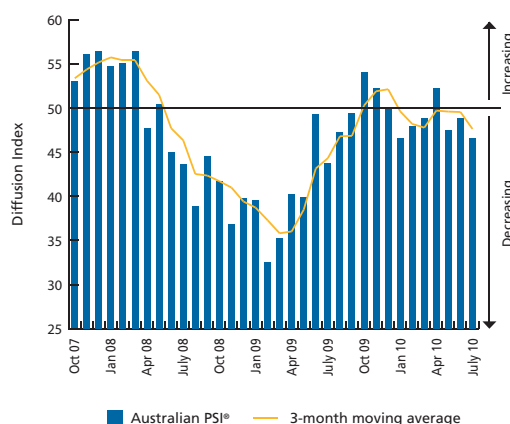


SERVICES SECTOR WEAKNESS PERSISTS IN JULY

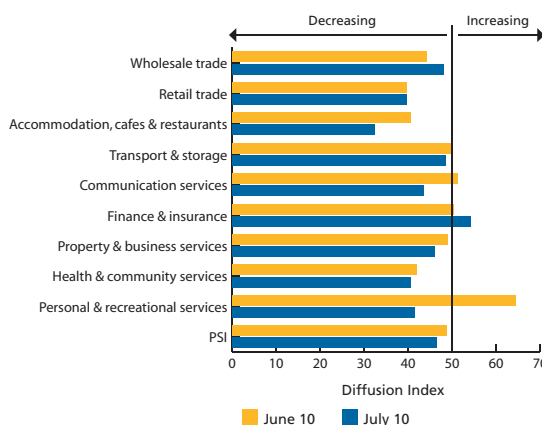
KEY FINDINGS

- The services sector contracted further in July amid cautionary consumer spending and the waning influence of fiscal stimulus. The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) declined 2.2 points to 46.6, below the 50.0 level separating expansion from contraction. The July result continues the weak services sector conditions in 2010.
- There was a broad-based decline in activity across the services sector including a significant decline in sectors associated with discretionary consumer expenditure – such as personal & recreational services (down from an expansion in June) as well as a further decline in accommodation, cafes & restaurants. Finance & insurance was the only sector to record an expansion in activity in July.
- The negative result is reflected in a contraction for most components of the **Australian PSI®**, most notably a 5.0 points decline in sales and a 2.9 points decline in deliveries.
- For the second month, Tasmania was the only state to record an expansion in services sector activity.



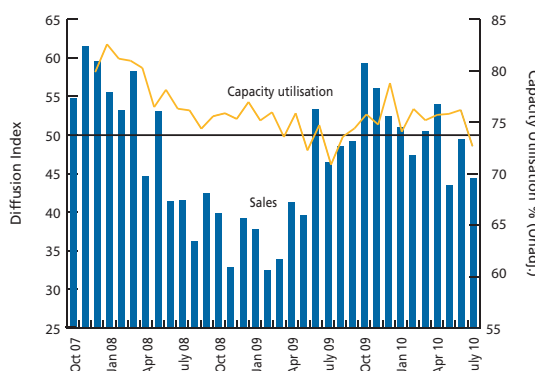
SECTORS

- Finance & insurance was the only sector to expand in July (seasonally adjusted), down from the expansion in four sectors in June.
- The decline in activity across the majority of the services sector includes a significant decline in sectors associated with discretionary consumer expenditure – such as personal & recreational services; retail trade; and accommodation, cafes & restaurants. Qualitative responses suggest that greater consumer caution has been a factor in the decline in activity.
- Other than finance & insurance, business related services sectors also did not fare well in July. Both property & business services and communication services contracted in July, the latter from a period of expansion in June.



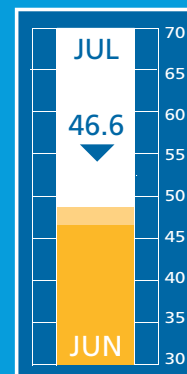
SALES AND CAPACITY

- Sales of services contracted for a third consecutive month and at a faster rate, with the seasonally adjusted sub-index falling by 5.0 points to 44.4.
- In unadjusted terms only the finance & insurance sector experienced an expansion in sales, while the retail trade and personal and recreational services sectors were flat in July.
- All other sectors experienced declines in sales. Health & community services experienced the largest contraction followed by accommodation, cafes & restaurants.
- Transport & storage and communication services also had poor sales performance in July.
- Capacity utilisation was 72.6% in July, a 3.5 percentage point decline from June.

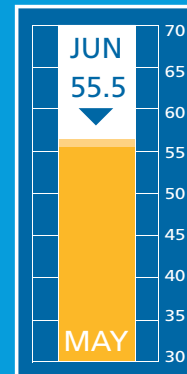


JULY 2010

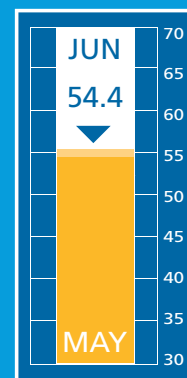
AUSTRALIAN PSI®



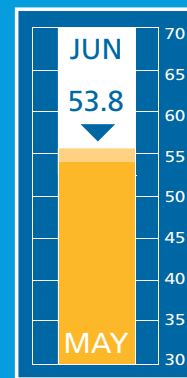
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- New orders contracted in July for the third consecutive month but the rate of contraction remained unchanged. The seasonally adjusted sub-index remained at 46.1.
- In unadjusted terms two sectors experienced an expansion in new orders: finance & insurance and wholesale trade. The personal & recreational services sector's index was neutral (50.0) while all other sectors experienced a decline in new orders.
- The largest contractions were in accommodation, cafes & restaurants and the health & community services sectors.
- Retail trade new orders also contracted but at a much slower rate.

EMPLOYMENT AND WAGES

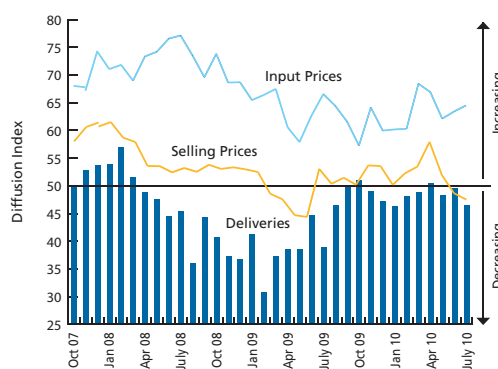
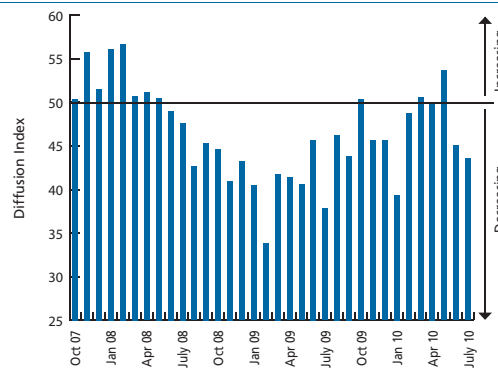
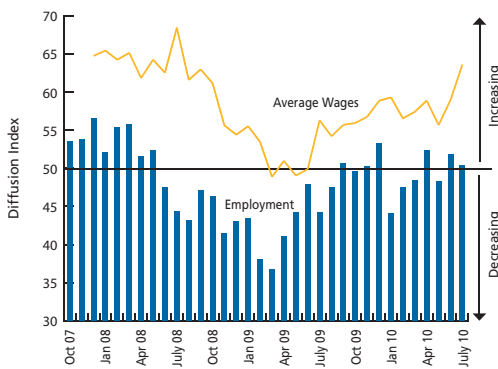
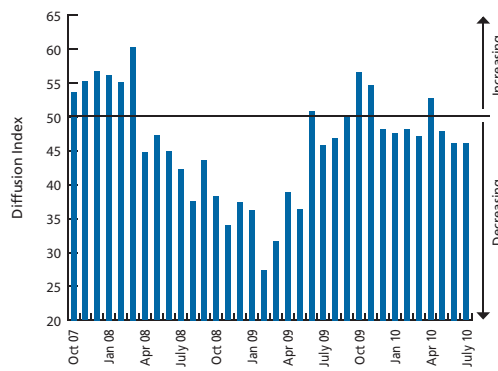
- Employment in services expanded marginally in the month of July with the sub-index at 50.4, down 1.4 points from June.
- On an unadjusted basis four sectors experienced expansions in employment in July, up from three in June. The most significant growth was recorded in the finance & insurance sector, followed by communication services; health & community services; and property & business services.
- Employment in transport & storage was flat while accommodation, cafes & restaurants recorded the most significant contraction in employment, followed by retail trade; personal & recreational services; and wholesale trade.
- Average wages continued to expand at a faster rate, increasing for the 13th consecutive month.

STOCKS

- Inventories fell at a faster rate in July, the second consecutive month of contraction. Seasonally adjusted the sub-index fell to 43.6, a decline of 1.5 points.
- On an unadjusted basis only the communication services sector recorded an increase in inventories, while the sub-index was neutral for the transport & storage and the health & community services sectors.
- Accommodation, cafes & restaurants experienced the strongest fall in inventories, followed by personal & recreational services; finance & insurance; and retail trade.
- Property & business services and wholesale trade experienced mild declines in inventories.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries continued to be weak in July, with the sub-index recording 46.6, below the mark distinguishing expansion from contraction.
- Unadjusted, deliveries for the transport & storage sector expanded in July while performance was neutral for wholesale trade and finance & insurance.
- Declines were experienced in all other sectors, most notably for accommodation, cafes & restaurants.
- Input prices continued to rise at a faster rate, with the sub-index rising by 1.1 points to 65.2. This represents 90 consecutive months of input prices increasing.
- In contrast, average selling prices contracted in July by 1.2 points to 47.5, the second month of contraction.



AUSTRALIAN PSI®**

	July 2010	June 2010	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PSI®	46.6	48.8	-2.2	Contracting	Faster	3
SALES	44.4	49.4	-5.0	Contracting	Faster	3
NEW ORDERS	46.1	46.1	0.0	Contracting	Unchanged	3
EMPLOYMENT	50.4	51.8	-1.4	Expanding	Slower	2
SUPPLIER DELIVERIES	46.6	49.5	-2.9	Contracting	Faster	3
INVENTORIES	43.6	45.1	-1.5	Contracting	Faster	2
INPUT PRICES	65.2	64.1	+1.1	Expanding	Faster	90
SELLING PRICES	47.5	48.7	-1.2	Contracting	Faster	2
WAGES	63.0	58.3	+4.7	Expanding	Faster	13
CAPACITY UTILISATION (%)	72.6	76.1	-3.5 % 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 web site 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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