

rotorua
economic development unit



growing
together



JUNE 2004 BUSINESS AND PUBLIC CONFIDENCE

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

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

By : **APR Consultants**

Date : **June 2004**



future
industry
wealth



enjoyment
lifestyle
opportunity



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 2004. 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 2004, 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

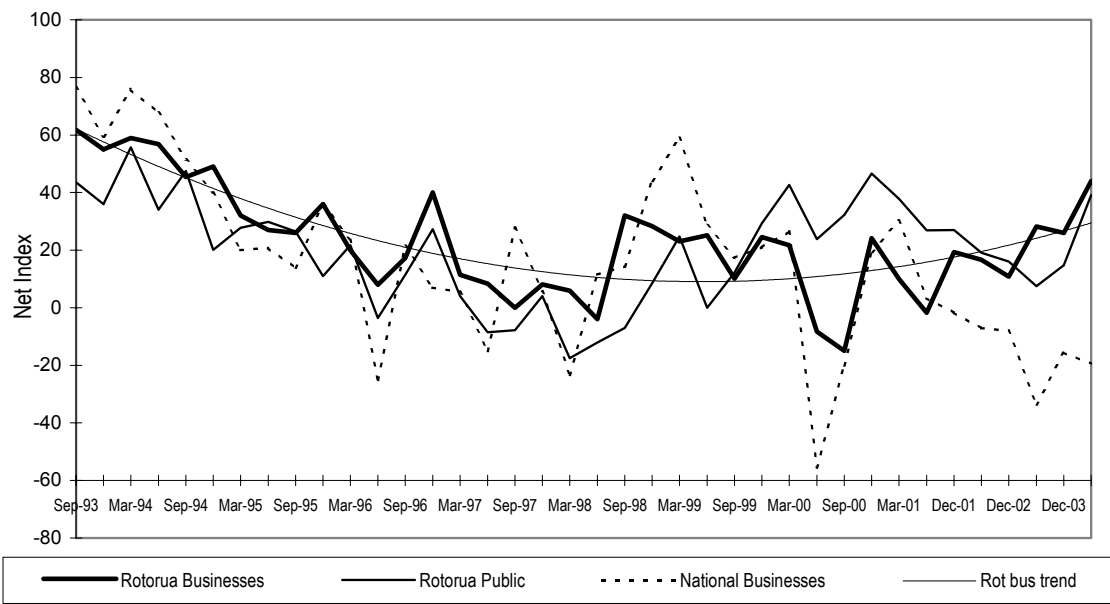
National General Business Conditions

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 next 12 months, with the index increasing 18.0 points to 44.0, indicating that the majority expect national general business conditions to improve.

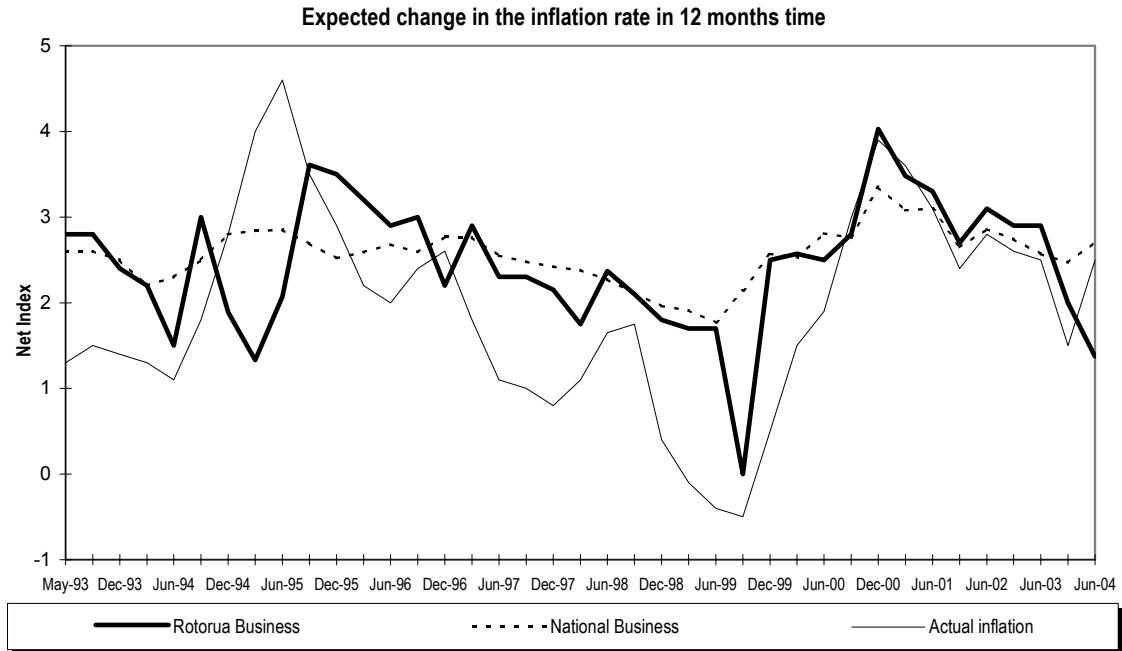
Rotorua residents also reported an increase in confidence, with the index increasing 24.3 points to 39.1. This indicates, that like Rotorua businesses, the majority expect national general business conditions to increase over the upcoming year.

The national business index decreased by 3.8 points, taking it to -19.4. Unlike Rotorua residents, 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 drop over the next 12 months, with an expected fall of 0.63%, taking it to 1.37%.

Businesses nationally reported an expectation that inflation levels would increase with expected inflation rising by 0.24% to 2.71%.

The actual inflation rate for June 2004 was 2.4% from June 2003.

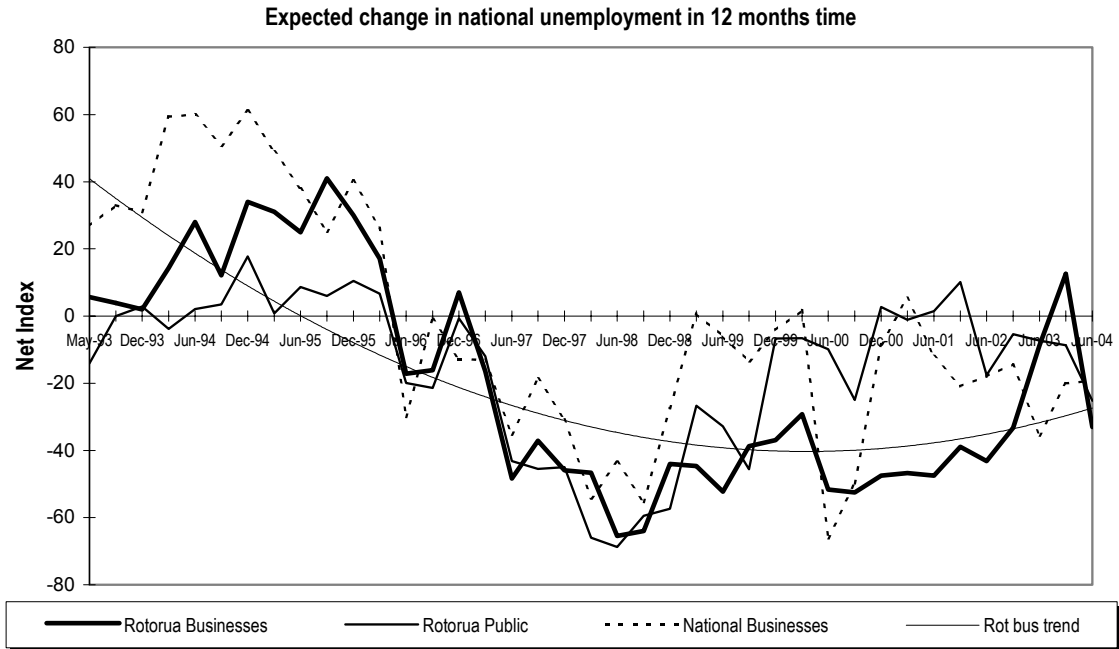
Looking back to last year, Rotorua businesses predicted inflation would be at 2.9% in June 2004 and New Zealand businesses were expecting it to reach 2.6%.

National Unemployment

NZ Business NC

Rotorua Business ↓

Rotorua Public ↓



Local businesses reported a decrease in confidence over the past six months with the index decreasing by 45.6 points to -33.0 . This indicates that a majority of Rotorua businesses expect unemployment to increase nationally over the upcoming 12 months.

The Rotorua public index also dropped. The index fell 16.5 points to -25.2 , indicating that a majority of households also expect unemployment nationally to increase over the next 12 months.

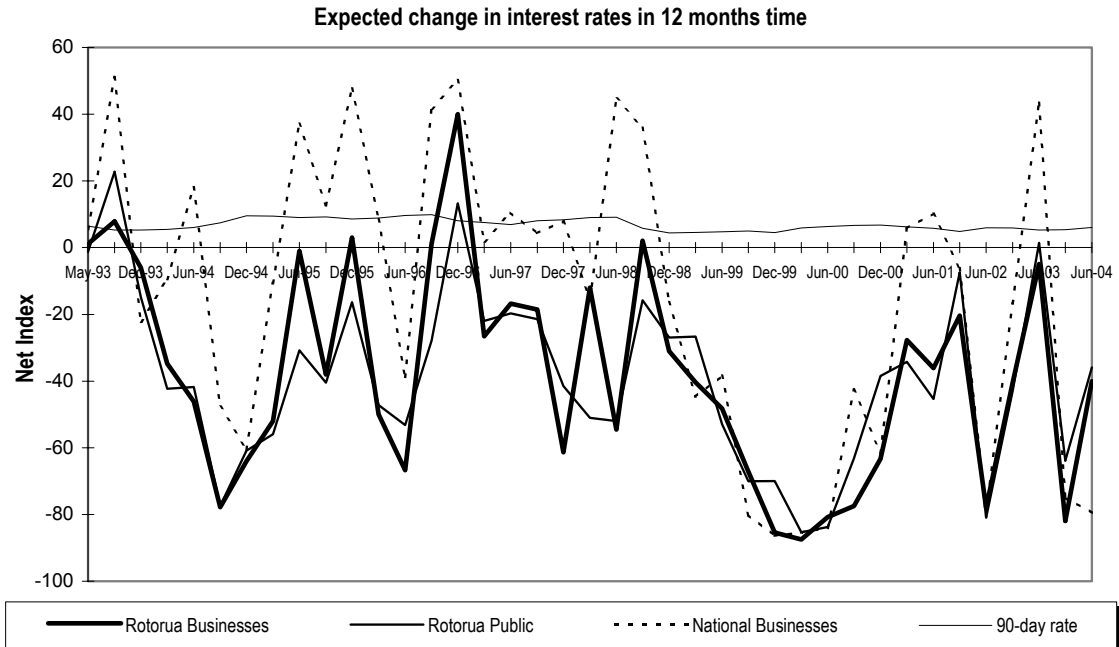
The national business index increased slightly by 0.8 points, taking it to -19.2 . Despite the small increase in confidence, the majority of businesses nationally expect unemployment to increase over the upcoming year.

Interest Rates

NZ Business ↓

Rotorua Business ↑

Rotorua Public ↑



Rotorua businesses reported an increase in confidence of 41.9 points, taking the index to negative -40.0 . Despite the rise in the index, a majority of Rotorua businesses expect increased interest rates over the next 12 months.

Rotorua residents reported an increase in confidence of 28.0 points taking the index to -35.9 . Despite the increase, the majority of Rotorua households also expect interest rates to increase over the upcoming year.

Nationally, businesses reported a decrease in confidence of 4.6 points taking the national business index to -79.5 , indicating that the majority of national business expect interest rates to increase.

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

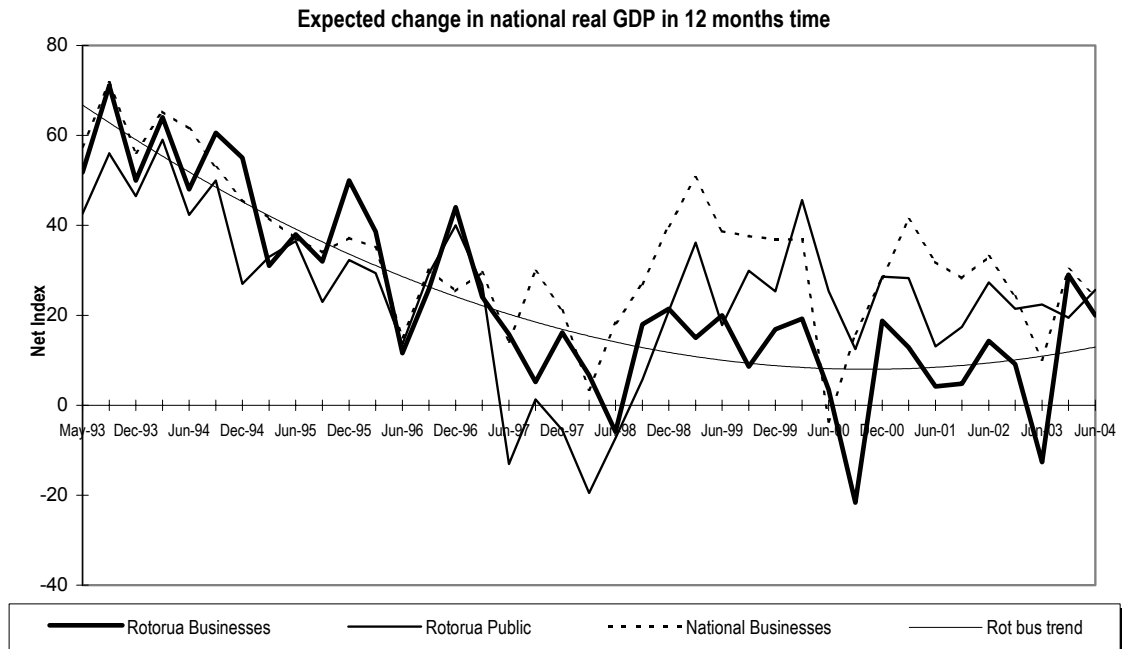
The June 2004 90-day rate increased over the previous six months, going from 5.32 in December 2003 to its end of June 2004 level of 6.07.

National Real GDP/Economic Activity

NZ Business ↓

Rotorua Business ↓

Rotorua Public ↑



Local businesses reported a decrease in confidence over the past six months with the index decreasing by 9.0 points, taking it to 20.0. Despite the decrease in the index, the majority of local businesses expect national real GDP to increase over the next 12 months.

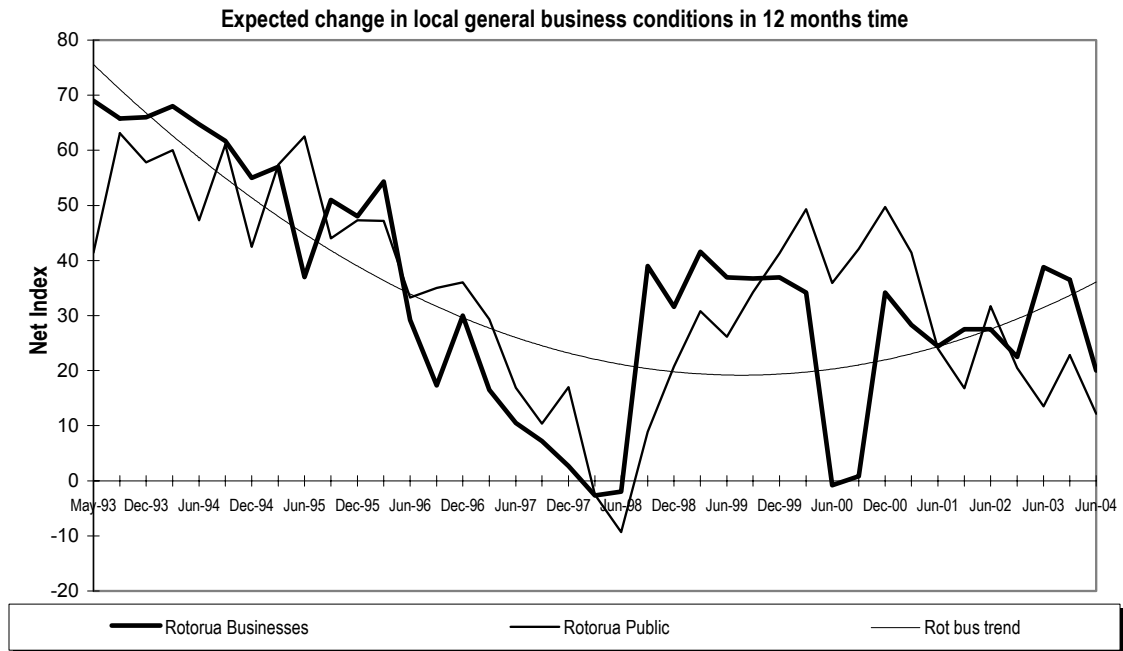
Rotorua households reported an increase of 6.1 points in their index, taking it to 25.6. This indicates, that like their business counterparts, most Rotorua households expect national real GDP to increase over the upcoming year.

Nationally the business index decreased by 5.9 points, taking it to 24.3. Despite the drop in the index, 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 ↓



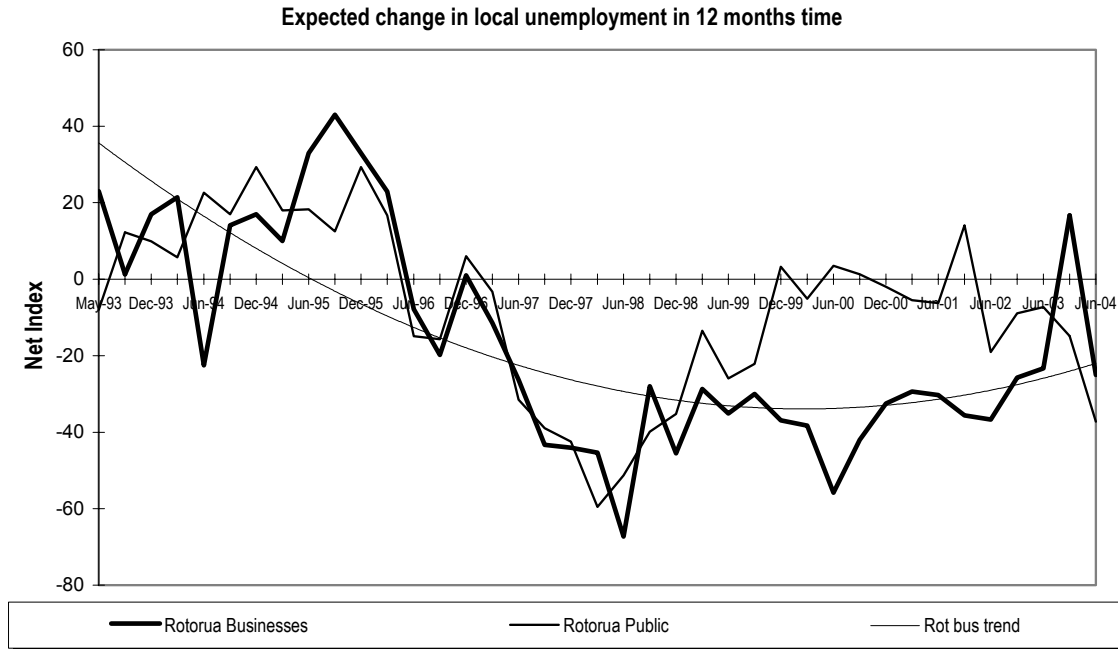
The Rotorua business index decreased by –16.5 points over the past six months, taking it to 20.0. Despite the drop in the index, the majority of Rotorua businesses expect local general business conditions to improve over the next 12 months.

The Rotorua public index also decreased, dropping by 10.6 points. The index currently sits on 12.2. Despite the drop in the index, a small majority of local households still expect local general business conditions to improve over the upcoming year.

Local Unemployment

Rotorua Business ↓

Rotorua Public ↓



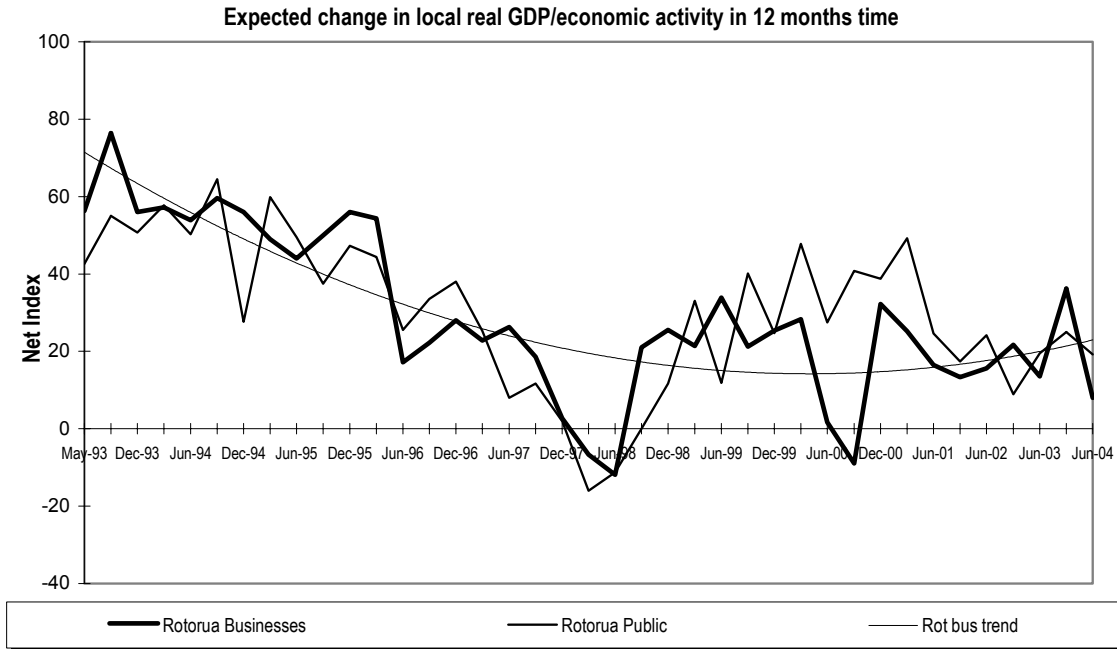
The local business index decreased by 41.7 points over the previous six months, taking it to negative -25.0 . This indicates that the majority of Rotorua businesses expect local unemployment to increase over the next 12 months.

Local householders also reported a decrease in confidence, with the index dropping -22.4 points, taking it to negative -37.2 . This drop indicates, that like Rotorua businesses, Rotorua householders also expect local unemployment to rise over the next 12 months.

Local Real GDP / Economic Activity

Rotorua Business ↓

Rotorua Public ↓



Rotorua businesses reported a decrease in confidence of 28.2 points over the past six months, taking the index to 8.0. Despite the drop in the index, a small majority of local businesses expect economic activity to increase over the next year.

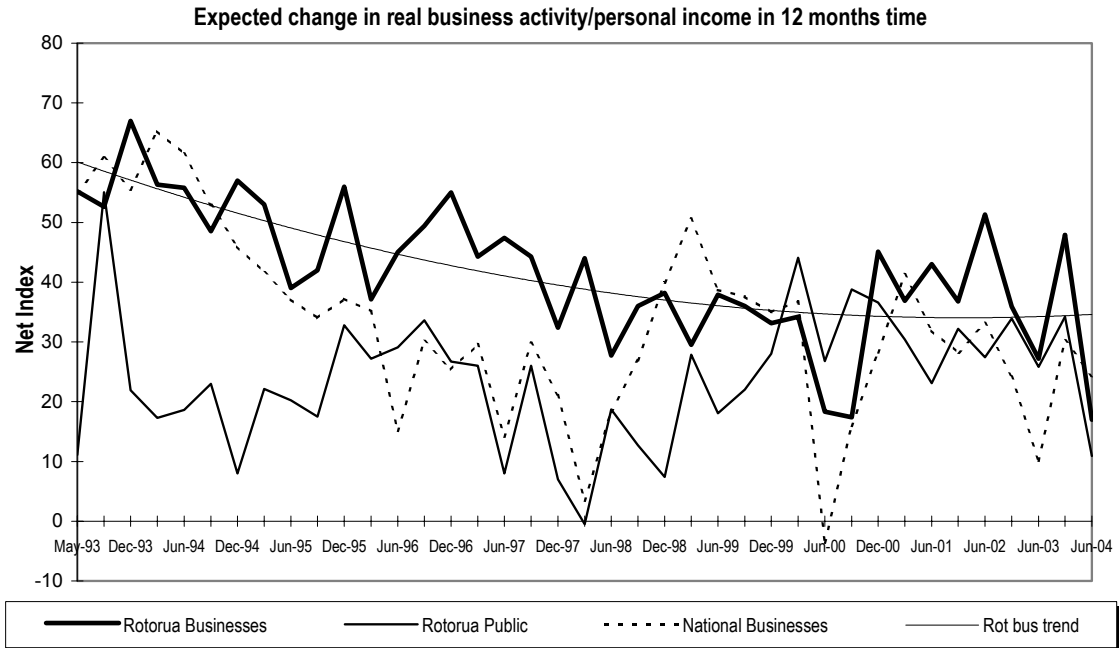
Rotorua residents also reported a decrease in confidence with the Rotorua public index dropping 5.8 points to 19.2. Despite the drop, the majority of Rotorua residents expect business activity to increase over the next 12 months.

Real Business Activity / Personal Income

NZ Business ↓

Rotorua Business ↓

Rotorua Public ↓



Rotorua businesses reported a decrease in confidence of 30.9 points over the past six months, taking the index to 17.0. Despite the drop in confidence, the majority of local businesses are confident of increased income levels over the following year.

Rotorua residents also reported a decrease in confidence with the index decreasing 23.3 points, taking it to 10.9. Despite the drop in confidence and like their business counterparts, the majority expect to increase their personal income over the upcoming year.

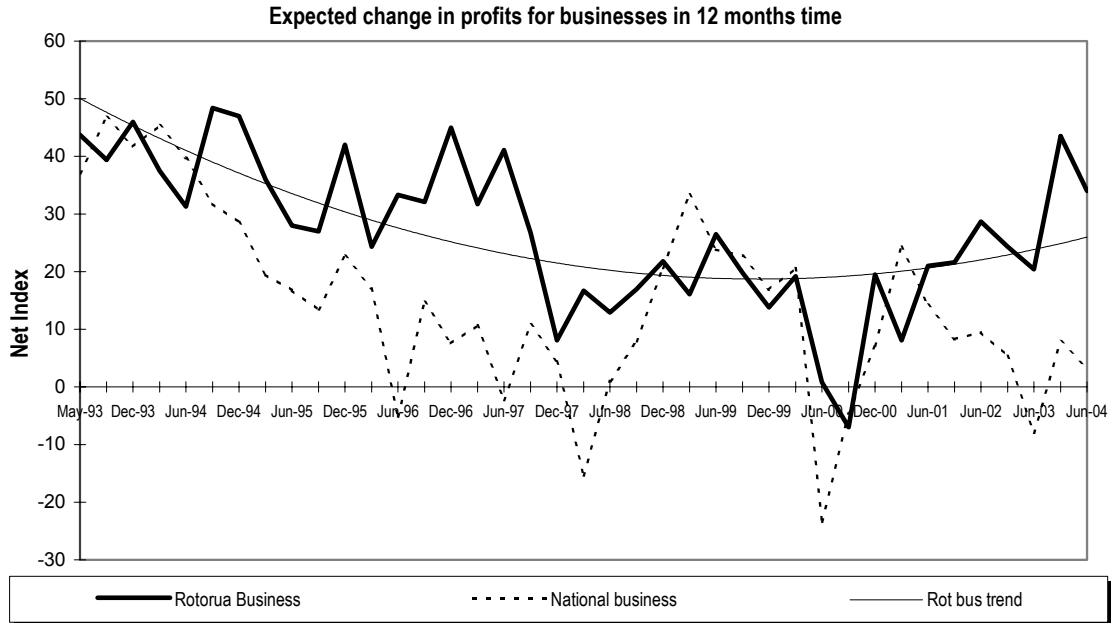
Nationally, businesses also reported a decrease in confidence. The national business index decreased by 5.9 points over the past six months to rest at 24.3 points, indicating that the majority of national businesses expect higher levels of income over the upcoming year.

In conclusion, all indexes are showing an expectation of more personal income and higher real business activity over the upcoming 12 months, although there are signs of dropping confidence levels locally.

Profits For Businesses

NZ Business ↓

Rotorua Business ↓



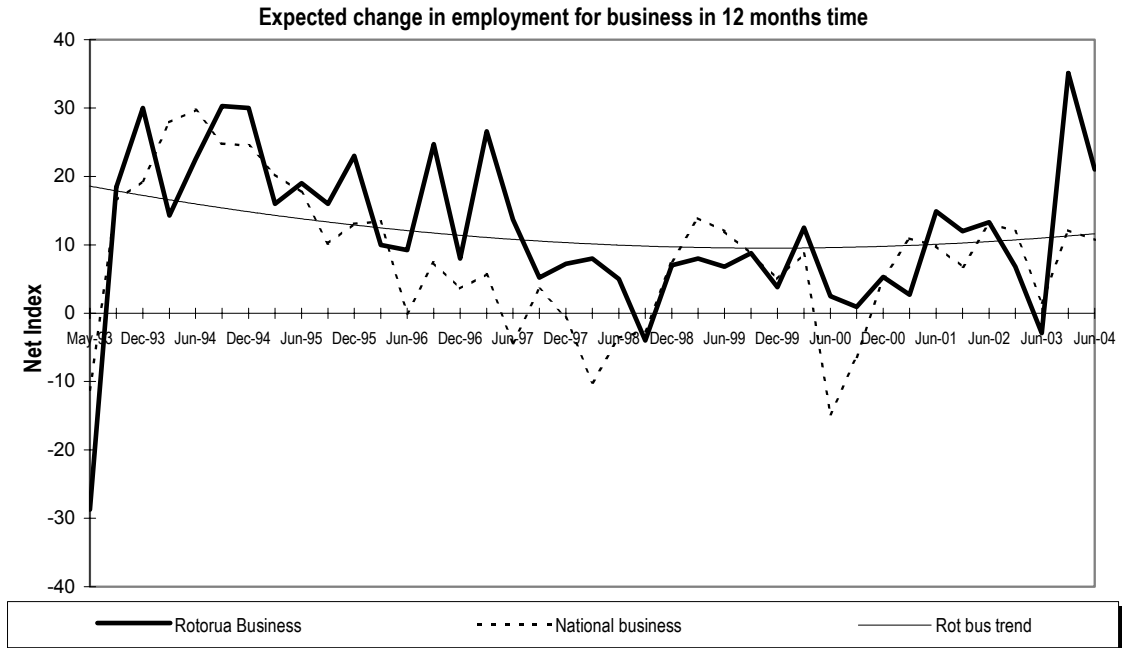
Rotorua businesses reported a decrease in confidence with regard to their profit levels over the next 12 months. The Rotorua business index decreased by 9.5 points to 34.0. Despite the drop in the index, the majority of local businesses expect increased profits over the upcoming year.

Nationally, businesses reported a decrease in confidence of 4.6 points, taking the index to 3.3. This indicates that the majority of national businesses expect profits to remain at current levels over the next 12-month period.

Employment For Businesses

NZ Business NC

Rotorua Business ↓



Rotorua businesses reported a decrease in confidence regarding levels of employment over the next 12 months. The index decreased by 14.1 points to 21.0. Despite the drop in the index, 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 small decrease in confidence of 1.4 points, taking the index to 10.7. Despite the small decrease, national businesses also expect to employ the same or more workers than they do currently.

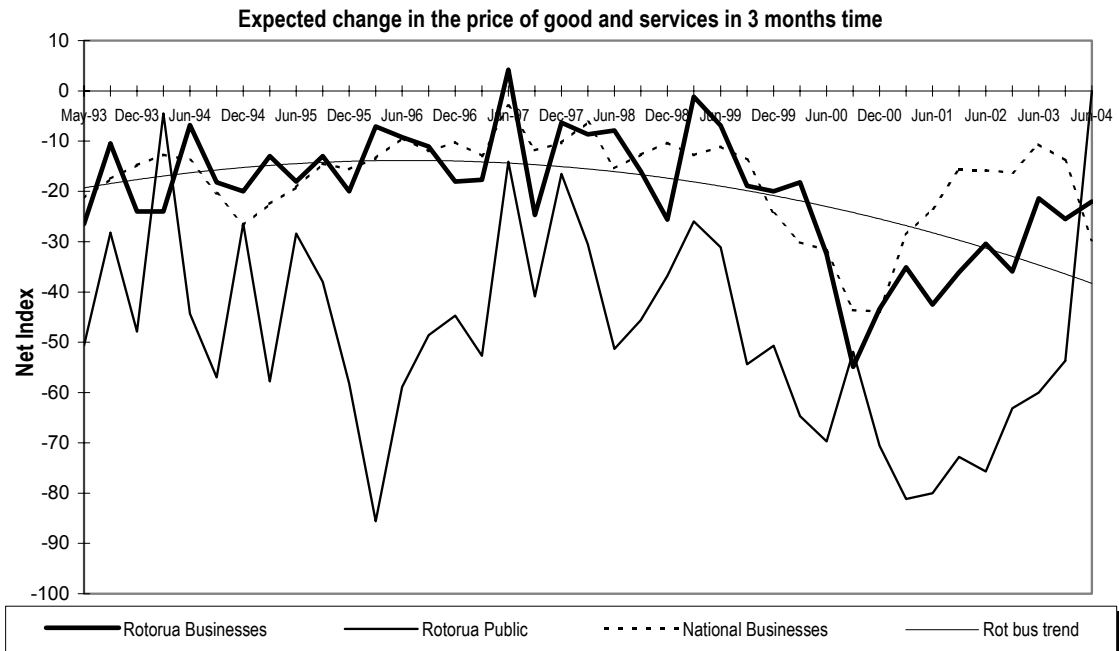
In conclusion, the local and national business indexes are both showing an expectation that employment should remain at current levels or increase.

Price of Goods and Services

NZ Business ↓

Rotorua Business ↑

Rotorua Public ↑



Rotorua businesses reported a small increase in confidence with the index increasing 3.5 points to negative -22.0. Despite the increase, most businesses expect the price of their goods and services to increase over the next 3 months.

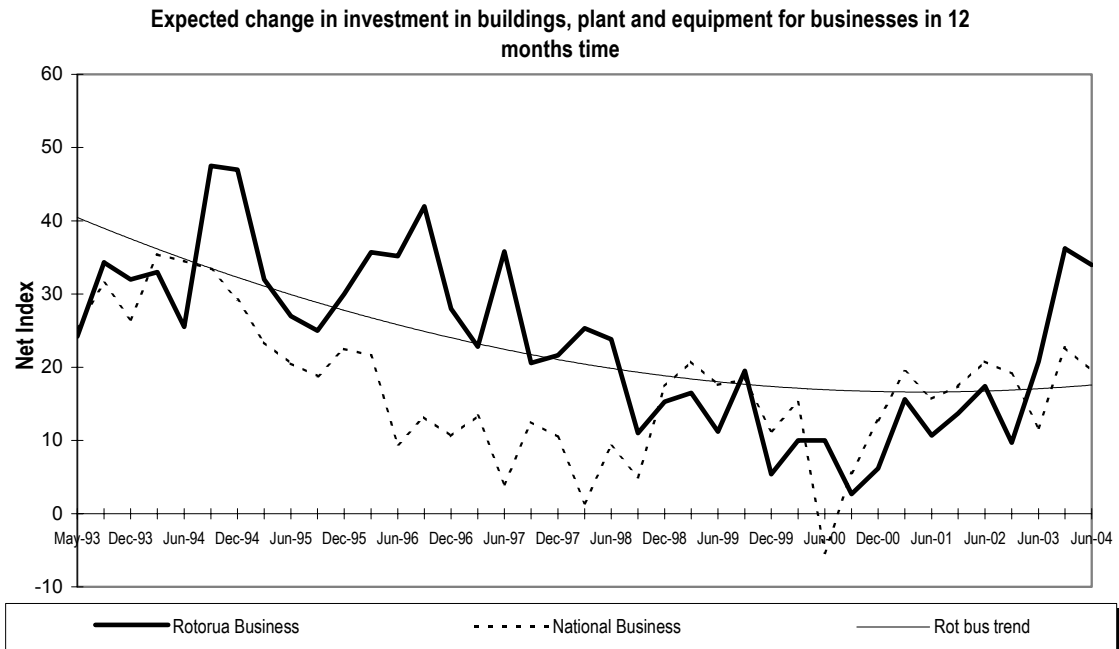
Nationally, businesses reported a decrease in confidence of 15.9 points taking the national business index to -29.7 and indicating that nationally most businesses also expect prices to rise.

Rotorua residents reported an increase in confidence with the index rising 53.7 points to 0.0. This indicates that the majority of Rotorua residents believe that prices will remain at current levels over the next quarter.

Investment For Businesses

NZ Business NC

Rotorua Business NC



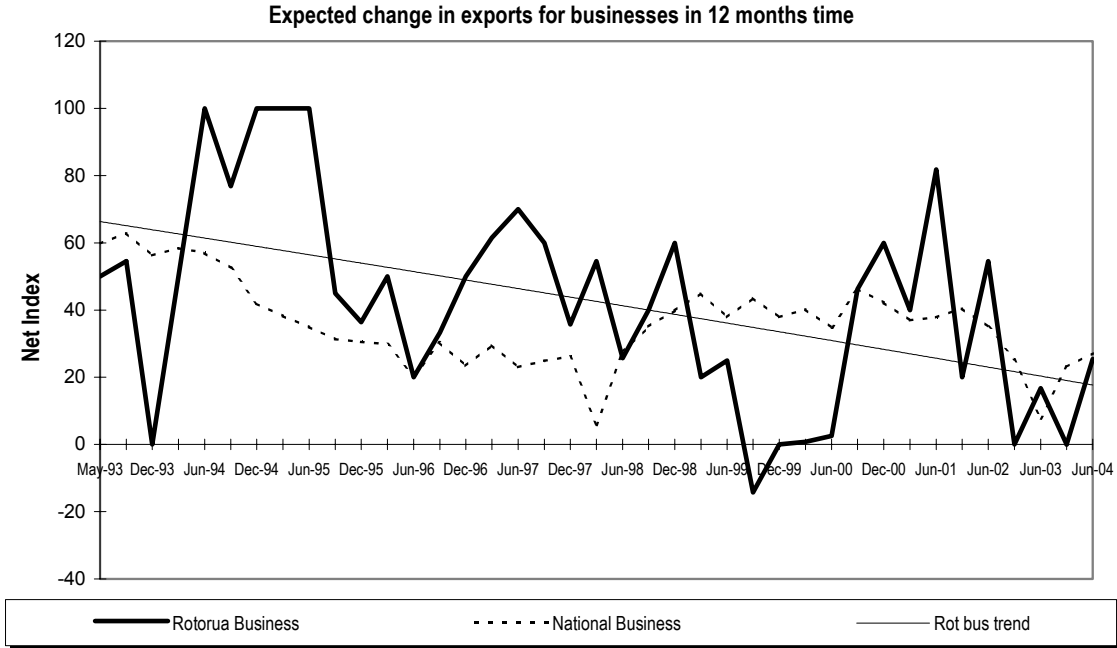
Rotorua businesses reported a slight decrease in confidence of 2.2 points this period, taking the index to 34.0. Despite the decrease, the majority of Rotorua businesses expect to increase investment back into their businesses.

Nationally, businesses reported a slight decrease increase in confidence of 3.2 points, taking the national business index to 19.5. Despite the decrease, the majority of businesses nationally expect to increase investment back into their businesses.

Exports

NZ Business ↑

Rotorua Business ↑



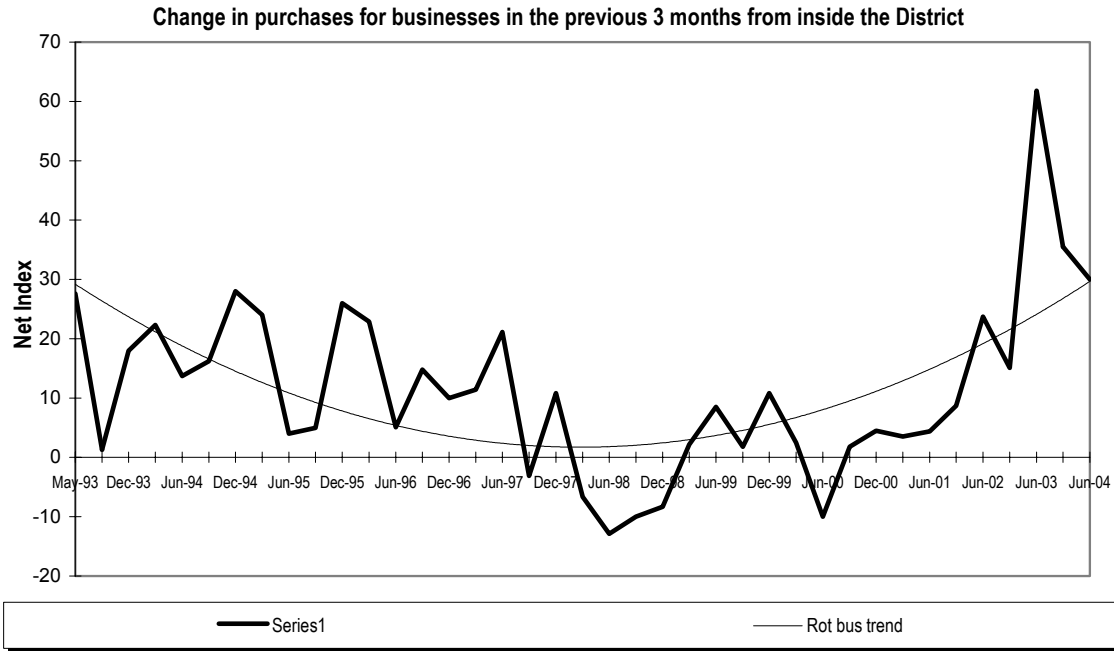
Locally businesses involved in exporting reported an increase in confidence regarding the volume of products to be exported over the next 12 months. The Rotorua business index increased by 25.4 points taking the index to 25.4. This indicates that local export businesses expect exports to increase over the next 12 months.

Nationally, exporting businesses reported an increase in confidence of 4.0 points taking the index to 27.1 and indicating that the majority expect export levels to increase.

Purchases

**Inside the District
Rotorua Business ↓**

Rotorua businesses reported a decrease in their spending from inside the district this period. The index decreased by 5.5 points taking it to 30.0. Despite the decrease, the majority of Rotorua businesses make most of their purchases inside the district.



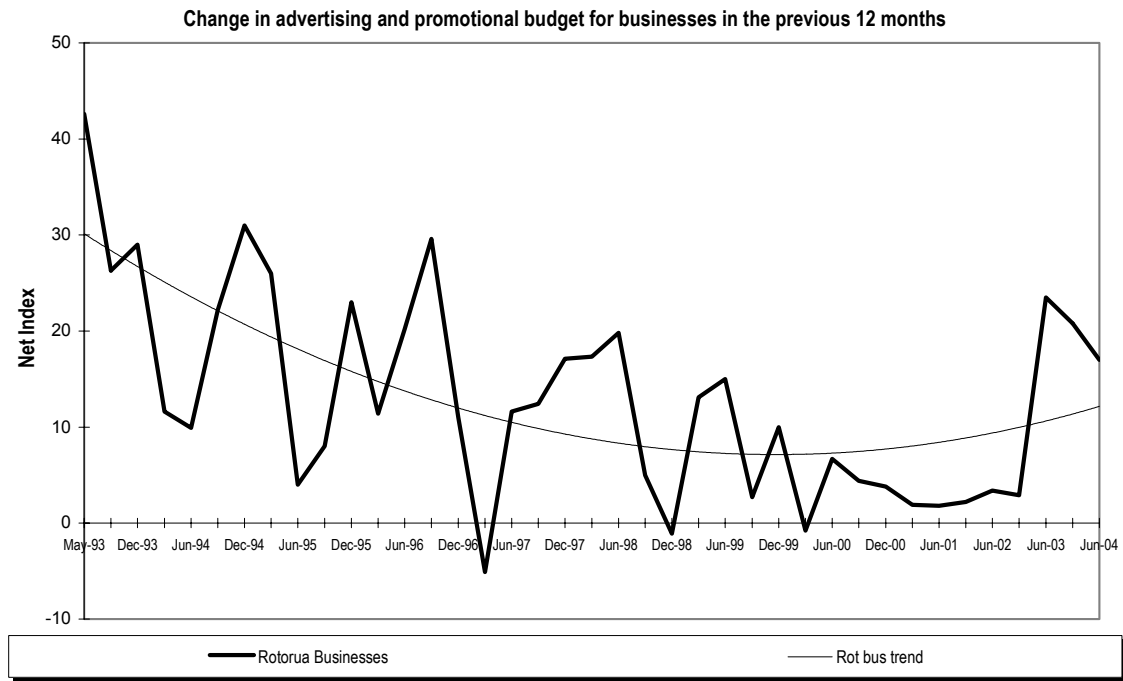
**Outside the District
Rotorua Business ↑ Rotorua Public ↑**

Rotorua businesses reported an increase in their index this period. The index increased by 27.0 points to -9.0. Despite the increase, some businesses purchase goods from outside the district, rather than sourcing them from within it.

Rotorua residents reported an increase in their index, with the public index increasing by 5.6 points to 9.0.

Promotional Activity

Rotorua Business ↓



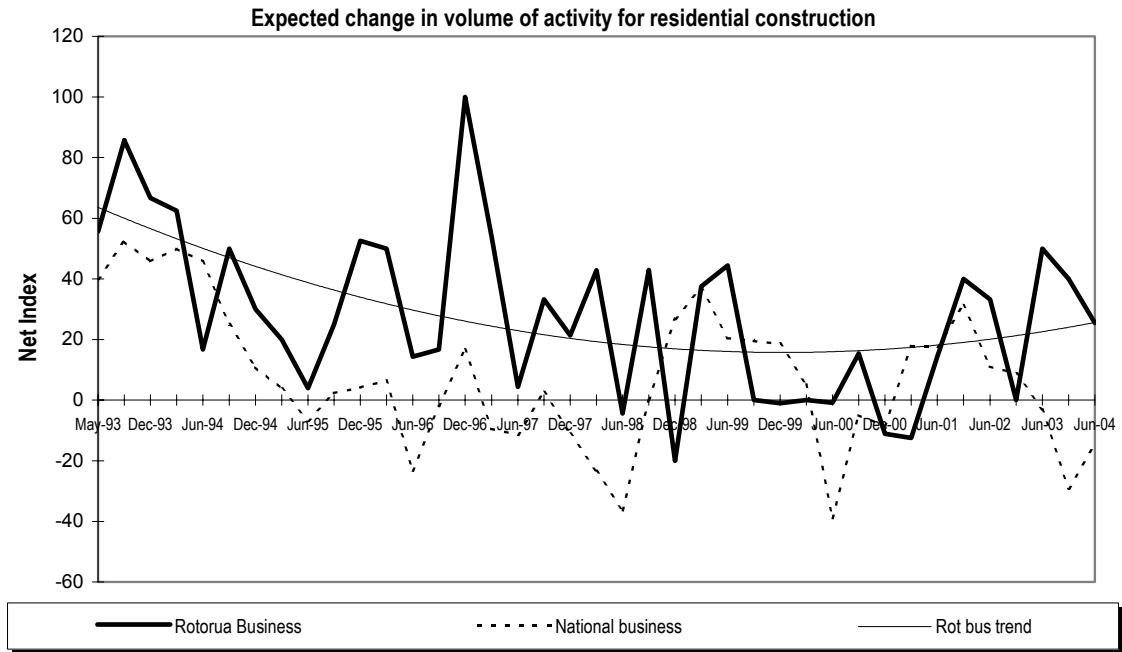
The Rotorua business index decreased by -3.8 points over the previous six months, taking it to 17.0. Despite the decrease in the index, the majority of businesses are increasing or expecting to increase their promotional budgets over the next 12 months.

Construction

Residential Construction

NZ Business ↑

Rotorua Business ↓



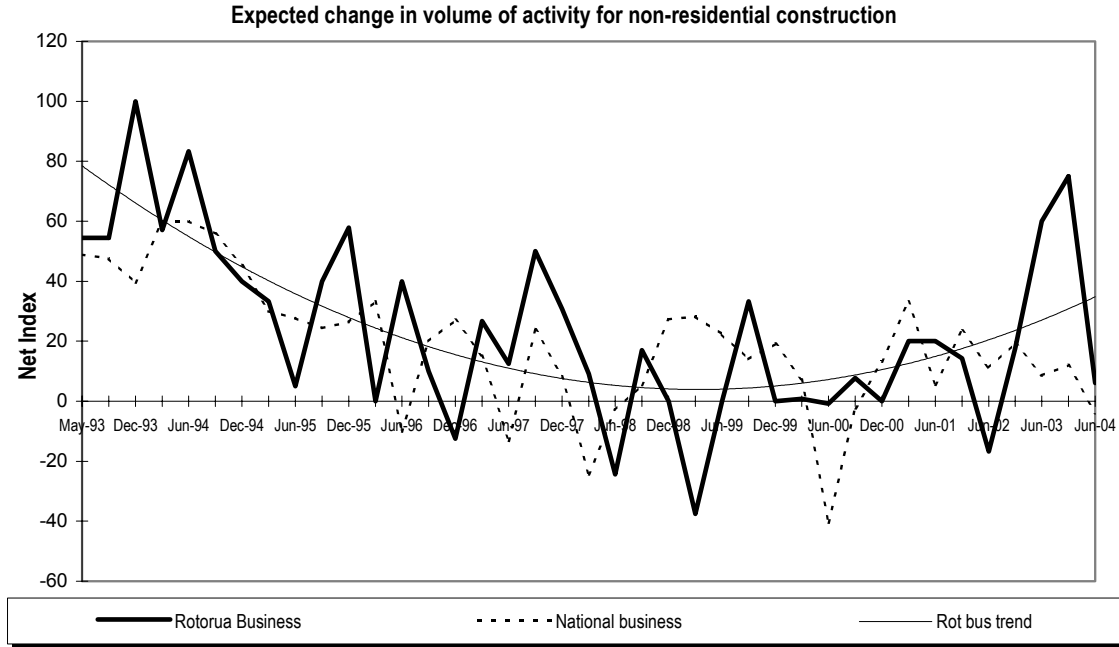
Rotorua businesses involved in residential construction reported a decrease in confidence with regard to their upcoming volume of work. The Rotorua business index decreased by 14.5 points taking it to 25.5. Despite the decrease, the majority of construction businesses expect the volume of residential construction to increase.

Nationally, construction businesses reported an increase in confidence of 14.4 points, taking the index to -14.8. Despite the increase in the index, a majority of construction businesses nationally expect decreased volumes of work in the future.

Non-residential Construction

NZ Business ↓

Rotorua Business ↓



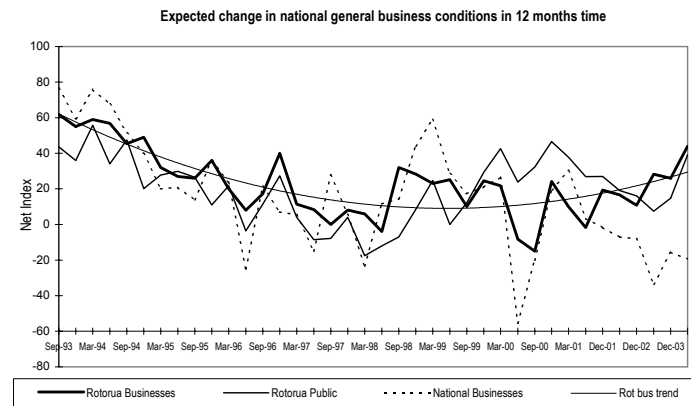
Rotorua construction businesses reported a decrease in confidence regarding their expected volume of upcoming non-residential construction. The index decreased 68.9 points to 6.1. Despite the drop in confidence, the majority of Rotorua construction businesses expect their volume of non-residential construction to remain at current levels.

Nationally, construction businesses reported a decrease in confidence of 16.0 points, taking the national business index to -4.0. This indicates that a small majority of national businesses expect levels of non-residential construction to remain at current levels or decrease over upcoming months.

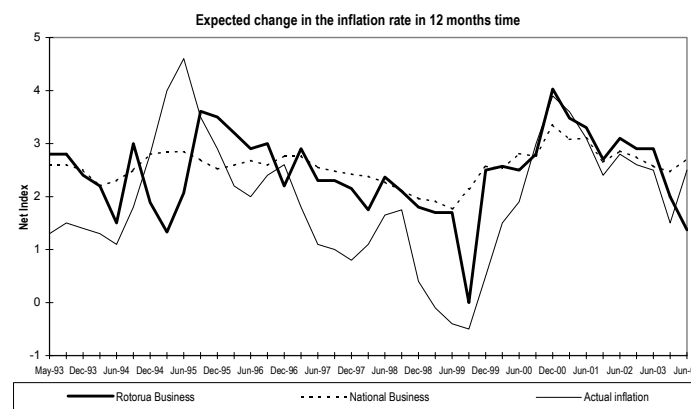
NATIONAL BUSINESS CONDITIONS

Nationally business conditions are expected to remain steady, but there are signs of reducing confidence. The local indexes predict that national general business conditions will remain steady or rise, although the national index is showing that nationally business conditions may worsen. People's personal income is expected to increase, businesses are expecting to make the same or more profits and are expecting to invest more back into their businesses. National real GDP is expected to increase, business employment should remain at current levels or increase and export levels should rise. Construction businesses are reporting steady volumes of construction, but there are signs of reducing activity.

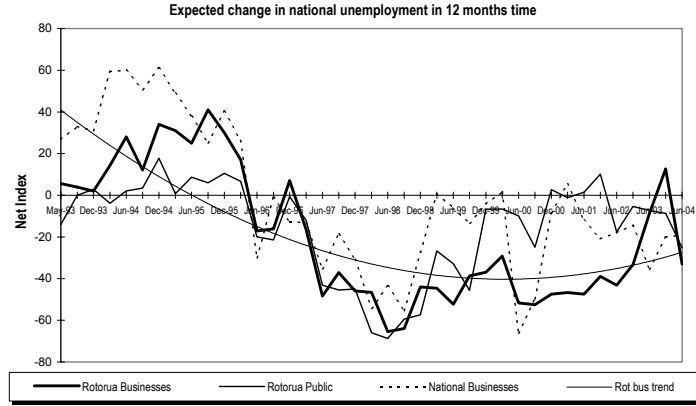
On the negative side, inflation is expected to increase, unemployment is expected to rise, interest rates are expected to rise and the price of goods and services is expected to increase.



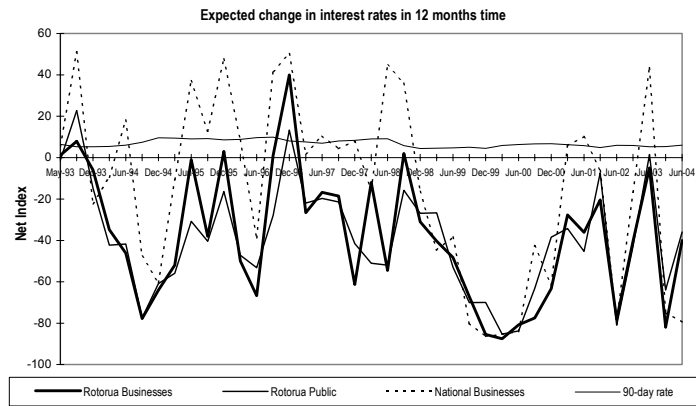
A majority of local businesses and residents expect national general business conditions to improve over the next 12 months. However national businesses predict that general business conditions will deteriorate over the next 12 months.



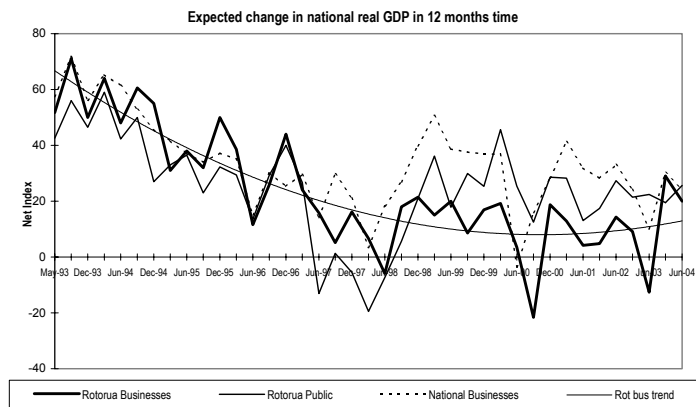
Businesses locally expect inflation to decrease while nationally businesses expect it to increase.



All indexes predicts that national unemployment will increase over the following year.



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

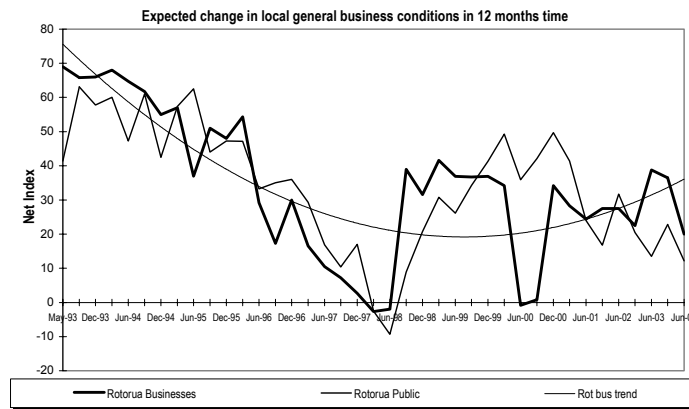


All indexes show an expectation that real GDP will increase.

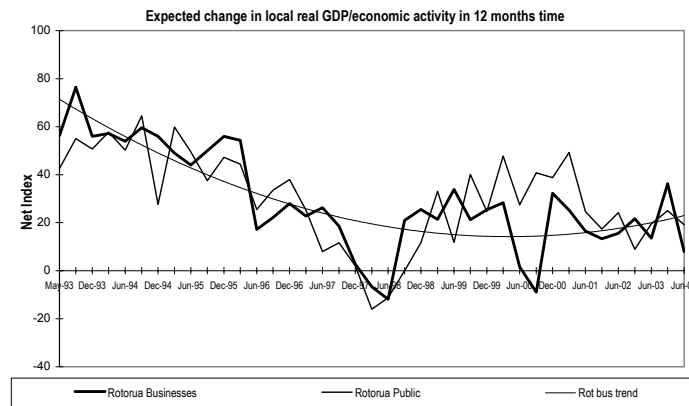
LOCAL BUSINESS CONDITIONS

Locally the 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 rise, business investment is expected to be at increased levels and promotional budgets are expected to increase. Exporters are expecting export volumes to increase, and construction businesses are expecting construction levels to remain at current levels or increase. Inflation is expected to remain at current levels or decrease.

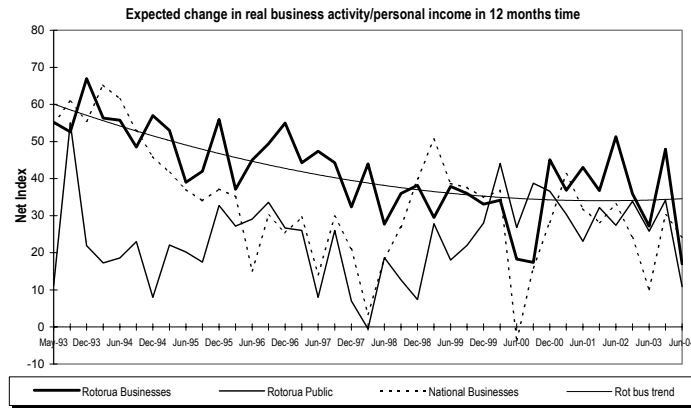
On the negative side, unemployment locally is expected to increase; interest rates are expected to increase and prices are likely to increase, although Rotorua households expect prices to remain at current levels.



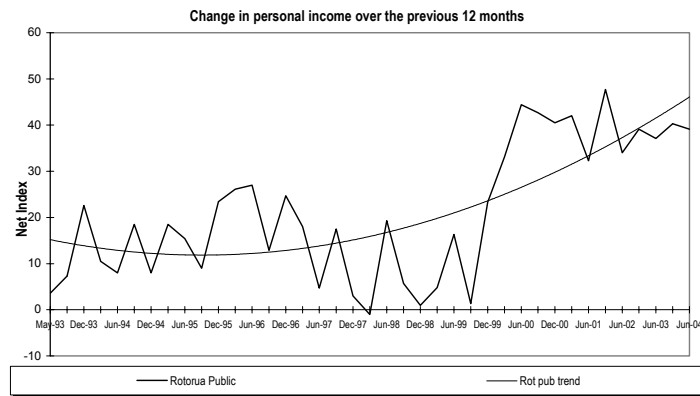
The local indexes both show an expectation that local general business conditions will improve over the next 12 months.



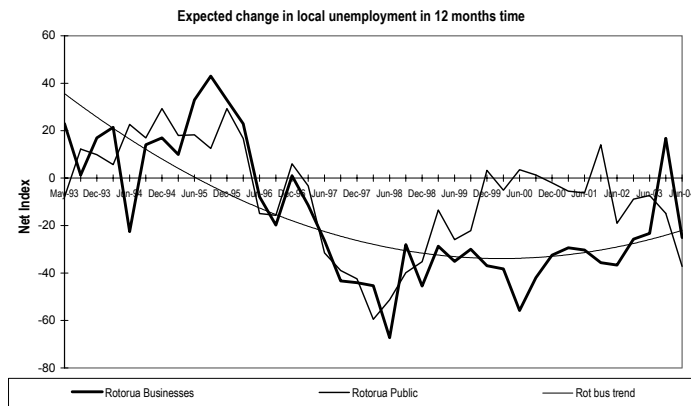
A majority of local residents expect economic activity to remain the same or increase over the next year.



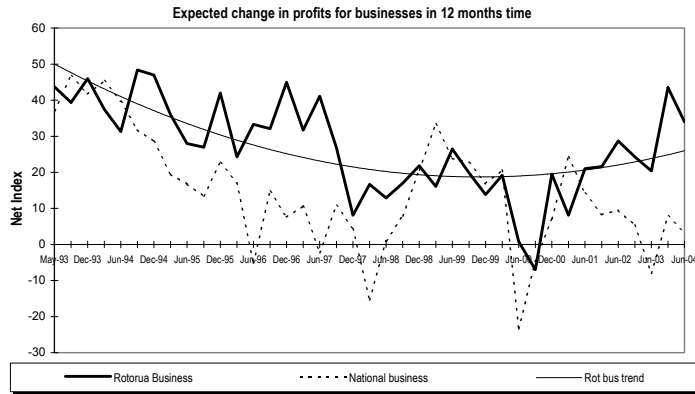
All indexes are reporting an expectation that real business activity/personal income will increase over the upcoming 12 months.



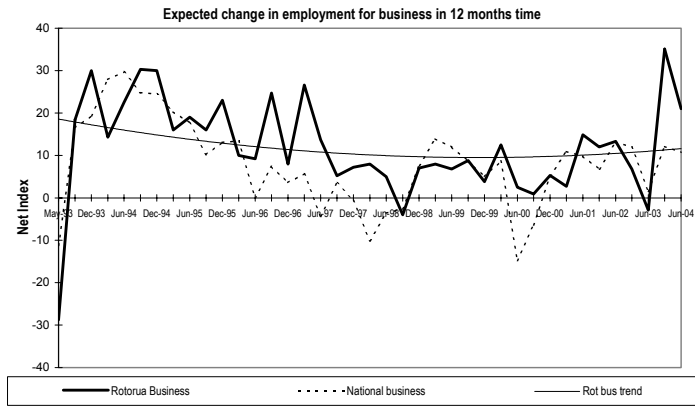
With regard to personal income, the majority of the public of Rotorua reported an increase in personal income over the previous 12-month period.



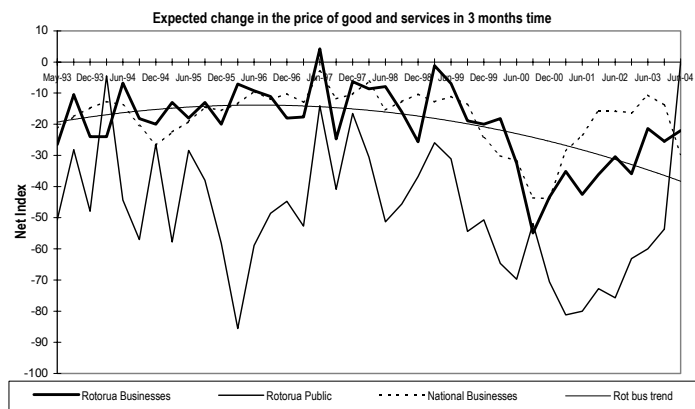
Local unemployment is expected to increase over the next 12 months.



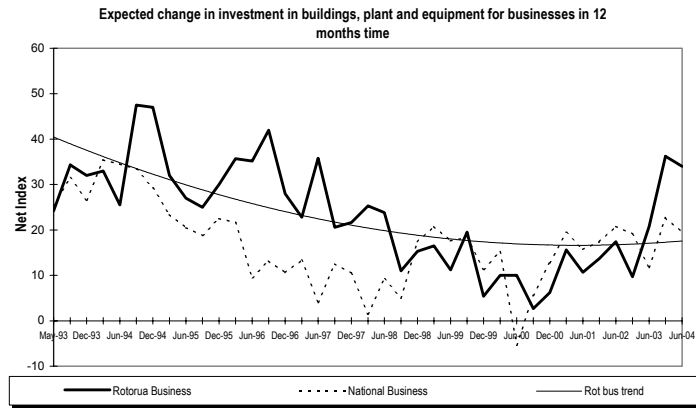
The majority of local businesses expect increased profits over the upcoming year, while nationally, a small majority of businesses are expecting profits to remain steady or increase.



The local and national business indexes are both showing an expectation that employment will remain at current levels or increase over the next 12 months time.



The business indexes indicate that the prices of goods and services may increase over the next 12 months while the Rotorua householder index shows an expectation of prices staying the same.

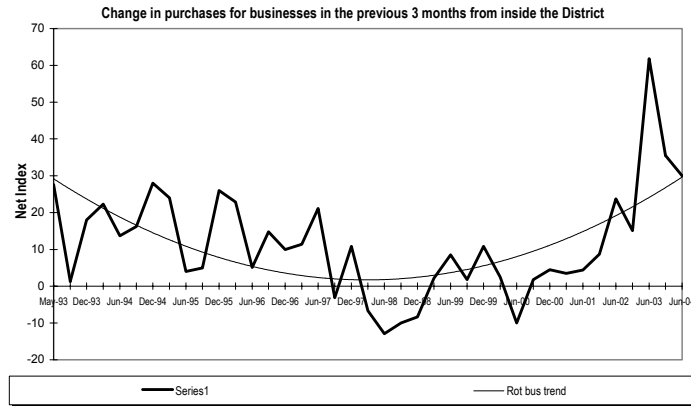


The majority of businesses, both locally and nationally are expecting to invest more in their businesses over the upcoming year.

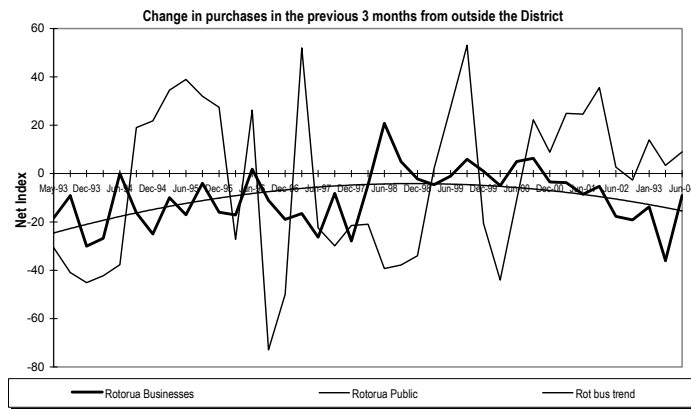


The majority of businesses involved in exports expect levels to increase over the next 12 months.

PURCHASE OF GOODS AND SERVICES

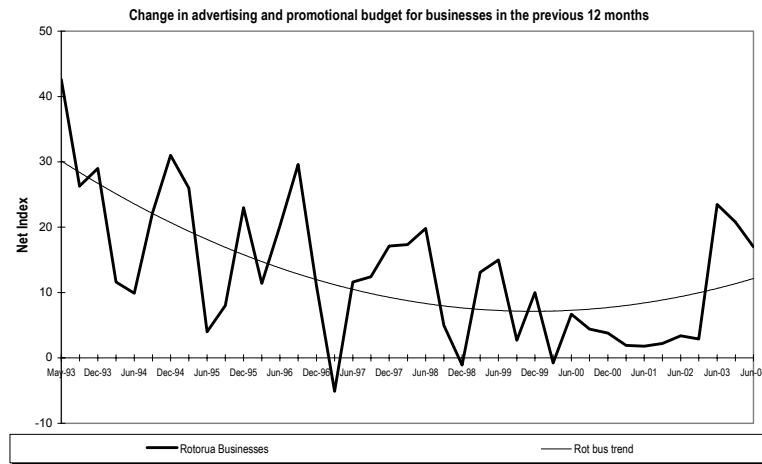


The majority of Rotorua businesses reported making the majority of their purchases inside the district this period.



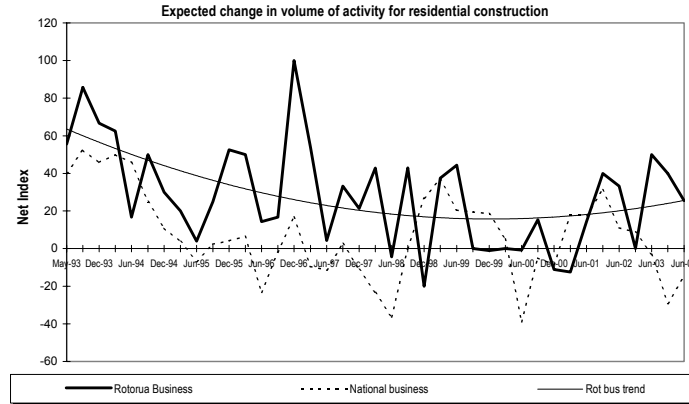
Rotorua businesses reported an increase in levels of spending outside of the district this period. Rotorua residents reported buying less from outside the district over the past six months.

PROMOTIONAL ACTIVITY



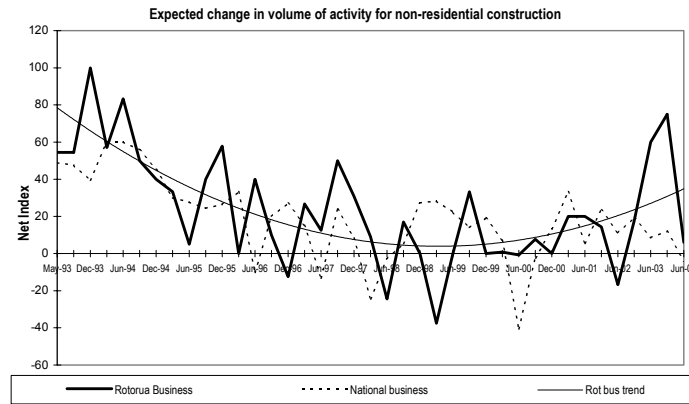
A majority of businesses are planning on increasing their promotional budgets over the next 12 months.

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 remain steady, with a small majority expecting decreased volumes of work in the future.



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

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