

DECEMBER 2004 BUSINESS AND PUBLIC CONFIDENCE

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

Prepared for : **Destination Rotorua Economic Development;
Rotorua District Council**

By : **APR Consultants**

Date : **December 2004**

INTRODUCTION

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

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

In the following sections the results of specific questions from each of the surveys are outlined, together with a brief comment on the results. The most recent surveys were undertaken in December 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 December 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
	☺	=	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

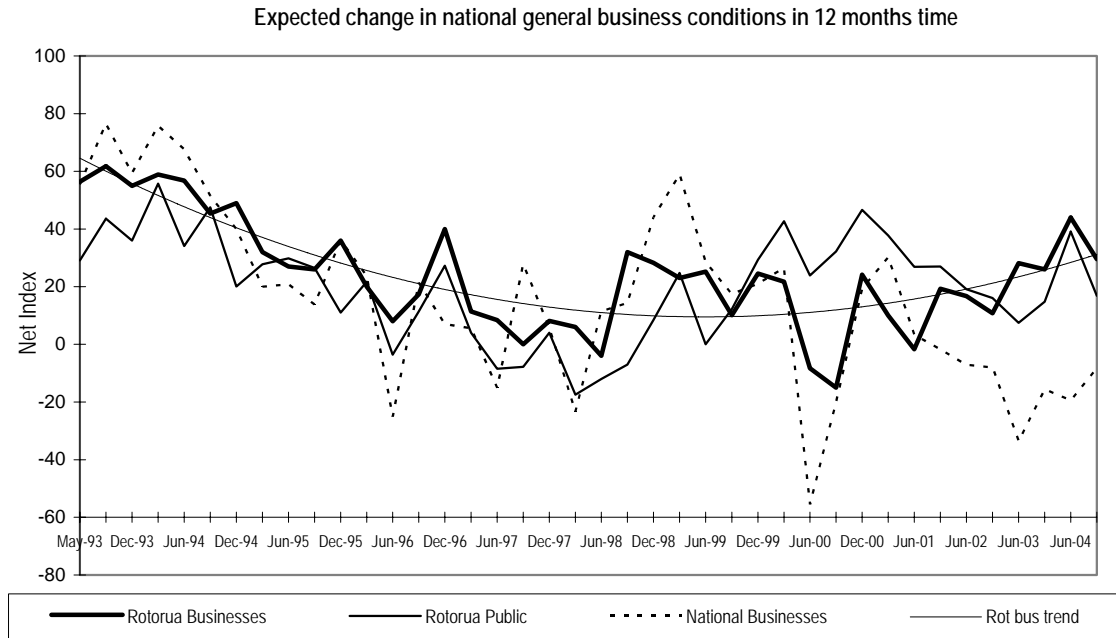
	New Zealand Businesses	Rotorua Businesses	Rotorua Public
National General Business Conditions	☹	☺	☺
National Unemployment	☹	☹	☹
Interest Rates	☹	☹	☹
National Real GDP/Economic Activity	☺	☺	☺
Local General Business Conditions	n/a	☺	☺
Local Unemployment	n/a	☹	☹
Local Real GDP / Economic Activity	n/a	☺	☺
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 -14.5 points to 29.5. Despite this decrease in confidence, the majority of businesses locally expect national general business conditions to increase.

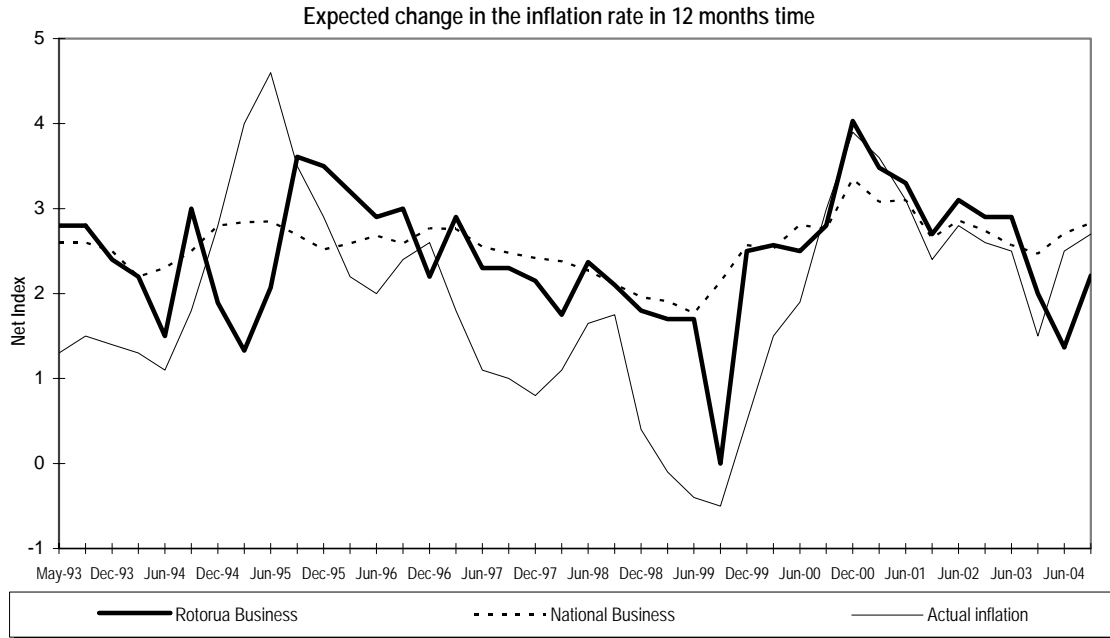
Rotorua residents also reported a decrease in confidence, with the index dropping 22.3 points to 16.8. This indicates, that like Rotorua businesses, the majority expect national general business conditions to increase over the upcoming year.

The national business index increased by 11.1 points, taking it to -8.3. Despite the increase in the index, a majority of businesses nationally expect national general business conditions to remain stable or 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 0.84%, taking it to 2.21%.

Businesses nationally reported an expectation that inflation levels would increase with expected inflation rising by 0.12% to 2.83%.

The actual inflation rate, as measured by the Consumer Price Index, for December 2004 was 2.7% from the same time last year.

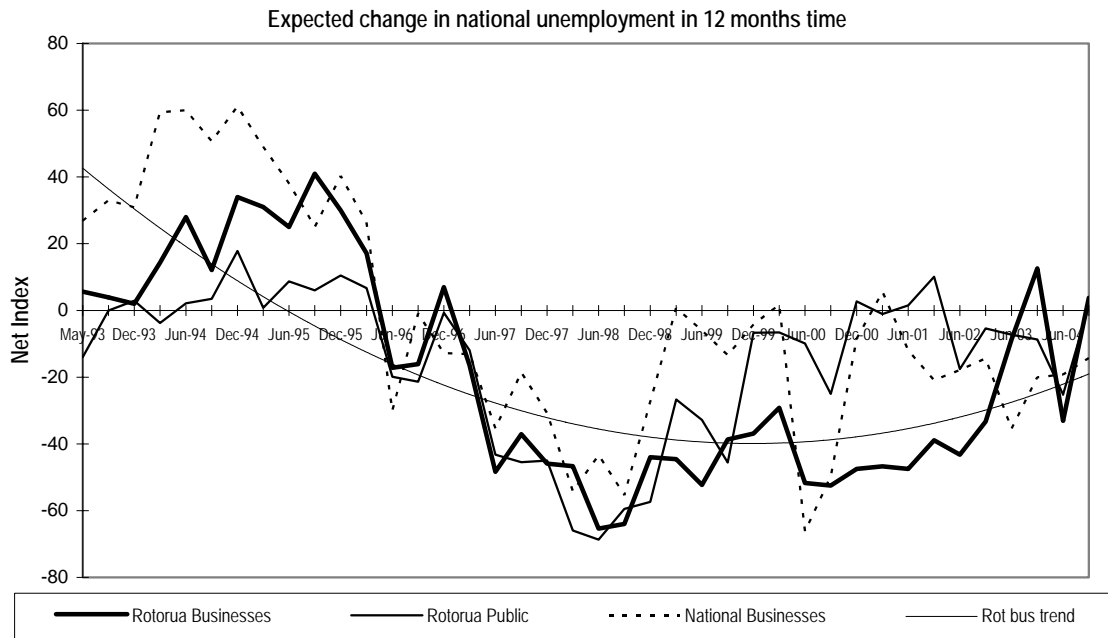
Looking back to last year, Rotorua businesses predicted inflation would be at 2.0% in December 2004 and New Zealand businesses were expecting it to reach 2.47%.

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 36.8 points to 3.8. This indicates that a majority of Rotorua businesses expect unemployment to remain at current levels over the upcoming 12 months.

The Rotorua public index also showed an increase in confidence. The index rose by 26.5 points to 1.3, indicating that a majority of households also expect unemployment nationally to remain at current levels over the next 12 months.

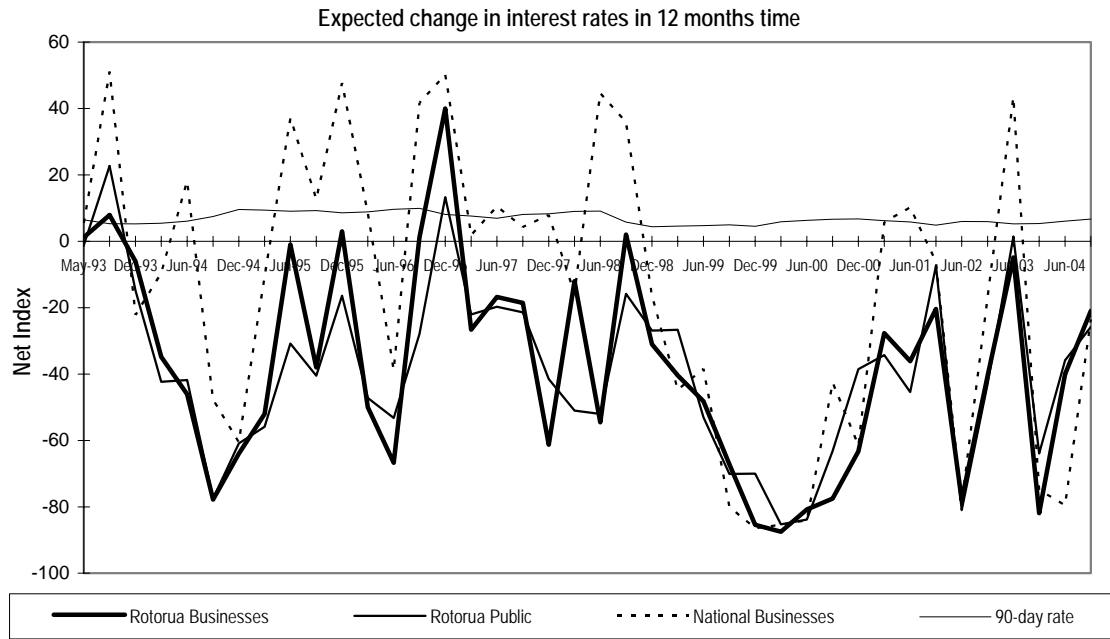
The national business index increased slightly by 4.9 points, taking it to -14.3. Despite the increase in confidence, a majority of businesses nationally expect unemployment to increase over the upcoming year.

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 19.0 points, taking it to -21.0. Despite the rise in confidence, 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 10.1 points taking it to -25.8. Despite the increase, the majority of Rotorua households also expect interest rates to increase over the upcoming year.

Nationally, businesses reported an increase in confidence of 56.0 points, taking the national business index to -23.5. Despite the large increase, 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, but confidence is improving.

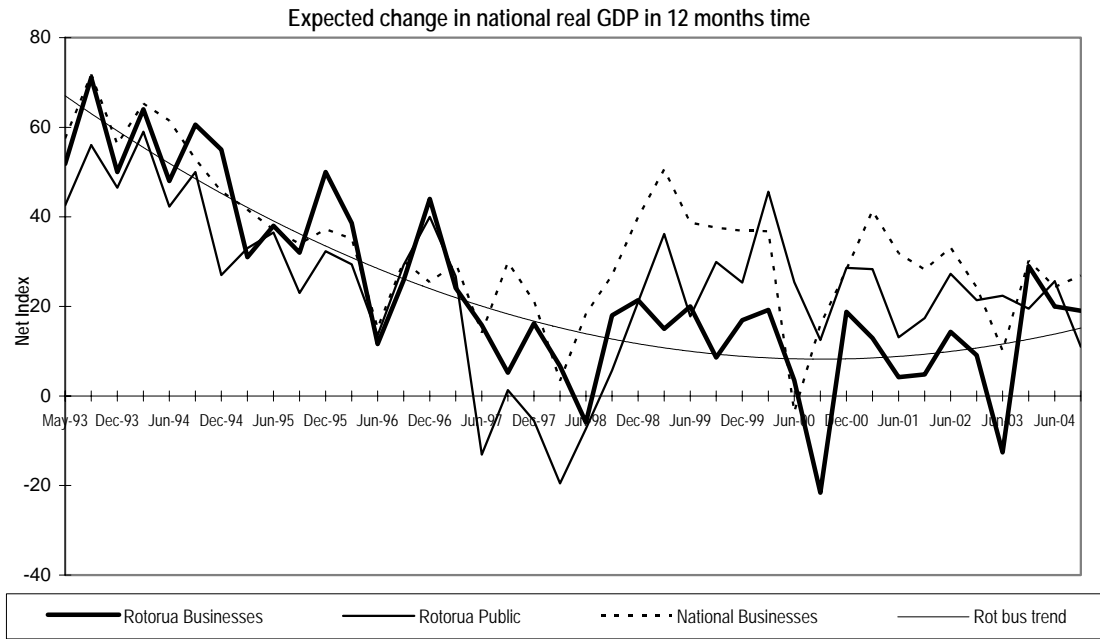
The December 2004 90-day rate increased over the previous six months, going from 6.07 in June 2004 to its end of December 2004 level of 6.71.

National Real GDP/Economic Activity

NZ Business NC - ☺

Rotorua Business NC - ☺

Rotorua Public ↓ - ☺



Local businesses reported a small decrease in confidence over the past six months with the index dropping by 1.0 point, taking it to 19.0. Despite the decrease in the index, the majority of local businesses expect national real GDP to increase over the next 12 months.

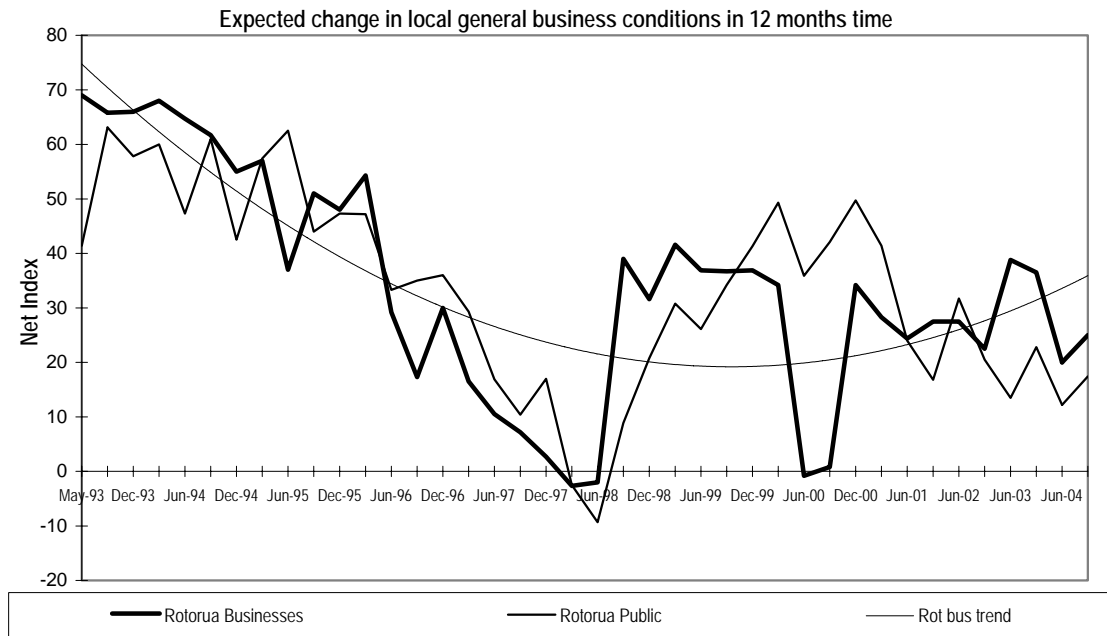
Rotorua households reported a decrease in confidence over the past six months with the index dropping 14.6 points to 11.0. Despite the decrease, like their business counterparts, most Rotorua households expect national real GDP to increase over the upcoming year.

Nationally the business index increased slightly by 2.6 points, taking it to 26.9. 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 ↑ - ☺



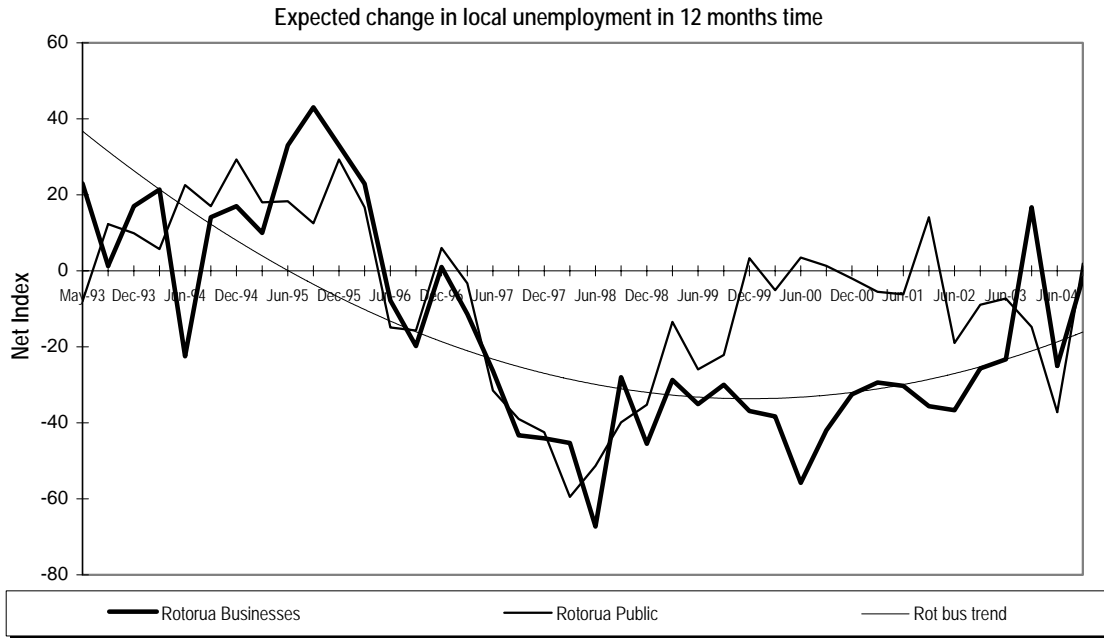
The Rotorua business index increased by 5.0 points over the past six months, taking it to 25.0. This indicates that the majority of Rotorua businesses expect local general business conditions to improve over the next 12 months.

The Rotorua public index also increased, going up 5.2 points. The index currently sits on 17.4. Like their business counterparts, Rotorua households expect local general business conditions to increase over the upcoming year.

Local Unemployment

Rotorua Business ↑ - ☺

Rotorua Public ↑ - ☺

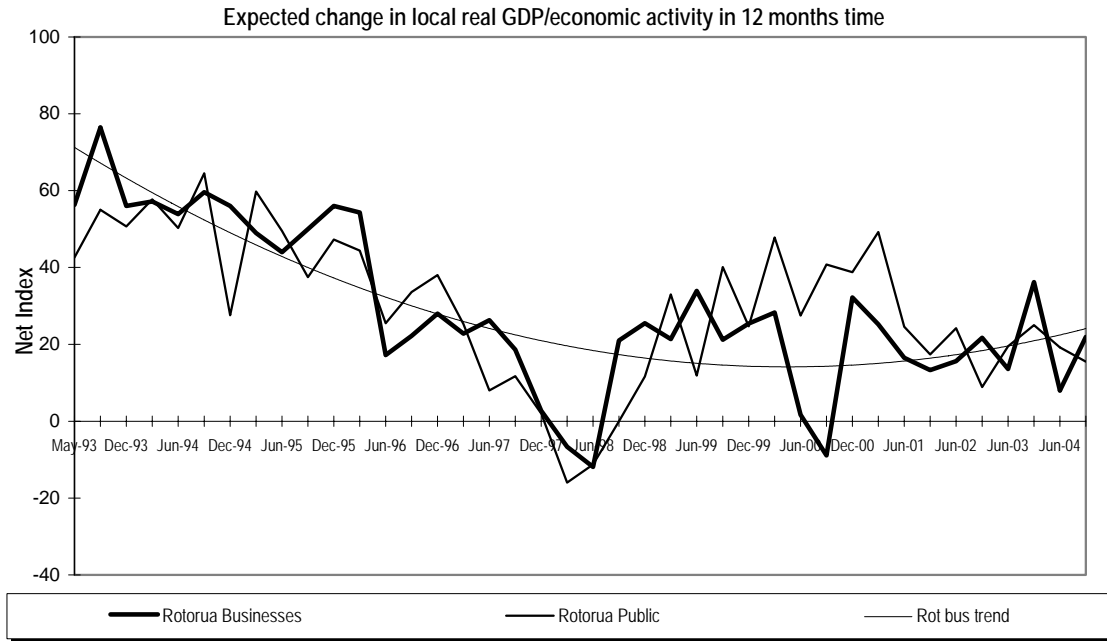


The local business index increased by 23.1 points over the previous six months, taking it to negative -1.9. This indicates that the majority of Rotorua businesses expect local unemployment to remain at current levels over the next 12 months.

Local householders also reported an increase in confidence, with the index rising 39.1 points, taking it to 1.9. This indicates that Rotorua householders also expect local unemployment to remain at current levels over the next 12 months.

Local Real GDP / Economic Activity

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



Rotorua businesses reported an increase in confidence of 13.9 points over the past six months, taking the index to 21.9. This indicates that a majority of local businesses expect economic activity to increase over the next year.

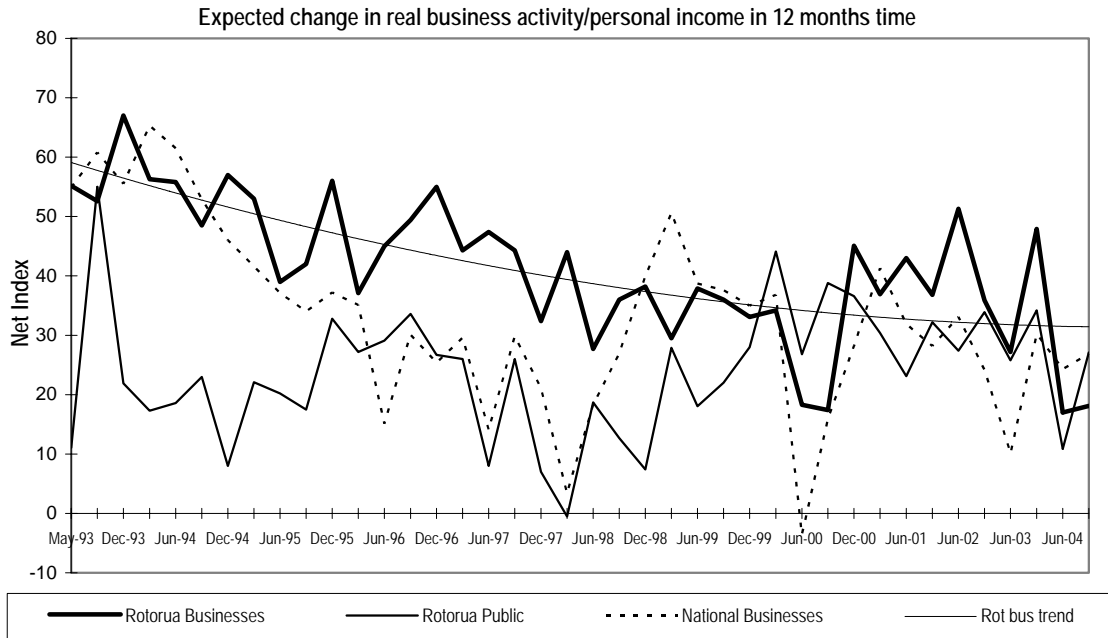
Rotorua residents reported a decrease in confidence with the Rotorua public index dropping 3.7 points to 15.5. Despite the drop in confidence, a majority of Rotorua residents expect business activity to increase over the next 12 months.

Real Business Activity / Personal Income

NZ Business NC - ☺

Rotorua Business NC - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported a slight increase in confidence of 1.1 points over the past six months, taking the index to 18.1. This indicates that the majority of local businesses are confident of increased income levels over the following year.

Rotorua residents reported an increase in confidence with their index increasing 16.2 points, taking it to 27.1. This indicates that like their business counterparts, the majority expect to increase their personal income over the upcoming year.

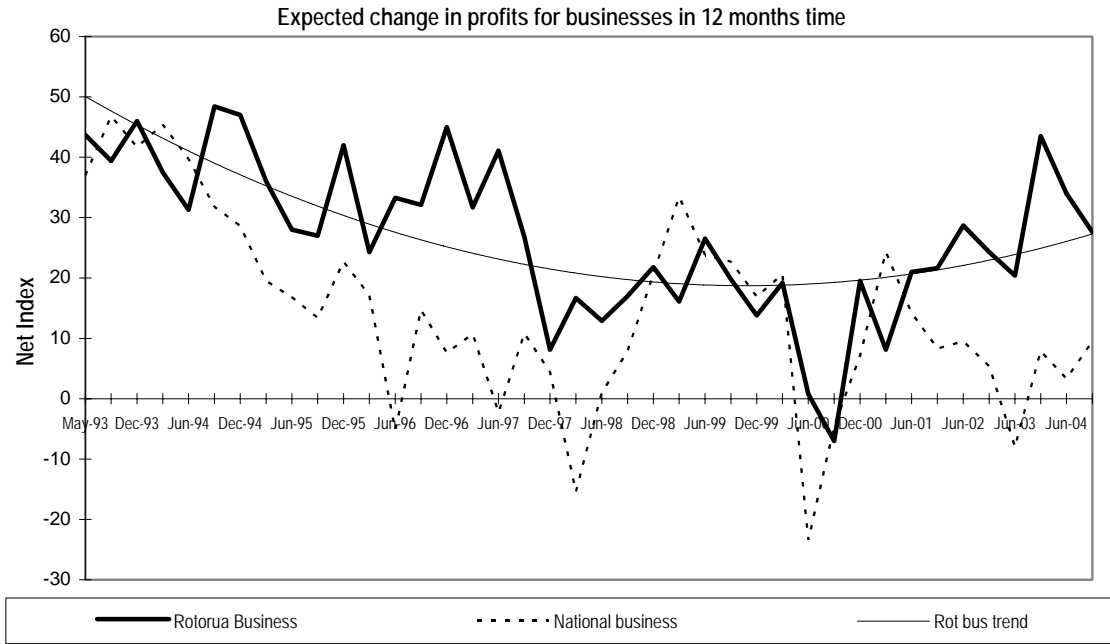
Nationally, businesses reported a slight increase in confidence. The national business index increased by 2.6 points over the past six months to reach 26.9 points. This indicates that the majority of national businesses expect higher levels of income over the upcoming year.

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

Profits For Businesses

NZ Business ↑ - ☺

Rotorua Business ↓ - ☹



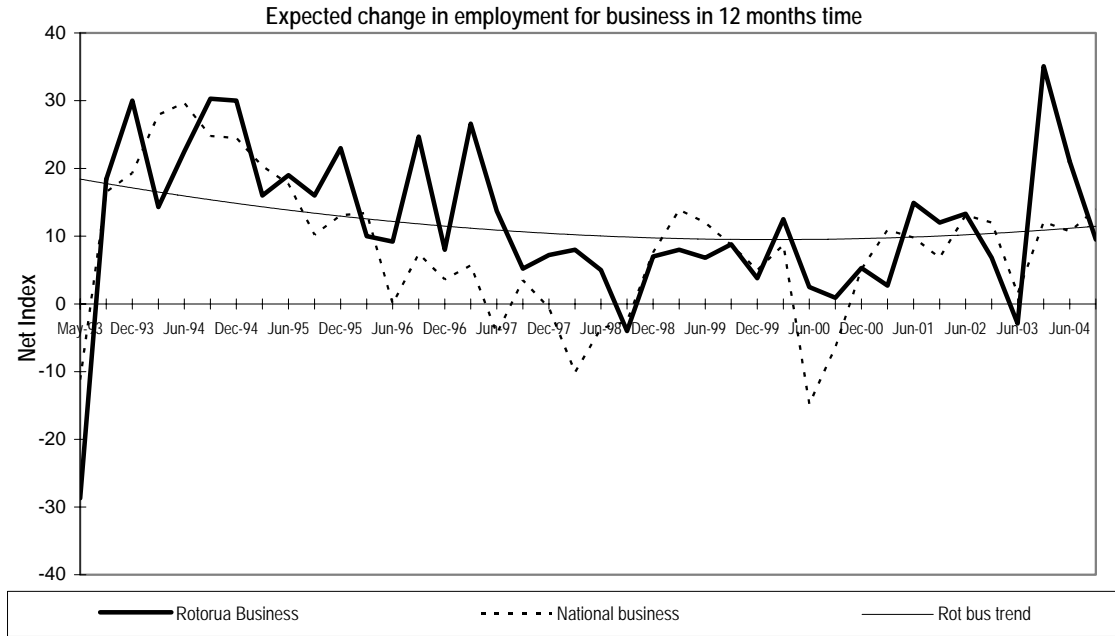
Rotorua businesses reported a decrease in confidence with regard to their profit levels over the next 12 months. The Rotorua business index decreased by 6.4 points to 27.6. Despite the drop in the index, the majority of local businesses expect increased profits over the upcoming year.

Nationally, businesses reported an increase in confidence of 6.2 points, taking the index to 9.5. This indicates that the majority of national businesses expect profits to remain at current levels or increase 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 11.5 points to 9.5. 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 increase in confidence of 3.3 points, taking the index to 14.0. This indicates that national businesses also expect to employ the same or more workers than they do currently.

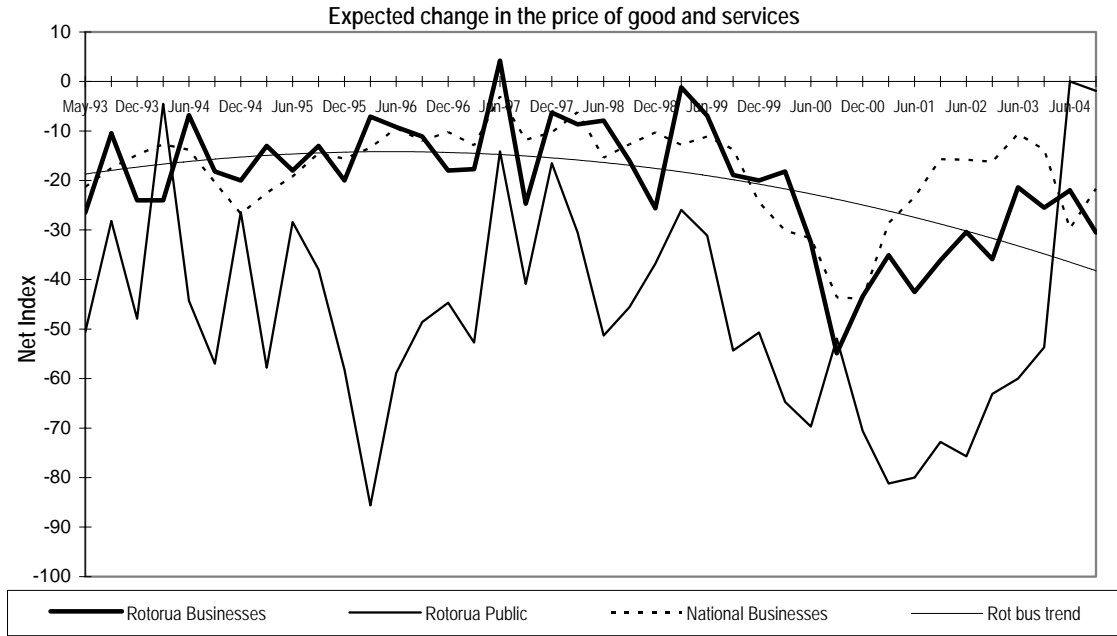
In conclusion, the local and national business indexes are both showing an expectation that employment should remain at current levels or increase.

Price of Goods and Services

NZ Business ↑ - ☹

Rotorua Business ↓ - ☹

Rotorua Public NC - ☹



Rotorua businesses reported a decrease in confidence with the index dropping 8.5 points to negative -30.5 . This indicates that the majority of Rotorua businesses expect the price of their goods and services to increase over the next 3 months.

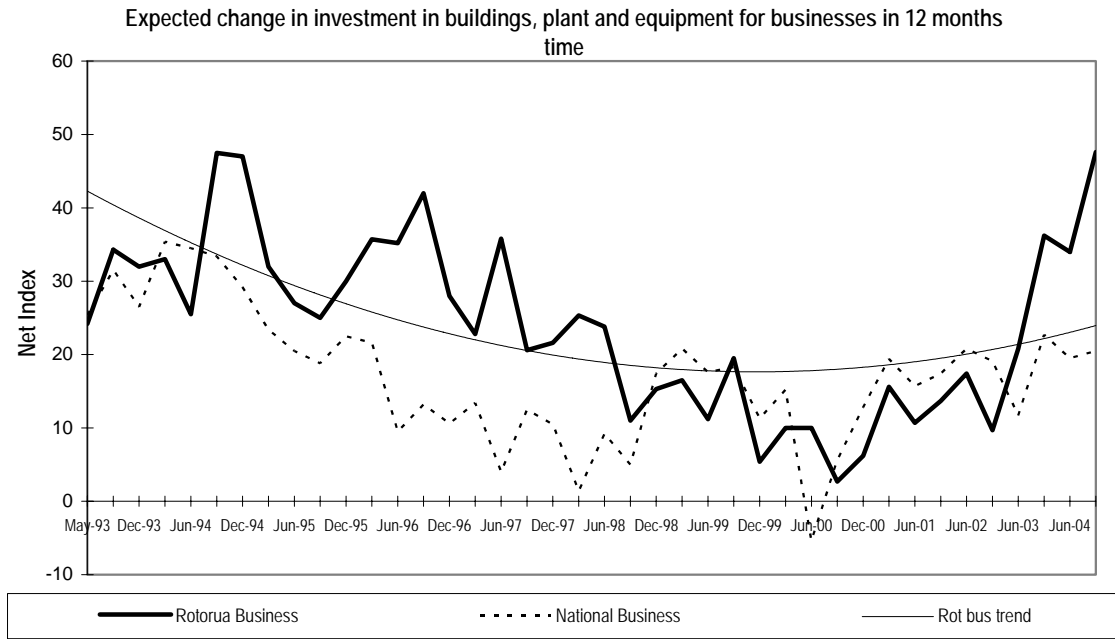
Nationally, businesses reported an increase in their index of 8.0 points taking it to -21.7 . Despite the increase in confidence, a majority of national businesses also expect prices to rise.

Rotorua residents reported a small decrease in confidence with the index dropping 1.9 points to -1.9 . This indicates that the majority of Rotorua residents believe that prices will remain at current levels over the next 3 months.

Investment For Businesses

NZ Business NC - ☺

Rotorua Business ↑ - ☺



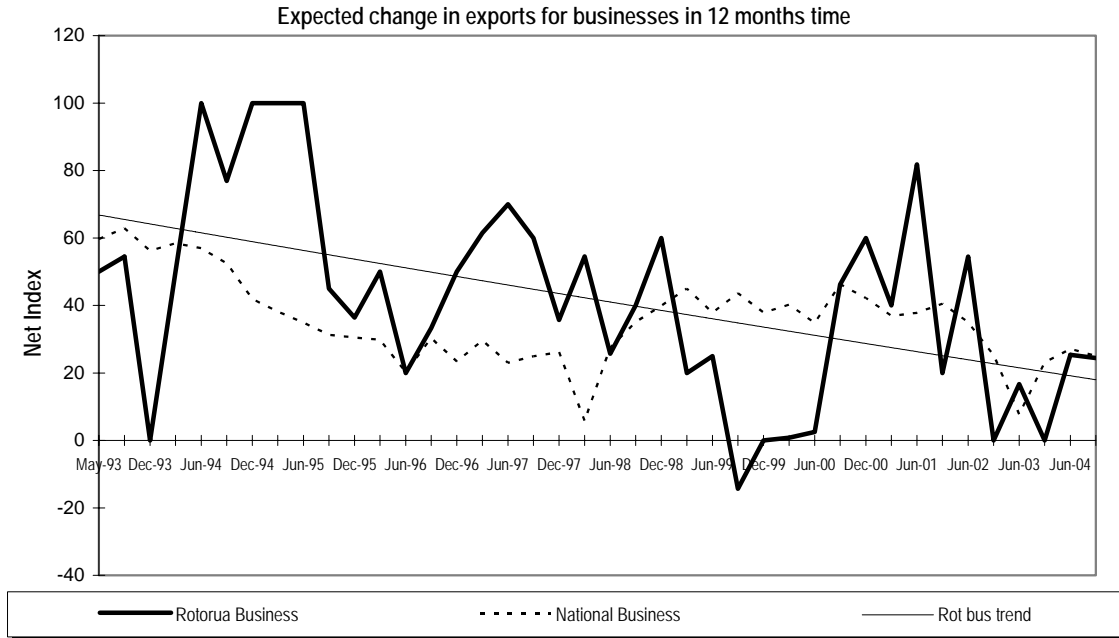
Rotorua businesses reported an increase in confidence of 13.6 points this period, taking the index to 47.6. This indicates that the majority of Rotorua businesses expect to increase investment back into their businesses.

Nationally, businesses reported a slight increase in confidence of 1.0 points, taking the national business index to 20.5. This indicates that nationally, like their Rotorua counterparts, the majority of businesses expect to increase investment back into their businesses.

Exports

NZ Business NC - ☺

Rotorua Business NC - ☺



Locally businesses involved in exporting reported a slight decrease in confidence regarding the volume of products to be exported over the next 12 months. The Rotorua business index decreased by 1.0 points taking the index to 24.4. Despite the slight drop, most local export businesses expect their volume of exports to increase over the next 12 months.

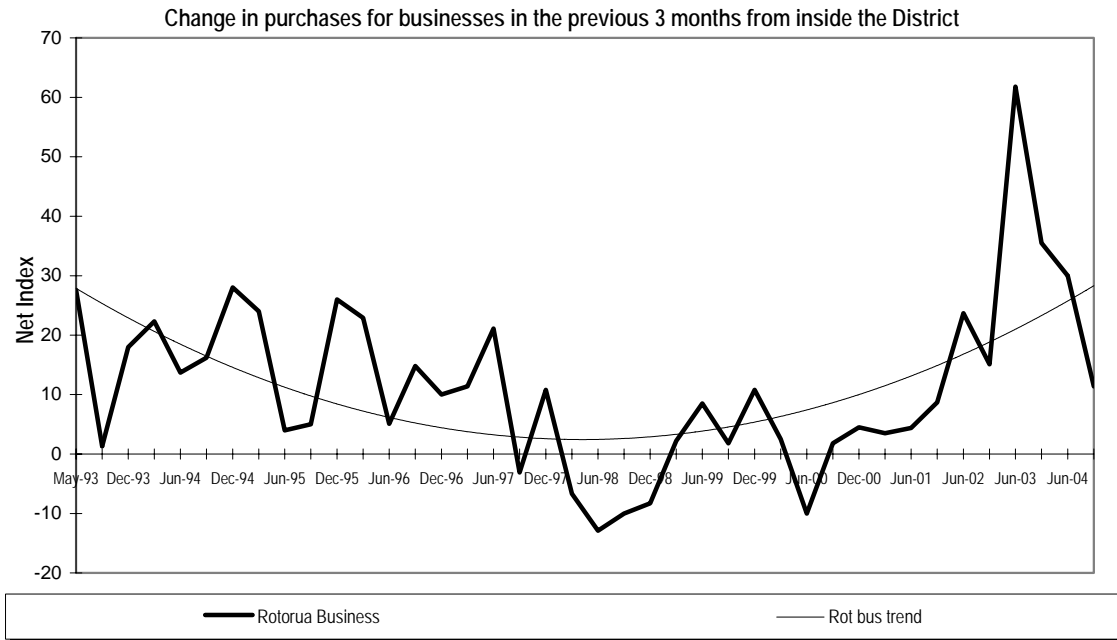
Nationally, businesses involved in exporting reported a slight decrease in confidence of 2.1 points taking the index to 25.0. Despite the small drop, national exporting businesses are in alignment with their local counterparts in expecting the volume of exports to increase.

Purchases

Inside the District

Rotorua Business ↓ - ☹️

Rotorua businesses reported a decrease in their spending from inside the district this period. The index decreased by 18.6 points taking it to 11.4. Despite the decrease, the majority of Rotorua businesses make most of their purchases inside the district.



Outside the District

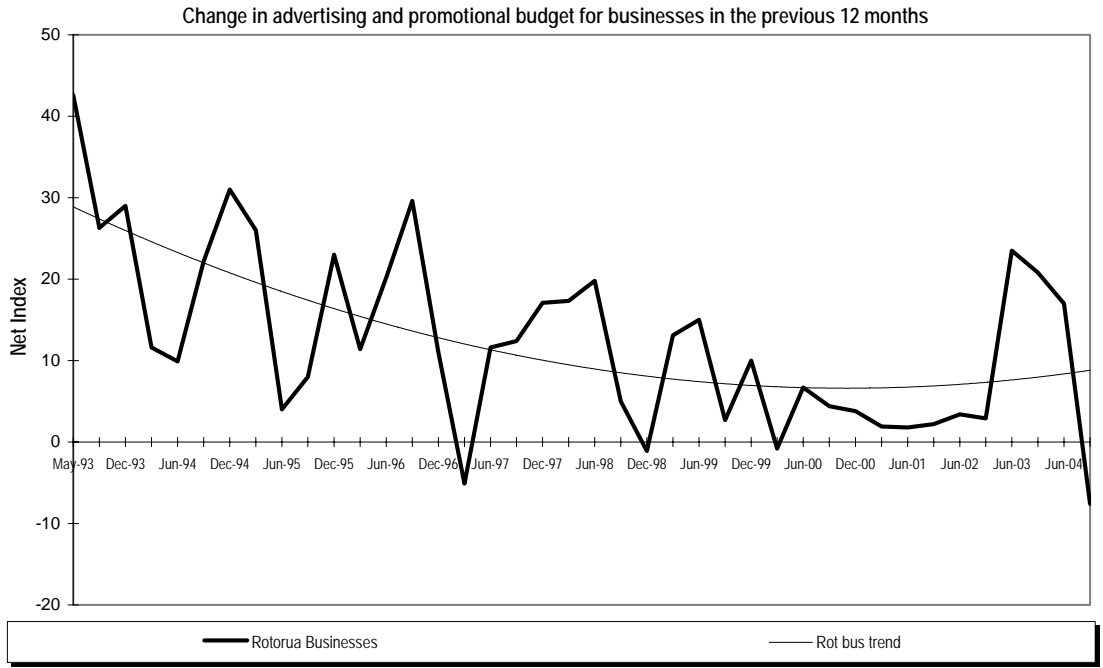
Rotorua Business ↑ - ☺️ Rotorua Public ↑ - ☺️

Rotorua businesses reported an increase in their index this period. The index increased by 7.1 points to -1.9. Despite the increase, 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 42.0 points to 51.0. This indicates that Rotorua residents are able to source their goods and services from within the district.

Promotional Activity

Rotorua Business ↓ - ☹

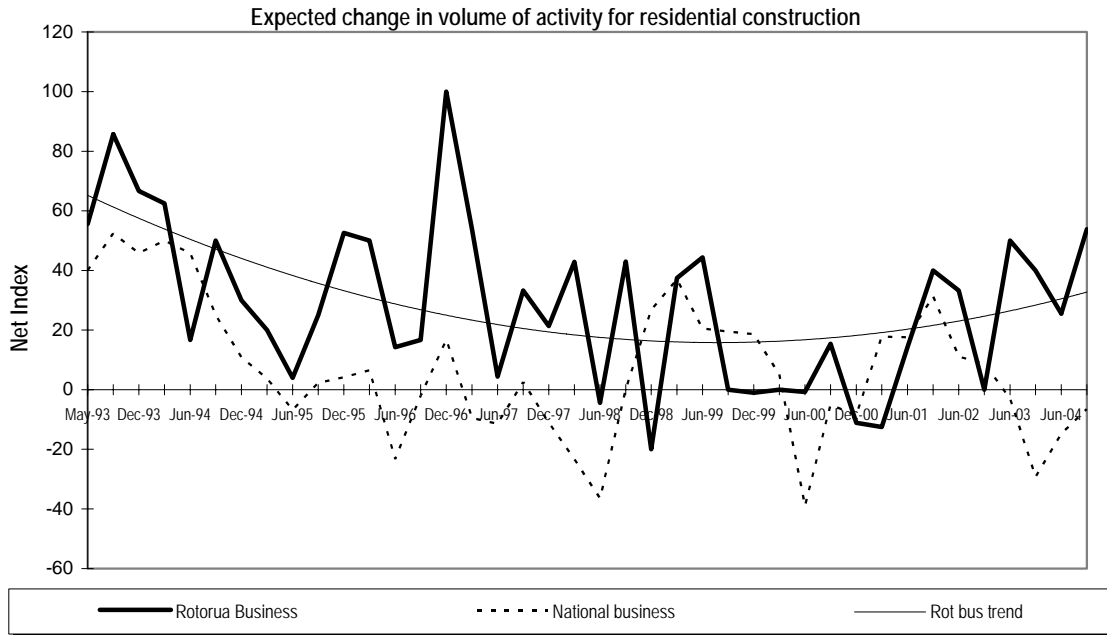


The Rotorua business index decreased by -24.6 points over the previous six months, taking it to -7.6. This indicates that Rotorua businesses are starting to reduce their promotional budgets. The majority of businesses are expecting to keep their promotional budgets at current levels but some are planning to reduce them over the next 12 months.

Construction

Residential Construction

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

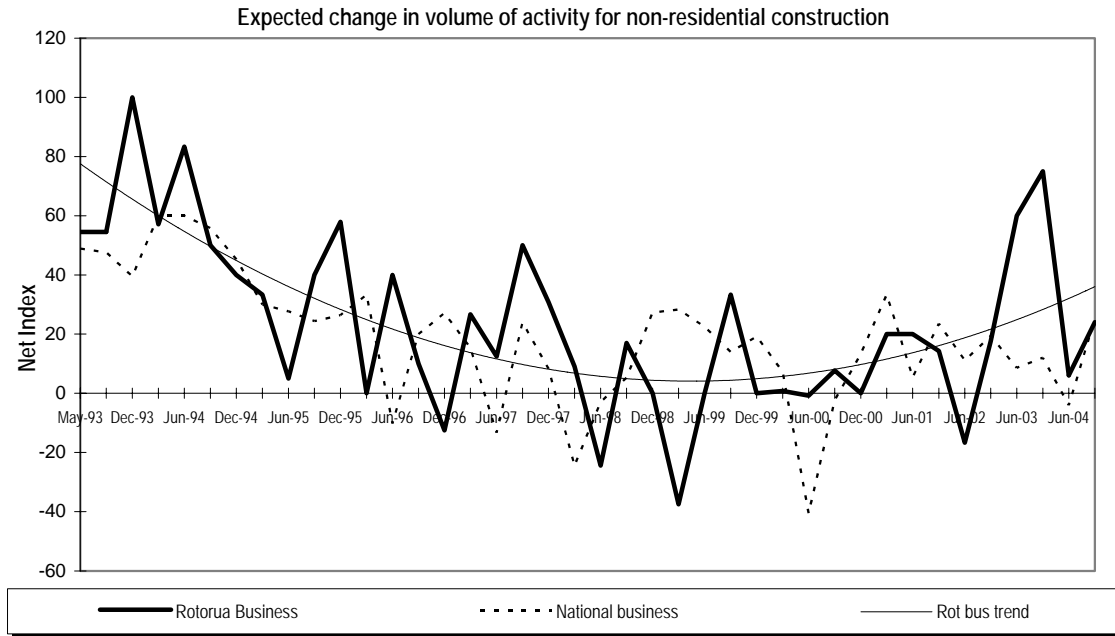


Rotorua businesses involved in residential construction reported an increase in confidence with regard to their upcoming volume of work. The Rotorua business index increased by 28.3 points taking it to 53.8. This indicates that the majority of construction businesses expect the volume of their residential construction to increase.

Nationally, construction businesses reported an increase in confidence of 8.3 points, taking the index to -6.5. Despite the increase in the index, a majority of construction businesses nationally expect volumes of work to remain the same as they are currently.

Non-residential Construction

Rotorua Business ↑ - ☺ **NZ Business** ↑ - ☺



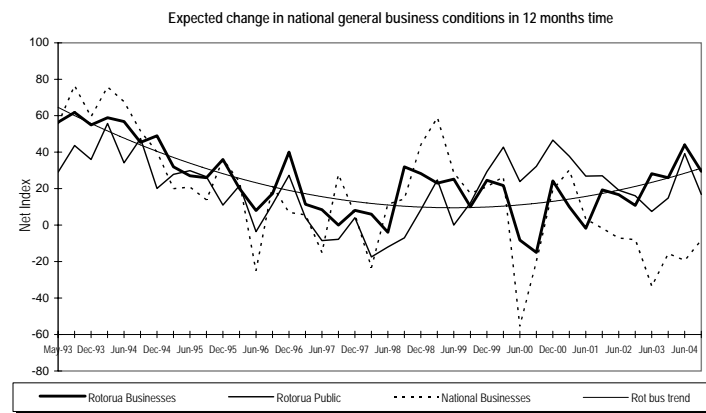
Rotorua construction businesses reported an increase in confidence regarding their expected volume of upcoming non-residential construction. The index increased 17.9 points to 24.0. This indicates that the majority of Rotorua construction businesses expect their volume of non-residential construction to increase.

Nationally, construction businesses reported an increase in confidence of 29.0 points, taking the national business index to 25.0. This indicates that like their Gisborne counterparts, a majority of national businesses expect levels of non-residential construction to increase over upcoming months.

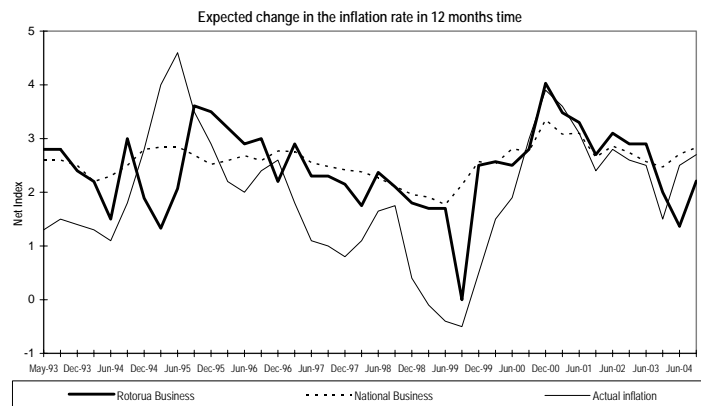
NATIONAL BUSINESS CONDITIONS

Nationally business conditions are expected to remain steady or increase. The local indexes predict that national general business conditions will increase, while the national index shows that nationally business expect business conditions to remain stable. 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, unemployment is expected to remain at current levels and export levels should rise. Construction businesses are reporting steady volumes of construction work with a majority expecting increased volumes of activity in the future.

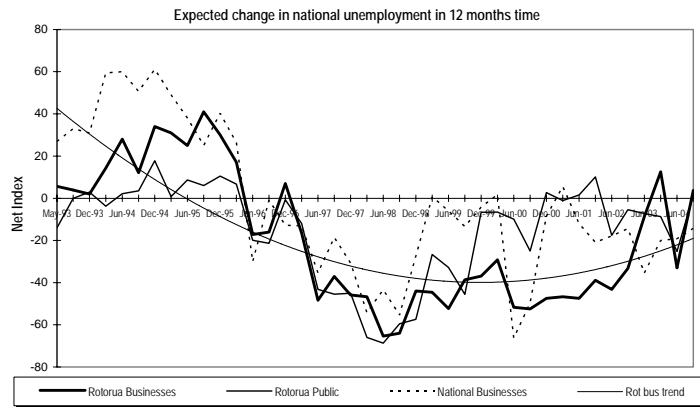
On the negative side, inflation is expected to increase, interest rates are expected to rise and the price of goods and services is expected to increase.



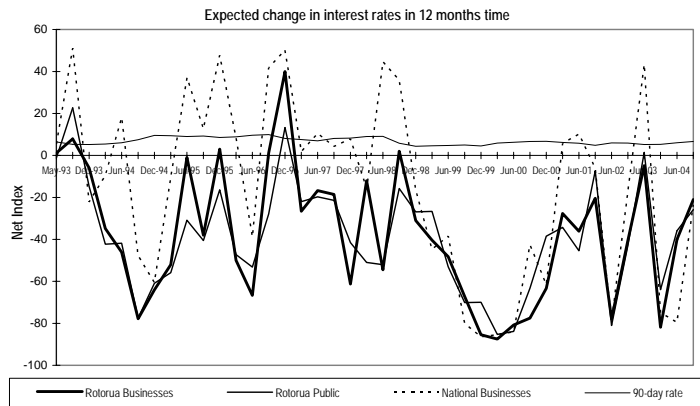
A majority of local businesses and residents expect national general business conditions to improve over the next 12 months. National businesses predict that general business conditions will remain steady or possibly deteriorate over the next 12 months.



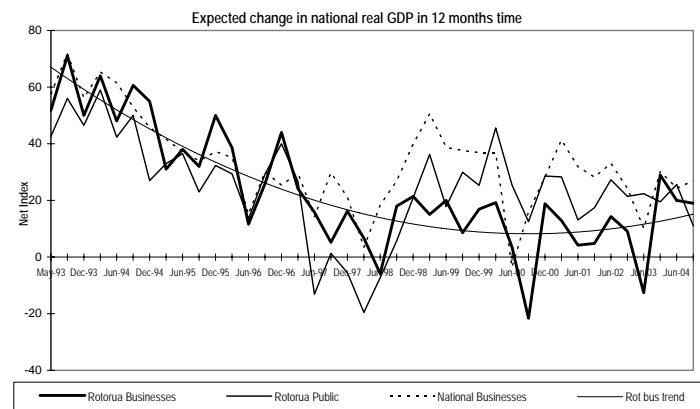
Inflation is expected to increase over the next 12 months.



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



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

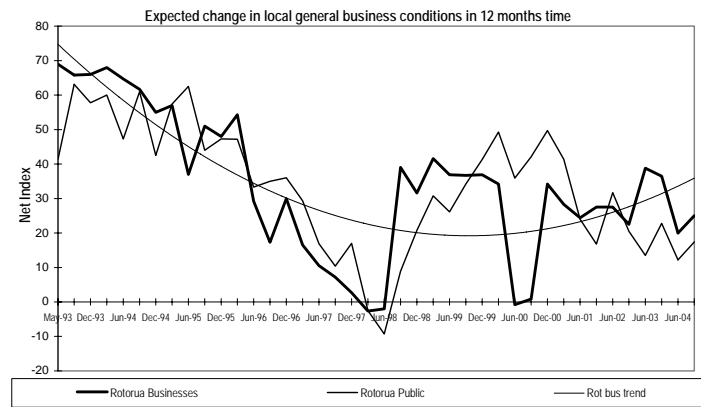


All indexes show an expectation that real GDP will increase.

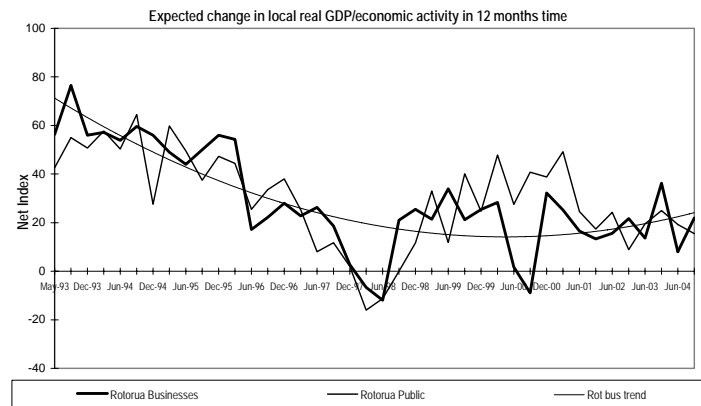
LOCAL BUSINESS CONDITIONS

The locally business confidence indexes are showing steady confidence levels. Local general business conditions are expected to increase, economic activity is expected to increase, personal income is expected to increase, business profits are expected to rise, business employment is expected to remain stable, local unemployment is expected to stabilise, 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.

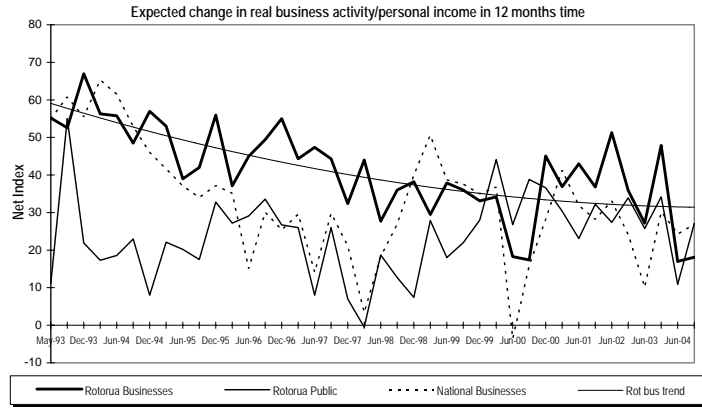
On the negative side, inflation is likely to increase, interest rates are expected to rise and prices are likely to increase, although Rotorua households expect prices to remain at current levels.



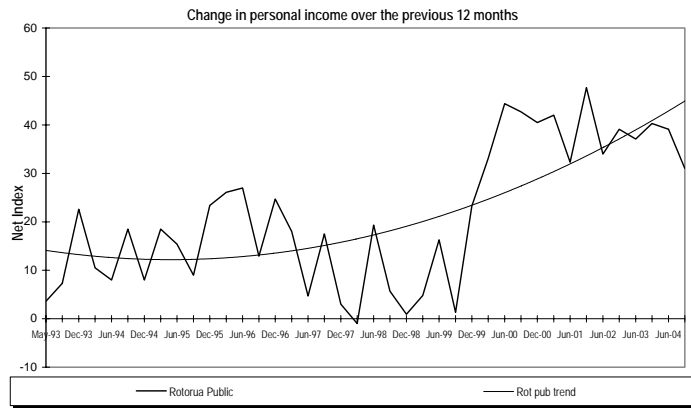
The local indexes both show an expectation that local general business conditions will increase over the next 12 months.



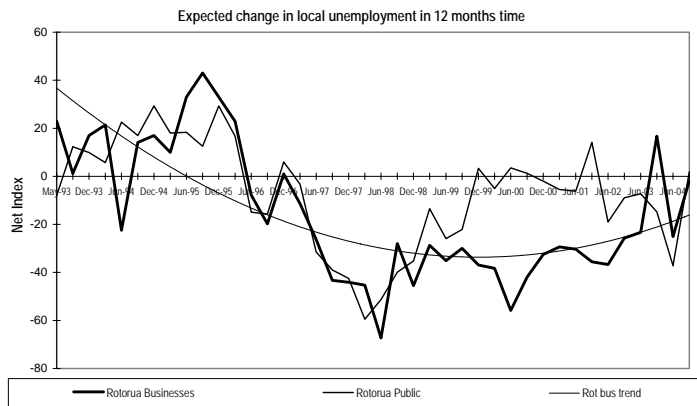
A majority of local residents expect economic activity to remain the same or increase over the next year.



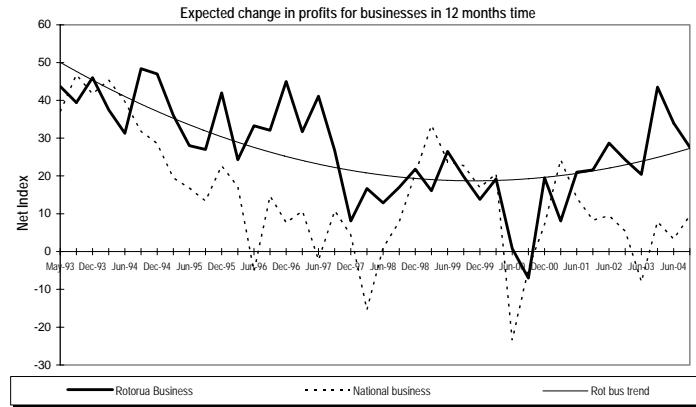
All indexes are reporting an expectation that real business activity/personal income will increase over the upcoming 12 months.



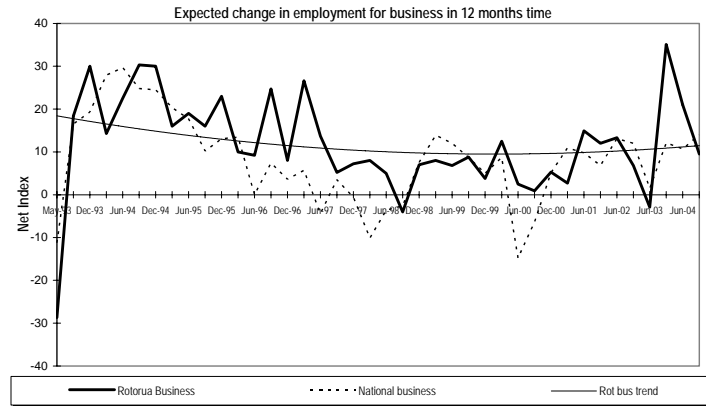
With regard to personal income, the majority of the public of Rotorua reported an increase in personal income over the previous 12-month period.



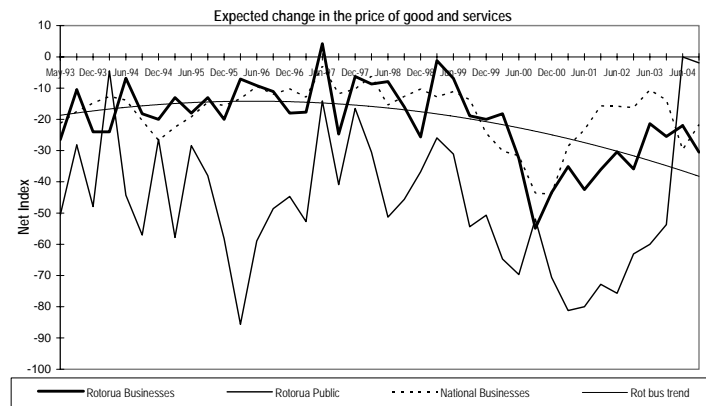
Local unemployment is expected to remain at current levels over the next 12 months.



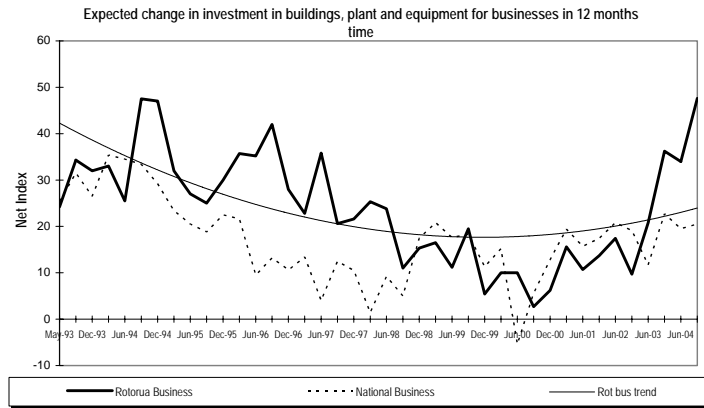
The majority of local businesses expect increased profits over the upcoming year, while nationally, a small majority of businesses are expecting profits to remain steady or increase.



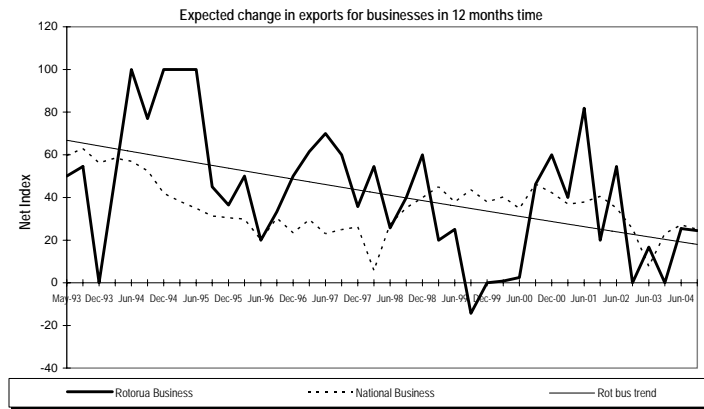
The local and national business indexes are both showing an expectation that employment will remain at current levels or increase over the next 12 months time.



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 remaining stable.

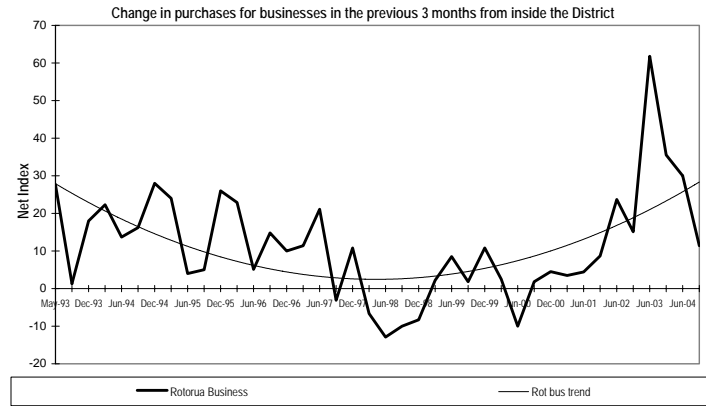


The majority of businesses, both locally and nationally are expecting to invest more in their businesses over the upcoming year.

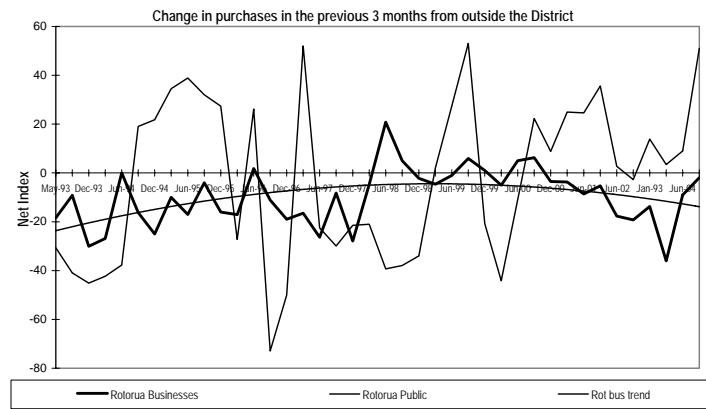


The majority of businesses involved in exports expect levels to increase over the next 12 months.

PURCHASE OF GOODS AND SERVICES

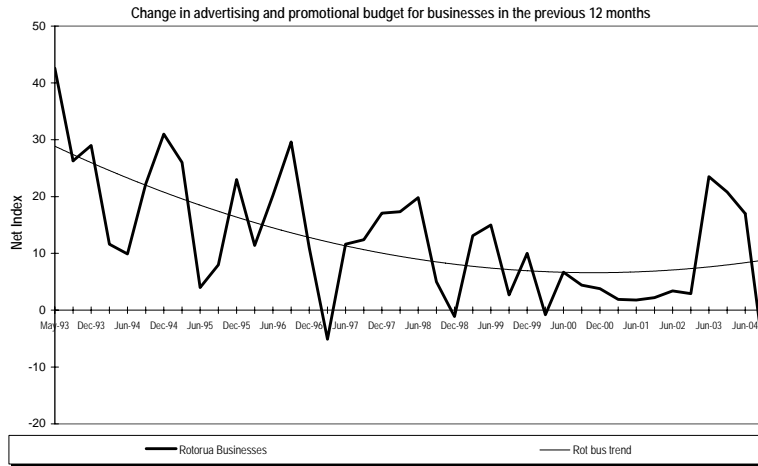


The majority of Rotorua businesses reported making most of their purchases inside the district this period.



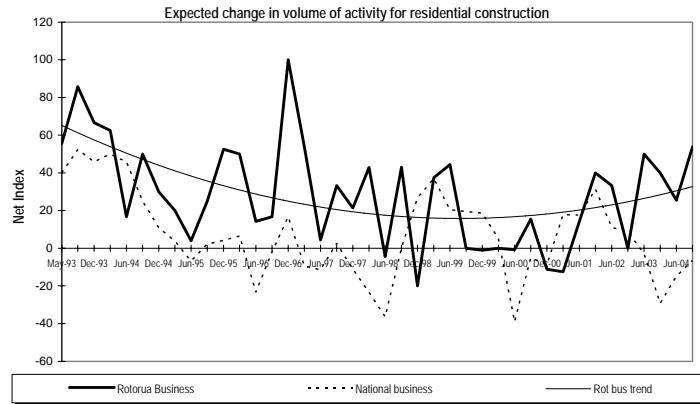
Rotorua businesses reported a decrease in levels of spending outside of the district over the past six months.

PROMOTIONAL ACTIVITY



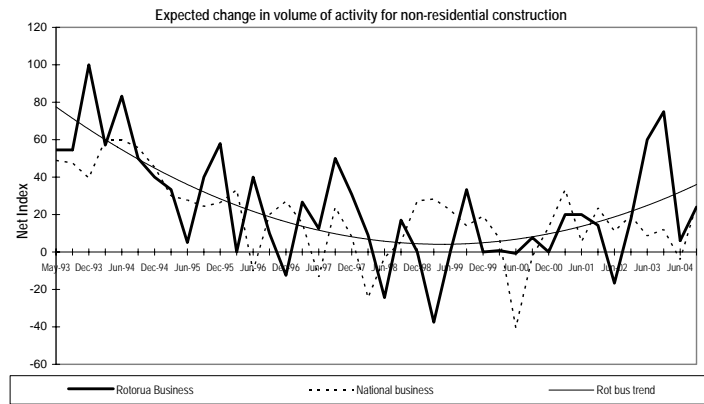
A majority of businesses are planning on keeping their promotional budgets at current levels or reducing them over the next 12 months.

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 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 increase in the future.

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