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Small to Medium Businesses Finally Optimistic As Bright Spots Emerge

- **Positive revenue prospects boost SME confidence**
- **Christchurch leading the way in recovery**
- **Main pressures are cashflow, price margins and profitability**

The latest research by New Zealand's largest accounting software provider [MYOB](#) indicates that while local business owners see a long road ahead for the economic recovery, positive revenue prospects have boosted their confidence.

The March 2013 MYOB Business Monitor report found small and medium business operators (SMEs) are optimistic about their prospects in the year ahead. This is despite only a one percentage point increase in the proportion of SMEs whose revenue rose in the prior year, when comparing the latest study with the June 2012 study.

The Monitor research, a national survey of 1,000+ SMEs commissioned to independent market research firm [Colmar Brunton](#), has run since 2009. It explores business performance, attitudes, plans, and more over time.

In this study, one quarter of business operators (24%) expected the economy to improve within 12 months – up on 18% in June 2012. Two thirds (66%) expected improvements in more than one year and the remainder were unsure. Revenue expectations had also improved, as had the level of work in their quarterly pipeline.

MYOB NZ General Manager, Business Division, James Scollay says it suggests business owners have welcomed a more positive last quarter of 2012 and are hoping to extend that to performance in 2013.

“New Zealand businesses have been determinedly resilient throughout the economic recovery and we see them becoming more confident despite the protracted pace of improvement,” he says.

“32% of SMEs experienced a revenue increase over the last year and 38% experienced stability, which is positive. However, what's more telling is the 41% expecting an increase in the coming 12 months, in addition to 42% who expect stable revenue. Things appear to be on the up for the engine room of our economy.”

Christchurch leading the way ahead of other main cities

As Christchurch sees increased momentum in its rebuild, it leads the way in the recovery. The city is well ahead of other main cities when it comes to economic positivity, revenue growth and expectations.

34% of Christchurch operators were optimistic the economy will improve within 12 months, compared to a 24% national average. Auckland followed closely, with 30% expecting an improvement within 12 months. Only 15% of Wellington respondents agreed.

Mr Scollay says, “This indicates the pick-up in Christchurch's rebuild has given business operators a burst of confidence for their revenue prospects, cementing the region's status as an economic driver of the recovery.”

Centre	2012 revenue up	2012 revenue down	2013 revenue expectations up	2013 revenue expectations down
Christchurch	45%	23%	57%	5%
Auckland	32%	23%	45%	12%
Wellington	33%	23%	31%	9%

Not only have 45% of Christchurch SMEs seen a revenue rise in the last 12 months, up 17 percentage points since the last study, 57% expect to see a rise over the coming year. They also have a significant work pipeline, with 35% reporting more worked booked than usual for the upcoming quarter, compared to 19% with less work.

The proportion of businesses struggling with the slow recovery has also declined in Christchurch, with only 23% stating a revenue loss in the latest Business Monitor. This compares to 40% in the prior study.

“Christchurch businesses were 27% more likely to see a revenue rise in the past year than the other main centres. Their financial performance had improved considerably since June 2012 as had their performance expectations for the future,” Mr Scollay says. “This notable change suggests the rebuild, which has had a significant upswing in the last six to eight months, is flowing through to the wider local economy.”

Revenue improvement in Wellington and Auckland has not been as strong as in Christchurch. In fact, these cities experienced slowed growth last year. Despite 33% of businesses in the capital reporting a revenue rise (compared with 23% reporting a fall) and 32% of businesses in Auckland reporting a rise (compared with 23% falling), both cities are off the pace set mid last year. At that time, 40% of Wellington businesses and 35% of Auckland businesses reported revenue rises. This highlights the ongoing challenges of a sluggish recovery.

However, Auckland SMEs are more positive about their performance in 2013 - 45% projected a revenue rise in the next 12 months and 36% projected stable revenue. This compared to 31% and 54% in Wellington.

New work in Wellington is relatively steady in comparative terms for the upcoming quarter, with 18% of businesses reporting more pipeline work than usual and 16% reporting less. 34% of Auckland businesses have more work on for the quarter, compared to 21% with less.

“With the public sector tightening its belt, Wellington businesses are feeling a pinch,” affirms Mr Scollay. “Auckland businesses, however, continue to be buoyed by a strong finance and property sector, and signs of improvements in local retail and manufacturing.”

Revenue results within sectors

The survey also found some sectors have struggled more than others throughout the recovery.

“Our research shows a high proportion of revenue rises in the last year within the Finance and Insurance sector, at 53% of respondents, and the Business, Professional and Property sector, at 36%,” Mr Scollay says. “These businesses tend to lead the way in an economic recovery so their recent results are good news.”

Further good news is that three fifths of the Finance and Insurance sector (59%) and almost half of the Business, Professional and Property sector (46%) expect to see revenue rises in the next 12 months.

In contrast, the Retail and Hospitality sector, Manufacturing and Wholesale sector, and Agriculture, Farming and Forestry sector were more likely to have seen revenue decline than increase over the past 12 months. Respectively, those figures were: 38% decline versus 29% increase, 35% versus 27% increase and 38% decline versus 21% increase. Unsurprisingly, these operators weren’t as confident about 2013.

Sector	2012 revenue up	2012 revenue down	2013 revenue expectations up	2013 revenue expectations down
Business, Professional & Property	36%	22%	46%	11%
Finance & Insurance	53%	14%	59%	6%
Construction & Trades	31%	26%	42%	11%
Transport, Postal & Warehousing	26%	25%	27%	16%
Retail & Hospitality	29%	38%	35%	13%
Manufacturing & Wholesale	27%	35%	39%	18%
Primary	21%	38%	32%	10%
Other industry	29%	26%	35%	14%

“Industries such as retail, manufacturing and agriculture have borne the brunt of low consumer confidence and a high dollar,” says Mr Scollay.

“However, within these lower performing sectors, businesses that introduced greater efficiencies in their operations and processes saw areas of growth. So too did those who took advantage of cost effective means of reaching customers, such as establishing an [online presence](#) and investing in e-commerce.

“New Zealand’s SMEs may want to consider this growth tactic as they approach the end of the financial year.”

After experiencing tougher trading conditions over the past few years, Construction and Trade businesses projected a significantly improved 2013. 31% experienced a revenue rise over the last year, while 39% reported stability. In the coming year 42% are expecting a rise and 42% expect revenue to remain stable.

“The Christchurch rebuild and continued growth in Auckland’s population are clearly fueling improvements in the construction sector,” says Mr Scollay. “We’re hopeful that effect reaches out into the building sector across the rest of New Zealand.”

Fuel no longer biggest pressure point

With the consumer dollar top of mind, the most common pressures small and medium business operators say they will experience in the next 12 months have changed since the June 2012 Business Monitor.

In the latest Monitor, cash flow and price margins and profitability tied for first place after rising from second and third in the previous study. 63% of business owners expected to face some kind of pressure from these in the year ahead. Fuel prices (61%) fell two places to third, tying with attracting new customers (61%), which rose from fourth place. Competitive activity remained in fifth place (58%).

“As business operators look to make the most of opportunities in 2013, it’s important they seek help from their accountant and other business advisors to manage the challenges,” Mr Scollay says. “With expert advice and support, they can regain control over key pressures. Advisors can help identify improvements to be made in processes, [staffing](#) and operational and financial systems.

“There are real positives for the local economy in 2013. It’s important local business owners put themselves in the best position possible to take advantage of growth opportunities. Having the right processes and systems in place, such as online accounting software like [MYOB LiveAccounts](#), will also help with that.”

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About the MYOB Business Monitor

The MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran late January/early February 2013. The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government. The weighting of respondents by both geographical location and sector is based on overall market proportions as established by Statistics New Zealand and is drawn from an independent survey group, which includes both MYOB clients and non-clients.

About MYOB

Established in 1991, [MYOB](#) is one of New Zealand’s largest business management software providers. Its 50+ products and services have been employed by over one million businesses in New Zealand and Australia. MYOB serves businesses of all ages, types and sizes, delivering solutions that simplify accounting, payroll, client management, websites and much more. With a network of more than 20,000 accountants and other professional partners, it provides the support and tools that help make business life easier. Today, MYOB is extending its solutions online and delivering innovation through cloud computing, enabling clients to make smarter connections with their business partners and customers. Visit myob.co.nz/smarterconnections.