

S&P Global Australia Services PMI®

Services activity expands at quickest pace in nearly four years

January 2026

Incoming new business rises at fastest pace since April 2022

Employment growth accelerates for second successive month

Price pressures recede

Australia's service sector grew at a faster pace in the opening month of 2026, according to the latest PMI® data. Services activity rose at the strongest pace in nearly four years amid a sharp rise in new business, which was in turn supported by higher new orders from abroad. Firms hired additional staff to cope with the increase in workloads. Meanwhile, rates of input cost and output price inflation both declined at the start of the year. Despite the improvement in demand and receding price pressures, business confidence lowered in January.

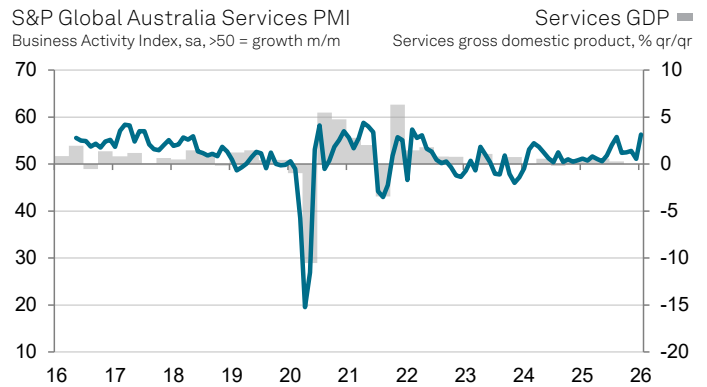
The seasonally adjusted S&P Global Australia Services PMI Business Activity Index posted above the 50.0 no-change mark in January, signalling an extension of the period of rising services activity to two years. At 56.3, up from 51.1 in December, the latest reading was the highest since February 2022 and above the flash reading of 56.0.

Central to the latest acceleration in services activity growth was stronger new business inflows in January. Growth in new orders accelerated for a third consecutive month to the fastest since April 2022 amid successful business development efforts and a widening of customer bases, according to services firms. Overseas demand also improved, with companies making successful attempts to promote their services in new markets.

The uptick in new work thereby led services firms to further raise their staffing levels at the start of the year. Moreover, the rate of employment growth was solid and the fastest since last September.

Despite the expansion in workforce capacity, signs of labour constraints were present in the service sector, which, alongside the expansion in new work, contributed to a fresh increase in outstanding work.

Turning to prices, average input costs continued to increase due to rising wages and higher expenses for supplies. This led to a further hike in output charges among service providers at the start of the year. That said, the rates of input cost and output price inflation both eased from December, falling to the lowest in 14 and two months respectively.



Data were collected 12-27 January 2026.
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.
©2026 S&P Global.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence

“The S&P Global Australia Services PMI revealed that the service sector had a strong start to the year with the fastest rise in activity in nearly four years, supported by robust improvements in both domestic and external demand. It was positive to see the expansion in new business contributing to stronger employment growth in January.

“Meanwhile, output price inflation eased with lower cost pressures for service providers in January, which should bode well for future demand growth.

“That said, while business development efforts among service providers brought about the solid uplift in demand in the opening month of the year, business confidence declined noticeably among companies amid concerns over the economic outlook and increased competition, providing mixed signals for near-term growth.”

Finally, sentiment in the service sector was positive at the start of the year as firms were hopeful that plans for business expansion will help to promote sales and activity growth in the next 12 months. However, rising concerns regarding the global economic outlook and heightened

S&P Global Australia Composite PMI®

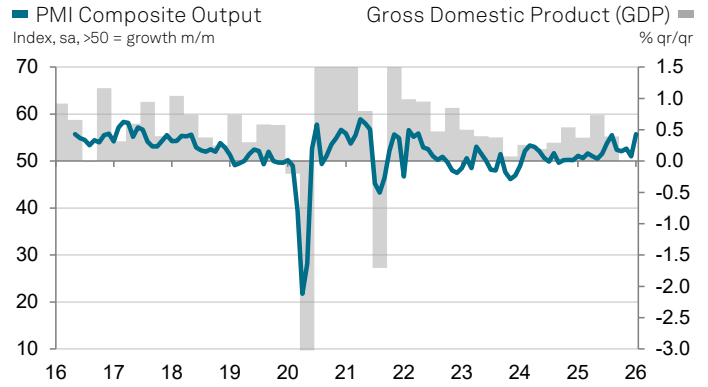
Sharp rise in composite business activity

The Composite Output Index rose to 55.7 in January, up from 51.0 in December. Posting above the 50.0 no-change mark for a sixteenth consecutive month, the latest reading indicated another expansion in private sector output in Australia.

The rate of expansion was the strongest in 45 months with both manufacturing output and services activity growth accelerating at the start of the year.

New orders similarly rose at the fastest pace since April 2022. To cope with increasing new work inflows and outstanding workloads, companies lifted their staffing levels at a solid pace in January. Business confidence fell to the lowest level since October 2024, however.

Meanwhile, rates of inflation softened from December.



Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence. ©2026 S&P Global.

Contact

Jingyi Pan
Economics Associate Director
S&P Global Market Intelligence
T: +65 6439 6022
jingyi.pan@spglobal.com

Eri Amano
APAC Senior Communications Manager
S&P Global Market Intelligence
T: +81 (0) 80 3714 7658
eri.amano@spglobal.com
press.mi@spglobal.com

If you prefer not to receive news releases from S&P Global, please email press.mi@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global 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 S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.