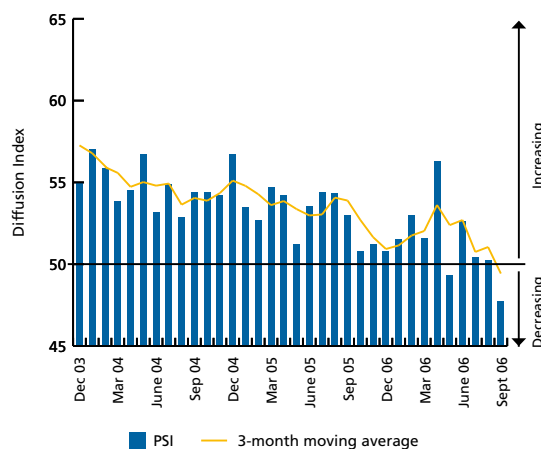


SERVICES SECTOR ACTIVITY REMAINS LACKLUSTRE

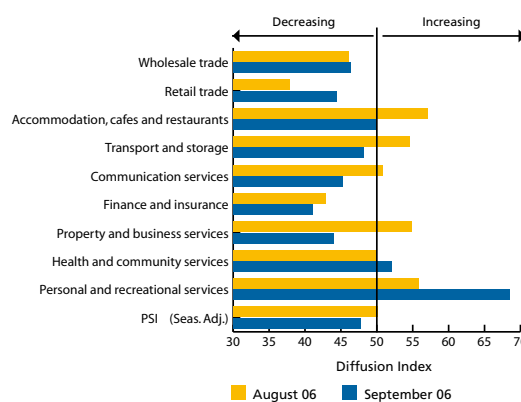
KEY FINDINGS

- Services sector activity declined in September, as consumer spending remained subdued and activity in the business-related sectors also contracted.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (Australian PSI®) fell by 2.5 points to 47.7, falling below the 50.0 level separating expansion from contraction.
- Activity declined in all of the business-related sectors, partly reflecting the impact of the increase in official interest rates on business demand.
- Among the consumer related sectors, activity grew strongly in personal & recreational services, but weakened in accommodation, cafes & restaurants and continued to decline in wholesale trade and retail trade.
- Sales, new orders, employment, stocks and supplier deliveries all weakened in September, although the rate of decline in supplier deliveries eased moderately.
- Input cost increases moderated in the month, reflecting the recent decline in fuel costs.



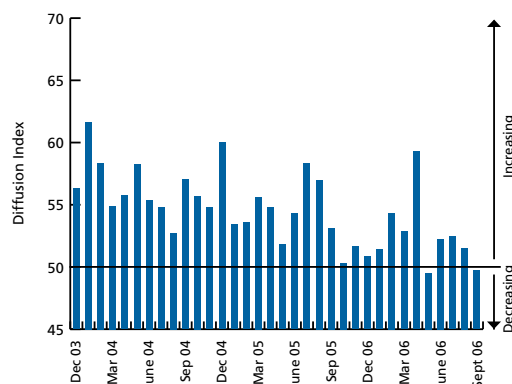
SECTORS

- On a seasonally adjusted basis, activity expanded in two of the nine sectors in September (down from five in August).
- Personal & recreational services recorded the largest expansion in September, and at a stronger rate than in August. Health & community services was the only other sector to record stronger activity in the month, following a slight fall in August.
- The decline in activity in retail trade slowed in September, while the contraction in wholesale trade also eased marginally.
- Among sectors more sensitive to business demand, finance & insurance reported the largest contraction in activity in the month, reflecting the increase in official interest rates in August.
- Activity also fell in each of the other business-related sectors (property & business services; communication services; and transport & storage), following growth in August.



SALES

- In seasonally adjusted terms, sales fell by 1.8 points in September to 49.7.
- Unadjusted, sales increased in four sectors (down from five in the previous month), with retail trade and finance & insurance unchanged (following contractions in the previous month).
- Sales growth was strongest in personal & recreational services in September.
- Property & business services; health & community services; and transport & storage also reported moderate growth in sales, although in all sectors, the rate of growth eased from August.
- Elsewhere, sales fell in accommodation, cafes & restaurants; communication services; and wholesale trade.

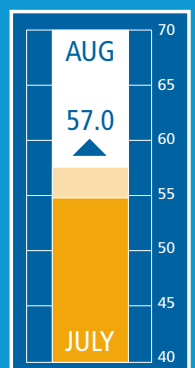
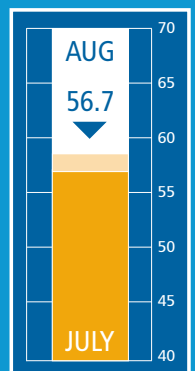
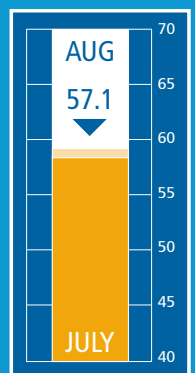
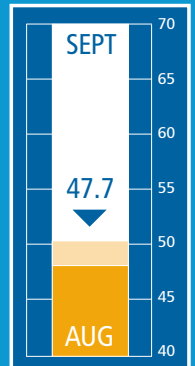


AUSTRALIAN PSI®

EUROZONE SERVICES INDEX

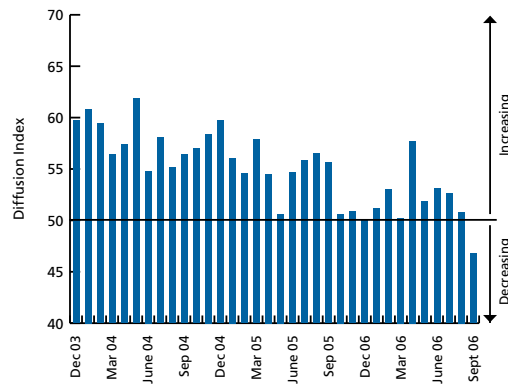
UK SERVICES INDEX

USA SERVICES INDEX



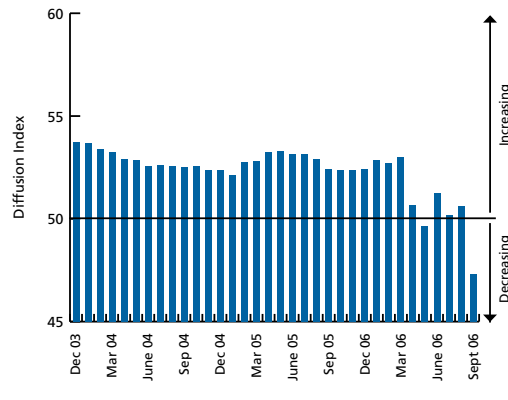
NEW ORDERS

- New orders weakened in September, the seasonally adjusted sub-index falling 4.0 points to 46.8.
- In unadjusted terms, just two sectors reported increases in new orders (down from seven previously). Accommodation, cafes & restaurants and communication services were unchanged.
- The largest increase in new orders was in personal & recreational services. Wholesale trade was the only other sector to report growth in new orders in September (the second consecutive month of expansion).
- Retail trade reported the largest decline in new orders in the month, although at a significantly slower rate than in August.
- The other declines in new orders were concentrated in the business-related sectors with transport & storage; property & business services; and finance & insurance all reporting falls.



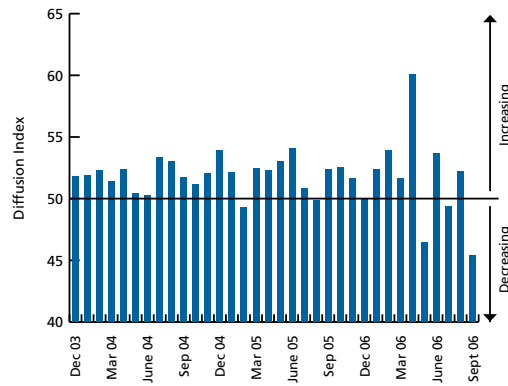
EMPLOYMENT

- Services sector employment fell in September, following moderate growth in the previous three months. Seasonally adjusted, the employment index fell 3.3 points to 47.3.
- On an unadjusted basis, employment increased in three sectors (down from four in August) and remained unchanged in retail trade.
- Finance & insurance reported the strongest rate of employment growth (for the third consecutive month). Employment also grew moderately in accommodation, cafes & restaurants and communication services, following declines in the previous month.
- There were improvements in wholesale trade (where the rate of decline eased) and retail trade (where employment was unchanged after a significant decline in August).
- The largest falls in employment were in the business-related sectors of transport & storage and property & business services, following moderate increases in August.
- Employment also contracted in personal & recreational services and health & communication services.



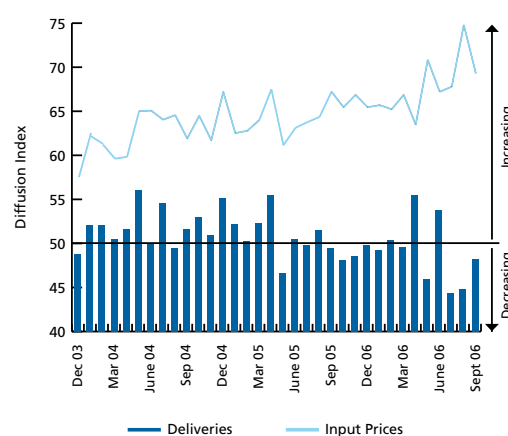
STOCKS

- Inventories of finished goods were run down significantly in September, the seasonally adjusted stocks index dropping 6.8 points to 45.4.
- Unadjusted, inventories rose in five sectors, up from three in August.
- Growth in inventories was strongest in personal & recreational services, whilst the consumer-based sectors of retail and wholesale trade also reported moderate increases.
- Among the business-related sectors, finance & insurance and property & business services recorded sharp declines in inventories.
- Inventories grew in communication services (at a similar pace as in August) and transport & storage (following a substantial fall in the previous month).



DELIVERIES AND INPUT COSTS

- Supplier deliveries continued to fall in September, although at a slower rate than in the previous two months. The seasonally adjusted index rose by 3.3 points to 48.2.
- In unadjusted terms, only personal & recreational services and communication services reported rises, while deliveries were unchanged in finance & insurance.
- The largest falls in deliveries were in retail trade and transport & storage, although the rates of decline eased from August.
- Deliveries also contracted in health & community services and accommodation, cafes & restaurants (following strong/flat growth in August).
- Input cost increases moderated in September from the August peak. Seasonally adjusted, the input costs sub-index fell 4.7 points to 69.7.
- Input costs rose in all nine sectors in September (unadjusted), although the rate of increase accelerated in only retail trade and transport & storage.
- The smallest rises were in personal & recreational services (for the second consecutive month) and finance & insurance.



NATIONAL INDEXES

	Sept 06	Sept 05	Aug 06	July 06	June 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05
AUSTRALIAN PSI®	47.7	53.0	50.2	50.4	52.6	49.3	56.3	51.6	53.0	51.5	50.8
SALES	49.7	53.1	51.5	52.4	52.2	49.5	59.3	52.9	54.4	51.4	50.9
NEW ORDERS	46.8	55.6	50.8	52.6	53.1	51.8	57.7	50.2	53.0	51.2	50.1
EMPLOYMENT	47.3	52.4	50.6	50.2	51.2	49.6	50.7	53.0	52.7	52.9	52.4
INVENTORIES	45.4	52.4	52.2	49.4	53.6	46.4	60.1	51.7	53.9	52.3	50.0
DELIVERIES	48.2	49.5	44.9	44.3	53.8	45.9	55.5	49.6	50.4	49.2	49.8
INPUT PRICES	69.7	67.9	74.4	68.4	67.9	71.0	64.7	67.6	66.2	66.6	66.4

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

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®.



CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 5504

Michael Blythe
Chief Economist
Commonwealth Bank
work 02 9312 4135
mobile 0414 886 027

NTC Research
www.ntceconomics.com

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