

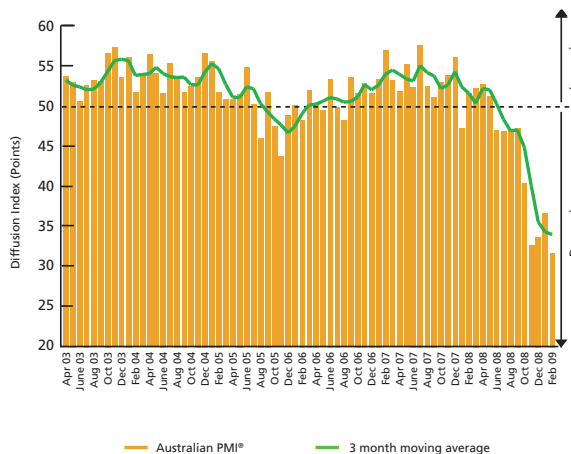
PMI AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

ACTIVITY DOWN AS NEW ORDERS FALL AND FIRMS RUN DOWN STOCKS

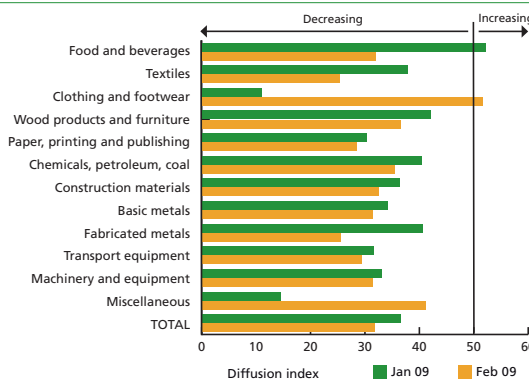
KEY FINDINGS

- Manufacturing activity fell for a ninth successive month in February, as ongoing falls in new orders and inventory rundowns continued to push production and employment lower.
- New orders fell for a 10th consecutive month in February, while inventories also fell again, for the fifth successive month. This destocking process in the face of persistent weaker demand has contributed to production falling for nine months in a row. As production has eased, employment has now dropped in 12 successive months.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** fell by 4.9 points to 31.7, well below the 50-point mark separating expansion from contraction and to a new historic low for the index. All components fell and remained below 50, indicating falls in the level of each indicator.
- The ongoing deterioration in the developed and emerging economies including China and slower domestic growth continue to constrain the sector's performance. Lower interest rates and the government's fiscal stimulus to boost consumer, infrastructure and housing spending should provide support for demand for manufactured products but this will happen with a lag.
- Input cost growth rose slightly, while selling prices fell marginally in February. Wages grew at the lowest rate since June 1998.
- Manufacturing activity fell in all states, with the strongest declines recorded in Victoria and Tasmania.



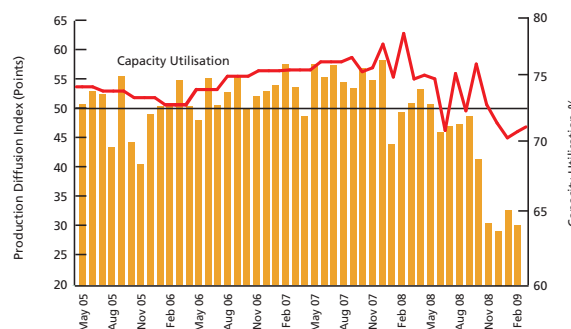
SECTORS

- Seasonally adjusted, activity expanded, marginally, in only the clothing & footwear sector in February, compared with only the food & beverages sector in January.
- The textiles; paper, printing & publishing; and fabricated metal products sectors recorded the largest falls in activity in February.
- Solid falls in activity were also reported in the transport equipment; basic metal products; food & beverages; construction materials; and machinery & equipment sectors in February.
- Activity declined more slowly, though still significantly, in the wood, wood products & furniture; chemicals, petroleum & coal products; and miscellaneous manufactures sectors.

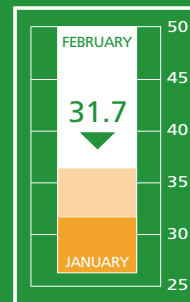


PRODUCTION AND CAPACITY

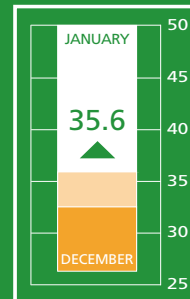
- Seasonally adjusted, the production sub-index fell by 2.9 points to 30.1, well below the 50-point mark separating expansion from contraction. Unadjusted, no sector reported higher production.
- Two sectors, clothing & footwear and miscellaneous manufactures maintained stable production levels in February.
- Production fell most strongly in the textiles; basic metal products; fabricated metal products; transport equipment; machinery & equipment; and paper, printing & publishing sectors.
- The wood, wood products & furniture; chemicals, petroleum & coal products; construction materials; and food & beverages sectors experienced more moderate, though still strong, falls in output.
- Capacity utilisation remained essentially stable at levels similar to those prevailing in 1992, up marginally to 71.1%.



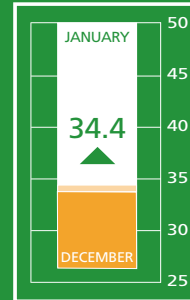
AUSTRALIAN PMI®



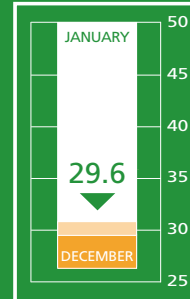
USA ISM PMI



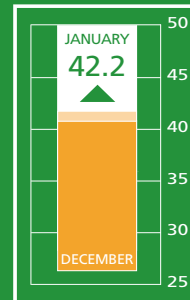
EUROZONE PMI



JAPANESE PMI

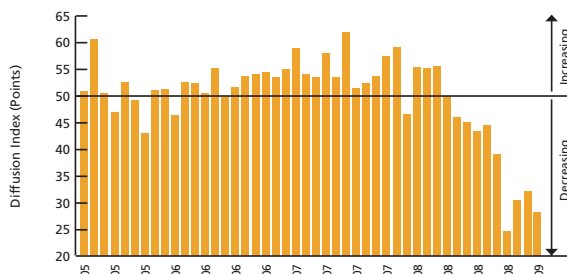


CHINESE PMI



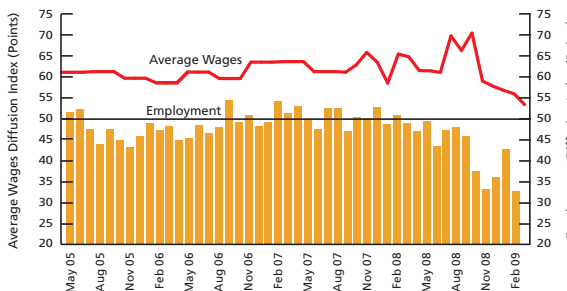
NEW ORDERS

- The seasonally adjusted new orders sub-index fell by 3.7 points to 28.1 in February, as overseas and domestic demand for manufactured products continued to ease.
- This fall was the 10th consecutive decline in new orders, which is driving the sharp ongoing drop in manufacturing output.
- No sector reported higher new orders (unadjusted) in February, as in the previous three months, although orders were steady in the clothing & footwear sector.
- Paralleling their production performance, the largest falls in new orders were recorded in the textiles; basic metal products; fabricated metal products; transport equipment; machinery & equipment; and paper, printing & publishing sectors.
- More moderate falls in orders were experienced in the food & beverages; wood, wood products & furniture; chemicals, petroleum & coal products; construction materials; and miscellaneous manufactures sectors.



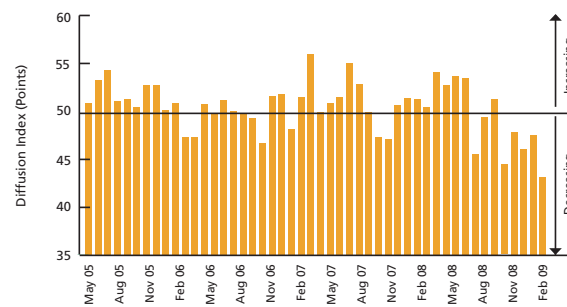
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell for the 12th successive month. The rate of decline rose in February, with the sub-index falling 9.9 points to 32.8.
- In unadjusted terms, employment expanded in no sector, compared to just the food & beverages sector in January. Employment remained stable in the clothing & footwear sector in February.
- Employment fell most heavily in the food & beverages; chemicals, petroleum & coal products; paper, printing & publishing; fabricated metal products; transport equipment; and construction materials sectors.
- More moderate, though significant, falls were registered in the textiles; wood, wood products & furniture; basic metal products; machinery & equipment; and miscellaneous manufactures sectors.
- Wages growth eased for a fifth consecutive month, with the index falling 2.5 points to 53.9, the lowest rate since June 1998.



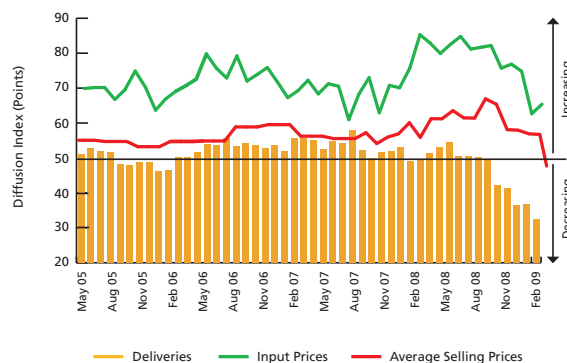
FINISHED STOCKS

- Manufacturing inventories were run down for a fifth consecutive month in February, with the seasonally adjusted sub-index falling by 4.5 points to 43.4.
- Unadjusted, two sectors reported an accumulation in stocks, the same as in January.
- Stocks lifted sharply in textiles, marking a third consecutive increase, and moderately in basic metal products.
- Stocks fell modestly in the machinery & equipment; transport equipment; construction materials; and chemicals, petroleum & coal products sectors.
- They fell more significantly in the miscellaneous manufactures; wood, wood products & furniture; fabricated metal products; paper, printing & publishing; clothing & footwear; and food & beverages sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- In seasonally adjusted terms, supplier deliveries declined for a sixth consecutive month, with the sub-index falling 4.4 points to 32.5.
- Deliveries (unadjusted) did not rise in any of the 12 manufacturing sectors, as in January.
- The largest falls in deliveries were in the textiles; food & beverages; fabricated metal products; and transport equipment sectors.
- Growth in raw materials prices rose slightly in February, with the seasonally adjusted index up by 2.7 points to 65.5.
- The highest input cost growth was seen in the clothing & footwear; food & beverages; and basic metal products sectors (unadjusted).
- Selling prices fell slightly, with the index down 8.5 points to 48.3. The largest price gains were in the machinery & equipment and paper, printing & publishing sectors. Selling prices fell most in textiles; clothing & footwear; and fabricated metal products.



NATIONAL INDEXES

	Feb 09	Feb 08	Jan 09	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08	Apr 08
AUSTRALIAN PMI	31.7	51.6	36.6	33.7	32.7	40.4	47.2	47.0	46.9	47.0	51.2	52.7
PRODUCTION	30.1	49.4	33.0	29.3	30.4	41.5	48.7	47.4	47.1	46.1	50.8	53.3
EMPLOYMENT	32.8	51.2	42.7	36.0	33.2	37.6	46.0	48.2	47.4	43.8	49.8	47.3
NEW ORDERS	28.1	55.0	31.8	30.1	24.5	38.9	44.3	43.2	44.8	45.8	49.8	55.3
INVENTORIES	43.4	50.9	47.9	46.3	48.1	44.6	51.7	49.8	45.8	54.0	54.2	53.2
DELIVERIES	32.5	49.2	36.9	36.5	41.4	42.3	49.2	50.2	50.5	50.5	54.6	53.0
INPUT PRICES	65.5	85.4	62.8	74.9	76.9	75.8	82.3	81.8	81.3	84.9	82.6	80.0
EXPORTS	44.2	54.6	46.7	43.0	35.7	46.3	58.4	49.1	52.3	44.5	40.1	53.7
SELLING PRICES*	48.3	56.0	56.8	57.0	58.1	58.2	65.5	67.0	61.5	61.6	63.6	61.3
AVERAGE WAGES*	53.9	65.7	56.4	57.2	58.2	59.4	70.6	66.6	70.0	61.4	61.8	61.8
CAPACITY UTILISATION*	71.11	77.92	70.78	70.31	71.40	72.74	75.69	72.28	75.00	70.85	74.61	74.88

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.



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

Markit Economics
www.markiteconomics.com

© The Australian Industry Group, 2009
 This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part may be reproduced by any process or means without the prior written permission of The Australian Industry Group.

Disclaimer - The Australian Industry Group provides information services to its members and others, which include economic and industry policy and forecasting services. None of the information provided here is represented or implied to be legal, accounting, financial or investment advice and does not constitute financial product advice. The Australian Industry Group does not invite and does not expect any person to act or rely on any statement, opinion, representation or interference expressed or implied in this publication. All readers must make their own enquiries and obtain their own professional advice in relation to any issue or matter referred to herein before making any financial or other decision. The Australian Industry Group accepts no responsibility for any act or omission by a person relying in whole or in part upon the contents of this publication.