

DECEMBER 2008 BUSINESS AND PUBLIC CONFIDENCE

National Business and Rotorua Business and Public (Consumer) Confidence Survey Results

**Prepared for : Business Development Unit
Rotorua District Council**

By : APR Consultants

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INTRODUCTION

This report briefly outlines the results of surveys of businesses and the public in the Rotorua District. These surveys are undertaken six monthly. Although the business and public surveys were conducted separately, they were undertaken over the same time period. National business confidence results are also provided, courtesy of the National Bank.

The results of each survey are expressed as a Net Index, which may be roughly described as the net percentage of the total sample. The Net Index reflects the overall level of confidence. The values of the Net Index range from -100 to 100. The closer the overall value is to 100, the higher the level of confidence, while a negative value indicates that more people in the sample think that the economic indicator being measured will get worse rather than improve in the period being considered. (NB, a *negative* value for responses relating to unemployment, prices or interest rates indicates that the majority of respondents expect these indicators to *rise*. Similarly, a *negative* value in relation to the item about purchases outside the district indicates an *increase* in out-of-district purchases).

In the following sections, the results of specific questions from each of the surveys are outlined, together with a brief comment on the results. The most recent surveys were undertaken in December 2008. Note that as from June 2001, the indexes are being updated six monthly instead of every quarter.

RESULTS SUMMARY

This report outlines the results of business and public confidence surveys undertaken in the Rotorua District in December 2008, and provides a comparison of the results of these surveys with surveys undertaken since May 1993. National business confidence results are also shown.

At a glance:	NC	=	no change, ie, less than 3.5 point change during the quarter
	↑	=	increase in confidence
	↓	=	decrease in confidence
	☺	=	Index is greater than 10 (ie, high confidence)
	☹	=	Index between 10 and -10 (ie, steady confidence)
	☹	=	Index below -10 (ie, low confidence)
<i>Example: ↓ - ☺ = Index has dropped, but overall confidence is high</i>			

At a glance summary

	New Zealand Businesses	Rotorua Businesses	Rotorua Public
National General Business Conditions	☹	☺	☹
National Unemployment	☹	☹	☹
Interest Rates	☺	☺	☺
National Real GDP/Economic Activity	☹	☹	☹
Local General Business Conditions	n/a	☹	☹
Local Unemployment	n/a	☹	☹
Local Real GDP / Economic Activity	n/a	☹	☹
Real Business Activity / Personal Income	☹	☺	☺
Profits For Businesses	☹	☹	n/a
Employment For Businesses	☹	☹	n/a
Price of Goods and Services	☹	☹	☹
Investment For Businesses	☹	☹	n/a
Exports	☹	☺	n/a
Purchases - inside the district	n/a	☹	n/a
Promotional Activity	n/a	☹	n/a
Construction - residential	☹	☹	n/a
Construction - non-residential	☹	☺	n/a

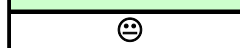
Overall summary of indexes

Positive indexes



8 indexes

Static indexes



10 indexes

Negative indexes



20 indexes

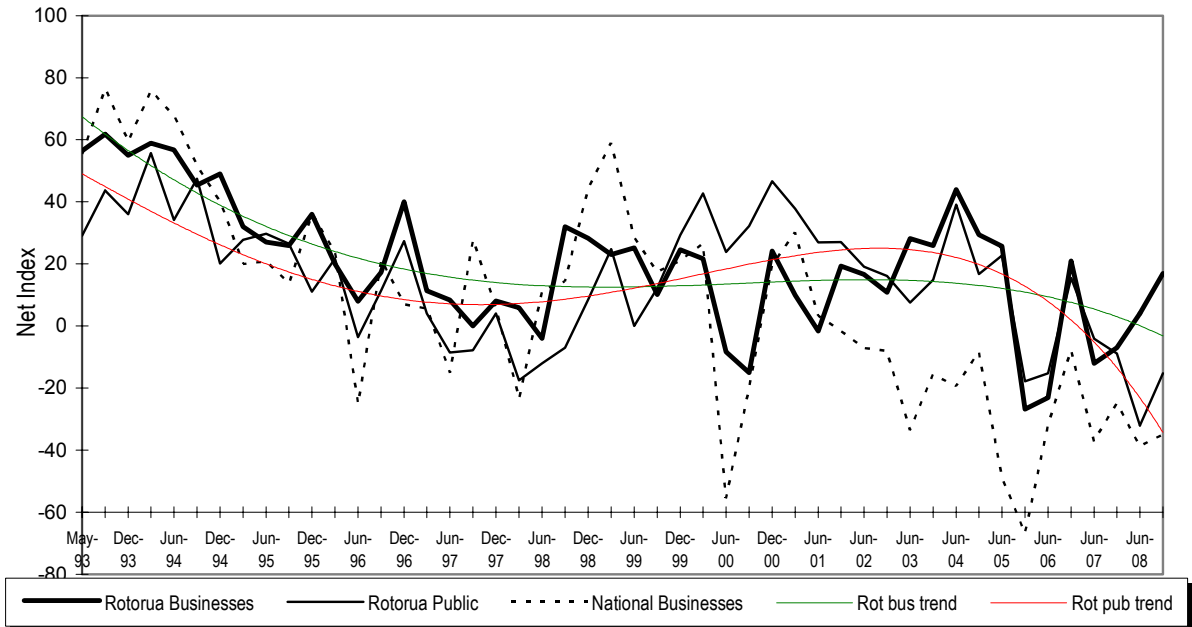
National General Business Conditions

NZ Business ↑ - ☹

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☹

Expected change in national general business conditions in 12 months time



Rotorua businesses reported an increase in confidence regarding national general business conditions over the 12 months to December 2009. The index increased by 13.0 points to 17.0. This indicated that a majority of Rotorua businesses expected national general business conditions to increase.

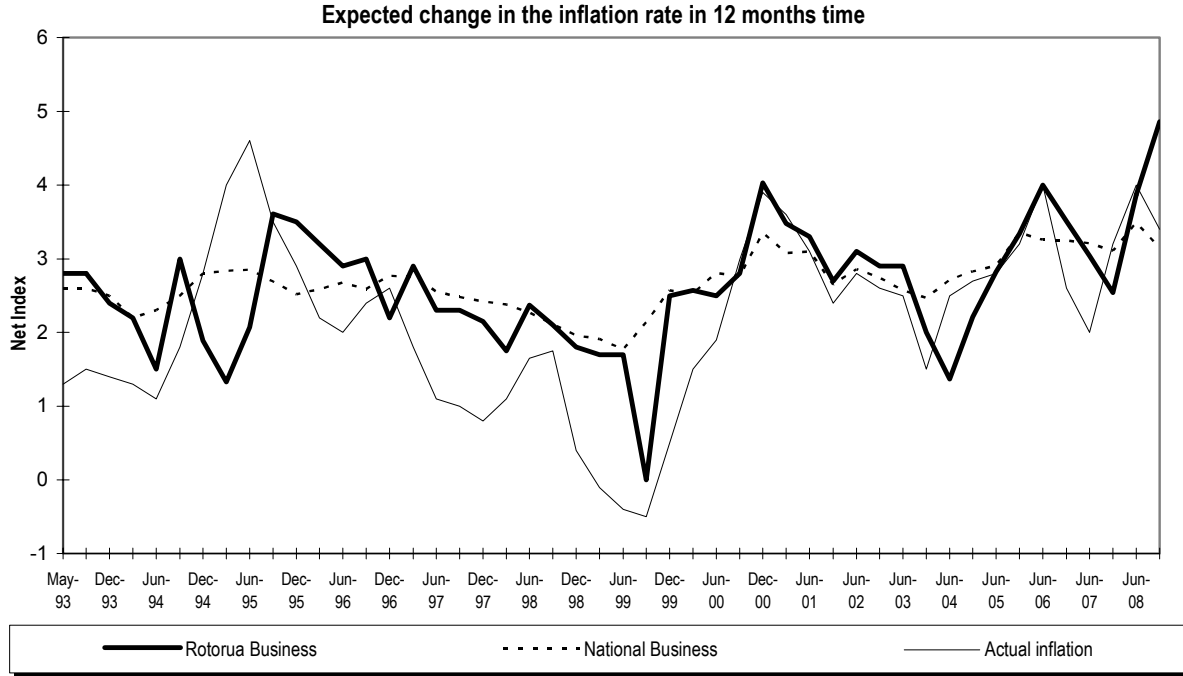
Rotorua households also reported an increase in confidence, with the index rising 16.8 points to -15.2. Despite the increase in confidence, the majority of householders in Rotorua expected national general business conditions to decrease over the upcoming year to December 2009.

The national business index increased by 3.7 points, taking it to -35.0. Despite the small increase in confidence, this indicated that the majority of businesses nationally, expected national general business conditions to deteriorate over the 12 months to December 2009.

Inflation Rate

NZ Business ↑

Rotorua Business ↓



Rotorua businesses are expecting inflation to increase over the 12 months to December 2009, with an expected increase of 0.99%, taking it to 4.86%. (Note: Between the June and December surveys, and at the time of this survey being undertaken, actual inflation was at 5.1%, so technically the above result was a decrease in the expected inflation level, but was an increase from the June 2008 inflation level).

Businesses nationally reported an expectation that inflation levels would decrease, with expected inflation decreasing by 0.34% to 3.15%.

The actual inflation rate for December 2008, as measured by the Consumer Price Index, was 3.4% from the same time last year.

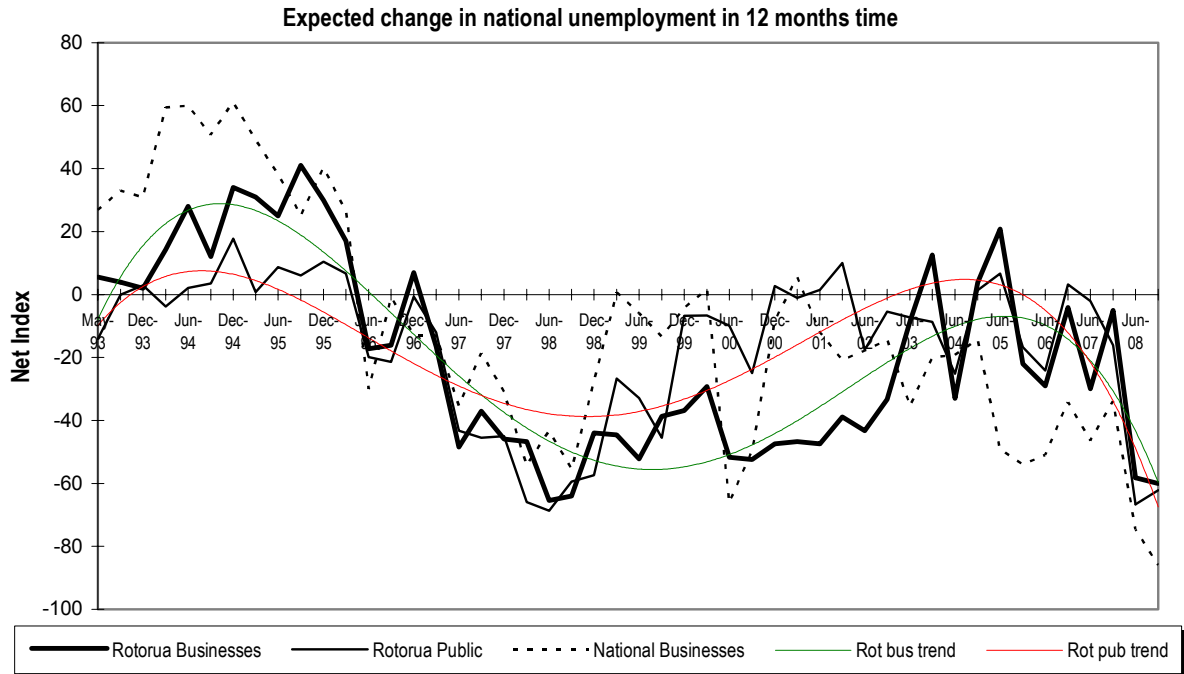
Looking back to last year, Rotorua businesses predicted inflation would be at 2.5% in December 2008, and New Zealand businesses were expecting it to reach 3.1%.

National Unemployment

NZ Business ↓ - ☹

Rotorua Business NC - ☹

Rotorua Public ↑ - ☹



Confidence levels remains low in all three indexes in the December 2008 survey, with all predicting an increase in unemployment over the year to December 2009.

Local businesses reported a slight decrease in confidence over the past six months, with the index decreasing by -1.8 points to -60.0. This indicates that the majority of Rotorua businesses expected unemployment to increase over the 12 months to December 2009.

The Rotorua public index increased by 4.5 points to -62.2. Despite the small increase, the majority of households also expect unemployment nationally to increase over the same period.

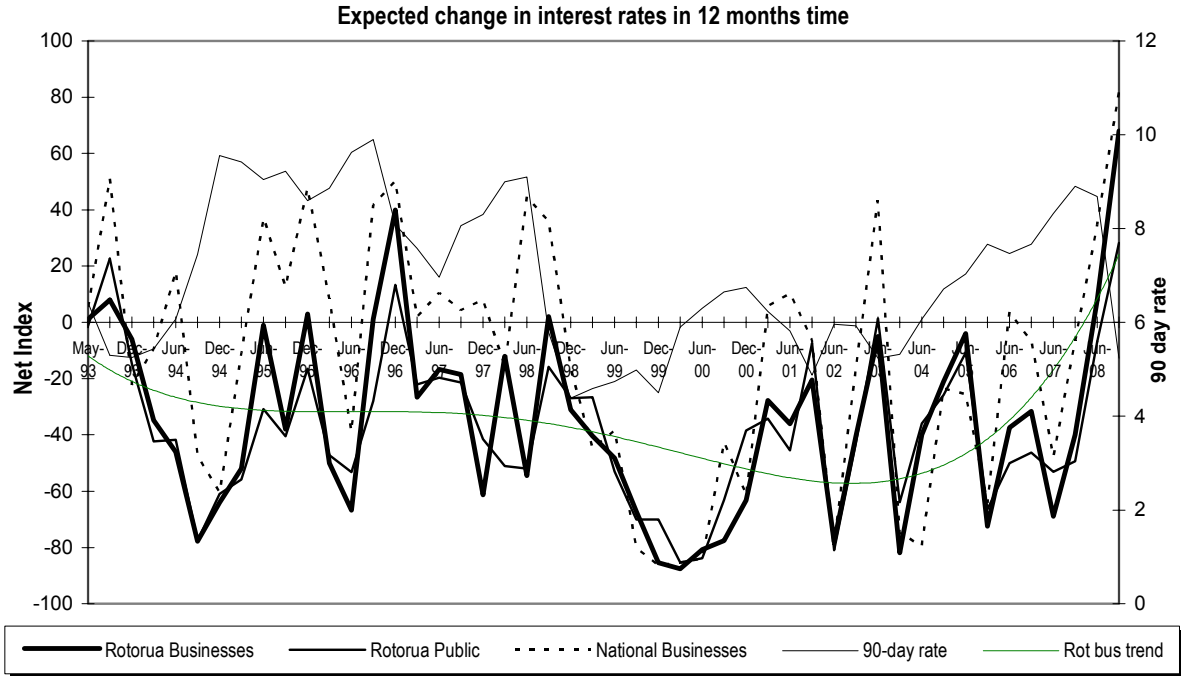
The national business index decreased by -11.4 points, taking it to -86.0. This is the lowest the national unemployment business index has been since May 1993 when this monitor commenced. Nearly all businesses nationally expected unemployment to increase.

Interest Rates

NZ Business ↑ - ☺

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported an increase in confidence regarding expected interest rates in 12 months' time. The index increased by 60.0 points, taking it to 68.0. This indicates that a majority of Rotorua businesses expected interest rates to reduce from December 2008 levels over the year to December 2009.

Rotorua residents also reported an increase in confidence. The index increased by 35.0 points taking it to 28.2. This indicated that the majority of Rotorua households expected interest rates to reduce over the year to December 2009.

Nationally, businesses reported an increase in confidence of 47.2 points, taking the national business index to 82.0. This indicates that the vast majority of national businesses expected interest rates to decrease over the 12 months to December 2009.

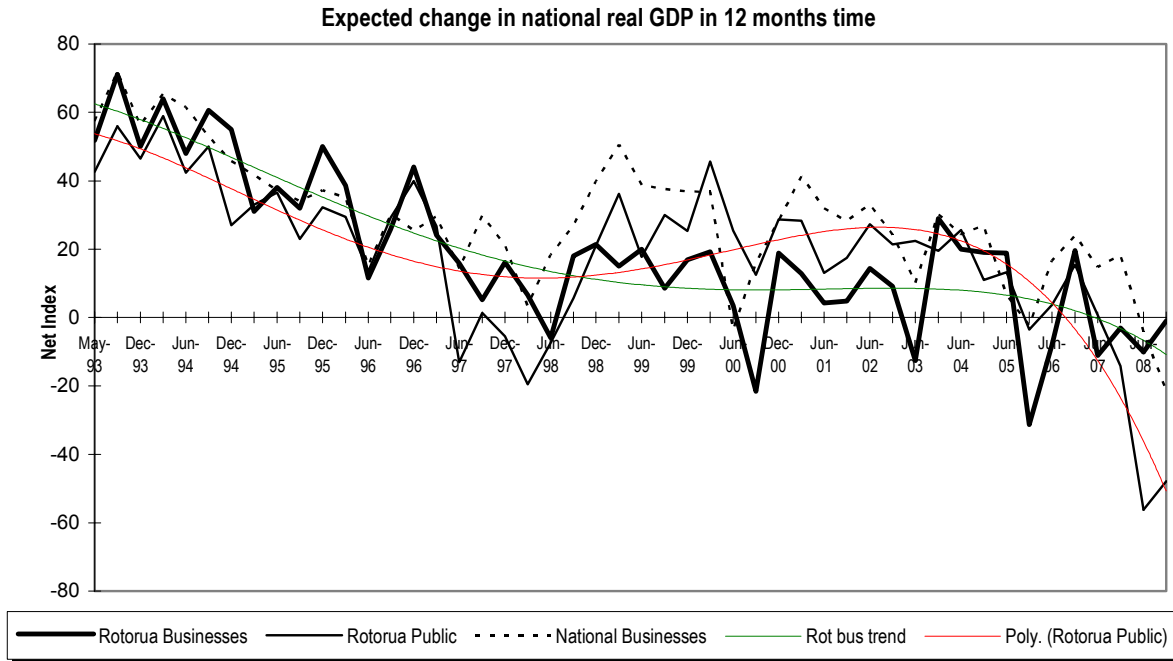
The December 2008 90-day rate decreased over the previous six months, going from 8.68 in June 2008 to its December 2008 level of 5.23.

National Real GDP/Economic Activity

NZ Business ↓ - ☹

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence during the December 2008 surveys, with the index increasing by 9.1 points to -1.0. This indicates that a majority of local businesses expected national real GDP to remain steady over the 12 months to December 2009.

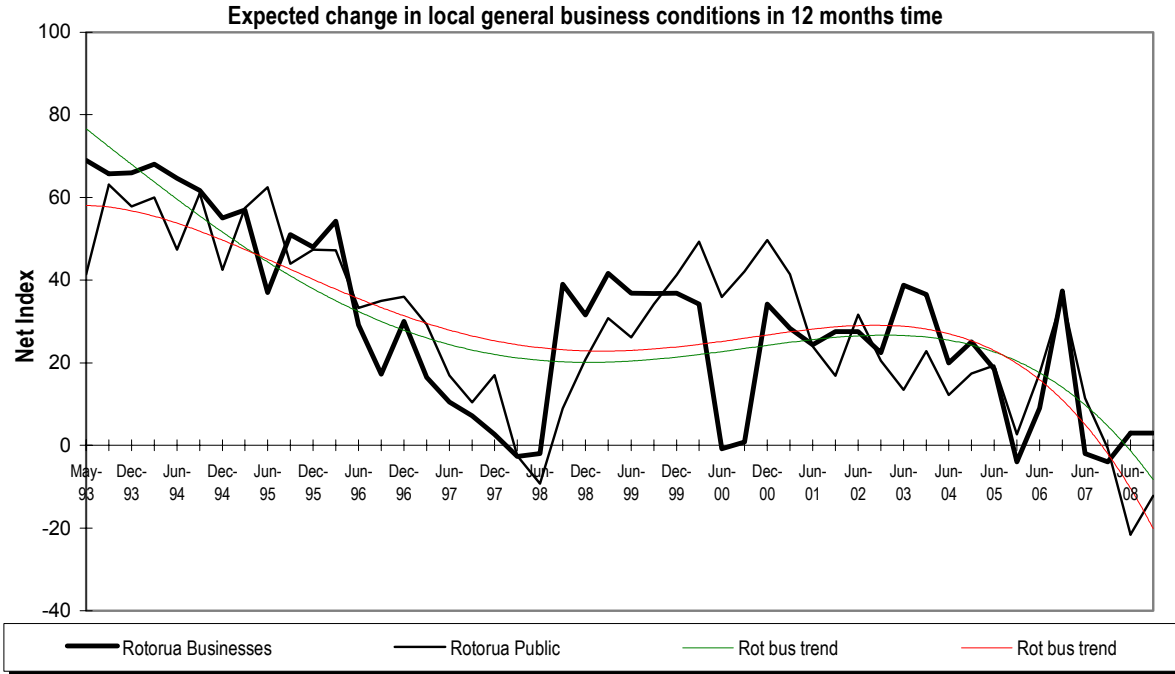
Rotorua households reported an increase in confidence over the past six months, with the index increasing 8.3 points to -47.9. Despite the increase in confidence, most Rotorua households expected national real GDP to decrease over the year to December 2009.

Nationally, the business index decreased by -17.5 points, taking it to -21.5. This indicated that a majority of national businesses predicted that over the 12 months to December 2009, national real GDP will decrease from December 2008 levels.

Local General Business Conditions

Rotorua Business NC - ☺

Rotorua Public ↑ - ☹



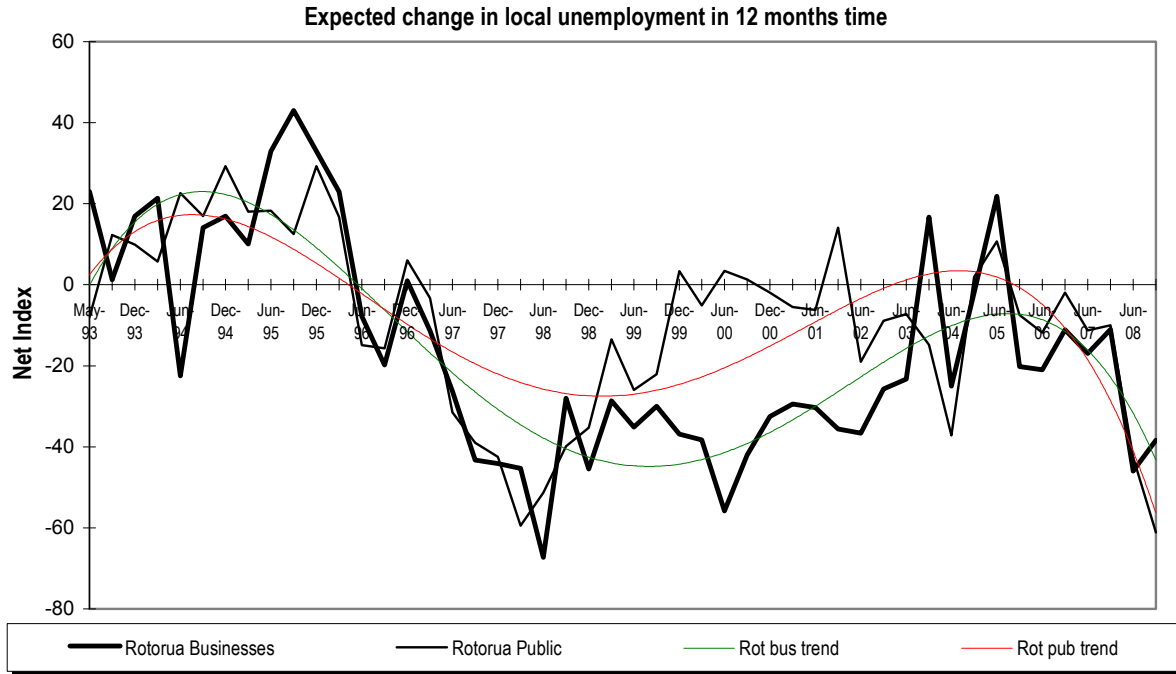
The Rotorua business index remained unchanged at 3.0 during the December 2008 Rotorua confidence surveys. This indicates that the a majority of Rotorua businesses expected local general business conditions to remain at December 2008 levels over the next 12 months to December 2009.

The Rotorua public index increased by 9.4 points, taking it to -12.2. Despite the increase in confidence, the majority of Rotorua households expected local general business conditions to decrease over the year to December 2009.

Local Unemployment

Rotorua Business ↑ - ☉

Rotorua Public ↓ - ☉



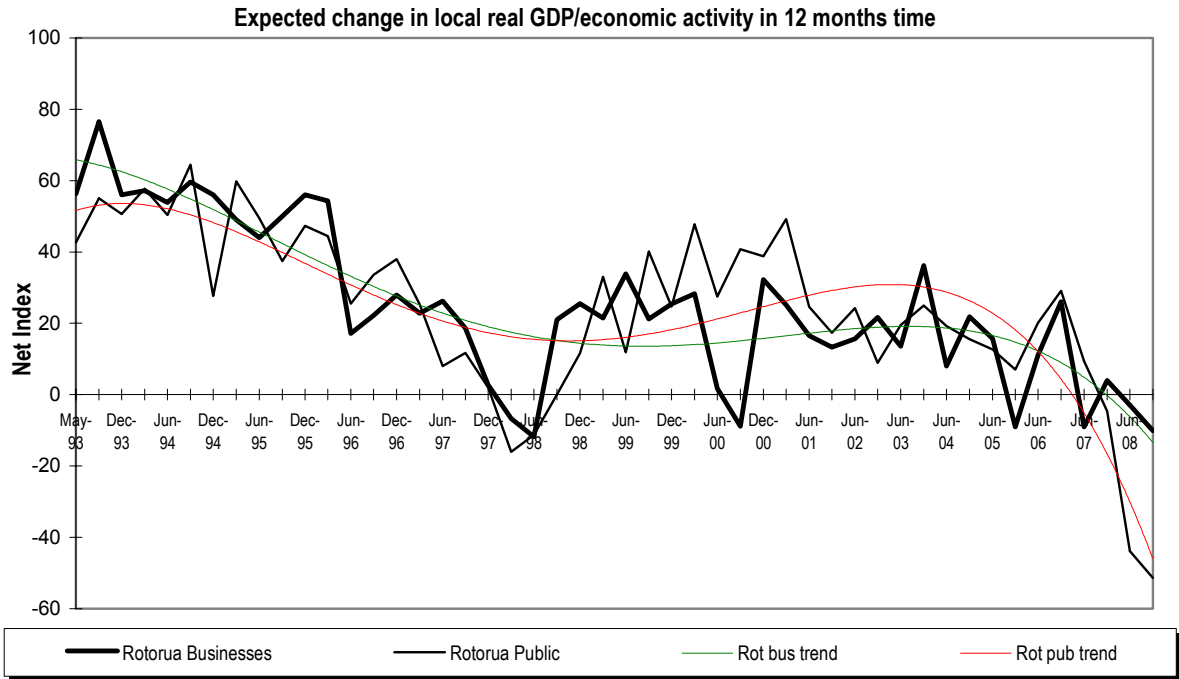
The Rotorua business index increased by 7.6 points in the December 2008 Business Confidence Survey, taking it to -38.4. Despite the increase in confidence, this indicates that the majority of Rotorua businesses expected local unemployment to increase over the 12 months to December 2009.

Local householders reported a decrease in confidence, with the index decreasing -18.5 points, taking it to -61.1. This indicates that Rotorua householders expected local unemployment to increase over the 12 months to December 2009.

Local Real GDP / Economic Activity

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a decrease in confidence of -7.1 points in the December 2008 report, taking the index to -10.1. This indicates that the majority of local businesses expected economic activity to decrease from December 2008 levels over the 12 months to December 2009.

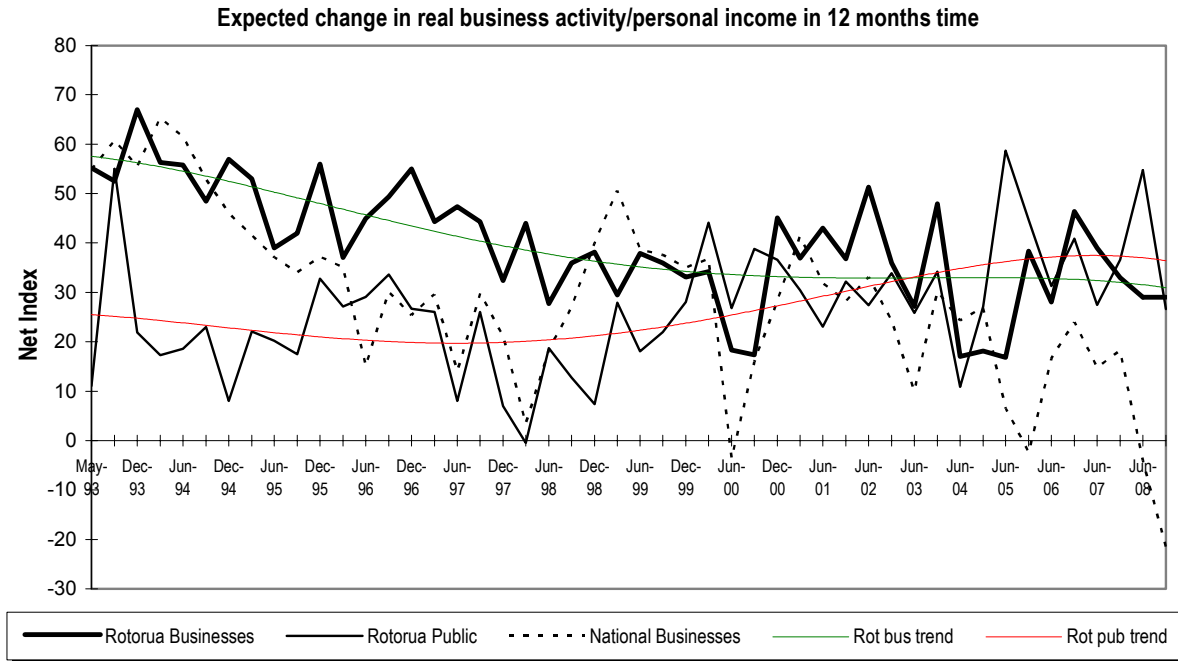
Rotorua households reported a decrease in confidence, with the Rotorua public index decreasing -7.5 points to -51.4. This indicates that the majority of Rotorua households expected business activity to deteriorate over the next 12 months to December 2009.

Real Business Activity / Personal Income

NZ Business ↓ - ☹

Rotorua Business NC - ☺

Rotorua Public ↓ - ☹



Rotorua businesses reported no change in confidence of over the past six months, with the index on 29.0. This indicates that the majority of local businesses were confident of increased income levels over the following year to December 2009.

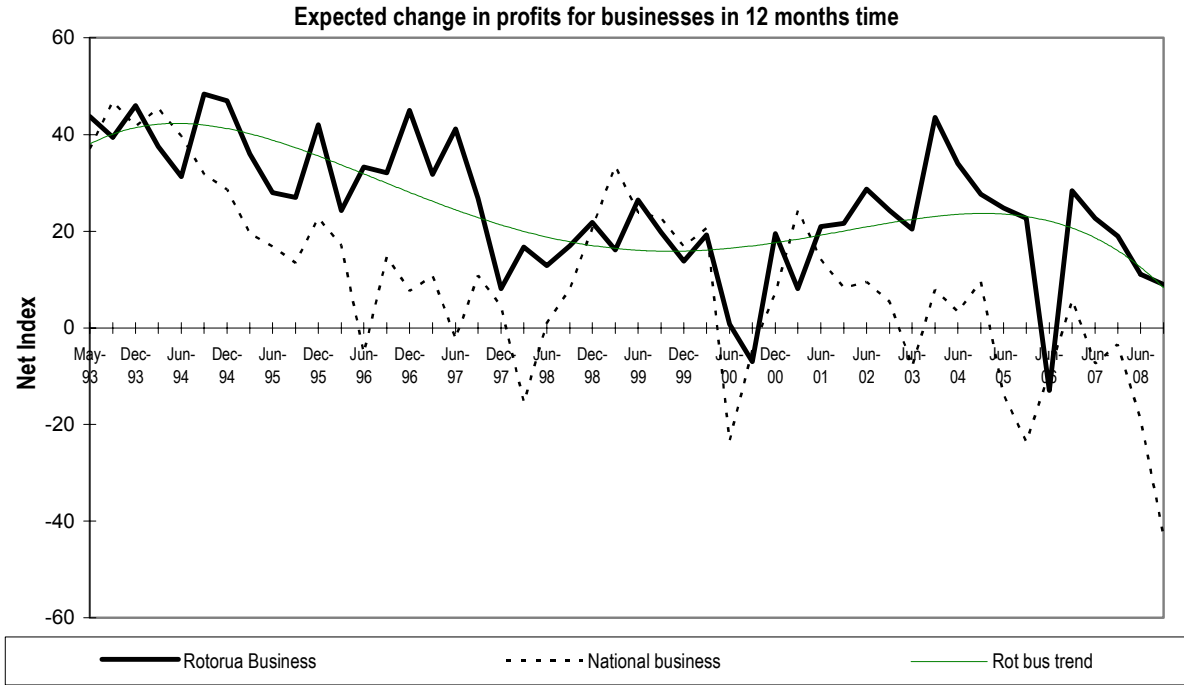
Rotorua residents reported a decrease in confidence with their index decreasing -28.2 points, taking it to 26.6. This indicated that a majority of Rotorua residents also expect to increase their personal income over the upcoming year to December 2009.

Nationally, businesses reported a decrease in confidence of -17.5 points, taking the December 2008 index to -21.5. This indicates that a majority of national businesses expect their income levels to decrease from December 2008 levels over the 12 months to December 2009.

Profits For Businesses

NZ Business ↓ - ☹

Rotorua Business NC - ☺



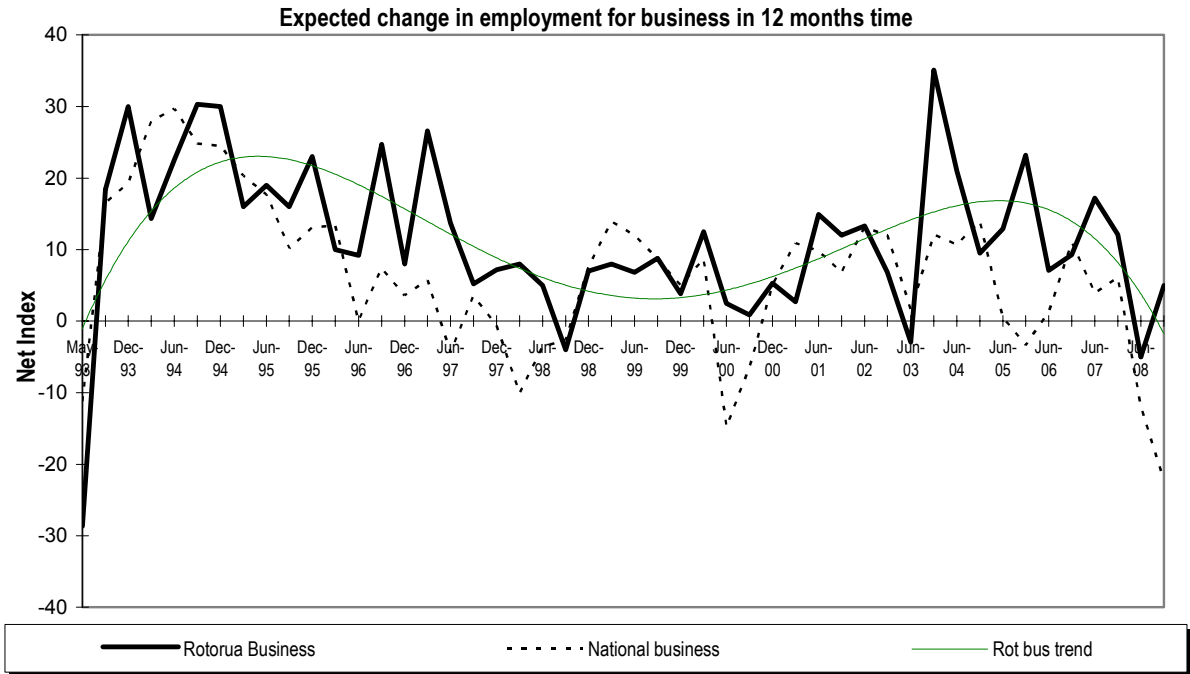
Rotorua businesses reported a slight decrease in confidence with regard to their profit levels over the 12 months to December 2009. The Rotorua business index decreased by -2.1 points taking it to 9.0. Despite the drop in confidence, this indicates that a majority of Rotorua businesses expected profits to remain at current levels or increase over the upcoming year to December 2009.

Nationally, businesses reported a decrease in confidence of -24.0 points, taking the index to -42.9. This indicates that the majority of national businesses expected profits to decrease over the 12-month period to December 2009.

Employment For Businesses

NZ Business ↓ - ☹

Rotorua Business ↑ - ☺



Rotorua businesses reported an increase in confidence regarding levels of employment over the 12 months to December 2009. The index increased by 10.0 points taking it to 5.0. This indicated that the majority of Rotorua businesses expected to employ similar numbers of workers than they did in December 2008.

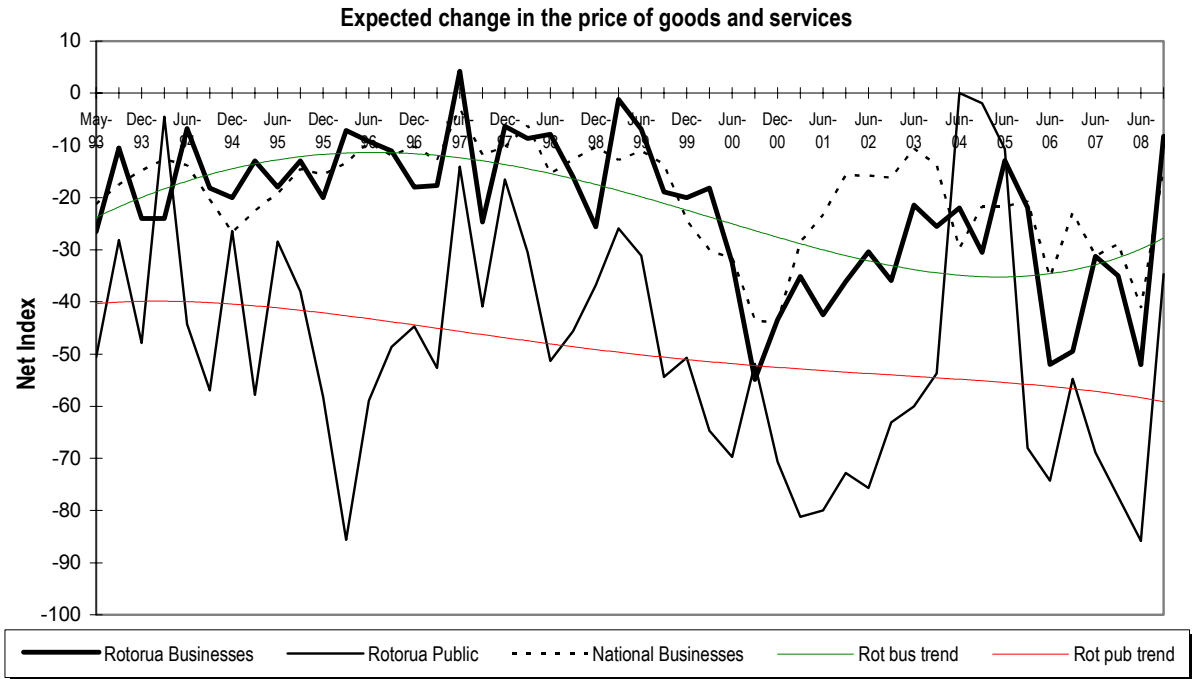
Nationally, businesses reported a decrease in confidence of -10.3 points, taking the index to -22.2. This indicates that national businesses expected to employ less workers.

Price of Goods and Services

NZ Business ↑ - ☹

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence with the index increasing 43.8 points to -8.2. This indicated that the majority of Rotorua businesses expected the price of their goods and services to remain at current levels over the three months to March 2009.

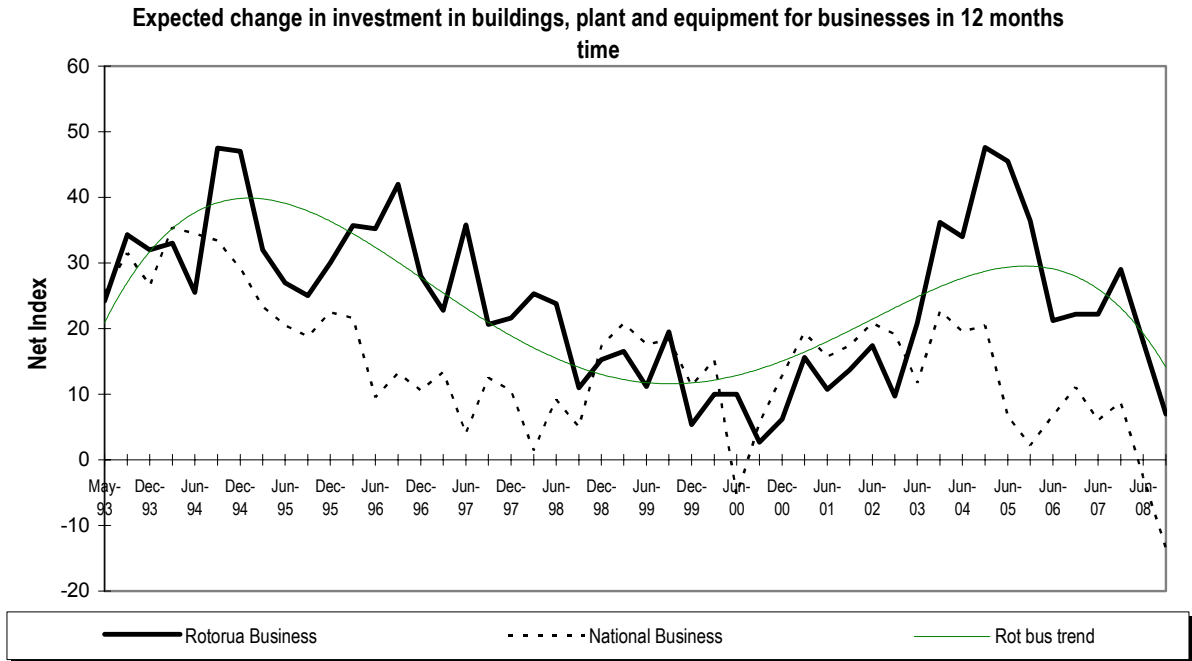
Rotorua residents reported an increase in confidence, with the index increasing 51.1 points to -34.7. Despite the increase in confidence, the majority of Rotorua residents believe that prices will increase over the three months to March 2009.

Nationally, businesses reported an increase in confidence of 27.1 points, taking the index to -14.1. Despite the increase in confidence, a majority of businesses nationally expect prices to rise.

Investment For Businesses

NZ Business ↓ - ☹

Rotorua Business ↓ - ☹



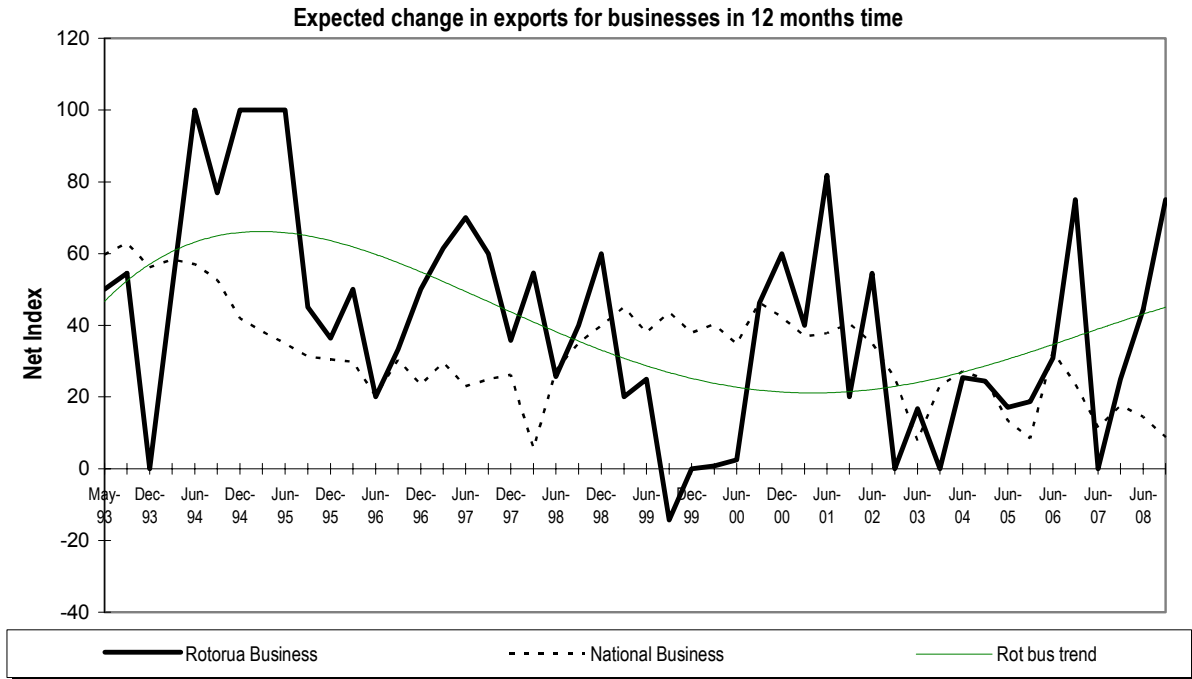
Rotorua businesses reported a decrease in confidence of -11.0 points taking the index to 7.0. Despite the decrease in the index, the majority of Rotorua businesses expected to invest similar amounts, as spent in December 2008, back into their businesses over the next 12 months to December 2009.

Nationally, businesses reported a decrease in confidence of -10.8 points, taking the national business index to -13.4. This indicates that businesses nationally expect to invest less into their businesses than they did in December 2008.

Exports

NZ Business ↓ - ☹

Rotorua Business ↑ - ☺



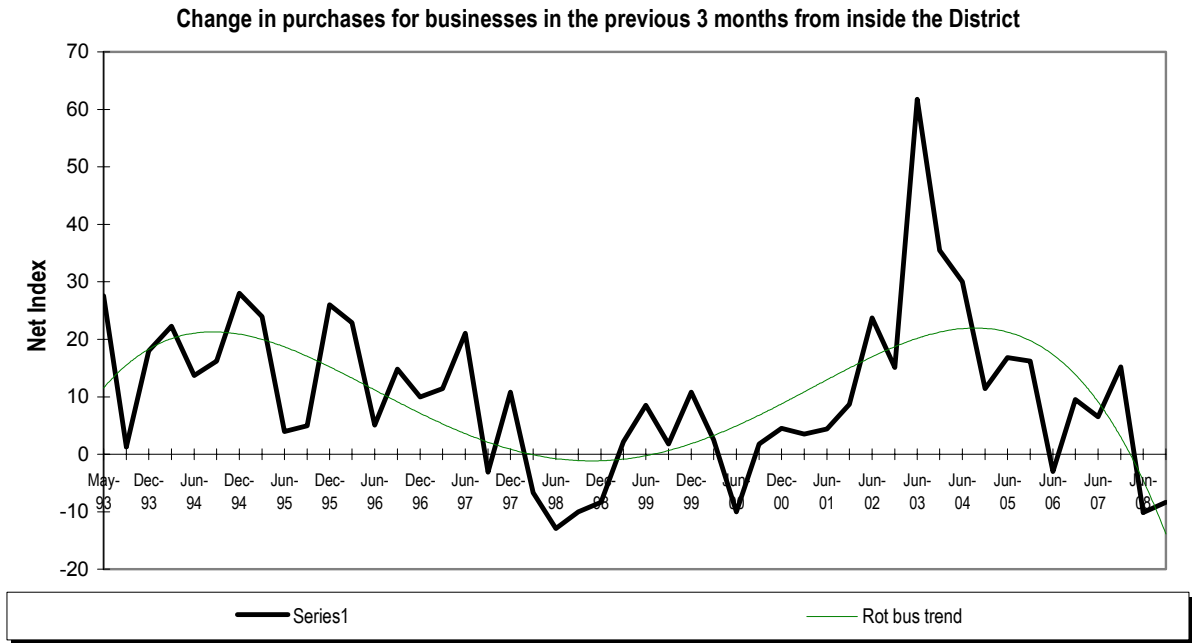
Rotorua businesses involved in exporting, reported an increase in confidence regarding the volume of products to be exported over the next 12 months. The Rotorua business index increased by 30.6 points taking it to 75.0. This indicates that the majority of local export businesses expected their volume of exports to increase over the next 12 months to December 2009.

Nationally, businesses involved in exporting reported a decrease in confidence of -5.7 points taking the index to 8.8. Despite the decrease in confidence, this indicates that nationally exporting businesses expected their volume of exports to remain at December 2008 levels.

Purchases

Inside the District

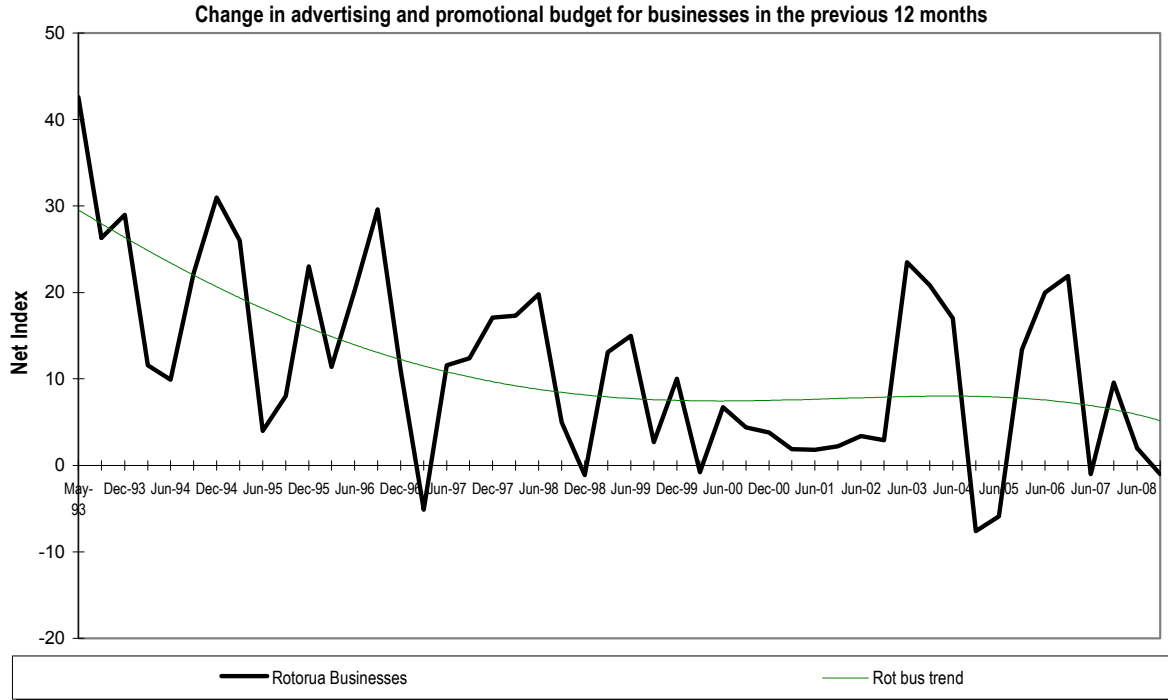
Rotorua Business NC - ☺



Rotorua businesses reported a slight increase in their spending from inside the district this period. The index increased 1.8 points taking it to -8.3. This indicates that Rotorua businesses have purchased slightly more products from inside the district between September and December 2008.

Promotional Activity

Rotorua Business NC - ☺



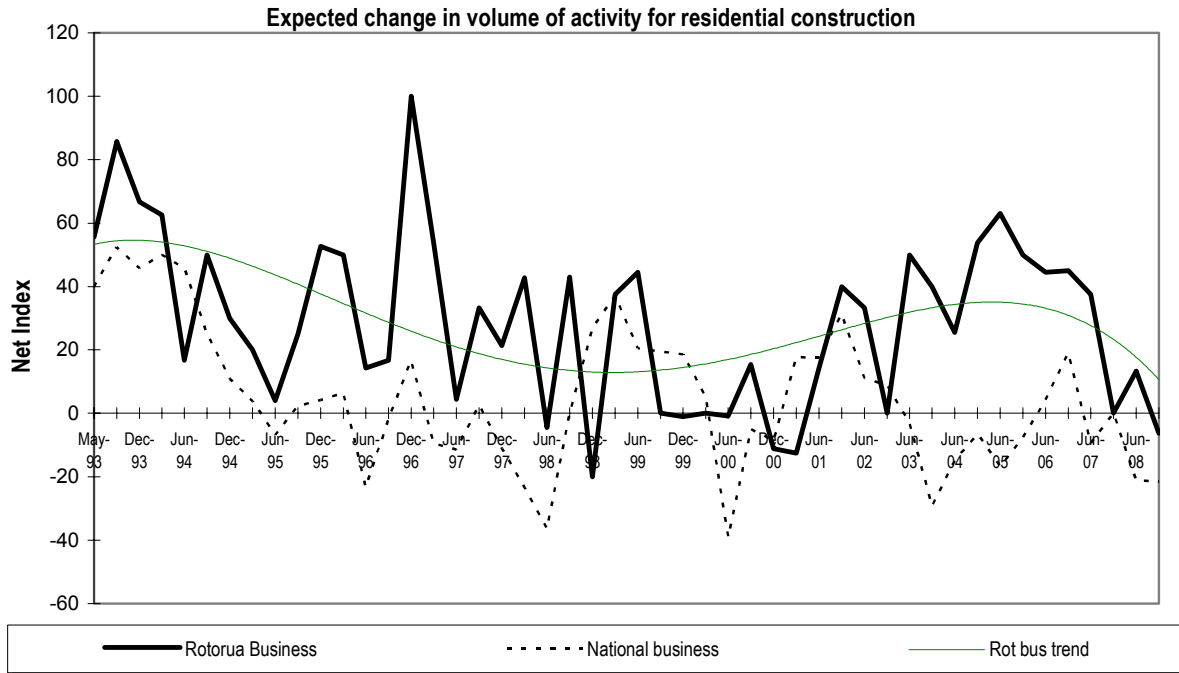
The Rotorua business index decreased slightly by -3.0 points over the previous six months, taking it to -1.0. This indicated that the majority of businesses had kept their promotional budgets unchanged for the year ending December 2008.

Construction

Residential Construction

Rotorua Business ↓ - ☹

NZ Business NC - ☹

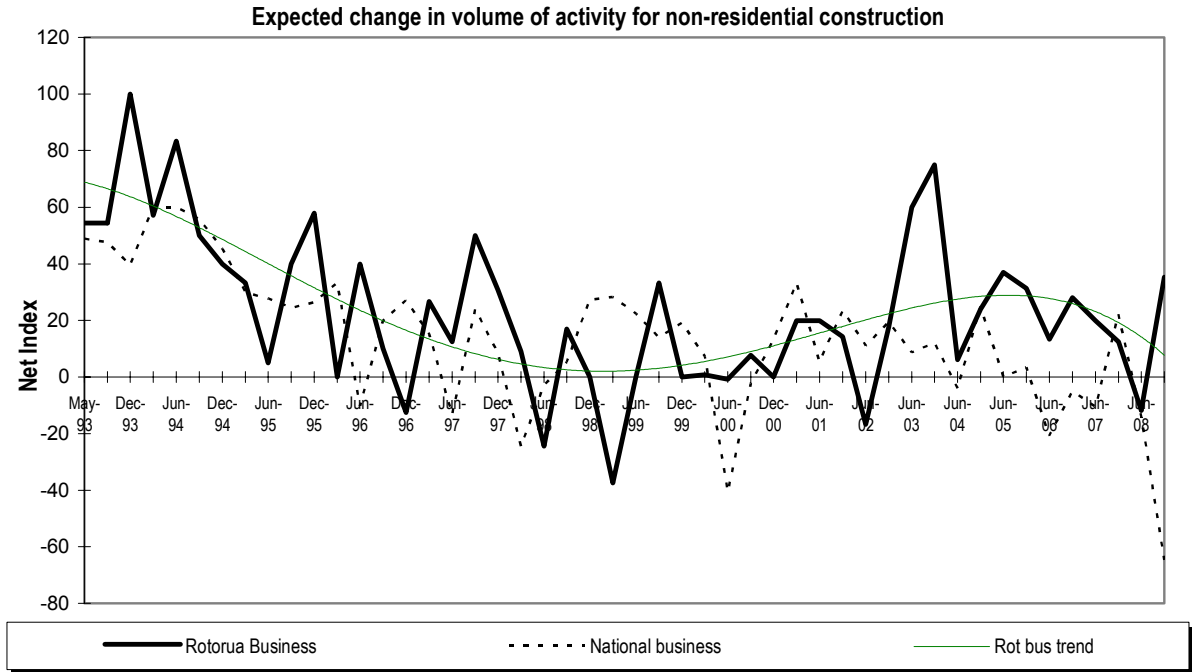


Rotorua businesses involved in residential construction reported a decrease in confidence with regard to their upcoming volume of work. The Rotorua business index decreased by 19.6 points taking it to -6.3. Despite the decrease in confidence, this indicates that a majority of construction businesses expected the volume of their residential construction to remain at December 2008 levels.

Nationally, construction businesses reported a slight decrease in confidence of -0.3 points, taking the index to -21.4. This indicates that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction will decrease from December 2008 levels.

Non-residential Construction

Rotorua Business ↑ - 😊 NZ Business ↓ - ☹️



Rotorua construction businesses reported an increase in confidence regarding their expected volume of upcoming non-residential construction. The index increased by 47.1 points to 35.3. This indicates that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from December 2008 levels.

Nationally, construction businesses reported a decrease in confidence of -50.4 points, taking the national business index to -64.7. This indicates that the majority of national businesses expect levels of non-residential construction to decrease from December 2008 levels.

NATIONAL BUSINESS CONDITIONS

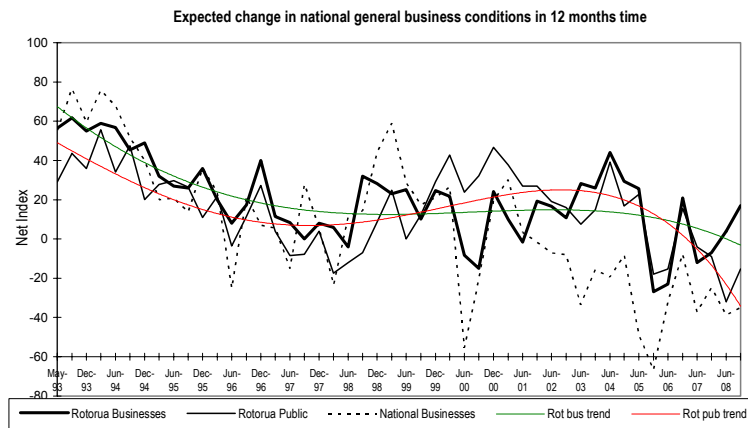
The national indexes are showing low confidence levels regarding national business indicators, with activity expected to drop in nearly all areas.

On the positive side, interest rates are expected to decrease and exporters are expecting exports to remain at December 2008 levels.

On the negative side, national general business conditions are expected to decrease, unemployment is expected to rise, employment to drop, economic activity to drop, personal income to decrease, profits to reduce, prices to increase and investment to decrease.

Businesses involved in exporting, report an expectation of export volumes staying at December 2008 levels.

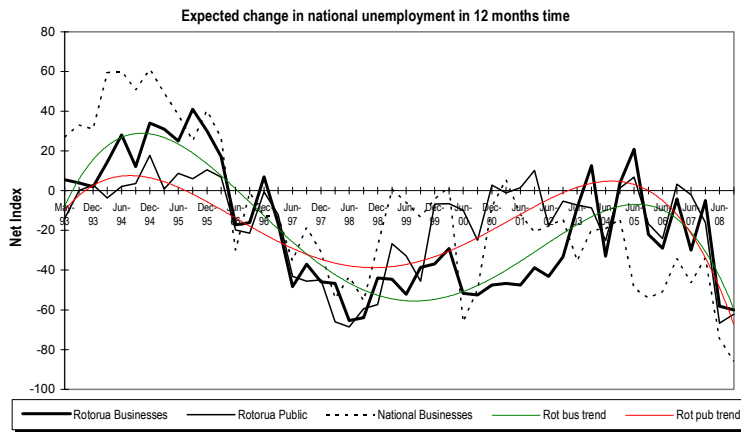
Construction businesses report an expectation of reducing levels of both residential and commercial construction from December 2008 levels.



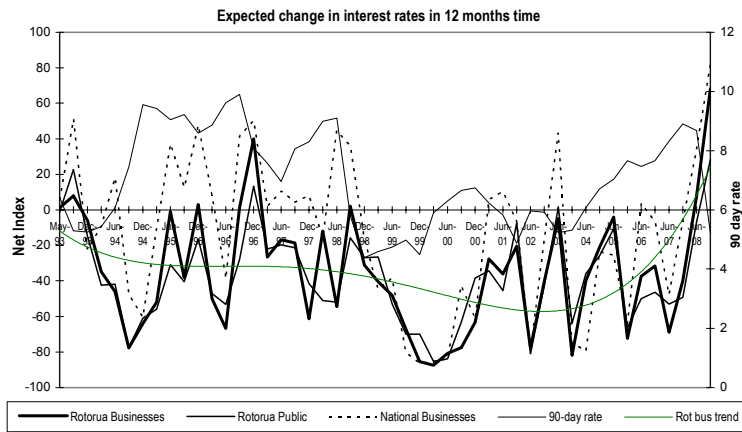
Rotorua businesses expected national general business conditions to improve from December 2008 levels over the next 12 months to December 2009, while Rotorua households expected conditions to decrease. Nationally businesses expected conditions to decrease.



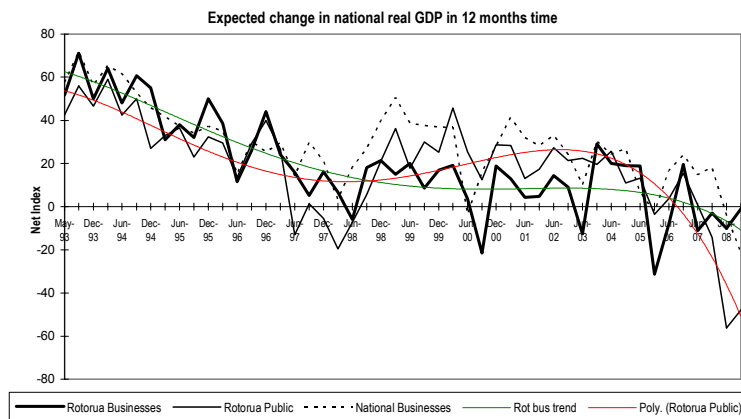
The inflation rate is expected to decrease over the next 12 months. Actual inflation went down by 0.6% in December 2008 to 3.4% from December 2007.



All indexes show an expectation of increasing unemployment from December 2008 levels.



All indexes show an expectation of decreasing interest rates.



Rotorua businesses predicted that national real GDP would remain at December 2008 levels. Rotorua Householders predicted that national real GDP would drop from December 2008 levels. Nationally businesses predicted that activity would decrease.

LOCAL BUSINESS CONDITIONS

The local confidence indexes are showing signs of reduced confidence, with householders being more pessimistic than Rotorua businesses. Overall, the Rotorua indexes are more optimistic than the national business indexes. The majority of Rotorua business indexes show an expectation of activity remaining static at December 2008 levels, while the household indexes are dominated by an expectation of worsening conditions.

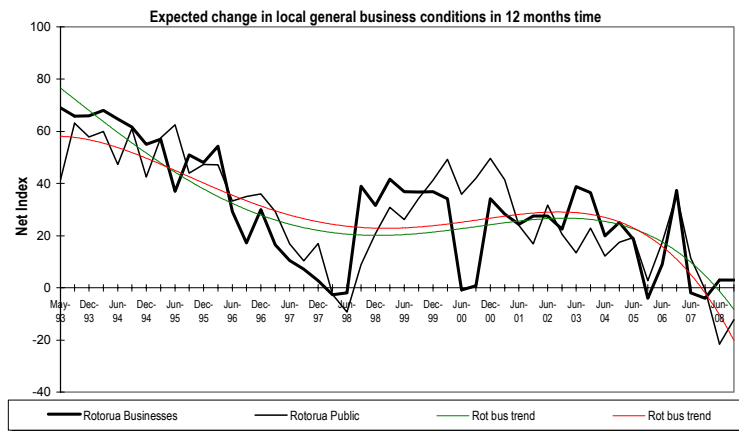
On a positive note, personal income is expected to increase and interest rates are expected to decrease.

Rotorua businesses expect local general business conditions to remain steady (although households expect conditions to decrease). Businesses also expect profits to remain at December 2008 levels, and are planning to invest similar levels into their businesses and keep promotion at December 2008 levels. Businesses expect prices to remain steady (although householders expect them to increase).

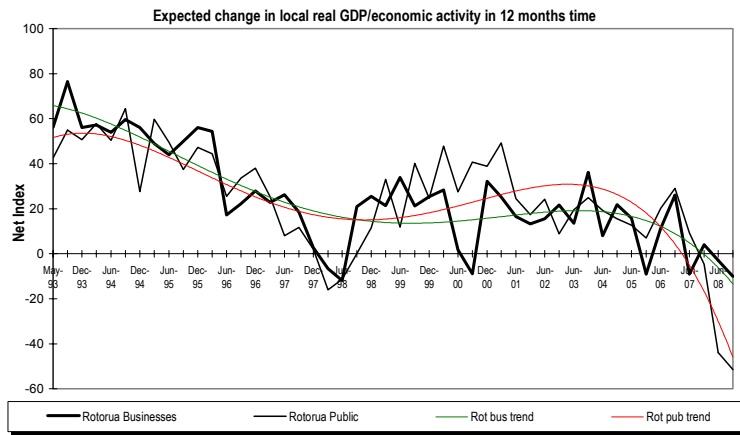
On the negative side, local unemployment is expected to increase and economic activity is expected to decrease.

Businesses involved in exporting report an expectation of increasing export levels.

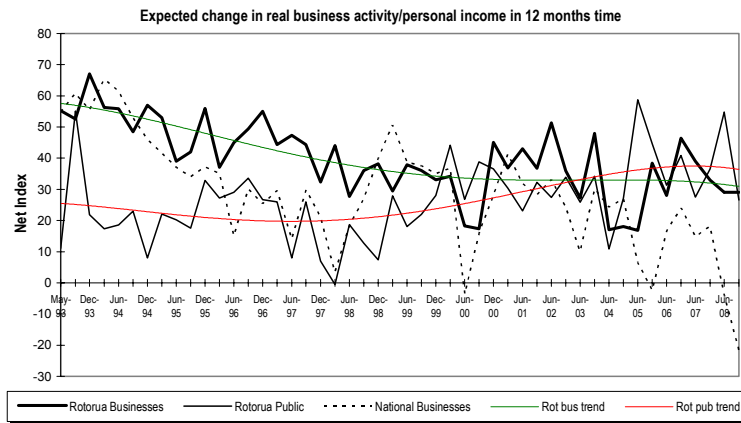
Construction businesses involved in residential construction expected steady levels of construction, while those involved in commercial construction expected increasing levels.



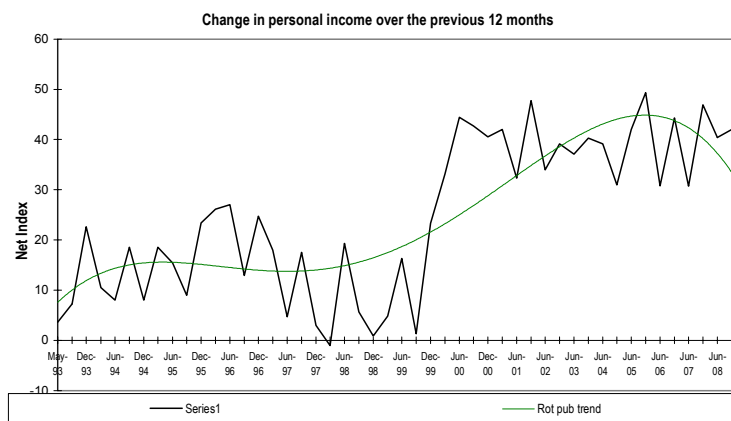
Rotorua businesses predicted that local general business conditions will remain at December 2008 levels over the upcoming 12 months to December 2009, while Rotorua households predicted that conditions will deteriorate.



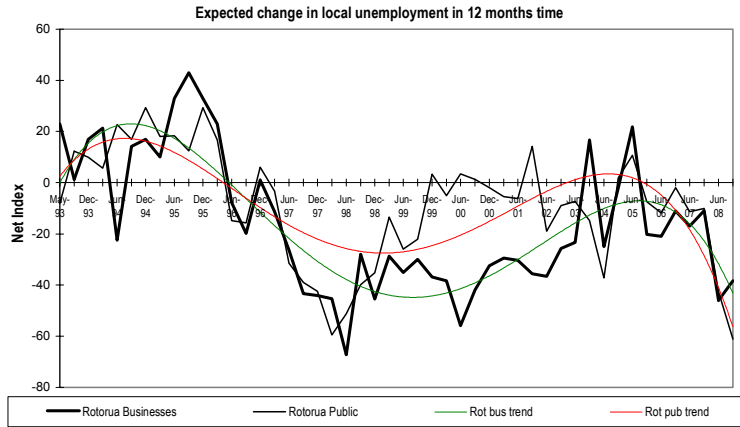
Rotorua residents predicted that local economic activity will decrease from December 2008 levels over the year to December 2009.



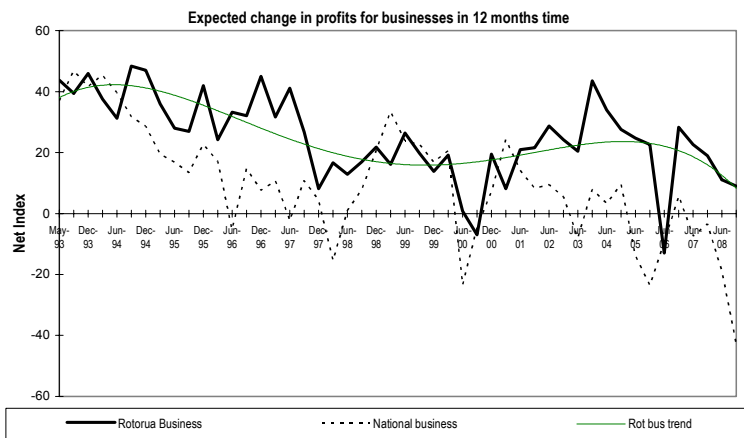
Both local indexes reported that real business activity/personal income should increase over the upcoming 12 months to December 2009.



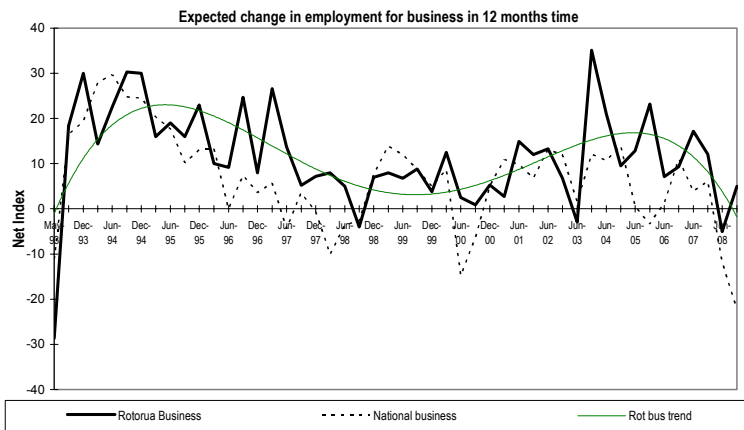
With regard to personal income, the majority of the public of Rotorua reported an increase in personal income over the previous 12-month period.



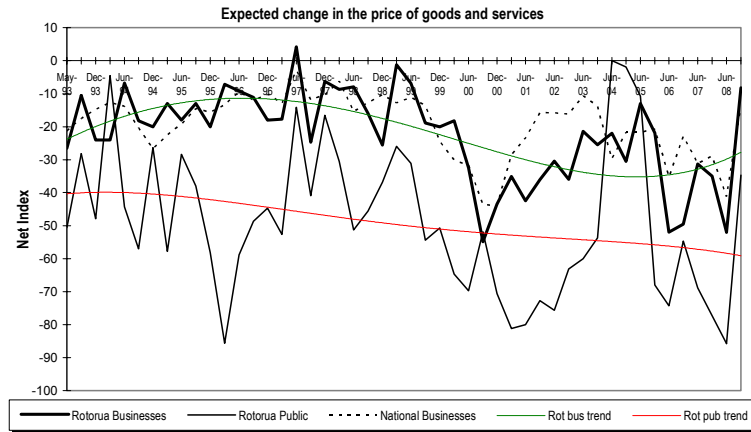
Local unemployment is expected to increase over the 12 months to December 2009.



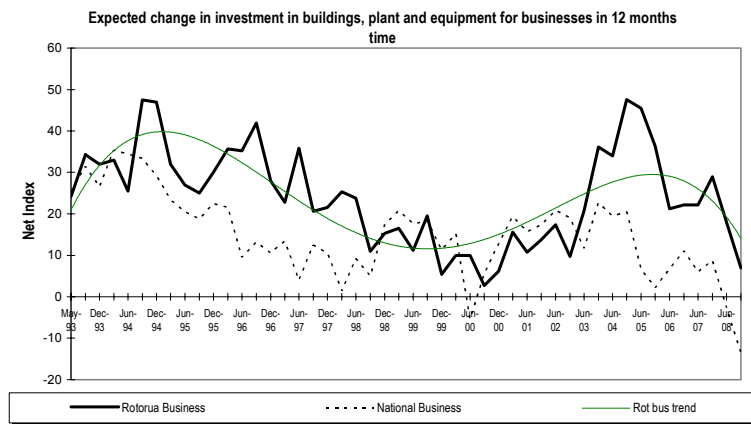
The majority of local businesses expect profits to remain at December 2008 levels over the upcoming year.



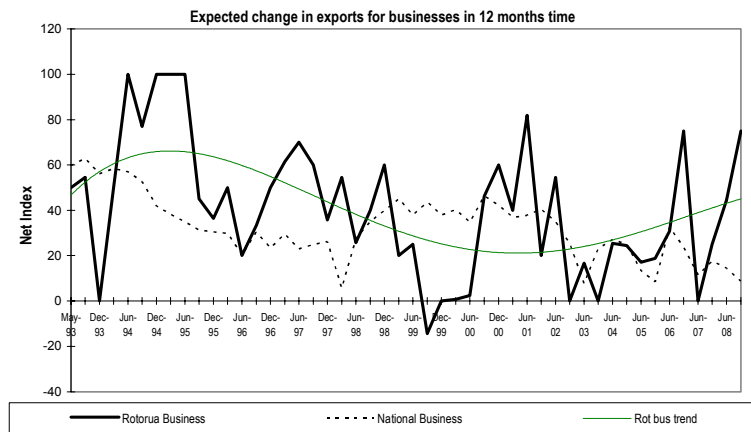
The local business index shows an expectation that employment will remain at December 2008 levels over the next 12 months to December 2009.



Prices are expected to remain at December 2008 levels over the next 12 months.

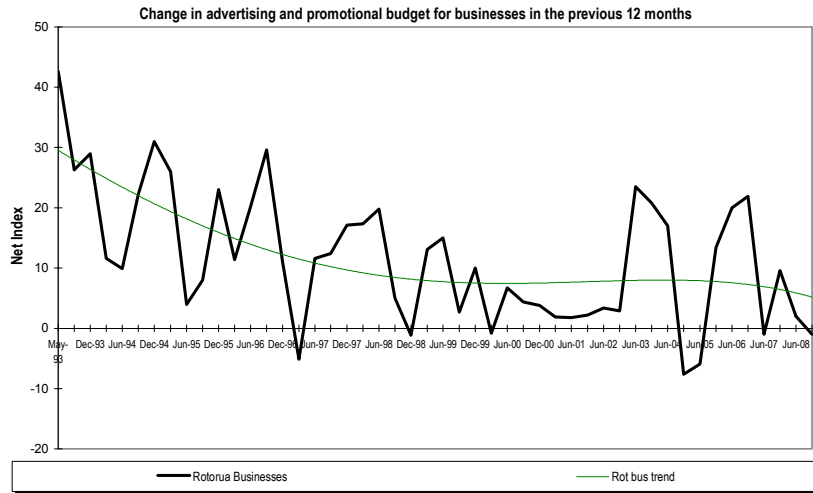


The majority of local businesses are expecting to invest similar levels as at December 2008 into their businesses over the year to December 2009.



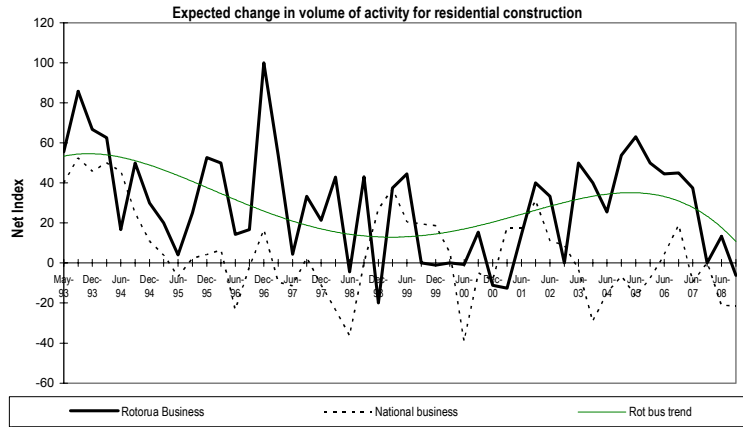
The majority of businesses involved in exports expected levels to increase over the next 12 months to December 2009.

PROMOTIONAL ACTIVITY

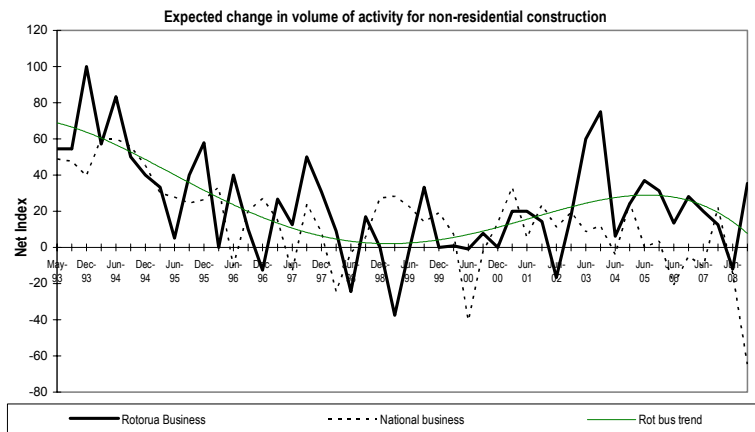


A majority of businesses have kept their promotion budgets at static levels over the last 12 months since December 2007.

CONSTRUCTION INDUSTRY



Rotorua construction businesses expected levels of residential construction to remain at December 2008 levels. New Zealand construction businesses expect levels of residential construction to decrease.



Construction businesses reported an expectation that their volume of non-residential construction should increase in the future.