S&P Global Australia Services PMI®

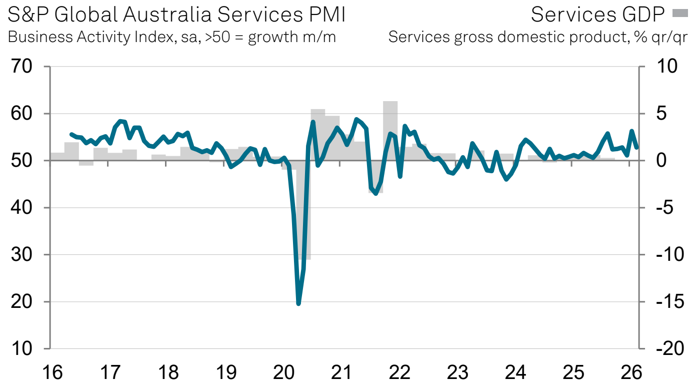
Services activity growth slows but remains solid

February 2026

Strong expansion in new business continues in February

Staffing levels rise at fastest pace since April 2023

Price pressures intensify



Data were collected 10-24 February 2026.
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.

Australia's service sector continued to expand midway through the first quarter, according to the latest PMI® data. Despite easing since the start of the year, the rates of new business and activity growth remained solid. Foreign demand also continued to improve. To cope with rising workloads, firms raised their staffing levels at the quickest rate in almost three years. That said, business confidence declined.

Turning to prices, rates of input cost and output price inflation both rose since the start of the year.

The seasonally adjusted S&P Global Australia Services PMI Business Activity Index fell to 52.8 in February, down from 56.3 in January. Posting above the 50.0 no-change mark, the latest reading nevertheless signalled an extension of the period of rising services activity to just over two years. The rate of growth was solid even as it softened from an almost four-year high in January.

In line with the trend for services activity, new business rose at a slower but still strong pace in February. This was underpinned by new service launches and growing customer bases, according to comments from service providers. International demand for Australian services also continued to increase, albeit at a more modest rate compared to the start of the year.

With new business continuing to increase markedly, Australian service providers hired additional staff to cope with ongoing workloads. Outstanding business continued to accumulate, however, rising for a second successive month in February.

Meanwhile, average input prices increased further on the back of rising demand and amid reports of higher costs of labour, electricity and supplies. Moreover, the rate of inflation was the highest in five months, climbing close to the series average. Output charges were therefore lifted in tandem as companies sought to share their rising cost burdens with clients. Notably, the rate of output price inflation was the steepest in six months and above the long-run average.

Comment

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

"February's S&P Global Australia Services PMI indicated that the service sector continued to see robust growth midway through the first quarter, even though the rate of output expansion softened slightly since the start of the year. Compared with the manufacturing sector, services activity appears to be relatively resilient in the face of rising interest rates and lingering external uncertainties, as shown by a still strong increase in services new business in February.

"Intensifying price pressures remain a concern for the service sector, however. Business confidence also declined further to the lowest level in nearly one-and-a-half years, hinting at the likelihood for further moderations in growth momentum."

Overall sentiment in the Australian service sector remained positive midway through the opening quarter of the year, as firms anticipate their business development plans to be successful in driving sales growth in the next 12 months. However, the level of confidence dropped to the lowest since September 2024 as concerns over the economic outlook and rising competition intensified.

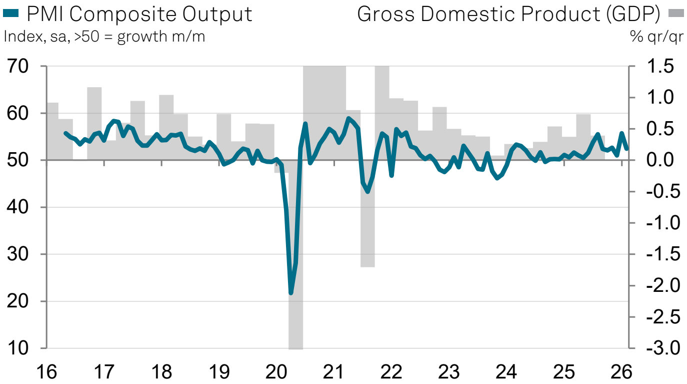
S&P Global Australia Composite PMI®

Output trends diverge by sector in February

The Composite Output Index posted above the 50.0 no-change mark for a seventeenth consecutive month in February to signal another expansion in private sector output in Australia. That said, at 52.4, down from 55.7 in January, the rate of expansion slowed since the start of the year. This was attributed to a renewed fall in manufacturing production while services activity growth softened.

Overall new orders and export orders similarly rose at slower rates in February, while optimism levels dropped. That said, employment expanded at a stronger pace as pressure on capacity persisted.

Finally, rates of inflation rose in February, driven mainly by higher services inflation.



Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence. ©2026 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.

PMI by S&P Global

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