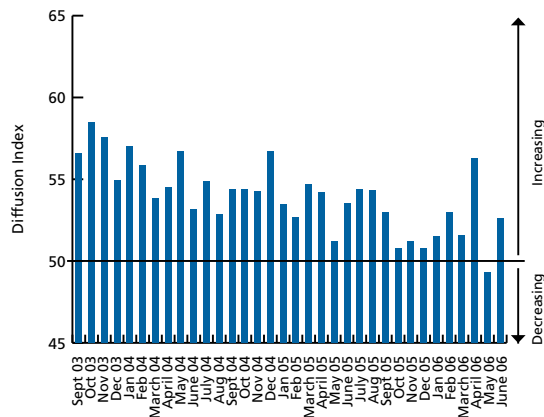


GROWTH RETURNS AMID PATCHY LIFT IN DEMAND

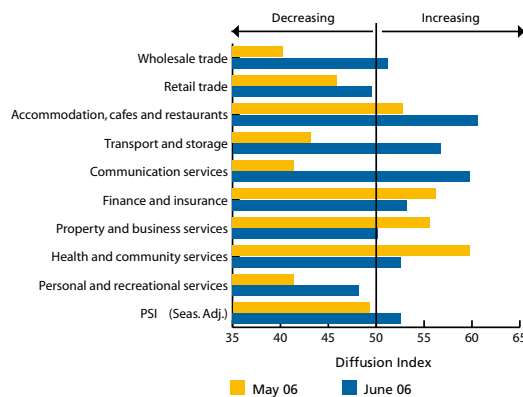
KEY FINDINGS

- Services sector activity recovered moderately in June, following a fall the previous month in the wake of higher fuel costs and the increase in official interest rates.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI®**) rose 3.3 points to 52.6 (returning above the key 50.0 level separating expansion from contraction).
- The improvement in June was underpinned by renewed rises in sales (although confined to a relatively small number of sectors), employment, supplier deliveries and inventories. All four components fell in May.
- Growth in new orders also strengthened slightly in June. Input cost increases moderated, although remaining at relatively high levels.
- Conditions improved across a range of sectors sensitive to consumer spending. By contrast, growth was more mixed among sectors leveraged to business demand.



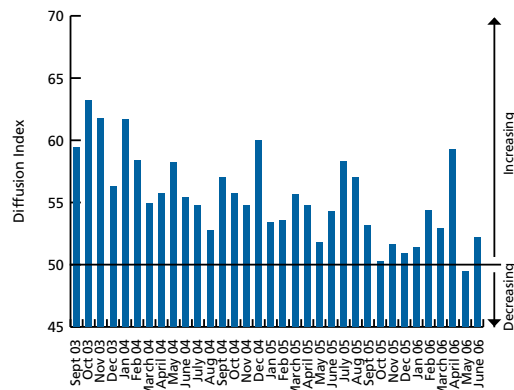
SECTORS

- In seasonally adjusted terms, activity expanded in seven of nine sectors in June, compared with only four the previous month.
- Growth was strongest in accommodation, cafes & restaurants, following a moderate expansion in May. Activity also expanded in wholesale trade, after a sharp fall previously.
- Activity contracted marginally in both retail trade and personal & recreational services. However, the small declines followed considerably larger falls the previous month.
- Among sectors more sensitive to business demand, activity turned around sharply in communication services and transport & storage. Both sectors reported a return to moderate growth in June, following large declines in activity the previous month.
- By contrast, growth moderated in both property & business services and finance & insurance.
- Growth also slowed in the health & community service sector.

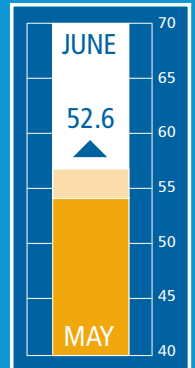


SALES

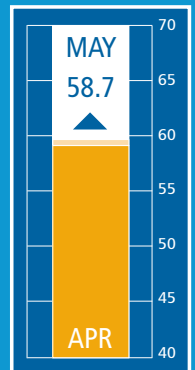
- After adjustment for seasonal factors, sales increased 2.7 points to 52.2. In unadjusted terms, sales increased in just three sectors, although up from only two in May.
- The three sectors to report increases were communications services; transport & storage (following large falls in both sectors the previous month); and health & community services (the third consecutive increase). All three enjoyed relatively strong gains.
- The largest fall was in accommodation, cafes & restaurants (although due primarily to seasonal factors).
- The falls in finance & insurance and property & business services followed growth in both sectors in the previous two months.
- Sales continued to decline in wholesale trade; retail trade; and personal & recreational services, although at a slower rate than the previous month in all three sectors.



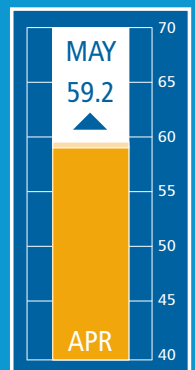
AUSTRALIAN PSI®



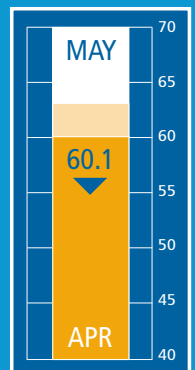
EUROZONE SERVICES INDEX



UK SERVICES INDEX

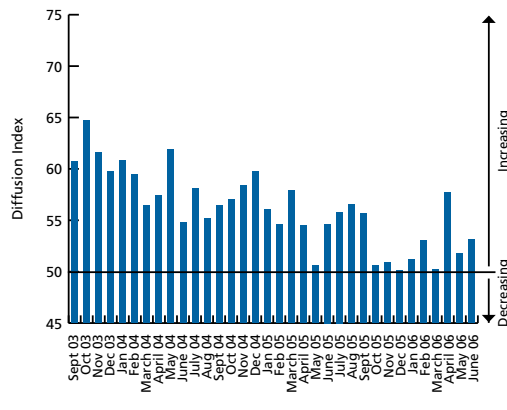


USA SERVICES INDEX



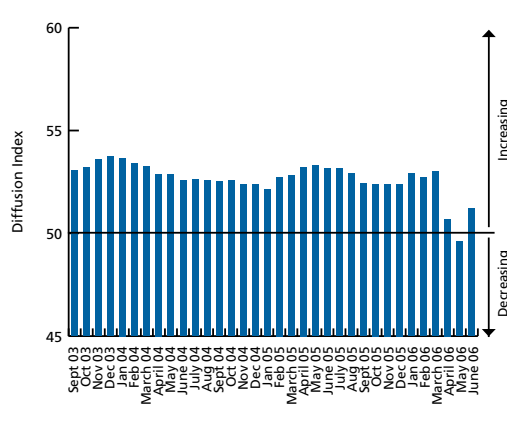
NEW ORDERS

- Growth in new orders strengthened moderately in the month, the new orders sub-index rising 1.3 points to 53.1 (seasonally adjusted). In unadjusted terms, the number of sectors reporting an increase in orders was unchanged at four.
- The largest increase was in communication services (and the third consecutive month of growth).
- Orders increased more moderately in transport & storage and accommodation, cafes & restaurants, but following weak outcomes in May. By contrast, orders grew at a broadly unchanged rate in health & community services.
- Orders were steady in wholesale trade and personal & recreational services, after falls the previous month.
- Finance & insurance and property & business services both reported falls, following large increases in May. Orders also fell in retail trade, although at a slower rate than the previous month.



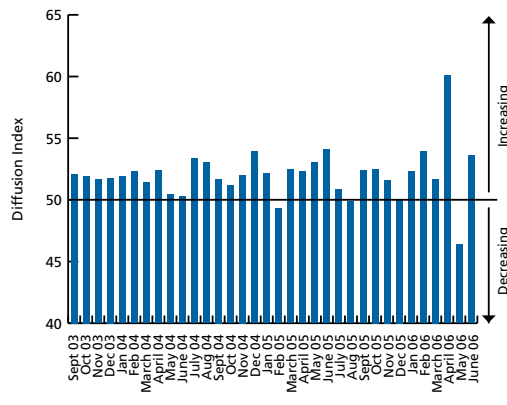
EMPLOYMENT

- Employment growth resumed after the fall in May, the seasonally adjusted employment sub-index rising 1.6 points to 51.2. Unadjusted, employment rose in three sectors, up from two the previous month.
- The strongest increase was again in health & community services (and the fifth consecutive monthly increase).
- Employment also expanded in communication services and transport & storage, but following falls in both sectors previously.
- Employment was unchanged in finance & insurance.
- The other five sectors all reported falls in employment. The rate of decline was broadly unchanged from the previous month in retail trade; wholesale trade; and personal & recreational service.
- However, employment fell at a faster rate in accommodation, cafes & restaurants (reflecting seasonal factors), and fell also in property & business services (after flat growth in May).



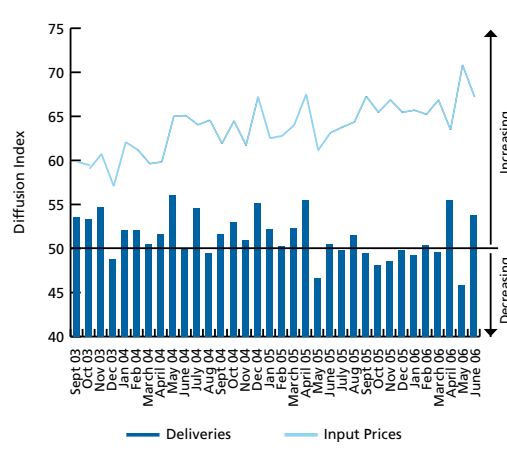
STOCKS

- Inventories were replenished moderately in June, following a large decline the previous month. Seasonally adjusted, stocks increased 7.2 points to 53.6.
- Unadjusted, inventories increased in four sectors, up from two previously. In the key transport and distribution sectors, only wholesale trade reported a rise in June (following a large fall previously). Inventories were unchanged in transport & storage (after falling in May), but continued to decline in retail trade (although at a slightly slower rate).
- Among the other sectors, property & business services reported a fourth consecutive increase. Rises were also reported in communication services and accommodation, cafes & restaurants.
- Inventory levels were unchanged in health & community services, and fell in finance & insurance and personal & recreational services



DELIVERIES AND INPUT COSTS

- Supplier deliveries recovered in tandem with the increase in sales and new orders. Seasonally adjusted, the supplier delivery sub-index increased 7.9 points to 53.8.
- In unadjusted terms, deliveries rose in six sectors, compared with two previously. The level of deliveries was unchanged in accommodation, cafes & restaurants, and fell in retail trade & finance & insurance.
- Input cost increases moderated slightly in June, although after the largest increase since the series commenced in February 2003. The input cost sub-index fell 3.1 points to 67.9 (seasonally adjusted).
- In unadjusted terms, costs again increased in every sector. Costs increased at a faster rate relative to May in five sectors, and eased in three sectors. The rate of increase was unchanged in retail trade.
- The largest increase was in accommodation, cafes & restaurants, while finance & insurance reported the smallest rise.



NATIONAL INDEXES

	June 06	June 05	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sept 05
AUSTRALIAN PSI*	52.6	53.5	49.3	56.3	51.6	53.0	51.5	50.8	51.2	50.8	53.0
SALES	52.2	54.3	49.5	59.3	52.9	54.4	51.4	50.9	51.6	50.3	53.2
NEW ORDERS	53.1	54.6	51.8	57.7	50.3	53.0	51.2	50.1	50.9	50.6	55.6
EMPLOYMENT	51.2	53.2	49.6	50.7	53.0	52.7	52.9	52.4	52.4	52.4	52.4
INVENTORIES	53.6	54.1	46.4	60.1	51.7	53.9	52.3	50.0	51.6	52.5	52.4
DELIVERIES	53.8	50.6	45.9	55.5	49.6	50.4	49.2	49.8	48.6	48.1	49.5
INPUT PRICES	67.9	64.4	71.0	64.7	67.6	66.2	66.6	66.4	67.6	66.4	68.0

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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