

# AUSTRALIAN GEAR INDUSTRY ECONOMIC AND MARKET REPORT 2010

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# General Economic Conditions

- Australia managed to negotiate GFC fairly well.
- Australia “officially” avoided going into recession in 2009 - thanks to a strong mining sector and sound Financial System.
- Unemployment, expected to reach 8%, actually peaked at 5.9% in 2009 and is currently at 5.3%.
- However Australia did react to world economic uncertainty with the credit squeeze hitting the commercial property markets and the manufacturing and retail sectors.

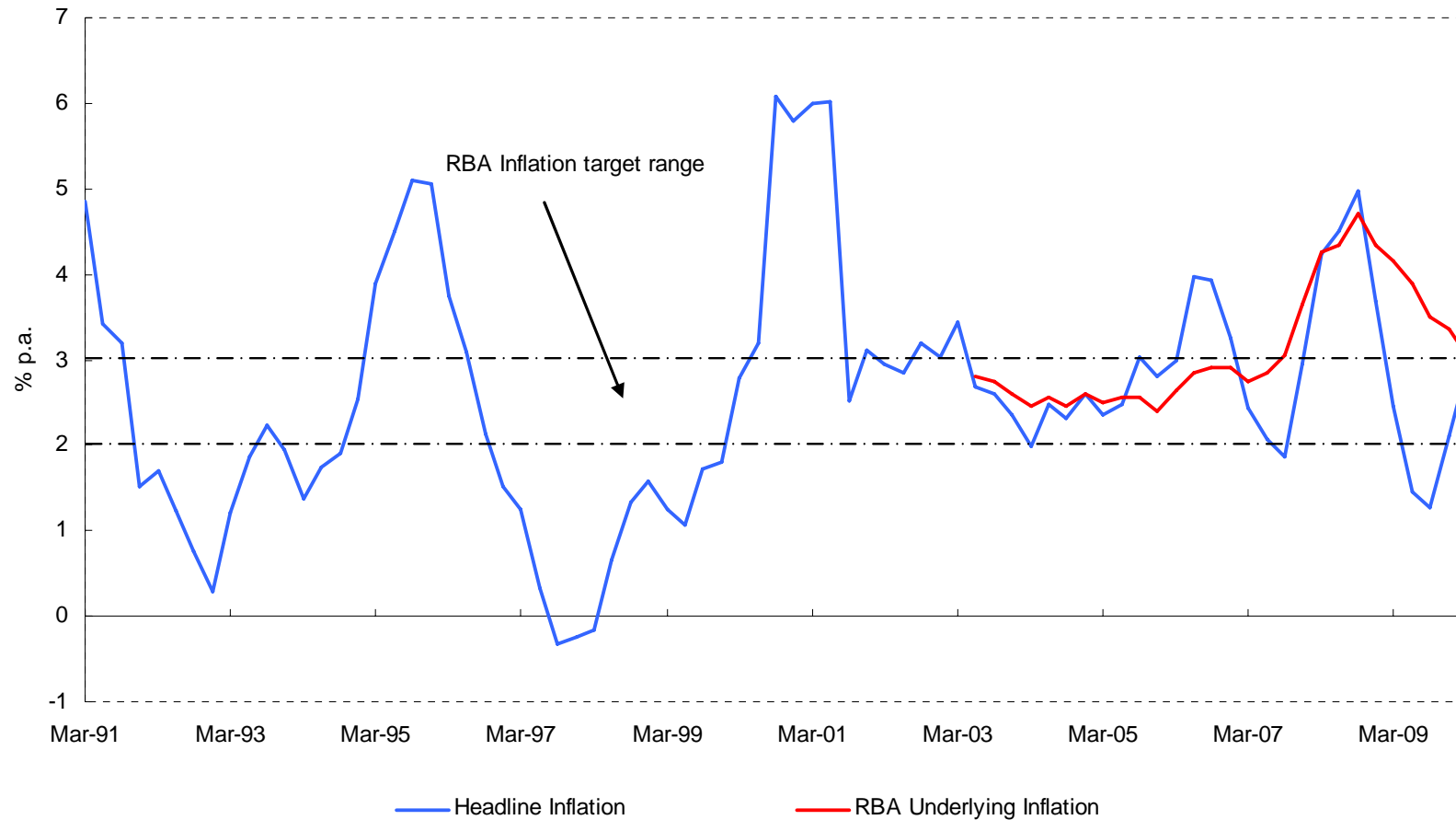
# Current Situation – a mixed Bag

- Stock market instability - reacting to global uncertainty.
- Exchange rate of the Australian Dollar experiencing continual fluctuations.
- Household debt under control.
- Domestic Housing prices at record highs.
- Inflation on the rise – our biggest concern.
- Resulting in our Reserve Bank increasing interest rates six times since September 2009 – Base rate currently at 4.5%.

The economy now showing signs of slowing.

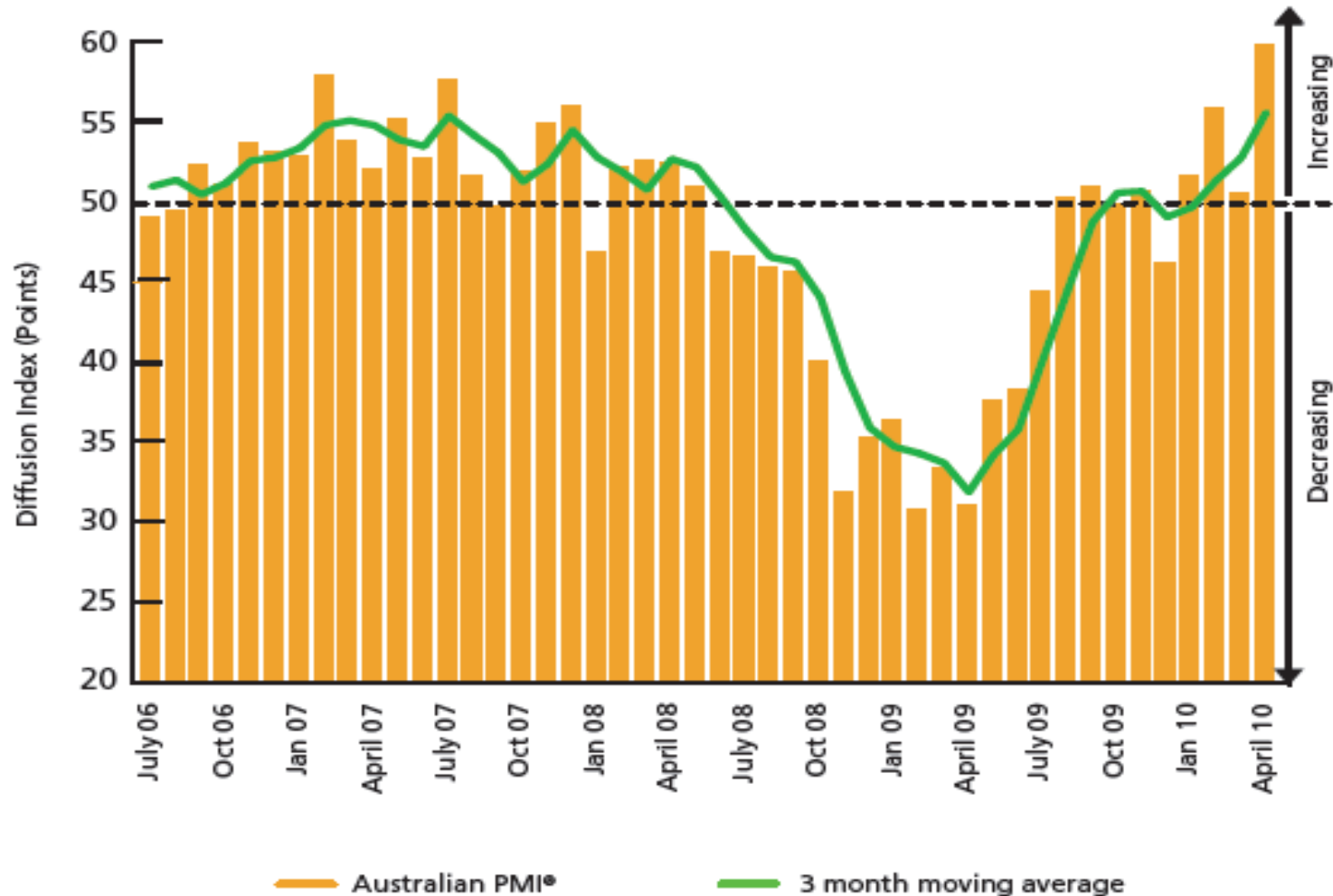
# Inflation Outlook

**RBA domestic concerns** – tight labour market, hot domestic property market, renewed domestic strength. 4% inflation predicted by 2012

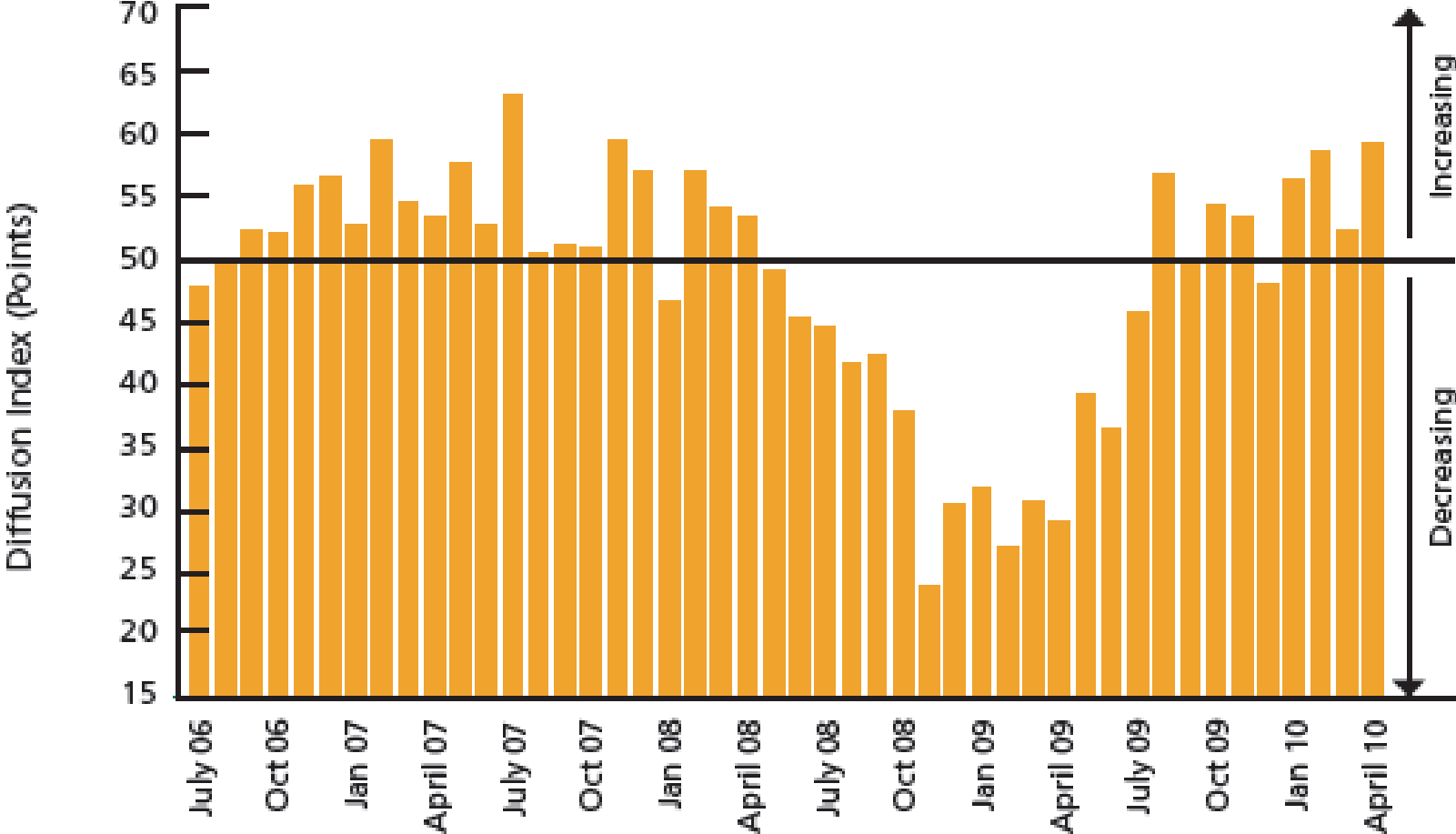


# So how is Manufacturing doing?

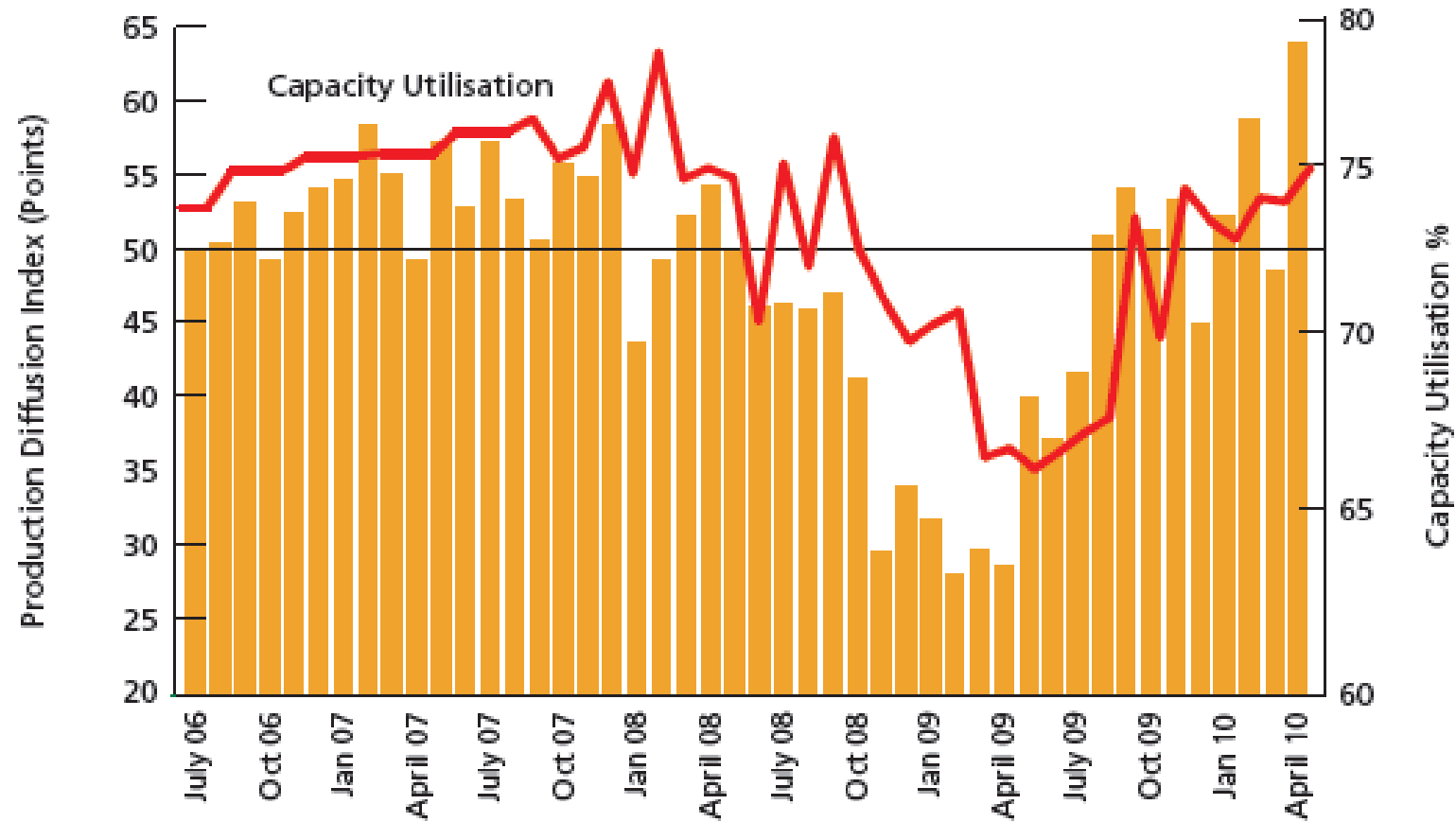
Australian PMI  
( May result at 56.3 – continual but slower growth)



# New Orders

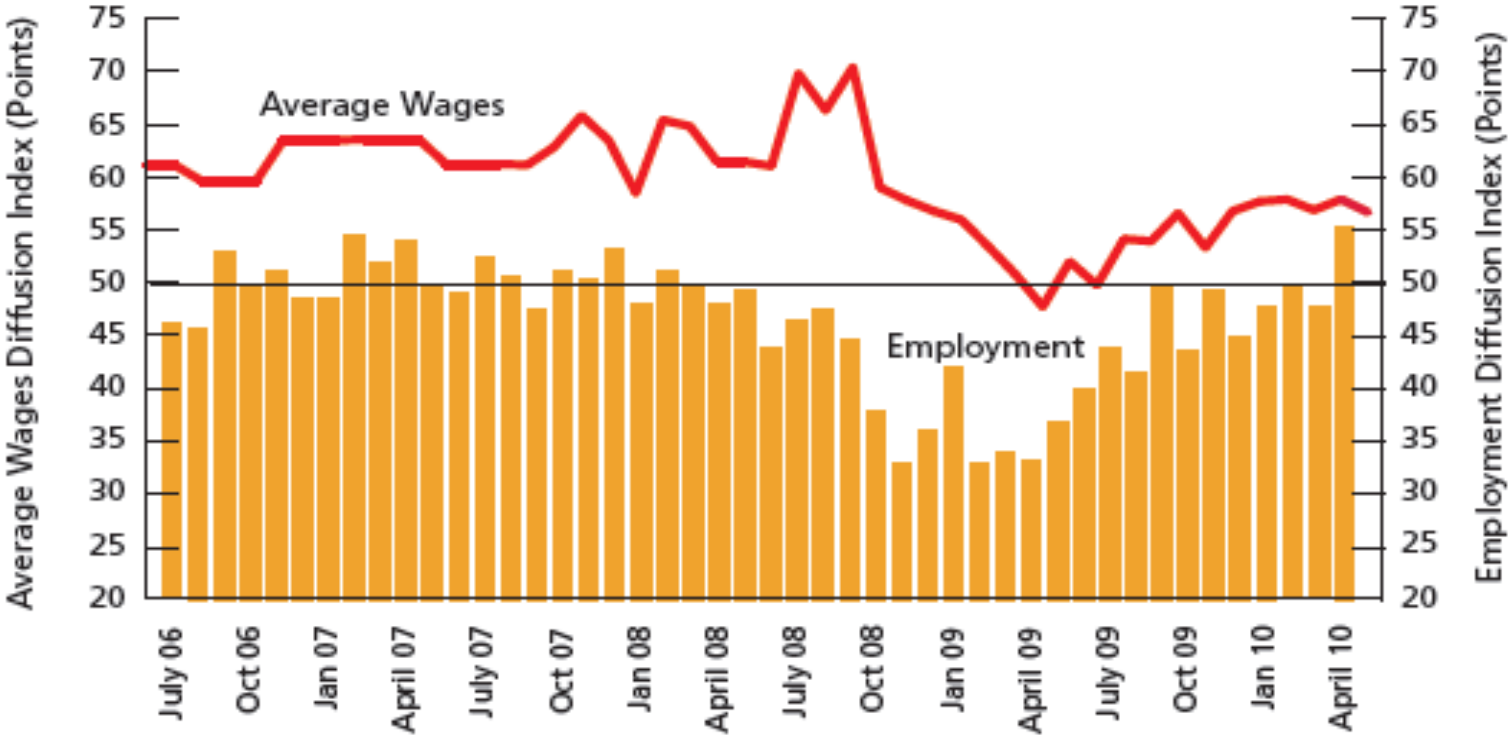


# Production & Capacity Utilization



# Employment Rate

Unemployment Rate Currently at 5.3% - Tight labour market - Wage rates stable.



# Australia's Gear Industry is hanging in.

- Manufacturing in the Machinery and Equipment sector remains slow however.
- Those connected to our resources sector doing well but the “Job Shops” are very slow.
- Two of our larger gear companies entering the Wind market.
- Investment in new gear equipment dependant upon level of activity.
- Shortage of skilled labour.
- Stable raw material prices.

# Outlook Going forward

- Australia's financial system is healthy – profitable and well capitalized.
- Government debt is limited and controlled – requiring no unnecessary fiscal repair.
- Demand for our resources needs to continue in order to give the remainder of our economy time to settle and adjust.
- However still uncertain times in many sectors and Global jitters affecting stock markets.
- Proposed “super taxes” on Mining companies may have a negative effect as Mining companies consider their options
- Gear companies need to be continually investigating new opportunities as the market landscape continually changes.

