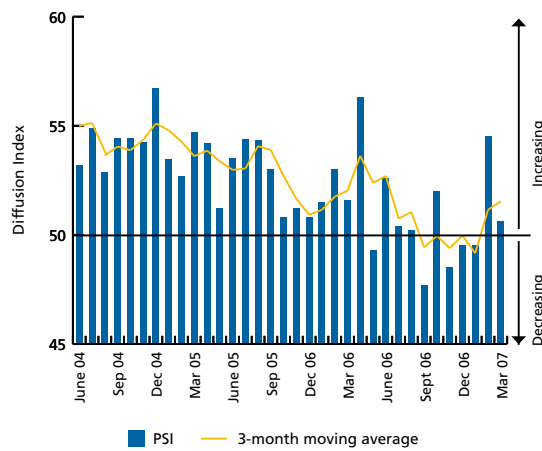


SOFT GROWTH CONDITIONS PREVAIL

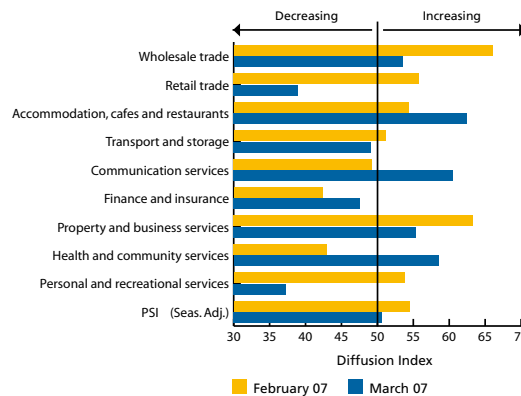
KEY FINDINGS

- Growth in services sector activity eased in March, falling back to more modest levels amid a renewed softening in business conditions.
- The seasonally adjusted Australian Industry Group/ Commonwealth Bank Performance of Services Index (Australian PSI®) fell 3.9 points to 50.6, remaining marginally above the 50.0 level separating expansion from contraction.
- A significant number of respondents cited the prospects for a further interest rate rise in the short-term and a soft housing market as factors impacting on services sector activity in March.
- The softening conditions were underpinned by falls in employment, inventories and supplier deliveries. Sales and new orders each continued to grow for a third consecutive month, although at a slower pace.
- The consumer-related sectors reported the steepest declines in growth, with the exception of accommodation, cafes & restaurants. Growth was more mixed across the business-related sectors.
- Input cost increases moderated in March, falling further below the peaks reached in mid-2006.



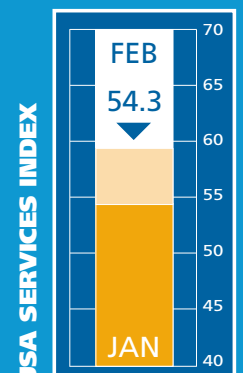
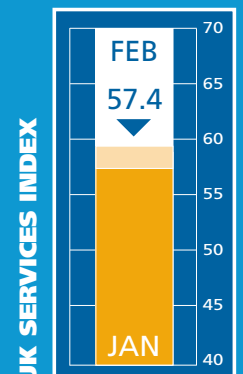
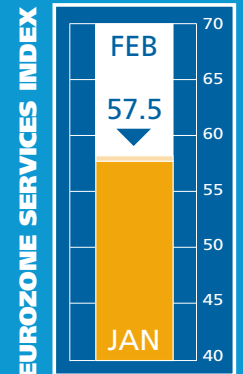
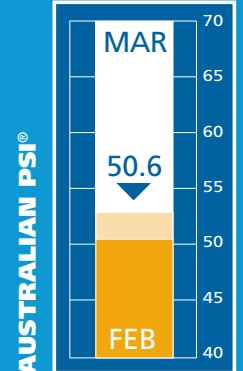
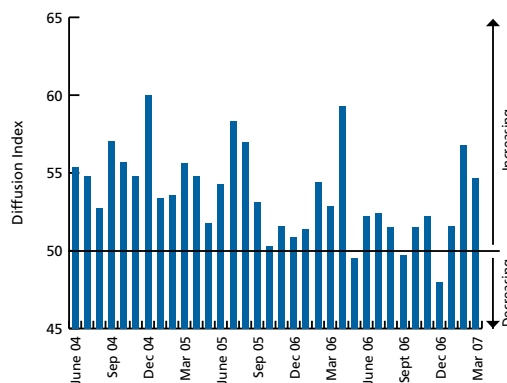
SECTORS

- On a seasonally adjusted basis, activity expanded in five of the nine sectors in March, down from six in the previous month.
- Growth was strongest in accommodation, cafes & restaurants, following more moderate growth in February.
- Communication services and health & community services both reported solid increases in activity, following falls in the previous month.
- Activity also expanded in property & business services and wholesale trade, although at a slower pace.
- In contrast, contractions in activity were reported in the consumer-based sectors of personal & recreational services and retail trade.
- Elsewhere, activity fell slightly in transport & storage and declined in finance & insurance, for the eighth consecutive month.



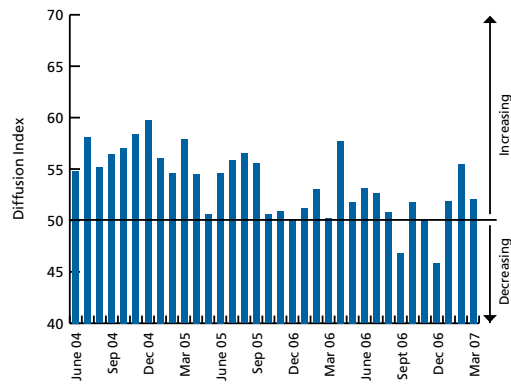
SALES

- The seasonally adjusted sales sub-index fell 2.1 points in March to 54.7. In unadjusted terms, the number of sectors reporting sales growth fell from five in February to four.
- Accommodation, cafes & restaurants reported the strongest growth in sales, building on a solid pick-up in the previous month.
- Sales growth eased slightly in property & business services and communication services, while sales expanded in the health & community services sector following three consecutive declines.
- Personal & recreational services and retail trade were the only sectors to record weaker sales, having experienced subdued growth in February.
- Sales were flat in transport & storage and finance & insurance, following moderate falls in February, as well as in wholesale trade.



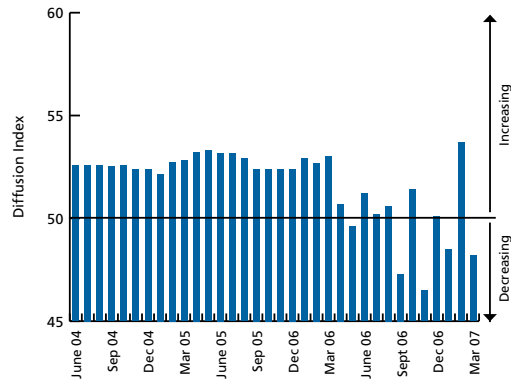
NEW ORDERS

- New orders growth moderated in March, the seasonally adjusted new orders sub-index falling 3.4 points to 52.1.
- On an unadjusted basis, new orders expanded in six sectors (the same as in February), with transport & storage unchanged.
- For the second consecutive month, growth in new orders was strongest in accommodation, cafes & restaurants and property & business services.
- The finance & insurance sector reported an increase in new orders in March, following three consecutive months of decline. Health & community services; communication services; and wholesale trade also experienced a moderate lift in new orders.
- New orders fell sharply in the retail trade sector (and at a faster pace than in February) and the personal & recreational services sector.



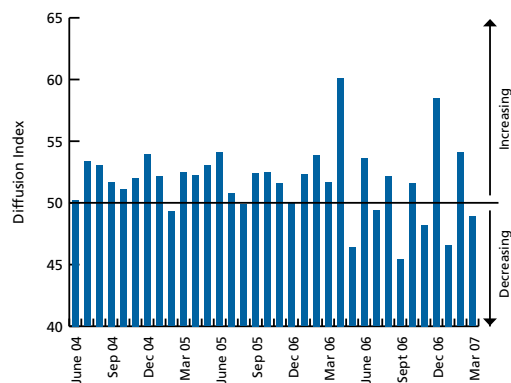
EMPLOYMENT

- Services sector employment fell in March, following a pick-up in the previous month. Seasonally adjusted, the employment sub-index dropped 5.5 points to 48.2.
- In unadjusted terms, employment grew in six sectors, compared with two sectors previously.
- The strongest rates of employment growth were in finance & insurance and accommodation, cafes & restaurants, following declines in February.
- Employment growth strengthened in communication services, while moderate increases in employment occurred in transport & storage; wholesale trade; and health & community services (following declining or flat growth previously).
- Employment declined in personal & recreational services; retail trade; and property & business services.



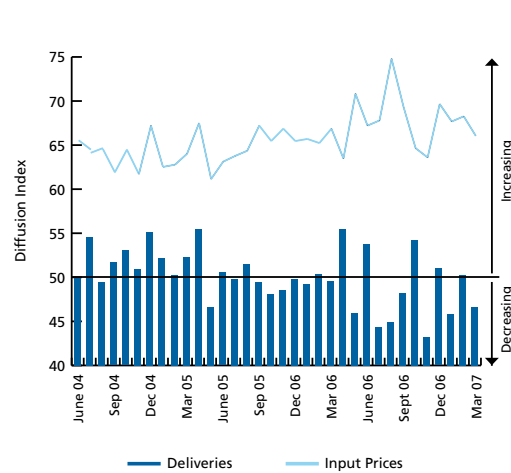
STOCKS

- Inventories of finished goods continue to be volatile, with the seasonally adjusted stocks sub-index falling 5.2 points to 48.9.
- Unadjusted, inventories rose in four sectors (up from three in February), with health & community services unchanged.
- The accommodation, cafes & restaurants sector registered the strongest rate of inventory accumulation, having run-down stocks significantly in the previous two months.
- Increased stock levels were also reported in the communication services; transport & storage; and wholesale trade sectors.
- The finance & insurance and personal & recreational services sectors ran-down inventories in March, following unchanged levels in the previous month.
- Retail trade and property & business services also reported a contraction in stocks.



DELIVERIES AND INPUT COSTS

- Supplier deliveries contracted in March, following flat growth in the previous month. Seasonally adjusted, the supplier delivery sub-index tumbled 3.7 points to 46.6.
- In unadjusted terms, only two sectors reported higher deliveries (accommodation, cafes & restaurants and health & community services), compared with three in the previous month.
- Retail trade and finance & insurance recorded the steepest falls in supplier deliveries, with concerns over a further interest rate rise appearing to influence sales decisions.
- Supplier deliveries declined moderately in property & business services; transport & storage; personal & recreational services; and wholesale trade and were steady in communication services
- Input cost increases eased slightly in March, with the seasonally adjusted sub-index drifting down 1.9 points to 66.9.
- Unadjusted, input costs increased at a faster pace in four sectors (down from five previously).
- Accommodation, cafes & restaurants reported the largest increase in input costs, while the health & community services sector recorded the smallest rise.



NATIONAL INDEXES

	Mar 07	Mar 06	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sep 06	Aug 06	Jul 06	Jun 06
AUSTRALIAN PSI®	50.6	51.6	54.5	49.5	49.5	48.5	52.0	47.7	50.2	50.4	52.6
SALES	54.7	52.9	56.8	51.6	48.0	52.2	51.5	49.7	51.5	52.4	52.2
NEW ORDERS	52.1	50.2	55.5	51.9	45.8	50.0	51.8	46.8	50.8	52.6	53.1
EMPLOYMENT	48.2	53.0	53.7	48.5	50.1	46.5	51.4	47.3	50.6	50.2	51.2
INVENTORIES	48.9	51.7	54.1	46.6	58.5	48.2	51.6	45.4	52.2	49.4	53.6
DELIVERIES	46.6	49.6	50.3	45.8	51.0	43.2	54.2	48.2	44.9	44.3	53.8
INPUT PRICES	66.9	67.6	68.8	68.3	70.0	64.8	65.7	69.7	74.4	68.4	67.9

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

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