

# OSI AUSTRALIAN

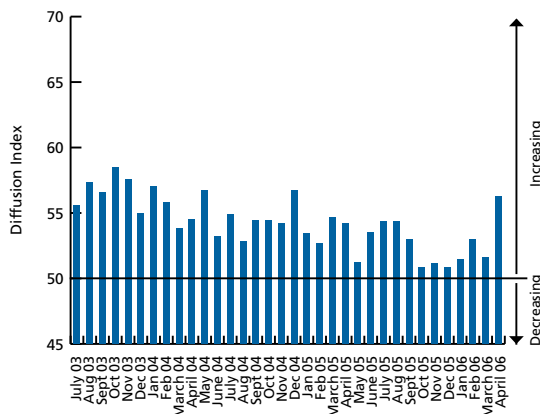
PERFORMANCE OF SERVICES INDEX®

APRIL 2006

## MODERATE DEMAND UNDERPINS GROWTH IN SERVICES ACTIVITY

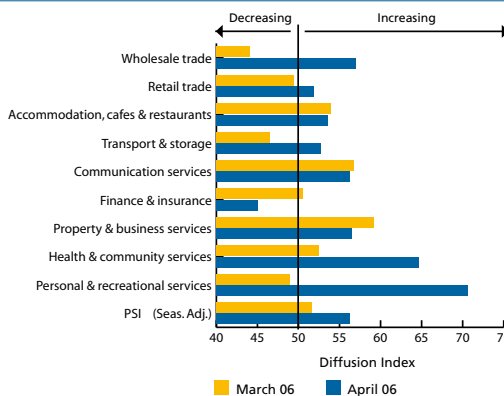
### KEY FINDINGS

- Growth in services activity recorded a broadly based pick-up in April.
- The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (**Australian PSI®**) rose 4.7 points to 56.3.
- Sales, new orders, inventories and supplier deliveries all grew at a faster pace. Input cost increases also eased, with the full impact of fuel price rises yet to be reflected in the index. However, employment growth was weaker, partly reflecting a reversal of the one-off effects associated with the Commonwealth Games.
- The gains in activity were spread amongst the business and consumer sectors, with the largest in personal & recreational services; wholesale trade; and health & community services. Transport & storage and retail trade also expanded, following falls in activity the previous month.
- Following subdued growth in the previous two months, finance & insurance recorded a moderate decline.
- New seasonal adjustment factors have been applied to the national sub-indexes (including stocks), resulting in revisions to each time series and to the composite (national) **Australian PSI®**. Seasonal adjustment factors have also been applied for the first time to total activity in each of the nine sectors.\*



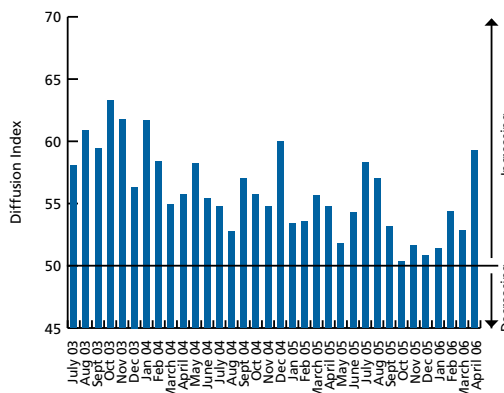
### SECTORS

- In seasonally adjusted terms, activity expanded in eight of nine sectors in April (up from five in March).
- The strongest gains were in personal & recreational services and wholesale trade. Growth also strengthened considerably in health & community services.
- Elsewhere, growth generally strengthened among business and consumer-related sectors, with transport & storage and retail trade expanding after declines in activity the previous month.
- Property & business services; communication services; and accommodation, cafes & restaurants recorded moderate growth, although at a slightly slower pace than in March.
- Finance & insurance recorded a moderate decline. This follows weak growth in the previous two months.

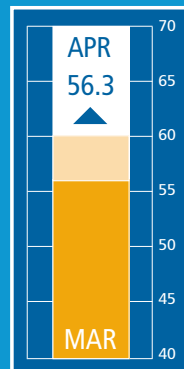


### SALES

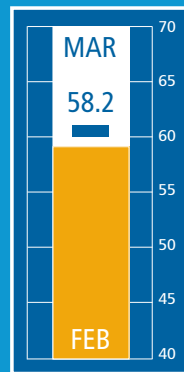
- On a seasonally adjusted basis, sales rose 6.4 points in April to 59.3.
- Unadjusted, sales rose in eight sectors (up from five the previous month), with finance & insurance unchanged.
- Health & community services recorded the strongest growth, following a moderate decline in March. Personal & recreational services also grew strongly.
- Reflecting the stronger consumer demand conditions, both retail trade and (to a lesser extent) wholesale trade expanded moderately. This follows large declines in each of the previous three months.
- Sales also improved considerably in transport & storage (following a fall previously) and slightly in communication services.
- The previously strong accommodation, cafes & restaurants sector, reported the largest weakening in sales. In addition, property & business services expanded at a moderately slower pace.



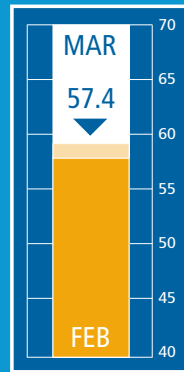
AUSTRALIAN PSI®



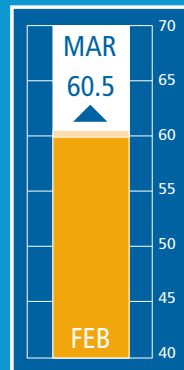
EUROZONE SERVICES INDEX



UK SERVICES INDEX

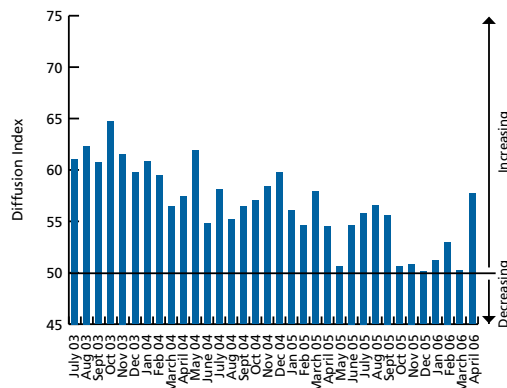


USA SERVICES INDEX



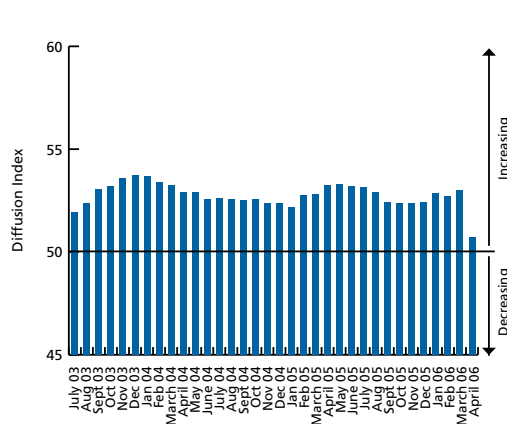
## NEW ORDERS

- Seasonally adjusted, new orders rose 7.4 points in April to 57.1.
- In unadjusted terms, new orders expanded in five sectors (up from four previously). Retail trade was also unchanged.
- Growth was strongest in health & community services, a significant turnaround from the previous month. Similarly, communication services and wholesale trade reported a significant strengthening.
- New orders also grew strongly in the property & business and personal & recreational sectors.
- In contrast, accommodation, cafes & restaurants and finance & insurance reported small declines, following weak growth in March.
- Transport & storage continued to decline, although at a slightly slower pace than the previous month.



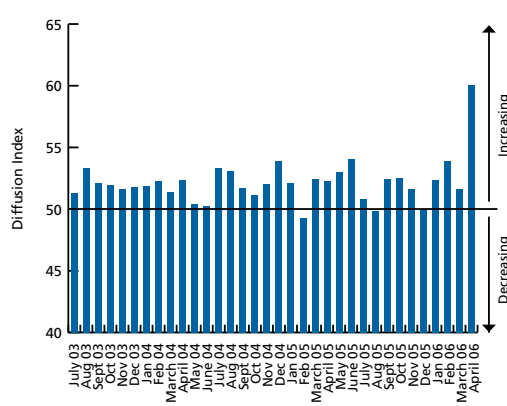
## EMPLOYMENT

- In seasonally adjusted terms, the employment index fell 2.3 points in April to 50.7.
- In unadjusted terms, employment increased in two sectors (down from eight in March), with accommodation, cafes & restaurants and communication services unchanged.
- Health & community and personal & recreational services recorded strong expansions.
- Employment deteriorated significantly in property & business; transport & storage; and retail trade all reporting declines following strong growth previously. This in part reflects seasonal factors and in part, the one-off effects associated with completion of the Commonwealth Games.
- Finance & insurance also reported a small contraction, following modest growth in March.
- Employment growth continued to fall in wholesale trade. However, the rate of contraction improved slightly from the previous month.



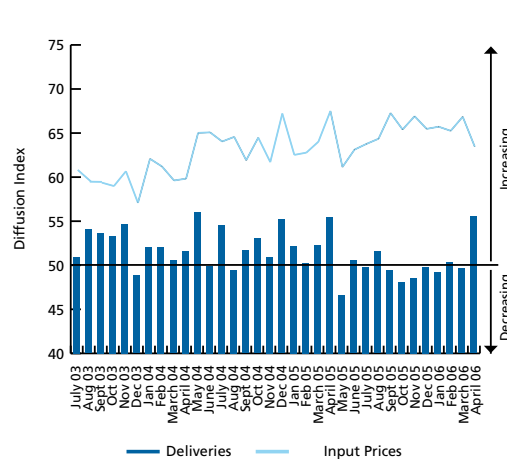
## STOCKS

- Inventories of finished goods rose in April, the seasonally adjusted stocks index jumping 8.4 points to 60.1.
- Unadjusted, stocks expanded in six sectors (up from four in March), with retail trade at the point separating expansion and contraction (a reading of 50.0).
- While stock accumulation in retail trade was unchanged, wholesale trade recorded strong growth.
- Personal & recreational services reported the strongest growth, following a large decline the previous month.
- Stock building levels improved moderately in transport & storage; health & community; and property & business services.
- Inventories deteriorated in the finance & insurance and accommodation, cafes & restaurants sectors (both recording contractions). In addition, communication services also reported moderately weaker growth.



## DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries strengthened in April, the seasonally adjusted index rising 5.9 points to 55.5. Unadjusted, six sectors reported increased deliveries (up from two the previous month). In addition, the communication finance & insurance sectors were unchanged.
- Personal & recreational services; transport & storage; and wholesale trade recorded the strongest gains, all following declines the previous month. Whereas retail trade contracted.
- The rate of input cost increases fell moderately in April (the seasonally adjusted input cost index falling 2.9 points to 64.7), with the full impact of fuel price rises yet to be reflected in the index.
- Unadjusted, costs increased at a faster pace in five sectors (down from four previously), with retail trade at the same level as in March.
- The health & community; transport & storage; and wholesale trade sectors recorded large rises.
- Costs increased at a significantly slower pace in communication services and property & business services.



## NATIONAL INDEXES

	Apr 06	Apr 05	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sept 05	Aug 05	Jul 05
<b>AUSTRALIAN PSI*</b>	56.3	54.2	51.6	53.0	51.5	50.8	51.2	50.8	53.0	54.3	54.4
<b>SALES</b>	59.3	54.8	52.9	54.4	51.4	50.9	51.6	50.3	53.2	57.0	58.3
<b>NEW ORDERS</b>	57.7	54.5	50.3	53.0	51.2	50.1	50.9	50.6	55.6	56.5	55.8
<b>EMPLOYMENT</b>	50.7	53.2	53.0	52.7	52.9	52.4	52.4	52.4	52.4	52.9	53.2
<b>INVENTORIES</b>	60.1	52.3	51.7	53.9	52.3	50.0	51.6	52.5	52.4	49.9	50.8
<b>DELIVERIES</b>	55.5	55.5	49.6	50.4	49.2	49.8	48.6	48.1	49.5	51.6	49.8
<b>INPUT PRICES</b>	64.7	68.2	67.6	66.2	66.6	66.4	67.6	66.4	68.0	65.5	65.0

Results are based on a sample of 200 companies.

\* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were applied 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](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

## 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.ntc-research.com](http://www.ntc-research.com)

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