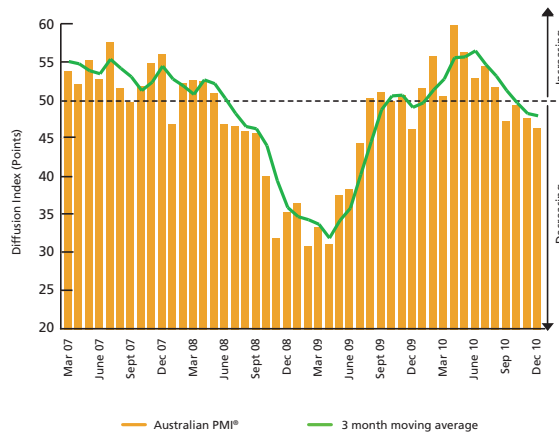


Australian PERFORMANCE OF MANUFACTURING INDEX®

MANUFACTURING SLIPS FURTHER IN DECEMBER

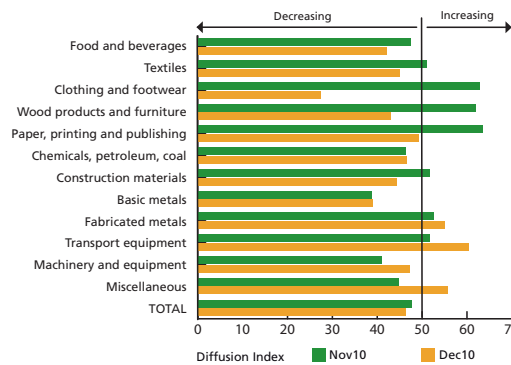
KEY FINDINGS

- The decline in manufacturing activity continued in December. The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** fell 1.3 points to 46.3, below the 50-point level separating expansion from contraction.
- The weakness in the December result was largely due to declines in activity in the clothing & footwear; basic metals; food & beverages; and wood products & furniture sub-sectors.
- A rebound in activity in the miscellaneous manufactures sub-sector and an expansion in the transport equipment sub-sector were insufficient to offset the declines in other sub-sectors.
- Survey respondents cited the strong Australian dollar, higher interest rates and slack domestic demand as the major influences inhibiting the manufacturing industry.
- The rises in wages and input costs continued in December. Selling prices fell for an eighth consecutive month, suggesting a further narrowing of manufacturing margins.
- Manufacturing activity contracted in New South Wales, Victoria, South Australia and Tasmania while Queensland and Western Australia recorded considerable increases in manufacturing activity.



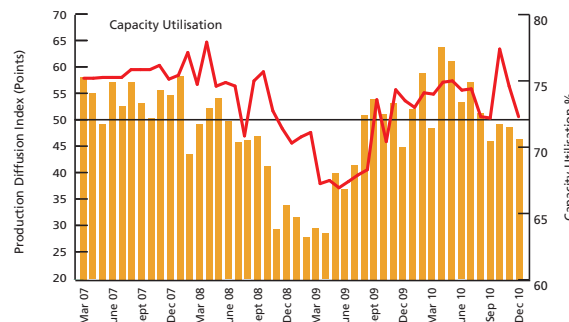
SECTORS

- Seasonally adjusted, nine out of the 12 manufacturing sub-sectors recorded declines in activity in December.
- The clothing & footwear sub-sector recorded the sharpest decline in activity, as the sub-sector's index dropped 35.6 points to 27.3, reaching the lowest level since February 2010.
- The weakness in the textiles sub-sector was due to weak demand and increased competition from cheaper imports arising from the strong Australian dollar.
- Activity in the basic metals sub-sector also contracted considerably. The strong Australian dollar was cited as the key reason for the decline in activity.

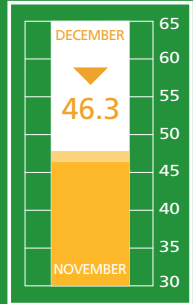


PRODUCTION AND CAPACITY

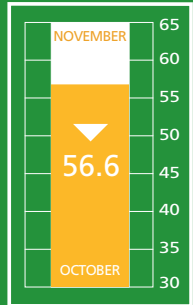
- Seasonally adjusted, the production sub-index fell 2.4 points to 46.6, indicating a somewhat faster rate of contraction in manufacturing output.
- On an unadjusted basis, the number of sub-sectors reporting declines in production rose to three in December from two in November. Sharp declines in output were recorded in the clothing & footwear and basic metals sub-sectors, while production growth in the wood products & furniture and paper, printing and publishing sub-sectors slowed down substantially.
- Overall, capacity utilisation fell in December, by 2.3 percentage points to 72.3%, largely reflecting the decline in capacity utilisation in the construction materials; transport equipment and wood products & furniture sub-sectors.



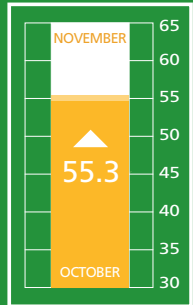
AUSTRALIAN PMI®



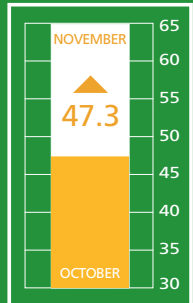
USA ISM PMI



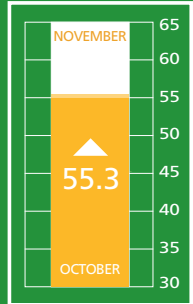
EUROZONE PMI



JAPANESE PMI

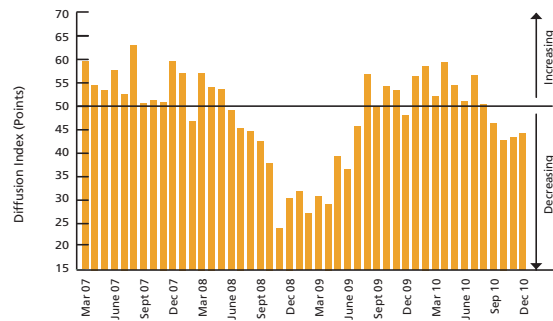


CHINESE PMI



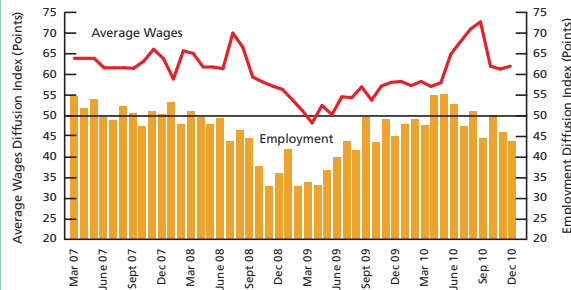
NEW ORDERS

- In seasonally adjusted terms, the fall in new orders moderated slightly in December. The new orders sub-index edged up 1.0 points to 44.3, remaining well below the 50-point level separating expansion from contraction.
- Unadjusted, new orders fell in three of the 12 sectors, down from four sub-sectors recorded in November.
- The basic metals sub-sector recorded significant declines in new orders, while the fall in the clothing & footwear and food & beverages sub-sectors was more moderate.



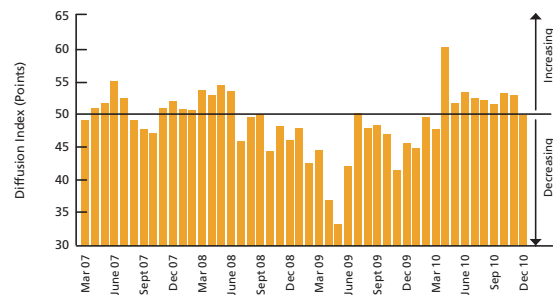
EMPLOYMENT AND AVERAGE WAGES

- The seasonally adjusted employment sub-index fell 1.8 points in December to 44.1, indicating a reduction in employment in the manufacturing sector.
- The sharpest decline in employment was recorded in the clothing & footwear and basic metals sub-sectors, while the textiles; transport equipment; and machinery and equipment sub-sectors recorded more moderate declines in employment.
- Despite the declines in employment in the manufacturing industry over the recent months, the pace of wages growth picked up slightly in December, with the sub-index up 0.7 points to 62.0.



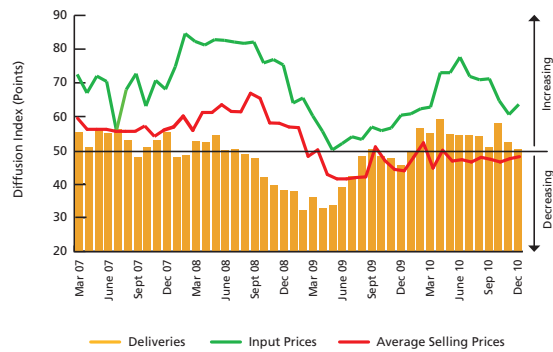
FINISHED STOCKS

- The rise in manufacturing inventories moderated in December, with the seasonally adjusted sub-index down 3.0 points to 50.3.
- Inventories rose most strongly in the basic metals sub-sector and, to a slightly lesser extent, in the transport equipment; clothing and footwear; and paper, printing and publishing sub-sectors.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- In seasonally adjusted terms, supplier deliveries in December rose at a slower pace than in November, as the sub-index fell 2.2 points to 50.3.
- Unadjusted, deliveries rose in eight sub-sectors, with the miscellaneous manufactures; basic metals; and transport equipment sub-sectors recording strong growth.
- The increase in input costs gained speed in December, with the seasonally adjusted sub-index rising 3.0 points to 63.7.
- While all sub-sectors recorded increases in input costs, the rise in the miscellaneous manufactures; wood products & furniture; and machinery & equipment sub-sectors was especially strong.
- Selling prices fell for the eighth consecutive month in December. The sub-index rose from 47.6 to 48.2 remaining below 50 points.
- The most significant falls in selling prices occurred in the clothing & footwear and construction materials sub-sectors, possibly reflecting the recent weakening in household consumption and the softening in the construction industry.



AUSTRALIAN PMI®

	December 2010	November 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PMI®	46.3	47.6	-1.3	Contracting	Faster	4
PRODUCTION	46.6	49.0	-2.4	Contracting	Faster	4
EMPLOYMENT	44.1	45.9	-1.8	Contracting	Faster	2
NEW ORDERS	44.3	43.3	1.0	Contracting	Slower	4
INVENTORIES	50.3	53.3	-3.0	Expanding	Slower	9
SUPPLIER DELIVERIES	50.3	52.5	-2.2	Expanding	Slower	11
INPUT PRICES	63.7	60.7	3.0	Expanding	Faster	103
EXPORTS	48.6	46.4	2.2	Contracting	Slower	3
SELLING PRICES	48.2	47.6	0.6	Contracting	Slower	8
AVERAGE WAGES	62.0	61.3	0.7	Expanding	Faster	20
CAPACITY UTILISATION (%)	72.3	74.6	-2.3% pts	Lower	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 as well as other economic research and analysis can be obtained from the Ai Group website on <http://www.aigroup.com.au/economics>. 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 a TRAMO-SEATS estimation process were applied in April 2010. Visit <http://www.aigroup.com.au/economics> for further economic analysis and information.

WHAT IS THE AUSTRALIAN PMI®?

The Australian Industry Group - PwC 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 website www.aigroup.com.au.

SPONSOR STATEMENT

PwC 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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