

SME Business Activity.

Judo Bank Australia PMI

“The Judo Bank Australian SME Business Activity Report provided further evidence of a weakening economy in November with soft results for output, new orders, and the backlog of work. The SME sector has experienced a material slowdown in activity since September with these key activity indicators holding well below the neutral 50.0 index level.”

The SME output index was notably down on the neutral level in November, reaching 44.7. While this index level is still consistent with a soft landing for the SME sector, it wouldn't take much further weakness for the survey to be pointing to recession levels.

The SME sector has slowed faster than large companies in Australia over the past three months. This is not unusual, particularly in the post-pandemic recovery, where the SME sector responds more rapidly to a slowdown in the overall economy.

Business Activity

59% of SMEs saw business activity remain level in November, 6pts above pre-Covid average

New Business

60% of SMEs saw new business remain level in November, 5pts above pre-Covid average

Employment

17% of SMEs saw employment increase in November, 4pts above pre-Covid average

Input Prices

30% of SMEs saw input prices increase in November, 12pts above pre-Covid average

Prices Charged

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

Outstanding Business

20% of SMEs saw outstanding business fall in November, 6pts above pre-Covid average

Future Activity

14% of SMEs expect future activity to fall over the next 12 months, 8pts above pre-Covid average



Australian SMEs continue to face rising cost pressures, with the input price index rising sharply through November

Key Charts

SME New Orders Index

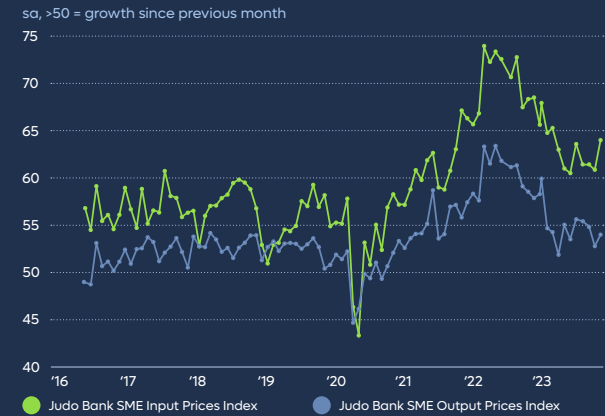
SME new orders were soft through November, indicative of a soft patch in business activity to finish 2023



Sources: Judo Bank, S&P Global.

SME Input Prices Index & SME Prices Charged Index

The broader trends for costs and final prices have been similar for SMEs and larger corporations over the past 3-4 months



Sources: Judo Bank, S&P Global.

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“The SME employment index remains safely above the neutral level, indicative of a continued desire to hire staff. This is also evidence that the SME slowdown is mild. It is highly unlikely that SMEs would be expanding their workforce if they truly believed the economy was headed for recession.

We will be watching the key activity indexes closely over the summer months to gauge the risks of a deeper downturn for the SME sector in 2024. A hard landing does not appear to be the most likely outcome at this stage.”

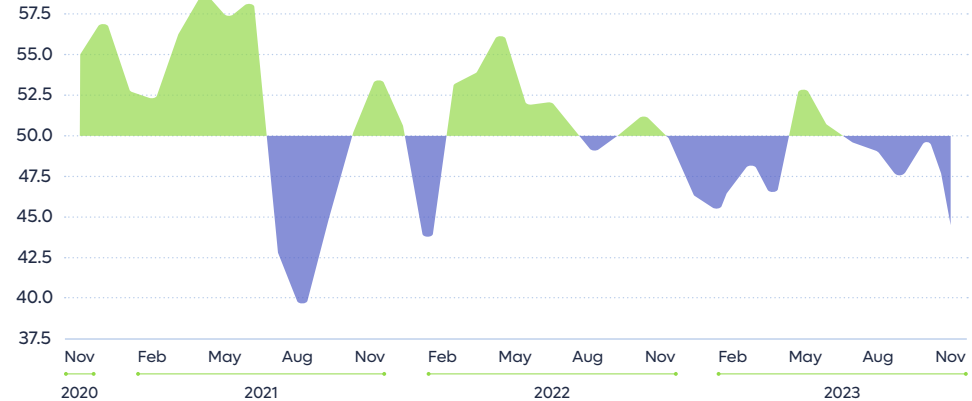
Warren Hogan
Chief Economic Advisor, Judo Bank



The performance difference between SMEs versus larger business is not that significant with both experiencing a slowdown in activity

SME Business Conditions Index

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global.



Activity in the SME sector slowed by the quickest rate since January 2022

Services Industry

Business Activity



59% of services sector SMEs saw business activity remain level in November, 6pts above pre-Covid average

New Business

62% of services sector SMEs saw new business remain level in November, 5pts above pre-Covid average

Employment

17% of services sector SMEs saw employment increase in November, 5pts above pre-Covid average

Manufacturing Industry

Output



57% of manufacturing sector SMEs saw output remain level in November, 9pts above pre-Covid average

New Orders

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

Employment

13% of manufacturing sector SMEs saw employment fall in November, 3pts above pre-Covid average