

NEWS RELEASE: Embargoed until 09:00 (AEST) 23 June 2020

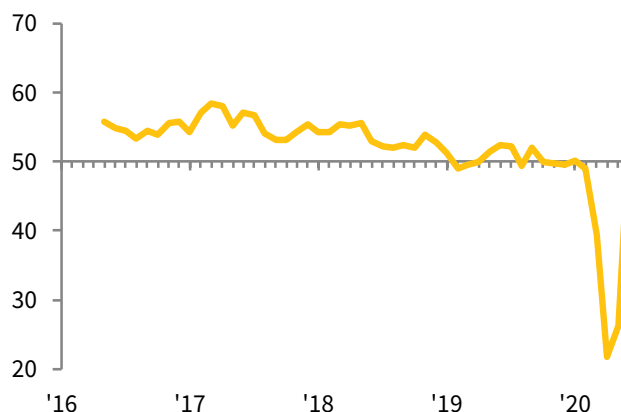
# Business activity returns to growth in June.

## Key findings

The latest Commonwealth Bank Flash Composite PMI® pointed to a return to growth of Australian private sector output in June amid a further loosening of restrictions related to the coronavirus disease 2019 (COVID-19). New orders stabilised, but companies continued to reduce employment as they generally operated below normal capacity. Confidence around the 12-month outlook for activity improved to the highest for nine months amid optimism that economic conditions will return to normal.

### 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
Jun-20	52.6	Expansion, from contraction
May-20	28.1	Decline, slower rate of contraction

Business activity returned to growth in June as an easing of COVID-19 restrictions led to the resumption of operations at some firms that had previously been closed. The increase was centred on the service sector, which saw a rise in activity for the first time in five months. Meanwhile, manufacturing production continued to fall, albeit at a much softer pace.

New orders stabilised, ending a four-month sequence of decline. Services new business increased, but only marginally as the COVID-19 pandemic continued to impact negatively on customer demand. Manufacturing new orders fell again, but as with output the rate of contraction softened. New export orders continued to fall sharply, particularly in the service sector amid restrictions on travel.

Companies displayed caution with regards to hiring policies as they continued to operate below capacity. Employment decreased for the fifth month running, although the rate of job cuts softened.

Input prices increased for the first time in three months. The rate of cost inflation was particularly sharp in the manufacturing sector, where panellists often linked inflation to higher freight costs and currency weakness. Output prices also increased in June, albeit at a slower pace than input costs.

Optimism that the worst of the disruption from the pandemic has passed and that operating conditions will gradually return to normal led to increased confidence in the 12-month outlook for activity. Sentiment was the highest in nine months, with optimism strengthening across both the manufacturing and service sectors.

## Commonwealth Bank Flash Services PMI®

Business Activity	Value	Interpretation
Jun-20	53.2	Expansion, from contraction
May-20	26.9	Decline, slower rate of contraction

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.

Services business activity returned to growth in June as the easing of COVID-19 restrictions led operations to resume and customer numbers to improve. New business also rose, albeit marginally amid the ongoing impact of the pandemic. Employment decreased for the fifth month running, but the rate of job cuts was the weakest in this sequence. Meanwhile, both input costs and output prices rose for the first time in three months.

## Commonwealth Bank Flash Manufacturing PMI®

PMI	Value	Interpretation
Jun-20	49.8	Decline, slower rate of contraction
May-20	44.0	Decline, faster rate of contraction

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.

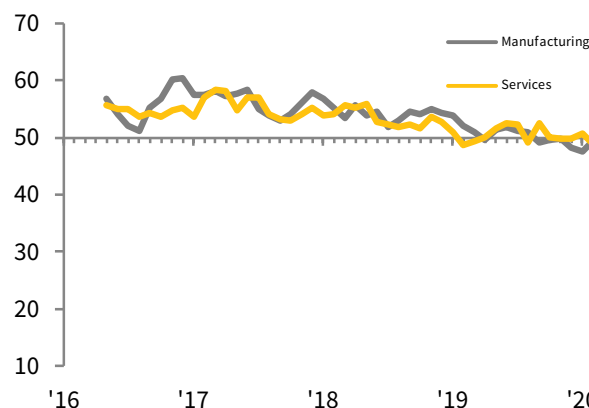
The Australian manufacturing sector neared stabilisation in June, with much softer reductions in output, new orders and exports recorded. The rate of decline in employment remained sharp, however, as firms operated below capacity.

Considerable disruption to supply chains remained, while the rate of input cost inflation quickened to the sharpest since May 2018. Selling prices were raised, following a fall in May.

Confidence regarding the 12-month outlook improved to a 16-month high, with firms predicting a return to normality over the coming year.

## Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



## Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Head of Australian Economics, Gareth Aird said,

*“The June PMIs are consistent with our view that we are now past the low point in economic activity. Overall conditions are still very soft, but there were a few encouraging pieces of information in the PMIs.”*

Mr Aird also noted,

*“Confidence has improved in both the manufacturing and services sectors. And the lift in both input and output prices is welcome as it suggests we are more likely to be in a period of disinflation rather than deflation. The further decline in employment was disappointing, but given the lagging relationship between employment and output it is not surprising. We should see headcount lift from here.”*

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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 June are released on 01 July 2020 (manufacturing) and 03 July 2020 (services and composite).

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