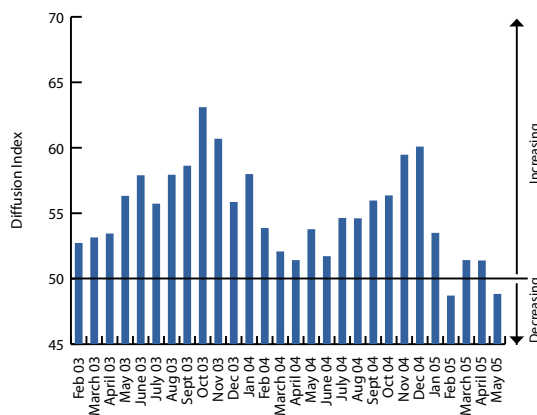


SERVICES SECTOR GROWTH STUMBLES AMID CONSUMER UNCERTAINTY

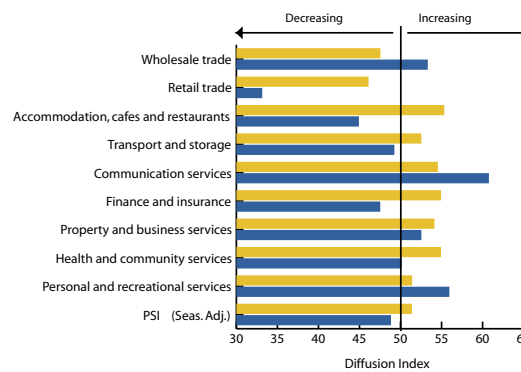
KEY FINDINGS

- Services sector activity contracted slightly in May, with the seasonally adjusted Australian Industry Group – Commonwealth Bank Australian Performance of Services Index (Australian PSI®) falling 2.6 points to 48.8. An index reading of 50.0 separates growth in activity from contraction.
- Sales, new orders and supplier deliveries all fell, leading to a (largely involuntary) rise in inventories. More positively, employment continued to expand, although the rate of growth slowed for the second consecutive month. The increase in raw material prices also eased to the slowest pace since February 2004.
- The weakening in activity was broadly based, including a sharp contraction in the retail trade sector. A growing number of respondents noted adverse effects on sales in May from a combination of the earlier increase in interest rates, a general slowing in demand growth, and unseasonably warm weather.



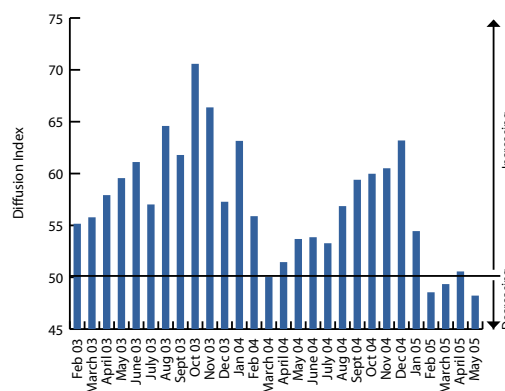
SECTORS

- In unadjusted terms, activity expanded in just four of nine sectors during May, with activity in one further sector (health & community services) broadly unchanged. By comparison, seven sectors reported growth the previous month.
- The four sectors to report contractions in May were retail trade; accommodation, cafes & restaurants; transport & storage; and finance & insurance. It was the third contraction in four months in the retail trade sector.
- Growth was strongest in communications services, and gathered momentum also in wholesale trade and personal & recreational services (in contrast to the continuing weakness in retail trade). However, growth moderated in both property & business services, as well as in health & community services.

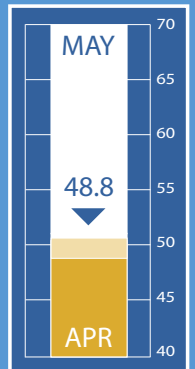


SALES

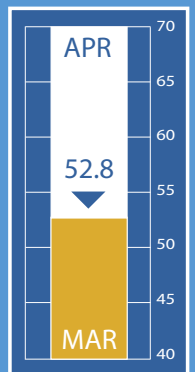
- After adjustment for seasonal factors, the sales sub-index fell 2.4 points to 48.2. It was the third contraction in service sector sales in the past four months.
- In unadjusted terms, sales expanded in just four sectors (down from seven in April). Sales growth was strongest in personal & recreational services and property & business services, picking up also in communications services. Growth moderated in health & community services.
- Elsewhere, sales were unchanged in wholesale trade (following falls in each of the four previous months). But sales contracted in each of the retail trade; accommodation, cafes & restaurants; transport & storage; and finance & insurance sectors.



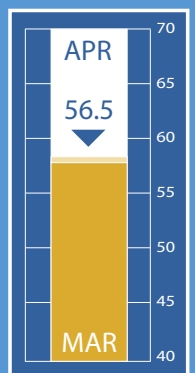
AUSTRALIAN PSI



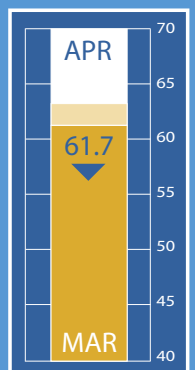
EUROZONE SERVICES INDEX



UK SERVICE S INDEX

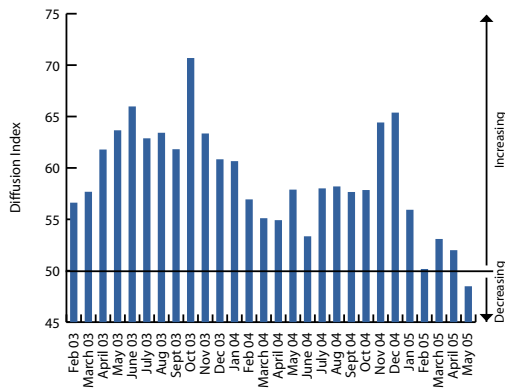


USA SERVICES INDEX



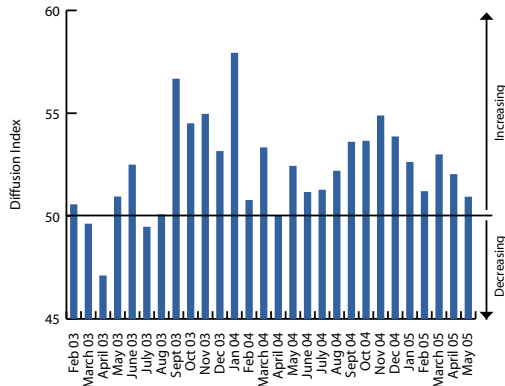
NEW ORDERS

- Seasonally adjusted, new orders fell 3.5 points to 48.5. It was the first contraction in new orders yet recorded, and suggests continuing weakness in sales growth over the next few months.
- Unadjusted, only three sectors reported increases in new orders during May (down from seven in April). The three comprised wholesale trade; communications services; and property & business services.
- New orders were flat (a reading of 50.0) in transport & storage and health & community services. By contrast, orders fell in four sectors - retail trade (the second consecutive contraction); accommodation, cafes & restaurants; finance & insurance; and personal & recreational services.



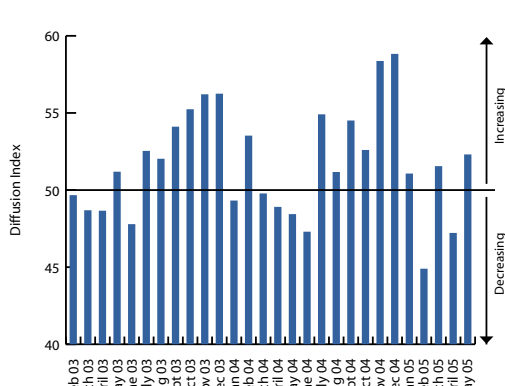
EMPLOYMENT

- In seasonally adjusted terms, the employment sub-index edged down 1.1 points to 50.9. Although slowing, it was the thirteenth consecutive month of growth in services sector employment.
- Unadjusted, employment expanded in six sectors (down from seven previously). Jobs growth was strongest in the transport & storage sector, with growth also strengthening in wholesale trade; communications services; and personal & recreational services.
- Employment growth slowed in finance & insurance and health & community services. The three sectors to report declines in employment were retail trade; accommodation, cafes & restaurants; and property & business services.



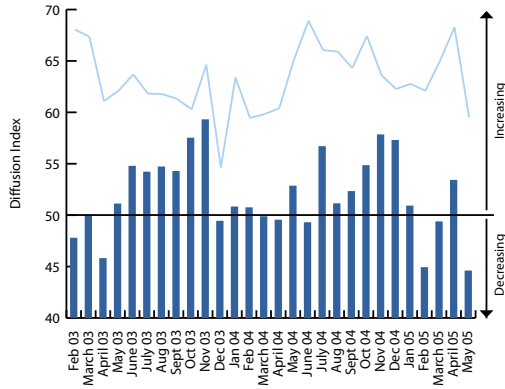
STOCKS

- Unadjusted, the stocks sub-index jumped 5.1 points in May to 52.3. It was the highest reading since December 2004.
- However, among the five sectors to report increases in inventories, three (accommodation, cafes & restaurants; finance & insurance; and personal & recreational services) suffered declines in sales. A fourth (wholesale trade) recorded unchanged sales, with only communications services citing increases in both sales and inventories.
- Stock levels fell in retail trade; property & business services; health & community services; and transport & storage. Moreover, the rate of inventory depletion deepened from the previous month in all but transport & storage.



DELIVERIES AND INPUT COSTS

- Consistent with the declines in sales and new orders, supplier deliveries also fell sharply in the month. The seasonally adjusted supplier delivery sub-index declined 8.8 points to 44.6 (and also the lowest level yet recorded). Unadjusted, personal & recreational services was the only sector to report an increase in deliveries.
- The rate of increase in raw material costs slowed sharply in the month, the seasonally adjusted input cost index declining 8.8 points to 59.5. It was the lowest reading since February 2004.
- All nine sectors reported increases in prices of purchased supplies in the month. However, the rate of increase moderated across the full range of sectors.



NATIONAL INDEXES

| | May 05 | May 04 | Apr 05 | Mar 05 | Feb 05 | Jan 05 | Dec 04 | Nov 04 | Oct 04 | Sept 04 | Aug 04 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|
| AUSTRALIAN PSI® | 48.8 | 51.4 | 51.4 | 48.7 | 53.5 | 60.1 | 59.5 | 56.4 | 56.0 | 54.6 | 54.6 |
| SALES | 48.3 | 50.6 | 49.3 | 48.6 | 54.5 | 63.2 | 60.5 | 60.0 | 59.4 | 56.9 | 53.3 |
| NEW ORDERS | 48.5 | 52.0 | 53.1 | 50.2 | 55.9 | 65.4 | 64.4 | 57.9 | 57.7 | 58.2 | 58.0 |
| EMPLOYMENT | 50.9 | 52.0 | 53.0 | 51.2 | 52.6 | 53.9 | 54.9 | 53.7 | 53.6 | 52.2 | 51.3 |
| INVENTORIES | 52.3 | 47.2 | 51.6 | 44.9 | 51.1 | 58.8 | 58.4 | 52.6 | 54.5 | 51.2 | 54.9 |
| DELIVERIES | 44.6 | 53.4 | 49.4 | 44.9 | 50.9 | 57.3 | 57.9 | 54.9 | 52.3 | 51.2 | 56.7 |
| INPUT PRICES | 59.5 | 68.3 | 65.0 | 62.1 | 62.8 | 62.3 | 63.6 | 67.4 | 64.3 | 65.9 | 66.1 |

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 AUSTRALIAN PSI®?

The Australian Performance of Services Index (Australian 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

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