

# S&P Global Australia Services PMI®

## Renewed fall in business activity as inflationary pressures intensify

### March 2026

Solid decline in activity amid renewed reduction in new business

Input cost inflation hits 38-month high

Sustained job creation signalled

The Australian service sector fell into contraction in March.

Business activity and new orders both decreased, while higher fuel costs led to a marked intensification of inflationary pressures. On a more positive note, companies continued to expand their staffing levels.

The seasonally adjusted S&P Global Australia Services PMI® Business Activity Index posted 46.3 in March, down sharply from a reading of 52.8 in February and falling below the 50.0 no-change mark for the first time in 26 months. The reduction in activity was solid, and the most pronounced since November 2023.

A drop in new orders and turbulent international conditions as a result of the war in the Middle East were the main reasons behind the fall in output, according to respondents.

Sector data signalled that activity was down in four of the five broad categories covered by the report, with the sharpest reduction in finance & insurance. Only consumer services saw activity increase.

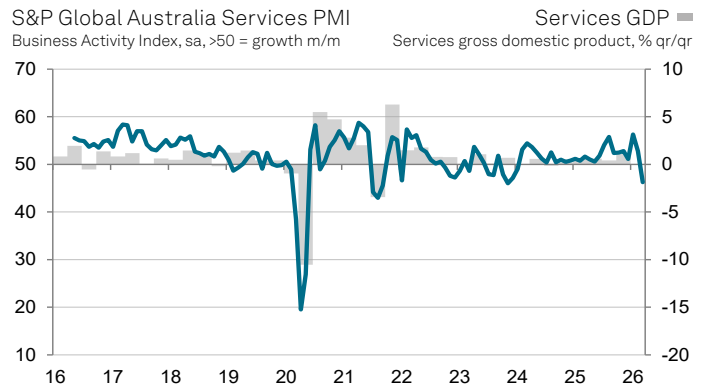
A renewed decline in new orders was also registered in March. The reduction was the first since July 2024, but only marginal overall as some firms reported being able to secure new contracts.

Those respondents that saw new business decrease often linked this to the effects of the war in the Middle East. The impacts were particularly notable in international markets, with new export orders decreasing at a solid pace during March. The fall in new business from abroad ended a seven-month sequence of growth.

The outbreak of war also had an impact on prices, with higher fuel costs widely reported by panellists. As a result, operating expenses increased at the steepest pace since January 2023. Transport & storage saw the sharpest rise of the sectors covered.

In turn, output price inflation also accelerated and was the fastest in just over two-and-a-half years.

More positively, service providers continued to increase their staffing levels at the end of the opening quarter.



Data were collected 12-26 March 2026.  
Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.  
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### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence

“The S&P Global Australia Services PMI data for March paint a picture of how the war in the Middle East has impacted companies, and the results are concerning. Business activity was down solidly amid a renewed fall in new orders, with the rate of decline in output more pronounced than the earlier flash reading, suggesting that downwards momentum gathered pace over the course of the month.

“The impact on prices was also clear amid widespread reports of higher fuel costs which pushed up inflation in the transport & storage sector in particular.

“More positive was the sustained job creation seen during the month as firms remained optimistic around the future. Much will therefore depend on how long the war and its impacts endure.”

Employment increased for the fifteenth consecutive month, and at a solid pace. Companies were thus able to deplete their backlogs of work for the first time in three months.

Where staffing levels rose, anecdotal evidence suggested that this was partly due to efforts to expand capacity to work on future projects. Indeed, companies continued to predict increases in business activity over the coming year, linked to expansion plans and hopes of opportunities to secure new orders.

Overall, business confidence dipped in March, however, and was the lowest in 28 months amid uncertainty around the impacts of the war in the Middle East, challenging economic conditions and cost-of-living pressures.

Confidence was down across all five broad sectors, and lowest in finance & insurance. Real estate & business services companies were the most optimistic.

## S&P Global Australia Composite PMI®

The Composite Output Index dropped to 46.6 in March from 52.4 in February, posting below the 50.0 no-change mark and signalling a reduction in private sector business activity for the first time in a year-and-a-half.

A renewed and solid reduction in services activity coincided with a slight fall in manufacturing production.

Inflationary pressures strengthened markedly, with rates of input cost and output price inflation hitting 39- and 31-month highs respectively.

While output and new orders decreased, employment continued to rise in March.

Business confidence waned, with sentiment the lowest since July 2024.

## 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.

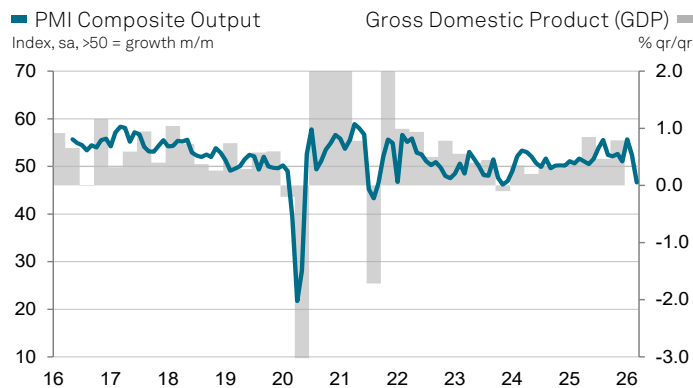
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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