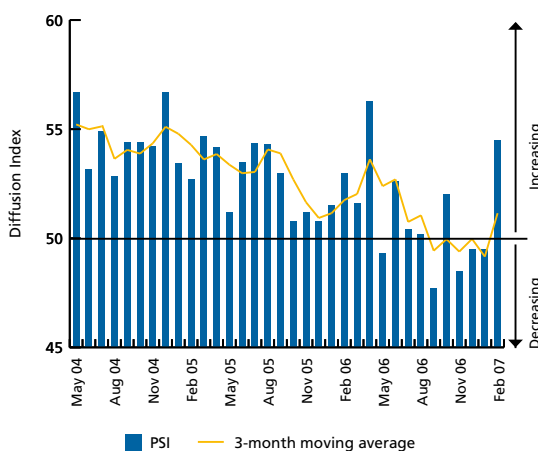


ACTIVITY PICKS-UP FOLLOWING RECENT SOFTNESS

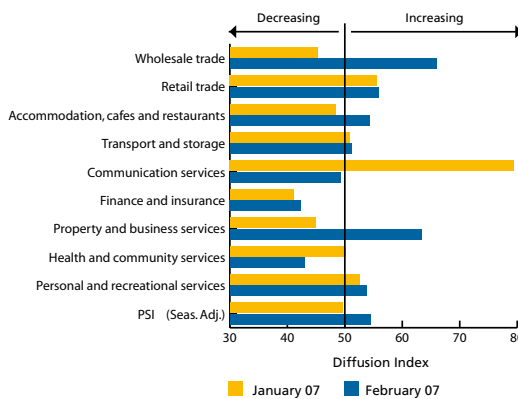
KEY FINDINGS

- Services sector activity picked-up in February, following a lacklustre performance in recent months.
- The improvement was largely confined to wholesale trade and property & business services, while the accommodation, cafes & restaurants sector also reported a moderate improvement.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index (**Australian PSI®**) rose by 5.0 percentage points to 54.5, above the key 50.0 level separating expansion from contraction.
- The improvement was underpinned by stronger growth in sales and new orders and renewed inventory-building.
- There was also an increase in employment in February, following falls in three of the past five months.
- Input cost increases were steady, remaining below the peaks reached in mid-2006.



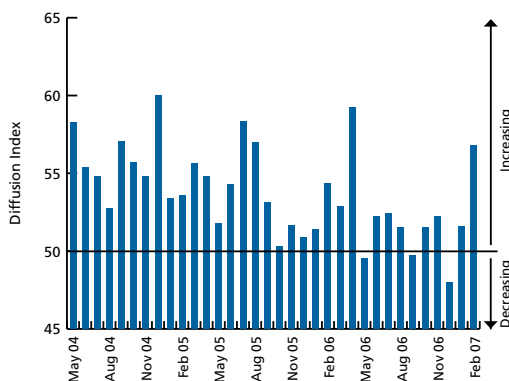
SECTORS

- In seasonally adjusted terms, activity expanded in six of the nine sectors in February (up from five in the previous two months).
- Wholesale trade and property & business services, the sectors that contributed the largest share of improvement in February, also reported the strongest rates of activity growth in the month.
- Moderate growth was also reported in the accommodation, cafes & restaurants sector.
- Growth was also reported in the consumer-based sectors of retail trade and personal & recreational services.
- The steepest declines in activity were recorded in finance & insurance and health & community services.
- Elsewhere, activity expanded slightly in transport & storage and fell marginally in communication services.

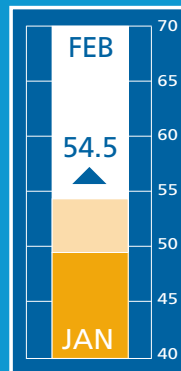


SALES

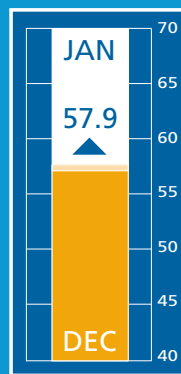
- Seasonally adjusted, sales rose 5.2 points in February to 56.8. On an unadjusted basis, sales increased in five of the nine sectors (up from three in the previous month).
- Sales growth was strongest in property & business services and wholesale trade. The two sectors also reported the greatest improvements on the previous month.
- Growth resumed in accommodation, cafes & restaurants and retail trade, following falls in January, while sales growth eased marginally in communication services.
- The largest fall was in health & community services, the sector contracting for the third consecutive month. The business-related sectors of transport & storage and finance & insurance also reported moderate declines.
- Personal & recreational services reported flat growth in sales, following solid growth in the previous month.



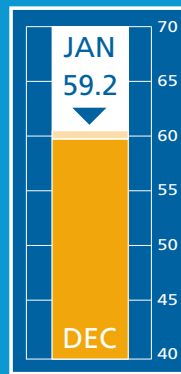
AUSTRALIAN PSI®



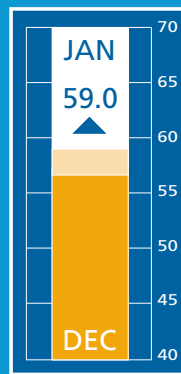
EUROZONE SERVICES INDEX



UK SERVICES INDEX

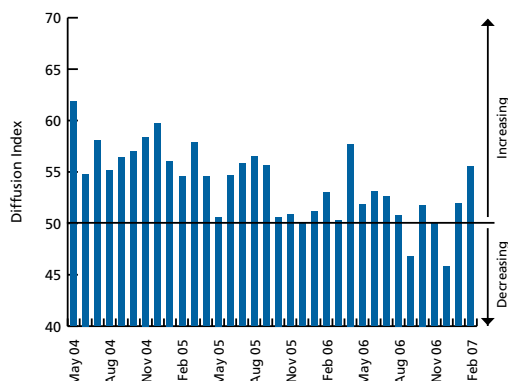


USA SERVICES INDEX



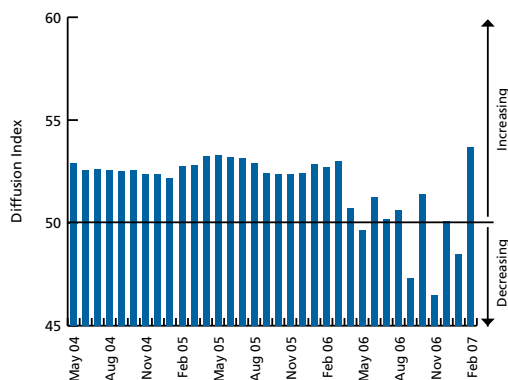
NEW ORDERS

- Growth in new orders strengthened in the month, the new orders sub-index rising 3.6 points to 55.5 (seasonally adjusted).
- In unadjusted terms, six sectors reported increases in new orders (up from five in January), with health & community services unchanged.
- Growth was strongest in property & business services and accommodation, cafes & restaurants, while the wholesale trade sector also reported a solid rise in new orders.
- New orders also increased in personal & recreational services; communication services; and transport & storage, although the rate of growth eased in each.
- Retail trade and finance & insurance were the only sectors to report a reduction in new orders in February.



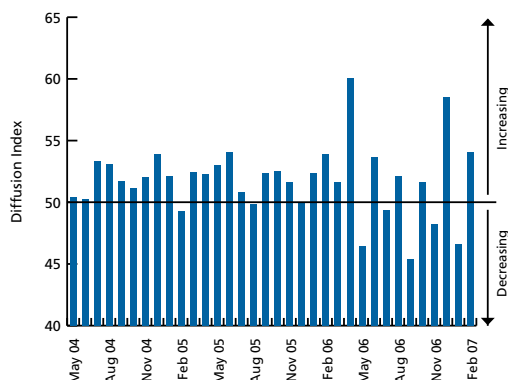
EMPLOYMENT

- Employment grew in February, following a decline in the previous month and underlying weakness in recent times. Seasonally adjusted, the employment sub-index rose 5.2 points in the month to 53.7.
- On an unadjusted basis, only the property & business services and communication services sectors reported increases in employment in the month.
- Employment was unchanged in the transport & storage and personal & recreational services sectors.
- Health & community services and retail trade reported the largest reductions in employment, both sectors deteriorating since January.
- Employment also fell in accommodation, cafes & restaurants and wholesale trade, although at a slower rate than in January, and in finance & insurance.



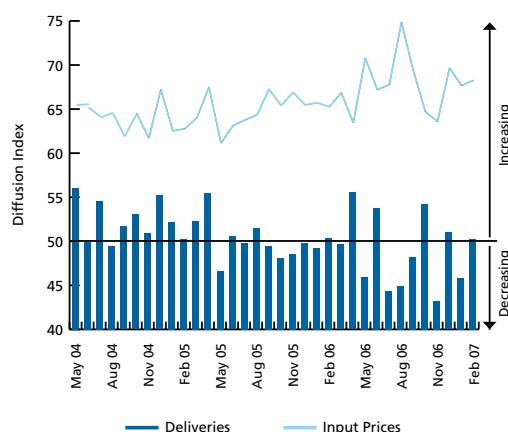
STOCKS

- The volatility in inventories observed throughout most of 2006 appears to have continued into the current year, with the seasonally adjusted stocks sub-index jumping 7.5 points to 54.1.
- In unadjusted terms, inventories rose in three sectors (unchanged from January), with transport & storage; finance & insurance; and personal & recreational services unchanged.
- The strongest rate of inventory accumulation occurred in the wholesale trade sector, following a modest run-down in January.
- The communication services and property & business services sectors also reported increases in stock levels.
- Retail trade reported the largest fall in inventories in February, off-setting a modest rise in the previous month. Stocks were also run-down in accommodation, cafes & restaurants and health & community services.



DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries was flat in February, the seasonally adjusted supplier delivery sub-index rising 4.5 points to 50.3.
- Unadjusted, three sectors reported increased deliveries (up from two in the previous month).
- The largest increase was in the wholesale trade sector, following a substantial decline in January.
- Deliveries expanded moderately in accommodation, cafes & restaurants and transport & storage, offsetting sharp falls previously.
- Steep falls in deliveries were reported in personal & recreational services and communications services, the only two sectors which expanded in the previous month.
- Input cost increases were broadly unchanged in February, the seasonally adjusted sub-index rising just 0.5 points to 68.8.
- In unadjusted terms, input costs grew at a faster pace in five sectors, up from three in January.
- The largest increase in input costs was recorded in the wholesale trade sector, while transport & storage reported the smallest rise.



NATIONAL INDEXES

	Feb 07	Feb 06	Jan 07	Dec 06	Nov 06	Oct 06	Sep 06	Aug 06	Jul 06	Jun 06	May 06
AUSTRALIAN PSI®	54.5	53.0	49.5	49.5	48.5	52.0	47.7	50.2	50.4	52.6	49.3
SALES	56.8	54.4	51.6	48.0	52.2	51.5	49.7	51.5	52.4	52.2	49.5
NEW ORDERS	55.5	53.0	51.9	45.8	50.0	51.8	46.8	50.8	52.6	53.1	51.8
EMPLOYMENT	53.7	52.7	48.5	50.1	46.5	51.4	47.3	50.6	50.2	51.2	49.6
INVENTORIES	54.1	53.9	46.6	58.5	48.2	51.6	45.4	52.2	49.4	53.6	46.4
DELIVERIES	50.3	50.4	45.8	51.0	43.2	54.2	48.2	44.9	44.3	53.8	45.9
INPUT PRICES	68.8	66.2	68.3	70.0	64.8	65.7	69.7	74.4	68.4	67.9	71.0

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®.

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.ntceconomics.com

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