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## Australian PSI™: First signs of slowing in property related sectors

The Australian Industry Group Commonwealth Bank Australian Performance of Services Index™ (PSI™) fell 2.0 points to 60.4 in November reflecting the sensitivity of the sector to interest rate rises.

While overall activity remains at healthy levels, the decline mainly reflected an easing in the finance & insurance sector, where activity contracted in the month, along with softer growth in property & business services (these areas account for over one third of services activity). The slowing may reflect the sensitivity of these sectors to interest rate rises (actual and prospective).

Growth in the transport & storage, and accommodation, cafes & restaurants sectors also eased. The retail trade; and personal & recreational services sectors strengthened in November; as did wholesale trade and health & community services.

Commonwealth Bank Chief Economist, Michael Blythe, said that a robust services sector was putting a solid floor under the economy:

“The economy retains a significant amount of momentum in the run up to year end. And the forward-looking components of the Australian PSI™ suggest that momentum will spill over into the early part of 2004. But there are some early signs that rising interest rates (actual and prospective) may be starting to bite”.

Ai Group Chief Executive, Bob Herbert, said the interest rate rise had clearly had an impact on spending patterns.

“The services sector is continuing its healthy run to Christmas but spending patterns are starting to change and this can be expected to further influence consumer spending in the months ahead,” Mr Herbert said.

### Key Findings

- Signs of a slowing in property related sectors reflected in November Australian PSI™.
- Activity in the finance & insurance sector contracted in November.
- Growth in the property & business services sector eased.
- While continuing to record growth, conditions in the transport & storage; and accommodation, cafes & restaurants sectors also abated.
- There was a shift in consumer spending patterns towards personal goods and services including retail trade; and personal & recreational services.
- All component indexes remained above the critical 50-point mark in November, although sales, new orders, and job growth eased.

### **For Further Comment:**

*Bob Herbert, Ai Group Chief Executive*

*(02) 9466 5515 or 0419 301 764*

*Michael Blythe, Chief Economist, Commonwealth Bank*

*(02) 9312 4135 or 0414 886 027*

**Media Inquiries:** *Tony Melville*

*(02) 6263 9400 or 0419 190 347*

**Background** The **Australian Performance of Services Index (PSI)™** is a national composite index based on the diffusion indexes for sales, orders/new business, deliveries, inventories and employment with varying weights. Results are based on a sample of over 210 companies. An **Australian PSI™** reading above 50 points indicates that 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.

The PSI report can also be downloaded from the [www.aigroup.asn.au](http://www.aigroup.asn.au) or [www.commbank.com.au](http://www.commbank.com.au)

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