

NEWS RELEASE: Embargoed until 09:00 (AEDT) 22 November 2019

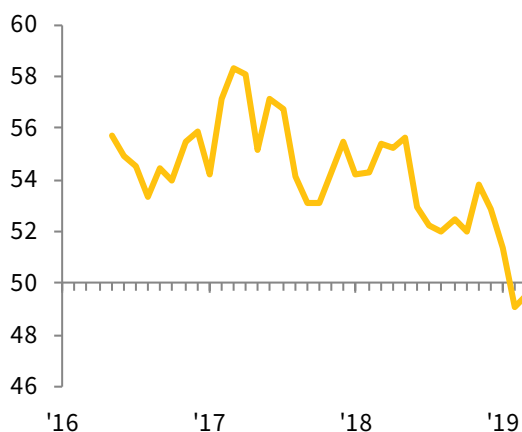
Output declines for first time in three months.

Key findings

The latest Commonwealth Bank Flash Composite PMI® signalled a renewed fall in private sector output in Australia during November, following no change in October. Declines were seen across both the manufacturing and service sectors. Meanwhile, marginal increases were recorded in both new orders and employment. The rate of input cost inflation accelerated, but companies left their selling prices broadly unchanged amid a relatively weak demand environment.

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
Nov-19	49.5	Decline, from no change
Oct-19	50.0	No change, from expansion

Business activity decreased slightly in November, the first reduction in three months. Modest falls in activity were recorded across both the manufacturing and service sectors, the first time that both have seen a contraction since the surveys began in May 2016. Where output decreased, panellists reported challenging economic conditions and relatively weak customer demand.

Companies continued to register increases in new business, but the rate of expansion was only slight. New order growth was centred on service providers, with manufacturers posting a second successive reduction. New export orders fell for the first time in five months.

Backlogs of work were up marginally during November. With volumes of new and outstanding work ticking higher, companies expanded their staffing levels for the fourth month running. That said, the rate of job creation was only slight.

Input costs increased at a sharp pace, with the rate of inflation quickening to a 13-month high. Higher fuel costs were widely mentioned by panellists, with increases in raw material prices and staff costs also reported.

Despite a sharp rise in input costs, companies in Australia left their output prices broadly unchanged. In fact, service providers lowered their charges for the first time since June 2016. Respondents indicated that pricing power had been restricted by competitive pressures amid a challenging demand environment.

Business confidence dipped in November, with sentiment lower across both monitored sectors. Optimism regarding the 12-month outlook for business activity was the lowest for 41 months.

Commonwealth Bank Flash Services PMI®

Business Activity	Interpretation
Nov-19 49.5	Decline, from expansion
Oct-19 50.1	Expansion, slower 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.

Business activity decreased slightly during November, the first reduction for three months. Meanwhile, new orders continued to increase at a marginal pace, as did staffing levels. Input prices rose sharply, with the rate of inflation quickening to a 13-month high. Despite this, relatively weak demand conditions meant that companies lowered their selling prices. The fall in charges was the first since June 2016.

Commonwealth Bank Flash Manufacturing PMI®

PMI	Interpretation
Nov-19 49.9	Decline, from no change
Oct-19 50.0	No change, from expansion

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.

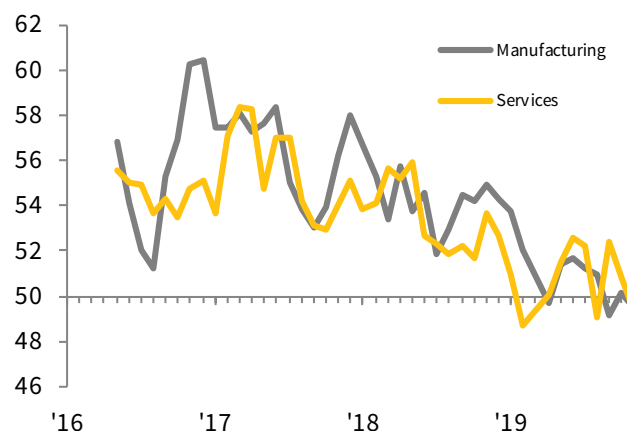
The PMI posted fractionally below the 50.0 no-change mark in November, and signalled broadly stable business conditions during the month.

Output decreased for the third month running, with the marginal contraction the same as that seen in October. Meanwhile, the rate of decline in new orders quickened to the fastest in the 43-month survey history so far amid a renewed decrease in new export orders.

Falling workloads led manufacturers to lower their staffing levels slightly. Meanwhile, business sentiment dropped to a 41-month low.

Services Business Activity vs Manufacturing Output

sa, >50 = growth since previous month



Comment

Commenting on the Commonwealth Bank Flash PMI data, CBA Chief Economist, Michael Blythe said:

“Activity in the key manufacturing and services sectors continues to bounce around the 50 line that separates expansion from contraction. This is a particularly disappointing result when benchmarked against interest rate cuts, tax cuts, rising house prices and a still solid labour market”.

Mr Blythe also noted:

“Readings on new orders and employment offer a glimmer of positive news. But the challenges faced by Australian businesses are evident in the accelerating growth in input prices and the slowing trend in output prices. Competitive pressures and weak demand are taking a toll”.

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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 November are released on 02 December 2019 (manufacturing) and 04 December 2019 (services and composite).

About PMI® by IHS Markit

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