Performance of Services Index

CIPS Australia

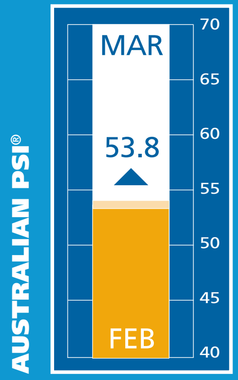
AUSTRALIAN PSI

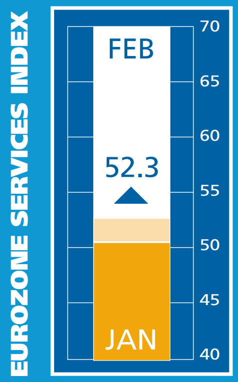
PERFORMANCE OF SERVICES INDEX®

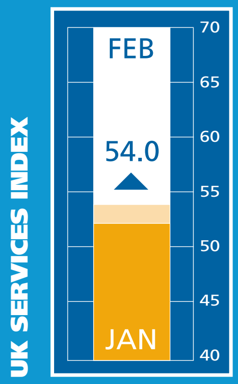
AUSTRALIAN INDUSTRY GROUP

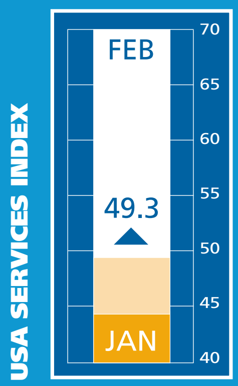
Commonwealth Bank

MARCH 2008





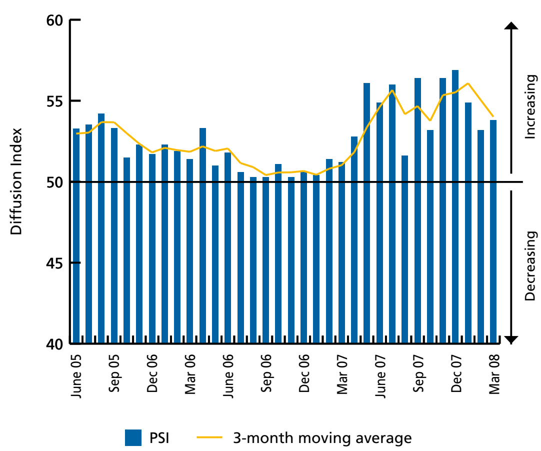




SERVICES GROWTH STEADIES

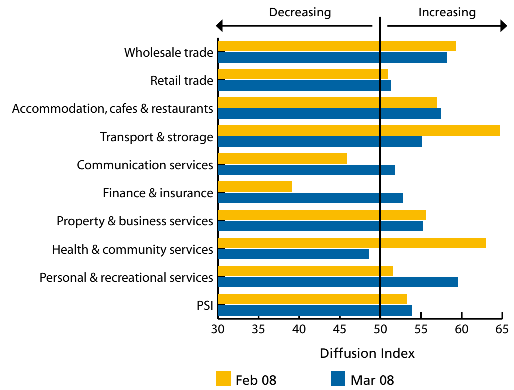
KEY FINDINGS

- Growth in services sector activity steadied in March following two consecutive months of easing.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index **(Australian PSI®)** rose 0.6 points to 53.8, above the key 50.0 level separating expansion from contraction but 3.1 points below the recent peak of December 2007.
- Stronger demand for personal & recreational services and the re-emergence of growth in the finance & insurance and communication service sectors helped arrest the slide in services growth.
- Sales and new orders growth strengthened in March, following weaker increases in the previous month. By contrast, growth in employment and supplier deliveries slowed, as did the rate of stock accumulation.
- Growth in selling prices and input costs both eased in the month, while wage increases edged-up slightly.
- Activity grew in all states, excluding Tasmania, with the rate of increase strengthening in Western Australia and Queensland.



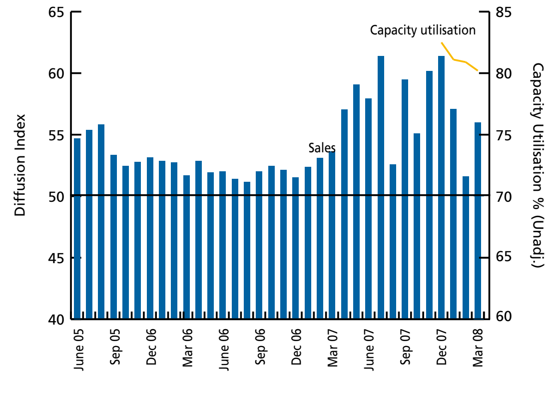
SECTORS

- On a seasonally adjusted basis, activity expanded in eight of the nine services sectors (up from seven in the previous month).
- Growth was strongest in personal & recreational services, while activity also increased solidly in the wholesale trade sector.
- More moderate growth was recorded in the accommodation, cafes & restaurants; transport & storage; and property & business services sectors.
- Activity growth re-emerged in the business-related sectors of finance & insurance and communication services sectors.
- High interest rates and fuel costs led to a second consecutive month of flat growth in the retail trade sector.
- Health & community services was the only sector to report a decline in activity, following a strong expansion in February.



SALES AND CAPACITY

- The seasonally adjusted sales sub-index rose 4.4 points in March to 56.0.
- Unadjusted, sales increased in seven sectors, up from five in the previous month, with finance & insurance unchanged.
- Sales growth was strongest in accommodation, cafes & restaurants; personal & recreational services; and retail trade.
- The property & business services and transport & storage sectors also reported solid increases in sales.
- Elsewhere, growth picked-up slightly in the wholesale trade sector and moderated in health & community services.
- Communication services was the only sector to record a fall in sales in March, a second consecutive month of contraction.
- Capacity utilisation fell in the services sector for a third consecutive month, although it remains high at 80.2%.



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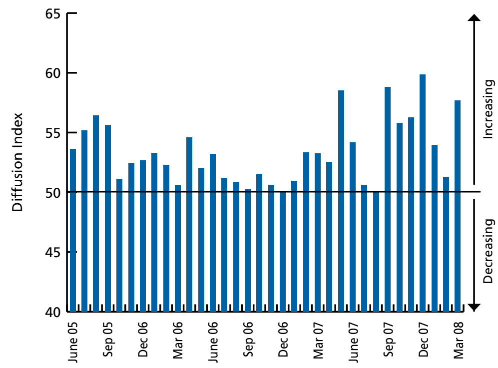
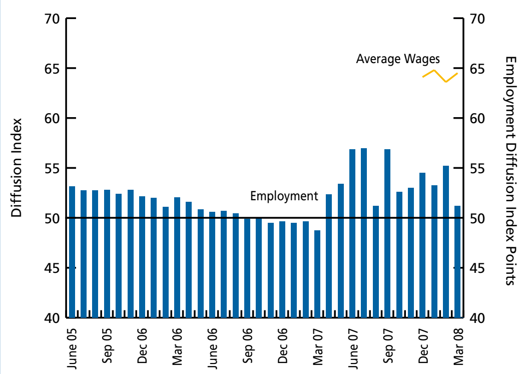
NEW ORDERS

- New orders growth accelerated in March, with the seasonally adjusted sub-index increasing 6.4 points to 57.7.
- In unadjusted terms, eight sectors reported growth in new orders (up from four in February).
- The largest increases in new orders were in accommodation, cafes & restaurants; wholesale trade; and personal & recreational services.
- New orders lifted solidly in property & business services and expanded in the finance & insurance sector for the first time in five months.
- Moderate new orders growth was recorded in retail trade; communication services; and transport & storage.
- Health & community services was the only sector to record a decline in new orders in March.



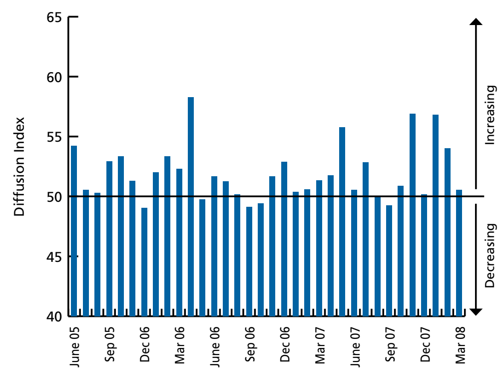
EMPLOYMENT AND WAGES

- Seasonally adjusted, the employment sub-index fell 4.0 points in March to 51.2.
- On an unadjusted basis, employment increased in six sectors, unchanged from the previous month, with retail trade and accommodation, cafes & restaurants unchanged (as in February).
- Finance & insurance and personal & recreational services registered the strongest growth in employment.
- Employment also expanded solidly in property & business services and transport & storage, despite the pace of growth slowing in each.
- Elsewhere, employment growth resumed in the communication services sector and eased in wholesale trade.
- Health & community services was the only sector to report a fall in employment in the month.
- Wages growth ticked-up slightly in March, with the sub-index rising by 0.9 points to 64.5.



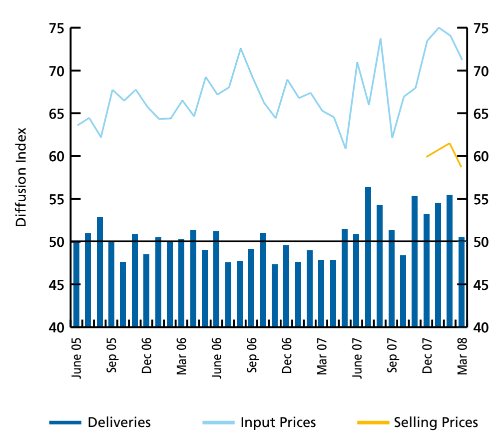
STOCKS

- Inventories of finished goods were broadly steady in March, following two months of steady accumulation. The seasonally adjusted stocks sub-index dropped 3.4 points to 50.6.
- Unadjusted, stocks expanded in just three sectors, compared with six in February, with communication services and finance & insurance unchanged.
- Growth in inventories was strongest in accommodation, cafes & restaurants and retail trade.
- Wholesale trade was the only other sector to record an accumulation in stocks in March.
- The personal & recreational services sector ran-down inventories for a second consecutive month.
- Property & business services; transport & storage; and health & community services also reported a contraction in stocks.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries barely expanded in March, with the seasonally adjusted sub-index declining 5.0 points to 50.5.
- In unadjusted terms, four sectors reported increases in deliveries, down from six in the previous month, with finance & insurance unchanged.
- The largest increases in deliveries were recorded in the accommodation, cafes & restaurants and retail trade sectors.
- Deliveries also expanded in transport & storage and wholesale trade, although at a slower pace than in February.
- Personal & recreational services registered the largest decline in deliveries. Falls were also reported in property & business services; communication services; and health & community services.
- Input cost increases eased for a second consecutive month, with the seasonally adjusted sub-index falling 2.4 points to 71.4.
- Unadjusted, growth in input costs accelerated in four sectors, with transport & storage recording the strongest rate of increase.
- Selling price increases eased in line with the slower growth in input costs, the sub-index declining 2.8 points to 58.7.



NATIONAL INDEXES

	Mar 08	Mar 07	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07
AUSTRALIAN PSI®	53.8	51.2	53.2	54.9	56.9	56.4	53.2	56.4	51.6	56.0	54.9
SALES	56.0	53.6	51.6	57.1	61.4	60.2	55.1	59.5	52.6	61.4	57.9
CAPACITY(%)	80.2	na	80.9	81.1	82.5	79.8	80.9	na	na	na	na
NEW ORDERS	57.7	53.3	51.3	54.0	59.9	56.3	55.8	58.8	50.1	50.6	54.2
EMPLOYMENT	51.2	48.8	55.2	53.3	54.5	53.0	52.6	56.9	51.2	57.0	56.9
WAGES	64.5	na	63.6	64.8	64.1	62.6	65.6	na	na	na	na
INVENTORIES	50.6	51.4	54.0	56.8	50.2	56.9	50.9	49.2	50.0	52.9	50.6
DELIVERIES	50.5	47.9	55.5	54.5	53.2	55.4	48.4	51.3	54.3	56.3	50.9
INPUT PRICES	71.4	66.3	73.8	74.6	73.3	68.5	67.7	63.5	73.5	66.8	71.1
SELLING PRICES	58.7	na	61.5	60.7	59.9	57.3	57.0	na	na	na	na

Results are based on a sample of around 200 companies. New monthly seasonal adjustment factors, derived directly from an X-12 estimation process were introduced in April 2007. The capacity utilisation, wages and selling prices indexes are reported in unadjusted terms.

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WHAT IS THE AUSTRALIAN PSI®?

The Australian Performance of Services Index (Australian PSI®) is a seasonally adjusted national composite index based on the diffusion indexes for sales, new orders, employment, inventories and deliveries all with varying weights.

An Australian PSI® reading above 50 points indicates that the service industry 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

Commonwealth Bank is delighted to be the sponsor of the Australian PSI® and is pleased to be able to provide the expertise of our Chief Economist Michael Blythe as the key spokesperson for the Performance of Services Index. The Commonwealth Bank is one of Australia's premier service organisations and with the majority of the Australian economy being services based we believe this important piece of research will add real value to the industry. It will provide insights and information that have not previously been available. We look forward to continuing to work with the Australian Industry Group to enhance and develop the Australian PSI®.

Commonwealth Bank

CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 5504

Michael Blythe
Chief Economist
Commonwealth Bank
work 02 9312 4135
mobile 0414 886 027

NTC Research
www.ntceconomics.com

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