

PMI AUSTRALIAN

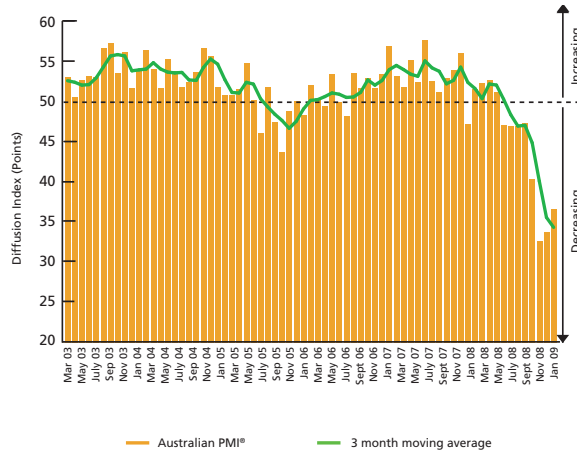
PERFORMANCE OF MANUFACTURING INDEX®

JANUARY 2009

WEAK ORDERS UNDERPIN CONTINUED CONTRACTION IN ACTIVITY

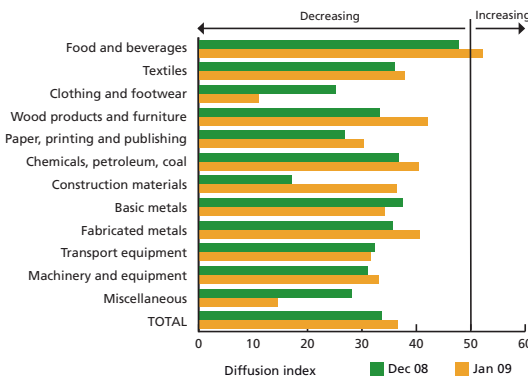
KEY FINDINGS

- Manufacturing activity contracted for an eighth consecutive month in January, although the rate of decline eased further from the November 2008 record low.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose by 2.9 points to 36.6, but remained below the 50 point mark separating expansion from contraction.
- Despite marginal improvements, all components remained below 50, indicating falls in the level of each indicator.
- Production, new orders and supplier deliveries continued to decrease in January. Employment declined for an 11th consecutive month, although the pace of job-shedding was slower than in the final quarter of 2008.
- Firms continued to rely on existing inventories to meet current demand, with stocks run-down for a fourth consecutive month. The fall in manufactured exports moderated further in January, aided by the recent depreciation of the Australian dollar.
- Input cost growth dropped to an 18-month low, underpinned by a sharp decline in the price of basic metals, while wage and selling price increases were slightly weaker.
- Manufacturing activity fell in all states, with the strongest declines recorded in South Australia and New South Wales.



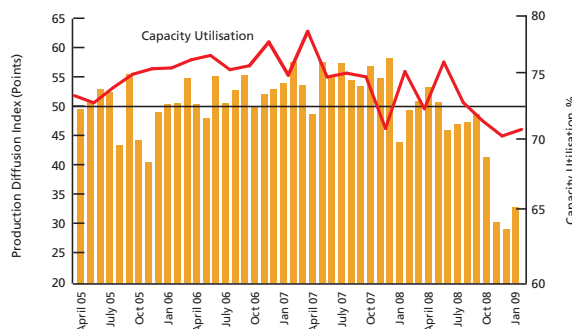
SECTORS

- Seasonally adjusted, activity expanded in only the food & beverages sector in January, compared with no sector in December partly assisted by lower interest rates and the government's stimulatory and other policy measures.
- The clothing & footwear and miscellaneous manufactures sectors recorded the largest falls in activity, with the rate of decline accelerating sharply in each.
- Solid falls in activity were also reported in the paper, printing & publishing; transport equipment; machinery & equipment; basic metal products; and construction materials sectors in January.
- Activity declined more slowly in the wood, wood products & furniture; fabricated metal products; chemicals, petroleum & coal products; and textiles sectors.

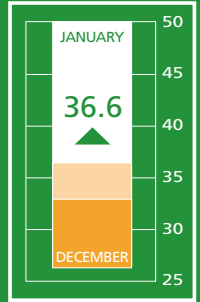


PRODUCTION AND CAPACITY

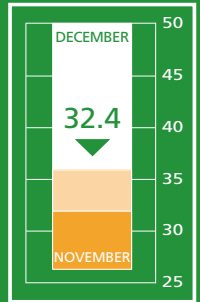
- Seasonally adjusted, the production sub-index rose by 3.7 points to 33.0, but remained well below the 50-point mark separating expansion from contraction. Unadjusted, no sector reported higher production, compared with just the food & beverages sector in December.
- Production fell most strongly in the clothing & footwear; miscellaneous manufactures; construction materials; textiles; basic metal products; machinery & equipment; and transport equipment sectors.
- The chemicals, petroleum & coal products; food & beverages; wood, wood products & furniture; fabricated metal products; and paper, printing & publishing sectors experienced more moderate falls in output.
- Capacity utilisation improved marginally on the 16-year low of 70.3% recorded in December, lifting to 70.8%.



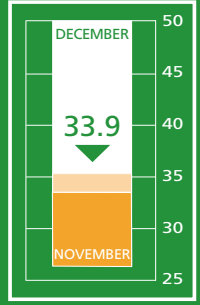
AUSTRALIAN PMI®



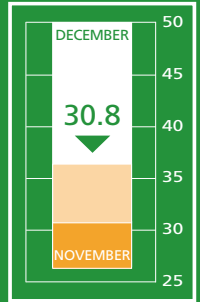
USA ISM PMI



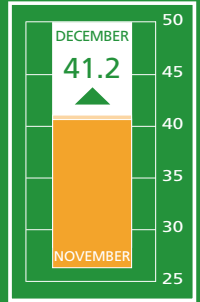
EUROZONE PMI



JAPANESE PMI

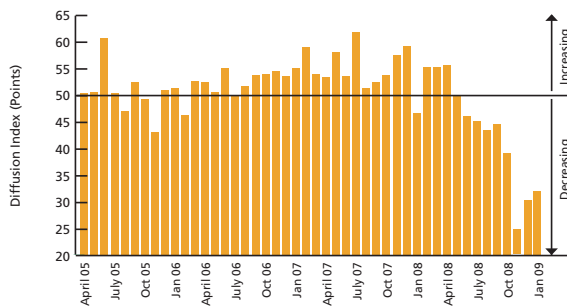


CHINESE PMI



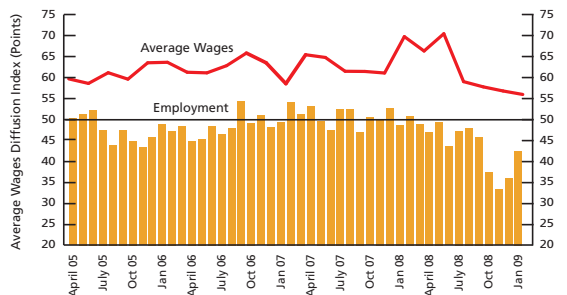
NEW ORDERS

- The seasonally adjusted new orders sub-index rose by 1.7 points to 31.8 in January, marking another only marginal improvement on the November 2008 record low.
- This represented the ninth consecutive decline in new orders, a key driver of ongoing falls in manufacturing production.
- No sector reported higher new orders (unadjusted) in January, as in the previous two months, although orders were steady in the chemicals, petroleum & coal products sector.
- The largest falls in new orders were recorded in the clothing & footwear; miscellaneous manufactures; basic metal products; textiles; and construction materials sectors.
- More moderate decreases were experienced in the fabricated metal products; transport equipment; paper, printing & publishing; machinery & equipment; wood, wood products & furniture; and food & beverage sectors.



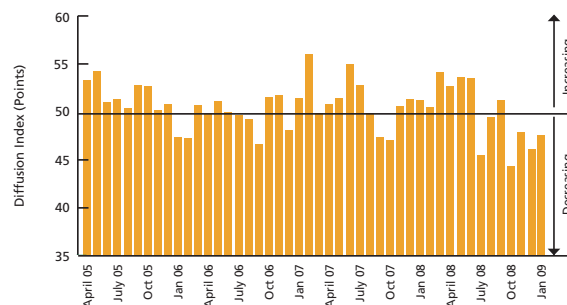
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell for an 11th consecutive month. The rate of decline eased further in December, with the sub-index lifting 6.7 points to 42.7.
- In unadjusted terms, employment expanded in only the food & beverages sector, the sole sector to report growth in December.
- Employment fell most heavily in the clothing & footwear; miscellaneous manufactures; wood, wood products & furniture; textiles; transport equipment; and chemicals, petroleum & coal products sectors.
- More moderate falls in employment were registered in the basic metal products; fabricated metal products; machinery & equipment; paper, printing & publishing; and construction materials sectors.
- Wages growth eased for a fourth consecutive month, with the index falling 0.8 points to 56.4.



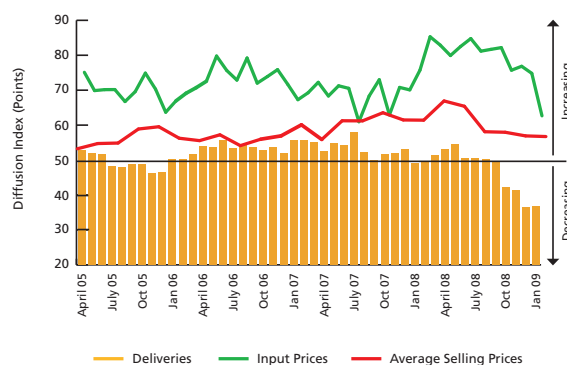
FINISHED STOCKS

- Manufacturing inventories were run-down for a fourth consecutive month in January, despite the seasonally adjusted sub-index rising by 1.6 points to 47.9.
- Unadjusted, two sectors reported an accumulation in stocks, down from five in December.
- Stocks lifted solidly in food & beverages and textiles, marking a second consecutive increase for both sectors.
- Stocks decreased moderately in the clothing & footwear; paper, printing & publishing; machinery & equipment; transport equipment; and fabricated metal products sectors.
- They fell more significantly in the miscellaneous manufactures; construction materials; clothing & footwear; basic metal products; and chemicals, petroleum & coal products sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- In seasonally adjusted terms, supplier deliveries declined for a fifth consecutive month, despite the sub-index rising 0.4 points to 36.9.
- Deliveries (unadjusted) did not rise in any of the 12 manufacturing sectors, compared with one in December, although they were steady in the wood, wood products & furniture sector.
- The largest falls in deliveries were in the clothing & footwear; miscellaneous manufactures; and construction materials sectors.
- Growth in raw materials prices eased sharply in January, with the seasonally adjusted index falling by 12.1 points to an 18-month low of 62.8.
- The significant easing in input cost growth was driven by a sharp fall in the basic metal products sector (unadjusted).
- Selling price growth was broadly steady, with the index down 0.2 points to 56.8. The largest price gains were in the miscellaneous manufactures and chemicals, petroleum & coal products sectors. Selling prices fell in clothing & footwear and basic metal products.



NATIONAL INDEXES

	Jan 09	Jan 08	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08	Apr 08	Mar 08
AUSTRALIAN PMI	36.6	47.2	33.7	32.7	40.4	47.2	47.0	46.9	47.0	51.2	52.7	52.3
PRODUCTION	33.0	43.9	29.3	30.4	41.5	48.7	47.4	47.1	46.1	50.8	53.3	51.0
EMPLOYMENT	42.7	48.9	36.0	33.2	37.6	46.0	48.2	47.4	43.8	49.8	47.3	49.3
NEW ORDERS	31.8	46.4	30.1	24.5	38.9	44.3	43.2	44.8	45.8	49.8	55.3	54.9
INVENTORIES	47.9	51.7	46.3	48.1	44.6	51.7	49.8	45.8	54.0	54.2	53.2	54.6
DELIVERIES	36.9	49.0	36.5	41.4	42.3	49.2	50.2	50.5	50.5	54.6	53.0	51.2
INPUT PRICES	62.8	75.8	74.9	76.9	75.8	82.3	81.8	81.3	84.9	82.6	80.0	83.0
EXPORTS	46.7	53.6	43.0	35.7	46.3	58.4	49.1	52.3	44.5	40.1	53.7	56.4
SELLING PRICES*	56.8	60.2	57.0	58.1	58.2	65.5	67.0	61.5	61.6	63.6	61.3	61.3
AVERAGE WAGES*	56.4	58.9	57.2	58.2	59.4	70.6	66.6	70.0	61.4	61.8	61.8	65.1
CAPACITY UTILISATION*	70.78	74.74	70.31	71.40	72.74	75.69	72.28	75.00	70.85	74.61	74.88	74.60

Further Information Results are based on responses from over 200 companies from a rotating sample of manufacturers. 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.com.au.
 # Results for capacity utilisation, average wages and output prices to Jun 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 Industry Group - PricewaterhouseCoopers Australian Performance of Manufacturing Index (Australian PMI®) is a seasonally adjusted national composite index based on the diffusion indices 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. Survey results are based on a rotating sample of manufacturing companies each month.

More information can be obtained from the Ai Group web site www.aigroup.com.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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