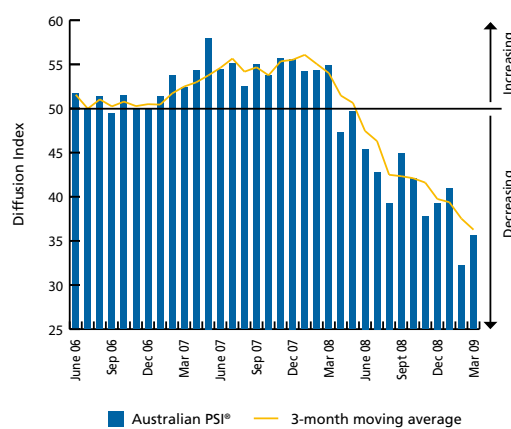


## SERVICES SECTOR ACTIVITY REMAINS WEAK

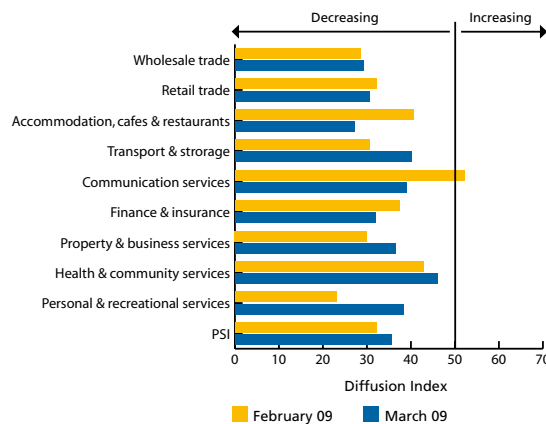
### KEY FINDINGS

- Services sector activity remained weak in March, despite a slowing in the rate of contraction relative to the previous month.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (Australian PSI®) rose by 3.4 points to 35.6, still well below the 50.0 level separating expansion from contraction.
- Although the deterioration in activity remains broadly-based, the pace of decline eased in five sectors, particularly in property & business services, which appears to have benefited from a boost to the first homebuyers grants and cuts in the official interest rate.
- Sales, new orders and supplier deliveries each fell at a slower pace in March, while the services sector recorded its heaviest fall in employment in the survey's six-year history.
- Selling prices and wages both fell in March, while the rate of input cost growth picked-up moderately.
- Activity fell in all states, although the rate of decline eased in all but Victoria and Tasmania.



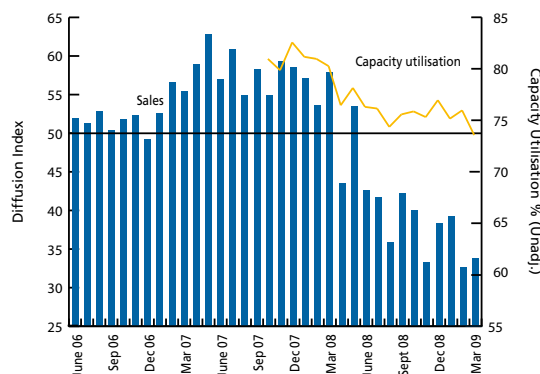
### SECTORS

- Seasonally adjusted, activity declined in all sectors in March, compared with eight sectors in the previous two months.
- While index readings remained low across each of the services sectors, five reported a slowing in the rate of decline.
- The sub-indices for property & business services; transport & storage; and personal & recreational services each showed a solid improvement in the month, despite remaining below 50.0.
- A more modest slowing in the rate of contraction was also recorded in health & community services and wholesale trade.
- The communication services sector registered a decline in activity in March, following two consecutive months of growth.
- Activity fell at a faster pace in the accommodation, cafés & restaurants; retail trade; and finance & insurance sectors.

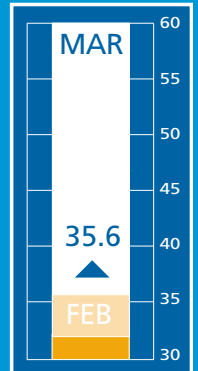


### SALES AND CAPACITY

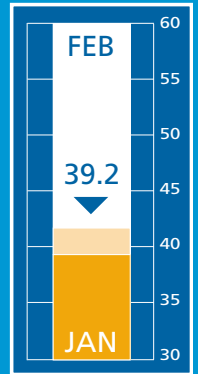
- The seasonally adjusted sales sub-index rose 1.3 points in March to 33.9.
- In unadjusted terms, none of the services sectors recorded sales growth in the month, as was the case in February.
- The retail trade and wholesale trade sectors reported the largest falls in sales.
- Significant declines were also recorded in the business-related sectors of finance & insurance and property & business services.
- The pace of contraction accelerated in communication services and accommodation, cafés & restaurants.
- Sales fell at a markedly slower rate than in the previous month in the personal & recreational services; transport & storage; and health & community services sectors.
- Capacity utilisation fell back in March, decreasing from 75.9% to 73.5% (unadjusted).



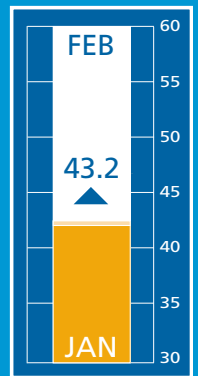
### AUSTRALIAN PSI®



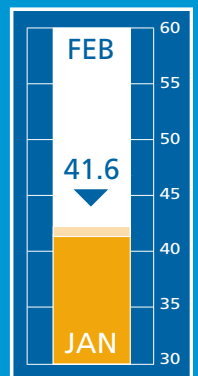
### EUROZONE SERVICES INDEX



### UK SERVICES INDEX



### USA SERVICES INDEX



## NEW ORDERS

- New orders contracted further in the month, although the rate of the decline eased, with the seasonally adjusted sub-index increasing by 6.2 points to 32.6.
- On an unadjusted basis, new orders failed to increase in any of the nine services sectors for a second consecutive month, although they were unchanged in the health & community services sector.
- A moderation in the pace of decline was registered in communication services; personal & recreational services; and transport & storage.
- The largest decreases in new orders occurred in the wholesale trade; finance & insurance; and property & business services sectors.
- Consumer uncertainty in the face of rising unemployment has led to heavy declines in new orders of retail trade and accommodation, cafés & restaurant services.

## EMPLOYMENT AND WAGES

- Seasonally adjusted, the employment sub-index fell 1.7 points to 36.2, the lowest reading in the survey's six year history.
- In unadjusted terms, no sectors reported growth in employment in March, as was the case in the previous month.
- The heaviest falls in employment were recorded in the consumer-based sectors of personal & recreational services; retail trade; and accommodation, cafés & restaurants.
- The transport & storage; property & business services; and wholesale trade sectors also reported significant cuts in employment in March.
- The rate of contraction in employment remained steady in finance & insurance and eased in communication services.
- Average wages fell modestly in March, with the sub-index dropping 4.6 points to 48.2 (unadjusted).

## STOCKS

- Inventories of finished goods were run-down for an eleventh consecutive month, despite the seasonally adjusted sub-index increasing by 9.4 points to 42.5.
- Unadjusted, seven sectors reported a decline in stocks in March. Stocks were steady in transport & storage and property & business services.
- The largest falls in inventories were registered in the personal & recreational services; accommodation, cafés & restaurants; and the finance & insurance sectors.
- Stocks were run-down significantly in the communication services sector, following two consecutive months of accumulation.
- The rate of inventory depletion eased in health & community services; retail trade; and wholesale trade.

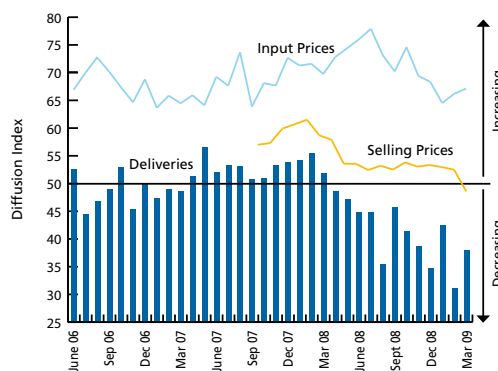
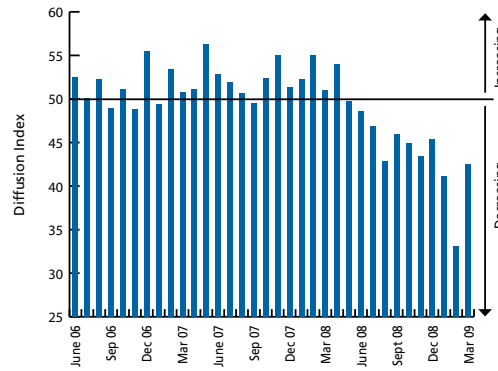
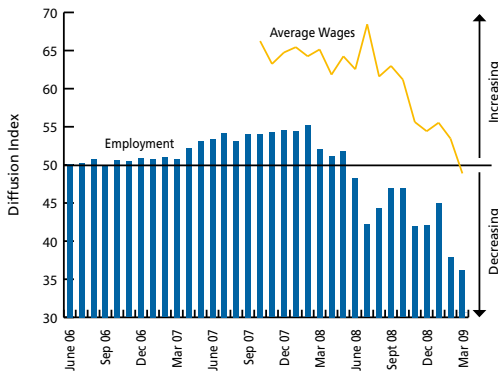
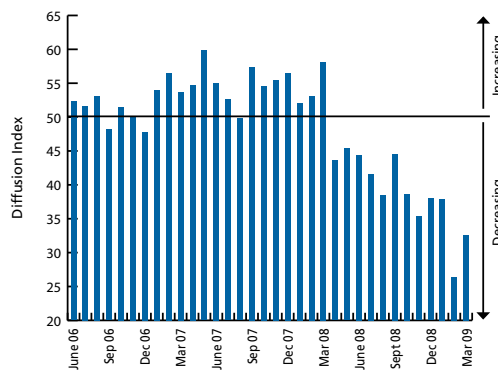
## DELIVERIES, INPUT COSTS, SELLING PRICES

- Supplier deliveries fell at a slower pace in March, with the seasonally adjusted sub-index lifting 6.7 points to 37.9.
- On an unadjusted basis, all nine services sectors reported a reduction in deliveries, unchanged from February.
- Communication services; wholesale trade; personal & recreational services; and property & business services reported the largest decreases in deliveries in March.
- More moderate falls were reported in the health & community services; finance & insurance; transport & storage; accommodation, cafés & restaurants; and retail trade sectors.
- Growth in input costs picked-up in March, with the seasonally adjusted sub-index rising by 1.0 points to 67.9.
- Unadjusted, input cost increases accelerated in six sectors, with accommodation, cafés & restaurants recording the strongest rate of growth.
- Selling prices fell in March, adding pressure on the margins of services sector firms, the sub-index dropping 3.9 points to 48.6.

## NATIONAL INDEXES

	Mar 09	Mar 08	Feb 09	Jan 09	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08
<b>AUSTRALIAN PSI®</b>	35.6	54.9	32.2	41.0	39.3	37.8	42.1	44.9	39.3	42.8	45.4
<b>SALES</b>	33.9	57.8	32.6	39.2	38.3	33.3	40.0	42.2	35.9	41.8	42.6
<b>CAPACITY (%)</b>	73.5	80.2	75.9	75.1	76.9	75.3	75.8	75.5	74.3	76.1	76.2
<b>NEW ORDERS</b>	32.6	58.1	26.4	37.9	38.0	35.3	38.7	44.5	38.4	41.6	44.4
<b>EMPLOYMENT</b>	36.2	52.1	37.9	45.0	42.1	42.0	46.9	47.0	44.4	42.2	48.2
<b>WAGES</b>	48.2	64.5	52.8	54.9	53.8	55.0	60.5	62.3	61.0	67.8	61.9
<b>INVENTORIES</b>	42.5	50.9	33.1	41.1	45.4	43.4	45.0	46.0	42.9	46.8	48.6
<b>DELIVERIES</b>	37.9	51.9	31.2	42.5	34.7	38.7	41.4	45.7	35.4	44.8	44.8
<b>INPUT PRICES</b>	67.9	70.5	66.9	65.3	69.1	70.2	75.3	71.0	73.9	78.6	76.8
<b>SELLING PRICES</b>	48.6	58.7	52.5	53.0	53.3	53.0	53.8	52.5	53.2	52.4	53.5

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](http://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®.

**Commonwealth Bank**

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