Australian Industry Group
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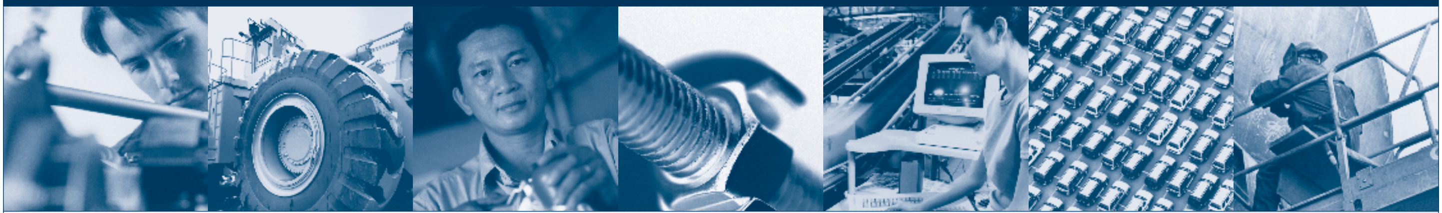
SURVEY OF AUSTRALIAN MANUFACTURING



Manufacturing activity mixed across sectors and firm size, with the outlook uncertain

AUSTRALIAN INDUSTRY GROUP

PRICEWATERHOUSECOOPERS

September Quarter 2006

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, Industrial Products Leader, PricewaterhouseCoopers

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Australian Industry Group and PricewaterhouseCoopers

SURVEY OF AUSTRALIAN MANUFACTURING

Manufacturing activity mixed across sectors and firm size, with the outlook uncertain

Manufacturing activity improved moderately in the September quarter 2006. The improvement was mixed across sectors, with large sized companies securing much of the gains. Further, manufacturers remain very cautious about whether these improvements will be sustained, with sales, order and production growth all forecast to slow in the next quarter.

The net balance of firms reporting higher production in the Australian Industry Group/PricewaterhouseCoopers **Survey of Australian Manufacturing** increased to +8% in the September quarter 2006 (seasonally adjusted), from -2% previously.

Activity improved in several industrial-based sectors, but was partly offset by re-emerging weakness across a range of consumer-related industries. Growth was strongest in chemicals, petroleum & coal products, and strengthened also in fabricated metals; machinery & equipment; and miscellaneous manufacturing. The rate of decline also slowed in basic metal products, although sharp falls were again reported in transport equipment and construction material products.

Across the consumer-based sectors, growth slowed in food & beverages, while activity declined in textiles; clothing & footwear; and paper, printing & publishing. Activity expanded moderately in wood, wood products & furniture.

Production growth strengthened markedly in Western Australia, and to a lesser extent in Queensland. New South Wales and Tasmania also reported increases, following declines the previous quarter. Production fell in Victoria and South Australia.

Corresponding with the improvement in demand and production, the declines in order backlogs, employment, and net profits all moderated. Overtime and capacity utilisation also increased. However, inventories and spending on new capital investment rose at a slower rate than in the previous quarter. Selling prices increased at a slightly faster rate, accompanying an acceleration in the rate of input cost increases, although quarterly wages growth was softer than previously.

Stronger demand was the major positive factor contributing to increased activity, cited by 21.6% of respondents (up from 13.9% the previous quarter). A further 9.1% attributed the increase to new products or markets (up from 5.7%). The proportion nominating mining activity was broadly unchanged at 5.4%, while a similar proportion also cited higher productivity. Increased exports were nominated by 4.6%, up from 3.1% previously.

By contrast, input cost increases were again the major constraint on production in the September quarter 2006, reported by 36.5% of manufacturers (and up sharply from 25.0% previously). Import competition was the major constraint for 11.1%, up from 5.1%. However, the proportion citing shortages of skilled labour fell from 8.3% to 5.5%. Higher interest rates also surfaced as a material constraint in the quarter, nominated by 3.6%.

Production expands in the September quarter 2006

- Manufacturing **production** grew moderately in the September quarter 2006, the first increase in a year.
- Production growth was reported in six out of 12 **sectors**, up from five previously.
- Across the **states**, growth strengthened markedly in Western Australia, and accelerated also in Queensland. Production also increased in New South Wales and Tasmania, but declined in Victoria and South Australia.
- After four consecutive falls, manufacturing **sales** increased, while growth in **new orders** and **exports** continued to strengthen moderately.
- Growth in **supplier deliveries** was steady, but **inventories** increased at a slower rate.
- The level of **order backlogs** was largely unchanged, while **capacity utilisation** increased for the second quarter.
- **Employment** fell at a slower rate, and **overtime** increased. However, growth in **new capital expenditure** eased.
- **Raw material costs** increased at the fastest rate since late 2004. **Selling prices** also increased at a faster rate.
- By contrast, **wages** growth moderated, while **profits** continued to fall, but at a slower rate.

Activity in the December quarter 2006

- **Production** growth is forecast to ease in the next three months, reflecting an expected weakening in **sales** and **new order** growth. However, **export** growth is forecast to rise.
- **Inventory** levels are anticipated to fall and **supplier delivery** growth is expected to slow. The level of **order backlogs** is forecast to remain unchanged.
- **Employment** and **overtime** are expected to decline**,** although **investment** growth is forecast to remain steady.
- **Raw material costs** and **selling prices** are both forecast to rise at a broadly unchanged rate. **Wages** growth is likely to increase slightly, but **profits** are forecast to continue falling.

Twelve month outlook

- The 12-month outlook for both **production** and **investment** growth has weakened slightly over the past quarter.

Issue to watch

- To what extent will higher interest rates and the current uncertainty in manufacturing translate into weaker growth.

The survey covers 741 firms with an annual turnover of over $50 billion (15% of industrial activity). The results are current as at the second week of September 2006. All results are seasonally adjusted and weighted by each sector's share of Australian industry.

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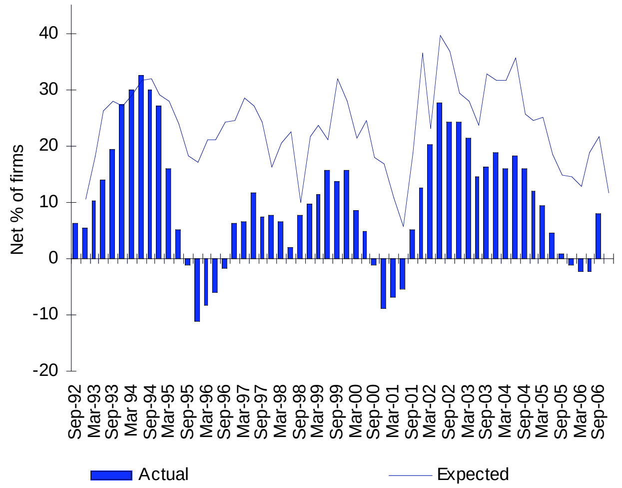
SURVEY OF AUSTRALIAN MANUFACTURING

Production

After four quarters of weak or declining activity, production lifted moderately in the September quarter 2006. Seasonally adjusted, the net balance of firms reporting improving production conditions rose from –2% in the June quarter 2006 to +8%.

In unadjusted terms, 5% of firms reported significant rises in production and 31% moderate growth. By contrast, 24% of firms said production fell moderately (down on 32% in the June quarter 2006) and 8% reported significant declines (unchanged).

After adjustment for seasonal factors, production growth is forecast to ease in the December quarter 2006, suggesting some uncertainty about improved conditions being sustained. The net balance of firms expecting to increase production in the next three months was +12%, down from +22% in the previous survey.



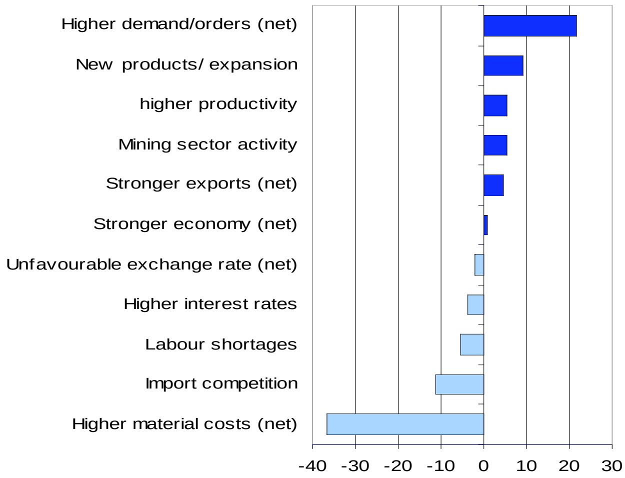
Production lifts after a year of poor outcomes ...

Factors affecting production

An improvement in orders/demand was the main factor contributing to better production conditions in the September quarter 2006. In net terms, the percentage of companies citing higher orders rose from 13.9% to 21.6%.

The increased demand was aided by companies introducing new products and expanding their product range (cited by around one in 10 companies). Demand from mining activity (5.4% of firms) and stronger exports (net 4.6%) also contributed to the gains. As well, increased productivity, an outcome of higher investment, helped to improve conditions.

Higher input costs (particularly from fuel and higher interest rates) continued to be the major drag on production for the 10th consecutive quarter, with the proportion rising from 25.0% to 36.5%. Labour shortages also acted as a drag on activity.



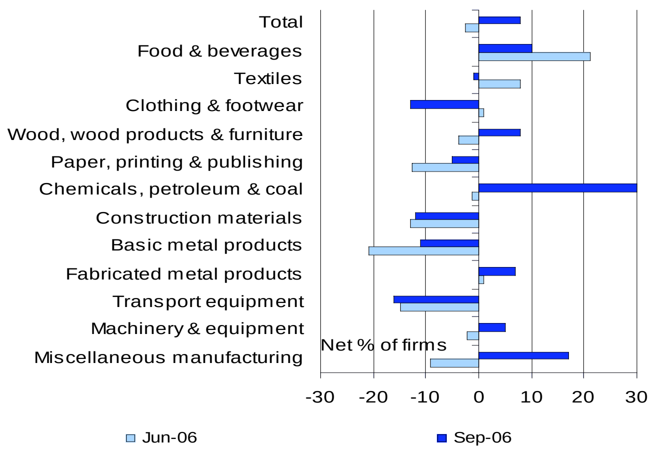
Improved demand and higher costs impacts on activity ...

Production by sector

Seasonally adjusted, production expanded in six of the 12 sectors in the quarter (up from four).

Growth was strongest in chemicals, petroleum and coal products sector, reflecting improved exports, higher margins and capacity. Production strengthened in the fabricated metal products; wood, wood products & furniture; and machinery & equipment sectors, while the food & beverages sector experienced a moderation in growth.

In contrast, declines in production were marginally deeper in the transport equipment sector, but eased in most other sectors, including basic metal products; construction materials; and paper, printing & publishing. The clothing & footwear and textiles sectors also reported a decline.



Production outcomes are mixed across sectors ...

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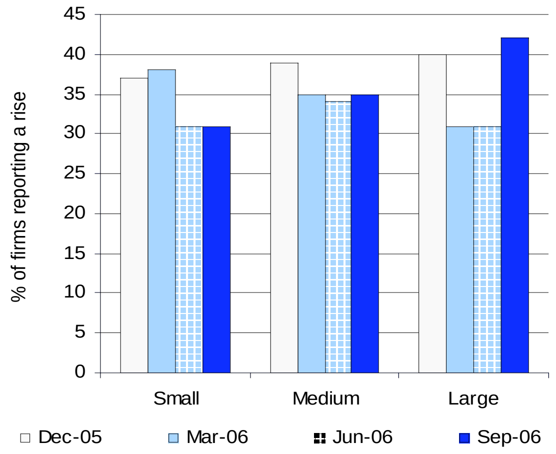
Production by firm size

The production gains in the September quarter were almost entirely confined to large firms (which would have also accounted for much of the export improvement).

For large firms (employing more than 100 people), the percentage of firms reporting production increases rose from 30% to 42%, a net balance of +13% (up from –15% previously).

Production levels remained largely unchanged for small and medium sized firms, with the proportion of firms reporting a rise unchanged for small firms (employing up to 25 people), and up marginally for medium sized firms, from 34% to 35%.



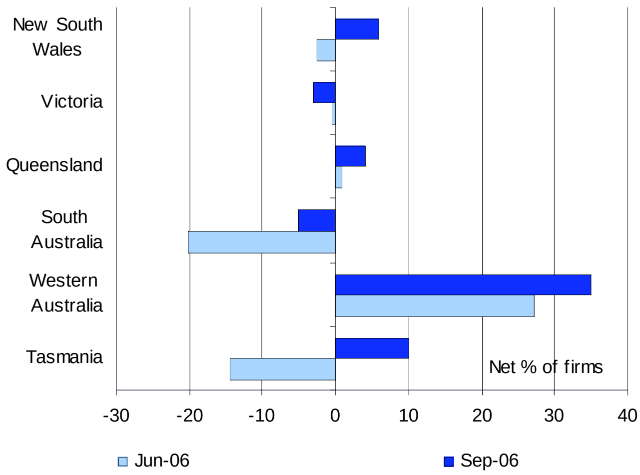
Large firms secured the gains in production ...

Production by state

Production grew in four states, with Western Australia remaining the strongest (a net balance of +35% of firms), reflecting the continued strength of mining activity.

Queensland reported a further small gain (+4% of firms), while production growth in New South Wales turned positive after three successive quarters of declines. Tasmania also reported renewed growth.

South Australia and Victoria were the only two states to continue to report declines, both exposed to a weak automotive sector. The net balance of firms improved however in South Australia (from a net balance of –20% to –5%) over the quarter. In Victoria, conditions moderated marginally, the net balance of firms changing from zero to –3% of firms.



Growth remains strongest in Western Australia ...

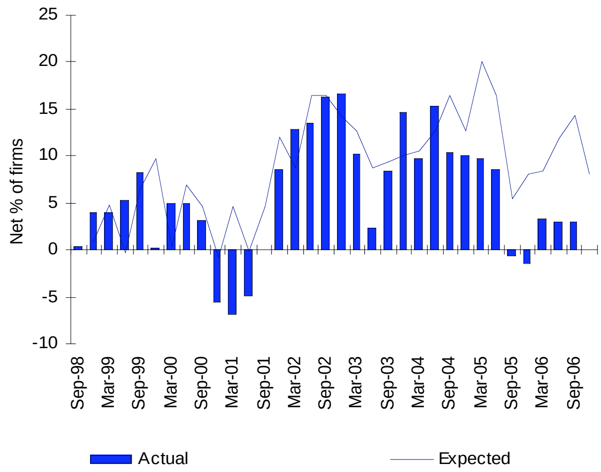
Deliveries of raw materials

Seasonally adjusted, the net balance of firms reporting a rise in supplier deliveries remained unchanged at +3% in the September quarter 2006.

Unadjusted, seven sectors reported an increase in deliveries (up on six in the previous quarter). Deliveries declined in four sectors, and remained unchanged in one.

The largest rises were in chemicals, petroleum & coal products; food & beverages; and wood, wood products & furniture. In contrast, the largest falls in deliveries were in basic metal products; construction material products; and transport equipment.

The net balance of firms expecting increased deliveries in the next quarter fell to +8%, from +14% previously, reflecting uncertainly about the current improvement being sustained.



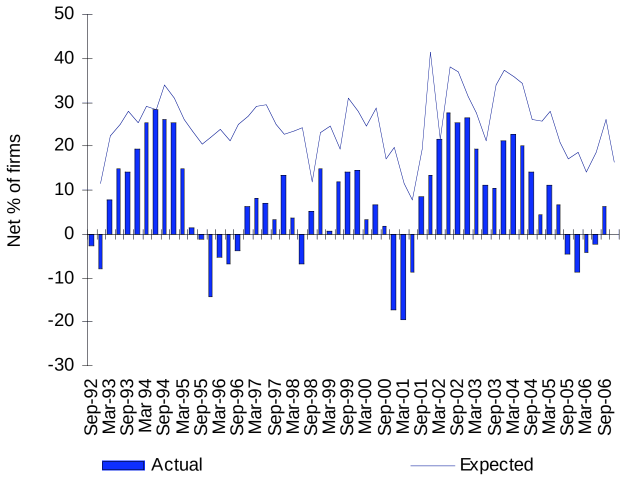
Supplier deliveries remain steady ...

Sales

Seasonally adjusted, sales rose in the September quarter 2006, the first rise in over a year. The net balance of firms reporting an increase changed from –2% to +6% over the quarter.

In unadjusted terms, six sectors reported an increase, up from only one in the previous quarter. Sales were strongest in chemicals, petroleum & coal products (partly reflecting price movements); food & beverages; and miscellaneous manufacturing. Sales fell in five sectors (and remained unchanged in one), with the largest declines experienced in the construction material products and transport equipment sectors.

Sales are forecast to moderate in the December quarter 2006, from a net balance of +26% to +16%.



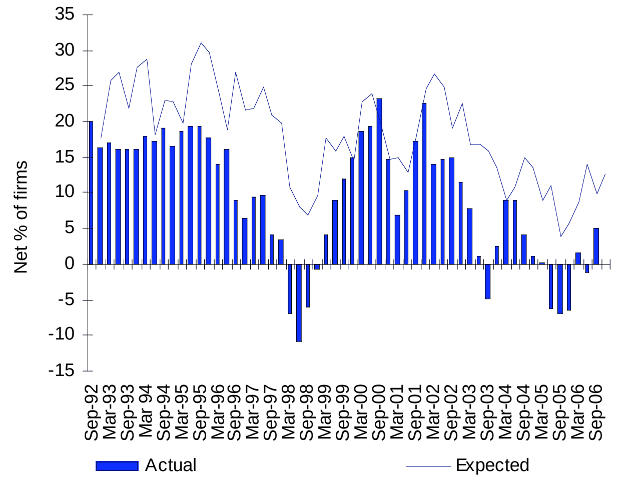
Sales rise in six sectors …

Exports

Exports made moderate gains in the September quarter 2006. The seasonally adjusted net balance of firms lifting export shipments rose from –1% to +5% over the quarter. This was the first major improvement recorded in over two years.

Six sectors (compared to four previously) reported an increase in exports. The largest gains were in the food & beverages; clothing & footwear; and basic metal products sectors. Five sectors reported a decline, particularly in construction material products.

Export growth is forecast to improve slightly, with the net balance of firms expecting to increase exports in the next three months was +13%, up from +10%.



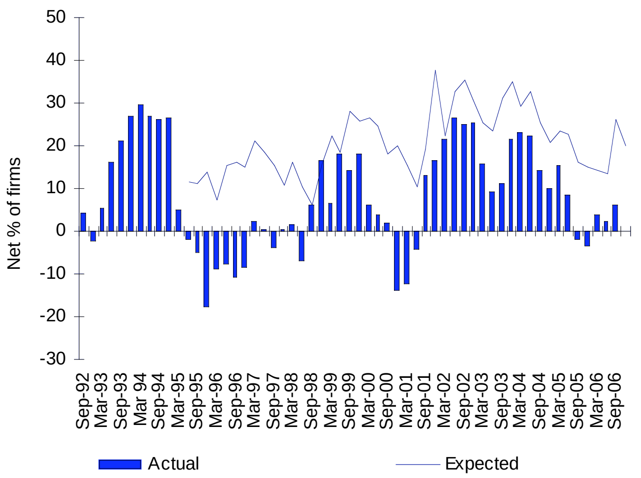
Exports makes moderate gains …

New orders

New orders rose marginally in the September quarter 2006, with the seasonally adjusted net balance of firms reporting higher new orders rising from +2% to +6%. In unadjusted terms, 30% of firms said new orders increased moderately in the quarter (up from 27%), and a further 4% reported a significant increase.

While nine sectors reported a rise, the improvement was largely confined to three sectors: food & beverages; paper, printing & publishing; and chemicals, petroleum & coal products. Orders fell in the remaining three sectors, with the construction material products experiencing the largest decline.

However, orders growth is expected to ease slightly in the December quarter 2006, the net balance of firms forecasting a lift falling from +26% to +20%.



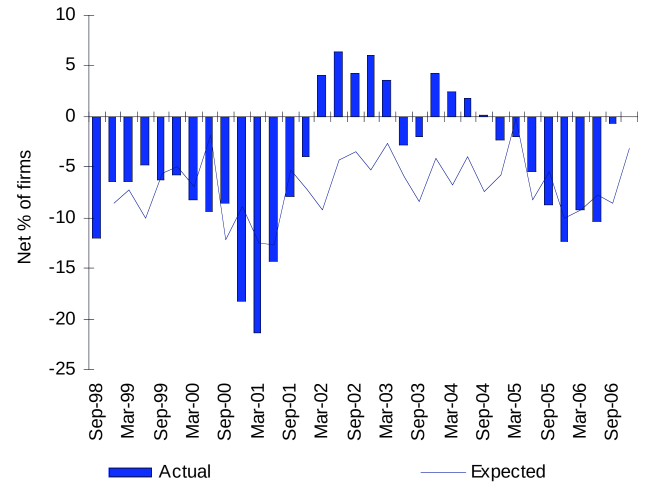
New orders improves marginally …

Backlog of orders

The fall in backlog of orders eased markedly in the September quarter 2006. The net balance of firms citing a rise in backlogs was –1% (seasonally adjusted), compared with –10% in the June quarter 2006.

In unadjusted terms, only the chemical petroleum & coal products and machinery & equipment sectors continued to report a rise in unfilled orders, all other (10) sectors reporting a decline. The decline in unfilled orders was greatest in paper, printing & publishing.

A further improvement in the backlog of orders is forecast in the December quarter 2006. A net balance of –3% expect order backlogs to rise in the next three months, compared with –9% in the previous survey.



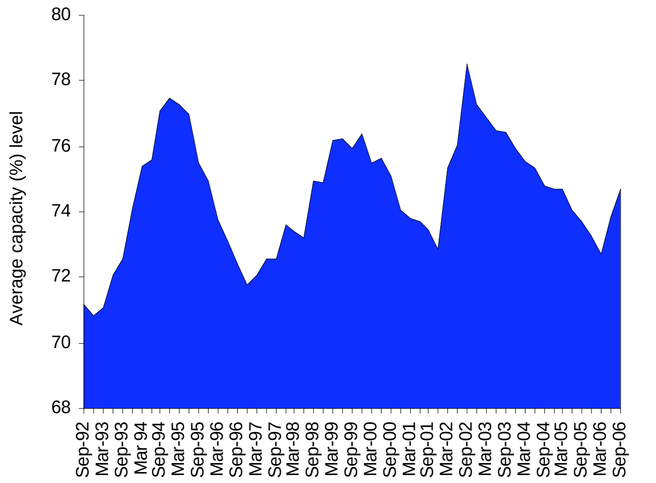
Order backlogs improve ...

Capacity utilisation

Capacity utilisation rose for the second consecutive quarter to 74.7% in the September quarter 2006 (seasonally adjusted), up from 74.8% in the previous quarter.

In unadjusted terms, capacity utilisation rose in 10 sectors in the quarter (up from five). The sharpest rise was in clothing & footwear and chemicals, petroleum & coal products.

Capacity utilisation was highest in machinery & equipment (at 79.7%), and lowest in transport equipment (68.8%).



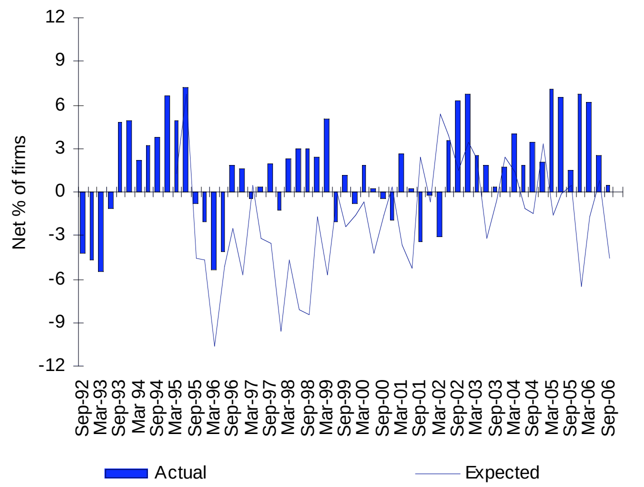
Capital utilisation rises ...

Finished product stocks

The rise in stocks of finished products continued to slow in the September quarter 2006. The seasonally adjusted net balance of firms reporting an increase in inventories fell from +3% in the June quarter 2006 to +1% in the current quarter.

In unadjusted terms, five sectors reported an increase in inventories, down from six. The remaining seven sectors reported a decline. The largest decreases in inventories were reported in the textiles; clothing & footwear; and basic metal products sectors.

Stocks are expected to be lower in the December quarter 2006. The net balance of firms forecasting higher inventories was -5%, compared with +1% in the previous survey.



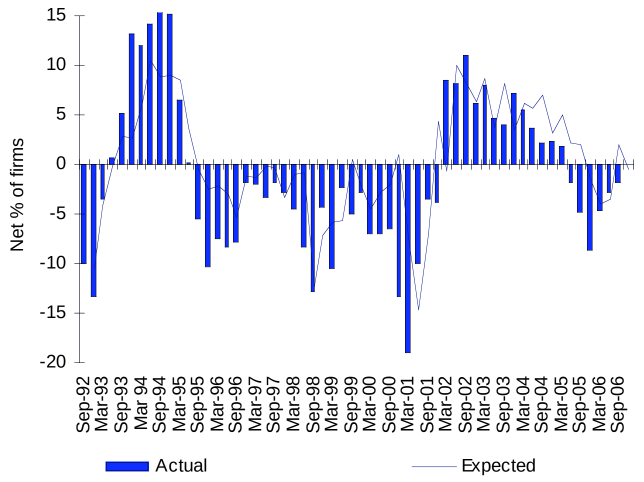
Inventories rises slow ...

Employment

Employment fell for the sixth consecutive quarter, although the rate of decline eased slightly. The seasonally adjusted net balance of firms lifting employment in the September quarter 2006 was –2%, compared with –3% in the June quarter 2006.

Unadjusted, seven sectors reduced employment in the quarter, with the largest declines in the construction materials products; transport equipment; and textiles sectors. The sectors recording the highest employment gains were chemicals, petroleum & coal products and other machinery & equipment.

Employment is forecast to trend modestly lower in the December quarter 2006. The net balance of firms forecasting a rise in the next three months is -1%, compared with +2% previously.



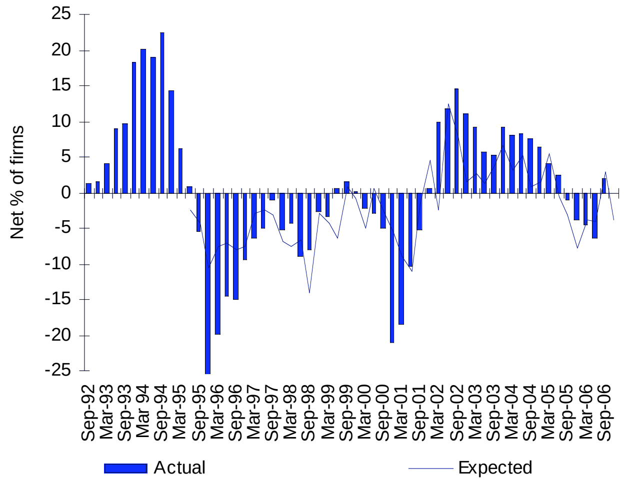
Employment declines for the sixth consecutive quarter …

Overtime

Overtime increased in the September quarter 2006 to compensate for the reduction in employment. The seasonally adjusted net balance of firms lifting overtime was +2%, with this modest rise following four consecutive quarters of declining overtime.

In unadjusted terms, the chemicals, petroleum & coal products; paper, printing & publishing; basic metal products; and machinery & equipment sectors increased overtime in the September quarter 2006. The largest declines in overtime were in the construction material products and clothing & footwear sectors.

A fall in overtime is expected in the December quarter 2006. The net balance of firms forecasting a rise in the next three months declined from +3% to –4%.



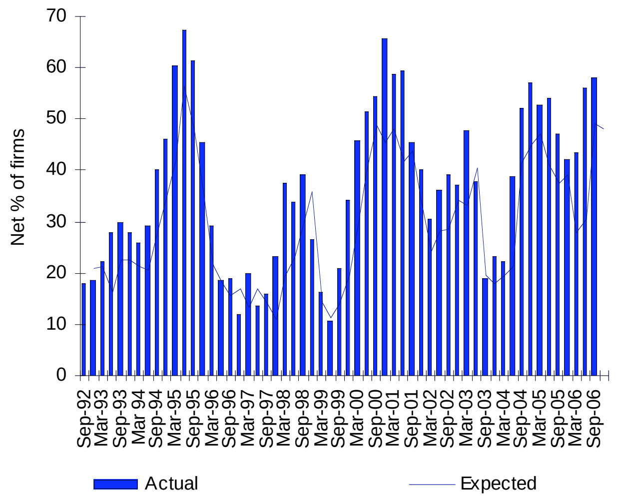
Overtime rises modestly …

Raw material costs

Raw material cost increases maintained strong growth in the September quarter 2006, to post their highest rate of increase since the June quarter 2001. The seasonally adjusted net balance of firms reporting higher raw material costs increased to +58%, from +56%.

Costs increased in all 12 sectors (unadjusted), as in the June quarter 2006. The largest increases were in fabricated metal products; basic metal products; transport equipment; fabricated metal products; chemicals, petroleum & coal products; and machinery & equipment. The smallest increases were in paper, printing & publishing and clothing & footwear.

Only a marginal easing in cost pressures is anticipated in the December quarter 2006. The net balance of firms forecasting higher input costs fell to +48%, from +49% in the previous survey.



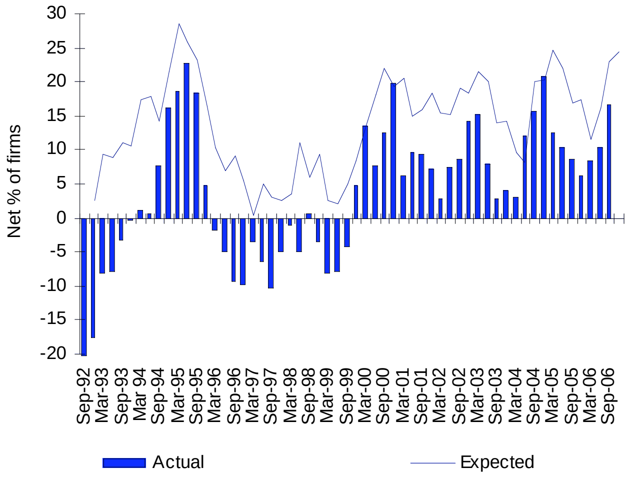
Raw material costs maintain strong growth …

Selling prices

The strengthening in input cost increases was reflected in a further rise in selling prices. The seasonally adjusted net balance of firms raising selling prices was +17%, compared with +10% in the June quarter 2006. This was the highest reading since the December quarter 2004.

Nine sectors lifted prices (unadjusted) in the September quarter 2006. The largest increases were in the basic metal products; machinery & equipment; and chemicals, petroleum & coal products. Prices fell in paper, printing & publishing, and were unchanged in textiles and wood, wood products & furniture.

Prices are forecast to increase at a slightly higher rate in the December quarter 2006. The net balance expecting to raise prices in the next three months was +24%, up from +23%.



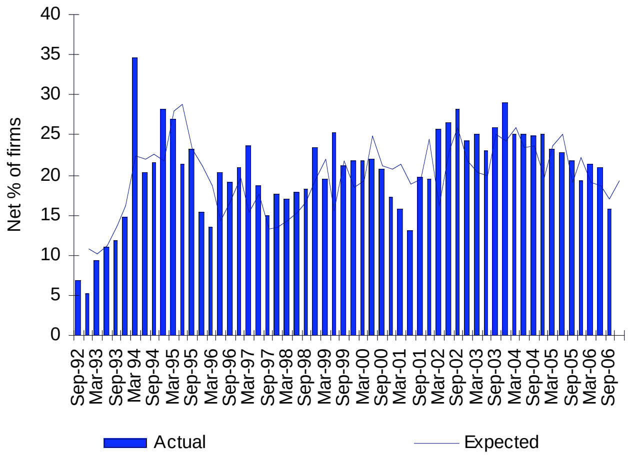
Selling price increases the highest in almost two years …

Average wages

Average wages growth moderated in the September quarter 2006. At +16%, the seasonally adjusted net balance of firms increasing wages contrasted with +21% in the June quarter 2006.

Wages again rose in all 12 sectors (unadjusted), with the largest increases in clothing & footwear; paper, printing & publishing and other machinery & equipment sectors. The most subdued growth was in food & beverages; transport equipment; and textiles.

Wages growth is forecast to trend slightly higher in the December quarter 2006. The net balance of firms expecting to increase wages was +19%, up from +17% in the previous survey.



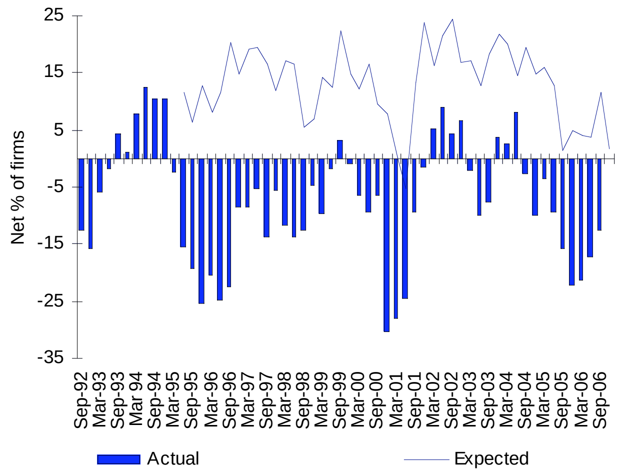
Wages growth moderates …

Net profits

Net profits fell for the ninth consecutive quarter, although the rate of decline eased from the previous quarter. The seasonally adjusted net balance of firms reporting higher profits was –13%, compared with –17% in the June quarter 2006.

In unadjusted terms, 11 of the 12 sectors suffered a fall in profits in the quarter. The steepest falls were in the transport equipment and basic metal products sectors. In aggregate, just 25% of manufacturers increased profits in the quarter, while 38% reported falls.

Net profits are forecast to trend lower in the December quarter 2006. The net balance of firms expecting higher profits in the next three months fell to +2%, from +11% previously.



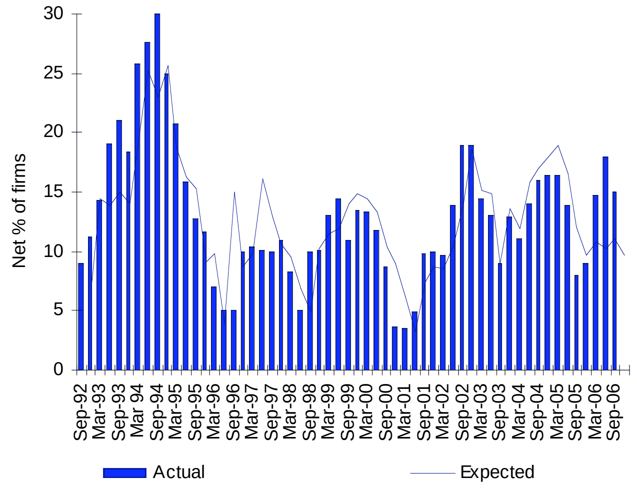
Profits continue to decline, although at lesser rate …

New plant and equipment

Growth in new capital expenditure moderated in the September quarter 2006. The net balance of firms increasing capital investment fell from +18% to +15% (seasonally adjusted). Nevertheless, growth remained well above the weak levels of the second half of 2005. However, the majority of firms (64%) reported no change in investment levels.

In aggregate (and unadjusted), 25% of firms increased investment spending in the quarter while 10% reported declines. Spending increased in 10 of the 12 sectors, with the largest increases in food & beverages and wood, wood products & furniture.

Growth is expected to trend slightly lower in the December quarter 2006. The net balance of firms forecasting an increase changed to +10%, from +11% previously.



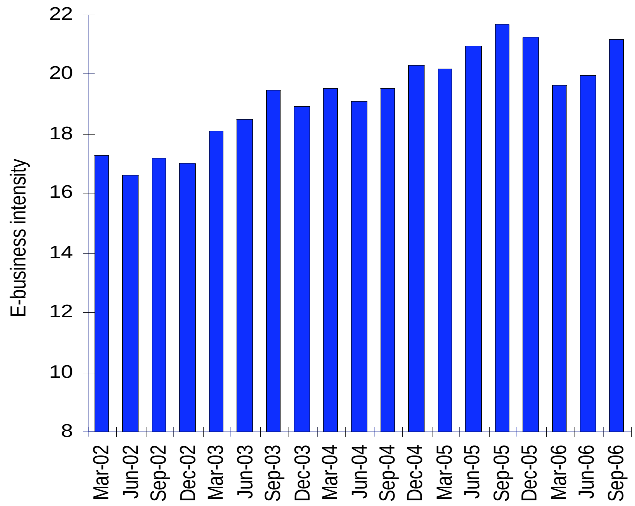
New capital expenditure growth moderates …

E-business intensity

The measure of e-business intensity represents a weighted average of four main uses of the internet (refer chart).

E-business intensity increased moderately in the September quarter 2006. The measure of e-business intensity rose to 21.2%, from 19.9% in the June quarter 2006. The September quarter 2006 reading contrasts with the historical high of 21.7% in the September quarter 2005.

Communication remains the main use of the internet by firms, accounting for 42.1% of all communications in the September quarter 2006. Among other functions, the internet was used for 18.1% of promotional activity; 12.1% of sales; and 12.5% of purchases.

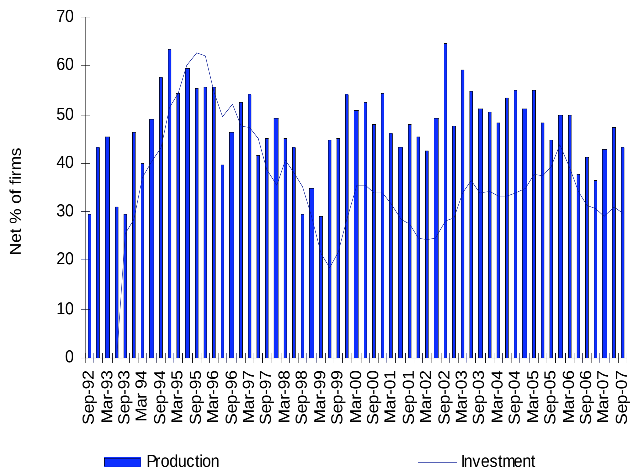


E-business intensity increases moderately …

Production and investment over next 12 months

Production forecasts for the next 12 months have been revised lower. At +43.3%, the net balance of firms forecasting production growth contrasts with +47.2% the previous quarter. The food & beverages sector expects the strongest growth over the year to the September quarter 2007, followed by chemical, petroleum & coal products. The weakest forecast growth is in construction material products.

In addition, forecast investment growth has moderated slightly from the June quarter 2006, the net balance changing from 30.9% to +29.9%. Forecast growth is strongest in food & beverages and paper, printing & publishing.



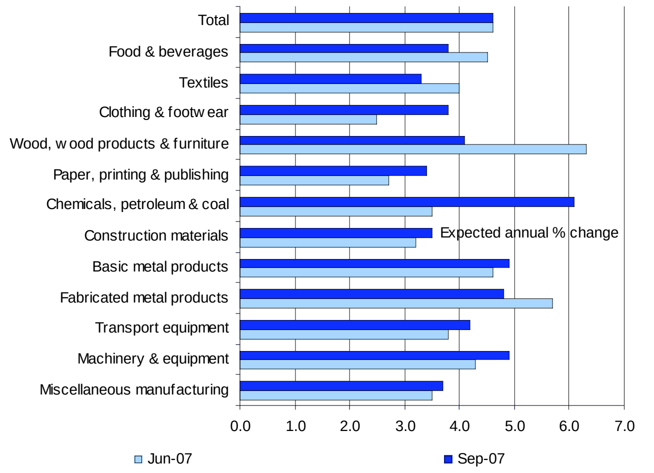
Forecast production growth revised lower …

Selling prices over next 12 months

Selling prices are expected to rise by 4.6% over the next 12 months, on par with expectations in the June quarter 2006. However, current expected growth in prices exceeds forecasts of a year earlier.

Across sectors, eight expect higher rises over the year. Only food and beverages (where the forecast rise fell from 4.5% to 3.8%); textiles (4.0% to 3.3%); wood, wood products and furniture (6.3% to 4.1%) and fabricated metal products (5.7% to 4.8%) anticipate lower increases.

The highest forecast increase is in chemicals, petroleum and coal products (6.1%), followed by a forecast increase of 4.9% in basic metal products and other machinery and equipment.



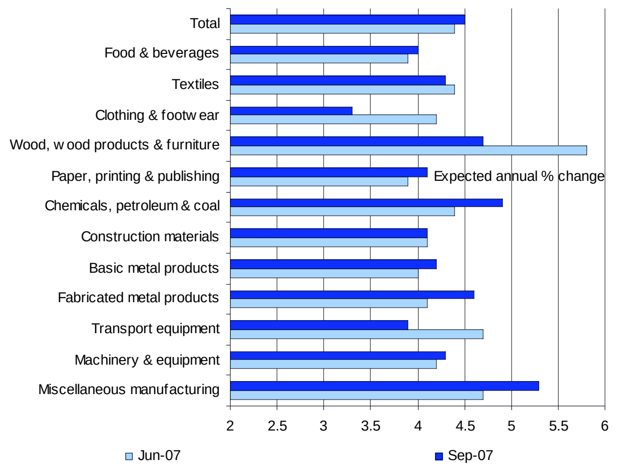
Forecast lift in selling prices unchanged …

Average wages over next 12 months

Forecast wages growth increased for the fifth consecutive quarter. Wages are expected to rise by 4.5% over the year to the September quarter 2007, compared with 4.4% in the previous survey.

Forecast wages growth increased in seven sectors, eased in four and was unchanged in one. The strongest forecast rises are in miscellaneous manufacturing (5.3%) and chemicals, petroleum and coal products (4.9%).

The lowest forecast rise is in clothing and footwear (3.3%). Wages in the remaining eight sectors are expected to grow in a range of 3.9% to 4.7%.



The 12-month outlook for wages points to slightly higher growth …

National Statistics

(Note: a new series of seasonal adjustments using X-12 were applied from June quarter 2006 to all data)

National results - actual*

	Sep 2006					Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
Production	5	31	32	24	8	8	-2	-2	-1	1
Sales	6	31	31	24	8	6	-2	-4	-9	-5
Employment	2	20	54	21	3	-2	-3	-5	-9	-5
Overtime	3	20	51	18	8	2	-6	-5	-4	-1
Wages	2	30	59	8	1	16	21	21	19	22
New orders	4	30	38	22	6	6	2	4	-4	-2
Backlog of orders	3	14	61	15	7	-1	-10	-9	-12	-9
Exports	2	21	58	15	4	5	-1	2	-6	-7
Net profits	2	23	37	30	8	-13	-17	-21	-22	-16
Raw material costs	12	51	34	3	0	58	56	43	42	47
Selling prices	2	27	61	9	1	17	10	9	6	9
Finished product stocks	3	20	54	20	3	1	3	6	7	2
Deliveries	3	20	55	18	4	3	3	3	-1	-1
New plant and equipment	4	21	65	4	6	15	18	15	-1	8

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

National results - forecast*

	Dec 2006					Dec 2006	Sep 2006	Jun 2006	Mar 2006	Dec 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
Production	6	39	34	17	4	12	22	19	13	15
Sales	4	42	34	16	4	16	26	19	14	18
Employment	1	21	61	14	3	-1	2	-4	-4	-2
Overtime	1	21	59	14	5	-4	3	-4	-4	-8
Wages	1	26	66	6	1	19	17	19	19	22
New orders	4	41	38	15	3	20	26	14	14	15
Backlog of orders	2	14	69	11	4	-3	-9	-8	-9	-10
Exports	4	24	61	8	3	13	10	14	9	6
Net profits	2	31	43	20	4	2	11	4	4	5
Raw material costs	7	47	40	6	0	48	49	31	28	39
Selling prices	1	33	58	7	1	24	23	16	12	17
Finished product stocks	2	16	63	17	2	-5	1	-2	-7	0
Deliveries	2	25	60	11	2	8	14	12	8	8
New plant and equipment	2	19	68	5	6	10	11	10	11	10

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

Production by sector – actual*

	Sep 2006					Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
Food and beverages	6	35	27	26	6	10	21	10	2	3
Textiles	5	21	39	23	12	-1	8	-2	-19	5
Clothing and footwear	0	26	36	32	6	-13	1	-13	-31	-50
Wood, wood products and furniture	6	33	28	22	11	8	-4	3	17	13
Paper, printing and publishing	2	33	25	35	5	-5	-13	5	-7	-6
Chemicals, petroleum and coal products	6	36	36	12	10	30	-1	6	2	-3
Construction material products	4	30	19	34	13	-12	-13	3	-9	-16
Basic metal products	5	28	29	26	12	-11	-21	-5	-10	8
Fabricated metal products	3	33	33	24	7	7	1	-7	-14	-15
Transport equipment	2	20	42	29	7	-16	-15	-27	-36	-11
Machinery and equipment	7	28	37	24	4	5	-2	2	7	7
Miscellaneous manufacturing	3	37	36	16	8	17	-9	4	-5	-15

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

Production by sector – forecast*

	Dec 2006					Dec 2006	Sep 2006	Jun 2006	Mar 2006	Dec 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
Food and beverages	10	42	31	14	3	13	39	30	23	26
Textiles	5	46	23	23	3	14	14	13	2	4
Clothing and footwear	7	33	37	23	0	13	-12	13	10	6
Wood, wood products and furniture	6	45	36	9	4	23	28	30	13	0
Paper, printing and publishing	8	35	39	18	0	9	18	8	25	11
Chemicals, petroleum and coal products	4	47	27	16	6	15	31	22	22	17
Construction material products	5	37	33	23	2	16	-12	12	4	6
Basic metal products	3	35	34	25	3	7	17	7	-2	18
Fabricated metal products	6	33	39	16	6	9	21	16	21	8
Transport equipment	4	25	45	18	8	0	14	3	-2	11
Machinery and equipment	9	38	38	12	3	28	13	19	7	12
Miscellaneous manufacturing	3	45	28	18	6	11	18	11	1	3

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

Production by state - actual*

	Sep 2006					Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
New South Wales	5	34	33	21	7	6	-3	-5	-7	1
Victoria	5	27	31	28	9	-3	0	-8	-10	-4
Queensland	5	28	37	24	6	4	1	5	-3	-1
South Australia	3	30	31	32	4	-5	-20	2	-14	-20
Western Australia	2	48	29	14	7	35	27	17	20	19
Tasmania	0	33	33	17	17	10	-14	5	-3	2

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

Production by state - forecast*

	Dec 2006					Dec 2006	Sep 2006	Jun 2006	Mar 2006	Dec 2005
	Up Signif	Up Moder	No Change	Down Moder	Down Signif	Net Balance	Net Balance	Net Balance	Net Balance	Net Balance
New South Wales	6	35	38	17	4	10	17	26	18	15
Victoria	6	39	32	19	4	9	12	10	4	6
Queensland	5	38	37	16	4	13	20	22	8	18
South Australia	11	35	34	14	6	18	8	17	8	11
Western Australia	3	45	31	18	3	12	42	25	39	26
Tasmania	11	43	39	7	0	39	39	33	29	14

* Net balance only seasonally adjusted. Individual percentage changes are original values (and not seasonally adjusted).

Capacity utilisation*

	Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005	Jun 2005	Mar 2005	Dec 2004	Sep 2004	Jun 2004	Mar 2004
Average capacity	74.7	73.8	72.7	73.2	73.7	74.0	74.7	74.7	74.8	75.3	75.6

* Capacity utilisation is seasonally adjusted

Production (12 month) outlook

	Sep 2007	Jun 2007	Mar 2007	Dec 2006	Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005	Jun 2005	Mar 2005
Increasing significantly	12.2	9.3	8.4	9.0	8.7	10.3	9.9	8.6	10.8	11.6	11.3
Increasingly moderately	49.0	52.7	52.4	45.7	50.0	46.1	55.2	54.8	50.9	51.0	56.0
No change	21.3	22.0	21.3	26.5	24.4	23.8	20.1	23.0	22.1	23.0	19.4
Declining moderately	13.2	12.4	13.5	13.7	13.0	16.7	12.4	11.5	13.7	10.6	11.8
Declining significantly	4.3	3.6	4.4	5.1	3.9	3.1	2.4	2.1	2.5	3.8	1.6

New plant and equipment (12 month) outlook

	Sep 2007	Jun 2007	Mar 2007	Dec 2006	Sep 2006	Jun 2006	Mar 2006	Dec 2005	Sep 2005	Jun 2005	Mar 2005
Increasing greatly	9.0	7.1	7.6	8.2	11.6	11.2	11.8	11.1	12.0	12.0	9.6
Increasing moderately	35.4	37.0	36.2	37.8	33.8	35.0	39.7	42.8	37.9	35.8	39.0
No change	40.7	42.9	41.1	39.3	40.1	42.1	35.4	37.5	38.3	41.4	40.6
Declining moderately	6.6	5.0	5.6	6.8	7.5	4.7	6.4	3.2	5.6	4.3	6.1
Declining greatly	8.3	8.0	9.5	7.9	7.0	7.0	6.6	5.4	6.2	6.5	4.7

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Production by firm size
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