

# News Release

Embargoed until 0900 AEST 3 June 2022

## S&P Global Australia Services PMI®

### Service sector continues to expand in May

#### Key findings

Business activity and new orders growth sustained at solid rates

Selling price inflation accelerates to second fastest on record

Business confidence rises in May

Australia's service sector continued to expand at a solid pace in May according to the latest S&P Global PMI® data. Demand growth, spurred by the easing of border restrictions and better market conditions, supported the expansion of services output. Meanwhile employment levels climbed, but backlogs continued to build in May. Price pressures also persisted with both input cost and output price inflation amongst the fastest on record. Overall business confidence improved in May.

The headline figure derived from the survey is the S&P Global Australia Services Business Activity Index, which is designed to provide timely indications of changes in business activity in the Australian service sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration.

The seasonally adjusted Business Activity Index posted above the 50.0 no-change mark at 53.2 in May, down from 56.1 in April, to signal a continued expansion of the service sector. This marked the fourth consecutive month in which business activity in the Australia service sector rose, albeit at the slowest pace in the current sequence.

Growth of new work was sustained for a fourth straight month in May, boosted by the reduction in COVID-19 disruptions. Sub-sector data indicated that firms in the consumer services sector saw the strongest growth in sales. Meanwhile foreign demand likewise rose, supported by the easing of border restrictions.

Amid the improvement in demand and business activity, workforce capacity expansion continued at a strong pace in May. Services firms nevertheless continued to report difficulties in hiring over May.

Meanwhile backlogged work accumulation persisted. According to survey respondents, this was underpinned by a combination of higher demand and supply and manpower constraints.

S&P Global Australia Services Business Activity Index  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 12-27 May 2022.

#### Comment

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

*“Australia’s service sector growth slowed in May, though remained at a solid pace, according to the S&P Global Australia Services PMI. The easing of COVID-19 disruptions, including border restrictions, continued to support the strong growth of services activity midway into the second quarter.”*

*“Capacity constraint problems remained prevalent, as observed through the manpower and supply issues that persisted. Price pressures also remained steep, which will be worth watching given the concerns over monetary policy tightening that could further add to business costs.”*

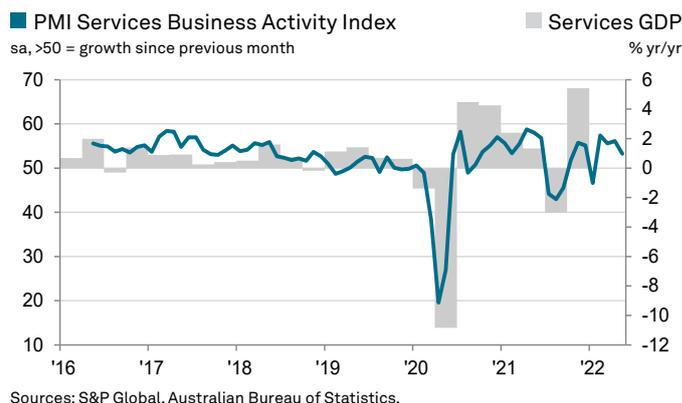
*“Overall business confidence improved, which was a positive sign. Higher levels of backlogged work also suggest that future output may continue to improve in the coming months.”*

PMI®

by S&P Global

On prices, pressures persisted in the Australian service sector in May with input costs rising at amongst the fastest on record. Anecdotal evidence suggested firms faced higher costs across input materials, fuel and wages. As a result, Australian service providers continued to share these cost burdens with their clients. The rate of selling price inflation was the second highest on record (only behind March 2022).

Overall sentiment in the Australian service sector remained positive in May, with the level of business confidence improving to the strongest since December 2021. Service providers were generally hopeful that the economy will continue to recover, though some were concerned with rising business costs.



## S&P Global Australia Composite PMI®

### Private sector growth decelerates in May

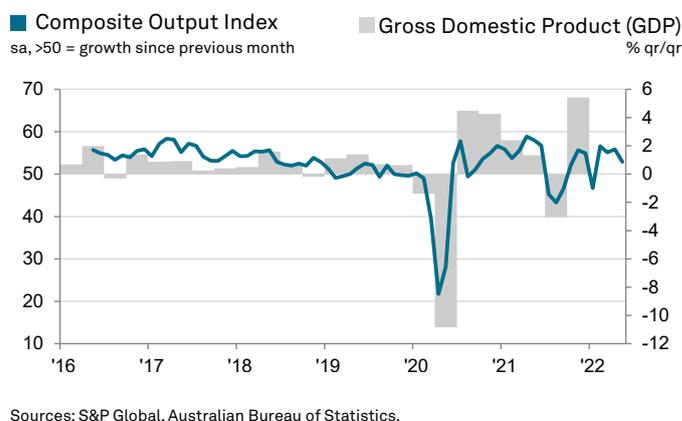
The Composite Index, which measures combined services and manufacturing output, eased to 52.9 in May from 55.9 in April. This indicated a fourth straight month of private sector output expansion, though the slowest in the current sequence.

Both manufacturing and services output growth weakened in May, with manufacturing output hampered by supply issues. Meanwhile demand continued to improve with incoming new business now expanding at a faster rate in services compared to manufacturing.

Amid higher demand and output, private sector employment levels rose in May, though backlogs continued to accumulate through the month amid supply constraints.

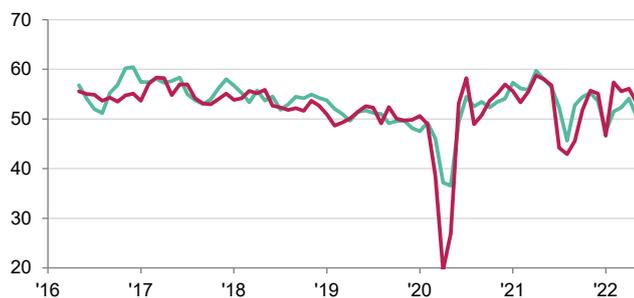
Price pressures persisted with selling price inflation the second fastest on record as firms continued to share their heightened cost burdens with clients.

Overall business confidence strengthened in Australia's private sector. The improvement was primarily underpinned by services firms in May, however.



\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index  
■ Services PMI Business Activity Index  
 sa, >50 = growth since previous month



Source: S&P Global.

Australia Services PMI Input Prices Index  
 sa, >50 = inflation since previous month



Source: S&P Global.

**Survey 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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

**Flash vs. final data**

Since May 2016 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

**About S&P Global**

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. [www.spglobal.com](http://www.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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.

**Contact**

Jingyi Pan  
 Economics Associate Director  
 S&P Global Market Intelligence  
 T: +65-6439-6022  
[jingyi.pan@spglobal.com](mailto:jingyi.pan@spglobal.com)

Joanna Vickers  
 Corporate Communications  
 S&P Global  
 T: +44-207-260-2234  
[joanna.vickers@spglobal.com](mailto:joanna.vickers@spglobal.com)

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

**About PMI**

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).