

Dominion Post Poll

February 2008

Confidence in the economy has fallen dramatically, although most do not expect this to have an adverse effect on their own trading conditions

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 12th and 14th of February 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:

- ◆ Thirteen percent of respondents (13 percent) believe the condition of the New Zealand economy will either “get better” or “get much better” in the next six months.

In contrast, nearly half (47 percent) expect it to grow worse.

This represents a significant fall in confidence compared to November 07 (33 percent believed the economy would “get worse” or “much worse”) and is particularly noticeable when compared to the same period 12 months ago when only 18 percent felt the economy would “get worse” or “much worse” (February 07)

- ◆ Nevertheless, most are confident that this economic downturn will have minimal (if any) impact on their own trading conditions (45 percent believe their trading conditions will remain the same), while 38 percent expect their trading conditions to improve.

In comparison, 15 percent feel their trading conditions will worsen.

◆ Economic issues and their effect on business:

- ◆ There are a number of economic issues that could potentially have a negative impact on the New Zealand economy/respondents’ trading conditions. Those generating the most concern at present are fuel prices (55 percent) and interest rates (43 percent).

- ◆ Approximately one-in-four are also concerned about the short supply of labour (26 percent), the introduction of carbon trading (25 percent), a change in government (24

percent) and (reflecting the above results) the current state of the New Zealand economy (22 percent).

- ◆ The issue least frequently mentioned as being of concern is share market volatility (16 percent).
- ◆ Export Year:
 - ◆ Note that no analysis is provided here as the sub-sample of exporters is too small. The tables are attached to this report contain information which is indicative only
- ◆ Effect of the global and American economy:
 - ◆ About two-thirds (67 percent) of those surveyed were aware of the sub-prime fallout in America.
 - ◆ 47 percent did not expect this fallout would have a negative impact on their business.
 - ◆ 23 percent felt it would have “a little impact”, 21 percent “some impact” and only 8 percent expected it would have “a very negative impact” on their business.
 - ◆ Respondents were also asked if they felt the volatility of the American economy and its effect on the global economy would have a negative impact on their business.
 - ◆ 44 percent did not expect it would have a negative impact on their business.
 - ◆ 21 percent believed there would be “a little impact”, 22 percent “some”, and 10 percent a “very negative impact” on their business.
 - ◆ If the Reserve Bank had to take action in this regard, most of those interviewed preferred lower interest rates with the risk of inflation and higher costs for businesses and consumers (58 percent), rather than keeping interest rates high which might result in a high exchange rate and possibly a recession (28 percent).
- ◆ 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 49 percent in November 2007 to 44 percent.
 - ◆ Satisfaction with Mr Key’s performance has risen again to 56 percent, recovering from the dip to 51 percent that was recorded in November 2007.
 - ◆ The satisfaction rating of Mr English’s performance has been steadily decreasing since August 2007 (51 percent) to 38 percent currently.

- ◆ State of the nation speeches:
 - ◆ Of the two “state of the nation speeches”, respondents found the Leader of the Opposition’s most encouraging (36 percent).
 - ◆ In contrast, 14 percent identified the Prime Minister’s speech as the most encouraging.
 - ◆ Of note, 29 percent had not heard or read anything about either speech and were therefore, unable to comment.
 - ◆ Overall, from a business perspective, half (51 percent) of those interviewed identified National as the political party that gave them the most hope for post-Election 2008.
 - ◆ Only one quarter (26 percent) identified Labour as giving them the most hope.
- ◆ Commitment to a “sustainable future”
 - ◆ When asked if they believed the Government’s commitment to a “sustainable future”, opinion was polarised with 44 percent answering “yes” and 45 percent “no”.
 - ◆ Whilst the majority (75 percent) personally supported the commitment to a “sustainable future”, just over half (53 percent) supported the financial expenditure that came with it.

Beliefs about the New Zealand economy and business trading conditions

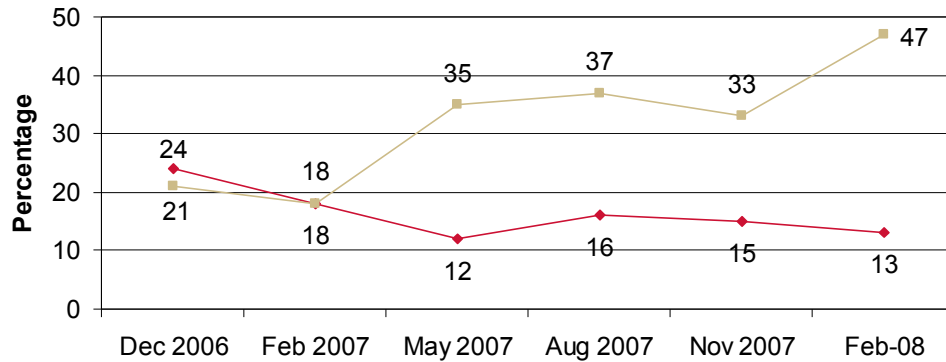
Table 1: Beliefs about the current state of the New Zealand economy

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?

	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %
Get much better	2	2	1	1	2	4
Get better	11	13	15	11	16	20
Stay the same	34	46	42	48	58	46
Get worse	40	29	33	33	16	18
Get much worse	7	4	4	2	2	3
Don't know/no opinion	5	7	4	4	7	8
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

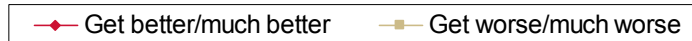


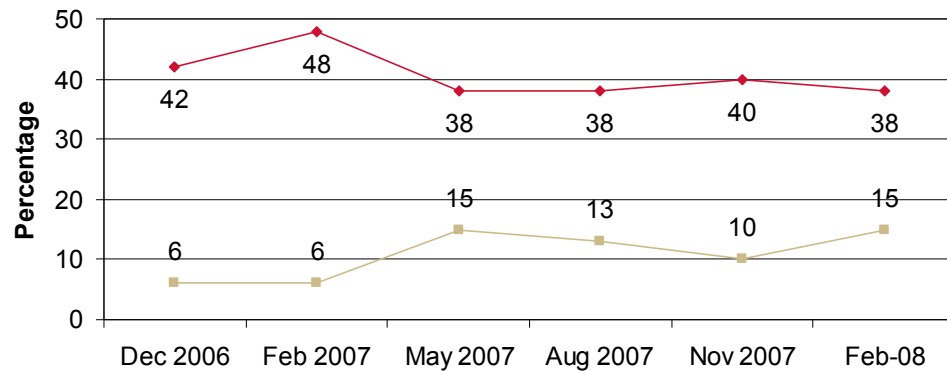
Table 2: Beliefs about current trading conditions

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

	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %
Get much better	10	10	11	8	14	15
Get better	28	30	27	30	34	27
Stay the same	45	46	47	43	43	50
Get worse	12	9	11	13	5	5
Get much worse	3	1	2	2	1	1
Don't know/no opinion	2	5	1	4	2	3
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 trading conditions

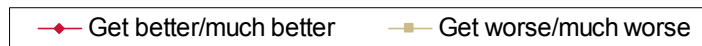


Table 3: Beliefs about future employment

	February 2008 n=283* %	November 2007 n=294* %	August 2007 n=283* %	May 2007 n=376* %	February 2007 n=291* %	December 2006 n=299* %
<i>Q25/27. Do you expect your business to employ more, the same or fewer full-time staff in the next six months?</i>						
More	21	21	19	23	23	16
The same	65	71	72	72	70	75
Fewer	15	9	8	5	8	9
Total	100	100	100	100	100	100
<i>Q26/28. Do you expect to employ more, the same or fewer part-time staff in the next six months?</i>						
More	19	16	16	13	16	17
The same	73	74	79	80	76	76
Fewer	7	9	5	6	8	7
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

Economic issues

Table 4: Economic issues and beliefs about their effect on businesses

	Base =	Total 300 %
<i>Q11a. How concerned are you about a negative effect on your business from - The current state of the New Zealand economy</i>		
Not at all concerned		20
2		22
3		34
4		14
Very concerned		8
Don't know		1
Total		100
<i>Q11b. How concerned are you about a negative effect on your business from - The short supply of labour</i>		
Not at all concerned		49
2		12
3		12
4		11
Very concerned		15
Don't know		2
Total		100
<i>Q11c. How concerned are you about a negative effect on your business from - Current interest rates</i>		
Not at all concerned		23
2		10
3		24
4		21
Very concerned		22
Don't know		1
Total		100
<i>Q11d. How concerned are you about a negative effect on your business from - The price of fuel</i>		
Not at all concerned		11
2		12
3		21
4		23
Very concerned		32
Don't know		1
Total		100

continued...

Table 4 (continued): Economic issues and beliefs about their effect on businesses

	Base =	Total 300 %
<i>Q11e. How concerned are you about a negative effect on your business from - Introduction of carbon trading</i>		
Not at all concerned		31
2		18
3		19
4		11
Very concerned		14
Don't know		8
Total		100
<i>Q11f. How concerned are you about a negative effect on your business from - Share market volatility</i>		
Not at all concerned		36
2		21
3		22
4		9
Very concerned		7
Don't know		5
Total		100
<i>Q11g. How concerned are you about a negative effect on your business from - A change in government</i>		
Not at all concerned		36
2		17
3		21
4		9
Very concerned		15
Don't know		2
Total		100

Total may not sum to 100% due to rounding.

Table 5: Beliefs about the effect of the global and American economy

	Base =	Total 300 %
<i>Q12. Are you aware of the sub-prime fallout in the USA?</i>		
Yes		67
No		31
Don't know		2
Total		100
<i>Q13. Do you believe this fallout will have a negative impact on your business?*</i>		
Very negative impact on your business		8
Some impact		21
A little impact		23
No impact		47
Don't know/no opinion		1
Total		100
<i>Q14. Currently, the American economy is particularly volatile. Do you believe this volatility and its effect on the global economy will have a negative impact on your business?</i>		
Very negative impact on your business		10
Some impact		22
A little impact		21
No impact		44
Don't know/no opinion		4
Total		100
<i>Q15. If the Reserve Bank of New Zealand had to take action, which one of the following courses of action would you prefer?</i>		
Keep interest rates high, which might result in a high exchange rate and possibly a recession		28
Lower interest rates and risk inflation and higher costs for businesses and consumers		58
Don't know/no opinion		14
Refused		1
Total		100

Total may not sum to 100% due to rounding.

*Sub-sample based on those respondents who were aware of the sub-prime fallout.

Performance of political leaders

Table 6: Beliefs about the current performance of Political Leaders

	February 2008 n=300 %	November 2007 n=301 %	August 2007 n=293 %	May 2007 n=300* %	February 2007 n=300 %	December 2006 n=300 %
<i>Q16. In relation to the Government's performance, how satisfied are you with Helen Clark's performance as Prime Minister?</i>						
Very satisfied	16	12	14	17	11	19
Satisfied	28	37	36	30	38	34
Neither satisfied nor dissatisfied	11	10	6	10	8	7
Dissatisfied	17	18	21	20	21	22
Very dissatisfied	26	21	20	21	18	15
Don't know/no opinion	1	2	2	2	3	2
Refused	0	0	1	0	0	0
Total	100	100	100	100	100	100
<i>Q17. How satisfied are you with the performance of John Key as Leader of the Opposition?</i>						
Very satisfied	19	12	23	25	12	9
Satisfied	37	39	44	41	44	22
Neither satisfied nor dissatisfied	18	11	10	13	8	7
Dissatisfied	11	12	13	5	6	4
Very dissatisfied	6	6	4	3	2	2
Don't know/no opinion	9	19	6	13	28	56
Refused	0	1	0	0	0	0
Total	100	100	100	100	100	100
<i>Q18. How satisfied or dissatisfied are you with the performance of Michael Cullen as Minister of Finance?</i>						
Very satisfied	6	6	9	8	7	10
Satisfied	26	25	28	25	31	33
Neither satisfied nor dissatisfied	8	8	5	7	6	4
Dissatisfied	18	28	22	26	24	24
Very dissatisfied	35	26	31	28	25	21
Don't know/no opinion	7	7	5	5	7	8
Refused	0	0	0	0	0	0
Total	100	100	100	100	100	100

continued...

Table 6 (continued): Beliefs about the current performance of Political Leaders

	February 2008	November 2007	August 2007	May 2007	February 2007	December 2006
	n=300	n=301	n=293	n=300*	n=300	n=300
	%	%	%	%	%	%
<i>Q19. How satisfied are you with the performance of Bill English as Opposition finance spokesperson?</i>						
Very satisfied	6	7	6	7	7	7
Satisfied	32	34	45	37	32	22
Neither satisfied nor dissatisfied	17	16	11	15	14	9
Dissatisfied	15	20	15	18	16	9
Very dissatisfied	10	5	6	7	5	5
Don't know/no opinion	21	17	17	17	26	48
Refused	0	1	1	0	1	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 7: Political parties

	Base =	Total 300 %
<i>Q23. Both the Prime Minister and the Leader of the Opposition have given their "state of the nation" speeches. Which of these two speeches did you personally find most encouraging?</i>		
The Prime Minister's		14
The Leader of the Opposition's		36
Neither		12
Have not heard or read anything about either speech/one of the speeches		29
Don't know/no opinion		9
Refused		0
Total		100
<i>Q24. Overall, from a business perspective, which political party gives you the most hope for post-Election 2008?</i>		
National		51
Labour		26
Green		3
Act		1
Other		2
Don't know		14
Refused		2
Total		100

Total may not sum to 100% due to rounding.

Table 8: Government's commitment to a sustainable future

	Base =	Total 300 %
<i>Q20. The current Labour Government has publicly stated that it's committed to a "sustainable future". Do you believe the Government's commitment to this?</i>		
Yes		44
No		45
Don't know		10
Refused		1
Total		100
<i>Q21. And do you support this commitment to a "sustainable future"?</i>		
Yes		75
No		18
Don't know		6
Refused		1
Total		100
<i>Q22. And do you support the financial expenditure that comes with it?</i>		
Yes		53
No		32
Don't know		14
Refused		1
Total		100

Total may not sum to 100% due to rounding.

Exporting - *base numbers too small, results indicative only*

Table 9: Beliefs about exporting

	Base =	Total 300 %
<i>Q8. Does your business export any goods or services? (n=300)</i>		
Yes		13
No		87
Total		100
<i>Q9. Last year was "Export Year". Were you aware of this? (n=38*)</i>		
Yes		47
No		53
Total		100
<i>Q10. Do you believe "Export Year" was successful? (n=18**)</i>		
Yes		44
No		33
Don't know		22
Total		100

Total may not sum to 100% due to rounding.

*Sub-sample based on those businesses which export goods and services (n=38).

**Sub-sample based on those businesses which export goods and services, and were aware of 'Export Year' (n=18).

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 I only bought this business in October.

Because I'm an optimistic person.

Because it can't get any worse or else I will be shutting the doors.

Because it gets better each year.

Because the strategic plan for obtaining this is based on the availability of the GP and we have the doctors and our roles can be built to give him full time employment. We have 900 patients and in the next 3 months we expect to have 1500, so his expertise is getting well known. The staff are becoming a good team based on love, [with] love we do not have any fractions or mistrust. That love is based on a belief in God, we have prayers every morning.

Because we are in the second year of this business and we are now growing.

Because we are new and our food is better than the previous owner.

Change of ownership.

Following the basic trends we have had from October.

For the growth of our company.

General optimism.

I had more inquiries come through for the provision of our business.

I hope to see an increase in members in our club.

New client base we have picked up and the service.

New opportunities.

Plan to be more proactive, newsletter, email and advertising.

Political change takes place.

The work I did prior to this last year.

To get back to work.

We are in a growth phase.

We profit from downturn in economy. We reflect the bad things in the economy.

We strive for quality.

What we are planning to offer with the business.

Reasons why trading conditions will stay the same

Because I'm not in any situation where I'm going to expand my business at the moment.

Because my business is a food safety consultant and I don't predict any increase of demand in my business.

Because there are steady influences in the country.

Content business never fluctuates.

Financial reasons.

For the last few years we have stayed the same. I do not think it will change.

I am manufacturing and [there is] competition [with] imported items from China and India which are low cost and low quality. My market is striking because a lot of customers wanted cheap and low items.

I have a backlog of work to do.

I think we have come from being extremely busy.

I'm involved in domestic work only. It's very difficult to gauge - I've learnt not to get too excited about jobs, just before I've had four or five jobs and nothing has happened. Maybe half of them might come to fruition, I hope it stays the same.

It's election year and I think that it encourages doubt. People remain cautious about sending and doing things.

Just a family business.

Membership based organisation.

More business.

My business is more related to the government than to the export industry.

My knowledge of what's happening and [of] my own industry and how much effort I am going to put in.

Niche market. Very good customer base.

No changes.

Our projections based on indication from clients.

People still need servicing.

Pretty well retired.

Resources.

Retired semi.

Same work load.

Seasonable business.

Slowly winding this business down.

Still get gross.

The economy is in for a down turn. We spend too much. We don't look at our finances enough, the property market is on a down turn, and there's a negative effect on what people see [in] their future.

The new law that the government brought out.

They got worse already in the last 4 months. For me it will stay at this level of worse.

Reasons why trading conditions will get worse

Because I am not doing much work.

Can't get any replacement staff.

Consumer resistance.

Downturn and reliant on farmers.

Drought conditions.

Election year.

Employment cost.

The exchange rates.

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 the New Zealand economy will not survive otherwise.

Because while the economy is tight, people still need services for business and home. And the New Zealand economy now is maturing, so that it is not relying on the US market as the benchmark for everything.

Believe the diversity of NZ companies - that we will survive, not downturn like America has.

In 6 months, with this business, you have the normal fixed costs because all the structural processes are in place. By increasing staff it actually gets better. With the patient and GPs, there are sufficient margins. A lot of GPs are making 150 to 160K. They work hard and are disciplined soldiers and look at the right people who work for us. Small is beautiful and we have to be cautious where we can't control anything.

Positive attitude.

There's the trends, the hunger in a lot of the families. They want the best. Everyone is looking at progress.

Thinking about salary and wage and basing on my experience.

Reasons why the New Zealand economy will stay the same

A lot of things are going against it.

Because the election people are a little cautious.

Because we are far away from everyone and everything arrives to us a short time after it has arrived after the other countries.

Can't see any changes hitting in.

Election year.

Election year.

Election's coming up.

Elections due.

Gut feeling.

I think that things are cooling because of international trends and sharemarkets, however, New Zealand commodities appear to be strong. The government will have a spend up in election year.

It's global.

Listening to people and other people around here.

Oil.

Our economy is quite well regulated and effected by a few small things. Change in interest rates. If it happens, our economy would go into decline. We manage it pretty good.

People will make an effort to keep it the same and I do not believe some of the projections. It is doom and gloom merchants.

Political change. The USA dollar rates.

Reading newspapers, the radio and online.

That's the way I feel.

The behaviour of people's spending.

The independence of our country in terms of trading.

The price is going up.

The same reasons I gave earlier.

There won't be many economic changes for New Zealand.

What's happening over in America, the sub prime unit. We seem to be involved in dairy. I can't see the economy getting greatly better in the foreseeable future.

Reasons why the New Zealand economy will get worse

Because of the drought- it gets worse.

Because we are heading into winter. Power, petrol and food.

Because we have high achievers leaving to go overseas. House prices are increasing since we are a small country. You certainly can say there's lots of jobs - that's because 40,000 people are leaving a year. It's creating a massive evacuation of people - the young are leaving. All that is left are the elderly and families. You can't create wealth, when in Australia you earn 30% more.

Cheaper prices for meat overseas.

Drought.

Effect of global credit crunch, dairy exports of our droughts, the continued lack of productivity and the negative effects of the equity markets will worsen. The whole housing affordability is causing problems.

Everything is going up.

Families, cost of petrol.

Fuel interest rates and probably lack of skilled staff. Government compliance costs and compliance costs in general.

General impression.

Government has too much of a handle on interest rates.

Government policies.

House prices are dropping down and there is a bit of doom and gloom out there in the market place.

House prices.

Housing market.

Increasing interest rates, and a higher New Zealand dollar.

It's an election year.

Just because [of] the weather that we are getting.

Just because of the recent direction of the market.

Just doesn't look good.

Money tightening up. We in province [were] hit by drought.

People are more at risk, and it has come to an extremely high rate of work.

People have lost confidence.

People lost money in finance companies and properties and no ready capital. Election coming up this year and people hold off spending after election.

Political and financial crisis.

Property market not strong and New Zealand dollar too high.

The price of petrol, dairy products, mortgages and interest rates.

Tightening of the monetary rates. Dollar getting higher.

To the present government.

US economy. Petrol prices are unsustainable at the moment.

We are already on a slide. I think government policy in general.