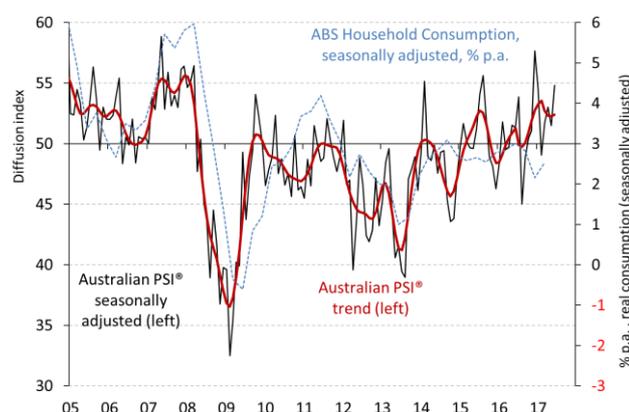


SERVICES SECTOR LIFTS IN JUNE

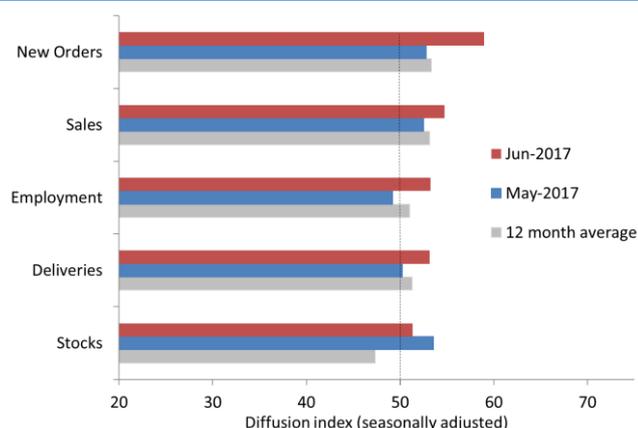
Australian PSI® June 2017: 54.8 ↑	USA Flash PSI June 2017: 53.0 ↓	Eurozone Flash PSI June 2017: 54.7 ↓	UK Markit PSI May 2016: 53.8 ↓	Japan Nikkei PSI May 2016: 53.0 ↓	China Caixin PSI Apr 2016: 52.8 ↑
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- The Australian Industry Group Australian Performance of Services Index (**Australian PSI®**) rose by 3.3 points to 54.8 points in June (seasonally adjusted). This was the fourth consecutive month of expansion for the services sector. 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 positive and indicated growth in June (seasonally adjusted). Sales grew at a faster pace than in May, up 2.2 points to 54.7 points. New orders lifted 6.1 points to 58.9 points. Stocks rose but at a slower pace than in May (51.3 points). Supplier deliveries moved into expansion (53.1 points) in June, as did employment (53.2 points) in June.
- Five of the nine sub-sectors in the Australian **PSI®** expanded in June (trend) with results above 50 points. Property and business services (57.6 points), finance and insurance (54.7 points), wholesale trade (52.7 points), personal and recreational services (52.3 points) hospitality (accommodation, cafes and restaurants) (51.2 points) all maintained or improved their growth rates in June. Transport and storage (up 0.8 points to 49.9 points) and health and community services (49.0 points) were broadly stable, while retail trade (down 0.8 points to 47.8 points) and communication services (down 0.8 to 44.1 points) contracted at a slightly faster pace in June.
- Respondents to the **Australian PSI®** noted positive demand for business-to-business services from the construction and infrastructure investment sectors. Some businesses noted better consumer confidence, but this does not seem to be translating into better conditions or sales in retail. Others said heightened competition from offshore and online providers is dampening activity across local consumer-oriented services sectors.



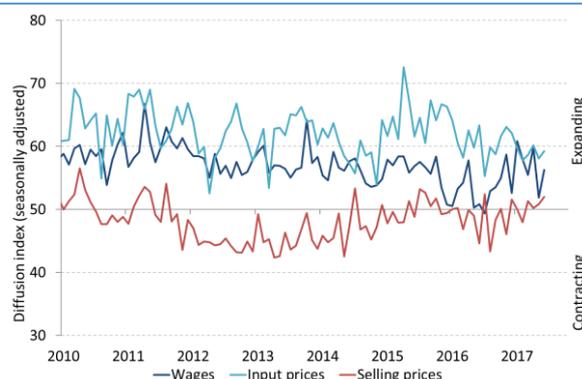
ACTIVITY SUB-INDEXES

- The new orders sub-index jumped up by 6.1 points to 58.9 in June. This was the fourth consecutive month of growth and the highest monthly result since December 2016.
- Sales growth accelerated in June, with this sub-index gaining 2.2 points to 54.7 points (seasonally adjusted). This was the fourth consecutive month of expansion in sales.
- The employment sub-index lifted 4.0 points to 53.2 in June and indicated expansion again, following mild contraction in May and mixed results over the first half of 2017.
- The supplier deliveries sub-index in the **Australian PSI®** grew by 2.9 points to 53.1 points in June and indicated growth in deliveries, following stable levels in May.
- Stocks (inventories) in the **Australian PSI®** decelerated in June, with this sub-index moderating 2.3 points to 51.3 points in June. This was the second month of inventory build-up in the **Australian PSI®**, following four months of contracting stocks.
- Capacity utilisation across the services sector increased by 0.8 percentage points to 77.0% of available capacity in June. Capacity utilisation has averaged 76.5% over the past 12 months.



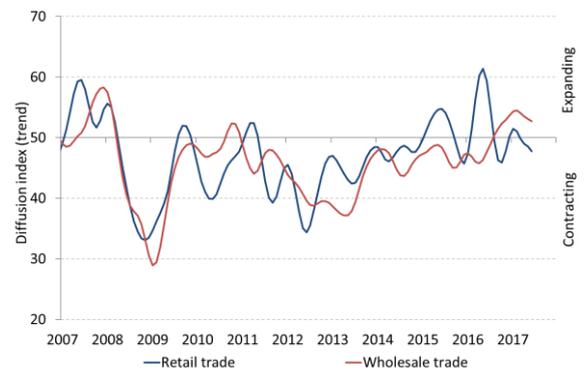
PRICES SUB-INDEXES

- Input prices accelerated in June, with the sub-index for input costs increasing to 59.3 points. Respondents continue to single out high energy costs as a key source of input cost pressures at present, across a range of sub-sectors.
- The wages sub-index rose by 4.4 points to 56.3 points in June, indicating stronger upward pressure on wages across the services sector. This sub-index has indicated expansion (results over 50 points) in eleven of the past twelve months, albeit at a slower average level (55.4 points) than the long-run average for this sub-index (56.7 points on average since May 2009).
- The sub-index for selling prices rose by 1.2 points to 52.0 points in June. This suggests only mild price rises for customers. It was, nevertheless, the highest monthly result for this sub-index since July 2016. Selling prices have been weak over the past 18 months, reflecting low background inflation and a fiercely competitive market for services sector businesses in the **Australian PSI®**.



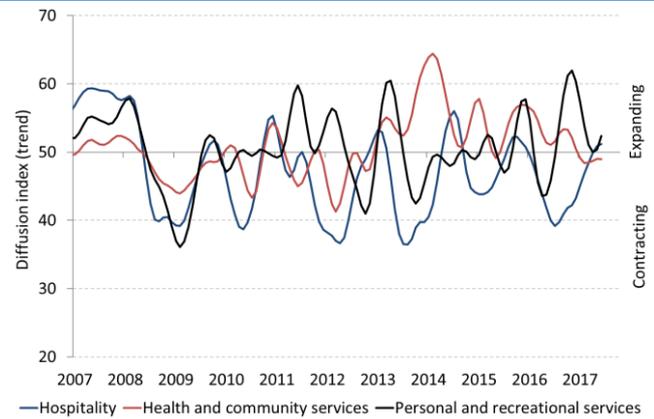
RETAIL TRADE; WHOLESALE TRADE *

- The **retail trade** sub-sector's index fell 0.8 points to 47.8 points in June, indicating a faster pace of contraction (trend). This marks the third consecutive month of contraction after three months of flat or mildly expansionary conditions in early 2017. Retail businesses in the **Australian PSI**[®] said lack of customer demand and increased competition from online and offshore sellers detracted from their activity and sales in June.
- The **wholesale trade** sub-sector's index dropped by 0.4 points to 52.7 points in June, indicating a slightly slower pace of growth. This marked a tenth month of recovery in wholesale trade after a long slump, although the pace of growth has moderated over the past five months.



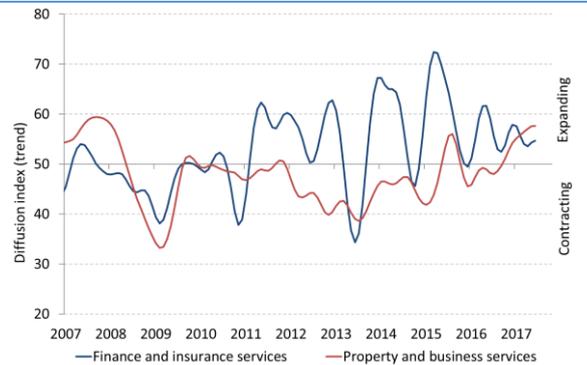
HOSPITALITY; HEALTH SERVICES; RECREATIONAL SERVICES *

- The **accommodation, cafes and restaurants** ('hospitality') sub-sector's index increased by 0.3 points to 51.2 points in June, indicating a second month of mild expansion after 16 months of shrinkage (results below 50 points). It appears that customers may have begun to direct more of their discretionary spending back to local hospitality providers, after a long period of reduced spending for the sub-sector.
- The **personal and recreational services** sub-sector's index rose by 1.9 points to 52.3 points in June, indicating mild growth after two months of stable conditions. This marks six months of very mild growth and relatively stable conditions for this small consumer-oriented sub-sector, following a stronger period in late 2016.
- The large and diverse **health and community services** sub-sector's index remained at 49.0 points in June (the same as May). This marked a sixth month of mild contraction for this sub-sector (including private-sector health, welfare and education services), which has been mostly expanding since 2012.



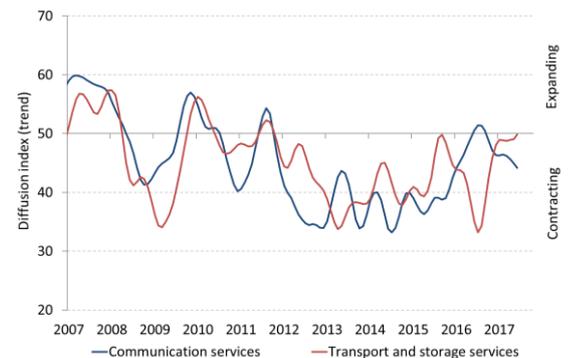
PROPERTY AND BUSINESS SERVICES; FINANCE SERVICES *

- The large **property and business services** sub-sector's index remained at 57.6 points in June (the same as May). This indicated a relatively strong pace of growth and marked its ninth month of growth following a year of mild shrinkage for the sector. Activity in the comparatively large professional and administrative services segments has improved in the past few months. Growth in the (relatively smaller) real estate services segment has been evident over a longer period, reflecting the ongoing strength of urban residential property markets in the eastern states.
- The very large **finance and insurance** sub-sector's index (including banking, insurance, superannuation and financial advisory services) rose by 0.4 points to 54.7 points in June. This sub-sector has been growing or stable since November 2014.



COMMUNICATION SERVICES; TRANSPORT SERVICES *

- The **communications services** sub-sector's index dropped by 0.8 points to 44.1 points in June, indicating a continuing contraction and at a slightly stronger pace. Aside from two months of weak growth in the middle of 2016, this sub-sector has been stable or shrinking since September 2011. This reflects the ongoing technological and policy-related adjustments going on in the key telecommunications, ICT and media segments of this sub-sector.
- The **transport and storage services** sub-sector's index lifted by 0.8 point to 49.9 points in June, indicating relatively stable conditions 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.



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 [®]	54.8	3.3	51.8	Supplier Deliveries	53.1	2.9	51.3
Sales	54.7	2.2	53.2	Input Prices	59.3	1.2	59.5
New orders	58.9	6.1	53.4	Selling Prices **	52.0	1.2	49.5
Employment	53.2	4.0	51.0	Average Wages **	56.3	4.4	55.4
Stocks	51.3	-2.3	47.3	Capacity utilisation **	77.0	0.8	76.5

** 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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