



PERFORMANCE OF MANUFACTURING INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

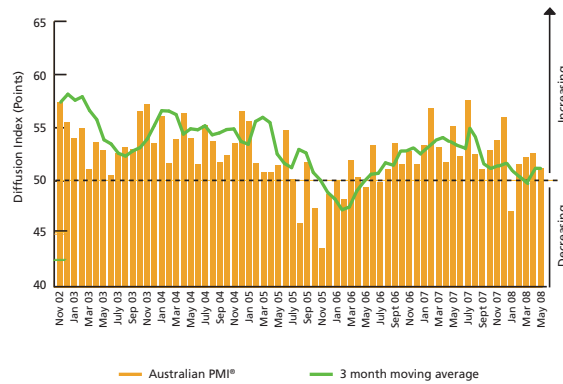
PRICEWATERHOUSECOOPERS

MAY 2008

MANUFACTURING GROWTH WEAKENS

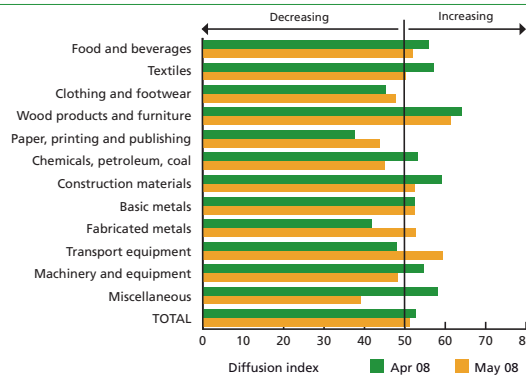
KEY FINDINGS

- Manufacturing activity was subdued again in May, for the fifth consecutive month. Slower global growth, the rising Australian dollar and signs of slower growth in the domestic economy, reflecting higher interest rates, continue to constrain manufacturing.
- The seasonally adjusted Australian Industry Group-PricewaterhouseCoopers **Australian PMI®** fell, by 1.5 points in the month, to 51.2, following a 0.4 point rise in April.
- New orders fell slightly, reflecting slower domestic demand conditions, while employment fell a little for the third consecutive month. Production growth eased, expanding only slightly in May. Overall activity in May was supported by a moderate lift in stocks and input deliveries. Exports fell.
- In line with other indicators, input cost price growth remained strong in May, while selling prices growth accelerated modestly. Growth in wages was stable in May, while capacity utilisation fell slightly.
- Manufacturers cited positive effects on activity from solid mining and infrastructure related demand and demand from China. On the negative side were weaker US growth; lack of skilled labour and staff turnover; raw material costs especially steel, fuel and grains; slower housing-related demand and the high \$A.
- Activity rose in strongly in Western Australia, while growth eased again in Queensland. Activity fell in New South Wales, South Australia and Tasmania. Victoria saw stable modest growth.



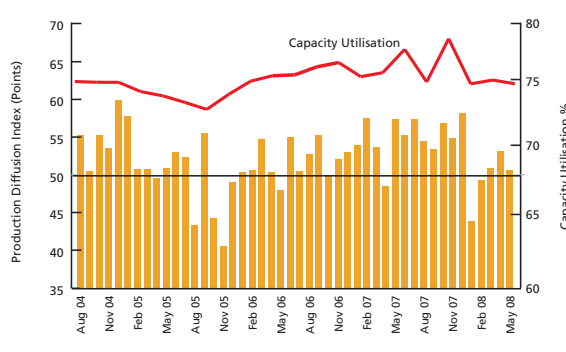
SECTORS

- Seasonally adjusted, activity expanded in six sectors in May, compared to eight in April. It fell in five sectors and was essentially stable in one.
- Growth was strongest in the wood, wood products & furniture and transport equipment sectors and moderate in the food & beverages; construction materials; basic metal products; and fabricated metal products sectors.
- Paper, printing & publishing activity contracted again in May though at a slower rate. The sector has now seen weak or negative growth for the past nine months.
- Activity also fell in the clothing & footwear; chemicals, petroleum & coal products; machinery & equipment; and miscellaneous manufactures sectors.
- Activity was stable in the textiles sector.

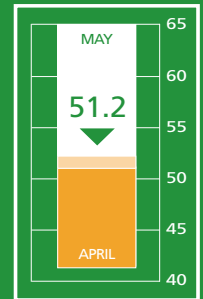


PRODUCTION AND CAPACITY

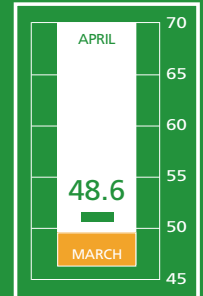
- Seasonally adjusted, the production sub-index fell by 2.6 points to 50.7, above the 50 point mark separating expansion from contraction. Unadjusted, five sectors reported higher production, while two experienced flat output. Production fell in five sectors.
- Production grew strongly in the textiles; wood, wood products & furniture; and transport equipment sectors. Production also rose moderately in the fabricated metal products and machinery & equipment sectors.
- Production was stable in the clothing & footwear and construction materials sectors.
- Production fell in the food & beverages; paper, printing and publishing; chemicals, petroleum & coal products; basic metal products; and miscellaneous manufactures sectors.
- Capacity utilisation fell slightly to 74.6% in May, down from 74.9% in April.



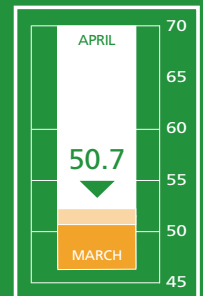
AUSTRALIAN PMI®



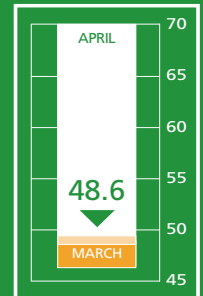
USA ISM PMI



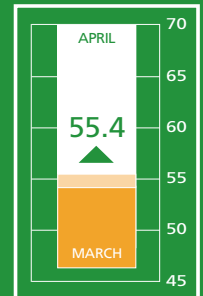
EUROZONE PMI



JAPANESE PMI



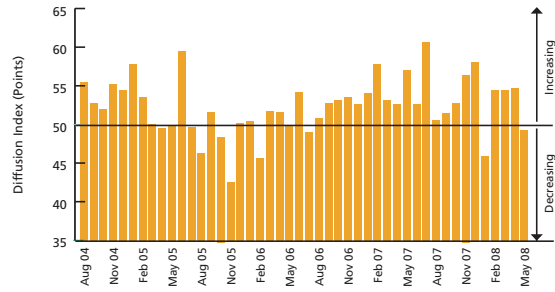
CHINESE PMI





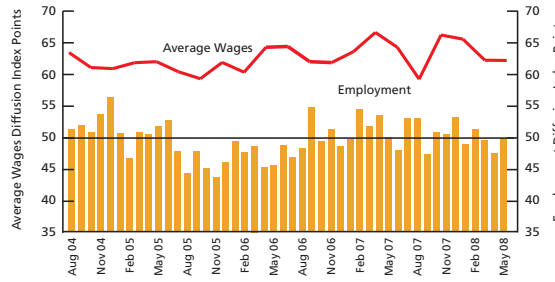
NEW ORDERS

- The new orders sub-index fell by 5.5 points to 49.8 in May, from 55.3 points in April.
- As in April, six sectors reported new order increases (unadjusted). Orders fell in six sectors, compared with four in the previous month.
- The strongest increases in new orders were experienced in the construction materials; food & beverages; and transport equipment sectors.
- Orders also grew in the wood, wood products & furniture; basic metal products; and fabricated metal products sectors.
- Orders declined in the textiles; clothing & footwear; paper, printing & publishing; chemicals, petroleum & coal products; machinery & equipment; and miscellaneous manufactures sectors.



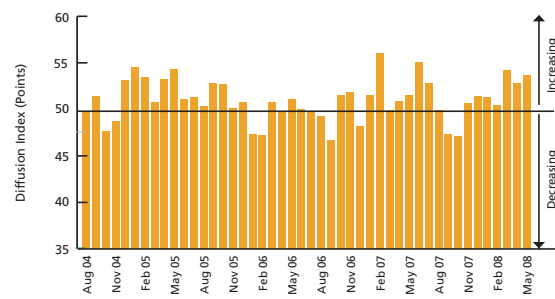
EMPLOYMENT AND AVERAGE WAGES

- Seasonally adjusted, manufacturing employment fell moderately for the third consecutive month. However, the extent of the decline eased in May with the sub-index rising by 2.5 points to 49.8.
- In unadjusted terms, employment grew in three sectors, fell in six and remained stable in three.
- Employment rose moderately in the basic metal products; fabricated metal products; and transport equipment sectors.
- Employment was flat in the food & beverages; clothing & footwear; and wood, wood products & furniture sectors.
- Consistent with poor production performance, employment fell in the paper, printing & publishing; chemicals, petroleum & coal products; and miscellaneous manufactures sectors. Employment also fell in the textiles; construction materials; and machinery & equipment sectors.
- In May, the average wages growth index remained essentially stable at 61.8.



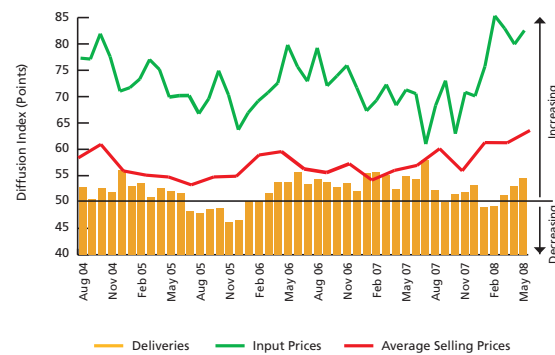
FINISHED STOCKS

- The inventories sub-index rose by 1.0 points to 54.2 (seasonally adjusted), with stocks continuing to rise for the seventh consecutive month. Unadjusted, the number of sectors reporting increases was seven down from eight in April. Stocks fell in four sectors and remained stable in one.
- Stocks rose most strongly in the construction materials; machinery & equipment; wood, wood products & furniture; and basic metal products sectors.
- Inventories also rose moderately in the textiles; fabricated metal products; and transport equipment sectors. Inventories were flat in the miscellaneous manufactures sector.
- Stocks fell in the food & beverages; clothing & footwear; paper, printing & publishing; and chemicals, petroleum & coal products sectors.



DELIVERIES, INPUT COSTS, OUTPUT PRICES

- Seasonally adjusted, the supplier deliveries sub-index rose by 1.6 points, to 54.6. Unadjusted, five sectors saw higher deliveries; three sectors saw declines, while deliveries were flat in four.
- Deliveries rose most strongly in the food & beverages; transport equipment; and wood, wood products & furniture sectors. The clothing & footwear; and fabricated metal products sectors posted modest gains in deliveries.
- The paper, printing & publishing; construction materials; chemicals, petroleum & coal products; and miscellaneous manufactures sectors saw flat deliveries. Textiles; machinery & equipment; and basic metal products saw declines.
- The raw material cost index rose 2.6 points to 82.6 (seasonally adjusted). In unadjusted terms, costs rose in all sectors.
- The strongest cost gains were in the wood, wood products & furniture; construction materials; and basic metal products sectors.
- Selling price growth accelerated on average across manufacturing. The most significant price gains were in chemicals, petroleum & coal products; and basic metal products.



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

	May 08	May 07	Apr 08	Mar 08	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07
AUSTRALIAN PMI	51.2	55.1	52.7	52.3	51.6	47.2	56.0	53.8	52.9	51.1	52.5	57.6
PRODUCTION	50.7	57.6	53.3	51.0	49.4	43.9	58.4	55.0	57.0	53.6	54.6	57.5
EMPLOYMENT	49.8	50.0	47.3	49.3	51.2	48.9	53.1	50.4	50.7	47.3	52.8	52.9
NEW ORDERS	49.8	57.7	55.3	54.9	55.0	46.4	58.8	57.1	53.4	52.1	51.1	61.5
INVENTORIES	54.2	51.9	53.2	54.6	50.9	51.7	51.8	51.0	47.4	47.7	50.3	53.3
DELIVERIES	54.6	54.8	53.0	51.2	49.2	49.0	53.2	51.8	51.6	49.9	52.2	57.8
INPUT PRICES	82.6	71.4	80.0	83.0	85.4	75.8	70.2	70.9	63.0	73.1	68.4	61.1
EXPORTS	40.1	52.3	53.7	56.4	54.6	53.6	53.4	53.0	52.7	51.4	51.8	52.2
SELLING PRICES[#]	63.6		61.3	61.3	56.0	60.2	57.0	56.1	54.2	57.3		
AVERAGE WAGES[#]	61.8		61.8	65.1	65.7	58.9	63.8	66.1	63.2	61.5		
CAPACITY UTILISATION[#]	74.61		74.88	74.60	77.92	74.74	77.14	75.42	75.13	76.17		

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 June 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 2008.