

# Business conditions slump to historic low

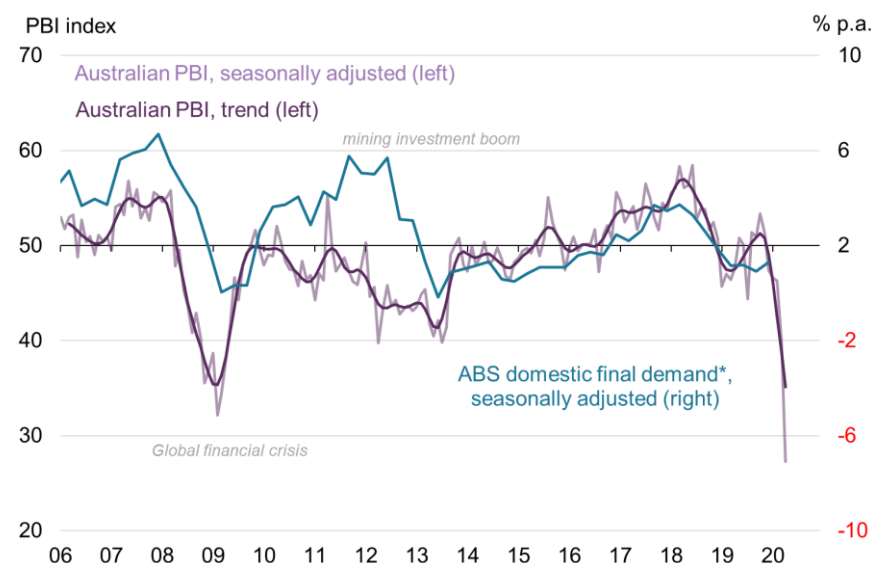
The Australian Industry Group Australian Performance of Business Index (**Australian PBI**) fell a further 12.6 points to 27.2 points in April (seasonally adjusted). This was the lowest monthly result in the Australian PBI and the largest single-month drop since the series commenced in 2005. Results below 50 points indicate deteriorating business conditions in the month, with lower numbers indicating a faster pace of deterioration.

All four activity indices in the Australian PBI plummeted in March and again in April as COVID-19 restrictions were rolled out nationally. The indices for business activity and employment fell to record lows in April (seasonally adjusted and trend). This confirms ABS data showing that 72% of business expect reduced cash flow and 69% expect reduced demand as a result of COVID-19 activity restrictions. More than 1 million Australians – 7.5% of the workforce – had already lost their jobs in the month to 18 April.

Looking ahead, the new orders index plunged to a new record low in April (23.1 points, seasonally adjusted), while the supplier deliveries index is at its lowest since 2009 (33.1 points, seasonally adjusted). Capacity utilisation fell to a record low of 67.9% of existing capacity across all business sectors.

This sudden and rapid deterioration in business conditions is evident across all sectors of the economy but is especially pronounced in consumer-oriented services that are shut down, including hospitality, transport and recreational services. The giant construction industry remains open but is reporting a severe downturn in new orders, activity and employment.

## Ai Group Australian Performance of Business Index (PBI) and ABS domestic final demand\*



\* real domestic final demand (seasonally adjusted and inflation adjusted), to Q4 2019.  
Source: ABS *National Accounts*, Dec 2019.

April 2020

### MEDIA CONTACT

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<b>Australian PBI</b> ▼ 12.6 points (seasonally adjusted)	<b>27.2</b>
<b>Australian PBI</b> ▼ 3.7 points (trend)	<b>35.1</b>
<b>Production / activity</b> ▼ 9.0 points (seasonally adjusted)	<b>24.8</b>
<b>Employment</b> ▼ 16.4 points (seasonally adjusted)	<b>28.8</b>
<b>New orders</b> ▼ 14.1 points (seasonally adjusted)	<b>23.1</b>
<b>Supplier deliveries</b> ▼ 8.4 points (seasonally adjusted)	<b>33.1</b>
<b>Capacity utilisation</b> ▼ 2.9 percentage points (seasonally adjusted)	<b>67.9</b>
<b>Input prices</b> ▼ 9.2 points (seasonally adjusted)	<b>63.1</b>
<b>Selling prices</b> ▼ 6.9 points (seasonally adjusted)	<b>39.6</b>
<b>Average wages</b> ▼ 14.2 points (seasonally adjusted)	<b>37.5</b>

**The Australian PBI** plunged by a further 12.6 points to 27.2 points in April. This was its lowest level and largest monthly decline since the series commenced in 2005. This confirms Australia's unprecedented rapid and severe deterioration in business conditions as a result of escalating restrictions in response to COVID-19 through March and April 2020.

**The PBI production / activity index** declined by 9.0 points to 24.8 points in April, its lowest level since this series commenced in 2005. A handful of businesses increased production in March and April in response to demand (e.g. in medical, food and grocery manufacturing, IT services) but the majority of businesses have suffered a large and sudden drop in activity.

**The PBI employment index** plunged by 16.4 points to 28.8 points in April. This was the lowest level and the largest monthly fall recorded since this series commenced in 2005. Employment losses were evident across all sectors but especially in consumer services. ABS data confirms over 1 million job losses (7.5% of the workforce) in the month to 18 April.

**The PBI new orders index** plummeted by 14.1 points to 23.1 points in April. This was a record low and the largest monthly fall in this series. History suggests this index 'leads' business sales by about three months, but the widespread and sudden nature of this crisis means the usual time lag between customer orders and production is likely to be shorter. The PBI supplier deliveries index fell to 33.1 points in April, its lowest level since 2009. Most businesses reduced their own orders from their regular suppliers, with many businesses also reporting local and global freight disruptions and rising freight costs.

**The PBI capacity utilisation index** fell to a record low of 67.9% of existing capacity (on average) across all business sectors. This was the first time this index has moved below 70%. This index has an inverse historical correlation to the national unemployment rate. The RBA and Treasury expected the unemployment rate to peak above 10% in 2020.

**The PBI input prices index** fell by 9.2 points to 63.1 points in April, more than unwinding the price spike reported in March. This reflects lower oil prices, a lower Australian dollar and rapidly falling demand in April. Survey respondents continue to report sharp increases in local and global freight costs plus major disruptions to local and global freight deliveries.

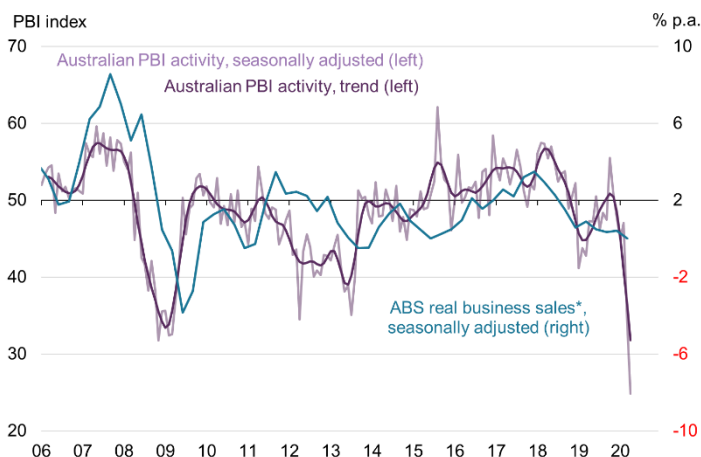
**The PBI selling prices index** fell by a further 6.9 points to 39.6 points in April. This was the lowest level and the largest monthly fall recorded since this pricing index commenced in 2009. It reflects the collapse in local sales for many businesses.

**The PBI average wages index** plunged by 14.2 points to 37.5 points in April. This was the lowest level and the largest monthly fall recorded since this wages index commenced in 2007. The size and speed of this decline closely mirrors the sharp drop in employment in April. This suggests that in April, this index is probably reflecting a drop in total wages paid by businesses rather than the 'average wage rates' that the survey question is intended to convey. In the current circumstances and with wage subsidies (JobKeeper) and other assistance commencing in April, it may be impossible to untangle the two.

Australian PBI seasonally adjusted	Index this month	Change from last month	12 month average	Australian PBI trend	Index this month	Change from last month	12 month average
Australian PBI	27.2	-12.6	46.6	Australian PBI	35.1	-3.7	46.8
Australian PMI®	35.8	-17.8	49.0	Australian PMI®	43.3	-1.1	49.3
Australian PSI®	27.1	-11.5	47.5	Australian PSI®	34.6	-4.1	47.6
Australian PCI®	21.6	-16.3	39.7	Australian PCI®	32.0	-2.9	40.1
<b>PBI activity indices</b>				<b>PBI activity indices</b>			
Production / activity	24.8	-9.0	45.3	Production / activity	31.8	-4.6	45.5
Employment	28.8	-16.4	47.8	Employment	37.1	-3.6	48.1
New Orders	23.1	-14.1	47.2	New Orders	33.5	-4.5	47.3
Supplier deliveries	33.1	-8.4	47.0	Supplier deliveries	37.5	-2.1	46.9
Capacity Utilisation (%)	67.9	-2.9	78.0	Capacity Utilisation (%)	71.8	-2.5	78.1
<b>PBI prices and wages</b>				<b>PBI prices and wages</b>			
Input Prices	63.1	-9.2	62.9	Input Prices	66.4	0.8	62.8
Selling Prices	39.6	-6.9	46.4	Selling Prices	45.0	-1.4	46.4
Average Wages	37.5	-14.2	56.4	Average Wages	45.1	-3.2	56.2

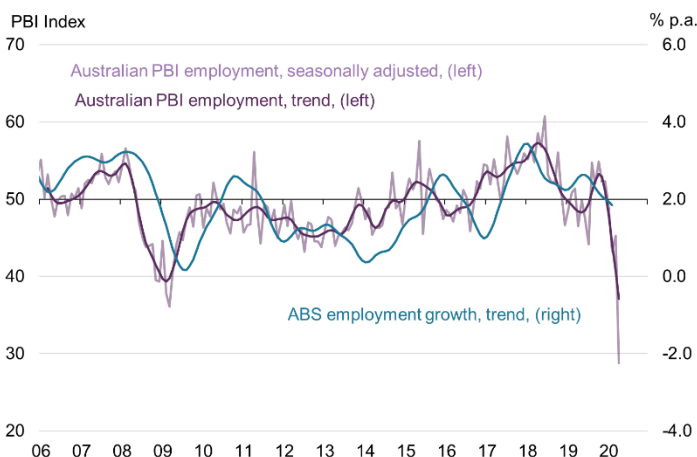
Results above 50 points indicate expansion. All indexes for sub-sectors in the Australia PMI® are reported in trend terms (Henderson 13-month filter).

## PBI activity and ABS real business sales\*



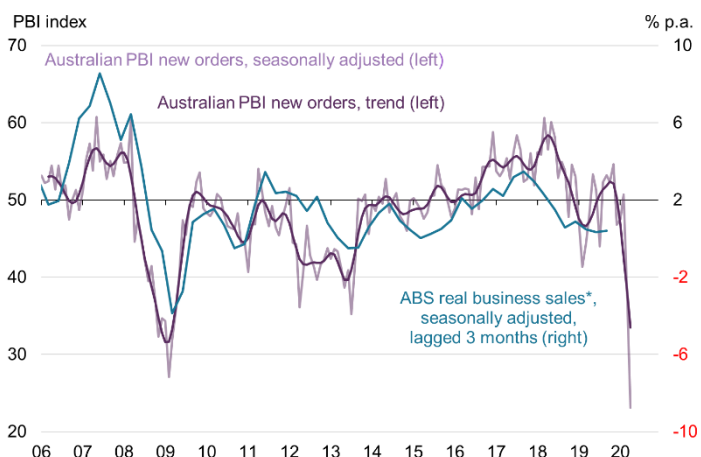
\* real business sales excluding mining (seasonally adjusted & inflation adjusted), to Q4 2019. Source: ABS *Business Indicators*, Dec 2019.

## PBI employment# and ABS employment growth\*



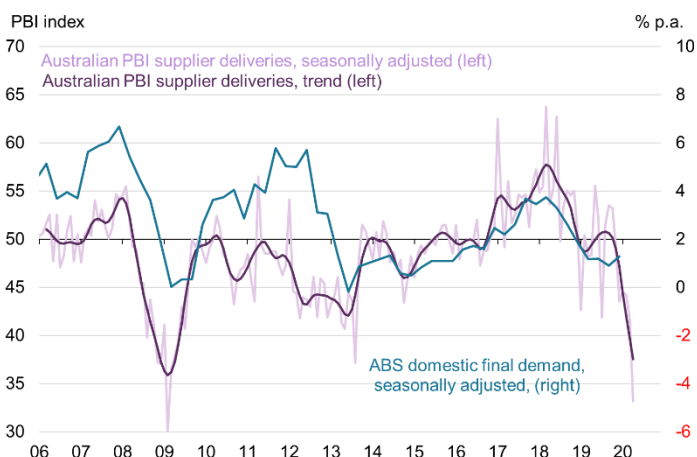
# weighted by industry employment. \* total employment growth (seasonally adjusted), to Feb 2020. Source: ABS, *labour force survey*, Feb 2020.

## PBI new orders and ABS real business sales\*



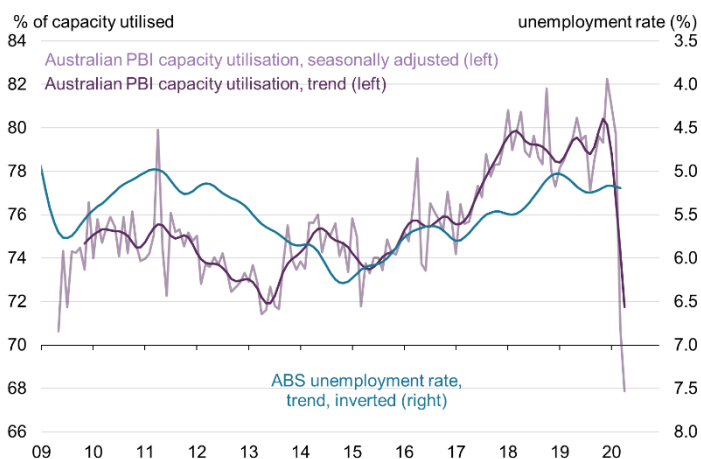
\* real business sales excluding mining (seasonally adjusted & inflation adjusted), to Q4 2019. Source: ABS *Business Indicators*, Dec 2019.

## PBI supplier deliveries and ABS final demand\*



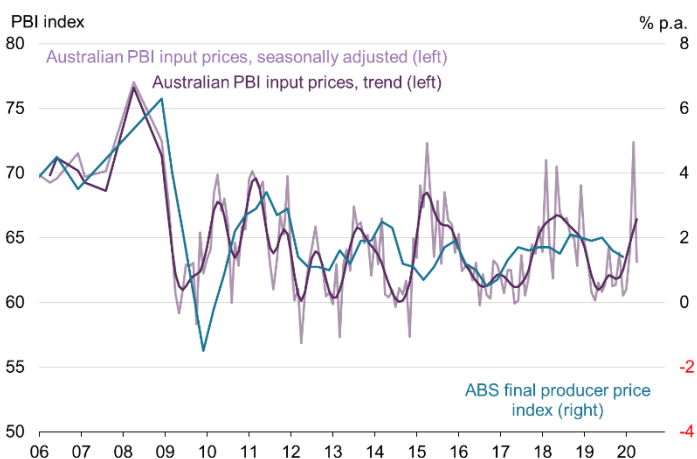
\* real domestic final demand (seasonally adjusted & inflation adjusted), to Q4 2019. Source: ABS *National Accounts*, Dec 2019.

## PBI capacity utilisation and ABS unemployment rate



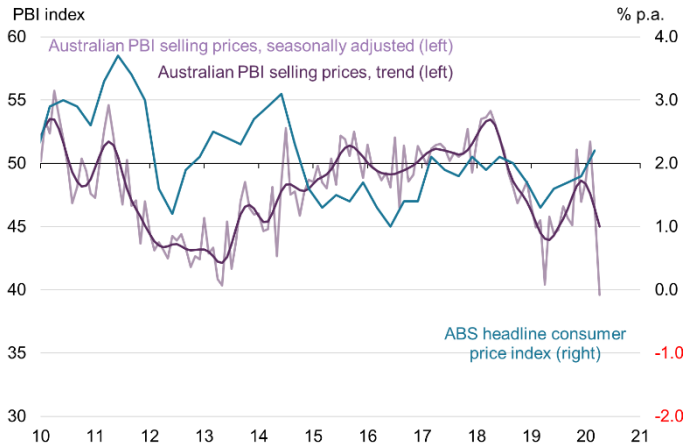
\* national unemployment rate (trend), to Feb 2020. Source: ABS, *labour force survey*, Feb 2020.

## PBI input prices and ABS final producer prices\*



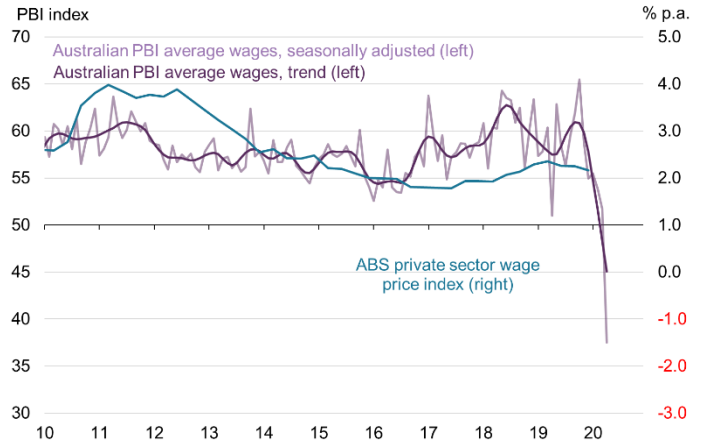
\* final stage producer prices index, all industries (seasonally adjusted), to Q4 2019. Source: ABS *Producer Price Index*, Mar 2019.

PBI selling prices and  
ABS consumer price index\*



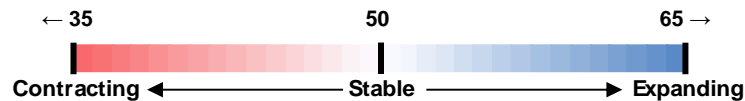
\* headline consumer price index (seasonally adjusted), to Q4 2019.  
Source: ABS Consumer Price Index, Mar 2019.

PBI average wages index and  
ABS private sector wage price index\*



\* private sector wage price index, all industries (seasonally adjusted), to Q4 2019. Source: ABS Wage Price Index, Dec 2019.

Business conditions across Australia: detailed industries (trend indices)



Industry (trend)	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020
<b>Manufacturing (PMI, trend)</b>	52.3	52.3	52.3	52.4	51.8	51.0	49.9	48.5	47.0	45.8	44.5	43.3
Food & beverage products	60.2	59.6	59.1	59.5	60.1	60.7	60.7	59.8	58.1	56.3	54.3	52.6
Machinery & equipment	47.5	49.7	51.9	53.3	53.5	52.9	51.6	49.7	47.4	45.0	42.5	40.4
Metal products	41.1	39.9	40.1	41.6	43.2	44.1	43.5	41.5	38.9	36.8	35.3	34.4
Chemical & rubber products	54.0	53.9	53.6	53.3	52.1	50.2	48.7	48.0	48.1	48.9	50.1	51.4
Building materials, furniture, other	60.9	60.6	58.5	54.3	48.8	44.2	41.2	39.2	38.2	37.5	36.8	35.6
TCF, paper, printing products	46.8	44.1	42.5	41.8	41.6	41.8	41.5	40.6	38.8	36.5	33.5	30.2
<b>Construction (PCI, trend)</b>	42.3	42.1	42.1	42.2	42.2	42.4	42.2	41.4	39.7	37.5	34.8	32.0
Housing	37.0	38.9	41.3	44.0	46.6	49.4	51.4	51.9	50.4	47.1	42.4	37.1
Apartments	36.0	35.7	35.2	35.2	35.7	36.6	37.2	36.4	34.0	30.5	26.6	22.1
Commercial construction	45.9	46.5	46.7	46.2	45.3	44.6	43.2	40.8	37.3	33.3	28.8	24.5
Engineering construction	50.7	48.5	45.1	41.1	37.6	35.6	35.2	36.4	37.6	38.1	37.7	36.6
<b>Service businesses (PSI, trend)</b>	48.5	49.5	50.5	51.4	52.2	52.8	52.3	50.4	46.9	42.9	38.7	34.6
<b>Business services</b>												
Professions, business & property	48.3	48.7	48.5	47.6	46.9	46.6	46.6	46.0	44.4	42.2	39.9	37.5
Logistics (transport, wholesale)	49.1	48.5	47.5	47.1	47.9	49.6	50.9	50.3	47.7	43.7	39.2	34.5
Finance & insurance	36.5	42.0	48.5	54.1	58.6	61.4	61.5	58.8	53.9	47.9	41.0	34.3
<b>Consumer services</b>												
Retail trade & hospitality	43.8	44.7	46.2	48.5	51.1	53.0	52.5	49.1	43.4	37.1	31.1	25.4
Health, welfare & education	57.1	61.8	63.2	61.0	55.8	50.8	47.2	45.3	44.1	43.3	42.4	42.1
Recreation, personal & other	46.3	46.8	47.2	46.9	48.7	52.2	55.7	56.2	53.5	49.1	44.3	38.0
<b>All Businesses (PBI, seas. adj.)</b>	50.8	50.1	44.4	51.4	50.9	53.4	51.4	47.4	46.6	46.3	39.8	27.2
<b>All Businesses (PBI, trend)</b>	48.1	48.8	49.6	50.3	50.9	51.3	50.8	49.0	46.0	42.5	38.8	35.1

The Australian Performance of Business Index (**Australian PBI**) is a weighted composite of Ai Group's Australian Performance of Manufacturing Index (**PMI®**), Australian Performance of Services Index (**PSI®**), and Australian Performance of Construction Index (**PCI®**). An Australian PBI result above 50 points indicates that business activity is generally expanding in that month compared to the previous month; below 50, that it is contracting. The distance from 50 indicates the strength of the expansion or decline.

Australian PBI results are based on responses from a representative sample of around 500 private-sector businesses per month, drawn from industries that account for 72% of Australia's total industry output, 62% of total GDP and 89% of all filled jobs. Industry classifications and definitions in the Australian PBI and all other Ai Group indexes follow the ANZSIC 2006 coding system. Industry weights are derived from ABS estimates of value-added output and employed persons in each industry. Seasonal adjustment and trend adjustments follow ABS methodology.

AI GROUP AUSTRALIAN PMI, PSI, PCI AND PBI INDUSTRY COVERAGE IN 2019	Included in Aust PBI	Share of Aust PBI	Share of GDP	Share of all industry output	Share of all filled jobs
ANZSIC major industry groups		%	%	%	%
Agriculture	-	-	2.3	2.7	3.3
Mining	-	-	8.1	9.6	1.3
Manufacturing (Australian PMI)	x	8.2	5.5	6.5	6.1
Utilities	-	-	2.4	2.8	0.8
Construction (Australian PCI)	x	10.7	7.2	8.4	8.1
Wholesale Trade	x		3.8	4.5	3.9
Retail Trade	x		4.2	5.0	9.8
Food & Accommodation	x		2.3	2.7	7.8
Transport, Post & Warehousing	x		4.5	5.3	4.6
IT, Media & Telecommunications	x		2.5	3.0	1.3
Finance & Insurance	x		8.8	10.3	3.1
Rental & Real Estate services	x		2.9	3.4	2.0
Professional services	x		7.0	8.2	8.4
Administrative services	x		3.4	4.0	6.3
Public Administration & Safety	-	-	5.3	6.2	5.5
Education	x		4.7	5.5	8.4
Health	x		7.5	8.8	13.3
Arts & Recreation	x		0.8	1.0	1.8
Personal & Other Services	x		1.8	2.2	4.0
<b>Services industries included in the Australian PSI</b>	<b>x</b>	<b>81.1</b>	<b>48.9</b>	<b>57.6</b>	<b>74.9</b>
<b>All industries included in the Australian PBI</b>		<b>100.0</b>	<b>61.6</b>	<b>72.5</b>	<b>89.1</b>
<b>All Australian Industries</b>			<b>85.0</b>	<b>100.0</b>	<b>100.0</b>
Ownership of dwellings	-	-	8.4	-	-
Taxes less subsidies	-	-	6.6	-	-
<b>Total Australian GDP</b>			<b>100.0</b>	<b>-</b>	<b>-</b>



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