Performance of Services Index

CIPS Australia

AUSTRALIAN PSI
PERFORMANCE OF SERVICES INDEX®

AUSTRALIAN INDUSTRY GROUP

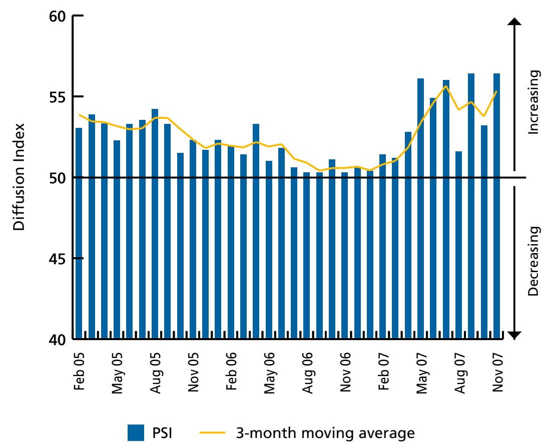
Commonwealth Bank

NOVEMBER 2007

SERVICES GROWTH PICKS-UP AMID STRONGER SPENDING

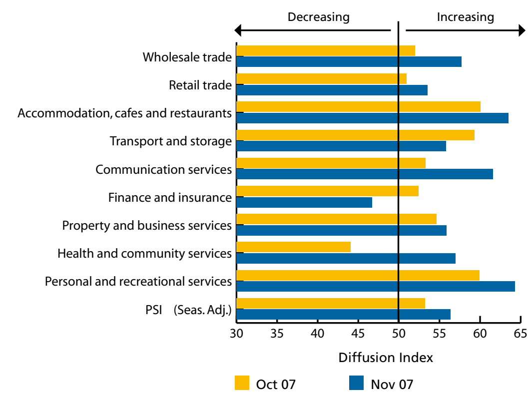
KEY FINDINGS

- Growth in services activity picked-up in November, boosted by a lift in spending and renewed inventory-building, partly reflecting a build-up in stocks in the lead-up to Christmas.
- The seasonally adjusted Australian Industry Group-Commonwealth Bank Performance of Services Index (**Australian PSI®**) rose 3.2 points to 56.4, moving further away from the key 50.0 level separating expansion from contraction.
- While sales growth and stock accumulation accelerated in November, employment and new orders growth remained steady.
- The strength in services activity was broadly-based, although the finance & insurance sector contracted in November and growth slowed in transport & storage.
- All six states registered an expansion in services in November, with only NSW reporting a moderation in growth.
- Input cost increases edged-up marginally in the month, while wage increases moderated and selling price rises were stable.



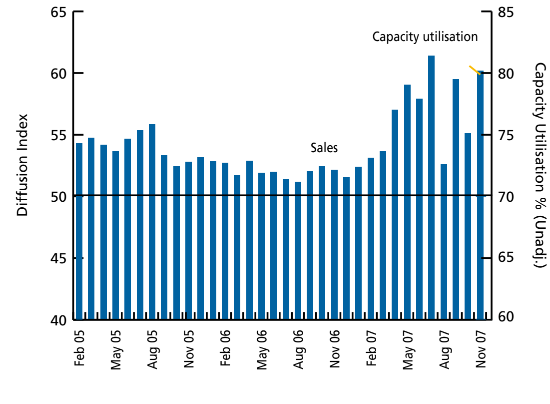
SECTORS

- On a seasonally adjusted basis, activity expanded in eight of the nine services sectors in November (unchanged from the previous month).
- Personal & recreational services; accommodation, cafes & restaurants; and communication services reported the strongest growth in November, with the rate of increase strengthening in each sector.
- Growth re-emerged in the health & community services sector, while the rate of expansion lifted in retail trade and wholesale trade, following modest growth in the previous month.
- Elsewhere, growth was essentially steady in the property & business services sector and eased in transport & storage.
- Finance & insurance was the only sector to report a decline in November, following two consecutive months of growth.

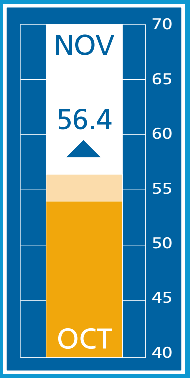


SALES AND CAPACITY

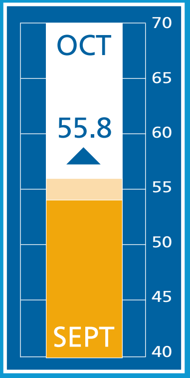
- The seasonally adjusted sales sub-index rose 5.1 points in November to 60.2.
- Unadjusted, sales increased in all nine sectors, up from eight in the previous month, with the rate of increase lifting in eight.
- Sales growth was strongest in communication services; personal & recreational services; and transport & storage.
- The wholesale trade; retail trade; and property & business services sectors reported solid increases in sales growth in November.
- Sales continued to expand moderately in the finance & insurance sector, and increased in health & community services following flat growth previously.
- Despite a solid lift in sales in November, accommodation, cafes & restaurants was the only sector to report slower growth in the month.
- Capacity utilisation remains strong in the sector, falling only slightly to 79.8% in November.



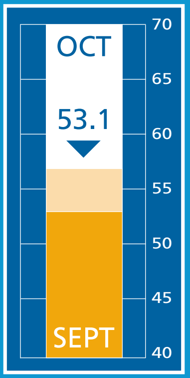
AUSTRALIAN PSI®



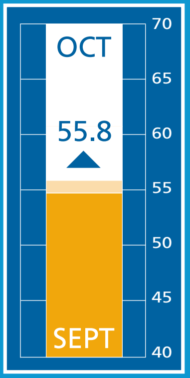
EUROZONE SERVICES INDEX



UK SERVICES INDEX



USA SERVICES INDEX



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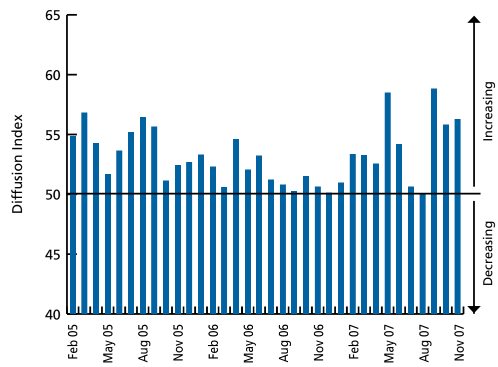
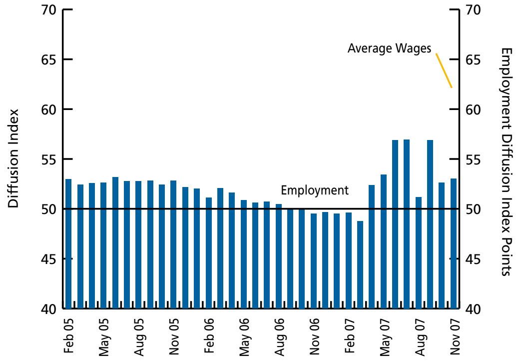
NEW ORDERS

- New orders growth remained steady in November, with the seasonally adjusted sub-index lifting 0.5 points to 56.3.
- In unadjusted terms, new orders increased in eight sectors, up from seven in October.
- The personal & recreational services and accommodation, cafes & restaurants sectors recorded the strongest growth in new orders.
- Growth lifted in the wholesale trade and retail trade sectors and resumed in communication services and health & community services.
- Elsewhere, new orders increased strongly in the transport & storage and property & business services sectors, despite a moderation in the rate of growth.
- Finance & insurance was the only sector to report a decline in new orders in November, following two consecutive months of expansion.



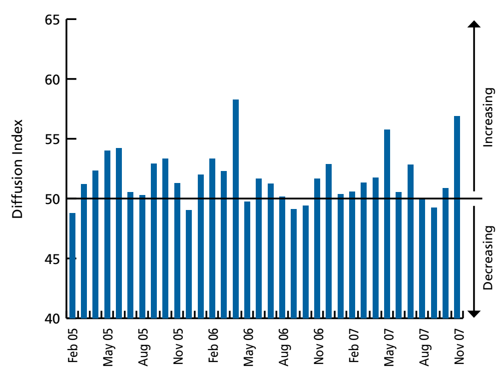
EMPLOYMENT

- Seasonally adjusted, the employment sub-index edged up 0.4 points in November to 53.0.
- On an unadjusted basis, employment increased in six sectors, up from four in the previous month, with retail trade unchanged.
- Communication services and personal & recreational services reported the strongest growth in employment, following contractions in the previous month.
- Employment growth also re-emerged in the accommodation, cafes & restaurants; health & community services; and finance & insurance sectors, but eased in property & business services.
- Transport & storage and wholesale trade were the only sectors to register a decline in employment, following strong growth in October.
- The wages sub-index eased 3.0 points in November to 62.6.



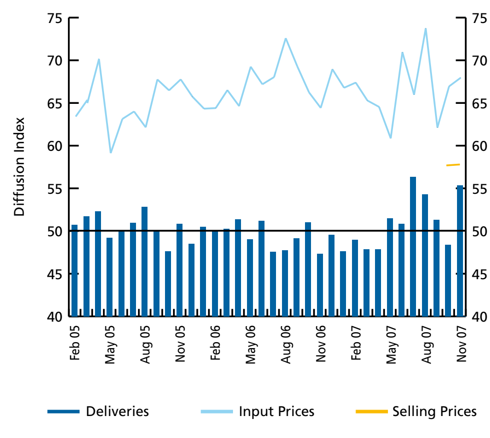
STOCKS

- Stock accumulation accelerated in November, partly reflecting a build-up in inventory levels in the lead-up to Christmas. The seasonally adjusted sub-index rose 6.0 points in the month to 56.9
- Unadjusted, stocks expanded all nine sectors, up from five in October, with the rate of increase lifting in seven.
- The strongest rates of inventory-building occurred in the wholesale trade; retail trade; and communication services sectors.
- Stocks also increased strongly in accommodation, cafes & restaurants and personal & recreational services, despite the rate of growth easing in both sectors.
- Inventories increased at a faster pace in transport & storage and property & business services in November.
- The finance & insurance and health & community services both replenished their stock levels for the first time in three months.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- Supplier deliveries grew solidly in November, following a fall in the previous month, with the seasonally adjusted sub-index increasing 7.0 points to 55.4.
- In unadjusted terms, eight sectors reported a lift in deliveries, up from five in the previous month.
- The wholesale trade; accommodation, cafes & restaurants; and communication services sectors recorded the strongest growth in deliveries in November.
- Deliveries lifted in health & community services for the first time in three months, and grew in retail trade and personal & recreational services, having been unchanged in both sectors in October.
- Finance & insurance was the only sector to report fewer deliveries in November.
- Input cost increases rose marginally in November, the seasonally adjusted sub-index increasing 0.8 points to 68.5.
- Unadjusted, input increases accelerated in four sectors (down from five in October), with transport & storage reporting the largest rise.
- Selling price increases remained stable in the month, with the sub-index lifting 0.3 points to 57.3.



NATIONAL INDEXES

	Nov 07	Nov 06	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07
AUSTRALIAN PSI®	56.4	50.3	53.2	56.4	51.6	56.0	54.9	56.1	52.8	51.2	51.4
SALES	60.2	52.1	55.1	59.5	52.6	61.4	57.9	59.1	57.0	53.6	53.1
CAPACITY	79.8	na	80.9	na	na	na	na	na	na	na	na
NEW ORDERS	56.3	50.6	55.8	58.8	50.1	50.6	54.2	58.5	52.5	53.3	53.4
EMPLOYMENT	53.0	49.5	52.6	56.9	51.2	57.0	56.9	53.4	52.4	48.8	49.6
WAGES	62.6	na	65.6	na	na	na	na	na	na	na	na
INVENTORIES	56.9	51.7	50.9	49.2	50.0	52.9	50.6	55.8	51.8	51.4	50.6
DELIVERIES	55.4	47.3	48.4	51.3	54.3	56.3	50.9	51.5	47.9	47.9	49.0
INPUT PRICES	68.5	65.5	67.7	63.5	73.5	66.8	71.1	62.5	65.6	66.3	68.0
SELLING PRICES	57.3	na	57.0	na	na	na	na	na	na	na	na

Results are based on a sample of around 200 companies. New monthly seasonal adjustment factors derived directly from an X-12 estimation process were introduced in April 2007. The capacity utilisation, wages and selling prices indexes are reported in unadjusted terms.

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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®.

Commonwealth Bank

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