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# IHS Markit Australia Services PMI®

Including IHS Markit Australia Composite PMI®

## Services PMI rises to survey peak amid stronger client demand

### Key findings

New business inflows rise at series record pace

Joint-sharpest increase in employment

Cost inflation accelerates to fastest since July 2017

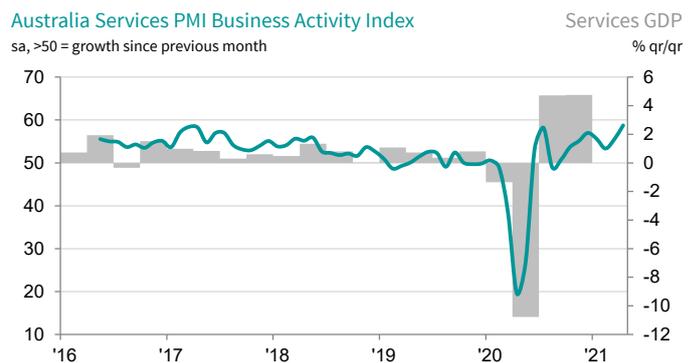
Data were collected 12-29 April 2021.

Business activity across the Australian service sector continued to recover at the start of the second quarter of 2021. Business conditions improved amid faster expansions in both activity and new business. Positive demand conditions, including a renewed rise in new export sales, encouraged service providers to bolster hiring for the sixth consecutive month to accommodate greater operating capacity needs. Input prices meanwhile rose at the fastest rate in almost four years, with firms seeking to partially pass on higher costs to customers as charges increased solidly.

The headline figure derived from the survey is the IHS Markit 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 to 58.8 in April from 55.5 in March, signalling a further sharp increase in activity. The latest increase extended the current sequence of expansion to eight months and was the steepest seen in the survey history. Panellists noted that the easing of COVID-19 restrictions had provided a further boost to total activity.

Notably, new business inflows received by Australian service providers also rose at the sharpest pace in the five-year series history. Anecdotal evidence indicated that the easing of lockdown restrictions contributed to an improvement in consumer confidence and demand. The Australia-New



Sources: IHS Markit, Australian Bureau of Statistics.

Zealand travel bubble, briefly in operation in the second half of April, in part supported a renewed rise in new export sales, despite most travel restrictions remaining in place.

Stronger demand conditions led firms to expand their workforce numbers for the sixth month running in the latest survey period. The pace of job creation was solid and matched February's series record. Despite a further and faster increase in employment, business capacity remained strained as backlogs of work rose for the third straight month. Input delivery delays were also cited as a factor contributing to the increase in outstanding business.

Concurrently, price pressures further intensified in April as Australian service providers experienced an eleventh straight monthly increase in cost burdens. The rate at which input prices rose accelerated to the fastest since July 2017's survey high. The increase in cost burdens was often linked to greater raw material prices and wage costs. A number of firms noted efforts to partially pass on higher costs to clients, with output charges rising at the fastest pace since December 2017.

Business confidence meanwhile remained broadly upbeat, with the degree of optimism rising among Australian service providers in April. Just over 60% of survey respondents held a positive outlook for output over the year ahead, with many noting hopes of a further recovery from the COVID-19 pandemic to continue supporting an uptick in client demand.

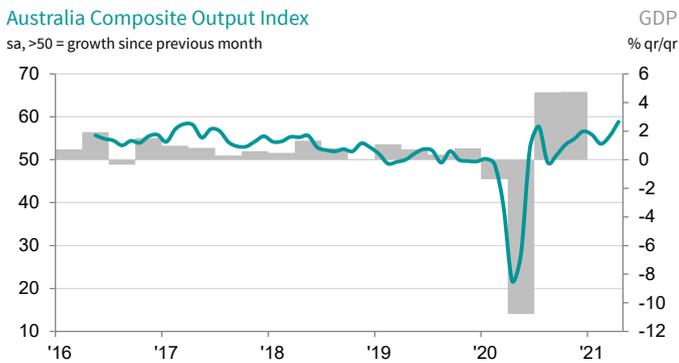
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## IHS Markit Australia Composite PMI®

## Private sector output growth fastest on record in April

## Australia Composite Output Index

sa, &gt;50 = growth since previous month



Sources: IHS Markit, Australian Bureau of Statistics.

The Composite Index\*, which measures combined services and manufacturing output, increased to 58.9 in April from 55.5 in March, indicating the sharpest upturn in private sector activity since data collection began in May 2016.

Overall business activity growth was supported by a considerable expansion in manufacturing output and an unprecedented rise in services activity in April. Inflows of new business rose at the quickest rate on record, as an increase in overseas demand contributing to the upturn in total new sales.

Stronger demand conditions encouraged private sector firms across both the manufacturing and service sectors to increase employment for the sixth consecutive month in April. The rate of job creation accelerated to the sharpest on record as panellists highlighted the need for additional operating capacity to support the increase in demand.

Inflationary pressures continued to feature strongly in April survey data. Input prices increased at a series record pace across the private sector, surpassing the previous record in March. Firms noted that higher raw material prices, increased wage costs and supply constraints contributed to the latest increase in cost burdens. Businesses reportedly sought to pass on higher costs to consumers as charges rose at the steepest rate since December 2017.

\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

## Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

*“April PMI data signalled that business activity across the Australian service sector rose at the strongest pace since data collection began in May 2016, reflecting further moves towards recovery. This was aided by the further easing of COVID-19 restrictions which boosted customer confidence and demand alike.”*

*“Service providers were enthused by the upturn in demand and expanding their workforce numbers at the joint-fastest pace on record. Nonetheless, strains on business capacity remained evident and intensified amid ongoing supplier delays.”*

*“Overall, business confidence also improved as the vaccination program was extended and a travel bubble with New Zealand established. Keeping the COVID-19 situation in control is likely to enable the further resumption of services activities and will be key to extending the current moves towards recovery. Our 2021 GDP forecast for Australia currently stands at growth of 3.2%.”*

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### Survey methodology

The IHS Markit Australia Services PMI® is compiled by IHS Markit 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.

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.

### Survey dates and history

April data were collected 12-29 April 2021.

Survey data were first collected May 2016.

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### Flash vs. final data

Flash services data were calculated from 80-90% of final responses. Flash composite data were calculated from 80-90% of final responses.

Since May 2016 the average difference between final and flash Services Business Activity Index values is 0.0 (0.7 in absolute terms). Since May 2016 the average difference between final and flash Composite Output Index values is 0.0 (0.6 in absolute terms).

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### About PMI

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