

PSI AUSTRALIAN

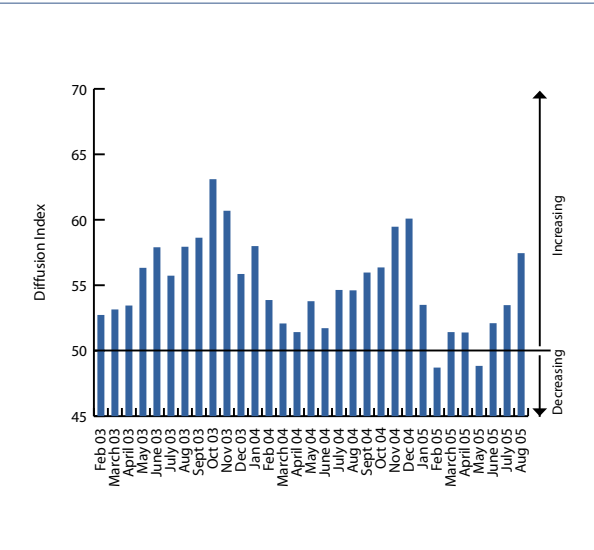
PERFORMANCE OF SERVICES INDEX®

AUGUST 2005

STRENGTHENING BUSINESS AND COMMUNITY SERVICES SECTORS LIFT INDEX

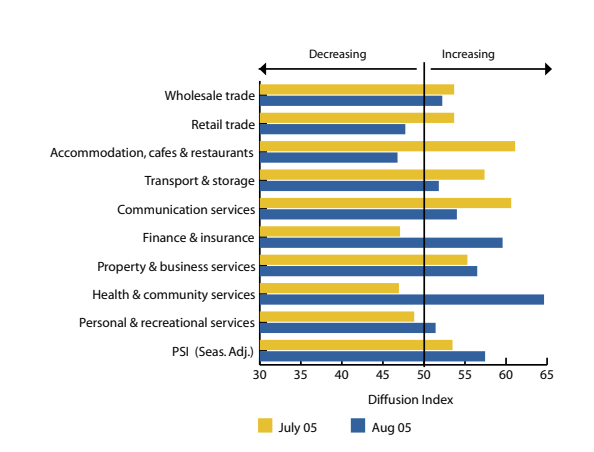
KEY FINDINGS

- The expansion of services activity gathered further momentum in August, driven largely by improving conditions in business and community related sectors. In contrast, sectors sensitive to discretionary consumer demand remained weak.
- The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (Australian PSI®) rose 4.0 points in August to 57.5, the third consecutive increase and the highest reading since December 2004.
- Growth in sales and new orders continued to strengthen, contributing to a small fall in inventories (the first in four months). The lift in demand and production was also reflected in further modest rises in employment and supplier deliveries.
- The strongest gains over the month were in the health & community services and finance & insurance sectors.
- Conversely, activity in the accommodation, cafes & restaurants and retail trade sectors contracted in August, following moderate growth the previous month.



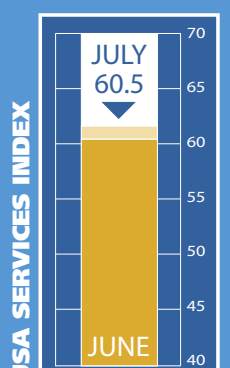
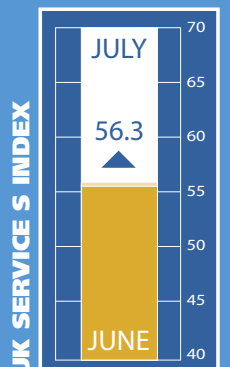
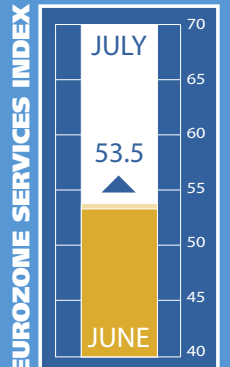
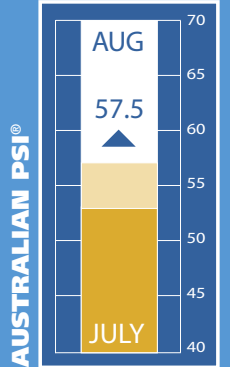
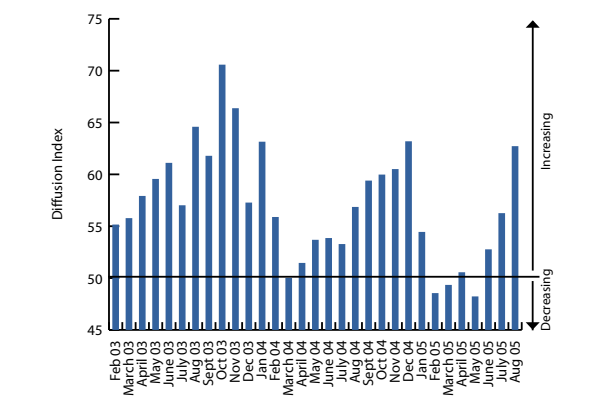
SECTORS

- In unadjusted terms, activity expanded in seven of nine sectors in August (up from six the previous month).
- Growth was strongest in the health & community services; finance & insurance; and property & business services sectors.
- Moreover, growth in health & community services was the strongest since the inception of the survey (in February 2003), and follows a contraction in July. Similarly, after three consecutive contractions, finance & insurance activity expanded at the fastest pace since February 2004.
- Growth strengthened moderately in personal & recreational services, but eased in wholesale trade; transport & storage; and communications.
- Activity contracted in the retail trade and accommodation, cafes & restaurants sectors, with strong increases in the previous month due largely to mid-year sales and school holidays.



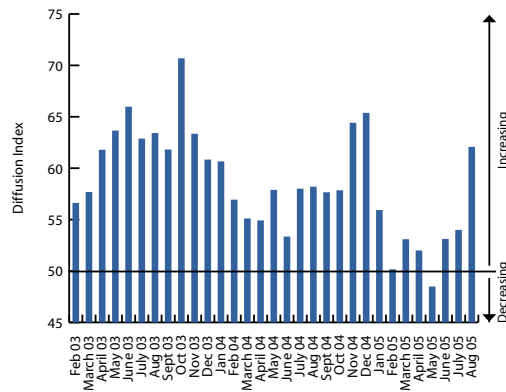
SALES

- Seasonally adjusted, sales jumped 6.4 points in August to 62.7, the highest reading since December 2004. With the exception of a slight stumble in May, sales growth has been strengthening since February.
- Unadjusted, sales rose in six sectors (down from seven in July).
- Health & community services reported the strongest growth in sales, following a decline in the previous month. Sales in finance & insurance also grew strongly.
- Despite a contraction in activity in the sector overall, sales in retail trade rose marginally over the month.
- Sales contracted sharply in accommodation, cafes & restaurants (reflecting the unwinding of earlier favourable seasonal influences), and were unchanged in communication services.



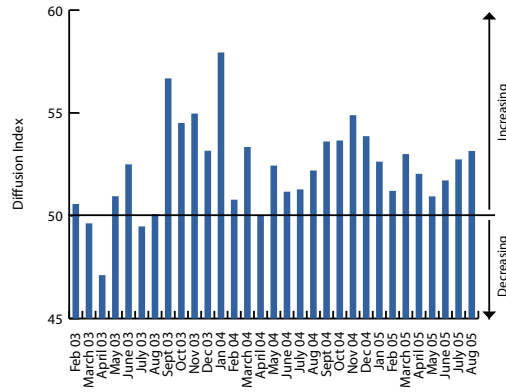
NEW ORDERS

- In seasonally adjusted terms, new orders rose 8.1 points to 62.1, the highest level since December 2004. Similar to sales, growth in new orders has now strengthened for three consecutive months.
- In unadjusted terms, new orders expanded in all sectors other than retail trade, which was unchanged from July.
- Growth was strongest in the health & community services, finance & insurance sectors, following significant contractions in both sectors in July.
- New orders growth also strengthened in wholesale trade and personal & recreational services, and remained relatively strong in property & business services (although slowing from July).
- Four sectors grew at a slower pace than in the previous month, including transport & storage, accommodation, cafes & restaurants, returning to more moderate levels of growth.



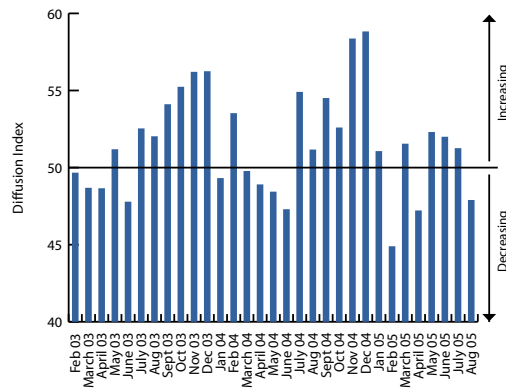
EMPLOYMENT

- Seasonally adjusted, the employment sub-index rose 0.5 points in August to 53.2, the 16th consecutive month of expansion.
- Unadjusted, employment expanded in four sectors: health & community services; finance & insurance; property & business services; and communication services. This compares with five sectors in July.
- As with sales and new orders, the health & community services and finance & insurance sectors recorded the strongest growth in the month.
- Of the five sectors to report declines, the deepest were in transport & storage (following two consecutive months in which employment was unchanged) and personal & recreational services.



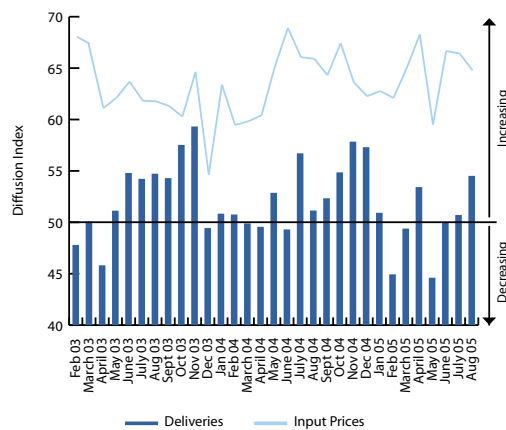
STOCKS

- Inventories of finished goods fell in August, the unadjusted stocks sub-index falling 3.4 points to 47.9, due largely to the continuing rises in sales and new orders.
- In unadjusted terms, stocks contracted in five sectors (compared with three in July).
- The largest fall was in finance & insurance, while more moderate declines were reported in retail trade (most likely reflecting an unanticipated rise in sales in the month); accommodation, cafes & restaurants; transport & storage; and personal & recreational services.
- By contrast, health & community services recorded the largest rise, with smaller increases in communication services and wholesale trade.



DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries continued to strengthen steadily in August, the seasonally adjusted sub-index edging up a further 3.8 points to 54.5. In unadjusted terms, six sectors reported increased deliveries (up from five previously), with declines in the remaining three.
- Increases in input costs moderated slightly for a second consecutive month in August. Seasonally adjusted, the input cost index fell 1.6 points to 64.8.
- Unadjusted, costs increased at a faster pace relative to the previous month in four sectors (down from seven the previous month).
- The transport & storage sector reported the largest increase in input costs, due to the impact of higher fuel prices.
- The other three sectors to record higher input cost increases were retail trade; finance & insurance; and property & business services.



NATIONAL INDEXES

	Aug 05	Aug 04	Jul 05	June 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04
AUSTRALIAN PSI®	57.5	54.6	53.5	52.1	48.8	51.4	51.4	48.7	53.5	60.1	59.5
SALES	62.7	56.9	56.3	52.8	48.2	50.6	49.3	48.6	54.5	63.2	60.5
NEW ORDERS	62.1	58.2	54.0	53.1	48.5	52.0	53.1	50.2	55.9	65.4	64.4
EMPLOYMENT	53.2	52.2	52.7	51.7	50.9	52.0	53.0	51.2	52.6	53.9	54.9
INVENTORIES	47.9	51.2	51.3	52.0	52.3	47.2	51.6	44.9	51.1	58.8	58.4
DELIVERIES	54.5	51.2	50.7	50.0	44.6	53.4	49.4	44.9	50.9	57.3	57.9
INPUT PRICES	64.8	65.9	66.4	66.7	59.5	68.3	65.0	62.1	62.8	62.3	63.6

Results are based on a sample of 215 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

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

CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 0505
mobile 0419 257 361

Michael Blythe
Chief Economist
Commonwealth Bank
work 02 9312 4135
mobile 0414 886 027

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