

NEWS RELEASE: Embargoed until 09:00 (AEDT) 14 December 2018

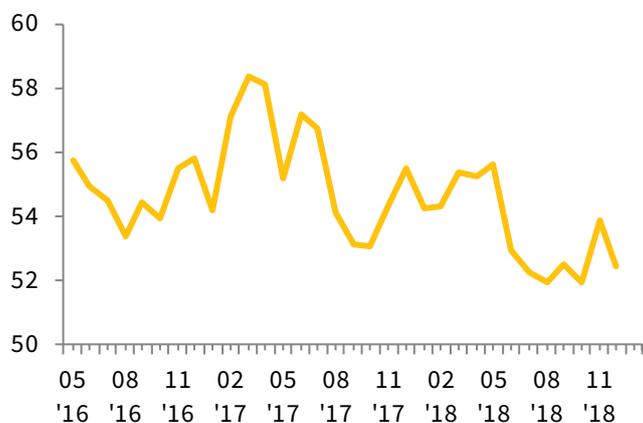
# New order growth at four-month low in December.

## Key findings

Growth was maintained in the Australian private sector during December, but signs of softer demand were evident across both the manufacturing and service sectors. New orders increased at the slowest pace in four months, with output growth and job creation slowing accordingly. Meanwhile, business sentiment was at a two-and-a-half year low. There were further signs of inflationary pressures waning, with input costs rising at the slowest pace in almost a year.

### 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	Value	Interpretation
Dec-18	52.4	Expansion, slower rate of growth
Nov-18	53.9	Expansion, faster rate of growth

At 52.4 in December, down from 53.9 in November, the headline index signalled a slower increase in business activity in Australia, with growth remaining subdued relative to the first half of the year.

Weaker rises in output were recorded across both the manufacturing and service sectors in December, with manufacturing production growth at a four-month low.

Where activity increased, panellists linked this to higher new orders. There were further reports of a softening demand environment, however, as new business rose at the slowest pace in four months.

With workloads continuing to rise, companies increased their staffing levels. That said, in line with the picture for activity and new business, the rate of job creation eased to a four-month low.

Latest data signalled a marked drop in inflationary pressures. The rate of input cost inflation was the slowest since January amid lower oil and fuel prices. Softer increases in input prices were matched by the trend in output charges, which rose only modestly.

Business sentiment dropped to a two-and-a-half year low during December. While companies generally expect to see output rise on the back of higher workloads, signs of demand slowing acted to dampen confidence. Optimism was lower across both the manufacturing and service sectors.

### Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Dec-18 52.2	Expansion, slower rate of growth
Nov-18 53.7	Expansion, faster rate of growth

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 activity increased modestly in December, with the rate of growth easing from November and coming in below the average for 2018 as a whole. Weaker rises in new business and employment were recorded, while business sentiment was at a two-and-a-half year low. Meanwhile, there were further signs of inflation easing, with both input costs and output prices increasing at weaker rates.

### Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Dec-18 53.7	Expansion, slower rate of growth
Nov-18 54.6	Expansion, faster 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.

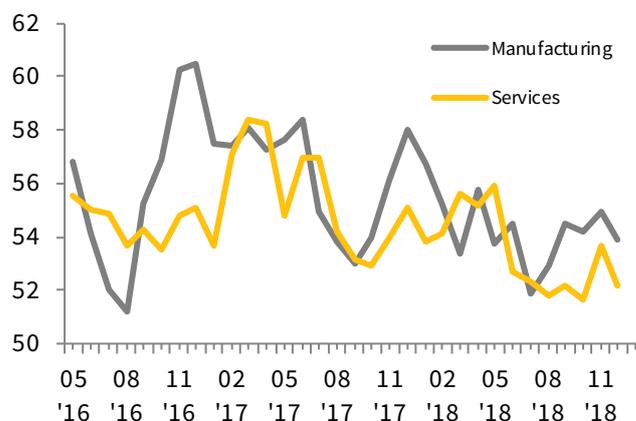
The headline PMI remained above the 50.0 no-change mark in December, but fell from November to signal a weaker improvement in the health of the sector. The latest reading was below the 2018 average.

New order growth slowed to a five-month low, with production also increasing at a softer pace. Meanwhile, the rate of job creation was the slowest in three months.

As was the case with services, inflationary pressures weakened in December. Input costs rose at the slowest pace since August 2017, with output prices up to the least degree in ten months.

### Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



### Comment

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

*"The manufacturing and services sector ended 2018 in expansion territory. But PMI readings are noticeably below those prevailing at the end of 2017. The carryover momentum into 2019 is less as a result".*

Mr Blythe added:

*"PMI readings for Q4 were above those for Q3. So the slowdown does not look like an ongoing slide. It also suggests that the weakness in Australian GDP growth in Q3 won't be repeated in Q4".*

**For further information, please contact:****Commonwealth Bank of Australia****Daniel Ferguson**

Group Corporate Affairs  
Institutional and Business Banking  
Telephone +61 2 9118 4531  
Email [media@cba.com.au](mailto:media@cba.com.au)

**IHS Markit****Bernard Aw**

Principal Economist  
Telephone +65-6922-4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Jerrine Chia**

Marketing and Communications  
Telephone +65 6922-4239  
Email [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

**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 November are released on 03 December 2018 (manufacturing) and 05 December 2018 (services and composite).

**About PMI® by IHS Markit**

The intellectual property rights to the Commonwealth Bank Flash Composite PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Commonwealth Bank use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

**Things you should know**

This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its publication. No guarantee is provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124. AFSL and Australian credit license 234945.