



Dominion Post Poll

August 2007

Confidence in the economy remains downbeat although optimists still outnumber pessimists in confidence about trading conditions

This survey is based on a sample of n=293 Small and Medium Enterprises (fewer 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 14th and 20th of August, as the value of the New Zealand dollar began to fall.

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 $\pm 5.7\%$.

Survey highlights

◆ Economic perceptions:

- ◆ 16 percent of respondents interviewed believed the condition of the New Zealand economy would either “get much better” or “get better” in the next six months.

This compares with over one-third (37 percent) of respondents who believed it would worsen.

These results are similar to the May 2007 outlook.

- ◆ Nevertheless, respondents felt their industry sector would not be significantly affected by the general deterioration of the economy. In fact, most believed their trading conditions would remain relatively stable (47 percent) or improve (38 percent).

In comparison, 13 percent felt their trading conditions would worsen.

◆ Concern about the NZ dollar:

- ◆ Just over one-half (56 percent) of respondents interviewed expressed concern with the manner in which the NZ dollar had peaked in value against other countries, while 41 percent were not concerned.

- ◆ About one-third (31 percent) believed the Government should intervene to address this situation. Most felt that the optimal exchange rate for the NZ dollar was between US\$0.50 and US\$0.70 (70 percent).



◆ Interest rates:

- ◆ Almost one-half of respondents interviewed believed the recent increases in interest rates had “slowed down” their business activity (47 percent). A similar proportion felt that the increased rates had had no effect.
- ◆ 27 percent believed the Government was accountable for the increased rate, 24 percent the Reserve Bank and 8 percent the Reserve Bank Governor specifically.
- ◆ Most expressed a preference for the next rate announcement to be a decrease (70 percent).

◆ Concern about US housing market:

- ◆ Over one-half of respondents interviewed (51 percent) expressed some degree of concern with the deterioration of the US housing market.

◆ KiwiSaver:

- ◆ One-third of respondents interviewed believed the introduction of KiwiSaver had been “better than expected” (33 percent). In contrast, 26 percent felt it had been worse and another 23 percent were indifferent.
- ◆ 41 percent expected businesses to be given more support than they had to deal with the introduction of KiwiSaver.
- ◆ Just under one-half reported that some of their staff had already taken up KiwiSaver (46 percent).
- ◆ 47 percent expressed concern that they would nevertheless be making business contributions to complement staff contributions. In fact, 40 percent believe this would result in them increasing their prices (although 47 percent believed the recent change to the Holiday Act would have this effect, while 33 percent believe the increased minimum wage would result in this as well).



◆ Political perceptions:

- ◆ Satisfaction with Mr Key's performance (and to a certain extent, Mr English's performance) continues to be higher than that of Ms Clark's and Mr Cullen's performances.
- ◆ Relatively few felt the recent resignation of Mr Benson-Pope would destabilise the Labour Government (19 percent).
- ◆ However, over one-half of respondents interviewed reported the recent management of the economy, including the situation over the value of the NZ dollar and interest rates, made it unlikely they would vote Labour in the next General Election (57 percent).
- ◆ Less than one-half expressed the view that their election decision would be influenced by business tax cuts (41 percent) and/or personal tax cuts (39 percent). Almost one-half claimed they would not be affected by either of these.

Beliefs about the New Zealand economy and business trading conditions

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

Q12. 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?

	August 2007 n=293 %	May 2007 n=300*	February 2007 n=300	December 2006 n=300	October 2006 n=300	August 2006 n=300
Get much better	1	1	2	4	2	1
Get better	15	11	16	20	15	16
Stay the same	42	48	58	46	55	44
Get worse	33	33	16	18	18	30
Get much worse	4	2	2	3	4	5
Don't know/no opinion	4	4	7	8	6	4
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Note: Components may not always add to 100% exactly because of rounding.

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

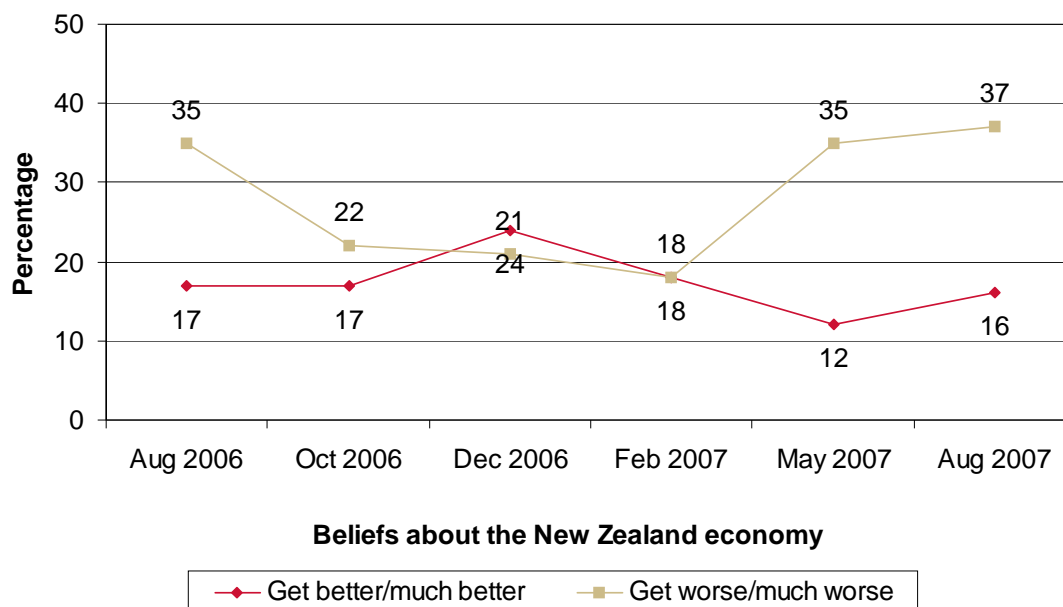


Table 2: Beliefs about current trading conditions

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

	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %
Get much better	11	8	14	15	17	13
Get better	27	30	34	27	29	32
Stay the same	47	43	43	50	42	43
Get worse	11	13	5	5	7	7
Get much worse	2	2	1	1	1	2
Don't know/no opinion	1	4	2	3	4	3
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

Note: Components may not always add to 100% exactly because of rounding.

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

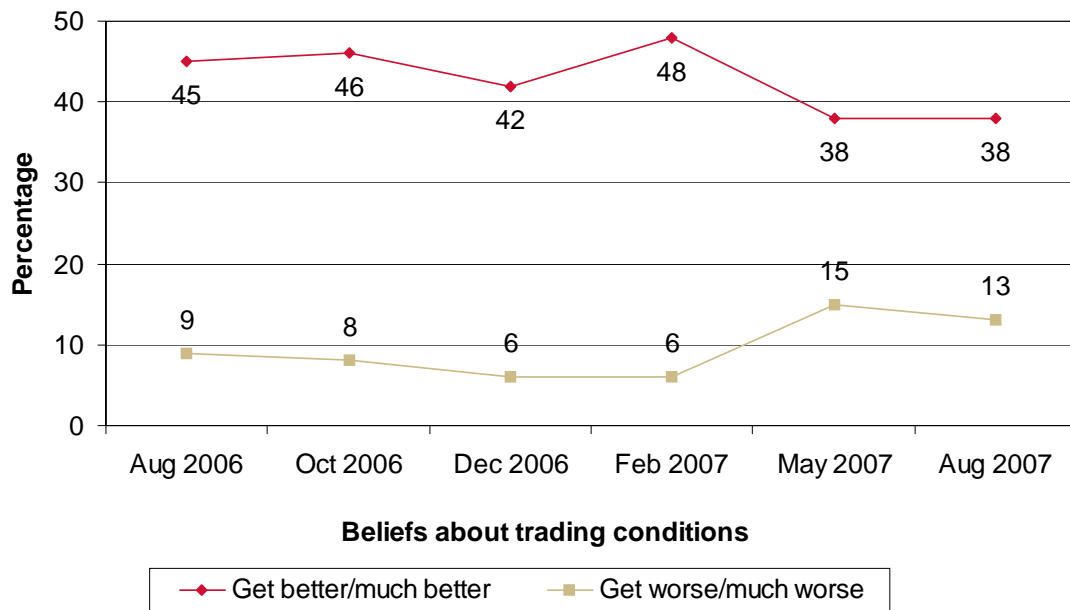


Table 3: Beliefs about future employment

	August 2007 n=283* %	May 2007 n=376* %	February 2007 n=291* %	December 2006 n=299* %	October 2006 n=287* %	August 2006 n=295* %
<i>Q29/31. Do you expect your business to employ more, the same or fewer full-time staff in the next six months?</i>						
More	19	23	23	16	22	28
The same	72	72	70	75	68	65
Fewer	8	5	8	9	10	7
Total	100	100	100	100	100	100
<i>Q20/22. Do you expect to employ more, the same or fewer part-time staff in the next six months?</i>						
More	16	13	16	17	19	22
The same	79	80	76	76	72	69
Fewer	5	6	8	7	9	10
Total	100	100	100	100	100	100

Note: Components may not always add to 100% exactly because of rounding.

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

Specific areas of interest

Interest Rates

Table 4: Beliefs about the value of the New Zealand dollar

	August 2007 n=293 %
<i>Q5. The New Zealand dollar has recently been recording highs in terms of its value against other currencies. How concerned are you about the NZ dollar peaking in this way?</i>	
Very concerned	14
Somewhat concerned	42
Not concerned	41
Don't know	3
Total	100
<i>Q6. In your opinion, should the Government be doing more to keep the value of the New Zealand dollar down?</i>	
Yes	31
No	58
Don't know	10
Total	100
<i>Q7. The New Zealand dollar was valued recently as high as US\$0.76 against the US dollar. What would you say is an optimal exchange rate for the NZ dollar?</i>	
Under US\$0.40	1
US\$0.40 to US\$0.50	5
US\$0.50 to US\$0.60	30
US\$0.60 to US\$0.70	40
Over US\$0.70	10
Don't know	14
Total	100

Table 5: Beliefs about interest rates

	August 2007 n=293 %
<i>Q8. Interest rates have also been increasing recently. What effect have these increases had on your business, if any? Have they, or are they likely to, cause your business activity to...?</i>	
Slow down	47
Increase	5
No change/effect	47
Don't know	1
Total	100
<i>Q9. Who or what, in your opinion, is accountable for the recent interest rate increases?</i>	
The Government	27
The Reserve Bank	24
The Reserve Bank Governor	8
Other	42
Don't know	14
Total	100
<i>Q10. And would you prefer the next official cash rate announcement by the Reserve Bank to be...?</i>	
A rise	8
A decrease	70
No change	12
Don't know	10
Total	100

Table 6: Level of concern for the US housing market

	August 2007 n=293 %
<i>Q14. Are you concerned at all about the deterioration of the US housing market, in terms of the possible impact this may have on the NZ economy in general, or on your own business?</i>	
Concerned about economy only	31
Concerned about own business only	3
Concerned about both	17
Not concerned about either	43
Don't know	5
Total	100

KiwiSaver

Table 7: Beliefs about KiwiSaver

	August 2007 n=293 %
<i>Q15. The Government launched the KiwiSaver scheme on 1 July 2007. In your opinion, has the introduction of this scheme been ...</i>	
Better than you expected	33
Worse than you expected	26
Neither better nor worse	23
Don't know	17
Total	100
<i>Q16. Do you feel that businesses were given enough support to deal with the introduction of KiwiSaver?</i>	
Yes	41
No	52
Don't know	8
Total	100
<i>Q17. What proportion of your staff have signed up already?</i>	
None	54
Under 20 percent	20
Between 21 percent and 50 percent	10
Between 51 percent and 75 percent	4
More than 75 percent	7
Don't know	5
Total	100
<i>Q18. Does having to provide information about KiwiSaver to your staff concern you?</i>	
Yes	20
No	77
Don't know	3
Total	100
<i>Q19. Does having to make contributions in line with staff contributions to KiwiSaver concern you?</i>	
Yes	47
No	45
Don't know	8
Total	100

Table 8: Factors that will influence prices

	August 2007 n=293 %
<i>Q20. Which of the following, if any, will lead you to increase your prices?*</i>	
Having to contribute to KiwiSaver	40
The impact of the recent change to the Holidays Act	47
The increased minimum wage	33
None of the above	39
Don't know	1

**Note: Total may exceed 100% because of multiple response.

Performance of political leaders

Table 9: Beliefs about the current performance of Political Leaders

	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %
<i>Q21. In relation to the Government's performance, how satisfied are you with Helen Clark's performance as Prime Minister?</i>						
Very satisfied	14	17	11	19	13	17
Satisfied	36	30	38	34	30	40
Neither satisfied nor dissatisfied	6	10	8	7	4	7
Dissatisfied	21	20	21	22	19	20
Very dissatisfied	20	21	18	15	30	15
Don't know/no opinion	2	2	3	2	3	2
Refused	1	0	0	0	0	0
Total	100	100	100	100	100	100
<i>Q22. How satisfied are you with the performance of John Key as Leader of the Opposition?</i>						
Very satisfied	23	25	12	9	-	-
Satisfied	44	41	44	22	-	-
Neither satisfied nor dissatisfied	10	13	8	7	-	-
Dissatisfied	13	5	6	4	-	-
Very dissatisfied	4	3	2	2	-	-
Don't know/no opinion	6	13	28	56	-	-
Refused	0	0	0	0	-	-
Total	100	100	100	100	100	100
<i>Q23. How satisfied or dissatisfied are you with the performance of Michael Cullen as Minister of Finance?</i>						
Very satisfied	9	8	7	10	10	6
Satisfied	28	25	31	33	31	36
Neither satisfied nor dissatisfied	5	7	6	4	9	3
Dissatisfied	22	26	24	24	19	27
Very dissatisfied	31	28	25	21	25	21
Don't know/no opinion	5	5	7	8	6	6
Refused	0	0	0	0	1	0
Total	100	100	100	100	100	100

continued...

Table 9 (continued): Beliefs about the current performance of Political Leaders

	August 2007 n=293 %	May 2007 n=300*	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %
<i>Q24. How satisfied are you with the performance of Bill English as Opposition finance spokesperson?</i>						
Very satisfied	6	7	7	7	-	-
Satisfied	45	37	32	22	-	-
Neither satisfied nor dissatisfied	11	15	14	9	-	-
Dissatisfied	15	18	16	9	-	-
Very dissatisfied	6	7	5	5	-	-
Don't know/no opinion	17	17	26	48	-	-
Refused	1	0	1	0	-	-
Total	100	100	100	100	100	100

Note: Components may not always add to 100% exactly because of rounding.

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

Table 10: David Benson-Pope and the Labour Government

	August 2007 n=293 %
<i>Q25. Recently, David Benson-Pope resigned as a member of Cabinet. Do you feel that his resignation will destabilise the Labour Government</i>	
Yes	19
No	73
Don't know	8
Total	100
<i>Q26. And to what extent does this concern you?*</i>	
A lot	11
Somewhat	16
Not at all	73
Total	100

*Sub-sample (n=55) based on those that felt David Benson-Pope's resignation would destabilise the Labour Government.

Table 11: Factors that may influence voting decisions in the next General Election

	August 2007 n=293 %
<i>Q27. How does the recent management of the economy, including the situation over the value of the New Zealand dollar and interest rates, impact the likelihood that you will vote Labour in the next General Election?</i>	
Less likely to vote Labour	57
More likely to vote Labour	12
No impact	22
Don't know	9
Total	100
<i>Q28. And will your election decision be influenced by promises of business or personal tax cuts?*</i>	
Yes – Business tax cuts	41
Yes – Personal tax cuts	39
Not influenced by either	49
Don't know	1

**Note: Total may exceed 100% because of multiple response.

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?

Q11. Other than those we may have already discussed, are there any other reasons for saying this?

Reasons why trading conditions will get better

Basically there is a reduction in cash flow in the economy, as a result of higher interest rates.

Government legislation.

High taxation [and] red tape. Government interference in business. My paperwork has probably doubled [and] I know our head office has probably a third more people than they should have due to compliance costs.

Housing prices will bounce back again.

I think the economy is in trouble. It has really been concealed from the public by excessive government spending and government spending has keep the economy going.

Just the nature of the business.

My business is residential property management and the increased housing costs in the Kapiti Coast are forcing investors to sell and buy cheaper elsewhere. Investors drift further north.

The impact of the NZ dollar fluctuating.

We supply to local manufacturers and they can't compete overseas because of the high NZ dollar.

Reasons why trading conditions will stay the same

Because as an importer with the exchange rate as it is, our costs are less or able to be maintained.

Because I can't see any change in the immediate future in the economic situation.

High NZ dollar helps our business, because we import.

I guess it is entirely up to me, in how I push things.

I just don't think there is going to be significant or major changes.

I just think that the economy is slowing down.

I suppose the weather is going to improve, so I think we will be staying the same.

I'm not inspecting [things] to get worse and hoping the status quo will just move on.

Industry/market [is] peculiar.

Interest rates will have an effect as Government does not do enough to encourage small businesses to grow.

It depends on [the] market and the change in the law for that market.

It's a small business and not affected by fluctuations.

Just particular trends that we are following.

Just things that are happening in the business.

My business has a certain resilience.

No change.

Sheer hard work. I want the Government to keep out of everything and the Reserve Bank to keep out and let the market find its own level.

The high interest rate helps our business.

The line of business we are in. It is competitive.

The NZ economy is quite strong.

We're getting better brand recognition and better penetration, but the reason it's not getting better is wine oversupply globally, so it's a balance of the two.

What we do is not directly related to financial institutions and we have a programme of work already in for next year's projects.

Reasons why trading conditions will get worse

Because we are a bit more organised than other companies.

Because we have a new contract.

Building up after change of management.

General confidence is not too bad.

I think the elections, the up and coming central government elections will have a positive effect. They historically don't spend prior to an election, and our business in Wellington is very government orientated.

Indications from clients that work's coming.

I've already got the next customers for the next four months.

Just the position of our business at present.

Mainly because I have only been in business [for] five years and every year the business gets bigger so I put it down to trend and the type of business you have.

More exposure for the business as it's growing.

More of [a] personal interest in terms of growth in the business.

Our business is coming into a more solid business framework period.

Personal reasons. I can see that there's an area of business that we can get into profitably to do with web development.

Positive attitude, so we know that it will get better.

Probably the stability. World Cup Rugby coming up soon and [this] helps our business. Weather is getting better soon, [and] a few promotional programmes in place.

The dollar should reduce and interest rates should reduce and if this happens business optimism should improve.

The economy is still good.

The NZ population increasing their IQ level on financial matters.

Trends in the area of business in which we operate.

We are doing ongoing maintenance, upgrading of facilities and upgrading the company website. Marketing the business through quality improvement which is the Qualmark process, which is like the old AAA star rating for tourism & accommodation.

We have big backlog of work.

Q12. 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?

Q13. For what reasons do you say this?

Reasons why the New Zealand economy will get better

Because I am pessimistic and [the] government policies.

Because of interest rates.

Because of the high NZ dollar, I can't see any relief in the present government's thinking. The pressure, and also with the ridiculous Reserve Government Bank Act which revolves around keeping inflation at 3%.

Because of what it is doing to domestic manufacturers. The high NZ dollar is crippling it.

Companies moving overseas and squeezing small businesses out.

Effect of interest rates and [the] impending possible change of government.

Government.

High interest rates.

I think because people are jittery and the US market is a wee bit volatile.

I think people would probably tighten their belts a bit more and slow down on the spending.

Indicators are showing that people are being more careful with their dollars.

Just watching the trends.

Longer than six months to be better and interest rates are high, and [it] has to come down 9% at least. Inflation is increasing.

Mainly because of the interest rates. If the interest rates go up, people are going to find it hard to borrow. If the US dollar stays the same, all the prices would probably stay the same too.

Monetary policy toward high interest rates [is the] primary driver.

Not good for most industries in NZ.

People are spending too much and the debt they are carrying.

The economy is going to slow down, and the retail turn over has dropped markedly.

The effect of the dollar will [take] a while to become apparent. As the Government moves into election mode their attention focuses on becoming re-elected.

The Government spending in the way of benefits is certainly fuelling inflation and I believe the current higher purchase agreement where people can get 12 months or more with no repayment should be addressed. If any hire purchase agreements are entered into, repayments should start the following month.

The mortgage rate.

The US economy.

Reasons why the New Zealand economy will stay the same

Because I don't think the government is going to do anything about both the dollar and the interest rates. It hasn't hurt the internal people, it has only hurt the exporters and it's also relative to how it stays the same, because we are different where we are located as to Auckland.

Because six months is very short term and we're moving into summer and tourism starts to kick in.

Because the Government pokes their noses into too many things.

Business confidence is down for starters.

Concerns about the international monetary trends.

Export marketing, and so forth. Politics in all countries, [the] international situation.

Global economies.

High dollar. I think spending will stabilize because of the high interest rates.

High interest rates and no one will be spending.

I can't see any huge thing that will make a difference.

I can't see the dollar is going to be a little bit down. The economy is going to be the same.

I don't think we need to change it.

I think our basic monetary controls are effective but they are a little bit off target, and the new saving schemes will put New Zealand closer to Australia with a savings base. Once you have those savings, then the interest rates wont hurt your economy as much. The reason of expansion of Australian business is mainly due to their supply of capital from savings.

I think we're hitting a balance at the moment.

It always stays the same and six months ain't long for it to change.

It would stay the same if the Reserve Bank does not raise the interest rates and it should stay the same until the election.

It's election year, [and] I don't think the government is going to let that go.

It's election year, next year.

It's the same every year to me.

Just [that] people are going to box on in business as usual.

Just a balance of some people doing better and some not.

Mostly the domestic situation and international economies will not change much and keep trading at the levels they are at the moment.

That is the way that I see it.

The dairying is up and so will cancel each other out.

The economy does not change quickly.

The exchange rate, as the NZ dollars has come down and has helped the exporters and if goes up it will hurt the exporter.

The interest rates go down and this might help stabilise the economy.

Things have a habit of levelling out.

Things have been pretty good and the house market has [been] steady. I don't see any reason why anything should upset it. The dollar is coming right, [and] there's a election coming.

Trends counteract each [other].

We do not do things too dramatically here in New Zealand. A change of government might give New Zealand a new sense or lease of optimism and a fresh new way of

looking. I think a new government might help businesses more, rather than giving them a hand out, give them a hand up and help people better themselves.

Reasons why the New Zealand economy will get worse

Been listening the radio. Election next year.

Coming in to summer, and maybe interest rates will drop a little.

Everybody's going to be feeling good as they're following the World Cup.

I just think that with the decreasing [value] of the New Zealand dollar and all the exporters feeling a lot happier, it is bringing money back into New Zealand which I believe is a lot more beneficial to the country.

Interest rates and the dollar will come down, which is better for NZ.

People working will have a good effect on economy.

The NZ dollars going to come down.

Usually things get worse before the elections but they rise during the summer from tourists and it is called summertime.

With the high dollar against the US and interest rates, I think it makes it hard for people to run their day to day lives and manage financially and to look at having a holiday or going away [which] impacts on our business.