

NEWS RELEASE: Embargoed until 09:00 (AEST) 23 September 2019

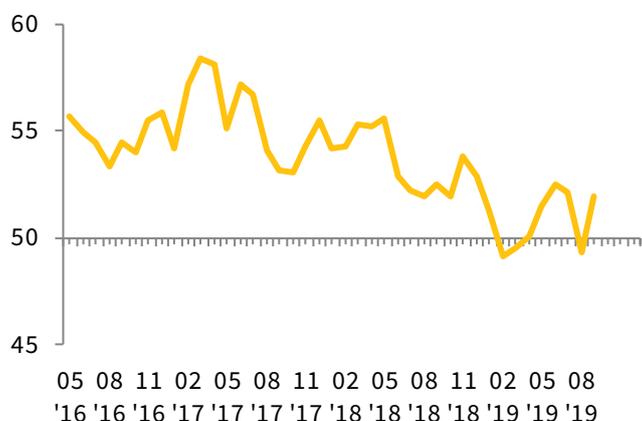
# Business activity returns to growth in September.

## Key findings

Business activity in the Australian private sector returned to growth in September, according to the latest Commonwealth Bank Flash Composite PMI®. The rebound reflected an improved picture among service providers, but manufacturers posted a first decline in the health of the sector since the survey began in May 2016. Overall, new order growth picked up and stronger confidence was recorded, but the rate of job creation softened to a fractional pace.

### 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		Interpretation
Sep-19	51.9	Expansion, from decline
Aug-19	49.3	Decline, from expansion

The Australian private sector saw a rebound in business activity during September, following a slight decline in August. The return to growth was driven by the service sector, where activity rose at a solid pace. On the other hand, manufacturing output decreased for the first time since April.

The rate of new order growth picked up in September, but remained relatively modest. As with output, the improved picture was thanks to an increase in services new business, while manufacturing new orders decreased for the first time in 41 months of data collection so far amid reports of weak market conditions in the sector. New export orders were unchanged overall, with manufacturing posting a decline.

Backlogs of work continued to rise slightly in September, but companies showed a reluctance to take on additional staff. Private sector employment was up only fractionally amid a slowdown in job creation in the service sector and a decline in manufacturing.

Input prices rose at the sharpest pace in 11 months during September. Marked cost inflation was seen across both monitored sectors, but the acceleration recorded overall was centred on services. Higher staff costs were widely mentioned, but purchases of products were also reportedly more expensive. Nonetheless, the rate of output price inflation softened to a five-month low.

Sentiment regarding the 12-month outlook for business activity improved for the second month running and was the highest since August 2018. Stronger optimism was recorded across both the manufacturing and service sectors.

### Commonwealth Bank Flash Services PMI®

Business Activity	Value	Interpretation
Sep-19	52.5	Expansion, from decline
Aug-19	49.1	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.

Services business activity increased at a solid pace in September, recovering from a slight fall in August. The rise in activity reflected a faster pace of new order growth, while business confidence strengthened to a 13-month high. The rate of job creation softened, however, and was only marginal. On the price front, the rate of input cost inflation accelerated to the fastest since October last year, but output prices rose at a slower pace.

### Commonwealth Bank Flash Manufacturing PMI®

PMI	Value	Interpretation
Sep-19	49.4	Decline, from expansion
Aug-19	50.9	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.

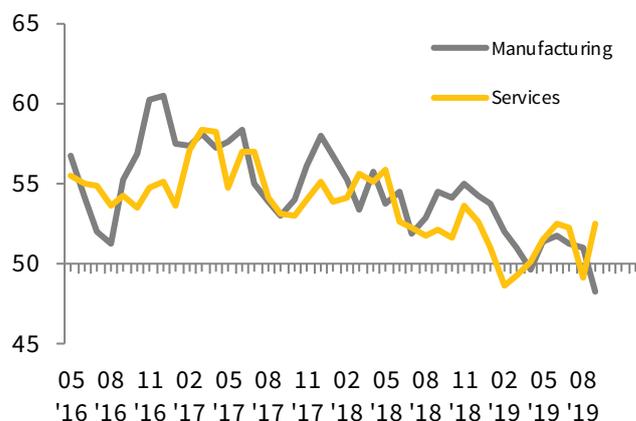
The Australian manufacturing sector moved into contraction territory in September, with business conditions deteriorating for the first time in the 41-month survey to date.

Production, new orders and exports were all down over the month, while firms reduced their staffing levels for the first time since May. Anecdotal evidence often pointed to weak market conditions. Both purchasing activity and holdings of inputs fell at record rates.

Input prices continued to rise at a marked pace, albeit one that was softer than seen in August. Meanwhile, the rate of output price inflation ticked up.

### Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



### Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Senior Economist, Gareth Aird said:

*“An encouraging result thanks to a pickup in the services sector. There are early signs that the combination of rate cuts, tax rebates and rising dwelling prices is having a positive impact on the services sector.”*

Mr Aird added:

*“The divergence in the readings on the manufacturing and services sector is somewhat unusual, though not unprecedented. The dip in the manufacturing reading was a touch disappointing, particularly given the ongoing weakness in the Australian dollar. It may be the case that the raft of so-called geopolitical tensions are having a dampening impact on the local manufacturing sector. Overall, a move in the right direction, but the level of the headline index continues to imply that the economy could do with more stimulus. The case for fiscal easing through personal income tax cuts remains.”*

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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 September are released on 01 October 2019 (manufacturing) and 03 October 2019 (services and composite).

**About PMI® by IHS Markit**

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