SME Business Activity.
Judo Bank Australia PMI

SMEconomics.™

2024 has started on a positive note for SMEs, with activity indicators improving, employment remaining resilient, and businesses becoming more confident about future activity levels.

Key activity indexes improved on the month prior, with output and new order readings increasing to 46.3 and 49.0, respectively. With both indexes sitting below the neutral level (50), SMEs continue to experience soft activity levels, not surprisingly given the rapid slowdown of consumption growth over the past year. SME businesses across both the services and manufacturing sectors saw activity levels ease in January at a similar rate.

Despite slowing activity levels, labour demand remains resilient amongst SMEs, particularly among those in the services sector. The SME services sector employment index has remained in expansion territory throughout almost the entire slowdown. SMEs in this sector continue to face demand levels beyond their current supply capability, hence the continued choice to increase staffing levels as activity slows.
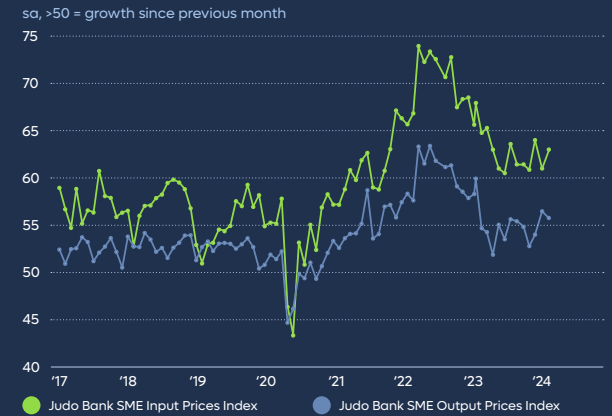
Key Charts

SME New Orders Index
Key activity indicators for SMEs improved through January, with the New Orders index rising to 49.0

sa, >50 = growth since previous month

Sources: Judo Bank, S&P Global.

Business Activity

▬ **46%** of SMEs saw business activity remain level in January, 6pts below pre-Covid average

Prices Charged

▲ **13%** of SMEs saw prices charged increase in January, 5pts above pre-Covid average

Employment

▼ **14%** of SMEs saw employment fall in January, 5pts above pre-Covid average

New Business

▼ **28%** of SMEs saw new business fall in January, 10pts above pre-Covid average

Outstanding Business

▼ **18%** of SMEs saw outstanding business fall in January, 4pts above pre-Covid average

Input Prices

▲ **25%** of SMEs saw input prices increase in January, 6pts above pre-Covid average

Margin pressure among SMEs did jump up in January, but overall, it is trending downwards towards pre-pandemic levels.

Future Activity

▬ **49%** of SMEs expect future activity to remain level over the next 12 months, 15pts above pre-Covid average

SME Input Prices Index & SME Prices Charged Index
While input price pressures lifted in January, margin pressure among SMEs is trending down to pre-pandemic levels

sa, >50 = growth since previous month

● Judo Bank SME Input Prices Index   ● Judo Bank SME Output Prices Index

Sources: Judo Bank, S&P Global.

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> With activity indexes sitting below 50, SMEs continue to experience softening demand levels, in line with the slowdown of consumption growth over the past year

"The future activity index, a proxy for business confidence, has continued to improve, reaching an index reading of 67.8 following a cyclical low for the index in November. While the index remains low by historical standards, the current reading is the highest since January 2023. The improvement is likely associated with the economy following the RBA's forecast narrow path, having seen significant improvements in inflation amid resilient activity levels and labour demand.

In January, business conditions facing SMEs remained positive in the context of a cooling economy. While activity levels have eased more significantly than larger organisations, SMEs remain confident that future activity levels will expand and are employing accordingly."
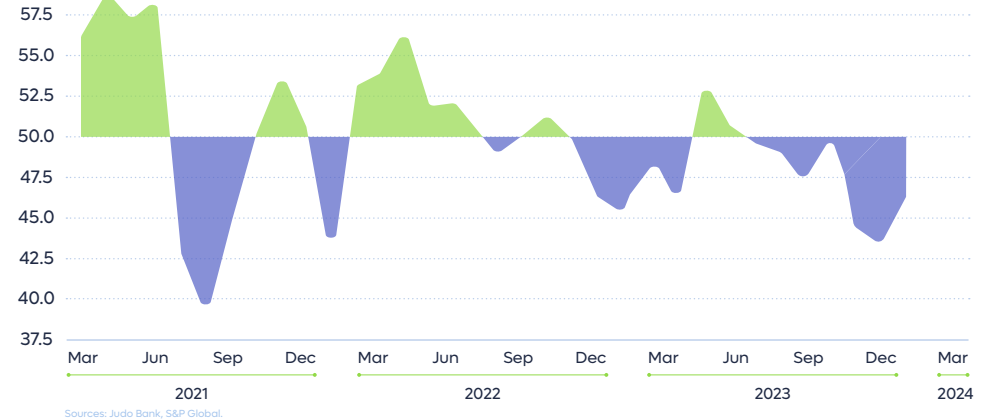
Matthew De Pasquale
Economist, Judo Bank

> Despite slowing activity levels, labour demand remains resilient amongst SMEs, particularly among those in the services sector

SME Business Conditions Index
sa, >50 = growth since previous month

Sources: Judo Bank, S&P Global.

Services Industry

Business Activity

⬇ **37%** of services sector SMEs saw business activity fall in January, 17pts above pre-Covid average

New Business

⬇ **27%** of services sector SMEs saw new business fall in January, 9pts above pre-Covid average

Employment

⬇ **13%** of services sector SMEs saw employment fall in January, 5pts above pre-Covid average

Manufacturing Industry

Output

⬇ **47%** of manufacturing sector SMEs saw output fall in January, 26pts above pre-Covid average

New Orders

= **50%** of manufacturing sector SMEs saw new orders remain level in January, 6pts above pre-Covid average

Employment

⬇ **17%** of manufacturing sector SMEs saw employment fall in January, 7pts above pre-Covid average