

NEWS RELEASE: Embargoed until 09:00 (AEST) 23 April 2020

# Decline in business activity intensifies in April.

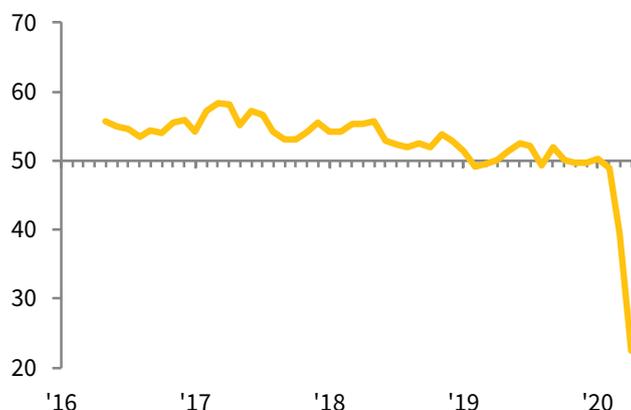


## Key findings

The latest Commonwealth Bank Flash Composite PMI® pointed to a much stronger contraction of the Australian private sector during April, with the decline particularly severe at service providers. The coronavirus disease 2019 (COVID-19) led new orders to fall at a steep pace, with employment scaled back markedly as a result. Both input costs and output prices decreased, but this was reflective of trends in the service sector as manufacturing inflation trends accelerated.

### Commonwealth Bank Flash Composite Output Index

sa, >50 = growth since previous month



The headline figure derived from the survey is the Commonwealth Bank of Australia Flash Composite Output Index, which is designed to provide timely indications of changes in output in the Australian private sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration. The Index is a GDP-weighted average of the Commonwealth Bank Flash Manufacturing Output Index and the Commonwealth Bank Flash Services Business Activity Index. Flash indices are based on around 85% of final survey responses and are intended to provide an advance indication of the final indices, published approximately one week after the flash release.

## Summary

Output		Interpretation
Apr-20	22.4	Decline, faster rate of contraction
Mar-20	39.4	Decline, faster rate of contraction

The impact of the COVID-19 pandemic on the Australian economy intensified in April, with business activity down at a much faster pace than recorded in March. Although both monitored sectors saw output fall sharply, the rate of contraction in the service sector was particularly severe.

Company shutdowns, government restrictions and steep falls in customer demand contributed to the overall reduction in activity. New orders also decreased substantially, while the global nature of the outbreak meant that new orders from foreign customers were also down strongly.

With some companies closed completely and others seeing sharp falls in workloads, staffing levels declined in April. The reduction was by far the sharpest in the four-year survey so far, with both manufacturers and service providers shedding jobs at a rapid pace.

There were contrasting trends between the two sectors in terms of input prices. Service providers saw input costs fall amid lower wages and a drop in fuel prices. On the other hand, manufacturers signalled a sharp and accelerated increase in input costs. Respondents mainly linked the rise to currency weakness and shortages of materials. Meanwhile, services companies lowered their selling prices, with manufacturing output charges increasing modestly.

Despite the severity of the current downturn, companies hope that business will return to normal over the coming year, in turn leading business activity to be higher than current levels. That said, confidence was the second-lowest in the series history, amid a drop in sentiment in the manufacturing sector.

### Commonwealth Bank Flash Services PMI®

Business Activity	Value	Interpretation
Apr-20	19.6	Decline, faster rate of contraction
Mar-20	38.5	Decline, faster rate of contraction

The Commonwealth Bank Flash Services Business Activity Index is designed to provide a timely indication of changes in business activity in the Australian service 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.

Company shutdowns and restrictions due to COVID-19 resulted in severe declines in both business activity and new orders in the Australian service sector during April. Rates of contraction were much sharper than those seen in March. Companies lowered their employment for the third month running, and at a considerable pace. Input costs decreased for the first time in the four-year survey history, mainly due to lower wages and fuel prices.

### Commonwealth Bank Flash Manufacturing PMI®

PMI	Value	Interpretation
Apr-20	45.6	Decline, faster rate of contraction
Mar-20	49.7	Decline, from expansion

The Commonwealth Bank Flash Manufacturing PMI® is designed to provide a timely indication of changes in business conditions in the Australian manufacturing economy. Readings above 50.0 signal an improvement in conditions on the previous month, while readings below 50.0 show deterioration. The PMI is calculated from five indices for output, new orders, employment, suppliers' delivery times and stocks of purchases.

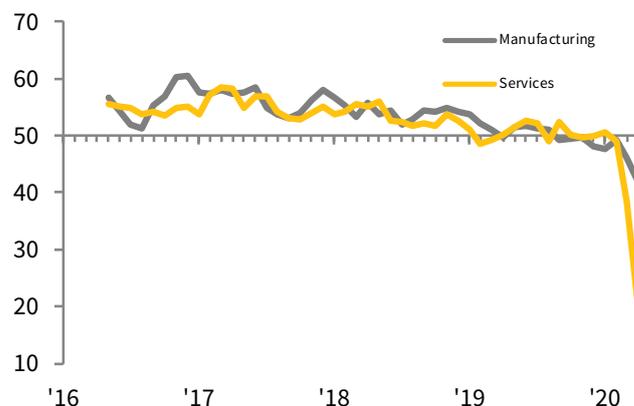
Manufacturing output decreased for the eighth successive month in April, and to the greatest extent since the survey began in May 2016. The COVID-19 pandemic reportedly led to a steep decline in customer demand, with both total new orders and new export business down markedly on the previous month.

Suppliers' delivery times continued to lengthen sharply due to the pandemic, while employment was reduced markedly.

Meanwhile, the rate of input cost inflation hit a survey high, with panellists linking higher input prices to currency depreciation and supply shortages.

### Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



### Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Head of Australian Economics, Gareth Aird said:

*“This is an astonishing result. The collapse in the headline index reflects the severe contraction in economic activity currently taking place”.*

Mr Aird also noted:

*“The services sector has been hit a lot harder than the manufacturing sector. And the pace of job shedding is concerning though not surprising given the large number of Australian businesses that remain shut. The extent to which the PMIs rebound will be dictated in large part by the duration of the enforced shutdown”.*

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**About Commonwealth Bank Flash Composite 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 Flash Composite PMI through the Purchasing Managers' Index Report. The Commonwealth Bank Flash Composite PMI is based on data compiled from monthly replies to questionnaires sent to representative panels of purchasing executives in 400 manufacturing and 400 services firms in the private sector. The panels are stratified by GDP and company workforce size. The flash data are calculated from around 85% of total PMI survey responses each month and are designed to provide an accurate advance indication of the final PMI data. Final data for April are released on 01 May 2020 (manufacturing) and 05 May 2020 (services and composite).

**About PMI® by IHS Markit**

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