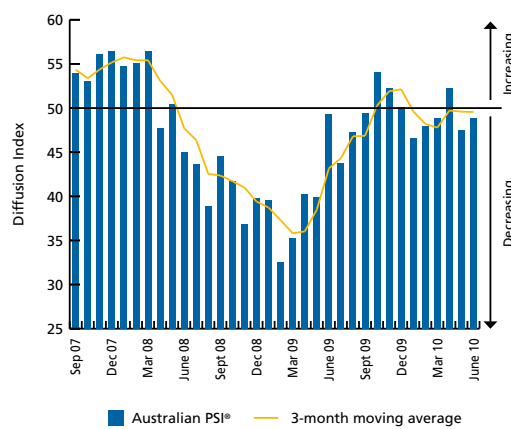


SERVICES SECTOR REMAINS SUBDUED IN JUNE

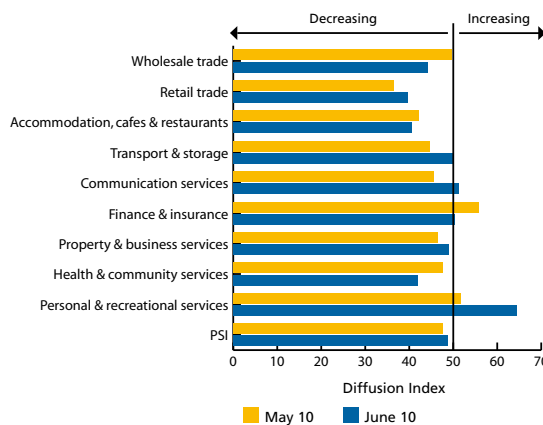
KEY FINDINGS

- The services sector contracted in June, although the rate of decline was slower than in May.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) rose 1.3 points to 48.8, below the 50.0 level separating expansion from contraction. The June result continues the subdued service sector conditions in 2010.
- The main negative influences on the sector's performance were a faster rate of contraction in new orders and a shift from expansion to contraction for inventories and selling prices. These were partially offset by a slower pace of contraction in sales and expanding employment.
- Reflecting consumer caution, weakness was mainly centred on the consumer-based sectors, most notably retail trade and accommodation, cafes & restaurants.
- Tasmania was the only state to record an expansion in services sector activity in June. This compares with expansions in both Victoria and Western Australia last month.



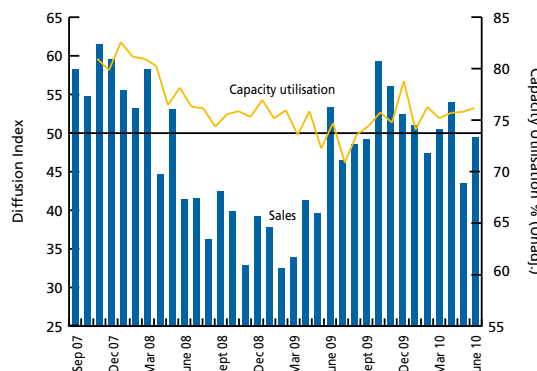
SECTORS

- Seasonally adjusted, activity expanded in four sectors in June, up from two sectors in May.
- While personal & recreational services grew significantly, marginal expansions were recorded in the communication services, transport & storage and finance & insurance sectors.
- The wholesale and retail trade sectors contracted, with retail trade the worst performing sector. Retail trade has not recorded an expansion in activity since October 2009. This ongoing performance reflects relatively weak consumer confidence and potentially the impact on consumer demand associated with rising interest rates.
- Accommodation, cafes & restaurants and the health and community services sectors also contracted in June.

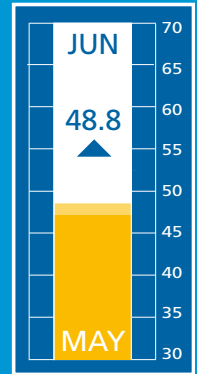


SALES AND CAPACITY

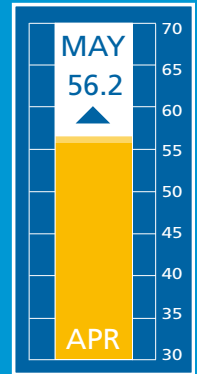
- Sales of services contracted for a second month, albeit at a slower rate, with the seasonally adjusted sub-index rising by 5.9 points to 49.4.
- In unadjusted terms, three sectors experienced expanding sales: personal and recreational services, finance & insurance and communication services. This compares to only finance & insurance sales expanding in May.
- Retail trade recorded the largest contraction in sales, followed by accommodation, cafes & restaurants and health & community services.
- Sales for the property & business services sector remained largely unchanged.
- Capacity utilisation was broadly steady at 76.1%, up 0.4 percentage points.



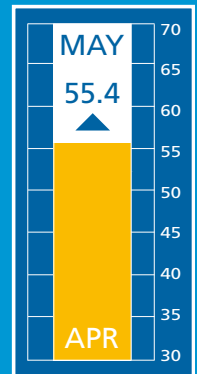
AUSTRALIAN PSI®



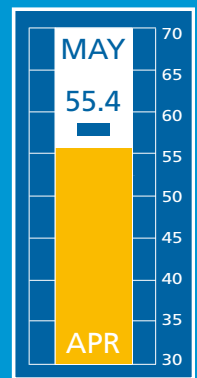
EUROZONE SERVICES INDEX



UK SERVICES INDEX

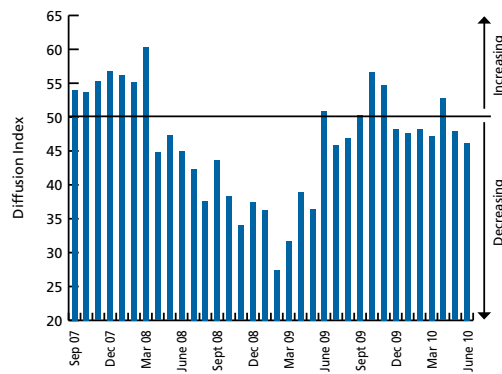


USA SERVICES INDEX



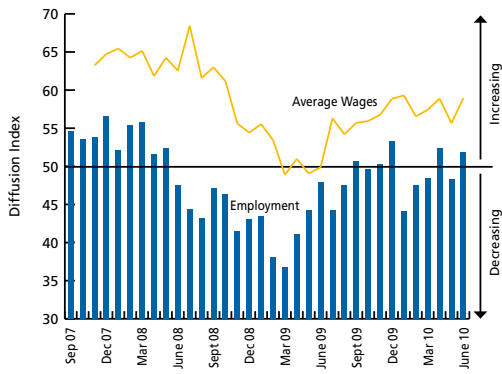
NEW ORDERS

- New orders contracted at a faster rate in June, compounding the decline in May. The seasonally adjusted sub-index fell 1.8 points to 46.1.
- In unadjusted terms, new orders growth was recorded in only two sectors: personal & recreational services and finance & insurance. This was a decline from four sectors in May 2010.
- Personal & recreational services recorded the strongest expansion while, conversely, the accommodation, cafes & restaurants sector recorded the strongest contraction in new orders.
- The retail trade and the transport & storage sectors also experienced a significant contraction in new orders in June.
- Wholesale trade and communication services moved into contraction territory following expansions in the previous month.



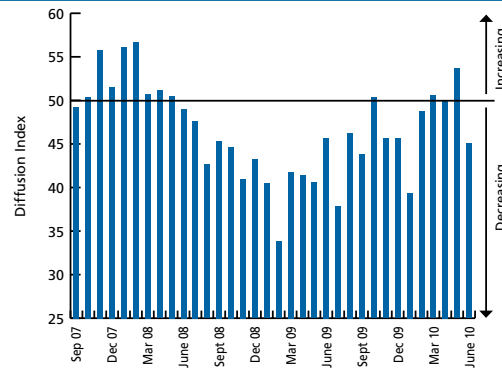
EMPLOYMENT AND WAGES

- Employment in services expanded in the month of June with the sub-index rising 3.5 points to 51.8.
- On an unadjusted basis, three sectors recorded expansions in employment in June, two remained flat and four contracted.
- The personal & recreation services sector led the way in terms of employment growth, followed by communication services and finance & insurance.
- Flat employment activity was recorded by property & business services and by the health & community services sector.
- Employment declined in wholesale and retail trade, accommodation, cafes & restaurants and the transport & storage sectors.
- Average wages expanded at a higher rate, the 12th consecutive month of expansion. All sectors recorded an increase in average wages except for wholesale trade, transport & storage and finance & insurance where wages growth was flat in June.



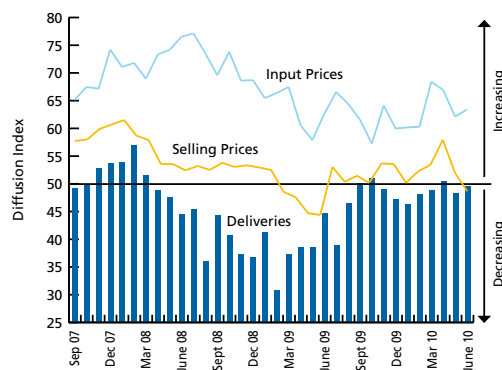
STOCKS

- Inventories fell in June following an expansion in the previous month. Seasonally adjusted the sub-index fell to 45.1, a monthly decline of 8.6 points.
- On an unadjusted basis, the decline was broad based: accommodation, cafes & restaurants recorded the largest contraction, followed by the wholesale and retail trade sectors.
- Finance & insurance, personal & recreational services and health & community services also recorded declines in inventories.
- The decline across six sectors in June was only partially mitigated by a rise in inventories for the communication services sector.
- Stock levels were unchanged in the transport & storage and the property & business services sectors.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries continued to be marginally weaker in June, with the sub-index recording 49.5, just below the mark distinguishing expansion from contraction.
- Unadjusted, deliveries expanded significantly in the personal & recreational services sector.
- The transport & storage and health & community services sectors also experienced an expansion in deliveries in June.
- Accommodation, cafes & restaurants recorded the most severe decline in deliveries while the wholesale and retail trade sectors also did not fare well in June.
- Profit margins were further squeezed in June with input prices again expanding (89 consecutive months) while selling prices contracted from a situation of expansion in the previous month.
- The seasonally adjusted input prices sub-index rose to 64.1 in June, a rise of 1.2 points while selling prices fell to 48.7, a decline of 3.3 points.



AUSTRALIAN PSI®*

	June 2010	May 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	48.8	47.5	+1.3	Contracting	Slower	2
SALES	49.4	43.5	+5.9	Contracting	Slower	2
NEW ORDERS	46.1	47.9	-1.8	Contracting	Faster rate	2
EMPLOYMENT	51.8	48.3	+3.5	Expanding	From contracting	1
SUPPLIER DELIVERIES	49.5	48.4	+1.1	Contracting	Slower	2
INVENTORIES	45.1	53.7	-8.6	Contracting	From expanding	1
INPUT PRICES	64.1	62.9	+1.2	Expanding	Faster	89
SELLING PRICES	48.7	52.0	-3.3	Contracting	From expanding	1
WAGES	58.3	55.0	+3.3	Expanding	Faster	12
CAPACITY UTILISATION (%)	76.1	75.7	+0.4 % pts	Expanding	na	na

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

** Number of months moving in current direction.

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

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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