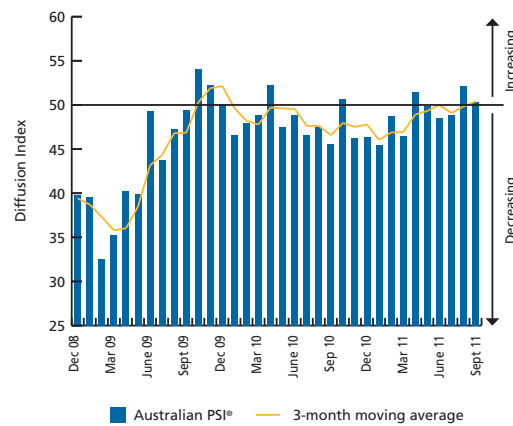


SERVICES SECTOR STEADY IN SEPTEMBER

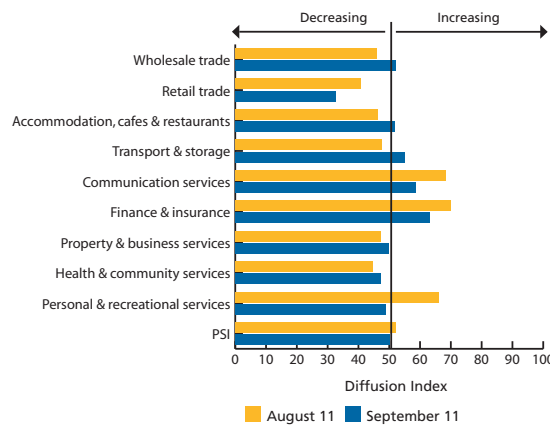
KEY FINDINGS

- The services sector rose slightly in September, with the latest seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI[®]**) recording 50.3 (readings above 50 indicate an expansion in activity).
- Over the course of 2011 the downturn in the overall services sector evident for much of 2010 initially eased and more recently has stabilised with the three-month moving average remaining close to the critical 50 point level in recent months.
- Because of the prolonged period in negative territory, the sector still has considerable ground to make up.
- Sales and new order levels in the services sector have increased in three of the past four months.
- On a less positive note, the average wages sub-index has returned to the levels recorded prior to the global financial crisis.



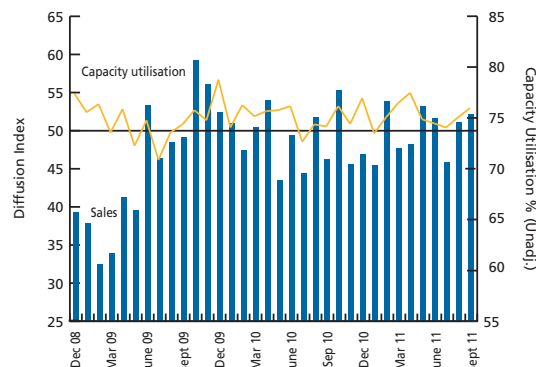
SECTORS

- Activity expanded in five of the nine services sub-sectors in September, up from three in August indicating a broadening of the recovery in the sector.
- The **Australian PSI[®]** was boosted in September by strong growth in the finance & insurance and communication services sub-sectors.
- Activity in the retail trade sub-sector, however, remained subdued.
- Ai Group members noted that uncertainty and low levels of consumer confidence continue to hinder a more pronounced lift in activity throughout the services sector.
- In addition, slowing commercial construction activity and property sales have contributed to weaker levels of activity.
- On the other hand, a number of members cited the benefits of mining sector activity on their business.

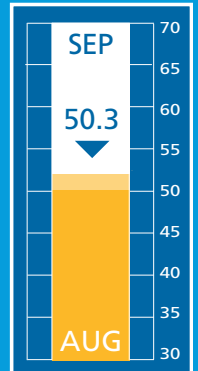


SALES AND CAPACITY

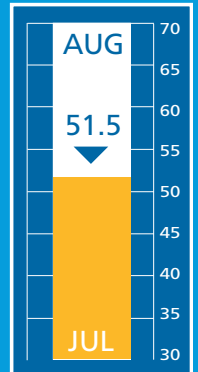
- Sales in the services sector rose in September, and have risen in four of the past five months.
- The sales component of the **Australian PSI[®]** increased by 1.0 point to 52.2.
- The recent sales growth recorded in the services sector has largely reflected increased sales levels in the finance & insurance, personal & recreational and property & business services sub-sectors.
- Capacity utilisation in the services sector (which is not seasonally adjusted) picked up to 75.9% in September, and is now a little above 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.



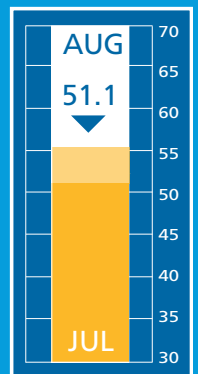
AUSTRALIAN PSI[®]



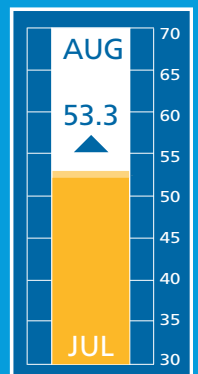
EUROZONE SERVICES INDEX



UK SERVICES INDEX

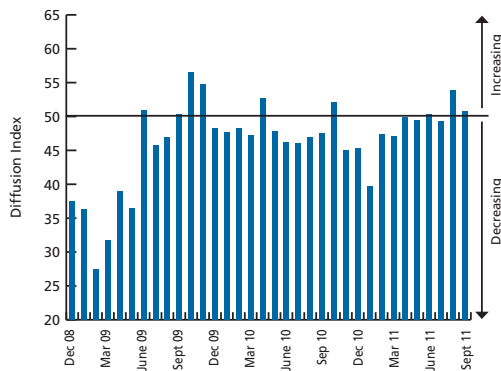


USA SERVICES INDEX



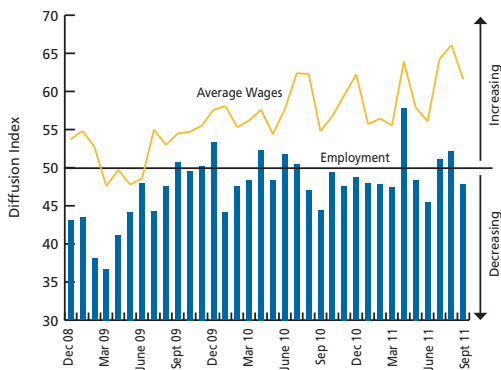
NEW ORDERS

- The level of new orders stabilised in September following a sharp rise in the previous month with the new orders sub-index of the **Australian PSI**® recording a level of 50.7 down 3.2 from August.
- The new orders sub-index has been at or above the critical 50 point level for the past six months.
- The gradual rise in the new orders sub-index over the past 12 months has largely reflected increased new orders growth in the personal & recreational services and wholesale trade sub-sectors.



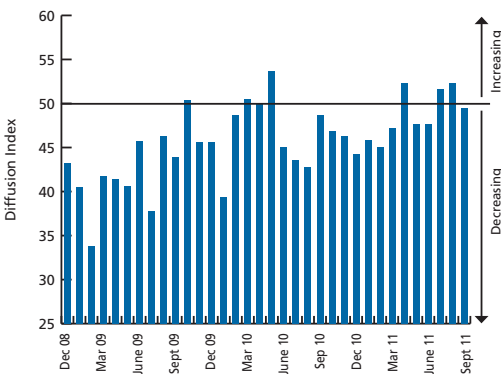
EMPLOYMENT AND WAGES

- The employment component of the **Australian PSI**® fell back to 47.8 in September.
- Most service sub-sectors reported that employment levels declined in September.
- Finance & insurance, personal & recreational services and property & business services were the only service sub-sectors to report employment growth.
- The average wages index decreased by 4.5 points to 62.2 in September.
- Abstracting from monthly volatility, the wages sub-index suggests that services sector wages growth has returned to the levels seen prior to the global financial crisis.
- This partly reflects rising wages growth in the wholesale, retail trade and transport & storage sub-sectors.



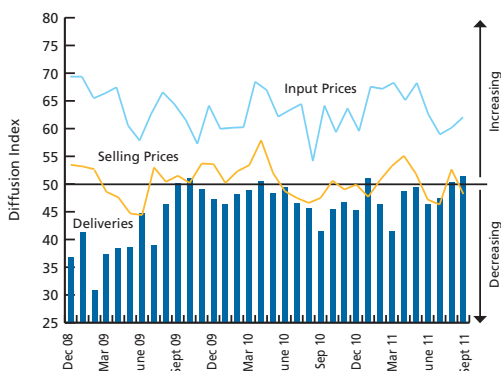
STOCKS

- Inventory levels in the services sector fell slightly in September.
- The stocks component of the **Australian PSI**® fell 2.8 points to 49.5.
- Most service sub-sectors reported that stock levels declined in September.
- The sharpest declines were reported by the retail trade and personal & recreational services sub-sectors.
- On the other hand, stock levels rose in the wholesale trade and hospitality sub-sectors.
- The increase in the stocks sub-index since the start of the year has largely reflected growing inventory levels in the wholesale trade and finance & insurance 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 further in September.
- The supplier deliveries component of the **Australian PSI**® increased by 1.1 points to 51.4.
- The input prices index increased by 1.9 points to 62.8 in September, and is now in line with the average level seen since the start of 2009.
- Input price growth has been strongest in the hospitality, finance & insurance and the wholesale trade sub-sectors.
- The average selling prices index decreased by 4.5 points to 48.2, and has been below the critical 50 point level separating expansion from contraction in three of the past four months.
- This has partly reflected selling prices in the retail trade sub-sector, which have declined in each of the past five consecutive months.



AUSTRALIAN PSI®*

| | September 2011 | August 2011 | Monthly Change | Direction | Rate of Change | Trend** (Months) |
|---------------------------------|----------------|-------------|----------------|-------------|----------------|------------------|
| AUSTRALIAN PSI® | 50.3 | 52.1 | -1.8 | Expanding | Slower | 2 |
| SALES | 52.2 | 51.2 | 1.0 | Expanding | Faster | 2 |
| NEW ORDERS | 50.7 | 53.9 | -3.2 | Expanding | Slower | 2 |
| EMPLOYMENT | 47.8 | 52.1 | -4.3 | Contracting | From expanding | 1 |
| SUPPLIER DELIVERIES | 51.4 | 50.3 | 1.1 | Expanding | Faster | 2 |
| INVENTORIES | 49.5 | 52.3 | -2.8 | Contracting | From expanding | 1 |
| INPUT PRICES | 62.8 | 60.9 | 1.9 | Expanding | Faster | 104 |
| SELLING PRICES | 48.2 | 52.6 | -4.5 | Contracting | From expanding | 1 |
| WAGES | 62.2 | 66.7 | -4.5 | Expanding | Slower | 27 |
| CAPACITY UTILISATION (%) | 75.9 | 75.0 | 0.9 | | | 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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