

# SME Business Activity.

## Judo Bank Australia PMI

Despite the difference in activity through the last quarter of 2023, SMEs and larger organisations are both expanding their workforces at similar rates. The SME employment index rose to 52.2 through December, driven primarily by the services sector. This result reflects the continued supply-demand imbalance within Australia’s services sector, despite the rise in interest rates. SMEs choosing to expand their labour forces as activity levels ease also suggests that businesses expect the economic slowdown to be short-lived.

Following soft results in November, Judo Bank’s SME December Report indicates a further easing in economic activity as 2023 drew to a close. The SME output index has been decreasing consistently and reached a low point of 43.8 in December.

This is the lowest level seen since January 2022. Although this figure indicates a moderate slowdown in the sector, the index will become more aligned with a recession if it continues to ease. The central case, however, remains that the economy is on track for a soft landing in 2024. We will be watching the output index in the new year to see if the coming levels suggest otherwise.

### Business Activity

**58%** of SMEs saw business activity remain level in December, 6pts above pre-Covid average

### New Business

**62%** of SMEs saw new business remain level in December, 7pts above pre-Covid average

### Employment

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

### Input Prices

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

### Prices Charged

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

### Outstanding Business

**16%** of SMEs saw outstanding business fall in December, 2pts above pre-Covid average

### Future Activity

**9%** of SMEs expect future activity to fall over the next 12 months, 4pts above pre-Covid average

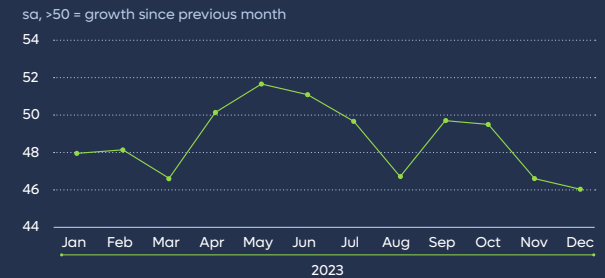


Activity in the SME sector has continued to slow through December

## Key Charts

### SME New Orders Index

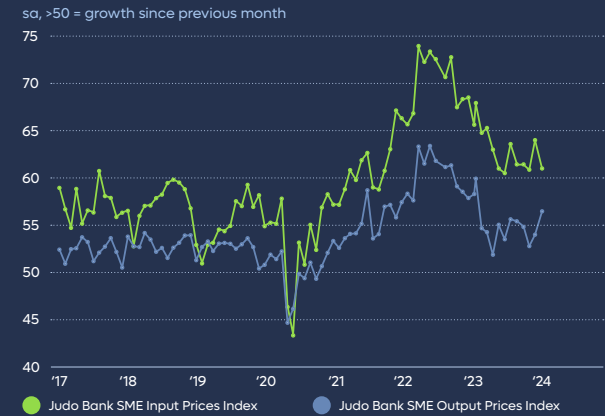
SME new orders continued to soften through December



Sources: Judo Bank, S&P Global.

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

While input prices slowed through December, both price indexes continue to point to sticky inflation levels



Sources: Judo Bank, S&P Global.



# SME Business Activity.

## Judo Bank Australia PMI



Margin pressure among SMEs improved in December, and is now comparable to that of larger organisations and is more reflective of levels faced before the pandemic commenced

“Price indexes through December have continued to point to sticky inflation levels inconsistent with the RBA’s 2-3% target range. On a positive note for SMEs, changes in these price indexes signify an improvement in margin pressure through December.

Input price pressure slowed over the month after a sharp spike in November, while the output price index has risen consistently over the past three months. Margin pressure among SMEs is now comparable to that of larger organisations and is more reflective of levels faced before the pandemic commenced”

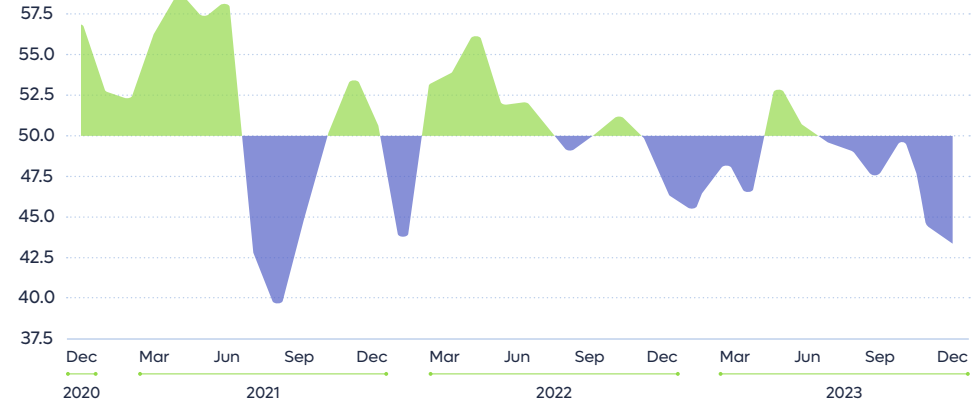
**Matthew De Pasquale**  
Economist, Judo Bank



Despite the difference in activity through the last quarter of 2023, SMEs continue to expand their workforces

### SME Business Conditions Index

sa, >50 = growth since previous month



Sources: Judo Bank, S&P Global.

### Services Industry

#### Business Activity



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

#### New Business

**64%** of services sector SMEs saw new business remain level in December, 8pts above pre-Covid average

#### Employment

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

### Manufacturing Industry

#### Output



**54%** of manufacturing sector SMEs saw output remain level in November, 6pts 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, 2pts above pre-Covid average