

NEWS RELEASE: Embargoed until 09:00 (AEDT) 24 October 2019

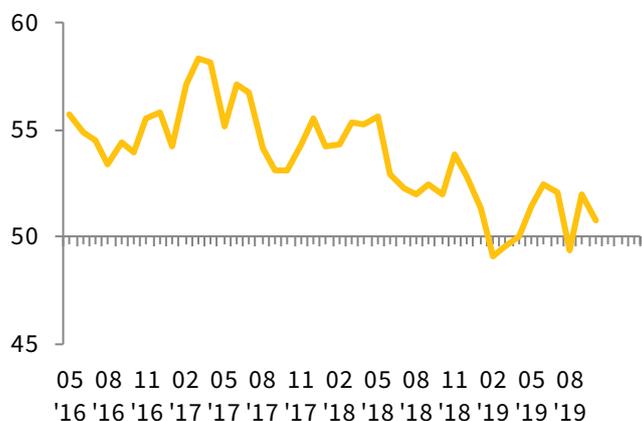
Softer rise in activity in October.

Key findings

The latest Commonwealth Bank Flash Composite PMI[®] pointed to subdued business conditions in Australia at the start of the final quarter of the year. Output rose at a softer pace amid the weakest new order growth since April. Business confidence also softened and firms raised their staffing levels only marginally. Meanwhile, input costs continued to increase at a marked pace, leading firms to raise their own selling prices to the greatest extent since last November in a bid to protect profit margins.

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
Oct-19	50.7	Expansion, slower rate of growth
Sep-19	52.0	Expansion, from decline

Although business activity increased for the second month running in October, the rate of expansion softened and was only marginal. This reflected a weaker rise in services activity, as manufacturing production stabilised following a fall in September.

New orders rose at the weakest pace for six months. As with activity, service providers saw growth of new business soften in October. Meanwhile, manufacturing new orders decreased for the first time in the three-and-a-half year survey history. This was despite a marginal increase in manufacturing new export orders.

Weaker growth of new business meant that firms were able to keep on top of workloads at the start of the final quarter of the year. Broadly unchanged backlogs of work in October ended a 13-month sequence of accumulation.

Marginal job creation was recorded again, with staffing levels up only slightly across both the manufacturing and service sectors.

Input prices increased at a marked pace in October. The rate of cost inflation eased in services, but quickened in manufacturing. Both sectors saw sharper rises in output prices during the month. Overall, charges increased to the greatest extent in 11 months as companies sought to protect margins amid ongoing rises in input costs.

October saw a drop in confidence among Australian companies, with sentiment the lowest since March. The decline in optimism was centred on the service sector, as manufacturing sentiment was little-changed from that seen in September.

Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Oct-19 50.8	Expansion, slower rate of growth
Sep-19 52.4	Expansion, from decline

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.

The rate of growth in services business activity softened in October, with output up only marginally over the month. Slower expansions in both new orders and employment were also recorded and business confidence dipped to a seven-month low. Input prices continued to rise at a marked pace, albeit one that was the slowest since May. In contrast, the rate of output price inflation quickened to a one-year high.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Oct-19 50.1	Expansion, slower rate of growth
Sep-19 50.3	Expansion, slower 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.

Business conditions were broadly unchanged in the Australian manufacturing sector during October, with the headline PMI at its lowest in the three-and-a-half year series history.

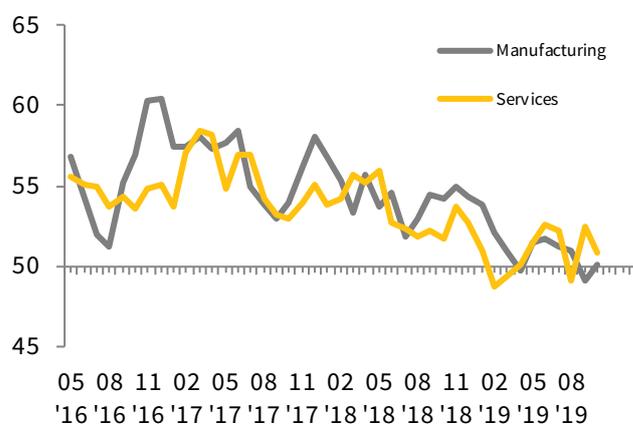
Manufacturing output was stable, following a slight fall in September, but new orders decreased for the first time in the series so far. Panellists reported weak market demand.

Firms increased their staffing levels, but cut back on their purchasing activity and inventories of both pre- and post-production items.

Input prices rose sharply, and at the fastest pace in 11 months. This often reflected currency weakness.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Chief Economist, Michael Blythe said:

“The trade war and other uncertainties mean businesses are deferring capex and consumers are putting off spending. The resulting drop in production has pulled global manufacturing PMIs lower, taking services PMIs along for the ride. Australian manufacturing and service firms are not immune to these global trends. The ongoing weakness in the flash PMI readings for October should be judged against this global backdrop”.

Mr Blythe also noted:

“Australia is faring a little better than the global trend. PMI readings remain in expansion territory, albeit just. Employment is still growing and longer-run expectations are still positive”.

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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 October are released on 01 November 2019 (manufacturing) and 05 November 2019 (services and composite).

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