



PSI AUSTRALIAN

PERFORMANCE OF SERVICES INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

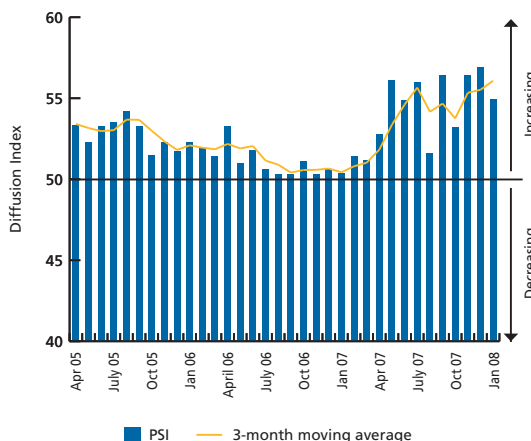


JANUARY 2008

SERVICES GROWTH MODERATES AMID INTEREST RATE CONCERNS

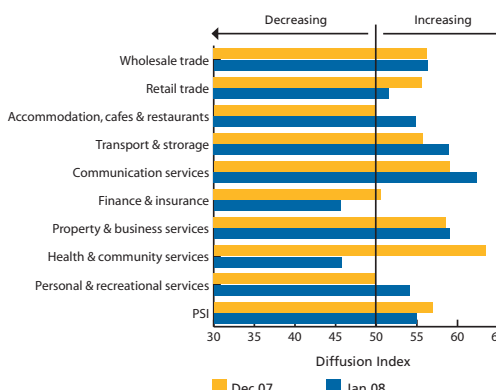
KEY FINDINGS

- Services sector activity continued to expand in January, although the rate of growth moderated with companies citing weaker consumer confidence.
- Contributing to this were concerns over interest rates and global financial markets, along with skills shortages & unsettled weather conditions.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell 2.0 points to 54.9, remaining above the key 50.0 level separating expansion from contraction.
- Growth in sales and new orders fell back to more moderate levels in January, while employment growth eased slightly. By contrast, growth in supplier deliveries and inventories accelerated.
- Despite the slowdown in overall services growth, most sectors expanded in the month, with only finance & insurance and health & community services reporting a decline in activity.
- While each of the six states registered growth in January, only Queensland and Victoria recorded faster rates of expansion.



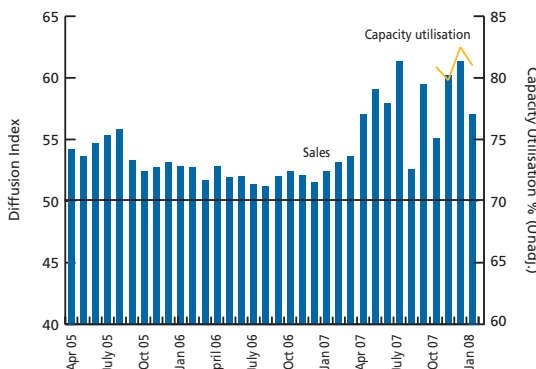
SECTORS

- On a seasonally adjusted basis, activity expanded in seven of the nine services sectors in January (unchanged from the previous month).
- Growth slowed in retail trade and activity contracted in finance & insurance amid speculation of an interest rate rise in early 2008.
- In contrast, the business-related sectors of communication services; property & business services; and transport & storage reported the strongest growth in January, with the rate of increase strengthening in each.
- Activity continued to expand solidly in wholesale trade, while growth re-emerged in the accommodation, cafes & restaurants and personal & recreational services sectors.
- Health & community services was the only other sector to report a decline in January, following a solid lift in activity in the previous month.

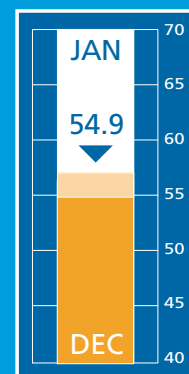


SALES AND CAPACITY

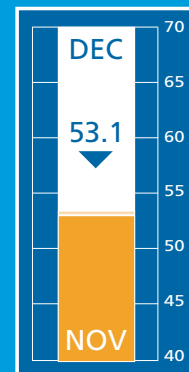
- Seasonally adjusted, sales fell 4.3 points in January to 57.1. On an unadjusted basis, sales increased in four of the nine sectors (down from eight in the previous month), with personal & recreational services unchanged.
- Transport & storage; retail trade; and communication services reported the strongest increases in sales.
- Property & business services was the only other sector to register sales growth in January, although the rate of increase was the slowest recorded in twelve months.
- The health & community services sector reported the steepest decline in sales, while global market uncertainty contributed to a second consecutive monthly fall in finance & insurance sales.
- Accommodation, cafes & restaurants and wholesale trade also recorded deteriorating sales in January.
- Consistent with seasonal shutdowns, capacity utilisation fell to 81.1% in January.



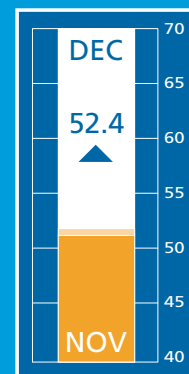
AUSTRALIAN PSI®



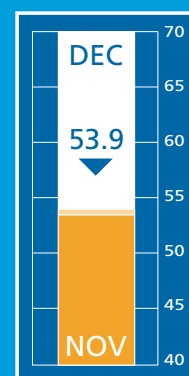
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX





NEW ORDERS

- Growth in new orders moderated in January, with the new orders sub-index declining 5.9 points to 54.0 (seasonally adjusted).
- In unadjusted terms, five sectors reported increases in new orders, down from eight in December.
- The strongest rates of new orders growth were in personal & recreational services and property & business services.
- New orders also lifted in transport & storage; communication services; and retail trade, despite the pace of growth slowing in each.
- Health & community services registered the sharpest fall in new orders, with the finance & insurance and wholesale trade sectors also reporting declines in January.
- New orders were unchanged in accommodation, cafes & restaurants, following a solid increase in the previous month.

EMPLOYMENT AND WAGES

- Seasonally adjusted, the employment sub-index fell 1.2 points to 53.3 in January.
- Unadjusted, employment expanded in four sectors (down from eight in December), with personal & recreational services unchanged.
- The expansion in services employment was broadly confined to the business-related sectors, with only property & business services; transport & storage; communication services; and finance & insurance reporting growth in January.
- Accommodation, cafes & restaurants and health & community services recorded the steepest declines in employment, ending two consecutive months of expansion in each sector.
- Employment also contracted in retail trade and wholesale trade.
- Wages growth lifted in January, with the sub-index increasing 0.7 points to 64.8.

STOCKS

- Stock accumulation accelerated in the month, following a run-down in inventories in December, with the stocks index rising 6.6 points to 56.8 (seasonally adjusted).
- In unadjusted terms, inventories increased in six sectors, down from seven in the previous month, with accommodation, cafes & restaurants unchanged.
- Growth in inventories was strongest in the communication services and retail trade sectors.
- The wholesale trade; personal & recreational services; and property & business services sectors also reported solid stock accumulation in January.
- Finance & insurance and health & community services were the only sectors to report declining inventories in January, following unchanged levels in the previous month.

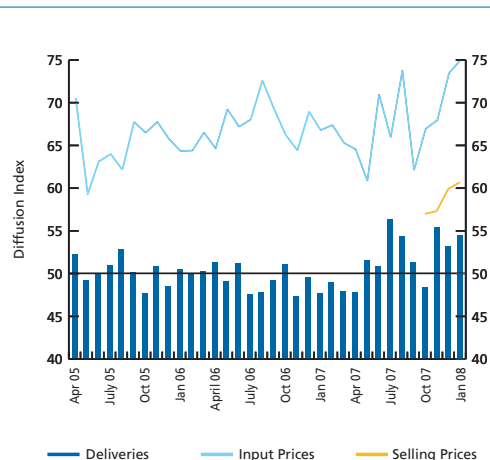
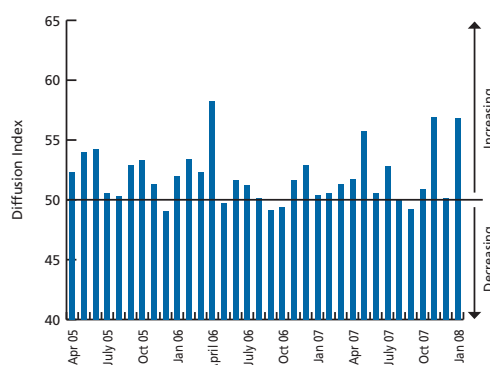
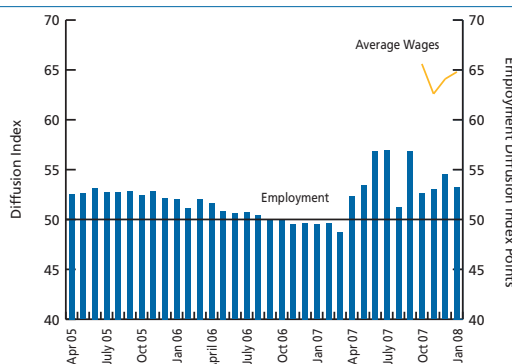
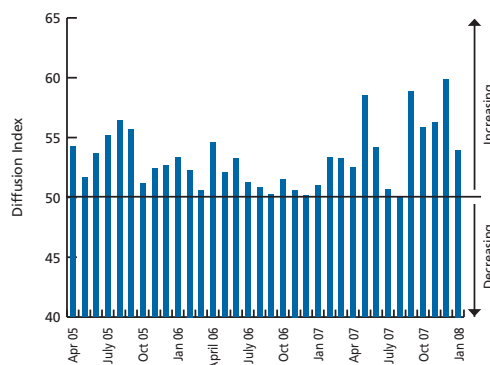
DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries continued to grow in January; the seasonally adjusted sub-index lifting 1.3 points to 54.5.
- Unadjusted, six sectors reported increased deliveries (down from eight in December).
- Personal & recreational services; communication services; and accommodation, cafes & restaurants reported the largest increases in January.
- Supplier deliveries continued to grow in wholesale trade; transport & storage; and retail trade, albeit at a slower rate than in December.
- Finance & insurance; health & community services; and property & business services each reported a fall in supplier deliveries.
- Input cost increases accelerated in January, with the seasonally adjusted sub-index rising 1.3 points to 74.6.
- In unadjusted terms, retail trade was the only sector to register stronger growth in input costs, compared with eight sectors in the previous month.
- Selling prices also grew at a faster pace in the month, the sub-index lifting 0.8 points to 60.7.

NATIONAL INDEXES

	Jan 08	Jan 07	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07
AUSTRALIAN PSI*	54.9	50.4	56.9	56.4	53.2	56.4	51.6	56.0	54.9	56.1	52.8
SALES	57.1	52.4	61.4	60.2	55.1	59.5	52.6	61.4	57.9	59.1	57.0
CAPACITY(%)	81.1	na	82.5	79.8	80.9	na	na	na	na	na	na
NEW ORDERS	54.0	51.0	59.9	56.3	55.8	58.8	50.1	50.6	54.2	58.5	52.5
EMPLOYMENT	53.3	49.5	54.5	53.0	52.6	56.9	51.2	57.0	56.9	53.4	52.4
WAGES	64.8	na	64.1	62.6	65.6	na	na	na	na	na	na
INVENTORIES	56.8	50.4	50.2	56.9	50.9	49.2	50.0	52.9	50.6	55.8	51.8
DELIVERIES	54.5	47.7	53.2	55.4	48.4	51.3	54.3	56.3	50.9	51.5	47.9
INPUT PRICES	74.6	67.5	73.3	68.5	67.7	63.5	73.5	66.8	71.1	62.5	65.6
SELLING PRICES	60.7	na	59.9	57.3	57.0	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. The capacity utilisation, wages and selling prices indexes are reported in unadjusted terms.



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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