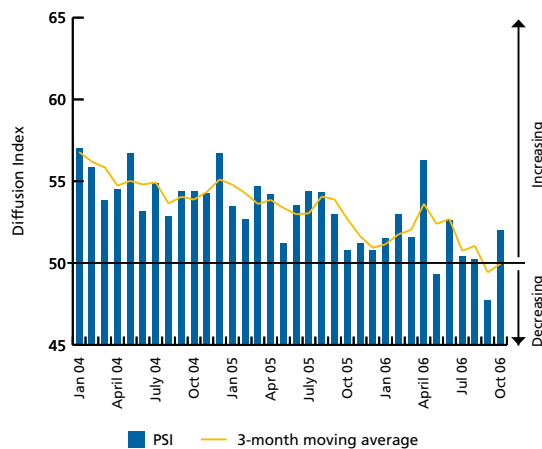


## GROWTH IN SERVICES REMAINS SOFT

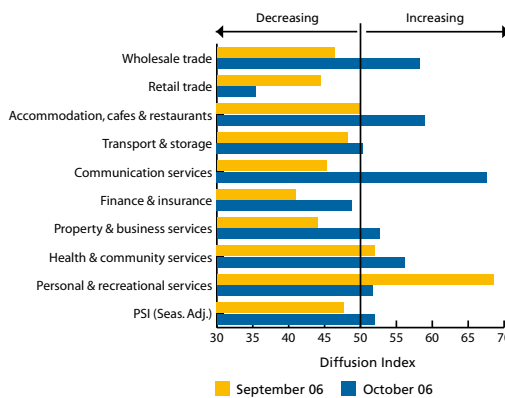
### KEY FINDINGS

- Growth in services sector activity remained soft in October, despite a lift from the interest rate related decline in the previous month.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index (Australian PSI®) rose 4.3 points to 52.0, rising above the key 50.0 level separating expansion from contraction.
- The moderate lift in activity was underpinned by growth in sales, new orders, employment, inventories and supplier deliveries, following declines in the previous month.
- Activity grew in each of the business-related sectors, excluding finance & insurance.
- The consumer-related sectors experienced some improvement on their recent lacklustre performance, with the exception of retail trade.
- Input cost increases moderated for the second consecutive month, with input costs continuing to fall from their August 2006 peak.



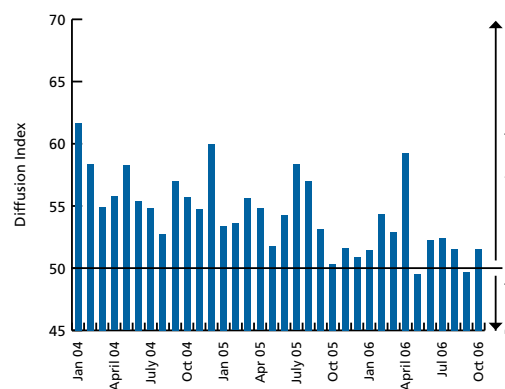
### SECTORS

- In seasonally adjusted terms, activity expanded in seven of the nine sectors in October (up from two in September).
- Growth was strongest in communication services; accommodation, cafes & restaurants; and wholesale trade; following contractions in September.
- The business-related sectors of property & business services and transport & storage also recovered moderately from declines in the previous month.
- Activity continued to expand in personal & recreational services, although at a slower pace than in September, while growth strengthened in health & community services.
- Retail trade and finance & insurance were the only sectors to report a contraction in activity in October, both sectors sensitive to movements in interest rates.

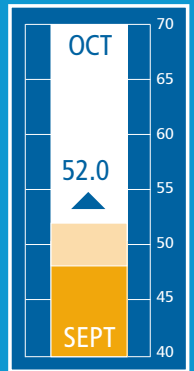


### SALES

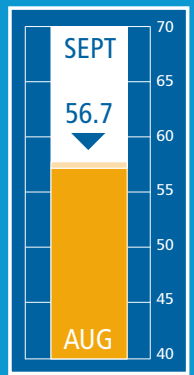
- Seasonally adjusted, sales rose 1.8 points in October to 51.5. In unadjusted terms, sales increased in seven sectors (up from four in the previous month).
- Accommodation, cafes & restaurants and communication services were the strongest sectors, both reporting a substantial turnaround following falls in activity in September.
- Activity grew in the wholesale trade sector for the first time since April 2006.
- Sales growth strengthened in health & community services; property & business services and transport & storage; but moderated in personal & recreational services following a strong increase in September.
- Retail trade and finance & insurance were the only sectors to report a decline in sales.



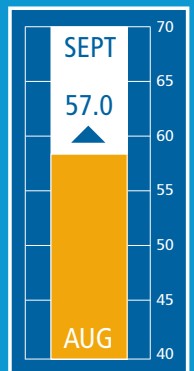
### AUSTRALIAN PSI®



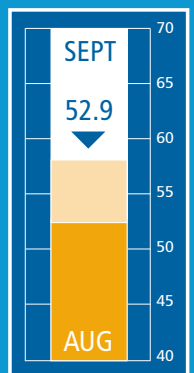
### EUROZONE SERVICES INDEX



### UK SERVICES INDEX

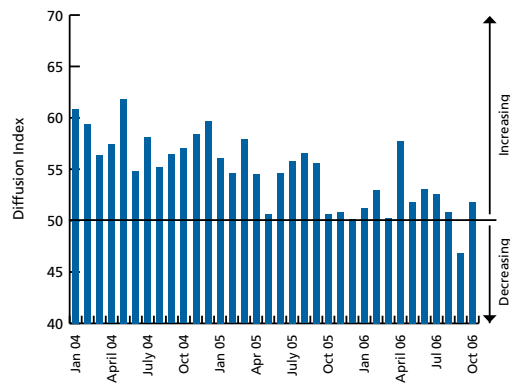


### USA SERVICES INDEX



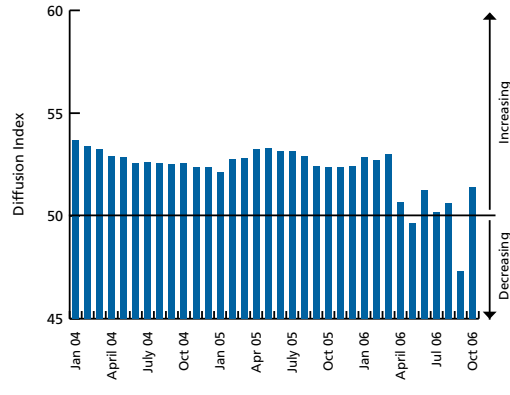
## NEW ORDERS

- New orders growth resumed in October, following a fall in the previous month. The seasonally adjusted new orders sub-index increased 5.0 points to 51.8.
- Unadjusted, new orders expanded in six sectors (up from two in September), with personal & recreational services unchanged.
- Growth was strongest in accommodation, cafes & restaurants (having remained unchanged in September) and health & community services (following a decline).
- Wholesale trade; communication services; and transport & storage recorded strong growth, while new orders expanded moderately in property & business services.
- Retail trade reported the strongest decline in new orders (for the sixth consecutive month), while the rate of contraction accelerated in finance & insurance.



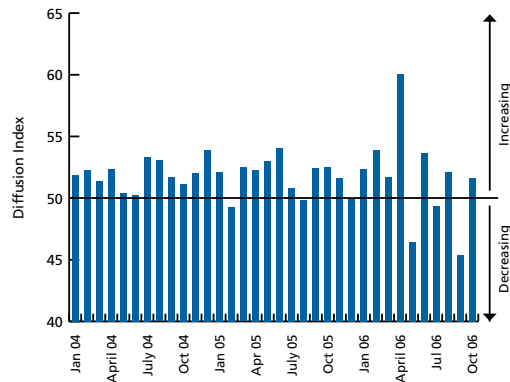
## EMPLOYMENT

- Services sector employment recovered moderately in October, the seasonally adjusted sub-index increasing 4.1 points to 51.4.
- On an unadjusted basis, employment increased in six sectors (up from three previously), with health & community services unchanged.
- The strongest rate of employment growth was in communication services and accommodation, cafes & restaurants, two of the three sectors that reported growth in September.
- Employment also grew moderately in transport & storage; property & business services and personal & recreational services, following declines in the previous month.
- Wholesale trade reported its first expansion in employment since January 2006.
- Retail trade and finance & insurance were the only sectors to report a decline in employment in the month.



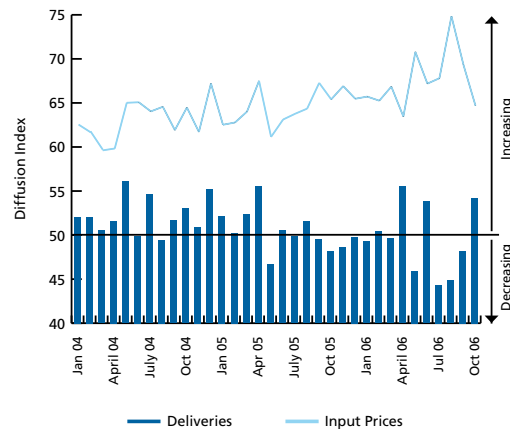
## STOCKS

- Inventories of finished goods were replenished moderately in October, following a run down in the previous month. Seasonally adjusted, stocks increased by 6.2 points to 51.6.
- Unadjusted, stocks expanded in six sectors, up from five in September.
- The consumer-based sectors of accommodation, cafes & restaurants and wholesale trade reported the strongest growth in stocks.
- Inventory growth strengthened in communication services and retail trade, while the health & community services sector also reported an expansion.
- Stocks declined in the business-related sectors of finance & insurance and property & business services, although the rate of contraction eased in September.
- Transport & storage also reported a contraction in stocks.



## DELIVERIES AND INPUT COSTS

- Supplier deliveries lifted in October, following declines in each of the three previous months. Seasonally adjusted, the supplier delivery sub-index rose 6.0 points to 54.2.
- On an unadjusted basis, deliveries increased in eight sectors (up from two in the previous month), declining only in finance & insurance.
- Growth in supplier deliveries eased significantly in personal & recreational services, following a large rise in the previous month.
- Supplier delivery growth strengthened in all other sectors, with accommodation, cafes & restaurants reporting the largest increase.
- Input cost increases moderated further in October, the seasonally adjusted input cost sub-index dropping 4.0 points to 65.7.
- Unadjusted, input costs increased at a faster pace in three sectors (up from two previously).
- The largest rises in input costs were concentrated in the consumer-based sectors.
- Accommodation, cafes & restaurants reported the largest increase, while health & community services reported the smallest rise.



## NATIONAL INDEXES

|                        | Oct 06 | Oct 05 | Sept 06 | Aug 06 | July 06 | June 06 | May 06 | Apr 06 | Mar 06 | Feb 06 | Jan 06 |
|------------------------|--------|--------|---------|--------|---------|---------|--------|--------|--------|--------|--------|
| <b>AUSTRALIAN PSI*</b> | 52.0   | 50.8   | 47.7    | 50.2   | 50.4    | 52.6    | 49.3   | 56.3   | 51.6   | 53.0   | 51.5   |
| <b>SALES</b>           | 51.5   | 50.3   | 49.7    | 51.5   | 52.4    | 52.2    | 49.5   | 59.3   | 52.9   | 54.4   | 51.4   |
| <b>NEW ORDERS</b>      | 51.8   | 50.6   | 46.8    | 50.8   | 52.6    | 53.1    | 51.8   | 57.7   | 50.2   | 53.0   | 51.2   |
| <b>EMPLOYMENT</b>      | 51.4   | 52.4   | 47.3    | 50.6   | 50.2    | 51.2    | 49.6   | 50.7   | 53.0   | 52.7   | 52.9   |
| <b>INVENTORIES</b>     | 51.6   | 52.5   | 45.4    | 52.2   | 49.4    | 53.6    | 46.4   | 60.1   | 51.7   | 53.9   | 52.3   |
| <b>DELIVERIES</b>      | 54.2   | 48.1   | 48.2    | 44.9   | 44.3    | 53.8    | 45.9   | 55.5   | 49.6   | 50.4   | 49.2   |
| <b>INPUT PRICES</b>    | 65.7   | 66.4   | 69.7    | 74.4   | 68.4    | 67.9    | 71.0   | 64.7   | 67.6   | 66.2   | 66.6   |

Results are based on a sample of over 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 seasonally adjusted national 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](http://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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