

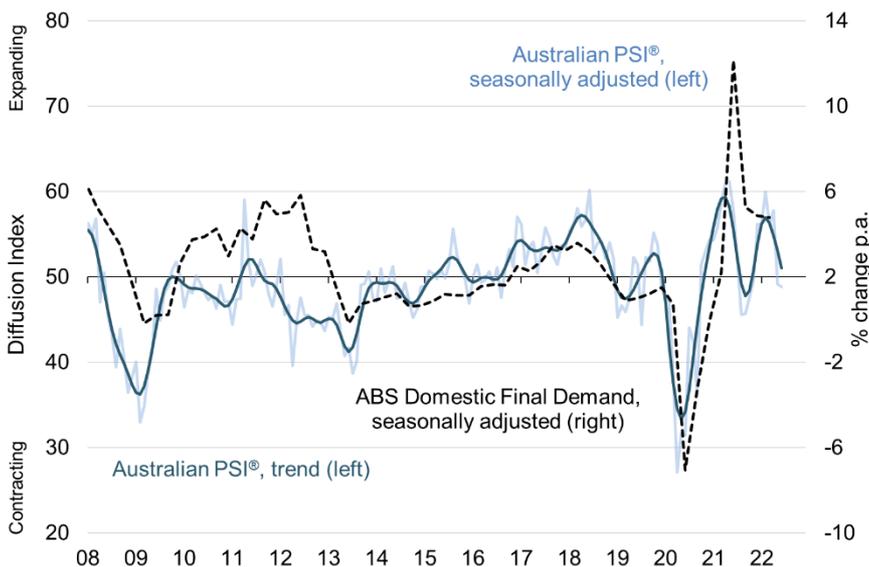
Mixed results for service sector in June

Key Findings

- The **Australian PSI[®]** indicates the services sector contracted in June, for the second time in six months.
- Uneven dynamics continue to affect the services sector. Business & property and health & community services significantly down, but logistics, retail & hospitality, and personal services up.
- Two of the services activity indicators were positive and improved, three contracted reflecting a decline from the strong results seen earlier in the year.
- Services capacity utilisation fell to 80.0%, a moderation from the all-time high for this series last month.
- Staff shortages, rising input prices and ongoing difficulties sourcing stock continue to constrain some activity, but customer demand in some sectors was robust.

The Australian Industry Group Australian Performance of Services Index (**Australian PSI[®]**) fell by 0.4 points to 48.8 points (seasonally adjusted) in June 2022 indicating mild contraction for the second month and a deterioration from the strong results seen in recent months. Results below 50 points indicate contraction in the **Australian PSI[®]**, with lower numbers indicating a stronger rate of contraction.

Australian PSI[®] and ABS domestic final demand



June 2022

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Australian PSI[®] ▼ 0.4 points (seasonally adjusted)	48.8
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Australian PSI[®] ▼ 2.1 points (trend)	51.0
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Business & property services ▼ 1.2 points (seasonally adjusted)	44.5
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Logistics ▼ 4.6 points (seasonally adjusted)	55.2
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Finance & insurance	n.a.
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Retail trade & hospitality ▲ 20.1 points (seasonally adjusted)	78.0
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Health & community ▲ 6.2 points (seasonally adjusted)	50.0
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Personal, recreation & other services ▼ 13.6 points (seasonally adjusted)	45.6
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Business-oriented services sectors: The business oriented sectors in the **Australian PSI®** reported very mixed results in June (seasonally adjusted). Growth in logistics (transport, storage and wholesale trade) moderated from May. Businesses reported higher levels of inventory to smooth volatility in stock delivery. Ongoing demand from the construction sector, particularly large projects, remained strong. Business & property contracted again as sales and new orders fell, the effects of rising interest rates becoming evident.

Consumer-oriented services sectors: Retail trade & hospitality reported higher readings, building on strong results of previous months. Personal, recreation and other services fell into contraction in a reversal of the results from May. Health & education was stable (seasonally adjusted). Respondents servicing customers in the housing construction sector reported very strong sales in home based goods. Hospitality businesses also reported a pickup in demand but continue to be constrained by staff shortages.

Prices and wages: The input price index rose slightly and returned results similar to May; it remains elevated but below recent peaks seen in the first part of 2022. The average wage index lifted again reversing the moderation seen in May, it remains strongly positive as it has been since September 2020. The selling prices index lifted to reach a series high.

Sales, orders, employment and deliveries: The sales, new orders and deliveries indexes all deteriorated for a second month in June, further down from the positive results in April (seasonally adjusted). Sales contracted significantly, the new orders index fell slightly following solid results in the first part of 2022. The supplier deliveries index contracted further indicating that uncertainty and delays in deliveries persisted in June. The employment index indicated expansion after mild contraction in May.

Capacity utilisation fell slightly in June with 80.0% of available capacity utilised across the services sectors, down from April and May. This index was elevated for much of 2021 - it averaged 79.8% of available capacity above its long term average of 76.6 %. In 2022 it has remained above the average utilisation rate for 2021. Businesses continue to report plans to increase employment where they can find the right staff and investment over the coming months.

Services highlights: Sales in retail rose as customer demand from construction and demand for home-based goods remained robust. Some businesses indicated there had been higher than usual end of financial year sales. Consumer spending also lifted in hospitality. Logistics respondents reported good demand across their customer base.

Services concerns: Respondents across all sectors reported ongoing staff shortages as a key concern in June. Weakening customer demand in some areas and rising input costs continued to constrain some activity in June. Container availability, costs and supply disruption remain key concerns for businesses reporting conditions to the **Australian PSI®**. Wet weather and ongoing impacts from flooding on the east coast continues to dampen activity for businesses in affected areas.

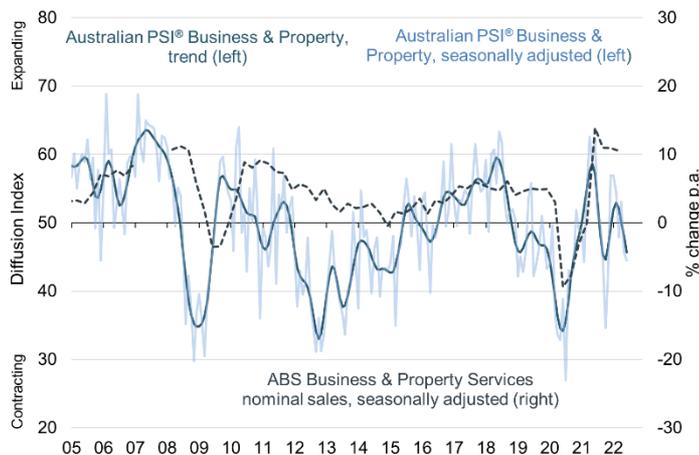
Australian PSI® key numbers (seasonally adjusted)	Index this month	Change from last month	Historical average	Australian PSI® sectors (seasonally adjusted)	Index this month	Change from last month	Historical average
Australian PSI® (s.a.)	48.8	-0.4	50.2				
<i>Activity indexes</i>				<i>Business-oriented services</i>			
Sales	41.9	-8.8	50.7	Business & property	44.5	-1.2	50.8
Employment	55.3	7.9	50.4	Logistics	55.2	-4.6	47.9
New Orders	48.9	-0.8	50.9	Finance & insurance	n.a.	n.a.	n.a.
Supplier deliveries	41.7	-7.2	48.8	<i>Consumer-oriented services</i>			
Finished stocks	60.4	11.4	49.0	Retail trade & hospitality	78.0	20.1	47.9
Capacity Utilisation (%)	80.0	-2.3	76.7	Health & education	50.0	6.2	51.9
<i>Prices and wages</i>				Personal, recreational & other services	45.6	-13.6	53.1
Input Prices	69.0	0.3	64.2				
Selling Prices	67.2	5.3	49.6				
Average Wages	67.7	10.3	57.3	Australian PSI® (trend)	51.0	-2.1	50.1

Results above 50 indicate expansion. Data is seasonally adjusted; trend data in the Australian PSI® calculated with a Henderson 13-month filter formula.

n.a.. Results are not available for this sector in this period due to low survey response numbers. All sectors are included in the total results.

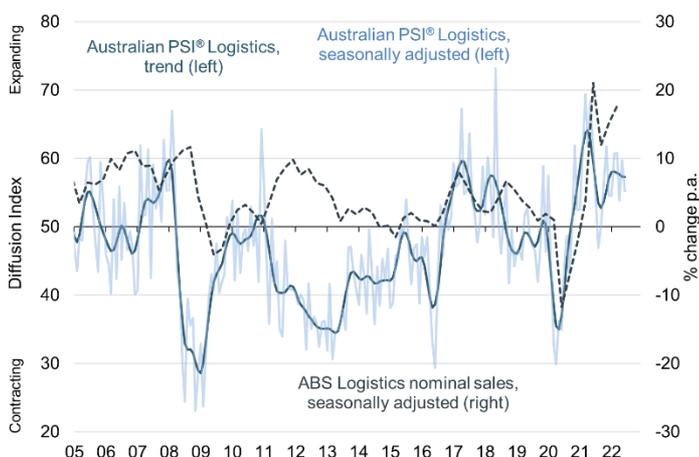
Business and property services

- Business & property services include professional services (accounting, legal and consulting), IT, media, telecommunications, administrative services, real estate & property management services. This sector produced \$326.5bn in real value-added output in the year to Q1 2022 (equal to 15.8% of GDP, ABS data).
- Business & property services employed 2,143,100 people in May 2022 (15.8% of total employment).
- The index for business & property services fell by 1.2 points to 44.5 points in June 2022 (seasonally adjusted).
- Demand for business and property services declined in June as the effects of interest rate increases took effect and paused sales and new orders for customers. Staff shortages remain a concern and the impact of floods on the east coast continued to dampen activity.



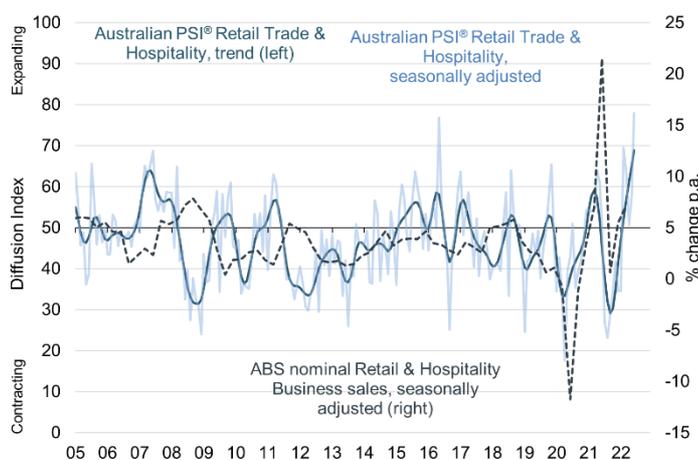
Logistics services

- Logistics includes wholesale trade, transport and storage services. It produced \$166.9bn in real value-added output in the year to Q1 2022 (equal to 8.1% of GDP, ABS data).
- Logistics employed 1,067,200 people in May 2022 (7.9% of total employment).
- The logistics index moderated by 4.6 points to 55.2 points indicating expansion in June but at a slower rate than the previous month (seasonally adjusted).
- Increased demand from construction customers, solid steady demand from other sectors and improved supply boosted activity for logistics firms in May. Some businesses reported an easing in staff shortages lifting production compared to previous months.
- Container availability was reported as a constraint by respondents in May, as was fuel price increases and there are some signs of customers reducing inventories and orders as the supply shortages ease slightly.



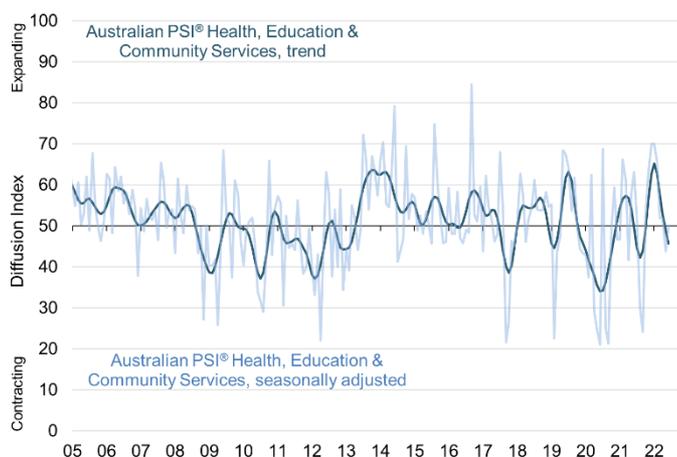
Retail trade & hospitality services

- The retail trade & hospitality sector (including shops, restaurants, cafes, take-aways, hotels & accommodation) produced \$126.2bn in real value-added output in the year to Q1 2022 (equal to 6.1% of GDP, ABS).
- Retail trade and hospitality employed 2,188,700 people in May 2022 (16.2% of total employment). Most retail & hospitality staff are part-time (under 35 hours per week).
- The index for the retail trade & hospitality sector rose by 20.1 points to 78.0 points in June indicating very positive conditions across the sector (seasonally adjusted).
- Higher than usual end of year sales, strong demand for homebased products and a lift in hospitality spending drove positive results for the sector. Staff shortages remain a key concern for businesses in this sector.



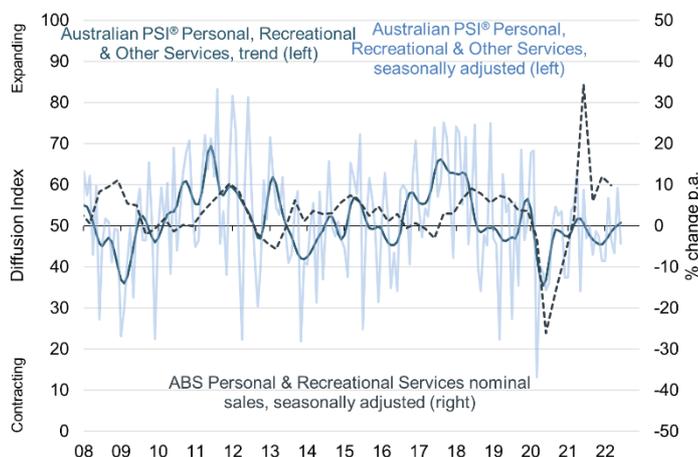
Health, education & community services

- Health, education & community services produced \$259.4bn in real value-added output in the year to Q1 2022 (12.5% of GDP, ABS).
- This group of industries employed 3,140,900 people in May 2022 (23.6% of total employment). 56% of workers in education and 25% of workers in health and welfare are employed directly by the public sector.
- The index for this sector rose to be stable in May following a contraction in May. Demand for health, welfare services and education has been volatile since the start of the pandemic, it had bounced back as restrictions eased, some businesses indicated that some backlog of customer demand has been cleared.

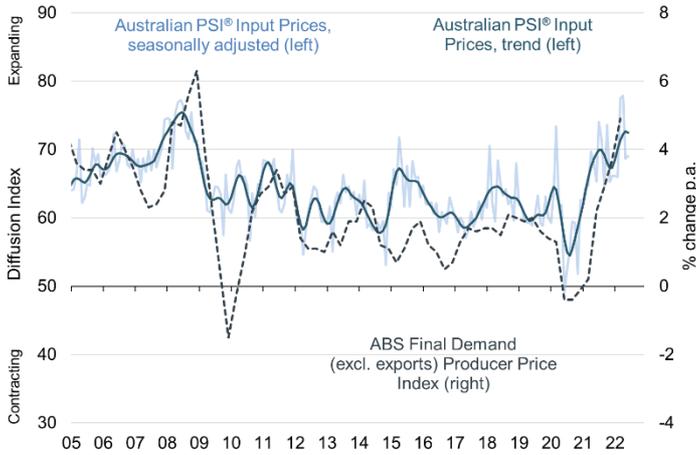


Personal, recreational & other services

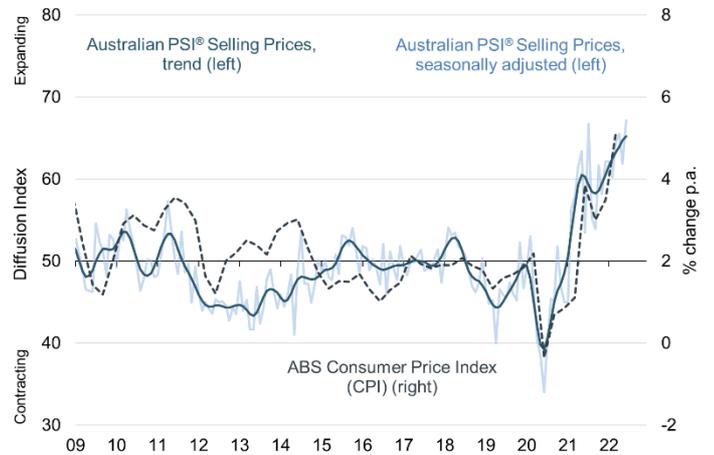
- Personal, recreational, & other services produced \$49.5bn in real value-added output in the year to Q1 2022 (equal to 2.4% of GDP, ABS data).
- This sector employed 782,500 people in May 2022 (5.8% of total employment).
- The index for 'recreational, personal & other services' fell back by 13.6 points to 45.6 in June (seasonally adjusted).
- This sector is particularly volatile and sensitive to changes in discretionary spending, in June it dropped to reverse the gains seen in May. Staff shortages were a key concern for businesses in this sector in June.



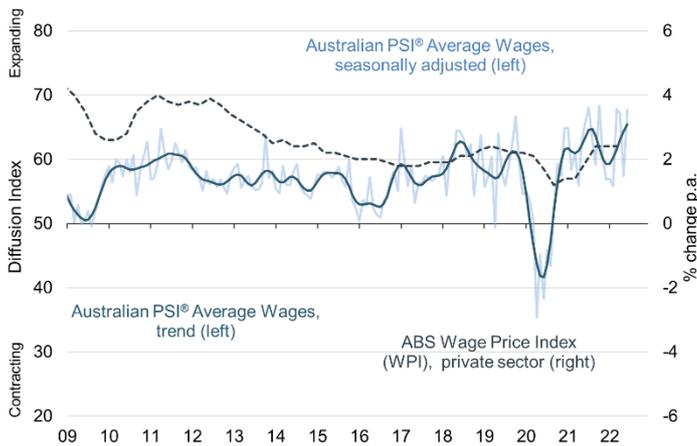
Input prices



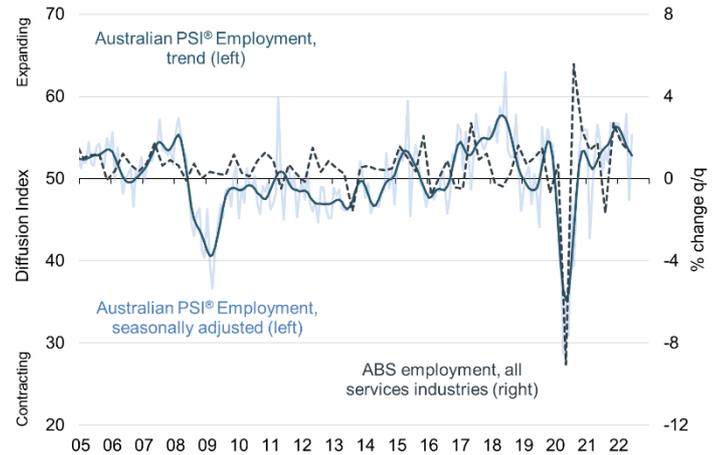
Selling prices



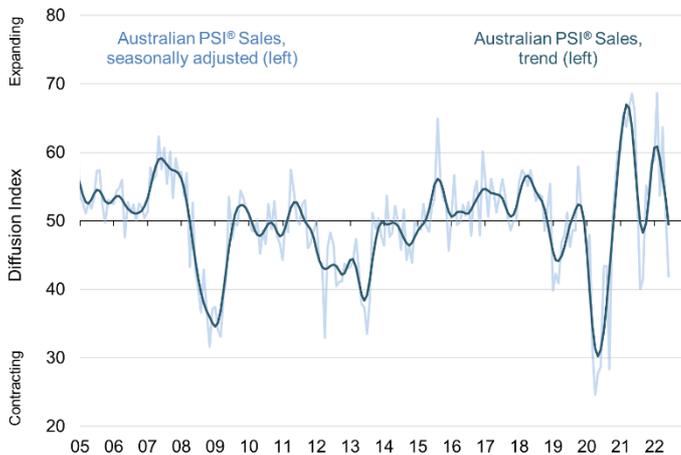
Average wages



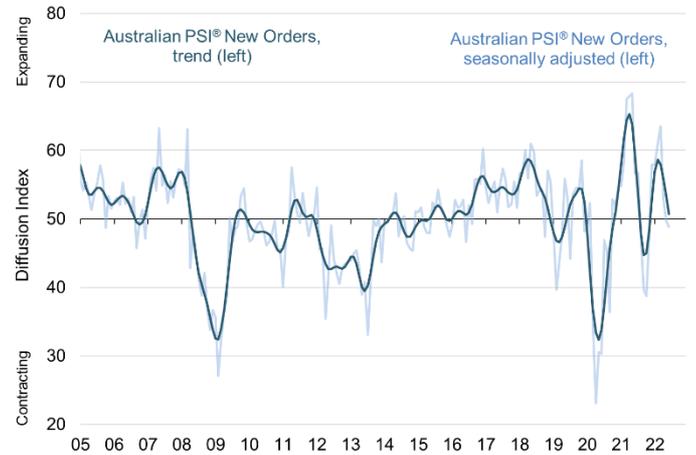
Employment



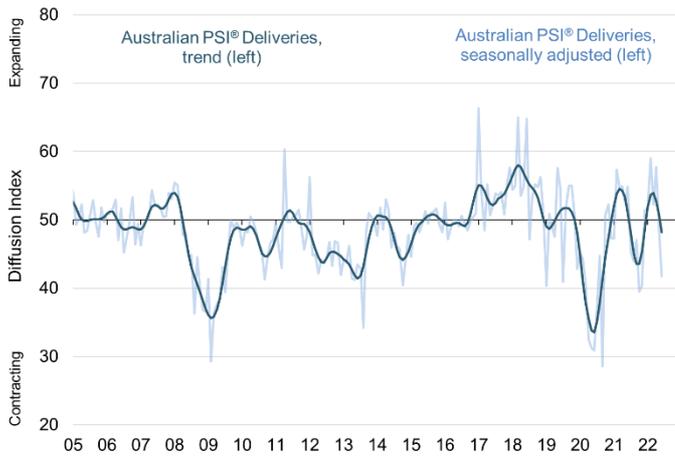
Sales



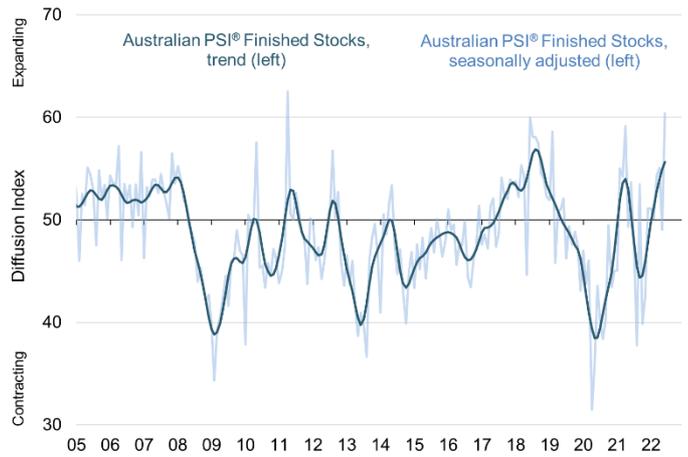
New orders



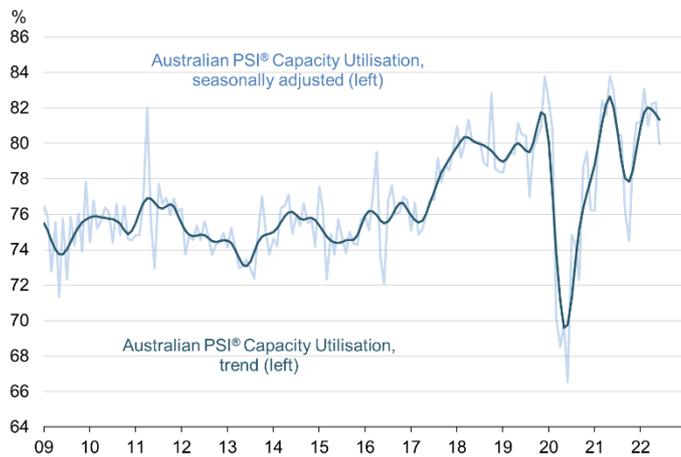
Supplier deliveries



Finished stocks (inventories)



Capacity utilisation



Business services sectors

The Australian PSI® classifies each business according to their main activity using the industry data codes and definitions set out in the ANZSIC 2006. These match ABS data that use the same codes. The 6 sectors in the Australian PSI® are:

1. **Business, Property, Information & Telecommunications services** - Divisions J, L, M and N - includes businesses engaged in renting, hiring, or otherwise allowing the use of tangible or intangible assets (except copyrights), and businesses providing related services; businesses mainly engaged in providing professional, scientific and technical services; and businesses mainly engaged in performing routine support activities for the day-to-day operations of other businesses or organisations; businesses mainly engaged in: creating, enhancing and storing information products in media that allows for their dissemination; transmitting information products using analogue and digital signals (via electronic, wireless, optical and other means); and providing transmission services and/or operating the infrastructure to enable the transmission and storage of information and information products.
2. **Logistics (Wholesale Trade, Transport & Storage)** - Divisions I and F - includes businesses engaged in the purchase and on-selling, the commission-based buying, and/or the commission-based selling of goods, without significant transformation, to businesses; businesses mainly engaged in providing transportation of passengers and freight by road, rail, water or air. Other transportation activities such as postal services, pipeline transport and scenic and sightseeing transport are included in this division.
3. **Finance & Insurance** - Division K - includes businesses engaged in financial transactions involving the creation, liquidation, or change in ownership of financial assets, and/or in facilitating financial transactions.

Consumer services sectors

4. **Retail Trade & Hospitality (Accommodation & Food Services)** - Divisions G and H - includes businesses engaged in the purchase and on-selling of goods, without significant transformation, to the public. The Retail Trade Division also includes units that purchase and on-sell goods to the public using non-traditional means, including the internet.; businesses providing short-term accommodation for visitors and/or meals, snacks, and beverages for consumption by customers both on and off-site.
5. **Education, Health & Community Services** - Divisions P and Q - includes businesses engaged in the provision and support of education and training, human health care, welfare, and social assistance services.
6. **Arts, Recreation, Personal & Other Services** - Divisions R and S - includes businesses engaged in the preservation and exhibition of objects and sites of historical, cultural, or educational interest; the production of original artistic works and/or participation in live performances, events, or exhibits intended for public viewing; and the operation of facilities or the provision of services that enable patrons to participate in sporting or recreational activities. Other Services includes a broad range of personal services; religious, civic, professional, and other interest group services; selected repair and maintenance activities; and private households employing staff.



What is the Australian PSI®? The Australian Industry Group Australian Performance of Services Index (Australian PSI®) is a national composite index based on the diffusion indices for sales, new orders, deliveries, inventories, and employment with varying weights. An Australian PSI® reading above 50 points indicates that the services sector is generally expanding; below 50, that it is declining. The distance from 50 indicates the strength of the expansion or decline. Australian PSI® results are based on responses from a national sample of businesses. The Australian PSI® uses the ANZSIC industry classifications for industry sectors and sector weights derived from ABS industry output data. Seasonal adjustment and trend calculations follow ABS methodology. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/resourcecentre/economics>.

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