



PSI AUSTRALIAN

PERFORMANCE OF SERVICES INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

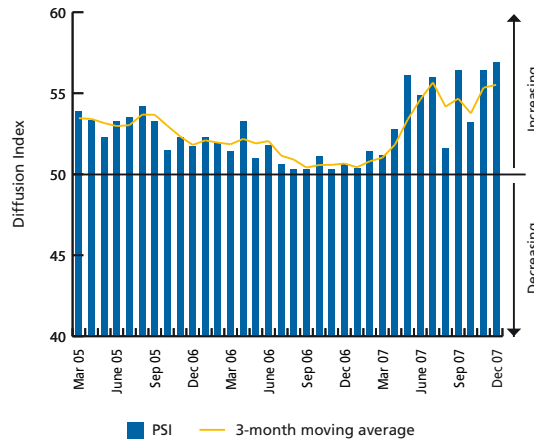


DECEMBER 2007

SERVICES ACTIVITY MAINTAINS ITS STRONG MOMENTUM

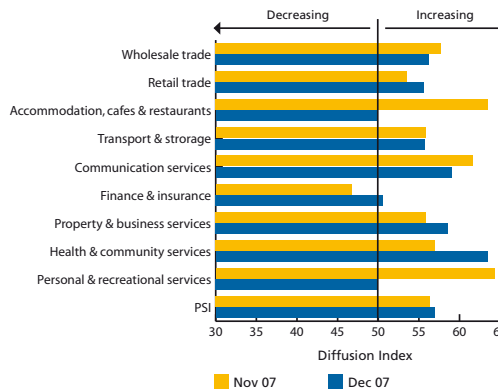
KEY FINDINGS

- Services sector activity maintained its recent strong momentum in December. Solid outcomes in key business-related sectors, as well as in retail trade and health & community services, offset softer growth in some of the consumer-related sectors.
- The seasonally adjusted Australian Industry Group - Commonwealth Bank Performance of Services Index (**Australian PSI®**) rose by 0.5 points to 56.9, remaining well above the key level separating expansion from contraction.
- The pick-up in retail trade activity was underpinned by an acceleration in sales and new orders growth in the lead-up to Christmas.
- Growth in sales, new orders and employment quickened for a second consecutive month. By contrast, supplier deliveries expanded at a slower pace and inventories remained steady.
- All six states recorded increased activity in December, with WA; NSW; and Tasmania each reporting faster growth.



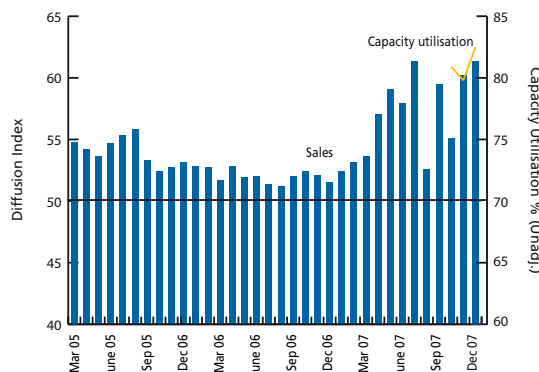
SECTORS

- In seasonally adjusted terms, activity expanded in seven sectors, down from eight in the previous month.
- Health & community services and communication services reported the strongest rates of growth in December, driven by stronger demand in both sectors.
- Growth picked-up in property & business services, while the transport & storage sector continued to expand at a solid rate.
- Elsewhere, growth strengthened in retail trade and eased slightly in the wholesale trade sector. Activity barely expanded in finance & insurance.
- Both personal & recreational services and accommodation, cafes & restaurants failed to expand in December, following strong increases in the previous month.

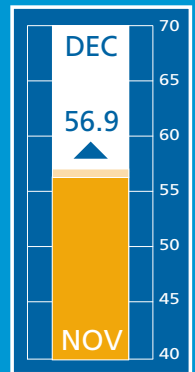


SALES AND CAPACITY

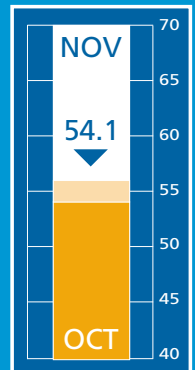
- In seasonally adjusted terms, sales rose 1.2 points in December to 61.4.
- On an unadjusted basis, sales increased in eight sectors, down from nine in the previous month.
- Communication services; retail trade; and transport & storage reported the strongest increases in sales in December.
- Sales also grew solidly in the accommodation, cafes & restaurants; property & business services; and health & community sectors.
- Growth eased sharply in the personal & recreational services sector. Wholesale trade also recorded a moderation in growth in the month.
- Finance & insurance was the only sector to report a decline in sales in December, following three consecutive months of growth.
- Capacity utilisation lifted further, increasing from 79.8% to 82.5%.



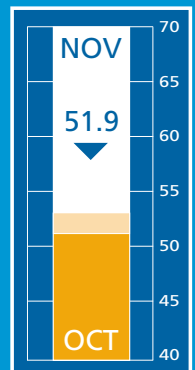
AUSTRALIAN PSI®



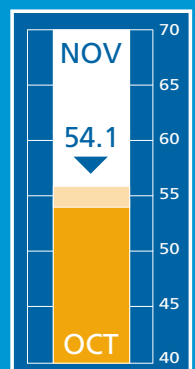
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX





NEW ORDERS

- New orders growth quickened in December, the seasonally adjusted sub-index lifting 3.6 points to 59.9.
- Unadjusted, new orders expanded in eight sectors, unchanged from November.
- Retail trade registered the strongest growth in new orders in December, as businesses looked to meet the needs of consumers in the lead-up to Christmas.
- The personal & recreational services; communication services; transport & storage; and accommodation, cafes & restaurants sectors also registered large increases in the month.
- New orders growth strengthened in property & business services and health & community services, and slowed in wholesale trade.
- Finance & insurance was the only sector to register a fall in new orders.

EMPLOYMENT

- Services sector employment expanded at a faster rate in December, with the employment sub-index rising 1.5 points to 54.5 (seasonally adjusted).
- In unadjusted terms, eight sectors reported growth in employment, up from six in the previous month.
- The strongest rates of employment growth were in accommodation, cafes & restaurants and health & community services.
- Large increases in employment were also reported in the communication services and property & business services sectors.
- Employment growth re-emerged in retail trade; transport & storage; and wholesale trade.
- Personal & recreational services was the only sector to record a fall in employment in December.
- Wages growth picked-up in the month, with the sub-index lifting 1.5 points to 64.1.

STOCKS

- Inventories of finished goods were steady in December, following a strong accumulation in the previous month. The seasonally adjusted stocks sub-index dropped 6.7 points to 50.2.
- Unadjusted, stocks expanded in seven sectors (down from nine in November), with finance & insurance and health & community services unchanged.
- Growth in inventories was strongest in communication services and personal & recreational services.
- The accommodation, cafes & restaurants; retail trade; and transport & storage sectors also reported substantial accumulations in stocks.
- Inventories increased at a significantly slower rate in the wholesale trade sector and lifted marginally in property & business services.

DELIVERIES, INPUT COSTS AND SELLING PRICES

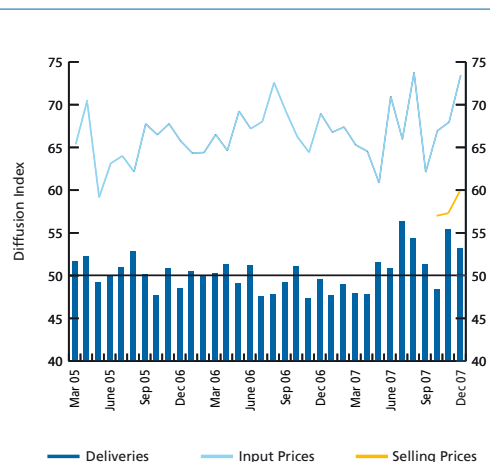
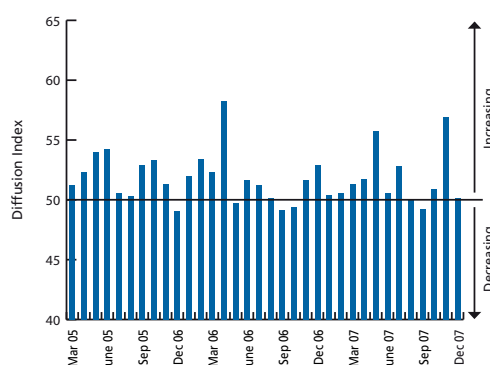
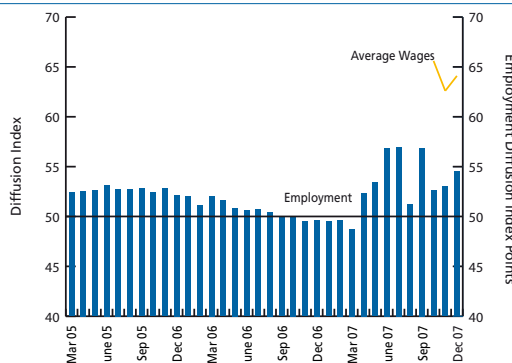
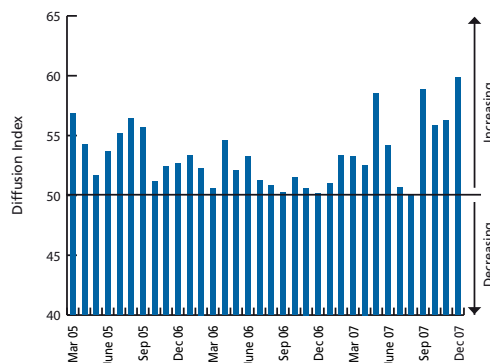
- Supplier deliveries continued to grow in December, although at slower rate than in the previous month, with the seasonally adjusted sub-index declining 2.2 points to 53.2.
- On an unadjusted basis, the number of sectors reporting increased deliveries was unchanged at eight, with finance & insurance recording no change.
- Personal & recreational services and retail trade recorded the strongest growth in deliveries, with the rate of increase lifting substantially in each.
- By contrast, growth slowed significantly in wholesale trade and accommodation, cafes & restaurants in the month.
- Input costs increases rose in December, with the seasonally adjusted sub-index increasing 4.8 points in the month to 73.3.
- Unadjusted, input cost increases accelerated in eight sectors, slowing in only transport & storage.
- Selling prices grew at a faster pace in December, with the sub-index lifting 2.6 points to 59.9.

NATIONAL INDEXES

	Dec07	Dec06	Nov07	Oct07	Sep07	Aug07	Jul07	Jun07	May07	Apr07	Mar07
AUSTRALIAN PSI*	56.9	50.6	56.4	53.2	56.4	51.6	56.0	54.9	56.1	52.8	51.2
SALES	61.4	51.5	60.2	55.1	59.5	52.6	61.4	57.9	59.1	57.0	53.6
CAPACITY(%)	82.5	na	79.8	80.9	na	na	na	na	na	na	na
NEW ORDERS	59.9	50.1	56.3	55.8	58.8	50.1	50.6	54.2	58.5	52.5	53.3
EMPLOYMENT	54.5	49.7	53.0	52.6	56.9	51.2	57.0	56.9	53.4	52.4	48.8
WAGES	64.1	na	62.6	65.6	na	na	na	na	na	na	na
INVENTORIES	50.2	52.9	56.9	50.9	49.2	50.0	52.9	50.6	55.8	51.8	51.4
DELIVERIES	53.2	49.6	55.4	48.4	51.3	54.3	56.3	50.9	51.5	47.9	47.9
INPUT PRICES	73.3	69.4	68.5	67.7	63.5	73.5	66.8	71.1	62.5	65.6	66.3
SELLING PRICES	59.9	na	57.3	57.0	na	na	na	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.



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

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