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AUSTRALIAN

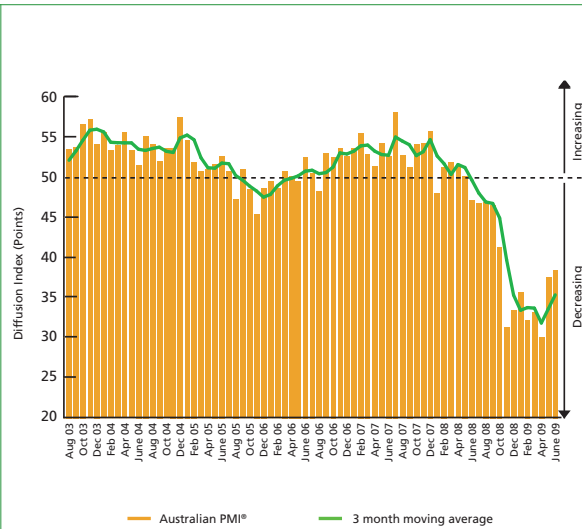
PERFORMANCE OF MANUFACTURING INDEX®

JUNE 2009

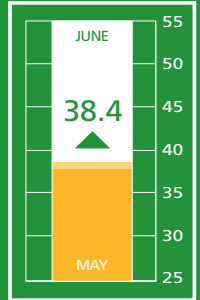
CONTRACTION IN MANUFACTURING SLOWS FURTHER

KEY FINDINGS

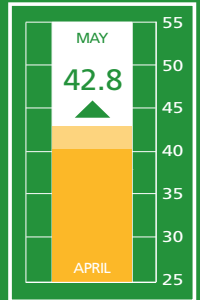
- The decline in manufacturing continued to ease in June, though activity fell for the 13th consecutive month.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose by 0.9 points to 38.4, remaining below the 50.0 level separating expansion from contraction.
- Four of the 12 sectors (machinery & equipment; textiles; basic metal products; and fabricated metal products) reported an easing in declines, with two sectors (food & beverages and clothing & footwear) recording increases in activity in June, reflecting the boost provided by the Government's second stimulus package and lower interest rates.
- Despite the continued weakness in new orders (raising doubts as to whether the improvement will be sustained in the months ahead), employment, deliveries and inventories all declined at a slower pace. Capacity utilisation rose marginally to 67.4%.
- Continued weakness in the automotive, transport and construction industries was commonly cited by firms as impeding manufacturing production in June.
- Input cost growth rose slightly, while selling prices fell for a third consecutive month. Wages remained broadly steady.
- Manufacturing activity fell in all states, although the pace of decline eased in New South Wales, Victoria and Queensland.



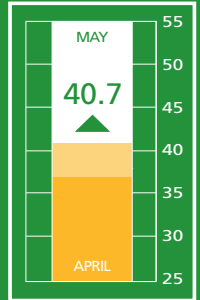
AUSTRALIAN PMI®



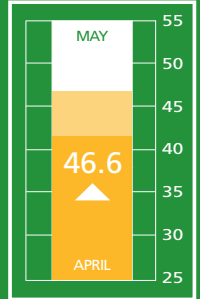
USA ISM PMI



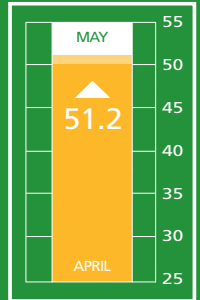
EUROZONE PMI



JAPANESE PMI

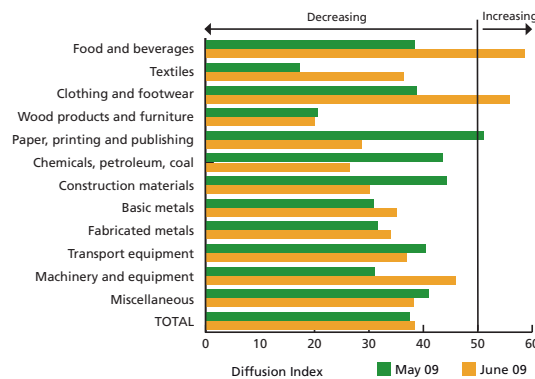


CHINESE PMI



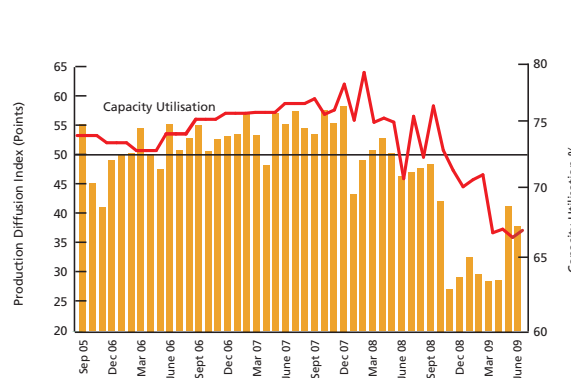
SECTORS

- Seasonally adjusted, activity rose in two sectors, compared with only the paper, printing & publishing sector in May.
- Food & beverages and clothing & footwear were the only sectors to record stronger activity in the month.
- Activity declined more slowly in June than in May in the machinery & equipment; textiles; basic metal products; and fabricated metal products sectors.
- The wood, wood products & furniture; chemicals, petroleum & coal products; paper, printing & publishing; and construction materials sectors recorded the largest falls in activity.
- More moderate falls were registered in the transport equipment; machinery & equipment; and miscellaneous manufactures sectors.



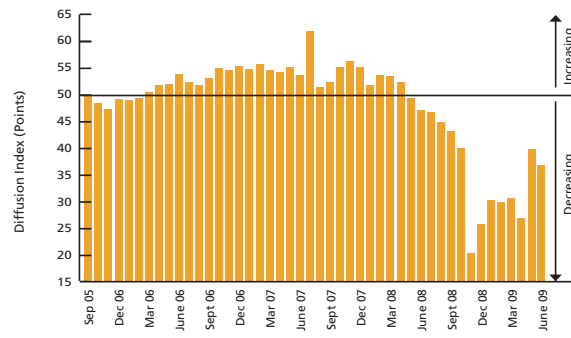
PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index fell by 3.5 points to 37.9. Despite the slippage, the sub-index remains 10.8 points above the low point of November 2008.
- In unadjusted terms, two sectors reported higher production, up from one in the previous month, with clothing & footwear unchanged.
- Production of food & beverages and machinery & equipment lifted in June, the first month of growth for each sector in 2009.
- The heaviest falls in production were recorded in the wood, wood products & furniture; chemicals, petroleum & coal products; transport equipment; paper, printing & publishing; and construction materials sectors.
- The textiles; basic metal products; fabricated metal products; and miscellaneous manufactures sectors experienced more moderate declines in output.
- Capacity utilisation improved marginally on the record low of 66.9% recorded in May, lifting to 67.4%.



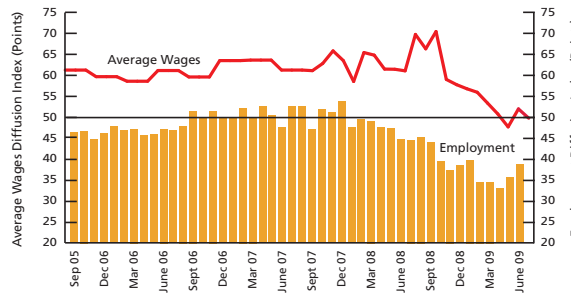
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index fell by 2.8 points to 36.6, reflecting ongoing weak demand for manufactured goods.
- The fall was the 14th consecutive drop in new orders, the key driver of the ongoing contraction in manufacturing production and employment.
- Nevertheless, the new orders index remains 16.4 points above the trough of November 2008.
- Paralleling its production performance, the machinery & equipment sector reported a slight rise in orders in June, while food & beverages orders were unchanged.
- The largest declines in new orders were in the wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; textiles; and basic metal products sectors.
- More moderate falls in new orders were registered in the clothing & footwear; miscellaneous manufactures; transport equipment; construction materials; and fabricated metal products sectors.



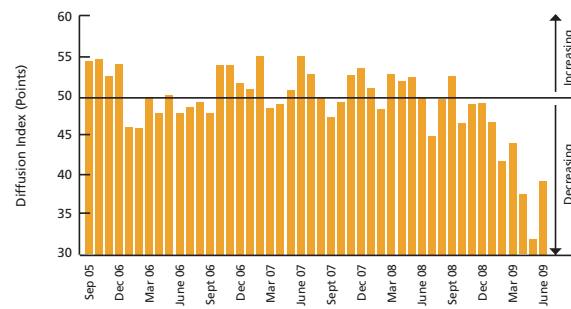
EMPLOYMENT AND AVERAGE WAGES

- The rate of decline in employment eased further, with the sub-index rising 3.3 points to 39.0. Nevertheless, employment fell for an 18th consecutive month.
- In unadjusted terms, employment expanded in food & beverages and clothing & footwear.
- Employment fell most heavily in wood, wood products & furniture as well as chemicals, petroleum & coal products and fabricated metal products.
- More moderate falls were experienced in paper, printing & publishing; construction materials; basic metal products; textiles; miscellaneous manufactures; machinery & equipment; and transport equipment.
- Average wages remained largely steady with the index registering a reading of 50.3, falling 2.2 points from the previous month.



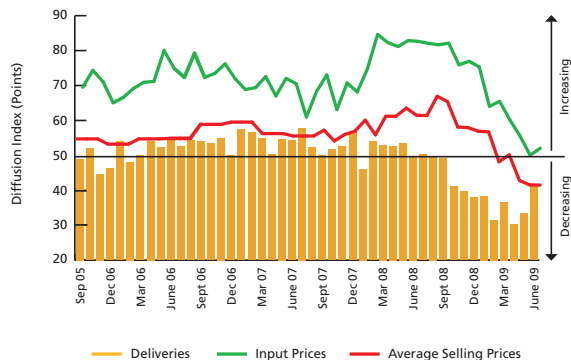
FINISHED STOCKS

- Manufacturing inventories were run-down further in June, albeit at a slower rate, with the seasonally adjusted sub-index rising from a historically low reading of 31.9 in May, by 7.6 points to 39.5.
- Unadjusted, two sectors reported an accumulation in stocks and two remained steady, up from no sectors reporting gains in May.
- Clothing & footwear and food & beverages both reported an accumulation in stocks, while inventories were unchanged in the textiles and miscellaneous manufactures sectors.
- Stocks fell most heavily in the wood, wood products & furniture and construction materials sectors.
- More moderate falls in inventories were reported in the basic metal products; fabricated metal products; machinery & equipment; transport equipment; chemicals, petroleum & coal products; and paper, printing & publishing sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- In seasonally adjusted terms, the rate of decline in supplier deliveries slowed further with the sub-index up 7.9 points to 41.3.
- The pace of decline eased in nine of the 12 sectors, with three sectors – food & beverages; clothing & footwear; and miscellaneous manufactures reporting either steady or growing deliveries.
- Large falls in deliveries were recorded in the wood, wood products & furniture and chemicals, petroleum & coal products sectors.
- Input prices rose slightly in June, with the seasonally adjusted sub-index up 1.9 points to 52.1.
- The strongest input price increases were in the clothing & footwear; basic metal products and construction materials sectors.
- The average selling prices index registered 41.6 points, as in May.
- Food & beverages was the only sector to record an, albeit slight, rise in prices. Prices fell heavily in the textiles and clothing & footwear sectors. All other sectors reported moderate falls.



AUSTRALIAN PMI®

	June 2009	May 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	38.4	37.5	+0.9	Contracting	Slower	13
PRODUCTION	37.9	41.4	-3.5	Contracting	Faster	13
EMPLOYMENT	39.0	35.7	+3.3	Contracting	Slower	18
NEW ORDERS	36.6	39.4	-2.8	Contracting	Faster	14
INVENTORIES	39.5	31.9	+7.6	Contracting	Slower	9
SUPPLIER DELIVERIES	41.3	33.4	+7.9	Contracting	Slower	11
INPUT PRICES	52.1	50.2	+1.9	Expanding	Faster	85
EXPORTS	43.8	40.3	+3.5	Contracting	Slower	10
SELLING PRICES	41.6	41.6	-	Contracting	No change	3
AVERAGE WAGES	50.3	52.5	-2.2	Expanding	Slower	2
CAPACITY UTILISATION (%)	67.4	66.9	+0.5% pts	Expanding	na	na

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 June 2007 based on quarterly surveys. From this point data will be collected in the monthly PMI survey.
 ** Number of months moving in current direction.

New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2009.

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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