

NEWS RELEASE: Embargoed until 09:00 (AEDT) 5 May 2020

PMI falls to survey low as COVID-19 measures hit service economy



Key findings

Latest PMI data showed the extent to which stricter measures to contain the coronavirus disease 2019 (COVID-19) outbreak impacted the Australian service sector during April, with business activity contracting at a record rate. This was accompanied by a severe fall in sales amid reports of temporary business closures. Job shedding intensified as a result and business sentiment remained subdued. Prices also fell during the month.

Commonwealth Bank Services PMI[®] May 2016 – Apr 2020

(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 steeply from 38.5 in March to 19.5 in April and indicating a decrease in activity unsurpassed in the four-year survey history.

Summary

Business Activity		Interpretation
Apr-20	19.5	Contraction, faster rate of decline
Mar-20	38.5	Contraction, faster rate of decline

Stricter restrictions on business and consumer activity imposed to limit the spread of COVID-19 weighed heavily on the Australian service sector. With many businesses having to temporarily close, services activity fell rapidly in April following March's steep decline. Demand for services also fell sharply, with data indicating that firms operating in the restaurant and travel sectors were especially hard hit. New business inflows fell at a survey-record rate during April, in part driven by a record fall in new export business. Survey data showed a considerable reduction of foreign demand for Australian services amid widespread global restrictions on travel and activity.

Business confidence remained subdued, with companies concerned about the deepening economic downturn and uncertainty over the duration of the COVID-19 pandemic and its impact on business. Despite rising from March's low, the Future Output Index was among the lowest since the survey began four years ago.

Reflecting the severe downturn in sales, spare capacity continued to develop in April, as indicated by a record fall in backlogs of work. This in turn impacted heavily on the labour market, with factory employment also down at a record pace. There were widespread reports of forced redundancies.

Finally, input prices fell for the first time in the four-year series history during April, driven by a combination of factors, including pay cuts, rental reductions and lower fuel and energy prices. This provided room for firms to lower selling prices markedly in an effort to retain customers.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Apr-20	21.7	Contraction, faster rate of decline
Mar-20	39.4	Contraction, faster rate of decline

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.

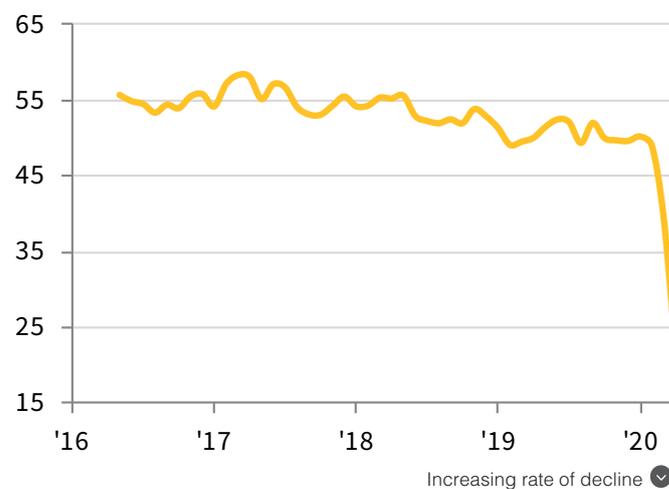
The seasonally adjusted Commonwealth Bank Composite Output Index plunged from 39.4 in March to 21.7 in April, indicating a decrease of private sector business activity unsurpassed since the survey began in May 2016. The severe fall in services business activity led the overall downturn in Australia's private sector. Manufacturing output meanwhile also fell at a steep (and record) pace.

Commonwealth Bank Composite PMI®

May 2016 – Apr 2020

(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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