

JUNE 2006 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 2006



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 2006. 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 2006, 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

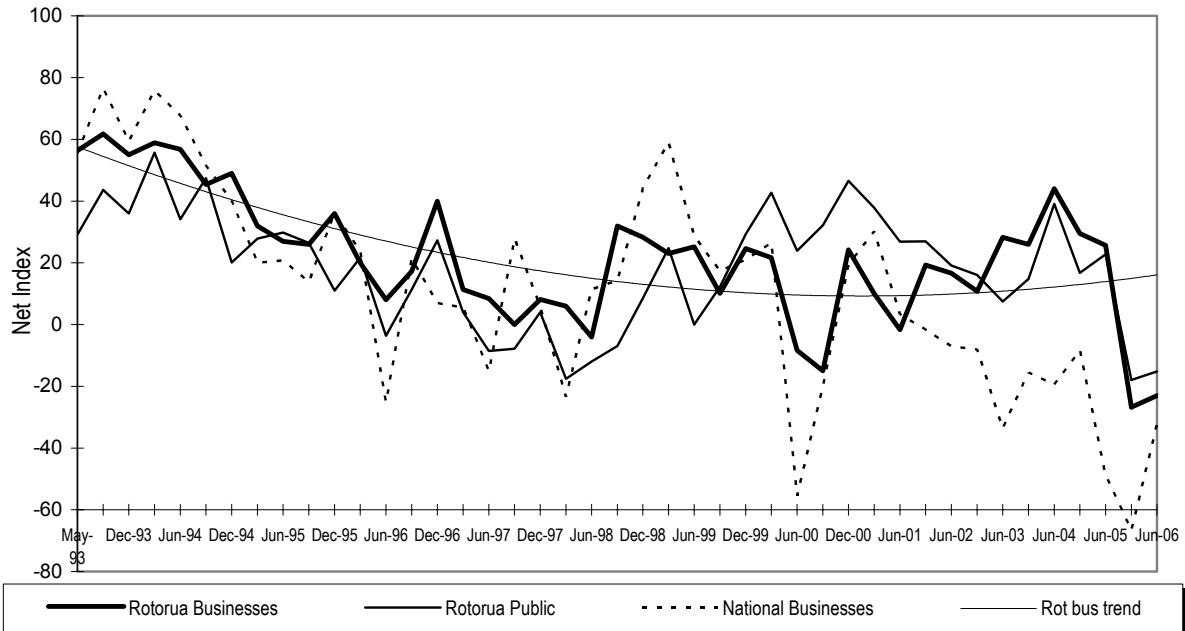
National General Business Conditions

NZ Business ↑ - ⊗

Rotorua Business ↑ - ⊗

Rotorua Public NC - ⊗

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. The index increased by 3.8 points to -23.0. Despite the increase, the majority of Rotorua businesses expect national general business conditions to slow.

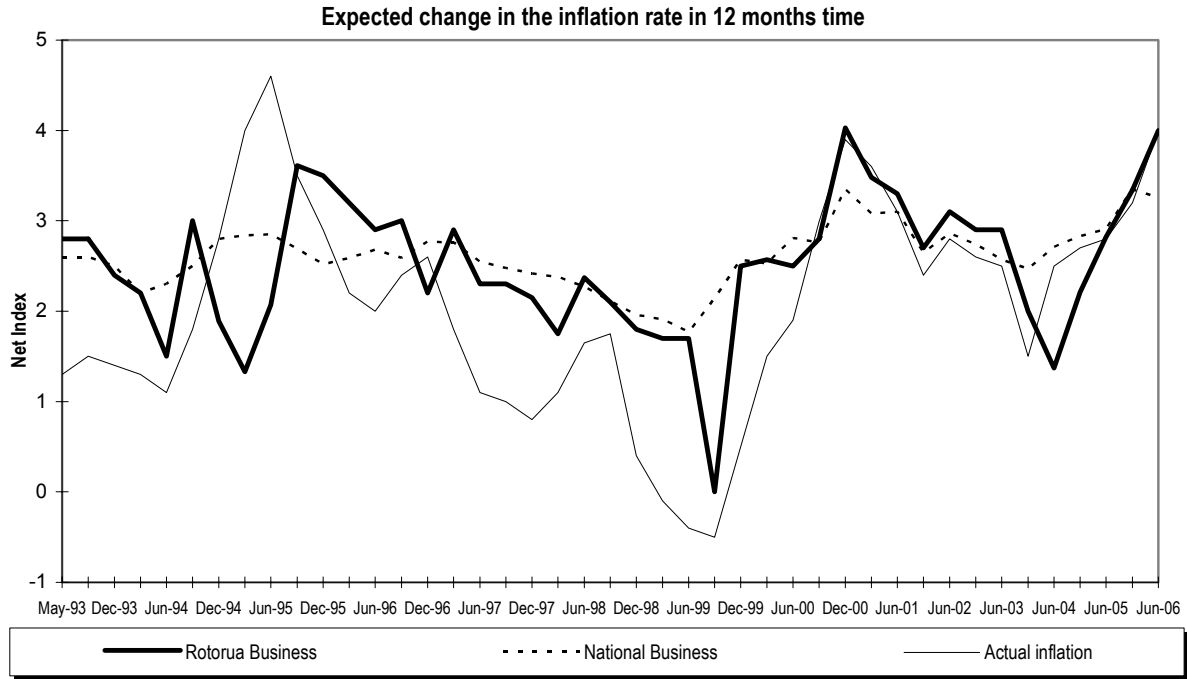
Rotorua residents reported a slight increase in confidence, with the index growing 2.7 points to -15.2. This indicates that like Rotorua businesses, the majority expect national general business conditions to decrease over the upcoming year.

The national business index increased by 34.5 points, taking it to -32.2. Despite the increase in the index, 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 0.66%, taking it to 4.0%.

Businesses nationally reported an expectation that inflation levels would decrease with expected inflation dropping by 0.09% to 3.26%.

The actual inflation rate for June 2006, as measured by the Consumer Price Index, was 4.0% from the same time last year.

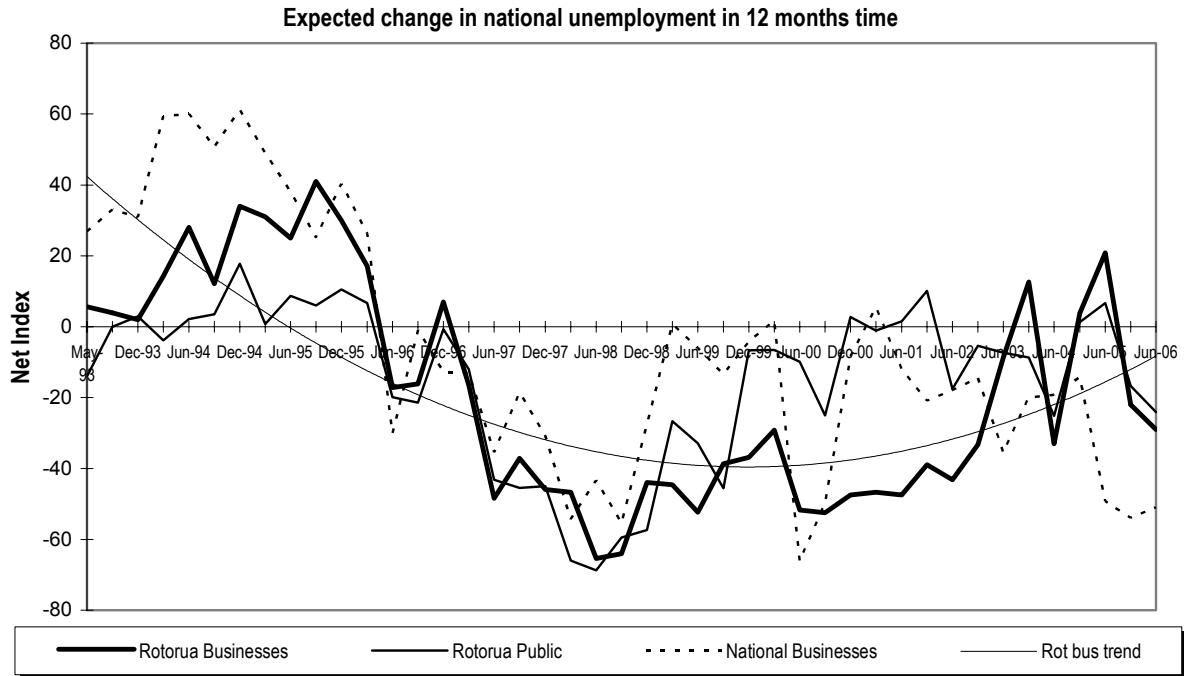
Looking back to last year, Rotorua businesses predicted inflation would be at 2.82% in June 2006 and New Zealand businesses were expecting it to reach 2.91%.

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 -7.0 points to -29.0. This indicates that a majority of Rotorua businesses expect unemployment to increase over the upcoming 12 months.

The Rotorua public index also showed a decrease in confidence. The index dropped by -7.4 points to -24.1, indicating that a majority of households expect unemployment nationally to increase over the next 12 months.

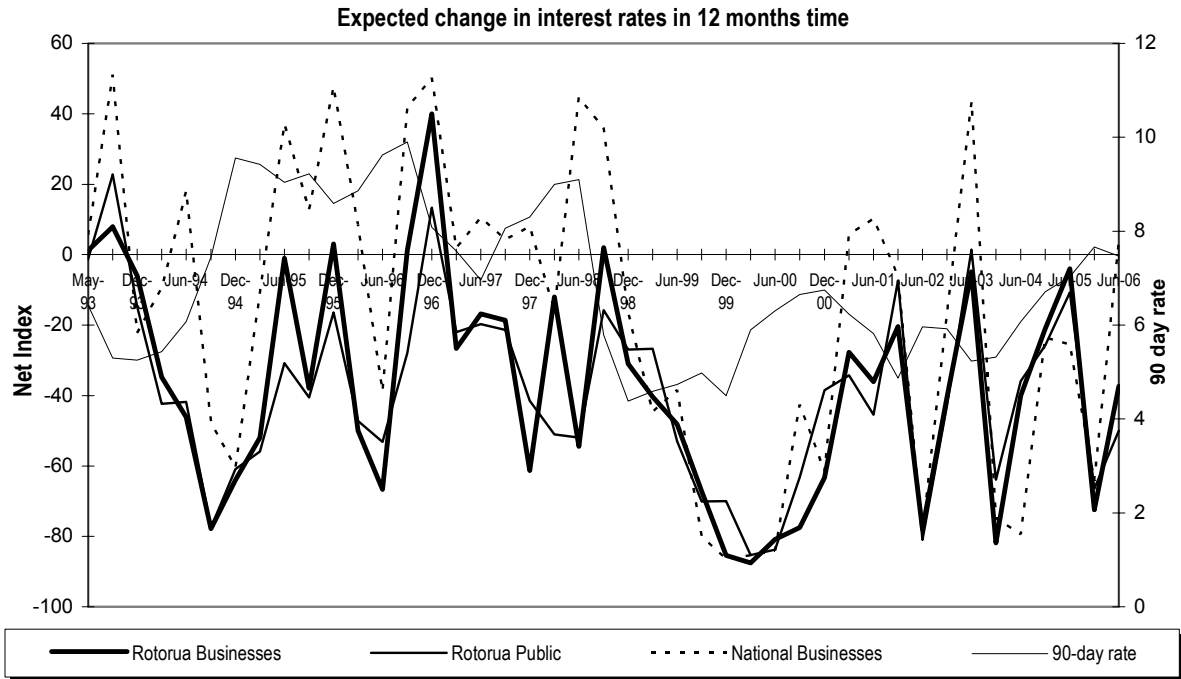
The national business increased slightly by 3.0 points, taking it to -51.0. Despite the increase, the majority of businesses nationally expect unemployment to increase over the upcoming year.

Interest Rates

NZ Business ↑ - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence regarding expected interest rates in 12 months' time. The index increased by 35.0 points, taking it to -37.4. Despite the increase, this indicates that the majority of Rotorua businesses expect increasing interest rates over the next 12 months.

Rotorua residents also reported an increase in confidence in the Rotorua Public index. The index increased by 16.4 points taking it to -50.0 and indicating that the majority of Rotorua households expect interest rates to increase over the upcoming year.

Nationally, businesses reported an increase in confidence of 67.7 points, taking the national business index to 3.6. This indicates that a majority of national businesses expect interest rates to remain at current levels.

In conclusion, the Rotorua indexes show an expectation of increased interest rates over the upcoming 12 months while the national index shows an expectation of stable rates.

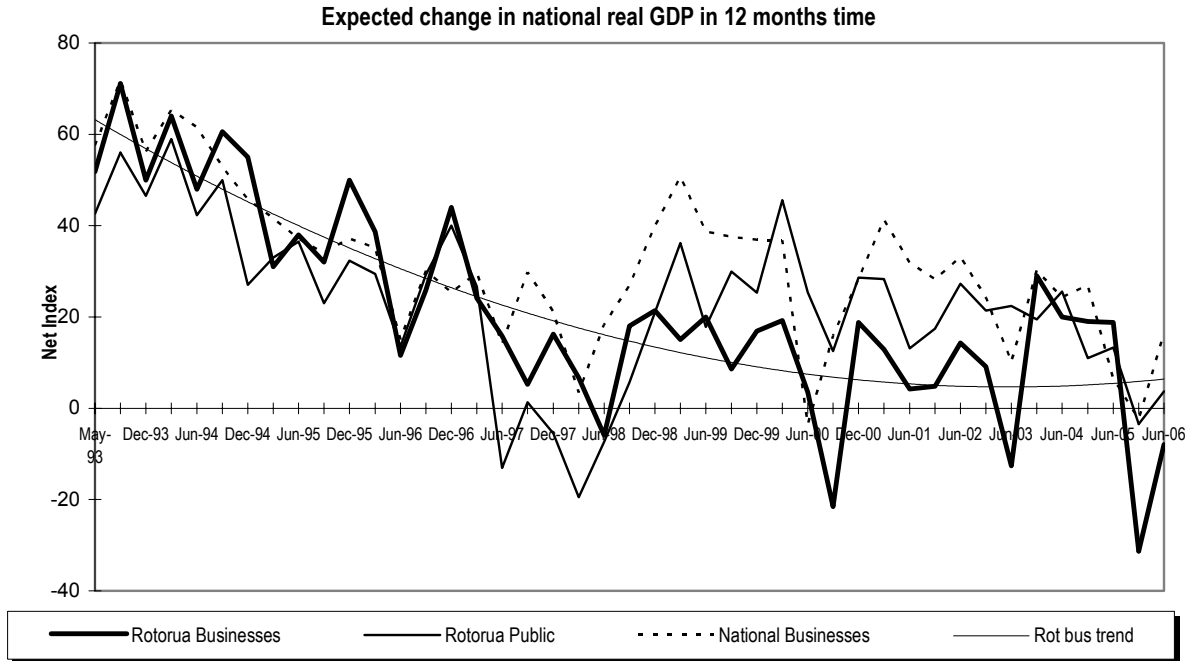
The June 2006 90-day rate decreased over the previous six months, going from 7.66 in December 2005 to its June 2006 level of 7.47.

National Real GDP/Economic Activity

NZ Business ↑ - ☺

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺



Local businesses reported an increase in confidence over the past six months with the index rising by 23.3 points to -8.0. This indicates that a majority of local businesses expect national real GDP to remain at current levels or decrease over the next 12 months.

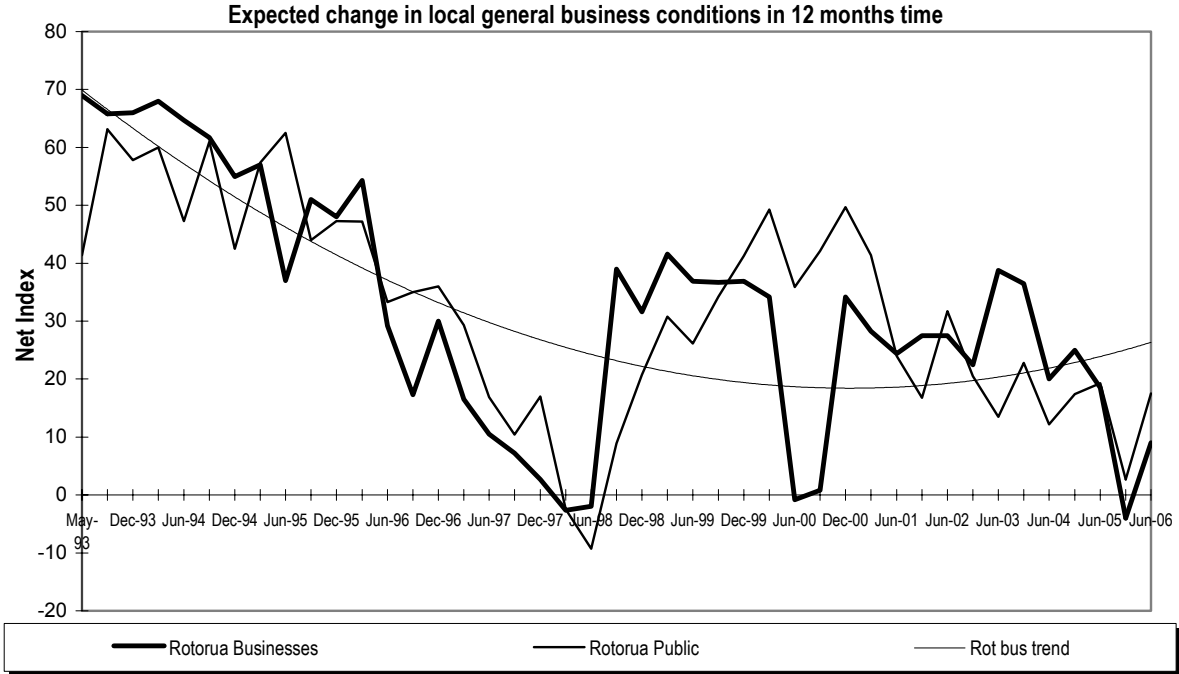
Rotorua households reported an increase in confidence over the past six months with the index increasing 7.2 points to 3.7. This indicates that most Rotorua households expect national real GDP to remain stable at current levels over the upcoming year.

Nationally, the business index increased by 19.0 points, taking it to 16.6. This indicates that 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 ↑ - ☺

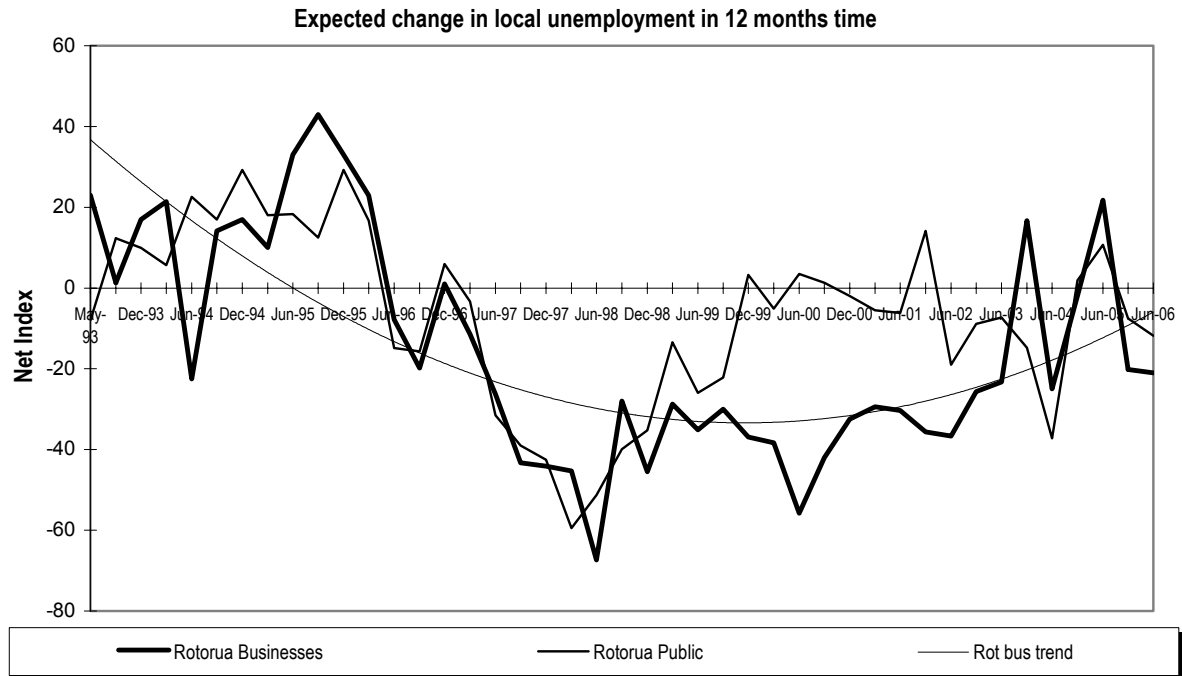


The Rotorua business index increased by 13.0 points over the past six months, taking it to 9.0. This positive index indicates that the majority of Rotorua businesses expect local general business conditions to remain at current levels or increase over the next 12 months.

The Rotorua public index increased by 14.8 points, taking it to 17.5, indicating that the majority of Rotorua households expect local general business conditions to increase over the upcoming year.

Local Unemployment

Rotorua Business NC - ☹ Rotorua Public ↓ - ☹

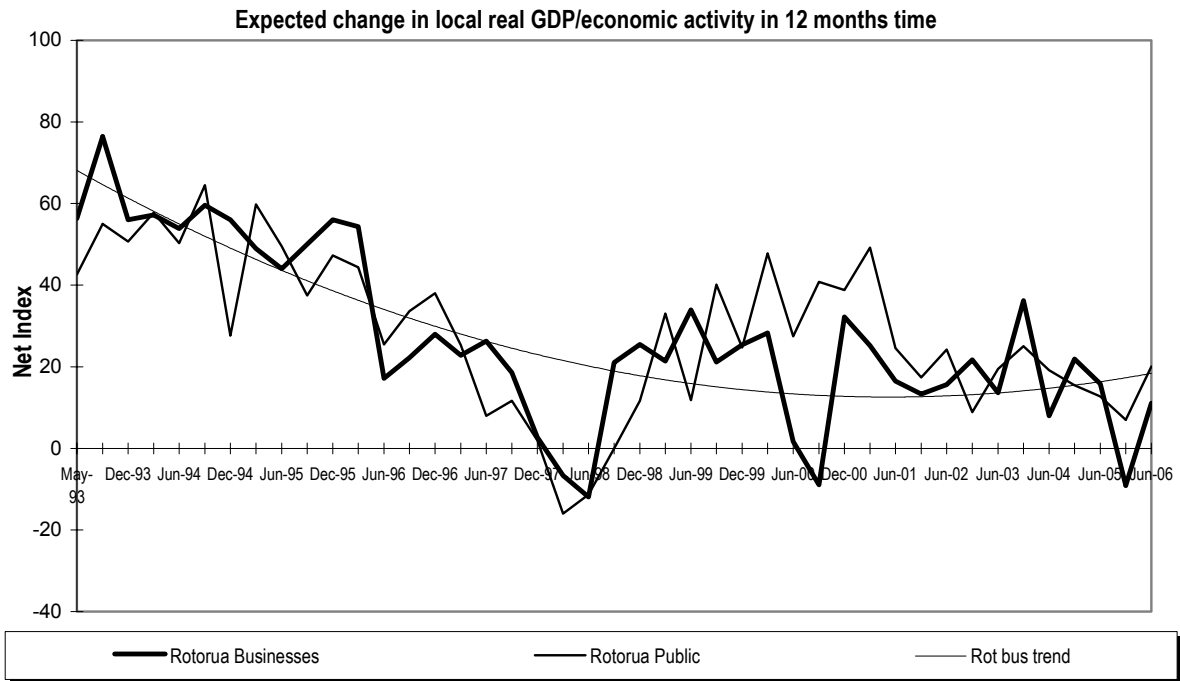


The local business index decreased slightly by -0.8 points over the previous six months, taking it to negative -21.0. This indicates that the majority of Rotorua businesses expect local unemployment to increase over the next 12 months.

Local householders also reported a decrease in confidence, with the index dropping -4.3 points, taking it to -11.8. This indicates that Rotorua householders expect local unemployment to increase over the next 12 months.

Local Real GDP / Economic Activity

Rotorua Business ↑ - ☺ Rotorua Public ↑ - ☺



Rotorua businesses reported an increase in confidence of 20.2 points over the past six months, taking the index to 11.1. This indicates that the majority of local businesses expect economic activity to increase over the upcoming 12 months.

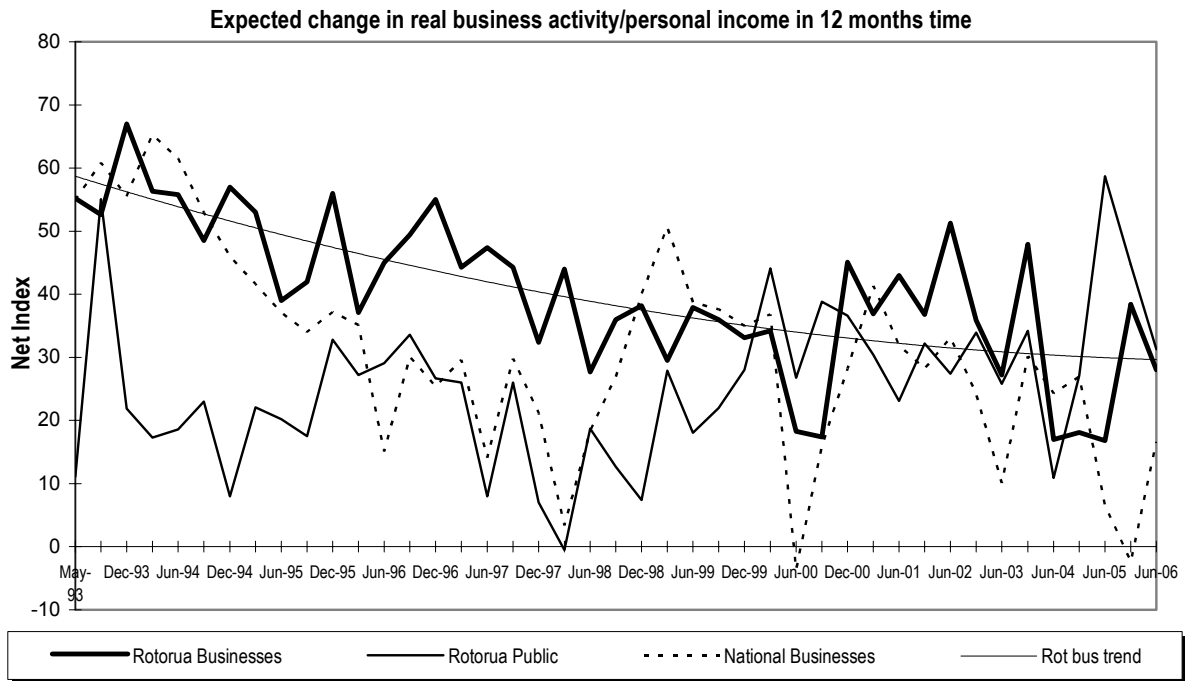
Rotorua residents reported an increase in confidence with the Rotorua public index increasing 13.1 points to 20.1. This indicates that a majority of Rotorua residents also expect business activity to increase over the next 12 months.

Real Business Activity / Personal Income

NZ Business ↑ - ☺

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a decrease in confidence of -10.4 points over the past six months, taking the index to 28.0. Despite the drop in the index, the majority of local businesses are confident of increased income levels over the following year.

Rotorua residents reported a decrease in confidence with their index dropping -13.4 points, taking it to 31.3. Despite the drop in confidence, the majority of Rotorua residents also expect to increase their personal income over the upcoming year.

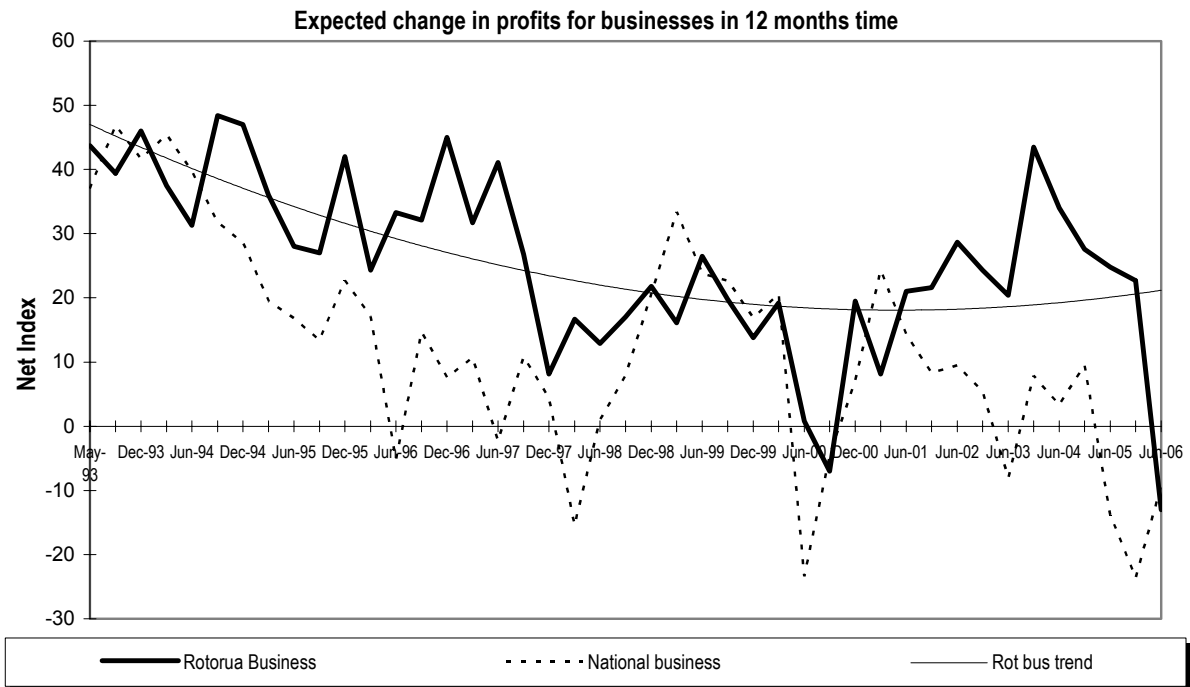
Nationally, businesses reported an increase in confidence. The national business index increased by 19.0 points over the past six months to reach 16.6 points. This indicates that a majority of national businesses expect their income levels to increase over the upcoming year.

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

Profits For Businesses

NZ Business ↑ - ☺

Rotorua Business ↓ - ☹



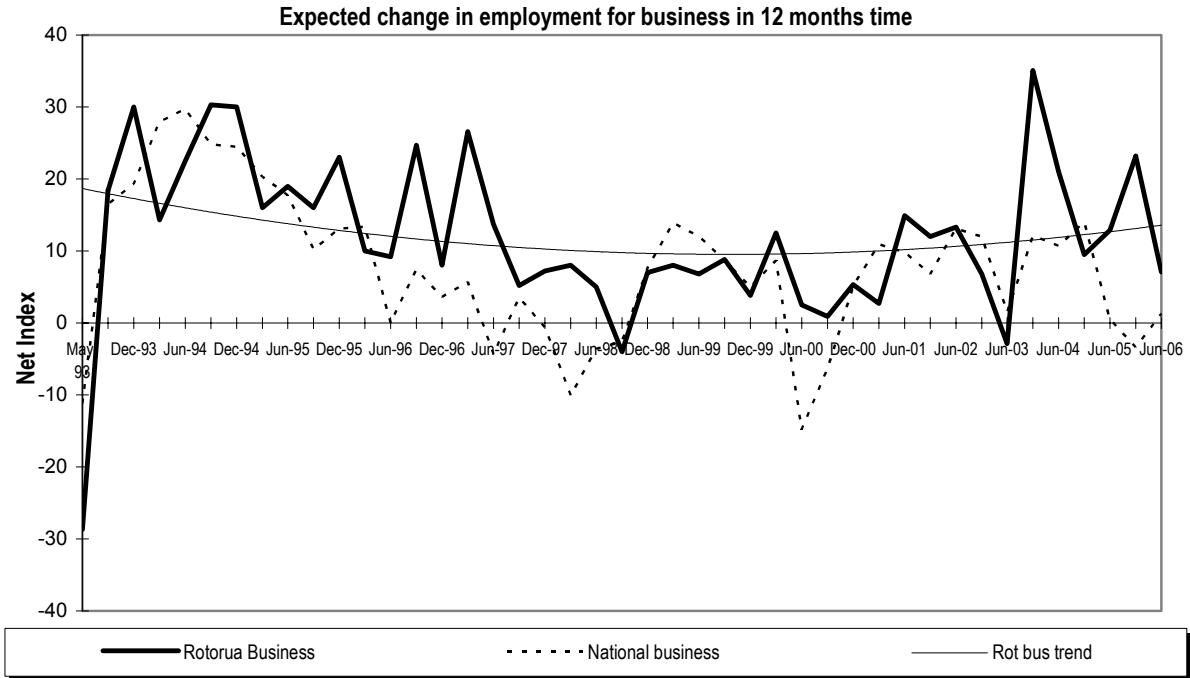
Rotorua businesses reported a decrease in confidence with regard to their profit levels over the next 12 months. The Rotorua business index decreased by -35.7 points taking it to negative -13.0. This indicates that a majority of Rotorua businesses expect reduced profits over the upcoming year.

Nationally, businesses reported an increase in confidence of 14.4 points, taking the index to negative -9.2. 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 ↓ - ☹️



Rotorua businesses reported a decrease in confidence regarding levels of employment over the next 12 months. The index decreased by -16.1 points taking it to 7.1. Despite the drop in confidence, the majority of Rotorua businesses expect to employ the same amount of workers over the upcoming year.

Nationally, businesses reported an increase in confidence of 4.7 points, taking the index to 1.3. This indicates that national businesses also expect to employ the same number of workers as they do currently.

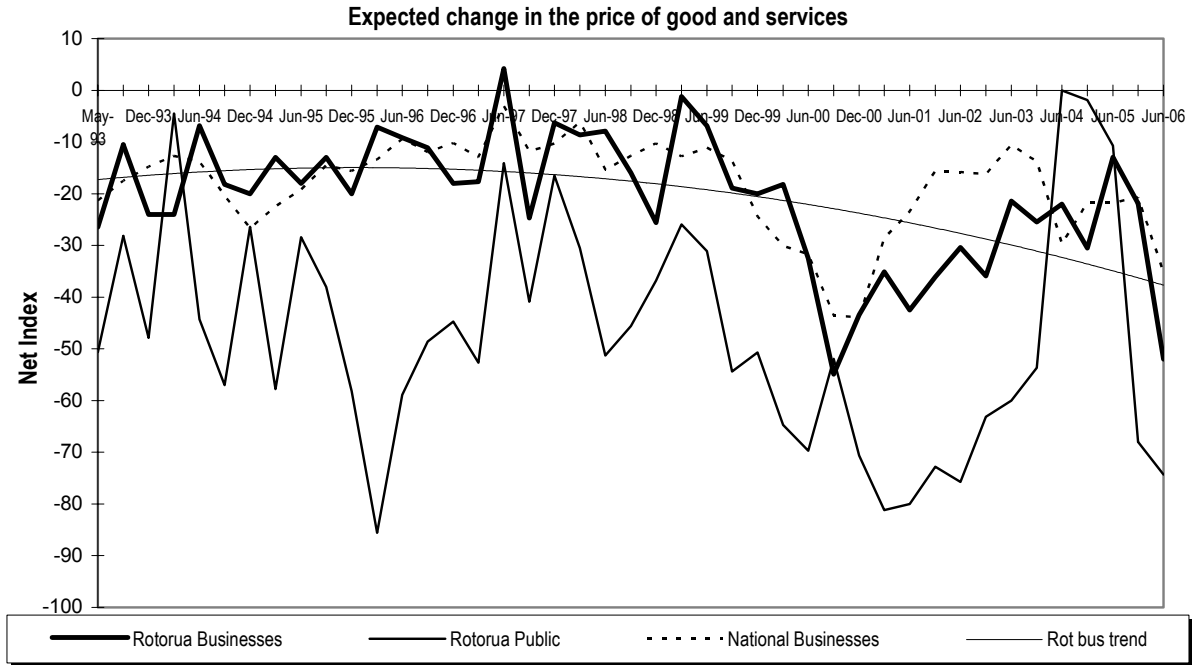
In conclusion, the local and national business indexes are both showing an expectation that employment should remain at current levels.

Price of Goods and Services

NZ Business ↓ - ⊗

Rotorua Business ↓ - ⊗

Rotorua Public ↓ - ⊗



Rotorua businesses reported a decrease in confidence with the index decreasing -30.1 points to negative -52.0. This indicates that the majority of Rotorua businesses expect the price of their goods and services to increase over the next 3 months.

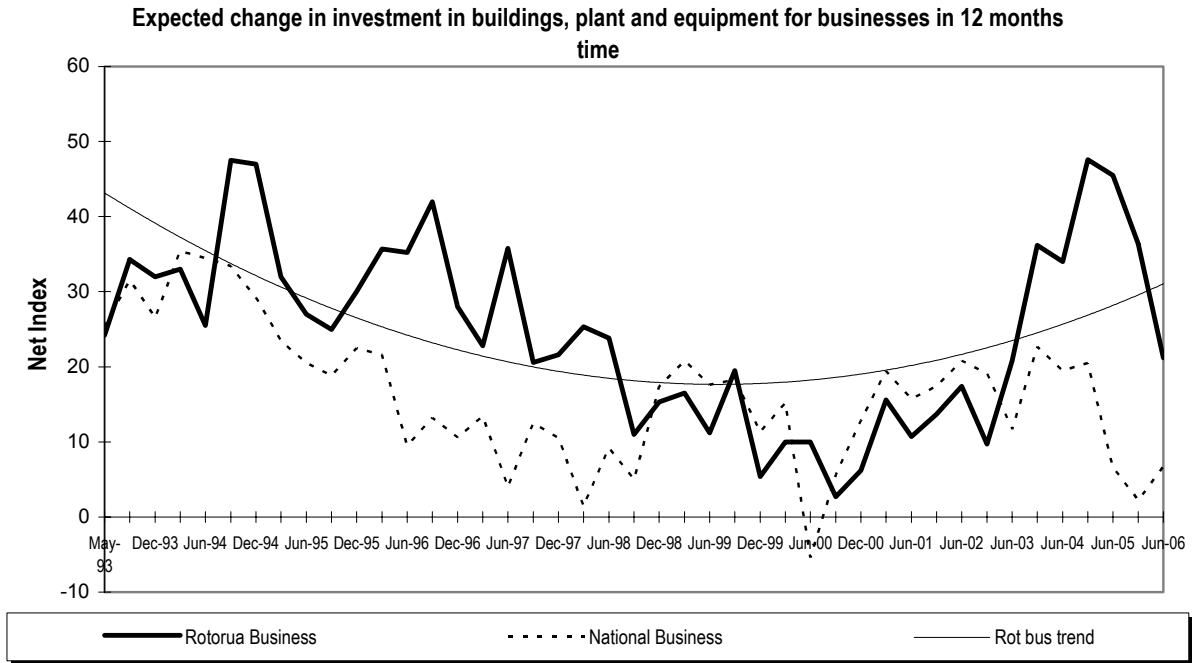
Rotorua residents reported a decrease in confidence with the index dropping -6.3 points to negative -74.3. This indicates that the majority of Rotorua residents also believe that prices will increase over the next 3 months.

Nationally, businesses reported a decrease in confidence of -14.5 points, taking the index to -35.2. This indicates that a majority of national businesses also expect prices to rise.

Investment For Businesses

NZ Business ↑ - ☺

Rotorua Business ↓ - ☹



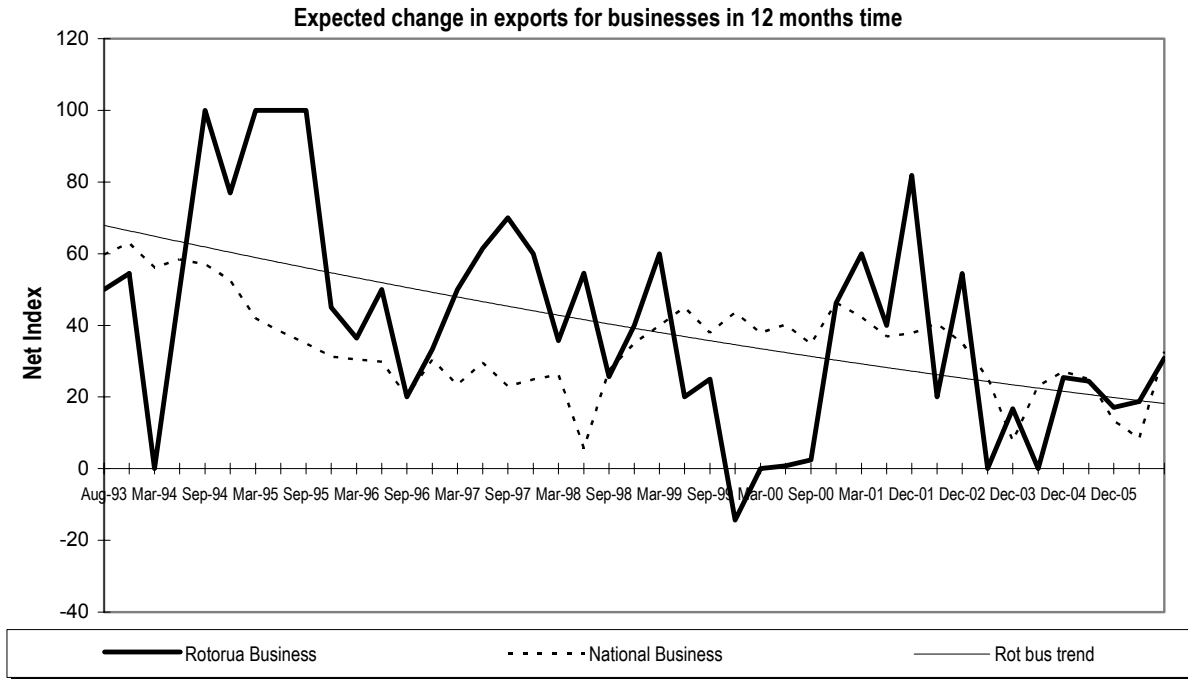
Rotorua businesses reported a decrease in confidence of -15.2 points this period, taking the index to 21.2. Despite the drop, the majority of Rotorua businesses expect to increase investment back into their businesses over the next 12 months.

Nationally, businesses reported an increase in confidence of 4.5 points, taking the national business index to 6.7. This indicates that businesses nationally expect to keep investment into their businesses at current levels.

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 12.0 points taking it to 30.8. This indicates that the majority of local export businesses expect their volume of exports to increase over the next 12 months.

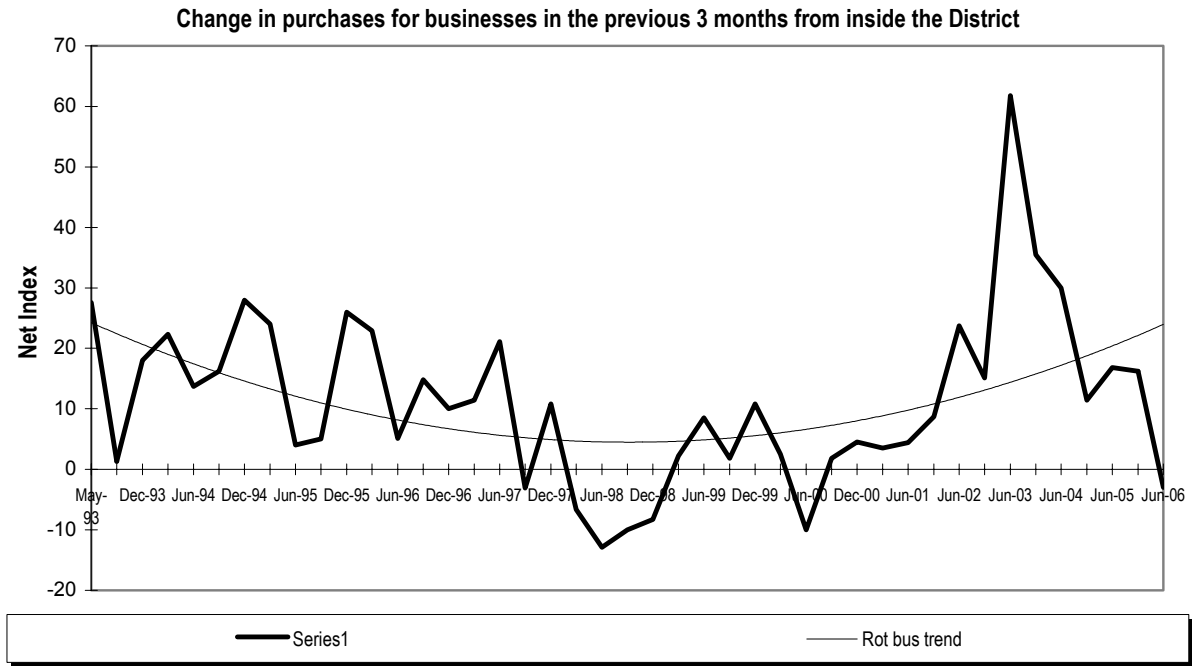
Nationally, businesses involved in exporting reported an increase in confidence of 24.1 points taking the index to 32.6. This indicates that like their local counterparts, national exporting businesses expect their volume of exports to increase.

Purchases

Inside the District

Rotorua Business ↓ - ☹

Rotorua businesses reported a decrease in their spending from inside the district this period. The index decreased by -19.2 points taking it to -3.0. This indicates that Rotorua businesses have purchased slightly more products from outside of the district rather than sourcing these items from within it.



Outside the District

Rotorua Business ↑ - ☺

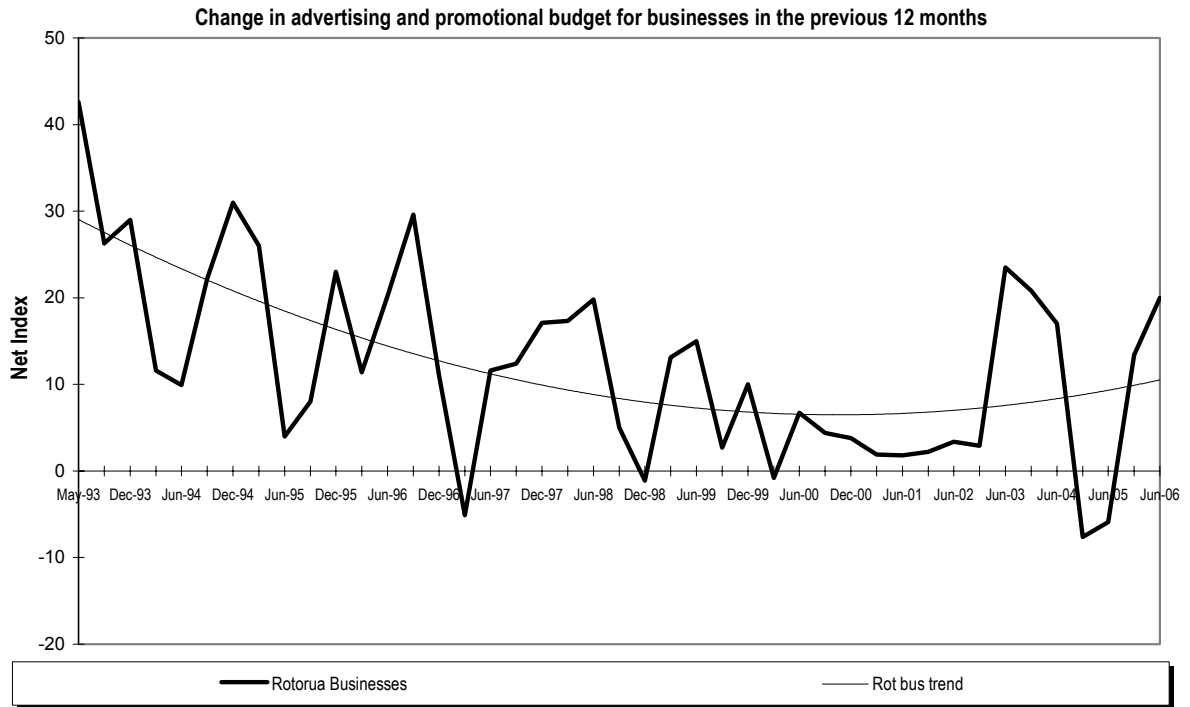
Rotorua Public ↑ - ☺

Rotorua businesses reported an increase in their index this period. The index increased by 17.2 points to -9.1. Despite the increase, this indicates that some businesses purchased 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 45.7 points to 23.0. This indicates that more Rotorua residents purchased items from within the district rather than sourcing products and services outside it.

Promotional Activity

Rotorua Business ↑ - ☺

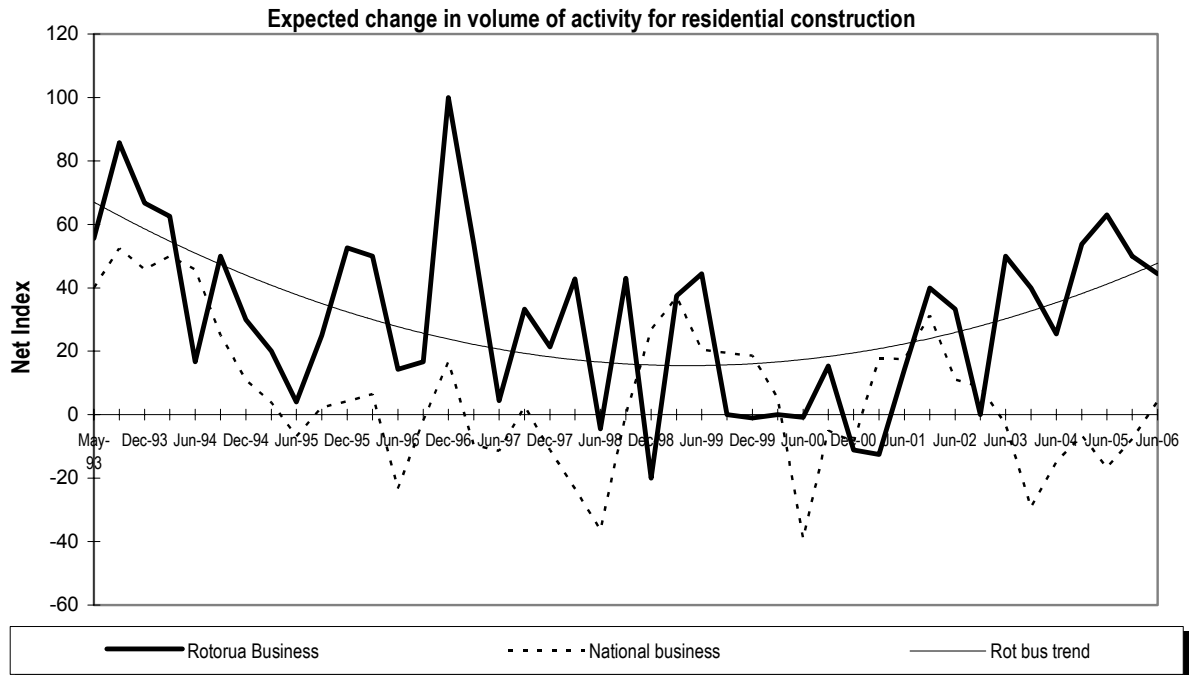


The Rotorua business index increased by 6.6 points over the previous six months, taking it to 20.0. This indicates that the majority of businesses are expecting to increase their promotional budgets over the next 12 months.

Construction

Residential Construction

Rotorua Business ↓ - ☹ NZ Business ↑ - ☺

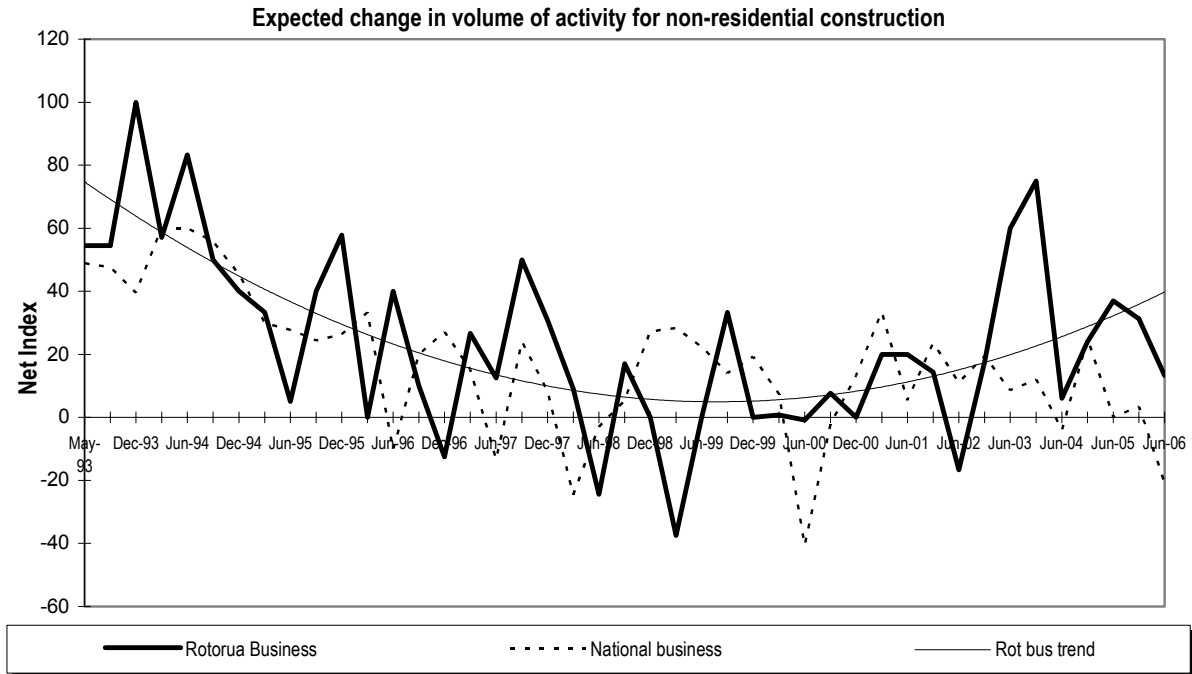


Rotorua businesses involved in residential construction reported a decrease in confidence with regard to their upcoming volume of work. The Rotorua business index decreased by negative -5.6 points taking it to 44.4. Despite the drop in confidence, the majority of construction businesses expect the volume of their residential construction to increase.

Nationally, construction businesses reported an increase in confidence of 11.9 points, taking the index to 4.2. This indicates that a majority of construction businesses nationally expect volumes of residential construction work to remain at current levels.

Non-residential Construction

Rotorua Business ↓ - ☹️ NZ Business ↓ - ☹️

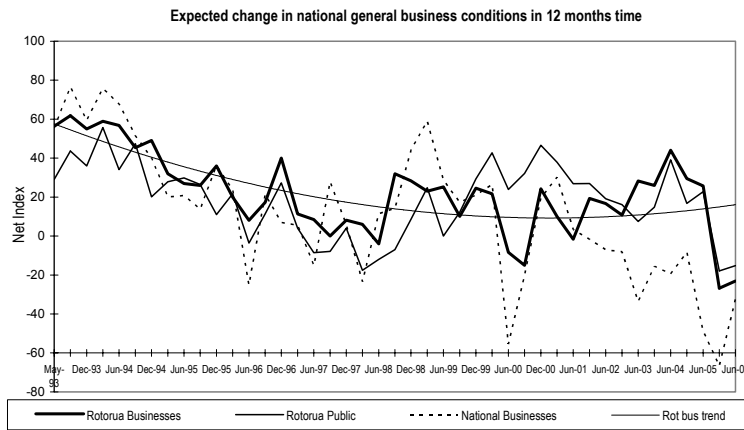


Rotorua construction businesses reported a decrease in confidence regarding their expected volume of upcoming non-residential construction. The index decreased by -18.0 points to 13.3. Despite the drop in the index, a majority of Rotorua construction businesses expect their volume of commercial construction to increase.

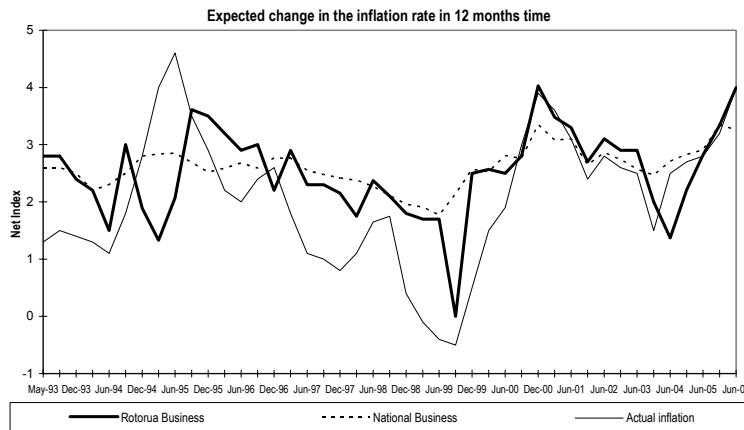
Nationally, construction businesses reported a decrease in confidence of -24.2 points, taking the national business index to -20.8. This indicates that a majority of national businesses expect levels of non-residential construction to decrease.

NATIONAL BUSINESS CONDITIONS

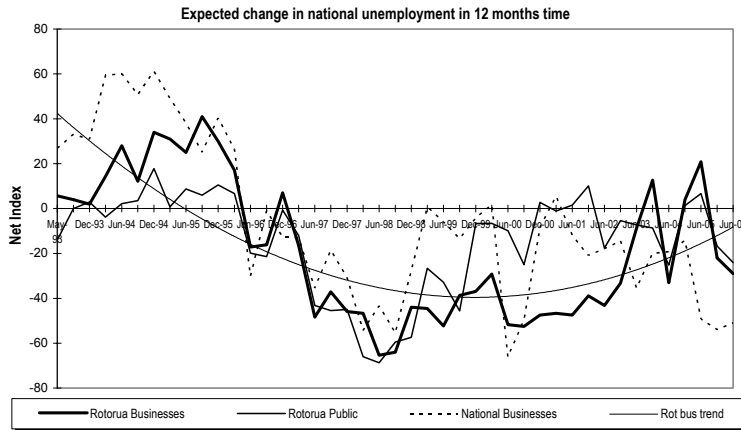
The indexes are showing steady to reduced confidence levels regarding national business indicators. National general business conditions are expected to decrease, national unemployment is expected to rise, and prices of goods are expected to increase. On a more positive note, interest rates are expected to stay stable, profits for businesses are expected to remain stable, national production is expected to increase, business activity/personal income levels are expected to increase, business employment levels are expected to remain at current levels as in business investment. Business involved in exporting expect increasing levels of exports. Construction businesses are reporting an expectation of similar levels of activity as are being experienced currently for housing, and reduced commercial construction over the next 12 months.



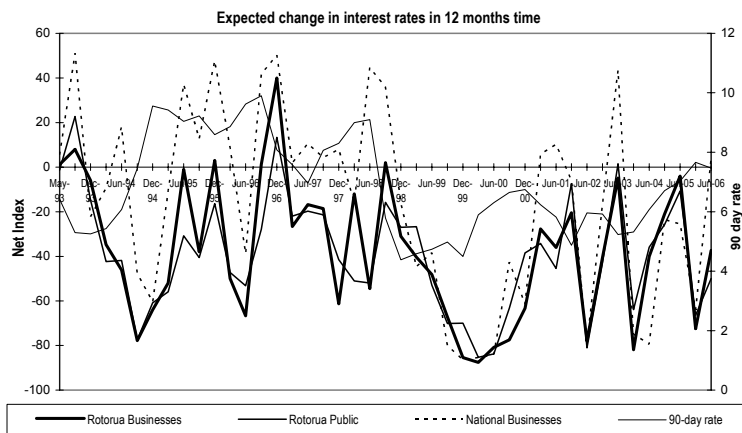
National general business conditions are expected to deteriorate over the next 12 months.



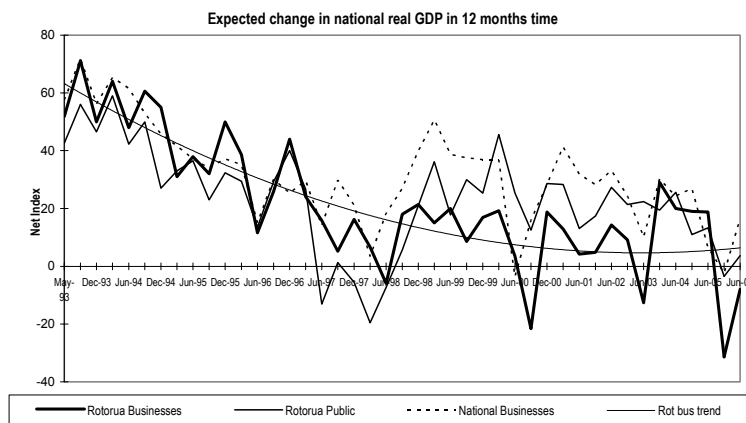
Inflation is expected to increase over the next 12 months.



National unemployment is expected to increase over the following year.



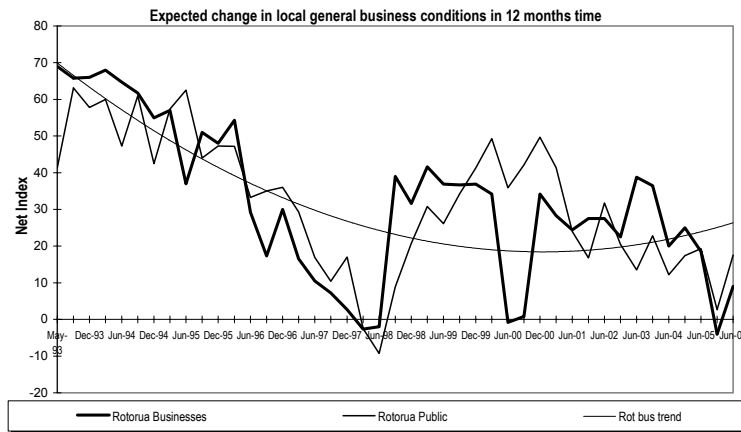
The Rotorua indexes show an expectation that interest rates will increase over the next 12 months. The New Zealand business index shows an expectation that interest rates will remain at current levels.



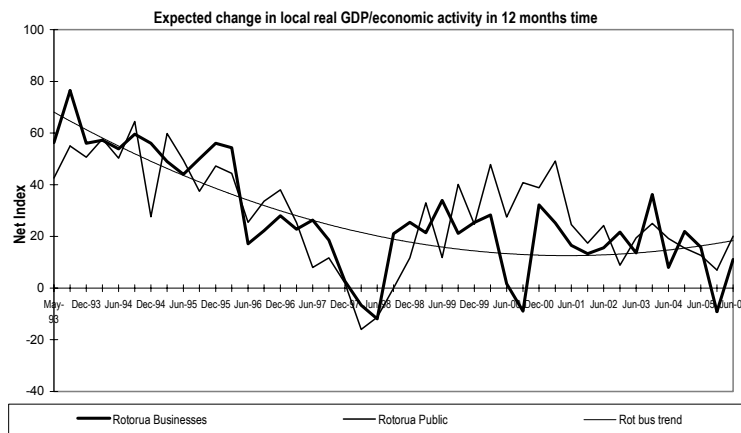
Rotorua households and businesses expect national real GDP to remain at current levels, while nationally businesses expect it to increase.

LOCAL BUSINESS CONDITIONS

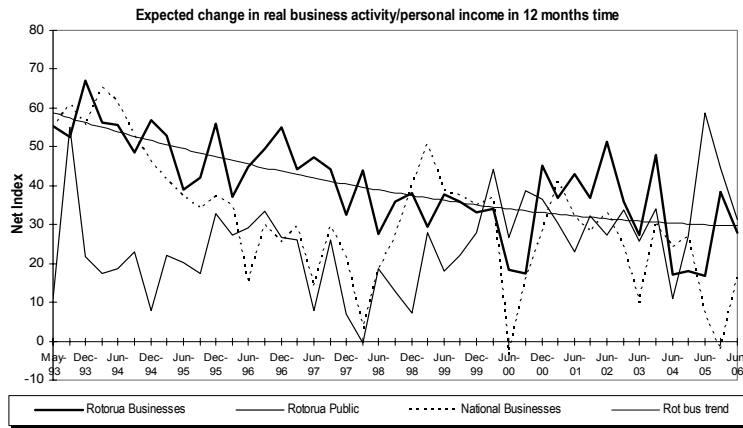
The local business confidence indexes are showing signs of reducing confidence levels. On a negative note, local unemployment is expected to increase, prices are expected to rise and business profits are expected to decrease. On the positive side, local general business conditions are expected to remain at current levels or increase, economic activity is expected to increase, income is expected to increase, employment is expected to remain at current levels and businesses are planning on investing more. Businesses involved in exporting are reporting an expectation of increasing exports. Construction businesses are reporting increasing levels of construction.



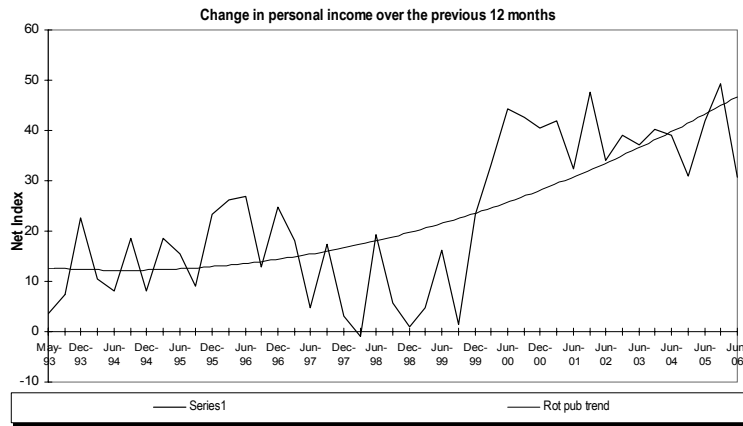
The local indexes both show an expectation that local general business conditions will remain at current levels or increase over the next 12 months.



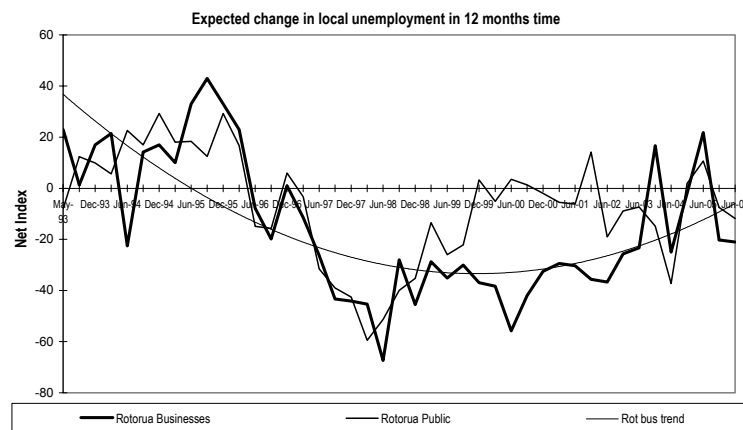
Local economic activity is expected to increase over the next year.



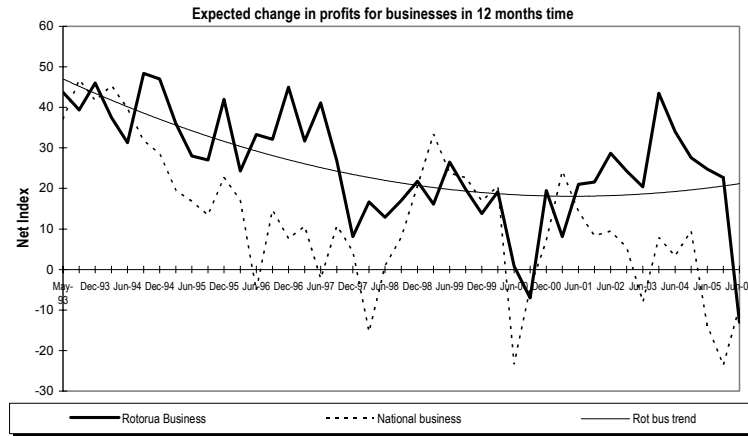
All local indexes are reporting an expectation that real business activity/personal income will increase over the upcoming 12 months.



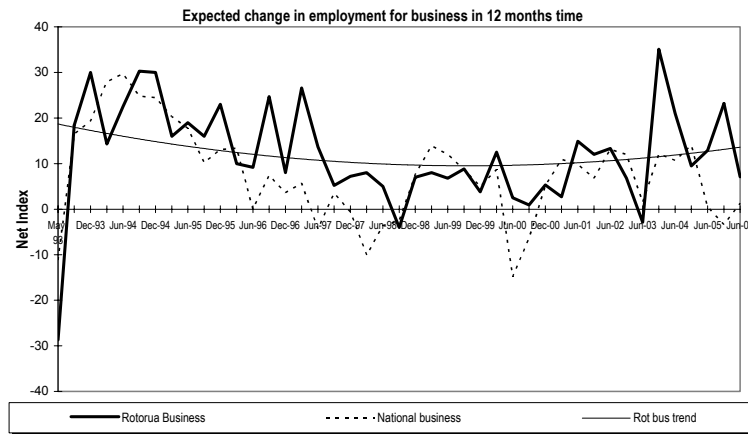
With regard to personal income, the majority of the public of Rotorua reported an increase in personal income over the previous 12-month period.



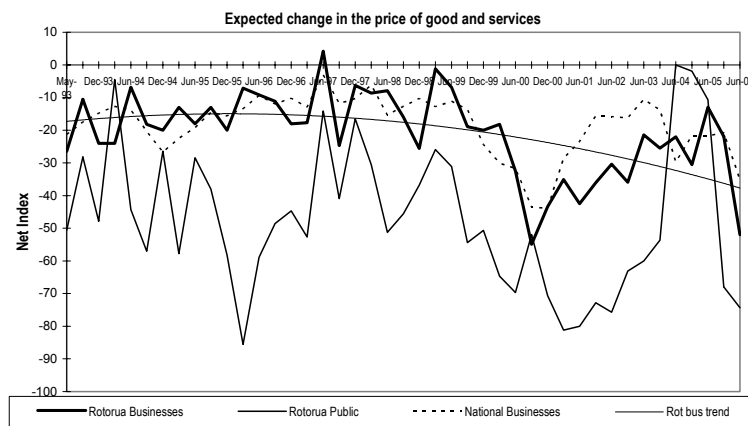
Local unemployment is expected to increase over the next 12 months.



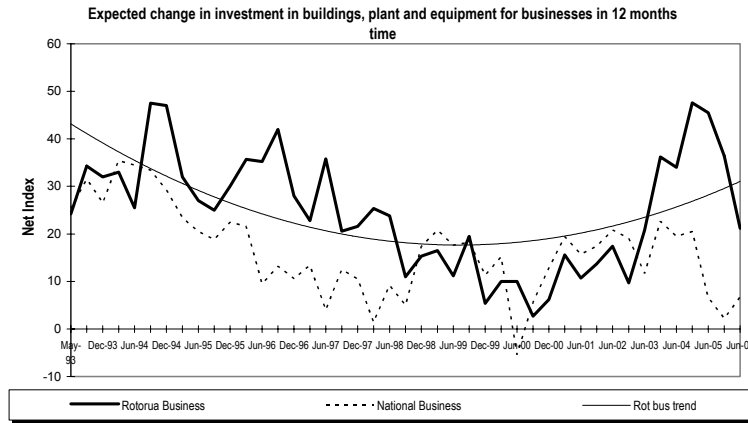
The majority of local businesses expect profits to remain at current levels or drop over the upcoming year.



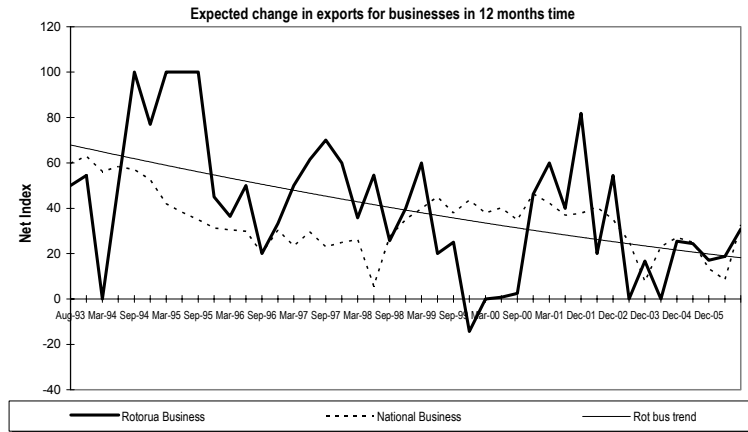
The local business index shows an expectation that employment will remain at current levels or increase over the next 12 months.



Prices are expected to increase over the next 12 months.

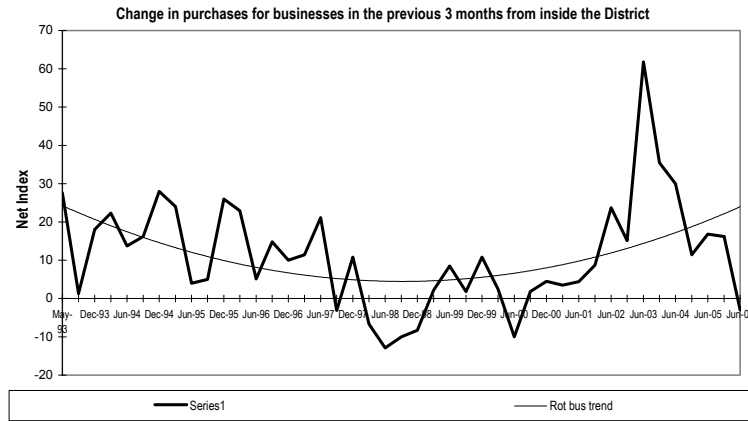


The majority of local businesses are expecting to invest more in their businesses over the upcoming year.

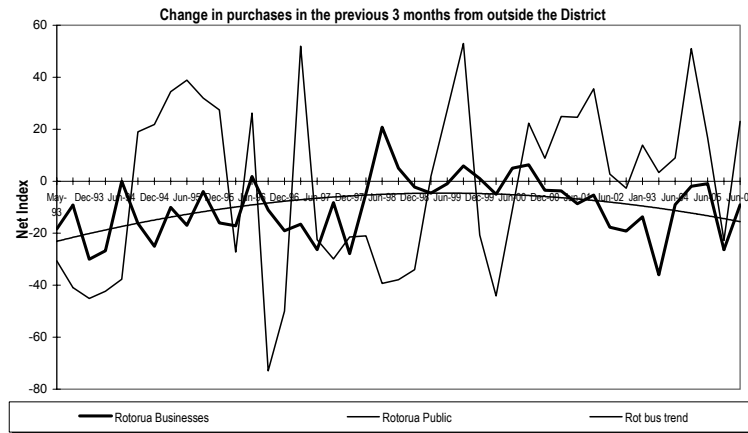


The majority of businesses involved in exports expect levels to increase over the next 12 months.

PURCHASE OF GOODS AND SERVICES

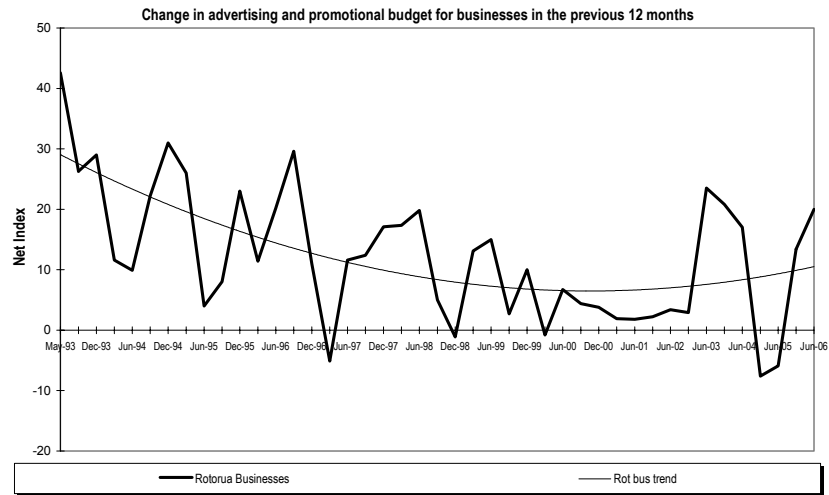


More people purchased goods from outside of Rotorua this quarter.



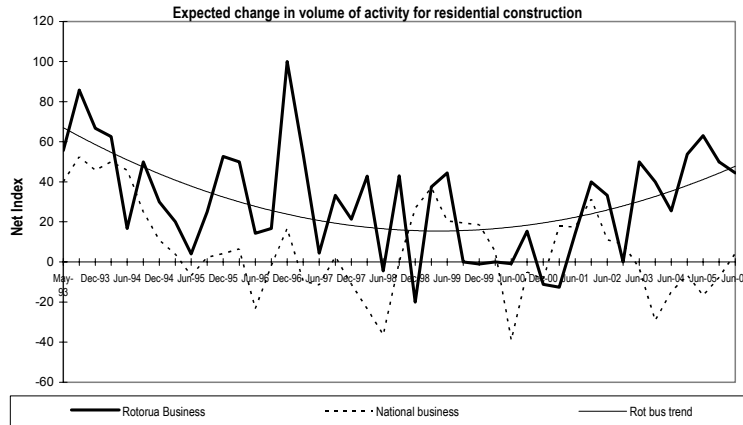
Rotorua businesses reported that a small majority of businesses purchased goods from outside of the district compared to those that purchased goods from within it. Local residents reported buying fewer goods from outside of the district.

PROMOTIONAL ACTIVITY



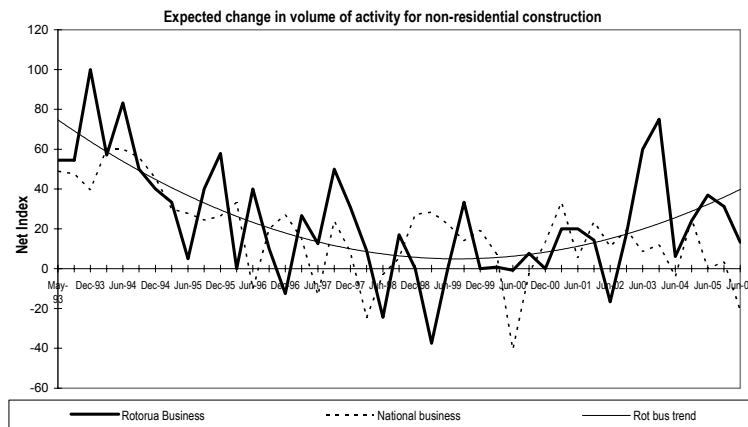
A majority of businesses are planning on increasing their promotional budgets over the next 12 months.

CONSTRUCTION INDUSTRY



Locally, businesses involved in residential construction reported a likely increase in their upcoming volume of work.

Nationally, construction businesses expect their volume of work to remain at current levels or increase.



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 reduce over upcoming months.