

S&P Global Australia Services PMI®

Fastest rise in new business in nearly three years

Services activity increases with higher new work inflows

Backlogs accumulate at strongest pace since May 2022

Charge inflation at nine-month high amid a steep increase in costs

The Australia service sector continued to expand at the start of the second quarter of 2025. Central to the latest rise in activity was higher new business inflows, which expanded at the fastest pace since May 2022. This led to a further accumulation of backlogged work. Service providers opted to continue hiring at a solid pace to cope with higher workloads. Meanwhile, business optimism softened, affected by concerns over trade uncertainty following the announcement of US tariffs. Export business also contracted at a solid rate.

Turning to prices, Australian service providers raised charges at the fastest pace in nine months as input costs soared again at the start of Q2 2025.

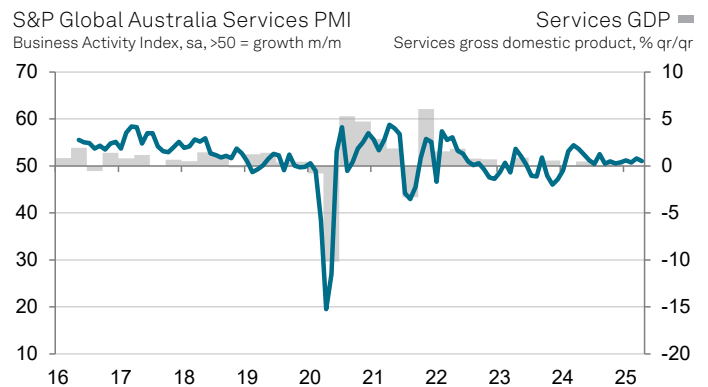
The seasonally adjusted S&P Global Australia Services PMI® Business Activity Index posted above the 50.0 no change mark for a fifteenth successive month in April to indicate continued services activity growth. At 51.0, down from 51.6, the latest reading was the lowest since February, however.

Australia's services new business increased at a solid pace in April. Greater client interests and promotional efforts underpinned the ninth successive monthly increase in new work. The rate of growth was the fastest since May 2022. In contrast, export business declined for a second straight month, affected by US tariff policy in April according to panellists. Moreover, the pace of reduction was the most pronounced since December 2023, reflecting a deepening downturn for exports.

Although higher overall new business inflows contributed to the further expansion of business activity, growth was limited by capacity constraints with backlogs rising in April at the fastest rate for nearly three years. This was despite Australian service providers increasing staffing levels at a solid pace and for the fourth month in succession.

Meanwhile, higher input material and wage costs resulted in another increase in average input prices at the start of the second quarter of 2025. The rate of input price inflation was the steepest in seven months and historically elevated.

Reflective of the sharp rise in costs and better pricing power among service providers in April, firms raised charges at the



Data were collected 9-25 April 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 Australia Services PMI showed that the service sector continued to expand in April. This was as new business and the level of backlogged work both increased at their fastest rates in nearly three years, boding well for growth in the coming months. That said, the deterioration in sentiment leads to some caution, reflecting the looming uncertainty of changing trade policies upon demand for Australian services, as well as for goods as shown in the manufacturing survey for April.

“Concurrently, inflationary pressures will need to be monitored as the latest output price inflation, which precludes the trend for CPI, climbed to a nine-month high in the service sector and on a composite level.”

fastest pace since last July. The rate of inflation was likewise above its series average but fell short of the pace at which input prices rose. Firms in the information & communication sector reported the fastest increase in both input costs and output charges in April.

Finally, sentiment in the Australian service sector remained positive in April. Firms were hopeful that business expansion plans will help to spur growth in the year ahead. The level of confidence eased to a five-month low, however. Concerns largely centred around the negative impact of rising trade barriers according to panellists.

S&P Global Australia Composite PMI®

Modest growth despite firmer rise in new orders

The Composite Output Index posted 51.0 in April, down from 51.6 in March. This signalled a seventh successive rise in business activity, albeit at a softer pace.

Despite another fall in export orders in April, new orders rose at the fastest pace since May 2022. This led to another solid intake of new staff while backlogged work accumulated at the fastest pace in nearly three years. Optimism levels were historically subdued and below the series average, however, sliding to a five-month low.

Prices data showed average input costs increasing at the fastest rate since last September. Charges rose in tandem and recorded the highest rate of inflation in nine months.

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.

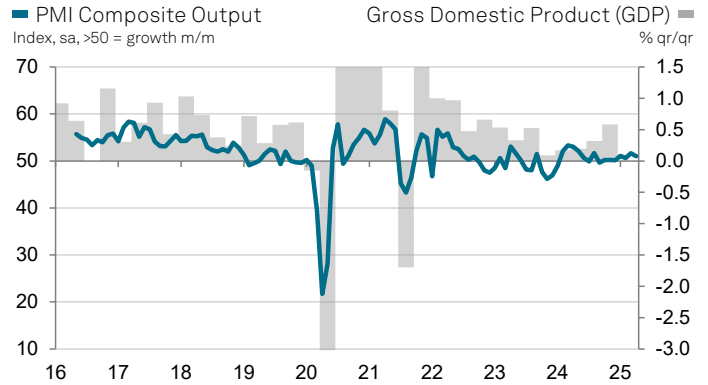
The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' 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.

PMI by S&P Global

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