

NEWS RELEASE: Embargoed until 09:00 (AEDT) 3 July 2019

# Business activity growth accelerates further in June

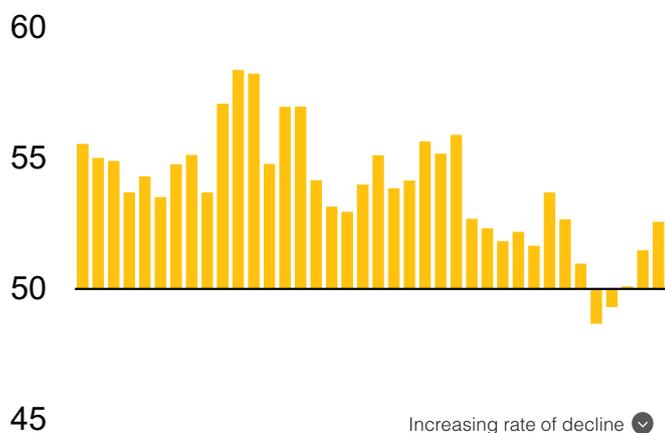
## Key findings

The end of the second quarter saw Australia's service sector on a stronger footing, with business activity expanding at the fastest rate so far this year, supported by solid order book growth. The strengthening of demand conditions was accompanied by rising backlogs, jobs growth and greater business confidence. On the price front, cost inflation intensified, prompting firms to raise service fees.

## Commonwealth Bank Services PMI<sup>®</sup> May 2016 – Jun 2019

(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 rose from 51.5 in May to 52.6 in June, indicating the fastest expansion of output in the sector so far this year.

## Summary

Business Activity		Interpretation
Jun-19	52.6	Expansion, faster rate of growth
May-19	51.5	Expansion, faster rate of growth

The average PMI for the second quarter (51.4) signalled a net rise in activity, contrasting with the contraction seen in the opening quarter of 2019.

Business activity growth was driven by higher sales in June. Intakes of new business increased solidly, rising at the fastest pace since November last year, supported by higher international sales. Improved post-election sentiment and greater marketing efforts were factors behind sales growth, according to respondents.

The upturn in sales bolstered confidence in the service sector. Business expectations for year-ahead output reached the highest for five months. Optimism was generally linked to greater productivity, increased political stability, new marketing activity, higher sales forecasts and expectations of improved climatic conditions.

Meanwhile, employment rose in June for a second month running, in line with greater business requirements, but the rate of job creation moderated and was only marginal overall. Despite the rise in jobs, firms struggled to keep on top of their workloads. June data showed a marked and accelerated rise in work outstanding that was the sharpest since last November.

Inflationary pressures intensified further in June. The rate of cost inflation rose for a second straight month and was the fastest since November 2018. Greater cost burdens were driven by higher prices for electricity, transport fees and salaries, according to anecdotal evidence. Efforts to pass on increased business costs led to higher service charges.

**Commonwealth Bank Composite PMI®**

	Output	Interpretation
Jun-19	52.5	Expansion, faster rate of growth
May-19	51.5	Expansion, following stagnation

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 rose from 51.5 in May to 52.5, indicating faster growth of private sector business activity at the end of the second quarter. The latest reading reflected stronger expansions in both manufacturing output and services activity.

**Commonwealth Bank Composite PMI®**

May 2016 – Jun 2019

(50 = no change on previous month)

Increasing rate of growth 



**For further information, please contact:**

**Commonwealth Bank of Australia**

**Daniel Ferguson**

Group Corporate Affairs  
Institutional and Business Banking  
Telephone +61 2 9118 4531  
Email [media@cba.com.au](mailto:media@cba.com.au)

**IHS Markit**

**Bernard Aw**

Principal Economist  
Telephone +65-6922-4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Joanna Vickers**

Marketing and Communications  
Telephone +44 (0) 207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**About Commonwealth Bank Services PMI<sup>®</sup> and the Purchasing Managers' Index<sup>™</sup> 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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