



SME Business Activity.

Judo Bank Australia PMI

“Business activity levels improved for SMEs through September, reflecting the resurgence in services sector activity throughout the economy.”

Despite facing elevated margin pressures, SMEs are still confident about an increase in future activity and are hiring accordingly.

In September, the SME sector in Australia displayed signs of stabilisation as the SME output index rose to the neutral 50.0 level. Moreover, the new orders index also saw improvement, reaching 49.8. The key activity indicators suggest that the SME economy is experiencing a soft landing with no indications of an upcoming severe downturn.

Driving the resurgence through September, the SME services sector remains resilient to elevated interest rates. SMEs continue to benefit from high consumer demand levels for discretionary services spending.



Margin pressure, while elevated, appears to be trending down towards pre-pandemic levels for SMEs

Business Activity

↑ **21%** of SMEs saw business activity increase in September, 6pts below pre-Covid average

New Business

↑ **18%** of SMEs saw new business increase in September, 9pts below pre-Covid average

Employment

↑ **16%** of SMEs saw employment increase in September, 4pts above pre-Covid average

Input Prices

↑ **25%** of SMEs saw input prices increase in September, 7pts above pre-Covid average

Outstanding Business

↓ **13%** of SMEs saw outstanding business fall in September, 1pt below pre-Covid average

Future Activity

↓ **9%** of SMEs expect future activity to fall over the next 12 months, 3pts above pre-Covid average

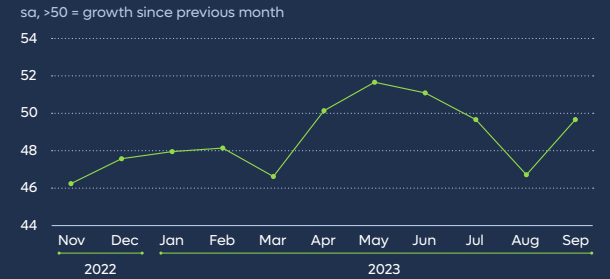
Prices Charged

↑ **13%** of SMEs saw prices charged increase in September, 4pts above pre-Covid average

Key Charts

SME New Orders Index

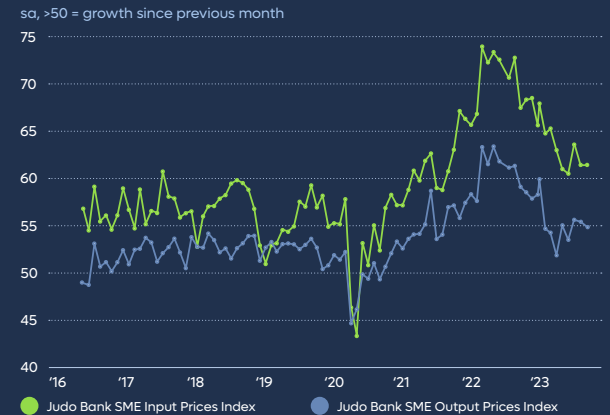
The new orders index improved for the first time in four months



Sources: Judo Bank, S&P Global.

SME Input Prices Index & SME Prices Charged Index

Output price growth slowed in September while input price pressure persisted



Sources: Judo Bank, S&P Global.

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In contrast, SME manufacturers continued to see a slowdown in activity over the month. The SME PMI has remained below 50, averaging a reading of 47.6 since March. This is consistent with a gradual slowdown in the sector, in line with the RBA's projection for a soft landing. Labour demand is easing among SME manufacturers but is not in sharp decline, with comparable levels seen in 2018 and 2019.

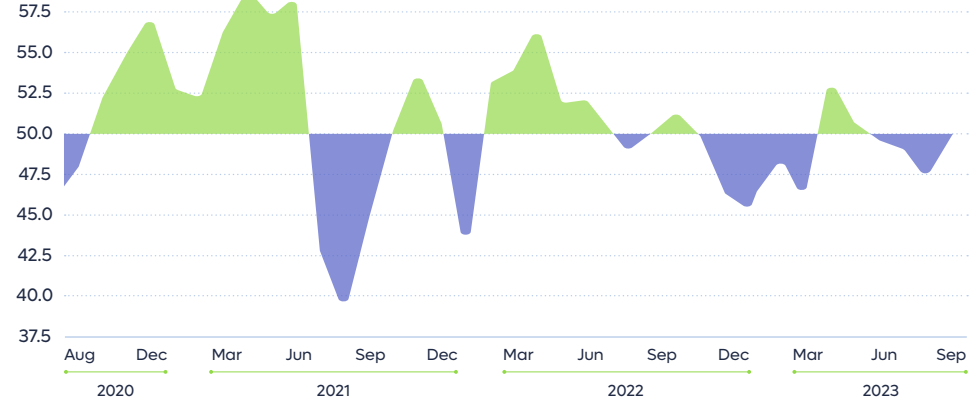
Matthew De Pasquale
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Business activity levels improved for SMEs through September, reflecting the resurgence in services sector activity throughout the economy

SME Business Conditions Index

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global.



While confidence remains subdued, businesses still expect activity to increase over FY24

Services Industry

Business Activity



14% of services sector SMEs saw business activity fall in September, 6pts below pre-Covid average

New Business



70% of services sector SMEs saw new business remain level in September, 13pts above pre-Covid average

Employment



16% of services sector SMEs saw employment increase in September, 4pts above pre-Covid average

Manufacturing Industry

Output



22% of manufacturing sector SMEs saw output fall in September, 1pt above pre-Covid average

New Orders



28% of manufacturing sector SMEs saw new orders fall in September, 4pts above pre-Covid average

Employment



13% of manufacturing sector SMEs saw employment increase in September, 2pts below pre-Covid average