

Overview of Rotorua District

Rotorua's economy continues to perform well. Infometrics' provisional estimate for GDP showed growth in the district of 4.0% in the December 2017 year, up from 3.2% a year earlier. Rotorua's growth remains above the national average (2.8%).

The current upswing is pretty broad-based. Marketview data on electronic card transactions shows that retail spending in the district grew by 5.2% in the December 2017 year, stronger than the national average of 4.3%. Commercial vehicle registrations were up 14% (versus 16% growth nationally), but car registrations performed very strongly, with growth of 19% more than double the national average of 8%.

Rotorua's tourism sector also remains a core strength. Visitor expenditure grew by 7.4% in the December 2017 year, which was above the national average of 6.4%. Guest nights in commercial accommodation also outperformed the national average. Given all of that, it's no surprise that the Infometrics Regional Economic Profile for Rotorua showed that accommodation & food services made the biggest contribution to employment growth in the district in the March 2017 year. Of 700 net new filled jobs, that sector alone accounted for 220.

The district's house prices soared by 13% in the December 2017 year and this has flowed through into new housing supply. The number of residential building consents increased by 23%, way above the national average of 3.4%.

Looking ahead, solid prospects for the dairy and forestry industries bode well for Rotorua's economy. It would also be no surprise to see more work available for commercial construction firms. After all, even though new retail property space in the city has already been added lately, CBD shop vacancy rates are at multi-year lows. That is likely to trigger contracts for more new space to be built.

Indicator	Rotorua District	Bay of Plenty Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 4.0%	↑ 4.0%	↑ 2.8%
Traffic flow	↑ 3.9%	↑ 4.2%	↑ 1.6%
Residential consents	↑ 23%	↓ -0.6%	↑ 3.4%
Non-residential consents	↓ -32%	↑ 30%	↑ 8.0%
House prices*	↑ 13%	↑ 7.5%	↑ 3.9%
House sales	↓ -32%	↓ -24%	↓ -17%
Guest nights	↑ 4.4%	↑ 4.6%	↑ 2.5%
Retail trade	↑ 5.2%	↑ 5.9%	↑ 4.3%
Car registrations	↑ 19%	↑ 13%	↑ 8.0%
Commercial vehicle registrations	↑ 14%	↑ 16%	↑ 16%
Jobseeker Support recipients	↑ 5.0%	↑ 1.0%	↑ 0.06%
Tourism expenditure	↑ 7.4%	↑ 6.2%	↑ 6.4%
<i>Level</i>			
Unemployment rate	6.7%	5.9%	4.7%
International net migration	767	2,223	70,017

* Annual percentage change (latest quarter compared to a year earlier)

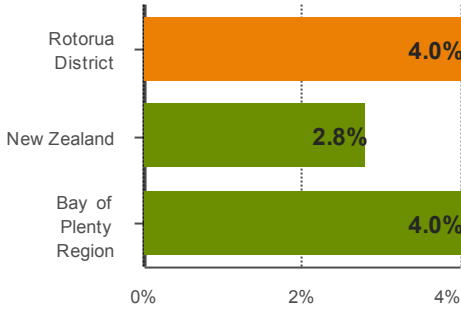
Overview of national economy

Economic growth, after having grown at rates exceeding 3.0%pa for much of the past three years, is expected to ease slightly to closer to 2.5%pa this year. Labour capacity constraints in the residential construction sector, changes in central government's infrastructure priorities, and slightly disappointing dairy prices will all keep a lid on growth this year. More subdued growth in business investment is likely in the wake of lower levels of business confidence. Despite the Reserve Bank keeping a lid on the Official Cash Rate, finance costs are still likely to push higher during 2018, due to recent rises in international money and bond market yields.

Gross domestic product

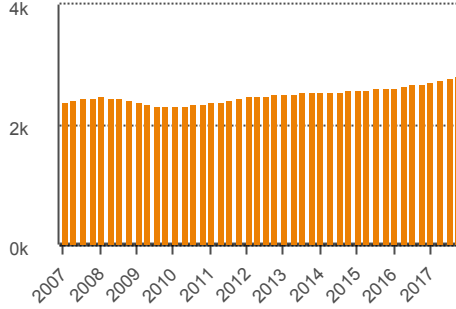
Gross domestic product growth

Annual average % change Dec 16 - Dec 17



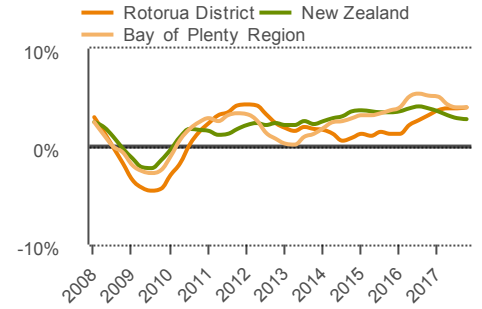
Gross domestic product (\$m)

Annual level, Rotorua District



Gross domestic product growth

Annual average % change



Highlights for Rotorua District

- GDP in Rotorua District was up 4.0% for the year to December 2017 compared to a year earlier. Growth was higher than in New Zealand (2.8%) and the same as in Bay of Plenty Region (4.0%).
- GDP was \$2,822 million in Rotorua District for the year to December 2017 (2010 prices).
- Annual GDP growth in Rotorua District peaked at 4.3% in the year to March 2012.

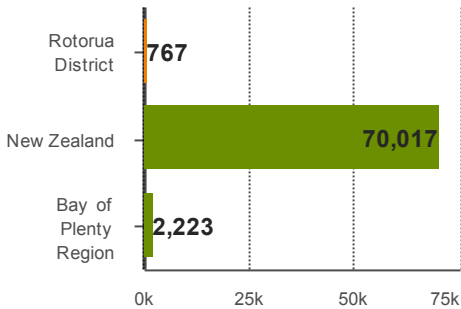
National overview

Headline economic activity appeared to lose some momentum in the December 2017 quarter, with business confidence falling and some construction indicators highlighting supply constraints. We provisionally estimate that GDP grew by 2.8% over the December year, down from 3.6%pa growth in the beginning of the year. But we are wary of reading too much into the drop, given that the uncertainty associated with elections usually weighs on confidence temporarily, so some rebound is possible in coming months. Furthermore, own-activity indicators from the surveys have not fallen as far as headline confidence. This divergence suggests that respondents are more worried about the broader economic outlook, a concept that is arguably hazier than understanding trading conditions for their own businesses.

International net migration

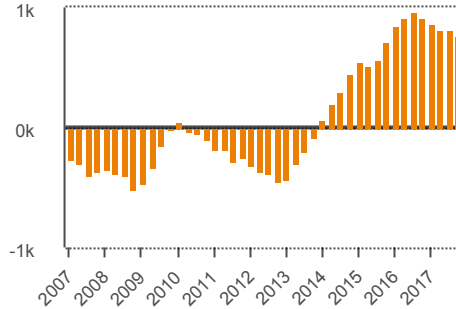
Net migration

Number of persons, year to December 2017



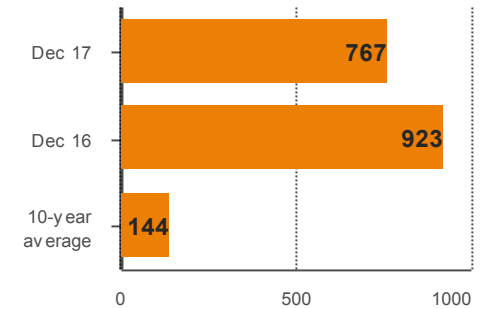
Net migration

Annual number of persons, Rotorua District



Net migration

Annual number of persons, Rotorua District



Highlights for Rotorua District

- Rotorua District experienced a permanent and long-term net migration gain of 767 persons in the year to December 2017. This compares with a gain of 923 a year ago, and a ten year average of 144 (gain).
- New Zealand's annual net migration decreased to 70,017 from 70,580 a year ago.

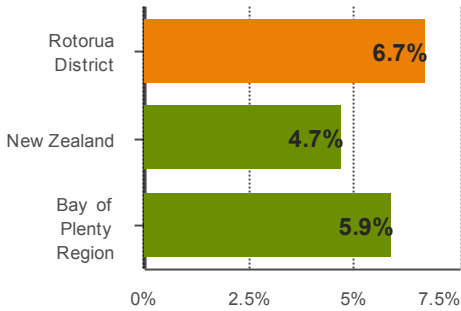
National overview

Slowing annual arrivals pulled net migration down to 70,017 in December, compared to the 70,588 level seen in December 2016. Residence visa arrivals continued to tumble in the December quarter, down 17% from a year earlier, making up the largest component of arrivals. Work visa growth has also pared back to 3.4%pa in the December quarter, after double-digit growth from mid-2016 to mid-2017. Student visa numbers fell again slightly in the December quarter, down 1.6% from a year earlier. The December quarter saw a net inflow of 10 New Zealand arrivals, compared to a 3,650 outflow in February 2012, reiterating the importance of returning ex-pats in the overall immigration picture.

Unemployment rate

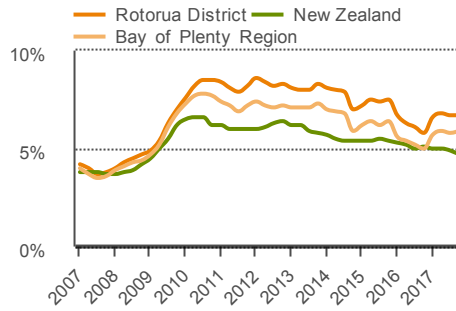
Unemployment rate

Average annual rate, year to December 2017



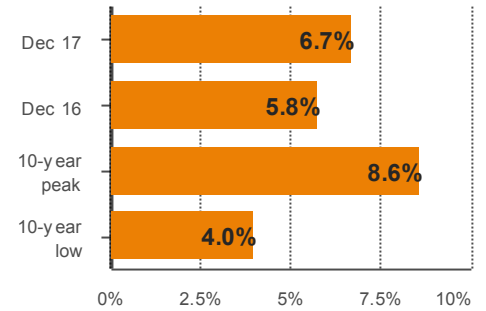
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Rotorua District



Highlights for Rotorua District

- The annual average unemployment rate in Rotorua District was 6.7% in December 2017, up from 5.8% a year earlier.
- The unemployment rate in Rotorua District was higher than in New Zealand, where the unemployment rate averaged 4.7% over the year to December 2017.
- Over the last ten years the unemployment rate reached a peak of 8.6% in March 2012;

National overview

The unemployment rate fell to a nine-year low of 4.5% in the December quarter and averaged 4.7% over the 2017 calendar year. Underpinning this dip in unemployment was the combined effect of fewer people participating in the labour market and even more people finding employment. Reassuringly, employment growth was driven entirely by more people entering full-time jobs – an indication of business expansion and an optimistic outlook. Overall, data for the December quarter was a continuation of trends we saw over the rest of 2017 – the labour market is tightening, but we are still waiting for widespread wage growth.

Traffic flow

Annual change in traffic flows

Annual average % change Dec 16 - Dec 17



Highlights for Rotorua District

- Traffic flows in Rotorua District increased by 3.9% over the year to December 2017. This compares with an increase of 1.6% in New Zealand.

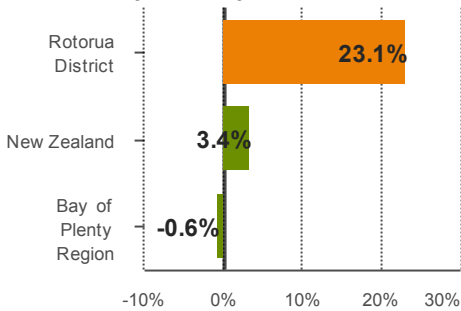
National overview

Traffic flows in 2017 were 1.6 % higher than their 2016 level. Earthquake disruptions continued to push up flows on the alternate route through Tasman and Hurunui. Traffic flows in Kaikoura are beginning to show significant recovery following the reopening of SH1. Vehicle running costs are likely to creep higher in 2018. A lift in world crude oil prices drove a swift rebound in fuel prices early this year, leading us to revise up our near-term outlook for both petrol and diesel prices. Auckland motorists can expect a 10c/l regional fuel tax by mid-2018.

Residential consents

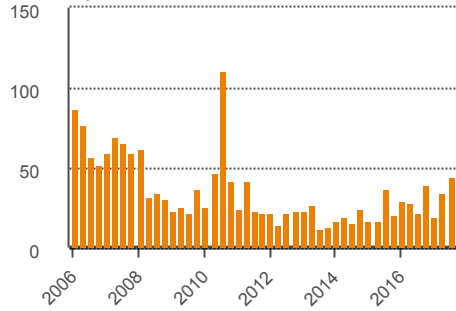
Growth in no. of new dwelling consents

Annual average % change Dec 16 - Dec 17



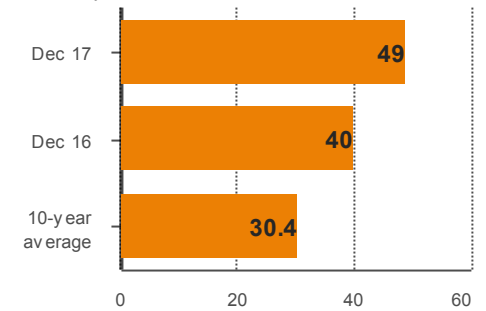
Residential consents

Quarterly number, Rotorua District



Number of new dwelling consents

Quarterly number, Rotorua District



Highlights for Rotorua District

- A total of 49 new residential building consents were issued in Rotorua District in the December 2017 quarter, compared with 40 in the same quarter last year.
- On an annual basis the number of consents in Rotorua District increased by 23% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 3.4% over the same period.

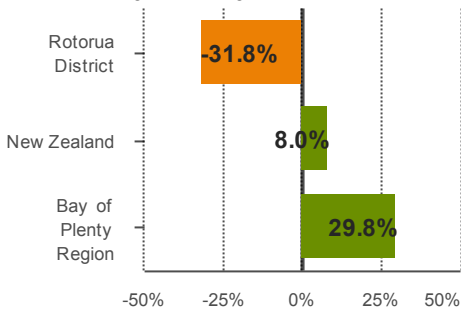
National overview

House consents nationally were up 3.4% across 2017, with consents in the December quarter sitting just 2.5% above their 2016 level. Many regions saw declines in the December quarter, but consents for new dwellings in Auckland rose by 20%pa in the December quarter. Although much of the Auckland gain was due to apartment building consents, there was also a substantial lift in consents for new houses. We expect Auckland to be a key driver of growth in residential consents nationally over the next 12 months. However, labour capacity constraints will continue to limit growth over this period. Higher residential building costs are also a constraint on construction.

Non-residential consents

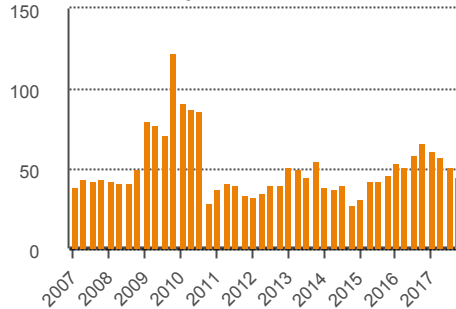
Growth in value of consents

Annual average % change Dec 16 - Dec 17



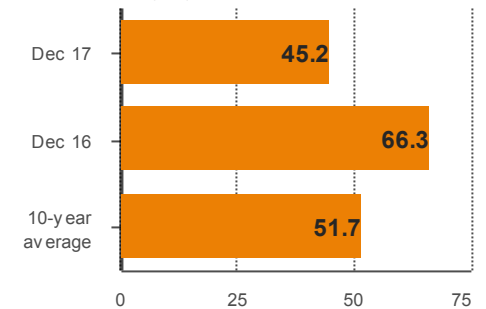
Non-residential consents, Rotorua District

\$m, annual running total, Rotorua District



Value of non-residential consents

Annual value (\$m), Rotorua District



Highlights for Rotorua District

- Non-residential building consents to the value of \$45 million were issued in Rotorua District during the year to December 2017.
- The value of consents decreased by -32% over the year to December 2017. By comparison the value of consents in New Zealand increased by 8.0% over the same period.
- Over the last 10 years, consents in Rotorua District reached a peak of \$122 million in the year to December 2009.

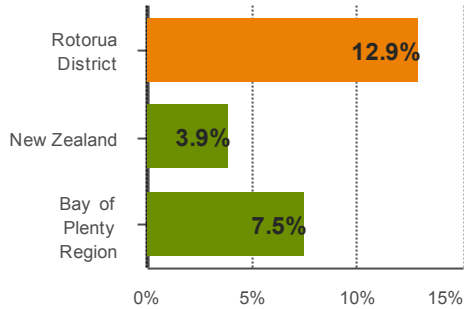
National overview

The value of non-residential building consents grew 8.0% in 2017, following growth of 19% in 2016. Despite growth having weakened in the December quarter, we still expect non-residential building consents to climb over the coming year. The recent uptick in farm building consents is expected to continue on the back of stronger export volumes, while increases in retail and factory building will drive the bulk of consent growth in 2018. In contrast, offices, education, storage, and social building work are all predicted to pull back from their highs.

House prices

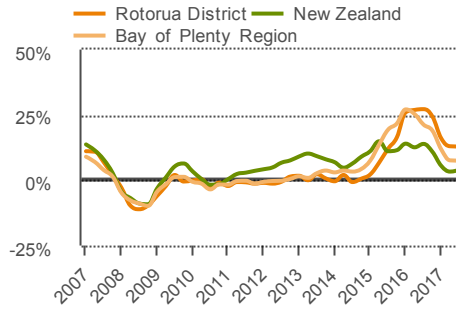
Annual change in house prices

Annual % change Dec 16 - Dec 17



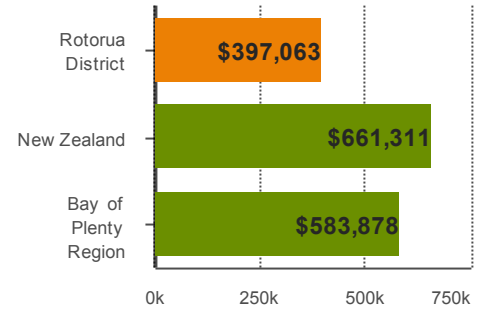
House price growth

Annual % change



Average current house value

Average for 12 months to Dec 2017



Highlights for Rotorua District

- The average current house value in Rotorua District was up 13% in December 2017 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 3.9%.
- The average current house value was \$397,063 in Rotorua District over the December 2017 year. This compares with \$661,311 in New Zealand.

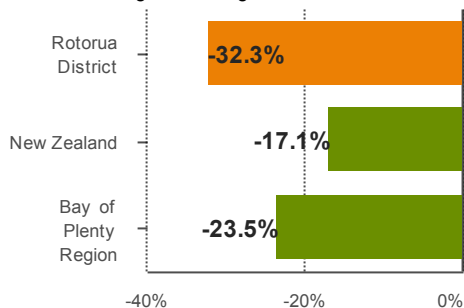
National overview

House prices ended the year on a more stable footing, to be 3.9% higher in December than a year ago. Auckland's house price inflation edged up to 0.9%pa in the December quarter, moving away from the decline we saw in mid-2017. Outside Auckland the housing market is more buoyant, with annual house price inflation slightly more positive compared to previous months. But we think the general softening trend of 2017 will continue to creep across the country over the year ahead. Infometrics forecasts a 3.5%pa decline in house prices nationally in 2018.

House sales

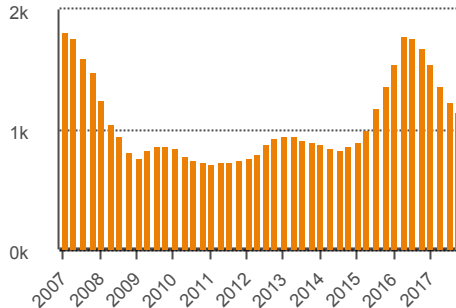
Annual change in house sales

Annual average % change Dec 16 - Dec 17



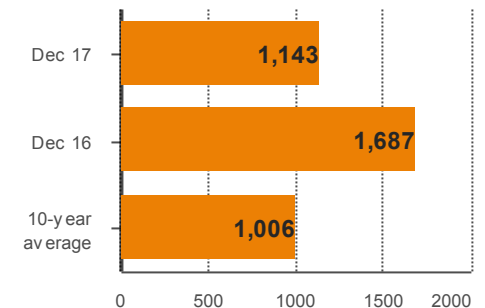
House sales

Annual number, Rotorua District



House sales

Annual number, Rotorua District



Highlights for Rotorua District

- House sales in Rotorua District in the year to December 2017 decreased by 32% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 17%.
- A total of 1,143 houses were sold in Rotorua District in the 12 months ended December 2017. This compares with the ten year average of 1,006.

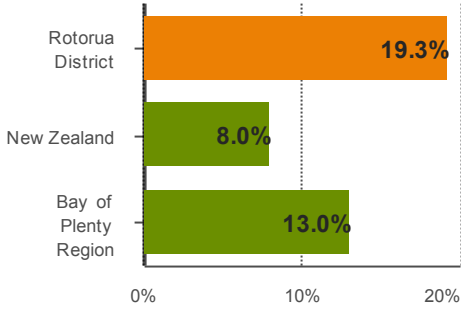
National overview

House sales volumes declined 17% across the December 2017 year. There is likely to be a smaller decline in house sales for 2018 due to the earlier-than-expected relaxation of the loan-to-value restrictions (LVRs), which kicked in on January 1. The government's move to ban foreign buyers could also see some purchases brought forward. Even so, upside to housing demand will remain constrained due to high prices and affordability problems in many parts of the country, particularly for first-home buyers. Investor demand will stay relatively weak due to a lack of expected capital gains and the continuation of tougher LVR rules than those faced by owner-occupiers.

Car registrations

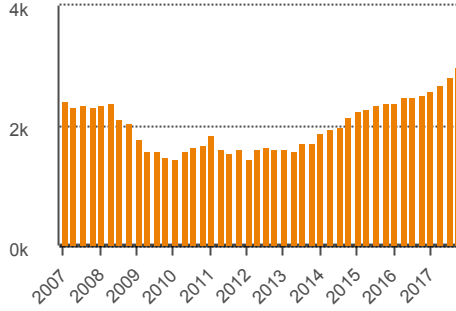
Car registrations

Annual average % change Dec 16 - Dec 17



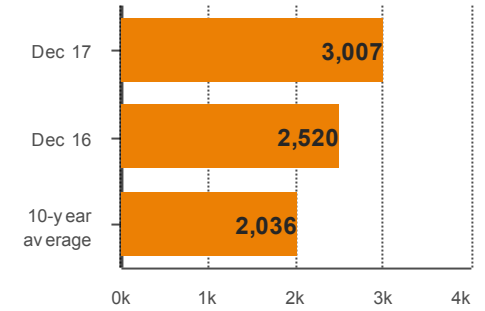
Car registrations

Annual number, Rotorua District



Car registrations

Annual number, Rotorua District



Highlights for Rotorua District

- The number of cars registered in Rotorua District increased by 19% in the year to December 2017 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 8.0%.
- A total of 3,007 cars were registered in Rotorua District in the year to December 2017. This compares with the ten year average of 2,036.

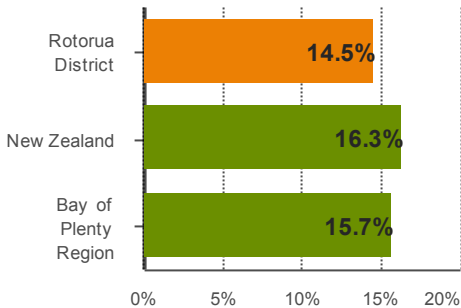
National overview

Car sales were up 8.0% in 2017, with first-time registrations of used imports soaring 11%, while new car sales were still up 5.8%. Moderating household confidence is likely to draw more individuals towards buying used vehicles in preference to (more expensive) new cars, which will help keep used car sales tracking upwards. New car sales growth has been driven primarily by small car sales. Sales of small new cars lifted 14%pa in the December 2017 quarter from the December 2016 quarter. Increasing engine efficiency has swung in the favour of cars with smaller engine sizes and we expect this trend to continue.

Commercial vehicle registrations

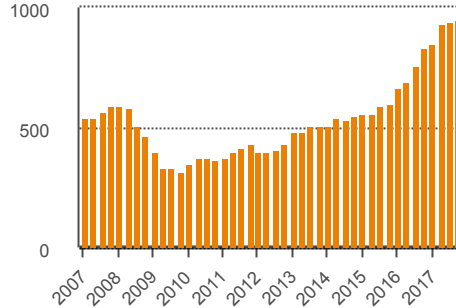
Commercial vehicle registrations

Annual average % change Dec 16 - Dec 17



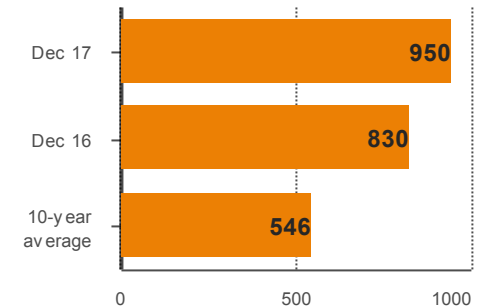
Commercial vehicle registrations

Annual number, Rotorua District



Commercial vehicle registrations

Annual number, Rotorua District



Highlights for Rotorua District

- The number of commercial vehicles registered in Rotorua District increased by 14% in the year to December 2017 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 16%.
- A total of 950 commercial vehicles were registered in Rotorua District in the year to December 2017. This is higher than the ten year annual average of 546.

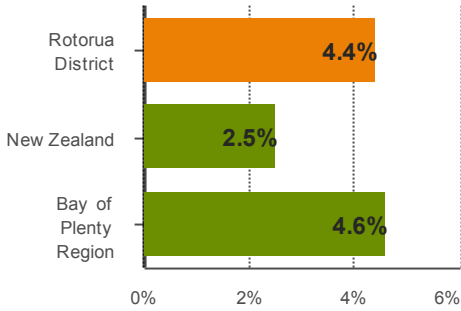
National overview

Commercial vehicles sales rose strongly in 2017 to sit 16% higher than their 2016 level. Sales growth was spread across all weight classes. Light commercial sales exceeded 2016 levels with a month to spare. Heavy commercial vehicle sales rebounded from 2016's decline, to levels 12% above their 2015 peak. Sales growth in 2018 is likely to be more subdued, as business confidence has moderated. But there are still some upside risks to sales if the recent strengthening of the New Zealand dollar significantly dampens prices for expensive heavy transport equipment imports.

Guest nights

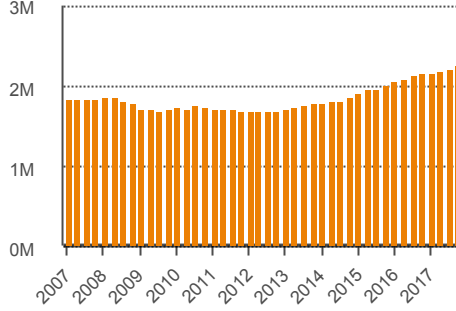
Guest nights

Annual average % change Dec 16 - Dec 17



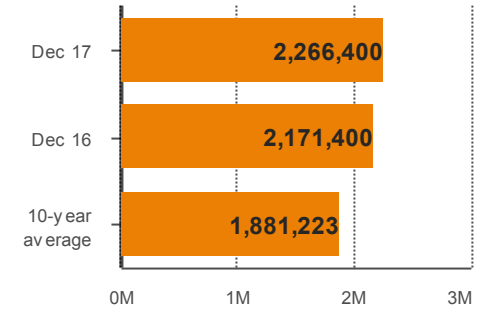
Guest nights

Annual number, Rotorua District



Guest nights

Annual number, Rotorua District



Highlights for Rotorua District

- Total guest nights in Rotorua District increased by 4.4% in the year to December 2017. This compares with an increase of 2.5% in New Zealand.
- Visitors stayed a total of 2,266,400 nights in Rotorua District during the year to December 2017, which was up from 2,171,400 a year ago.

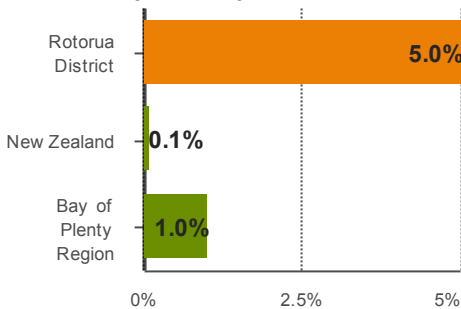
National overview

Guest nights rose 2.5% to a record 39.5m over the December 2017 year. Guest nights by domestic visitors increased 0.8% to 22.2m over the period, while international visitor guest nights climbed 4.8% to 17.2m. Occupancy in commercial accommodation (excluding holiday parks) averaged a record 62.8% in 2017, compared with a ten-year average of 53.6%. Domestic guest nights have been boosted by better labour market conditions and ongoing competition in domestic aviation between Jetstar and Air New Zealand. International visitor arrivals to New Zealand continued to grow strongly in 2017, rising 6.7% in the December year to a record 3.7 million. We expect annual growth to cool over the coming year, owing to a combination of capacity constraints and a general softening in arrivals growth from China.

Jobseekers

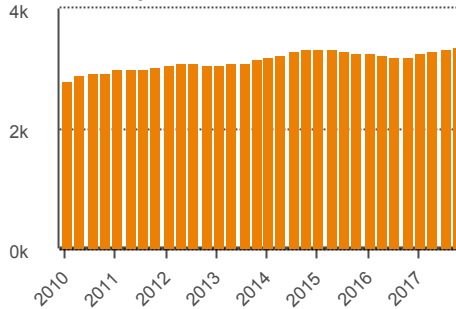
Annual change in Jobseekers

Annual average % change Dec 16 - Dec 17



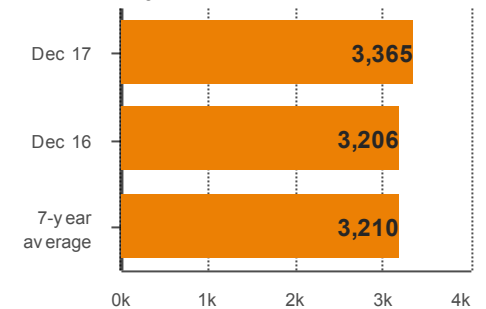
Jobseekers

Annual average, Rotorua District



Jobseekers

Annual average, Rotorua District



Highlights for Rotorua District

- Working age Jobseeker Support recipients in Rotorua District in the year to December 2017 increased by 5.0% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 0.06%.
- An average of 3,365 people were receiving a Jobseeker Support benefit in Rotorua District in the 12 months ended December 2017. This compares with an average of 3,210 since the start of the series in 2010.

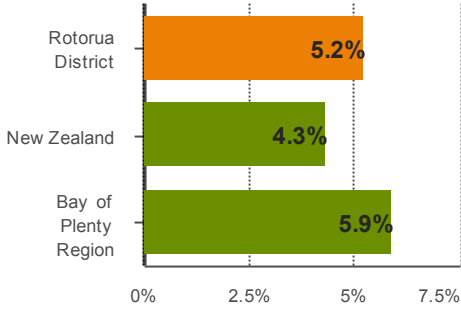
National overview

The average number of Jobseeker Support recipients was flat over the December 2017 year (up 0.1%). Looking out over the next year, we expect the lift in the minimum wage to drive wage growth at the lower end of the spectrum. The tightening labour market will also support wage growth across industries more broadly. Record net migration has boosted the size of the workforce over the last couple of years. But as the number of new migrant workers falls, the pool of potential job candidates will shrink and firms will find it harder to fill jobs. The trick will be matching domestic candidates not presently in work with jobs that are available – transitions that might require some upskilling.

Retail trade

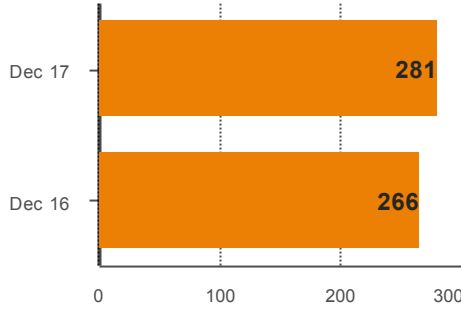
Growth in retail sales

Annual average % change Dec 16 - Dec 17



Retail sales

Quarterly value (\$m), Rotorua District



Highlights for Rotorua District

- Electronic card retail spending in Rotorua District, as measured by Marketview, increased by 5.2% over the year to December 2017 compared to the previous year. This compares with an increase of 4.3% in New Zealand.

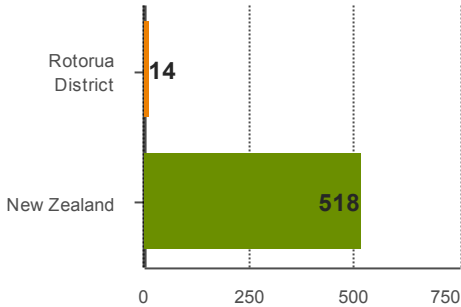
National overview

Electronic card spending on retail purchases was buoyant over the closing stages of 2017. Data from Marketview showed that spending in the December quarter was up 4.9% from a year earlier, taking growth across the December year to 4.3%. Recent softness in consumer confidence and an expected easing of immigration pose downside risks to spending growth in 2018. Nevertheless, these risks will be offset by better job prospects and more money for lower income households due to Labour's Families Package and the \$50/week increase in the student allowance and loan entitlements.

Total dairy payout

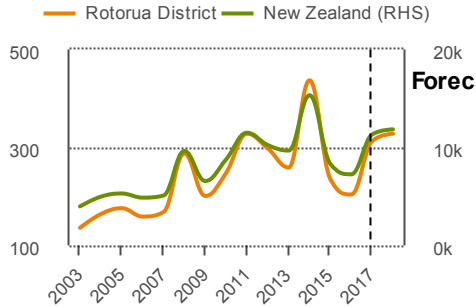
Total dairy payout

Change (\$m) between 2016/17 and 2017/18 season



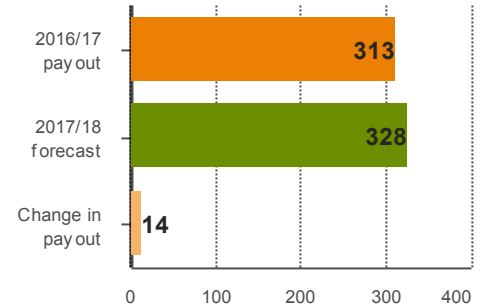
Total dairy payout

\$m each season, Rotorua District



Total dairy payout

\$m each season, Rotorua District



Highlights for Rotorua District

- Rotorua District's total dairy payout for the 2016/17 season is estimated to have been approximately \$313m.
- Rotorua District's dairy payout for the 2017/18 season is expected to be approximately \$328m, \$14.3m higher than last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$11,328m in the 2016/17 season, and is expected to be \$518m higher in the 2017/18 season.

National overview

Dairy prices at Fonterra's Global Dairy Trade auctions eased during the December quarter, but have risen sharply so far in 2018 as markets worry about lower milk production following drought conditions. December milk production was 4.5% below December 2016 levels. Markets will be watching anxiously to see whether recent rains lead to some recovery in production volumes in late summer, or if production continues to be curtailed. Providing auction prices hold up at current levels over the next few auctions, then Fonterra's farmgate milk price forecast of \$6.40/kgms appears to be well-supported.

Tourism Spending

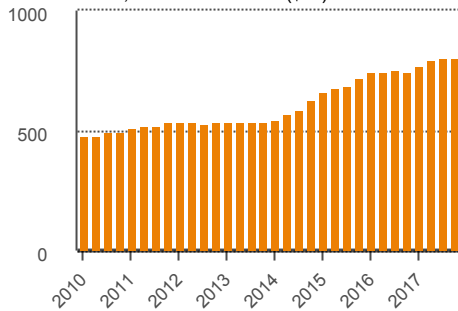
Tourism expenditure

Annual average % change Dec 16 - Dec 17



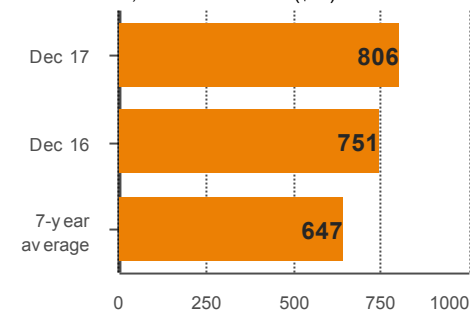
Tourism expenditure

Annual total, Rotorua District (\$m)



Tourism expenditure

Annual total, Rotorua District (\$m)



Highlights for Rotorua District

- Total tourism expenditure in Rotorua District increased by 7.4% in the year to December 2017. This compares with an increase of 6.4% in New Zealand.
- Total tourism expenditure was approximately \$806m in Rotorua District during the year to December 2017, which was up from \$751m a year ago.

National overview

Total visitor spend was a record \$27.7bn in the December 2017 year, up from \$26.0bn in 2016. Spending by domestic visitors rose from \$15.7bn to \$16.5bn over the same period, while spending by international visitors climbed from \$10.3bn to \$11.2bn. Regional spending growth was most rapid in Tasman, West Coast, and Taranaki. There were also rapid pockets of growth in the central South Island, central North Island, Wairarapa and the Catlins. Spending is expected to continue growing in the March quarter, but the pace of growth is likely to be more subdued as the stronger New Zealand dollar means travellers' budgets won't stretch quite as far.

Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on earnings data from LEED. GDP growth in recent quarters is based on a model which uses the various partial economic indicators presented in this report as inputs. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year.

Net migration

Net migration is the difference between the number of arrivals and departures of permanent and long-term migrants. Data is sourced from International Travel and Migration statistics from Statistics New Zealand.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of Jobseekers at TA level are used to break down regional unemployment rates to TA level. To reduce volatility the unemployment rate is presented as an average for the last four quarters.

Traffic flow

Traffic flow growth rates are calculated from the number of vehicles passing approximately 110 sites monitored by New Zealand Transport Agency. Each of the sites has been mapped to a territorial authority.

Retail Sales

The retail spending data is sourced from Marketview. It measures total electronic card spending using spending through the Paymark network and adding to it an estimate of non-Paymark network spending using the pattern of BNZ card holder spending at non-Paymark retailers. For further breakdown of the data by storetype and other variables contact Marketview.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey. A guest night is equivalent to one guest spending one night at an establishment. For example, a motel with 15 guests spending two nights would report that they had provided 30 guest nights.

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House values

House value (dollar value) are sourced from QVNZ. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. It is not an average or median sales price, as both of those figures only measure what happens to have sold in the period. These average current values are affected by the underlying value of houses (including those not on the market) and are quality adjusted based on the growth in each house's price between sales.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority. Sales are based on new registrations which include the first time registration of new vehicles and used vehicles imported from overseas.

Dairy

Dairy data has been sourced from the "New Zealand Dairy Statistics", a publication co-owned by DairyNZ and LIC, as well as calculations made by Infometrics. The data accords to dairy seasons, which run from June to May. Total dairy payouts in each territorial authority have been calculated by Infometrics by utilising milk solids production in conjunction with Fonterra's farmgate milk price (excluding dividends) from the dairy season in question. For the current season, Infometrics calculates a payout forecast using our own expectation of the farmgate milk price and the assumption that milk solids production continues running at the same level from the previous season.

Jobseekers Support

In July 2013 the New Zealand's welfare system changed to better recognise and support people's work potential. As part of this the Jobseekers Support benefit was introduced. This benefit is for people who can usually look or prepare for work but also includes people who can only work part-time or can't work at the moment, for example, because they have a health condition, injury or disability.

Data presented for the September 2013 quarter onwards is provided by the Ministry of Social Development (MSD). Data prior to September 2013 are Infometrics estimates based on re-grouping pre-July 2013 benefit categories to be consistent with the post-July 2013 benefit categories. The pre-July 2013 benefit categories used to estimate the number of Jobseekers Support recipients are: Unemployment Benefit and Unemployment Benefit Hardship; Unemployment Benefit Training and Unemployment Benefit Hardship Training; Sickness Benefit and Sickness Benefit Hardship; Domestic Purposes Benefit - Sole Parent (if youngest child is 14 or over); Women Alone and Widow's Benefit (without children or with children 14 or over)

Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.