



JUNE 2005 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

Date : June 2005

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 2005. 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 2005, 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

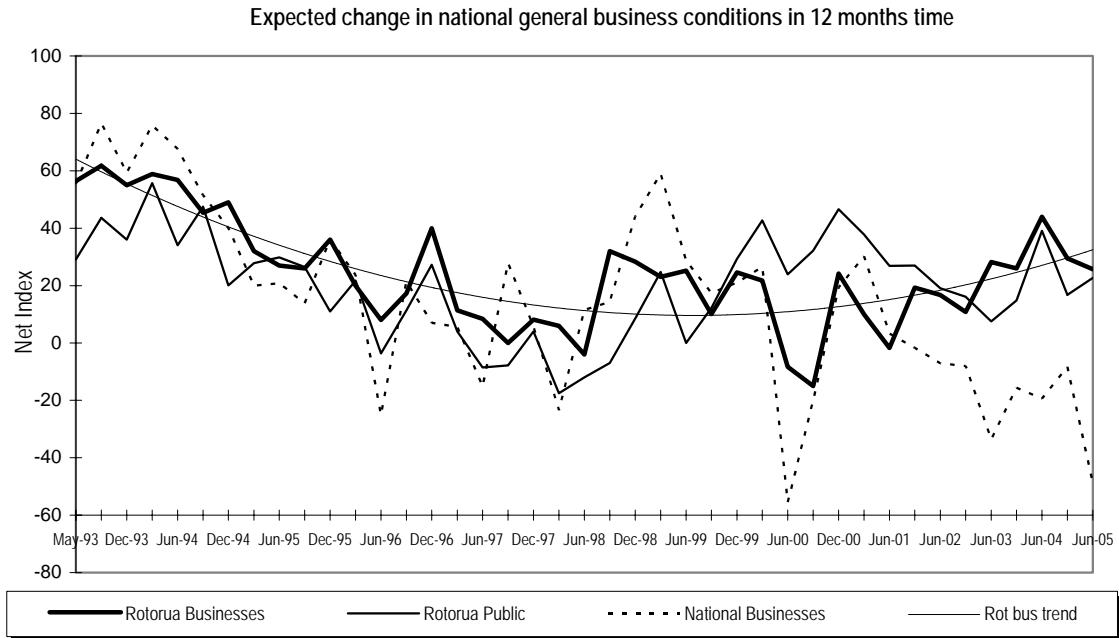
	New Zealand Businesses	Rotorua Businesses	Rotorua Public
National General Business Conditions	☹	☺	☺
National Unemployment	☹	☺	☹
Interest Rates	☹	☹	☹
National Real GDP/Economic Activity	☹	☺	☺
Local General Business Conditions	n/a	☺	☺
Local Unemployment	n/a	☺	☺
Local Real GDP / Economic Activity	n/a	☺	☺
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
Purchases - outside the district	n/a	☹	☺
Promotional Activity	n/a	☹	n/a
Construction - residential	☹	☺	n/a
Construction - non-residential	☹	☺	n/a

National General Business Conditions

NZ Business ↓ - ☹

Rotorua Business ↓ - ☹

Rotorua Public ↑ - ☺



Rotorua businesses reported a decrease in confidence regarding national general business conditions over the next 12 months. The index decreased -3.8 points to 25.7. Despite this decrease in confidence, the majority of businesses locally expect national general business conditions to increase.

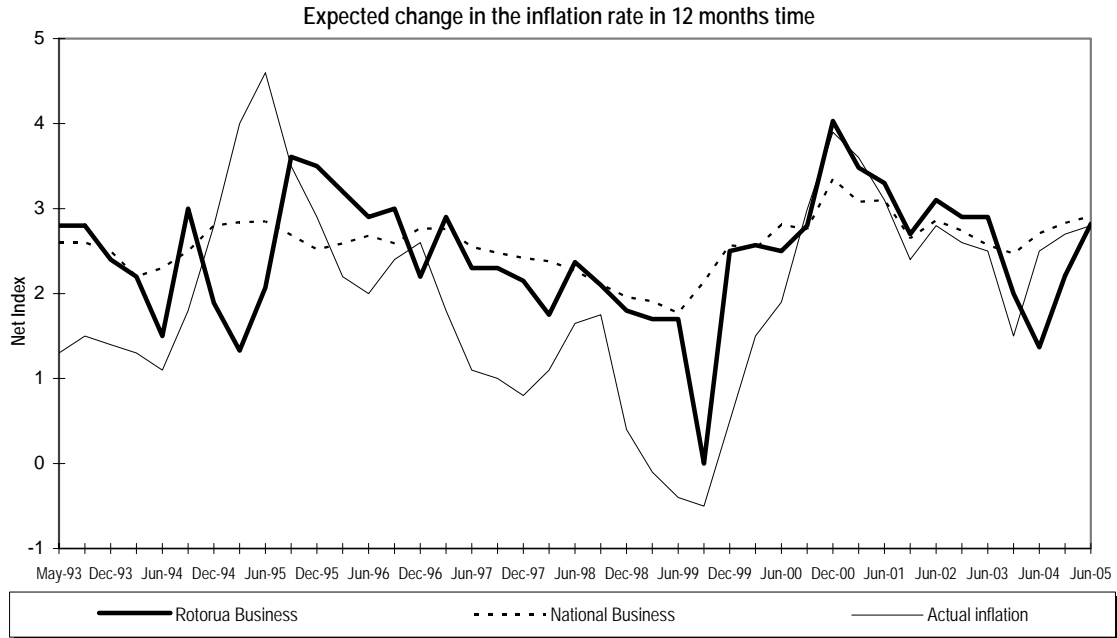
Rotorua residents reported an increase in confidence, with the index rising 5.9 points to 22.7. This indicates that like Rotorua businesses, the majority expect national general business conditions to increase over the upcoming year.

The national business index decreased by -40.5 points, taking it to -48.8. This indicates that the majority of businesses nationally expect national general business conditions to deteriorate over the next 12 months.

Inflation Rate

NZ Business ↓

Rotorua Business ↓



Rotorua businesses are expecting inflation to increase over the next 12 months, with an expected increase of 0.61%, taking it to 2.82%.

Businesses nationally reported an expectation that inflation levels would increase with expected inflation rising by 0.08% to 2.91%.

The actual inflation rate for June 2005, as measured by the Consumer Price Index, was 2.8% from the same time last year.

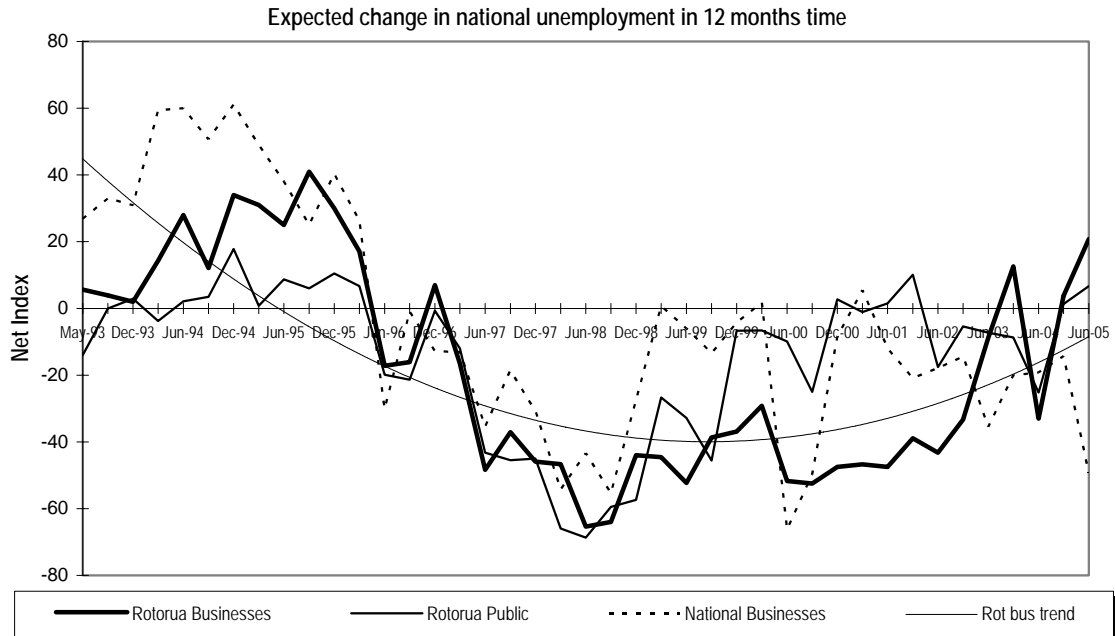
Looking back to last year, Rotorua businesses predicted inflation would be at 1.4% in June 2005 and New Zealand businesses were expecting it to reach 2.71%.

National Unemployment

NZ Business ↓ - ☹

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



Local businesses reported an increase in confidence over the past six months with the index increasing by 17.0 points to 20.8. This indicates that a majority of Rotorua businesses expect unemployment to decrease over the upcoming 12 months.

The Rotorua public index also showed an increase in confidence. The index rose by 5.4 points to 6.7, indicating that a majority of households expect unemployment nationally to remain at current levels over the next 12 months.

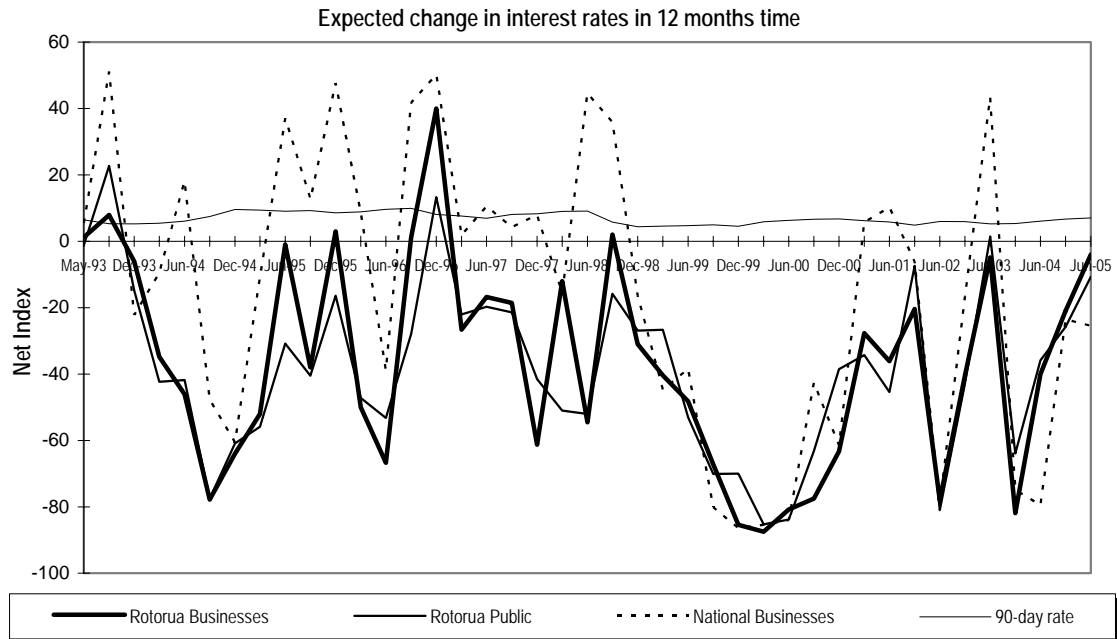
The national business index shows a reverse trend to the local indexes with a large drop of negative -35.0 points being recorded, taking it to -49.3. This indicates that the majority of businesses nationally expect unemployment to increase over the upcoming year.

Interest Rates

NZ Business NC - ☹

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence regarding expected interest rates in 12 months' time. The index increased 17.0 points, taking it to -4.0. Despite the rise in the index, a majority of Rotorua businesses expect increasing interest rates or for rates to remain at current levels over the next 12 months.

Rotorua residents also reported an increase in confidence in the Rotorua Public index. The index increased 15.1 points taking it to -10.7. Despite the increase, the majority of Rotorua households expect interest rates to increase over the upcoming year.

Nationally, businesses reported a slight decrease in confidence of -2.0 points, taking the national business index to -25.5. This indicates that a majority of national businesses expect interest rates to increase.

In conclusion, all indexes show an expectation of increased interest rates over the upcoming 12 months.

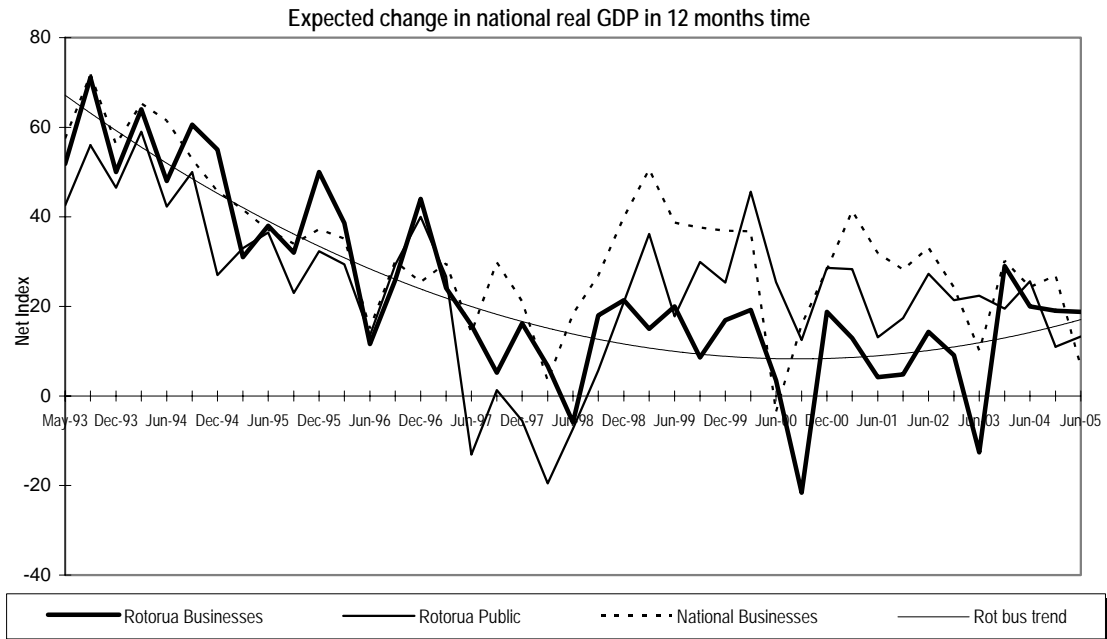
The June 2005 90-day rate increased over the previous six months, going from 6.71 in December 2004 to its end of June 2005 level of 7.03.

National Real GDP/Economic Activity

NZ Business ↓ - ☹

Rotorua Business NC - ☺

Rotorua Public NC - ☺



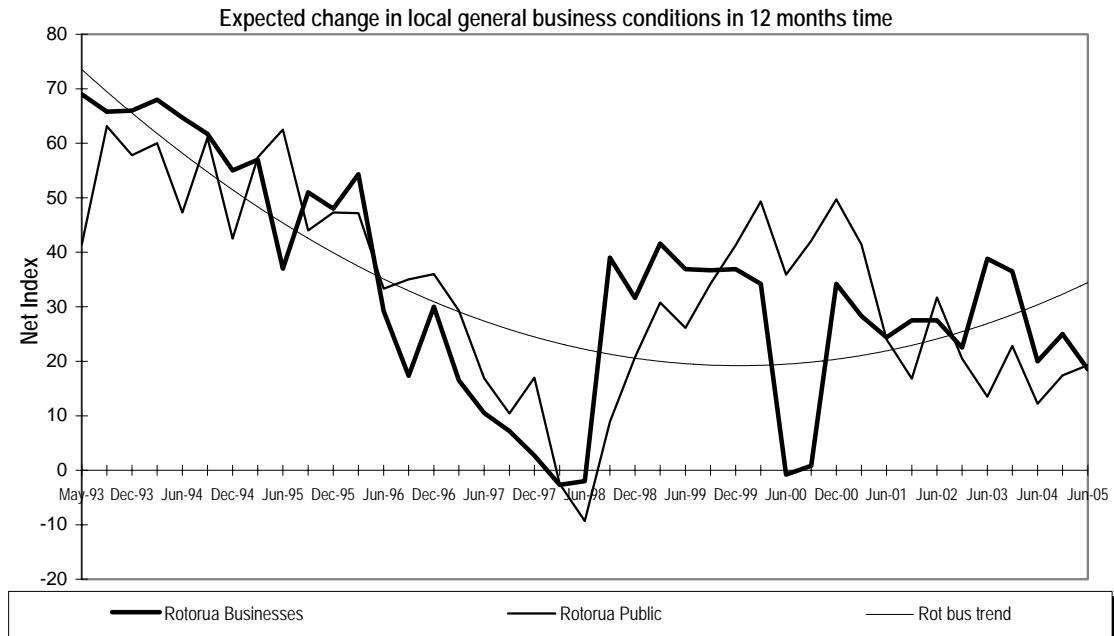
Local businesses reported a small decrease in confidence over the past six months with the index dropping by 0.2 points, taking it to 18.8. Despite the decrease in the index, the majority of local businesses expect national real GDP to increase over the next 12 months.

Rotorua households reported a slight increase in confidence over the past six months with the index rising 2.3 points to 13.3. This indicates, that like their business counterparts, most Rotorua households expect national real GDP to increase over the upcoming year.

Nationally the business index decreased by -20.4 points, taking it to 6.5. Despite the decrease, a majority of national businesses predict that over the next 12 months national real GDP will increase.

Local General Business Conditions

Rotorua Business ↓ - ☺ **Rotorua Public NC** - ☺



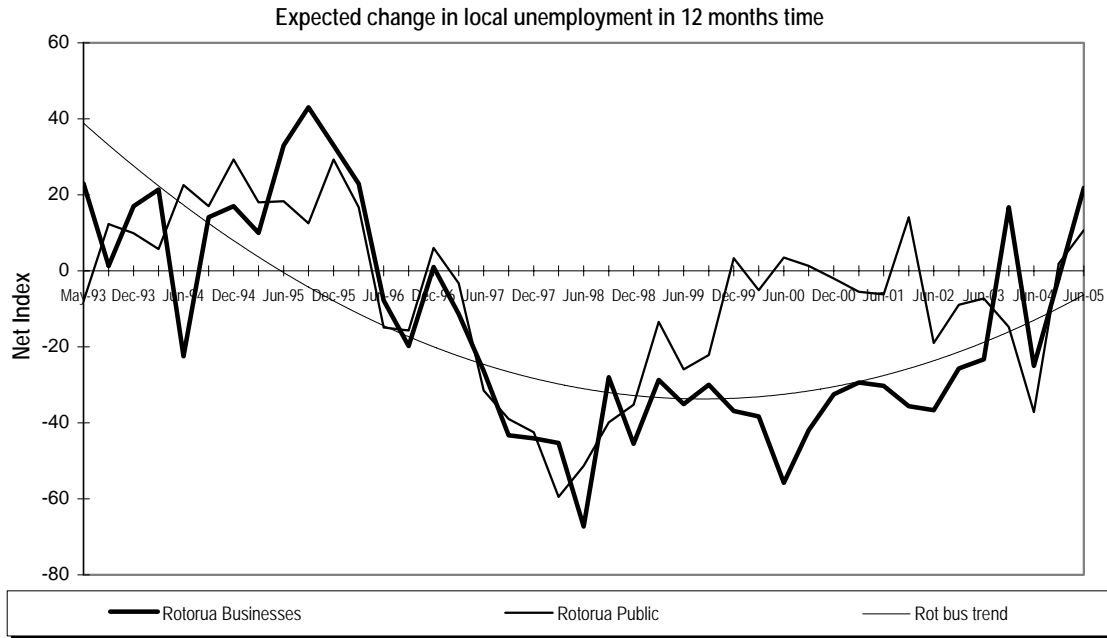
The Rotorua business index decreased by -6.5 points over the past six months, taking it to 18.5. Despite the decrease in confidence, the majority of Rotorua businesses expect local general business conditions to improve over the next 12 months.

The Rotorua public index increased slightly, going up 1.9 points and taking it to 19.3. Like their business counterparts, Rotorua households expect local general business conditions to increase over the upcoming year.

Local Unemployment

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



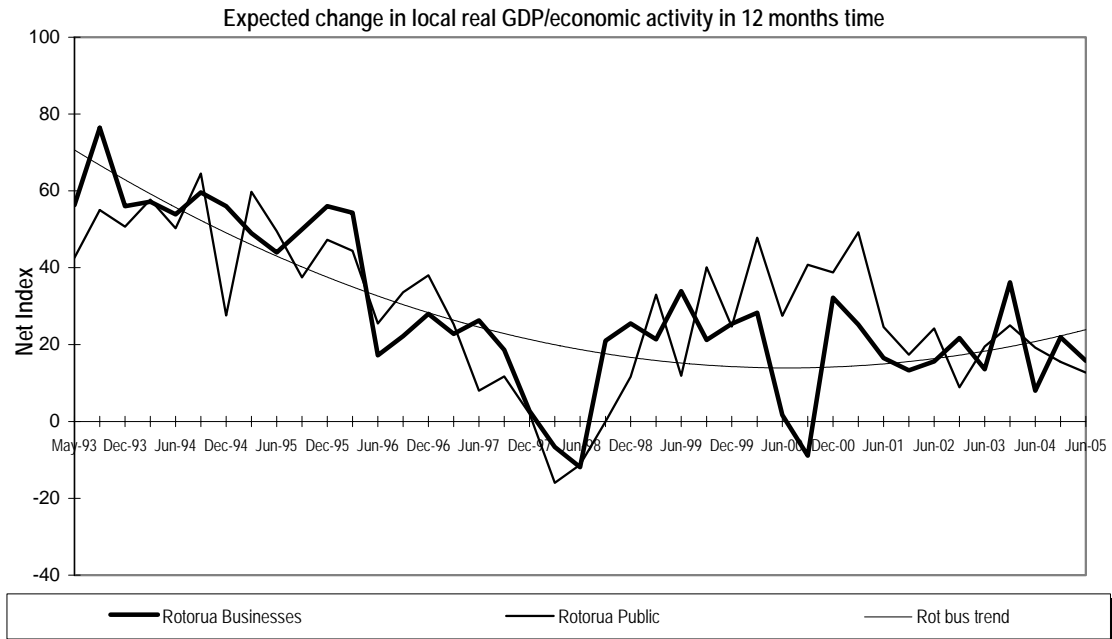
The local business index increased by 23.7 points over the previous six months, taking it to 21.8. This indicates that the majority of Rotorua businesses expect local unemployment to decrease over the next 12 months.

Local householders also reported an increase in confidence, with the index rising 8.8 points, taking it to 10.7. This indicates that Rotorua householders also expect local unemployment to decrease over the next 12 months.

Local Real GDP / Economic Activity

Rotorua Business ↓ - ☹

Rotorua Public NC - ☺



Rotorua businesses reported a decrease in confidence of -6.1 points over the past six months, taking the index to 15.8. Despite the drop in the index, the majority of local businesses expect economic activity to increase over the next year.

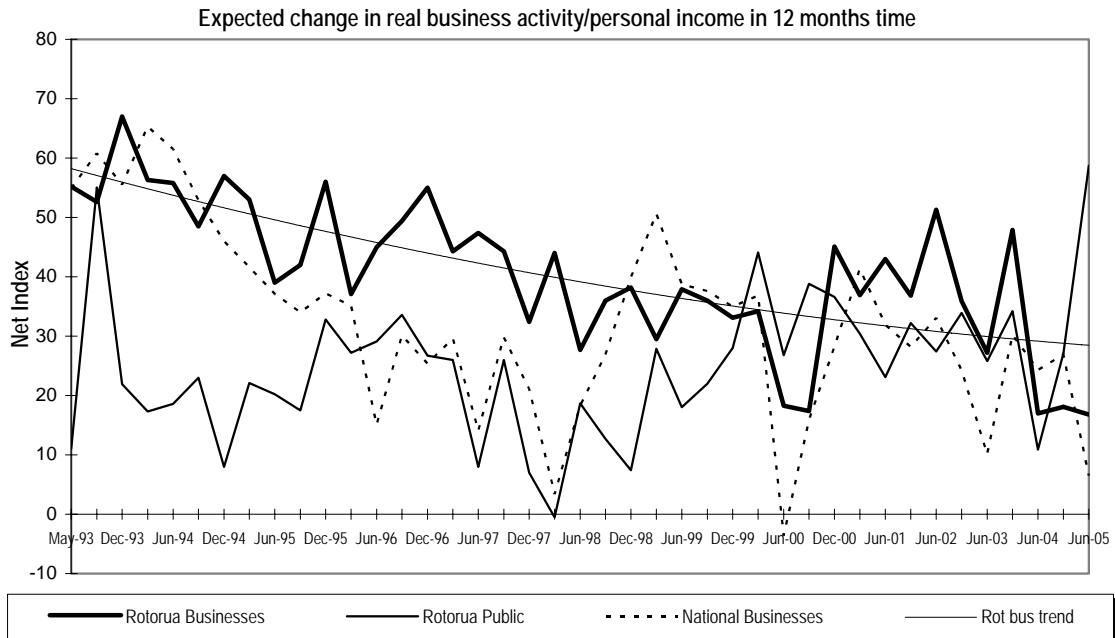
Rotorua residents reported a small decrease in confidence with the Rotorua public index dropping -2.8 points to 12.7. Despite the drop in confidence, a majority of Rotorua residents also expect business activity to increase over the next 12 months.

Real Business Activity / Personal Income

NZ Business ↓ - ☹

Rotorua Business NC - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported a slight decrease in confidence of -1.3 points over the past six months, taking the index to 16.8. Despite the drop, the majority of local businesses are confident of increased income levels over the following year.

Rotorua residents reported a large increase in confidence with their index increasing 31.6 points, taking it to 58.7. This indicates that the majority of Rotorua residents expect to increase their personal income over the upcoming year. This is the highest that the Rotorua Public index has been since August 1993 when the index reached 55.0 points.

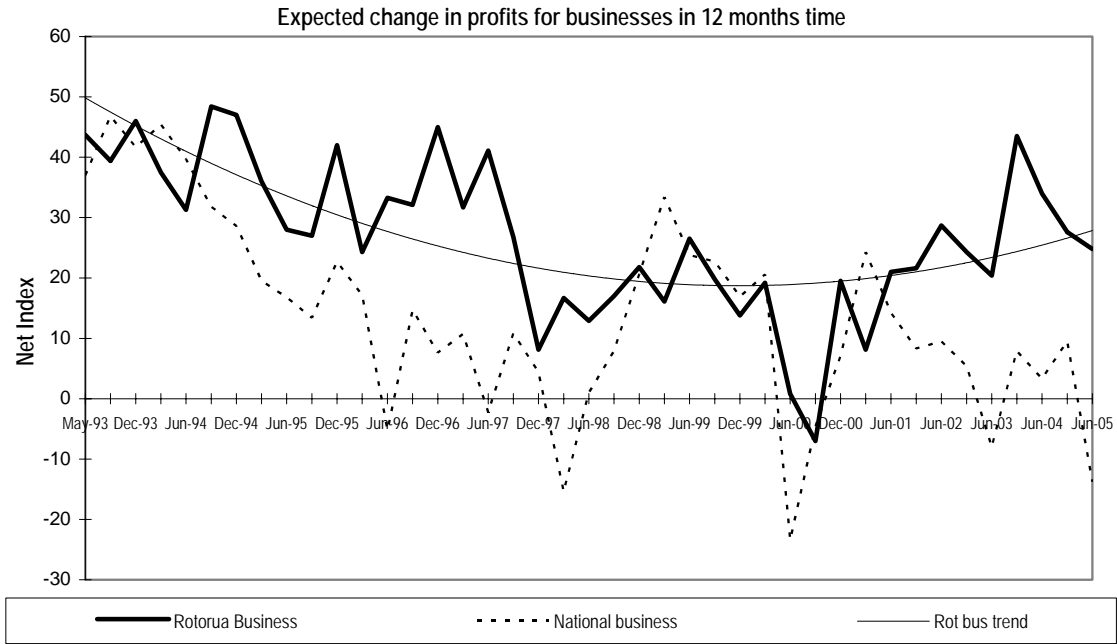
Nationally, businesses reported a decrease in confidence. The national business index decreased by -20.4 points over the past six months to reach 6.5 points. Despite the drop in confidence, a majority of national businesses expect their income levels to remain at current levels or increase over the upcoming year.

In conclusion, all indexes are showing an expectation of more personal income and higher real business activity over the upcoming 12 months.

Profits For Businesses

NZ Business ↓ - ☹

Rotorua Business NC - ☺



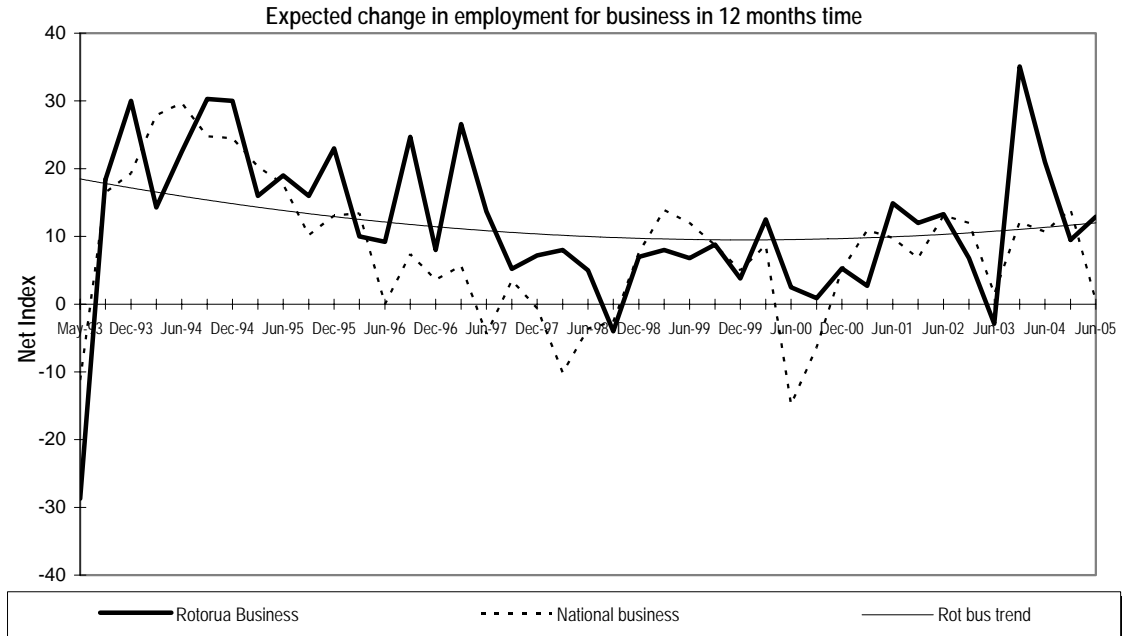
Rotorua businesses reported a slight decrease in confidence with regard to their profit levels over the next 12 months. The Rotorua business index decreased by -2.8 points taking it to 24.8. Despite the drop in the index, the majority of local businesses expect increased profits over the upcoming year.

Nationally, businesses reported a large decrease in confidence of -23.3 points, taking the index to -13.8. This indicates that the majority of national businesses expect profits to remain at current levels or decrease over the next 12-month period.

Employment For Businesses

NZ Business ↓ - ☹

Rotorua Business NC - ☺



Rotorua businesses reported an increase in confidence regarding levels of employment over the next 12 months. The index increased by 3.4 points taking it to 12.9. This indicates that a majority of Rotorua businesses expect to employ the same amount or more workers over the upcoming year than they do currently.

Nationally, businesses reported a decrease in confidence of -13.5 points, taking the index to 0.5. This drop indicates that national businesses expect to employ the same number of workers that they do currently.

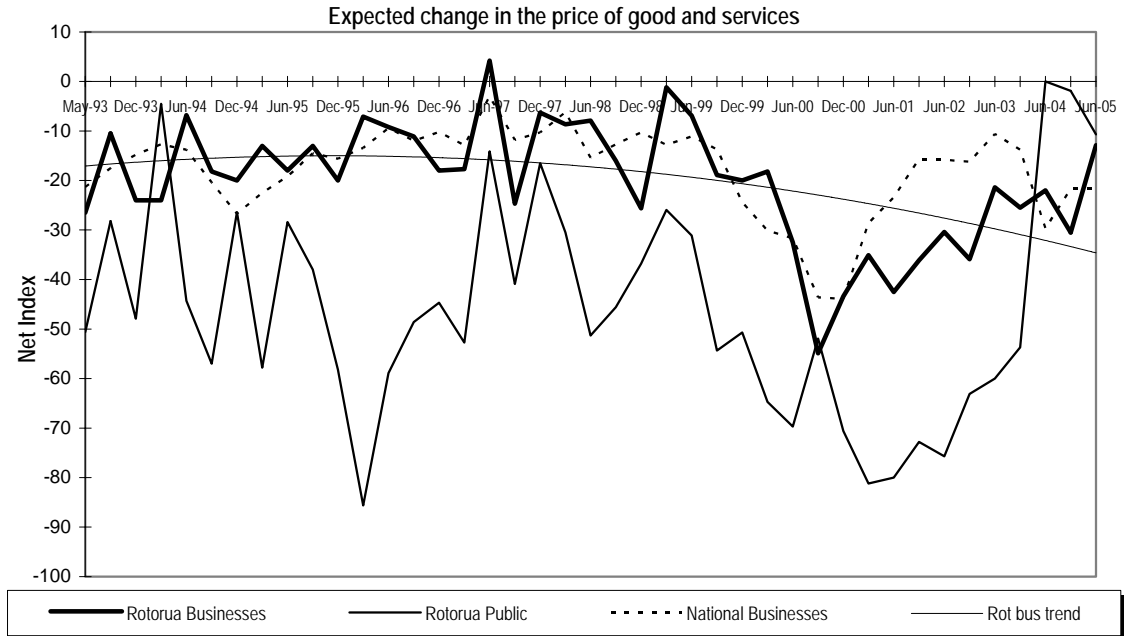
In conclusion, the local and national business indexes are both showing an expectation that employment should remain at current levels or increase.

Price of Goods and Services

NZ Business NC - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported an increase in confidence with the index rising 17.6 points to negative -12.9. Despite the increase, the majority of Rotorua businesses expect the price of their goods and services to increase over the next 3 months.

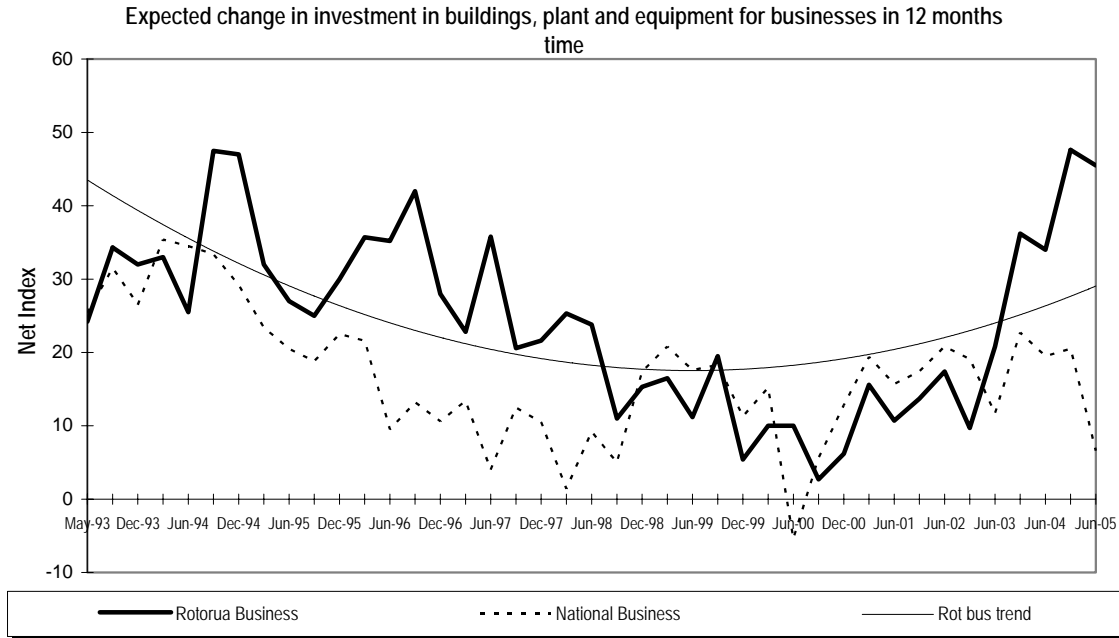
Nationally, businesses reported no change in their index which stayed on -21.7. This indicates that a majority of national businesses also expect prices to rise.

Rotorua residents reported a decrease in confidence with the index dropping -8.8 points to negative -10.7. This indicates that the majority of Rotorua residents also believe that prices will increase over the next 3 months.

Investment For Businesses

NZ Business ↓ - ☹️

Rotorua Business NC - 😊



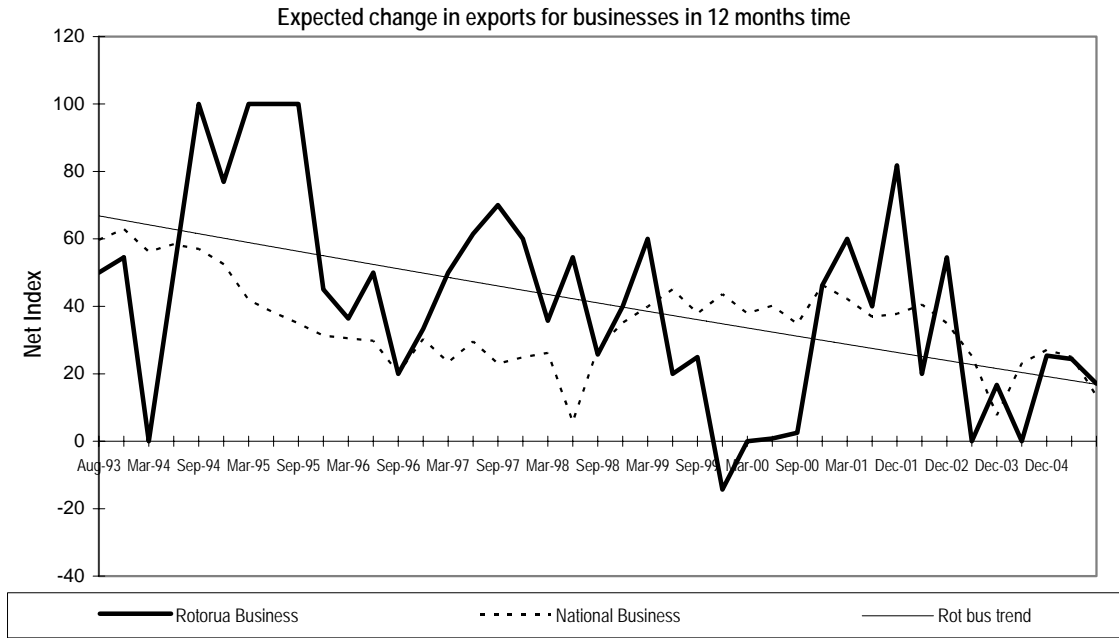
Rotorua businesses reported a slight decrease in confidence of -2.1 points this period, taking the index to 45.5. Despite the drop, the majority of Rotorua businesses expect to increase investment back into their businesses over the next 12 months.

Nationally, businesses reported a decrease in confidence of -13.9 points, taking the national business index to 6.6. Despite the drop, a majority of businesses expect to increase investment back into their businesses or keep investment at current levels.

Exports

NZ Business ↓ - ☺

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 -7.3 points taking the index to 17.1. Despite the drop, most local export businesses expect their volume of exports to increase over the next 12 months.

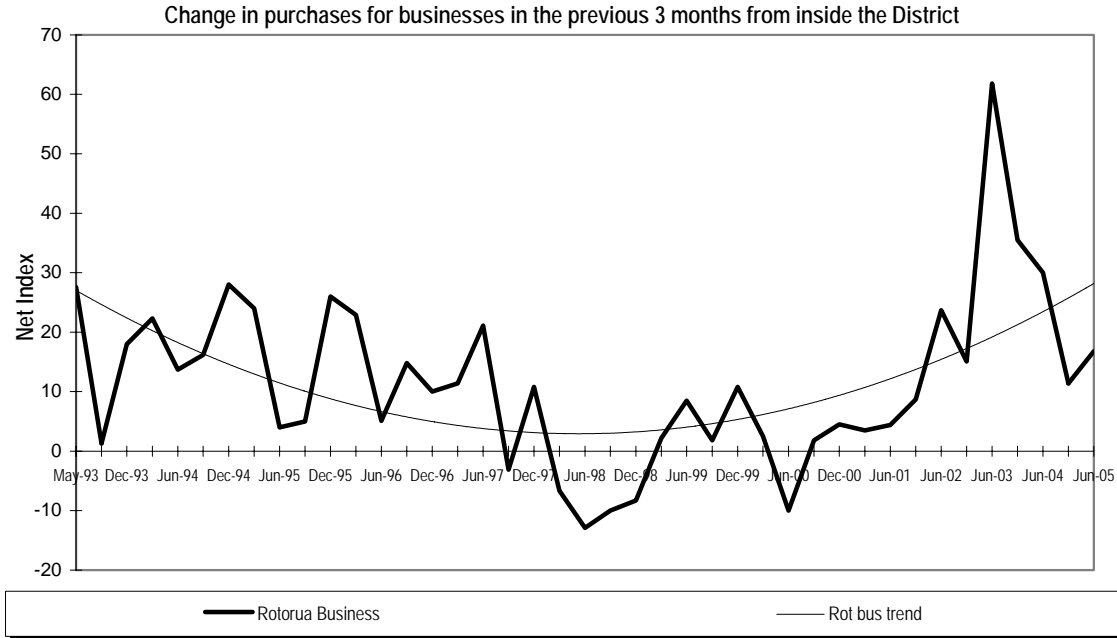
Nationally, businesses involved in exporting reported a decrease in confidence of -11.6 points taking the index to 13.4. Despite the drop, national exporting businesses are in alignment with their local counterparts in expecting the volume of exports to increase.

Purchases

Inside the District

Rotorua Business ↑ - 😊

Rotorua businesses reported an increase in their spending from inside the district this period. The index increased by 5.4 points taking it to 16.8. This indicates that a majority of Rotorua businesses make the most of their purchases inside the district.



Outside the District

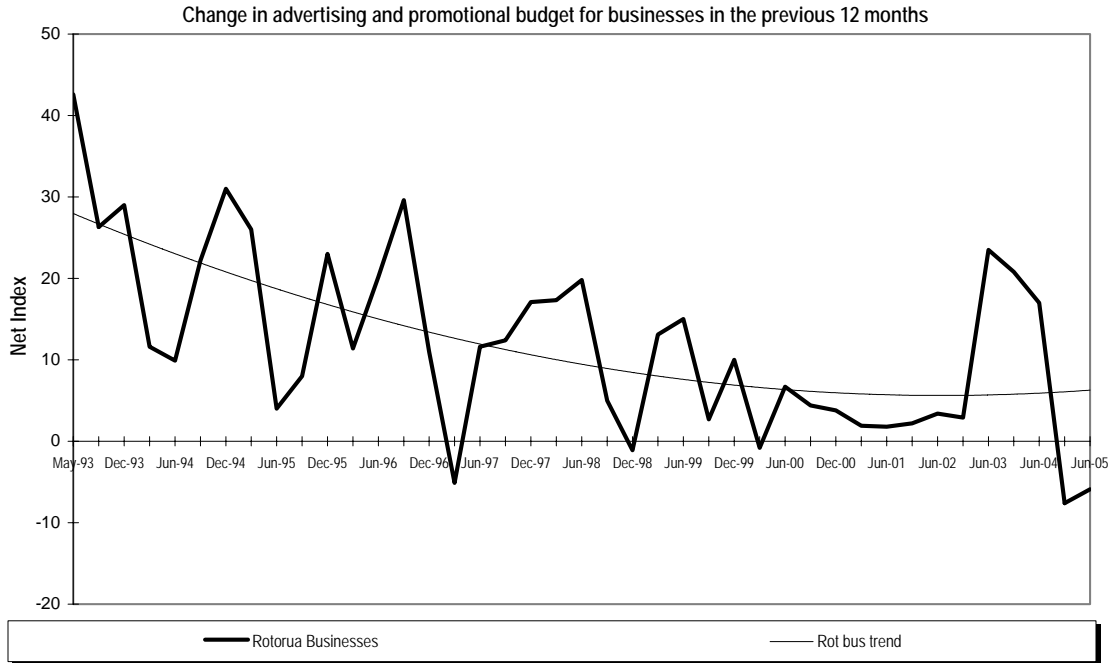
Rotorua Business NC - 😊 **Rotorua Public** ↓ - 😊

Rotorua businesses reported a slight increase in their index this period. The index increased by 0.9 points to -1.0. Despite the increase, some businesses purchased goods from outside the district, rather than sourcing them from within it.

Rotorua residents reported a decrease in their index, with the public index decreasing by negative -34.3 points to 16.7. This indicates that a majority of Rotorua residents are able to source their goods and services from within the district.

Promotional Activity

Rotorua Business NC - ☺

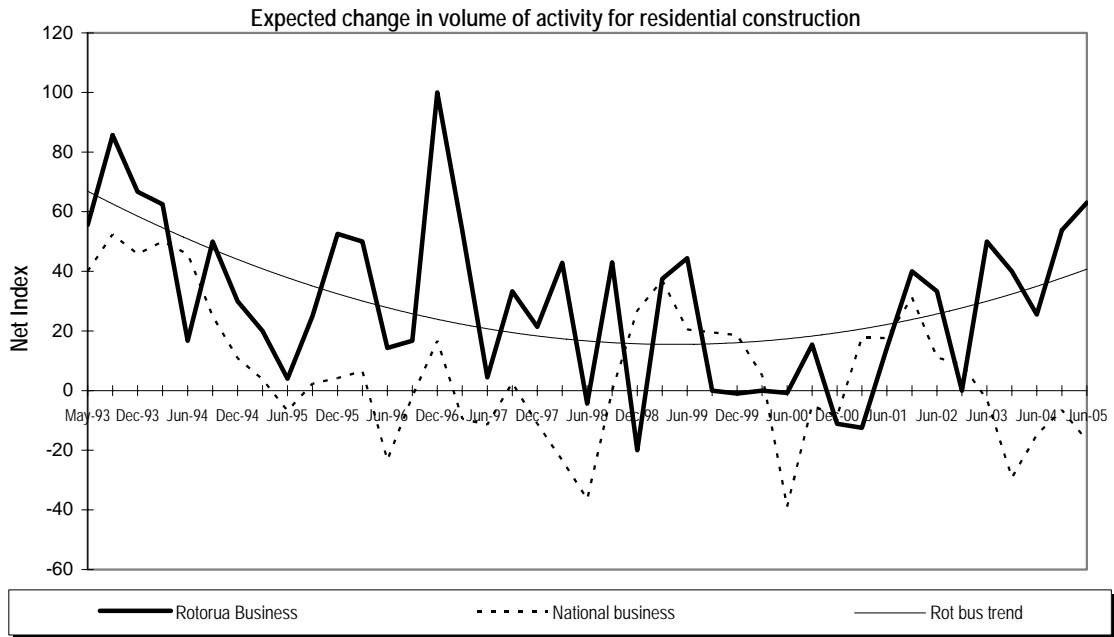


The Rotorua business index increased slightly by 1.7 points over the previous six months, taking it to -5.9. Despite the increase, this indicates that Rotorua businesses are starting to reduce their promotional budgets. The majority of businesses are expecting to keep their promotional budgets at current levels but some are planning to reduce them over the next 12 months.

Construction

Residential Construction

Rotorua Business ↑ - ☺ **NZ Business** ↓ - ☹

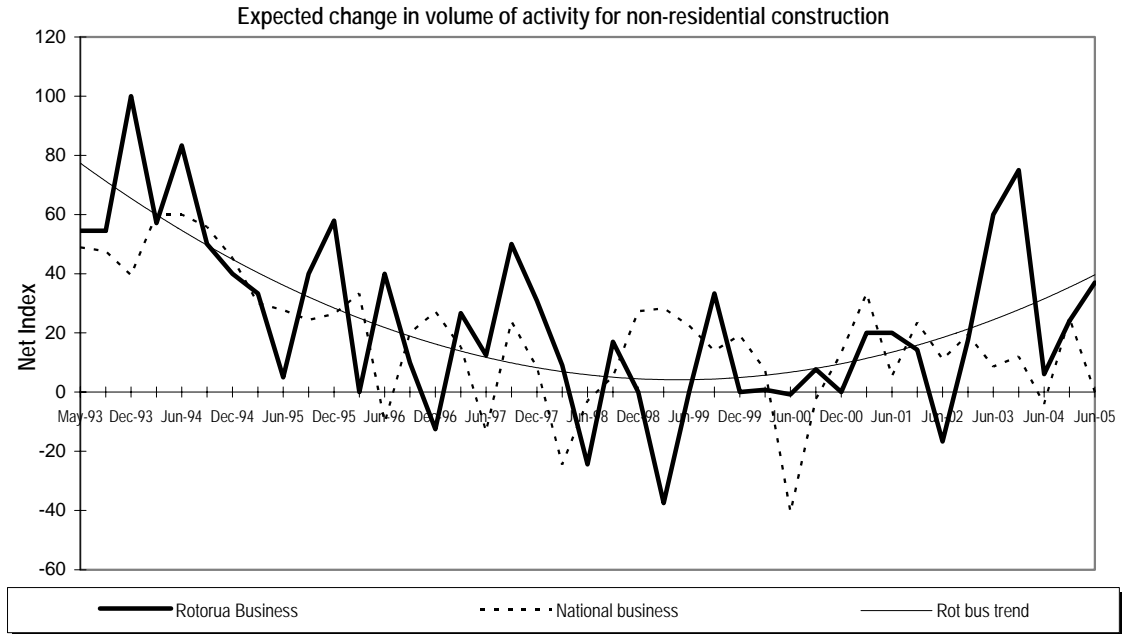


Rotorua businesses involved in residential construction reported an increase in confidence with regard to their upcoming volume of work. The Rotorua business index increased by 9.2 points taking it to 63.0. This indicates that the majority of construction businesses expect the volume of their residential construction to increase.

Nationally, construction businesses reported a decrease in confidence of 10.2 points, taking the index to -16.7. This indicates that a majority of construction businesses nationally expect volumes of residential construction work to decrease.

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 13.0 points to 37.0. This indicates that the majority of Rotorua construction businesses expect their volume of commercial construction to increase.

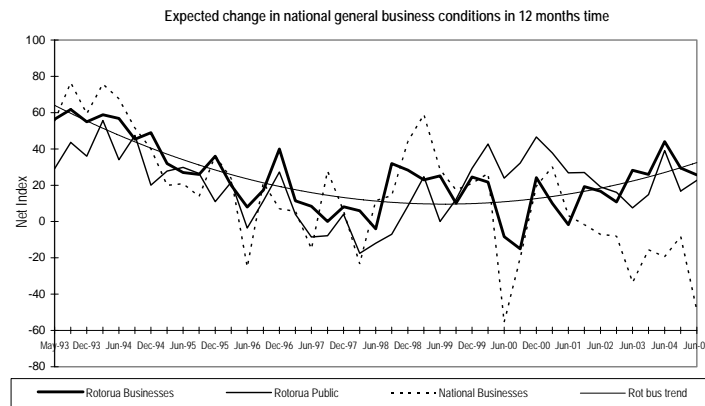
Nationally, construction businesses reported a decrease in confidence of 25.0 points, taking the national business index to 0.0. This indicates that a majority of national businesses expect levels of non-residential construction to remain at current levels.

NATIONAL BUSINESS CONDITIONS

There are big differences between the confidence levels of the local and national indexes for this period with the national business index showing reducing confidence levels across the board and the local indexes showing steady to increasing confidence levels. The local indexes predict that national general business conditions will increase, while the national index shows that nationally businesses expect business conditions to decrease. Local businesses expect national unemployment to decrease, while national businesses expect it to increase. Nationally, businesses are reporting an expectation of decreasing profits while locally businesses are expecting increasing profits. National businesses involved in construction are reporting decreasing levels of activity while the local counterparts are reporting an expectation of increasing activity.

On a positive note, all indexes are reporting that economic activity is expected to increase, employment for businesses is expected to stay at current levels or increase, business investment is expected to remain at current levels or increase and exports are expected to increase.

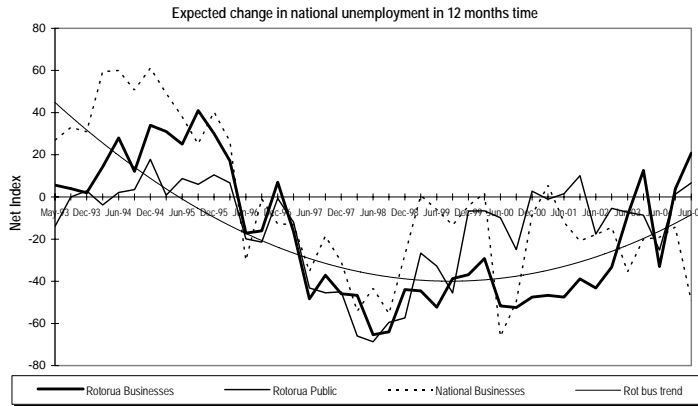
On the negative side, interest rates are expected to rise and prices are expected to increase,



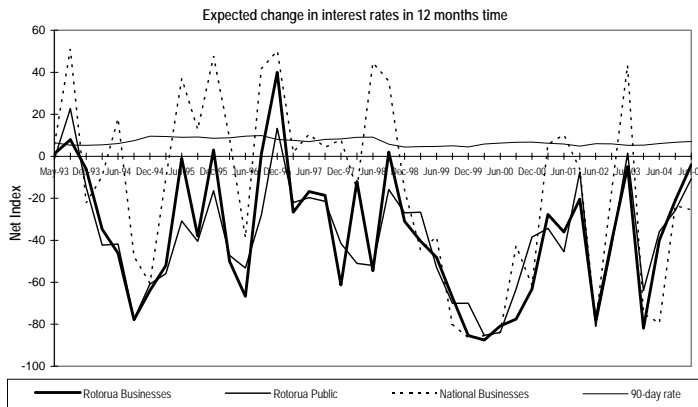
Rotorua businesses and householders expect national general business conditions to improve over the next 12 months. National businesses predict that general business conditions will deteriorate over the next 12 months.



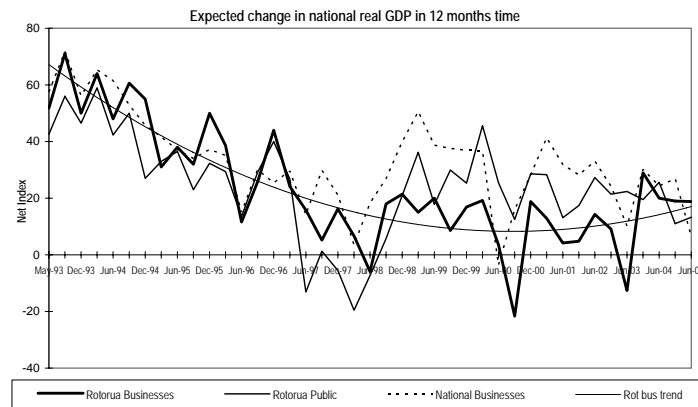
Inflation is expected to increase over the next 12 months.



The local indexes predict that national unemployment will remain at current levels or reduce over the following year. The national business index predicts that unemployment will worsen.



All indexes showed an expectation that interest rates will increase over the next 12 months.

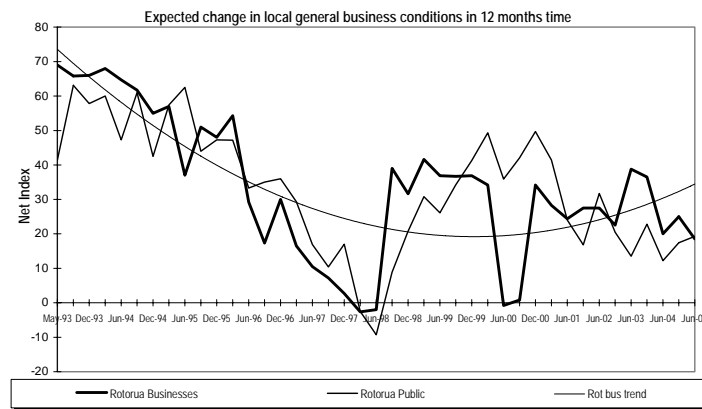


All indexes show an expectation that real GDP will increase.

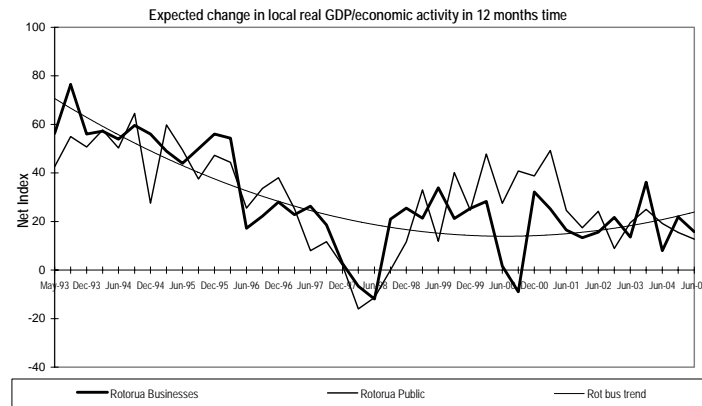
LOCAL BUSINESS CONDITIONS

The local business confidence indexes are showing steady confidence levels. Local general business conditions are expected to improve, economic activity is expected to increase, personal income is expected to increase, business profits are expected to rise, business employment is expected to increase, local unemployment is expected to increase, business investment is expected to be at increased levels, and promotional budgets are expected to remain steady. Exporters are expecting export volumes to increase, and construction businesses are expecting construction levels to increase.

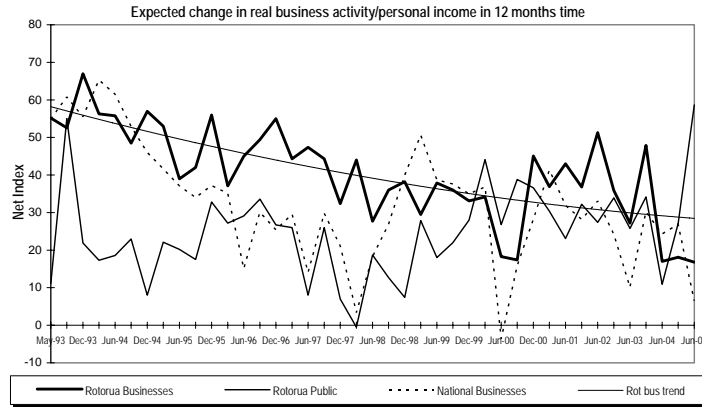
On the negative side, inflation is likely to increase, interest rates are expected to rise and prices are likely to increase.



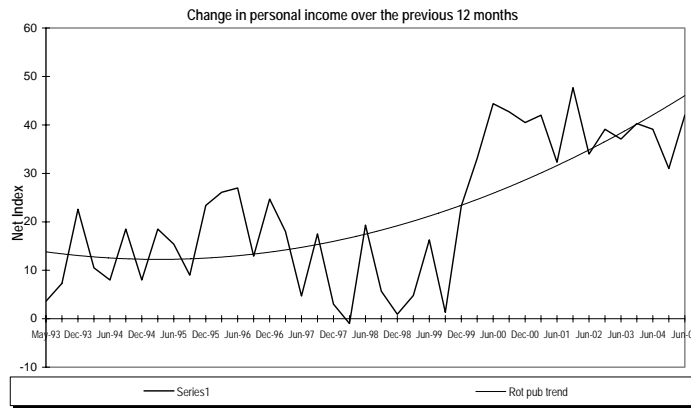
The local indexes both show an expectation that local general business conditions will increase over the next 12 months.



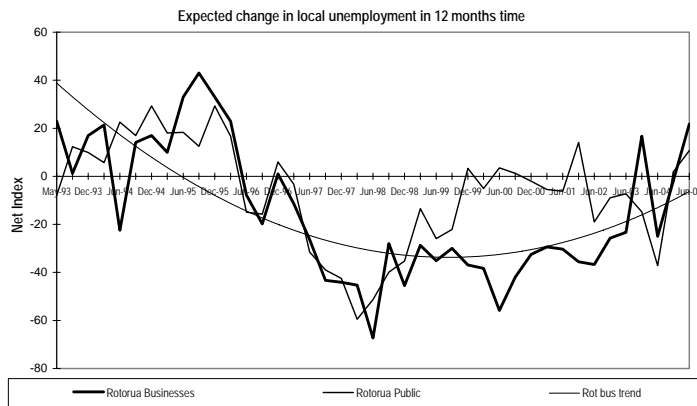
A majority of local residents expect economic activity to increase over the next year.



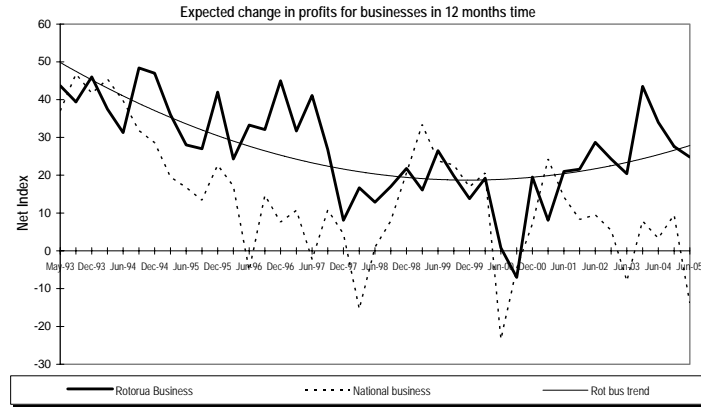
All indexes are reporting an expectation that real business activity/personal income will increase over the upcoming 12 months.



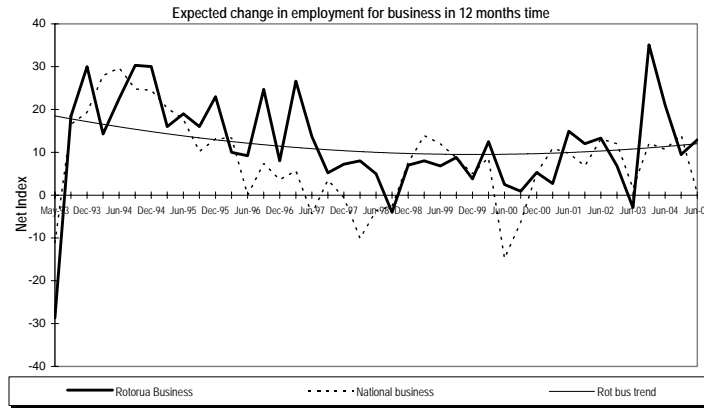
With regard to personal income, the majority of the public of Rotorua reported an increase in personal income over the previous 12-month period.



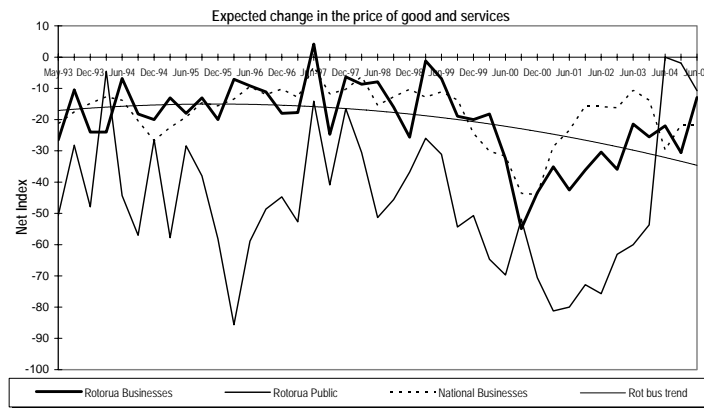
Local unemployment is expected to remain at current levels or decrease over the next 12 months.



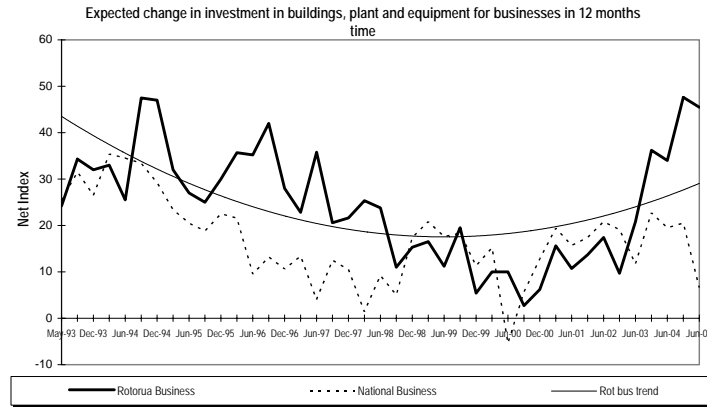
The majority of local businesses expect increased profits over the upcoming year.



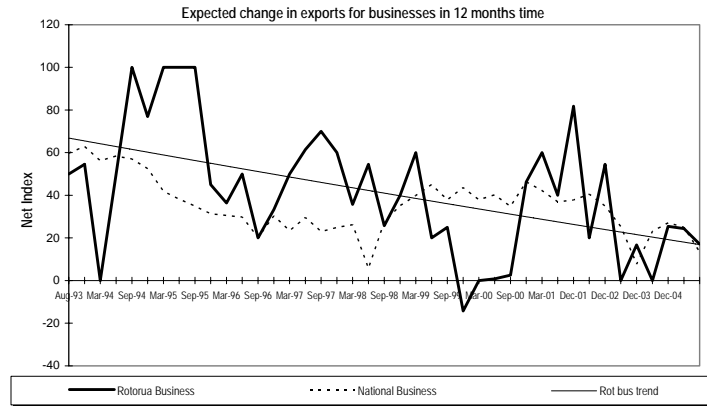
The local business index shows an expectation that employment will remain at current levels or increase over the next 12 months.



Prices are expected to increase over the next 12 months.

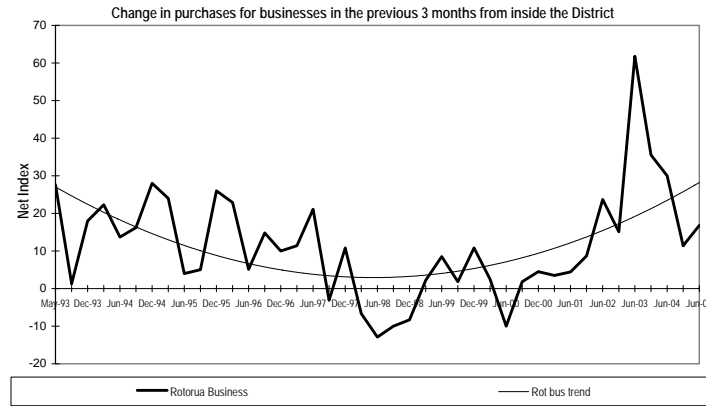


The majority of local businesses are expecting to invest more in their businesses over the upcoming year.

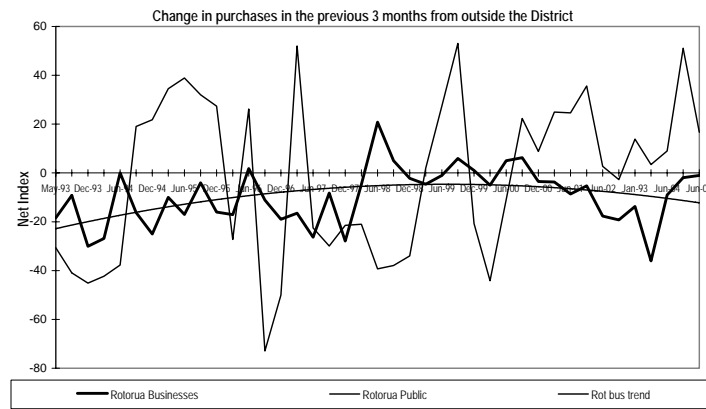


The majority of businesses involved in exports expect levels to increase over the next 12 months.

PURCHASE OF GOODS AND SERVICES

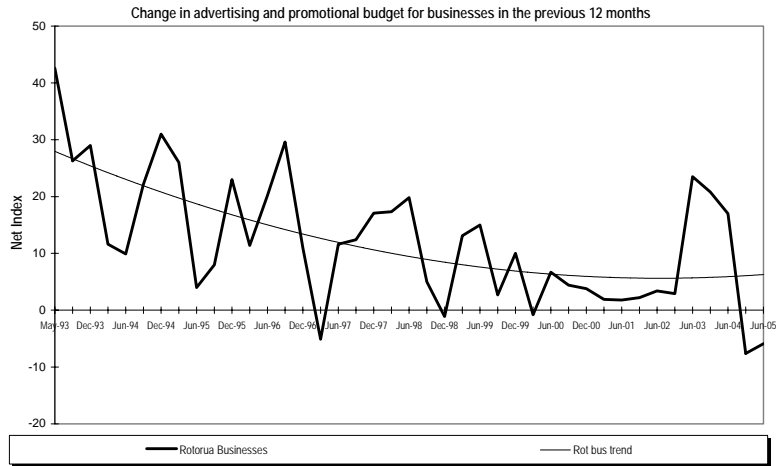


The majority of Rotorua businesses reported making most of their purchases inside the district this period.



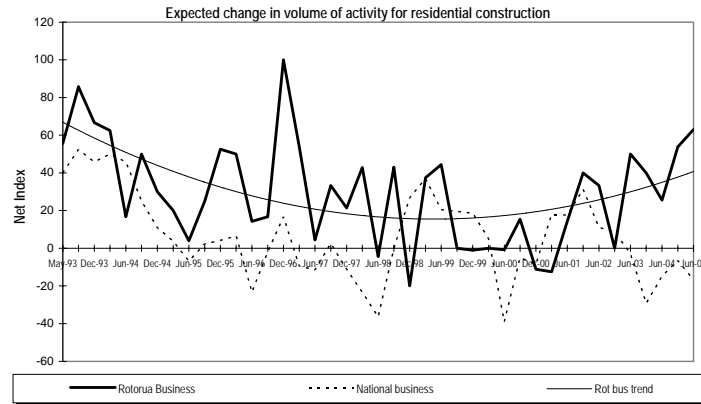
Rotorua businesses reported that a similar number of businesses purchased goods from outside of the district compared to those that purchased goods from within it. Local residents reported buying most of their goods from within the district.

PROMOTIONAL ACTIVITY



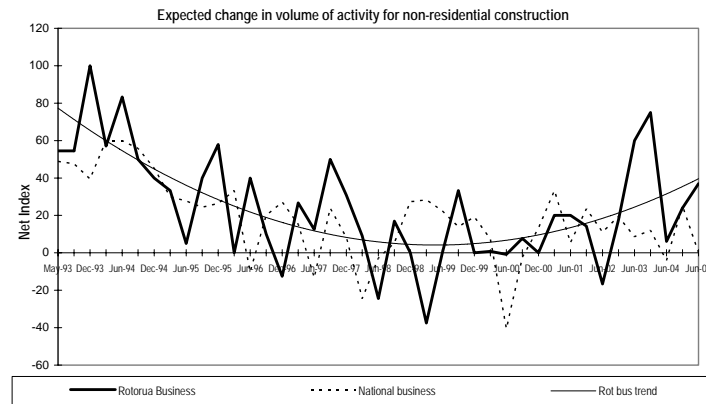
A majority of businesses are planning on keeping their promotional budgets at current levels or reducing them over the next 12 months.

CONSTRUCTION INDUSTRY



Locally, businesses involved in residential construction reported an increase in confidence with regard to their upcoming volume of work.

Nationally, construction businesses expect their volume of work to decrease.



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

Nationally, construction businesses expect levels of non-residential construction to remain steady over upcoming months.