

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

# Services activity returns to growth in September

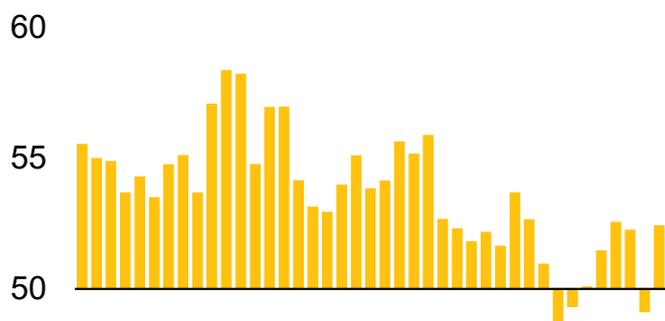
## Key findings

September saw Australian services business activity return to expansion, supported by a strengthening sales trend. Backlogs of work rose at a faster rate, while jobs growth was recorded for a second straight month. Firms also showed greater confidence in the outlook, with business expectations rising to the highest for just over a year. Meanwhile, cost inflation intensified, but firms raised their fees only modestly.

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

(50 = no change on previous month)

Increasing rate of growth 



45 Increasing rate of decline 

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 49.1 in August to 52.4 in September, indicating an expansion in output. At 51.3, the average PMI for the third quarter signalled steady growth of services activity in the three months ending September.

## Summary

Business Activity		Interpretation
Sep-19	52.4	Expansion, change of direction
Aug-19	49.1	Contraction, change of direction

Strengthening demand conditions, both abroad and at home, contributed to business activity returning to growth in September. Overall new business intakes rose at the fastest rate for three months, supported by rising service exports. Sales growth was linked to increased marketing activities and low interest rates while a weaker Australian dollar also boosted overseas orders, according to anecdotal evidence. Higher inflows of new business also led to a further rise in backlogs of work.

Companies also expressed greater optimism about the outlook. The Business Expectations Index rose to a 13-month high, with firms expecting improved economic conditions, an anticipated recovery in the housing market, as well as increased promotional activities and new service offerings to drive business activity over the next 12 months.

Australian service providers expanded their workforce numbers for a second month running in September amid greater sales growth. However, there were mentions of cost cutting measures at some firms that reported lower employment.

Input price inflation intensified in September. Higher costs for energy, wage increases and drought-related disruptions were cited as factors behind cost inflation. Firms however were unable to raise their fees at a pace anywhere near the increase in costs. Instead, output charges were raised at the slowest pace for five months and only modestly.

### Commonwealth Bank Composite PMI®

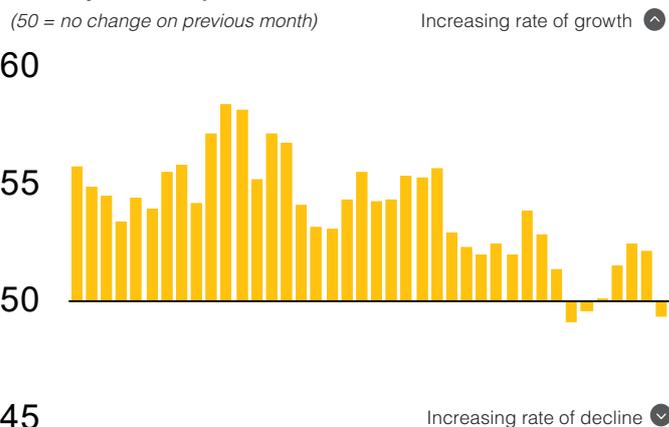
	Output	Interpretation
Sep-19	52.0	Expansion, change of direction
Aug-19	49.3	Contraction, change of direction

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 rose from 49.3 in August to 52.0 in September, indicating a rise in private sector business activity at the end of the third quarter. The latest reading reflected an increase in services activity as a decline in manufacturing output dampened the headline composite index.

### Commonwealth Bank Composite PMI®

May 2016 – Sep 2019



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**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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