

News Release

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Small firms' growth expectations hit two-year high

After a slow start to the year, confidence among small businesses rebounded in the June quarter, and their activity expectations are the highest in two years, according to ANZ's Business Micro Scope survey.

A net 17% of small firms are confident about business conditions over the year ahead, up from 14% in the March quarter. The rise in confidence is mirrored in other key indicators for small business sentiment and activity tracked by the survey.

The ANZ composite measure – a key proxy for growth based on a firm's own activity outlook, hiring, investment and profit expectations – improved to +22, its highest since Q1 2015. The most positive outlook was from intermediate businesses (6 to 20 staff) which edged up from +27 to +29, while micro businesses (up to five staff) held at +15.

"As we approach the middle of the year, small businesses are increasingly upbeat about investment, employment and profit expectations," said Antonia Watson, ANZ's Managing Director Retail and Business Banking. "They're confident in the New Zealand business environment over the next 12 months, and their own growth prospects during that time.

"Profit expectations are particularly strong with a net 28% of small firms expecting higher profits on the horizon – the highest for the past three years and a sentiment shared by businesses across a broad range of sectors."

However, the quarterly survey again highlighted a significant problem holding back small business was a shortage of skilled labour. A net 23% of small businesses reported a lack of skilled employees as their biggest problem, followed closely by regulation on 22%.

Regionally, growth prospects for Wellington firms came off their high peaks, with a drop in hiring expectations pulling the composite measure down 6% points. Auckland eased slightly while better profit expectations drove growth in the composite measure for other centres.

Highlights from the June 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** increased 3 points to a net 17%.
- Our growth composite measure for small firms reached its highest mark in two years of +22.
- A net 35% of small firms expect a lift in their business activity over the next year.
- Firming prices for dairy and soft commodities saw activity expectations among **agriculture-sector** firms climb 8% points to +15, the highest for the sector in three years; **Services** leads on +28 with **Construction** on +27.
- **The growth composite for Wellington** came off recent giddy heights but is still streets ahead of other regions on +35, followed by Rest of South Island on +27.
- **Lack of skilled staff, regulation, competition and low turnover** are the top of small business owners' concerns.

For media enquiries contact:

Stefan Herrick, ANZ, 021748492

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 2017.

The survey took responses from 216 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.