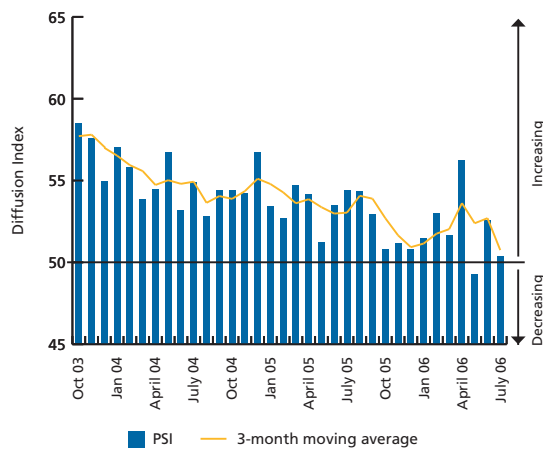


SERVICES ACTIVITY FLAT AS DEMAND REMAINS SUBDUED

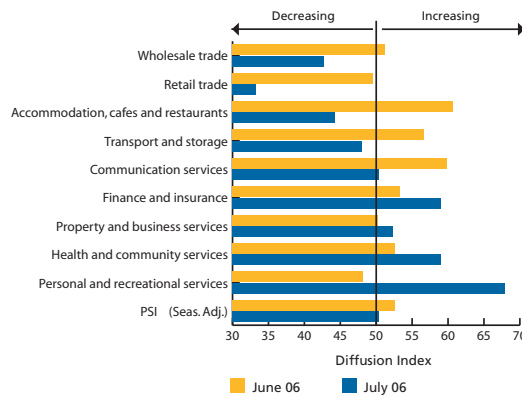
KEY FINDINGS

- Services sector activity barely expanded in July, as growth in demand remained weak, and inward supplies of raw materials fell sharply.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell 2.2 points to 50.4, only marginally above the 50.0 level separating expansion from contraction.
- Sales growth was essentially unchanged in the month, but growth in new orders and employment both weakened.
- By contrast, supplier deliveries fell substantially for the second time in the last three months. Stocks of finished goods also fell slightly marginally, following large rises in two of the previous three months.
- The steepest declines in activity were concentrated in the consumer-based sectors. Growth was more mixed across business-related and other sectors.
- Input cost increases lifted in the month, and just short of the record rise reported in May 2006.



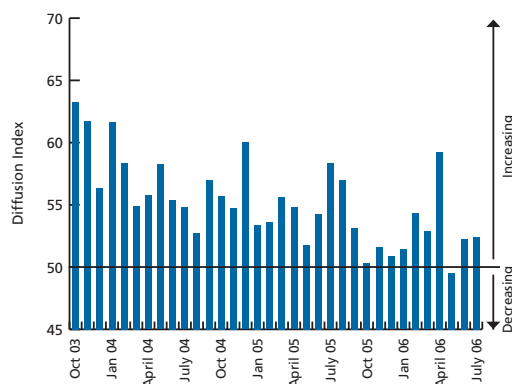
SECTORS

- In seasonally adjusted terms, activity expanded in five of the nine sectors, compared with seven in June.
- Growth was strongest in the personal & recreational services sector, following declines in each of the previous two months. However, activity fell sharply in the other consumer-based sectors.
- The steepest fall was in retail trade, partly attributable to a large mid-year sale at a major department store (drawing sales away from survey respondents). Activity also fell sharply in accommodation, cafes & restaurants and in wholesale trade, following expansions in both sectors the previous month.
- Elsewhere, growth strengthened moderately in finance & insurance; property & business services; and health & community services.
- By contrast, growth slowed abruptly in communication services, while activity fell in transport & storage.

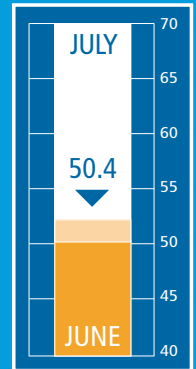


SALES

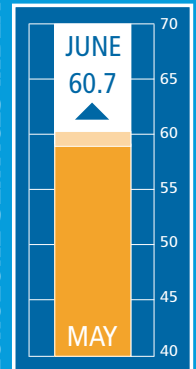
- After adjustment for seasonal factors, the sales sub-index edged up 0.2 of a percentage point to 52.4. In unadjusted terms, four sectors reported increases in sales (up from three in June), with sales flat in finance & insurance (following a fall the previous month).
- Sales growth was strongest in personal & recreational services, after falls in the previous two months. Sales also expanded strongly in communication services, although easing slightly from June.
- Among the other sectors, moderate growth resumed in property & business services, following a sharp fall in the previous month. Health & community services also reported moderate growth, although at a slower rate than previously.
- The steepest falls were in wholesale and retail trade, and the third consecutive decline in both sectors. Sales also fell sharply in transport & storage, following a strong increase in June.
- Sales also fell for the third consecutive month in accommodation, cafes & restaurants, although the rate of decline abated slightly.



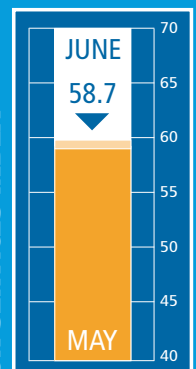
AUSTRALIAN PSI®



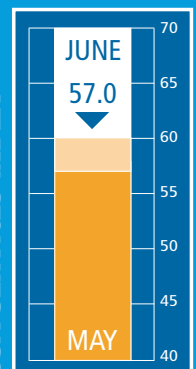
EUROZONE SERVICES INDEX



UK SERVICES INDEX

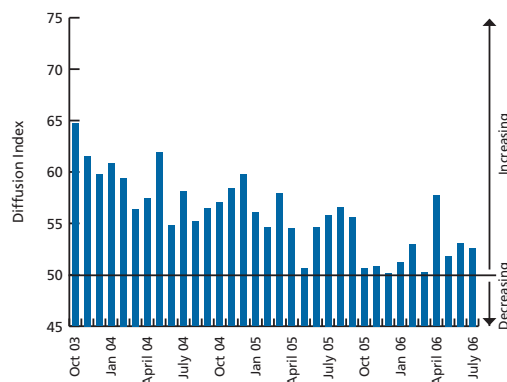


USA SERVICES INDEX



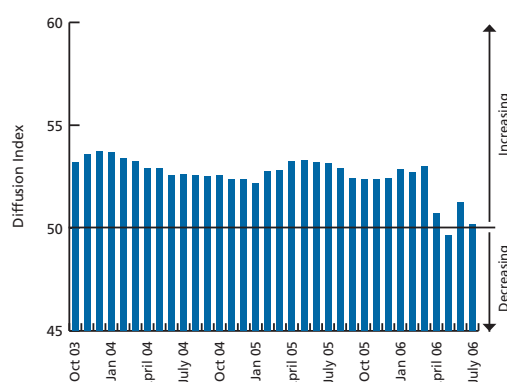
NEW ORDERS

- Seasonally adjusted, the new orders sub-index fell 0.5 of a percentage point to 52.6. In unadjusted terms, five sectors reported increases in orders, up from four previously.
- New orders growth was strongest in personal & recreational services. Of the other four sectors to report rises, the increases in finance & insurance and property & business services followed falls in June.
- By contrast, orders growth moderated from the previous month in transport & storage and communication services. Orders were also flat in health & community services, following strong growth in the preceding three months.
- The largest decline was in retail trade (and the third consecutive fall). After steadying the previous month, orders also continued to fall in wholesale trade. Orders also fell moderately in accommodation, cafes & restaurants.



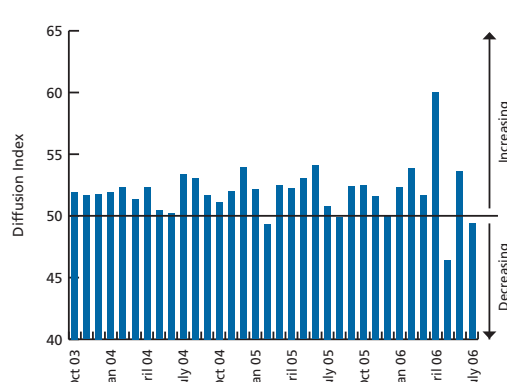
EMPLOYMENT

- Services sector employment grew only marginally in July. In seasonally adjusted terms, the employment sub-index fell 1.0 percentage points to 50.2.
- Unadjusted, the number of sectors reporting employment growth was unchanged at three. Following weak outcomes the previous month, growth recovered strongly in finance & insurance and personal & recreational services.
- Growth moderated in health & community services, and was unchanged in transport & storage (following a moderate rise the previous month).
- The largest falls were in retail trade and accommodation, cafes & restaurants, and followed similarly large declines previously.
- Smaller declines were reported in communication services (following moderate growth in June), and again in wholesale trade and accommodation, cafes & restaurants.



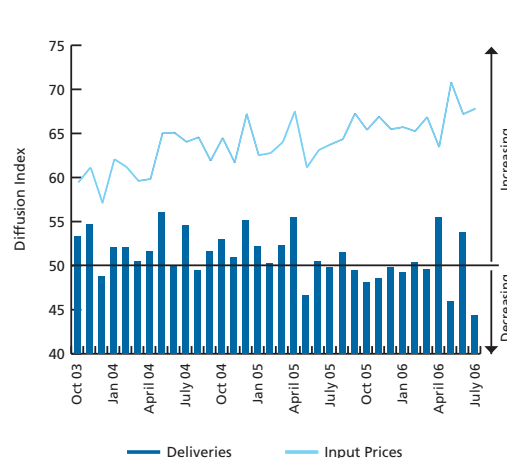
STOCKS

- Inventories remain volatile, the seasonally adjusted stocks sub-index easing 4.2 points to 49.4. It was the second decline in stock levels in the past three months, and follows a record rise in April.
- Unadjusted, inventories rose in four sectors, up from three in June.
- Across the key distribution sectors, inventories fell slightly in wholesale trade (following a large increase the previous month). Inventories continued to decline in retail trade, and fell sharply in transport & storage (after steadying in June).
- Among the other sectors, renewed increases were reported in finance & insurance; health & community services; and personal & recreational services.
- Following increases the previous month, inventories fell in accommodation, cafes & restaurants; property & business services; and were unchanged in communication services.



DELIVERIES AND INPUT COSTS

- Supplier deliveries plunged in July, possibly a response to the (largely unplanned) rise in inventories the previous quarter. The seasonally adjusted supplier delivery sub-index fell 9.5 points to 44.3, the lowest reading in the history of the series.
- In unadjusted terms, only personal & recreational services and communication services reported rises, while deliveries were flat also in finance & insurance and health & community services. The largest falls were in transport & storage and retail trade.
- By contrast, the cost of supplies rose at a slightly faster rate in July, the seasonally adjusted input cost sub-index rising 0.5 of a point to 68.4 (and the second highest reading on record).
- Input costs rose in all nine sectors in July (unadjusted), the rate of increase accelerating in seven. Accommodation, cafes & restaurants reported the equal largest increase in the month (along with personal & recreational services), although it was one of the two sectors (including also wholesale trade) in which cost increases moderated relative to June.
- The smallest rise was in communication services.



NATIONAL INDEXES

	July 06	July 05	June 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05
AUSTRALIAN PSI®	50.4	54.5	52.6	49.3	56.3	51.6	53.0	51.5	50.8	51.2	50.8
SALES	52.4	58.3	52.2	49.5	59.3	52.9	54.4	51.4	50.9	51.6	50.3
NEW ORDERS	52.6	55.8	53.1	51.8	57.7	50.3	53.0	51.2	50.1	50.9	50.6
EMPLOYMENT	50.2	53.2	51.2	49.6	50.7	53.0	52.7	52.9	52.4	52.4	52.4
INVENTORIES	49.4	50.8	53.6	46.4	60.1	51.7	53.9	52.3	50.0	51.6	52.5
DELIVERIES	44.3	49.8	53.8	45.9	55.5	49.6	50.4	49.2	49.8	48.6	48.1
INPUT PRICES	68.4	65.0	67.9	71.0	64.7	67.6	66.2	66.6	66.4	67.6	66.4

Results are based on a sample of 200 companies.

* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were introduced in April 2006.



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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