

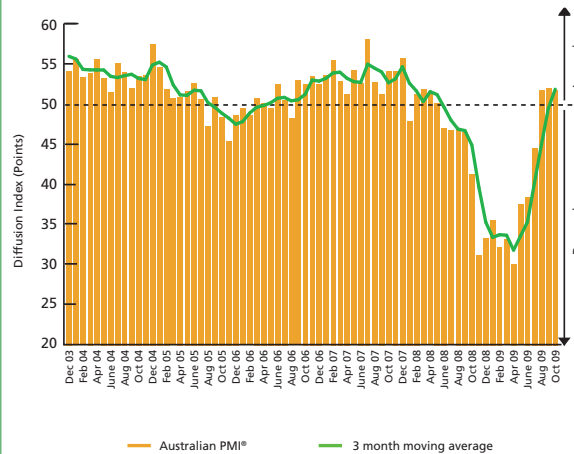
PMI AUSTRALIAN

PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING GROWTH TENTATIVE DESPITE A LIFT IN NEW ORDERS

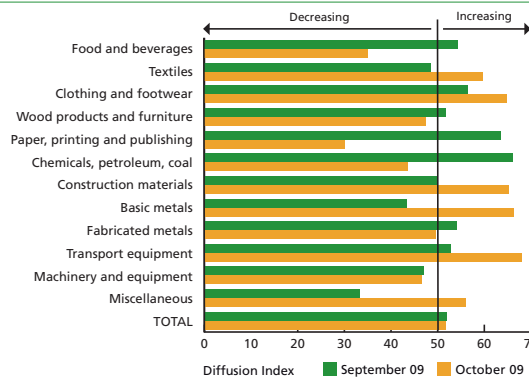
KEY FINDINGS

- October saw manufacturing activity grow for a third consecutive month. Growth remains tentative however, and is coming from the sub-par base of the past year. The rise was driven by solid growth in new orders and modestly higher production. Growth was constrained by further falls in employment and a drop in supplier deliveries.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** remained relatively steady, down slightly by 0.3 points in October, to 51.7.
- This month's result suggests that improving domestic demand for manufactures is encouraging higher production but the lagged effects of the past year's downturn continue to drag on employment.
- Across the sector, the spreading of the improvement in manufacturing activity over recent months slowed in October. Six of the 12 sub-sectors grew compared to seven in September.
- Overall, survey respondents are indicating ongoing, albeit mild, improvements in orders, including in the automotive and housing sectors. However, an increasing number of respondents are pointing to the higher \$A exchange rate as a negative influence, though some are benefitting from lower imported input costs.
- Input and wages cost growth slowed moderately in October, but prices fell maintaining the pressure on profit margins.
- Manufacturing activity rose in Western Australia, New South Wales and Victoria, but fell in the other states.



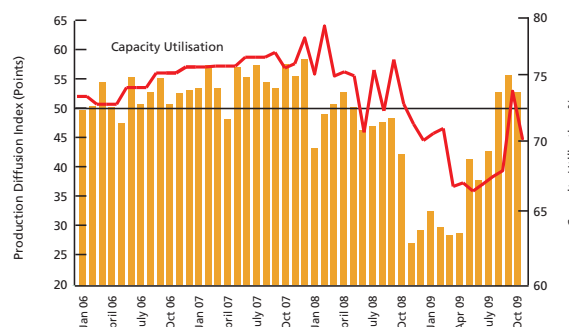
SECTORS

- October saw a slight reversal of the pattern of recent months which saw the lift in activity broaden across sectors.
- Six sectors saw rises in activity in seasonally adjusted terms compared with seven in September.
- The transport equipment; basic metal products; construction materials; clothing & footwear; and textiles sectors recorded significant rises in activity in October, while the miscellaneous manufactures sector saw a more modest increase.
- Activity fell moderately in the wood, wood products & furniture; machinery & equipment; and chemicals, petroleum & coal products sectors.
- Activity fell solidly in the food & beverages and paper, printing & publishing sectors following rises in recent months. Activity was stable in the fabricated metal products sector.

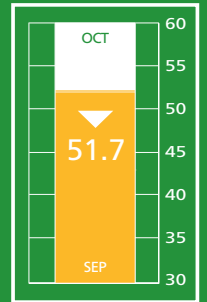


PRODUCTION AND CAPACITY

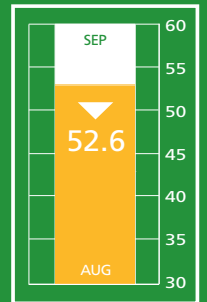
- Seasonally adjusted, the production sub-index fell by 3.0 points to 53.0, but grew mildly for the third consecutive month reflecting higher new orders and low inventory levels.
- In unadjusted terms, six of the 12 sectors reported higher production, down from seven in the previous month. Production in the miscellaneous manufactures sector was unchanged.
- Production rose strongly in the transport equipment; clothing & footwear; basic metal products; construction materials; wood, wood products & furniture; and textiles sectors.
- The machinery & equipment and chemicals, petroleum & coal products sectors experienced moderate declines in output, while the food & beverages and paper, printing & publishing sectors saw larger declines.
- Capacity utilisation eased in October, following the 12 month high experienced in September, falling by 3.2 percentage points to 70.4%.



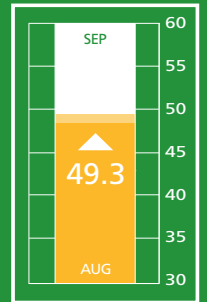
AUSTRALIAN PMI®



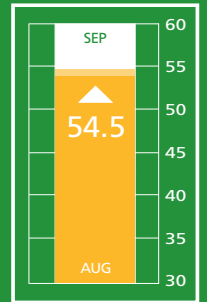
USA ISM PMI



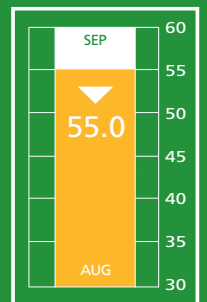
EUROZONE PMI



JAPANESE PMI

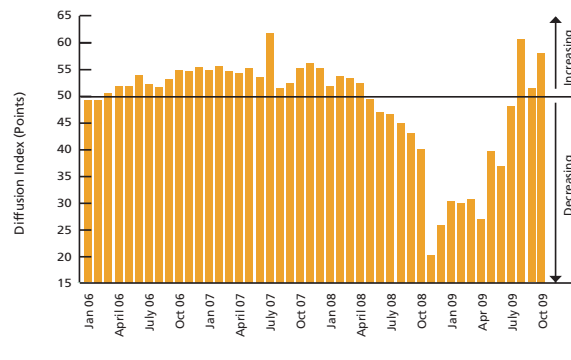


CHINESE PMI



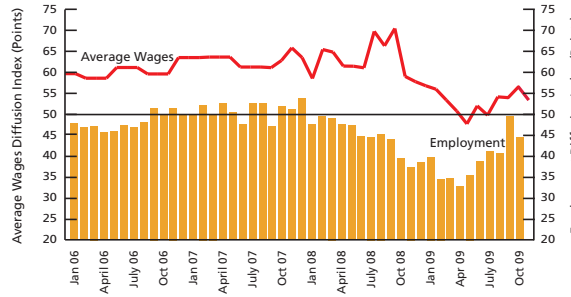
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index rose significantly, by 6.7 points, to 57.7.
- This is the third consecutive lift in orders, which, combined with low inventories, has driven the recent modest rises in production.
- In unadjusted terms, eight sectors saw rises in orders in October compared to six in September.
- The strongest increases in new orders were recorded in the construction materials; basic metal products; clothing & footwear; transport equipment; wood, wood products & furniture; and textiles sectors.
- Orders also rose solidly in the chemicals, petroleum & coal products and food & beverages sectors. New orders fell at a moderate rate in the machinery & equipment and fabricated metal products sectors, and more solidly in the paper, printing & publishing sector. Orders remained stable in the miscellaneous manufactures sector.



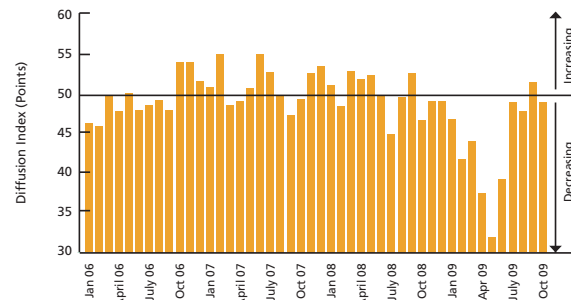
EMPLOYMENT AND AVERAGE WAGES

- Employment fell in October, with the sub-index down 5.1 points to 44.6, following near stability in employment in September. This represents 22 consecutive monthly falls in manufacturing employment.
- In unadjusted terms, employment rose strongly in the clothing & footwear; construction materials; basic metal products; and transport equipment sectors, and more moderately in the textiles and fabricated metal products sectors.
- Employment fell modestly in the miscellaneous manufactures; machinery & equipment; and chemicals, petroleum & coal products sectors, while falling more significantly in the wood, wood products & furniture; paper, printing & publishing; and food & beverages sectors.
- Average wages growth eased in October, with the index registering a fall of 3.1 points, to 53.9.



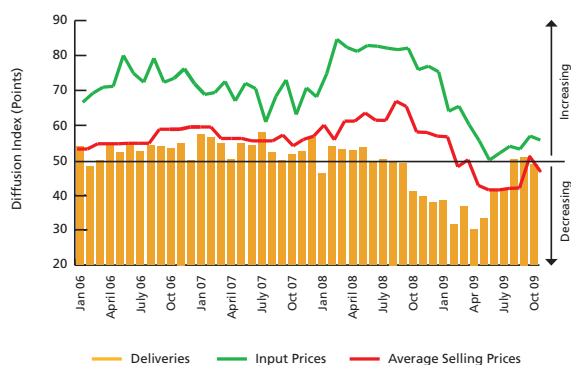
FINISHED STOCKS

- Manufacturing inventories fell slightly in October, with the seasonally adjusted sub-index dropping by 2.4 points to 49.4.
- Unadjusted, four sectors reported a depletion of stocks in October up from three in September. Inventories remained steady in three sectors.
- Paper, printing & publishing; miscellaneous manufactures; fabricated metal products; and transport equipment firms reported a rundown in stocks, while inventories were unchanged in the chemicals, petroleum & coal products; construction materials; and basic metal products sectors.
- Solid rises in inventories were reported in the clothing & footwear; textiles; and machinery & equipment sectors, while stocks rose more modestly in the food & beverages and wood, wood products & furniture sectors.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries fell, albeit slightly, in October. The sub-index fell 2.2 points to 48.7.
- However, deliveries rose in eight of the 12 sectors, clothing & footwear; miscellaneous manufactures; basic metal products; construction materials; transport equipment; textiles; wood, wood products & furniture; and fabricated metal products.
- Input price growth eased slightly in October, with the seasonally adjusted sub-index down 1.2 points to 55.9. The strongest input price increases were in the transport equipment; wood, wood products & furniture; and machinery & equipment sectors.
- The average selling prices index fell 4.1 points in October, down from 51.1 in September, which was the first, albeit small rise in prices in six months.
- Rises in selling prices were recorded in the construction materials; basic metal products; miscellaneous manufactures and textiles sectors. Prices fell most in the clothing & footwear and paper, printing & publishing manufactures sectors.



AUSTRALIAN PMI®

	October 2009	September 2009	Monthly Change	Direction	Rate of Change	Trend**(Months)
AUSTRALIAN PMI®	51.7	52.0	-0.3	Expanding	Slower	3
PRODUCTION	53.0	56.0	-3.0	Expanding	Slower	3
EMPLOYMENT	44.6	49.7	-5.1	Contracting	Faster	22
NEW ORDERS	57.7	51.0	+6.7	Expanding	Faster	3
INVENTORIES	49.4	51.8	-2.4	Contracting	From expanding	1
SUPPLIER DELIVERIES	48.7	50.9	-2.2	Contracting	From expanding	1
INPUT PRICES	55.9	57.1	-1.2	Expanding	Slower	89
EXPORTS	43.8	53.0	-9.2	Contracting	From expanding	1
SELLING PRICES	47.0	51.1	-4.1	Contracting	From expanding	1
AVERAGE WAGES	53.9	57.0	-3.1	Expanding	Slower	6
CAPACITY UTILISATION (%)	70.4	73.6	-3.2% pts	Contracting	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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