

NEWS RELEASE: Embargoed until 09:00 (AEST) 21 August 2020

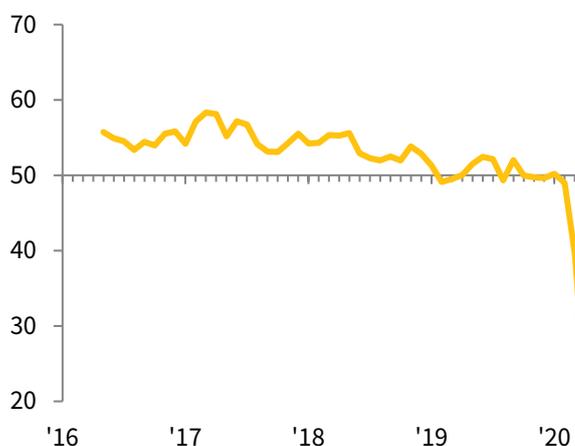
Renewed COVID-19 restrictions hit business activity

Key findings

Latest PMI data showed business activity across Australia falling back into decline during August as the re-imposition of coronavirus disease 2019 (COVID-19) measures in parts of the country disrupted business operations and hit demand, with the service sector particularly affected. New order inflows dropped after two months of growth while employment contracted at a steeper rate. Inflationary pressures intensified. Business confidence weakened slightly, but remained positive overall.

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
Aug-20	48.8	Contraction, change of direction
Jul-20	57.8	Expansion, faster rate of growth

The Australian private sector economy fell back into contraction territory midway through the third quarter, coinciding with the return of lockdown measures in Victoria and travel restrictions. Though only modest, the reduction contrasted with two months of solid growth. The survey showed that trends diverged between the two monitored sectors. The downturn in overall activity was primarily driven by the service sector, as manufacturing output continued to rise.

Total new orders contracted solidly in August, following a two-month period of expansion. As was the case with activity, the decline was led by the service sector. Meanwhile, manufacturing orders rose further. External demand continued to weaken, with new export orders declining for a seventh straight month and at a steep rate.

Lower sales contributed to a build-up of spare capacity, as reflected by backlogs of work falling for the first time in three months, albeit modestly. Employment consequently shrank further in August, and at the quickest pace since May. Workforce numbers were down across both monitored sectors.

Despite the renewed drop in output, sentiment regarding the year ahead remained positive. Optimism was seen across both sectors, though was not as strong as that seen in July. Firms continued to expect further recovery from the COVID-19 downturn over the next 12 months. However, there remained concerns around the longer-term impact of the pandemic on economic activity.

The rate of input cost inflation intensified in August, with faster increases at both manufacturers and service providers. As a result, output charges were raised, although only marginally.

Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Aug-20 48.1	Contraction, change of direction
Jul-20 58.2	Expansion, faster 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.

Services activity contracted for the first time in three months during August amid renewed COVID-19 restrictions in parts of Australia. Demand conditions were notably affected, with new orders falling solidly. The rate of decline in jobs also quickened as spare capacity developed. Meanwhile, input cost inflation accelerated to the fastest for six months, prompting service providers to raise their output prices in August, albeit only marginally.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Aug-20 53.9	Expansion, slower rate of growth
Jul-20 54.0	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.

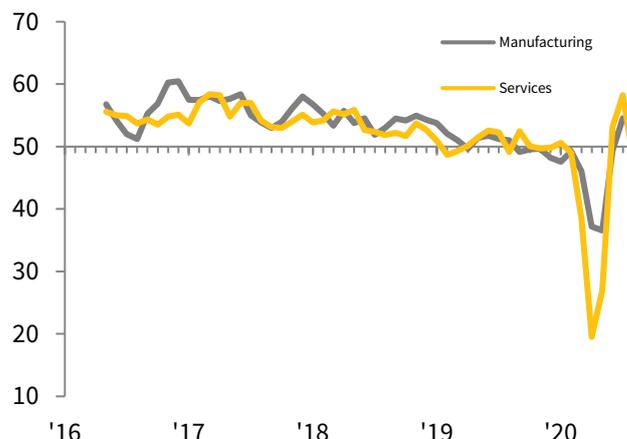
Business conditions in the Australian manufacturing sector improved further in August, with the rate of improvement largely unchanged on July.

Driving the upturn was further growth in output and new orders, though both rose at slower rates. Export sales continued to fall sharply. Supply chains remained under pressure, with respondents highlighting freight delays, border restrictions and logistical issues. The rate at which delivery times lengthened was severe overall.

Australian manufacturers continued to cut back on staff, with headcounts shrinking for a ninth month in a row. The latest fall was the softest since March, however.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Head of Australian Economics, Gareth Aird said,

“The decline in business activity over August is hardly surprising given the lockdown measures in Victoria. With the August composite flash PMI only modestly in contractionary territory it is highly likely that outside of Victoria private output continued to expand over the month”.

Mr Aird also noted,

“The fall in employment is the inevitable consequence of shutting down large parts of the Victorian economy. Encouragingly, firms collectively retain an optimistic view on the outlook despite the setback in Victoria. Ongoing fiscal support for households and businesses remains critical to ensuring that optimism is not misplaced”.

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 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 August are released on 01 September 2020 (manufacturing) and 03 September 2020 (services and composite).

About PMI® by IHS Markit

The intellectual property rights to the Commonwealth Bank Flash Composite 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 48 123 123 124. AFSL and Australian credit license 234945.