

NEWS RELEASE: Embargoed until 09:00 (AEDT) 23 November 2018

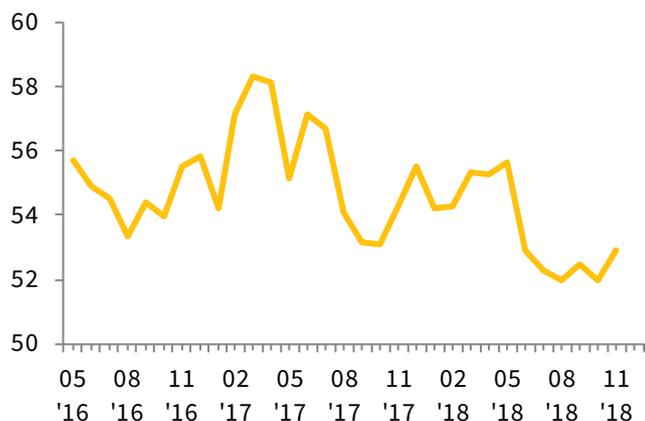
Output growth recovers slightly in November.

Key findings

Australian private sector output growth recovered some ground in November, with sharper increases in both the manufacturing and service sectors. That said, the rate of expansion remained relatively modest. Meanwhile, the rate of job creation eased to a three-month low. There were signs of weakening cost inflation, particularly for service providers, while output prices also increased at a slower pace than in October.

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 |
|--------|------|----------------------------------|
| Nov-18 | 52.9 | Expansion, faster rate of growth |
| Oct-18 | 52.0 | Expansion, slower rate of growth |

The headline index signalled a pick-up in growth in the Australian private sector during November, rising to 52.9 from 52.0 in October. The rate of expansion in business activity was solid and the fastest since June, but remained relatively weak.

Both the manufacturing and service sectors saw sharper rises in output than in the previous month. Growth was led by manufacturing, where production rose to the greatest extent in seven months.

Increases in activity were linked to improving growth of new business. Rates of expansion in new orders quickened across both manufacturing and services. Manufacturers also saw a sharper rise in new export orders, but service providers indicated that new business from foreign customers increased to the least extent in the current 16-month sequence of expansion.

Although growth of workloads quickened, companies increased their staffing levels at a weaker pace in November. The rise was the slowest in three months as some companies were reluctant to hire amid relatively subdued demand conditions.

The rate of input cost inflation slowed sharply in November and was the weakest in ten months. The pace at which output prices were raised also softened.

While remaining positive, business sentiment ticked down in November and was the lowest since June 2016. Optimism was reportedly the result of expected increases in new business, but some firms were apprehensive about market conditions.

Commonwealth Bank Flash Services PMI®

| Business Activity | Interpretation |
|-------------------|----------------------------------|
| Nov-18 52.6 | Expansion, faster rate of growth |
| Oct-18 51.7 | Expansion, slower rate of growth |

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.

The rate of expansion in business activity quickened from the low seen in October and was the fastest in five months. That said, growth remained relatively weak. Total new business increased solidly, despite the slowest rise in new work from abroad for 16 months. Service providers scaled back their hiring intentions in November, with the rate of job creation at a three-month low.

Commonwealth Bank Flash Manufacturing PMI®

| PMI | Interpretation |
|-------------|----------------------------------|
| Nov-18 54.5 | Expansion, growth unchanged |
| Oct-18 54.5 | Expansion, faster 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.

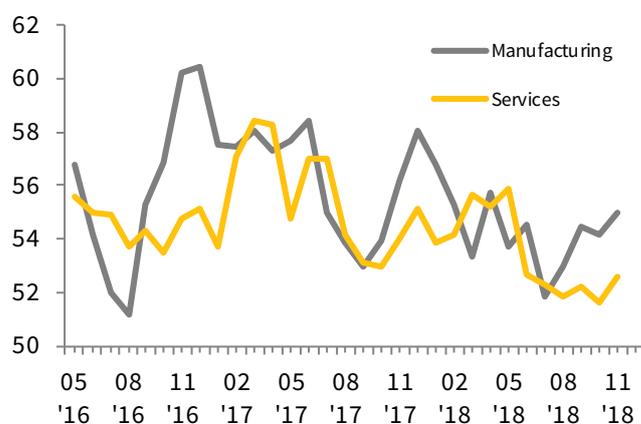
The headline PMI signalled a further solid improvement in the health of the Australian manufacturing sector during November, with the reading unchanged from that seen in October.

There were positive signs with respect to demand as rates of expansion in both total new business and new export orders accelerated. This encouraged firms to raise production to the greatest extent since April. On the other hand, the rate of job creation eased.

On the price front, input costs continued to rise sharply, albeit at a weaker pace. The rate of output price inflation also softened.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA's Senior Economist, Belinda Allen, said:

"The manufacturing and services sector are sending positive signals on the outlook for the economy. Both sectors are expanding and the services sector PMI ticked up after drifting lower in recent months. Forward looking indicators still look solid with the new orders and new business components of the surveys lifting in November. Export orders have picked up in the manufacturing sector after easing over the previous two months."

Ms Allen added:

"Jobs growth in the manufacturing sector was solid in November. The services sector is still adding jobs, but at a slower pace in November compared to previous months."

"Input price pressures eased in the month, likely reflecting the fall in oil prices, output prices eased too. While production growth in the economy remains solid, pricing pressure remains on the softer side."

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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 November are released on 03 December 2018 (manufacturing) and 05 December 2018 (services and composite).

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