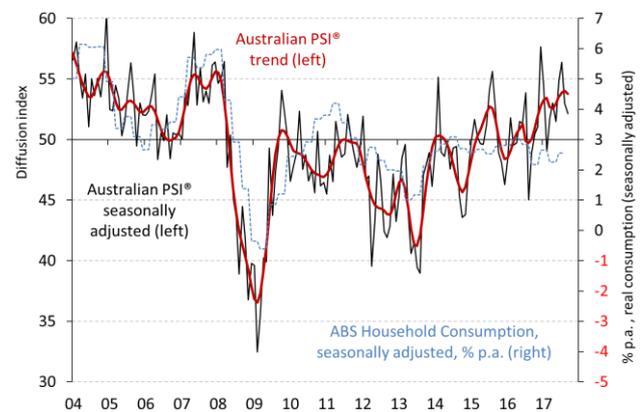


SERVICES SECTOR SLOWS MARGINALLY IN SEPTEMBER

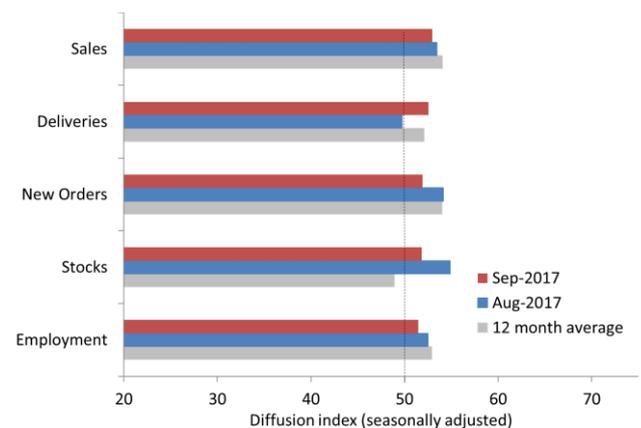
Australian PSI®	USA Flash PSI	Eurozone Flash PSI	UK Markit PSI	Japan Nikkei PSI	China Caixin PSI
Sept 2017: 52.1 ↓	Sept 2017: 55.1 ↓	Sept 2017: 55.6 ↑	Sept 2017: 53.2 ↓	Sept 2017: 51.6 ↓	Sept 2017: 52.7 ↑

- The Australian Industry Group Australian Performance of Services Index (**Australian PSI®**) fell 0.9 points to 52.1 in September (seasonally adjusted), signalling a marginal slowing in growth from August. Australian PSI® results above 50 points indicate expansion, with higher numbers indicating stronger rates of growth.
- All five of the activity sub-indexes in the **Australian PSI®** were above 50 points and indicating growth in September (seasonally adjusted), but four of them grew at a slower pace than in August. Sales (52.9 points), new orders (51.9) and employment (51.4) growth moderated while stocks (inventory) (51.8) built up at a slower rate. Supplier deliveries (52.6) returned to expansion. Capacity utilisation in the Australian PSI® fell to 77.1% of available capacity being utilised across the services sector in September.
- The **Australian PSI®** showed a marked variation in results across the sub-sectors in September. Six of the nine sub-sectors expanded in September (trend) with results above 50 points. Activity accelerated in finance and insurance (63.7 points), personal and recreational services (62.9), communications services (58.6) and health and community services (52.5 points). Wholesale trade (56.8 points) grew at about the same rate as in August. Growth in property and business services (52.4) decelerated.
- Reluctant consumer spending saw activity shrink at a faster rate in September in retail trade (43.1 points), while the index for the hospitality sub-sector (accommodation, cafes and restaurants) fell by 3.5 points to a record low of 35.7 points. Transport and storage slipped back into contraction at 48.7 points.
- Respondents to the **Australian PSI®** in the business-oriented sub-sectors noted positive demand coming from the construction and mining sectors, predominantly in the eastern states. Respondents in retail and hospitality are reporting reduced spending by consumers due to a mix of increased household electricity costs, flat income growth, and relatively poor consumer confidence. Businesses in Western Australia still appear to be suffering tougher conditions than those in the eastern states in September.



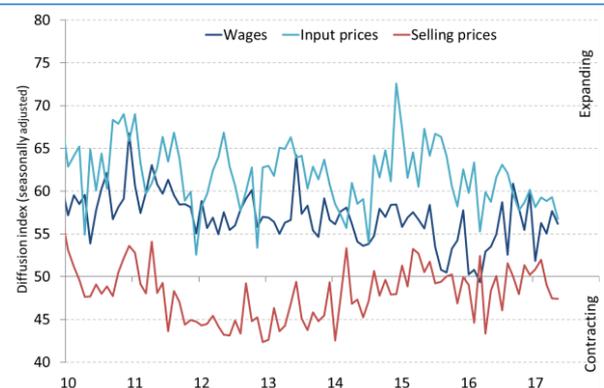
ACTIVITY SUB-INDEXES

- Sales grew at a slightly slower pace in September, with this sub-index falling by 0.6 points to 52.9 points (seasonally adjusted). Sales have grown in all but one month (February) so far this year.
- Employment growth also moderated, with this sub-index falling by 1.1 point to 51.4 points. Employment in the **Australian PSI®** has expanded or remained stable in every month so far this year.
- New orders decelerated in September, with this sub-index falling by 2.3 points to 51.9 points. September marked thirteen months of growth or stability for this key sub-index.
- Stocks (inventories) in the **Australian PSI®** expanded again in September but at a slower pace than in August, with this sub-index dropping by 3.1 points to 51.8 points.
- Supplier deliveries grew in September, at 52.6 points, after a relatively stable month in August (49.7 points).
- Capacity utilisation across the services sector fell by 4.3 percentage points to 77.1% of available capacity in September in the **Australian PSI®**, but remained just above the annual average of 76.9%



PRICES SUB-INDEXES

- Input prices decelerated in September, with this sub-index falling by 2.5 points to 56.8 points. Respondents are increasingly noting high energy costs as a key source of problematic input cost pressures. This is evident across almost all services sub-sectors.
- The wages sub-index weakened by 1.5 points to 56.2 points in September, indicating some relief from wage pressures relative to August. This sub-index has indicated a slightly slower average rate of growth over the past year (56.5 points) than its long-run average (56.7 points on average since August 2009).
- The sub-index for selling prices was almost unchanged at 47.4 points in September. This sub-index indicated falling prices for a third consecutive month and was the lowest monthly result since November 2016. This reflects the price-dampening effects of the recently higher Australian dollar (which makes imported goods and services cheaper) coupled with an extremely competitive market, weak local consumer demand and relatively weak background inflation.



RETAIL TRADE*

- The **retail trade** sub-sector's index fell by 1.5 points to 41.3 points in September, indicating worsening conditions (trend). This marked a sixth consecutive month of contraction after better conditions in early 2017. Retail businesses in the **Australian PSI®** say competition is growing from online and offshore sellers, while local customers are reluctant to spend due to slow wages and increasing energy and housing costs.

WHOLESALE TRADE*

- The **wholesale trade** sub-sector's index was steady at 56.8 points in September, indicating a solid pace of growth. The past thirteen months have been positive for this segment. This year's recovery in wholesale trade activity reflects better business-to-business trading activity and possibly an increase in distribution activity generated by local and offshore internet sales to consumers.



HOSPITALITY*

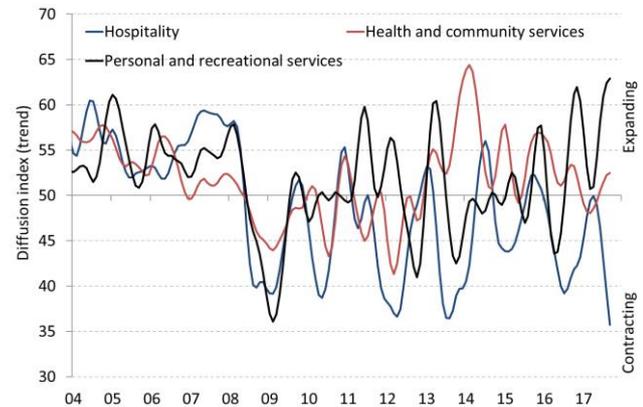
- The **accommodation, cafes and restaurants** ('hospitality') sub-sector's index fell by 3.5 points to a record low of 35.7 points in September (trend). This marked 21 months of contractionary or flat conditions for this sub-sector. Consumers remain cautious with their discretionary spending and/or are choosing to spend it elsewhere.

HEALTH, EDUCATION AND COMMUNITY SERVICES*

- The **health, education and community services** sub-sector's index lifted by 0.2 points to 52.5 points in September. This marked a third month of expansion for this giant sub-sector (including private-sector health, welfare, community and education services), after a year of slower conditions in 2016-17.

PERSONAL AND RECREATIONAL SERVICES*

- The small **personal and recreational services** sub-sector's index rose by 0.5 points to a record high of 62.9 points in September (trend). This sub-sector has expanded or been stable since June 2016. Consumers appear to be directing their discretionary spending to this sector's personal and home-based services, instead of towards local retail goods and hospitality services (restaurants and local holiday accommodation).

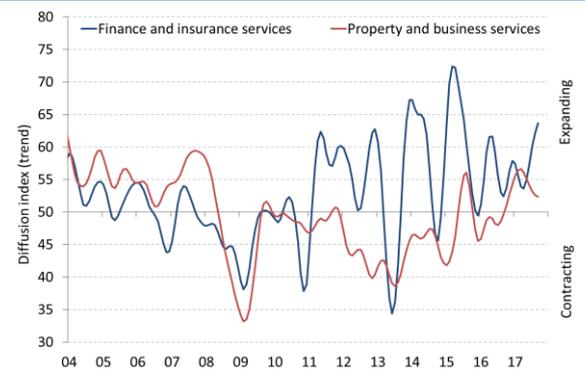


PROPERTY AND BUSINESS SERVICES*

- The large **property and business services** sub-sector's index moderated by 0.2 points in September to 52.4 points, indicating a slight slowing in growth. This sub-sector has been expanding for the past year (trend). 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 management segment. This recent deceleration seems to reflect slower growth in real estate transactions and property-related activity in recent months.

FINANCE AND INSURANCE SERVICES*

- The very large **finance and insurance** sub-sector's index rose by 1.6 points to 63.7 points in September. This was the highest monthly result since July 2015 (trend). This sub-sector has been growing or stable since November 2014. This sub-sector includes banking, insurance, superannuation and financial advisory services.

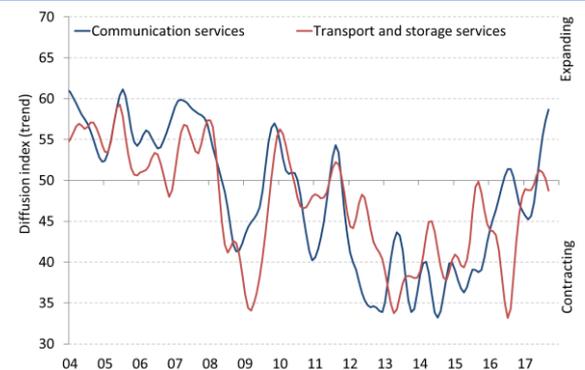


COMMUNICATION SERVICES*

- The **communications services** sub-sector's index increased by 1.3 points to 58.6 points in September, indicating an accelerating recovery. This was the highest monthly result for this sub-index since July 2007 (trend) and marked a fourth month of recovery. Respondents from this sub-sector in the **Australian PSI®** report increased activity as a result of improved marketing and more consistent orders from customers.

TRANSPORT AND STORAGE SERVICES*

- The **transport and storage services** sub-sector's index fell by 1.5 points to 48.7 points in September (trend), indicating a slight contraction after four months of stable or mildly expansionary conditions. Recent sharp rises in energy costs and increasingly competitive conditions are the key challenges in this sub-sector. Several respondents noted that freight prices have been forced down due to increasing competition in 2017.



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®	52.1	-0.9	52.9	Supplier Deliveries	52.6	2.9	52.1
Sales	52.9	-0.6	54.0	Input Prices	56.8	-2.5	59.6
New orders	51.9	-2.3	54.0	Selling Prices **	47.4	-0.1	49.5
Employment	51.4	-1.1	52.9	Average Wages **	56.2	-1.5	56.5
Stocks	51.8	-3.1	48.9	Capacity utilisation **	77.1	-4.3	76.9

** 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 indicates the strength of the expansion or decline.

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