

NEWS RELEASE: Embargoed until 09:00 (AEDT) 4 December 2019

Services activity falls in November amid subdued sales growth



Key findings

Australian services business activity declined in the middle of the fourth quarter, accompanied by subdued sales growth, which remained constrained by a further fall in export demand. Job creation was marginal. Meanwhile, there were mixed trends for prices. Input costs continued to rise at a marked rate, but charges fell for the first time in nearly three-and-a-half years as weak demand limited pricing power.

Commonwealth Bank Services PMI[®]

May 2016 – Nov 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 fell from 50.1 in October to 49.7 in November, indicating a decrease in the level of activity for the first time in three months.

Summary

Business Activity		Interpretation
Nov-19	49.7	Contraction, change of direction
Oct-19	50.1	Expansion, slower rate of growth

November data indicated that the decline in business activity occurred amid subdued demand conditions. New business intakes continued to increase at a marginal pace. The underwhelming sales trend was centred around the external market, with services exporters reporting a further reduction in international sales. Anecdotal evidence suggested that drought-related disruptions and global trade war impacts had dampened demand for Australian services.

Weak sales growth in turn contributed to another slight rise in backlogs of work, reflecting only mild pressure on operating capacity. Consequently, jobs growth remained soft and marginal overall.

On the price front, service providers continued to face solid increases in operating expenses, with input price inflation intensifying in the month. Higher prices for fuel and other raw materials, alongside increased wages were reasons cited by firms for inflation. However, weak demand restricted the ability of firms to pass on higher costs to customers. In fact, Australian services fees fell for the first time since June 2016, albeit marginally.

Finally, while business sentiment improved in November, it remained relatively subdued in the historical context of the survey. Optimism was generally linked to higher sales projections, planned business expansions and credit growth. However, there were concerns of cautious consumer confidence, corporate restructuring and subdued trade conditions as factors potentially weighing on future activity.

Commonwealth Bank Composite PMI[®]

	Output	Interpretation
Nov-19	49.7	Contraction, change of direction
Oct-19	50.0	No change

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.

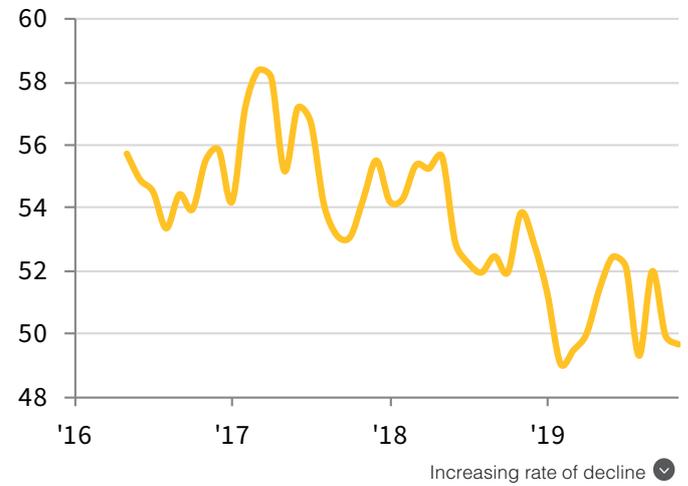
The seasonally adjusted Commonwealth Bank Composite Output Index fell from 50.0 in October to 49.7 in November, indicating a decline in private sector business activity in the middle of the fourth quarter. The latest reading reflected declines in both services business activity and manufacturing output.

Commonwealth Bank Composite PMI[®]

May 2016 – Nov 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

Katherine Smith

Public Relations
Telephone +1 781-301-9311
Email 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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