AUSTRALIAN INDUSTRY GROUP

PRICEWATERHOUSECOOPERS

AUSTRALIAN pmi

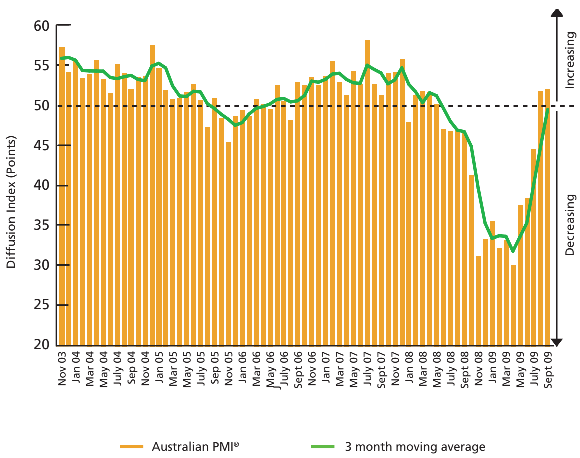
PERFORMANCE OF MANUFACTURING INDEX®

SEPTEMBER 2009

MANUFACTURING HOLDS ON TO ITS GAINS

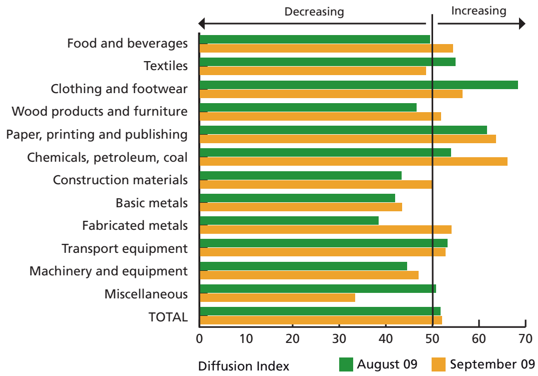
KEY FINDINGS

- Manufacturing recorded a second consecutive month of modest growth in September, driven by rises in production, inventories and supplier deliveries. Employment in the sector came close to stabilising, falling only slightly, following 20 months of declines.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose by 0.3 points in September, to 52.0, its highest level since December 2007, 21 months ago.
- However, illustrating that the improvement in conditions remains tentative, new orders growth eased back significantly in September following a solid lift in August.
- Across the sector, the improvement in manufacturing activity broadened with seven of the twelve sub-sectors growing in September, compared to six in August and four in July.
- Survey respondents continued to point to a mild improvement in domestic market conditions. Low interest rates and the boost to the First Home Owners subsidy were cited as important positives in the housing sector, though demand from the construction sector overall remains weak.
- Input and wages cost growth accelerated moderately in September. Partly offsetting this selling prices grew, albeit slightly, for the first time in six months.
- Manufacturing activity rose in Western Australia, South Australia, New South Wales and Tasmania, but fell in the other states.



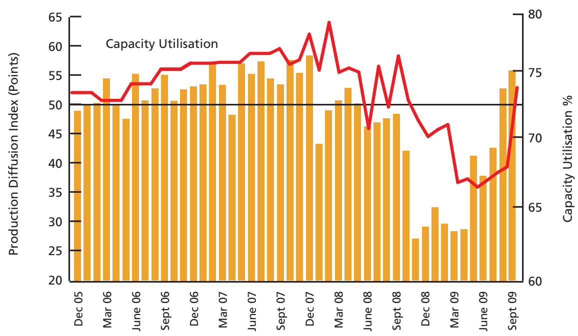
SECTORS

- Seasonally adjusted, the improvement in manufacturing activity broadened further in September. Seven sectors saw rises in activity compared with six in August and four in July. Activity was essentially stable in the construction materials sector and fell more slowly in two other sectors.
- The chemicals, petroleum & coal products and printing & publishing sectors recorded significant rises in activity in September, while the clothing & footwear; food & beverages; fabricated metal products; and transport equipment sectors saw more modest increases.
- Activity fell more slowly in September than in August in the basic metal products and machinery & equipment sectors.
- Activity fell in the textiles and miscellaneous manufactures sectors in September following rises in August.

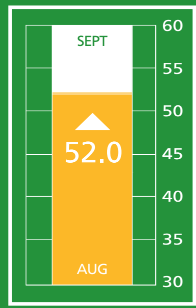


PRODUCTION AND CAPACITY

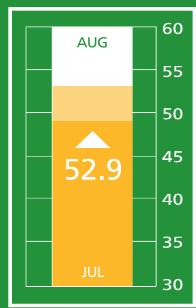
- Seasonally adjusted, the production sub-index rose by 3.0 points to 56.0.
- In unadjusted terms, seven of the twelve sectors reported higher production, up from five in the previous month. Production in the textiles; transport equipment; and miscellaneous manufactures sectors was unchanged.
- The strongest rises in production were recorded in the chemicals, petroleum & coal products; food & beverages; and clothing & footwear sectors. More moderate increases were seen in the construction materials; paper, printing & publishing; fabricated metal products; and wood, wood products & furniture sectors.
- The basic metal products and machinery & equipment sectors experienced moderate declines in output.
- Capacity utilisation continued the rise it has seen over the past quarter, rising solidly from the 68.3% recorded in August to 73.6% in September.



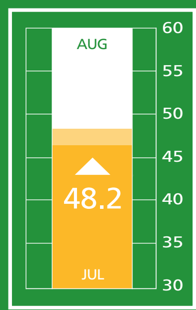
AUSTRALIAN PMI®



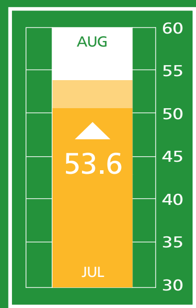
USA ISM PMI



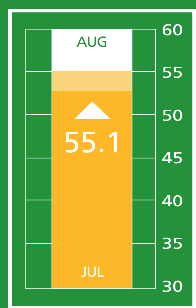
EUROZONE PMI



JAPANESE PMI



CHINESE PMI



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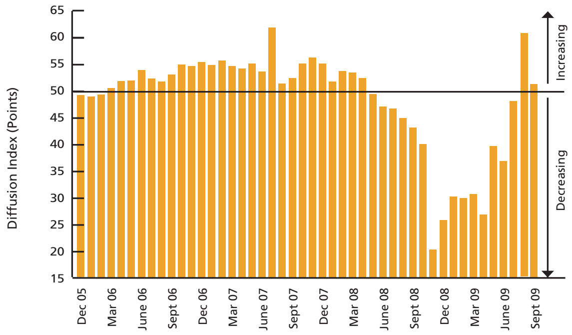
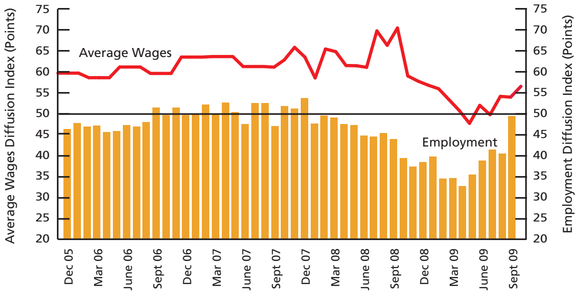
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index fell significantly, by 9.3 points, to 51.0.
- Consequently, new orders grew only slightly in September, following a large lift in August.
- In unadjusted terms, the strongest increases in new orders were recorded in the chemicals, petroleum & coal products; fabricated metal products; and transport equipment sectors.
- Orders also rose solidly in the food & beverages; wood, wood products & furniture; and paper, printing & publishing sectors.
- New orders fell at a moderate rate in the miscellaneous manufactures; machinery & equipment; basic metal products; and textiles sectors. Orders remained stable in the construction materials and clothing & footwear sectors.



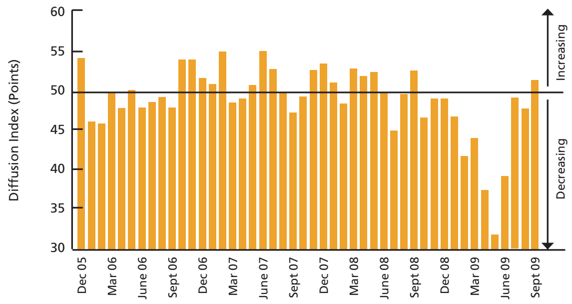
EMPLOYMENT AND AVERAGE WAGES

- The rate of decline in employment slowed sharply in September, with the sub-index rising 9.2 points to 49.7, indicating near stability in employment levels. This followed 20 consecutive monthly falls in manufacturing employment.
- In unadjusted terms, employment rose strongly in the paper, printing & publishing and clothing & footwear sectors, and more moderately in the food & beverages; wood, wood products & furniture; chemicals, petroleum & coal products; and fabricated metal products sectors. It remained stable in the construction materials and transport equipment sectors.
- Employment fell modestly in the textiles; machinery & equipment; and basic metal products sectors, while falling sharply in the miscellaneous manufactures sector.
- Average wages growth lifted in September, with the index registering a rise of 2.6 points, to 57.0.



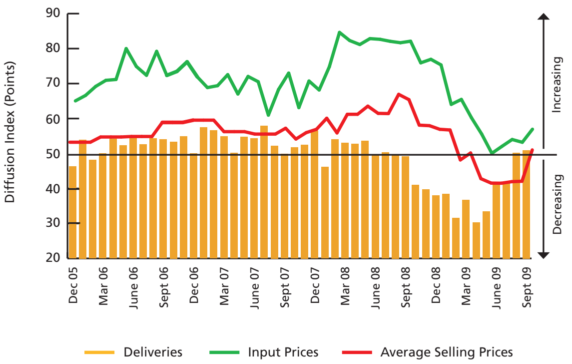
FINISHED STOCKS

- Manufacturing inventories rose slightly in September, with the seasonally adjusted sub-index rising by 3.8 points to 51.8. This followed 11 months of inventory rundowns.
- Unadjusted, six sectors reported an accumulation in stocks in September, up from three in August. Inventories remained steady in three sectors.
- Chemicals, petroleum & coal products; food & beverages; construction materials; textiles; paper, printing & publishing; and machinery & equipment reported an accumulation in stocks, while inventories were unchanged in the miscellaneous manufactures; wood, wood products & furniture; and clothing & footwear sectors.
- Moderate falls in inventories were reported in the transport equipment; fabricated metal products; and basic metal products sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- In seasonally adjusted terms, supplier deliveries grew, albeit slightly, for the second consecutive month. The sub-index rose 0.8 points to 50.9.
- Deliveries rose in seven of the 12 sectors, clothing & footwear; textiles; chemicals, petroleum & coal products; transport equipment; paper, printing & publishing; fabricated metal products; and food & beverages.
- Input price growth rose solidly in September, with the seasonally adjusted sub-index up 3.8 points to 57.1. The strongest input price increases were in the machinery & equipment; miscellaneous manufactures; and paper, printing & publishing sectors.
- The average selling prices index rose to 51.1 points, up solidly from 42.2 in August, the first, albeit small rise in prices in six months.



AUSTRALIAN PMI®

	September 2009	August 2009	Monthly Change	Direction	Rate of Change	Trend**(Months)
AUSTRALIAN PMI®	52.0	51.7	+0.3	Expanding	Faster	2
PRODUCTION	56.0	53.0	+3.0	Expanding	Faster	2
EMPLOYMENT	49.7	40.5	+9.2	Contracting	Slower	21
NEW ORDERS	51.0	60.3	-9.3	Expanding	Slower	2
INVENTORIES	51.8	48.0	+3.8	Expanding	From contracting	1
SUPPLIER DELIVERIES	50.9	50.1	+0.8	Expanding	Faster	2
INPUT PRICES	57.1	53.3	+3.8	Expanding	Faster	88
EXPORTS	53.0	46.8	+6.2	Expanding	From contracting	1
SELLING PRICES	51.1	42.2	+8.9	Expanding	From contracting	1
AVERAGE WAGES	57.0	54.4	+2.6	Expanding	Faster	5
CAPACITY UTILISATION (%)	73.6	68.3	+5.3% 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.
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