

News Release

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Small firms' confidence sinks in June quarter

Business confidence among small firms fell to a nine-year low in the June quarter, according to ANZ's quarterly Business Micro Scope survey.

A net 30% of small businesses are pessimistic about general business conditions, the most since March 2009. Confidence slipped in both micro firms (0-5 employees) and intermediate-sized businesses (those that employ 6-20 employees), unwinding gains in confidence reported in March.

"Regulation remains the biggest concern facing small firms, particularly those in agriculture," said Antonia Watson, ANZ's Managing Director Retail and Business Banking.

"Difficulty finding skilled employees is an ongoing challenge for many small businesses, particularly in construction, manufacturing, services and retail, and it continues to weigh on their confidence. External factors are also impacting confidence levels, including a cooling housing market and intense online and offshore competition for our retailers."

The ANZ composite growth measure for small firms – a key proxy for GDP growth – fell across all sectors, with agriculture and construction reaching negative territory. While sentiment remains pessimistic, the results suggest small firms are still experiencing sustained demand for their goods and services, however, potentially at a decelerated pace.

Hiring intentions fell to 4%, slipping away from a short-lived recovery seen in March and affected by drops in the construction and agricultural sectors.

Profit expectations fell deeper, affected by the construction sector dropping 54% points to -14%, which is likely reflecting rising construction costs and labour shortages.

Highlights from the June 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 a nine-year low.
- Small firms' activity outlook fell to a net 11% of firms expecting an increase, the lowest reading since 2009.
- Hiring intentions fell to 4% in June, down from the March quarter.
- Investment intentions across small firms slipped 6% points to 2%, led by a drop among intermediate-sized businesses.
- Regulation and difficulty finding skilled employees remain major concerns.
- The composite growth measure fell in all regions, with Wellington remaining the highest but Canterbury and other North Island areas falling into negative territory.

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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 30 June 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.