

MEDIA CONTACT

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JULY 2017

SOLID GROWTH FOR SERVICES IN JULY

Australian PSI[®]
July 2017: 56.4 ↑

USA Flash PSI
July 2017: 54.2 ↑

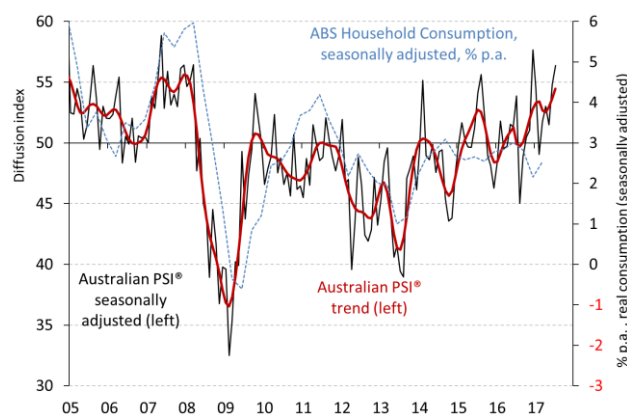
Eurozone Flash PSI
July 2017: 55.4 ↑

UK Markit PSI
June 2017: 53.4 ↓

Japan Nikkei PSI
June 2017: 53.3 ↑

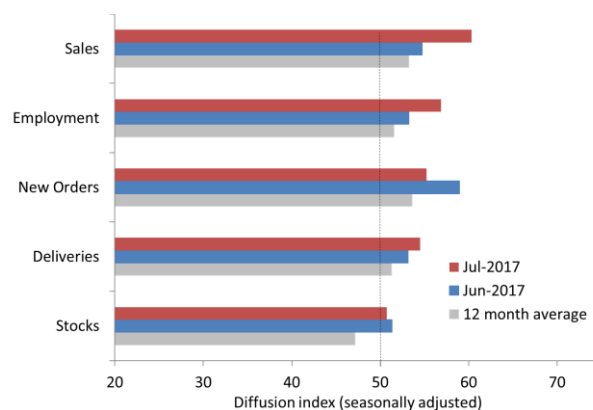
China Caixin PSI
June 2017: 51.6 ↓

- The Australian Industry Group Australian Performance of Services Index (**Australian PSI[®]**) rose by 1.6 points to 56.4 points in July (seasonally adjusted). This was the fifth consecutive month of expansion for the services sector and the strongest monthly result since December 2016. Results above 50 points indicate expansion, with higher numbers indicating a stronger rate of expansion.
- All five of the activity sub-indexes in the **Australian PSI[®]** were above 50 points and indicating growth in July (seasonally adjusted). Sales grew at a faster pace than in June, with this sub-index up 5.6 points to 60.3 points. The employment sub-index also indicated robust growth, lifting 3.7 points to 56.9 points. New orders fell by 3.7 points to 55.2 points. Supplier deliveries lifted by 1.4 points to 54.5 points while stocks fell by 0.5 points to 50.8 points, indicating stable or very mildly positive conditions in the month.
- Six of the nine sub-sectors in the Australian **PSI[®]** expanded in July (trend) with results above 50 points, two were stable and one contracted. Personal and recreational services registered 62.1 points, finance and insurance improved to 59.6 points and communication services improved to 56.3 points in July. Wholesale trade (55.5) expanded at a similar pace to June, property and business services slowed (down 1.4 points to 51.8 points) and transport and storage (51.5) accelerated slightly. Health and community services (50.5) and hospitality (accommodation, cafes and restaurants) (49.5 points) were both relatively stable while retail trade shrank again (44.7 points).
- Respondents to the **Australian PSI[®]** noted steady demand for business-to-business services. Some businesses noted an improvement in consumer confidence, but this does not seem to be translating into better conditions or sales in retail. Others said continued competition from offshore and online providers is dampening activity across local consumer-oriented services sectors.



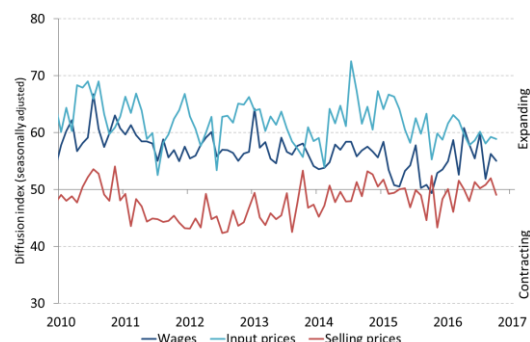
ACTIVITY SUB-INDEXES

- Sales expanded strongly in July, with this sub-index gaining 5.6 points to 60.3 points (seasonally adjusted). This was the fifth consecutive month of expansion in this sub-index and the strongest monthly result since December 2016.
- The employment sub-index lifted 3.7 points to 56.9 in July and indicated expansion again, following a mild contraction in May after months of growth in early 2017. This was the strongest monthly result for the employment sub-index since May 2015.
- The new orders sub-index fell by 3.7 points to 55.2 in July. This was the fifth consecutive month of growth for this sub-index, suggesting further growth later in 2017.
- The supplier deliveries sub-index in the **Australian PSI[®]** grew by 1.4 points to 54.5 points in July and indicated a faster pace of growth in deliveries. This marked two months of expansion following mixed results in the first half of the year.
- Stocks (inventories) in the **Australian PSI[®]** were broadly stable over the month, with this sub-index moderating by 0.5 points to 50.8 points in July.
- Capacity utilisation across the services sector increased by 1.2 percentage points to 78.2% of available capacity in July. Capacity utilisation has averaged 76.6% over the past 12 months.



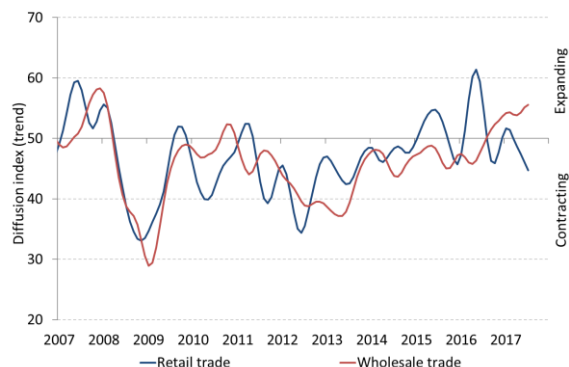
PRICES SUB-INDEXES

- Input price rises moderated in July, with the sub-index for input prices falling by 0.4 points to 58.9 points. Respondents continue to single out high energy costs as a key source of input cost pressures at present, across a wide range of services sub-sectors.
- The wages sub-index weakened by 1.2 points to 55.1 points in July, indicating moderating pressure on wages across the services sector. This sub-index has indicated expansion (results over 50 points) for the past year, albeit at a slower average rate of expansion (55.8 points) than the long-run average for this sub-index (56.7 points on average since June 2009).
- The sub-index for selling prices fell by 2.9 points to 49.1 points and into contraction in July. Selling prices continue their weak run in the **Australian PSI[®]** reflecting a fiercely competitive market that can make it difficult for services sector businesses to raise their selling prices due to a background of low inflation and stiff local and global competition.



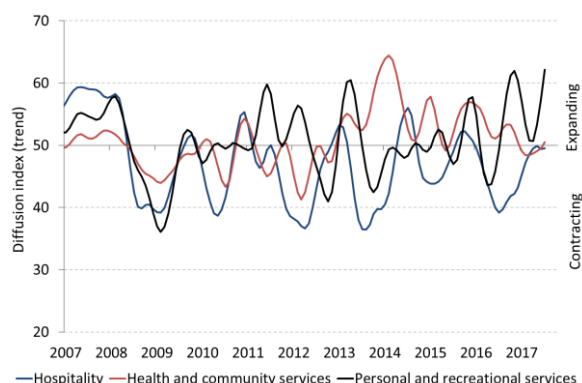
RETAIL TRADE; WHOLESALE TRADE *

- The **retail trade** sub-sector's index fell by 1.4 points to 44.7 points in July, indicating a faster pace of contraction (trend). This marks the fourth consecutive month of contraction after three months of flat or mildly expansionary conditions in early 2017. Retail businesses in the **Australian PSI®** noted an increase in price competition from online and offshore sellers who are increasingly detracting from their local sales.
- The **wholesale trade** sub-sector's index picked up by 0.4 points to 55.5 points in July, indicating a slightly faster pace of growth. Eleven of the past twelve months have been positive. The recovery in wholesale trade has been improving in the last few months after a long slump in previous years.



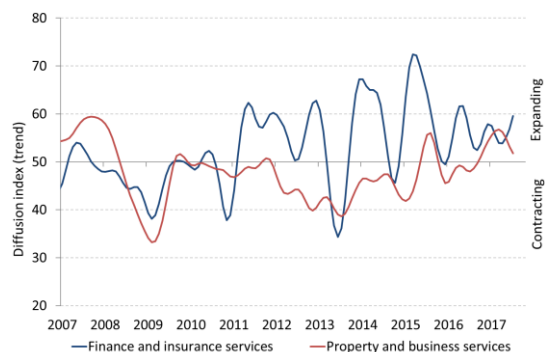
HOSPITALITY; HEALTH SERVICES; RECREATIONAL SERVICES *

- The **accommodation, cafes and restaurants** ('hospitality') sub-sector's index increased by 0.1 points to 49.5 points in July, indicating a fourth month of broadly stable conditions after 14 months of shrinkage (results below 50 points). It appears that customers did not reduce their discretionary spending with local hospitality providers further in July, after a long period of falling local spending for this sub-sector.
- The **personal and recreational services** sub-sector's index rose by 4.8 points to 62.1 points in July, indicating a third month of solid growth. This marks a return to the stronger period of growth seen in late 2016. It is possible that conditions in this consumer-oriented sub-sector are improving at the expense of local retailers, who are still reporting poor discretionary spending among local consumers.
- The large and diverse **health and community services** sub-sector's index lifted by 1.0 point to 50.5 points in July. This marked a second month of stable conditions for this sub-sector (including private-sector health, welfare and education services), after five months of mild contraction.



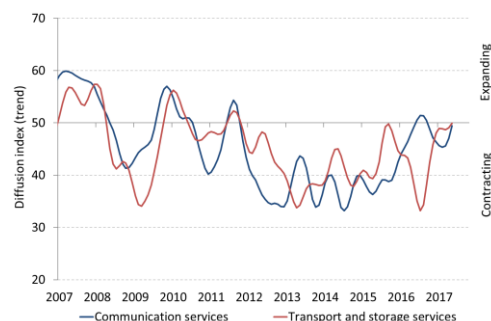
PROPERTY AND BUSINESS SERVICES; FINANCE SERVICES *

- The large **property and business services** sub-sector's index fell by 1.4 points in July to 51.8 points. This marked a tenth month of growth following a year of mild shrinkage for this sub-sector, however the pace of growth has moderated in the past few months. This sub-sector includes large professional and administrative services segments (e.g. legal, accounting, consulting, engineering and office services) and a smaller real estate and property services segment (e.g. residential and commercial real estate services).
- The very large **finance and insurance** sub-sector's index rose by 2.8 points to 59.6 points in July, the highest monthly result in 14 months. This sub-sector has been growing or stable since November 2014. This sub-sector includes banking, insurance, superannuation and financial advisory services.



COMMUNICATION SERVICES; TRANSPORT SERVICES *

- The **communications** services sub-sector's index increased by 3.3 points to 56.3 in July, indicating solid growth in the month. This marks the second month of recovery after weak conditions for the past few years. Respondents to the **Australian PSI®** in this sub-sector continue to report mixed conditions resulting from ongoing technological and policy-related adjustments in the telecommunications, ICT and media segments.
- The **transport and storage** services sub-sector's index lifted by 0.6 point to 51.5 points in July, indicating mild growth after a protracted period of contraction. Conditions in this sub-sector appear to be improving, although transport and storage businesses in the **Australian PSI®** note they still face significant disruption from technological changes, intense competition and input cost pressures (including energy input costs).



Seasonally adjusted index	Index this month	Change from last month	12 month Average	Seasonally adjusted index	Index this month	Change from last month	12 month Average
Australian PSI®	56.4	1.6	52.0	Supplier Deliveries	54.5	1.4	51.3
Sales	60.3	5.6	53.2	Input Prices	58.9	-0.4	59.8
New orders	55.2	-3.7	53.6	Selling Prices **	49.1	-2.9	49.2
Employment	56.9	3.7	51.6	Average Wages **	55.1	-1.2	55.8
Stocks	50.8	-0.5	47.1	Capacity utilisation **	78.2	1.2	76.6

** All sub-sector indexes in the **Australian PSI®** are reported in trend terms (Henderson 13-month filter) to better identify the trends in these volatile monthly data.

What is the Australian PSI®? The Australian Industry Group Australian Performance of Services Index (Australian PSI®) is a seasonally adjusted national composite index based on the diffusion indexes for sales, orders/new business, deliveries, inventories and employment with varying weights. An Australian PSI® reading above 50 points indicates 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. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/economics>. *For further information on international PMI data, visit <http://www.markiteconomics.com> or <http://www.cipsa.com.au>.

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