

SERVICES SECTOR ACTIVITY CONTINUES TO MODERATE AS FUEL COSTS BITE

KEY FINDINGS

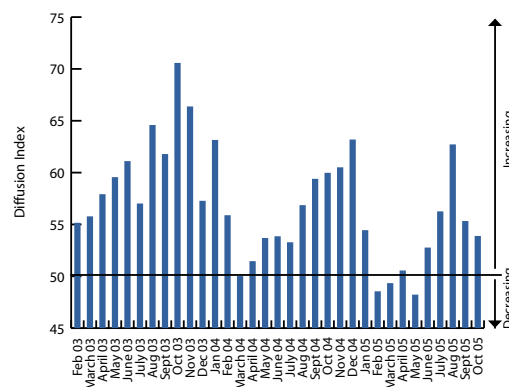
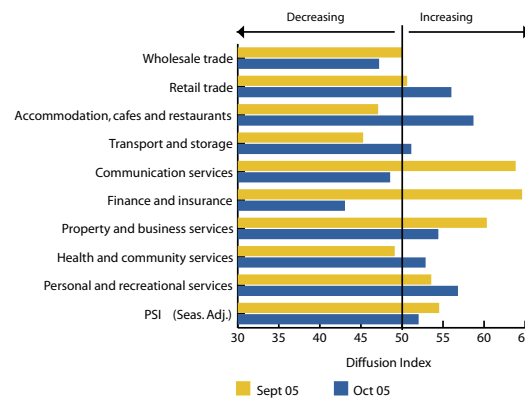
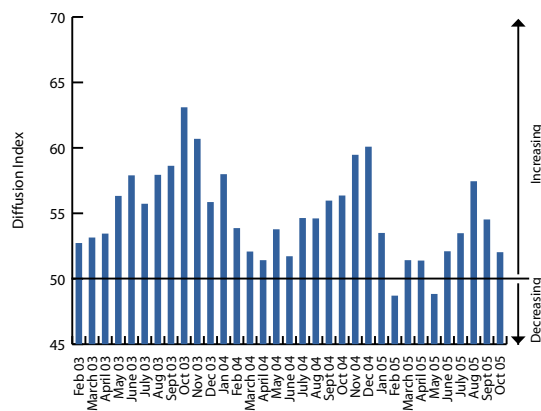
- Growth in the services sector continued to moderate in October, as high fuel costs and weaker housing activity took firmer hold.
- The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (Australian PSI®) fell 2.5 points to 52.0.
- Service sector sales, new orders, employment and stocks all grew at a weaker pace, as overall demand was affected by continuing large increases in input costs (particularly fuel).
- Three sectors recorded a decline in activity (a reading below 50.0) – finance & insurance (impacted by a weaker housing market); communication services; and wholesale trade.
- Activity slowed in property & business services, also partly reflecting the effects of declining housing approvals.
- In contrast, activity strengthened in the accommodation, cafes & restaurants; personal & recreational services; and retail trade sectors, although partly attributable to a seasonal lift in demand accompanying school holidays.

SECTORS

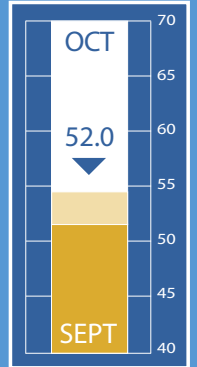
- In unadjusted terms, activity expanded in six of nine sectors in October (up from five the previous month).
- Finance & insurance reported the steepest contraction, largely related to the decline in housing sector activity.
- In addition, the wholesale trade and communication services sectors also experienced smaller declines.
- Conversely, seasonal demand resulted in stronger growth in the accommodation, cafes & restaurants; personal & recreational services; and retail trade sectors.
- The health & community services and transport & storage sectors both reported modest recoveries in growth in October (following small declines previously), while growth slowed in property & business services.

SALES

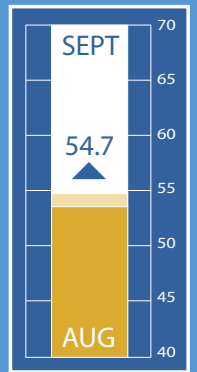
- On a seasonally adjusted basis, sales fell 1.4 points in October to 53.9. While sales expanded for the fifth consecutive month, growth has weakened steadily since the most recent peak in August.
- On an unadjusted basis, sales rose in six sectors (unchanged from September).
- Following strong growth the previous month, both finance & insurance and communication services reported moderate decreases in sales. In addition, sales declined in the wholesale trade sector.
- Sales growth also eased in the property & business and health & community services sectors.
- The accommodation, cafes & restaurants; personal & recreational services; and retail trade sectors all recorded strong sales growth in October, benefiting from seasonal factors. Transport & storage also expanded strongly.



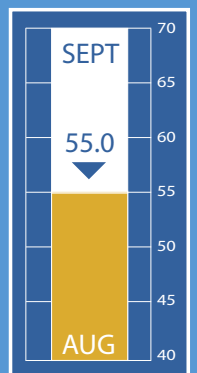
AUSTRALIAN PSI®



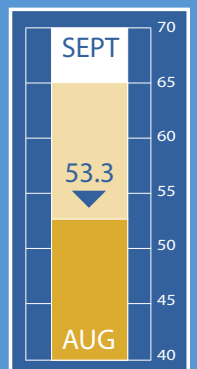
EUROZONE SERVICES INDEX



UK SERVICE S INDEX

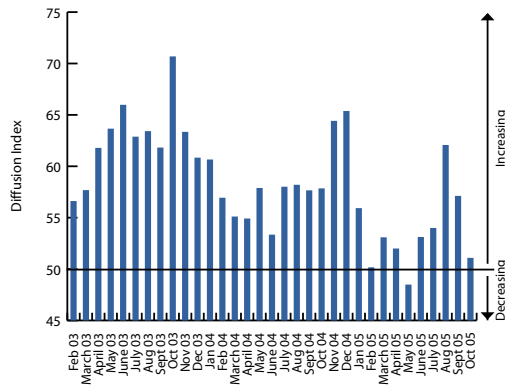


USA SERVICES INDEX



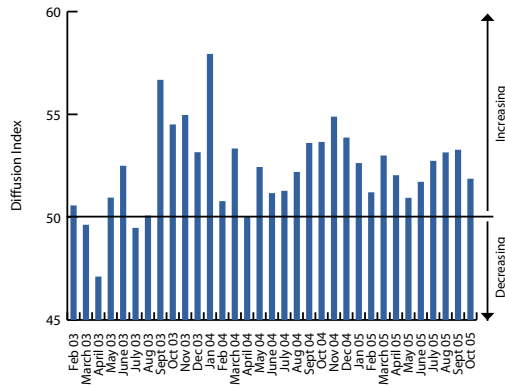
NEW ORDERS

- In seasonally adjusted terms, new orders fell 6.0 points to 51.1 in October. It was the fifth consecutive month of expanding new orders, although the weakest increase in the same period.
- In unadjusted terms, new orders expanded in five sectors (down from six in September).
- A sharp decline in new orders was reported in the finance & insurance sector. The transport & storage; communication; and wholesale trade sectors also experienced moderate contractions.
- The pace of new orders growth also slowed in the property & business sector.
- The strongest expansions were in personal & recreational and health & community services. Moderate growth was also reported in accommodation, cafes & restaurants and retail trade.



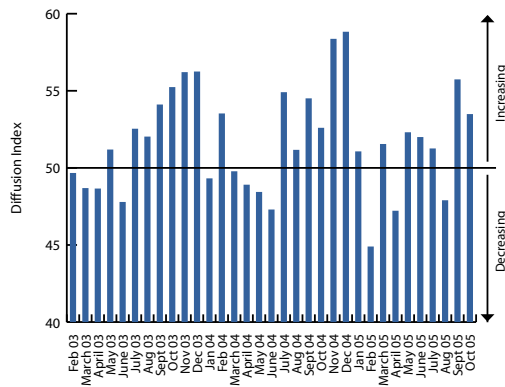
EMPLOYMENT

- Seasonally adjusted, the employment index fell 1.4 points in October to 51.9.
- Unadjusted, employment increased in six sectors (up from three in September). Employment declined in two sectors, with one further sector unchanged.
- Employment growth was strongest in finance & insurance (although considerably weaker than in previous months), followed by accommodation, cafes & restaurants; and personal & recreational services.
- Employment grew more moderately in the retail trade; transport & storage; and property & business services sectors.
- Both the health & community and wholesale trade sectors reported small contractions in employment.
- Employment was unchanged in communications services, although following a strong increase the previous month.



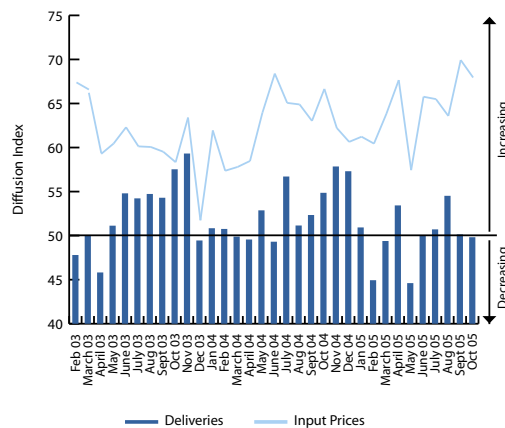
STOCKS

- Stocks fell in October, the unadjusted stocks index falling 2.2 points to 53.5. However, this fall follows a particularly large rise in September.
- Inventories of finished goods expanded in six sectors (down from seven in September), with a further two unchanged
- In the key distribution sectors, the pattern of last month continued - increases were moderate in the wholesale trade sector and stronger downstream in retail trade.
- Moderate rises also occurred in both the property & business and transport & storage sectors.
- The finance & insurance sector recorded the only contraction in stocks for the month.
- The level of inventories also fell in the property & business and communication sectors.



DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries was essentially unchanged in October, the seasonally adjusted index slipping 0.3 points to 49.8. In unadjusted terms, three sectors reported increased deliveries (down from five previously), with two unchanged and four reporting declines.
- Input costs continued to increase rapidly in October, although down slightly from the record levels of the previous month. Seasonally adjusted, the input cost index fell 1.7 points to 68.5.
- Unadjusted, the price of purchased supplies increased at a faster pace relative to the previous month in five sectors (the same number as in September).
- The accommodation, cafes & restaurants sector recorded the largest rise in costs.



NATIONAL INDEXES

	Oct 05	Oct 04	Sept 05	Aug 05	Jul 05	June 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05
AUSTRALIAN PSI®	52.0	56.4	54.5	57.5	53.5	52.1	48.8	51.4	51.4	48.7	53.5
SALES	53.9	60.0	55.3	62.7	56.3	52.8	48.2	50.6	49.3	48.6	54.5
NEW ORDERS	51.1	57.9	57.1	62.1	54.0	53.1	48.5	52.0	53.1	50.2	55.9
EMPLOYMENT	51.9	53.7	53.3	53.2	52.7	51.7	50.9	52.0	53.0	51.2	52.6
INVENTORIES	53.5	52.6	55.7	47.9	51.3	52.0	52.3	47.2	51.6	44.9	51.1
DELIVERIES	49.8	54.9	50.1	54.5	50.7	50.0	44.6	53.4	49.4	44.9	50.9
INPUT PRICES	68.5	67.4	70.2	64.8	66.4	66.7	59.5	68.3	65.0	62.1	62.8

Results are based on a sample of 218 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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