

News Release

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Small firms' confidence takes a hit

Business confidence among small firms plunged to its lowest level since 2009 in the December quarter, according to ANZ's quarterly Business Micro Scope survey.

A net 29% of small businesses were more pessimistic about general business conditions for the year ahead (a net 14% were previously optimistic about the outlook).

The 43% turnaround was the largest fall since 2000 and was reflected in both micro firms (0-5 employees) and intermediate-sized businesses (those that employ 6-20 employees).

"The drop in sentiment came at a time when small businesses were facing change on a range of fronts," said Andrew Webster, ANZ's General Manager Retail and Business Banking.

"A new Government, a softer housing market, tightening credit, a fall in dairy prices, capacity constraints and a topping out in previous economic drivers such as strong migration have all contributed to a backdrop of uncertainty at the end of 2017."

The ANZ composite growth measure for small firms – a key proxy for growth based on firms' own activity outlook, hiring, investment and profit expectations – fell to +10 (from +20). Despite the fall, it remains in growth territory.

"These indicators tie-in with actual GDP growth. So while sentiment may well have soured, small firms are still intending to roll up their sleeves and get on with it," Mr Webster said.

Regulation regained the top spot as the biggest problem small firms faced. Only a net 1% of firms plan to hire in 2018, possibly reflecting proposed new employment policies aimed at boosting workers' fortunes.

Highlights from the December 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 to a net -29% - a 43%pt fall.
- Our composite growth measure fell to +10, from +20. Despite the fall, it remains in growth territory.
- The activity outlook is lowest in retail, which is grappling with a cooling housing market and online competition. The most optimistic sector is construction.
- Only a net 1% of small firms expect to hire in 2018.
- Investment intentions across small firms fell to a net 2% with intermediate firms showing the biggest decline in their enthusiasm to invest.
- Along with regulation, finding skilled workers remains a major concern, particularly in construction, manufacturing and retail.
- The composite growth measure fell across all regions; Wellington retains top spot.

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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 December 2017.

The survey took responses from over 200 firms, comprising *micro* (up to 5 staff) and *intermediate* businesses (6 to 20 staff). The sample is taken from the ANZ Business Outlook survey, which covers micro up to large businesses.