

Overview of Rotorua District

The Rotorua economy has continued to grow strongly with Infometrics preliminary estimates showing GDP growth of 4.0% over the year to March 2018. This growth was slightly less than the average for the Bay of Plenty Region, but well above the national average of 2.7%pa.

The tourism industry is the biggest driver of economic growth and employment in the Rotorua District and indicators of tourism have all ticked up over the past year. Tourism spending rose 9.0% over the year to March 2018 and guest nights in commercial accommodation were up by 6.7%. Private accommodation has grown even faster with the number of Airbnb guest nights increasing by a massive 67% in summer 2017/18 compared with the previous summer.

We see a few clouds on the horizon for Rotorua's tourism industry. We anticipate a slowdown in visitor growth as key hotspots reach capacity during peak season and the growth in visitors out of China recedes. Minimum wage hikes will also put the pressure on tourism providers to raise prices or minimise their worker hours.

Key parts of Rotorua's primary sector are continuing to enjoy solid returns. Forestry prices are sitting at record highs in New Zealand dollar terms, as local and export demand is high. Infometrics estimates show that the dairy payout in Rotorua is expected to total \$335m in the 2017/18 year, compared with a payout of just \$204m at the trough two years ago.

Despite strong growth in many sectors, there have been some mixed signals from labour market indicators. The average number of Jobseeker Support recipients was slightly higher than a year ago, but has inched downwards since December.

House prices in Rotorua District were up 7.1% compared to the March quarter of 2017. It appears that this growth in house prices has encouraged people to build rather than buy, with residential consents up 34% and house sales down 27% over the year to March 2018.

Indicator	Rotorua District	Bay of Plenty Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 4.0%	↑ 4.1%	↑ 2.7%
Traffic flow	↑ 3.8%	↑ 3.9%	↑ 2.0%
Residential consents	↑ 34%	↓ -7.7%	↑ 2.5%
Non-residential consents	↓ -19%	↑ 42%	↑ 2.6%
House prices*	↑ 7.1%	↑ 3.1%	↑ 9.5%
House sales	↓ -27%	↓ -18%	↓ -15%
Guest nights	↑ 6.7%	↑ 5.4%	↑ 3.9%
Retail trade	↑ 5.6%	↑ 5.9%	↑ 4.5%
Car registrations	↑ 18%	↑ 8.9%	↑ 4.4%
Commercial vehicle registrations	↑ 11%	↑ 15%	↑ 13%
Jobseeker Support recipients	↑ 3.0%	↑ 1.2%	↓ -0.5%
Tourism expenditure	↑ 9.0%	↑ 8.3%	↑ 9.3%
<i>Level</i>			
Unemployment rate	6.2%	5.5%	4.6%
International net migration	773	2,167	67,986

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

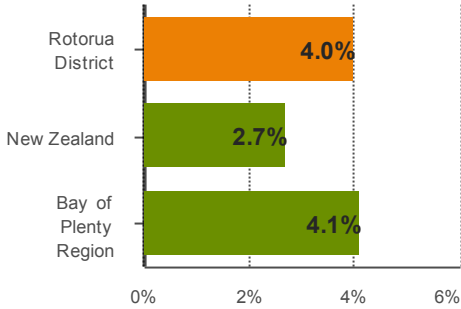
Overview of national economy

The prediction by Winston Peters of an economic correction or slowdown, made at the time of last October's coalition announcement, appears to be coming true. Infometrics' latest forecasts see New Zealand's economic growth slowing to 2.4%pa by the end of this year and slipping below 2.0%pa during 2019. A range of factors have combined to drive the slowdown, many of which can be sheeted back to government policy. Weaker population growth will also mitigate some of the demand pressures in the Auckland housing market, but the region's housing undersupply and affordability issues are likely to remain critical.

Gross domestic product

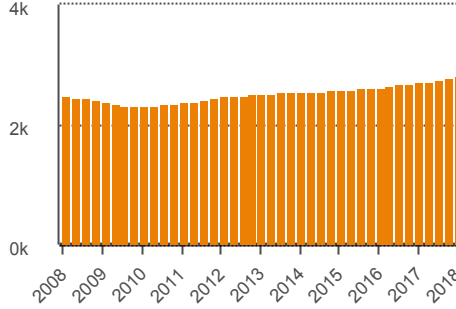
Gross domestic product growth

Annual average % change Mar 17 - Mar 18



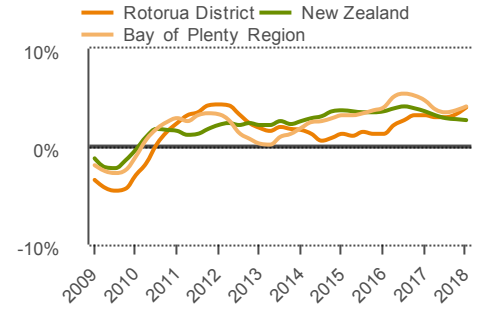
Gross domestic product (\$m)

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 March 2018 compared to a year earlier. Growth was higher than in New Zealand (2.7%) and lower than in Bay of Plenty Region (4.1%).
- GDP was \$2,836 million in Rotorua District for the year to March 2018 (2010 prices).
- Annual GDP growth in Rotorua District peaked at 4.3% in the year to March 2012.

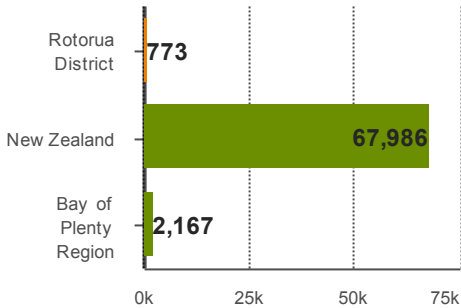
National overview

Economic activity experienced a modest start to 2018 after having lost steam in the December 2017 quarter. We provisionally estimate that GDP grew by 2.7% over the March 2018 year. Retail trade appears to be the top performing industry, while agriculture has had a relatively subdued quarter. We now expect GDP growth to ease to 2.4%pa by December. It is becoming clearer that the transition phase of new government policy could result in a less buoyant economy over the next couple of years.

International net migration

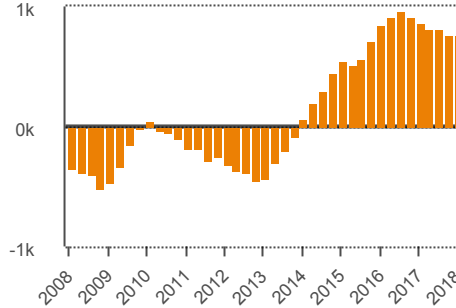
Net migration

Number of persons, year to March 2018



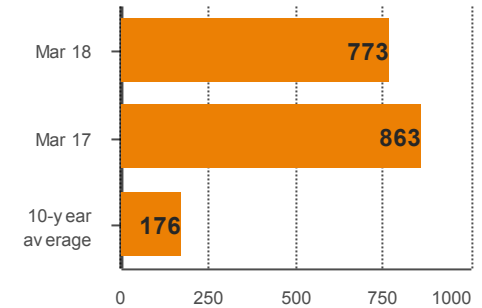
Net migration

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 773 persons in the year to March 2018. This compares with a gain of 863 a year ago, and a ten year average of 176 (gain).
- New Zealand's annual net migration decreased to 67,986 from 71,924 a year ago.

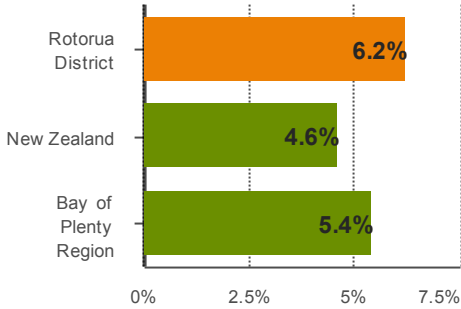
National overview

Annual net migration slipped to 67,984 people in March from almost 69,000 people in February. This fall is a continuation of recent migration trends – downward pressure on arrivals and some upward pressure on departures. We expect these trends to persist over the coming year. These March results were in line with our expectations for the quarter. The downward pressure on arrivals and the upward push in foreign departures will persist, and we've forecast annual net migration to slip below 60,000 people by March 2019. Further tightening of the rules around student and work visas is expected to kick in from mid-2019, forcing net migration to plunge.

Unemployment rate

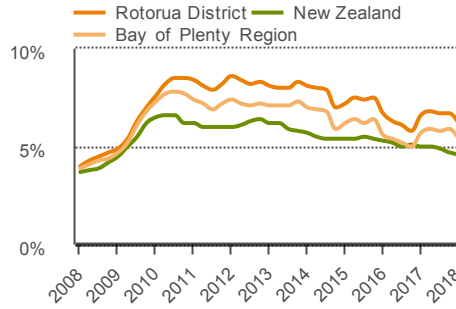
Unemployment rate

Average annual rate, year to March 2018



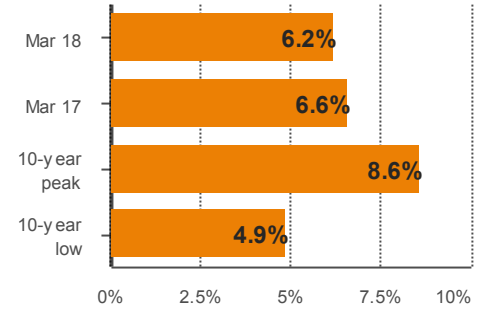
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Rotorua District



Highlights for Rotorua District

- The annual average unemployment rate in Rotorua District was 6.2% in March 2018, down from 6.6% a year earlier.
- The unemployment rate in Rotorua District was higher than in New Zealand, where the unemployment rate averaged 4.6% over the year to March 2018.
- Over the last ten years the unemployment rate reached a peak of 8.6% in March 2012;

National overview

The labour market continues to tighten, with the unemployment rate across the March 2018 year averaging 4.6%, compared to 5.0% the previous year. The rate of underutilised labour also fell, as workers took on more hours. Participation remained high at 70.8%. In light of reducing spare capacity in the labour market, firms will need to compete to retain workers they currently employ, and are likely to experience difficulty searching for new workers.

Traffic flow

Annual change in traffic flows

Annual average % change Mar 17 - Mar 18



Highlights for Rotorua District

- Traffic flows in Rotorua District increased by 3.8% over the year to March 2018. This compares with an increase of 2.0% in New Zealand.

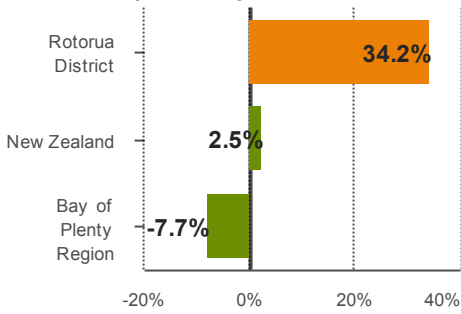
National overview

Traffic flows in the March 2018 year rose 2.0% from the previous year. Vehicle movements continue to grow most rapidly in visitor hotspots and in places with strong population growth. Traffic flows in Kaikōura have soared since the reopening of SH1, which has taken pressure off roading in Tasman and Hurunui. Vehicle running costs have pushed significantly higher over recent months, with petrol prices currently sitting more than 10% above their levels from late 2017.

Residential consents

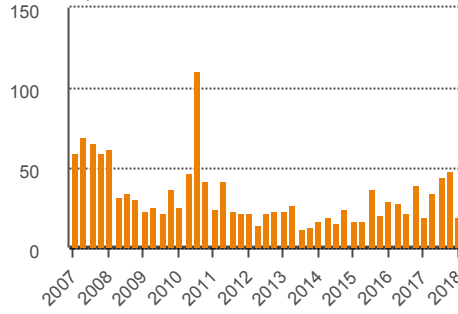
Growth in no. of new dwelling consents

Annual average % change Mar 17 - Mar 18



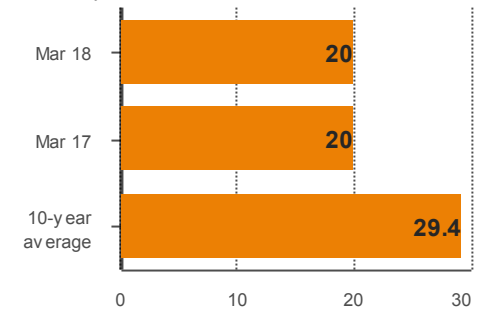
Residential consents

Quarterly number, Rotorua District



Number of new dwelling consents

Quarterly number, Rotorua District



Highlights for Rotorua District

- A total of 20 new residential building consents were issued in Rotorua District in the March 2018 quarter, compared with 20 in the same quarter last year.
- On an annual basis the number of consents in Rotorua District increased by 34% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 2.5% over the same period.

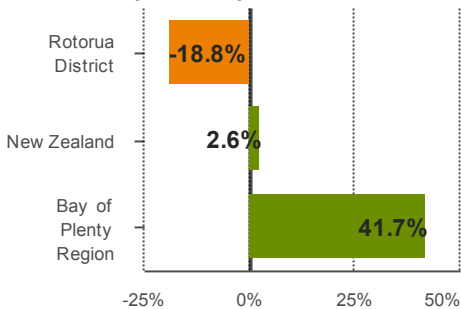
National overview

The number of new dwelling consents in the March 2018 year rose 2.5%, with particularly sharp growth occurring during the month of March. New dwelling consents rose a whopping 15% during March to hit their highest seasonally adjusted monthly level since June 2004! Almost all the increase in consents during March was due to attached dwellings, such as apartments and townhouses, with consents for houses virtually unchanged over the month. Auckland was the biggest contributor to dwelling consent growth with its high concentration of attached dwellings. There was also strong growth in consents in Wellington in March, wholly due to attached dwelling types.

Non-residential consents

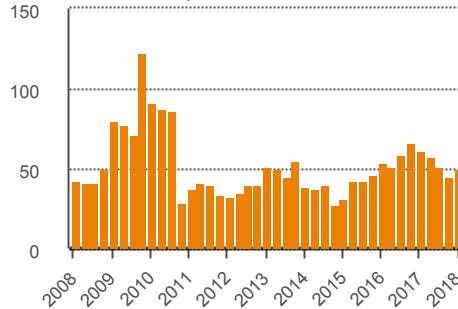
Growth in value of consents

Annual average % change Mar 17 - Mar 18



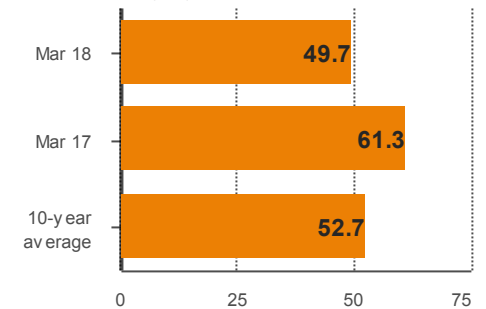
Non-residential consents, Rotorua District

\$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 \$50 million were issued in Rotorua District during the year to March 2018.
- The value of consents decreased by -19% over the year to March 2018. By comparison the value of consents in New Zealand increased by 2.6% 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.

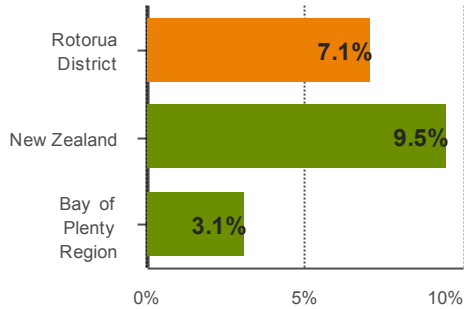
National overview

The total value of non-residential consents in the March 2018 year was up 2.6% from a year earlier. Consents during the March quarter were above forecast, but annual consent value growth was slower than expected because of weakness in late 2017. The annual value of consents in Auckland has risen from \$2.3bn to \$2.6bn over the past year, while consents in Canterbury fell from \$1.7bn to \$1.5bn over the same period. Non-residential consents around the rest of the country were \$2.3bn in the March 2018 year, compared to \$2.4bn a year earlier. We expect non-residential work put in place during 2018 to continue recovering from the softness that occurred during late 2017.

House prices

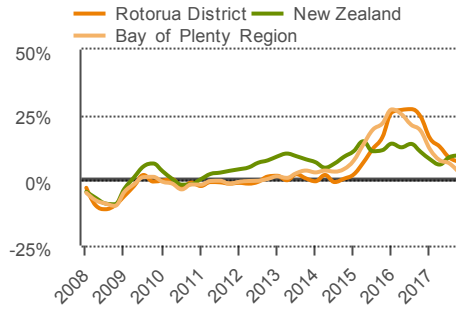
Annual change in house prices

Annual % change Mar 17 - Mar 18



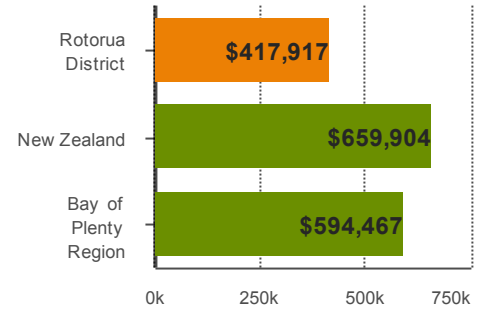
House price growth

Annual % change



Average current house value

Average for 12 months to Mar 2018



Highlights for Rotorua District

- The average current house value in Rotorua District was up 7.1% in March 2018 compared with a year earlier. Growth underperformed relative to New Zealand, where prices increased by 9.5%.
- The average current house value was \$417,917 in Rotorua District over the March 2018 year. This compares with \$659,904 in New Zealand.

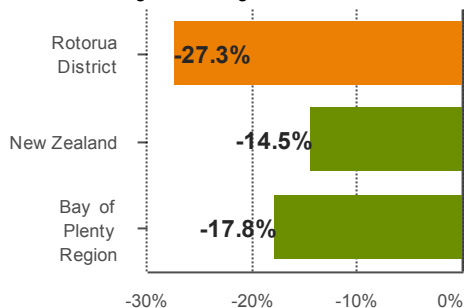
National overview

House prices growth has risen over recent months. After having bottomed out at 6.0%pa in the September 2017 quarter, house price growth accelerated to 9.5%pa in the March quarter. Broad trends remained the same, with house price inflation in Auckland continuing to be weak while prices were solid elsewhere. House prices are growing most rapidly in Hawke's Bay, along the Kāpiti Coast and north into Horowhenua, the Wairarapa, and some parts of rural Waikato. At the other end of the scale, prices are flat in Auckland, and continue to ease on the West Coast and in Christchurch City.

House sales

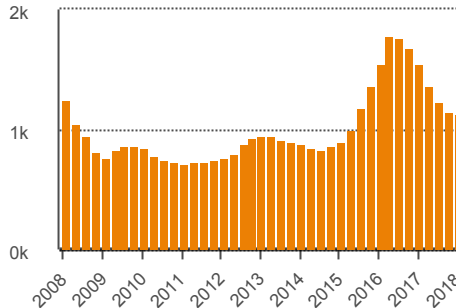
Annual change in house sales

Annual average % change Mar 17 - Mar 18



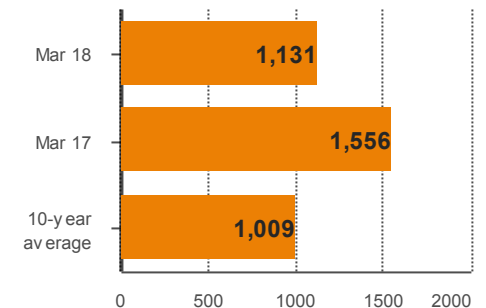
House sales

Annual number, Rotorua District



House sales

Annual number, Rotorua District



Highlights for Rotorua District

- House sales in Rotorua District in the year to March 2018 decreased by 27% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 15%.
- A total of 1,131 houses were sold in Rotorua District in the 12 months ended March 2018. This compares with the ten year average of 1,009.

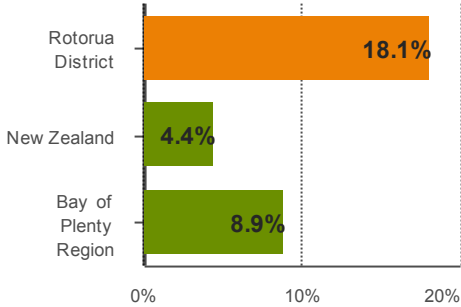
National overview

House sales in New Zealand fell 15% over the March 2018 year, with a 4.4% seasonally adjusted fall in the month of March alone. House sales were down in almost all regions compared to a year earlier, partly due to last March's relatively high sale volumes, as well as the timing of Easter this year. We expect sales volumes to be stable throughout 2018, reflecting the easing off of loan-to-value restrictions, as well as still solid growth in some provincial areas.

Car registrations

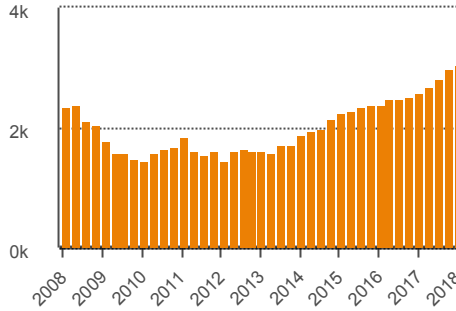
Car registrations

Annual average % change Mar 17 - Mar 18



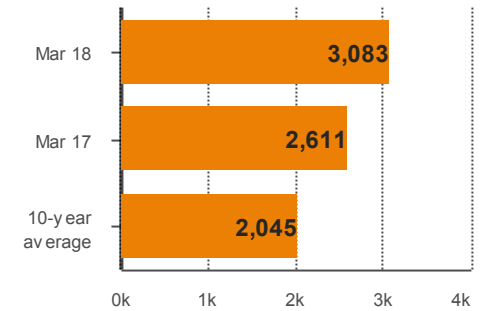
Car registrations

Annual number, Rotorua District



Car registrations

Annual number, Rotorua District



Highlights for Rotorua District

- The number of cars registered in Rotorua District increased by 18% in the year to March 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 4.4%.
- A total of 3,083 cars were registered in Rotorua District in the year to March 2018. This compares with the ten year average of 2,045.

National overview

Car sales in the March 2018 year rose 4.4%, slightly behind the 8.0% growth seen in the December 2017 year. The slowdown was entirely due to fewer registrations of used imports, with stink bugs holding up car shipments from Japan. The government's proposed increases in fuel excise will drive up the cost of operating a car, but probably won't affect sales, at least in the short term. The ongoing shift in preferences from large to small cars will likely be cemented by the latest increases in fuel excise, on top of proposed regional fuel taxes. Consumers are already shying away from big gas guzzlers in favour of more fuel-efficient options.

Commercial vehicle registrations

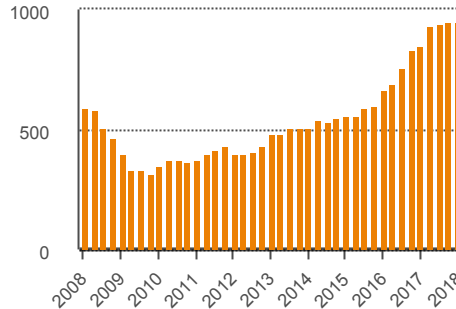
Commercial vehicle registrations

Annual average % change Mar 17 - Mar 18



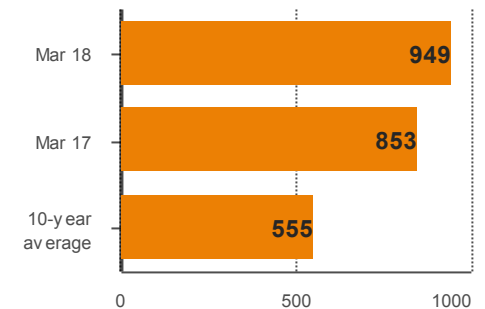
Commercial vehicle registrations

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 11% in the year to March 2018 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 13%.
- A total of 949 commercial vehicles were registered in Rotorua District in the year to March 2018. This is higher than the ten year annual average of 555.

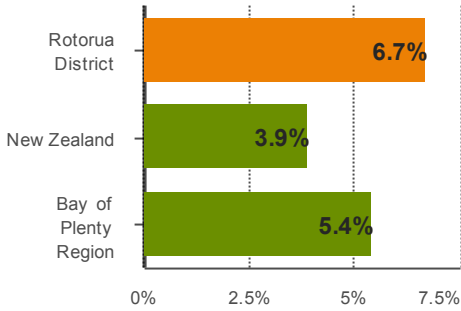
National overview

Commercial vehicles sales in the March 2018 year rose 13%, slightly behind the 16% growth seen in the December 2017 year. We expect sales growth to continue cooling over the coming quarters. Slower growth in the construction sector is likely to hamper ongoing demand for vehicles, and weaker economic growth suggests sales will fall as we head into 2019. These trends will be reflected across all weight classes, but there are some upside risks to very heavy truck sales in areas with large forestry sectors. With a swath of forests on the cusp of maturity, favourable world prices might encourage forest managers to bring harvests forward if they can.

Guest nights

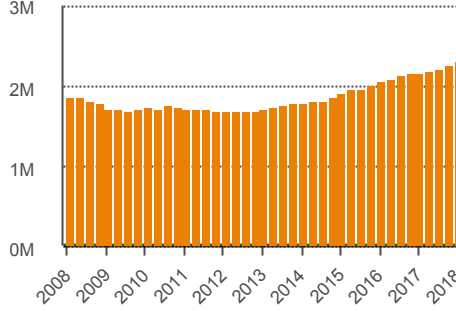
Guest nights

Annual average % change Mar 17 - Mar 18



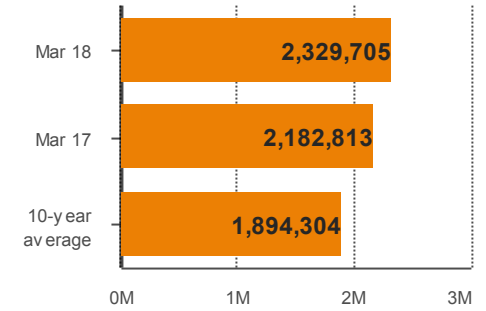
Guest nights

Annual number, Rotorua District



Guest nights

Annual number, Rotorua District



Highlights for Rotorua District

- Total guest nights in Rotorua District increased by 6.7% in the year to March 2018. This compares with an increase of 3.9% in New Zealand.
- Visitors stayed a total of 2,329,705 nights in Rotorua District during the year to March 2018, which was up from 2,182,813 a year ago.

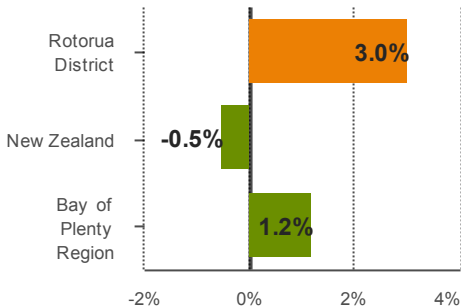
National overview

The number of guest nights in commercial accommodation rose 3.9% in the March 2018 year to a record 39.9m. Growth was driven by international visitor guest nights, which increased 6.0% to 17.6m, while domestic guest nights climbed 2.4% to 22.3m. Strong growth in guest nights by international visitors reflects a sharp lift in visitor arrivals to New Zealand. Over the March 2018 year, there was a 7.8% lift in international visitor arrivals to New Zealand. Commercial guest nights growth would have been faster had it not been for the increasing prevalence of private accommodation being provided through platforms such as Airbnb. Infometrics estimates that Airbnb stay unit nights in New Zealand during the 2017/18 summer months rose more than 60% from a year earlier.

Jobseekers

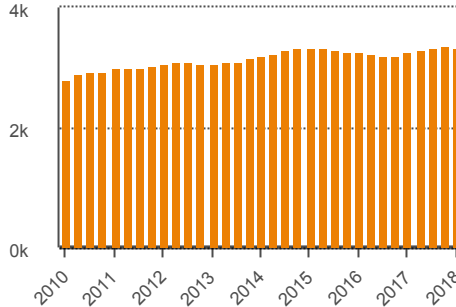
Annual change in Jobseekers

Annual average % change Mar 17 - Mar 18



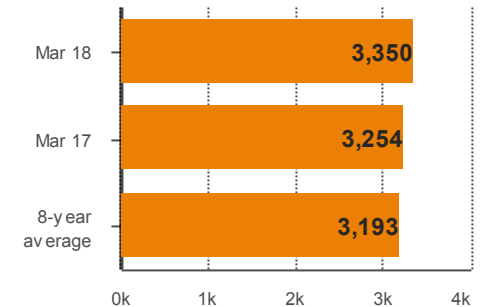
Jobseekers

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 March 2018 increased by 3.0% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients decreased by 0.5%.
- An average of 3,351 people were receiving a Jobseeker Support benefit in Rotorua District in the 12 months ended March 2018. This compares with an average of 3,193 since the start of the series in 2010.

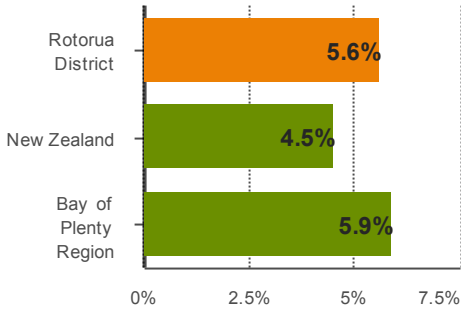
National overview

The average number of people receiving Jobseeker Support fell 0.5% in the March 2018 year. It is not surprising to see fewer people receiving such assistance given that employment growth remains strong. During the March quarter there was growth in both the number of full-time workers (up 0.6%) and part-time employment (up 0.5%). Falling unemployment and increased competition for workers still hasn't translated into higher labour cost growth. The labour cost index rose 1.8% over the March quarter, matching the increases seen in the previous two quarters. However, we remain convinced that labour costs must eventually rise higher in response to the tightening market.

Retail trade

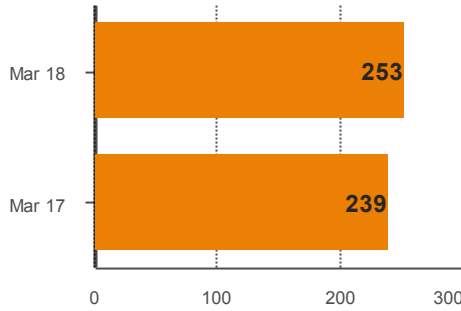
Growth in retail sales

Annual average % change Mar 17 - Mar 18



Retail sales

Quarterly value (\$m), Rotorua District



Highlights for Rotorua District

- Electronic card retail spending in Rotorua District, as measured by Marketview, increased by 5.6% over the year to March 2018 compared to the previous year. This compares with an increase of 4.5% in New Zealand.

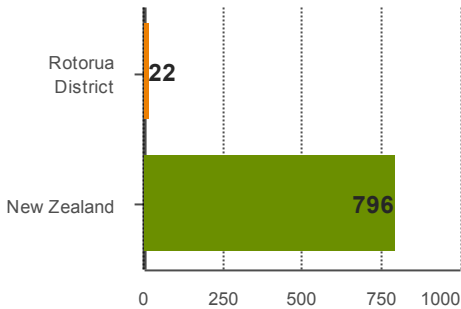
National overview

Electronic card spending on retail purchases strengthened in the early stages of 2018. Data from Marketview showed that spending in the March quarter was up 4.9% from a year earlier, taking growth across the March year to 4.5%. Statistics New Zealand's Retail Trade Survey reinforces this finding. The Statistics New Zealand survey further shows that consumables, hospitality and services, and vehicles spending growth were particularly strong in the March quarter, while spending on durable household items grew at a more moderate pace in line with softer house sales.

Total dairy payout

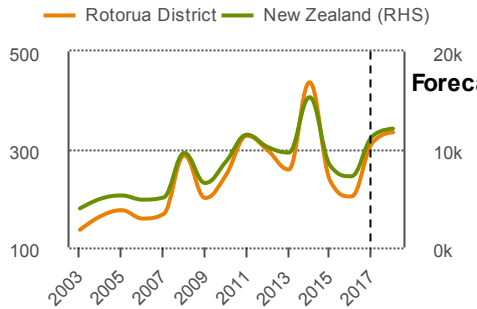
Total dairy payout

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



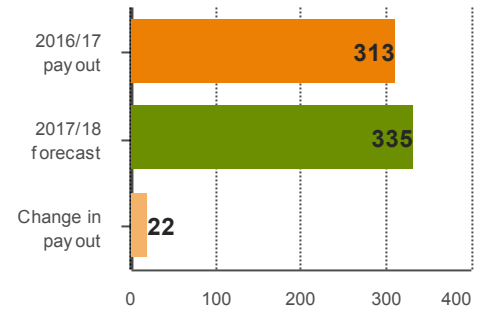
Total dairy payout

\$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 \$335m, \$22.0m 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 \$796m higher in the 2017/18 season.

National overview

A 2.7% increase in prices at Fonterra's Global Dairy Trade auction in late April snapped a four-auction decline. Bar one auction, the index is at its highest since mid-September 2017. Prices are likely to remain steady with lower New Zealand supply keeping prices on the up. At this stage, Fonterra's current forecasted farmgate milk price of \$6.55/kgms for the 2017/18 season appears well supported. A payout of this level would pump \$12.1bn into the economy, up from \$11.3bn last season.

Tourism Spending

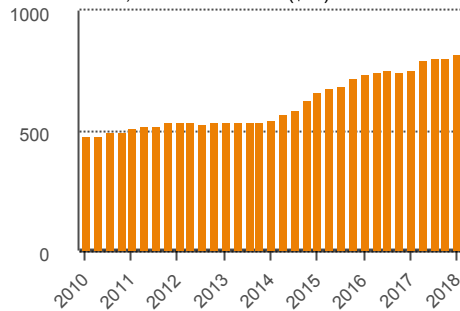
Tourism expenditure

Annual average % change Mar 17 - Mar 18



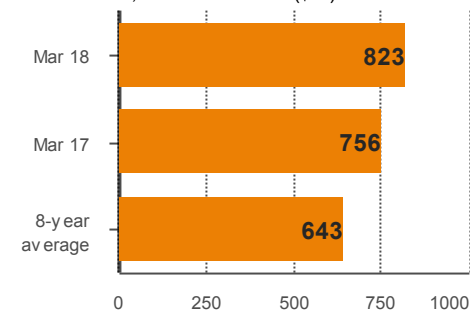
Tourism expenditure

Annual total, Rotorua District (\$m)



Tourism expenditure

Annual total, Rotorua District (\$m)



Highlights for Rotorua District

- Total tourism expenditure in Rotorua District increased by 9.0% in the year to March 2018. This compares with an increase of 9.3% in New Zealand.
- Total tourism expenditure was approximately \$823m in Rotorua District during the year to March 2018, which was up from \$756m a year ago.

National overview

Visitor spending in the March year totalled \$28.5bn, up from \$26.0bn a year earlier. Growth was driven by spending by international visitors, which rose \$1.4bn to \$11.7bn, while domestic visitor spending increased \$1.1bn to \$16.8bn. International spending growth has been supported by more visitors to New Zealand. Domestic visitor spending growth was the fastest since MBIE's visitor spending series began in 2009, reflecting increasing spending on leisure as job prospects improve.

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.