

SME Business Activity.

Judo Bank Australia PMI

In June, we saw key activity indexes soften to neutral levels that were in line with national figures. We expect the June softening in activity growth to be short-lived. Relief is now on the way for businesses, with tax cuts and large-scale cost-of-living support at the state and federal levels likely to bolster consumer spending throughout FY25.

Unlike larger organisations, SMEs experienced significant improvement in margin pressure over the month. The input price index for SMEs fell sharply through June to the lowest level seen since late 2020, with only 17% of SMEs recording an increase in costs over the month, compared with 24% the month prior.

Whether this improvement reflects monthly volatility or better business conditions to come will depend on the next few months of data. Seasonally, the start of the financial year is a period when a large number of SMEs (~28-30% pre-pandemic) experience an increase in input costs, so we expect some rebound in the index over the next month.

Key Charts

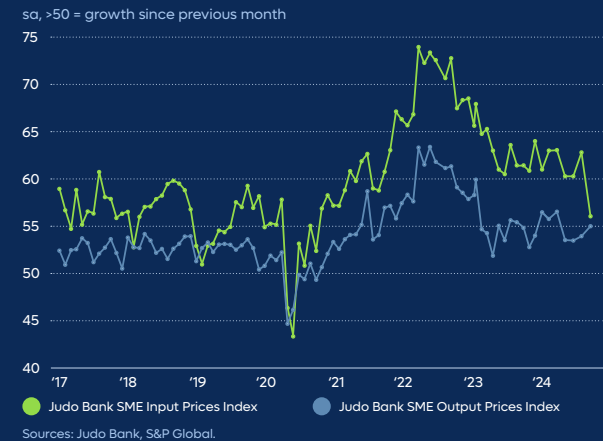
SME New Orders Index

SME new orders slowed through June below the neutral level.



SME Input Prices Index & SME Prices Charged Index

SME margin pressure fell steeply in June, with input cost pressures reaching lowest level since late 2020.



Employment

14% of SMEs saw employment increase in June, 1pt above pre-Covid average

New Business

65% of SMEs saw new business remain level in June, 10pts above pre-Covid average

Outstanding Business

73% of SMEs saw outstanding business remain level in June, 6pts above pre-Covid average

Business Activity

63% of SMEs saw business activity remain level in June, 10pts above pre-Covid average

Future Activity

50% of SMEs expect future activity to remain level over the next 12 months, 16pts above pre-Covid average

Input Prices

80% of SMEs saw input prices remain level in June, 3pts above pre-Covid average

Prices Charged

12% of SMEs saw prices charged increase in June, 4pts above pre-Covid average



SMEs continued to expand headcounts through the end of FY24



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The future activity index, a proxy for business confidence, shows that most SMEs expect activity to expand over the next 12 months, but the share expecting improvement remains subdued on pre-pandemic levels. This index is very aligned with changes in business activity over the month. As consumer spending increases due to tax cuts and additional government support, better business conditions will likely boost SME confidence.

Matthew De Pasquale
Economist



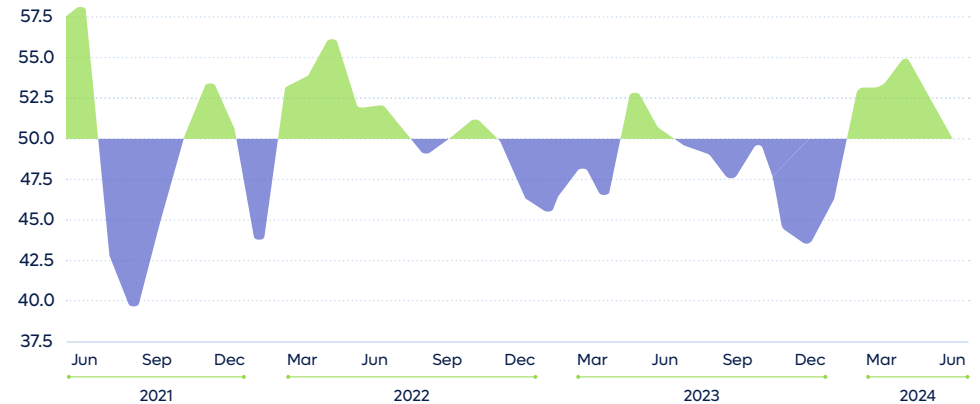
Despite the drop in input price pressures, the number of SMEs increasing output prices increased to a four month high



Business output growth slowed in June after four consecutive months of expansion

SME Business Conditions Index

sa, +50 = growth since previous month



Sources: Judo Bank, S&P Global.

Services Industry

Business Activity



64% of services sector SMEs saw business activity remain level in June, 11pts above pre-Covid average

New Business

67% of services sector SMEs saw new business remain level in June, 11pts above pre-Covid average

Employment

14% of services sector SMEs saw employment increase in June, 2pts above pre-Covid average

Manufacturing Industry

Output



27% of manufacturing sector SMEs saw output fall in June, 6pts above pre-Covid average

New Orders

35% of manufacturing sector SMEs saw new orders fall in June, 11pts above pre-Covid average

Employment

17% of manufacturing sector SMEs saw employment fall in June, 6pts above pre-Covid average