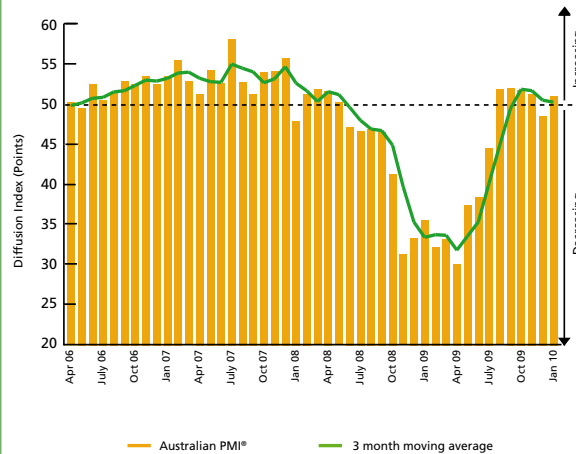


Australian PERFORMANCE OF MANUFACTURING INDEX®

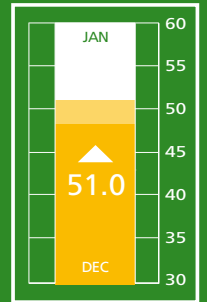
MANUFACTURING TICKS UP DESPITE FALL IN EMPLOYMENT

KEY FINDINGS

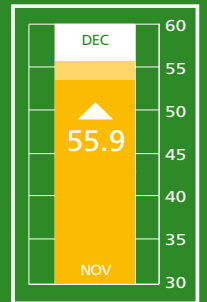
- The first month of 2010 saw a return to growth in the Australian manufacturing sector, although employment fell back following modest improvement in both November and December.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** rose by 2.5 points in January to 51.0, just above the 50 point level separating expansion from contraction.
- Growth in new orders and exports resumed in January, leading to a moderate expansion in production. Companies in some sectors also relied on existing inventories to meet demand, with aggregate stock levels being run down strongly.
- The sectors driving the expansion in manufacturing activity in January were those whose fortunes are closely tied to the performance of the nation's housing and resources sectors, such as construction materials; transport equipment; petroleum & coal products; and basic metal products.
- Activity expanded in Western Australia; South Australia; and Queensland, but fell in the other three states.
- Despite a rise in export levels in January, survey respondents continued to point to the high AUD exchange rate as the key factor constraining activity.
- In all, the subdued readings of the **Australian PMI®** in recent months suggest the improvements in domestic conditions are yet to translate into a strong upswing in manufacturing production.



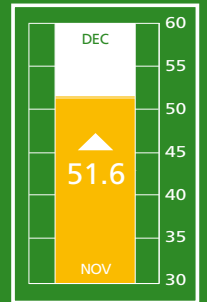
AUSTRALIAN PMI®



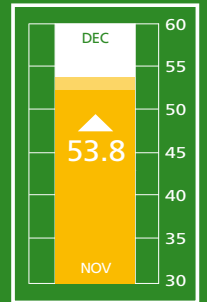
USA ISM PMI



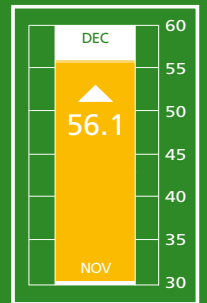
EUROZONE PMI



JAPANESE PMI

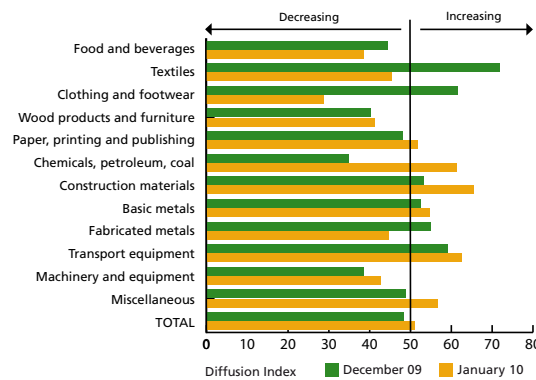


CHINESE PMI



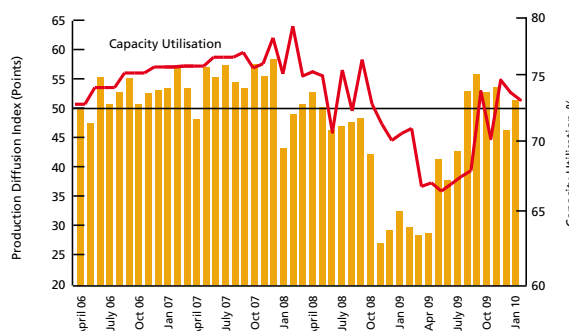
SECTORS

- After adjustment for seasonal factors, six sectors reported growth in activity, the same number as in December.
- Growth was strongest in construction materials, marking the fifth consecutive month of expansion for a sector which has benefited from the recent strength in demand for new housing.
- Significant increases in activity were also recorded in the transport & equipment; chemicals petroleum & coal products; and miscellaneous manufacturing sectors.
- Activity lifted in the paper, printing & publishing sector for the first time since September 2009, while the pace of growth picked up in the basic metal products sector.
- The largest falls were in clothing & footwear; food & beverages; and wood products & furniture. The machinery & equipment sector reported a 16th consecutive month of contraction, while activity was also lower in the fabricated metal products and textiles sectors.



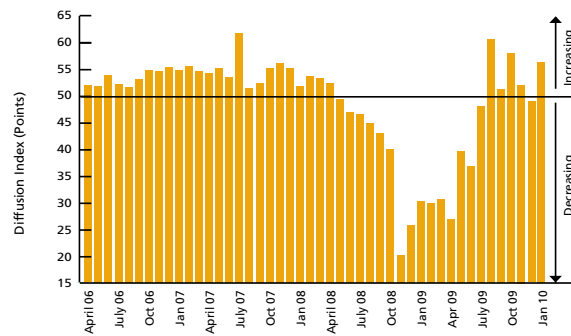
PRODUCTION AND CAPACITY

- Seasonally adjusted, the production sub-index rose by 4.9 points to 51.5, signalling the resumption of modest growth in the sector.
- On an unadjusted basis, and partly reflecting the seasonal weakening in demand, the number of sectors reporting higher production fell from nine to six.
- Growth was strongest in the chemicals, petroleum & coal products; construction materials; and transport & equipment sectors.
- Production expanded more moderately in the textiles; paper, printing & publishing; and basic metal products sectors.
- The largest falls were in the consumer manufactures sectors of clothing & footwear and food & beverages.
- Falls were also reported in wood products & furniture; miscellaneous manufacturing; fabricated metals; and machinery & equipment.
- Consistent with the strong reduction in inventories in the month, capacity utilisation eased slightly in January, falling by 0.5 percentage points to 73.0%.



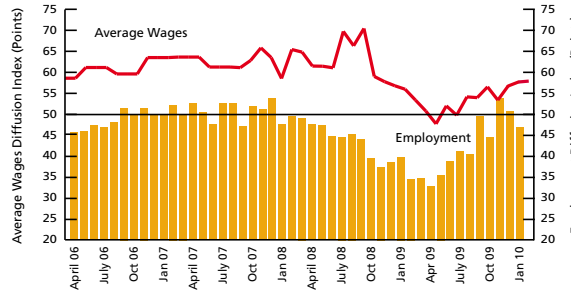
NEW ORDERS

- In seasonally adjusted terms, the new orders sub-index jumped 7.4 points in January to 56.0. Unadjusted, new orders increased in six of the 12 sectors and remained unchanged in food & beverages.
- Like production, the chemicals, petroleum & coal products; construction materials; and transport equipment sectors recorded the largest increases in new orders.
- New orders of basic metal products expanded for the first time since October 2009, while growth eased in fabricated metal products and paper, printing & publishing.
- The heaviest falls in new orders were in clothing & footwear; wood products & furniture; and textiles.
- New orders fell for a seventh successive month in the machinery & equipment sector.



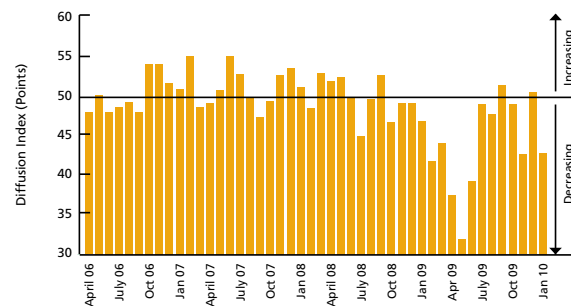
EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index fell below 50.0 for the first time in three months in January, dropping by 3.7 points to 47.1.
- In unadjusted terms, the number of sectors reporting employment growth decreased from five in December to four.
- The construction materials and transport equipment sectors recorded the largest increases in the month. Employment also rose in basic metal products and chemicals, petroleum & coal products.
- Employment fell most heavily in the food & beverages; textiles; wood products & furniture; and clothing & footwear sectors.
- More moderate declines were registered in fabricated metals; machinery & equipment; miscellaneous manufacturing; and paper, printing & publishing.
- Average wages growth remained steady in January, with the sub-index up 0.2 points to 58.3.



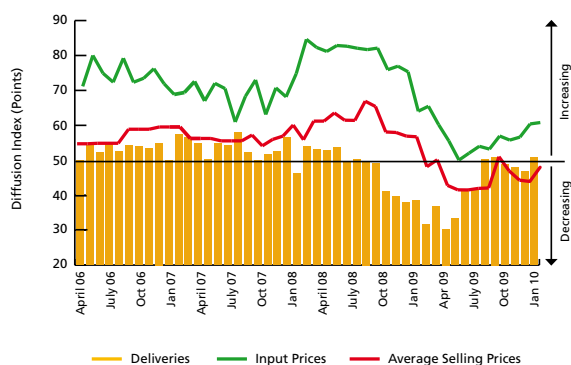
FINISHED STOCKS

- Manufacturing inventories fell solidly in January, with the seasonally adjusted sub-index slumping 7.8 points to 43.0.
- Unadjusted, seven sectors reported a depletion in stocks in January, with a strong pace of decline in each.
- Inventories were run down most strongly in the paper, printing & publishing; food & beverages; and machinery & equipment sectors.
- More moderate falls were recorded in textiles, fabricated metal products; miscellaneous manufacturing; and wood products & furniture.
- The largest rise in inventories was in clothing & footwear, extending the process of stock-building taking place within the sector.
- Stock levels rose in the transport equipment and chemicals, petroleum & coal products sectors for a third consecutive month.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries grew for the first time in four months in January, with the sub-index increasing 3.9 points to 50.7.
- Unadjusted, deliveries rose in six sectors, down from seven in the previous month. The six sectors were transport equipment; miscellaneous manufacturing; construction materials; chemicals, petroleum & coal products; textiles; and basic metal products.
- Input price growth accelerated for a third successive month in January, the seasonally adjusted sub-index lifting 0.4 points to 60.9.
- The strongest input price increases were in wood products & furniture; clothing & footwear; and paper, printing & publishing.
- Selling prices fell for a fourth consecutive month, despite the sub-index improving from 44.0 to 48.1.
- Just four sectors reported growth in selling prices in January: chemicals, petroleum & coal products; wood products & furniture; construction materials; and fabricated metal products.



AUSTRALIAN PMI®

	January 2010	December 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	51.0	48.5	+2.5	Expanding	From contracting	1
PRODUCTION	51.5	46.6	+4.9	Expanding	From contracting	1
EMPLOYMENT	47.1	50.8	-3.7	Contracting	From expanding	1
NEW ORDERS	56.0	48.6	+7.4	Expanding	From contracting	1
INVENTORIES	43.0	50.8	-7.8	Contracting	From expanding	1
SUPPLIER DELIVERIES	50.7	46.8	+3.9	Expanding	From contracting	1
INPUT PRICES	60.9	60.5	+0.4	Expanding	Faster	92
EXPORTS	52.7	44.0	+8.7	Expanding	From contracting	1
SELLING PRICES	48.1	44.0	+4.1	Contracting	Slower	4
AVERAGE WAGES	58.3	58.1	+0.2	Expanding	Faster	9
CAPACITY UTILISATION (%)	73.0	73.5	-0.5% 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.asn.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.

** 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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