

News Release

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2017 starts with solid growth prospects for small businesses

The first quarter of 2017 has seen the strongest growth outlook for small business in two years according to ANZ's Business Micro Scope survey. While headline confidence for small businesses eased in the March quarter, other key indicators, which are more correlated with growth, lifted.

The ANZ composite measure – a key proxy for growth – is based on a firm's own activity outlook, hiring, investment and profit expectations. It lifted to +21 in the quarter for small firms. Intermediate businesses (6 to 20 staff) improved 2 points to +27 while micro businesses (up to 5 staff) were firm, down 1 point to +15.

"It's been a solid start to 2017 with good growth prospects for small businesses led by manufacturing and service sectors," said Antonia Watson, ANZ's Managing Director Retail and Business Banking. "Small businesses make up over 90% of New Zealand's businesses, so it's fantastic to see they're hiring and most sectors will look to invest in 2017."

However, the quarterly survey again highlighted a significant problem holding back small business was a shortage of skilled labour.

"What remains a headache for small businesses is that they're not finding talent with the right skills. It's a real handbrake for growth and has been identified as their biggest challenge over the last year. It's clear targeted hiring and skill development remain a crucial part of ensuring skills are available to fuel growth," Ms Watson said.

The composite growth measure for small businesses in Wellington rose to its highest levels since data was first collected in 2007. Auckland and regional North Island increased, while activity, employment and profit expectations all fell in the South Island.

Highlights from the March 2017 ANZ Business Micro Scope survey of small firms:

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

- Headline small business confidence fell 6 points to a net 14%.
- Our growth composite measure for small firms reached its highest mark in two years of +21.
- A net 32% of small firms expect a lift in their business activity over the next year.
- Stabilising dairy prices and buoyant horticulture sector has lifted activity expectations among **agriculture-sector** firms to the highest level in two years (+23%).
- **Construction** firms recorded the largest fall (down 12 points) in hiring expectations, mirrored by the **Canterbury small business** employment outlook (down 14 points).
- **Wellington** surged on employment and investment expectations (at +35%) followed by regional **North Island** (+18%).
- **Lack of skilled staff, regulation, competition and low turnover** are the top of small business owners' concerns.

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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 2017.

The survey takes in responses from 235 firms, comprising *micro* (up to 5 staff) and *small* businesses (6 to 20 staff). The sample is taken from the ANZ Business Outlook survey, which covers micro up to large businesses.