

Wellington Regional Chamber of Commerce - Quarterly Business Confidence Survey

January 2009 - Business Confidence in Wellington Continues to fall

The Wellington Regional Chamber of Commerce Quarterly Business Confidence Survey has recorded another drop in business confidence as the turbulent economic times continue.

The survey was undertaken in the week ending 23 January.

41% of respondents expect their business situation to deteriorate in the next six months compared with 25% who expect it to get better. The net figure of -16% is much lower than the net -4% recorded last time the survey was taken three months ago. Respondents are usually relatively optimistic about their own outlook compared with that of the economy as a whole. This time a net -52% expect the New Zealand economy to deteriorate compared with -36% last time. The figure for the Wellington economy is a net -47% suggesting that there is an expectation that Wellington will be somewhat insulated from the downturn.

The mood amongst exporters is more optimistic with a net 16% of Wellington exporters expecting their earnings to improve. However this is down from the net 36% expecting an improvement last time. This reflects the negative outlook for our trade partners' economies and comes in spite of the depreciation in the New Zealand dollar exchange rate.

There were some positives in the survey for Wellington businesses generally. 19.5% are expecting to make a major investment in the next 12 months. This was unchanged from last time.

Employment intentions were mixed with increases in the numbers of employers expecting higher staff numbers in the coming months and increases expecting lower staff numbers also.

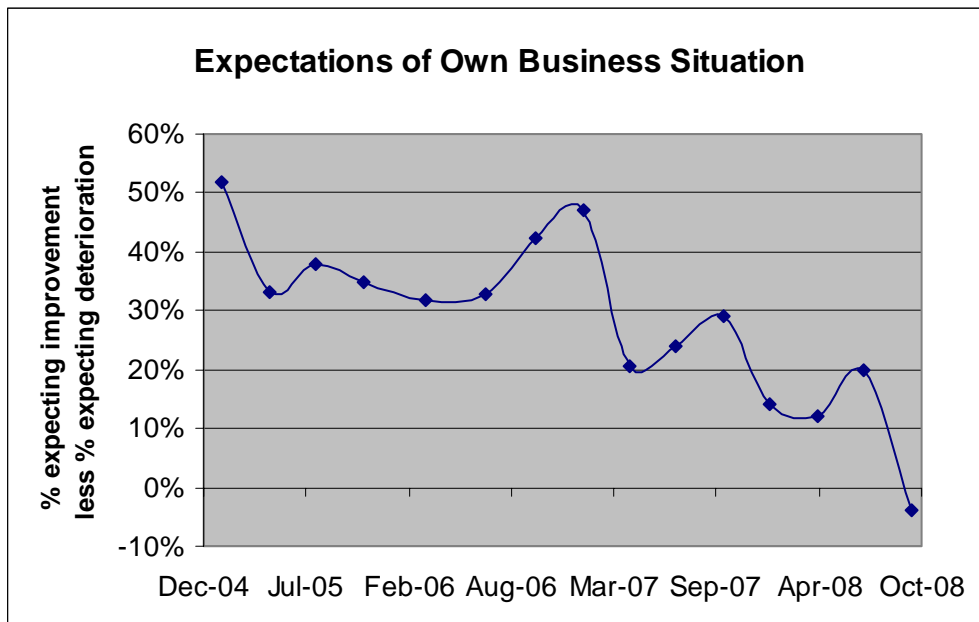
This dual labour market was reflected in respondents' comments where "staff shortages" and "difficulty to recruit and retain" were cited as the key concerns by many businesses in spite of the reports of increasing unemployment. However there was a marked increase in the proportion of businesses finding staff easier to find than it was three months ago.

All in all, however, it is significant that 27% of respondents said that they were likely to reduce staff numbers in the coming months. This is up from 23.8% three months ago.

An increasing number of businesses are reporting slower sales and reduced clientele as their main area of concern. Cash flow problems also featured prominently.

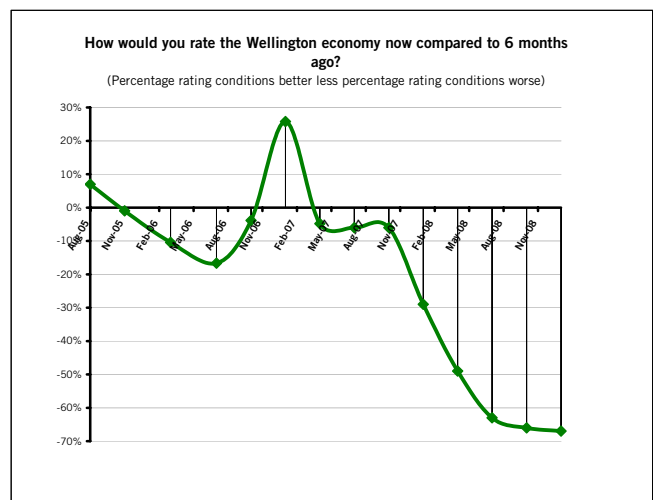
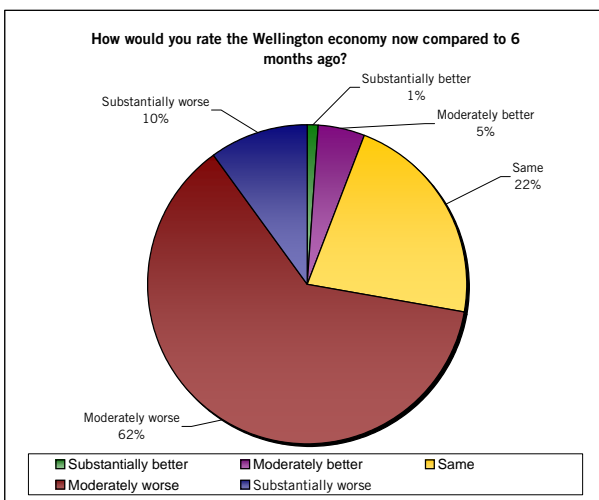
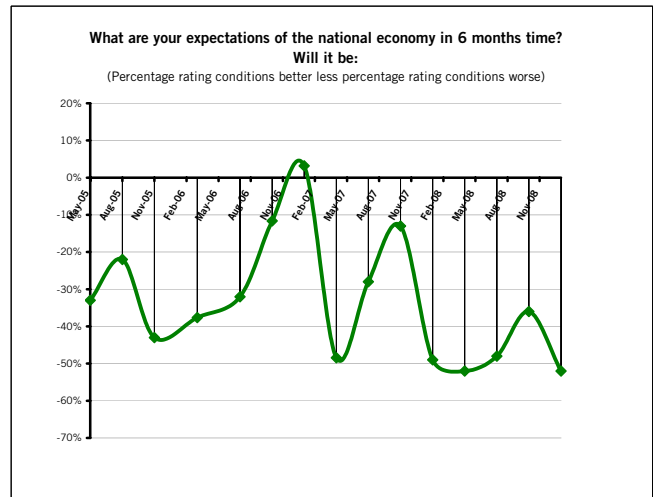
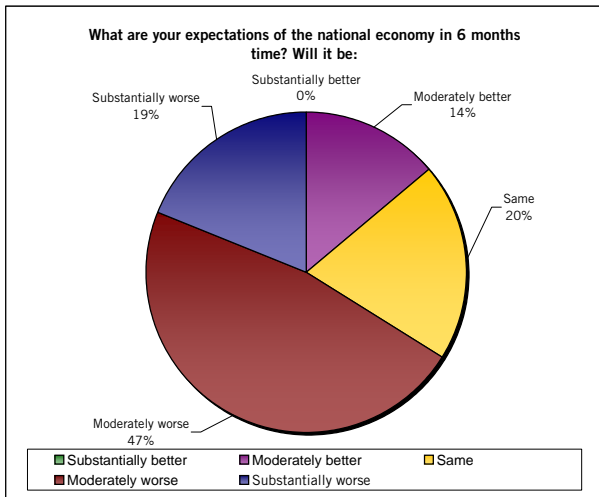
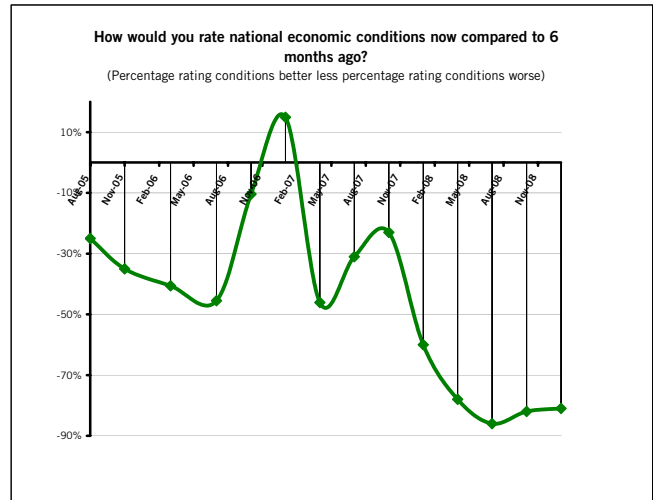
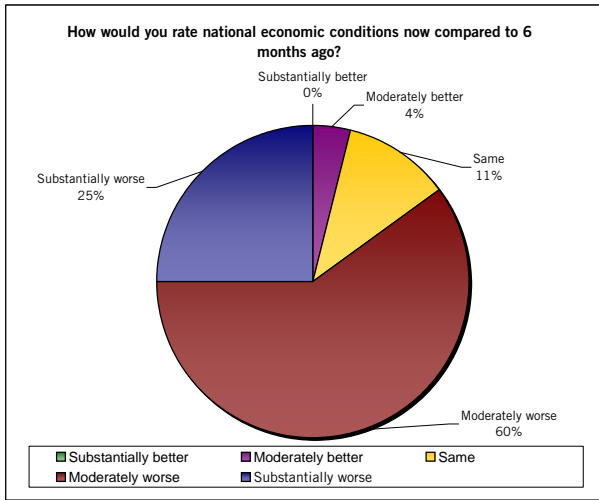
17.7% of respondents said they were experiencing increased difficulty in getting bank credit up from 14.6% last time. This is not surprising given the global credit crunch.

We also asked how banks' lending rates had fallen in light of the recent calls by Reserve Bank for banks to pass on lower wholesale interest rates. The Official Cash Rate (OCR) was cut 1.5% on December 4. But reductions of less than 1.0% in bank rates since that time were typical for most Wellington businesses.



Results for Business Confidence Survey - Jan-09

Trend Analysis



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