



Australian Performance of Manufacturing Index®

Ai AUSTRALIAN INDUSTRY GROUP

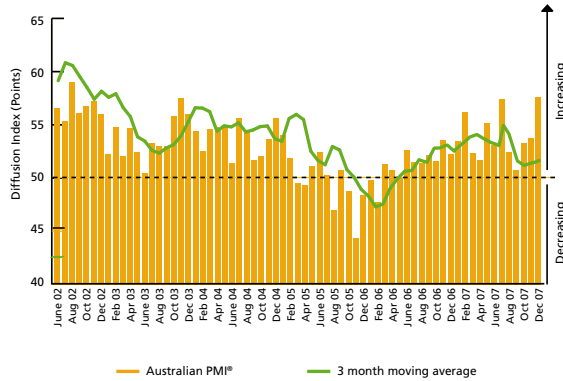
PRICEWATERHOUSECOOPERS

DECEMBER 2007

WEAKER EXPORT GROWTH FAILS TO DAMPEN MANUFACTURING STRENGTH

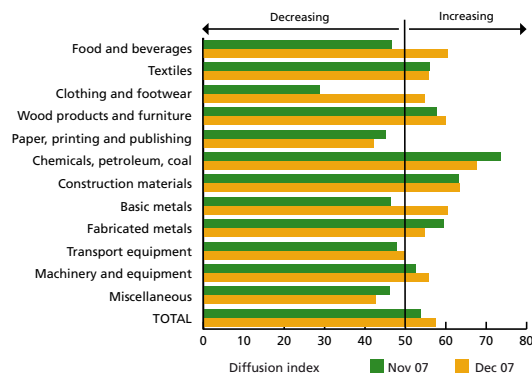
KEY FINDINGS

- Manufacturing growth picked up solidly in December, despite the negative impact of the high \$A on export growth.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI**® rose 3.8 points in the month to 57.6, the 19th consecutive month of growth.
- The lift in activity reflected solid growth in production, employment, new orders and deliveries. Exports slowed, while stocks remained stable.
- Input cost growth remained strong in December, while selling price growth edged higher. Growth in wages eased moderately while capacity utilisation rose modestly.
- Explaining the solid lift in conditions, manufacturers cited solid domestic demand conditions and rising orders as the key positive influences. The high level of the \$A, skills shortages, raw materials costs and Chinese competition remain as the key negative factors in the business environment.
- Manufacturing grew in Victoria in December, while growth eased in NSW, WA and Tasmania. SA saw a return to growth in manufacturing in December, while manufacturing remained stable in Queensland.



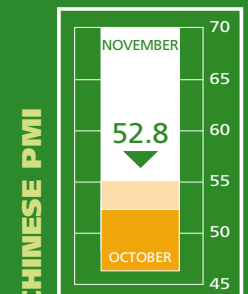
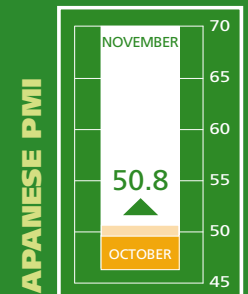
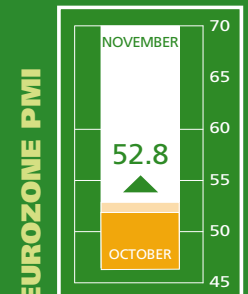
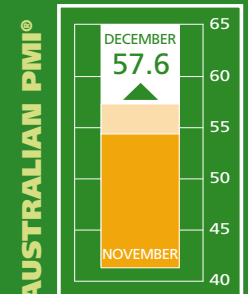
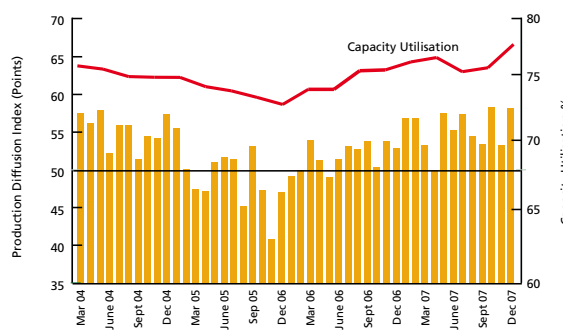
SECTORS

- Seasonally adjusted, activity expanded in nine sectors in December, compared with six in November.
- Activity was strongest in the food & beverages; chemicals, petroleum & coal products; construction materials; wood, wood & products and furniture; and basic metals sectors, each recording activity at over 60.0 index points.
- The strength in food & beverages reflected some improvement in agricultural production as has been reflected in recent National Accounts data.
- In contrast, activity fell in the paper, printing & publishing; and miscellaneous manufactures sectors.
- The textiles; clothing & footwear; fabricated metals; and machinery & equipment sectors all saw moderate growth.
- The transport equipment sector saw roughly stable activity, although improving marginally reflecting stronger car sales.



PRODUCTION AND CAPACITY

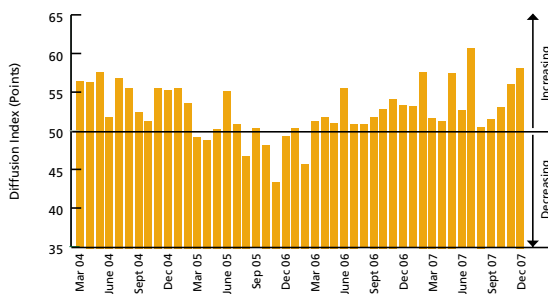
- Seasonally adjusted, the production sub-index lifted 4.9 points to 58.4 maintaining its solid expansion since April 2007. Unadjusted, nine sectors reported higher production (up from eight in the previous month).
- Growth was strongest in the chemicals, petroleum & coal products; wood, wood products & furniture; construction materials; and clothing & footwear sectors.
- The textiles; fabricated metals; food & beverages; basic metals; and machinery & equipment sectors also saw solid growth in output.
- Production remained stable in the miscellaneous manufactures; and paper, printing & publishing sectors. Production fell in the transport equipment sector.
- Capacity utilisation rose to 77.1% in December.





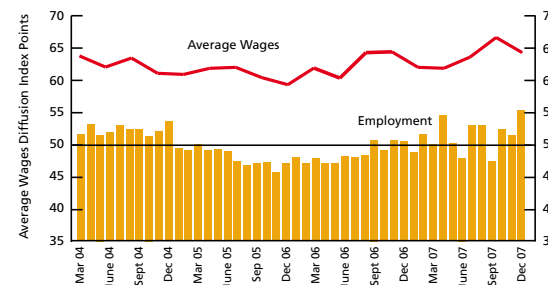
NEW ORDERS

- The new orders sub-index rose by 2.2 points to 58.9 in December.
- The number of sectors reporting increases remained at ten (unadjusted), with orders falling in one sector and remaining stable in one.
- The chemicals, petroleum & coal products; wood, wood products & furniture; construction materials; textiles; and food & beverages sectors reported the largest increases in new orders. Orders growth was also solid in the basic metals; fabricated metals; machinery & equipment; clothing & footwear; and miscellaneous manufactures sectors.
- Orders were stable in the paper, printing & publishing sector and fell in the transport equipment sector.



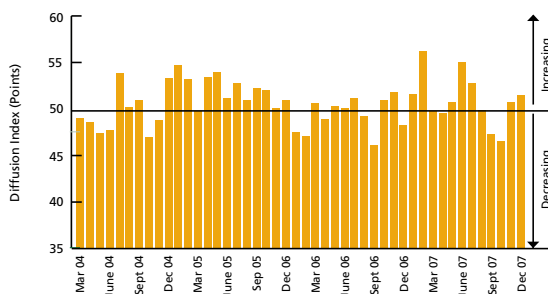
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index rose by 3.9 points to 55.2. In unadjusted terms, employment grew in ten sectors and fell in two.
- Employment gains were strongest in the construction materials; chemicals, petroleum & coal products; clothing & footwear; food & beverages; and basic metals sectors.
- The textiles; wood, wood products & furniture; machinery & equipment; fabricated metals; and paper, printing & publishing sectors saw some moderate employment gains.
- Employment fell in the transport equipment and miscellaneous manufactures sectors.
- Wages growth has maintained a relatively stable average path, though it appears to be drifting up over recent quarters.
- In December the wages index eased moderately to 63.8 compared to 66.1 in November.



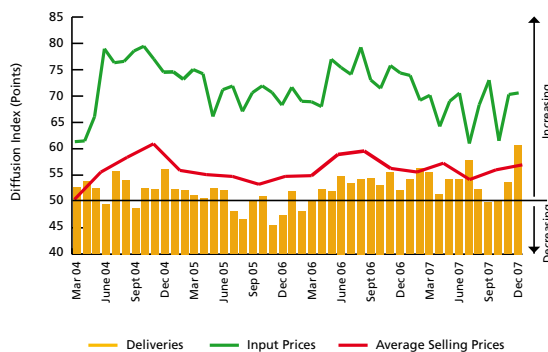
FINISHED STOCKS

- The inventories sub-index rose 1.0 points to 52.0 (seasonally adjusted), following a rundown in stocks from mid-2007. Unadjusted, eight sectors reported increases, up from six in November.
- Inventories rose most strongly in the construction materials; food & beverages; and clothing & footwear sectors. Solid growth was experienced in the wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; fabricated metals; and machinery & equipment sectors.
- Stocks fell in the transport equipment and basic metals sectors. They remained stable in the miscellaneous manufactures and textiles sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 7.1 points, to 60.7. Unadjusted, nine sectors experienced higher deliveries, with two reporting no change and one sector declining.
- Deliveries rose strongly in the chemicals, petroleum & coal products; construction materials; textiles; food & beverages; basic metals; and wood, wood products & furniture sectors.
- The paper, printing & publishing; machinery & equipment; and fabricated metals sectors posted modest gains. Clothing & footwear and miscellaneous manufactures experienced stable deliveries.
- The transport equipment sector saw a fall in deliveries.
- The raw material cost index rose 0.3 points to 70.7 (seasonally adjusted). In unadjusted terms, costs rose in all 12 sectors.
- The strongest gains were in food & beverages; textiles; chemicals, petroleum & coal products; and miscellaneous manufactures.
- Selling price rises rose modestly on average across manufacturing. The paper, printing & publishing sector saw falling prices, while the clothing & footwear; basic metals; transport equipment; and miscellaneous manufactures sectors experienced stable prices.



WHAT IS THE AUSTRALIAN PMI?

The Australian Performance of Manufacturing Index (Australian PMI[®]) is a seasonally adjusted composite index based on the diffusion indexes 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.

More information can be obtained from the Ai Group web site www.aigroup.asn.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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NATIONAL INDEXES

	Dec 07	Dec 06	Nov 07	Oct-07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07
AUSTRALIAN PMI	57.6	52.2	53.8	53.3	50.7	52.4	57.4	53.1	55.2	51.7	52.4	56.2
PRODUCTION	58.4	53.1	53.5	58.5	53.6	54.6	57.5	55.4	57.7	50.1	53.4	57.1
EMPLOYMENT	55.2	50.4	51.3	52.0	47.3	52.8	53.0	47.8	50.1	54.5	49.9	51.5
NEW ORDERS	58.9	53.9	56.7	53.5	52.1	51.1	61.5	53.3	58.3	51.9	52.3	58.4
INVENTORIES	52.0	48.6	51.0	46.8	47.7	50.3	53.3	55.6	51.1	50.0	50.2	56.8
DELIVERIES	60.7	52.2	53.6	50.3	49.9	52.2	57.8	54.3	54.3	51.3	55.6	56.3
INPUT PRICES	70.7	74.4	70.4	61.6	73.1	68.4	61.1	70.6	69.1	64.3	70.2	69.3
EXPORTS (UNADJUSTED)	50.9	60.4	56.7	48.3	50.8	47.8	51.9	50.0	56.0	49.4	52.1	50.0
SELLING PRICES[†]	57.0	59.6	56.1	54.2	57.3			55.7			56.3	
AVERAGE WAGES[†]	63.8	63.8	66.1	63.2	61.5			61.6			63.9	
CAPACITY UTILISATION[†]	77.14	75.20	75.42	75.13	76.17			75.85			75.26	

Results for the third month of each quarter are based on an expanded sample (in excess of 500 companies). Results for the other months are based on responses from over 200 companies. 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.

* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied in April 2007.