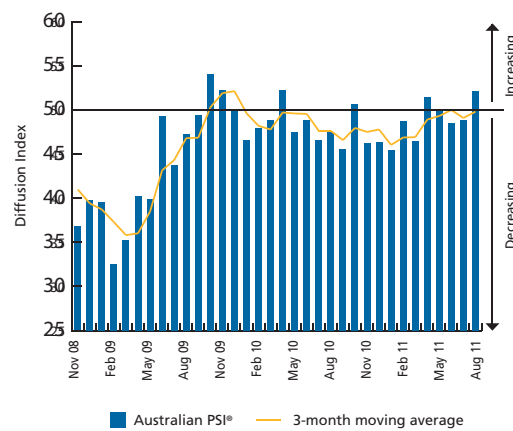


SERVICES SECTOR LIFTS IN AUGUST

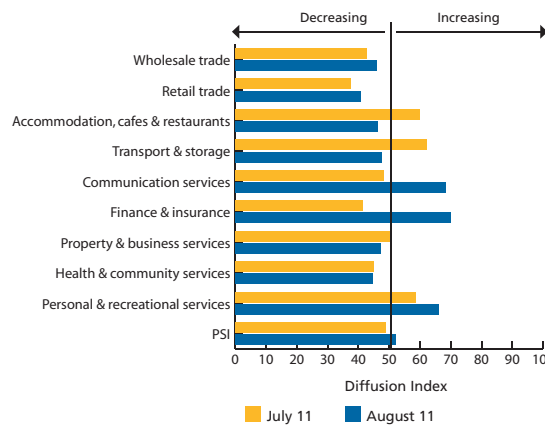
KEY FINDINGS

- The services sector expanded in August, with the latest seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI®**) rising 3.3 points to 52.1 (readings above 50 indicate an expansion in activity).
- In 3-month-moving-average terms, the **Australian PSI®** has hovered around the critical 50 point level for four consecutive months suggesting that overall activity in the services sector has stabilised in recent months following a prolonged period of decline.
- In particular, service sector sales have increased in three of the past four months, which has more recently translated into rising employment and stock levels.
- On a less positive note, the average wages index picked up to 66.7 in August, its highest level in close to three years.



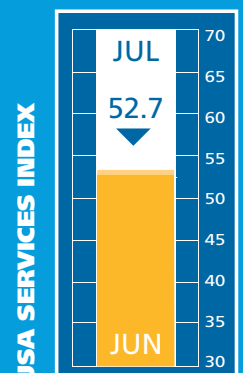
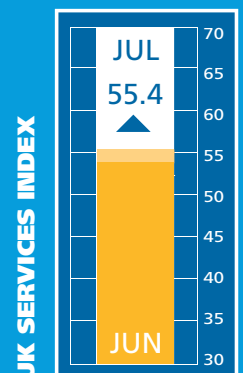
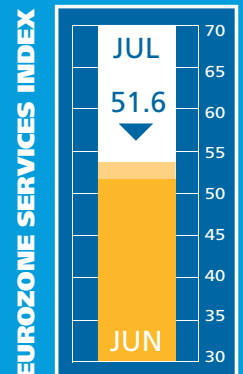
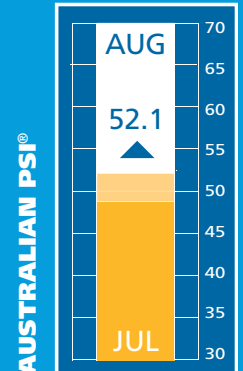
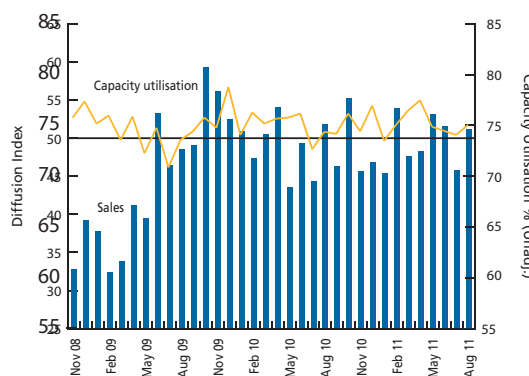
SECTORS

- The increase in overall activity occurred despite only three of the nine services sub-sectors reporting increases in activity in August, down from four in July.
- The **Australian PSI®** was boosted in August by strong growth in the finance & insurance and communication services sub-sectors.
- Activity also expanded strongly in the personal & recreational services sub-sector, though activity in other sub-sectors that are directly exposed to household spending remained soft.
- Ai Group members noted that uncertainty and consumer confidence continue to be key factors hindering economic activity in the sector.
- In addition, slowing commercial construction activity and property sales have recently contributed to weaker levels of activity.
- On the other hand, a number of members have cited the benefits of mining sector activity on their business.



SALES AND CAPACITY

- Sales in the services sector rose in August, and have risen in three of the past four months.
- The sales component of the **Australian PSI®** increased by 5.3 points to 51.2.
- The recent sales growth in the services sector has reflected increased sales levels in the finance & insurance, personal & recreational and property & business services sub-sectors.
- Capacity utilisation in the services sector (which is not seasonally adjusted) picked up to 75.0% in August, and remains in line with the average level recorded since the start of 2010.
- In line with recent sales growth, capacity utilisation has been highest in the property & business and personal & recreational services sub-sectors.



NEW ORDERS

- New orders expanded in August.
- The new orders component of the **Australian PSI®** increased by 4.7 points to 53.9.
- This is the fifth consecutive month that the new orders sub-index has been either slightly below or above the 50 point level separating expansion from contraction.
- This suggests that new orders from the services sector have stabilised in recent months following a prolonged period of decline.
- The rise of the new orders sub-index since the start of the year has largely reflected increased new orders growth in the personal & recreational services and wholesale trade sub-sectors.

EMPLOYMENT AND WAGES

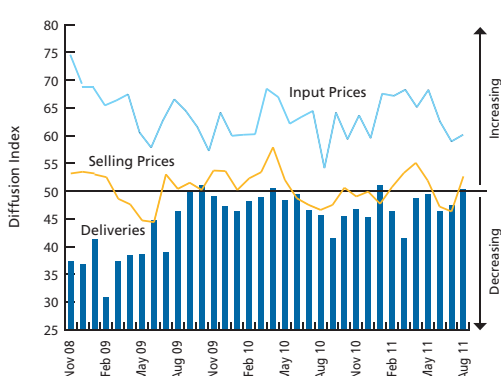
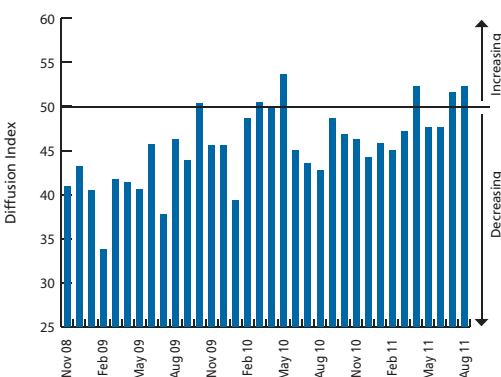
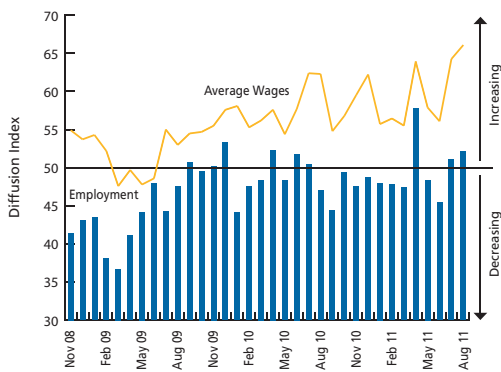
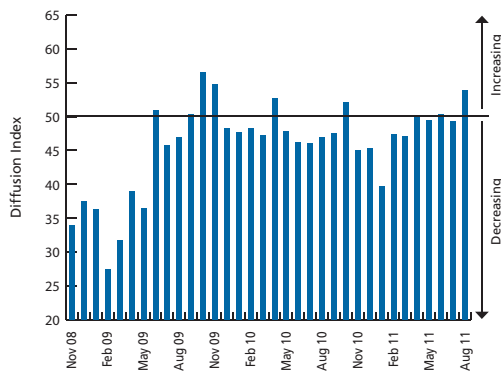
- The employment component of the **Australian PSI®** increased by 1.0 point to 52.1 in August, and has been above the critical 50 point level for two consecutive months.
- The recent rise in service sector employment has largely reflected strong employment growth in the personal & recreational services and wholesale trade sub-sectors.
- The average wages index increased by 1.8 points to 66.7 in August, to be at its highest level in almost three years.
- Abstracting from monthly volatility, the wages sub-index suggests that services sector wages growth has increased over the past six months.
- This partly reflects rising wages growth in the wholesale trade, retail trade and transport & storage sub-sectors.

STOCKS

- Inventory levels in the services sector expanded in August.
- The stocks component of the **Australian PSI®** rose 0.7 points to 52.3, and has been above the critical 50 point level for two consecutive months.
- The recent increase in stock levels in the services sector has reflected growing inventories in the retail trade, finance & insurance and communication services sub-sectors.
- On the other hand, stock levels have continued to fall sharply in the hospitality and health & community services sub-sectors.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Deliveries to the services sector rose in August.
- The supplier deliveries component of the **Australian PSI®** increased by 2.9 points to 50.3 to be above the critical 50 point level for the first time since January this year.
- The input prices index increased by 1.2 points to 60.9 in August and has fallen sharply in the past three months.
- This has largely reflected slower input price growth in the wholesale trade and finance & insurance sub-sectors.
- The average selling prices index increased by 6.3 points to 52.6, after falling sharply in recent months.
- The monthly rise in the index largely reflected strong inflation in the finance & insurance and health & community services sub-sectors.



AUSTRALIAN PSI®*

	August 2011	July 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	52.1	48.8	3.3	Expanding	From contracting	1
SALES	51.2	45.9	5.3	Expanding	From contracting	1
NEW ORDERS	53.9	49.3	4.7	Expanding	From contracting	1
EMPLOYMENT	52.1	51.1	1.0	Expanding	Faster	2
SUPPLIER DELIVERIES	50.3	47.4	2.9	Expanding	From contracting	1
INVENTORIES	52.3	51.6	0.7	Expanding	Faster	2
INPUT PRICES	60.9	59.7	1.2	Expanding	Faster	103
SELLING PRICES	52.6	46.3	6.3	Expanding	Faster	1
WAGES	66.7	64.9	1.8	Expanding	Faster	26
CAPACITY UTILISATION (%)	75.0	74.0	1.0			na

Results are based on the responses of around 200 companies. Forward seasonal factors were generated by the ABS in April 2011.

* 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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