

S&P Global Australia Services PMI®

Employment declines for the first time in nearly three-and-a-half years

New business growth accelerates

Inflation rates rise in December

Business confidence at highest level since May 2022

Australia's service sector expanded again in the closing month of 2024, according to the latest PMI® data. Services activity growth accelerated in line with the trend for new business, the latter supported by a strengthening of market demand. Optimism improved, rising to the highest level in just over two-and-a-half years. That said, employment fell for the first time since August 2021 as capacity pressure softened. Finally, input cost inflation intensified at the end of 2024, leading to a more pronounced rise in average charges.

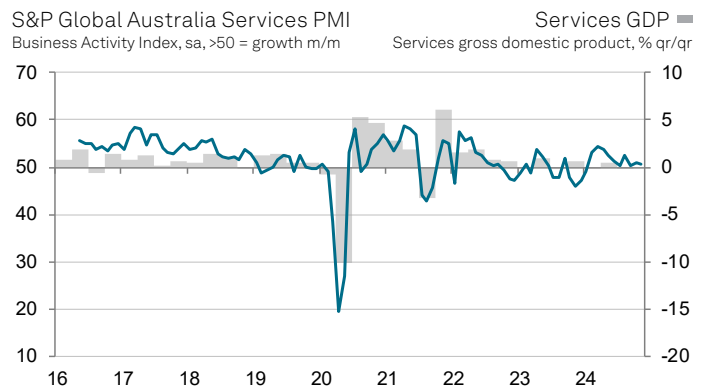
The seasonally adjusted S&P Global Australia Services PMI Business Activity Index posted 50.8 in December, up from 50.5 in November. The latest reading signalled an eleventh successive monthly expansion of business activity in the Australian service sector. The rate of growth accelerated from November but remained marginal.

Higher new business underpinned the latest expansion in services activity in December. The rate at which incoming new work increased was faster than in November. According to survey respondents, rising new work inflows were attributed to improved client interest. Moreover, export orders expanded for the first time in four months, with panellists citing better demand from the US and Asia.

Optimism among Australian service providers rose at the end of 2024. The level of business confidence climbed for a third straight month to the highest level since May 2022. Firms expressed hopes that sales can improve in 2025 amid prospects for lower interest rates and greater opportunities following the Australian elections.

Despite improvements in demand and sentiment, Australian service providers lowered their staffing levels for the first time since August 2021. The rate of job shedding was marginal, however. Anecdotal evidence suggested that the fall in employment was partly attributed to reduced capacity pressures. This was as outstanding work declined for the eighth month in a row amid evidence of better efficiency. Some firms also indicated difficulties securing skilled labour following employee departures.

Turning to prices, average input costs continued to increase at the end of the fourth quarter. Rising input material, transport and wage costs were often mentioned as reasons



Data compiled 05-18 December 2024.
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Comment

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

“The final reading of Australia’s Services PMI offered better news for growth than the flash reading in signalling a stronger services sector expansion at the end of 2024. This was driven by a quicker rise in new business, with external demand notably improving for the first time in four months. Confidence among Australian services firms also climbed to the highest level in just over two-and-a-half years to signal greater hopes for output growth.

“That said, employment declined in December. This was only the second time that employment fell in the service sector since 2020. Although some evidence of labour shortages was present, it will be important to monitor whether job shedding persists, especially with only a modest rise in activity.

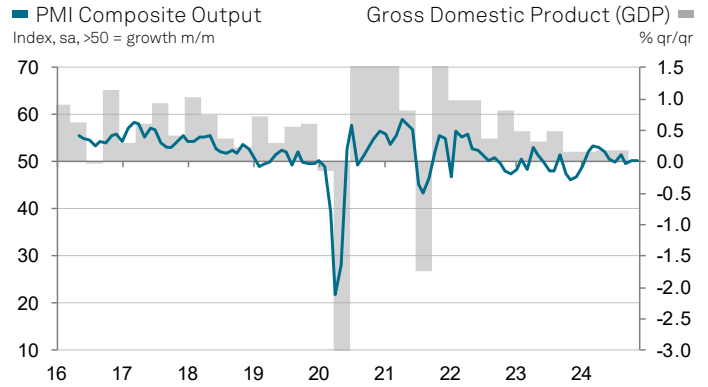
“Finally, higher readings across price measures pose a risk for inflationary pressures, although both rates of input cost and output price inflation remain below their series averages at the end of 2024. S&P Global Market Intelligence expect an interest rate cut from February 2025, which will altogether be supportive of Australia’s growth at a forecasted rate of 2.3% in 2025.”

for higher cost pressures. The rate of input cost inflation was also the highest in three months and fractionally below the series average. Likewise output charges rose at a faster pace that was just below the long-run average as Australian service providers opted to share additional cost burdens with clients wherever possible.

S&P Global Australia Composite PMI®

Private sector output remains in marginal expansion
The Composite Output Index posted 50.2 in December, unchanged on October and November readings. This marked a third marginal expansion in private sector output, with growth limited to services as manufacturing output fell. The trends were similar for new orders. However, employment fell across the private sector whilst a further reduction in outstanding business.

Meanwhile, input costs and output prices both increased at quicker rates at the end of the fourth quarter. This was accompanied by improved confidence in both manufacturing and service sectors.



Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence. ©2025 S&P Global.

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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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