

NEWS RELEASE: Embargoed until 09:00 (AEDT) 4 September 2019

Services business activity shrinks in August

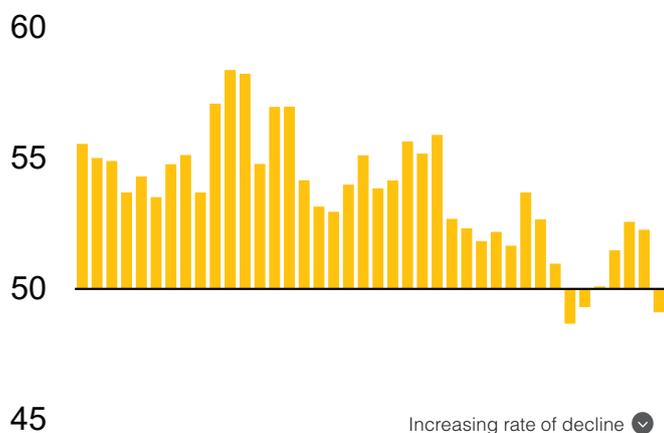
Key findings

For the first time in five months, business activity in the Australian service sector fell during August amid a weakening trend in new sales. Overall new business growth moderated in the latest survey period, partially weighed down by a softer expansion in exports, leading to a smaller rise in backlog accumulation. However, employment growth returned and business sentiment strengthened. Cost inflation remained marked.

Commonwealth Bank Services PMI[®] May 2016 – Aug 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 fell from 52.3 in July to 49.1 in August, indicating the first decline in output since March.

Summary

Business Activity		Interpretation
Aug-19	49.1	Contraction, change of direction
Jul-19	52.3	Expansion, slower rate of growth

Driving the fall in business activity were softening demand conditions in both domestic and overseas markets. Total new business inflows rose at the weakest rate since April, matched by the slowest expansion in export sales for just over two years. In line with a moderation in new business growth, the accumulation in the level of unfinished work slowed in August.

Meanwhile, following a decline in July, companies raised staff numbers in August, with anecdotal evidence suggesting that increased operational requirements motivated firms to take on more workers.

Business sentiment also improved in the latest survey period. The Business Expectations Index, a gauge of confidence, rose to the highest for seven months, with the majority of panellists expecting greater business activity in the year ahead. Reasons for optimism included planned market expansions, new product launches, marketing activities, and an expected improvement in consumer confidence.

Input price inflation meanwhile eased in August, though remained marked overall. Higher costs for energy and raw materials such as steel and food items, alongside increased wages contributed to inflation, according to anecdotal evidence. Greater business expenses saw firms raise their service fees further, with the rate of increase in output prices the fastest since March.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Aug-19	49.3	Contraction, change of direction
Jul-19	52.1	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.

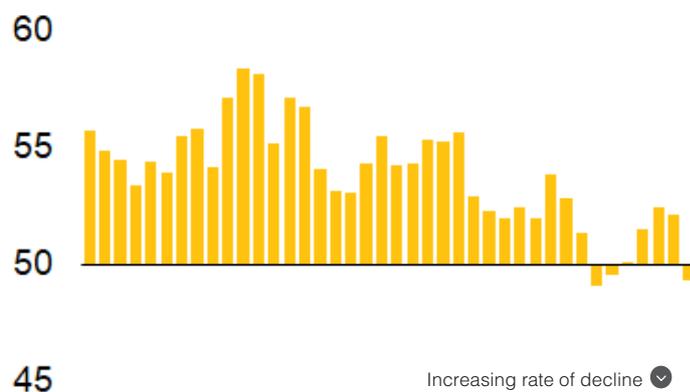
The seasonally adjusted Commonwealth Bank Composite Output Index fell from 52.1 in July to 49.3 in August, indicating a decline in private sector business activity midway through the third quarter. The latest reading reflected a softer expansion in manufacturing output and a contraction in services activity.

Commonwealth Bank Composite PMI®

May 2016 – Aug 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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