

## The July Quarterly Business Confidence Survey

**July 2007**

Wellington businesses have shown much resilience in the face of rising interest rates according to the Chamber's latest quarterly survey of business confidence.

The survey was taken in late July around the time of the most recent hike in the Reserve Bank's OCR. In spite of the rate rise, our index of business confidence has picked up slightly compared with the previous survey in April although is still relatively low by the standards of the buoyant times of recent years.

A net 24% of respondents anticipate their business situation will improve over the next six months compared with 21% last quarter. The figure was 33% this time last year.

A significant drop in confidence was recorded in April as businesses came to grips with the first of the OCR increases after months of threats but no action by the Reserve Bank. This time round, confidence has held up in spite of further rate rises – perhaps as these hikes were largely foreshadowed and so built into people's expectations.

While confidence has held up, this does not mean that respondents are not hurting from the rise in interest rates with 58% saying that the current level is having a negative impact on their business. In contrast, 5% said the impact was positive with the remainder saying they had no impact.

Interestingly, the percentage jumps to 85% negative when asked about the impact of interest rates on the economy overall. In other words respondents feel they are better equipped to handle higher interest rates than they perceive the rest of the economy to be. This in itself is a sign of underlying confidence.

Investment intentions were also up in this quarter's survey but they are not quite as high as they were before the interest rate increases. Twenty nine percent of respondents said they were expecting to make a major investment in plant or equipment over the next 12 months up from 23% last time.

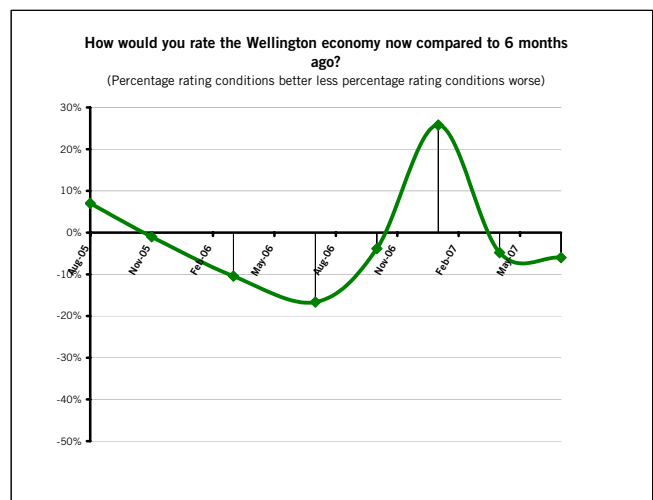
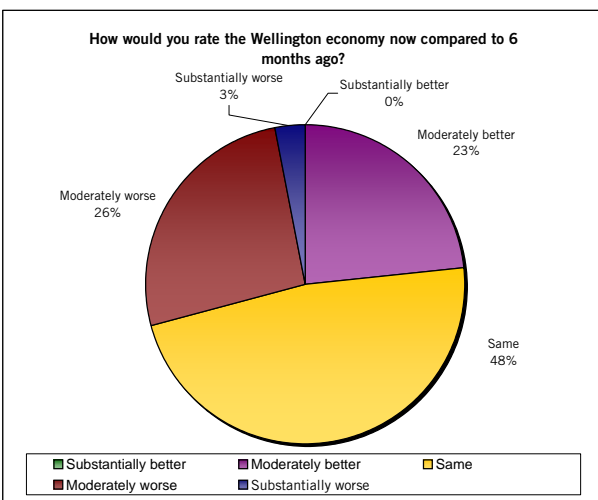
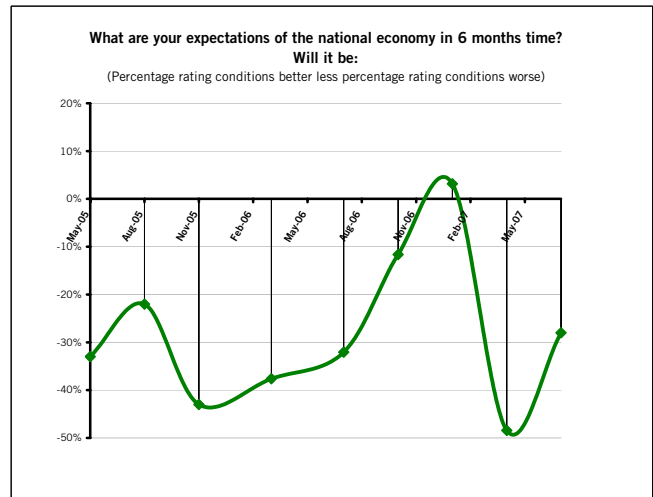
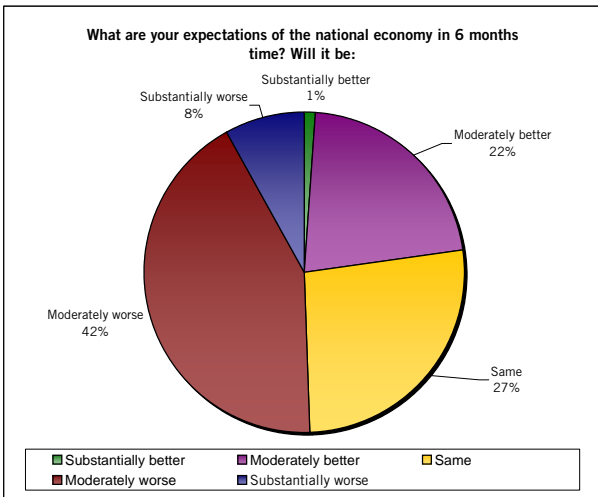
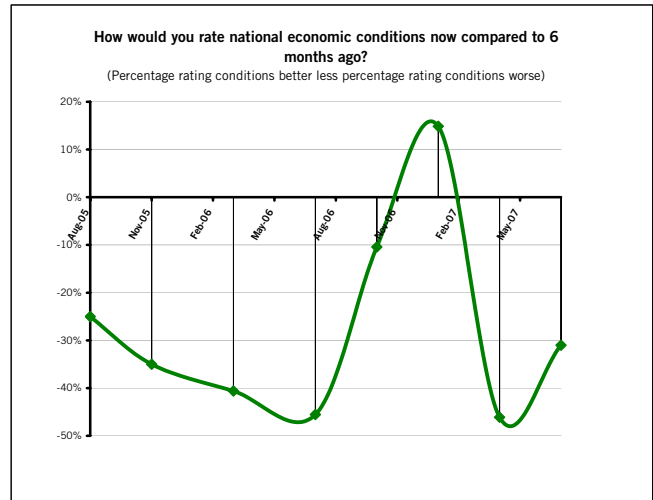
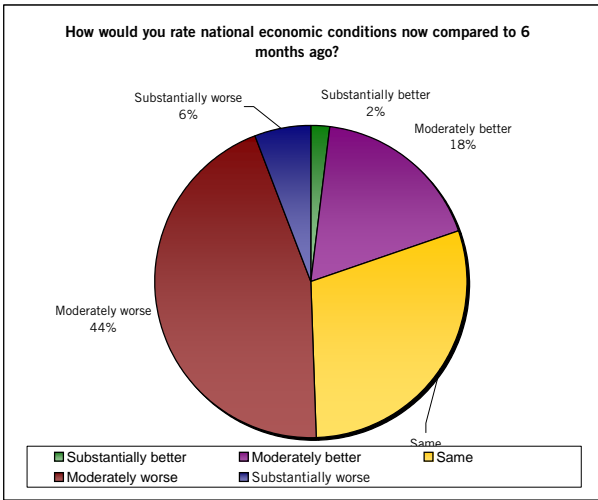
On the other hand, employment intentions were down slightly, perhaps reflecting the continued labour shortages. 58% of respondents said it is harder to get skilled or specialist staff than it was three months ago. Furthermore, labour shortages and recruitment difficulties were most cited as issues of concern to businesses as measured by the survey.

The survey also shows resilience amongst Wellington exporters. In spite of the appreciating New Zealand dollar, which was at a record high at the time the survey was undertaken, there were more exporters expecting their earnings to increase over the next twelve months than there were expecting them to decrease. The 5% difference between optimists and pessimists was only marginally less than last time (6%).

Thirty three percent of respondents (overall – not just exporters) said the current value of the dollar was having a negative impact on their business, compared with 17% who see a positive benefit. Fifty percent saw no impact. When asked about the economy overall, 83% said the impact of the dollar was negative, 6% said it was positive and only 11% said it had no impact.

**Results for Business Confidence Survey - Jul-07**

**Trend Analysis**



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Trend Analysis

