



PSI AUSTRALIAN

PERFORMANCE OF SERVICES INDEX®

Australian Industry Group

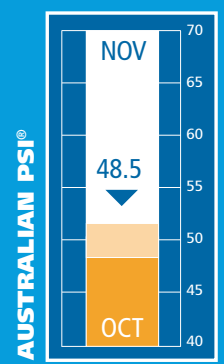
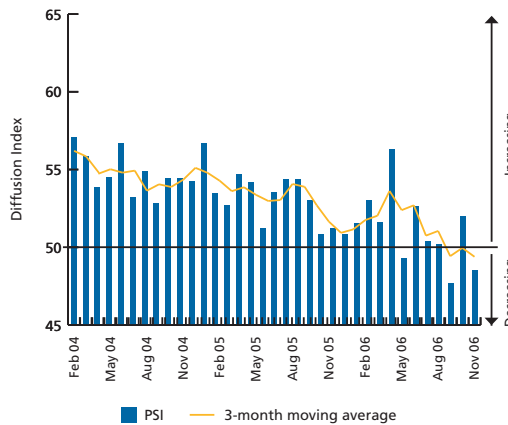
Commonwealth Bank

NOVEMBER 2006

SERVICES SECTOR ACTIVITY FALTERS AGAIN

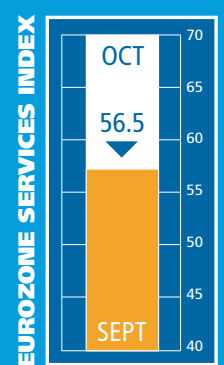
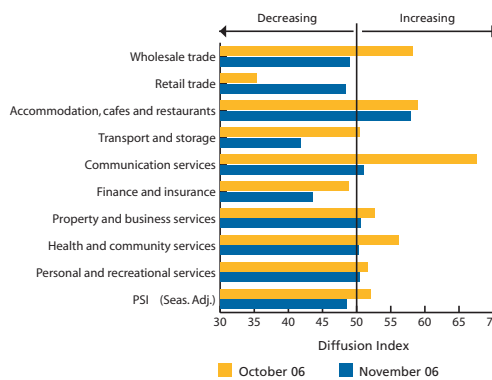
KEY FINDINGS

- Services sector activity weakened in November, as both consumers and businesses felt the effects of continuing interest rates increases.
- The seasonally adjusted Australian Industry Group/Commonwealth Bank Performance of Services Index (**Australian PSI**®) fell 3.5 points to 48.5, dropping below the key 50.0 level separating expansion from contraction.
- Other factors contributing to weaker services activity in November included: the drought; lower tourist numbers; and a softening in real estate activity.
- All sectors, other than retail trade, reported a deterioration in momentum in November. In retail trade, activity continued to decline, but at a slower pace.
- The deterioration in November reflected falls in employment, inventories and supplier deliveries, along with flat growth in new orders, only partly offset by a moderate strengthening in sales growth.
- Input cost increases continued to fall from their August 2006 peak, moderating for the third consecutive month.



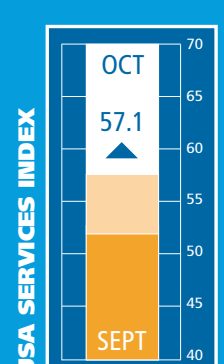
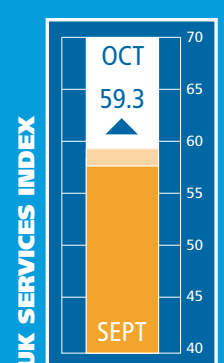
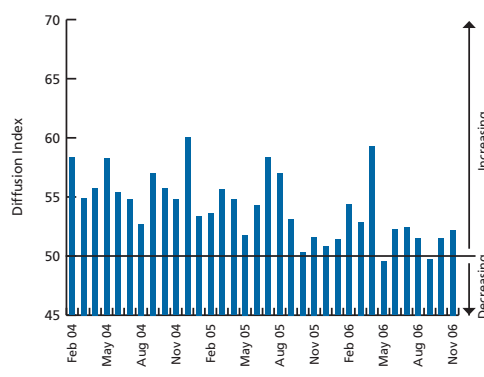
SECTORS

- On a seasonally adjusted basis, activity expanded in five of the nine sectors in November, down from seven in October. However, growth was weaker in each of these sectors.
- The sharpest slowdown was in communication services (although following strong growth in the previous month), while activity also barely expanded in health & community services; property & business services; and personal & recreational services.
- Growth eased only slightly in accommodation, cafes & restaurants, which consequently was the strongest of the nine sectors in November.
- By contrast, activity contracted in wholesale trade and transport & storage, following moderate growth in the previous month.
- Activity also contracted at a faster rate in finance & insurance, but the rate of decline slowed in retail trade.



SALES

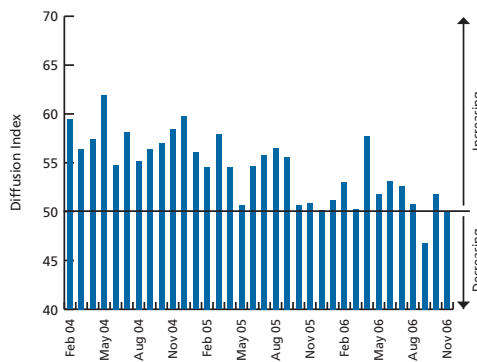
- In seasonally adjusted terms, sales rose 0.7 points in November to 52.2.
- Unadjusted, the number of sectors reporting sales growth was unchanged at seven.
- Sales growth was strongest in property & business services and communication services, while sales recovered in finance & insurance, following a sharp decline in October.
- Strong growth in sales was recorded in accommodation, cafes & restaurants; retail trade (reflecting pre-Christmas strength); health & community services; and wholesale trade.
- Transport & storage and personal & recreational services were the only sectors to report a decline in sales in the month.





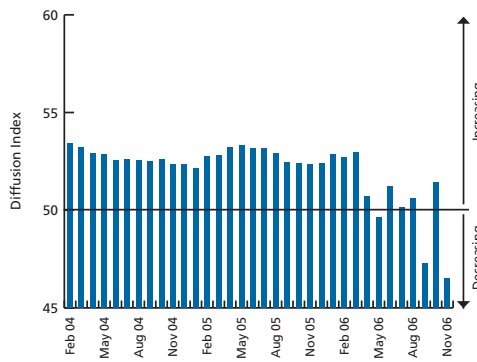
NEW ORDERS

- Growth in new orders was flat in November, the seasonally adjusted sub-index falling 1.8 points to 50.0.
- In unadjusted terms, five sectors reported increases in new orders (down from six previously).
- The business-related sectors of communication services and property & business services recorded the largest increases in new orders.
- Accommodation, cafes & restaurants and wholesale trade reported strong growth in new orders in November, while the retail trade sector expanded for the first time since March 2006.
- Personal & recreational services and transport & storage were the only sectors to report a decline in new orders in November, as was the case for sales.
- Finance & insurance and health & community services were unchanged.



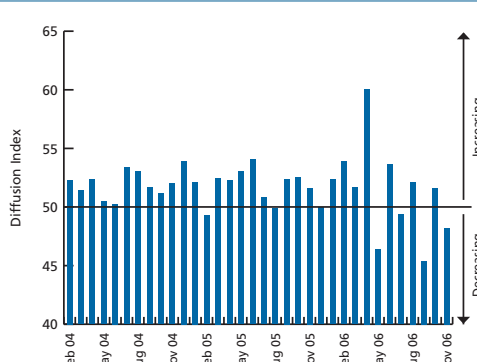
EMPLOYMENT

- Services sector employment fell in November, following a modest recovery in the previous month. Seasonally adjusted, the employment index fell 4.9 points to 46.5.
- Unadjusted, employment grew in four sectors (down from six in October) and remained unchanged in property & business services.
- Growth in employment was strongest in accommodation, cafes & restaurants, while the communication services; transport & storage; and wholesale trade sectors reported moderate increases.
- Employment fell in the interest rate sensitive sectors of finance & insurance and retail trade, both experiencing weak overall activity.
- The health & community services and personal & recreational services sectors also reported contractions in employment in November.



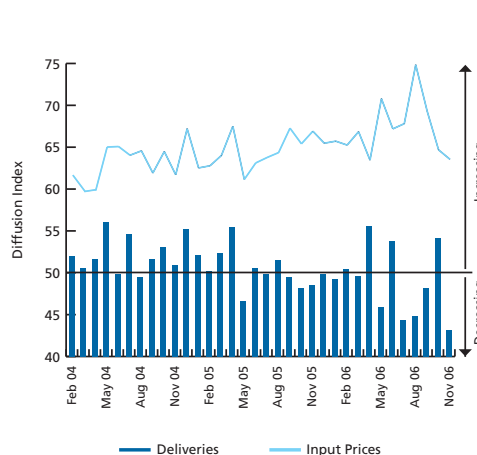
STOCKS

- Inventories of finished goods continue to be volatile, with the seasonally adjusted stocks index falling 3.4 points to 48.2 (following an accumulation of stocks in October).
- In unadjusted terms, the number of sectors reporting an expansion in inventories was unchanged at six.
- Growth in inventories was strongest in retail trade (in the build-up to Christmas), while the other consumer-based sectors of accommodation, cafes & restaurants; wholesale trade; and personal & recreational services also reported substantial increases in November.
- Among the other sectors, communication services reported a moderate increase in stocks, while inventories were replenished in the property & business sector, following a rundown in October.
- Inventories were unchanged in transport & storage; finance & insurance; and health & community services.



DELIVERIES AND INPUT COSTS

- Growth in supplier deliveries weakened in November, the seasonally adjusted index falling 11.0 points to 43.2.
- On an unadjusted basis, four sectors reported increased deliveries (down from eight in the previous month), with personal & recreational services unchanged.
- Deliveries fell in each of the business-related sectors, excluding communication services, and in the health & community services sector.
- Accommodation, cafes & restaurants; wholesale trade; and retail trade all reported expansions in supplier deliveries, although in each of these consumer-based sectors, the rate of growth eased from October.
- Input cost increases continued to moderate in November. Seasonally adjusted, the input costs sub-index fell 0.9 points to 64.8.
- Unadjusted, the rate of increase in input costs accelerated in just three sectors: finance & insurance; transport & storage; and communication services. For the remaining sectors, input price pressures eased in November.
- The largest increase in input costs was in wholesale trade, while transport & storage reported the smallest rise.



NATIONAL INDEXES

	Nov 06	Nov 05	Oct 06	Sept 06	Aug 06	July 06	June 06	May 06	Apr 06	Mar 06	Feb 06
AUSTRALIAN PSI*	48.5	51.2	52.0	47.7	50.2	50.4	52.6	49.3	56.3	51.6	53.0
SALES	52.2	51.6	51.5	49.7	51.5	52.4	52.2	49.5	59.3	52.9	54.4
NEW ORDERS	50.0	50.9	51.8	46.8	50.8	52.6	53.1	51.8	57.7	50.2	53.0
EMPLOYMENT	46.5	52.4	51.4	47.3	50.6	50.2	51.2	49.6	50.7	53.0	52.7
INVENTORIES	48.2	51.6	51.6	45.4	52.2	49.4	53.6	46.4	60.1	51.7	53.9
DELIVERIES	43.2	48.6	54.2	48.2	44.9	44.3	53.8	45.9	55.5	49.6	50.4
INPUT PRICES	64.8	67.6	65.7	69.7	74.4	68.4	67.9	71.0	64.7	67.6	66.2

Results are based on a sample of over 200 companies.

* New monthly seasonal adjustment factors derived directly from an X-12 estimation process were introduced in April 2006.



WHAT IS THE AUSTRALIAN PSI?

The Australian Performance of Services Index (Australian PSI®) is a seasonally adjusted national composite index based on the diffusion indexes for sales, new orders, employment, inventories and deliveries all with varying weights.

An Australian PSI® reading above 50 points indicates that the service industry 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.asn.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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