

NEWS RELEASE: Embargoed until 09:00 (AEST) 21 June 2019

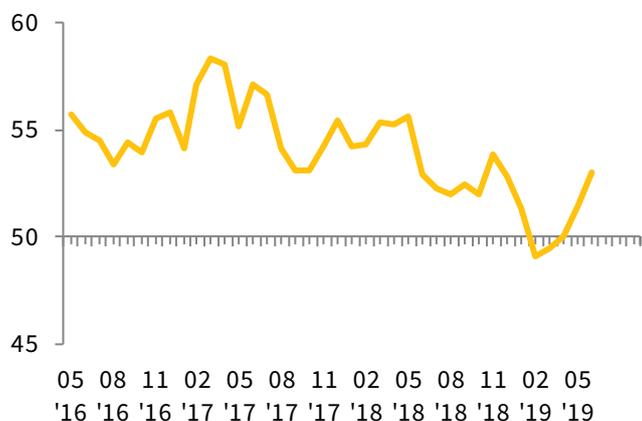
Service sector drives steeper increase in business activity.

Key findings

Flash PMI™ data for June signalled a further pick up in growth momentum across the Australian private sector. Output and new business both expanded at the steepest rates for seven months amid reports of firmer underlying demand conditions. Consequently, outstanding workloads rose solidly, leading firms to raise their staffing levels for the second month in a row. On the prices front, input costs rose at the sharpest pace since last November, but the rate of selling price inflation remained modest.

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
Jun-19	53.1	Expansion, faster rate of growth
May-19	51.5	Expansion, from no change

Business activity across Australia's private sector increased for the second month running in June. Notably, the rate of growth was the steepest seen since last November.

Data broken down by sector indicated that the upturn was led by services companies, which registered a strong increase in activity that was the fastest for seven months. In comparison, manufacturers recorded only a mild expansion of output.

The steeper rise in overall activity was underpinned by a solid increase in new business that was also the most marked since last November. Panel members often commented on firmer underlying client demand, improved confidence and successful marketing campaigns.

As a result, the level of unfinished work rose at the quickest rate in 2019 so far, which in turn led companies to expand their payrolls for the second month in a row. That said, the rate of job creation eased since May and was only marginal.

Average input costs continued to rise sharply in June, with the rate of inflation edging up to a seven-month high. Panel members often linked higher input prices to an unfavourable exchange rate and increased costs for fuel and staff. As part of efforts to protect their operating margins firms raised their prices charged again in June, albeit modestly.

Business confidence regarding output over the year ahead improved to its highest since January. Anecdotal evidence commonly linked optimism to improved market confidence following the federal election and forecasts of rising new orders.

Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Jun-19 53.3	Expansion, faster rate of growth
May-19 51.5	Expansion, faster rate of growth

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.

Service sector business activity in Australia rose solidly in June, with the rate of growth accelerating to a seven-month high. The upturn was supported by a steeper increase in new business amid reports of improved overall demand conditions. This, in turn, led to the fastest rise in backlogs of work in 2019 to date and a further increase in staffing levels. Prices charged meanwhile rose modestly, despite a sharper increase in average input costs.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Jun-19 51.7	Expansion, faster rate of growth
May-19 51.0	Expansion, faster rate of growth

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.

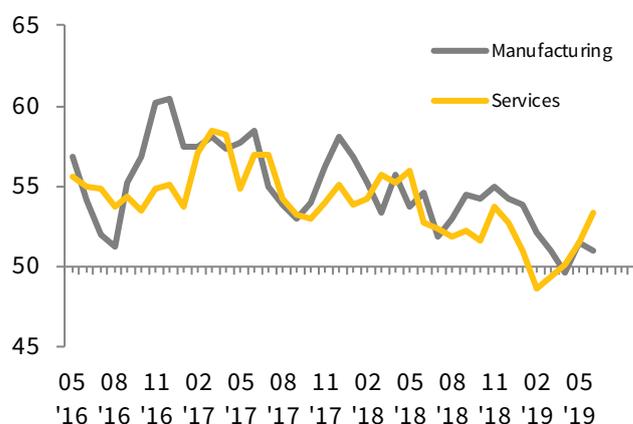
The PMI signalled a modest improvement in business conditions in June, with the index posting its highest reading for three months. A key boost to the headline index was a steeper rise in new orders, as the rate of output growth softened slightly since May.

After broadly stagnating over the past three months, employment rose modestly in June. Renewed job creation coincided with the first increase in backlogs of work since March.

Average input costs rose at the slowest pace for 22 months, despite reports of currency weakness pushing up prices. Output charges meanwhile rose only modestly.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Senior Economist, Gareth Aird said:

"An encouraging result, particularly for the services sector. The uncertainty generated by the federal election has been removed which appears to have had a positive impact on business activity."

Mr Aird added:

"The economy has been in a soft patch, but there are some green shoots emerging. The combination of monetary policy stimulus, forthcoming tax rebates and strong employment growth has contributed to the sharpest lift in the index since late last year. While the overall level of the composite index signals modest growth, we are taking some comfort from the direction the index is heading. The growth in input costs points to some margin compression. But if firms can pass on some of those costs due to a lift in demand we may see a modest rise in consumer inflation over H2 2019 and into 2020."

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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 June are released on 01 July 2019 (manufacturing) and 03 July 2019 (services and composite).

About PMI[®] by IHS Markit

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