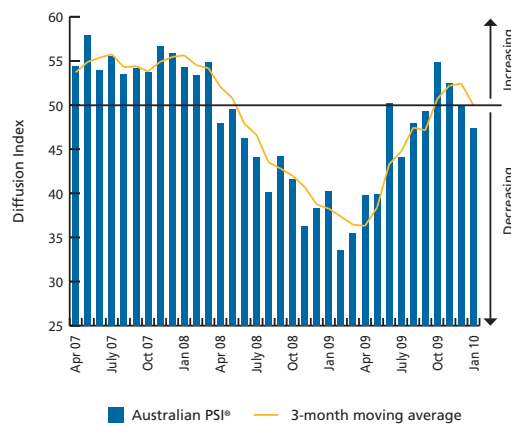


DIP IN SERVICES SECTOR

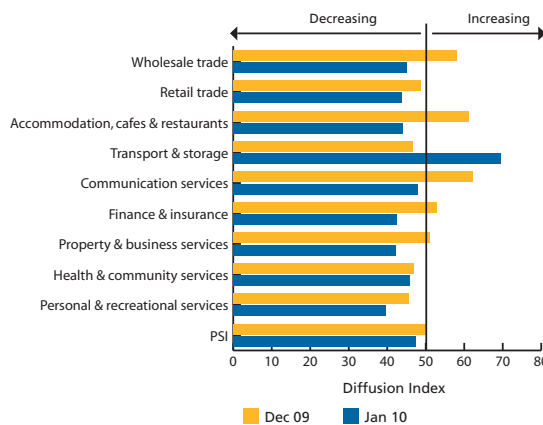
KEY FINDINGS

- Services activity contracted for the first time in four months in January, suggesting uncertainty around prospects for the sector in the near term.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (Australian PSI®) fell by 2.6 points to 47.4, dropping below the 50.0 level separating expansion from contraction.
- Despite a modest lift in sales, employment fell heavily in the month and new orders and supplier deliveries continued to decline.
- The downturn in activity was broadly based, with all sectors, excluding the often volatile transport & storage sector, registering declines in the month.
- Firms attributed the weakening in demand largely to successive increases in the official interest rate between October and December, which have dampened consumer and business confidence.
- Activity contracted in all states other than Western Australia.



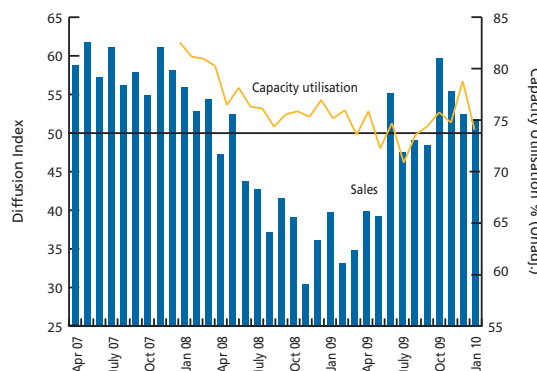
SECTORS

- In seasonally adjusted terms, activity expanded in only the transport & storage sector in January, compared with five sectors in the previous month.
- Reflecting a greater degree of consumer caution, the personal & recreational services sector recorded the heaviest fall in activity for a second successive month.
- Activity also fell for a second consecutive month in the retail trade and health & community services sectors.
- The business-related sectors of property & business services and finance & insurance reported solid decreases in activity in January.
- Elsewhere, strong activity growth in December gave way to contractions in January in accommodation, cafés & restaurants; wholesale trade; and communication services.

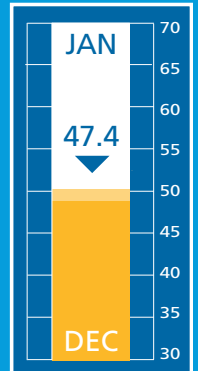


SALES AND CAPACITY

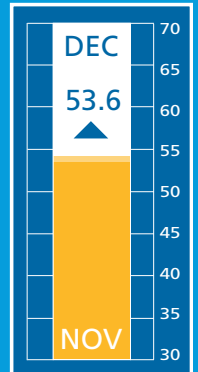
- The seasonally adjusted sales sub-index fell for a third consecutive month in January, dropping 0.7 points to 51.7.
- On an unadjusted basis, and partly reflecting a seasonal weakening in demand, the number of sectors reporting higher sales fell from seven to just two.
- Sales grew solidly in transport & storage and communication services, extending the strong sales performance in these sectors in recent months.
- The largest falls were in accommodation, cafés & restaurants; health & community services; and personal & recreational services.
- More moderate declines were reported in property & business services; wholesale trade; and finance & insurance.
- Sales remained steady in retail trade for a second successive month.
- Capacity utilisation fell back in January, decreasing from 78.7% to 74.0% (unadjusted).



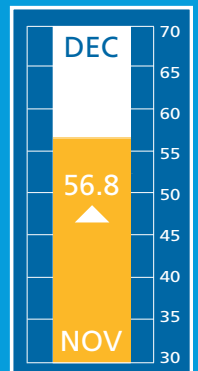
AUSTRALIAN PSI®



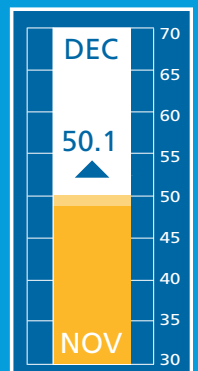
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- Underlining the recent softening in demand for services, new orders declined for a second successive month in January, with the seasonally adjusted sub-index registering 48.0.
- In unadjusted terms, transport & storage was the only sector to record growth in new orders, compared with six sectors in the previous month.
- The heaviest declines in new orders were in the accommodation, cafés & restaurants; property & business services; and personal & recreational services sectors.
- Falls were also registered in finance & insurance and health & community services, following flat growth in the previous month, and in wholesale trade, after solid growth in December.
- New orders were unchanged in retail trade and communication services.

EMPLOYMENT AND WAGES

- Employment in the services sector contracted following moderate growth in December, with the seasonally adjusted sub-index falling 6.9 points to 45.7.
- Unadjusted, employment decreased in six sectors in January, compared with two in the previous month, with health & community services remaining unchanged.
- The largest falls in employment were in accommodation, cafes & restaurants; finance & insurance; and wholesale trade.
- Employment also fell in retail trade; property & business services; and personal & recreational services.
- The business-related sectors of transport & storage and communication services were the only sectors to report employment growth in January.
- Average wages growth moved marginally higher in the month with the unadjusted sub-index lifting from 58.2 to 58.7 (a 15-month high).

STOCKS

- Inventories of finished goods were run down at a faster pace in January; the seasonally adjusted sub-index falling 5.8 points to register 40.9.
- On an unadjusted basis, only the wholesale trade sector recorded an accumulation of stocks in the month, compared with six sectors in December.
- Stocks of finished goods fell most heavily in finance & insurance; communication services; and accommodation, cafes & restaurants.
- A solid rundown was also recorded in the transport & storage; retail trade; and health & community services sectors.
- The property & business services sector registered a third consecutive month of contracting stocks, while inventory levels were unchanged in personal & recreational services.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries fell for a third consecutive month in January, as firms elected to continue running down stocks. The seasonally adjusted deliveries sub-index dropped 0.7 points to 46.2.
- Unadjusted, deliveries fell in each sub-sector in January, excluding transport & storage where a further month of strong growth was reported.
- Finance & insurance; personal & recreational services; and communication services recorded the heaviest declines in deliveries in the month.
- Input cost increases accelerated in January, with the seasonally adjusted sub-index rising 3.4 points to 63.1.
- Input costs rose in all of the sub-sectors, excluding personal & recreational services where they were steady, with the strongest growth in health & community services.
- Growth in selling prices was broadly flat in January, with the sub-index decreasing by 3.4 points to 50.2.

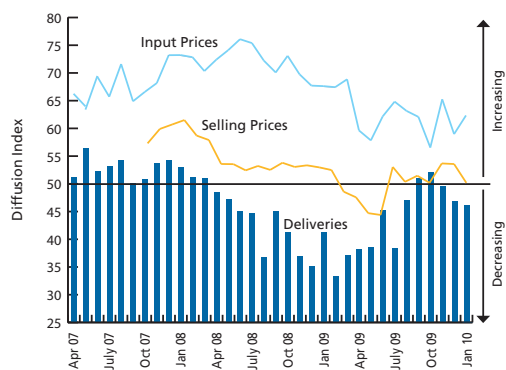
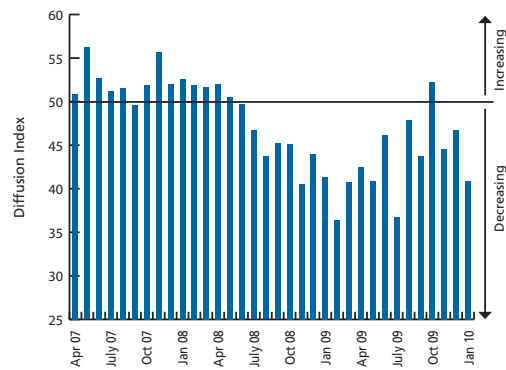
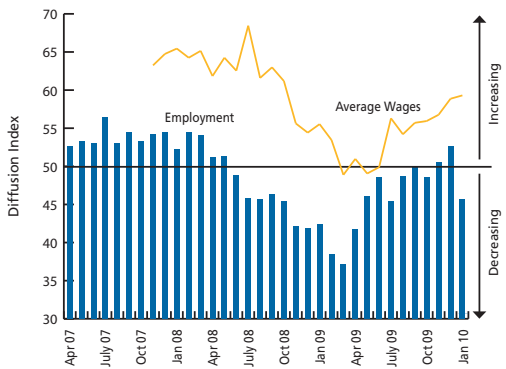
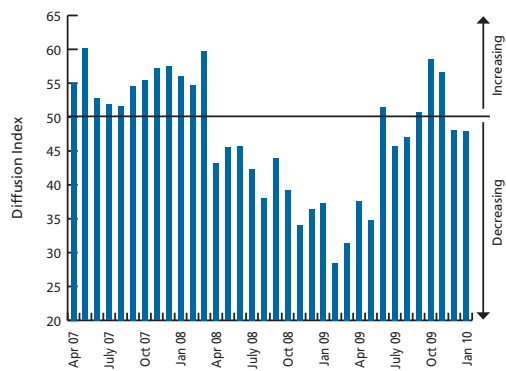
AUSTRALIAN PSI®*

	January 2010	December 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	47.4	50.0	-2.6	Contracting	From flat	1
SALES	51.7	52.4	-0.7	Expanding	Slower	4
NEW ORDERS	48.0	48.1	-0.1	Contracting	Faster	2
EMPLOYMENT	45.7	52.6	-6.9	Contracting	From expanding	1
SUPPLIER DELIVERIES	46.2	46.9	-0.7	Contracting	Faster	3
INVENTORIES	40.9	46.7	-5.8	Contracting	Faster	3
INPUT PRICES	63.1	59.7	+3.4	Expanding	Faster	84
SELLING PRICES	50.2	53.6	-3.4	Expanding	Slower	7
WAGES	58.7	58.2	+0.5	Expanding	Faster	7
CAPACITY UTILISATION (%)	74.0	78.7	-4.7% pts	Contracting	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

CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 5504

John Peters
Senior Economist
Commonwealth Bank
work 02 9117 0112
mobile 0410 482 500

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