

# SME Business Activity.

## Judo Bank Australia PMI

SME business conditions improved in February with expanding activity levels, strong hiring, and easing margin pressures. In February, the SME composite activity indicators for output and new orders significantly increased, reaching levels not seen since mid-2020. This rebound in activity experienced by SMEs was the key driver behind the improvement in the Australian composite Output/Activity PMI, as the February activity reading for larger organisations was only slightly above neutral.

SMEs continued to increase their workforces in February. The employment index has remained above the neutral 50 level for the past four months despite a slowdown in activity towards the end of 2023. This is expected to continue as the labour market remains tight and business activity shows signs of resurgence, particularly in the services sector.

SMEs experienced an improvement in their profit margins through February. The input cost prices index remained relatively stable over the month, while output price pressures rose to their highest level since January 2023.

### Business Activity

**↑ 30%** of SMEs saw business activity increase in February, 2pts above pre-Covid average

### Future Activity

**▬ 49%** of SMEs expect future activity to remain level over the next 12 months, 16pts above pre-Covid average



**Margin pressure among SMEs continues to trend towards pre-pandemic levels.**

### Prices Charged

**↑ 16%** of SMEs saw prices charged increase in February, 7pts above pre-Covid average

### Input Prices

**↑ 27%** of SMEs saw input prices increase in February, 9pts above pre-Covid average

### Employment

**↑ 16%** of SMEs saw employment increase in February, 3pts above pre-Covid average

### New Business

**▬ 58%** of SMEs saw new business remain level in February, 3pts above pre-Covid average

### Outstanding Business

**▬ 70%** of SMEs saw outstanding business remain level in February, 3pts above pre-Covid average

## Key Charts

### SME New Orders Index

New orders rose significantly through February, reaching their highest level since mid-2022



Sources: Judo Bank, S&P Global.

### SME Input Prices Index & SME Prices Charged Index

Margin pressures continue to ease among SMEs, and are now only slightly above pre-pandemic levels



Sources: Judo Bank, S&P Global.

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"The activity readings from February suggest that the worst of the economic slowdown may be over for businesses and that SMEs may be leading the way in the recovery of economic activity."

**Matthew De Pasquale**  
Economist, Judo Bank

 **Services sector employment demand remains high, while manufacturing headcounts continue to ease.**

 **Australia's key activity PMIs saw a significant improvement in February, driven by SMEs in the services sector.**



### Services Industry

#### Business Activity

  **31%** of services sector SMEs saw business activity increase in February, 3pts above pre-Covid average

#### New Business

 **60%** of services sector SMEs saw new business remain level in February, 4pts above pre-Covid average

#### Employment

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

### Manufacturing Industry

#### Output

  **27%** of manufacturing sector SMEs saw output fall in February, 5pts above pre-Covid average

#### New Orders

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

#### Employment

 **79%** of manufacturing sector SMEs saw employment remain level in February, 4pts above pre-Covid average