

News Release

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Small firms' confidence lifts slightly

Business confidence among small firms picked up slightly in the March quarter, but remained low after nose-diving in December, according to ANZ's quarterly Business Micro Scope survey.

A net 20% of small businesses were pessimistic about general business conditions for the year ahead, a slight improvement from a net 29% last quarter. The small improvement in business conditions was evident across both micro firms (0-5 employees) and intermediate-sized businesses (those that employ 6-20 employees).

"Overall, ongoing pessimism among businesses suggests firms may still be feeling concern about some of the potential impacts of new government policy changes," said Antonia Watson, ANZ's Managing Director Retail and Business Banking.

"That said, there are other factors that firms are coming to grips with, including a softer housing market, tightening credit, capacity constraints and a topping out of previous economic drivers such as strong migration."

The ANZ composite growth measure for small firms – a key proxy for GDP growth – was broadly stable, with falls in agriculture and retail offset by a small recovery in construction, services and manufacturing.

Regulation remained the biggest problem facing small firms, followed by finding skilled employees. Regulatory requirements were the greatest concern for the agricultural and retail sectors (second for construction and services). For agriculture, changes to employment laws, foreign investment and environmental regulation were areas of concern.

Hiring intentions rose to a net 6%, after almost scraping zero the last quarter. Profits expectations also rebounded slightly from negative territory, to 0%.

Highlights from the March 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 was broadly stable at +10 and remained in growth territory.
- Small firms' activity outlook lifted to a net 18% of firms expecting an increase, from a seven-year low (12%) last quarter.
- Hiring intentions for March rose to a net 6% of firms looking to hire, up from 1% in the last quarter.
- Investment intentions across small firms rebounded slightly to a net 8% of firms looking to invest, up from 2% in the last quarter with manufacturing and retail leading the charge. Agriculture investment intentions were at their lowest point since the dairy downturn of 2015.
- Along with regulation, finding skilled workers remained a major concern, particularly in construction and services.
- The composite growth measure fell in Wellington and Canterbury, lifted elsewhere.

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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 survey was launched in March 2012 to address a lack of ongoing research specific to the small business sector. The Micro Scope covers a range of key business intentions and views on prospects for both respondents' own businesses and the wider economy. Figures released today cover the quarter to 31 March 2018.

The survey took responses from over 200 firms, comprising *micro* (up to five staff) and *intermediate* businesses (six to 20 staff). The sample is taken from the ANZ Business Outlook survey, which covers micro up to large businesses.