



PSI AUSTRALIAN

PERFORMANCE OF SERVICES INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

Commonwealth Bank

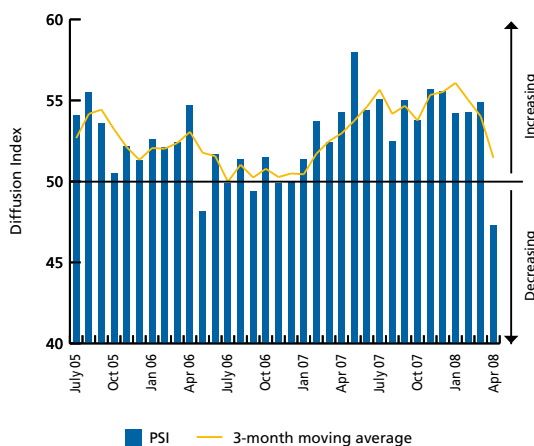


APRIL 2008

SERVICES SECTOR HIT BY RISING INTEREST RATES

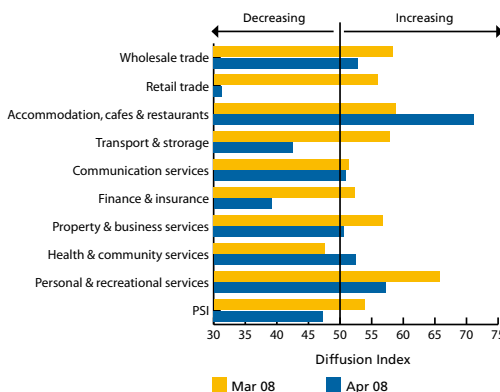
KEY FINDINGS

- Growth in services sector activity stalled in April; with rising interest rates and high fuel costs further restraining consumer and business demand.
- While four of the nine services sectors reported growth in April, activity fell sharply in retail trade; finance & insurance; and transport & storage, leading to a decline in overall services activity.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell 7.6 points to 47.3, below the key 50.0 level separating expansion from contraction.
- The deterioration in activity was underpinned by a decline in sales, new orders, and supplier deliveries. Employment lifted marginally in April, while the rate of stock accumulation rose.
- Three states registered growth in services in April: Victoria; Queensland and SA; although the rate of increase eased in each.
- Following annual seasonal reanalysis, each of the sub-indexes and composite indexes were revised.



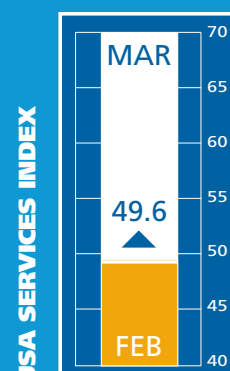
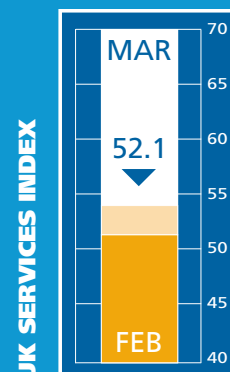
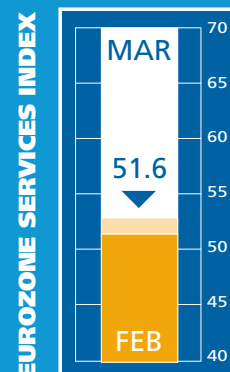
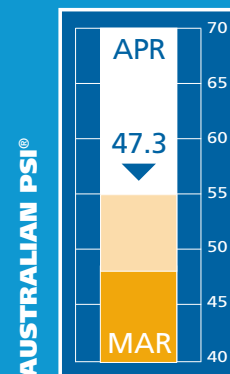
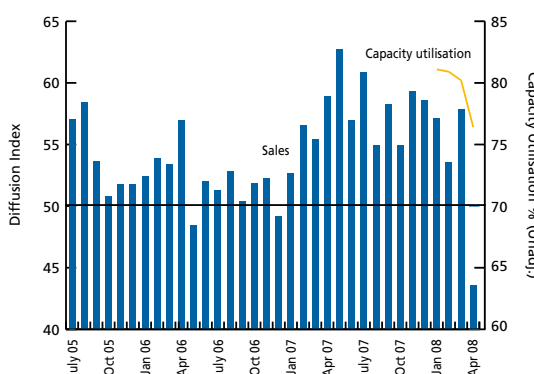
SECTORS

- Seasonally adjusted, activity expanded in four of the nine sectors in April (down from eight in the previous month), with the performance index deteriorating in seven sectors.
- Activity contracted sharply in the retail trade and finance & insurance sectors, reflecting the impact of rising interest rates and fuel prices on sectoral demand.
- The transport & storage sector also reported a decline in activity in April, the first contraction in the sector since June 2007.
- Growth was strongest in accommodation, cafes & restaurants, where the rate of increase picked-up considerably.
- Activity also lifted in personal & recreational services, despite growth easing from the previous month.
- The wholesale trade and health & community services sectors reported weak growth in April.
- Activity was broadly steady in communication services and property & business services.



SALES AND CAPACITY

- Sales of services declined for the first time since December 2006, with the sales sub-index falling 14.2 points to 43.6 (seasonally adjusted).
- On an unadjusted basis, sales increased in just two sectors, down from seven in the previous month.
- Accommodation, cafes & restaurants reported the largest increase in sales in April. Sales also expanded in health & community services, although at a slower pace than in March.
- The retail trade and transport & storage sectors recorded the steepest declines in sales, while global market uncertainty contributed to a further fall in finance & insurance sales.
- Sales also contracted in communication services; property & business services; personal & recreational services; and wholesale trade.
- Consistent with softer demand for services, capacity utilisation fell, from 80.2% to 76.4% in April (unadjusted).





NEW ORDERS

- New orders deteriorated in April, with the seasonally adjusted sub-index declining 14.5 points to 43.6.
- Unadjusted, only two sectors reported increases in new orders, down from eight in March, with health & community services unchanged.
- Accommodation, cafes & restaurants and wholesale trade were the only sectors to register growth in new orders in April and the rate of increased eased sharply in each.
- The interest-rate sensitive sectors of finance & insurance and retail trade recorded the largest falls in new orders.
- New orders contracted more moderately in transport & storage; personal & recreational services; communication services; and property & business services.

EMPLOYMENT AND WAGES

- Seasonally adjusted, the employment sub-index fell 1.0 percentage point to 51.1.
- In unadjusted terms, employment expanded in six sectors, unchanged from the previous two months.
- The strongest rates of employment growth were in the accommodation, cafes & restaurants and finance & insurance sectors.
- Employment growth accelerated in the personal & recreational services sector and re-emerged in health & community services.
- Growth in employment eased in property & business services and wholesale trade.
- Transport & storage reported the steepest decline in employment in April. Employment also fell in retail trade (a fourth consecutive month without expansion) and communication services.
- The wages sub-index eased 3.3 points in April to 61.2 (unadjusted).

STOCKS

- Inventory accumulation accelerated in April, with the seasonally adjusted stocks sub-index rising 3.1 points to 54.0.
- On an unadjusted basis, stocks expanded in three sectors (the same as the previous month), with transport & storage and finance & insurance unchanged.
- Growth in inventories was strongest in accommodation, cafes & restaurants, for a second consecutive month.
- The personal & recreational services and communication services sectors replenished their stocks for the first time in three months.
- Retail trade and health & community services reported the largest falls in inventories in April.
- Inventories were also run-down in the wholesale trade and property & business services sectors.

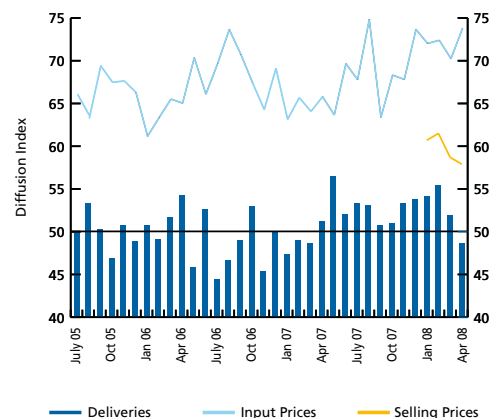
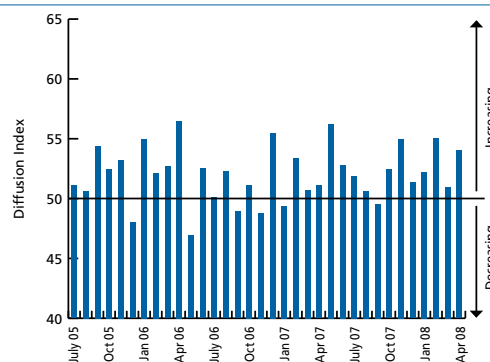
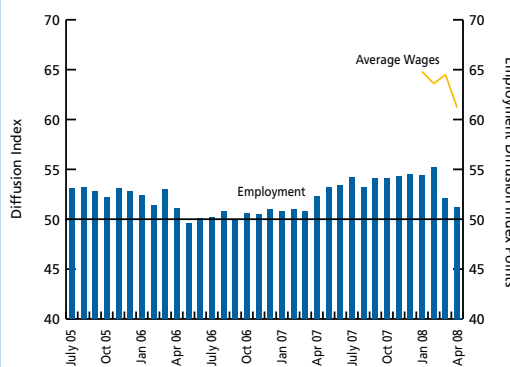
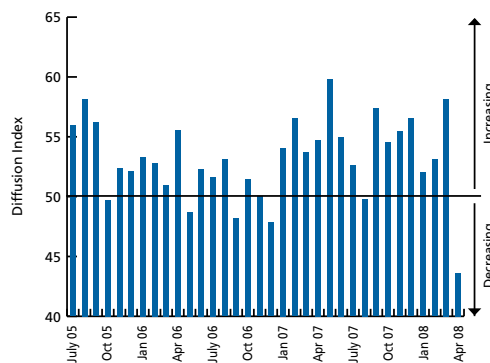
DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries contracted in April, with the seasonally adjusted sub-index falling 3.2 points to 48.7.
- In unadjusted terms, five sectors reported increased deliveries, up from four in the previous month.
- Accommodation, cafes & restaurants and health & community services recorded the largest increases in supplier deliveries in April.
- Growth strengthened in the transport & storage sector and resumed in personal & recreational services and communication services.
- The largest decreases in supplier deliveries were in finance & insurance and retail trade. Wholesale trade and property & business services also reported a fall in deliveries.
- Input cost increases picked-up in April, the seasonally adjusted sub-index lifting 3.0 percentage points to 73.5. Unadjusted, growth in input costs accelerated in four sectors, with accommodation, cafes & restaurants recording the strongest rate of increase.
- Growth in selling prices eased for a second consecutive month, the sub-index dropping 0.8 points to 57.9 (unadjusted).

NATIONAL INDEXES

	Apr 08	Apr 07	Mar 08	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07
AUSTRALIAN PSI*	47.3	54.3	54.9	54.3	54.2	55.6	55.7	53.8	55.0	52.5	55.1
SALES	43.6	59.0	57.8	53.6	57.1	58.6	59.3	54.9	58.3	54.9	60.9
CAPACITY(%)	76.4	na	80.2	80.9	81.1	82.5	79.8	80.9	na	na	na
NEW ORDERS	43.6	54.7	58.1	53.1	52.0	56.5	55.4	54.6	57.4	49.8	52.6
EMPLOYMENT	51.1	52.3	52.1	55.2	54.4	54.5	54.3	54.1	54.0	53.2	54.2
WAGES	61.2	na	64.5	63.6	64.8	64.1	62.6	65.6	na	na	na
INVENTORIES	54.0	51.1	50.9	55.1	52.2	51.4	55.0	52.4	49.5	50.6	51.9
DELIVERIES	48.7	51.3	51.9	55.5	54.2	53.8	53.3	50.9	50.7	53.0	53.3
INPUT PRICES	73.5	66.7	70.5	72.3	72.0	73.4	68.4	68.8	64.6	74.4	68.4
SELLING PRICES	57.9	na	58.7	61.5	60.7	59.9	57.3	57.0	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 2008. 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®.



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