

NEWS RELEASE: Embargoed until 09:00 (AEDT) 5 November 2018

Business activity rise at slowest pace in survey history.



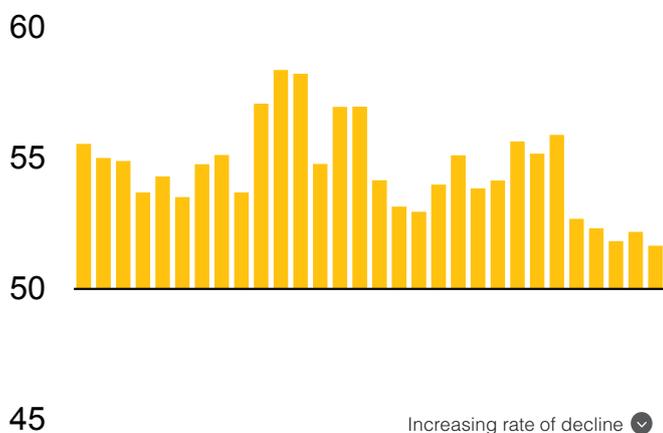
Key findings

Growth in Australia's service business activity was sustained in October, supported by further sales growth. A sustained demand expansion encouraged firms to raise hiring, with employment growth rising to a near two-year high. Business sentiment remained positive. Cost pressures meanwhile continued to be strong, driven by Australian dollar weakness and higher energy prices, which prompted companies to raise output charges.

Commonwealth Bank Services PMI[®] May 2016 – October 2018

(50 = no change on previous month)

Increasing rate of growth 



The headline figure derived from the survey is the Commonwealth Bank of Australia Services Business Activity Index, which is designed to provide timely indications of changes in business activity in the Australian service sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration.

The seasonally adjusted Business Activity Index slipped in October to 51.7, from 52.2 in September, indicating a modest expansion of Australia's service sector. The latest reading was the weakest in the survey's history.

Summary

Business Activity		Interpretation
Oct-18	51.7	Expansion, slower rate of growth
Sep-18	52.2	Expansion, faster rate of growth

While business activity growth was much lower when compared to earlier in the year, the latest survey brought signs of a pickup in demand. New business increased solidly in October, with the rate of growth accelerating to the fastest in three months. Panellists mentioned that greater promotional efforts and business expansions supported sales growth.

Firmer demand conditions placed pressure on the operating capacity of the service sector in October. Backlogs of work accumulated for a second month running, albeit marginally. This motivated Australian service providers to expand their workforce numbers to cope with increased demand. Staff numbers grew at the strongest pace in nearly two years. Anecdotal evidence suggested expectations of higher sales and planned business expansions were factors supporting recruitment.

However, increased payroll numbers meant a larger wage bill for Australian service providers. According to firms, staff costs were a factor pushing input prices higher in October. Other reasons contributing to inflation included higher fuel prices, the depreciation of the Australian dollar and increased charges by suppliers. Overall, input cost inflation remained sharp and close to recent levels which, in turn, saw firms raising output charges further. The pace of increase in selling prices was solid and the fastest for six months.

Finally, business confidence remained elevated as the fourth quarter began, but the level of optimism dropped further. In October, the Future Output Index recorded the lowest level since June 2016.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Oct-18	52.0	Expansion, slower rate of growth
Sep-18	52.5	Expansion, faster rate of growth

The Commonwealth Bank Composite Output Index is a GDP-weighted average of the Commonwealth Bank Manufacturing Output Index and the Commonwealth Bank Services Business Activity Index. It is designed to provide a timely indication of changes in business activity in the Australian private 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.

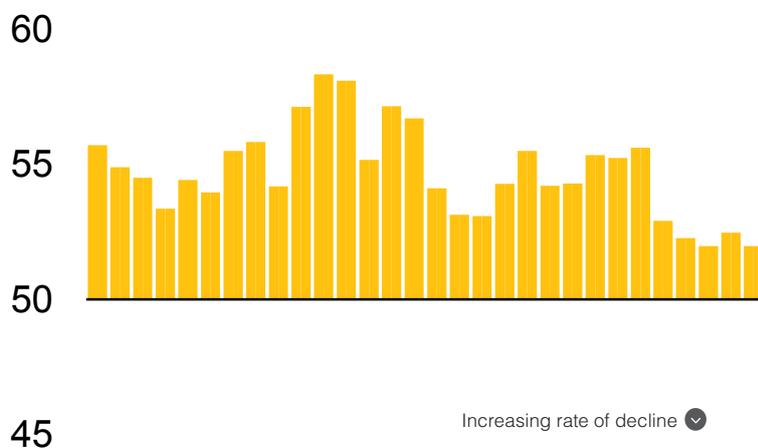
The seasonally adjusted Commonwealth Bank Composite Output Index slipped to 52.0 in October from 52.5 in September. This signalled the joint-weakest rate of private sector output growth in the two-and-a-half-year survey history (on par with August) and reflected slower expansions in both manufacturing and service sectors.

Commonwealth Bank Composite PMI®

May 2016 – October 2018

(50 = no change on previous month)

Increasing rate of growth 



Increasing rate of decline 

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About Commonwealth Bank Services 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 Services PMI through the Purchasing Managers' Index Report. The Commonwealth Bank Services PMI is based on data compiled from monthly replies to questionnaires sent to a representative panel of purchasing executives in over 400 private sector services firms in Australia. The panel is stratified by GDP and company workforce size. The services sector is divided into the following five broad categories: Transport & Storage, Consumer Services, Information & Communication, Finance & Insurance and Real Estate & Business Services.

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