

News Release

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Small firms' confidence hits 10-year low

Business confidence among small firms fell further during the September quarter, with hiring and investment intentions in negative territory for the first time since the Global Financial Crisis, according to ANZ's quarterly Business Micro Scope survey.

A net 44% of small businesses are pessimistic about general business conditions, the most since June 2008. Confidence slipped in both micro firms (0-5 employees) and intermediate-sized businesses (those that employ 6-20 employees) for the quarter, but lifted slightly in September on a monthly basis.

"While the uptick at the end of the quarter suggests the low might be behind them, pessimism seems likely to be the main theme for business confidence in the year ahead driven by ongoing concern about regulatory changes and the lack of skilled labour," said Antonia Watson, ANZ's Managing Director Retail and Business Banking.

Our composite growth measure for small firms – a proxy for GDP growth – slipped to another nine-year low, teetering on the edge of expansion at +0.8. Firms' activity outlook remains positive, but hiring and investment intentions turned negative and profit expectations slid further into the red.

"This suggests small firms continue to see reasonable demand for their goods and services but perhaps some difficulty in passing on rising costs to consumers," Ms Watson said.

Regulation remains the biggest concern facing small firms, particularly those in agriculture, construction, retail and services. Difficulty finding skilled employees – a perennial concern of small Kiwi businesses in the survey – continued to cause sleepless nights with a large number of sectors reporting severe skilled labour shortages.

Highlights from the September 2018 ANZ Business Micro Scope survey of small firms:

[Net percentages reflect the balance of sentiment, i.e. percent positive minus percent negative responses]

- Our composite growth measure declined to its lowest level since 2009.
- Small firms' activity outlook fell to a net 3% of firms expecting an increase, down from 11% in the June quarter.
- Hiring intentions fell to -2% in September, entering negative territory for the first time since 2009.
- Investment intentions across small firms slipped 10 points to -8%.
- Regulation and difficulty finding skilled employees remain the top two major concerns for small businesses.
- The composite growth measure fell in four of the five major regions, with Wellington remaining the most positive and Canterbury and other North Island areas least positive.

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ANZ BUSINESS MICRO SCOPE: TECHNICAL NOTES

The ANZ Business Micro Scope is a quarterly indicator which focuses on the prospects of small businesses across New Zealand. The data is based on the monthly ANZ Business Outlook survey, which included extra questions in March 2012 to identify small firms and address a lack of ongoing research specific to the small business sector. Figures released today cover the quarter to 30 September 2018.

The survey took responses from over 200 firms, comprising *micro* (up to five staff) and *intermediate* businesses (six to 20 staff).