



PERFORMANCE OF MANUFACTURING INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

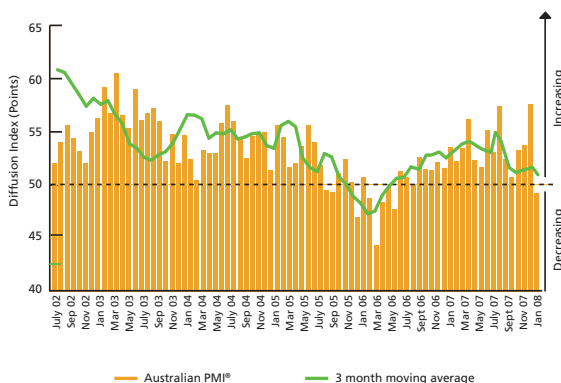
PRICEWATERHOUSECOOPERS

JANUARY 2008

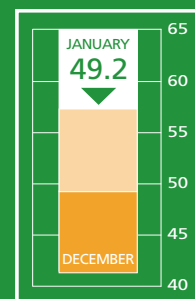
GLOBAL MARKET TURBULENCE CONTRIBUTES TO CAUTIOUS START TO THE YEAR

KEY FINDINGS

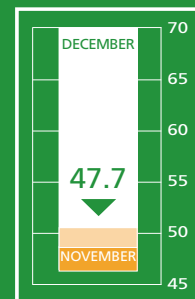
- Manufacturing activity eased in January 2008, reflecting the impact of global market turbulence on manufacturers' confidence, concerns about rising input costs and interest rates, along with seasonal factors.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** fell 8.4 points in the month to 49.2, following 19 consecutive months of growth.
- The decline in activity was registered in declines in production, capacity utilisation, employment, new orders and deliveries. Stocks grew modestly while exports remained stable.
- Input cost price growth remained strong in January, while selling price growth continued to rise. Growth in wages eased for the second consecutive month.
- Highlighting important factors driving weaker activity in January, manufacturers cited: import competition; lack of skilled labour; shortages of raw materials; uncertainties due to concerns over global financial markets and growth; and weather conditions. Seasonal factors in regard to factory shutdowns over the holiday break also contributed to weaker production.
- Activity fell in Victoria, NSW and Queensland in January, while growth eased in SA, WA and Tasmania.



AUSTRALIAN PMI®

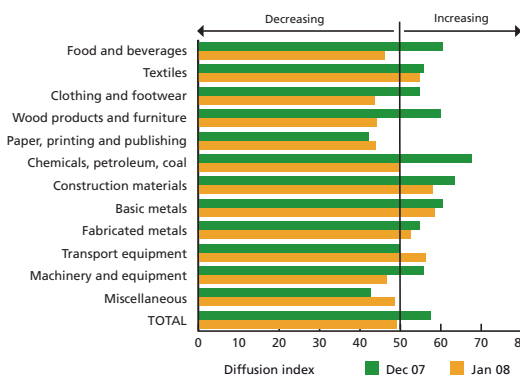


USA ISM PMI

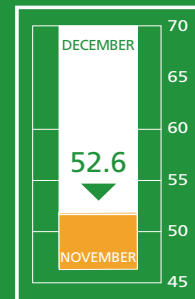


SECTORS

- Seasonally adjusted, activity expanded in five sectors in January, compared with nine in December 2007.
- Growth was solid but generally easing in the construction materials; basic metal products; fabricated metal products; and textiles sectors. Growth improved in the transport equipment sector in line with solid vehicle demand over recent quarters.
- In contrast, activity fell in the food & beverages (the largest contributor to overall weaker activity); clothing & footwear; paper, printing & publishing; machinery & equipment; and wood, wood products & furniture sectors.
- The chemicals, petroleum & coal products and miscellaneous manufactures sectors saw activity remain basically stable in January.

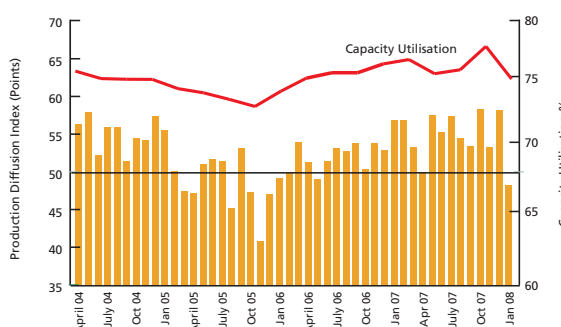


EUROZONE PMI

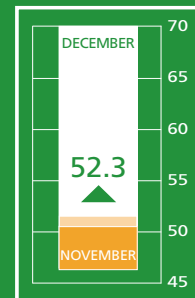


PRODUCTION AND CAPACITY

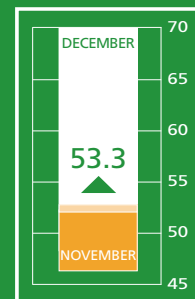
- Seasonally adjusted, the production sub-index fell 10.0 points to 48.4, the first contraction since May 2006. Unadjusted, the number of sectors reporting higher production was two (down from nine in the previous month).
- Production grew modestly in the fabricated metal products and transport equipment sectors.
- The strongest production declines were experienced in the textiles; food & beverages; wood, wood products & furniture; and miscellaneous manufactures sectors.
- Production also declined in the clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; construction materials; basic metal products and; machinery & equipment sectors.
- In line with seasonal closures, capacity utilisation fell to 74.7% in January.



JAPANESE PMI



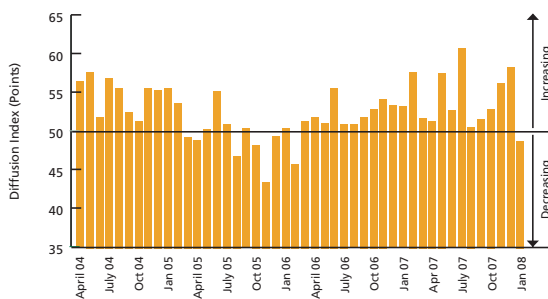
CHINESE PMI





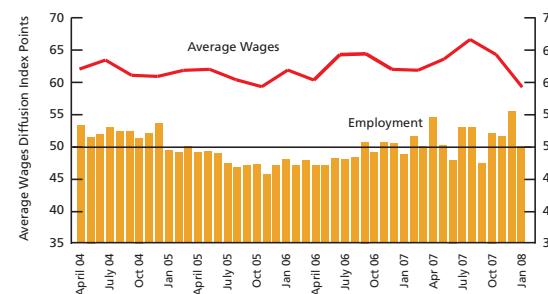
NEW ORDERS

- The new orders sub-index fell by 9.7 points to 49.2 in January, after 22 quarters of successive growth.
- No sectors reported new order increases (unadjusted), with orders falling in 10 sectors and remaining stable in two.
- The largest declines in new orders were experienced in the wood, wood products & furniture; textiles; machinery & equipment; and miscellaneous manufactures sectors.
- Orders also fell in the food & beverages; clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; construction materials; and transport equipment sectors.
- Orders were stable in the basic metal products and fabricated metal products sectors.



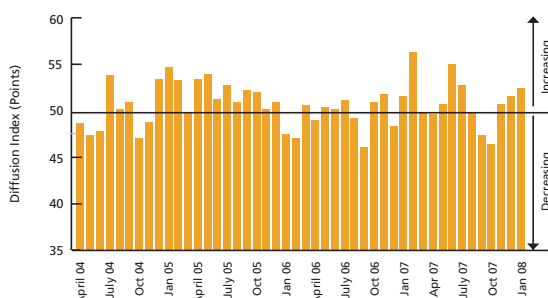
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, the employment sub-index fell 5.3 points to 49.9, so that overall employment remained basically stable in January. In unadjusted terms, employment grew in two sectors, fell in five and remained stable in five.
- Employment grew in the clothing & footwear and basic metal products sectors.
- Employment fell in the food & beverages; textiles; transport equipment; machinery & equipment; and miscellaneous manufactures sectors.
- It remained stable in the wood, wood products & furniture; paper, printing & publishing; chemicals, petroleum & coal products; construction materials; and fabricated metal products sectors.
- In January average wages growth eased for the second consecutive quarter to 58.9 points compared to 63.8 in December.



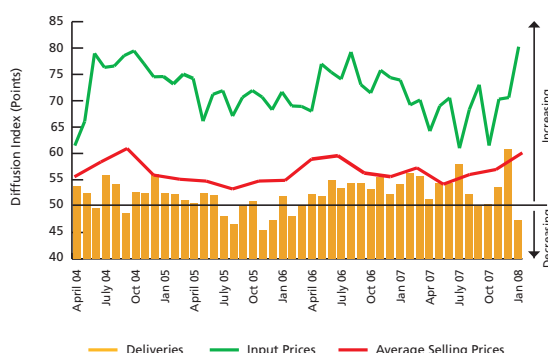
FINISHED STOCKS

- The inventories sub-index rose 0.9 points to 52.9 (seasonally adjusted). Unadjusted, the number of sectors reporting increases was two, down from eight in December. Stocks fell in four sectors and were stable in six.
- Inventories rose solidly in the construction materials and basic metal products sectors.
- Stocks remained stable in the wood, wood products & furniture; paper, printing & publishing; food & beverages; textiles; transport equipment; and miscellaneous manufactures sectors.
- Stocks fell in the machinery & equipment; fabricated metal products; clothing & footwear; and chemicals, petroleum & coal products sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index fell by 13.4 points, to 47.3. Unadjusted, three sectors experienced higher deliveries, one reported no change and eight sectors saw declines.
- Deliveries rose solidly in the transport equipment; basic metal products; and miscellaneous manufactures sectors.
- The food & beverages; clothing & footwear; and construction materials sectors posted significant falls in deliveries.
- The machinery & equipment; fabricated metal products; chemicals, petroleum & coal products; paper, printing & publishing; and wood, wood products & furniture sectors also saw a fall in deliveries. The textiles sector saw stable deliveries.
- The raw material cost index rose 9.6 points to 80.3 (seasonally adjusted). In unadjusted terms, costs rose in all 12 sectors. The strongest gains were in textiles; basic metal products; and construction materials.
- Selling price rises rose again on average across manufacturing. The most significant price gains were in food & beverages; construction materials; and basic metal products. Price falls were recorded in textiles; clothing & footwear; and miscellaneous manufactures.



NATIONAL INDEXES

	Jan 08	Jan 07	Dec 07	Nov 07	Oct-07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07
AUSTRALIAN PMI	49.2	53.4	57.6	53.8	53.3	50.7	52.4	57.4	53.1	55.2	51.7	52.4
PRODUCTION	48.4	57.0	58.4	53.5	58.5	53.6	54.6	57.5	55.4	57.7	50.1	53.4
EMPLOYMENT	49.9	48.6	55.2	51.3	52.0	47.3	52.8	53.0	47.8	50.1	54.5	49.9
NEW ORDERS	49.2	53.8	58.9	56.7	53.5	52.1	51.1	61.5	53.3	58.3	51.9	52.3
INVENTORIES	52.9	52.1	52.0	51.0	46.8	47.7	50.3	53.3	55.6	51.1	50.0	50.2
DELIVERIES	47.3	54.1	60.7	53.6	50.3	49.9	52.2	57.8	54.3	54.3	51.3	55.6
INPUT PRICES	80.3	74.0	70.7	70.4	61.6	73.1	68.4	61.1	70.6	69.1	64.3	70.2
EXPORTS (UNADJUSTED)	50.6	53.1	50.9	56.7	48.3	50.8	47.8	51.9	50.0	56.0	49.4	52.1
SELLING PRICES¹	60.2		57.0	56.1	54.2	57.3			55.7			56.3
AVERAGE WAGES²	58.9		63.8	66.1	63.2	61.5			61.6			63.9
CAPACITY UTILISATION³	74.74		77.14	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.

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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