

News Release

Embargoed until 0900 AEST 4 May 2022

S&P Global Australia Services PMI[®]

Service sector growth improves in April with easing COVID-19 disruptions

Key findings

Firmer gain in new business signalled

Input price inflation hit survey record

Business confidence declined in April

Australia's service sector expanded in April according to the latest S&P Global PMI[®] data. Easing COVID-19 disruptions spurred faster business activity and sales growth. New export orders rose at a record rate. In turn, hiring activity picked up while backlogged work continued to build. Price pressures persisted with input cost inflation surging to a fresh record. Overall sentiment remained positive, though business confidence softened in April.

The headline figure derived from the survey is the S&P Global 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 posted above the 50.0 no-change mark at 56.1 in April, up from 55.6 in March, to signal a continued expansion of the service sector. This marked the third consecutive month in which business activity in the Australian service sector rose and at the fastest pace in two months.

Growth of new work continued for a third straight month in April, supported by the improvement in COVID-19 conditions as virus cases fell. Foreign demand likewise improved with the easing of pandemic restrictions including the reopening of borders. The rate at which new orders from abroad rose was the fastest on record.

With higher demand driving an acceleration of business activity growth, workforce capacity expanded at a faster pace in April to accommodate the rise in services output. That said, some firms continued to report difficulties in hiring.

Meanwhile the accumulation of backlogged work persisted in April. According to survey respondents, this was underpinned by an increase in overall demand.

S&P Global Australia Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 11-27 April 2022.

Comment

Jingyi Pan, Economics Associate Director at S&P Global, said:

“Australia’s service sector continued to grow strongly in April, according to the S&P Global Australia Services PMI, following the easing of COVID-19 disruptions at the start of the second quarter. The pace of growth accelerated while easing of border restrictions also enabled a surge in foreign demand.”

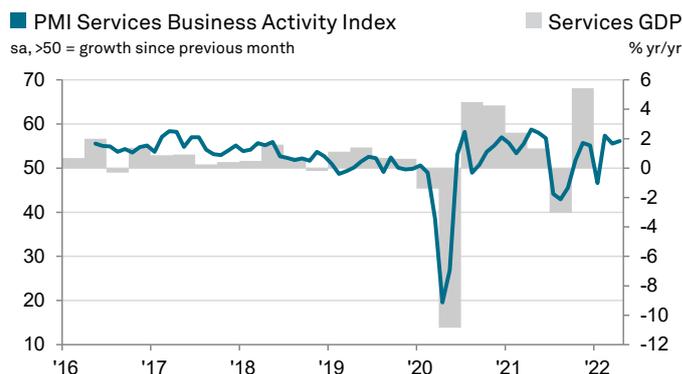
“Price pressures meanwhile continued to pass through from goods to services, leading to record input price inflation and a strong rise in output prices in the Australian service sector. This continued to impact business sentiment and will be watched for the potential to hamper growth past the unleashing of pent-up demand.”

PMI[®]

by S&P Global

Price pressures worsened in the Australian service sector in April with input prices rising at the fastest pace on record. Anecdotal evidence suggested firms faced higher costs across input materials, fuel and wages. As a result, Australian service providers continued to share these cost burdens with their clients. Sub-sector data suggested that prices rose the fastest in the transport & storage sector.

Overall sentiment in the Australian service sector remained positive in April, although the level of business confidence fell to the lowest since April 2020. Despite higher business activity growth, some firms were concerned with the lingering COVID-19 impact and rising business costs affecting future output.



S&P Global Australia Composite PMI®

Private sector growth inches up in April

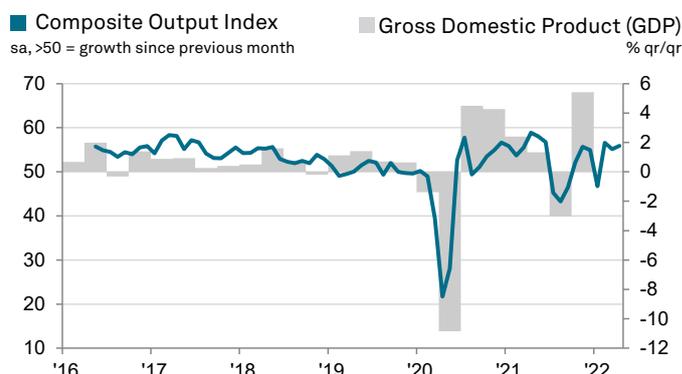
The Composite Index, which measures combined services and manufacturing output, rose to 55.9 in April from 55.1 in March. This indicated a third straight month of private sector output expansion following January's decline.

Both manufacturing and service sector output growth accelerated in April, driven by higher demand as COVID-19 disruptions eased. Foreign demand saw renewed growth.

Employment levels rose in tandem across both sectors, although backlogged work continued to accumulate and at a record rate in the manufacturing sector amid higher demand and supply constraints.

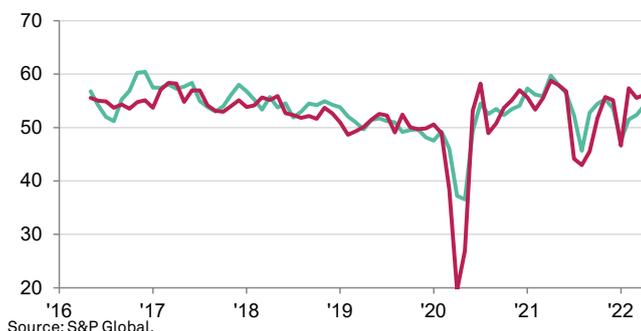
Price pressures persisted with rapid rates of input cost and output price inflation seen in the service and manufacturing sectors respectively. Overall input prices also rose at a fresh record pace.

Sentiment in the Australia private sector remained positive though business confidence eased from March amid concerns over rising costs.



*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Australia Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global Australia Services PMI™ is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Flash vs. final data

Since May 2016 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Jingyi Pan
 Economics Associate Director
 S&P Global
 T: +65-6439-6022
jingyi.pan@spglobal.com

Joanna Vickers
 Corporate Communications
 S&P Global
 T: +44-207-260-2234
joanna.vickers@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.