

NEWS RELEASE: Embargoed until 09:00 (AEDT) 5 December 2018

Business activity rises at fastest pace in six months



Key findings

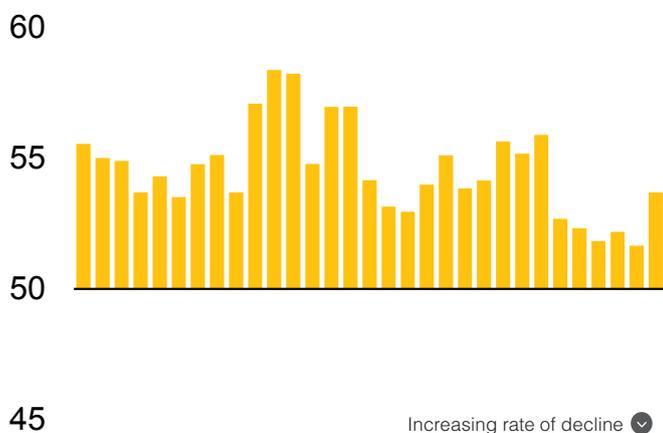
Business activity in Australia's service sector continued to expand midway through the fourth quarter, with the pace of growth accelerating to a six-month high. There were signs of strengthened demand as sales growth was the strongest since June. Consequently, firms expanded staff numbers to cope with additional workloads. Business sentiment remained positive. Strong cost pressures meanwhile prompted companies to raise output charges.

Commonwealth Bank Services PMI[®]

May 2016 – November 2018

(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 notably to 53.7 from 51.7 in October, signalling a robust expansion of Australia's service sector. The latest reading was the highest for six months.

Summary

Business Activity		Interpretation
Nov-18	53.7	Expansion, faster rate of growth
Oct-18	51.7	Expansion, slower rate of growth

The survey brought signs of strengthened demand in the middle of the closing quarter of 2018. New business growth accelerated to a five-month high in November, driven by a solid expansion in export orders. Greater client demand, business expansions and promotional activity all supported sales growth, according to anecdotal evidence.

Solid demand conditions weighed on the operating capacity of the service sector in November. The level of outstanding business rose for a third straight month, thereby encouraging firms to increase headcounts to cope with additional workloads. Employment levels grew solidly, though slower than the near two-year high recorded in October. Panellists mentioned plans to boost operating capacity in light of increased demand.

The sustained expansion in staff numbers added to input costs in the form of greater expenses on salaries. Higher input prices were recorded in November, driven by wage inflation and increased fuel prices. While still solid, input cost inflation was notably lower than the sharp increases seen in recent months. To safeguard their margins, firms raised output prices further, though at a pace slightly lower than in October.

Finally, survey respondents were mostly positive about future output in the year ahead, pointing to improved economic conditions, planned expansions and new marketing strategies as reasons to be confident. However, while the level of optimism improved slightly from October, sentiment remained notably below the historical average.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Nov-18	53.9	Expansion, faster rate of growth
Oct-18	52.0	Expansion, slower rate of growth

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.

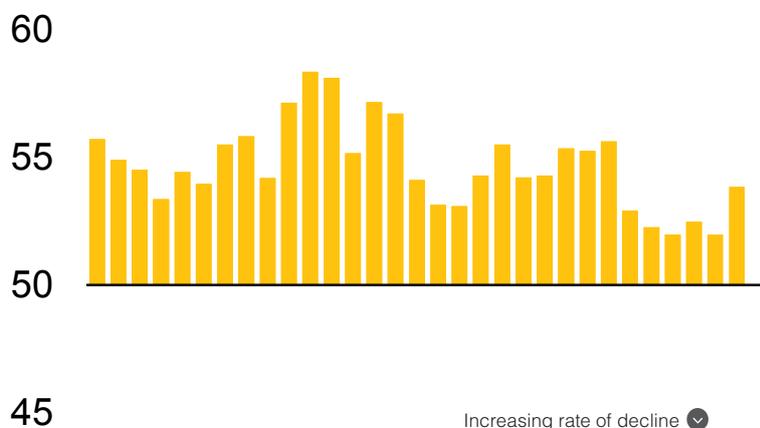
The seasonally adjusted Commonwealth Bank Composite Output Index rose to 53.9 in November from 52.0 in October. This represented the strongest rate of private sector output growth since May and reflected faster expansions in both manufacturing and service sectors.

Commonwealth Bank Composite PMI®

May 2016 – November 2018

(50 = no change on previous month)

Increasing rate of growth 



Increasing rate of decline 

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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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