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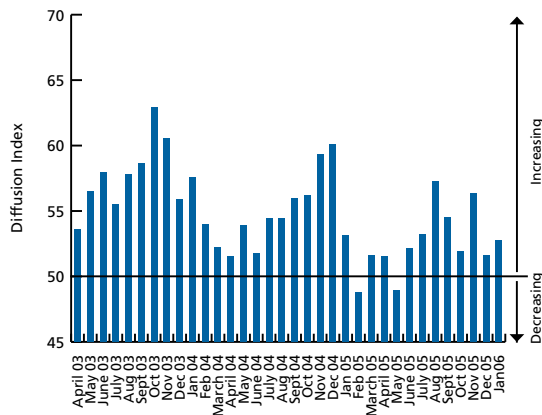
PERFORMANCE OF SERVICES INDEX®

JANUARY 2006

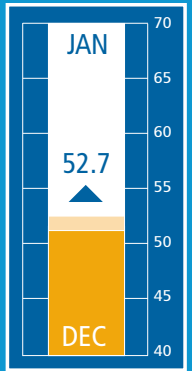
BUSINESS SECTORS UNDERPIN A MODEST IMPROVEMENT

KEY FINDINGS

- Growth in the services sector improved in January, although largely confined to business-related sectors.
- The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (Australian PSI®) rose 1.1 points to 52.7. While services activity continues to expand, the past three readings are all the lowest comparable monthly outcomes in three years.
- Sales, new orders and inventories expanded moderately during the month. Employment nevertheless grew strongly, while input costs remained below recent highs.
- Services growth was driven largely by modest expansions in the business sectors – property & business; transport & storage; and finance & insurance.
- In contrast, many of the consumer sectors were subdued, although partly reflecting the seasonal slow-down in demand. While growth was strongest in personal & recreational services, retail trade recorded a seasonal decline, along with smaller contractions in wholesale trade; accommodation, cafes & restaurants; and health & community services.

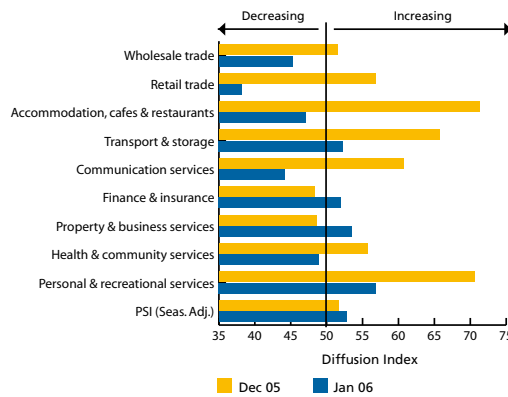


AUSTRALIAN PSI®

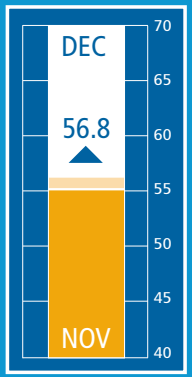


SECTORS

- In unadjusted terms, activity expanded in four of nine sectors in January (down from seven in December).
- Personal & recreational services recorded the strongest growth, while the business sectors – property & business; transport & storage; and finance & insurance – expanded moderately.
- The sharpest decline in activity was in the consumer-discretionary sector of retail trade, partly reflecting the seasonal slow-down in demand.
- Other sectors to report significant contractions were communication services and wholesale trade.
- Accommodation, cafes & restaurants and health & community sectors both recorded relatively small declines in activity.

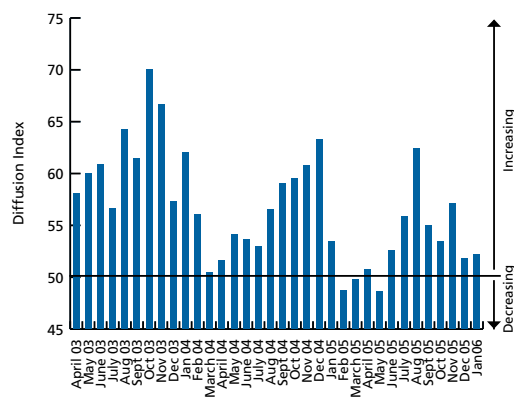


EUROZONE SERVICES INDEX

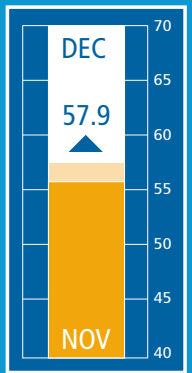


SALES

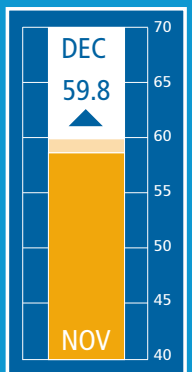
- On a seasonally adjusted basis, sales rose 0.3 points in January to 52.2. Although a slight improvement on the previous month, the reading for January was the lowest in three years (as it was for the readings of November and December).
- Unadjusted, sales rose in three sectors (down from seven the previous month). In addition, property & business was unchanged.
- Though down from the previous month's peak, personal & recreational services recorded the strongest growth.
- Transport & storage and health & community services also recorded modest sales growth.
- Retail trade recorded the largest decline. Sales also contracted sharply in wholesale trade and more moderately in communication services; finance & insurance; and accommodation, cafes & restaurants.



UK SERVICE S INDEX



USA SERVICES INDEX



NEW ORDERS

- Seasonally adjusted, new orders rose 1.4 points in January to 52.4, the lowest January reading in three years. This follows the lowest November and December readings.
- On an unadjusted basis, new orders expanded in two sectors (down from seven the previous month). The level of new orders was also unchanged in transport & storage; communication services; and finance & insurance.
- Property & business and personal & recreational services reported modest growth.
- In contrast, the retail trade; wholesale trade; and health & community sectors recorded moderate (seasonal) declines.
- The accommodation, cafes & restaurants sector also declined slightly, having recorded strong growth in December.

EMPLOYMENT

- In seasonally adjusted terms, the employment index rose 4.5 points in January to 56.4, the 21st consecutive month of expansion.
- In unadjusted terms, employment increased in four sectors (down from eight in December). In addition, communication services was unchanged.
- The property & business services sector recorded the strongest employment growth.
- Finance & insurance and transport & storage also enjoyed relatively strong growth, though below the levels recorded in December. In addition, wholesale trade reported a slight expansion.
- The retail trade sector recorded the largest decline in the level of employment.
- Health & community; accommodation, cafes & restaurants; and personal & recreational services also reported moderate declines.

STOCKS

- Stock accumulation slowed in January, the unadjusted stocks index falling 0.9 points to 51.9, with mixed readings amongst the business and consumer sectors.
- Inventories of finished goods expanded in five sectors (down from six in December), with one sector unchanged.
- Stock building continued to diverge in the key distribution sectors, with wholesale trade unchanged and retail trade recording the largest decline across all nine sectors.
- Finance & insurance and personal & recreation services reported the strongest levels of growth. Property & business; health & community; and accommodation, cafes & restaurants recorded modest expansions.
- In addition to retail trade, inventories were down in communication services and transport & storage.

DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries weakened in January, the seasonally adjusted index falling 2.1 points to 48.8. In unadjusted terms, the personal & recreation and transport & storage sectors reported increased deliveries (down from seven previously). In addition, health & community services was unchanged.
- The largest decline was in communication services, while five sectors recorded moderate contractions.
- The rate of input cost increases rose marginally in January (the seasonally adjusted input cost index rising 1.3 points to 64.3), but remained below recent highs.
- Unadjusted, costs increased at a faster pace relative to the previous month in three sectors (down from four in December).
- Costs increased at a considerably slower pace in accommodation, cafes & restaurants; finance & insurance; and transport & storage.
- A modest rise in the price of purchased supplies was recorded in property & business services.

NATIONAL INDEXES

	Jan 06	Jan 05	Dec 05	Nov 05	Oct 05	Sept 05	Aug 05	Jul 05	June 05	May 05	Apr 05
AUSTRALIAN PSI®	52.7	53.1	51.6	56.4	51.9	54.5	57.3	53.3	52.2	49.0	51.5
SALES	52.2	53.5	51.8	57.1	53.4	55.0	62.4	55.9	52.6	48.6	50.7
NEW ORDERS	52.4	55.4	51.0	55.5	50.9	57.4	62.0	54.0	53.1	48.8	52.4
EMPLOYMENT	56.4	52.9	51.9	56.3	52.1	53.3	53.1	52.2	52.0	50.9	52.1
INVENTORIES	51.9	51.1	52.8	58.6	53.5	55.7	47.9	51.3	52.0	52.3	47.2
DELIVERIES	48.8	50.7	50.9	55.3	49.7	50.3	54.2	50.7	50.5	44.5	53.3
INPUT PRICES	64.3	62.8	63.0	69.0	69.6	69.9	64.0	66.6	66.3	60.3	68.7

Results are based on a sample of 211 companies.

Following an annual re-analysis, the seasonal adjustment factors and weights for each of the sub-indexes have been revised.



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 service organisations and with the majority of the Australian economy being 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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