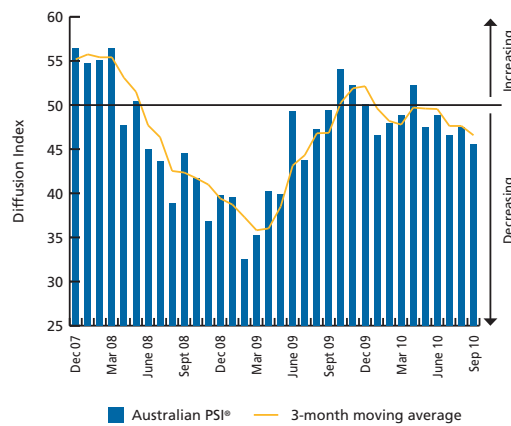


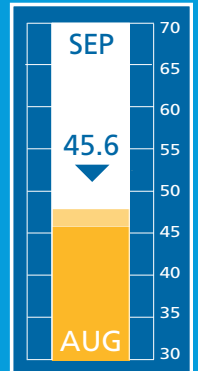
SERVICES SECTOR WEAKENS FURTHER IN SEPTEMBER

KEY FINDINGS

- The seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI®**) fell 1.9 points to 45.6 in September, and has been below the 50.0 level separating expansion from contraction for eight of the past nine months.
- The weakness in the services sector in September largely reflected declines in activity in the communication services and finance & insurance sub-sectors, which were only partly offset by growth in the personal & recreational services sub-sector.
- The gradual decline in the Australian PSI® over recent months has reflected falls in the employment and deliveries sub-components of the index, while the sales and new orders sub-indices have remained broadly unchanged or increased slightly.
- Activity in the services sector contracted in all the states. The decline was most severe in South Australia, followed by Western Australia and Victoria.
- Qualitative responses indicate that uncertainty surrounding the Federal election and the gradual withdrawal of stimulus spending have both played a part in dampening activity in these states.

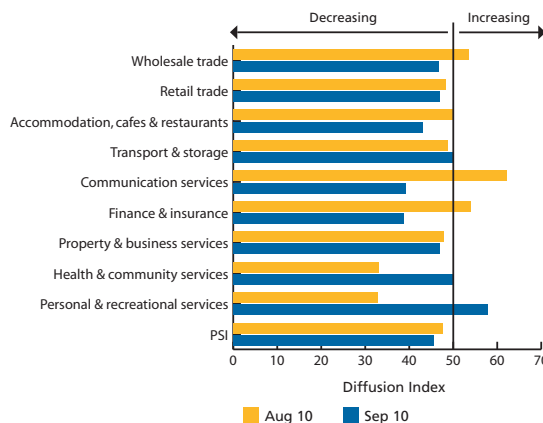


AUSTRALIAN PSI®

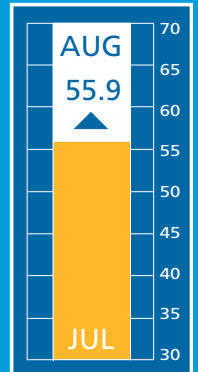


SECTORS

- Seasonally adjusted, eight sub-sectors contracted in September, up from five sub-sectors in August. This suggests that the weakness in the services sector has intensified and spread.
- The finance & insurance sector recorded the most severe fall in activity, as the sub-sector's index dropped 15.3 points to 38.7. This potentially reflects continued uncertainty in global financial markets as fears of a double-dip recession in the United States economy continue.
- The personal & recreational services sector is the only sub-sector that experienced growth in September, following the sharp contraction in August.
- In trend terms, the decline in the Australian PSI® over recent months has reflected falls in activity in the personal & recreational services and health & community services sectors, which have offset gradual increases in the indices of the retail and wholesale sectors.

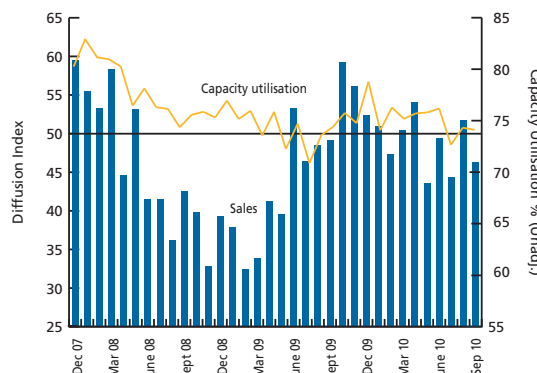


EUROZONE SERVICES INDEX

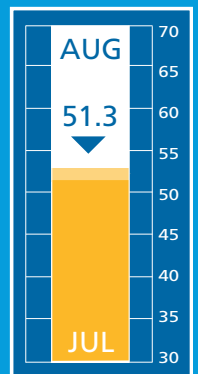


SALES AND CAPACITY

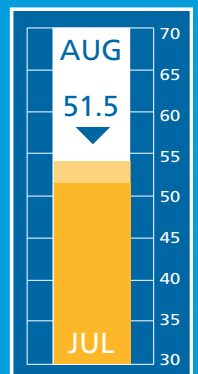
- Seasonally adjusted, the sales sub-index fell 5.5 points to 46.3 in September, indicating that sales in the services sector have resumed their decline after having rebounded in August.
- The decline in the sales sub-index largely reflected falls in sales in the hospitality; finance & insurance; and communication services sectors.
- These declines were only partly offset by the strong rise in sales in the health & community and personal & recreational services sectors.
- Overall, sales are currently contracting most heavily in the hospitality and finance & insurance sectors.
- On the other hand, sales are reported to be expanding in just under half of the services industries sampled, including in the wholesale and property & business services sectors.
- Consistent with the overall decline in sales in the sector, capacity utilisation fell slightly to 74.1% in September, and is currently around the average level recorded at the start of 2009.



UK SERVICES INDEX

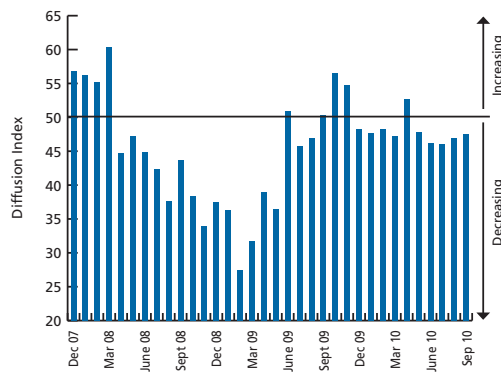


USA SERVICES INDEX



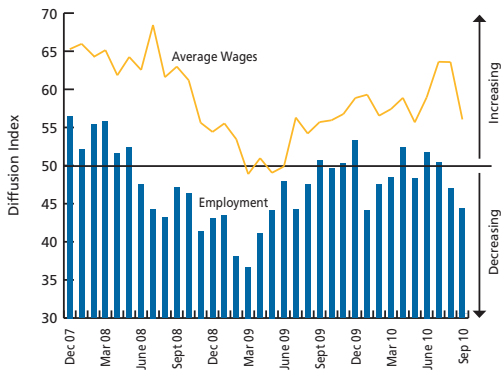
NEW ORDERS

- Seasonally adjusted, the new orders sub-index rose slightly to 47.5 in September, indicating the pace of decline in new orders in the services sector is beginning to moderate after five consecutive months of decline.
- The slower decline of new orders is largely attributable to the sharp turnaround in new orders in the personal & recreational services sector.
- The communication and finance & insurance sub-sectors recorded the most significant falls in new orders.



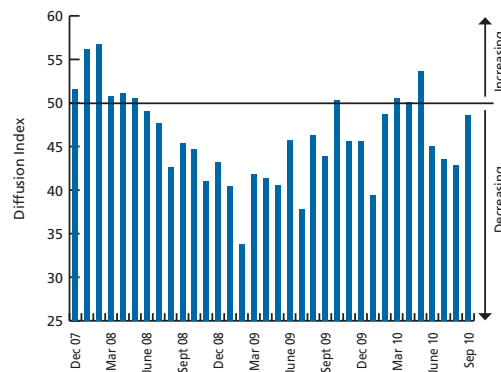
EMPLOYMENT AND WAGES

- The employment sub-index has fallen for three consecutive months and is now at its lowest level since January 2010.
- Employment in the services sector appears to have contracted in September, as the employment sub-index fell 2.6 points to 44.4, marking the second month of decline.
- The decline in the employment sub-index reflected falls in the employment indices of the wholesale and property & business services sectors.
- Employment is contracting most heavily in the wholesale, hospitality and property & business services sectors.
- Reflecting the softening of employment in the services sector, the rise in average wage eased significantly. The wage sub-index fell 7.5 points to 55.4.



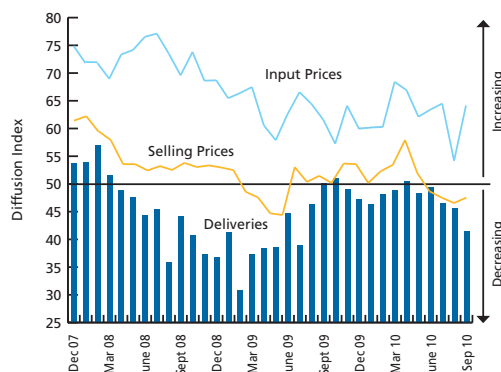
STOCKS

- The stocks sub-index picked up in September, though the index continues to suggest that firms are drawing down on inventories.
- Seasonally adjusted, the inventories sub-index recorded 48.6 in September, and has been below 50 for the past 4 months.
- Only the finance & insurance sub-sector reported that inventories expanded in September.
- On the other hand, inventories are reported to be contracting most heavily in the wholesale and personal & recreational services sectors.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- The supplier deliveries component of the Australian PSI® suggests that deliveries in the services sector are contracting at the fastest pace since July 2009.
- The supplier deliveries sub-index fell by close to 4 points in September to 41.5.
- Supplier deliveries are contracting most heavily in the retail, wholesale, and finance & insurance sub-sectors.
- The input price sub-index rose 10 points in September to 64.9, which is broadly in line with the levels recorded over the past two years.
- The selling price sub-index rose modestly in September to 47.5, though continues to point to declining selling prices in the services sector. This is the fourth consecutive month that the index has been below 50.



AUSTRALIAN PSI®**

	Sep 2010	Aug 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	45.6	47.5	-1.9	Contracting	Faster	5
SALES	46.3	51.8	-5.5	Contracting	From expanding	1
NEW ORDERS	47.5	47.0	0.5	Contracting	Slower	5
EMPLOYMENT	44.4	47.0	-2.6	Contracting	Faster	2
SUPPLIER DELIVERIES	41.5	45.6	-4.1	Contracting	Faster	5
INVENTORIES	48.6	42.8	5.8	Contracting	Slower	4
INPUT PRICES	64.9	54.9	+10.0	Expanding	Faster	92
SELLING PRICES	47.5	46.6	+1.0	Contracting	Slower	4
WAGES	55.4	62.9	-7.5	Expanding	Slower	15
CAPACITY UTILISATION (%)	74.1	74.3	-0.2% pts	Lower	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 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®.

Commonwealth Bank

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