

SERVICE GROWTH IMPROVES AS CONSUMERS RESURFACE

KEY FINDINGS

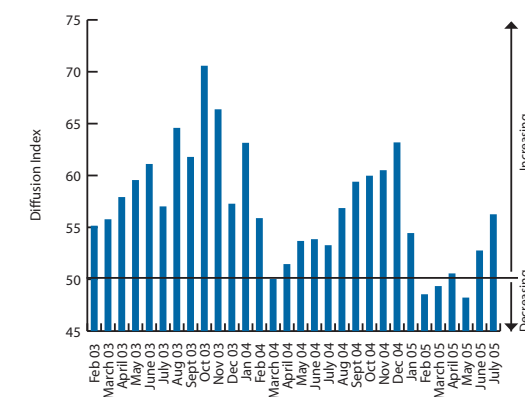
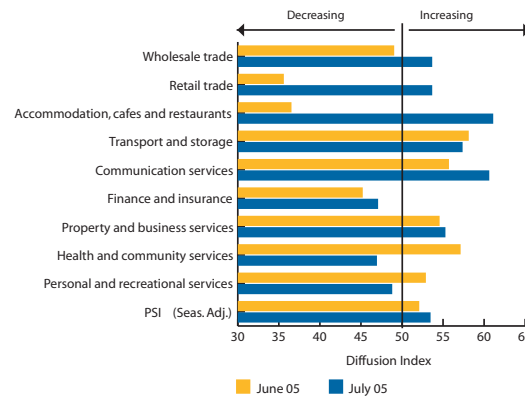
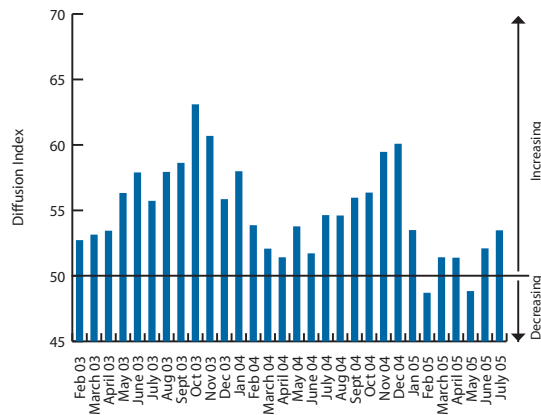
- Retail trade activity expanded in July for the first time in four months, contributing to a further modest strengthening in overall services sector growth. The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (Australian PSI®) rose 1.4 points in July to 53.5, the highest reading since January.
- Service sector sales, new orders, employment and supplier deliveries all grew at a stronger pace in July. By contrast, rises in stocks and input costs were both slightly weaker than in June.
- In addition to retail trade, activity also expanded in wholesale trade (only the second increase in 2005) and hospitality services (after two consecutive declines). Nevertheless, the rebound in consumer spending appears to partly reflect seasonal factors (including mid-year sales and the start of the financial year).
- Moreover, activity contracted for a third consecutive month in finance & insurance (due to slower lending growth), and fell also in personal & recreational services. Despite a lift in retail sector sales in July, new orders in the sector remained flat.

SECTORS

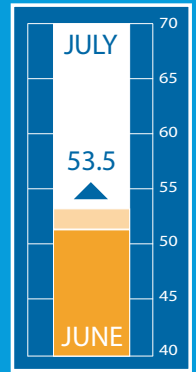
- In unadjusted terms, activity expanded in six of nine sectors in July (up from five the previous month). After the contractions of the preceding two months, the accommodation, cafe & restaurant sector reported the strongest increase in activity in July.
- Growth also continued to strengthen in communications services. While the wholesale and retail trade sectors reported only moderate growth in July, nevertheless the increases in activity followed contractions the previous month (and sustained weakness in both sectors extending back to early 2005).
- Elsewhere, growth moderated in transport & storage and business & property services, although remaining relatively firm. However, activity continued to contract in finance & insurance, and fell also in health & community and personal & recreational services.

SALES

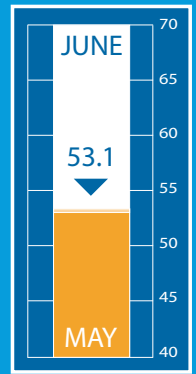
- Seasonally adjusted, sales jumped 3.5 points in July to 56.3. It was the second consecutive month of strengthening sales growth, and the highest reading since December 2004.
- Unadjusted, sales rose in seven sectors (up from five in June). Hospitality services and communications services reported the strongest growth. A further three sectors, comprising wholesale and retail trade, and personal & recreational services, also reported stronger increases compared with the previous month.
- However, growth slowed in transport & storage and property & business services. Sales declined in health & community services and for the third consecutive month in finance & insurance.



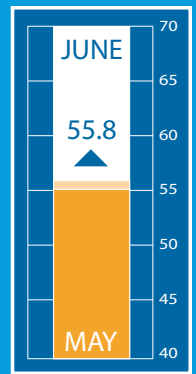
AUSTRALIAN PSI®



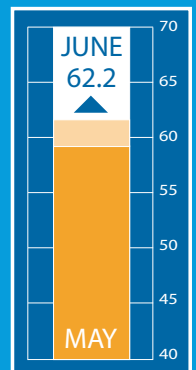
EUROZONE SERVICES INDEX



UK SERVICE S INDEX

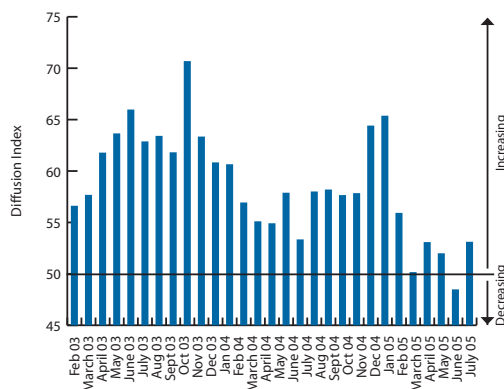


USA SERVICES INDEX



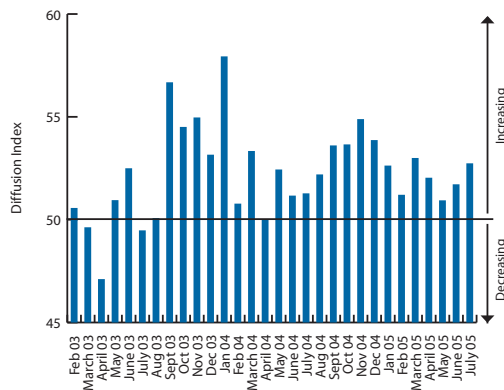
NEW ORDERS

- After adjustment for seasonal factors, new orders increased 0.9 points to 54.0 and to the highest level since January 2005. Similar to sales, it was the second consecutive month of stronger growth.
- In unadjusted terms, new orders expanded in five sectors (an unchanged number from June). The strongest growth was again in accommodation, cafes & restaurants.
- Of the remaining sectors to report increases in new orders, wholesale trade; communications services; and property & business services reported stronger growth. New orders growth slowed in transport & storage.
- However, orders contracted in finance & insurance and health & community services. The level of orders was also unchanged in retail trade and personal & recreational services.



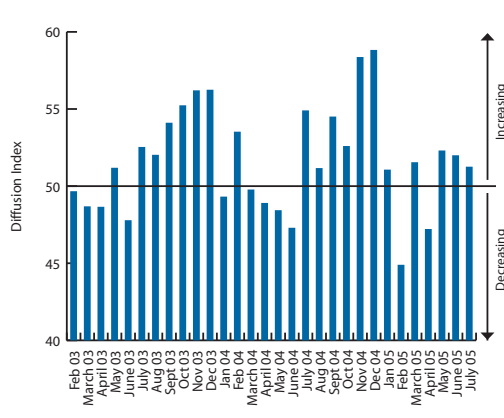
EMPLOYMENT

- Service sector employment expanded in July for the fifteenth consecutive month, with growth strengthening in each of the past two months. Seasonally adjusted, the employment sub-index rose 1.0 point in July to 52.7.
- In unadjusted terms, personal & recreational services was the only sector to report a decline. Hospitality services; transport & storage; and health & community services also reported unchanged levels of employment.
- Of the five sectors to report increases (and compared with only three in June), growth strengthened in wholesale trade; retail trade; communications; and property & business services. Employment growth slowed in finance & insurance.



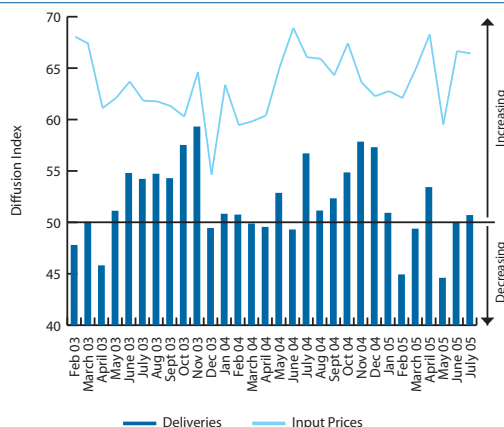
STOCKS

- Inventories of finished goods increased at a slightly slower pace in July, the seasonally adjusted stocks sub-index falling 0.7 points to 51.3. Within the distributive industries, retail trade inventories increased for the first time since March (unadjusted).
- The rise in the retail trade sector was also accompanied by the first decline in wholesale trade inventories since February (and a partial unwinding of the unplanned increases over the previous four months). Inventories also rose in transport & storage for the first time since March.
- Elsewhere, inventories also increased in hospitality services; communications; and health & community services. Stocks fell in property & business and personal & recreational services, and were unchanged in finance & insurance.



DELIVERIES AND INPUT COSTS

- Supplier deliveries increased marginally in July, the seasonally adjusted sub-index edging up 0.7 points to 50.7. In unadjusted terms, five sectors reported increased deliveries (up from four previously), three sectors declined (down from five), and one unchanged.
- Input costs rose strongly again in July, although the rate of increase eased slightly from June. Seasonally adjusted, the input cost index fell 0.3 points in the month to 66.4.
- However, in unadjusted terms, costs increased at a faster pace relative to the previous month in seven of the nine sectors. Retail trade and property & business services also reported increases, but at a slower pace than in June.



NATIONAL INDEXES

	Jul 05	Jul 04	June 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04	Oct 04
AUSTRALIAN PSI®	53.5	54.6	52.1	48.8	51.4	51.4	48.7	53.5	60.1	59.5	56.4
SALES	56.3	53.3	52.8	48.2	50.6	49.3	48.6	54.5	63.2	60.5	60.0
NEW ORDERS	54.0	58.0	53.1	48.5	52.0	53.1	50.2	55.9	65.4	64.4	57.9
EMPLOYMENT	52.7	51.3	51.7	50.9	52.0	53.0	51.2	52.6	53.9	54.9	53.7
INVENTORIES	51.3	54.9	52.0	52.3	47.2	51.6	44.9	51.1	58.8	58.4	52.6
DELIVERIES	50.7	56.7	50.0	44.6	53.4	49.4	44.9	50.9	57.3	57.9	54.9
INPUT PRICES	66.4	66.1	66.7	59.5	68.3	65.0	62.1	62.8	62.3	63.6	67.4

Results are based on a sample of 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

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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