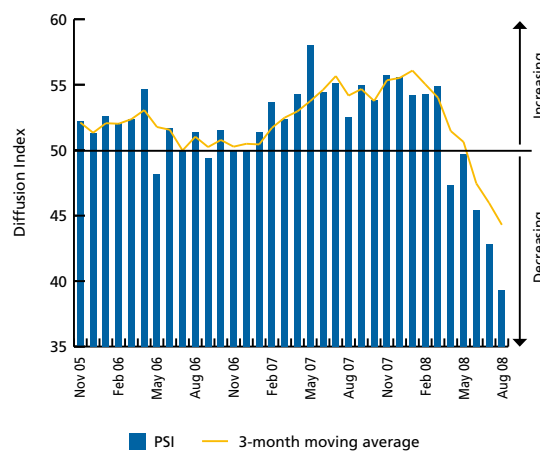


WEAK CONDITIONS UNDERPIN DETERIORATING SERVICES ACTIVITY

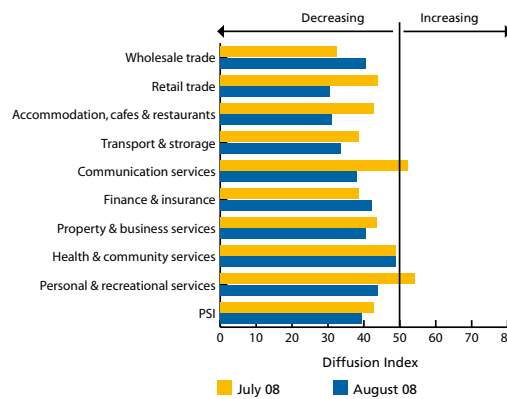
KEY FINDINGS

- Services sector activity deteriorated further in August, amid soft consumer and business confidence and weaker economic conditions.
- The fifth consecutive monthly decline in services activity was underpinned by significant falls in sales and new orders. Employment in services continued to decrease, although at a slower pace, while supplier deliveries tumbled further.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services (Australian PSI®) fell 3.5 points to 39.3, remaining well below the key 50.0 level separating expansion from contraction.
- None of the nine services sectors reported activity growth in August, with the more discretionary services sectors of retail trade and accommodation, cafes & restaurants amongst the hardest hit.
- High fuel prices also impacted significantly on the transport & storage sector.
- Activity fell in all states, with the rate of contraction slowing in only Western Australia.



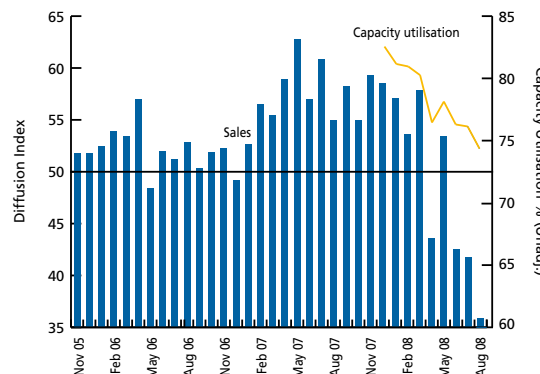
SECTORS

- On a seasonally adjusted basis, activity expanded in none of the nine sectors (down from two in the previous month), although it was broadly steady in health & community services.
- Retail trade and accommodation, cafes & restaurants registered the strongest falls in activity, as consumers continued to cut-back spending on discretionary services.
- High fuel prices led to a further decline in activity in transport & storage - a fifth consecutive monthly fall in the sector.
- Weak business conditions have also extended the contractions in the business-related sectors of communication services; property & business services; and finance & insurance.
- Elsewhere, activity dropped in the personal & recreational services sector, following a rise in July, and in wholesale trade, although at a slower pace than in the previous month.

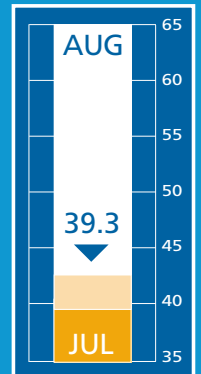


SALES AND CAPACITY

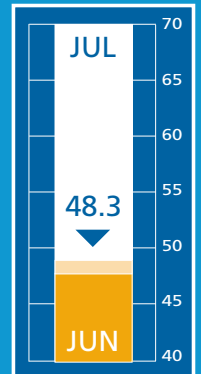
- Sales of services weakened further in August, with the seasonally adjusted sales sub-index falling 5.9 points to 35.9.
- Unadjusted, none of the nine sectors reported sales growth in the month (unchanged from July), although levels remained steady in health & community services and personal & recreational services.
- The transport & storage sector reported the largest fall in sales in August.
- Retail trade and accommodation, cafes & restaurants also recorded steep declines in sales, underpinned by strong pressures on discretionary consumer spending.
- Sales contracted at a faster pace in the business-related sectors of finance & insurance; property & business services; and communication services.
- By contrast, sales decreased at a slower rate in wholesale trade.
- Capacity utilisation continues to fall in line with activity, easing from 76.1% in July to 74.3%.



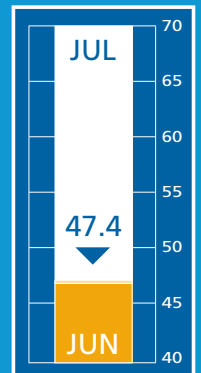
AUSTRALIAN PSI®



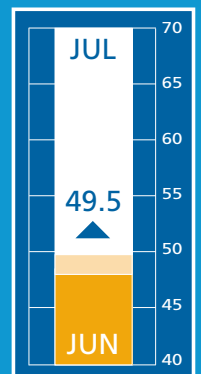
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- The weaker economic conditions lead to a fifth consecutive contraction in new orders in August, with the sub index declining 3.2 points to 38.4.
- In unadjusted terms, each of the nine sectors reported a decrease in new orders in August, compared with six in the previous month.
- The heaviest falls in new orders were in transport & storage; communication services; and retail trade, suggesting continued weakness in these sectors in the coming months.
- Solid declines were also recorded in the accommodation, cafes & restaurants; finance & insurance; property & business services; and wholesale trade sectors.
- New orders fell in health & community services and personal & recreational services, following flat growth in July.

EMPLOYMENT AND WAGES

- Services sector employment continued to decline in August, although at a slightly slower pace, with the seasonally adjusted sub-index lifting 2.2 points to 44.4.
- On an unadjusted basis, employment lifted in only health & community services. Communication services was the only sector to record employment growth in July.
- The largest decreases in employment were recorded in the consumer-based sectors of retail trade and accommodation, cafes & restaurants.
- Employment also fell heavily in communication services; wholesale trade; and transport & storage.
- Elsewhere, the contractions in employment slowed slightly in property & business services and finance & insurance, while employment was unchanged in personal & recreational services.
- Average wages growth decelerated in August, with the sub-index dropping 6.8 points to 61.0.

STOCKS

- In the face of increased economic uncertainty, services firms are continuing to rely on existing inventories to meet current demand.
- The seasonally adjusted stocks sub-index fell another 3.9 points in August to 42.9.
- Unadjusted, none of the nine sectors reported an accumulation of stocks in August (compared with three in the previous month).
- Retail trade and accommodation, cafes & restaurants reported the largest falls in inventories in August.
- Stocks were also run-down heavily in the transport & storage and personal & recreational services sectors, following growth in July.
- The contraction in inventories slowed in the wholesale trade and property & business services sectors.
- Inventory levels remained steady in the finance & insurance sector.

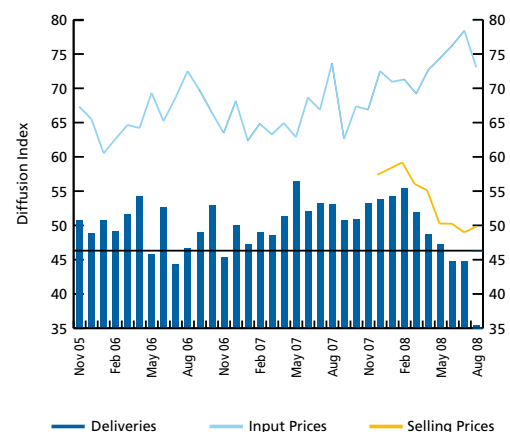
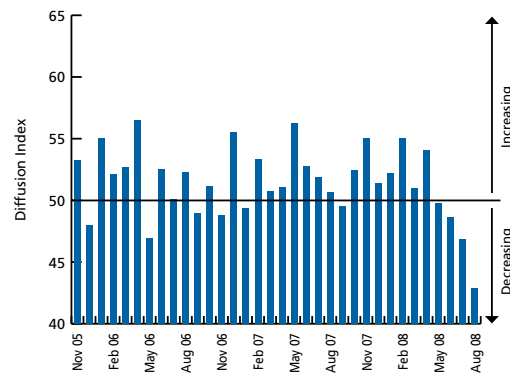
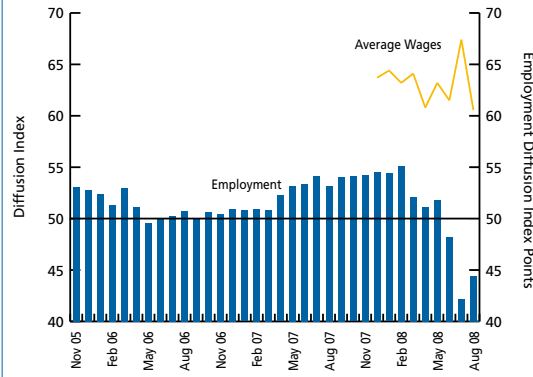
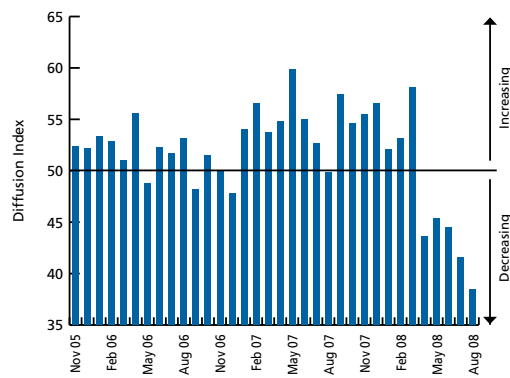
DELIVERIES, INPUT COSTS, SELLING PRICES

- Supplier deliveries fell heavily in August, with the seasonally adjusted sub-index dropping 9.4 points to 35.4.
- In unadjusted terms, none of the nine sectors recorded growth in deliveries (compared with three in July).
- The retail trade; transport & storage; and accommodation, cafes & restaurants sectors recorded the largest falls in supplier deliveries.
- Deliveries decreased solidly in each of the three sectors to report growth in July – finance & insurance; personal & recreational services; and health & community services.
- Supplier deliveries fell at a faster rate in communication services and property & business services, but declined modestly in wholesale trade.
- The seasonally adjusted input costs sub-index eased from its July peak, falling 4.7 points to 73.9. Unadjusted, growth in input costs accelerated in three sectors, with wholesale trade registering the strongest rate of growth.
- Growth in selling prices edged-up in August, with the sub-index rising to 0.8 points to 53.2.

NATIONAL INDEXES

	Aug 08	Aug 07	Jul 08	Jun 08	May 08	Apr 08	Mar 08	Feb 08	Jan 08	Dec 07	Nov 07
AUSTRALIAN PSI®	39.3	52.5	42.8	45.4	49.7	47.3	54.9	54.3	54.2	55.6	55.7
SALES	35.9	54.9	41.8	42.6	53.4	43.6	57.8	53.6	57.1	58.6	59.3
CAPACITY (%)	74.3	na	76.1	76.2	78.1	76.4	80.2	80.9	81.1	82.5	79.8
NEW ORDERS	38.4	49.8	41.6	44.4	45.4	43.6	58.1	53.1	52.0	56.5	55.4
EMPLOYMENT	44.4	53.2	42.2	48.2	51.9	51.1	52.1	55.2	54.4	54.5	54.3
WAGES	61.0	na	67.8	61.9	63.6	61.2	64.5	63.6	64.8	64.1	62.6
INVENTORIES	42.9	50.6	46.8	48.6	49.7	54.0	50.9	55.1	52.2	51.4	55.0
DELIVERIES	35.4	53.0	44.8	44.8	47.2	48.7	51.9	55.5	54.2	53.8	53.3
INPUT PRICES	73.9	74.4	78.6	76.8	75.1	73.5	70.5	72.3	72.0	73.4	68.4
SELLING PRICES	53.2	na	52.4	53.5	53.6	57.9	58.7	61.5	60.7	59.9	57.3

Results are based on a sample of around 200 companies. New monthly seasonal adjustment factors, derived directly from an X-12 estimation process were introduced in April 2008. The capacity utilisation, wages and selling prices indexes are reported in unadjusted terms.



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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