

JUNE 2017 BUSINESS AND PUBLIC CONFIDENCE

National Business and Rotorua Business and Public (Consumer) Confidence Survey Results

Prepared for : Rotorua Lakes Council
By : APR Consultants
Date : June 2017



INTRODUCTION

This report briefly outlines the results of surveys of businesses and the public in the Rotorua District. These surveys are undertaken six monthly. Although the business and public surveys were conducted separately, they were undertaken over the same time period. National business confidence results are also provided, courtesy of the ANZ Bank.

The results of each survey are expressed as a Net Index, which may be roughly described as the net percentage of the total sample. The Net Index reflects the overall level of confidence. The values of the Net Index range from -100 to 100. The closer the overall value is to 100, the higher the level of confidence, while a negative value indicates that more people in the sample think that the economic indicator being measured will get worse rather than improve in the period being considered. (NB, a *negative* value for responses relating to unemployment, prices or interest rates indicates that the majority of respondents expect these indicators to *rise*. Similarly, a *negative* value in relation to the item about purchases outside the district indicates an *increase* in out-of-district purchases).

In the following sections, the results of specific questions from each of the surveys are outlined, together with a brief comment on the results. The most recent surveys were undertaken in June 2017. Note that as from June 2001, the indexes are being updated six monthly instead of every quarter.

Although only data for the past 11 periods is shown, historical data available stretches back to May 1993.

RESULTS SUMMARY

This report outlines the results of business and public confidence surveys undertaken in the Rotorua District in June 2017, and provides a comparison of the results of these surveys with surveys undertaken since June 2012. National business confidence results are also shown.

At a glance:	NC	=	No change, ie, less than 3.5 point change during the quarter
	↑	=	Increase in confidence
	↓	=	Decrease in confidence
	☺	=	Index is greater than 10 (ie, high confidence)
	☹	=	Index between 10 and –10 (ie, steady confidence)
	⊗	=	Index below –10 (ie, low confidence)
<i>Example: ↓ - ☺ = Index has dropped, but overall confidence is high</i>			

ROTORUA BUSINESS CONDITIONS

Rotorua Business Conditions	New Zealand Businesses	Rotorua Businesses	Rotorua Public
Local General Business Conditions	n/a	☺	☺
Local Unemployment	n/a	☺	☹
Local Real GDP / Economic Activity	n/a	☺	☺
Purchases - inside the district	n/a	☺	n/a
Promotional Activity	n/a	☹	n/a
Construction - residential	☺	☺	n/a
Construction - non-residential	☺	☺	n/a

The Rotorua business and public indexes both showed steady to increasing confidence levels in June 2017. Rotorua businesses and households were optimistic, with an expectation of mainly increasing indicators over the 12 months to June 2018.

On a positive note, over the next 12 months Rotorua businesses expected local general business conditions to increase, economic activity to increase and profits to increase.

The majority of Rotorua businesses report that their promotional budgets have remained static over the 12 months to June 2017.

Rotorua businesses expected local unemployment to decrease while householders expected it to remain static at June 2017 levels.

On the negative side, prices were expected to increase and interest rates to rise.

Businesses involved in exporting reported an expectation of increased export levels.

Construction businesses in Rotorua expected volumes of residential and commercial construction to increase from June 2017 levels.

NATIONAL BUSINESS CONDITIONS

National Business Conditions	New Zealand Businesses	Rotorua Businesses	Rotorua Public
National General Business Conditions	😊	😊	😊
National Unemployment	😊	😊	😊
Interest Rates	😞	😞	😞
National Real GDP/Economic Activity	😊	😊	😊
Real Business Activity / Personal Income	😊	😊	😊
Profits For Businesses	😊	😊	n/a
Employment For Businesses	😊	😊	n/a
Price of Goods and Services	😞	😞	😞
Investment For Businesses	😊	😊	n/a
Exports	😊	😊	n/a

The national indexes showed increasing confidence levels regarding national business indicators with most indexes showing increases.

On the positive side, general business conditions and economic activity were expected to increase, personal income was expected to increase and investment into businesses was expected to increase.

Business employment levels were expected to increase for both national and Rotorua businesses from June 2017 levels.

Regarding national unemployment, businesses nationally expected it to decrease from June 2017 levels.

On the negative side, all groups showed an expectation of raising prices and interest rates were expected to increase.

Businesses involved in exporting, reported an expectation of increased export volumes from June 2017 levels.

Overall summary of indexes

Positive indexes

😊

29 indexes

Static indexes

😊

3 indexes

Negative indexes

😞

6 indexes

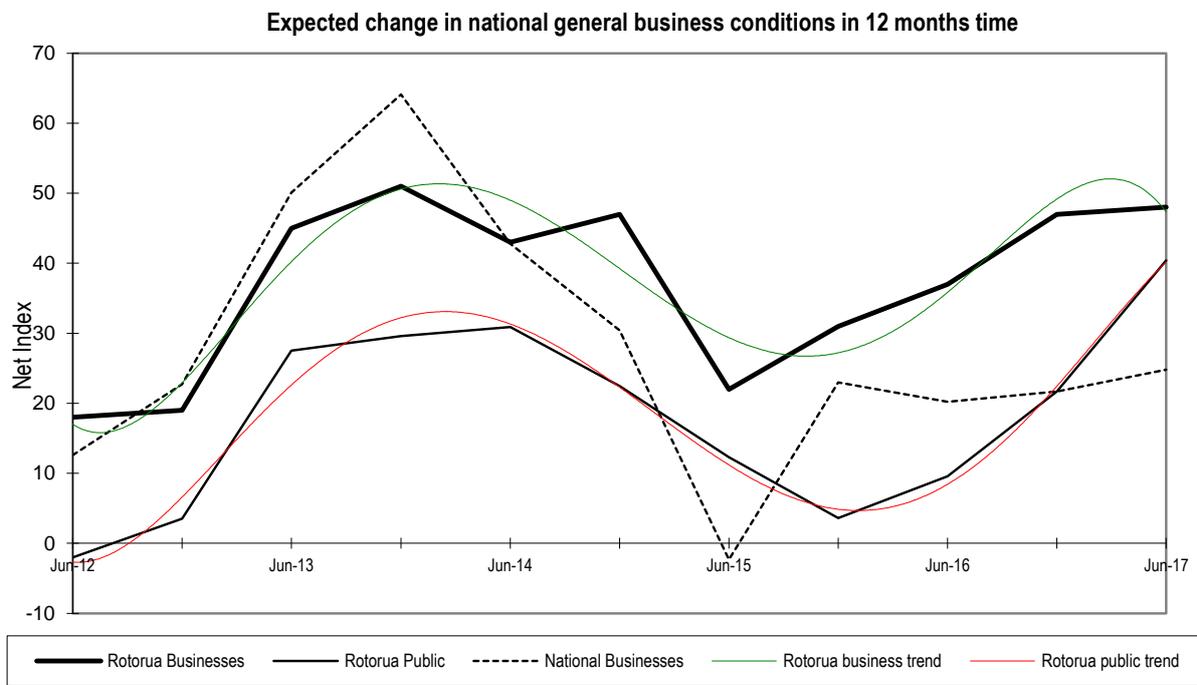
FULL RESULTS

National General Business Conditions

NZ Business NC - ☺

Rotorua Business NC - ☺

Rotorua Public ↑ - ☺



Rotorua businesses reported a slight increase in confidence regarding national general business conditions over the 12 months to June 2018. The index increased by 1.0 point to 48.0. The positive index indicated that the majority of Rotorua businesses expected national general business conditions to increase from July 2017 levels.

The Rotorua household index increased by 18.7 points, taking it to 40.4. This increase in confidence indicated that the majority of householders in Rotorua expected national general business conditions to increase from June 2017 levels over the 12 months to June 2018.

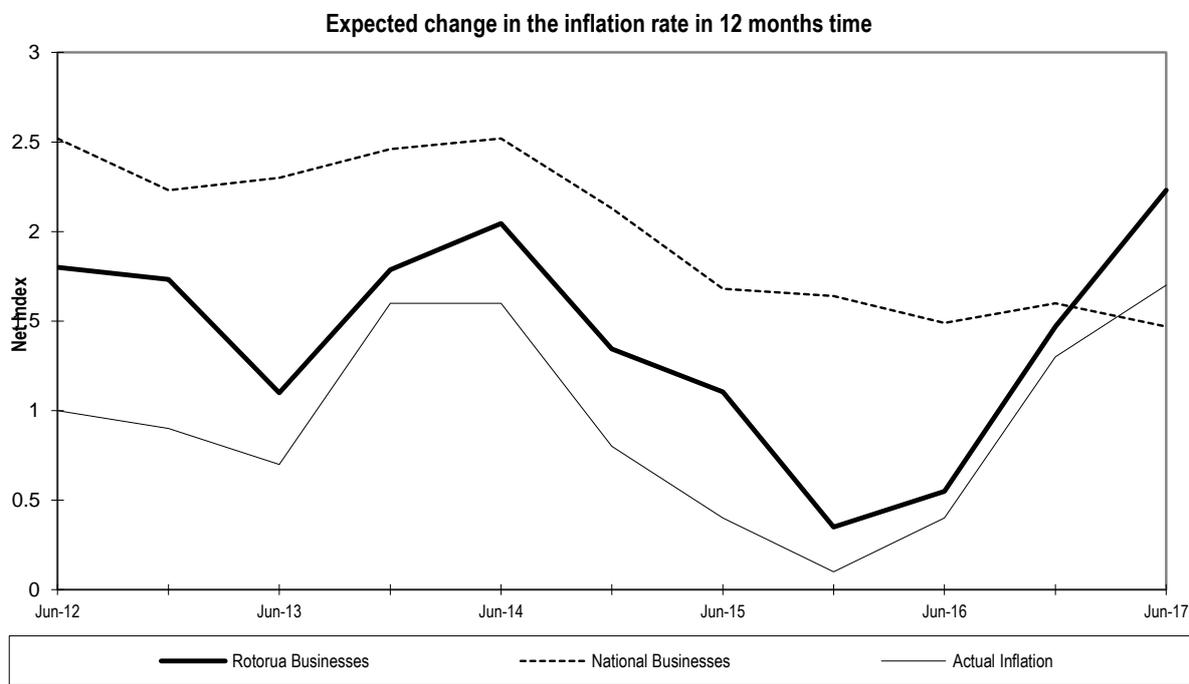
The national business index increased by 3.1 points. This took the index to 24.8 points. This positive index indicated that businesses nationally expected national general business conditions to increase from June 2017 levels.

In conclusion, all indexes showed an expectation of increases in national general business conditions.

Inflation Rate

NZ Business ↓

Rotorua Business ↑



Rotorua businesses were expecting inflation to increase over the 12 months to June 2018, with an expected increase of 0.76%, taking expected inflation to 2.23% year on year.

Businesses nationally reported an expectation that inflation levels would decrease, with expected inflation decreasing by 0.13% to 1.47%.

The actual inflation rate for June 2017, as measured by the Consumer Price Index, was 1.7% from the same time last year. This was an increase of 0.4% from the December 2016 rate of 1.3%.

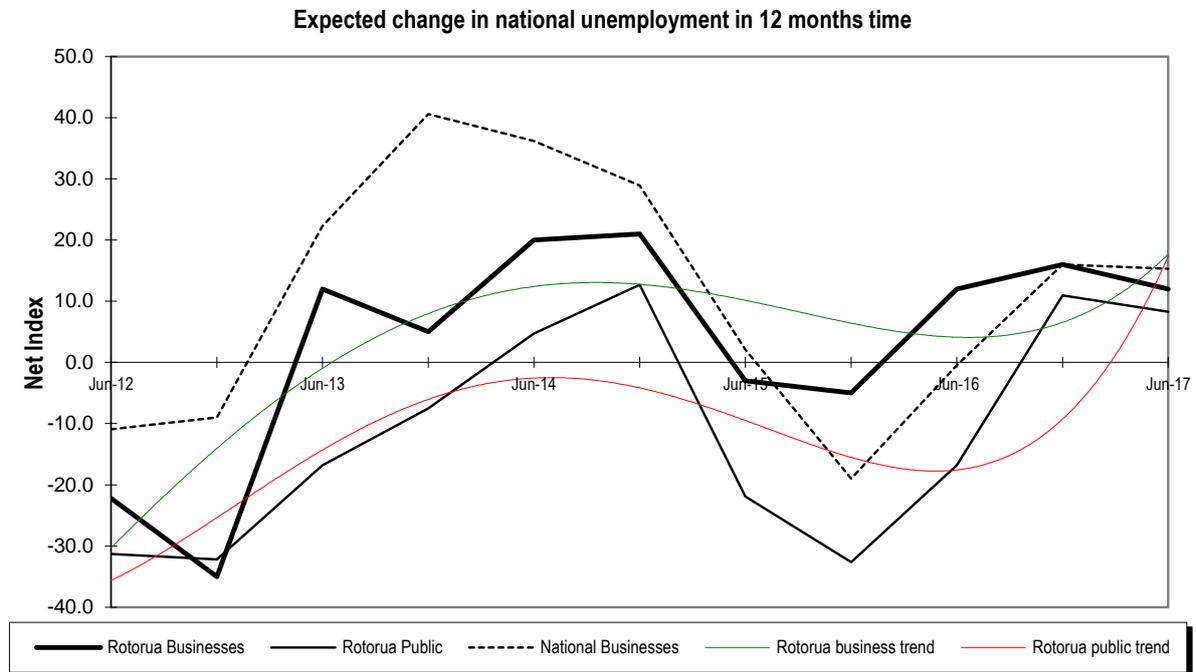
Looking back to last year, Rotorua businesses predicted inflation would be at 0.55% in June 2017 and New Zealand businesses were expecting it to reach 1.49%.

National Unemployment

NZ Business NC - 😊

Rotorua Business ↓ - 😊

Rotorua Public NC - 😊



Rotorua businesses reported a decrease in confidence with the index decreasing by 4.0 points to 12.0. Despite the drop in confidence, this positive index indicated that a majority of Rotorua businesses expected unemployment nationally to reduce from June 2017 levels over the 12 months to June 2018.

The Rotorua public index decreased slightly by 2.7 points, taking it to 8.3. This neutral index indicated that a majority of Rotorua households expected unemployment nationally to remain at June 2017 levels over the 12 months to June 2018.

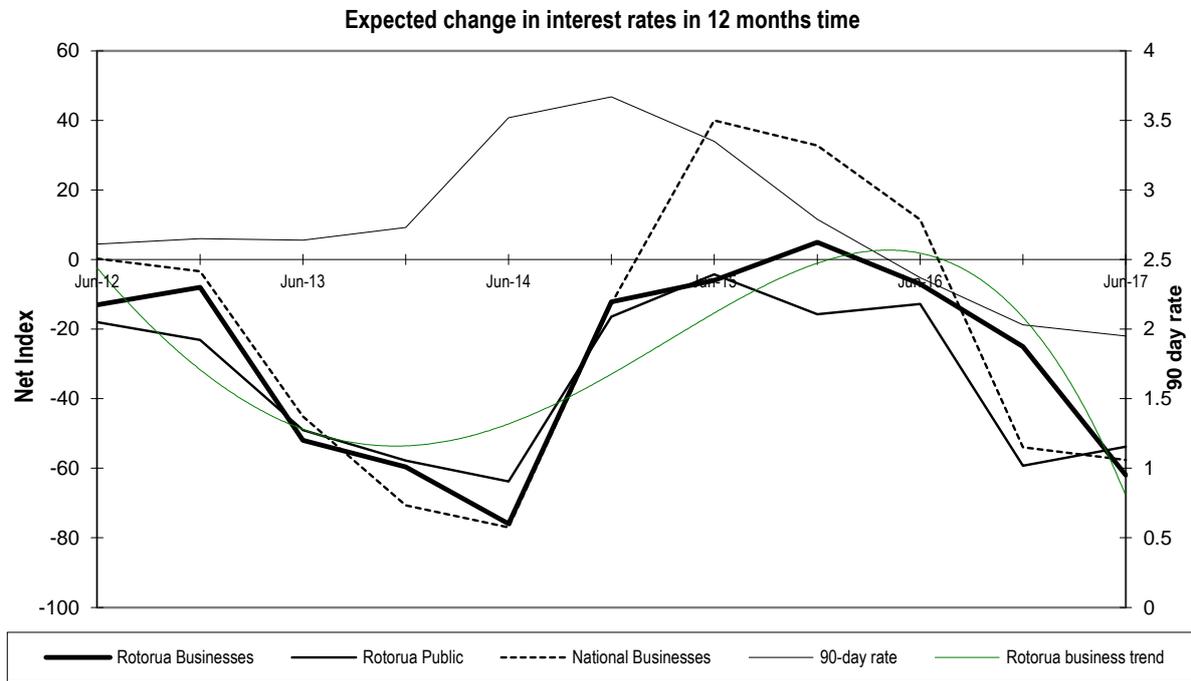
The national business index decreased slightly by 0.7 points, taking it to 15.3. Despite the small decrease in confidence, this positive index indicated that a small majority of national businesses expected unemployment to reduce from June 2017 levels.

Interest Rates

NZ Business ↓ - ☹

Rotorua Business ↓ - ☹

Rotorua Public ↑ - ☺



Rotorua businesses reported a large decrease in confidence regarding expected interest rates in 12 months' time. The index decreased by 37.0 points, taking it to -62.0. This negative index indicated that a majority of Rotorua businesses expected interest rates to increase from June 2017 levels over the year to June 2018.

Rotorua residents reported an increase in confidence from the December 2016 survey. The index increased by 5.5 points taking it to -53.8. Despite the small increase, this negative index indicated that a majority of Rotorua households expected interest rates to increase from June 2017 levels over the year to June 2018.

Nationally, businesses reported a decrease in confidence with the index decreasing 3.6 points, taking the national business index to -57.6. This negative index indicated that the majority of national businesses expected interest rates to increase from June 2017 levels.

The June 2017, 90-day rate decreased by 0.08 over the six months from December 2016, decreasing from 2.03 in December 2016 to 1.95 in June 2017.

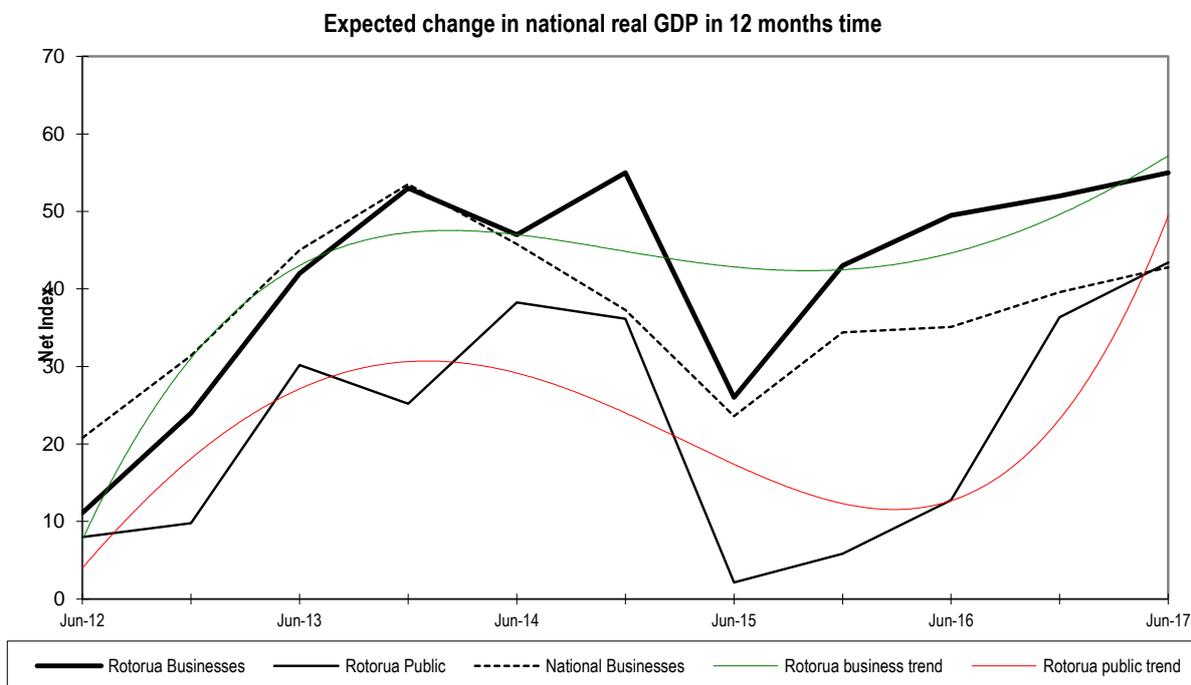
In conclusion, all indexes showed an expectation of interest rates increasing from June 2017 levels.

National Real GDP/Economic Activity

NZ Business NC - 😊

Rotorua Business NC - 😊

Rotorua Public ↑ - 😊



All three indexes showed an expectation of increasing economic activity.

Rotorua businesses reported a slight increase in confidence during the June 2017 survey, with the index increasing by 3.0 points, taking it to 55.0. This positive index indicated that the majority of Rotorua businesses expected national real GDP to increase over the 12 months to June 2018.

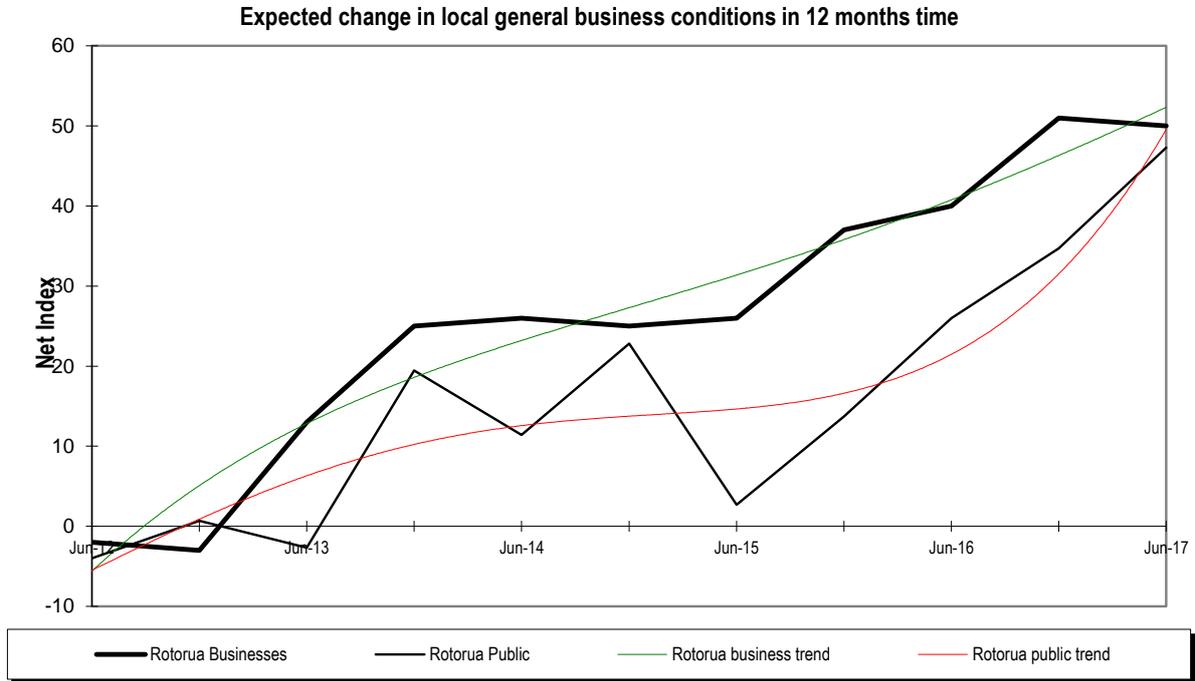
Rotorua households reported an increase in confidence with the index increasing 7.0 points to 43.4. The positive index indicated that a majority of Rotorua households expected levels to increase from June 2017 levels over the 12 months to June 2018.

Nationally, the business index increased by 3.2 points, taking it to 42.8. This positive index indicated that the majority of national businesses predicted that national real GDP would increase from June 2017 levels.

Local General Business Conditions

Rotorua Business NC - 😊

Rotorua Public ↑ - 😊



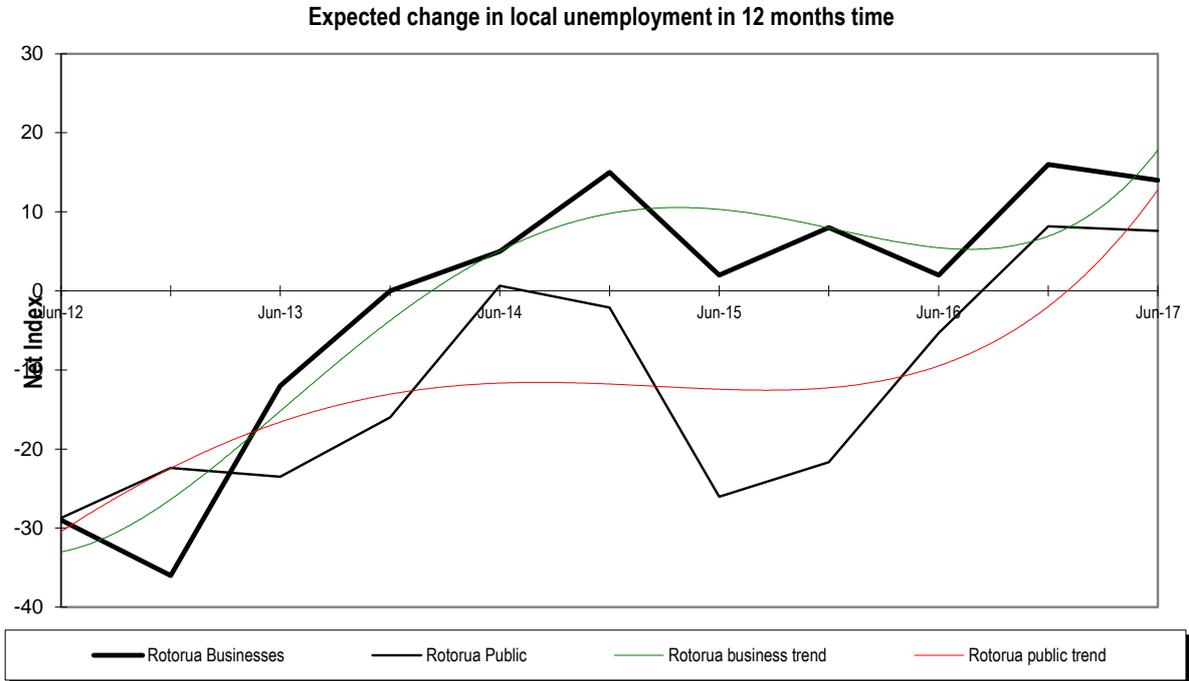
The Rotorua business index decreased slightly by 1.0 points. Despite the small decrease, the index reached 50.0 during the June 2017 Rotorua confidence surveys. The high positive index indicated that a majority of Rotorua businesses expected local general business conditions to increase from June 2017 levels over the 12 months to June 2018.

The Rotorua public index increased by 12.6 points, taking it to 47.3. This positive index indicated that the majority of Rotorua households expected local general business conditions to increase from June 2017 levels over the year to June 2018.

Local Unemployment

Rotorua Business NC - 😊

Rotorua Public NC - 😐



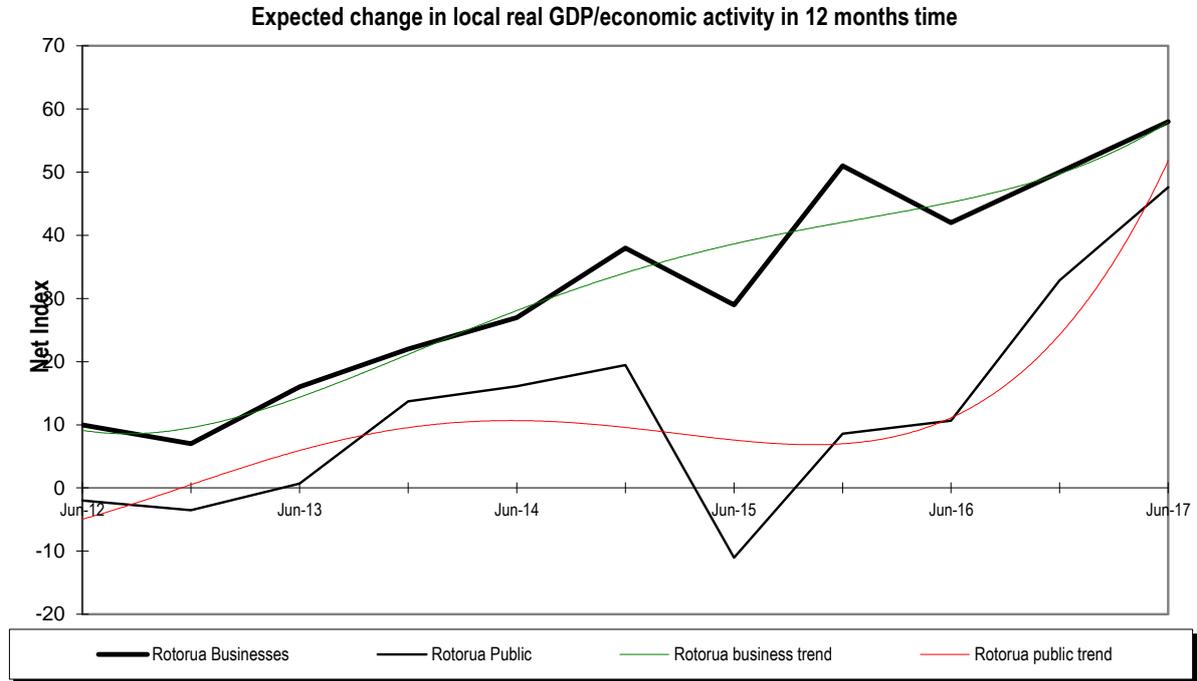
The Rotorua business index decreased slightly by 2.0 points during the June 2017 survey, taking it to 14.0. Despite the decrease, the positive index indicated that the majority of Rotorua businesses expected local unemployment to reduce from June 2017 levels over the 12 months to June 2018.

Rotorua households reported a slight decrease in confidence, with the index decreasing 0.6 points, taking it to 7.6. The neutral index indicated that Rotorua householders expected local unemployment to remain at June 2017 levels over the 12 months to June 2018.

Local Real GDP / Economic Activity

Rotorua Business ↑ - 😊

Rotorua Public ↑ - 😊



Rotorua businesses reported an increase in confidence of 8.0 points during the June 2017 survey, taking the index to 58.0. The positive index indicated that the majority of Rotorua businesses expected economic activity to increase from June 2017 levels over the 12 months to June 2018.

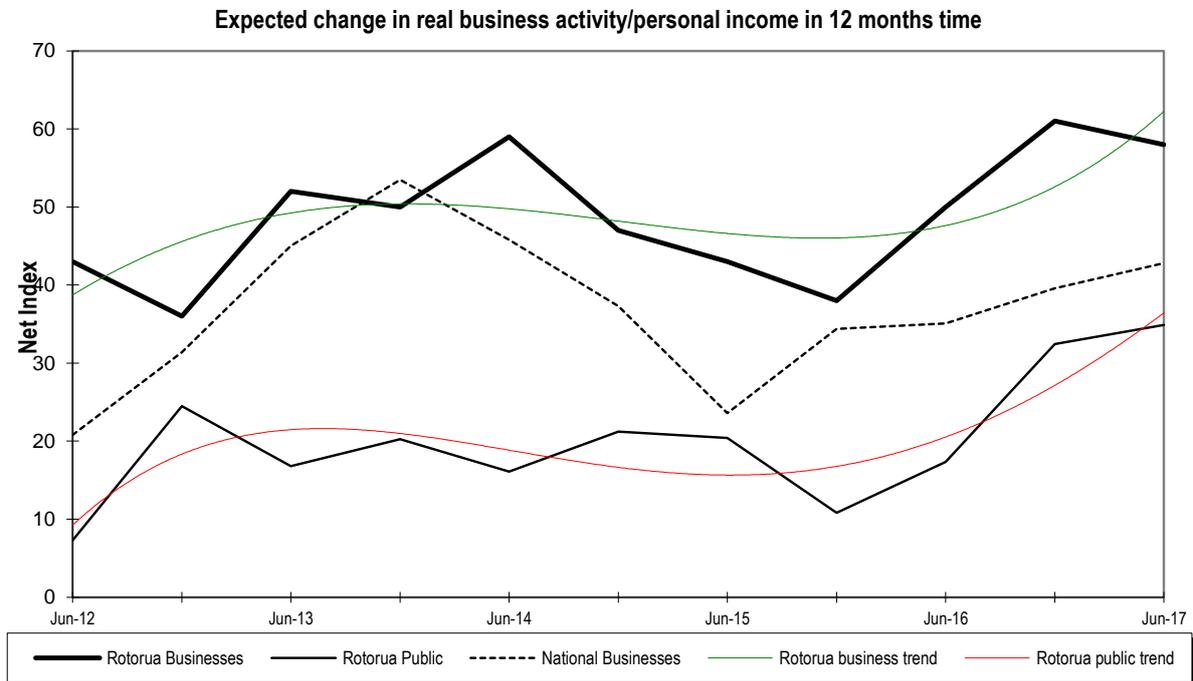
Rotorua households reported an increase in confidence of 14.7 points, taking the index to 47.6. This positive index indicated that a majority of Rotorua households expected business activity to increase from June 2017 levels over the 12 months to June 2018.

Real Business Activity / Personal Income

NZ Business NC - 😊

Rotorua Business NC - 😊

Rotorua Public NC - 😊



All indexes showed an expectation of increasing income levels from June 2017 levels.

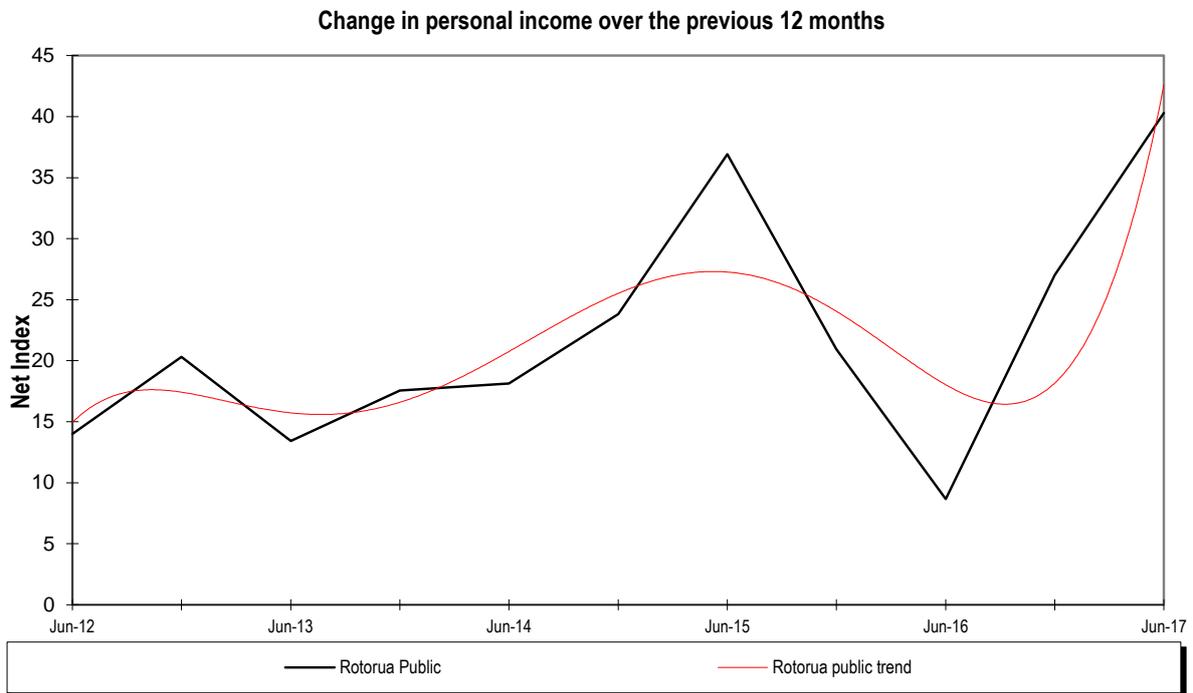
Rotorua businesses reported a slight decrease in confidence over the six months from December 2016, with the index decreasing 3.0 points. Despite the small decrease in confidence, the high positive index of 58.0 indicated that the majority of Rotorua businesses were confident of increased income levels over the 12 months to June 2018.

The Rotorua public index increased by 2.5 points during the June 2017 survey, taking the index to 34.9. The positive index indicated that a majority of Rotorua residents expected their personal income to increase from June 2017 levels over the year to June 2018.

Nationally, the index increased by 3.2 points, taking it to 42.8. This positive index indicated that a majority of national businesses expected their income levels to increase from June 2017 levels.

Change in Personal Income

Rotorua Public ↑ - 😊

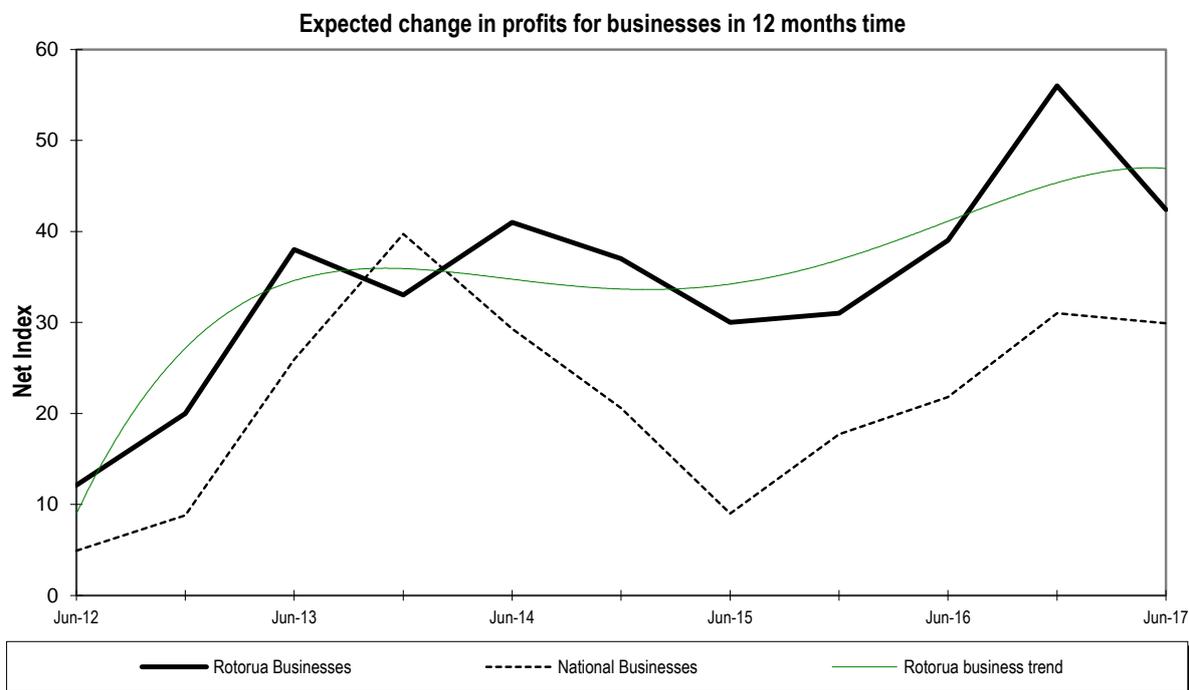


The Rotorua public index increased by 13.3 points during the June 2017 survey, taking the index to 40.3. This high positive index indicated that most people have increased their personal income over the 12 months prior to June 2017.

Profits for Businesses

NZ Business NC - 😊

Rotorua Business ↓ - 😊



Rotorua businesses reported a decrease in confidence with regard to their profit levels over the 12 months to June 2018. The Rotorua business index decreased by 13.6 points. Despite the drop in the index, it was still well into positive territory, with a value of 42.4. The positive index indicated that a majority of Rotorua businesses expected profits to increase from June 2017 levels over the year to June 2018.

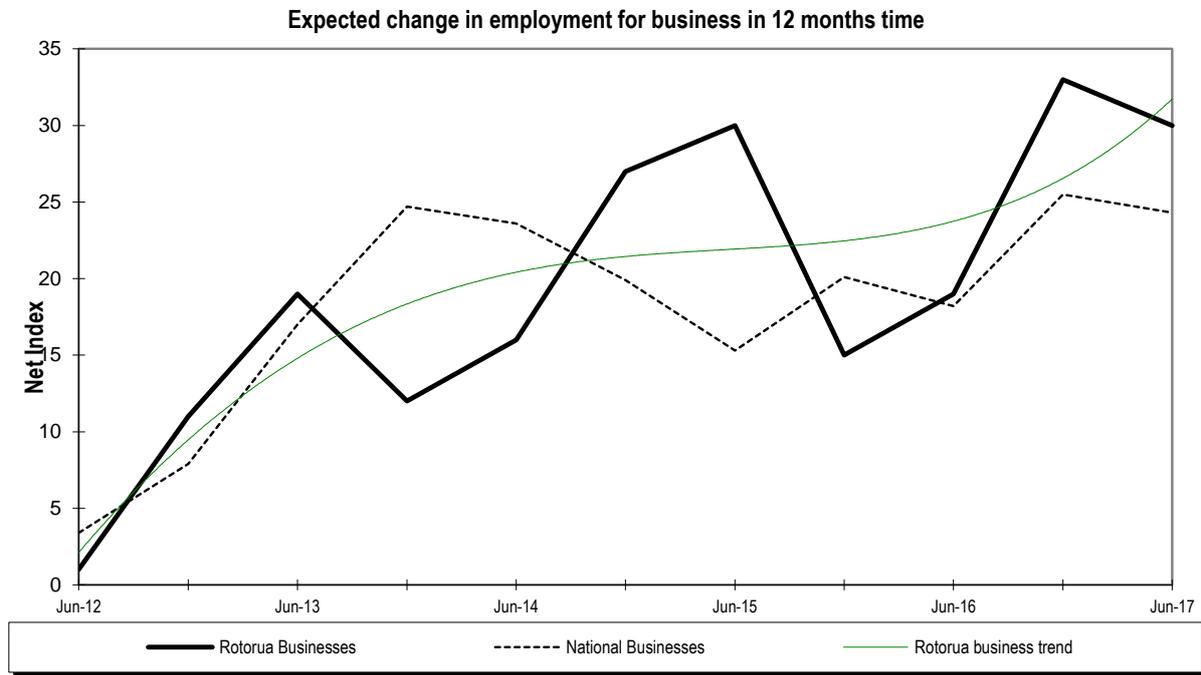
The National business index decreased by 1.1 points taking the June 2017 index to 29.9. The positive index indicated that a majority of businesses nationally expected profits to increase from June 2017 levels.

In conclusion, the majority of both Rotorua and National businesses expected an increase in their profit levels from June 2017.

Employment for Businesses

NZ Business NC - 😊

Rotorua Business NC - 😊



Rotorua businesses reported a slight decrease in confidence regarding levels of employment over the 12 months to June 2018. The index decreased by 3.0 points taking it to 30.0. Despite the decrease, the positive index indicated that the majority of Rotorua businesses expected to employ an increased number of workers over the year to June 2018, than they did in June 2017.

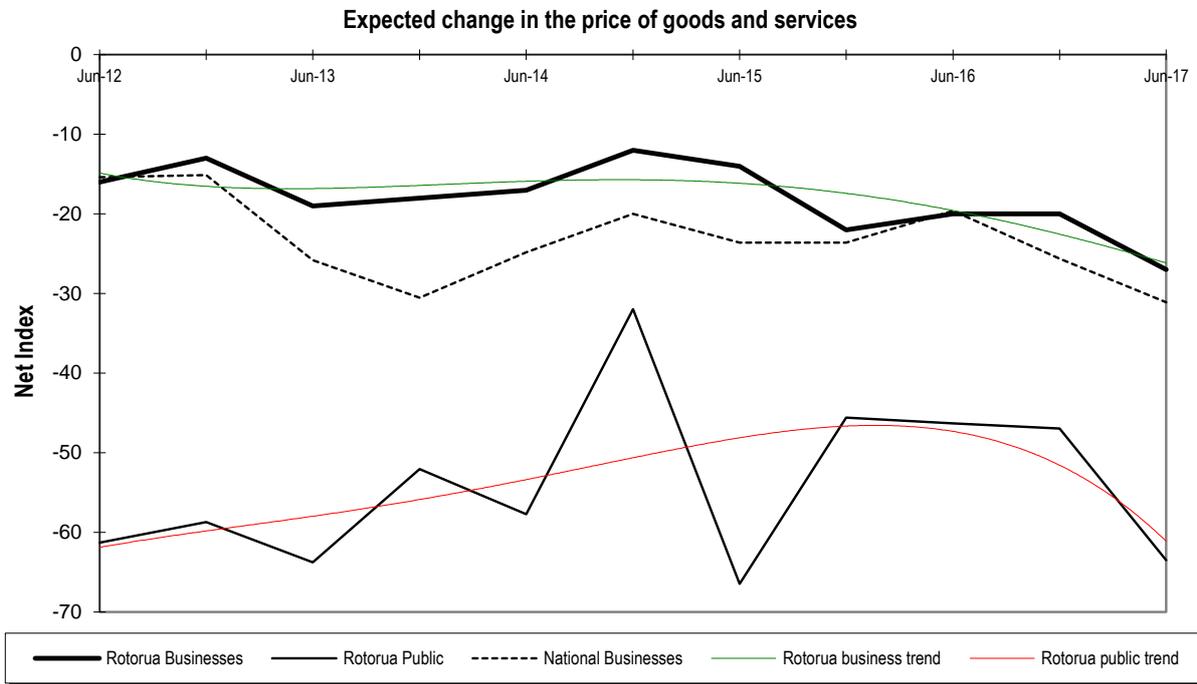
Nationally, businesses reported a decrease in confidence of 1.2 points, taking the index to 24.3. This positive index indicated that nationally businesses expected to employ an increased number of workers than the numbers they employed in June 2017.

Price of Goods and Services

NZ Business ↓ - ☹

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



All three indexes indicated an expectation of price rises.

Rotorua businesses confidence decreased by 7.0 points to -27.0. This negative index indicated that a majority of Rotorua businesses expected the price of their goods and services to increase over the three months to September 2017.

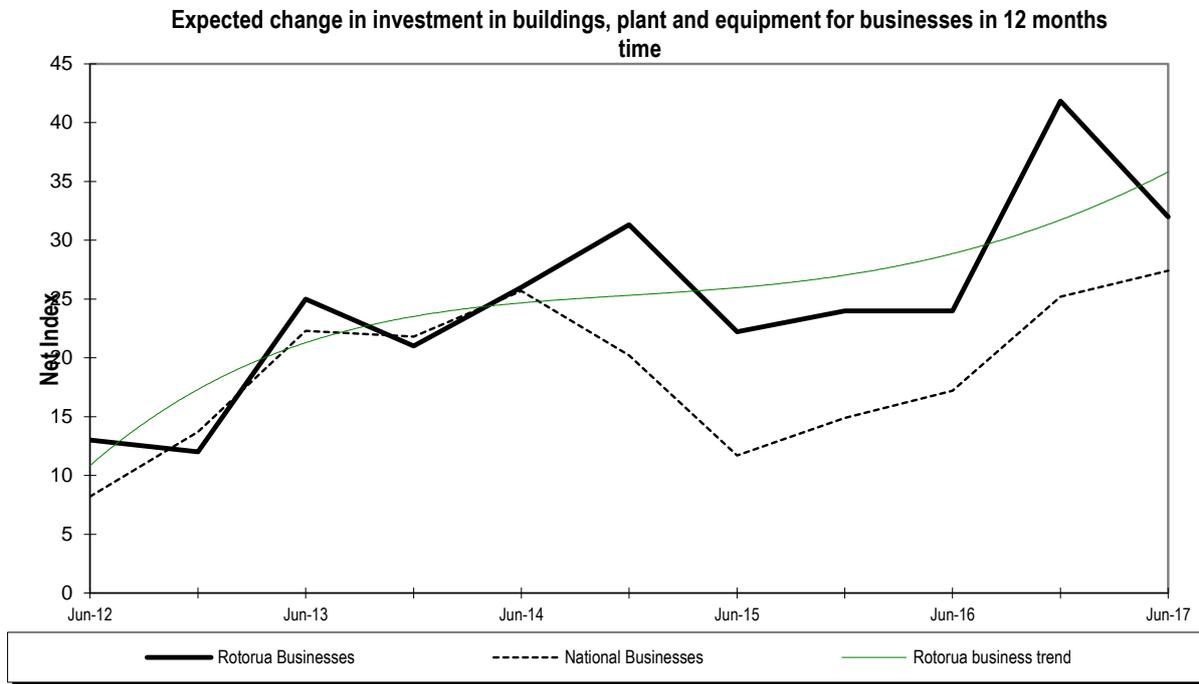
Rotorua householders reported a large decrease in confidence, with the index decreasing 16.6 points to -63.5. This highly negative index indicated that the majority of Rotorua householders believed that prices will increase over the three months to September 2017.

Nationally, businesses also reported a decrease in confidence for the June 2017 survey, with the index decreasing 5.5 points to -31.1. This negative index indicated that a majority of businesses nationally expected prices to increase from June 2017 levels.

Investment for Businesses

NZ Business NC - 😊

Rotorua Business ↓ - 😊



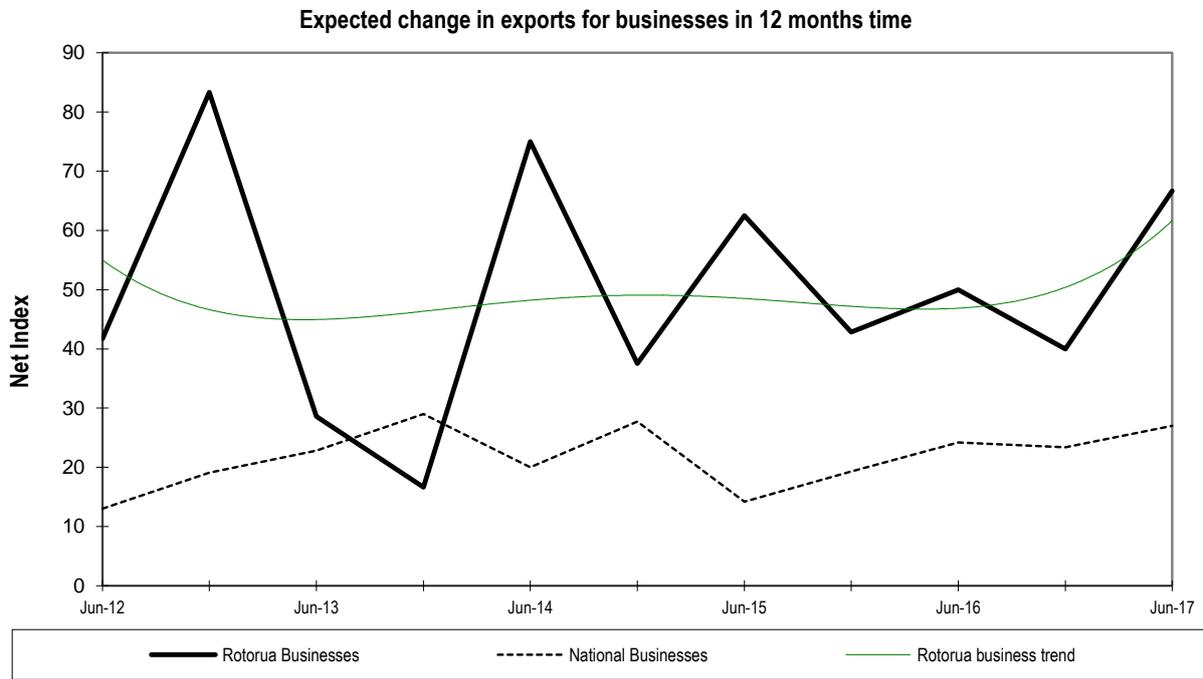
Rotorua businesses reported a decrease in their index, with the index decreasing 9.8 points to 32.0. Despite the decrease, this positive index indicated that a majority of Rotorua businesses expected to invest more back into their businesses over the 12 months to June 2018.

Nationally, businesses reported an increase in confidence of 2.2 points, taking the national business index to 27.4 for the June 2017 survey. The positive index indicated that businesses nationally expected to invest an increased amount into their businesses than they did in June 2017.

Exports

NZ Business ↑ - 😊

Rotorua Business ↑ - 😊



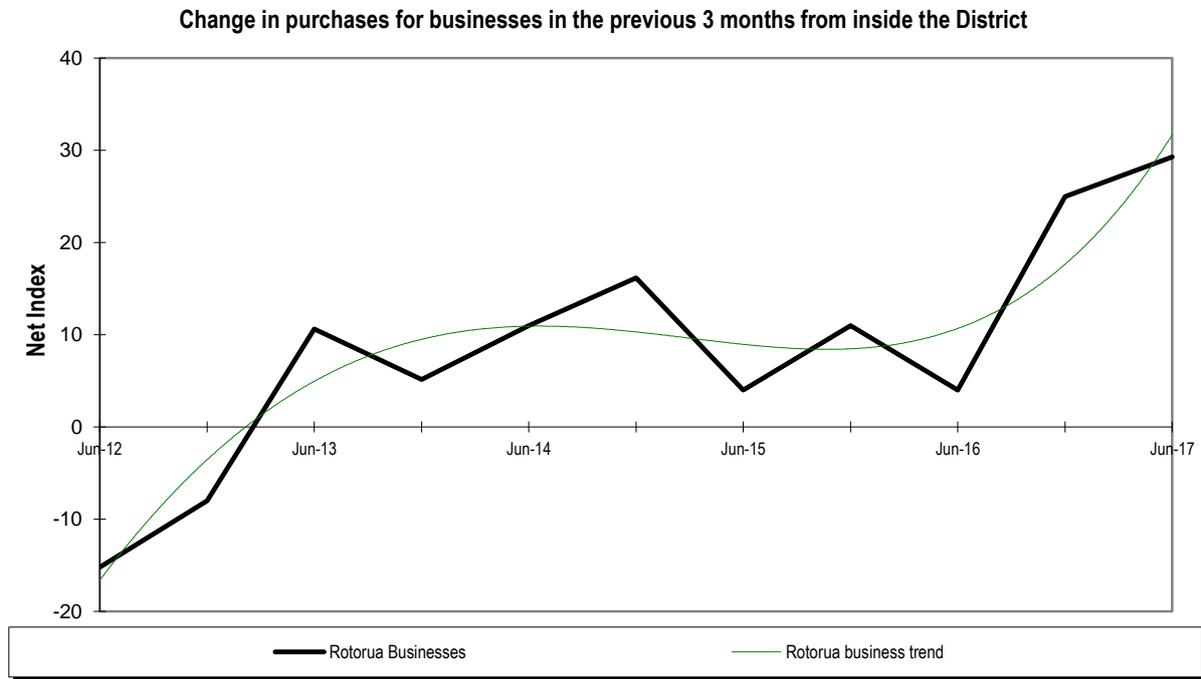
Rotorua businesses involved in exporting reported an increase in confidence regarding the volume of products to be exported over the 12 months to June 2018. The index increased 26.7 points to reach a high 66.7 points. This indicated that the majority of export businesses expected levels of exports to increase over the 12 months to June 2018.

Nationally, businesses involved in exporting reported an increase in confidence of 3.6 points, taking the index to 27.0. The positive index indicated that the majority of export businesses nationally expected their volume of exports to increase from June 2017 levels.

Purchases

Inside the District

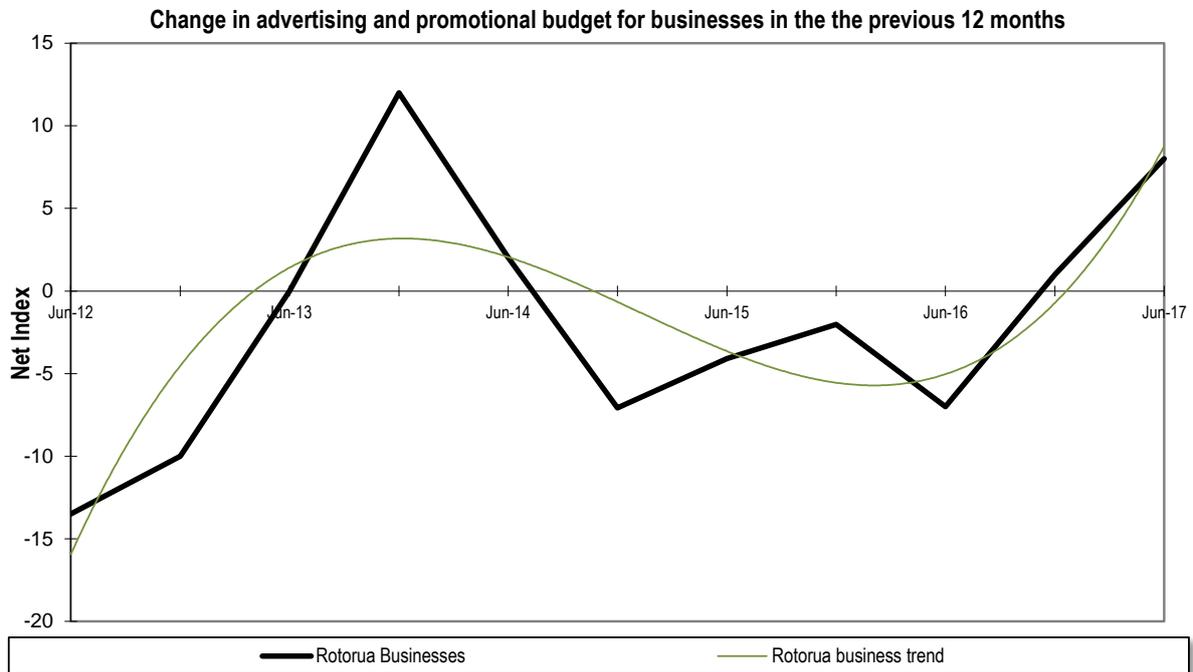
Rotorua Business ↑ - 😊



Rotorua businesses reported spending more from inside the district in June 2017 compared to March 2017. The index increased 4.3 points taking it to 29.3. This positive index indicated that a majority of businesses purchased more products or services from inside the district than they had from outside it between March and June 2017.

Promotional Activity

Rotorua Business ↑ - 😊



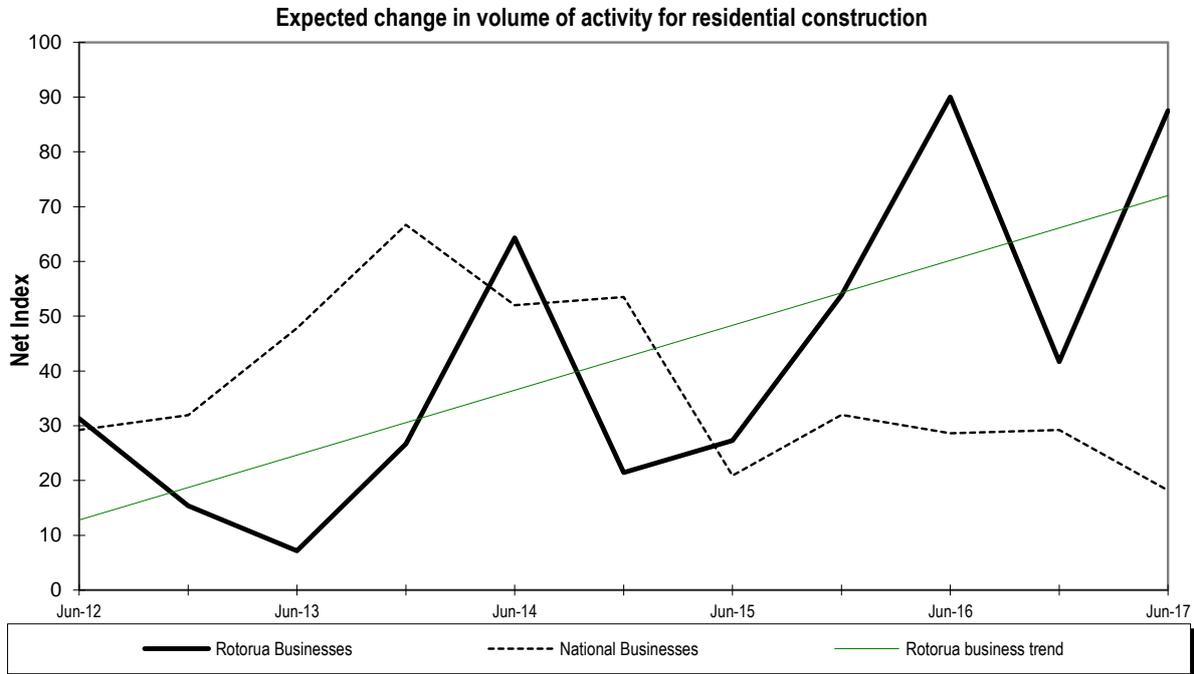
Rotorua businesses reported an increase in confidence since December 2016. The June index increased by 7.0 points to an index of 8.0. This neutral index indicated that the majority of businesses had kept their promotional budgets similar to June 2016 levels over the year ending June 2017.

Construction

Residential Construction

NZ Business ↓ - ☹️

Rotorua Business ↑ - 😊



Rotorua businesses involved in residential construction reported a large increase in confidence with regard to their upcoming volume of work. The Rotorua business index increased by 45.8 points taking it to 87.5. The high positive index indicated that the majority of construction businesses expected the volume of their residential construction to increase from June 2017 levels.

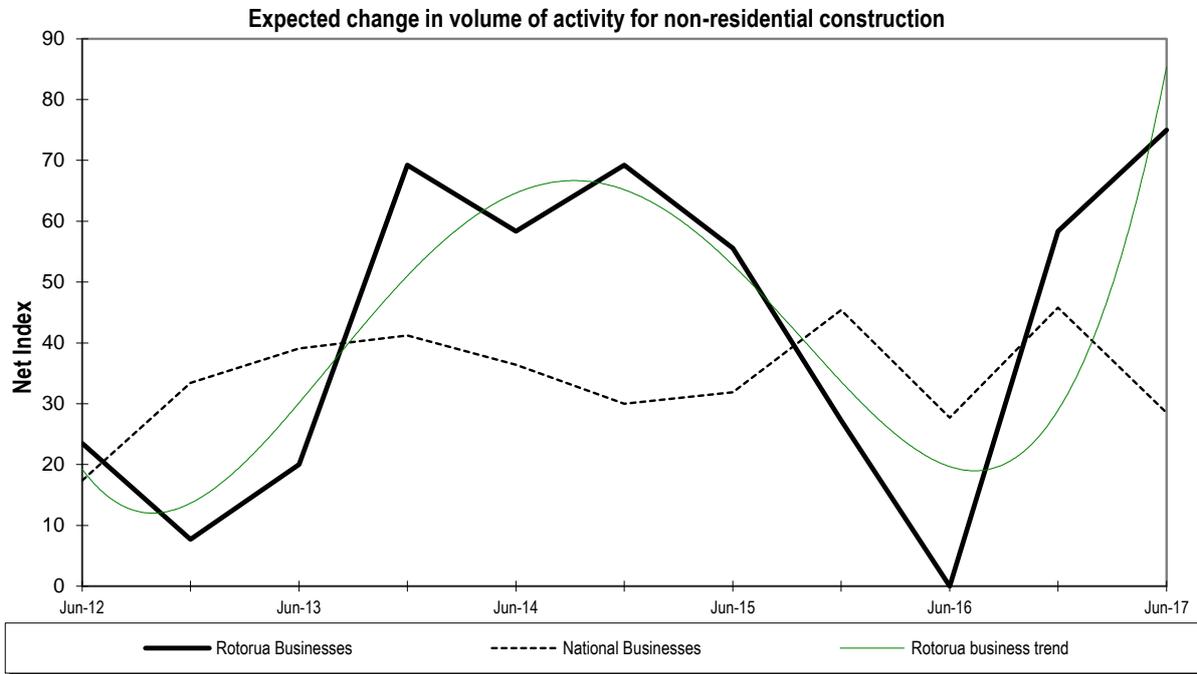
Nationally, construction businesses reported a decrease in confidence of 11.0 points, taking the index to 18.2. Despite the decrease in confidence, the positive index indicated that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction would increase from June 2017 levels.

Rotorua and National construction businesses both reported expected levels of increased residential construction from June 2017 levels.

Non-residential Construction

NZ Business ↓ - ☹️

Rotorua Business ↑ - 😊

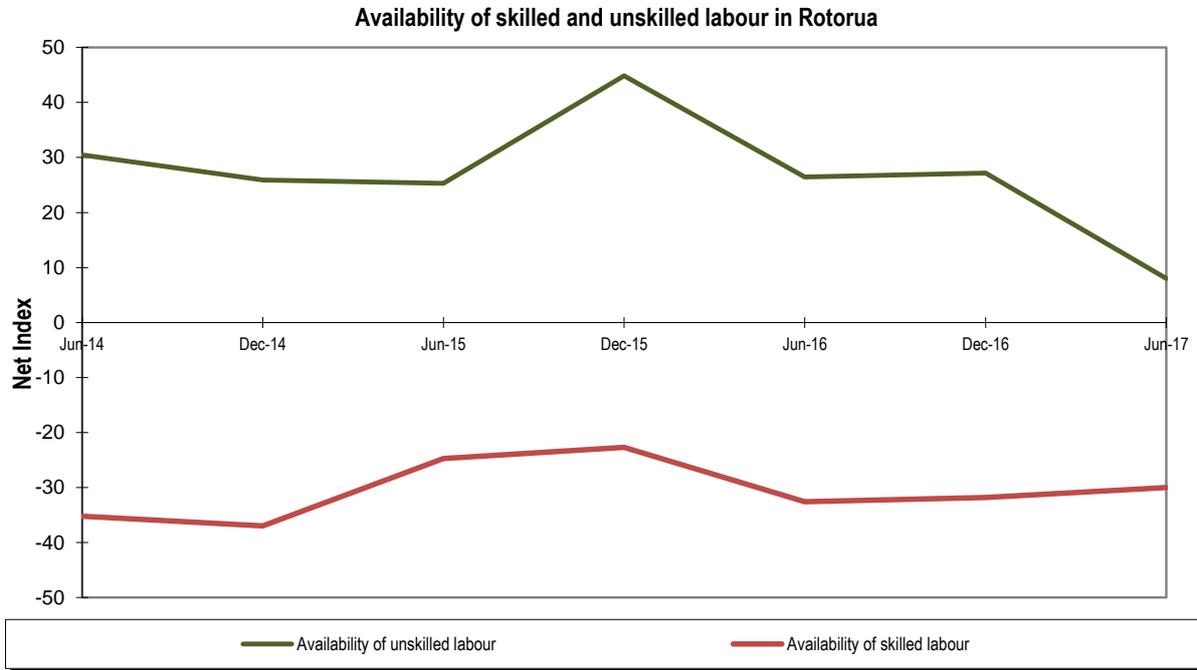


Rotorua construction businesses reported an increase in confidence regarding their expected volume of upcoming non-residential construction. The index increased by 16.7 points to 75.0. This positive index indicated that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from June 2017 levels.

Nationally, construction businesses reported a decrease in confidence of 17.3 points, taking the national business index to 28.5. Despite the decrease in the index, this positive index indicated that the majority of national businesses expected levels of non-residential construction to increase from June 2017 levels.

ROTORUA SKILLS AVAILABILITY

From June 2014, Rotorua Businesses were asked how they rated the availability of skilled and unskilled labour in Rotorua. The results are as follows.



Availability of Rotorua Unskilled Labour – June 2017

Availability of unskilled labour	Number	Percent	% ex non spec
Excellent	6	6.0%	7.8%
Good	24	24.0%	31.2%
Average	23	23.0%	29.9%
Poor	20	20.0%	26.0%
Very poor	4	4.0%	5.2%
Don't know	23	23.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

In June 2017, Rotorua businesses were asked how they rated the availability of unskilled labour in Rotorua. This was asked using a five point Likert scale ranging from excellent to very poor. When asked about the availability of unskilled labour in Rotorua, 39.0% of respondents rated it as excellent or good, 29.9% as average and 31.2% as poor or very poor. From these responses received, an index of 7.8 was determined. This indicated that a majority of Rotorua businesses believed that the availability of unskilled labour in Rotorua was average.

The index for December 2016 was 27.2 while the June 2017 index reached 7.8. This was a decrease in the index of 19.4 points, indicating a decrease in confidence amongst Rotorua businesses regarding the availability of unskilled labour since December 2016.

Availability of unskilled labour comments:

Comments for a rating of good:

- Loads available, but not many want to work.

Comments for a rating of poor:

- I was very disappointed in what was available.
- No one wants to work. I'd rather employ migrant labour as they are such good workers.
- We find it easier to get overseas travellers for our unskilled jobs.

Availability of Rotorua Skilled Labour – June 2017

Availability of skilled labour	Number	Percent	% ex non spec
Excellent	1	1.0%	1.1%
Good	11	11.0%	12.1%
Average	39	39.0%	42.9%
Poor	28	28.0%	30.8%
Very poor	12	12.0%	13.2%
Don't know	9	9.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

When asked about the availability of skilled labour in Rotorua, 13.2% of respondents rated it as excellent or good, 42.9% as average and 44.0% as poor or very poor. Converting this to an index gave an index of -30.8. This negative index indicated that the majority of Rotorua businesses thought that the availability of skilled labour in Rotorua was poor.

The index for December 2016 was -31.8 compared to -30.8 in June 2017. This was an increase of 1.0 points in the index and indicated a slight increase in confidence amongst Rotorua businesses regarding the availability of skilled labour since December 2016.

Availability of skilled labour comments:

Comments for a rating of average:

- It is there, but I wouldn't say it was good.
- It is very hard to find specialised staff eg, brewers and chefs.

Comments for a rating of poor:

- It is very hard to find anyone in our sector within Rotorua.
- The work ethic is better outside Rotorua.

Comments for a rating of very poor:

- Very scarce.