

NEWS RELEASE: Embargoed until 09:00 (AEDT) 22 March 2019

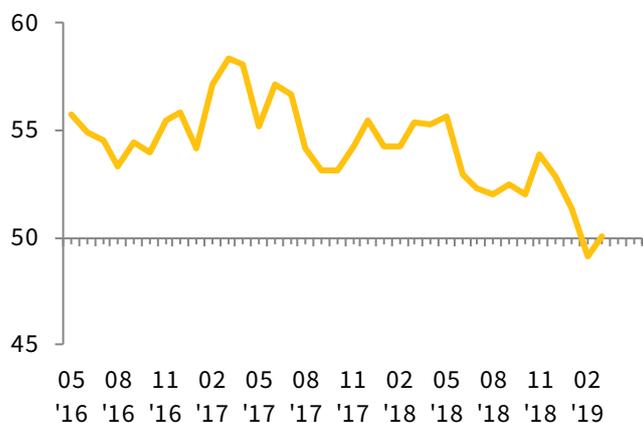
No change in business activity during March.

Key findings

Business activity stabilised in the Australian private sector at the end of the first quarter of the year following a decline in February. Services activity continued to fall, while manufacturing growth softened. New orders were also unchanged in March, while job creation was the slowest in the 35-month survey so far. Relatively weak demand conditions led to softer business sentiment, with confidence around the 12-month outlook the lowest since June 2016.

Commonwealth Bank Flash Composite Output Index

sa, >50 = growth since previous month



The headline figure derived from the survey is the Commonwealth Bank of Australia Flash Composite Output Index, which is designed to provide timely indications of changes in output in the Australian private sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration. The Index is a GDP-weighted average of the Commonwealth Bank Flash Manufacturing Output Index and the Commonwealth Bank Flash Services Business Activity Index. Flash indices are based on around 85% of final survey responses and are intended to provide an advance indication of the final indices, published approximately one week after the flash release.

Summary

Output	Value	Interpretation
Mar-19	50.0	No change, from decline
Feb-19	49.1	Decline, from expansion

The headline index signalled a stable picture in March following February's decline, rising to 50.0 from 49.1. The reading was still the second-lowest in the 35 months of data collection, however.

The service sector was again the main source of weakness in March as business activity dropped for the second month running amid reports of soft demand and a lack of confidence among customers. While manufacturing output continued to rise, a slowdown was also evident there. Production increased at the weakest pace since August 2016.

New orders were also unchanged in March, ending the period of expansion recorded since the survey began in May 2016. Services new business decreased marginally, while growth in manufacturing was at an eight-month low. On a more positive note, new export business increased across both sectors.

The rate of job creation slowed to the weakest in the survey's history and was only marginal as companies responded to fragile demand conditions. Manufacturing employment decreased for the first time in over two-and-a-half years.

Rates of inflation of both input costs and output prices were broadly stable in March, ticking up slightly from those seen in February.

A challenging economic environment, drought conditions and the upcoming election all weighed on sentiment, which dropped to a 33-month low. That said, a number of panellists were optimistic that a return to growth will be seen over the coming year.

Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Mar-19 49.8	Decline, slower rate of contraction
Feb-19 48.7	Decline, from expansion

The Commonwealth Bank Flash Services Business Activity Index is designed to provide a timely indication of changes in business activity in the Australian service sector economy as a whole. Readings above 50.0 signal an improvement in business activity on the previous month, while readings below 50.0 show deterioration.

Business activity fell for the second successive month in the Australian service sector during March, in line with a further drop in new business. That said, rates of decline in each case were marginal. Meanwhile, the rate of job creation slowed to the weakest in almost three years of data collection and business confidence was the lowest since June 2016. Rates of inflation in both input costs and output prices ticked up from February.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Mar-19 52.0	Expansion, slower rate of growth
Feb-19 52.9	Expansion, slower rate of growth

The Commonwealth Bank Flash Manufacturing PMI® is designed to provide a timely indication of changes in business conditions in the Australian manufacturing economy. Readings above 50.0 signal an improvement in conditions on the previous month, while readings below 50.0 show deterioration. The PMI is calculated from five indices for output, new orders, employment, suppliers' delivery times and stocks of purchases.

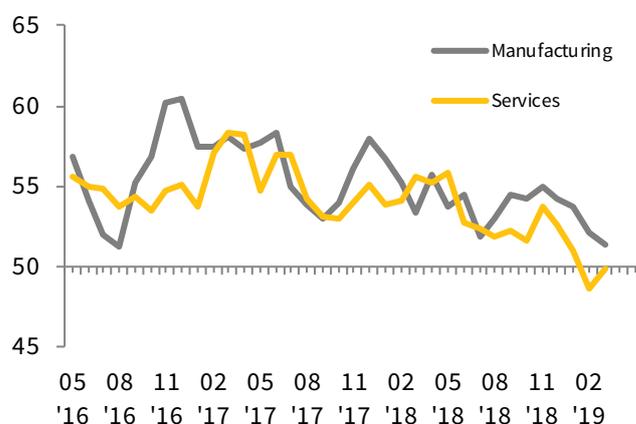
Growth in the Australian manufacturing sector continued to lose momentum at the end of the first quarter of the year. The PMI dipped to a 32-month low on the back of slower increases in output and new orders and a marginal reduction in staffing levels.

The rate of input cost inflation also slowed, easing to a 19-month low. In contrast, firms increased their output prices at a sharper pace.

Manufacturers remained confident that output will increase over the coming year, but sentiment dropped to a three-month low and was below the series average.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Senior Economist, Kristina Clifton, said:

“Softer economic conditions experienced over the second half of 2018 have continued into the first quarter of 2019. The headline PMI lifted to 50, indicating that activity had stabilised following a decline last month. The forward looking indicators have softened, with the new orders component at 50 following an expansion last month. The employment component fell, but remains above 50 indicating employment is expanding.”

Ms Clifton added:

“Solid jobs growth is helping consumers navigate an environment of falling house prices and weak wages growth. It looks likely that there will be personal income tax cuts announced in the upcoming Federal budget. Personal income tax cuts would support consumer spending, a positive for the business sector.”

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About Commonwealth Bank Flash Composite PMI® and the Purchasing Managers' Index™ Report

The Commonwealth Bank has commissioned IHS Markit to conduct research and provide insights for this edition of the Commonwealth Bank Flash Composite PMI through the Purchasing Managers' Index Report. The Commonwealth Bank Flash Composite PMI is based on data compiled from monthly replies to questionnaires sent to representative panels of purchasing executives in 400 manufacturing and 400 services firms in the private sector. The panels are stratified by GDP and company workforce size. The flash data are calculated from around 85% of total PMI survey responses each month and are designed to provide an accurate advance indication of the final PMI data. Final data for March are released on 01 April 2019 (manufacturing) and 03 April 2019 (services and composite).

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