

Wellington Businesses More Optimistic than rest of Country

July 2006

Summary of Findings

- General pessimism on national economy starting to fade
- Wellington businesses positive about their own prospects
- Employment prospects looking good

Economic confidence among Wellington businesses is improving according to the results of the latest Wellington Regional Chamber of Commerce Business Confidence Survey.

While the majority of Wellington businesses do remain gloomy about the prospects for the national economy, there has been a marked improvement in sentiment over the course of this year. Pessimists exceed optimists by 32 percentage points (a net -32%) compared with a net -38%, in March and a net -43% in November. The improved confidence is consistent with buoyant retail sales and accommodation data which were recorded in July.

An interesting quirk of these kinds of business confidence surveys is that people tend to be more optimistic about their own prospects than they are about the economy as a whole. When asked about their own situation, Wellington businesses are significantly optimistic. A net +33% expect their own business situation to improve in the next six months. Of the two measures, this is more useful as an indicator of future economic activity.

These results are similar to the National Bank's latest New Zealand-wide survey of Businesses. The bank's July Business Outlook survey recorded a net -31% on general business confidence and a net +15% for businesses' own activity expectations. While the two surveys don't quite measure the same thing, the high optimism amongst Wellington businesses about their own outlook is significant.

When asked to rate the performance of the Wellington economy, Wellington businesses also rate it higher than they do the national economy, both in terms of current performance and expectations in six months time.

The improvement in confidence has been particularly apparent amongst exporters over the course of the year. A net 70% of exporters in the Wellington region expect their earnings to improve over the next 12 months compared with a net 39% in November last year. The improved outlook amongst exporters probably reflects the lower New Zealand dollar which has fallen from around US69 cents at the start of the year to around US62 cents today. This is likely to be a major factor driving improved business confidence overall.

Employment prospects in the region are also looking good. For the first time, in this survey we asked respondents about their employment intentions. A net 25% of Wellington businesses expect to increase the number of full-time employees and a net 11% expect to increase the number of part-time employees. Staff are hard to find according to respondents – particularly skilled staff. When asked if it was harder, the same, or easier to find staff than it was three months ago, a net 50% found it harder to find skilled staff. The corresponding figure for unskilled staff was a net 5%.

Survey Finds Good Support for Harbour Quays Development

The survey also sought the views of businesses on the proposed Harbour Quays development.



<http://www.harbourquays.co.nz/>

<http://www.vibrantwellington.co.nz/>

The development, which is on port land alongside Waterloo Quay between Centreport and the Wellington Railway Station, received support from 60% of respondents. Harbour Quays has been subject to a campaign which says the development would threaten Wellington's vibrancy because it is too far from the Central Business District and because it might depress rentals thus slowing the renewal and development of existing buildings in the CBD.

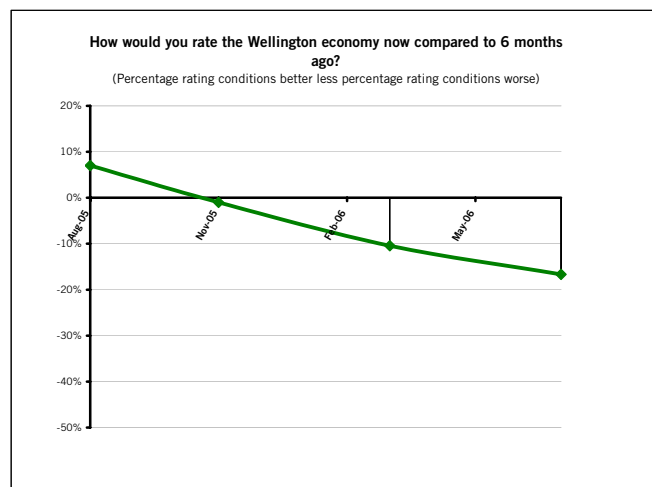
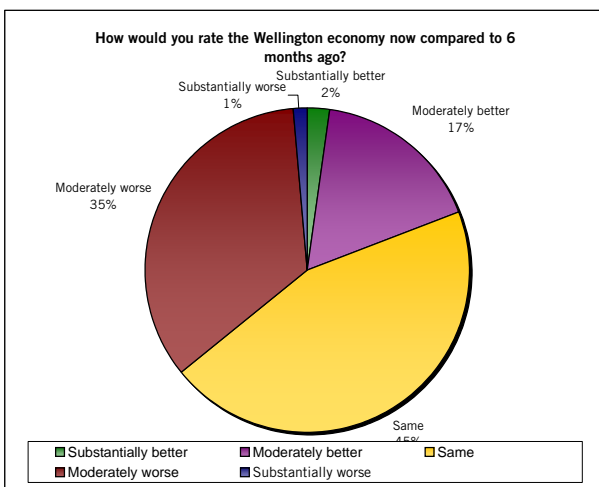
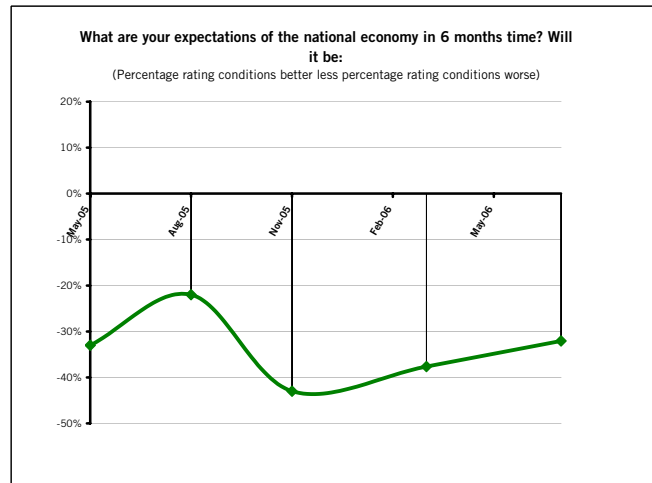
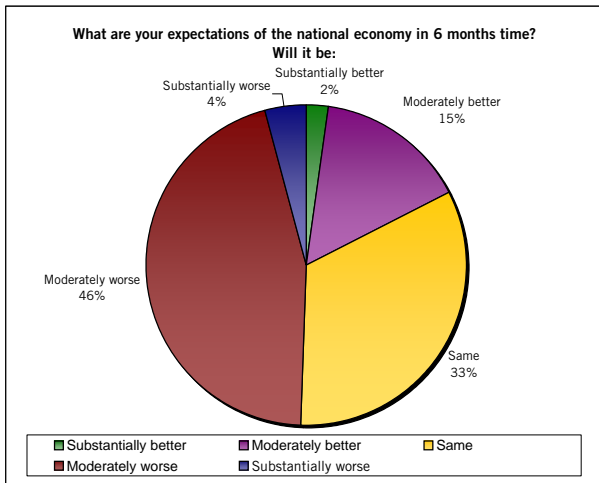
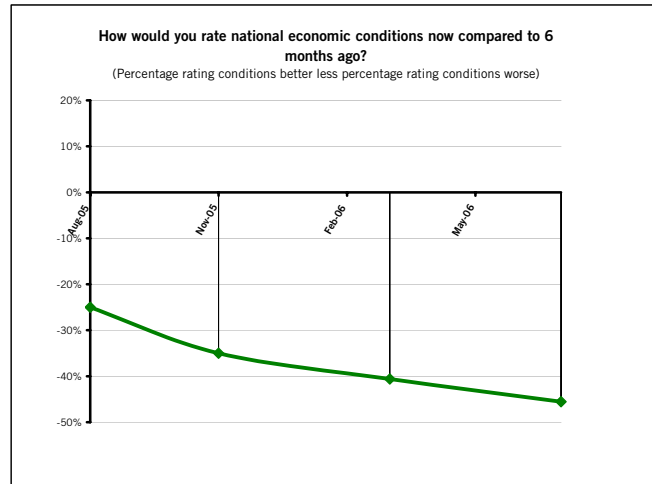
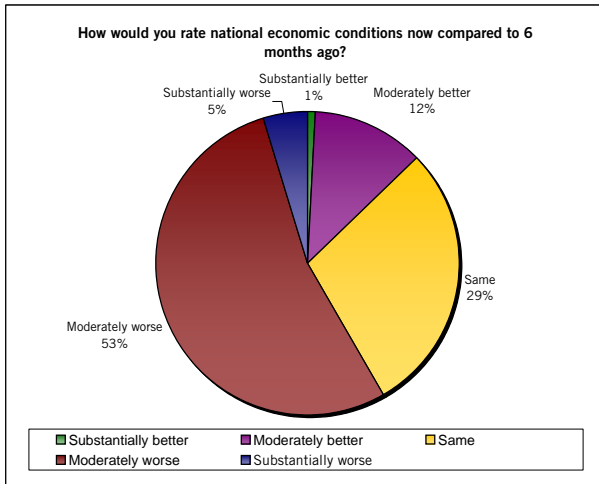
Centreport, which owns the land and is overseeing the development, says it is a natural extension of the CBD, stretching north from the Bluebridge terminal. The

development will create 41,000 m² of new office space, including large floor plate and purpose built opportunities, as well as park areas and possibly residential buildings.

The percentage supporting Harbour Quays jumps to 79% support provided the development is subject to normal planning rules and shareholder disciplines, faces the same cost structures as a private sector development and does not disrupt normal port operations.

Results for Business Confidence Survey - July-06

Trend Analysis



Results for Business Confidence Survey - July-06

Trend Analysis

