

NEWS RELEASE: Embargoed until 09:00 (AEST) 18 April 2019

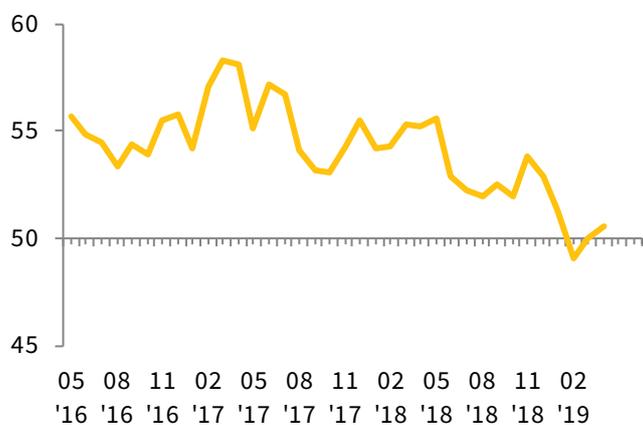
Business activity ticks up in April.

Key findings

April saw a marginal increase in business activity at Australian companies, the first expansion in three months. Latest data continued to signal a lack of demand as new orders were broadly unchanged for the second month running. Meanwhile, shortages of new work led to a first reduction in staffing levels in the three-year survey history. Rates of inflation softened, with input prices rising at the slowest pace in the series history while output charge inflation hit a ten-month low.

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
Apr-19	50.6	Expansion, from contraction
Mar-19	49.5	Fall, slower rate of contraction

Business activity in Australia's private sector increased slightly in April, ending a two-month sequence of decline. That said, the latest reading was still among the weakest in the three-year survey history. A similar picture was evident for new orders, which ticked up fractionally in April.

The return to growth was helped by a marginal expansion of services business activity, while manufacturing production increased at the same modest pace as seen in March. The rate of growth in manufacturing new orders eased for the fifth successive month, while new export orders in the sector declined for the first time since August 2017.

Shortages of new work led to cautious hiring policies in April. In fact, employment fell slightly for the first time in three years. Modest reductions in staffing levels were registered across both monitored sectors. Decreased operating capacity coincided with a rise in backlogs of work.

Lower staff costs contributed to a further slowdown in the rate of input price inflation. The latest increase was the weakest in the survey so far. The rate of output price inflation also softened in April amid reports of competitive pressures and fragile demand conditions. The slight increase in charges was the weakest since June 2018.

Business confidence was unchanged in April, remaining among the lowest seen in the survey to-date. Slowing demand and drought conditions led to pessimism among some respondents, but other panellists were optimistic due to projections of growth both at business units and in the wider economy.

Commonwealth Bank Flash Services PMI®

Business Activity	PMI	Interpretation
Apr-19	50.5	Expansion, from contraction
Mar-19	49.3	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 ticked up in April, thereby ending a two-month sequence of decline. The rate of expansion was only marginal, however, as new orders were broadly unchanged. Meanwhile, service sector employment decreased for the first time in the survey's three-year history amid reports of a lack of work. Falling workforce numbers led to a slower rise in input costs, while output prices also increased at a weaker pace.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation	
Apr-19	51.0	Expansion, slower rate of growth
Mar-19	52.0	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.

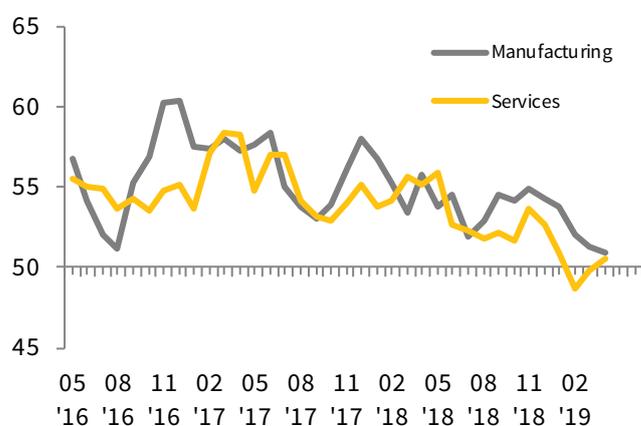
The PMI dipped to a new low in April and signalled only a modest improvement in business conditions during the month. This reflected a fifth successive monthly slowdown in the pace of new order growth, while production increased at the same subdued pace as in March.

Backlogs of work decreased for the first time in nine months, while manufacturers lowered their staffing levels for the second month running.

The rate of input cost inflation remained solid, but output prices rose to the least extent since the opening month of 2019.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Senior Economist, Gareth Aird said:

"A soft result. But an improvement nonetheless that takes the PMI readings into expansionary territory."

Mr Aird added:

"The economy clearly softened over the second half of 2018. And the PMIs suggest that the weakness carried over into early 2019. But the modest rebound in the services PMI is encouraging. There is scope for the PMIs to push higher over coming months if the personal income tax relief announced in the 2019/20 Budget translates into a lift in consumer demand. The main concern for us in the data was the employment sub-components of both the manufacturing and services PMIs. Both readings moved lower and sit in contractionary territory. The next few monthly updates will confirm if the dip is transitory or not."

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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 April are released on 01 May 2019 (manufacturing) and 03 May 2019 (services and composite).

About PMI® by IHS Markit

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