

NEWS RELEASE: Embargoed until 09:00 (AEDT) 6 January 2020

Services activity falls in December despite firmer rise in new business



Key findings

Australian services business activity shrank further at the end of the year, accompanied by a fall in employment. However, the survey also showed improved demand, as reflected by firmer sales growth and rising export trade. Backlogs also increased further, while business confidence remained positive. On the price front, input costs continued to rise at a marked rate, but charges were up marginally.

Commonwealth Bank Services PMI[®] May 2016 – Dec 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 rose fractionally from 49.7 in November to 49.8 in December, indicating a marginal decrease in the level of activity for a second straight month.

Summary

Business Activity		Interpretation
Dec-19	49.8	Contraction, slower rate of decline
Nov-19	49.7	Contraction, change of direction

Drought-related disruptions and subdued sales growth continued to dampen services output, according to survey respondents. The decrease in services activity contributed to the first fall in employment for five months amid reports of company restructuring and layoffs.

Reduced output meanwhile also constrained the pricing power of firms. Despite another solid rise in business costs, prices charged for Australian services were raised only marginally in December after a decline in November. Increased fees were linked in general to higher expenses, though some firms that reduced selling prices pointed to greater competition.

Demand conditions, both at home and abroad, strengthened in December. Total new business intakes rose at the fastest rate for three months, supported by a recovery in export orders. Overall sales growth continued to add pressure on operating capacity, with the level of backlogs increasing further at the end of the year, albeit only slightly.

Finally, longer-term prospects remained positive. The Future Output Index, a measure of sentiment, registered well above the no-change 50.0 level as just over half of panellists expect higher activity over the next 12 months. Optimism was mainly connected to expectations of an improved economic environment, new product launches, marketing strategies, planned business expansions and better weather conditions.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Dec-19	49.6	Contraction, faster rate of decline
Nov-19	49.7	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 fell fractionally from 49.7 in November to 49.6 in December, indicating a decline in private sector business activity for a second straight month at the end of the year. The latest reading reflected declines in both services business activity and manufacturing output.

Commonwealth Bank Composite PMI®

May 2016 – Dec 2019

(50 = no change on previous month)

Increasing rate of growth 



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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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