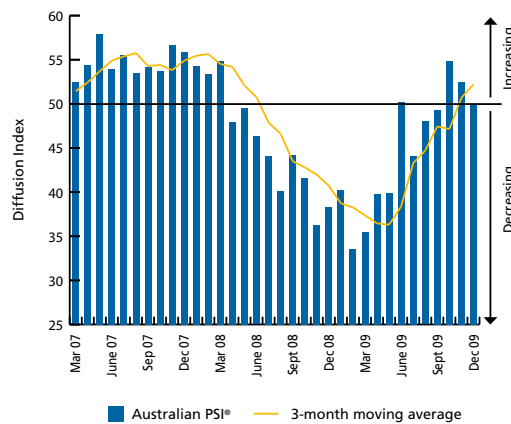


SERVICES SECTOR FLAT IN DECEMBER

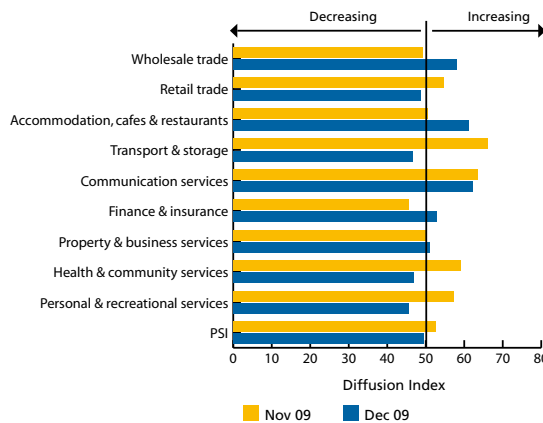
KEY FINDINGS

- Growth in services activity was flat in December; partly the result of a decline in new orders (the first since August 2009). Firms largely attributed the fall in new business to the early effects of recent interest rate rises.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell by 2.5 points to 50.0, indicating the sector did not grow in December.
- Employment growth strengthened in December, reflecting the lagged impact of improved activity in recent months, although sales growth moderated further and inventories and deliveries continued to fall.
- Growth outcomes were mixed across the sub-sectors of services, with the communication services; accommodation, cafés & restaurants; and wholesale trade sectors the major contributors to aggregate activity.
- Firms cited benefits to activity from the commencement of major construction projects and steadier business conditions.
- Activity contracted in all states, excluding Victoria and Tasmania.



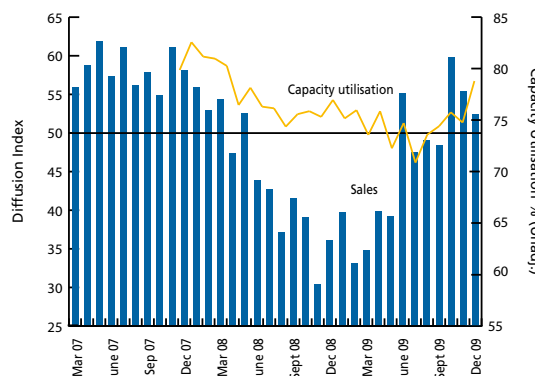
SECTORS

- Seasonally adjusted, activity rose in five sectors in December, compared with seven sectors in the previous month.
- Growth was strongest in communication services, bringing to four the number of consecutive months of significant expansion in the sector.
- Solid increases were also recorded in accommodation, cafés & restaurants and wholesale trade, following broadly flat growth in each sector in November.
- The business-related sectors of finance & insurance and property & business services registered more moderate lifts in activity.
- Activity fell in the retail trade and personal & recreational services sectors following a sustained period of growth, perhaps indicating that the impact of government stimulus on household spending has almost dissipated.
- The transport & storage and health & community services sectors also reported falling levels of activity in December.

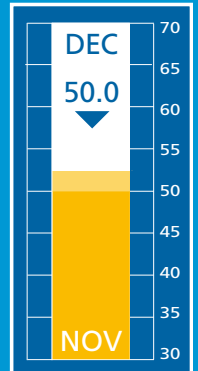


SALES AND CAPACITY

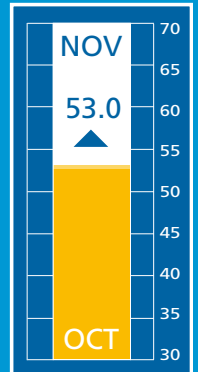
- The seasonally adjusted sales sub-index fell 3.0 points in December to 52.4, although it remained above the 50.0 level separating growth from decline for a third consecutive month.
- In unadjusted terms, sales expanded in seven sectors, the same number as in November, with retail trade unchanged.
- Sales growth was strongest in the communication services and accommodation, cafés & restaurants sectors.
- The business-related sectors of transport & storage; finance & insurance; and property & business services each reported significant rises in sales in December.
- Elsewhere, sales expanded in health & community services and wholesale trade, but fell sharply in personal & recreational services.
- Capacity utilisation in the sector rose to a 21-month high, lifting by 4.0 percentage points to 78.7% in December.



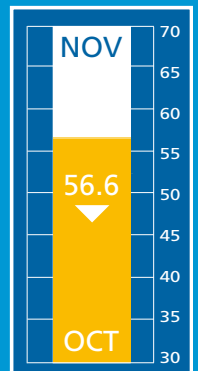
AUSTRALIAN PSI®



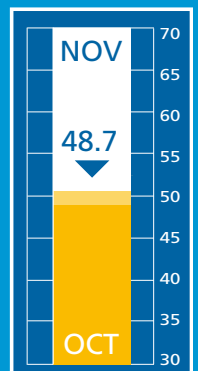
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- New orders declined in December, with the seasonally adjusted sub-index dropping 8.6 points to 48.1.
- Unadjusted, six sectors reported growth in new orders in December, down from eight in the previous month.
- The largest increases in new orders were in communication services and accommodation, cafés & restaurants, building on the strong performance in these sectors in recent months.
- New orders increased in the wholesale trade sector for the first time in the quarter.
- By contrast, growth in new orders eased in personal & recreational services; transport & storage; and property & business services.
- Retail trade registered a fall in new orders in December, while levels remained unchanged in finance & insurance and health & community services.

EMPLOYMENT AND WAGES

- Employment growth picked-up in December, with the seasonally adjusted sub-index increasing from 50.5 to 52.6.
- On an unadjusted basis, employment grew in six sectors, one more than in November, and remained steady in retail trade.
- As was the case for sales and new orders, the strongest growth in employment was in accommodation, cafés & restaurants and communication services.
- The business-related sectors of transport & storage; finance & insurance; and property & business services each reported higher levels of employment in December.
- Employment grew for a second consecutive month in wholesale trade.
- Solid falls in employment were recorded in personal & recreational services and health & community services.
- Growth in average wages accelerated further in December, the unadjusted sub-index rising 2.1 points to 58.2 (a 14-month high).

STOCKS

- Inventories of finished goods were run down at a slower pace in December, with the seasonally adjusted sub-index lifting 2.1 points to 46.7.
- Unadjusted, six sectors registered an aggregate accumulation in stocks, up from five in November.
- The personal & recreational services and communication services sectors reported a significant build-up of stocks in December.
- Inventory levels were also run-up in the wholesale trade; accommodation, cafés & restaurants; retail trade; and transport & storage sectors.
- Stocks of finished goods fell most heavily in finance & insurance.
- Property & business services and health & community services recorded more modest contractions.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries fell for a second consecutive month in December, as firms elected to continue running down existing inventories. The seasonally adjusted deliveries sub-index dropped 2.7 points to 46.9.
- In unadjusted terms, deliveries increased in six sectors, with the largest rises in the communication services; accommodation, cafés & restaurants; and transport & storage sectors.
- Personal & recreational services registered a sharp fall in supplier deliveries in December, with retail trade and finance & insurance recording unchanged levels.
- Growth in input costs eased in December, the seasonally adjusted sub-index falling 6.3 points to 59.7.
- Input costs were higher in all sectors, excluding finance & insurance where they were steady, rising most strongly in transport & storage.
- Selling prices growth was broadly steady, with the sub-index dipping by 0.1 points to 53.6.

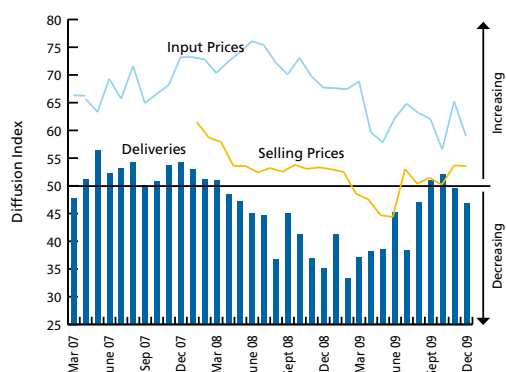
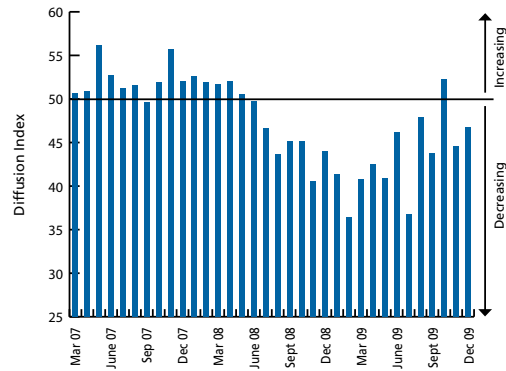
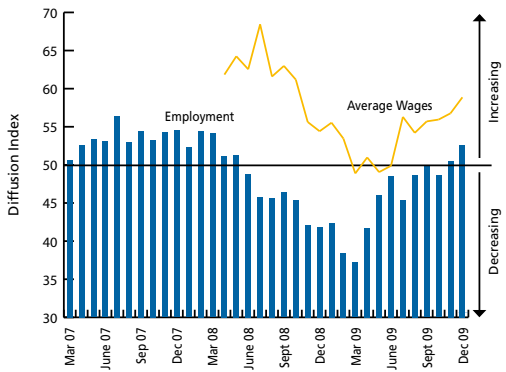
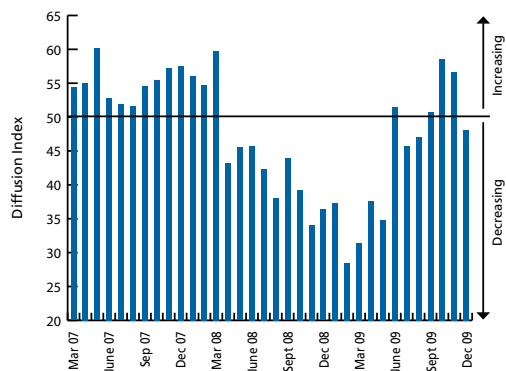
AUSTRALIAN PSI®*

	December 2009	November 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	50.0	52.5	-2.5	Flat	From expansion	na
SALES	52.4	55.4	-3.0	Expanding	Slower	3
NEW ORDERS	48.1	56.7	-8.6	Contracting	From expansion	1
EMPLOYMENT	52.6	50.5	+2.1	Expanding	Faster	2
SUPPLIER DELIVERIES	46.9	49.6	-2.7	Contracting	Faster	2
INVENTORIES	46.7	44.6	+2.1	Contracting	Slower	2
INPUT PRICES	59.7	66.0	-6.3	Expanding	Slower	83
SELLING PRICES	53.6	53.7	-0.1	Expanding	Slower	6
WAGES	58.2	56.1	+2.1	Expanding	Faster	6
CAPACITY UTILISATION (%)	78.7	74.7	+4.0% pts	Expanding	na	na

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 2009.

* Australian PSI® data is seasonally adjusted for sales, new orders, employment, supplier deliveries, inventories and input prices.

** Number of months moving in current direction.



WHAT IS THE AUSTRALIAN PSI®?

The Australian Industry Group – Commonwealth Bank Australian Performance of Services Index (Australian PSI®) is a seasonally adjusted national composite index based on the diffusion indexes for sales, orders/new business, deliveries, inventories and employment with varying weights. An Australian PSI® reading above 50 points indicates services activity 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®.

Commonwealth Bank

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