



May 2019

# Business activity stabilises at start of second quarter

## Key findings

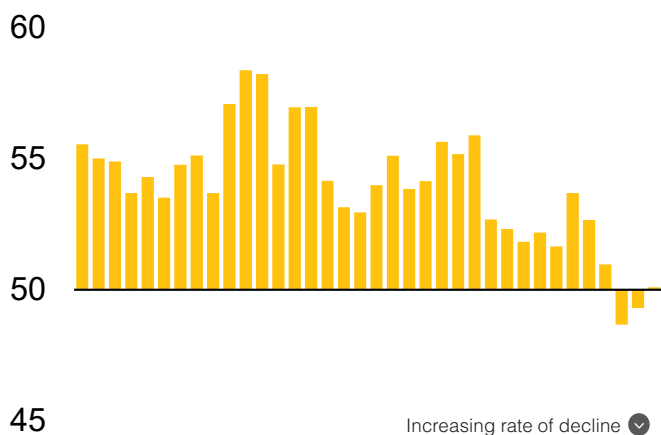
Business activity in the Australian service sector stabilised in April, supported by improved demand conditions. New business inflows rose after two months of decline, lifted also by rising service exports. This in turn saw backlogs of work accumulating further while business expectations remained positive. However, employment fell for the first time in the survey history. Meanwhile, inflationary pressure moderated.

### Commonwealth Bank Services PMI®

May 2016 – Apr 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 rose from 49.3 in March to 50.1 in April, indicating broadly unchanged output in the sector.

## Summary

Business Activity		Interpretation
Apr-19	50.1	Expansion, change of direction
Mar-19	49.3	Contraction, slower rate of decline

Survey data indicated firmer demand at the beginning of the second quarter. Inflows of new business rose for the first time in three months, supported by service export growth. Export sales of Australian services rose further in April and at the fastest rate for eight months. Improved client demand meant that business activity levels stabilised, following a two-month period of decline.

Despite the upturn in demand, firms were reluctant to take on more workers. Net employment fell for the first time since the series started three years ago, albeit only marginally. Higher sales and lower staff numbers contributed to a further accumulation in backlogs of work, reflecting greater pressure on operating capacities in Australia's service sector.

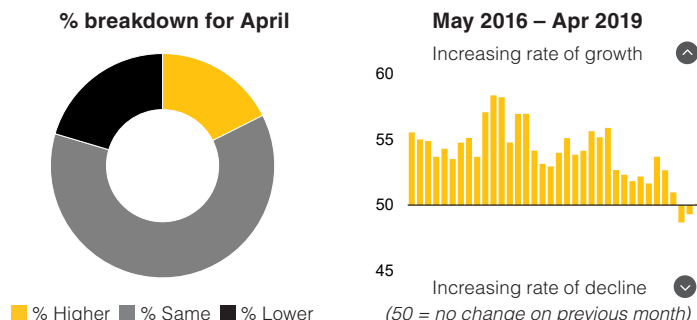
April saw signs of moderating inflationary pressures. Service fees rose only modestly at the start of the second quarter, marking the softest increase in charges since June 2018. While still solid, the rate of cost inflation slowed to a three-month low. Higher business expenses were commonly linked to increased fuel costs, suppliers' price hikes and wage inflation.

Finally, business expectations about overall activity improved in April, with slightly more than half of respondents expecting higher activity in the year ahead. New products, business diversification, planned capital expenditures, new sales strategies and higher growth forecasts all were factors driving optimism.

## Index Reports

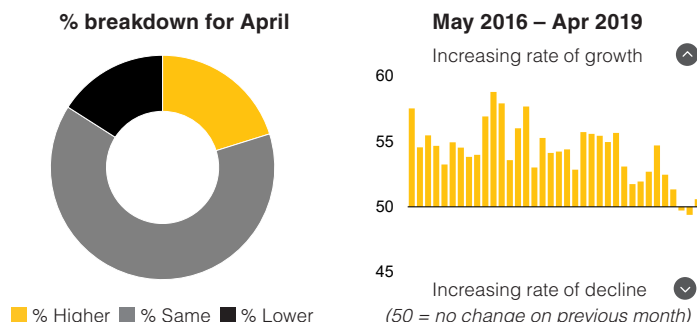
### Business Activity Index Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.

Having contracted for two months, business activity within the Australian service sector stabilised at the start of the second quarter. This was highlighted by the respective seasonally adjusted index posting fractionally above the no-change level of 50.0. Firms that reported growth noted increased inflows of new business.



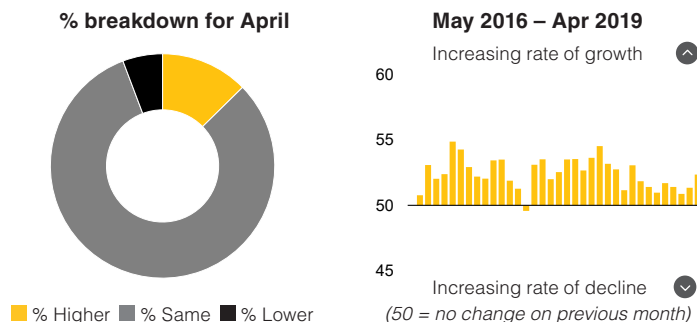
### New Business Index Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.

New business intakes rose in April, marking an end to a two-month period of declines. However, the rate of expansion was slight, as indicated by the seasonally adjusted New Business Index registering marginally above the neutral 50.0 level. Where there was an increase in sales, panel members generally mentioned greater marketing and promotional activity, client referrals as well as more affordable house prices.



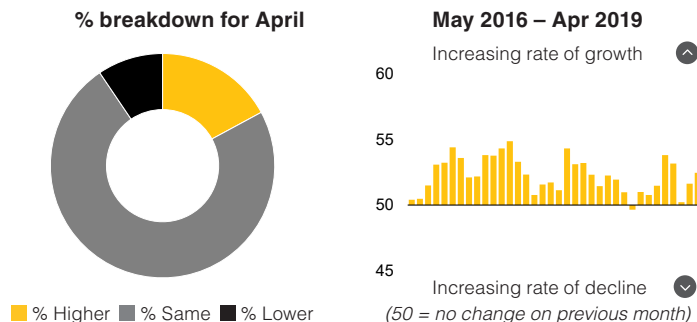
### New Export Business Index Q. Please compare the level of new orders/business placed at your company from abroad (whether already fulfilled or not) this month with the situation one month ago.

As had been the case each month since August 2017, overseas orders for Australian services increased during April. Moreover, the pace of growth accelerated to an eight-month high. There was survey evidence that higher sales to foreign markets such as the UK and India alongside greater marketing activity supported the rise in export business.



### Outstanding Business Index Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.

The level of unfinished work rose further at the beginning of the second quarter, marking an eighth successive month of growth. Furthermore, the rate of accumulation picked up to the fastest for three months. A combination of reasons led to rising backlogs, including greater client demand and processing delays.



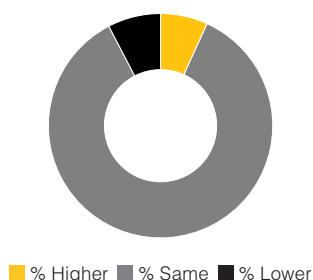
## Index Reports

### Employment Index

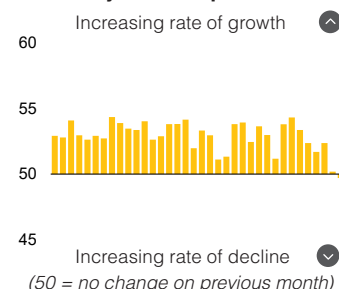
Q. Compare the number of people employed this month with the situation a month ago (treat two-part as one full-time and ignore temporary labour).

For the first time in the three-year survey history, net employment in Australia's service sector shrank in April, as reflected by the seasonally adjusted Employment Index scoring below the no-change 50.0 threshold. A vast majority of respondents (86%) reported an unchanged level of staff numbers. Where lower headcounts were reported, companies pointed to voluntary leavers, non-replacement of staff departures and layoffs.

% breakdown for April



May 2016 – Apr 2019

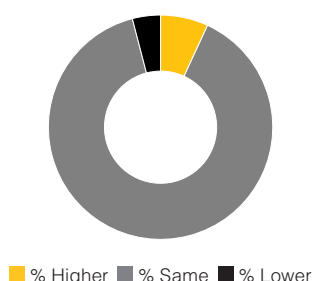


### Prices Charged Index

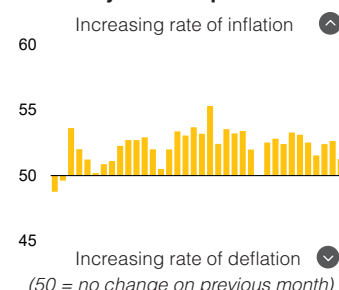
Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.

Australian service fees were raised further at the start of the second quarter, extending the inflation to ten months. However, the rate of increase was the weakest in the current sequence of rising prices and modest overall. Higher business expenses such as wages and fuel, plus greater client demand led firms to raise output prices.

% breakdown for April



May 2016 – Apr 2019

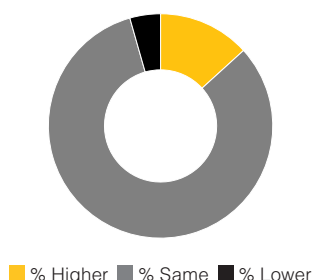


### Input Prices Index

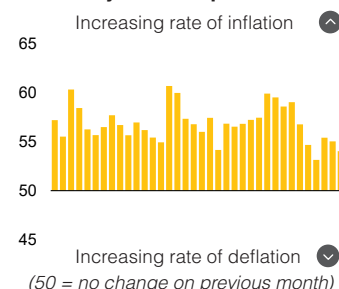
Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.

Average cost burdens in Australia's service sector rose further during April, maintaining the unbroken run in the three-year survey history. The rate of increase moderated from March and was below its series average. According to anecdotal evidence, higher fuel costs, suppliers' price hikes, increased wages and government levies were factors driving inflation.

% breakdown for April



May 2016 – Apr 2019

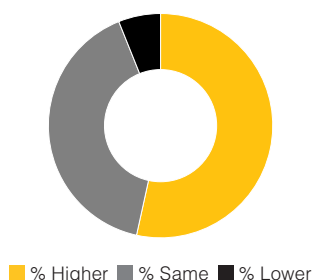


### Business Expectations Index

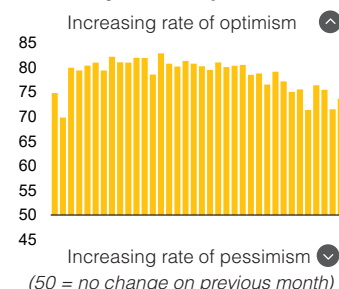
Q. In 12 months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?

Business confidence improved as the second quarter started. The Business Expectations Index rose from March and remained elevated, with the majority of panellists (53%) projecting higher activity in the year ahead. Optimism was supported by new products, business diversification, planned capital expenditures, new sales strategies and higher growth forecasts.

% breakdown for April



May 2016 – Apr 2019



**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](mailto:media@cba.com.au)

**IHS Markit**

**Bernard Aw**

Principal Economist  
Telephone +65-6922-4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Joanna Vickers**

Marketing and Communications  
Telephone +44 (0) 207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@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.

**About PMI® by IHS Markit**

The intellectual property rights to the Commonwealth Bank Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Commonwealth Bank use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

**Things you should know**

This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its publication. No guarantee is provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 124. AFSL and Australian credit license 234945.