



Dominion Post Poll

May 2007

Confidence in the economy dips sharply although optimists still outnumber pessimists in confidence about trading conditions

This survey is based on a sample of n=383 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 10th and 16th of May.

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 $\pm 5.0\%$.

Survey highlights

- ◆ Over one-third (35 percent) of respondents interviewed believed the condition of the New Zealand economy would either “get worse” or “get much worse” in the next six months.
- ◆ This compares with 12 percent who felt it would improve.
- ◆ The current results represent a significant deterioration of business confidence compared to the results of previous surveys.
- ◆ 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 (43 percent) or improve (38 percent).
- ◆ In comparison, 15 percent felt their trading conditions would worsen.

Beliefs about the New Zealand economy and business trading conditions

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

Q2d. 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?

	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %	June 2006 n=301 %
Get much better	1	2	4	2	1	1
Get better	11	16	20	15	16	11
Stay the same	48	58	46	55	44	40
Get worse	33	16	18	18	30	39
Get much worse	2	2	3	4	5	3
Don't know/no opinion	4	7	8	6	4	6
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.

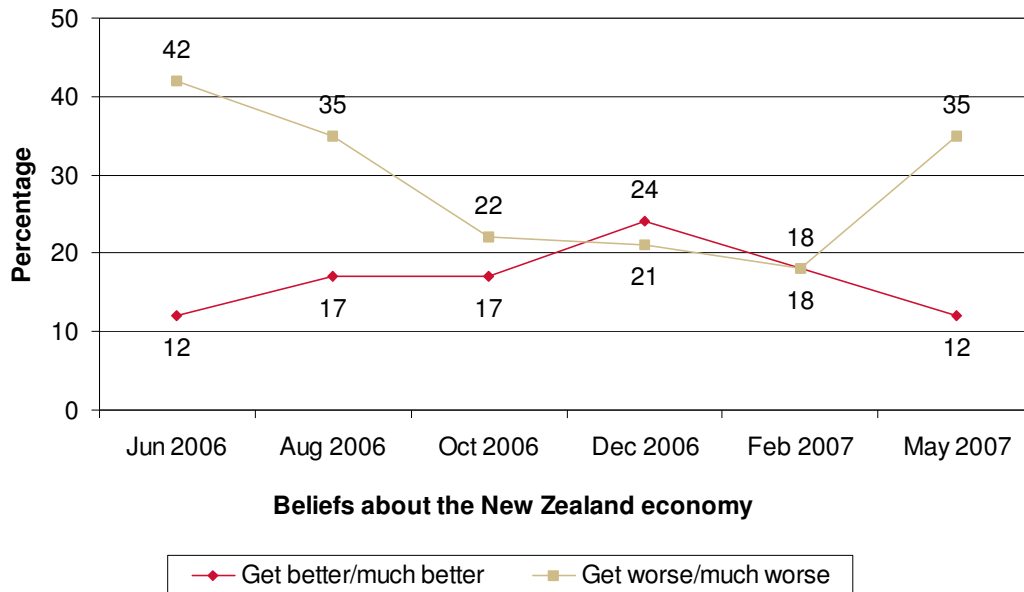


Table 2: Beliefs about current trading conditions

Q2a. Over the next six months do you expect trading conditions for your particular business to get better, get worse or stay the same?

	May 2007 n=300*	February 2007 n=300	December 2006 n=300	October 2006 n=300	August 2006 n=300	June 2006 n=301
	%	%	%	%	%	%
Get much better	8	14	15	17	13	9
Get better	30	34	27	29	32	29
Stay the same	43	43	50	42	43	44
Get worse	13	5	5	7	7	10
Get much worse	2	1	1	1	2	2
Don't know/no opinion	4	2	3	4	3	5
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.

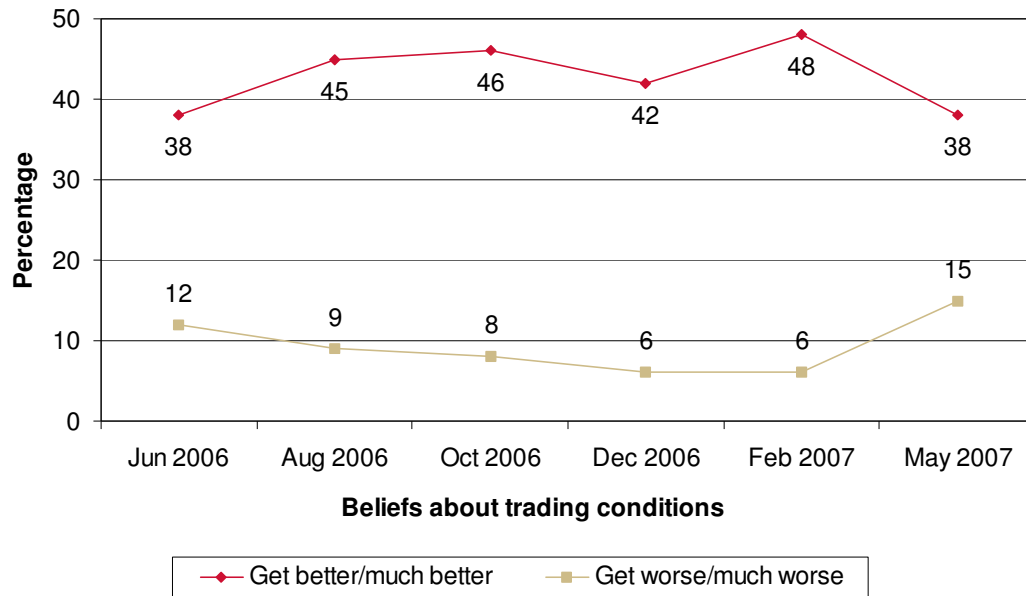


Table 3: Beliefs about future employment

	May 2007 n=376* %	February 2007 n=291* %	December 2006 n=299* %	October 2006 n=287* %	August 2006 n=295* %	June 2006 n=293* %
<i>Q19/21. Do you expect your business to employ more, the same or fewer full-time staff in the next six months?</i>						
More	23	23	16	22	28	19
The same	72	70	75	68	65	72
Fewer	5	8	9	10	7	9
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	13	16	17	19	22	17
The same	80	76	76	72	69	76
Fewer	6	8	7	9	10	7
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.

Performance of political leaders

Table 4: Beliefs about the current performance of Political Leaders

	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %	June 2006 n=300 %
<i>Q18a. In relation to the Government's performance, how satisfied are you with Helen Clark's performance as Prime Minister?</i>						
Very satisfied	17	11	19	13	17	15
Satisfied	30	38	34	30	40	33
Neither satisfied nor dissatisfied	10	8	7	4	7	12
Dissatisfied	20	21	22	19	20	21
Very dissatisfied	21	18	15	30	15	17
Don't know/no opinion	2	3	2	3	2	2
Refused	0	0	0	0	0	1
Total	100	100	100	100	100	100
<i>Q18b. How satisfied are you with the performance of John Key as Leader of the Opposition?</i>						
Very satisfied	25	12	9	-	-	-
Satisfied	41	44	22	-	-	-
Neither satisfied nor dissatisfied	13	8	7	-	-	-
Dissatisfied	5	6	4	-	-	-
Very dissatisfied	3	2	2	-	-	-
Don't know/no opinion	13	28	56	-	-	-
Refused	0	0	0	-	-	-
Total	100	100	100	100	100	100
<i>Q18c. How satisfied or dissatisfied are you with the performance of Michael Cullen as Minister of Finance?</i>						
Very satisfied	8	7	10	10	6	8
Satisfied	25	31	33	31	36	25
Neither satisfied nor dissatisfied	7	6	4	9	3	7
Dissatisfied	26	24	24	19	27	23
Very dissatisfied	28	25	21	25	21	31
Don't know/no opinion	5	7	8	6	6	7
Refused	0	0	0	1	0	1
Total	100	100	100	100	100	100

continued...

Table 4 (continued): Beliefs about the current performance of Political Leaders

	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %	October 2006 n=300 %	August 2006 n=300 %	June 2006 n=300 %
<i>Q18d. How satisfied are you with the performance of Bill English as Opposition finance spokesperson?</i>						
Very satisfied	7	7	7	-	-	-
Satisfied	37	32	22	-	-	-
Neither satisfied nor dissatisfied	15	14	9	-	-	-
Dissatisfied	18	16	9	-	-	-
Very dissatisfied	7	5	5	-	-	-
Don't know/no opinion	17	26	48	-	-	-
Refused	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.

Specific areas of interest

Table 5: Beliefs about interest rates and the value of the New Zealand dollar

	May 2007 n=383 %
Q3. <i>Have you been concerned by the recent increases in interest rates?</i>	
Yes	68
Q4. <i>Do you support the move to increase interest rates in order to slow the housing market?</i>	
Yes	22
Q5. <i>Do you think the Reserve Bank should have more tools available to them to manage the economy?</i>	
Yes	63
Q6. <i>Recently we have seen the New Zealand dollar rise on the Foreign Exchange market. Will the current exchange rate of over US75c hurt your business?</i>	
Yes	16
Q7. <i>With the New Zealand dollar at this level, will you stop or reduce your exporting activity?*</i>	
Yes	21
Q8. <i>And again, with the New Zealand dollar at this level, will you buy more capital plant and equipment from overseas?*</i>	
Yes	34

*Results based on those respondents who stated that it was applicable to their business.

Table 6: Beliefs about the Holidays Act

	May 2007 n=383 %
<i>Q9. As you are aware, employees are now entitled to four weeks paid holiday per year. Has this new 4-week leave entitlement resulted in a significant increase to your business costs?</i>	
Yes	34
<i>Q10. And has the introduction of the 4-week leave entitlement had an impact on the hiring of new staff? In other words, are you more or less likely to hire new staff now that they are entitled to 4 weeks paid leave?</i>	
More likely	7
Neither more nor less likely	55
Less likely	34

Table 7: Beliefs about KiwiSaver

	May 2007 n=383 %	February 2007 n=300 %	December 2006 n=300 %
<i>Q11. The voluntary savings scheme for employees; KiwiSaver, comes into effect on the 1st July. As an employer, are you ready for KiwiSaver?</i>			
Yes	47	27	11
<i>Q12. KiwiSaver also gives employers the opportunity to subsidise contributions their employees make, should they decide to join the scheme. Will you as an employer contribute to KiwiSaver?</i>			
Yes	25	13	15

Table 8: Beliefs about current power costs and power generation

	May 2007 n=383 %
<i>Q13. Now on a slightly different topic, are rising power costs significantly affecting your business?</i>	
Yes	34
<i>Q14. Have you recently brought in, or introduced any power saving programmes to your business, in an attempt to reduce your power costs?</i>	
Yes	33
<i>Q15. Do you favour the Government's plans to bring in, and utilise, more renewable power sources such as wind, geothermal and hydro power?</i>	
Yes	93
<i>Q16. And would you be willing to pay more for power obtained from renewable sources (i.e. wind, geothermal etc.) than from a gas-fired power plant?</i>	
Yes	46
<i>Q17. There has been recent debate around the construction of a large-scale wind farm at Makara. Are you for or against the Makara wind farm?</i>	
For the Makara wind farm	83
Against the Makara wind farm	6
<i>Q18. If it were to go ahead, would a \$500 million project to construct a wind farm at Makara help your business in terms of getting new business or contracts through direct involvement with the project?</i>	
Yes	15

Appendix A: Verbatim

Q2a. Over the next six months do you expect trading conditions for your particular business to get better, get worse or stay the same?

Q2b. For what reasons do you say this?

Reasons why trading conditions will get better

A lot of work done by government spending a lot of money.

Because we are in the roading infrastructure business and the government is pouring lots of money into roading.

Because we're a young business and we've hit a threshold where more people know of us.

Expansion into Auckland.

I am branching out into catching a wider customer base and offering a broader range of services. These new services should spin off sales for existing services.

It's just what we are doing in terms of our development, which is an internal thing with new products.

The niche market of the business, which is the upper end.

We are employing more staff.

We're a new business and things are developing.

Reasons why trading conditions will stay the same

Because I don't think anything will change.

Because I don't think that things will change much in the Wellington market whilst there is a reasonable government surplus.

Because of the political environment and the current sustainability of the economic environment. We can ride out economic bumps.

Because the level of demand is constant and I don't plan to increase the staff numbers.

Because we won't be taking on more work.

From my point of view the New Zealand economy is quite stable so I think the same result will happen for the next six months.

Hopeful [that] something [is] good in the budget next week for us.

I can't see it getting any better, that's all. I can only see it staying the same for the next six months.

Our business does not fluctuate a lot.

The nature of the business means that our customers will need our services regardless of economic conditions.

We primarily sell to the Government sector and it is funded for that period.

Reasons why trading conditions will get worse

Because interest rates are rising, and the exchange rate affecting the export sector.

Interest rates.

Q2d. 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?

Q2e. For what reasons do you say this?

Reasons why the New Zealand economy will get better

I think we've experienced strong growth in the past and we've got [some] catching up to do and that will continue.

Reasons why the New Zealand economy will stay the same

Because I think while some sectors go up and some go down, it all balances out.

Because New Zealanders are working very hard.

Because there is not going to be many changes in the Budget.

Because this government doesn't seem to be able to get a grip of the economic situation. It just keeps putting up interest rates and that is not a fix, it just puts a hold on everything.

Because while interest rates have gone up, there is still growth.

I can't see it changing. I can't see it getting better [as] our interest rates are too high.

I think the exchange rate is unlikely to go much higher and employment is holding up.

It is in a stable position.

It will take more than six months to change.

Strong housing market, and a better dairy industry.

The influence of the value of the NZ dollar.

Unless there is a change in Government, I think things will tick along the way they are.

Reasons why the New Zealand economy will get worse

A general feeling in the community [as] some of the companies in our area have been closing down due to imports from overseas.

Because of the dollar and high interest rates.

Because of the high dollar and putting pressure on households on high interest rates and the high dollar.

Because of the high value of the New Zealand dollar.

Dollar has been so high for so long, [and] exports are going to get hammered.

Every time they put interest rates up, our business drops.

High NZ dollar.

High OCR interest rates.

I see the Reserve Bank trying to control inflation by increasing interest rates which will increase the dollar value which will decrease [the] value of our exports.

Interest rates and exchange rates.

The dollar and export costs.

The high dollar combined with the high interest rates. If the interest rate drops, the dollar will drop. Overseas investments will drop, which will affect the economy.

We are going to feel the effects of high interest rates and the high dollar.