

NEWS RELEASE: Embargoed until 09:00 (AEDT) 3 July 2020

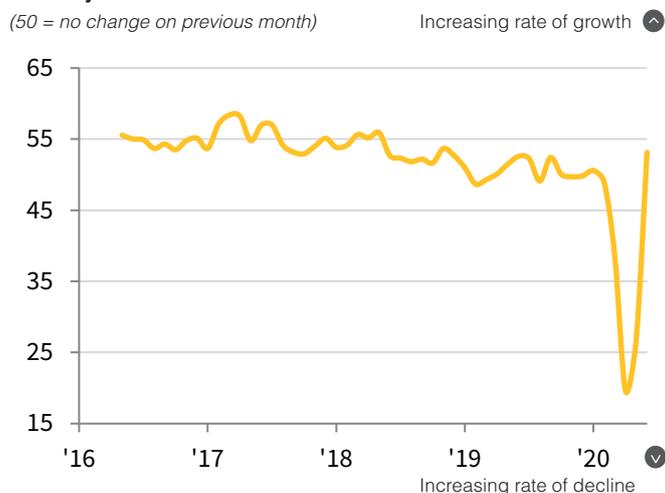
Return to growth of activity during June as COVID-19 measures ease



Key findings

Amid a further easing of COVID-19 restrictions, Australian services activity rose for the first time in five months during June, according to the latest PMI data. New business volumes also returned to growth, contributing to a rise in capacity pressure. Meanwhile, there was a notably slower reduction in employment, while business sentiment improved further. The recovery was, however, accompanied by price increases.

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



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 surged from 26.9 in May to 53.1 in June, indicating a rise in activity for the first time since January. The latest increase in activity was also the fastest for just over one-and-a-half years.

Summary

Business Activity		Interpretation
Jun-20	53.1	Expansion, change of direction
May-20	26.9	Contraction, slower rate of decline

The lifting of restrictions on business operations provided relief to the service sector as firms reopened and individuals resumed consumption.

This led to a marked improvement in demand conditions. Order book volumes returned to growth for the first time since January, after steep declines in recent months. That said, the rate of increase was only marginal as some COVID-19 measures remained in place and hindered recovery in certain sectors such as transportation and tourism. External demand remained weak, with overseas orders falling further in June, albeit at a slower rate.

The upturn in overall sales led to a tightening of operating capacity, as indicated by a rise in the level of backlogs. However, despite increased capacity pressure, firms continued to reduce staff numbers, although the rate of reduction eased considerably from the severe drops seen in April and May.

The recovery in the service sector was accompanied by higher prices. Input costs rose markedly after two months of declines, with inflation linked to greater staff costs, increased fuel prices and supplier price hikes. Higher expenses pushed firms to raise their selling prices for the first time in three months, albeit only marginally.

Finally, business expectations for the year-ahead outlook improved further in June, with confidence rising to the highest in nine months. Optimism was built on expectations of a further easing of restrictions, including for international travel, in the months ahead.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Jun-20	52.7	Expansion, change of direction
May-20	28.1	Contraction, slower 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.

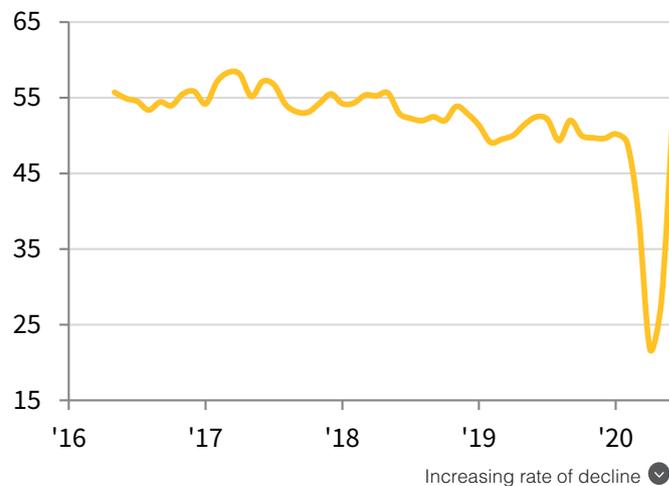
The seasonally adjusted Commonwealth Bank Composite Output Index rose sharply from 28.1 to 52.7 in June, indicating a rise in private sector business activity for the first time since January. The overall upturn in Australia's private sector was led by a similarly substantial increase in services business activity. Manufacturing output meanwhile fell further, albeit at a noticeably slower rate.

Commonwealth Bank Composite PMI®

May 2016 – Jun 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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