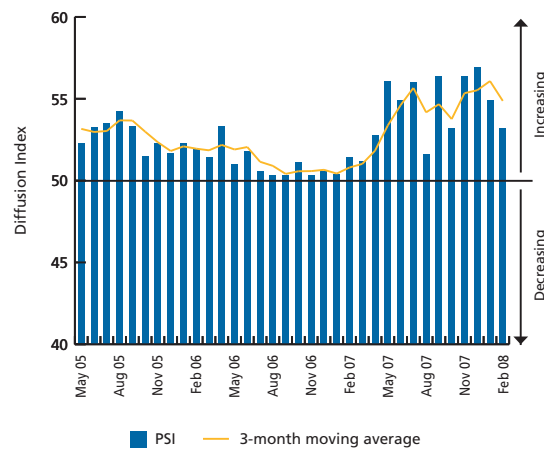


COOLING DEMAND UNDERPINS SLOWER SERVICES GROWTH

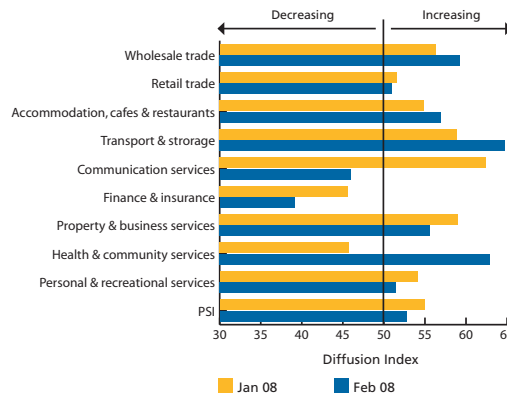
KEY FINDINGS

- Growth in services sector activity continued to slow in February, with rising interest rates and high fuel prices dampening consumer and business demand.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell 1.7 points to 53.2, remaining above the key 50.0 level separating expansion from contraction.
- The moderation was underpinned by weaker growth in sales and new orders and a further accumulation in stocks. By contrast, employment and supplier deliveries expanded at a faster pace.
- Activity contracted in the business-related sectors of finance & insurance and communication services and growth slowed in property & business services. Softer consumer demand also restricted growth in retail trade and personal & recreational services.
- While each of the six states recorded growth in February, only Victoria and New South Wales registered faster rates of expansion.



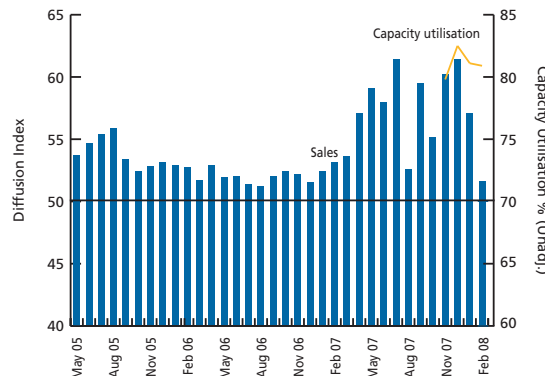
SECTORS

- In seasonally adjusted terms, activity expanded in seven sectors (unchanged from the previous month).
- Transport & storage and health & community services reported the strongest expansions in February, while growth strengthened in wholesale trade and accommodation, cafes & restaurants.
- By contrast, growth slowed in property & business services and barely expanded in the retail trade and personal & recreational services sectors.
- Finance & insurance recorded the largest fall in activity, for a second consecutive month, with the sector remaining sensitive to rising interest rates.
- Activity also contracted in the communication services sector, following a strong increase in January.

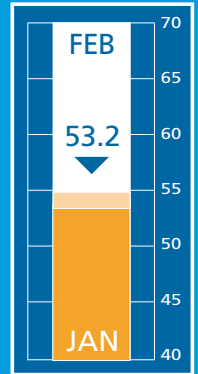


SALES AND CAPACITY

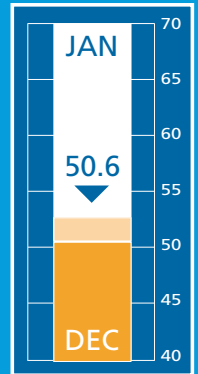
- Seasonally adjusted, the sales index fell 5.5 points in February to 51.6. On an unadjusted basis, sales increased in five of the nine sectors (up from four in the previous month).
- Sales growth was strongest in the transport & storage and health & community services sectors.
- Growth remained steady in property & business services and resumed in the accommodation, cafes & restaurants sector.
- Retail trade and finance & insurance reported the steepest declines in sales, with the increase in the official interest rate early in the month curtailing sector demand.
- Contractions were also recorded in communication services and personal & recreational services.
- Capacity utilisation remains strong in the sector, falling only slightly to 80.9%.



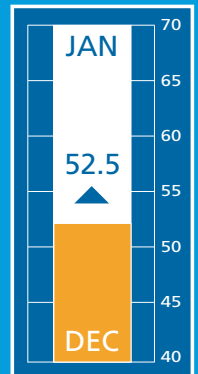
AUSTRALIAN PSI®



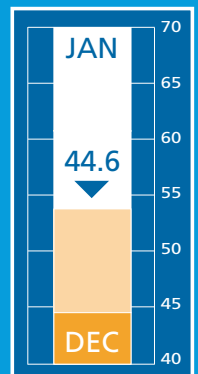
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- New orders growth continued to ease in February, with the seasonally adjusted sub-index dropping 2.7 points to 51.3.
- Unadjusted, four sectors reported increases in new orders, down from five in January.
- The business-related sectors of transport & storage and property & business services registered the strongest growth in new orders. Growth re-emerged in wholesale trade and accommodation, cafes & restaurants.
- Finance & insurance reported the largest fall in new orders, signalling the likelihood of further weakness in the sector in the coming months.
- Personal & recreational services was the only other sector to record a decline in new orders, the first fall in six months.
- New orders were unchanged in retail trade; communication services; and health & community services.

EMPLOYMENT AND WAGES

- Growth in employment lifted in February, the seasonally adjusted sub-index rising 1.9 points to 55.2.
- In unadjusted terms, employment expanded in six sectors, up from four in January, with retail trade and accommodation, cafes & restaurants unchanged.
- The strongest increases in employment occurred in the transport & storage and property & business services sectors.
- Moderate employment growth resumed in health & community services; wholesale trade; and personal & recreational services, while the rate of increase strengthened in the finance & insurance sector.
- Communication services was the only sector to report a decline in employment in February.
- The wages sub-index eased 1.2 points in February to 63.6.

STOCKS

- Stocks continued to be accumulated in February, although at a slower rate, with the seasonally adjusted sub-index falling 2.8 points to 54.0.
- Unadjusted, stocks expanded in six sectors (the same as the previous month), with communication services unchanged.
- Health & community services reported the strongest increase in inventories, while stocks in the transport & storage; wholesale trade; and accommodation, cafes & restaurants sectors expanded strongly.
- Stocks also increased in retail trade and property & business services, despite the rate of growth easing in both sectors.
- Finance & insurance recorded the largest fall in inventories, for a second consecutive month.
- Personal & recreational services was the only other sector to report a run-down of stocks.

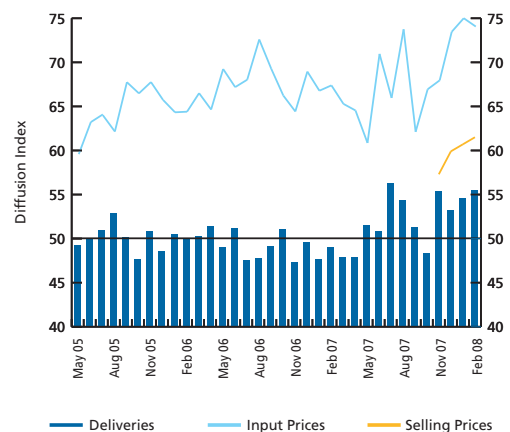
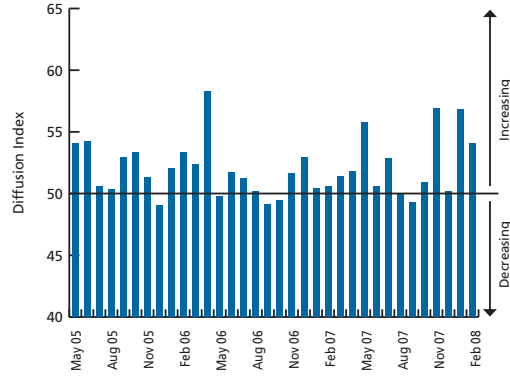
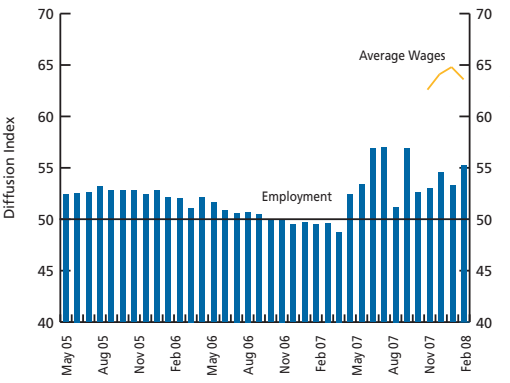
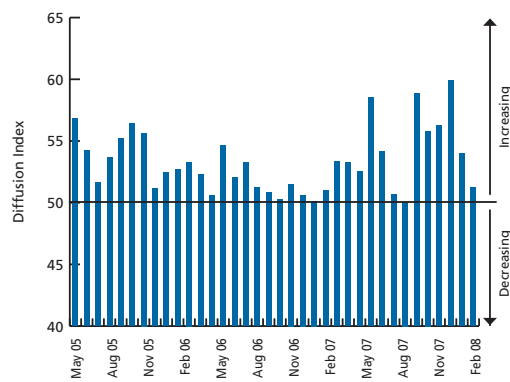
DELIVERIES, INPUT COSTS AND SELLING PRICES

- Growth in supplier deliveries picked-up in February, with the seasonally adjusted sub-index lifting 1.0 percentage point to 55.5.
- In unadjusted terms, six sectors reported increased deliveries, unchanged from January.
- Health & community services and transport & storage recorded the largest increases in supplier deliveries in February.
- Growth strengthened in wholesale trade; accommodation, cafes & restaurants; and retail trade and returned in the property & business services sector.
- Finance & insurance; personal & recreational services; and communication services each reported a fall in supplier deliveries.
- Input cost increases remained high in February, with the seasonally adjusted sub-index easing 0.8 points to 73.8.
- Unadjusted, input cost increases accelerated in four sectors, up from one in January, with wholesale trade recording the strongest growth.
- Growth in selling prices trended up for a fifth consecutive month, the sub-index rising 0.8 points to 61.5.

NATIONAL INDEXES

	Feb 08	Feb 07	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07
AUSTRALIAN PSI®	53.2	51.4	54.9	56.9	56.4	53.2	56.4	51.6	56.0	54.9	56.1
SALES	51.6	53.1	57.1	61.4	60.2	55.1	59.5	52.6	61.4	57.9	59.1
CAPACITY(%)	80.9	na	81.1	82.5	79.8	80.9	na	na	na	na	na
NEW ORDERS	51.3	53.4	54.0	59.9	56.3	55.8	58.8	50.1	50.6	54.2	58.5
EMPLOYMENT	55.2	49.6	53.3	54.5	53.0	52.6	56.9	51.2	57.0	56.9	53.4
WAGES	63.6	na	64.8	64.1	62.6	65.6	na	na	na	na	na
INVENTORIES	54.0	50.6	56.8	50.2	56.9	50.9	49.2	50.0	52.9	50.6	55.8
DELIVERIES	55.5	49.0	54.5	53.2	55.4	48.4	51.3	54.3	56.3	50.9	51.5
INPUT PRICES	73.8	68.0	74.6	73.3	68.5	67.7	63.5	73.5	66.8	71.1	62.5
SELLING PRICES	61.5	na	60.7	59.9	57.3	57.0	na	na	na	na	na

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 2007. 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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