



**Dominion Post Poll**

**June 2008**

## **Confidence in the economy continues to fall**

This survey is based on a sample of n=300 Small Business Enterprises (less than 20 employees) in the greater Wellington region (Wellington, Porirua, Upper Hutt, Lower Hutt, Kapiti and Wairarapa), selected at random from the telephone directory. The survey was conducted by telephone between the 4<sup>th</sup> and 7<sup>th</sup> of June 2008.

The respondent was the person responsible for most of the decision-making in the business concerned. The maximum sampling error at the 95% confidence level is  $\pm 5.7$  percent.

### **Survey highlights**

◆ Economic perceptions:

- ◆ One-in-ten respondents (10 percent) believe the condition of the New Zealand economy will either “get better” or “get much better” in the next six months.

In contrast, most (59 percent) expect it to get worse.

This represents a significant fall in confidence compared to February 08 (47 percent believed the economy would “get worse” or “much worse”).

- ◆ Nevertheless, most are confident that this economic downturn will have minimal (if any) impact on their own trading conditions (49 percent believe their trading conditions will remain the same), while 25 percent expect their trading conditions to improve.

In comparison, 24 percent feel their trading conditions will worsen.

◆ Effect of economy on business:

- ◆ Of those who felt the New Zealand economy would either get worse or stay the same, three-quarters (75 percent) believe their business is prepared for tougher conditions economically.
- ◆ Notwithstanding this, nearly half of respondents (46 percent) said they were concerned about a downturn in household spending (for their business).



- ◆ Respondents were also asked if their business was currently cutting back on their own expenditure due to the current economic situation.
  - ◆ 55 percent reported that they were currently cutting back.
  - ◆ The most common areas to be cutting back on were fixed costs (18 percent) and wages or staff costs (16 percent).
- ◆ Tax cuts:
  - ◆ In this year's budget, the Government announced tax cuts for individual New Zealanders. While 20 percent felt the tax cuts would make life easier for their business or for them as an employer, they were more inclined to believe that the tax cuts would make life easier for their employees (36 percent).
  - ◆ When asked how much they believed their business would improve as a result of these tax cuts, most said "not at all" (71 percent). Only one percent felt their business would improve "a lot" because of this and 23 percent "a little".
  - ◆ Only one-in-five (19 percent) of those surveyed felt that the Government cut taxes enough for them personally.
  - ◆ Thirty-one percent of respondents believed that New Zealanders who were thinking of moving to Australia would now "consider their options" because of the tax cuts.
    - ◆ 28 percent believed these New Zealanders would "be even more determined to leave".
    - ◆ In comparison, 31 percent believed the tax cuts would "not have any difference" on those thinking of moving to Australia.
- ◆ Toll purchase:
  - ◆ Over half (54 percent) of respondents agreed with the Government's decision to buy back the railways.
    - ◆ In contrast, 34 percent disagreed with the Government's decision.
  - ◆ Of those who were aware of this purchase, most (67 percent) believed the Government paid "too much". Only 15 percent reported that the Government paid "the right price" while one percent felt they "got a bargain".
  - ◆ Opinion about whether the performance of the railways will improve under Government ownership was divided.
    - ◆ 38 percent believed it will improve, but 49 percent believed it would not improve.
  - ◆ The majority of those surveyed (70 percent) expect that the Government will come to taxpayers for more money to invest in the railways.



- ◆ Government spending
  - ◆ Over half of respondents (56 percent) feel the Government are under-spending in roading. In comparison, 13 percent feel they are over-spending in this area.
  - ◆ With respect to the Government's spending on Broadband, 40 percent of those surveyed felt they are under-spending and 14 percent felt they are over-spending.
- ◆ Political perceptions:
  - ◆ Satisfaction with Ms Clarke's performance as Prime Minister is the lowest it has been over the past six survey periods. Her satisfaction rating has decreased from 44 percent in February 2008 to 42 percent in the last two survey periods.
  - ◆ However, satisfaction with Mr Key's performance has also decreased to 51 percent, dropping from 56 percent that was recorded in February 2008.

## Beliefs about the New Zealand economy and business trading conditions

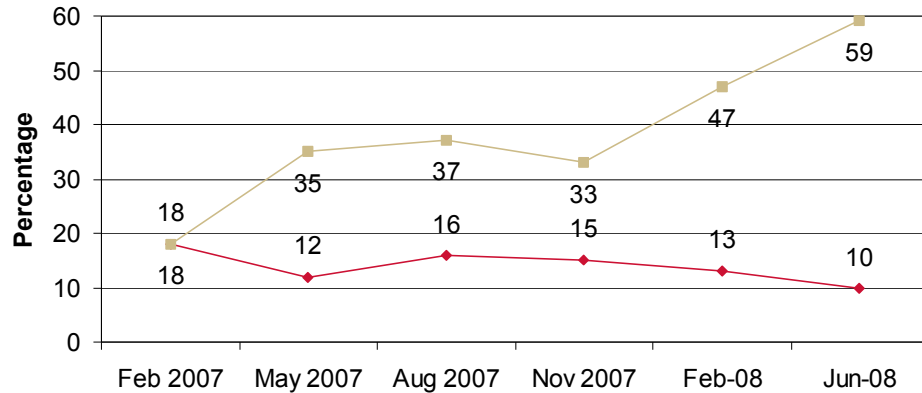
**Table 1: Beliefs about the current state of the New Zealand economy**

*Q6. Now, thinking about the outlook over the next six months for the New Zealand economy as a whole. Do you think the economy will get better, get worse or stay the same?*

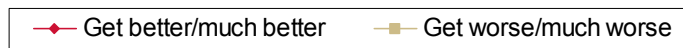
	June 2008 n=300	February 2008 n=300	November 2007 n=301	August 2007 n=293	May 2007 n=300*	February 2007 n=300
	%	%	%	%	%	%
Get much better	0	2	2	1	1	2
Get better	10	11	13	15	11	16
Stay the same	28	34	46	42	48	58
Get worse	51	40	29	33	33	16
Get much worse	8	7	4	4	2	2
Don't know/no opinion	2	5	7	4	4	7
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

\*Sub-sample based on those respondents who were asked this question.



**Beliefs about the New Zealand economy**



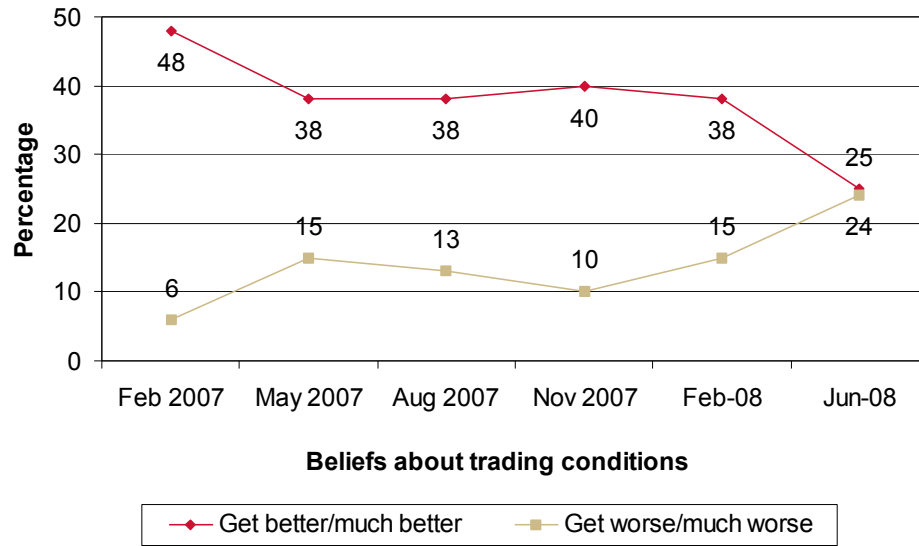
**Table 2: Beliefs about current trading conditions**

Q3. Over the next six months do you expect trading conditions for your particular business to get better, get worse or stay the same?

	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %
Get much better	6	10	10	11	8	14
Get better	19	28	30	27	30	34
Stay the same	49	45	46	47	43	43
Get worse	20	12	9	11	13	5
Get much worse	4	3	1	2	2	1
Don't know/no opinion	2	2	5	1	4	2
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

\*Sub-sample based on those respondents who were asked this question.



**Table 3: Beliefs about future employment**

	June 2008 n=279* %	February 2008 n=283* %	November 2007 n=294* %	August 2007 n=283* %	May 2007 n=376* %	February 2007 n=291* %
<i>Q26/28. Do you expect your business to employ more, the same or fewer full-time staff in the next six months?</i>						
More	17	21	21	19	23	23
The same	65	65	71	72	72	70
Fewer	18	15	9	8	5	8
Total	100	100	100	100	100	100
<i>Q27/29. Do you expect to employ more, the same or fewer part-time staff in the next six months?</i>						
More	11	19	16	16	13	16
The same	78	73	74	79	80	76
Fewer	11	7	9	5	6	8
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

\*Sub sample excludes those who 'Don't know' or 'Refused' in regards to employment outlook.

**Table 4: Beliefs about economic outlook**

	Base =	Total 300 %
<i>Q8. Is your business prepared for tougher conditions economically?*</i>		
Yes		75
No		19
Don't know/no opinion		6
Total		100
<i>Q9. Is a downturn in household spending a concern for your business?</i>		
Yes		46
No		53
Don't know/no opinion		1
Total		100

Total may not sum to 100% due to rounding.

\*Sub-sample based on those respondents who felt the New Zealand economy would stay the same or get worse.

**Table 5: Beliefs about cutting back**

	Base =	Total 300 %
<i>Q10. In which areas, if any, are you currently cutting back your own business expenditure because of the current economic situation?</i>		
Wages/staff costs		16
Marketing		14
Research and development		6
Fixed costs (i.e. moving to smaller premises, cutting back vehicle fleet, etc.)		18
Other		20
Not cutting back in business expenditure		45
Don't know/no opinion		4

Total may exceed 100% because of multiple response.

## Specific areas of interest

### Budget

**Table 6: Beliefs about the latest Budget's tax cuts**

	Base =	Total 300 %
<i>Q11a. Do you feel these tax cuts will make life easier for you as an employer?</i>		
Yes		20
No		72
Don't know		8
Total		100
<i>Q11b. Do you feel these tax cuts will make life easier for your employees?</i>		
Yes		36
No		50
Don't know		14
Total		100
<i>Q11c. Do you feel these tax cuts will make life easier for your business?</i>		
Yes		20
No		72
Don't know		8
Total		100
<i>Q12. How much do you believe your business will improve as a result of these tax cuts?</i>		
A lot		1
A little		23
Not at all		71
Don't know/no opinion		5
Total		100
<i>Q13. Overall, would you say the Government cut taxes enough for you personally?</i>		
Yes		19
No		74
Don't know/no opinion		7
Total		100

Total may not sum to 100% due to rounding.

**Table 7: Beliefs about the latest Budget's tax cuts**

	Base =	Total 300 %
<i>Q15. Do you believe these tax cuts will make those New Zealanders who are thinking of moving to Australia?</i>		
Stay in New Zealand		3
Consider their options, or		31
Be even more determined to leave		28
Not have any difference		31
Don't know/no opinion		7
Stay in New Zealand		3

Total may exceed 100% because of multiple response.

## Toll purchase

**Table 8: Beliefs about the Government's railways acquisition**

	Base =	Total 300 %
<i>Q16. Do you agree or disagree with the Government's decision to buy back the railways?</i>		
Strongly agree		23
Agree		31
Neither agree nor disagree		5
Disagree		14
Strongly disagree		20
Did not know the Government was buying back the railways		2
Don't know/no opinion		6
Total		100
<i>Q17. Do you believe the Government paid...?*</i>		
Too much		67
The right price, or Got a bargain		15
Got a bargain		1
Don't know/no opinion		17
Total		100
<i>Q18. Do you believe the performance of the railways will improve under Government ownership?*</i>		
Yes		38
No		49
Don't know/no opinion		13
Total		100
<i>Q19. Do you expect the Government will come to taxpayers for more money to invest in the railways?*</i>		
Yes		70
No		18
Don't know/no opinion		12
Total		100

Total may not sum to 100% due to rounding.

\*Sub-sample based on those respondents aware of the Government's decision to buy back the railways.

## Spending

**Table 9: Beliefs about Government spending**

	Base =	Total 300 %
<i>Q20. Do you believe the Government is over or under spending in roading?</i>		
Under		56
Over		13
Neither, it is just right		19
Don't know/no opinion		12
Total		100
<i>Q21. And what about their spending on Broadband?</i>		
Under		40
Over		14
Neither, it is just right		16
Don't know/no opinion		31
Total		100

Total may not sum to 100% due to rounding.

## Performance of political leaders

**Table 10: Beliefs about the current performance of Political Leaders**

	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %
<i>Q22. In relation to the Government's performance, how satisfied are you with Helen Clark's performance as Prime Minister?</i>						
Very satisfied	11	16	12	14	17	11
Satisfied	31	28	37	36	30	38
Neither satisfied nor dissatisfied	7	11	10	6	10	8
Dissatisfied	19	17	18	21	20	21
Very dissatisfied	29	26	21	20	21	18
Don't know/no opinion	3	1	2	2	2	3
Refused	0	0	0	1	0	0
Total	100	100	100	100	100	100
<i>Q23. How satisfied are you with the performance of John Key as Leader of the Opposition?</i>						
Very satisfied	8	19	12	23	25	12
Satisfied	43	37	39	44	41	44
Neither satisfied nor dissatisfied	16	18	11	10	13	8
Dissatisfied	14	11	12	13	5	6
Very dissatisfied	5	6	6	4	3	2
Don't know/no opinion	14	9	19	6	13	28
Refused	0	0	1	0	0	0
Total	100	100	100	100	100	100
<i>Q24. How satisfied or dissatisfied are you with the performance of Michael Cullen as Minister of Finance?</i>						
Very satisfied	7	6	6	9	8	7
Satisfied	23	26	25	28	25	31
Neither satisfied nor dissatisfied	6	8	8	5	7	6
Dissatisfied	26	18	28	22	26	24
Very dissatisfied	32	35	26	31	28	25
Don't know/no opinion	6	7	7	5	5	7
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

continued...

**Table 10 (continued): Beliefs about the current performance of Political Leaders**

	June 2008	February 2008	November 2007	August 2007	May 2007	February 2007
	n=300	n=300	n=301	n=293	n=300*	n=300
	%	%	%	%	%	%
<i>Q25. How satisfied are you with the performance of Bill English as Opposition finance spokesperson?</i>						
Very satisfied	4	6	7	6	7	7
Satisfied	35	32	34	45	37	32
Neither satisfied nor dissatisfied	13	17	16	11	15	14
Dissatisfied	21	15	20	15	18	16
Very dissatisfied	6	10	5	6	7	5
Don't know/no opinion	20	21	17	17	17	26
Refused	0	0	1	1	0	1
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

\*Sub-sample based on those respondents who were asked this question.

# Appendix A: Verbatim

---

**Q3. Over the next six months do you expect trading conditions for your particular business to get better, get worse or stay the same?**

**Q4. For what reasons do you say this?**

## **Reasons why trading conditions will get better**

*Because we are going to have a change of government.*

*Because we can see more customers keep coming.*

*Demand for education for preschool children is on the rise.*

*I think we have passed a low point in the economic outlook.*

*I was made redundant from my last job and people have rung me to do consulting work for them since the other company closed.*

*I've got extra staff.*

*New clients coming our way.*

*Part of the industry, [so] it will get better.*

*Petrol costs are an influence.*

*Political [and] economic.*

*Tightening up their budgets and cost of fuel.*

*We are coming into spring. Winter is always the worst time when you haven't got snow.*

*When the existing downturn deepens, my business becomes more profitable.*

## **Reasons why trading conditions will stay the same**

*A downturn in the market.*

*Based on our order book.*

*Because I don't think that the economy will improve.*

*Because we are a rest home.*

*Because we are not affected. Energy supply.*

*Because we can't pay them for fulltime work.*

*Because we work in the supermarket and continue to be reasonable.*

*Don't think anybody got any money to spend.*

*Emotion.*

*Experiencing quite a lot of activity.*

*Fuel costs.*

*Going to have an election, [but] don't think things will change.*

*Governments control access and funding to medicines and there's no indication that they are going to increase funding. It would be outrageous if they reduced it.*

*Historical workflow and what is coming in.*

*History.*

*I am on a government contract and don't expect to pay more for the next six months. I can't do anymore work and [I'm] not looking and not employing and for small businesses it's costing too much to employ people. One of the reasons [is] for PAYE, child support and the increase in holiday pay.*

*I can't see anything changing that's going to affect us.*

*I don't think my business is going to be affected by the economic downturn. It will take longer than 12 months.*

*I run a B&B, [and] most of our guests are from overseas and it's not the tourist season. New Zealand doesn't open till January.*

*Just with everything going on and the elections coming up really.*

*Not going to get worse either. We do a lot of Government stuff.*

*Nothing has changed much in the last six years.*

*Seasonally driven.*

*Specialist business.*

*The economy is going down, slow growth.*

*The sector I work in is still relatively unaffected by the economic downturn.*

*The way the economy is going, I don't think things will be any better.*

*There are some changes occurring in the industry so that's why I can't say they'll go up or down.*

*Very little money around for the work that I do.*

*We are an accounting firm, and if our clients do better or worse for their services.*

*We have a large client based around [the] country.*

*We have a lot building resources, applications, guidelines for the future of the building industry. [Have] a number of clients who [are] optimistic about the future.*

*We have long-term contracts.*

*We sell sports equipment.*

*Weather, economy.*

*We're not reliant solely on the local economy to support our business. We sell a lot of products offshore and that is still a growth area for us.*

### **Reasons why trading conditions will get worse**

*Cost of fuel.*

*Downturn of season.*

*Financial downturn.*

*Just [the] economy, [and] slowing demand. Interest rates going up.*

*One of the contracts for December is due to expire.*

*People just haven't got the money.*

*Petrol and food price increases.*

*Seasonal business.*

*The drought.*

*The industry we are in is not a necessity.*

*Think [that as] the price of petrol increases, I have noticed a steady decline in our turnover.*

*We are in a commercial building construction industry.*

**Q6. Now, thinking about the outlook over the next six months for the New Zealand economy as a whole. Do you think the economy will get better, get worse or stay the same?**

**Q7. For what reasons do you say this?**

**Reasons why the New Zealand economy will get better**

*A change in Government.*

*Because I think we have reached the bottom of the cycle.*

*Change of Government will make a difference. Overseas, [there's] a few problems and oil is the biggest one. [The] cost [is] going up. The oil price came down yesterday and hoping [it] will continue to drop.*

*Food. We are good at producing food and the world needs food. The farming sector is boiling at the moment. Small population of NZ [is] capable of producing [and] will benefit from [it in] the future.*

*I think the economy has gone to a point that there really has to be some change.*

*It couldn't get much worse.*

*Overseas prices for our exports and the up-coming elections.*

*People overreact. [It's] not as bad as people think.*

*Political change of Government.*

*Possible change in Government.*

**Reasons why the New Zealand economy will stay the same**

*Because I don't think that the economy will improve.*

*Because I'm a victim of it.*

*Because the country is rich enough, compared to other places. People have jobs, so we have a high employment and that's not really going to change.*

*Because there is an election ahead.*

*Because we're winding up to an election. While I think the last budget gave a few little treats or goodies, there's not much or the opposition will say we can't do that after all.*

*Before elections, people don't make big decisions.*

*Country that we have [has] a lot to offer to the world.*

*Election coming up at the end of the year.*

*Election coming up.*

*Election coming up.*

*I don't see any change.*

*I know that our sales not changing, and I don't see anything changing at all, but I think it will.*

*I think it will stay consistent [rather] than getting worse.*

*I think that the interest won't go up any further. There is awareness to conserve energy.*

*Just a different market and different rules.*

*Just comparing with last year's performance.*

*Just the petrol prices and all.*

*People have pulled in spending habits.*

*Pretty much what we mentioned before with food prices and fuel [prices] going up.*

*The dairy payout and the Budget.*

*Until the Government (both major parties) has convinced that they have a good policy.  
Price of oil and commodities will increase.*

*We are economic researchers who know the strength of the economy.*

### **Reasons why the New Zealand economy will get worse**

*Because of the Government. They are not for small businesses or for anybody.*

*Business confidence has dropped and it is harder to get money.*

*Cost of fuel, [the] low dollar and food prices. Fonterra and dairy products.*

*Cost of living expenses, increasing petrol prices, food pricing and [the] interest rates increasing.*

*Deception of the high fuel costs.*

*Everyone starting to tighten up. People not spending on the back of a drought.*

*Fuel prices and [the] possibility of power shortages. Generate cost of living prices.*

*General public sentiment.*

*Global financial [status].*

*Government action in the run up to the election.*

*Government has run the place down.*

*Gut feeling.*

*I think the internal economics of the mortgage rates and the lowering New Zealand dollar.*

*Just how people are, and their attitudes.*

*Long way to go before election. [It's] affecting us because people [are] not sure what is happening. Also the fuel prices [are] going [to] affect a lot of industries, including ours.*

*Market values. [The] overseas market.*

*Overseas factors. Crisis with oil and flow-on effects.*

*People running the country.*

*Petrol price are up. Everything is up.*

*Political decision making and not facing up to reality.*

*Poor planning, power shortage.*

*Pricings.*

*Property market is going to die.*

*The increase in [the price of] oil.*

*The problems will be when the contracts finish in the long term. It will be very bad. I thought the boom would be two years ago. I didn't expect it to last [as] long as it has.*

*The worldwide economic factors. I don't think the Government is doing a bad job but they can't control the overseas downturn which has got to make a difference to us. We're in a stronger position because we have less debt than what we could have had.*

*We're influenced by what's happening in the rest of the world.*

*[With] most of the stuff you buy in the restaurant, the price is increasing.*