

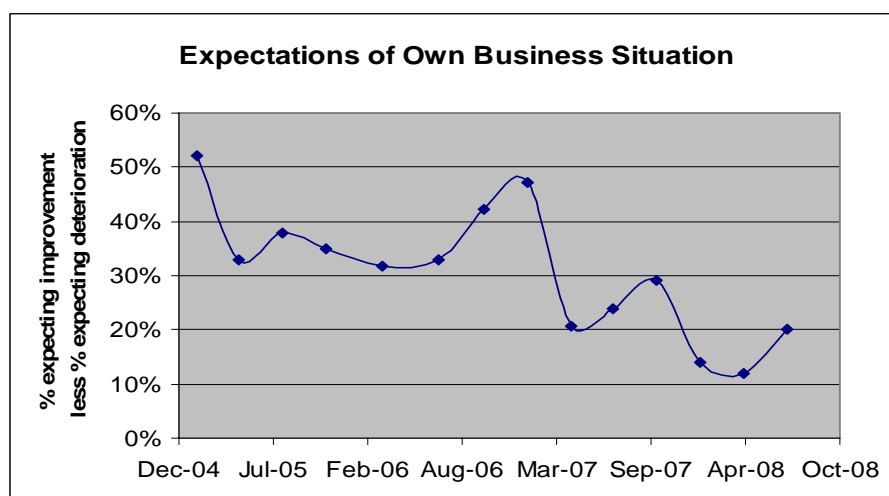
The July Quarterly Business Confidence Survey

July 2008 - Confidence picks up as Wellington businesses look forward

Business confidence in the Wellington region has picked up according to the Wellington Regional Chamber of Commerce's latest quarterly survey. Relative to the last four years however, confidence remains subdued. The survey was undertaken in the last week of July just after the Reserve Bank unexpectedly cut its official cash rate. This is likely to have had a positive impact on the survey results.

Unsurprisingly, respondents overwhelmingly rated economic conditions worse than they were six months ago. Expectations for the next six months were also largely negative but it is significant that more people are expecting an improvement this time round than they were in the last survey three months ago.

Encouragingly, when asked about their own businesses, respondents were quite positive. More Wellington businesses are expecting an improvement in their own situation than they are a deterioration by a net 20% and this has increased from a net 12% last time.



A regular feature of our survey is that people tend to be more optimistic about their own prospects than they are about the New Zealand economy as a whole. The prospects for the local Wellington economy lie somewhere in between.

However, in spite of this self confidence, when asked about their intentions to take on more staff or to make a capital investment, respondents were not so positive. Only 19% of Wellington businesses expect to make a major investment in plant or equipment over the next 12 months. This compares with 26% in April and is the lowest the figure has been since the question was asked more than two years ago.

Respondents still say it is harder to find staff than it was three months ago – both skilled and unskilled - but this figure is also lower than it has been any time in the last two years suggesting further softening in the labour market.

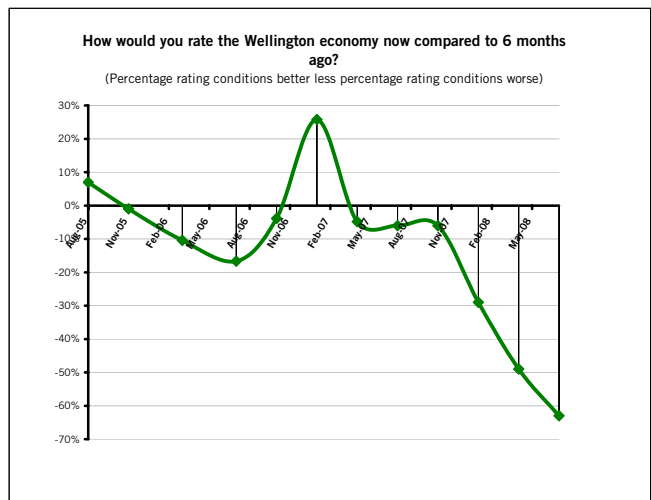
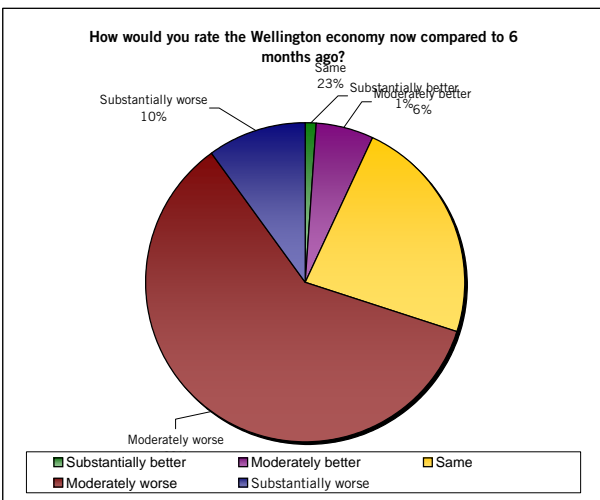
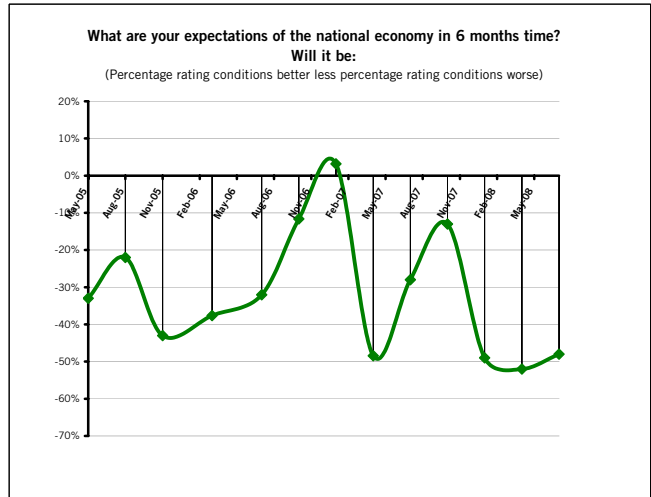
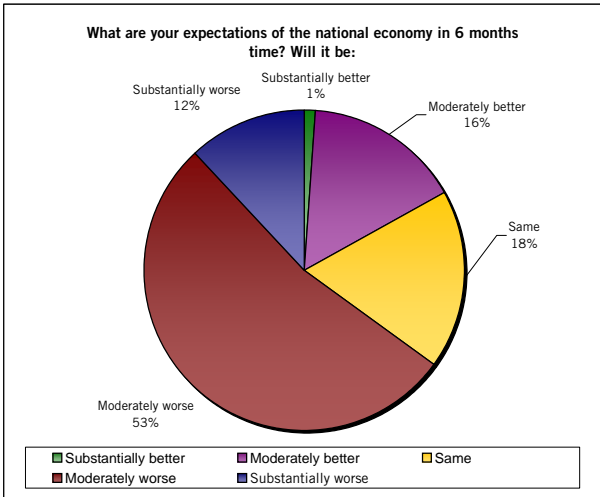
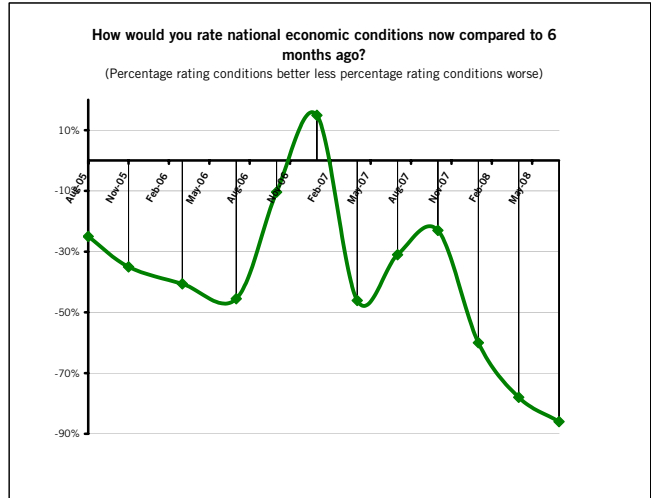
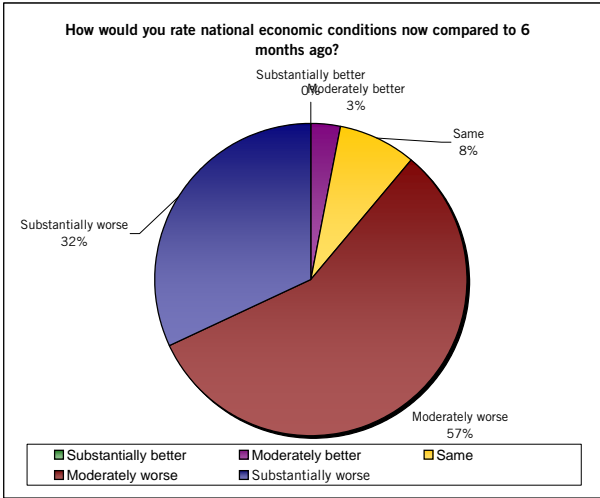
In terms of the things that are concerning businesses, issues around staff retention and skills shortages remain the most commonly cited. This time round though, consumer confidence, sales growth and accounts receivable were more commonly cited, all reflecting the current downturn.

On a positive note. A net 61% of Wellington exporters are expecting earnings to improve up from 44% last time. This is the most up-beat exporters have been since March 2006. At the time of the survey, the New Zealand dollar had fallen by more than 10% since its peak in February of this year, which will explain much of the buoyant mood.

Our business confidence survey is being extended to other parts of the lower North Island. In terms of the outlook for their own business measure, a comparison suggests Wellington businesses are the most confident in the region, followed by Manawatu, then Taranaki and then Hawkes Bay.

Results for Business Confidence Survey - Jul-08

Trend Analysis



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