

Services sectors struggle in June

The Australian Industry Group Australian Performance of Services Index (Australian PSI®) fell slightly by 0.1 points to 31.5 points in June 2020 (seasonally adjusted), indicating another serious contraction in activity in June and at a similar pace to May. This was the second lowest result in the history of this series, following a record low in April (commencing in 2003). Results below 50 points indicate contraction in the Australian PSI® with lower numbers indicating a stronger pace of decline.

The Australian PSI® continued to indicate contraction in all sectors in June (trend). Restrictions on activity have now been in place since March, to varying degrees, around Australia. The recent easing of restrictions in some locations led to optimism for a few businesses as enquiries increased. However, all indicators were firmly negative for June and employment decreased significantly from the previous month.

Reduced customer demand continued to drag down most businesses across all services sectors in June. Some respondents reported the instant asset tax write-off had a positive effect on sales as did end of financial year discounting. Consumer sales have been impacted by uncertainty, tightening income and falling employment. Some business-oriented respondents reported that a lack of work in the pipeline was creating uncertainty about the outlook after current projects had finished.

JUNE 2020

MEDIA CONTACT

Tony Melville
Australian Industry Group
Tel: 0419 190 347

Australian PSI® ▼ 0.1 points (seasonally adjusted)	31.5
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Australian PSI® ▼ 2.3 points (trend)	29.0
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Business & property services ▼ 1.1 points (trend)	34.6
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Logistics ▼ 1.3 points (trend)	31.6
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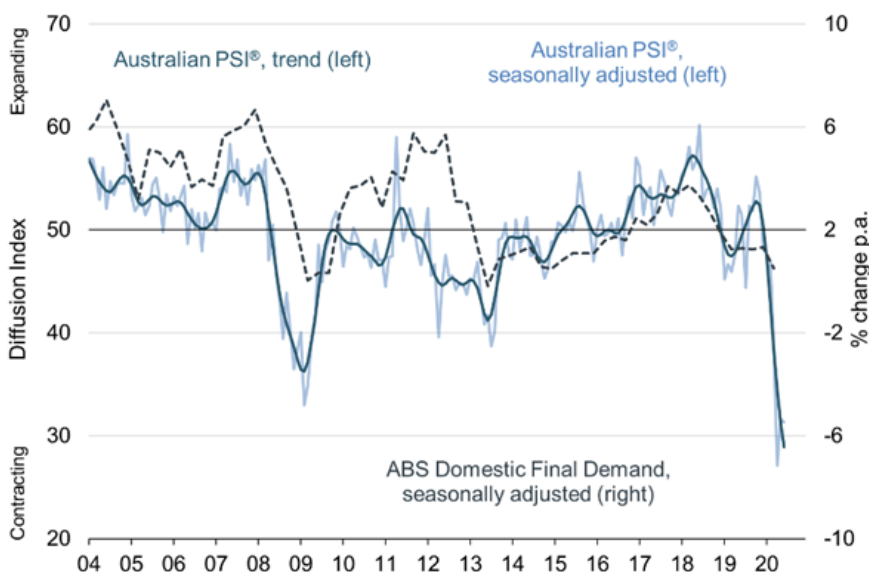
Finance & insurance ▼ 6.5 points (trend)	19.0
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Retail trade & hospitality ▲ 1.9 points (trend)	34.7
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Health & community ▼ 4.8 points (trend)	26.2
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Personal, recreation & other services ▼ 3.4 points (trend)	31.6
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Australian PSI® (seasonally adjusted and trend)



Business-oriented services sectors: All three of the business-oriented sectors included in the Australian PSI® contracted and deteriorated further in June (trend). The index for the business & property sector declined to its lowest level since September 2012, while the index for logistics (wholesale trade, transport & storage businesses) declined to its lowest level since February 2009, immediately after the Global Financial Crisis (GFC). The Finance & Insurance sector recorded its lowest result in the history of the PSI (trend). Lower index values indicate a faster rate of contraction.

Consumer-oriented services sectors: In trend terms, all three of the consumer-oriented sectors contracted in June. The 'health & education and community' and 'personal, recreational and other services' indices fell to new record lows in the Australian PSI®. The decline in the retail and hospitality eased somewhat as restrictions on activity were rolled back and some cafes and restaurants re-opened to trade.

Services prices and wages: The input price index fell significantly in June as a result of lower competition for inputs, surplus stock discounts, the higher trading range of the Australian dollar and a resumption of some supply chains that had been interrupted. The average wage price index continued to contract (results under 50 points) and the rate of contraction increased. Selling prices deteriorated further in June, as deflation pressures pushed the index to its lowest level in the history of the Australian PSI® (seasonally adjusted).

Services activity, orders and employment: All of the activity indexes in the Australian PSI® contracted in June (seasonally adjusted). The rate of contraction for employment increased significantly. New orders and supplier deliveries contracted slightly more than in May. The rate of decline in inventory levels and sales eased slightly after hitting record lows in April.

Capacity utilisation fell by 3.3 percentage points to 66.5% of available capacity being used in June. This index has been historically low for three months. This reduced level of capacity is indicative of depressed demand during this period, and a reduction in general activity across retail, transport, education, personal and hospitality services.

Services highlights: An easing in activity restrictions and government financial stimulus were nominated by respondents as having a positive impact on activity. Infrastructure investment, orders from international customers and the instant asset tax write-off were all reported to provide a positive boost. For a small number of businesses, trade has resumed to pre-pandemic levels.

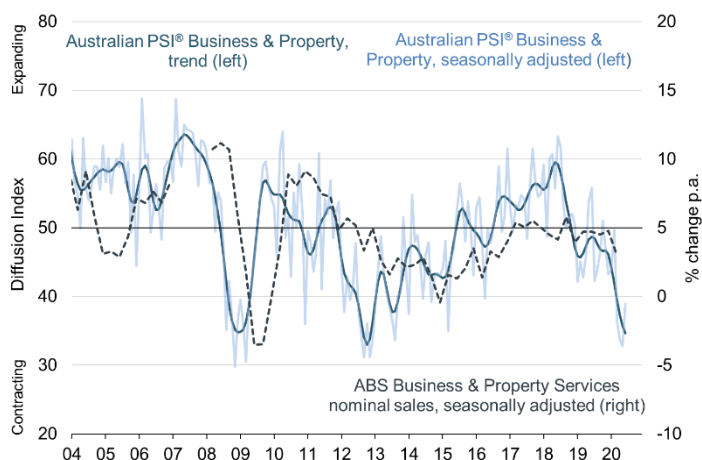
Services concerns: Reduced demand was overwhelmingly the most prominent factor affecting services businesses in June. Any effect of increased demand from panic buying has dissipated, the lack of consumer discretionary spending and low demand from the construction industry all weighed heavily on respondents. For businesses who have had ongoing projects the lack of future projects coupled with concern regarding government stimulus ending is leading to uncertainty about the future.

Australian PSI® key numbers	Index this month	Change from last month	Series average		Index this month	Change from last month	Series average
<i>Seasonally adjusted</i>				<i>trend</i>			
Australian PSI®	31.5	-0.1	50.1	Australian PSI®	29.0	-2.3	49.8
<i>Activity indexes</i>				<i>Business-oriented services</i>			
Sales	28.7	1.0	50.2	Business & property	34.6	-1.1	50.6
Employment	30.9	-4.3	50.2	Logistics	31.6	-1.3	46.7
New Orders	30.3	-0.3	50.6	Finance & insurance	19.0	-6.5	52.6
Supplier deliveries	30.9	-0.4	48.9				
Finished stocks	43.6	7.6	49.0	<i>Consumer-oriented services</i>			
Capacity Utilisation (%)	66.5	-3.3	76.2	Retail trade & hospitality	34.7	1.9	47.7
<i>Prices and wages</i>				Health & education	26.2	-4.8	51.7
Input Prices	49.0	-12.9	64.0	Personal, recreational & other	31.6	-3.4	53.4
Selling Prices	34.0	-4.5	48.4				
Average Wages	38.3	-6.9	56.9				

Results above 50 points indicate expansion. All indexes for sub-sectors in the Australia PSI® are reported in trend terms (Henderson 13-month filter).

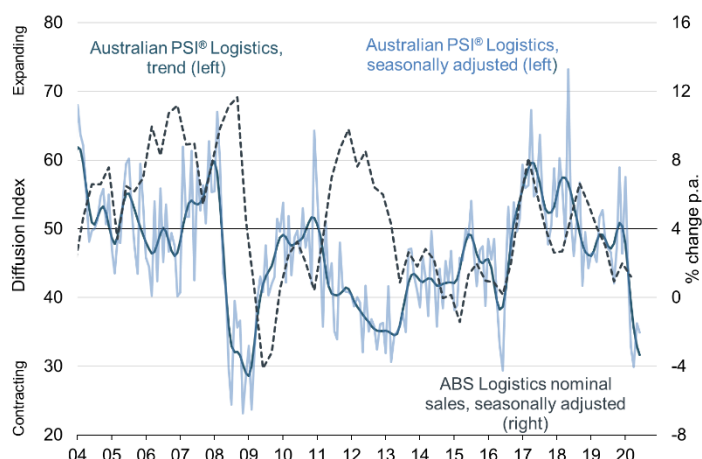
Business and property services

- Business & property services include professional services (accounting, legal and consulting), IT, media, telecommunications, administrative services, real estate & property management services. This sector produced \$303.8bn in real value-added output in the year to Q1 2020 (equal to 15.9% of GDP).
- Business & property services employed 1,902,300 people in May 2020 (16% of total employment).
- The index for business & property services contracted by 1.1 points to 34.6 points in June (trend). This was the lowest monthly trend result since November 2012.
- Some businesses noted a lack of future work when current projects were completed, for a small number of businesses June marked a return to business as usual.



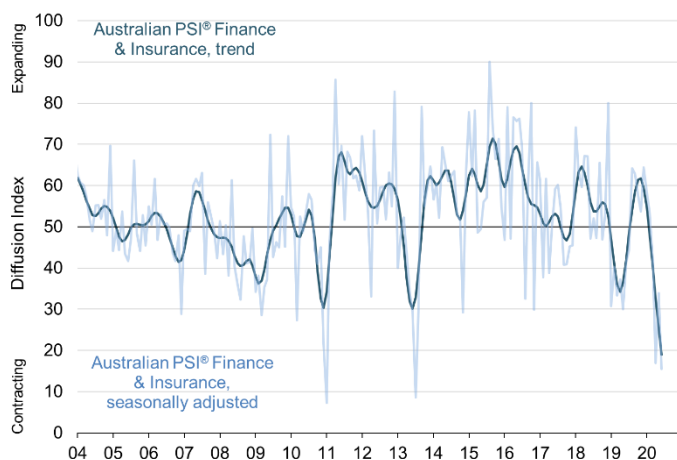
Logistics

- Logistics includes wholesale trade, transport & storage services. It produced \$156.7bn in real value-added output in the year to Q1 2020 (equal to 8.2% of GDP).
- Logistics employed 973,600 people in May 2020 (8% of total employment).
- The logistics index deteriorated by 1.3 points to 31.6 points in June (trend). This is the lowest result for this sector's index since February 2009.
- Government stimulus, the instant asset tax write-off and international orders had a positive impact on some logistics businesses. However most businesses had low demand over the month.



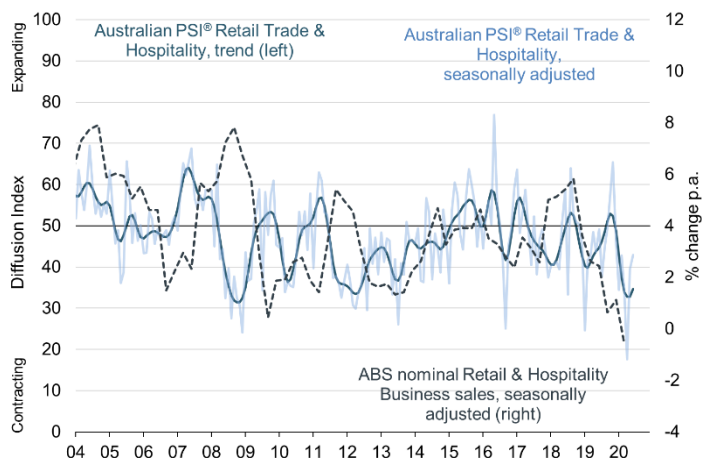
Finance & insurance

- Finance & insurance services (including banking, finance, insurance and superannuation services) produced \$166.9bn in real value-added output in the year to Q1 2020 (equal to 8.7% of GDP).
- This sector employed 486,300 people in May 2020 (4% of total employment).
- The finance & insurance sector's index fell by 6.5 points to 19.0 points in June (trend). This was the lowest monthly result for this sector in the history of the Australian PSI®.



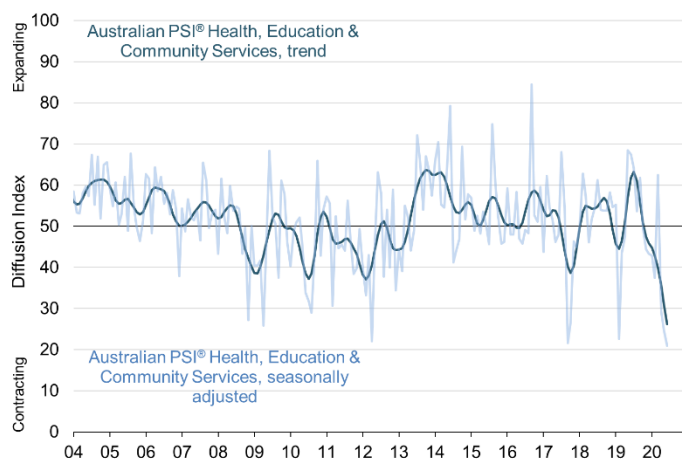
Retail trade & hospitality

- The retail and hospitality sector (including retail shops, restaurants, cafes, take-aways and hotels) produced \$121.3bn in real value-added output in the year to Q1 2020 (equal to 6.3% of gross domestic product).
- It employed 1,835,000 people in May 2020 (15% of total employment). The majority of retail & hospitality workers are part-time (under 35 hours per week).
- The index for the retail trade & hospitality sector improved by 1.9 points to 34.7 points in June (trend).
- Deliveries were positive for June as the decline in stock levels eased.
- While still negative, easing restrictions resulted in increased trade for some retailers and hospitality businesses.



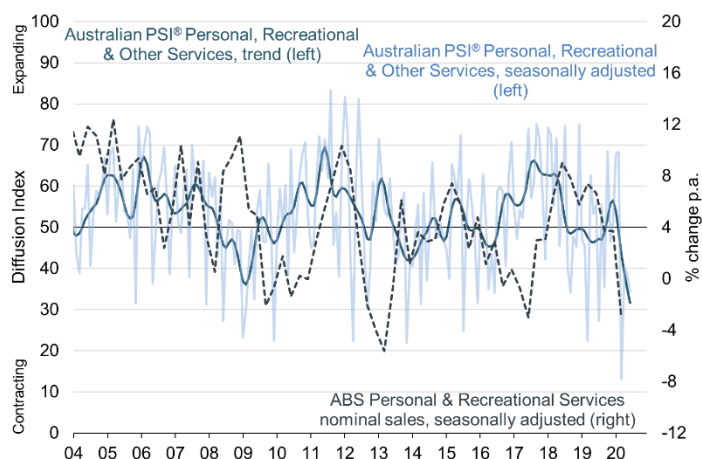
Health, education & community services

- Health, education & community services produced \$235.4bn in real value-added output in the year to Q1 2020 (12.3% of gross domestic product).
- This industry employed 2,765,100 people in May 2020 (23% of total employment). 56% of workers in education and 25% of workers in health and welfare are employed directly by the public sector.
- The index for this sector fell by a further 4.8 points to 26.2 points in June. This was the lowest result in the history of this data series in the Australian PSI® (trend).

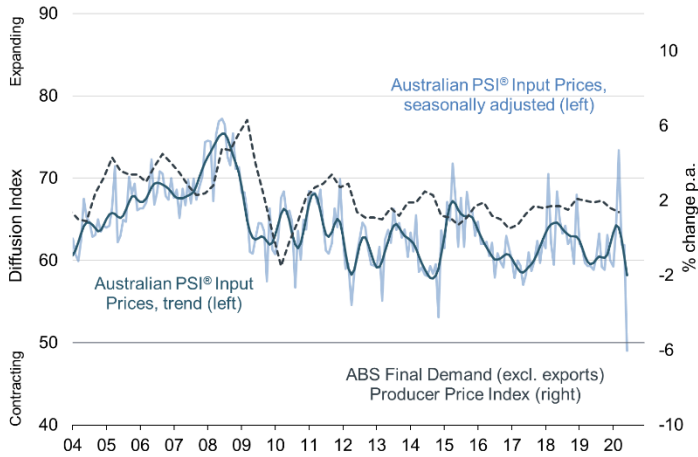


Personal, recreational & other services

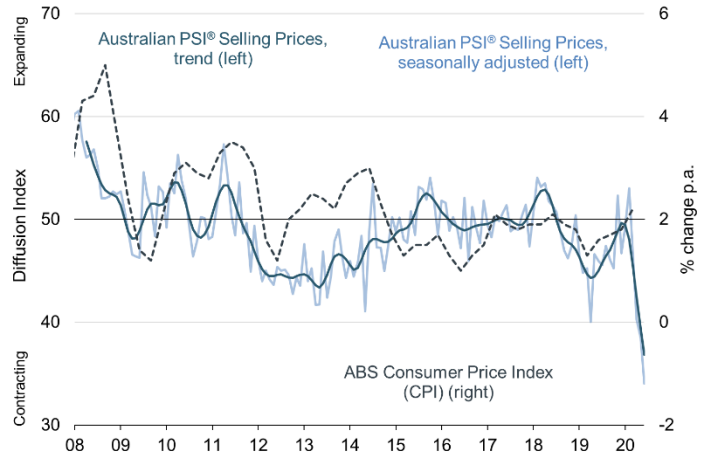
- Personal, recreational, & other services produced \$50.3bn in real value-added output in the year to Q1 2020 (equal to 2.6% of gross domestic product).
- This sector employed 596,200 people in May 2020 (5% of total employment). 49% of workers in recreational services and 32% in personal services are part-time.
- The index for 'recreational, personal & other' services deteriorated by 3.4 points to 31.6 points in June (trend). This was the lowest monthly result in the history of this data series.
- While easing restrictions and government stimulus went some way to support personal services, lack of demand, a reduction in discretionary spending and uncertainty were more frequently mentioned as impacting the sector.



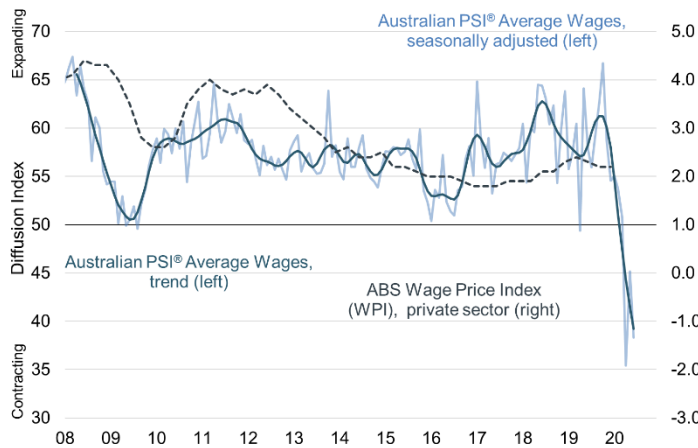
Input prices



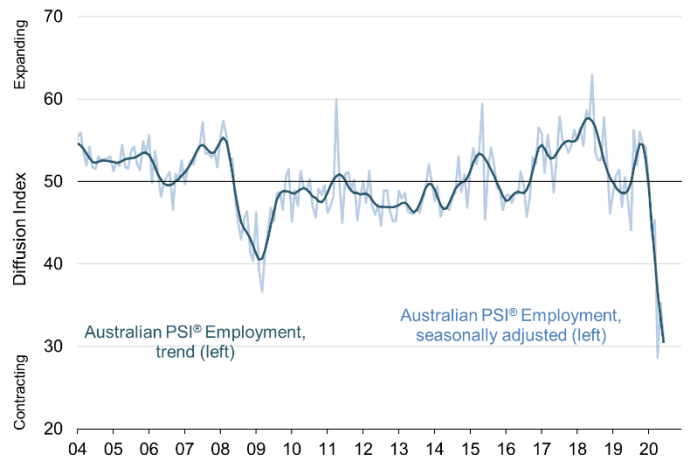
Selling prices



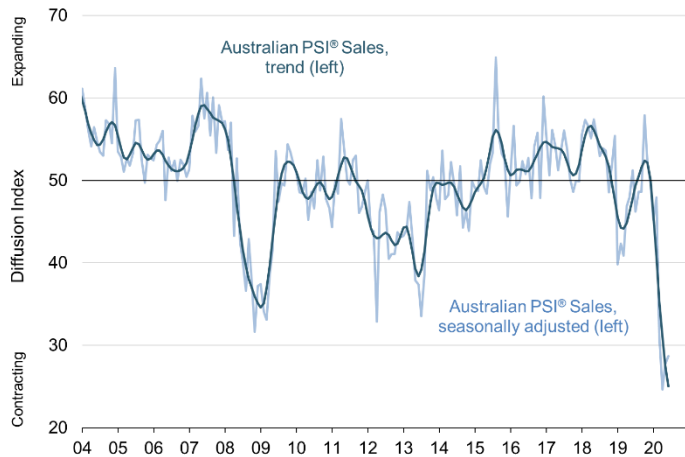
Average wages



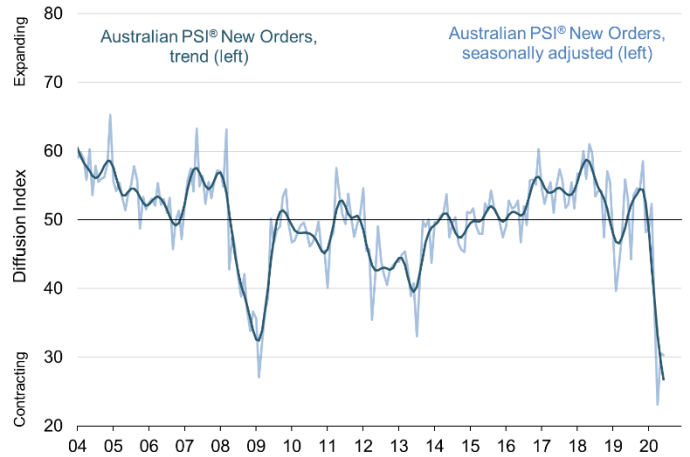
Employment



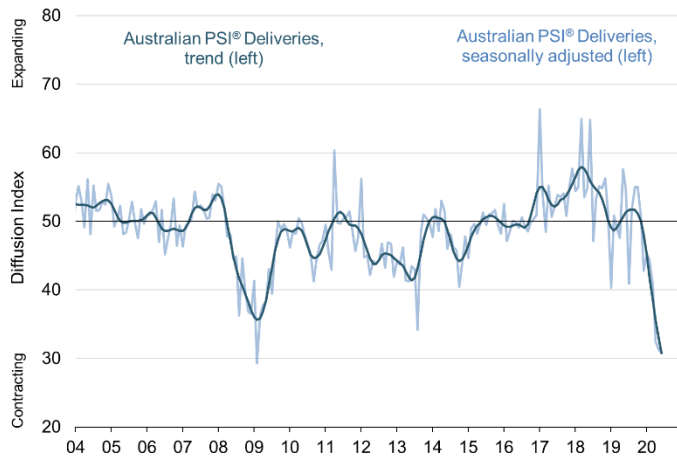
Sales



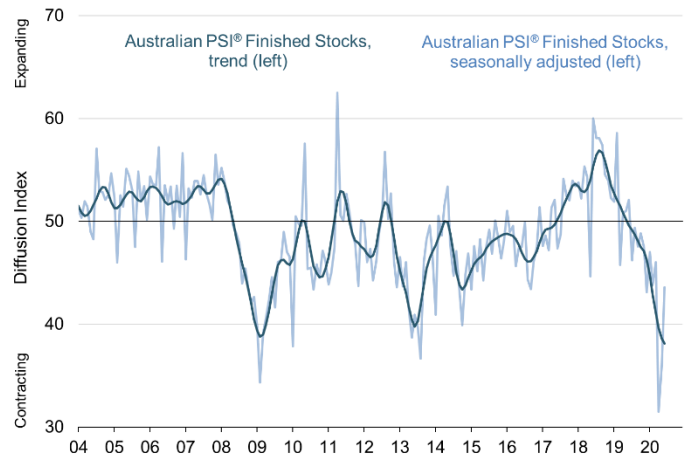
New orders



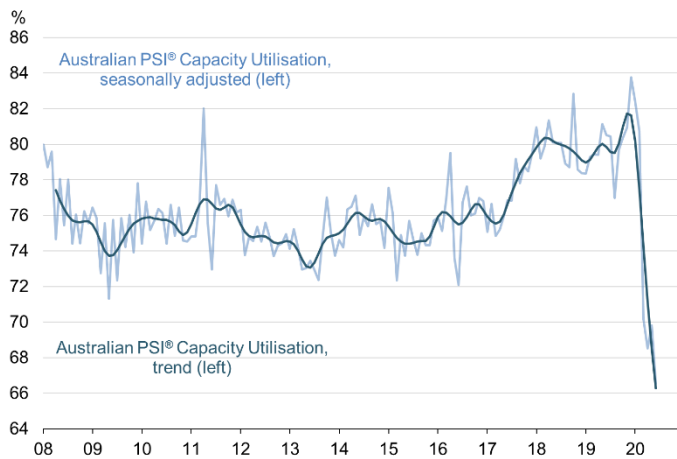
Supplier deliveries



Finished stocks (inventories)



Capacity utilisation



Australian PSI® data definitions

Business services sectors

The Australian PSI® classifies each business according to their main activity using the industry data codes and definitions set out in the ANZSIC 2006. These classifications are comparable with all ABS data that use the same codes. The definitions of the 6 sectors in the Australian PSI® are:

1. Business, Property, Information & Telecommunications services - Divisions J, L, M and N - includes businesses mainly engaged in renting, hiring, or otherwise allowing the use of tangible or intangible assets (except copyrights), and businesses providing related services; businesses mainly engaged in providing professional, scientific and technical services; and businesses mainly engaged in performing routine support activities for the day-to-day operations of other businesses or organisations; businesses mainly engaged in: creating, enhancing and storing information products in media that allows for their dissemination; transmitting information products using analogue and digital signals (via electronic, wireless, optical and other means); and providing transmission services and/or operating the infrastructure to enable the transmission and storage of information and information products.
2. Logistics (Wholesale Trade, Transport & Storage) - Divisions I and F - includes businesses mainly engaged in the purchase and onselling, the commission-based buying, and/or the commission-based selling of goods, without significant transformation, to businesses; businesses mainly engaged in providing transportation of passengers and freight by road, rail, water or air. Other transportation activities such as postal services, pipeline transport and scenic and sightseeing transport are included in this division.
3. Finance & Insurance - Division K - includes businesses mainly engaged in financial transactions involving the creation, liquidation, or change in ownership of financial assets, and/or in facilitating financial transactions.

Consumer services sectors

4. Retail Trade & Hospitality (Accommodation & Food Services) - Divisions G and H - includes businesses mainly engaged in the purchase and on-selling of goods, without significant transformation, to the public. The Retail Trade Division also includes units that purchase and on-sell goods to the public using non-traditional means, including the internet.; businesses providing short-term accommodation for visitors and/or meals, snacks, and beverages for consumption by customers both on and off-site.
5. Education, Health & Community Services - Divisions P and Q - includes businesses mainly engaged in the provision and support of education and training and businesses mainly engaged in providing human health care and social assistance.
6. Arts, Recreation, Personal & Other Services - Divisions R and S - includes businesses mainly engaged in the preservation and exhibition of objects and sites of historical, cultural or educational interest; the production of original artistic works and/or participation in live performances, events, or exhibits intended for public viewing; and the operation of facilities or the provision of services that enable patrons to participate in sporting or recreational activities. Other Services includes a broad range of personal services; religious, civic, professional and other interest group services; selected repair and maintenance activities; and private households employing staff.



What is the Australian PSI®? The Australian Industry Group Australian Performance of Services Index (Australian PSI®) is a national composite index based on the diffusion indices for sales, new orders, deliveries, inventories and employment with varying weights. An Australian PSI® reading above 50 points indicates that the services sector is generally expanding; below 50, that it is declining. The distance from 50 indicates the strength of the expansion or decline. Australian PSI® results are based on responses from a national sample of businesses. The Australian PSI® uses the ANZSIC industry classifications for industry sectors and sector weights derived from ABS industry output data. Seasonal adjustment and trend calculations follow ABS methodology. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/resourcecentre/economics>.

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