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AUSTRALIAN



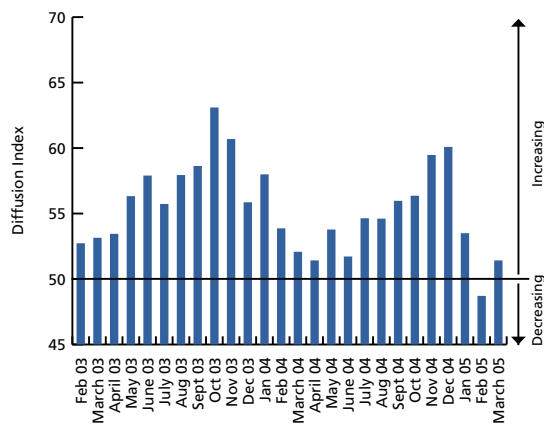
PERFORMANCE OF SERVICES INDEX®

MARCH 2005

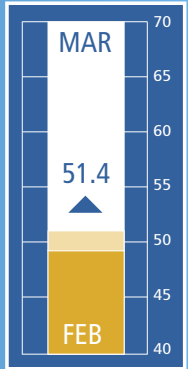
MODERATE GROWTH RETURNS TO THE SERVICES SECTOR

KEY FINDINGS

- Services sector activity recovered moderately in March, after a slight contraction the previous month. The seasonally adjusted Australian Industry Group – Commonwealth Bank Performance of Services Index (PSI®) rebounded 2.7 points to 51.4. Nevertheless, it is increasingly clear underlying growth in services sector activity has slowed sharply from the strong pace of late 2004.
- Indeed, sales contracted for the second consecutive month, with continuing declines in wholesale and retail trade (and a fall also in finance & insurance). The overall increase was underpinned subsequently by a strengthening in new orders and employment, a modest rise in inventories, and a slower rate of decline in supplier deliveries. Input prices also rose at the fastest pace in five months.
- Given the mixed outcomes for sales and new orders, it is uncertain whether the increase in inventories was planned. On a somewhat promising note, the pick-up in new orders was due largely to a strengthening in the retail trade sector. The rate of decline in the wholesale trade sector also abated.

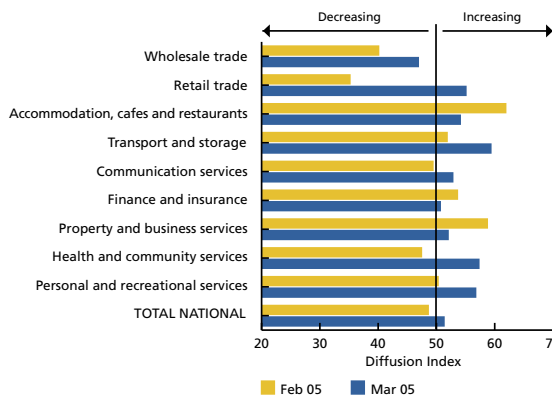


AUSTRALIAN PSI

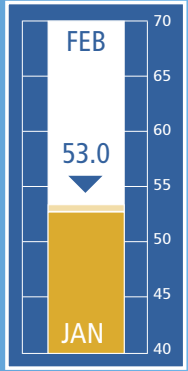


SECTORS

- Unadjusted for seasonal influences, activity expanded in eight of nine sectors in March (up from five in February). Of the eight to report expanding activity, five also enjoyed stronger growth relative to February.
- The largest improvement was in retail trade (with stronger growth in all components other than sales). Growth also strengthened in transport & storage; health & community; personal & recreational; and communications services, with transport & storage also reporting the strongest growth of all sectors in the month.
- Growth slowed in finance & insurance; accommodation, cafes & restaurants; and property & business services. Wholesale trade was the only sector to report a contraction in activity (also the third consecutive fall), although the rate of decline eased slightly from the previous month.

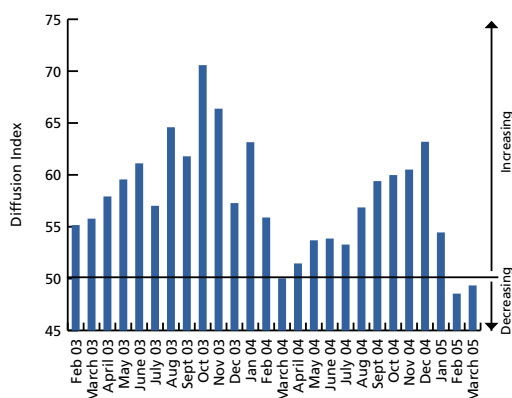


EUROZONE SERVICES INDEX

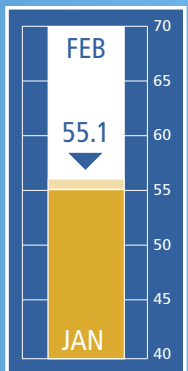


SALES

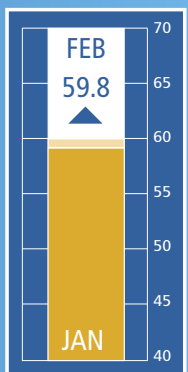
- After adjustment for seasonal factors, services sector sales fell for the second consecutive month. However, the rate of decline abated moderately, with the sales sub-index rising 0.7 points to 49.3. Unadjusted, sales increased in six sectors and fell in three.
- Transport & storage and communications services reported the strongest increases in sales. Growth also strengthened in health & community services and personal & recreational services, but eased in hospitality services and property & business services.
- Sales contracted in each of the wholesale trade; retail trade and finance & insurance sectors. It was the third consecutive decline in wholesale trade and the second in retail trade.



UK SERVICE S INDEX



USA SERVICES INDEX



NEW ORDERS

- In contrast to sales, new orders growth strengthened in March. Seasonally adjusted, new orders rose 2.9 points to 53.1. However, the March reading was lower than in any month of 2004.
- New orders expanded in eight sectors (up from just five in February), with only wholesale trade reporting a contraction. Nevertheless, it was also the third consecutive fall in the wholesale trade sector.
- Growth was strongest in hospitality services, although easing slightly from February. Growth also slowed in finance & insurance and property & business services. By contrast, growth strengthened in the retail trade and transport & storage sectors; as well as in communications; health & community; and personal & recreational services.

EMPLOYMENT

- Seasonally adjusted, the employment sub-index rose 1.8 points to 53.0. In unadjusted terms, employment expanded in six sectors and was unchanged in three.
- The strongest expansions were in retail trade and health & community services, after both sectors reported falling employment in February. Employment growth also strengthened in communications and personal & recreational services (and again after both sectors suffered contractions in the previous month).
- Employment also expanded, but at a slower rate, in transport & storage and finance & insurance. Wholesale trade; hospitality services and property & business services all reported unchanged employment levels.

STOCKS

- Service sector inventories rose in March, following a substantial rundown the previous month. The inventory sub-index (which is not adjusted for seasonal factors) jumped 6.7 points to 51.6.
- The largest increase was in transport & storage (possibly reflecting expectations of future energy cost increases). However, consistent with the rise in new orders, stock levels also increased in retail trade. Inventories also increased in wholesale trade, although against a backdrop of contracting sales and new orders.
- Among the other sectors, inventory levels fell in three and were unchanged in one. Only two other sectors reported increases.

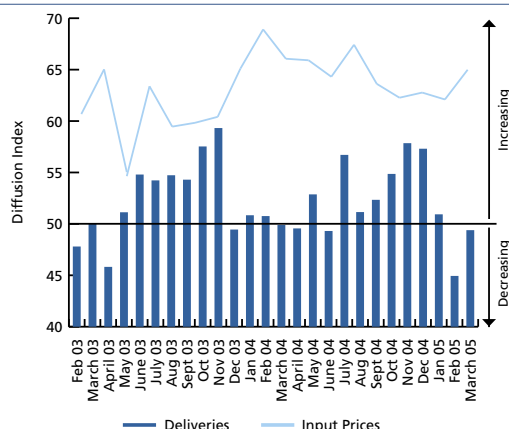
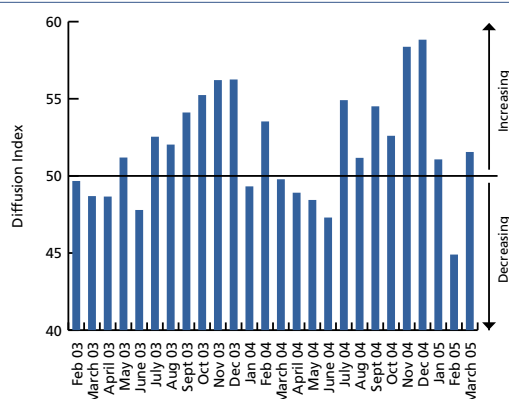
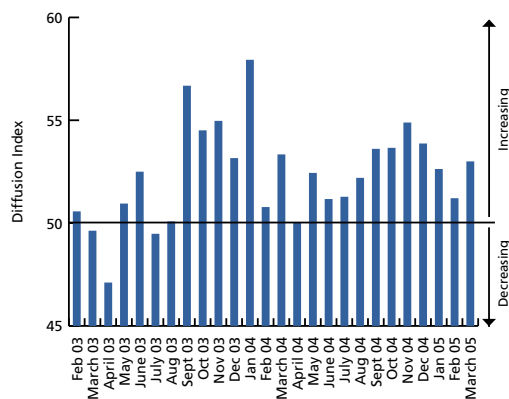
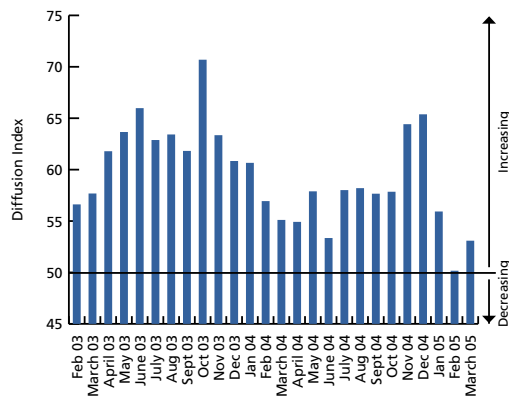
DELIVERIES AND INPUT COSTS

- Supplier deliveries fell for a second consecutive month, although at a significantly slower pace than in February. Seasonally adjusted, the delivery sub-index rose 4.5 points to 49.4.
- The decline in deliveries is consistent with the possible need (especially in the wholesale trade sector) to reduce inventory levels. Indeed, deliveries to wholesale trade have now declined for three consecutive months, and fell also in finance & insurance; communications; and property & business services. Deliveries rose in the remaining five sectors (including retail trade).
- Seasonally adjusted, the input cost index jumped 2.9 points to 65.0. Seven sectors reported stronger increases in the month, although only communications services reported a fall in costs.

NATIONAL INDEXES

	Mar 05	Mar 04	Feb 05	Jan 05	Dec 04	Nov 04	Oct 04	Sept 04	Aug 04	July 04	June 04
AUSTRALIAN PSI®	51.4	52.1	48.7	53.5	60.1	59.5	56.4	56.0	54.6	54.6	51.7
SALES	49.3	50.0	48.6	54.5	63.2	60.5	60.0	59.4	56.9	53.3	53.9
NEW ORDERS	53.1	55.1	50.2	55.9	65.4	64.4	57.9	57.7	58.2	58.0	53.4
EMPLOYMENT	53.0	53.3	51.2	52.6	53.9	54.9	53.7	53.6	52.2	51.3	51.2
INVENTORIES	51.6	49.8	44.9	51.1	58.8	58.4	52.6	54.5	51.2	54.9	47.3
DELIVERIES	49.4	49.9	44.9	50.9	57.3	57.9	54.9	52.3	51.2	56.7	49.3
INPUT PRICES	65.0	59.8	62.1	62.8	62.3	63.6	67.4	64.3	65.9	66.1	68.9

Results are based on a sample of over 200 companies. For further information please contact Heather Ridout, Chief Executive, Ai Group on 02 9466 5504.



WHAT IS THE PSI?

The Australian Performance of Services Index (PSI®) is a 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 services organisation and with the majority of the Australian economy 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 PSI®.

Commonwealth Bank

CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 5504
mobile 0419 257 361

Michael Blythe
Chief Economist
Commonwealth Bank
work 02 9312 4135
mobile 0414 886 027

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