUROZONE PMI



JAPANESE PMI

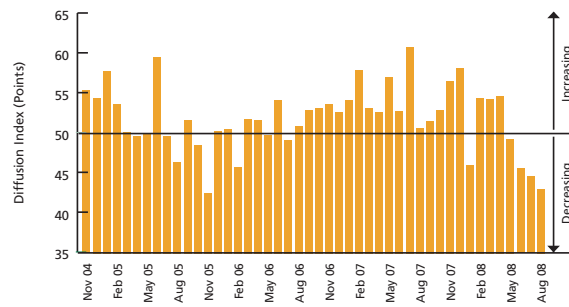


CHINESE PMI



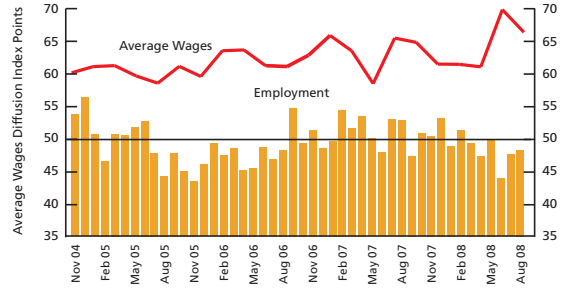
NEW ORDERS

- The seasonally adjusted new orders sub-index fell by 1.6 points to 43.2 in August, its fourth consecutive decline.
- One sector reported higher new orders (unadjusted) in August compared with three in July. Two sectors reported stable new orders in August while nine sectors reported falls.
- Orders rose moderately in the machinery & equipment sector and remained stable in the food & beverages and paper, printing & publishing sectors.
- A sharp fall in new orders was experienced in the housing exposed construction materials sector. The miscellaneous manufactures; textiles; clothing & footwear; wood, wood products & furniture; and chemicals, petroleum & coal products sectors also saw solid falls.
- More moderate falls were seen in the basic metal products; fabricated metal products; and transport equipment sectors.



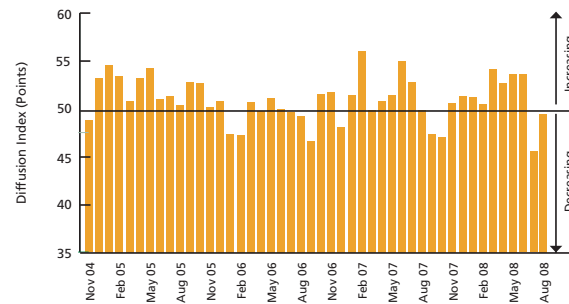
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell for the sixth consecutive month, though the decline eased slightly in August, with the sub-index rising by 0.8 points to 48.2.
- In unadjusted terms, employment grew in three sectors, compared with two in July. It fell in eight sectors and remained stable in one.
- Employment rose in the food & beverages; paper, printing & publishing; and machinery & equipment sectors and was stable in the construction materials sector.
- Consistent with poor production performance, employment fell significantly in the textiles; transport equipment; and miscellaneous manufactures sectors. Employment also fell in the clothing & footwear; wood, wood products & furniture; chemicals, petroleum & coal products; basic metal products; and fabricated metal products sectors.
- Wages growth eased, with the index falling 3.4 points to 66.6.



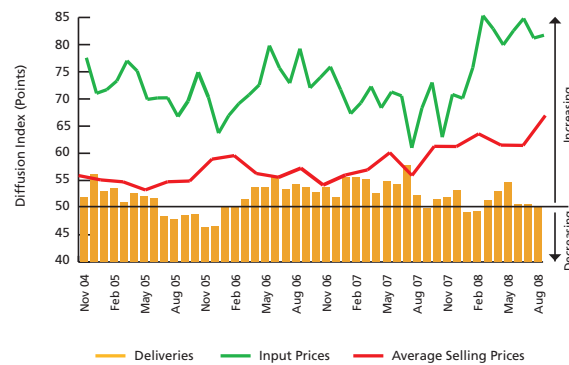
FINISHED STOCKS

- The decline in stocks eased with the sub-index rising by 4.0 points to 49.8 (seasonally adjusted). Unadjusted, the number of sectors reporting increases was six, up from two in July. Stocks fell in five sectors and remained stable in one.
- Stocks rose strongly in the textiles and chemicals, petroleum & coal products sectors while growing more moderately in the basic metal products; fabricated metal products; transport equipment; and machinery & equipment sectors.
- Stocks fell most significantly in the clothing & footwear; wood, wood products & furniture; and miscellaneous manufactures sectors.
- Inventories fell moderately in the food & beverages and construction materials sectors. Inventories were stable in the paper, printing & publishing sector.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index fell slightly by 0.3 points to 50.2. Unadjusted, five sectors saw higher deliveries and seven saw declines.
- Deliveries rose solidly in the food & beverages and paper, printing & publishing sectors. The textiles; transport equipment; and machinery & equipment sectors posted modest lifts in deliveries.
- The clothing & footwear; chemicals, petroleum & coal products; fabricated metal products; basic metal products; miscellaneous manufactures; construction materials; and wood, wood products & furniture sectors saw declines in supplier deliveries.
- Raw material cost growth rose slightly as the index rose by 0.5 points to 81.8 (seasonally adjusted). In unadjusted terms, costs rose in all sectors.
- The major cost gains were in construction materials; transport equipment; and wood, wood products & furniture.
- Selling price growth accelerated across manufacturing.



NATIONAL INDEXES

| | Aug 08 | Aug 07 | Jul 08 | Jun 08 | May 08 | Apr 08 | Mar 08 | Feb 08 | Jan 08 | Dec 07 | Nov 07 | Oct 07 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUSTRALIAN PMI | 47.0 | 52.5 | 46.9 | 47.0 | 51.2 | 52.7 | 52.3 | 51.6 | 47.2 | 56.0 | 53.8 | 52.9 |
| PRODUCTION | 47.4 | 54.6 | 47.1 | 46.1 | 50.8 | 53.3 | 51.0 | 49.4 | 43.9 | 58.4 | 55.0 | 57.0 |
| EMPLOYMENT | 48.2 | 52.8 | 47.4 | 43.8 | 49.8 | 47.3 | 49.3 | 51.2 | 48.9 | 53.1 | 50.4 | 50.7 |
| NEW ORDERS | 43.2 | 51.1 | 44.8 | 45.8 | 49.8 | 55.3 | 54.9 | 55.0 | 46.4 | 58.8 | 57.1 | 53.4 |
| INVENTORIES | 49.8 | 50.3 | 45.8 | 54.0 | 54.2 | 53.2 | 54.6 | 50.9 | 51.7 | 51.8 | 51.0 | 47.4 |
| DELIVERIES | 50.2 | 52.2 | 50.5 | 50.5 | 54.6 | 53.0 | 51.2 | 49.2 | 49.0 | 53.2 | 51.8 | 51.6 |
| INPUT PRICES | 81.8 | 68.4 | 81.3 | 84.9 | 82.6 | 80.0 | 83.0 | 85.4 | 75.8 | 70.2 | 70.9 | 63.0 |
| EXPORTS | 49.1 | 51.8 | 52.3 | 44.5 | 40.1 | 53.7 | 56.4 | 54.6 | 53.6 | 53.4 | 53.0 | 52.7 |
| SELLING PRICES* | 67.0 | | 61.5 | 61.6 | 63.6 | 61.3 | 61.3 | 56.0 | 60.2 | 57.0 | 56.1 | 54.2 |
| AVERAGE WAGES* | 66.6 | | 70.0 | 61.4 | 61.8 | 61.8 | 65.1 | 65.7 | 58.9 | 63.8 | 66.1 | 63.2 |
| CAPACITY UTILISATION* | 72.28 | | 75.00 | 70.85 | 74.61 | 74.88 | 74.60 | 77.92 | 74.74 | 77.14 | 75.42 | 75.13 |

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 over 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.

* Results for capacity utilisation, average wages and output prices to June 2007 based on quarterly surveys. From this point data will be collected in the monthly PMI survey.

• New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2008.

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.

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