

JUNE 2009 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 June 2009. 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 June 2009, 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

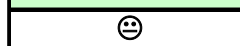
Overall summary of indexes

Positive indexes



14 indexes

Static indexes



10 indexes

Negative indexes



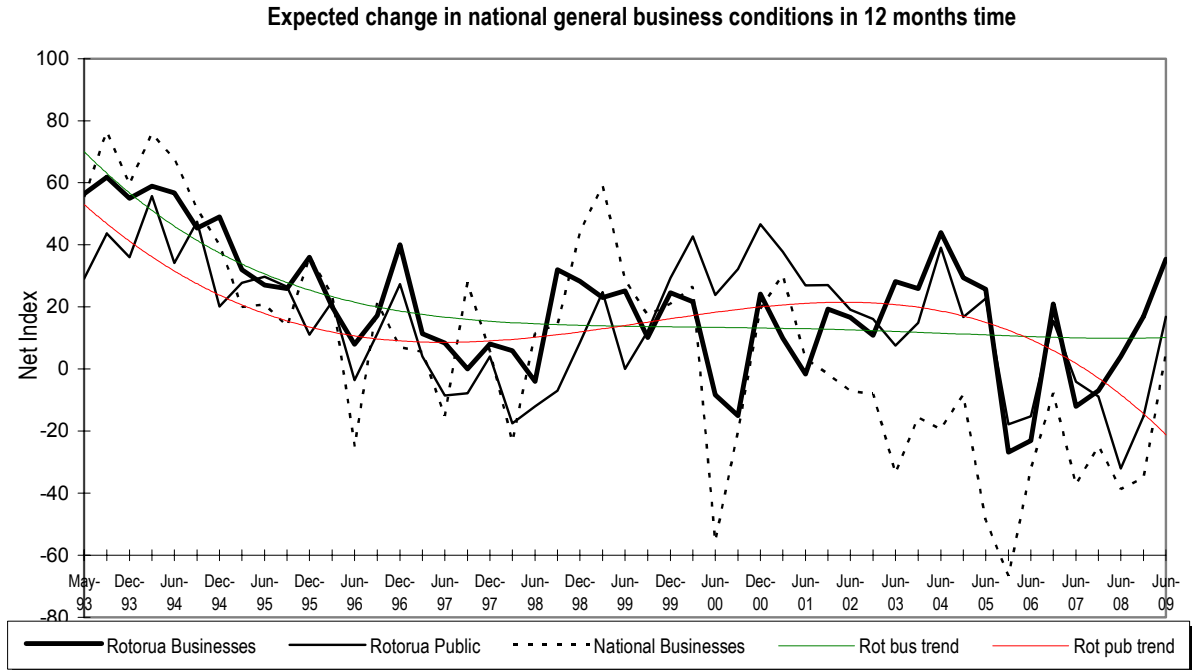
14 indexes

National General Business Conditions

NZ Business ↑ - ☺

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported an increase in confidence regarding national general business conditions over the 12 months to June 2010. The index increased by 18.4 points to 35.4. This indicated that a majority of Rotorua businesses expected national general business conditions to increase.

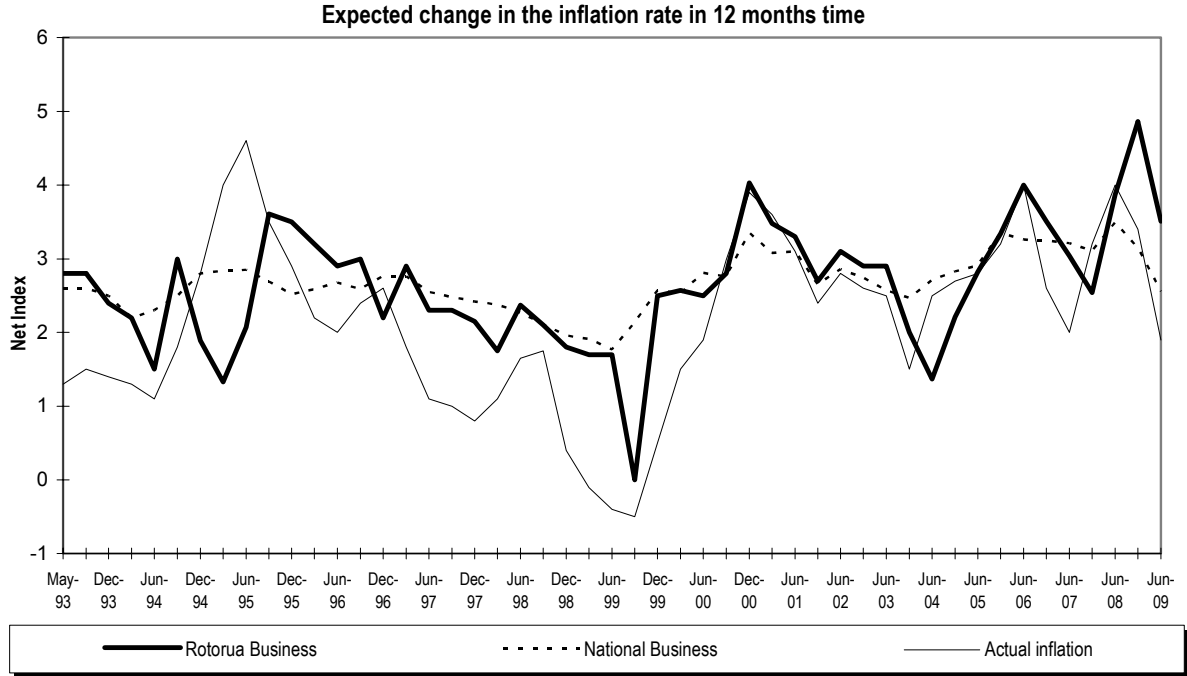
Rotorua households also reported an increase in confidence, with the index rising 32.1 points to 16.9. With the increase in confidence, the majority of householders in Rotorua expected national general business conditions to increase over the upcoming year to June 2010.

The national business index increased by 40.5 points, taking it to 5.5. This increase in confidence indicates nationally that businesses expect national general business conditions to remain at June 2009 levels or increase.

Inflation Rate

NZ Business ↓

Rotorua Business ↓



Rotorua businesses are expecting inflation to decrease over the 12 months to June 2010, with an expected decrease of 1.35%, taking it to 3.51%.

Businesses nationally reported an expectation that inflation levels would decrease, with expected inflation decreasing by 0.59% to 2.56%.

The actual inflation rate for June 2009, as measured by the Consumer Price Index, was 1.9% from the same time last year.

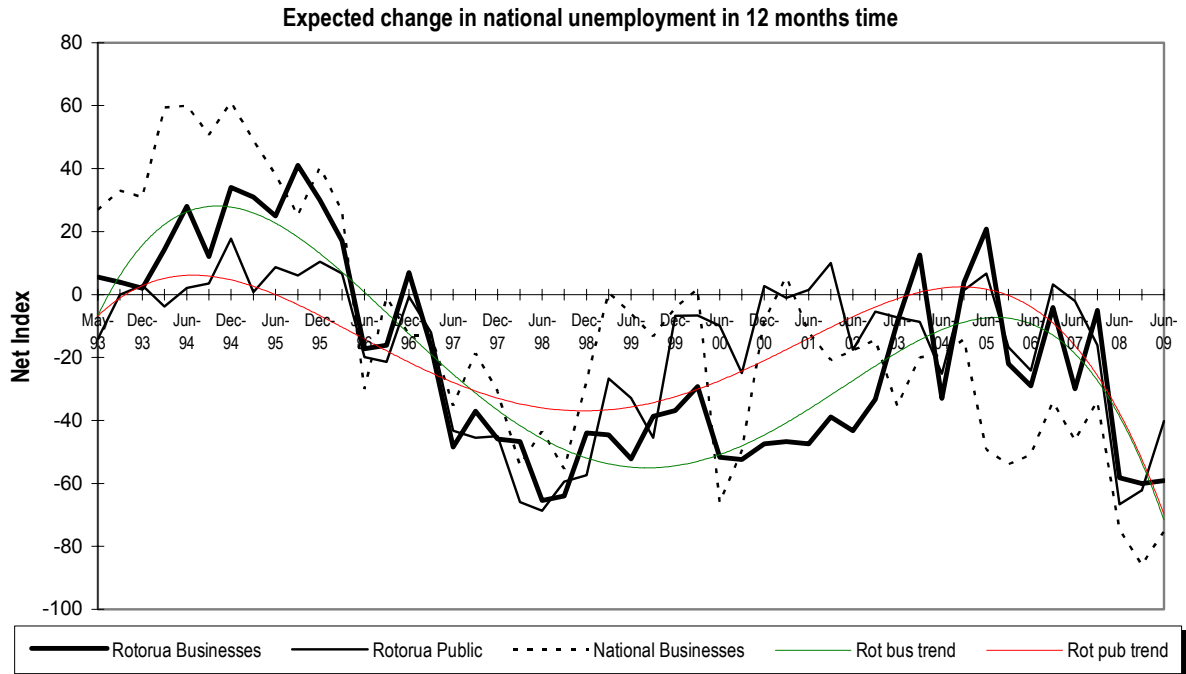
Looking back to last year, Rotorua businesses predicted inflation would be at 3.87% in June 2009, and New Zealand businesses were expecting it to reach 3.49%.

National Unemployment

NZ Business ↑ - ☹

Rotorua Business NC - ☹

Rotorua Public ↑ - ☹



Confidence levels remains low in all three indexes in the June 2009 survey, with all predicting an increase in unemployment over the year to June 2010.

Local businesses reported a slight increase in confidence over the past six months, with the index increasing by 0.8 points to -59.2. Despite the small increase, this indicates that the majority of Rotorua businesses expected unemployment to increase over the 12 months to June 2010.

The Rotorua public index increased by 21.9 points to -40.3. Despite the increase, the majority of households also expect unemployment nationally to increase over the same period.

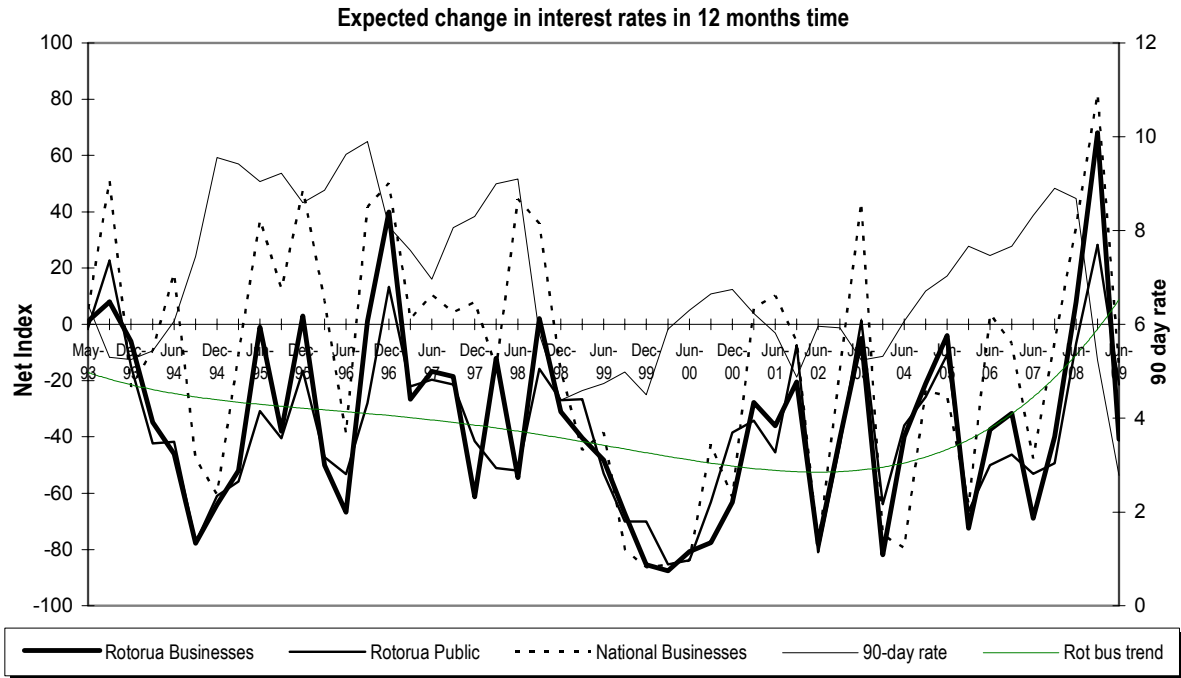
The national business index increased by 10.6 points, taking it to -75.4. Despite the increase, nearly all businesses nationally expected unemployment to increase.

Interest Rates

NZ Business ↓ - ⊗

Rotorua Business ↓ - ⊗

Rotorua Public ↓ - ⊗



Rotorua businesses reported a large decrease in confidence regarding expected interest rates in 12 months' time. The index decreased by 108.8 points, taking it to -40.8. This indicates that a majority of Rotorua businesses expected interest rates to increase from June 2009 levels over the year to June 2010.

Rotorua residents also reported a decrease in confidence. The index decreased by 49.6 points taking it to -21.4. This indicated that a majority of Rotorua households expected interest rates to increase over the year to June 2010.

Nationally, businesses reported a decrease in confidence of 97.1 points, taking the national business index to -15.1. This indicates that a majority of national businesses expected interest rates to increase over the 12 months to June 2010.

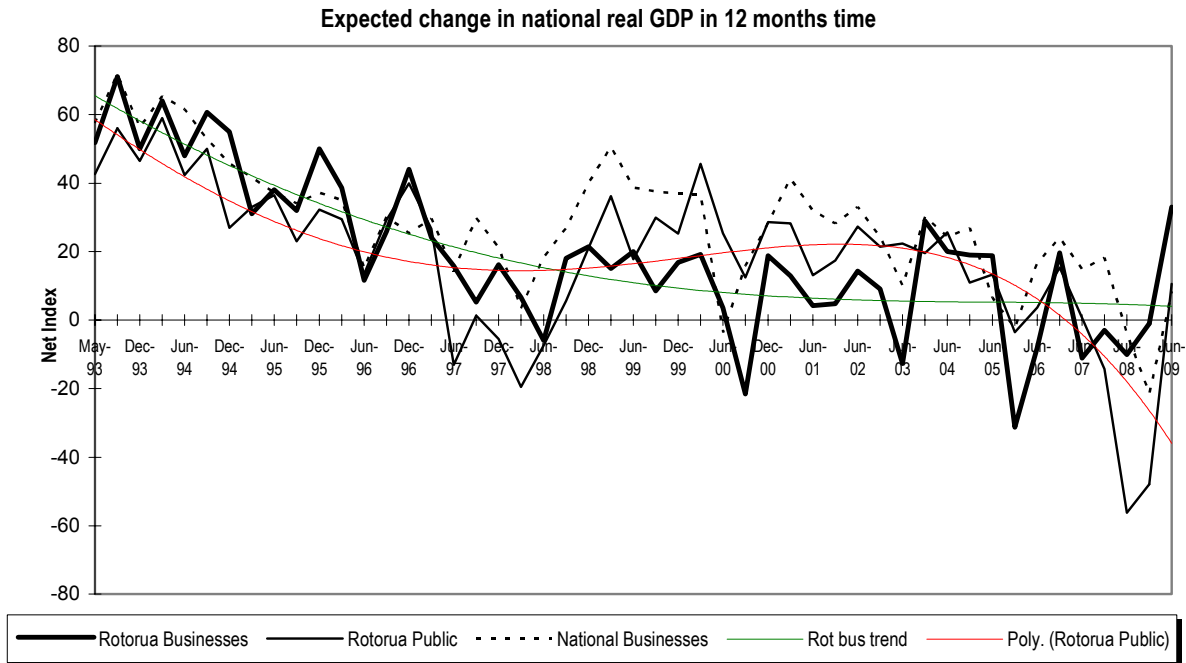
The June 2009 90-day rate decreased over the previous six months, going from 5.23 in December 2008 to its June 2009 level of 2.78.

National Real GDP/Economic Activity

NZ Business ↑ - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence during the June 2009 survey, with the index increasing by 34.0 points to 33.0. This indicates that a majority of local businesses expected national real GDP to increase over the 12 months to June 2010.

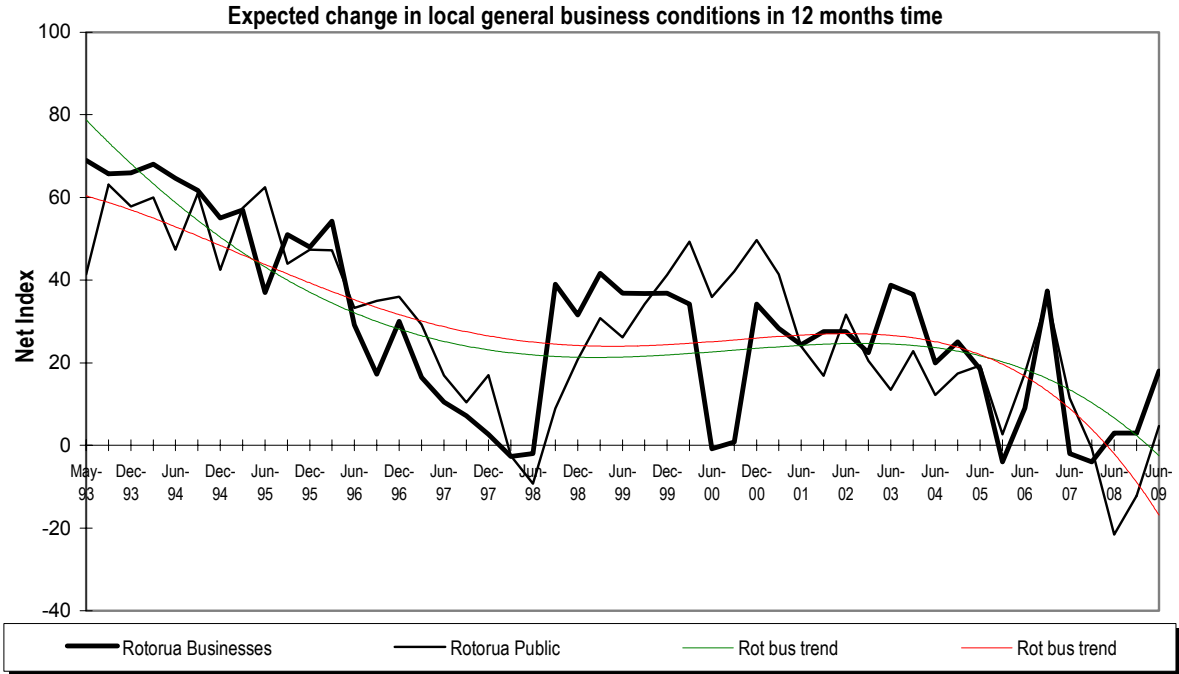
Rotorua households also reported an increase in confidence over the past six months, with the index increasing 58.5 points to 10.6. This increase in confidence, indicated that most Rotorua households expected national real GDP to increase over the year to June 2010.

Nationally, the business index increased by 29.8 points, taking it to 8.3. This indicated that a majority of national businesses predicted that over the 12 months to June 2010, national real GDP will remain at current levels or increase from June 2009 levels.

Local General Business Conditions

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



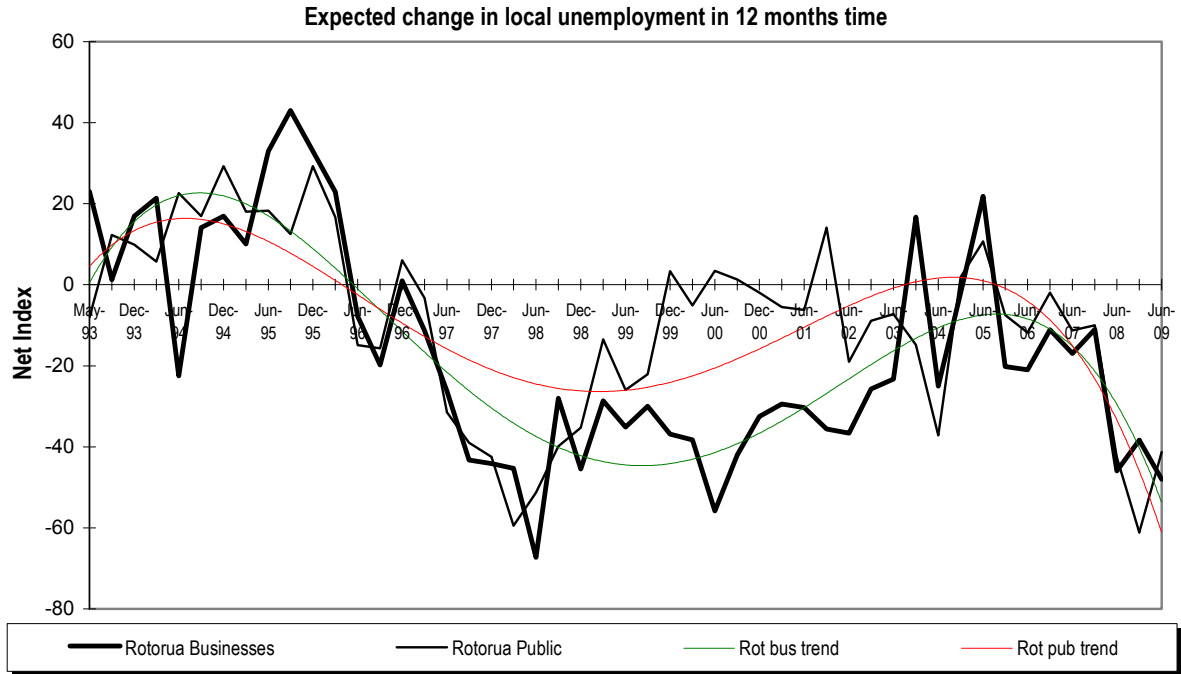
The Rotorua business index increased by 15.0 points to 18.0 during the June 2009 Rotorua confidence surveys. This indicates that the a majority of Rotorua businesses expected local general business conditions to increase from June 2009 levels over the next 12 months to June 2010.

The Rotorua public index increased by 16.9 points, taking it to 4.7. Despite the increase in confidence, the majority of Rotorua households expected local general business conditions to remain at June 2009 levels over the year to June 2010.

Local Unemployment

Rotorua Business ↓ - ☹

Rotorua Public ↑ - ☺



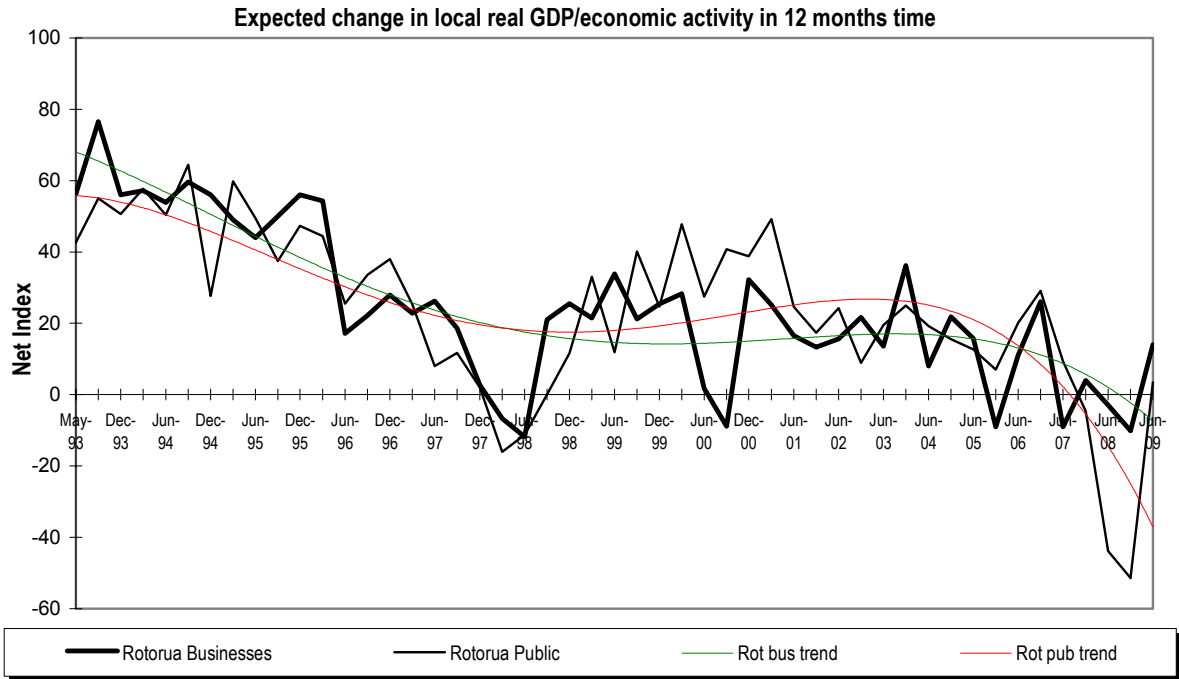
The Rotorua business index decreased by 9.6 points in the June 2009 Business Confidence Survey, taking it to -48.0. This indicates that the majority of Rotorua businesses expected local unemployment to increase over the 12 months to June 2010.

Local householders reported an increase in confidence, with the index increasing 19.8 points, taking it to -41.3. Despite the increase in confidence, the low index indicates that Rotorua householders expected local unemployment to increase over the 12 months to June 2010.

Local Real GDP / Economic Activity

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported an increase in confidence of 24.1 points in the June 2009 report, taking the index to 14.0. This indicates that the majority of local businesses expected economic activity to increase from June 2009 levels over the 12 months to June 2010.

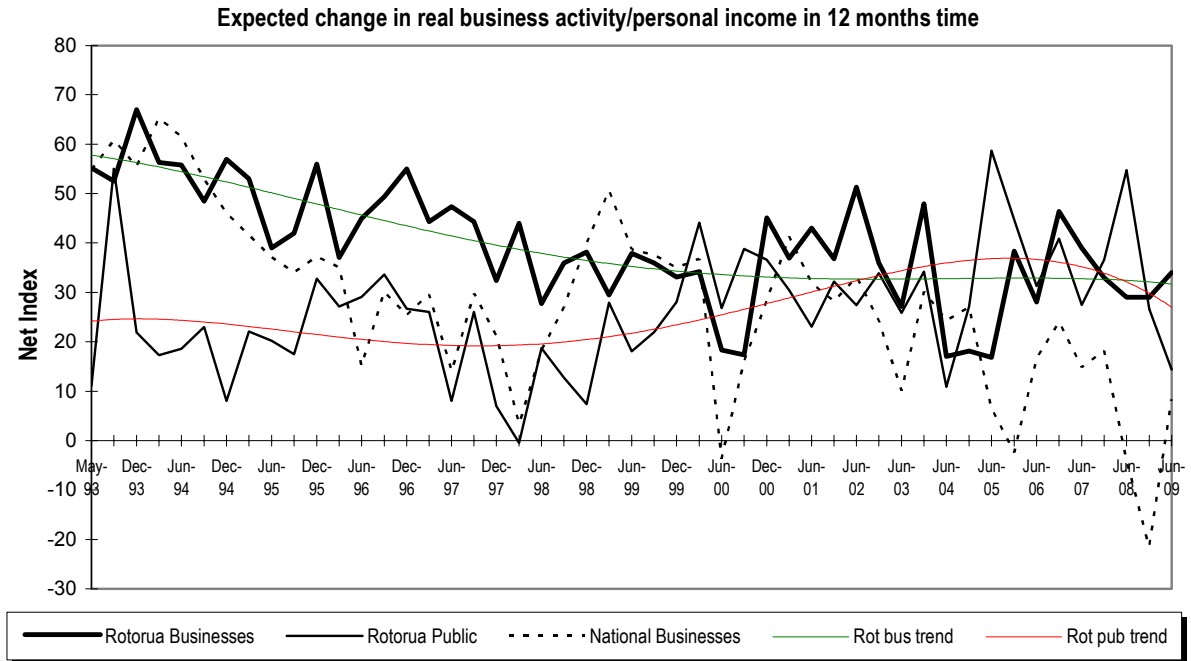
Rotorua households reported an increase in confidence, with the Rotorua public index increasing 54.8 points to 3.4. Despite the increase in confidence, this indicates that the majority of Rotorua households expected business activity to remain steady at June 2009 levels over the next 12 months to June 2010.

Real Business Activity / Personal Income

NZ Business ↑ - 😊

Rotorua Business ↑ - 😊

Rotorua Public ↓ - 😞



Rotorua businesses reported an increase in confidence over the past six months, with the index increasing 5.0 points to 34.0. This indicates that the majority of local businesses were confident of increased income levels over the following year to June 2010.

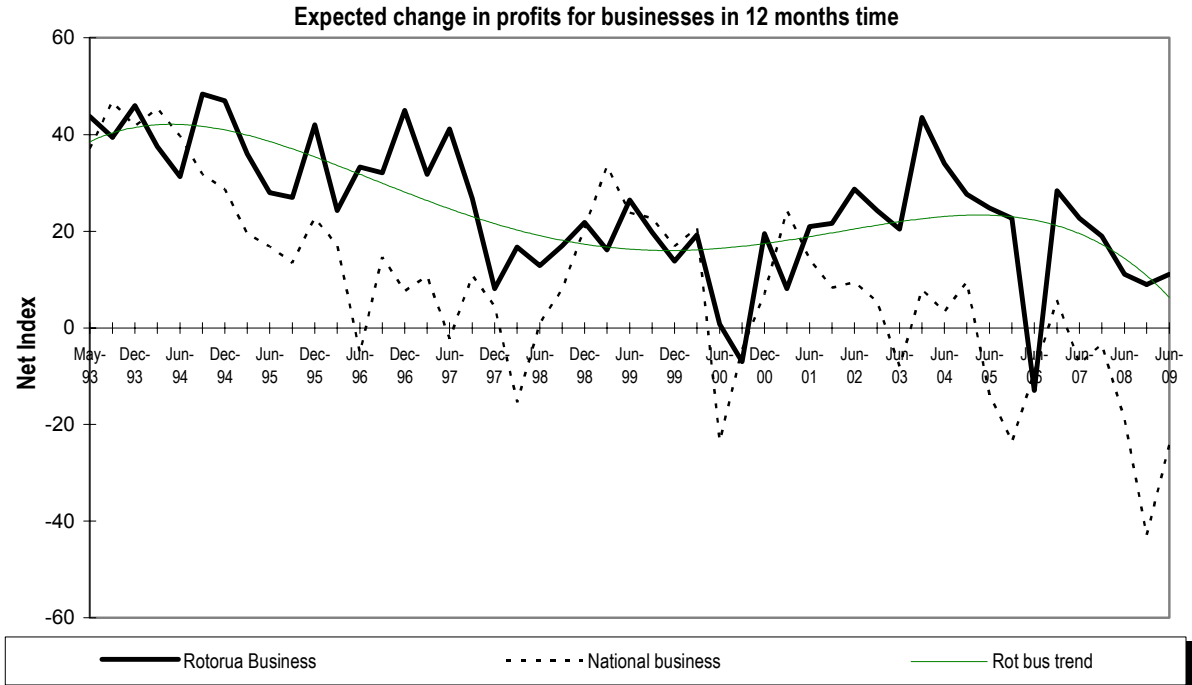
Rotorua residents reported a decrease in confidence with their index decreasing -12.2 points, taking it to 14.4. Despite the decrease in the index, this indicated that a small majority of Rotorua residents expect to increase their personal income over the upcoming year to June 2010.

Nationally, businesses reported an increase in confidence of 29.8 points, taking the June 2009 index to 8.3. This indicates that a majority of national businesses expect their income levels to remain at June 2009 levels over the 12 months to June 2010.

Profits for Businesses

NZ Business ↑ - ☹

Rotorua Business NC - ☺



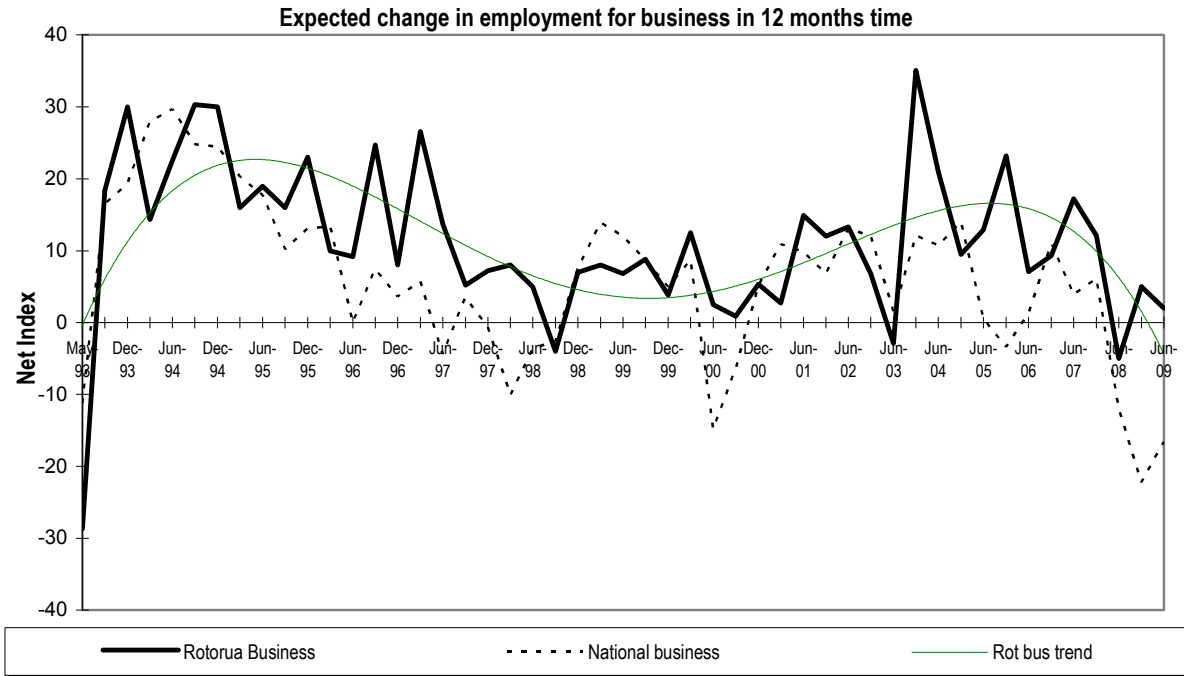
Rotorua businesses reported a slight increase in confidence with regard to their profit levels over the 12 months to June 2010. The Rotorua business index increased by 2.1 points taking it to 11.1. This indicates that a small majority of Rotorua businesses expected profits to remain at June 2009 levels or increase over the upcoming year to June 2010.

Nationally, businesses reported an increase in confidence of 18.7 points, taking the index to -24.2. Despite the increase in confidence, this indicates that the majority of national businesses expected profits to decrease over the 12-month period to June 2010.

Employment for Businesses

NZ Business ↑ - ☹

Rotorua Business NC - ☹



Rotorua businesses reported a small decrease in confidence regarding levels of employment over the 12 months to June 2010. The index decreased by 3.0 points taking it to 2.0. This indicated that the majority of Rotorua businesses expected to employ similar numbers of workers than they did in June 2009.

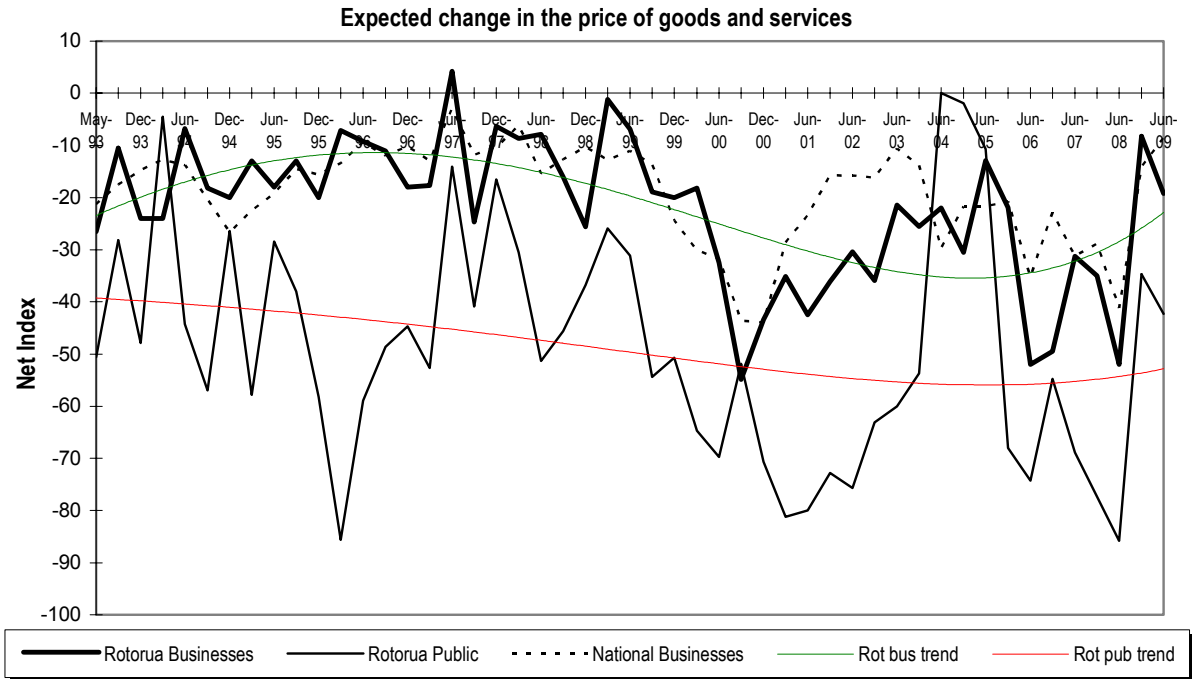
Nationally, businesses reported an increase in confidence of 5.6 points, taking the index to -16.6. Despite the increase in confidence, this indicates that nationally businesses expected to employ less workers.

Price of Goods and Services

NZ Business ↑ - ☺

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a decrease in confidence with the index decreasing 11.0 points to -19.2. This indicated that the majority of Rotorua businesses expected the price of their goods and services to increase over the three months to September 2009.

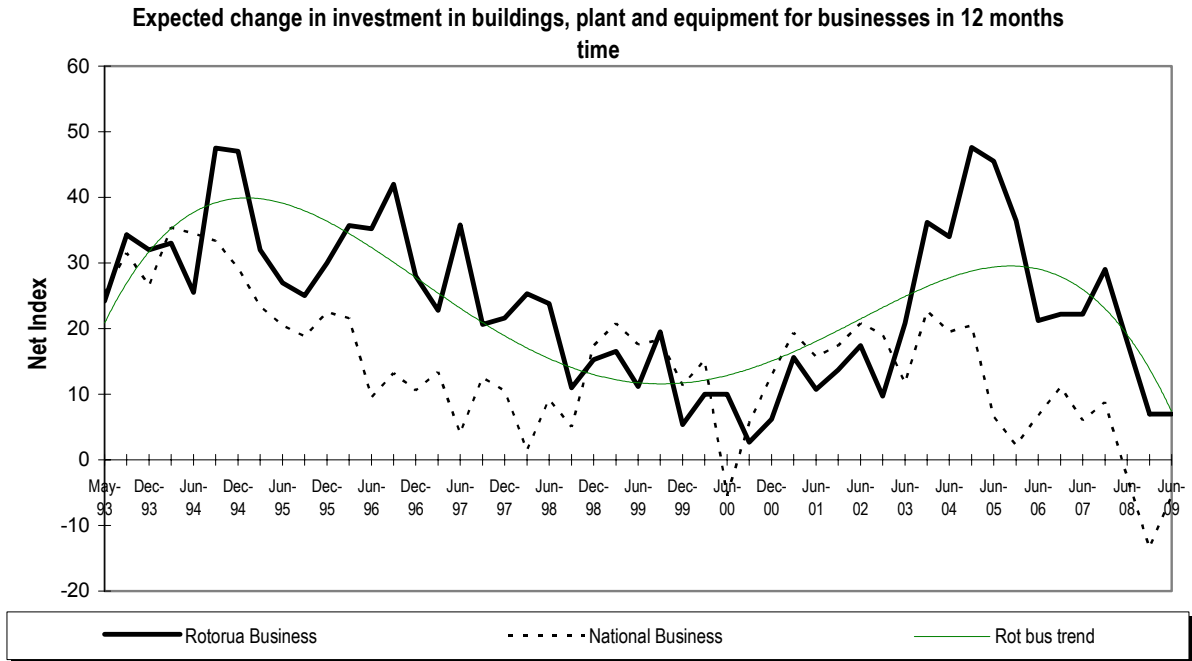
Rotorua residents also reported a decrease in confidence, with the index decreasing 7.6 points to -42.3. This indicated that the majority of Rotorua residents believe that prices will increase over the three months to September 2009.

Nationally, businesses reported an increase in confidence of 5.6 points, taking the index to -8.5. Despite the increase in confidence, a majority of businesses nationally expect prices to remain at June 2009 levels or increase.

Investment for Businesses

NZ Business ↑ - ☺

Rotorua Business NC - ☹



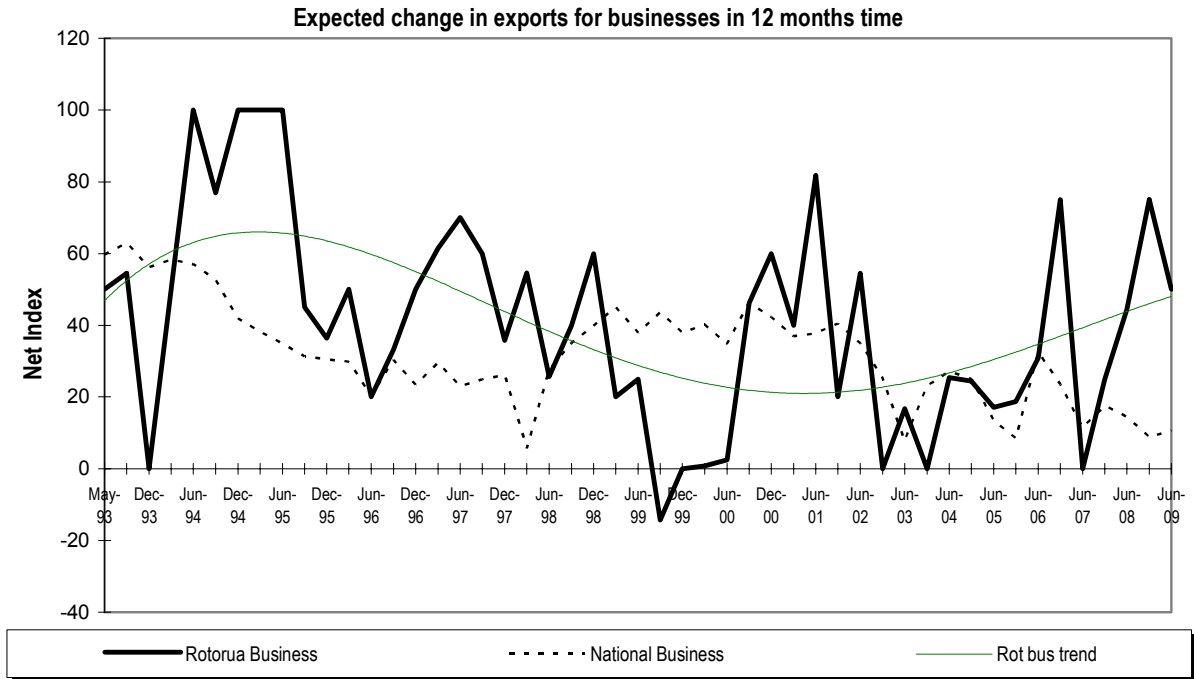
Rotorua businesses reported no change in confidence levels over the six months to June 2009. The index remained on 7.0. This indicates that the majority of Rotorua businesses expected to invest similar amounts, as spent in June 2009, back into their businesses over the next 12 months to June 2010.

Nationally, businesses reported an increase in confidence of 7.8 points, taking the national business index to -5.6. This indicates that businesses nationally expect to invest similar or less into their businesses than they did in June 2009.

Exports

NZ Business NC - ☺

Rotorua Business ↓ - ☺



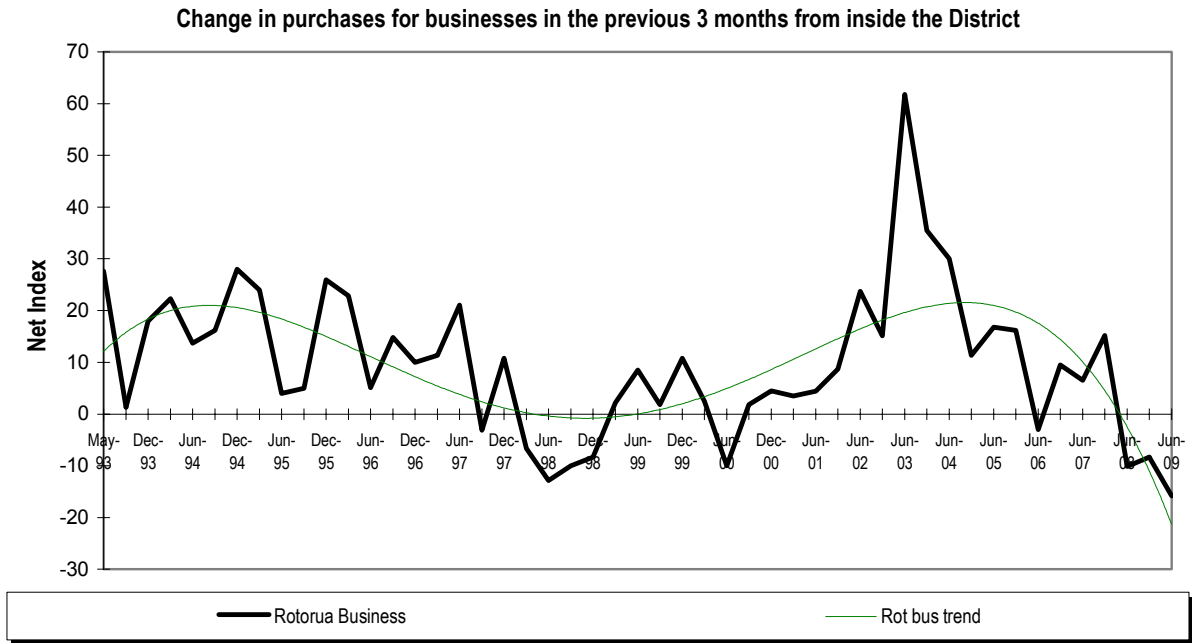
Rotorua businesses involved in exporting, reported a decrease in confidence regarding the volume of products to be exported over the next 12 months. The Rotorua business index decreased by 25.0 points taking it to 50.0. Despite the decrease in confidence, the positive index indicates that the majority of local export businesses expected their volume of exports to increase over the next 12 months to June 2010.

Nationally, businesses involved in exporting reported a small increase in confidence of 1.9 points taking the index to 10.7. This indicates that nationally exporting businesses expected their volume of exports to increase from June 2009 levels.

Purchases

Inside the District

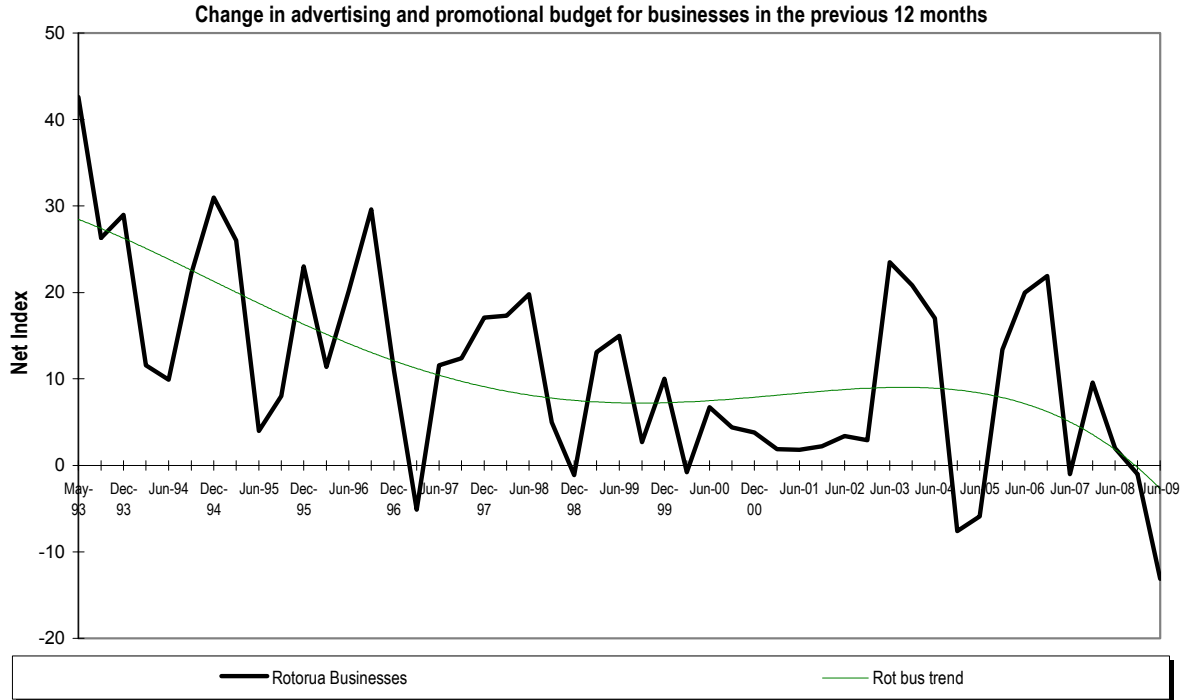
Rotorua Business ↓ - ⊗



Rotorua businesses reported a decrease in their spending from inside the district this period. The index decreased 7.5 points taking it to -15.8. This indicates that Rotorua businesses had purchased less products from inside the district between March and June 2009.

Promotional Activity

Rotorua Business ↓ - ☹



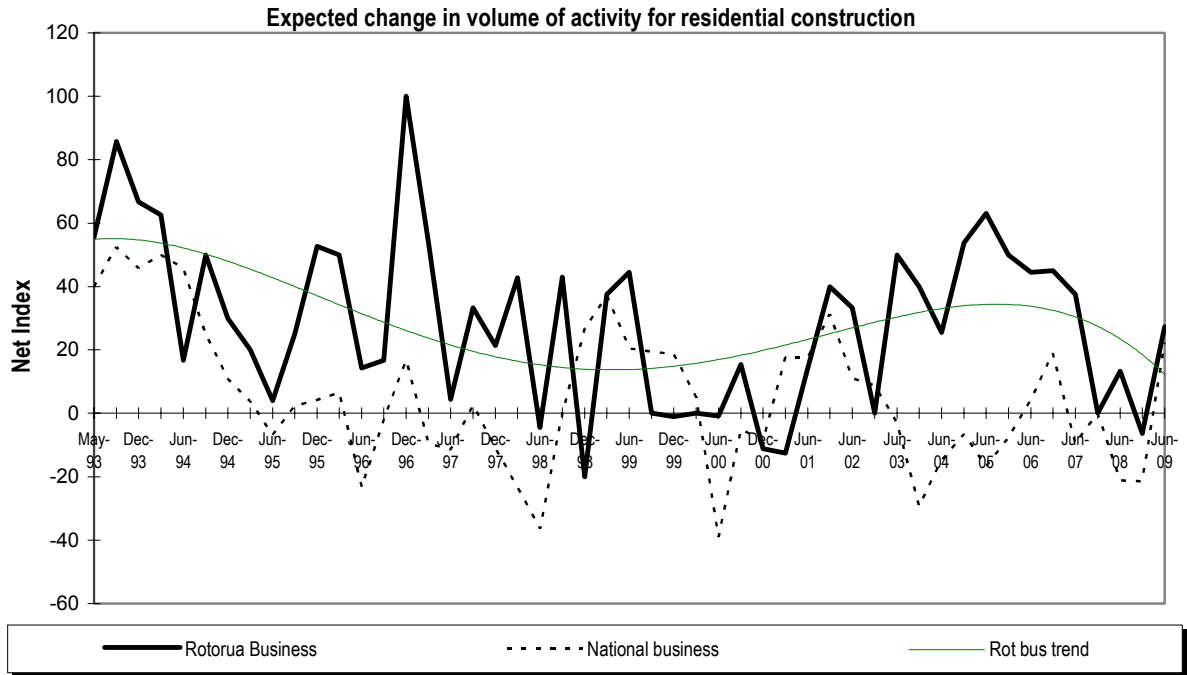
The Rotorua business index decreased by 12.1 points over the six months from December 2008, taking it to -13.1. This indicated that the majority of businesses had lowered their promotional budgets for the year ending June 2009.

Construction

Residential Construction

Rotorua Business ↑ - ☺

NZ Business ↑ - ☺

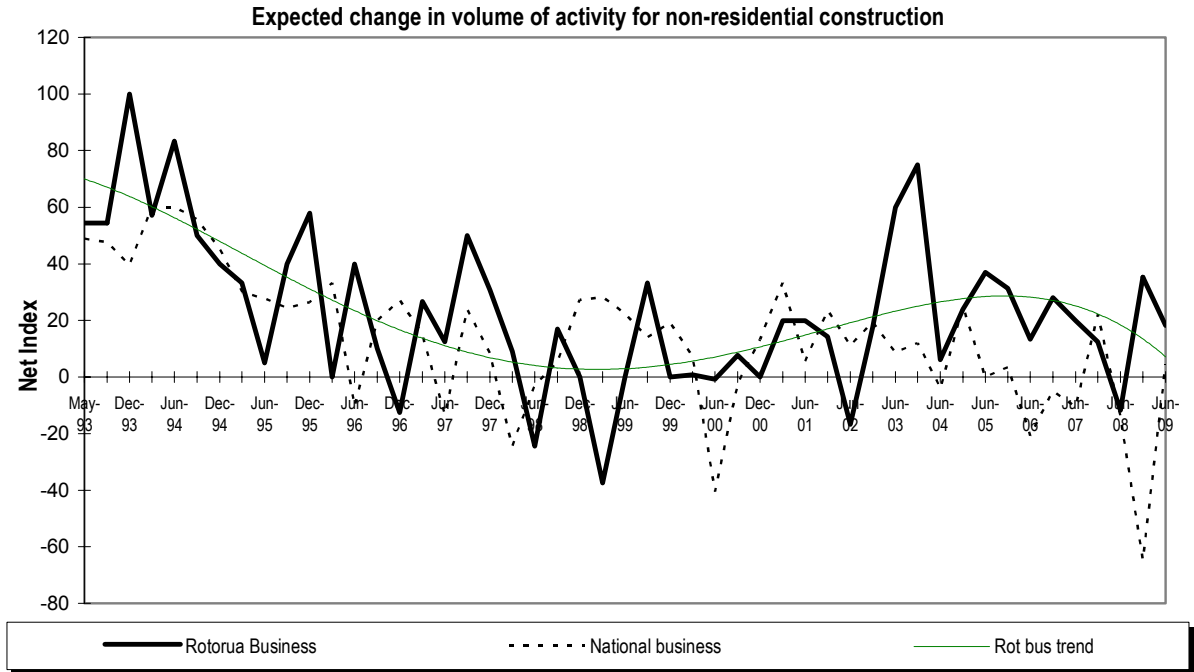


Rotorua businesses involved in residential construction reported an increase in confidence with regard to their upcoming volume of work. The Rotorua business index increased by 33.6 points taking it to 27.3. This indicates that a majority of construction businesses expected the volume of their residential construction to increase from June 2009 levels.

Nationally, construction businesses reported an increase in confidence of 43.6 points, taking the index to 22.2. This indicates that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction will increase from June 2009 levels.

Non-residential Construction

Rotorua Business ↓ - ☹ NZ Business ↑ - 😊



Rotorua construction businesses reported a decrease in confidence regarding their expected volume of upcoming non-residential construction. The index decreased by 17.1 points to 18.2. Despite the drop in confidence, this indicates that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from June 2009 levels.

Nationally, construction businesses reported an increase in confidence of 69.1 points, taking the national business index to 4.4. This indicates that the majority of national businesses expect levels of non-residential construction to remain steady at June 2009 levels.

NATIONAL BUSINESS CONDITIONS

The national indexes are showing steady confidence levels regarding national business indicators, with activity expected to remain steady or decrease slightly.

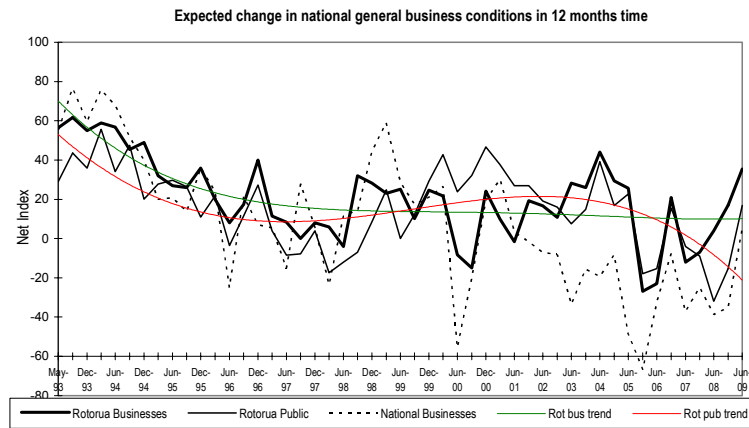
On the positive side, businesses nationally expect general business conditions to remain at June 2009 levels. Rotorua businesses and households expected it to increase over the year starting June 2009. This was identical to the results for national economic activity, with national businesses expecting activity to remain steady while Rotorua residents expected increases.

Nationally, personal income is expected to remain static, and prices are expected to also remain static.

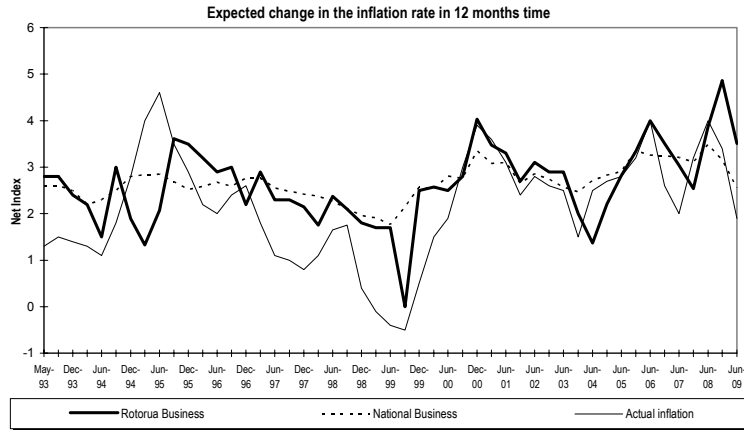
On the negative side, unemployment is expected to rise, interest rates are expected to increase and employment is expected to drop.

Businesses involved in exporting, report an expectation of increasing export volumes from June 2009 levels.

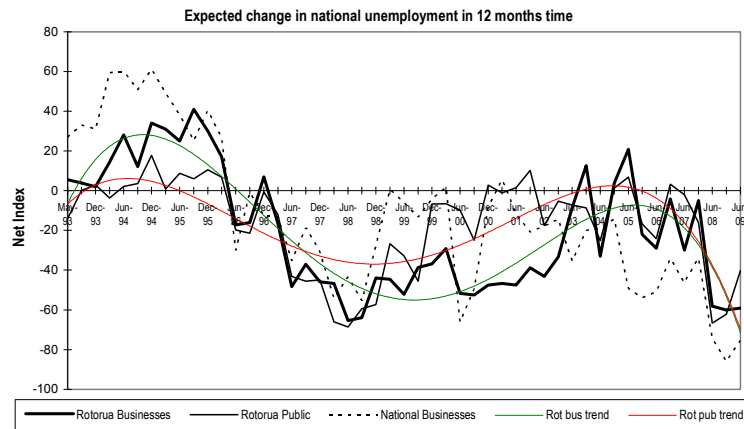
Businesses involved in residential construction reported an expectation of increasing levels of residential construction from June 2008 levels. Commercial construction businesses are expecting similar volumes of work as June 2009 levels.



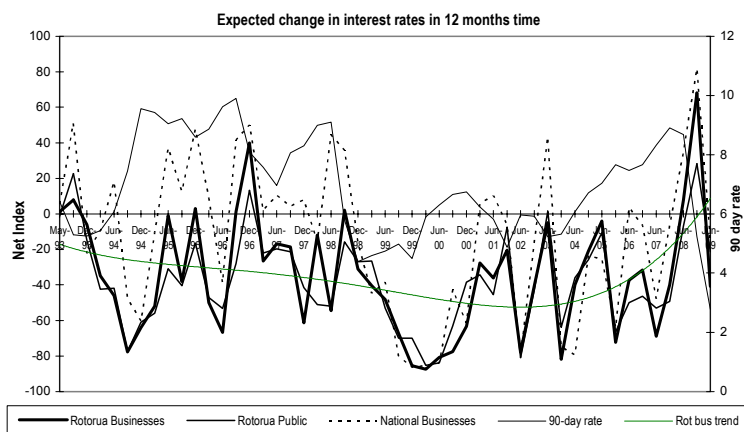
Rotorua businesses and households expected national general business conditions to improve from June 2009 levels over the next 12 months to June 2010. Nationally businesses expected conditions to remain at June 2009 levels.



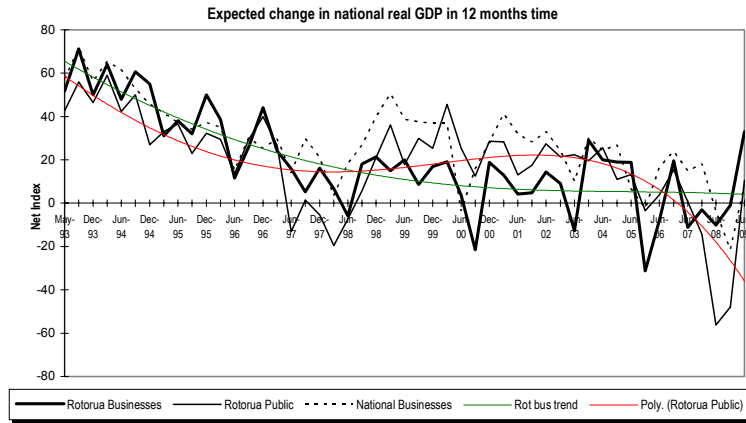
The inflation rate is expected to decrease over the next 12 months, although real inflation is currently lower than what it is expected to decrease to. Actual inflation went down by 1.9% in June 2009 to 1.9% from June 2008. Rotorua businesses were predicting inflation of 3.5%, while national businesses expected inflation to be around 2.6%.



All indexes show an expectation of increasing unemployment from June 2009 levels.



All indexes show an expectation of increasing interest rates.



Rotorua businesses and households predicted that national real GDP would increase from June 2009 levels. Nationally businesses predicted that activity would remain static.

LOCAL BUSINESS CONDITIONS

The local confidence indexes are showing signs of increasing confidence, with many of the indexes moving back into positive territory.

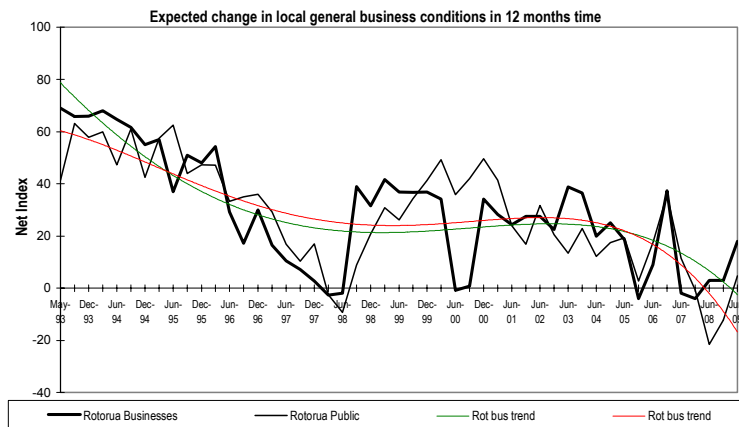
On a positive note, Rotorua businesses expect local general business conditions to increase, while households expect it to remain at June 2009 levels. This was the same trend as for Rotorua economic activity. Personal income levels are expected to increase and profits for business are also expected to increase.

Businesses are planning to invest similar levels into their businesses and keep promotion at June 2009 levels.

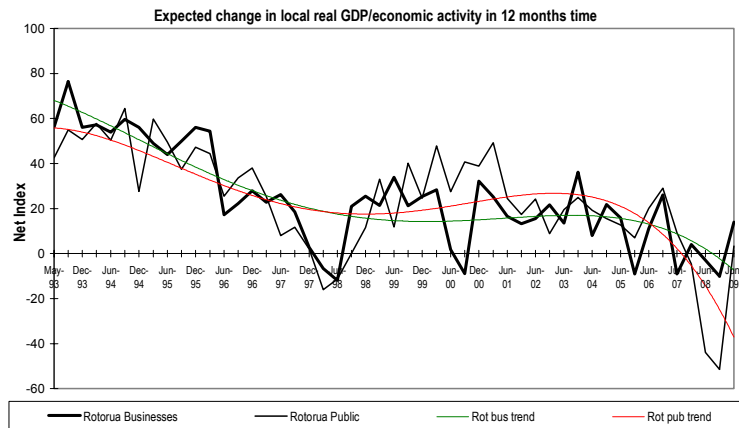
Rotorua residents expect prices to increase and interest rates to rise. Local unemployment is also expected to increase.

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

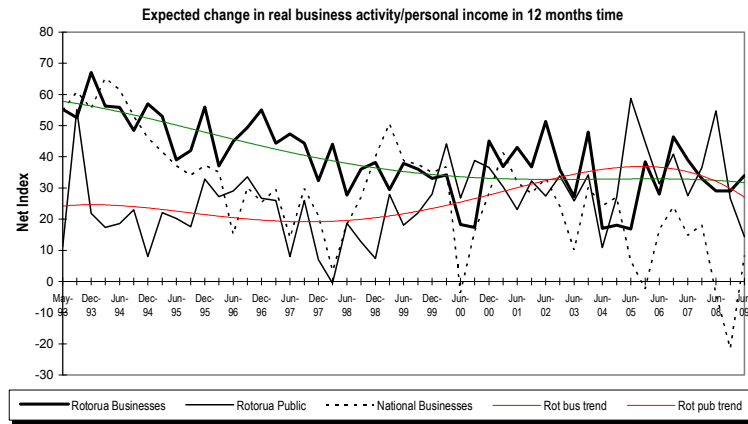
Construction businesses expected increasing volumes of construction.



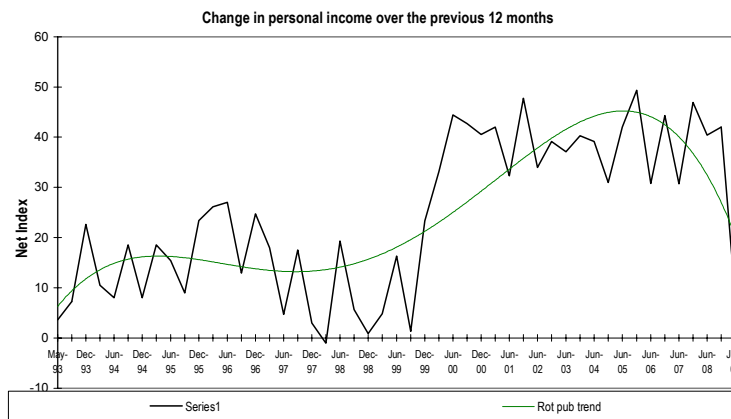
Rotorua businesses predicted that local general business conditions will increase from June 2009 levels over the upcoming 12 months to December 2009, while Rotorua households predicted that conditions will remain static.



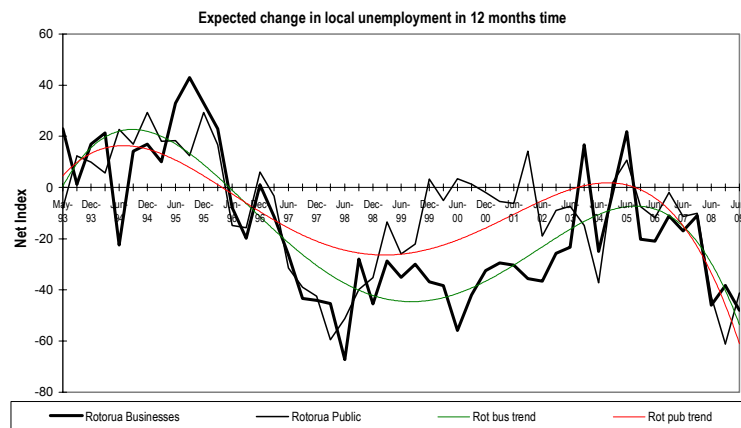
Rotorua businesses predicted that local economic activity will increase from June 2009 levels over the year to June 2010. Rotorua households predicted that local economic activity will remain static.



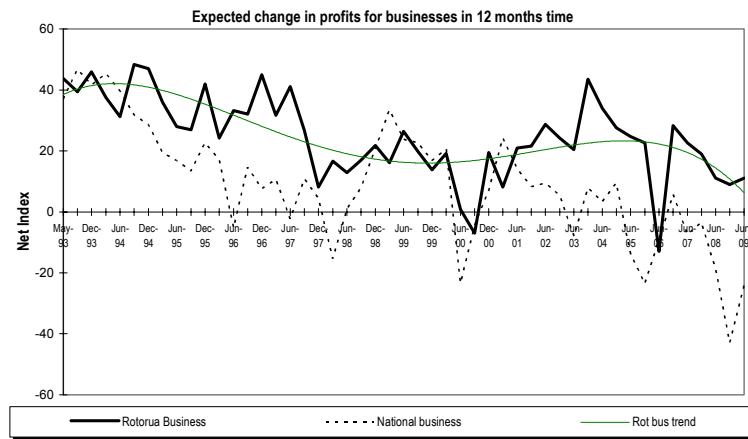
Rotorua residents reported that real business activity/personal income should increase over the upcoming 12 months to June 2010.



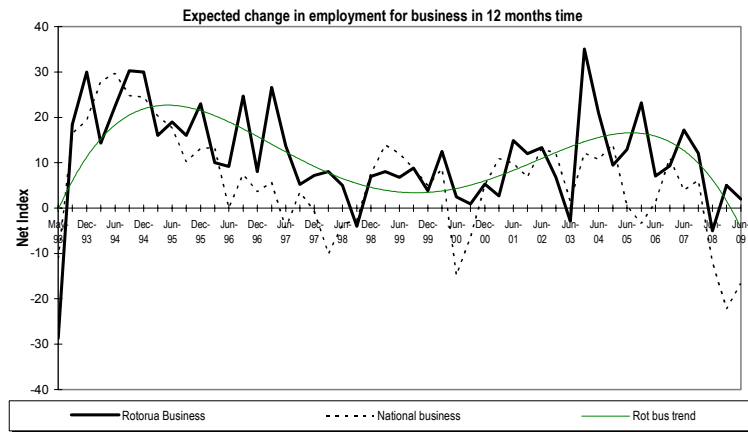
With regard to personal income, the majority of the Rotorua households reported steady personal income over the previous 12-month period.



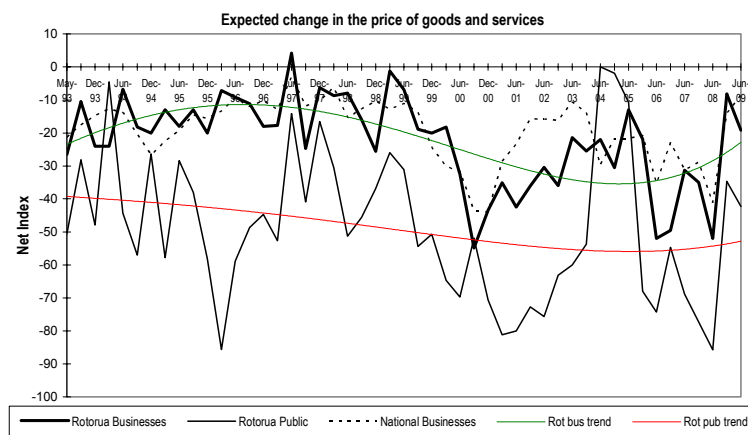
Local unemployment is expected to increase over the 12 months to June 2010.



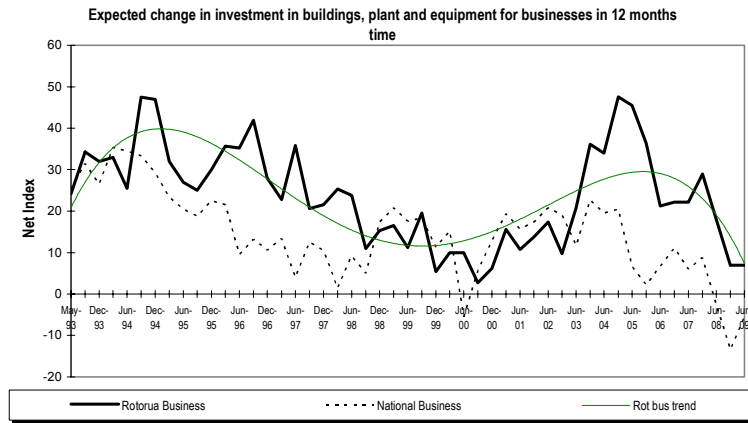
The majority of local businesses expect profits to increase over the year to June 2010.



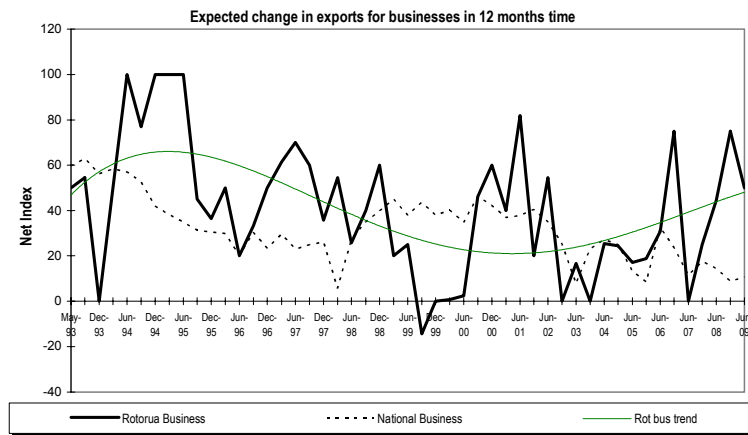
The local business index shows an expectation that employment will remain at June 2009 levels over the next 12 months to June 2010.



Prices are expected to increase for the year to June 2010.

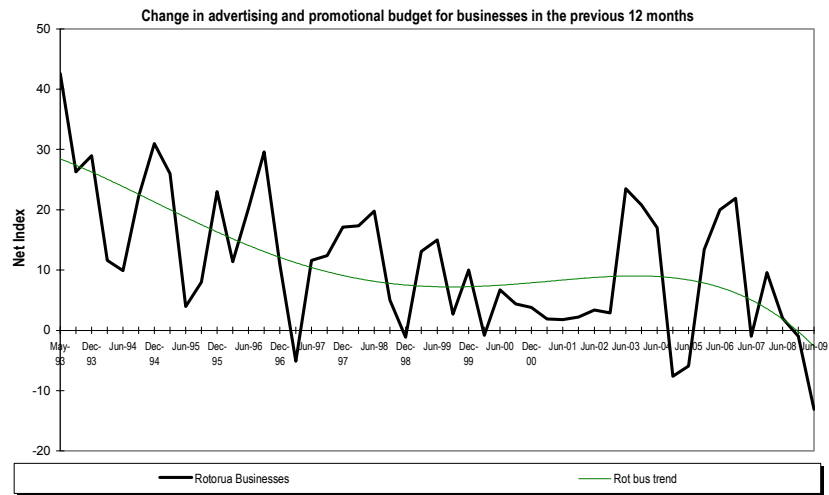


The majority of local businesses are expecting to invest similar levels as at June 2009 into their businesses over the year to June 2010.



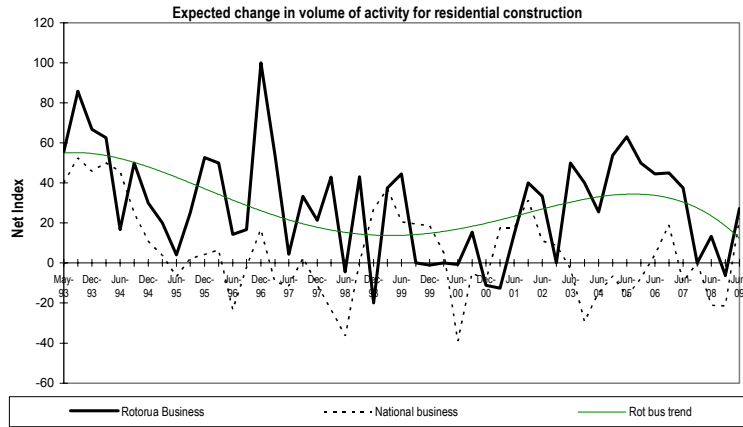
The majority of businesses involved in exports expected levels to increase over the next 12 months to June 2010.

PROMOTIONAL ACTIVITY

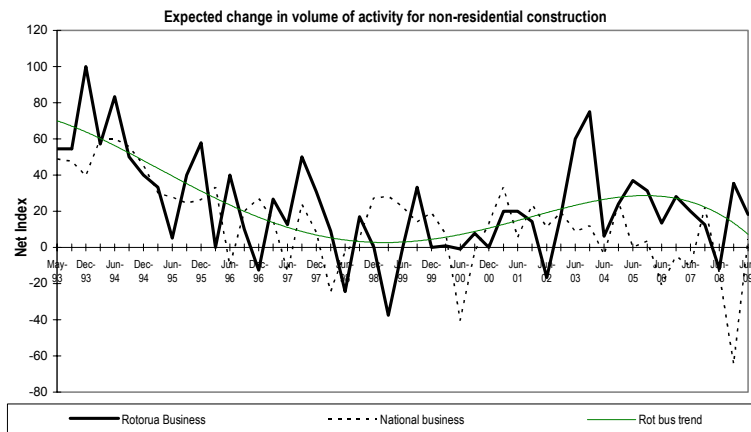


A majority of businesses have lowered their promotion budgets over the last 12 months since June 2008.

CONSTRUCTION INDUSTRY



Rotorua construction businesses expected levels of residential construction to increase from June 2009 levels. New Zealand construction businesses also expected levels of residential construction to increase.



Rotorua construction businesses reported an expectation that their volume of non-residential construction should increase in the future. National businesses expected national non-residential construction to remain static and June 2009 levels.