

Confidence in the economy continues to fall

The Dominion Post poll, conducted every four months is based on a sample of n=300 Small Business Enterprises (those that employ less than 20 people) located in the greater Wellington region (Wellington, Porirua, Upper Hutt, Lower Hutt, and Wairarapa). This sample was obtained, at random, from a business directory. The survey was conducted by telephone on the 7th and 8th October 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 ± 5.7 percent.

Survey highlights

- ◆ Economic perceptions:
 - ◆ Confidence in the New Zealand economy has fallen significantly over the past year. Two thirds (68 percent) of respondents believe, the condition of the New Zealand economy will worsen in the next six months (compared to 33 percent in November 2007).
 - ◆ Twenty percent expect it to get “much worse”, 48 percent “worse”
 - ◆ Fifteen percent believe it will “stay the same”.
 - ◆ Eleven percent believe the condition of the New Zealand economy will “get better” or “get much better”.
 - ◆ Approximately one-in-three (30 percent) believe that trading conditions for their business will likely worsen in the next six months
 - ◆ Eight percent believe it will get “much worse”, 22 percent “worse”.
 - ◆ Forty four percent believe their trading conditions will “stay the same”
 - ◆ Twenty three percent feel they will “get better” or “get much better”.
- ◆ US-P4 trade deal negotiations and international credit crisis
 - ◆ A free trade agreement is currently been negotiated between the “P4 Nations” (Singapore, Chile, Brunei and New Zealand) and the United States to increase trade among these countries.
 - ◆ Only four percent of respondents feel this agreement “will provide a major boost to their business”.

- ◆ Twenty one percent believe it “will have a minor impact”.
- ◆ Most (72 percent) believe it “will have no impact on their business”.
- ◆ This is supported by the fact that the majority of those interviewed (82 percent) said that the US market was not important to their business.
- ◆ If the global credit crisis pushes up interest rates making it harder to borrow from banks, 60 percent feel this will not be a problem for their business.
 - ◆ Thirty-seven percent feel this would be problematic. Of these respondents, two-thirds (66 percent) say it will “make it more expensive to raise their finance” and 40 percent say it will “affect their ability to finance the business”.
- ◆ Almost half (44 percent) reported that the credit crisis had already affected their business.
 - ◆ The majority of those who said that the credit crisis had already affected their business said it had affected them in a negative way (88 percent).
- ◆ Local economy (tax cuts)
 - ◆ In this year’s budget, the Government announced tax cuts for individual New Zealanders. Two-thirds (64 percent) believe the tax cuts in October will make “no difference at all” to their business.
 - ◆ Twenty-nine percent believe the tax cuts will make a “small difference”.
 - ◆ Four percent believe the tax cuts will make a “big difference” to their business.
 - ◆ When asked if they would like to see more or bigger cuts with regards to The Reserve Bank cutting interest rates, respondents were fairly evenly split with 31 percent wanting “more cuts” and 38 percent wanting “bigger cuts”.
 - ◆ One-in-ten respondents (12 percent) want “both”.
 - ◆ Eleven percent are undecided, and nine percent do not want to see any cuts at all.
 - ◆ When asked if the current Kiwi dollar is affecting their business, one quarter (24 percent) believe it is having a ‘negative affect’, while nine percent say it is having a ‘positive affect’.
 - ◆ In most cases however, (63 percent) the current Kiwi dollar is perceived to be having a “neutral effect”.
- ◆ Political perceptions:
 - ◆ As the election looms, satisfaction with Ms Clark’s performance as Prime Minister has continued to decrease and is currently sitting at 37 percent (compared to 49 percent in November 2007. This is a statistically significant difference).
 - ◆ In fact, just over half (54 percent) are now dissatisfied with Ms Clark’s performance (compared to 39 percent in November 2007. Again, this is statistically significant).

- ◆ In contrast, approximately two thirds (64 percent) report being satisfied with Mr Key's performance as Leader of the Opposition (this is a significant increase from the 51 percent recorded in June 2008).
- ◆ Seventeen percent are dissatisfied with Mr Key's performance. The remaining 20 percent are either neutral or undecided.

Beliefs about the New Zealand economy and business trading conditions

Table 1: Beliefs about 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?

	October 2008 n=300 %	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300 %
Get much better	2	0	2	2	1	1
Get better	9	10	11	13	15	11
Stay the same	15	28	34	46	42	48
Get worse	48	51	40	29	33	33
Get much worse	20	8	7	4	4	2
Don't know/no opinion	5	2	5	7	4	4
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

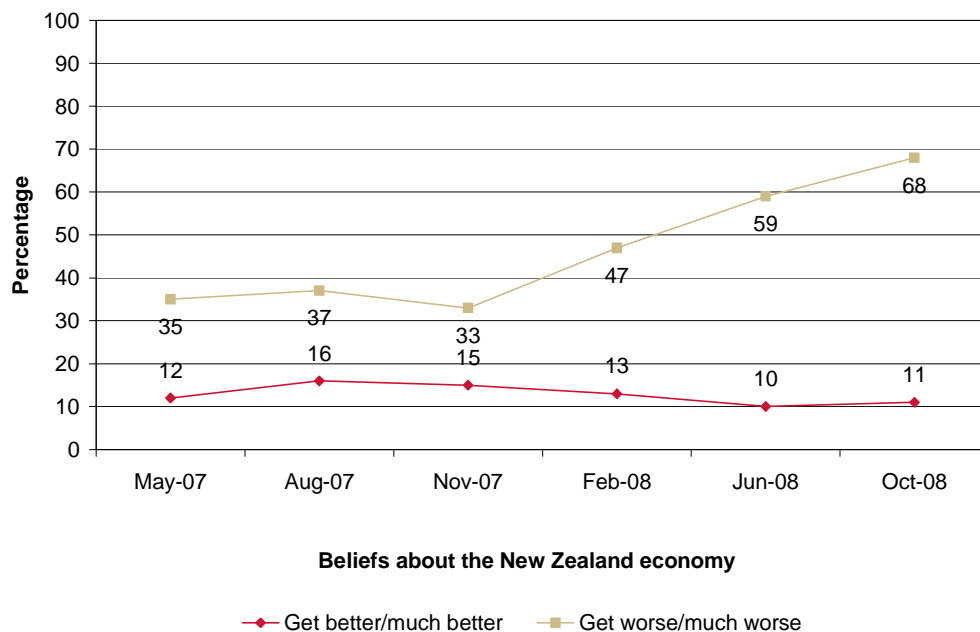
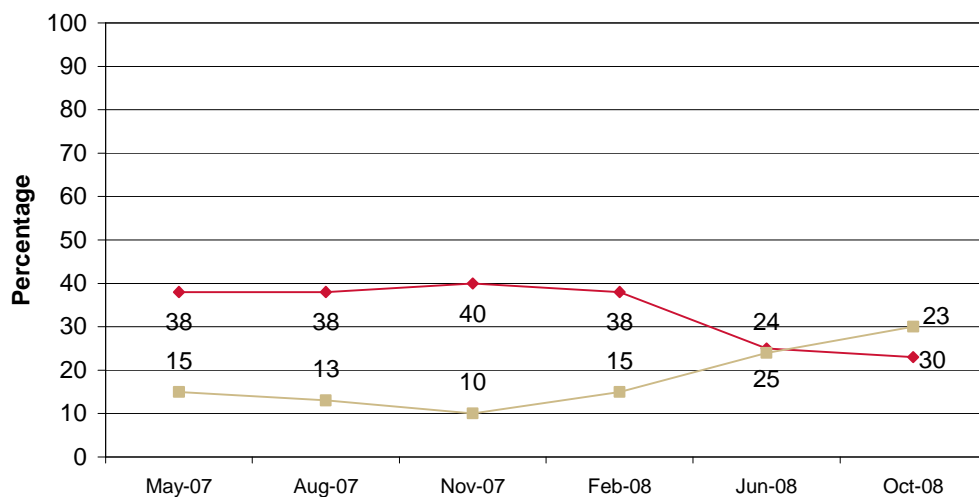


Table 2: Beliefs about trading conditions

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

	October 2008 n=300 %	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300 %
Get much better	7	6	10	10	11	8
Get better	16	19	28	30	27	30
Stay the same	44	49	45	46	47	43
Get worse	22	20	12	9	11	13
Get much worse	8	4	3	1	2	2
Don't know/no opinion	3	2	2	5	1	4
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.



Beliefs about trading conditions

◆ Get better/much better ■ Get worse/much worse

Table 3: Seasonal factors/trends

Q5. To what extent is this due to seasonal factors or trends?

	October 2008 n=288* %
Not a factor	56
To some extent	20
To a large extent	12
Almost entirely	9
Don't know/no opinion/refused	3
Total	100

Total may not sum to 100% due to rounding.

*Sub-sample excludes those who 'don't know' if their trading conditions will change in the next six months.

Table 4: Beliefs about future employment

	October 2008 n=293* %	June 2008 n=279* %	February 2008 n=283* %	November 2007 n=294* %	August 2007 n=283* %	May 2007 n=376* %
<i>Q22/24. Do you expect your business to employ more, the same or fewer full-time staff in the next six months?</i>						
More	16	17	21	21	19	23
The same	75	65	65	71	72	72
Fewer	9	18	15	9	8	5
Total	100	100	100	100	100	100
<i>Q23/25. Do you expect to employ more, the same or fewer part-time staff in the next six months?</i>						
More	15	11	19	16	16	13
The same	76	78	73	74	79	80
Fewer	9	11	7	9	5	6
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.

Specific areas of interest

US-P4 Trade Deal

Table 5: Beliefs about US-P4 trade negotiations and international credit crisis

	Base =	Total 300 %
<i>Q8. A free trade agreement is currently being negotiated between New Zealand and Chile, Singapore and Brunei (known as the "P4 nations") and the United States. Would this agreement....</i>		
Provide a major boost to your business		4
Have a minor impact		21
Have no impact		72
Don't know		4
Total		100
<i>Q9. Is the US market important to your business?</i>		
Yes		16
No		82
Don't know		2
Total		100
<i>Q10. Are your American sales likely to be hurt by the current credit crisis?*</i>		
		n=47*
Yes		43
No		43
Don't know		15
Total		100
<i>Q11. If the global credit crisis pushes interest rates up and makes it harder to borrow from banks, will this be a problem for your business?</i>		
Yes		37
No		60
Don't know		3
Total		100
<i>Q12. Is this because it will...?***</i>		
		n=110**
Affect your ability to finance your business		40
Make it more expensive to raise your finance		66
Other		16
Don't know		4
Total		100

Total may not sum to 100% due to rounding.

*Sub-sample based on those respondents who said the US market is important to their business

**Sub-sample based on those respondents who said the credit crisis would affect their investment plans

Table 6: (Continued) Beliefs about US-P4 trade negotiations and international credit crisis

	Base =	Total 300 %
<i>Q13. Has the credit crisis already affected your business?</i>		
Yes		44
No		54
Don't know		2
Total		100
<i>Q14. And is that in a...?*</i>		
		n=132*
Negative way		88
Positive way		11
Don't know		1
Total		100

Total may not sum to 100% due to rounding.

*Sub-sample based on those respondents who said the credit crisis had already affected their business

Local economy

Table 7: Beliefs about tax cuts and the Kiwi dollar

	Base =	Total 300 %
<i>Q15. Will the tax cuts in October make a....</i>		
Big difference		4
Small difference		29
No difference at all		64
Don't know		4
Total		100
<i>Q16. Is the current value of the Kiwi dollar having a...</i>		
Positive affect on your business		9
Negative affect on your business		24
Neutral affect on your business		63
Don't know		4
Total		100

Total may not sum to 100% due to rounding.

Performance of political leaders

Table 8: Beliefs about the current performance of Political Leaders

	October 2008 n=300 %	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300 %
<i>Q18. In relation to the Government's performance, how satisfied are you with Helen Clark's performance as Prime Minister?</i>						
Very satisfied	11	11	16	12	14	17
Satisfied	26	31	28	37	36	30
Neither satisfied nor dissatisfied	6	7	11	10	6	10
Dissatisfied	16	19	17	18	21	20
Very dissatisfied	38	29	26	21	20	21
Don't know/no opinion	3	3	1	2	2	2
Refused	0	0	0	0	1	0
Total	100	100	100	100	100	100
<i>Q19. How satisfied are you with the performance of John Key as Leader of the Opposition?</i>						
Very satisfied	12	8	19	12	23	25
Satisfied	52	43	37	39	44	41
Neither satisfied nor dissatisfied	10	16	18	11	10	13
Dissatisfied	12	14	11	12	13	5
Very dissatisfied	5	5	6	6	4	3
Don't know/no opinion	10	14	9	19	6	13
Refused	0	0	0	1	0	0
Total	100	100	100	100	100	100
<i>Q20. How satisfied or dissatisfied are you with the performance of Michael Cullen as Minister of Finance?</i>						
Very satisfied	6	7	6	6	9	8
Satisfied	24	23	26	25	28	25
Neither satisfied nor dissatisfied	5	6	8	8	5	7
Dissatisfied	15	26	18	28	22	26
Very dissatisfied	45	32	35	26	31	28
Don't know/no opinion	5	6	7	7	5	5
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

continued...

Table 8 (continued): Beliefs about the current performance of Political Leaders

	October 2008 n=300 %	June 2008 n=300 %	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300 %
<i>Q21. How satisfied are you with the performance of Bill English as Opposition finance spokesperson?</i>						
Very satisfied	6	4	6	7	6	7
Satisfied	44	35	32	34	45	37
Neither satisfied nor dissatisfied	13	13	17	16	11	15
Dissatisfied	11	21	15	20	15	18
Very dissatisfied	7	6	10	5	6	7
Don't know/no opinion	19	20	21	17	17	17
Refused	0	0	0	1	1	0
Total	100	100	100	100	100	100

Total may not sum to 100% due to rounding.

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 for own business will get better

Because other people are getting worse and need more help.

Because we are a pre-school our summer enrolments are always higher.

Change of government.

Everyone will know where they stand after the election.

Hairdressing, so Christmas is always bigger.

Mainly because of activity.

My expectation and my business is resolving disputes.

New company setting things up and getting stuff sorted.

Our business [has been] slowing down in the last nine months.

Our own initiative.

Recent competition at this time of year, periods before [the] election business is likely to be quiet and pick up after [the] election.

Seasonal reasons.

Seasonal, high season due.

We are a new business and we are the first one of our kind in [Place name], we are a Delicatessen and we are the only ones here.

We are Accountants and Tax Consultants, with the income tax deduction from [the] 1 October we will have more business. There are more people moving to Wellington.

We sell petrol, so the price of petrol is coming down. There's always an increase in sales.

We have a contractors building across the road from us, they will have a staff of 300.

Reasons why trading conditions for own business will stay the same

At the moment we are ahead of last year, but I expect things to even out in the next six months.

Because nothing has changed.

Because of the contracts that we have.

Because we are selling business souvenirs, small toys, cards, etc. Christmas and tea towels.

Currently replacing two people for one.

Don't see any reasons why they should change.

Fully contracted for the next six months.

I don't see much changing.

It's been a good year so far.

Just because we are working hard in the business.

Limited market and is just remaining consistent, education industry. In education that is probably one of [the] last things people will stop spending money on, that is those who care.

My business does not seem to be affected by up turns and down turns in the economy, mainly because of the business I'm in. Embalming fluid is the main part of my business, so people keep on dying.

Nature of the business.

Our business has been steady for 12 years independent of other factors.

Our business is very small and we have a nice market, we have a broad client base.

Our market is middle to top end socioeconomic and believe there is still discretionary income in that bracket.

Seasonal.

Secure contract.

Steady business.

Uncertainty.

We are a mail distribution house and steady amount of customers.

We are affiliated to Maori and government stuff, we expect it to stay the same.

We are dealing in property, doesn't matter how bad the times [are]. You always need Lawyers, Accountants and Property Valuers.

We are not in [the] primary industry situation.

We have [a] business that is ongoing and should keep [the] business going.

We have a back log and there's more requirements for engineering imports.

We have actually had huge increases.

We have been constantly busy for the last seven years.

We have six months work in front of us. Internally we are priced more competitively and reduced our margins a bit.

When the economic situation dexterities we do okay, and when it is supposed to be booming it goes quiet.

Reasons why trading conditions form own business will get worse

Bad management on the government.

Being a video rental business we are affected by various outside influences, most or worst is piracy and internet downloading. Also the recession.

Crippling expenses [and] family overhead costs.

Depth of recession which is going to worsen.

Economy.

In a recession environment.

Just the general outlook, what's happening around the world. Just the down turn recession.

Newspapers are saying its doom and gloom out there.

People don't have the money to fix there cars I suppose.

Policing media and idiots who can't get their finances sorted.

The collapse of the world money markets.

We are a pharmacy and at the moment our contracts re-written. So there for we are not sure how to plan because we do not know what it is going to look [like] and if put on top of economic forecast, retailing will be down and flat. So therefore [it] does not look like there is any gross. I am keeping positive and [there are] a lot of things that we will be doing to counter react or try.

We deal with New Zealand made quality product and the people who buy from us have money. Some will be losing in the financial collapse losing money, bleeding. Unless the financial market picks up we will not see a pick up in cliental and also government who allow financial company's to print money. I do know how it works.

We rely on people to join our organisation, so if the economic condition gets worse our members may have to make decisions about whether they can afford to continue with their professional membership.

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

Because of [the] world economy.

Change of government.

Change of the government.

Election.

Exchange and interest rates, change of government.

Financial factor, such as putting up interest rates.

I am expecting a change in government and a different focus.

It goes with job opportunities and taxes.

School holidays will be over, elections will be over [and] the markets would have settled down.

Soon [it] will go on [the] up swing.

Reasons why the New Zealand economy will stay the same

Because [the] election [is] coming up, what [the] government will be.

Because that's what it seems to be doing.

Distance from the rest of the world, we are not so vulnerable from the American market.

I think that the economy as a whole will not be effected as much as the overseas markets, I think we are far enough away to be effected.

I think the worse is the economic won't hit us from overseas, won't affect us. Things will get slightly worse.

It will deteriorate, but there will also be positives.

New Zealand economy is reasonably well off, reasonable exports.

People are being a bit cautious with their spending.

The financial situation [has] got to have some impact.

The petrol prices are coming down and I think the economy always gets a boost round the general election. Also the tax cut will help.

Reasons why the New Zealand economy will get worse

A lot of people are struggling.

All the news, economic down fall globally and for New Zealand.

Bad government, international money markets.

Bad news that comes out of [the] present, the world economy is making peoples attitudes worse.

Because I think that we are going to get the flow on from the overseas financial market.

Because of what I am reading in the media and I guess with the finance companies going under.

Because people, they have not [got] much more credit.

Because we have a government that got lucky and really doesn't know how to deal with tough times.

Credit and cash liquidity.

Economic activities depend on availability of money.

Entire economy is tanking.

Finance minister says this and the newspapers says this.

From [the] media only.

Happenings in states factor.

I do not think that we have got to the bottom yet.

I don't think we have had the full impact that is going on at the moment.

I read the papers and discount 90% of what they say.

I think that the money will tighten up and the prices will rise, our clients will be worse off.

International credit crisis, the situation in [the] US.

Just going to be credit, the elections [and] the pricing.

Just started recession.

Media opinion.

Medical beat ups [and] overseas influences, over extensions of [the] credit market.

Over the last 20 years people have spent too much without earning it.

Overnight, what has happened on Wall Street.

Overseas influence and our part in it I guess, which is really subject to anything.

Part of [the] global economy.

People are getting a bit weary. I think [with the] economic down turn people just worry.

People withdraw on credit crunch and will affect people to a degree.

Recession [is on a] downward trend.

Tax cuts and a lack of governmental vision for the future in the financial side. Those that make the decisions need to be fired, going on their past performance.

The affect the world wide problems will have on New Zealand's economy, financial credit problems. Just the slowing economies around the world.

The international credit market.

The media has a lot to do with and the papers saying that we are in debt six million and I think that people over react. What is happening in America does not mean a lot.

The USA market is going to have a factor on us.

The Wall Street market influence.

Too much intrusion on peoples pay packets. Petrol costs, mortgages, food costs, [etc]. Less discretionary money.

Unavailability of finance.

[We] are looking at the world indicators and the local indicators.

We can't totally insulate ourselves from what is happening on the rest of world.



What's happening in the rest of the world - financial situation.

World market and controlled export wise. No control over what happens.