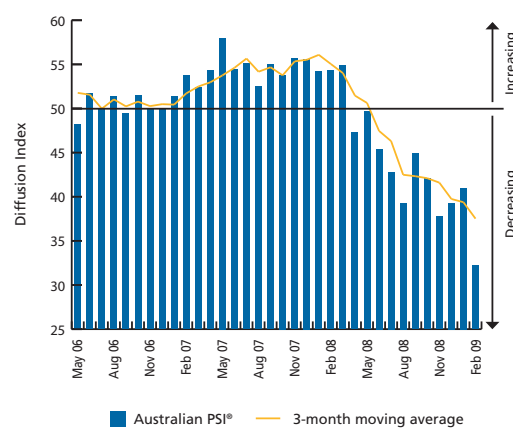


FALLING DEMAND AND WEAK CONFIDENCE FURTHER SUPPRESS SERVICES ACTIVITY

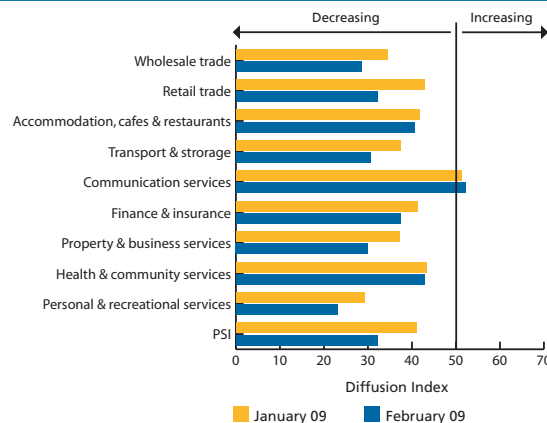
KEY FINDINGS

- Services sector activity slumped further in February, underpinned by weak levels of consumer and business confidence, falling demand and other impacts instigated by the global economic and financial crisis.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (Australian PSI[®]) fell 8.8 points to 32.2, remaining well below the 50.0 level separating expansion from contraction.
- The deterioration in services activity was underpinned by heavy falls in sales; new orders; employment and supplier deliveries.
- The weakness in activity remains broadly-based, with only the communication services sector reporting an expansion, for a second consecutive month.
- Firms also pointed to weak tourist numbers; market uncertainty; and an unwillingness to invest as factors impeding services activity.
- Activity fell in all states, with the rate of decline accelerating in all but Western Australia.



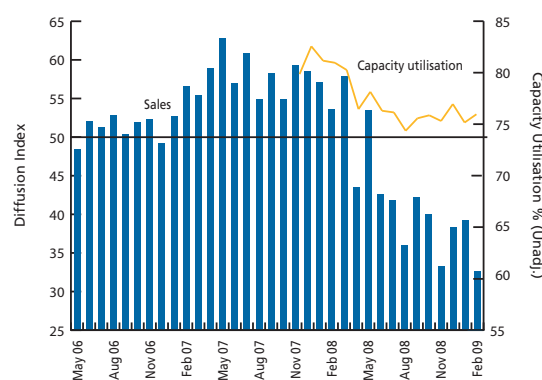
SECTORS

- In seasonally adjusted terms, activity expanded only, and just marginally, in the communication services sector, for a second consecutive month.
- As was the case in the previous month, the personal & recreational services and wholesale trade sectors reported the strongest decreases in activity in February.
- Property & business services; transport & storage; and retail trade all saw activity fall at a considerably faster pace.
- The finance & insurance sector continues to feel the effects of the turmoil in financial markets, contracting for a ninth consecutive month.
- Elsewhere, the rate of decline remained broadly steady in accommodation, cafés & restaurants and health & community services.

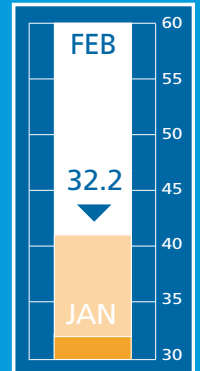


SALES AND CAPACITY

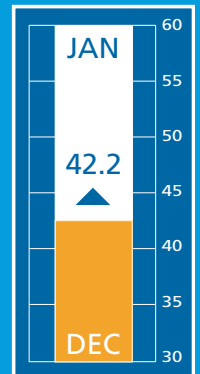
- The seasonally adjusted sales sub-index fell 6.6 points in February to 32.6, the lowest reading registered in the survey's six year history.
- In unadjusted terms, no sector reported sales growth, compared with two sectors in the previous month.
- The heaviest declines in sales were in the wholesale trade; personal & recreational services; and transport & storage sectors.
- Both retail trade and communication services reported a fall in sales in February, following moderate growth in the previous month.
- Sales continued to contract sharply in the finance & insurance and property & business services sectors, but fell at a slower pace in accommodation, cafés & restaurants and health & community services.
- Capacity utilisation rose modestly in February, increasing from 75.1% to 75.9% (unadjusted).



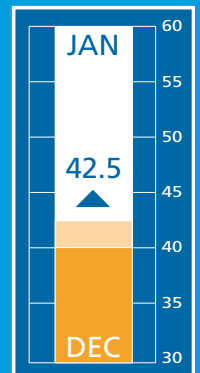
AUSTRALIAN PSI[®]



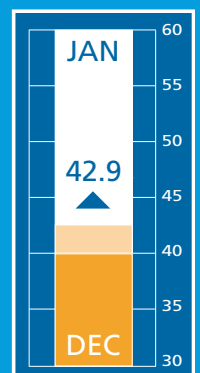
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- The decline in new orders intensified in February, with the seasonally adjusted sub-index falling 11.5 points to 26.4.
- Unadjusted, no sector reported an increase in new orders in the month, compared with only one (retail trade) in January.
- For a second consecutive month, the finance & insurance sector recorded the largest fall in new orders.
- Significant declines were also reported in retail trade; personal & recreational services; and wholesales trade, suggesting continued weakness in these sectors over the coming months.
- The contraction in new orders accelerated in the business-related sectors of transport & storage; property & business services; and communication services.
- Modest falls in new orders occurred in accommodation, cafés & restaurants and health & community services.

EMPLOYMENT AND WAGES

- Seasonally adjusted, the employment sub-index dropped 7.1 points in February to 37.9, marking the strongest rate of job-shedding in the survey's history.
- On an unadjusted basis, no sector reported a rise in employment in the month, compared with only one sector (finance & insurance) in January.
- Employment fell most heavily in the personal & recreational services; accommodation, cafés & restaurants; property & business services; and retail trade sectors.
- More modest declines in employment were registered in health & community services; communication services; wholesale trade; and transport & storage.
- Average wages growth moved lower in February, with the sub-index easing from 54.9 to 52.8.

STOCKS

- Inventories of finished goods were run-down for a tenth consecutive month in February, with the sub-index slipping 8.0 points to 33.1 (seasonally adjusted).
- Unadjusted, stocks expanded in only the communication services sector, as was the case in January.
- The strongest declines in stocks were recorded in the consumer-based sectors of personal & recreational services; retail trade; and wholesale trade.
- Solid falls were also registered in the property & business services and transport & storage sectors.
- Elsewhere, inventories were run-down at a slower pace in accommodation, cafés & restaurants and finance & insurance.
- The rate of stock reduction accelerated in the health & community services sector.

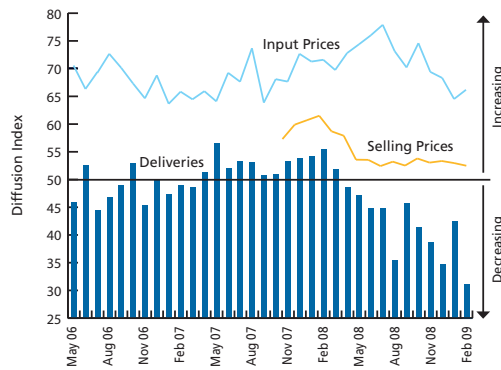
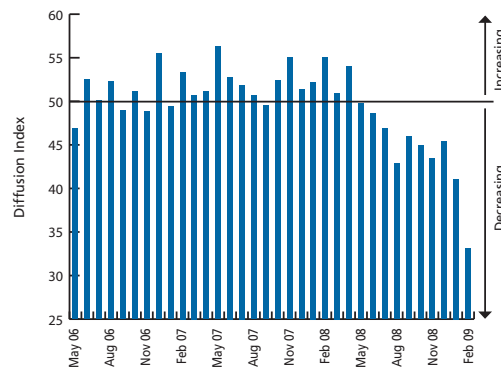
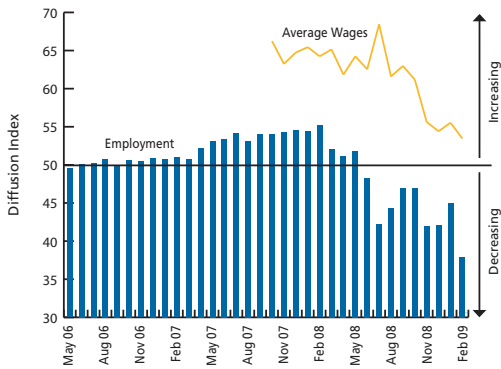
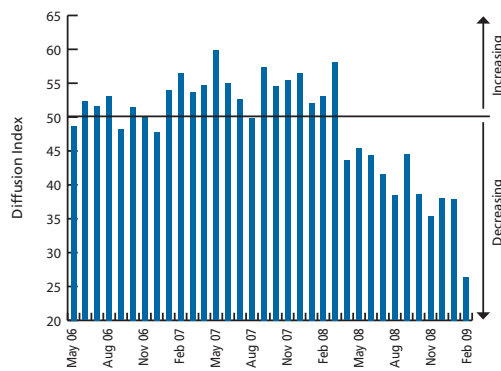
DELIVERIES, INPUT COSTS, SELLING PRICES

- Supplier deliveries to services firms fell at a faster rate in February, with the seasonally adjusted sub-index falling 11.3 points to 31.2.
- In unadjusted terms, no sector recorded a rise in deliveries, compared with just the personal & recreational services sector in January.
- The largest falls in deliveries occurred in the wholesale trade; retail trade; finance & insurance; and property & business services sectors. Deliveries also fell at a faster pace in the communication services sector.
- The rate of contraction eased in accommodation, cafés & restaurants; transport & storage; and health & community services.
- Input cost growth picked-up marginally in February, with the seasonally adjusted sub-index lifting 1.6 points to 66.9.
- Input costs grew in all sectors, excluding finance & insurance where they remained steady.
- Growth in selling prices remains relatively subdued, with the sub-index falling 0.5 points to 52.5.

NATIONAL INDEXES

	Feb 09	Feb 08	Jan 09	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08
AUSTRALIAN PSI®	32.2	54.3	41.0	39.3	37.8	42.1	44.9	39.3	42.8	45.4	49.7
SALES	32.6	53.6	39.2	38.3	33.3	40.0	42.2	35.9	41.8	42.6	53.4
CAPACITY (%)	75.9	80.9	75.1	76.9	75.3	75.8	75.5	74.3	76.1	76.2	78.1
NEW ORDERS	26.4	53.1	37.9	38.0	35.3	38.7	44.5	38.4	41.6	44.4	45.4
EMPLOYMENT	37.9	55.2	45.0	42.1	42.0	46.9	47.0	44.4	42.2	48.2	51.9
WAGES	52.8	63.6	54.9	53.8	55.0	60.5	62.3	61.0	67.8	61.9	63.6
INVENTORIES	33.1	55.1	41.1	45.4	43.4	45.0	46.0	42.9	46.8	48.6	49.7
DELIVERIES	31.2	55.5	42.5	34.7	38.7	41.4	45.7	35.4	44.8	44.8	47.2
INPUT PRICES	66.9	72.3	65.3	69.1	70.2	75.3	71.0	73.9	78.6	76.8	75.1
SELLING PRICES	52.5	61.5	53.0	53.3	53.0	53.8	52.5	53.2	52.4	53.5	53.6

Results are based on the responses 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.com.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®.



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