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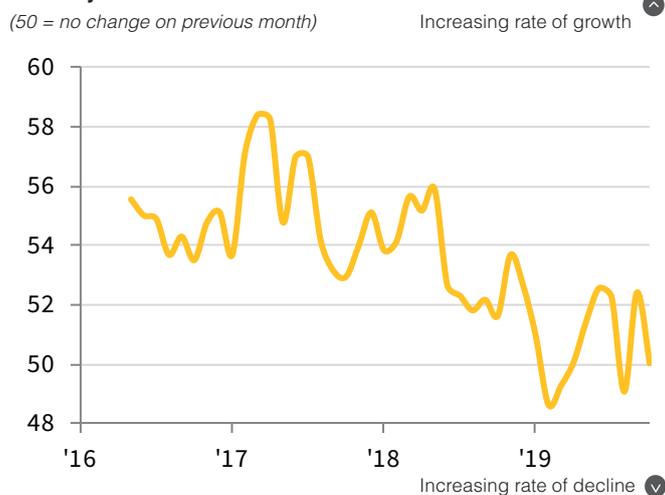
Services activity broadly unchanged in October



Key findings

October's PMI data showed little change in Australian services business activity at the start of the fourth quarter. The was accompanied by marginal sales growth, which was limited by a first decline in export demand for over two years. Business confidence subsequently dropped to the lowest since March whilst employment barely rose. Input price inflation remained solid, contributing to an accelerated rise in output charges.

Commonwealth Bank Services PMI[®] May 2016 – Oct 2019



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.

October's Business Activity Index fell from 52.4 in September to a level of 50.1, indicating a broadly unchanged level of activity.

Summary

Business Activity		Interpretation
Oct-19	50.1	Expansion, slower rate of growth
Sep-19	52.4	Expansion, change of direction

The latest survey data indicated that subdued growth of the service sector occurred concurrently with the weakest increase in new business for seven months. Anecdotal evidence suggested the wider economy had lost some momentum and the business environment had become more challenging. Total sales gains were also weighed down by a first decline in overseas demand for over two years.

Consistent with lower sales growth was a notably slower increase in backlogs of work, the weakest in eight months. Jobs growth also softened (to a three-month low) and was marginal overall. A number of firms commented that hiring had been restricted by underwhelming sales trends and growing concerns for future activity.

Indeed, worries about the impact on activity over the next year of a slowing economy and growing competition dented confidence in October. Sentiment was the lowest since March and amongst the weakest since the survey started in May 2016. Where optimism was reported this was linked to new marketing strategies, expectations of further interest rate cuts, and planned business expansions.

Finally, input price inflation eased since September to a five-month low, but remained marked. Higher prices for fuel and wages, alongside a weaker exchange rate contributed to inflation. In a bid to pass on to clients part of their cost increases, firms subsequently raised their selling prices at the fastest rate in nearly a year.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Oct-19	50.0	No change
Sep-19	52.0	Expansion, change of direction

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 fell from 52.0 in September to 50.0 in October, indicating no change in private sector business activity at the start of the fourth quarter. The latest reading reflected a notable slowdown in services activity growth and a further decline in manufacturing output.

Commonwealth Bank Composite PMI®

May 2016 – Oct 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

IHS Markit

Bernard Aw

Principal Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

Joanna Vickers

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

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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