

SME Business Activity.

Judo Bank Australia PMI

SMEs continued to see activity levels expand through March, expanding labour forces accordingly. Inflation pressures eased throughout the month, but despite the good news, confidence remains subdued.

The output index for March held steady in expansion territory, remaining at 53.2, the same as the previous month's reading. This is a positive sign and is well above the average reading of 47.1 seen during the latter half of 2023. SMEs also saw an increase in new orders in March, although the growth rate was slower, with an index reading of 50.4.

SMEs seem to be benefiting from the improved household budgets in Q4 2023. In March, only 15% of SMEs recorded a decline in business activity, the lowest level since April 2022. This is well below the pre-pandemic average of 20.1%.

Key Charts

SME New Orders Index

While at a slower rate, SMES continued to see an increase in new orders through March.



Sources: Judo Bank, S&P Global.

SME Input Prices Index & SME Prices Charged Index

Input price pressures facing SMEs have eased to their lowest level since mid-2021.



Sources: Judo Bank, S&P Global.

Employment

15% of SMEs saw employment increase in March, 3pts above pre-Covid average

New Business

66% of SMEs saw new business remain level in March, 11pts above pre-Covid average

Outstanding Business

72% of SMEs saw outstanding business remain level in March, 4pts above pre-Covid average

Business Activity

62% of SMEs saw business activity remain level in March, 9pts above pre-Covid average

Future Activity

58% of SMEs expect future activity to remain level over the next 12 months, 24pts above pre-Covid average

Input Prices

23% of SMEs saw input prices increase in March, 5pts above pre-Covid average

Prices Charged

10% of SMEs saw prices charged increase in March, 2pts above pre-Covid average



SME business conditions continued to improve through March, with margin pressures easing and headcounts increasing.



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In line with official data releases, SME headcounts continued to rise in March, reaching a six-month high index reading of 52.3. Although labour markets are easing, they remain historically tight despite the significant level of net overseas migration through 2023. With economic activity levels increasing and household balance sheets showing signs of improvement, we expect employment levels to continue expanding, especially in the services sector, up until mid-year.

After two consecutive months of rising cost pressure readings, there was a welcomed easing of the SME input prices index. The index fell to 60.1, marking the lowest level since mid-2021. Output price pressure also eased, with the index falling to the lowest level in five months. SMEs are still facing elevated margin pressure. However, levels have eased from the peaks seen in early 2023.

Matthew De Pasquale
Economist, Judo Bank



The improvement in business conditions so far seems to be disproportionately flowing to the services sector.



March marks the third consecutive month of improvement in SME business activity readings, suggesting a cyclical recovery is underway.

SME Business Conditions Index

sa, +50 = growth since previous month



Sources: Judo Bank, S&P Global.

Services Industry

Business Activity



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

New Business

68% of services sector SMEs saw new business remain level in March, 12pts above pre-Covid average

Employment

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

Manufacturing Industry

Output



26% of manufacturing sector SMEs saw output fall in March, 5pts above pre-Covid average

New Orders

33% of manufacturing sector SMEs saw new orders fall in March, 10pts above pre-Covid average

Employment

80% of manufacturing sector SMEs saw employment remain level in March, 5pts above pre-Covid average