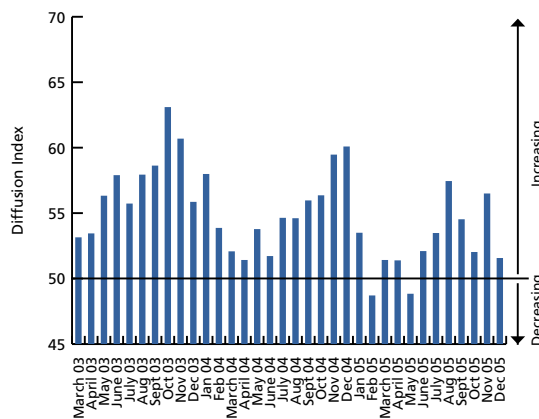


SEASONAL BUILD-UP FALTERS AS SERVICES GROWTH MODERATES

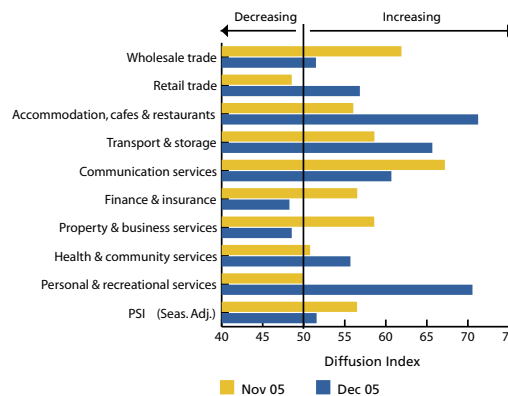
KEY FINDINGS

- Services sector growth slowed in December, driven by a relatively weak seasonal strengthening in demand among consumer-based sectors and faltering business-related services.
- The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (Australian PSI®) fell 4.9 points to 51.6, the lowest December reading in three years. This follows the lowest November reading in three years.
- Sales, new orders, employment and deliveries all grew at weaker pace, while input cost increases also eased.
- Inventories continued to grow (albeit at a slower pace), particularly among consumer-based sectors.
- Accommodation, cafes & restaurants and personal & recreational services recorded the strongest levels of growth.
- In contrast, there were modest declines in the finance & insurance and property & business sectors, reflecting both seasonal factors and continued uncertainty in the housing market.



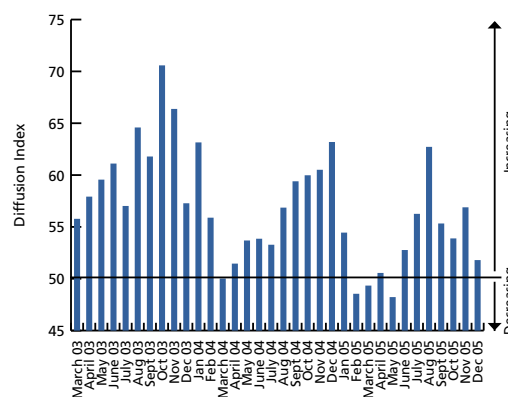
SECTORS

- In unadjusted terms, activity expanded in seven of nine sectors in December (unchanged from the previous month).
- Growth was strongest in accommodation, cafes & restaurants and personal & recreational services – both consumer-discretionary sectors to benefit from a seasonal strengthening in demand.
- However, the retail and wholesale trade sectors recorded only modest seasonal expansions, partially reflecting some underlying weakness in consumer demand.
- The transport & storage and communication sectors also reported strong growth.
- Both the finance & insurance and property & business sectors recorded small declines, having expanded the previous month, reflecting seasonal influences and a soft housing market.

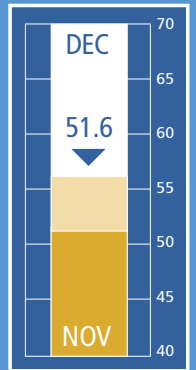


SALES

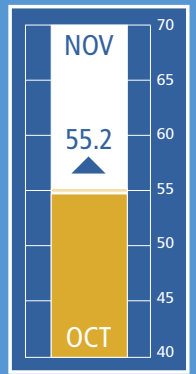
- On a seasonally adjusted basis, sales fell 5.1 points in December to 51.8, the lowest reading in seven months and the weakest for December in three years.
- On an unadjusted basis, sales rose in seven sectors (up from six in November).
- Personal & recreational services, accommodation, cafes & restaurants and transport & storage recorded the strongest expansions. Sales also grew steadily in health & community services.
- The retail and wholesale trade sectors reported moderate growth, slower than in the same month of previous years.
- Sales contracted sharply in finance & insurance and slightly in the property & business sector.
- Sales growth also slowed in communication services.



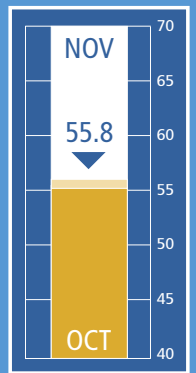
AUSTRALIAN PSI®



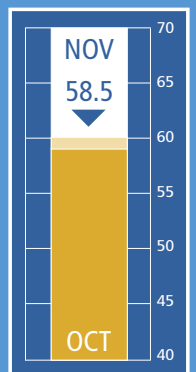
EUROZONE SERVICES INDEX



UK SERVICE S INDEX



USA SERVICES INDEX



NEW ORDERS

- Seasonally adjusted, new orders fell 4.9 points in December to 51.0, the weakest reading since May. The rate of growth was also below any previous December reading.
- Unadjusted, new orders expanded in seven sectors (up from six in November).
- Growth was strongest in personal & recreational services, transport & storage and accommodation, cafes & restaurants.
- The communication; health & community; retail; and wholesale trade sectors reported more moderate rates of growth.
- A large decline in new orders was reported in finance & insurance. Property & business services also moved into slight decline.

EMPLOYMENT

- In seasonally adjusted terms, the employment index fell 4.4 points in December to 52.1, although the twentieth consecutive month of expansion.
- In unadjusted terms, employment increased in eight sectors (up from six in November) and declined in the wholesale trade sector.
- The strongest growth was reported in the accommodation, cafes & restaurants and transport & storage sectors, partially reflecting seasonal demand.
- While employment in communication services and finance & insurance continued to expand strongly, growth slowed from November.
- Growth in the personal & recreational; property & business; and health & community sectors was also weaker.

STOCKS

- Stock accumulation slowed in December, the unadjusted stocks index dropping 5.8 points to 52.8. However, stocks continued to rise strongly in most consumer-based sectors.
- Inventories of finished goods expanded in six sectors (compared with seven in November).
- Stock building was divergent amongst the key distribution sectors, with a moderate decline recorded in wholesale trade. Downstream in retail trade however, strong inventory growth continued (albeit at a lower rate), reflecting the weakness in retail spending growth.
- The consumer-discretionary sectors of accommodation, cafes & restaurants and personal & recreational services recorded the strongest growth.
- Property & business services reported the largest decline. Stock levels also contracted in the transport & storage sector.

DELIVERIES AND INPUT COSTS

- Following modest gains the previous month, growth in supplier deliveries weakened in December, the seasonally adjusted index dropping 5.1 points to 50.3.
- While in unadjusted terms, seven sectors reported increased deliveries (up from six previously), the pace of growth slowed considerably in wholesale trade and declined in property & business services.
- Increases in input costs slowed in December, the seasonally adjusted input cost index fell 5.9 points to 62.9, the lowest level recorded since May.
- Unadjusted, costs increased at a faster pace relative to the previous month in four sectors (down from five in November), particularly accommodation, cafes & restaurants and wholesale trade.
- Strong increases in some consumer-based sectors were more than offset by weaker increases in the remaining sectors (largely as a result of lower fuel prices).
- Costs increased at a much slower pace in personal & recreational services.

NATIONAL INDEXES

	Dec 05	Dec 04	Nov 05	Oct 05	Sept 05	Aug 05	Jul 05	June 05	May 05	Apr 05	Mar 05
AUSTRALIAN PSI®	51.6	60.1	56.5	52.0	54.5	57.5	53.5	52.1	48.8	51.4	51.4
SALES	51.8	63.2	56.9	53.9	55.3	62.7	56.3	52.8	48.2	50.6	49.3
NEW ORDERS	51.0	65.4	55.9	51.1	57.1	62.1	54.0	53.1	48.5	52.0	53.1
EMPLOYMENT	52.1	53.9	56.5	51.9	53.3	53.2	52.7	51.7	50.9	52.0	53.0
INVENTORIES	52.8	58.8	58.6	53.5	55.7	47.9	51.3	52.0	52.3	47.2	51.6
DELIVERIES	50.3	57.3	55.4	49.8	50.1	54.5	50.7	50.0	44.6	53.4	49.4
INPUT PRICES	62.9	62.3	68.8	68.5	70.2	64.8	66.4	66.7	59.5	68.3	65.0

Results are based on a sample of 223 companies.



WHAT IS THE AUSTRALIAN PSI®?

The Australian Performance of Services Index (Australian PSI®) is a 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 services organisation and with the majority of the Australian economy 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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