

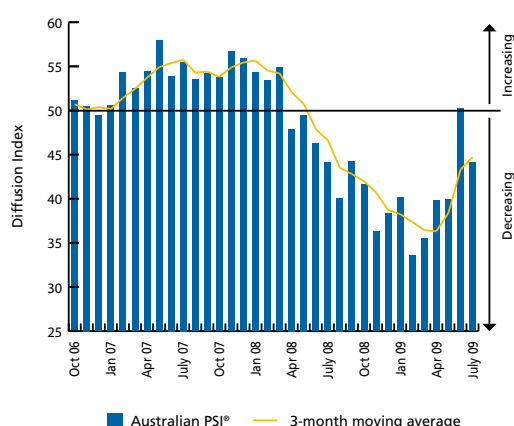


JULY 2009

VOLATILITY CONTINUES IN SERVICES SECTOR

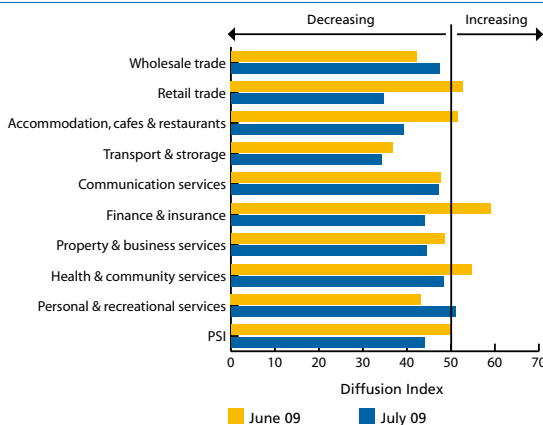
KEY FINDINGS

- The June spike in the services sector was not sustained in the latest Australian PSI[®] with activity falling back in July and continuing to be volatile. Nevertheless, there has been an easing in the pace of contraction over recent months.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI[®]**) fell by 6.1 points to 44.1, dropping below the 50.0 level separating expansion from contraction.
- Sales and new orders contracted following one month of growth, while employment fell for a 14th consecutive month.
- Stocks were rundown at near record pace, offsetting a solid rise in the sub-index in the previous month, suggesting firms are uncertain as to whether the improvement in demand will be sustained.
- Firms cited benefits from the rollout of Government fiscal stimulus measures and improvements in the automotive and food sectors, although end of financial year uncertainty and the conclusion of cash payments to taxpayers appear to have weakened demand.
- Activity fell in all states, excluding Queensland, compared with three states in June.



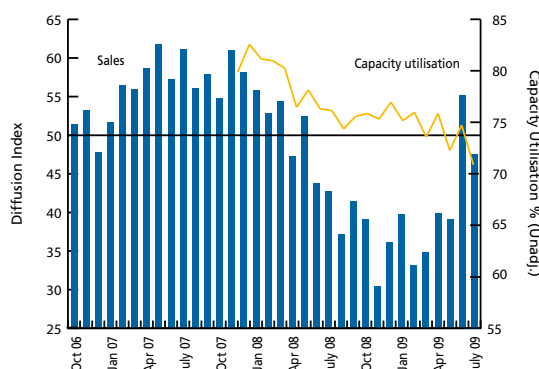
SECTORS

- Seasonally adjusted, activity rose in only one sector in July, compared with four sectors in the previous month.
- Activity grew marginally in personal & recreational services, the first expansion in the sector since September 2008.
- The four sectors to record growth in the previous month, finance & insurance; health & community services; retail trade; and accommodation, cafés & restaurants, each reported a contraction in July.
- Activity declined more quickly in the business-related sectors of transport & storage and property & business services.
- By contrast, the contraction in activity slowed in the wholesale trade sector and remained broadly steady in communication services.

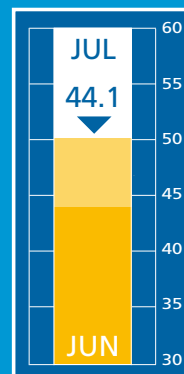


SALES AND CAPACITY

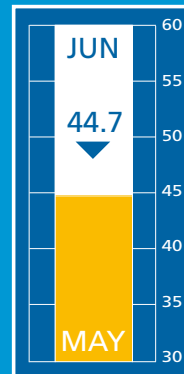
- The seasonally adjusted sales sub-index decreased by 7.7 points to 47.5 in July, partially offsetting a significant rise in June.
- In unadjusted terms, sales expanded in two sectors, down from three in the previous month, with wholesale trade unchanged.
- Sales growth was strongest in personal & recreational services, while the property & business services sector recorded a modest increase (its first since June 2008).
- The accommodation, cafes & restaurants and transport & storage sectors reported the largest declines in sales in July.
- Sales fell in retail trade; finance & insurance; and health & community services, following growth in each sector in June, while the contraction in sales of communication services accelerated.
- Capacity utilisation fell by 3.9 percentage points to a series low of 70.8% in July (unadjusted).



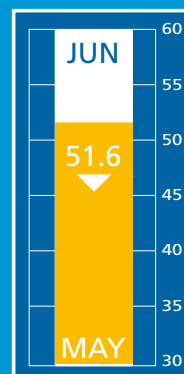
AUSTRALIAN PSI[®]



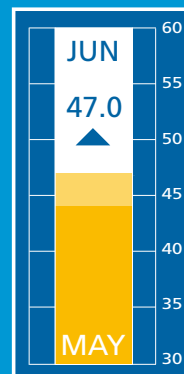
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



NEW ORDERS

- New orders contracted modestly in July, with the seasonally adjusted sub-index dropping 5.8 points to 45.7.
- Unadjusted, new orders increased in only the wholesale trade sector, compared with three sectors in the previous month.
- The largest drop in new orders was in the transport & storage sector, marking a seventh consecutive monthly fall.
- New orders contracted in the retail trade and health & community services sectors, although this followed significant rises in June.
- Elsewhere, new orders declined at a faster pace in the accommodation, cafés & restaurants sector, while the rate of contraction slowed in property & business services.
- New orders were unchanged in the communication services; finance & insurance; and personal & recreational services sectors.

EMPLOYMENT AND WAGES

- Employment fell for a 14th consecutive month in July, with the seasonally adjusted sub-index falling by 3.1 points to 45.4.
- On an unadjusted basis, employment grew in two sectors (down from three in June), with personal & recreational services unchanged.
- Communication services registered the strongest growth in employment. Employment also expanded in the health & community services sector, marking three consecutive months without job-shedding.
- The heaviest falls in employment were recorded in accommodation, cafés & restaurants; retail trade; and transport & storage.
- Employment levels declined moderately in the wholesale trade; finance & insurance; and property & business services sectors.
- Growth in average wages resumed in June, with the sub-index rising 6.4 points to 55.6 (unadjusted).

STOCKS

- Reflecting uncertainty over the sustainability of firmer demand for services, inventories of finished goods were run down at a faster pace in July, with the seasonally adjusted sub-index decreasing 9.3 points to 36.8.
- Unadjusted, only the health & community services sector recorded an accumulation in stocks, as in June.
- Inventories were run down most heavily in the retail trade; transport & storage; and property & business services sectors.
- Stocks declined in the finance & insurance sector for the first time since March 2009, and fell at a faster pace in accommodation, cafés & restaurants.
- The contraction in inventories eased in wholesale trade; communication services; and personal & recreational services.

DELIVERIES, INPUT COSTS, SELLING PRICES

- The contraction in supplier deliveries strengthened in July, as firms elected to heavily run down existing inventories. The seasonally adjusted supplier deliveries sub-index fell 6.9 points to 38.4.
- In unadjusted terms, deliveries increased in only the health & community services sector, as was the case in June.
- The strongest declines in deliveries were in transport & storage; retail trade; accommodation, cafés restaurants; and personal & recreational services.
- More moderate falls were reported in wholesale trade; finance & insurance; communication services; and property & business services.
- Growth in input costs accelerated further in July, with the seasonally adjusted sub-index lifting 2.7 points to 65.6.
- Input costs were higher in all sectors, with retail trade reporting the largest increase for a second successive month.
- Growth in selling prices returned in July, ending four consecutive months of decline, the sub-index rising 8.6 points to 53.0.

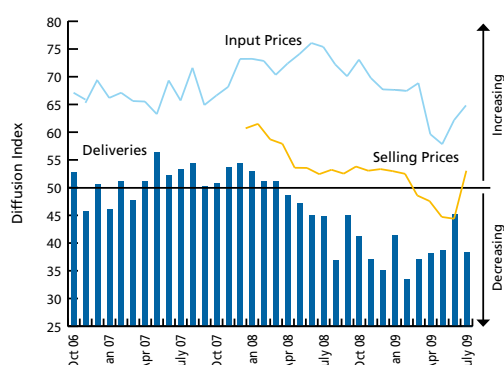
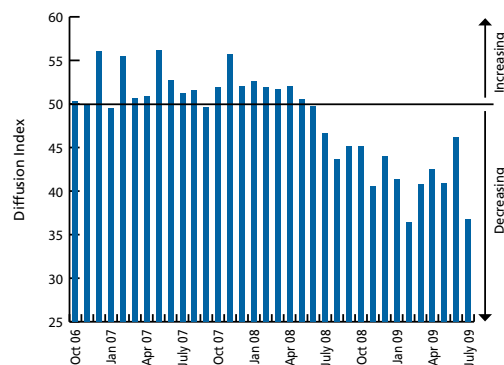
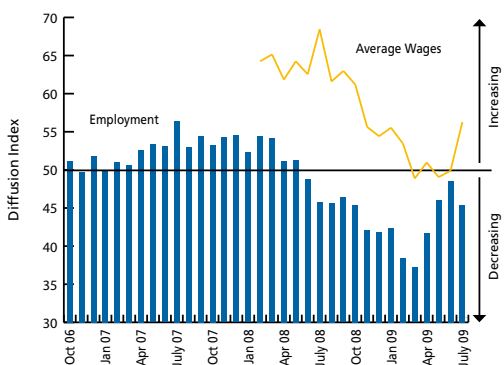
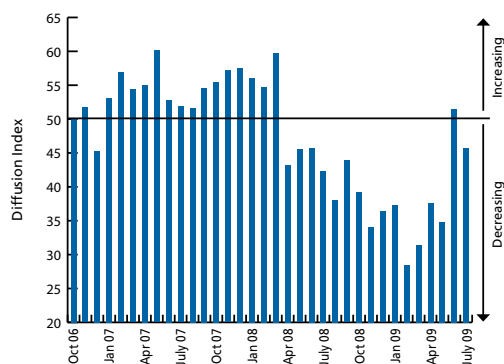
AUSTRALIAN PSI®*

	July 2009	June 2009	Monthly Change	Direction	Rate of Change	Trend**(Months)
AUSTRALIAN PSI®	44.1	50.2	-6.1	Contracting	From expansion	1
SALES	47.5	55.2	-7.7	Contracting	From expansion	1
NEW ORDERS	45.7	51.5	-5.8	Contracting	From expansion	1
EMPLOYMENT	45.4	48.5	-3.1	Contracting	Faster	14
SUPPLIER DELIVERIES	38.4	45.3	-6.9	Contracting	Faster	16
INVENTORIES	36.8	46.1	-9.3	Contracting	Faster	14
INPUT PRICES	65.6	62.9	+2.7	Expanding	Faster	78
SELLING PRICES	53.0	44.4	+8.6	Expanding	From contraction	1
WAGES	55.6	49.2	+6.4	Expanding	From contraction	1
CAPACITY UTILISATION (%)	70.8	74.7	-3.9% pts	Contracting	na	na

Results are based on the responses of around 200 companies. New monthly seasonal adjustment factors, derived directly from an X-12 estimation process were introduced in April 2009.

* 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 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®.

Commonwealth Bank

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