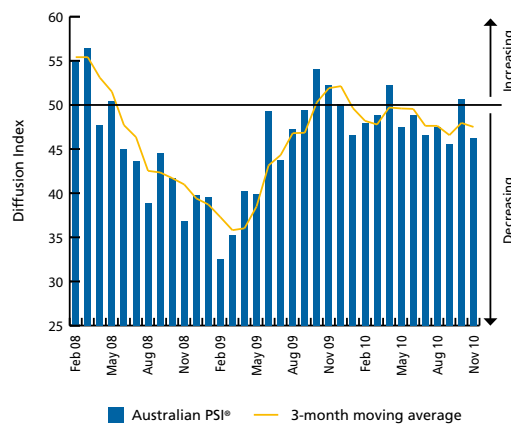


SERVICES SECTOR ACTIVITY FALLS IN NOVEMBER

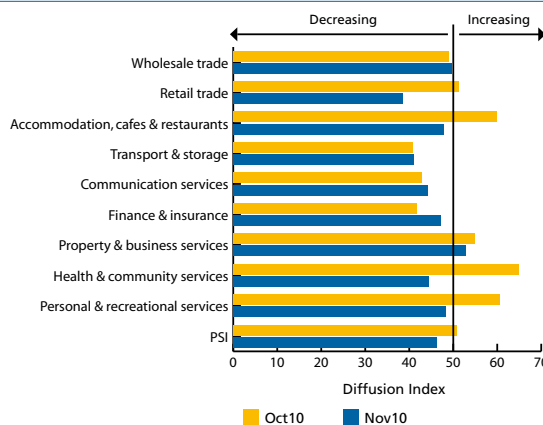
KEY FINDINGS

- The services sector contracted in November, with the latest seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI®**) falling 4.5 points to 46.2.
- The Australian PSI® has been below the critical 50 point level separating expansion from contraction for eight of the past 10 months.
- A number of businesses reported that the latest interest rate rise early in November played some part in dampening activity in the month.
- Service sector activity has been strongest in Victoria, Western Australia and Queensland, while conditions have been more modest in New South Wales and South Australia.
- The average wage, selling price and input price sub-indices have remained relatively stable since the start of the year, and are well below the levels recorded before the global financial crisis (GFC). This is consistent with the relatively modest pace of underlying inflation seen over the past six months.



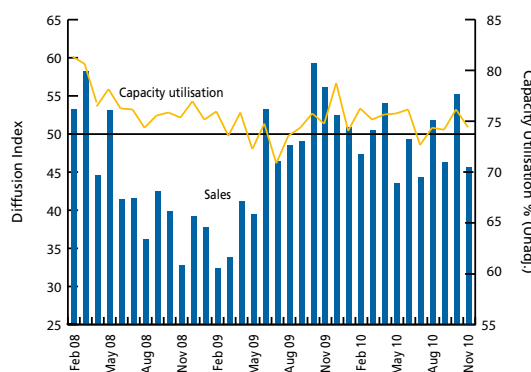
SECTORS

- Seasonally adjusted, activity in eight of the nine service sub-sectors contracted in November, up from four in October.
- Only the property & business services sub-sector recorded positive growth in the month.
- The activity indices of the retail, hospitality, and personal & recreational services sub-sectors fell back sharply in the month. This may partly reflect the effect of the interest rate rise early this month.
- After increasing gradually over the past few months, the activity index of the wholesale sub-sector remained broadly unchanged in the month, and in line with the 50 point level separating expansion from contraction.
- Activity contracted strongly in the retail trade, transport & storage, and communication services sub-sectors.

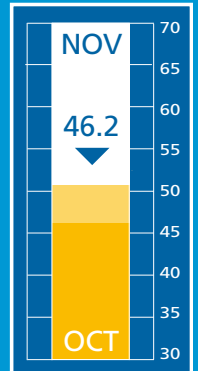


SALES AND CAPACITY

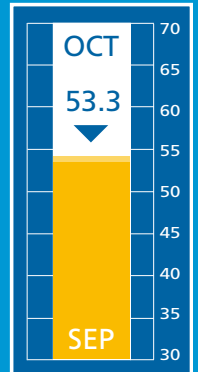
- Sales contracted in the services sector in November, with the sales component of the Australian PSI® falling by 9.7 points to 45.6.
- The monthly fall in the sales sub-index reflected solid sales declines across a number of sub-sectors including the retail trade, wholesale, and hospitality sectors.
- Only the finance & insurance sub-sector recorded an increase in sales growth in the month.
- Overall, sales were weakest in the retail and transport & storage sub-sectors.
- Capacity utilisation in the services sector fell to 74.4% in November, and was around the average level recorded since the start of 2009.
- Capacity utilisation was highest in the hospitality and personal & recreational services sub-sectors, and lowest in the wholesale trade and finance & insurance sub-sectors.



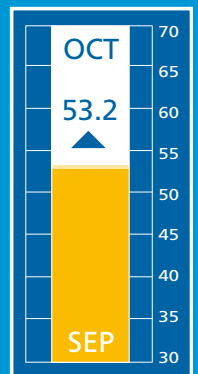
AUSTRALIAN PSI®



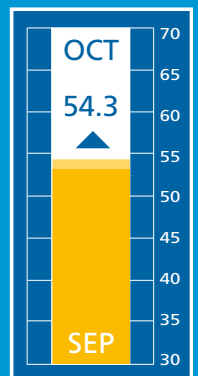
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- New orders contracted in the services sector in November, with the new orders component of the Australian PSI® declining by 7.1 points to 45.0.
- Most sub-sectors recorded a fall in new orders growth in the month, as the index fell to its lowest level since June 2009.
- The retail, hospitality and health & community services sub-sectors recorded particularly sharp declines in new orders during the month.
- New orders grew in the personal & recreational services and hospitality sub-sectors, albeit, at a slower pace than the previous month.
- Overall, new orders have been weakest in the retail trade and communication services sub-sectors in recent months.

EMPLOYMENT AND WAGES

- Employment in the services sector contracted for the fourth consecutive month.
- The employment component of the Australian PSI® fell by 1.8 points to 47.6 in November.
- The monthly fall in the employment sub-index reflected solid declines in the employment indices of the retail trade and hospitality sub-sectors.
- Employment contracted most heavily in the retail, wholesale, and personal & recreational services sub-sectors.
- The average wages sub-index picked up by 2.7 points to 60.1 in November.
- The pace of wage growth was strongest in the hospitality and property & business services sub-sectors.
- On the other hand, wages growth was reported to be relatively modest in the retail trade and wholesale sub-sectors.

STOCKS

- Businesses in the services sector continued to run down inventories.
- The stocks component of the Australian PSI® eased back to 46.3 in November, and has remained below the 50 level separating expansion from contraction for six consecutive months.
- The monthly decline in the stocks sub-index was largely driven by the retail trade, personal & recreation services, and hospitality sub-sectors.
- Weakness in these sectors was partly offset by solid growth in stock levels in the finance & insurance and communication services sub-sectors.
- Overall, the wholesale trade and communication services sub-sectors have recorded the sharpest falls in inventory levels over recent months.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries continue to contract in the services sector.
- The supplier deliveries sub-index rose modestly in November, though it remained below the 50 point level separating expansion from contraction, as has been the case since April 2010.
- Supplier deliveries contracted most heavily in the retail trade and transport & storage sub-sectors.
- Input price growth in the services sector remained relatively modest compared to the period before the GFC. The input prices sub-index rose by 4.3 points in November to 64.4, and has remained relatively stable since the start of 2009.
- The average selling prices sub-index fell back in November, after increasing gradually over the past three months.
- Selling price growth was also reported to be relatively modest in November compared to the period before the GFC.

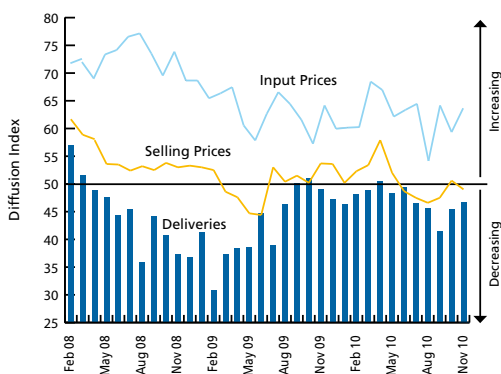
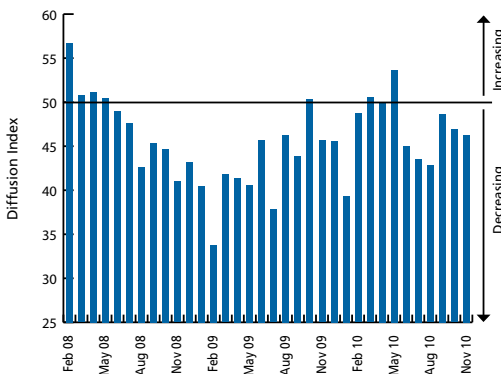
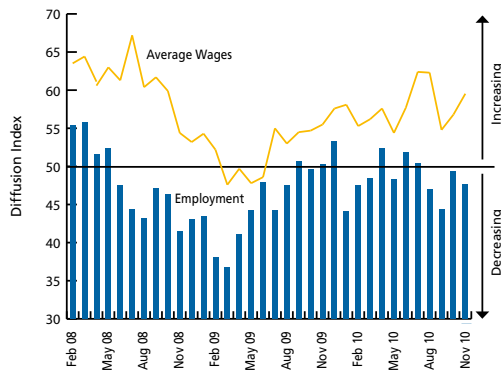
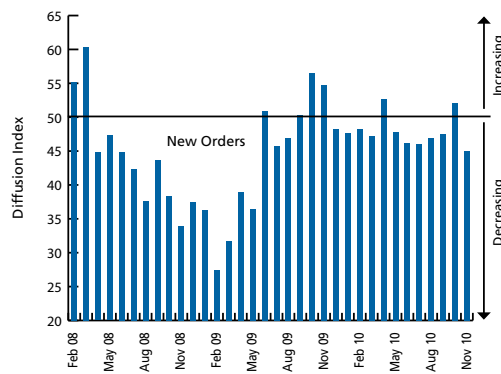
AUSTRALIAN PSI®*

	November 2010	October 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	46.2	50.7	-4.5	Contracting	From expanding	1
SALES	45.6	55.3	-9.7	Contracting	From expanding	1
NEW ORDERS	45.0	52.1	-7.1	Contracting	From expanding	1
EMPLOYMENT	47.6	49.4	-1.8	Contracting	Faster	4
SUPPLIER DELIVERIES	46.7	45.5	1.2	Contracting	Slower	7
INVENTORIES	46.3	46.9	-0.6	Contracting	Faster	6
INPUT PRICES	64.4	60.1	4.3	Expanding	Faster	94
SELLING PRICES	49.0	50.6	-1.6	Contracting	From expanding	1
WAGES	60.1	57.4	2.7	Expanding	Faster	17
CAPACITY UTILISATION (%)	74.4	76.1	-1.8	Decrease	na	na

Results are based on the responses of around 200 companies. Forward seasonal factors were generated by the ABS in April 2010.

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

** Number of months moving in current



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 website 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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