

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

Services activity slumps as coronavirus strikes economy



Key findings

The global outbreak of the coronavirus disease 2019 (COVID-19) weighed heavily on the Australian service sector in March, with the latest PMI data showing a slump in business activity. This was concurrent with a deepening downturn in new sales, led by a record fall in new overseas business. With backlogs of work falling markedly, firms reduced jobs further. Business confidence also fell to a survey-record low, while price pressures moderated.

Commonwealth Bank Services PMI[®]

May 2016 – Mar 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 plunged from 49.0 in February to 38.5 in March, indicating the steepest decrease in the level of activity in the near four-year survey history.

Summary

Business Activity		Interpretation
Mar-20	38.5	Contraction, faster rate of decline
Feb-20	49.0	Contraction, change of direction

Measures taken to control the spread of COVID-19 severely impacted the Australian service economy. Business activity slumped in March, falling at a rate unprecedented in the series history, with consumer services particularly hard hit. Services activity was also curtailed by bushfires and flooding reported in certain parts of Australia.

The slump in business activity occurred at the same time as demand conditions were greatly weakened by the COVID-19 pandemic. New business inflows shrank further in March, falling at a survey-record rate and one that was severe overall. The downturn in sales was also exacerbated by a record fall in new export business. Survey data showed foreign demand for consumer services had deteriorated substantially.

Business confidence was severely dented as a result. The Future Output Index plunged to the lowest level since the survey began nearly four years ago. Key concerns dampening business expectations were the deepening economic downturn, lower consumer demand, and uncertainty over the duration of the COVID-19 situation.

With sharply lower sales, there was a further (and steeper) development of excess capacity, as reflected by the level of backlogs falling at a new series-record rate in March. This, in turn, contributed to further job shedding. Employment also fell at a record pace.

Finally, survey data brought signs of falling inflationary pressures. Input price inflation eased to the slowest on record, while firms raised their selling prices only marginally in March. Respondents that reported reduced prices highlighted lower interest rates, greater competition and efforts to boost sales.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Mar-20	39.4	Contraction, faster rate of decline
Feb-20	49.0	Contraction, change of direction

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.

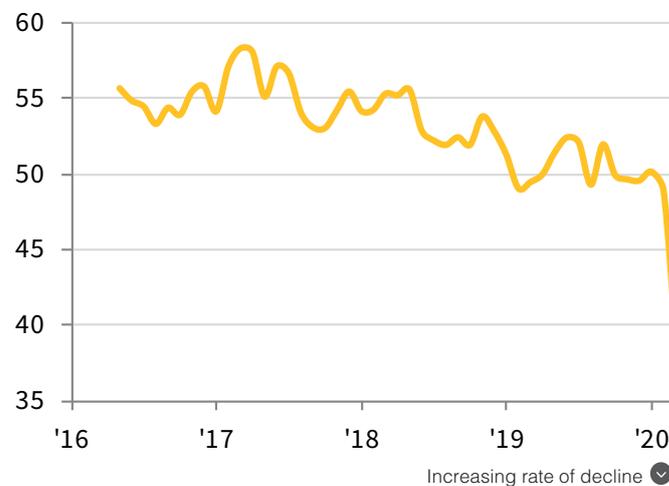
The seasonally adjusted Commonwealth Bank Composite Output Index plunged from 49.0 in February to 39.4 in March, indicating the steepest decrease of private sector business activity since the survey began in May 2016. The marked decline in services business activity led the overall downturn in Australia's private sector. Manufacturing output meanwhile also fell at a steeper pace.

Commonwealth Bank Composite PMI®

May 2016 – Mar 2020

(50 = no change on previous month)

Increasing rate of growth 



Increasing rate of decline 

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

IHS Markit

Bernard Aw

Principal Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

Katherine Smith

Public Relations
Telephone +1 781-301-9311
Email katherine.smith@ihsmarkit.com

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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