

NEWS RELEASE: Embargoed until 09:00 (AEDT) 3 June 2020

# Steep fall in business activity despite COVID-19 measures easing



## Key findings

Latest PMI<sup>®</sup> data showed business activity across the Australian service sector falling substantially further in May as ongoing measures to contain the COVID-19 pandemic continued to hit demand. However, the rate of decline in both activity and new orders eased as some restrictions were relaxed during the month. Furthermore, business confidence improved markedly due to expectations of a further easing of containment measures.

### Commonwealth Bank Services PMI<sup>®</sup> May 2016 – May 2020

(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 19.5 in April to 26.9 in May, indicating a slower, but still substantial decrease in activity.

## Summary

Business Activity		Interpretation
May-20	26.9	Contraction, slower rate of decline
Apr-20	19.5	Contraction, faster rate of decline

The easing of some restrictions in May helped boost activity at some businesses, though this was only sufficient to see a softening in the overall pace of decline. Activity fell at a slower rate than in April, but the pace of contraction was still the second-fastest in the survey history.

Inflows of new business continued to decline substantially midway through the second quarter as demand weakened further despite some easing of COVID-19 measures. Anecdotal evidence pointed to a reluctance to spend among consumers, as well as event cancellations.

The ongoing downturn in sales contributed to a further development of spare capacity that, in turn, weighed on hiring. Employment fell for a fourth straight month during May, and at the second-fastest pace since the survey began in May 2016.

On the price front, average cost burdens continued to fall steeply, helped by government financial support, lower energy prices, and reduced purchasing activity, according to anecdotal evidence. Input costs fell at the fastest pace in the survey history. Firms passed on partially these cost savings to customers, with output charges dropping at the same pace as April's survey record.

Finally, on a positive note, companies were much more confident about the year-ahead outlook than in April, with confidence rising to the highest in eight months. Optimism was underpinned by expectations of a continual improvement in the COVID-19 situation and subsequent further easing of restrictions.

### Commonwealth Bank Composite PMI®

	Output	Interpretation
May-20	28.1	Contraction, slower rate of decline
Apr-20	21.7	Contraction, faster rate of decline

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.

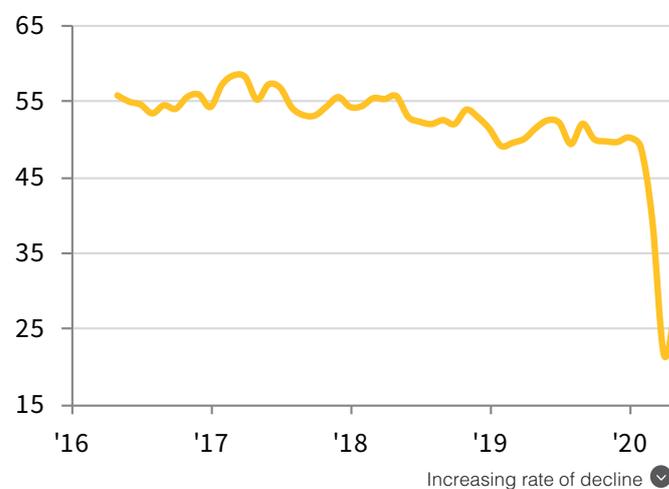
The seasonally adjusted Commonwealth Bank Composite Output Index rose from 21.7 in April to 28.1, indicating a slower, but still severe decrease of private sector business activity. The substantial fall in services business activity again led the overall downturn in Australia's private sector. Manufacturing output meanwhile fell further and at the quickest on record.

### Commonwealth Bank Composite PMI®

May 2016 – May 2020

(50 = no change on previous month)

Increasing rate of growth 



Increasing rate of decline 

**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)

**Katherine Smith**

Public Relations  
Telephone +1 781-301-9311  
Email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@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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