

# S&P Global Australia Services PMI®

## Activity growth sustained at start of 2025

Sharper rises in output and new orders

Business confidence at 32-month high

Renewed increase in employment

The Australian service sector remained in growth territory in the opening month of 2025.

Rates of expansion in both activity and new business picked up from December, while there was a renewed increase in employment following a brief reduction in the previous survey period. Business confidence hit a 32-month high. Meanwhile, rates of inflation of both input costs and selling prices quickened at the start of the year.

The seasonally adjusted S&P Global Australia Services PMI® Business Activity Index rose to 51.2 in January from 50.8 in December, coming in above the 50.0 no-change mark for the twelfth successive month and signalling sustained growth of services activity. The latest expansion was modest, but the most marked since August last year.

Anecdotal evidence suggested that improving customer demand was a key factor behind the latest rise in activity.

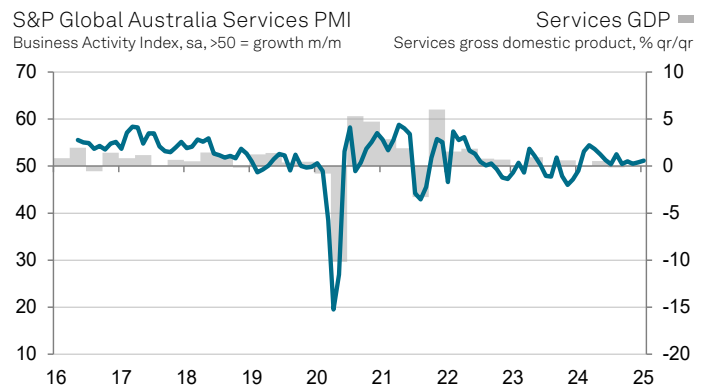
Stronger demand conditions and an increase in customer numbers helped lead to a further expansion of new orders during January. New business rose solidly, with the rate of growth at a three-month high. The latest increase extended the current sequence of expansion to six months.

The rise in total new business was supported by a second successive monthly improvement in new export orders, with Mainland China mentioned as a source of growth. The rate of expansion was only modest, however.

After having fallen for the first time in 40 months during December, employment returned to growth in January. That said, the rate of job creation was marginal.

While some firms reported a reluctance to replace departing staff due to cost considerations, this was outweighed by those companies that hired additional workers amid rising new orders and confidence in the future demand environment.

Indeed, optimism with regards to future output continued to strengthen, rising for the fourth consecutive month to the highest since May 2022. More than half of respondents predicted a rise in activity over the coming year, linked to expected sales growth and new product launches, plus hopes for a reduction in interest rates.



Data compiled 9-28 January.  
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.  
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### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence

"The Australian service sector is slowly but surely building momentum, and in January reached a milestone of a full year of monthly increases in business activity. There was good news all round, with activity and new orders rising at faster rates, while business confidence strengthened further. This all helped to bring employment back to growth, although it is clear that a number of companies are still cautious about committing to new hires, in some cases due to cost considerations.

"Indeed, inflationary pressures continued to build in January. Companies will be hoping that price pressures start to moderate before potentially acting to choke off demand."

While companies were generally able to keep on top of workloads, the recent caution around hiring meant that outstanding business was unchanged in January, thereby ending an eight-month sequence of depletion.

Inflationary pressures continued to strengthen in the opening month of 2025. Input costs increased sharply, and at the fastest pace since last September. According to respondents, higher input costs reflected rising salaries, increased supplier charges and currency weakness.

In response to greater cost burdens, service providers increased their own selling prices in January, extending the sequence of inflation which began in November 2020. Here too, the rate of increase quickened, and was the fastest for six months. The latest rise in selling prices was also stronger than the series average.

## S&P Global Australia Composite PMI®

Slight rise in output at start of 2025

The Composite Output Index rose to 51.1 in January from 50.2 in December, thereby signalling a further modest increase in business activity across the Australian private sector.

For the first time since late-2022, both broad sectors posted rises in output as manufacturing production returned to growth.

Overall new order growth remained centred on the service sector, however, as manufacturing new orders decreased.

Meanwhile, a renewed increase in employment was signalled and inflationary pressures picked up.

### Methodology

The S&P Global Australia Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

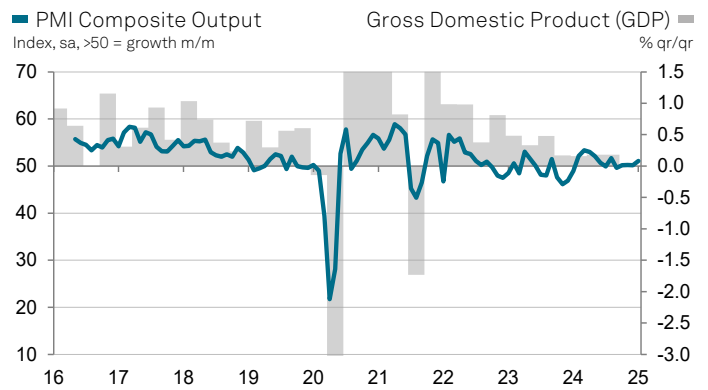
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

### PMI by S&P Global

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