

# PSI AUSTRALIAN

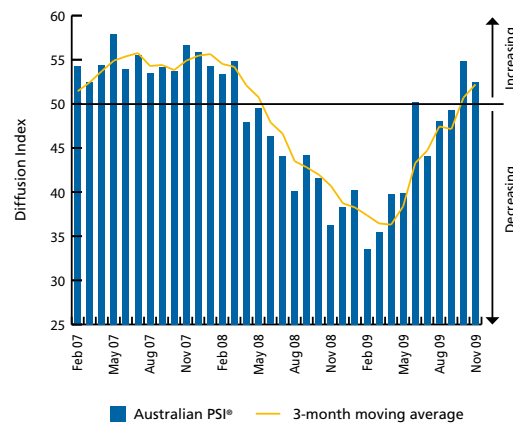
PERFORMANCE OF SERVICES INDEX®

NOVEMBER 2009

## SERVICES SECTOR CONSOLIDATES ALTHOUGH PACE SLOWS

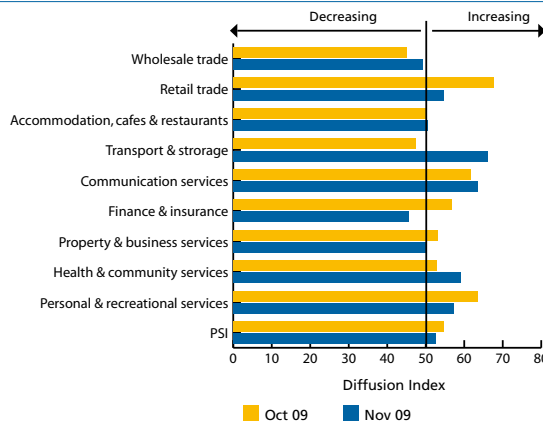
### KEY FINDINGS

- Services sector activity expanded for a second consecutive month in November, supported by rising levels of sales and new orders. The pace of growth eased back from October, however, underlining the modest nature of the gains in the sector to date.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI®**) fell by 2.3 points to 52.5, remaining above the 50.0 level separating expansion from contraction.
- Reflecting the recent improvement in business conditions, employment rose modestly in November, following 17 successive monthly falls. At this stage, this may indicate a rise in the number of hours worked, rather than an increase in the number of persons employed.
- Firms remain cautious despite improving demand, electing to run down inventories to meet current sales and to keep a tight rein on supplier deliveries.
- Growth was maintained across most sub-sectors in the month, although demand remains volatile in finance & insurance and subdued in wholesale trade.
- Activity expanded in all states, excluding New South Wales and Tasmania.



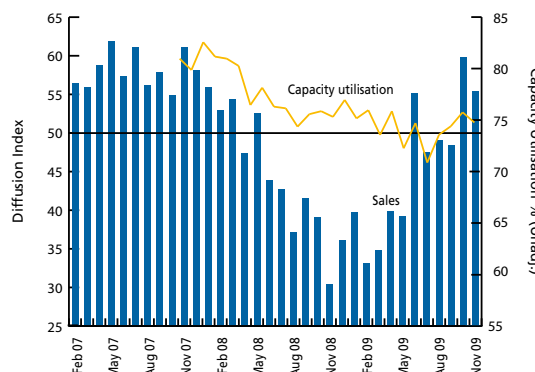
### SECTORS

- In seasonally adjusted terms, activity rose solidly in five sectors in November and also marginally in accommodation, cafés & restaurants and property & business services.
- Transport & storage recorded the strongest increase in the month, the first substantial monthly increase in activity in the sector since September 2008.
- Growth accelerated in the communication services and health & community services sectors.
- Despite a moderation in growth, activity increased for a fifth consecutive month in personal & recreational services and a fourth month in retail trade.
- The finance & insurance sector registered the strongest decline in November, while activity fell slightly in wholesale trade.

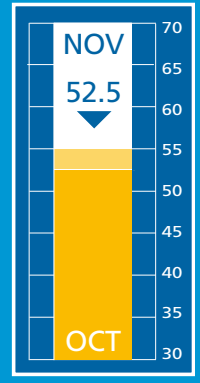


### SALES AND CAPACITY

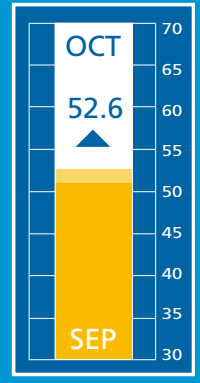
- Sales of services expanded for a second consecutive month in November, despite the seasonally adjusted sub-index falling 4.3 points to 55.4.
- Unadjusted, sales increased in seven sectors, down from eight in the previous month, with finance & insurance unchanged.
- Sales growth was strongest in the business-related sectors of transport & storage and communication services.
- Upbeat consumer sentiment supported strong increases in accommodation, cafés & restaurants and retail sales in November.
- Growth in sales moderated in health & community services; personal & recreational services; and property & business services.
- For a second successive month wholesale trade was the only sector to record a decline in sales.
- Capacity utilisation fell from a six-month high of 75.7% to 74.7%.



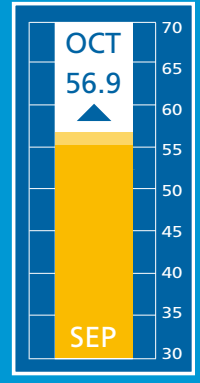
AUSTRALIAN PSI®



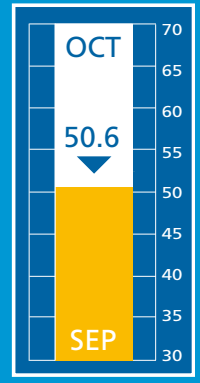
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



## NEW ORDERS

- Growth in new orders eased, although it remained solid in November with the seasonally adjusted sub-index dropping 1.8 points to 56.7.
- In unadjusted terms, eight sectors reported growth in new orders, up from seven in October.
- Like sales, the transport & storage and communication services recorded the largest increases in new orders in the month.
- New orders also grew strongly in the personal & recreational services; retail trade; and property & business services sectors.
- More moderate growth was registered in health & community services; finance & insurance; and accommodation, cafés & restaurants.
- New orders remained steady in the wholesale trade sector.

## EMPLOYMENT AND WAGES

- Services sector employment rose slightly in November, bringing to an end 17 consecutive months of decline. Seasonally adjusted, the employment sub-index rose 1.9 points to 50.5.
- Employment increased in five sectors in the month, up from three in October, with property & business services unchanged.
- Personal & recreational services and communication services recorded the largest increases in employment in November.
- Employment also expanded in the wholesale trade; accommodation, cafés & restaurants; and transport & storage sectors.
- The retail trade sector reported the heaviest fall in employment in November. Employment also decreased in health & community services and finance & insurance.
- Average wages growth moved higher in November, with the unadjusted sub-index lifting from 55.3 to 56.1.

## STOCKS

- The modest accumulation in inventories of finished goods in the previous month was offset by a strong rundown in November, with the seasonally adjusted sub-index declining 7.6 points to 44.6.
- Unadjusted, five sectors reported a lift in stocks in November, compared with six in the previous month, with finance & insurance unchanged.
- The strongest rates of inventory-building took place in the communication services and accommodation, cafés & restaurants sectors.
- Inventories also rose in health & community services; transport & storage; and wholesale trade.
- Stocks of finished goods fell most heavily in the retail trade sector, and declined more moderately in property & business services and personal & recreational services.

## DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries fell slightly in November; the seasonally adjusted sub-index decreasing 2.5 points to 49.6.
- In unadjusted terms, deliveries expanded in four sectors: communication services; accommodation, cafés & restaurants; health & community services; and transport & storage.
- Deliveries fell in personal & recreational services and property & business services and remained steady in the wholesale trade; retail trade; and finance & insurance sectors.
- Growth in input costs accelerated in November, with the seasonally adjusted sub-index rising 8.7 points to an eight-month peak of 66.0.
- Input costs increased in seven sectors, most strongly in accommodation, cafés & restaurants and retail trade.
- Growth in selling prices also picked-up in the month, with the seasonally adjusted sub-index rising 3.5 points to 53.7.

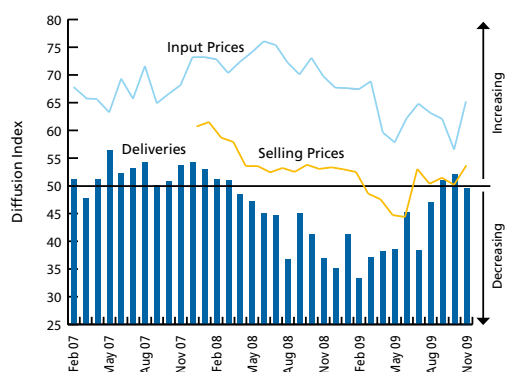
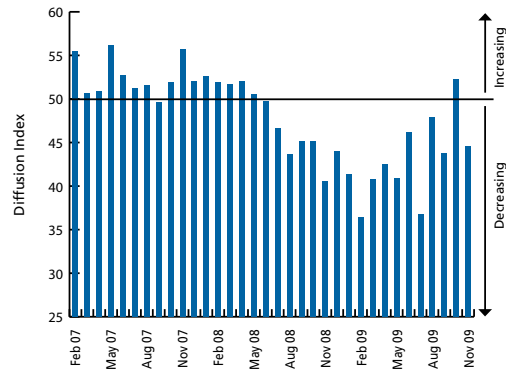
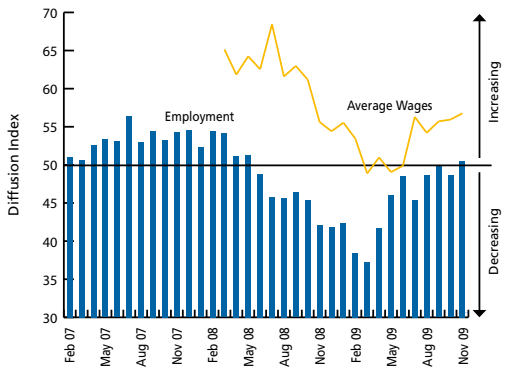
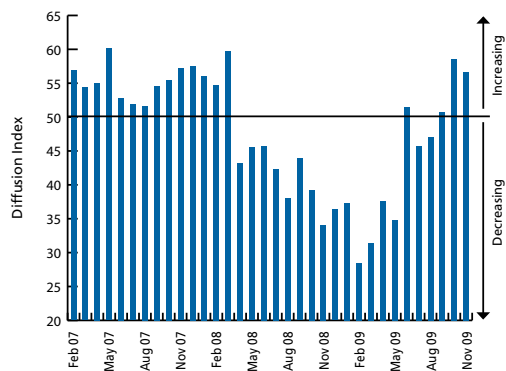
## AUSTRALIAN PSI®\*

	November 2009	October 2009	Monthly Change	Direction	Rate of Change	Trend**(Months)
<b>AUSTRALIAN PSI®</b>	52.5	54.8	-2.3	Expanding	Slower	2
<b>SALES</b>	55.4	59.7	-4.3	Expanding	Slower	2
<b>NEW ORDERS</b>	56.7	58.5	-1.8	Expanding	Slower	3
<b>EMPLOYMENT</b>	50.5	48.6	+1.9	Expanding	From contraction	1
<b>SUPPLIER DELIVERIES</b>	49.6	52.1	-2.5	Contracting	From expansion	1
<b>INVENTORIES</b>	44.6	52.2	-7.6	Contracting	From expansion	1
<b>INPUT PRICES</b>	66.0	57.3	+8.7	Expanding	Faster	82
<b>SELLING PRICES</b>	53.7	50.2	+3.5	Expanding	Faster	5
<b>WAGES</b>	56.1	55.3	+0.8	Expanding	Faster	5
<b>CAPACITY UTILISATION (%)</b>	74.7	75.7	-1.0% 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](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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