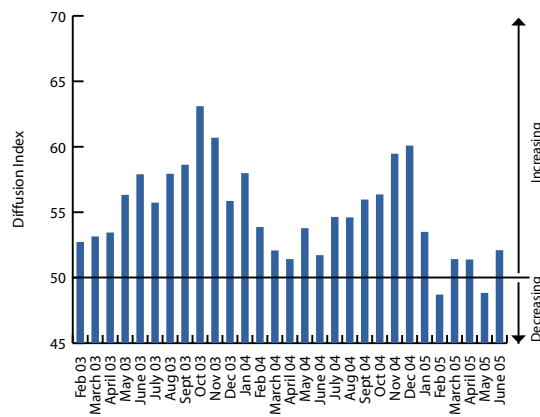


## GROWTH RETURNS TO THE SERVICES SECTOR BUT DEMAND REMAINS PATCHY

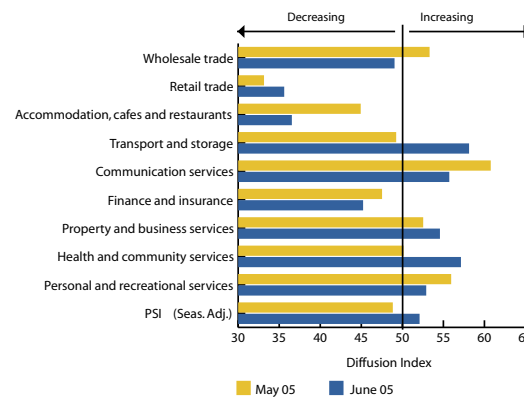
### KEY FINDINGS

- Services sector sales and new orders increased in June, reversing the falls of the previous month and contributing to renewed growth in overall activity. After dipping below the key 50.0 point level, the seasonally adjusted Australian Industry Group – Commonwealth Bank Australian Performance of Services Index (Australian PSI®) increased 3.3 points in June to 52.1.
- The improvement was also underpinned by continued growth in employment, and a steady pace of supplier deliveries (following a sharp fall the previous month). By contrast, growth in inventories moderated slightly. Input cost increases accelerated in the month, after abating slightly in May.
- There was a corresponding small increase in the number of sectors reporting growth in both sales and new orders (unadjusted for seasonal influences). Nevertheless, growth in activity remains concentrated primarily among sectors exposed to business demand, with activity continuing to contract in retail trade.



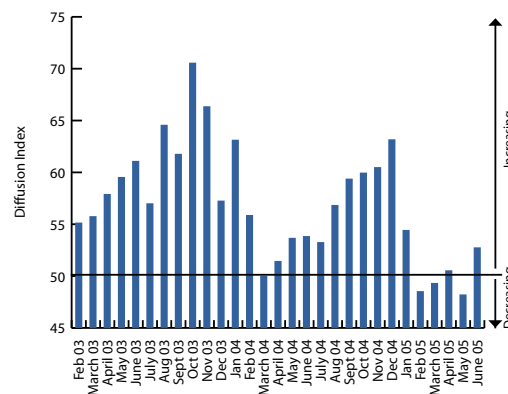
### SECTORS

- In unadjusted terms, activity expanded in five sectors (unchanged from the previous month). Growth was strongest in transport & storage, and strengthened also in property & business services and health & community services. However, growth eased slightly in communication services and in personal & recreational services.
- Activity contracted in retail trade (the fourth fall in five months) and in wholesale trade (the fifth decline in six months). Activity also contracted for a second consecutive month both in accommodation, cafes & restaurants and finance & insurance.
- The continuing contraction in wholesale and retail trade, and in accommodation, cafes & restaurants, partly reflects seasonal factors. In finance & insurance, an increasing number of respondents cited the impact of slower lending growth.

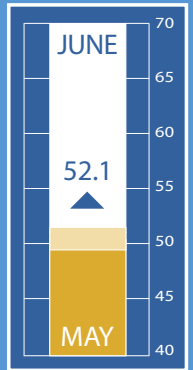


### SALES

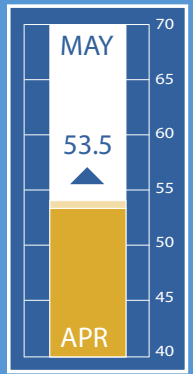
- Sales jumped 4.6 points in June to 52.8 (seasonally adjusted), the highest reading since January 2005. Unadjusted, five sectors reported increases in sales (up from four in May).
- Sales growth was strongest in transport & storage, and also picked up considerably in health & community services. Wholesale trade reported a more modest increase in sales growth, while growth eased slightly in property & business and communications services (although remaining relatively strong in both sectors).
- Sales were unchanged in personal & recreational services, and fell in retail trade; accommodation, cafes & restaurants; and finance & insurance. It was the fifth consecutive decline in retail trade.



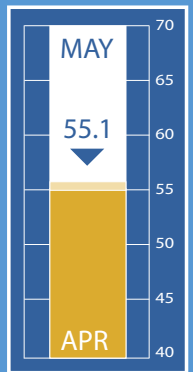
AUSTRALIAN PSI®



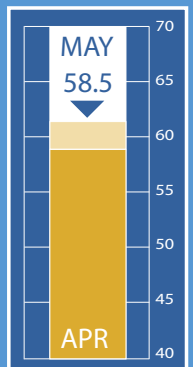
EUROZONE SERVICES INDEX



UK SERVICE S INDEX

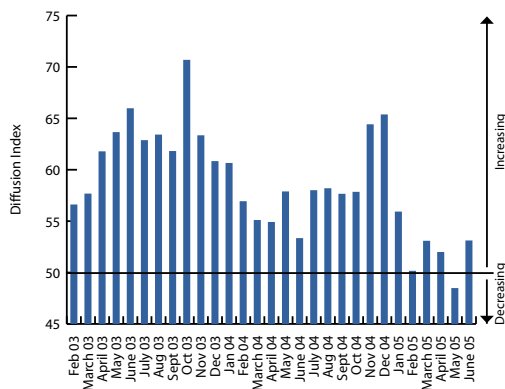


USA SERVICES INDEX



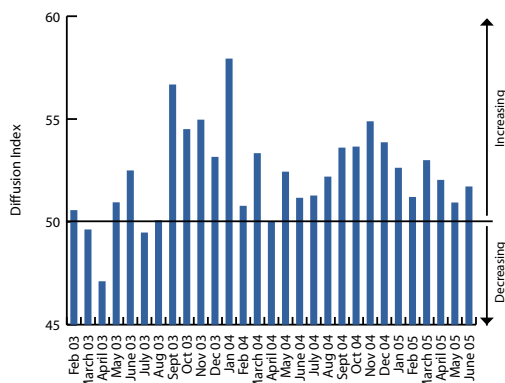
## NEW ORDERS

- Seasonally adjusted, new orders also jumped 4.6 points in June to 53.1. Unadjusted, five sectors again reported increases in new orders, and again up from four the previous month.
- Reflecting the pattern of sales growth, the strongest increase in new orders was in transport & storage, with health & community and personal & recreational services also reporting stronger growth. Growth moderated in property & business and communications services.
- New orders were unchanged in wholesale trade, although after a strong increase in May. Elsewhere, orders contracted in retail trade; accommodation, cafes & restaurants; and finance & insurance.



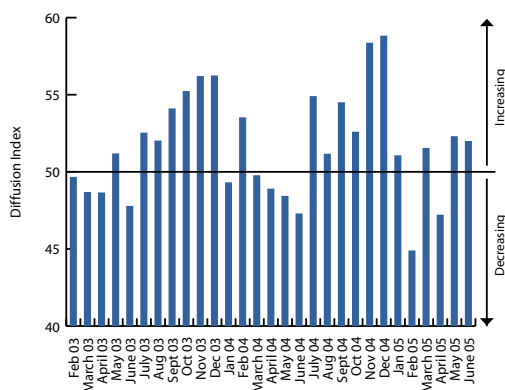
## EMPLOYMENT

- After adjustment for seasonal factors, employment rose 0.8 points in June to 51.7. It was the 14th consecutive monthly increase in employment, and reversed the trend of slowing growth in the previous three months.
- In unadjusted terms, employment increased in just three sectors - finance & insurance; property & business services; and health & community services. By comparison, employment rose in six sectors in May.
- Employment was unchanged in transport & storage, and contracted in the remaining five sectors. Employment has now fallen for three consecutive months in the retail trade sector.



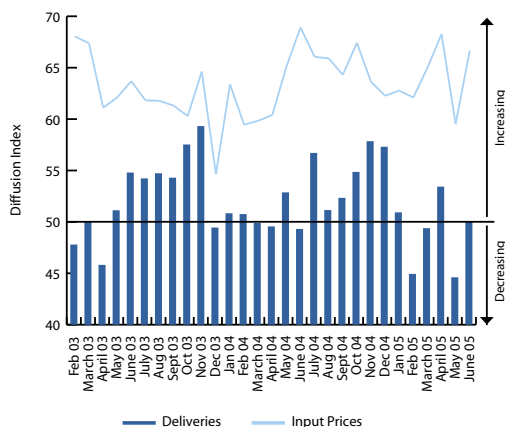
## STOCKS

- Stocks increased at a slightly slower pace in June, the inventories sub-index slipping 0.3 points to 52.0 (unadjusted).
- In the key distribution sectors, stocks have been rundown for three consecutive months in retail trade, reflecting the persistent declines in sales and new orders. Further upstream, by contrast, wholesale trade inventories have increased for four successive months, and which appears largely involuntary.
- Among the other sectors, communications; health & community; and personal & recreational services all reported increases. Inventory levels were unchanged in accommodation, cafes & restaurants and property & business services, and fell in transport & storage and finance & insurance.



## DELIVERIES AND INPUT COSTS

- After declining sharply the previous month, supplier deliveries steadied in June (the seasonally adjusted supplier delivery sub-index increasing 5.4 points to 50.0). In unadjusted terms, supplier deliveries increased in four sectors (up from just one in May), and contracted in the remaining five.
- Input cost increases accelerated sharply in June, rising 7.2 points to 66.7 (seasonally adjusted). In unadjusted terms, the rate of increase strengthened in all nine sectors, after abating in every sector the previous month.
- The steepest cost increases were in wholesale trade and in transport & storage (the latter reflecting higher energy prices). Communications and personal & recreational services reported the smallest input cost increases.



## NATIONAL INDEXES

	June 05	June 04	May 05	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04	Oct 04	Sept 04
<b>AUSTRALIAN PSI®</b>	52.1	51.7	48.8	51.4	51.4	48.7	53.5	60.1	59.5	56.4	56.0
<b>SALES</b>	52.8	53.9	48.2	50.6	49.3	48.6	54.5	63.2	60.5	60.0	59.4
<b>NEW ORDERS</b>	53.1	53.4	48.5	52.0	53.1	50.2	55.9	65.4	64.4	57.9	57.7
<b>EMPLOYMENT</b>	51.7	51.2	50.9	52.0	53.0	51.2	52.6	53.9	54.9	53.7	53.6
<b>INVENTORIES</b>	52.0	47.3	52.3	47.2	51.6	44.9	51.1	58.8	58.4	52.6	54.5
<b>DELIVERIES</b>	50.0	49.3	44.6	53.4	49.4	44.9	50.9	57.3	57.9	54.9	52.3
<b>INPUT PRICES</b>	66.7	68.9	59.5	68.3	65.0	62.1	62.8	62.3	63.6	67.4	64.3

Results are based on a sample of over 200 companies. For further information please contact Heather Ridout, Chief Executive, Ai Group on 02 9466 5504.



## 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](http://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 PSI®.

Commonwealth Bank

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