

S&P Global Australia Services PMI[®]

Services activity continues to grow at solid pace in October

October 2025

New business expansion slows but remains solid

Softest rise in staffing levels in eight months

Output charge inflation at five-year low

Australia's service sector activity continued to expand at the start of the final quarter of 2025, according to the latest PMI[®] data. Growth in activity was driven by a solid uptick in new sales alongside higher new export business. To cope with rising workloads, firms hired additional staff, which also supported the clearance of outstanding business.

On the price front, both input cost and output price inflation eased, the latter falling to a five-year low as business confidence amongst service providers declined.

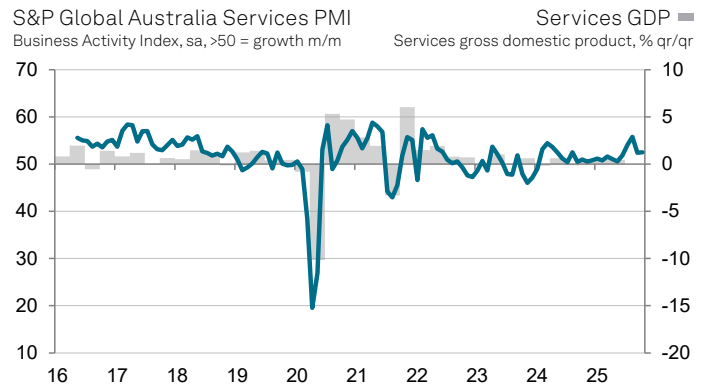
The seasonally adjusted S&P Global Australia Services PMI Business Activity Index rose to 52.5 in October, up slightly from 52.4 in September. Posting above the 50.0 no-change mark for the twenty-first straight month, the latest reading signalled a solid expansion in services activity.

Higher new business supported the latest growth in services activity at the start of the fourth quarter. Panellists often attributed the latest rise in new sales to successful business development efforts and rising client enquiries. Despite being the lowest in four months, the rate of new business growth was solid. External demand also improved with a third successive monthly expansion in overseas sales signalled.

In response to rising new business and activity, Australian services firms raised their staffing levels again. The rate of jobs growth fell to an eight-month low, however, amid a lack of capacity pressure. This was highlighted by the volume of outstanding business declining for the fifth time in the last six months.

Meanwhile, rising supplier prices and increased wage costs led to a further round of input price inflation in October. That said, the degree to which prices rose was below the series average and the lowest in nearly a year. In turn, firms lifted their output charges at the slowest pace in five years. Anecdotal evidence suggested that some firms opted to absorb cost increases to support sales during a period of heightened competition.

Finally, Australian services companies remained optimistic regarding business activity growth in the next 12 months.



Data were collected 9-28 October 2025.

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

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

“The latest S&P Global Australia Services PMI indicated that the service sector remained the engine of growth at the start of the fourth quarter while manufacturing output declined. A solid expansion in services new sales underpinned continued growth in services activity and led to further job creation in the sector. That said, the softening of new business growth will need to be monitored alongside the easing of business confidence going into the final stretch of the year for risks to the broader economic growth picture.

“On the price front, the sharper reduction in the rate of output charge inflation compared to input price inflation points to pressure on the margins for service providers. The easing of selling price inflation nevertheless bodes well for demand growth in the near term.”

Firms were hopeful that business expansion plans and marketing promotions can spur the expansion in new sales. However, concerns over the impact of rising international trade uncertainty and a competitive environment weighed on confidence in October.

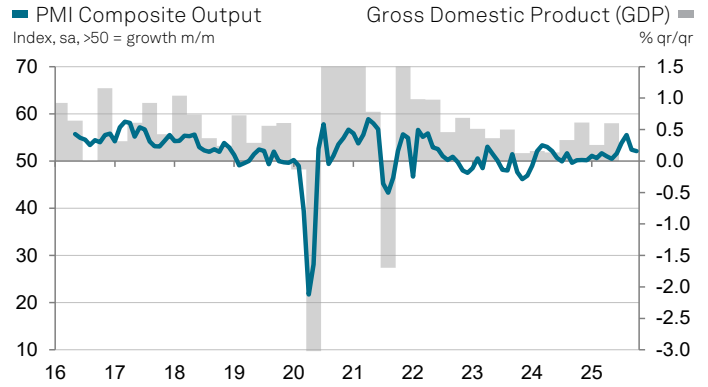
S&P Global Australia Composite PMI®

Growth momentum eases in October

The Composite Output Index posted 52.1 in October, down from 52.4 in September. Remaining above the 50.0 no-change mark, the index has now signalled continuous monthly growth for just over a year. However, the degree to which output rose was the softest in four months as manufacturing production fell for the first time since June.

The rate of new business growth similarly slowed in October, as new export orders returned to contraction. In turn, the level of outstanding business fell further. Staffing levels also increased at a slower pace while business confidence continued to weaken.

On inflation, rates of input cost and output price inflation fell to 11- and five-year lows respectively.



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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.

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