

Wellington Businesses Growing more Confident

October 2006

Business Confidence in the Wellington area is improving according to the latest Wellington Regional Chamber of Commerce Quarterly Business Confidence Survey.

When asked about national economic conditions, pessimists continue to outnumber optimists (as they tend to in such surveys) although the gap is closing. 27% of respondents expect national economic conditions to improve in six months time compared with 39% who expect them to deteriorate. This net figure of -12% is significantly better than the -32% recorded in the July 2006 survey.

When asked about prospects for the Wellington economy, local businesses were more optimistic with a net -7% expecting an improvement, up from -13% in July.

While negative about economic conditions generally, businesses were very positive about their own outlook. A net 42% expect their own business situation to improve over the next six months, up on 33% last time. This “own-activity” index is the preferred measure of business confidence and a better indicator of the outlook for economic growth.

The lift in confidence is reflected in higher investment and employment intentions of businesses in the Wellington region.

31% of respondents are expecting to make a major investment in plant or equipment over the next 12 months – up slightly on the 29% who were expecting to make one last quarter. A net 28% expect to take on more full-time employees.

The survey shows Wellington businesses are still finding it hard to find staff - both skilled and unskilled - but there are signs that things are easing. A net 46% said skilled staff were harder to find compared with a net 50% last quarter.

The survey found one indicator moving in the wrong direction in that Wellington exporters are more pessimistic than they were last time round. This probably reflects the 7% appreciation of the New Zealand dollar since July. Notwithstanding this relative pessimism, exporters are still confident about their prospects for the coming year. 67% expect their export earnings to improve over the next twelve months and only 12% expect a decline.

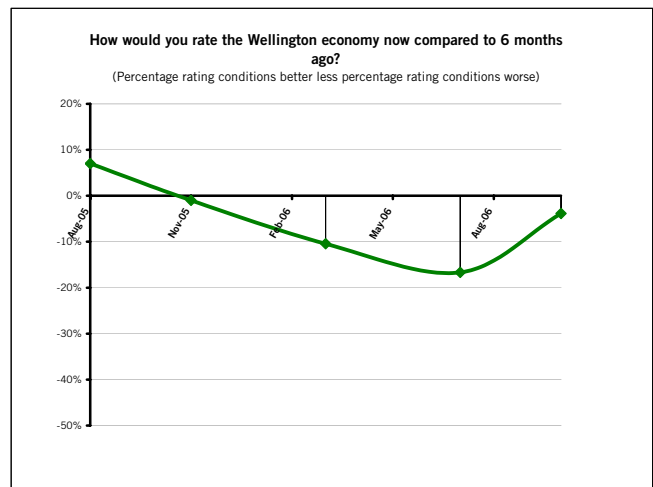
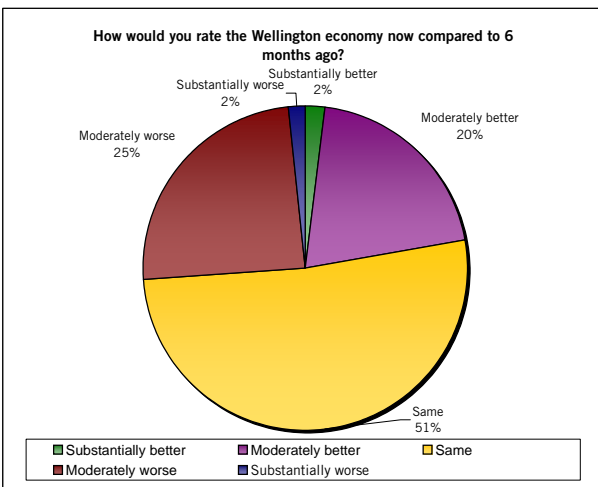
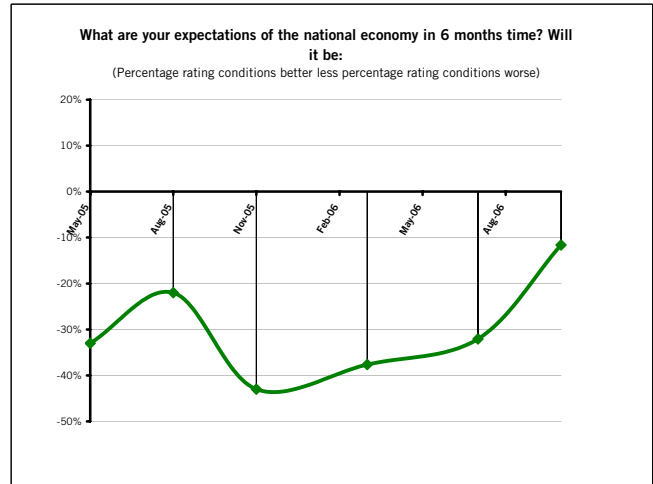
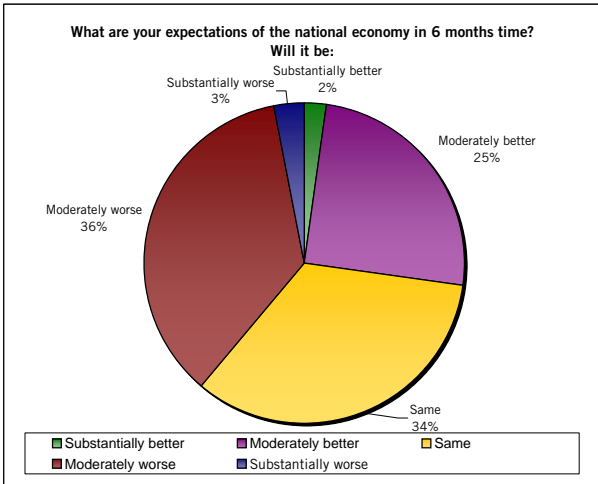
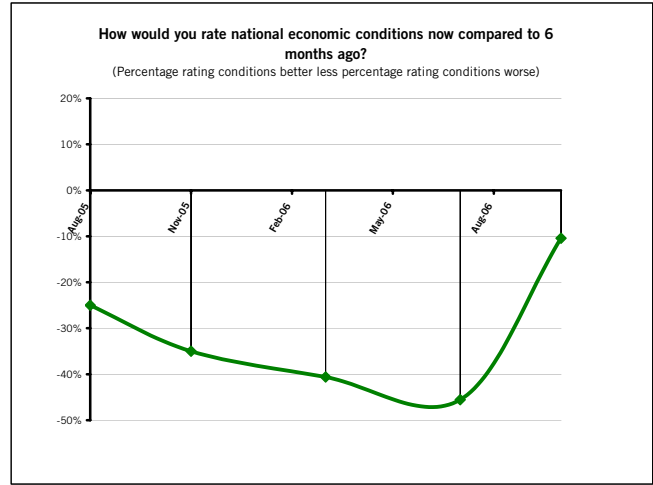
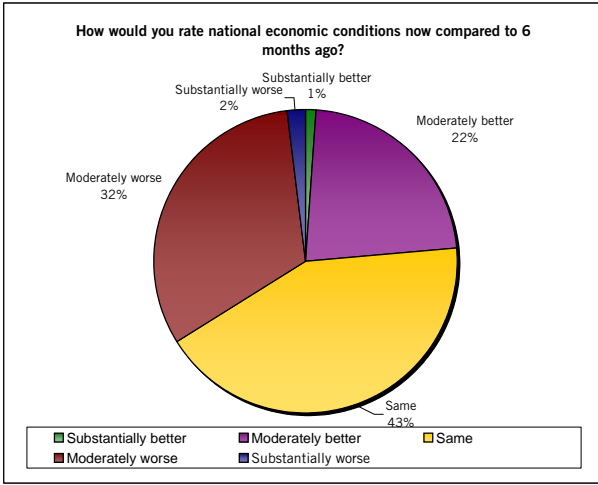
The pick-up in business confidence bodes well for economic growth in the region in the not too distant future. The New Zealand economy has been slowing but is expected to trough early next year and this survey gives confidence to that prediction.

Gazing beyond Wellington city, things are looking even brighter. This time round the survey has been extended right across the Wellington Regional Chamber of Commerce's "catchment area" of the lower half of North Island. The survey throws up some minor contrasts across the region but the overall direction is the same.

Confidence was highest in Taranaki with a net 64% of respondents expecting their business situation to improve. Hawkes Bay was the least confident area, but with a still respectable 42% the prospects are good here too.

Results for Business Confidence Survey - Oct-06

Trend Analysis



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