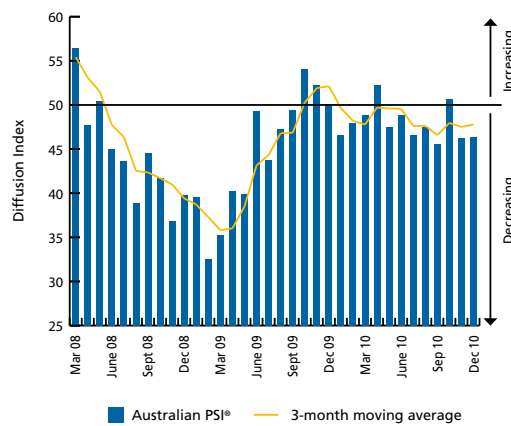


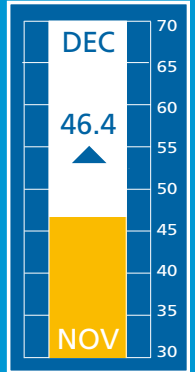
THE SERVICES SECTOR REMAINED SUBDUED IN DECEMBER

KEY FINDINGS

- The services sector continued to underperform in December, with the latest seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (Australian PSI®) recording 46.4 (relatively unchanged, up 0.2 points from 46.2 in November).
- A number of businesses cited recent interest rate rises and the elevated level of the currency as contributing to the continued weakness in services sector activity.
- Queensland and Victoria recorded particularly subdued conditions in December, while Western Australia recorded strong growth.
- In three-month moving average terms, the Australian PSI® has remained broadly unchanged over the second half of 2010, and well below the critical 50 point level separating expansion from contraction.
- Consistent with this, the 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 continuing into the December quarter.

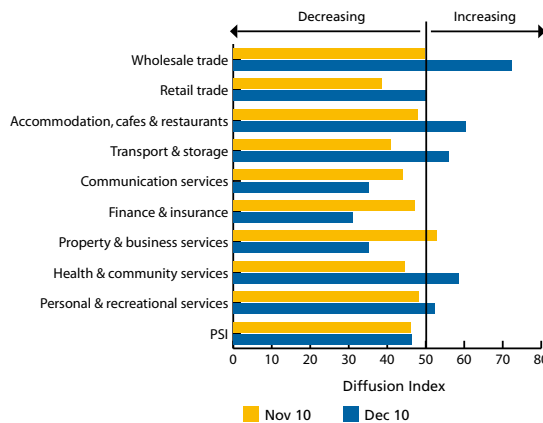


AUSTRALIAN PSI®

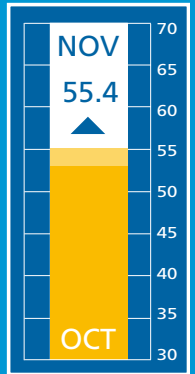


SECTORS

- The poor performance in services sector activity was largely concentrated in the professional services sub-sectors.
- In particular, the activity indices of the property & business services, finance & insurance, and communication services sub-sectors all fell sharply in December.
- On the other hand, the activity indices of the services sub-sectors exposed to household spending generally picked up in the month, after falling back in November.
- The strongest growth was recorded in the wholesale trade, hospitality and personal & recreational services sub-sectors.
- During the second half of 2010, the hospitality and personal & recreational services sub-sectors have recorded the strongest levels of activity, while the finance & insurance and the transport & storage sub-sectors have been relatively weak.
- Activity in the retail trade and wholesale trade sub-sectors has gradually improved over this period.

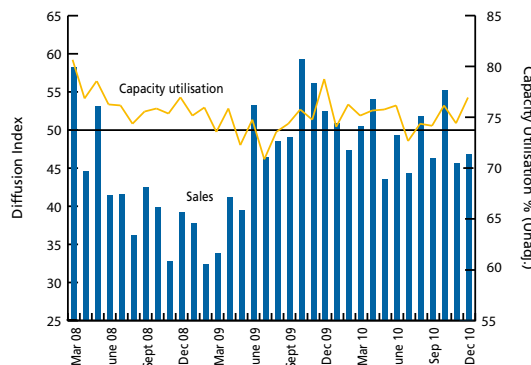


EUROZONE SERVICES INDEX

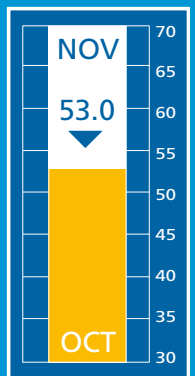


SALES AND CAPACITY

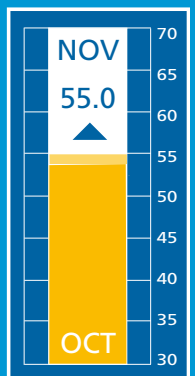
- Sales were weak in the services sector in December, with the sales component of the Australian PSI® recording 46.9.
- The decline in sales levels was largely concentrated in the property & business services, finance & insurance, and communication services sub-sectors.
- Outside of these sectors, sales were reported to have grown solidly, particularly in the transport & storage and hospitality sub-sectors.
- Sales in the wholesale trade and retail trade sub-sectors also grew strongly in the month.
- Capacity utilisation in the services sector (which is not seasonally adjusted) rose to 76.9% in December, to be just above the average level recorded since the start of 2009.
- Capacity utilisation was highest in the transport & storage and wholesale trade sub-sectors, and lowest in the property & business and finance & insurance sub-sectors.



UK SERVICES INDEX

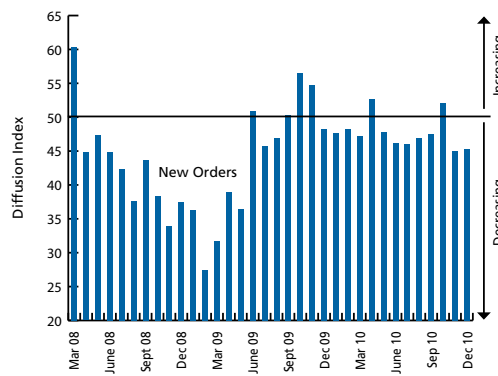


USA SERVICES INDEX



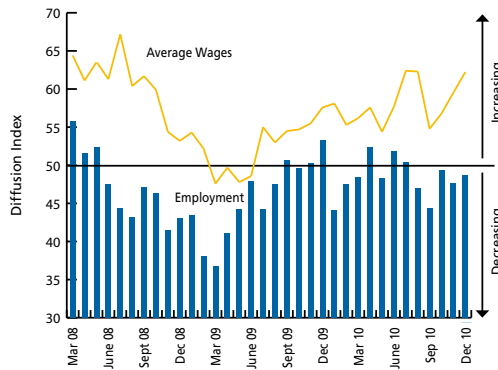
NEW ORDERS

- New orders levels in the services sector continued to decline in December.
- The new orders component of the Australian PSI® increased by 0.3 points to 45.3 in December, though has been below the 50 point level separating expansion from contraction for 10 of the past 12 months.
- The monthly decline in the new orders sub-index was driven by particularly sharp declines in the new order indices of the personal & recreational services and finance & insurance sub-sectors.
- Weakness in these sectors was partly offset by solid growth in new order levels of the wholesale trade, retail trade and hospitality sub-sectors.
- Overall, the finance & insurance and communication services sub-sectors have recorded the sharpest falls in new order levels over recent months.



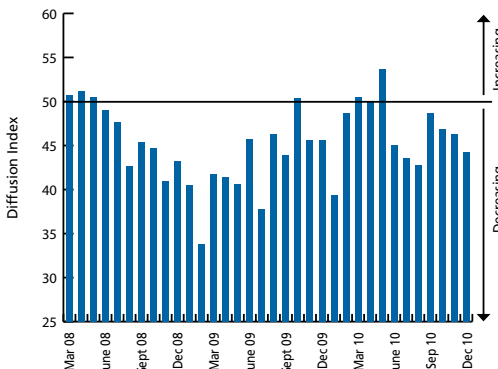
EMPLOYMENT AND WAGES

- Employment in the services sector fell for the fifth consecutive month.
- The employment component of the Australian PSI® increased by 1.1 points to 48.7 in December.
- The decline in employment levels in the services sector was concentrated in the property & business services, finance & insurance, and communication services sub-sectors.
- Outside of these sectors, employment was reported to have grown solidly, particularly in the wholesale trade and hospitality sub-sectors.
- The average wages sub-index picked up by 2.7 points to 62.8 in December.
- The pace of wage growth was strongest in the hospitality, wholesale, and health & community sub-sectors.
- On the other hand, wages growth was reported to be relatively modest in the communication services and finance & insurance sub-sectors.



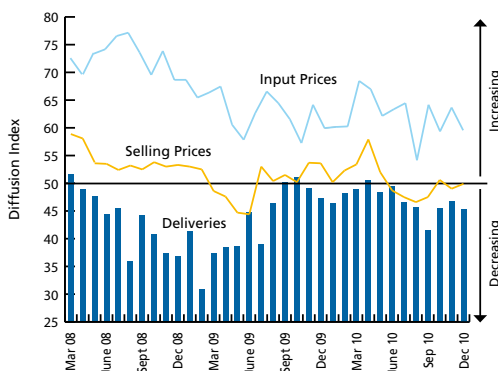
STOCKS

- Businesses in the services sector continued to run down inventories.
- The stocks component of the Australian PSI® eased back to 44.3 in December, and has remained below the 50 point level separating expansion from contraction for seven consecutive months.
- The monthly decline in the stocks sub-index was driven by particularly sharp declines in the stock indices of the communication services and finance & insurance sub-sectors.
- Weakness in these sectors was partly offset by solid growth in the stock levels of the wholesale trade and transport & storage 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 continued to contract in the services sector.
- The supplier deliveries sub-index fell back modestly in December, and has remained below the 50 point level separating expansion from contraction since April 2010.
- Supplier deliveries contracted most heavily in the finance & insurance and property & business services sub-sectors.
- Input price growth in the services sector has remained relatively modest compared to the period before the GFC; the input prices sub-index fell by 4.1 points in December to 60.3, and has been quite stable since the start of 2009.
- The average selling prices sub-index remained just below 50 in December and has remained around the 50 point level separating contraction from expansion for the past three months.
- Selling price growth was also reported to be relatively modest in December compared to the period before the GFC.



AUSTRALIAN PSI®*

	December 2010	November 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	46.4	46.2	0.2	Contracting	Slower	2
SALES	46.9	45.6	1.3	Contracting	Slower	2
NEW ORDERS	45.3	45.0	0.3	Contracting	Slower	2
EMPLOYMENT	48.7	47.6	1.1	Contracting	Slower	5
SUPPLIER DELIVERIES	45.3	46.7	-1.4	Contracting	Faster	8
INVENTORIES	44.3	46.3	-2.0	Contracting	Faster	7
INPUT PRICES	60.3	64.4	-4.1	Expanding	Slower	95
SELLING PRICES	49.9	49.0	0.9	Contracting	Slower	2
WAGES	62.8	60.1	2.7	Expanding	Faster	18
CAPACITY UTILISATION (%)	76.9	74.4	2.5	Increased		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 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 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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