

NEWS RELEASE: Embargoed until 09:00 (AEDT) 5 February 2019

Business activity growth at survey-record low



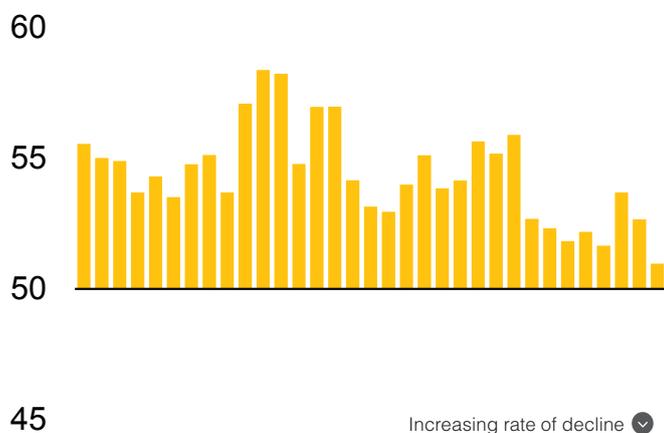
Key findings

The Australian service sector shifted down a gear at the start of the year as a slower upturn in new work weighed on business activity. Steady international demand supported the expansion, but domestic markets slowed. Hiring growth also eased. However, optimism in the year ahead was sustained while backlogs accumulated at a solid pace. Inflationary pressures meanwhile moderated noticeably at the beginning of 2019.

Commonwealth Bank Services PMI[®] May 2016 – Jan 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 slipped from 52.7 in December to 51.0 in January, marking the weakest rate of expansion in the service sector since the survey started in May 2016.

Summary

Business Activity		Interpretation
Jan-19	51.0	Expansion, slower rate of growth
Dec-18	52.7	Expansion, slower rate of growth

Amid reports of drought-related impacts and softer economic conditions, sales growth was at a survey-record low and was only marginal in January. A steady increase in new business from abroad was partially offset by a slowdown in domestic markets.

Moderating demand conditions saw firms slow their hiring plans. Employment growth was the weakest for five months at the start of the year and modest overall. Some companies noted non-replacements of staff departures.

Meanwhile, service providers reported a solid increase in additional workloads. The rate of backlog accumulation in January was the joint-second fastest in a year.

The survey brought further signs of a moderation in inflation. Average input costs rose in January, but the rate of increase softened to the weakest in the survey history. Lower fuel costs were frequently mentioned among firms that reported deflation.

In turn, selling prices across the service economy rose only modestly, and to the slowest degree since June last year. Anecdotal evidence suggested that price discounts, slower sales growth and higher competition curbed inflation.

Despite the current slowdown, longer-term prospects brightened. Business expectations about the outlook in the year ahead improved to the highest in four months. Companies suggested that new marketing strategies, business expansions, higher sales projections and a wider product offering should boost business activity in 2019.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Jan-19	51.3	Expansion, slower rate of growth
Dec-18	52.9	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.

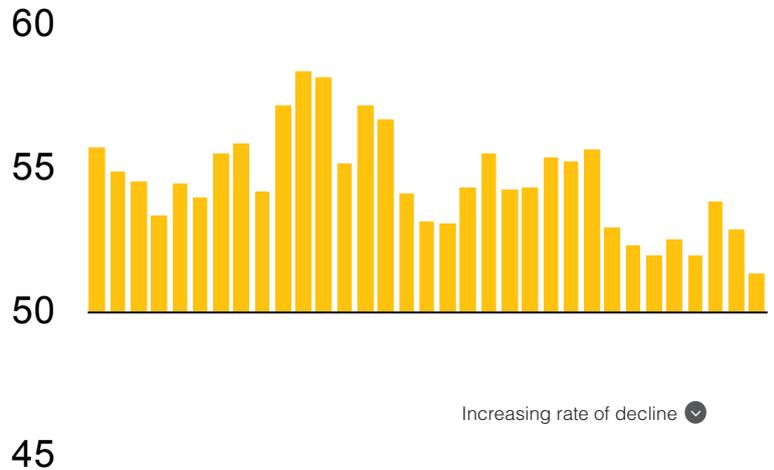
The seasonally adjusted Commonwealth Bank Composite Output Index slipped from 52.9 in December to 51.3 in January, marking the lowest level since the survey started in May 2016. The latest reading reflected a further slowdown in both manufacturing and service sectors.

Commonwealth Bank Composite PMI®

May 2016 – Jan 2019

(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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