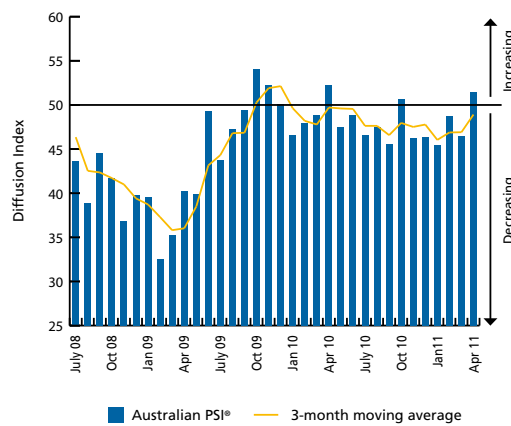


## SERVICE SECTOR ACTIVITY MIXED IN APRIL

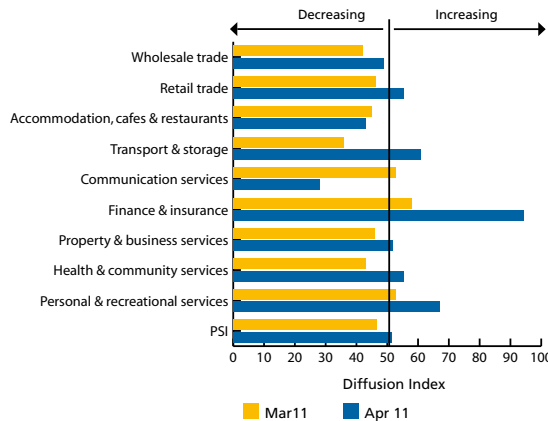
### KEY FINDINGS

- The services sector was mixed in April, with the latest seasonally adjusted Australian Industry Group/Commonwealth Bank Australian Performance of Services Index (**Australian PSI®**) increasing by 5.0 points to 51.5.
- The monthly **Australian PSI®** result was largely driven by solid increases in the employment and inventory sub-components of the index.
- Nonetheless, businesses in the services sector continue to face challenging conditions following five consecutive months of decline and with sales, new orders, and deliveries contracting further in April.
- Businesses have reported that selling price growth has recently picked up, which is likely to partly reflect the impact of recent natural disasters on fruit and vegetable crops.



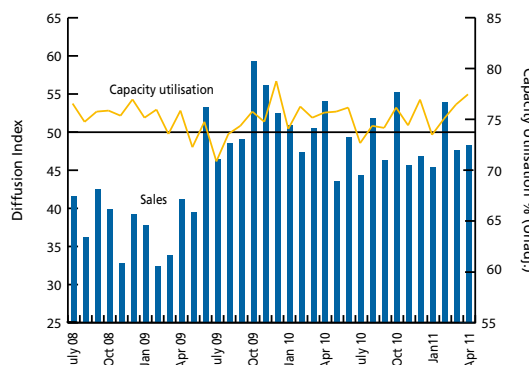
### SECTORS

- Seasonally adjusted, six of the nine services sub-sectors reported expansions in activity in April, up from three in March.
- In three month-moving-average terms, the activity index of the retail trade sub-sector is at its highest level since 2009.
- This is a positive sign for retail sales and consumer spending more broadly in the March quarter 2011.
- The number of responses received this month from some service sub-sectors was lower than normal. These sectors included the finance & insurance, communication services, and transport & storage sub-sectors. As a result, the activity indices of these sub-sectors shown opposite should be interpreted with some caution. This has been taken into account when constructing the sub-components of the **Australian PSI®** shown below.\*\*\*

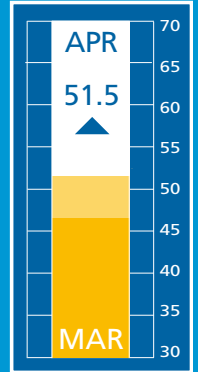


### SALES AND CAPACITY

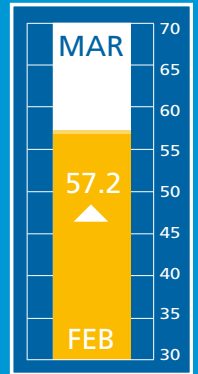
- The sales component of the **Australian PSI®** was broadly unchanged from March, with the sales sub-index increasing by 0.5 points to 48.2.
- Since the start of the year, the strongest sales growth has been recorded in the retail trade and hospitality sub-sectors.
- On the other hand, the finance & insurance and communication services sub-sectors have recorded the sharpest falls in sales levels over this period.
- Capacity utilisation in the services sector (which is not seasonally adjusted) increased to 79.3% in April, to be slightly above the average level recorded since the start of 2010.
- Since the start of the year, capacity utilisation has been highest in the retail trade, finance & insurance, and health & community services sub-sectors.



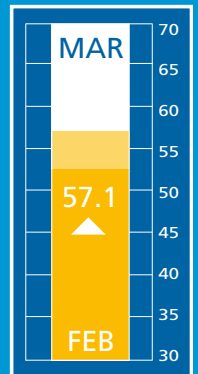
### AUSTRALIAN PSI®



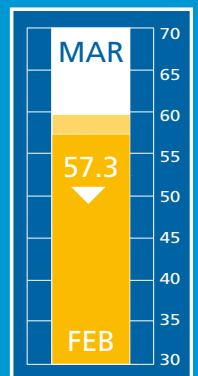
### EUROZONE SERVICES INDEX



### UK SERVICES INDEX

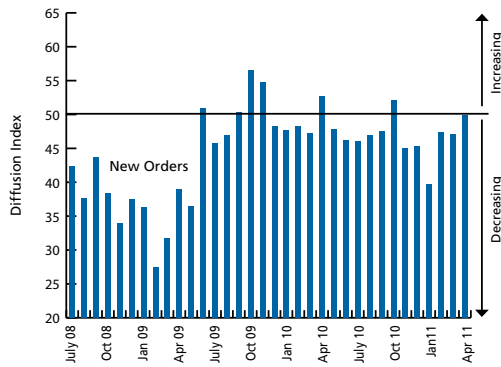


### USA SERVICES INDEX



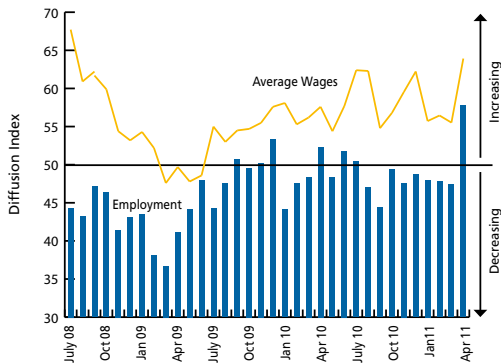
## NEW ORDERS

- New orders to the services sector fell slightly in April, with the rate of decline smaller than that seen in March.
- The new orders component of the **Australian PSI®** increased by 2.7 points to 49.9.
- This is the sixth consecutive month that the new orders index has been below the critical 50 point level separating expansion from contraction.
- Growth in new order levels has been highest in the retail trade and property & business services sub-sectors since the start of the year.
- On the other hand, the finance & insurance and communication services sub-sectors have recorded the sharpest falls in new order levels over this period.



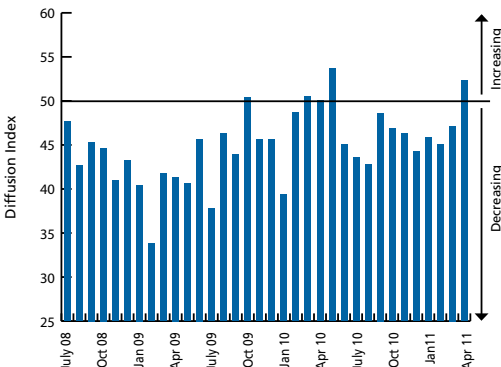
## EMPLOYMENT AND WAGES

- The employment component of the **Australian PSI®** increased by 10.4 points to 57.8 in April.
- This result was largely driven if not skewed by particularly strong employment growth in the property & business services sub-sector, which was given a higher weighting than normal.\*\*
- This is the first time the employment sub-index has been above the critical 50 point level separating expansion from contraction in eight months.
- The average wages sub-index also picked up in April to 64.5.
- Looking through the recent monthly volatility of the wages sub-index suggests that wages growth has been relatively stable over the past six months.
- Indeed, most service sub-sectors have reported relatively stable wages growth over this period.



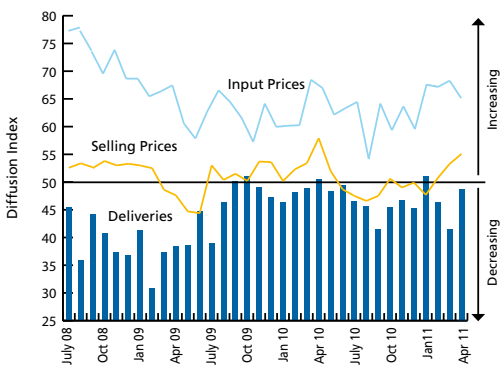
## STOCKS

- Inventory levels in the services sector increased solidly in April, with only two service sub-sectors reporting inventory declines during the month.
- The stocks component of the **Australian PSI®** increased by 5.0 points in April to 52.3.
- This is only the second time in the past 12 months that the stocks sub-index has been above the critical 50 point level separating expansion from contraction.
- This highlights the scale of the de-stocking that has taken place in the services sector over the past year.
- The personal & recreational services sub-sector has seen the sharpest falls in stock levels over recent months, while stock levels in the property & businesses services sub-sector have recorded the most modest declines over this period.



## DELIVERIES, INPUT COSTS AND SELLING PRICES

- Deliveries to the services sector fell further in April, though the rate of decline was smaller than that seen in March.
- The supplier deliveries component of the **Australian PSI®** increased by 7.2 points to 48.7.
- The input prices index fell by 3.2 points in April to 65.9. It remains above the average level recorded over 2010.
- The average selling prices index increased by 1.8 points to 55.1 in April, and has increased steadily over the past few months.
- This is likely, in part, to reflect the impact of recent natural disasters on fruit and vegetable crops.
- Indeed, strong selling price growth was recorded in the hospitality, retail and wholesale trade sub-sectors during April.



## AUSTRALIAN PSI®\*

	APRIL 2011	March 2011	Monthly Change	Direction	Rate of Change	Trend** (Months)
<b>AUSTRALIAN PSI®</b>	51.5	46.5	5.0	Expanding	From contracting	1
<b>SALES</b>	48.2	47.7	0.5	Contracting	Slower	2
<b>NEW ORDERS</b>	49.9	47.2	2.7	Contracting	Slower	6
<b>EMPLOYMENT</b>	57.8	47.4	10.4	Expanding	From contracting	1
<b>SUPPLIER DELIVERIES</b>	48.7	41.5	7.2	Contracting	Slower	3
<b>INVENTORIES</b>	52.3	47.4	5.0	Expanding	From contracting	1
<b>INPUT PRICES</b>	65.9	69.0	-3.2	Expanding	Slower	99
<b>SELLING PRICES</b>	55.1	53.3	1.8	Expanding	Faster	3
<b>WAGES</b>	64.5	56.1	8.4	Expanding	Faster	22
<b>CAPACITY UTILISATION (%)</b>	79.3	76.4	2.9	Increase		na

Results are based on the responses of around 120 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.

\*\*\* The sub-components of the Australian PSI® are constructed by weighting together the responses of each sub-sector. The weights assigned to each sub-sector are based on their share of gross value added in the Australian economy. Due to the reduced number of responses received this month, the weights used in April were based on the number of respondents. This resulted in the property & business services sub-sector having a higher weight than normal.

## 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](http://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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