

DECEMBER 2014 BUSINESS AND PUBLIC CONFIDENCE

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

Prepared for : Rotorua Lakes Council

By : APR Consultants

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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 January 2015. 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 January 2015, and provides a comparison of the results of these surveys with surveys undertaken since December 2009. 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 increased confidence levels in December 2014, with most indexes showing growth and only two being neutral.

On a positive note, over the next 12 months profits for business were expected to increase. Rotorua businesses and householders expected real business activity to increase and are reporting expectations of increased personal income. Rotorua businesses reported an expectation of employing more staff than they did in December 2014. Businesses were planning to invest more into their businesses over the year to December 2015.

Rotorua businesses and householders expected local general business conditions and economic activity to increase from December 2014 levels. The majority of Rotorua businesses report that their promotional budgets have remained static over the year to December 2014.

Rotorua businesses expected local unemployment to reduce from December 2014 levels which Rotorua householders expected it to remain static.

On the negative side prices are expected to increase and despite large increases in confidence, interest rates are still expected to rise.

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

Construction businesses in Rotorua expected volumes of residential and commercial construction to increase from December 2014 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 increased confidence levels regarding national business indicators with all indexes (with the exception of interest rates and prices) showing an expectation of increased activity.

On the positive side, businesses nationally expected general business conditions to increase, economic activity to increase, personal income is expected to increase, unemployment to reduce and profits are expected to rise. Investment into businesses is also expected to increase.

Business employment levels are expected to increase for both national and Rotorua businesses from December 2014 levels.

On the negative side, all indexes are predicting price rises and interest rates are expected to increase.

Businesses involved in exporting, reported an expectation of increased export volumes from December 2014 levels.

Overall summary of indexes

	Index	Number
Positive indexes	☺	30 indexes
Static indexes	☹	2 indexes
Negative indexes	☹	6 indexes

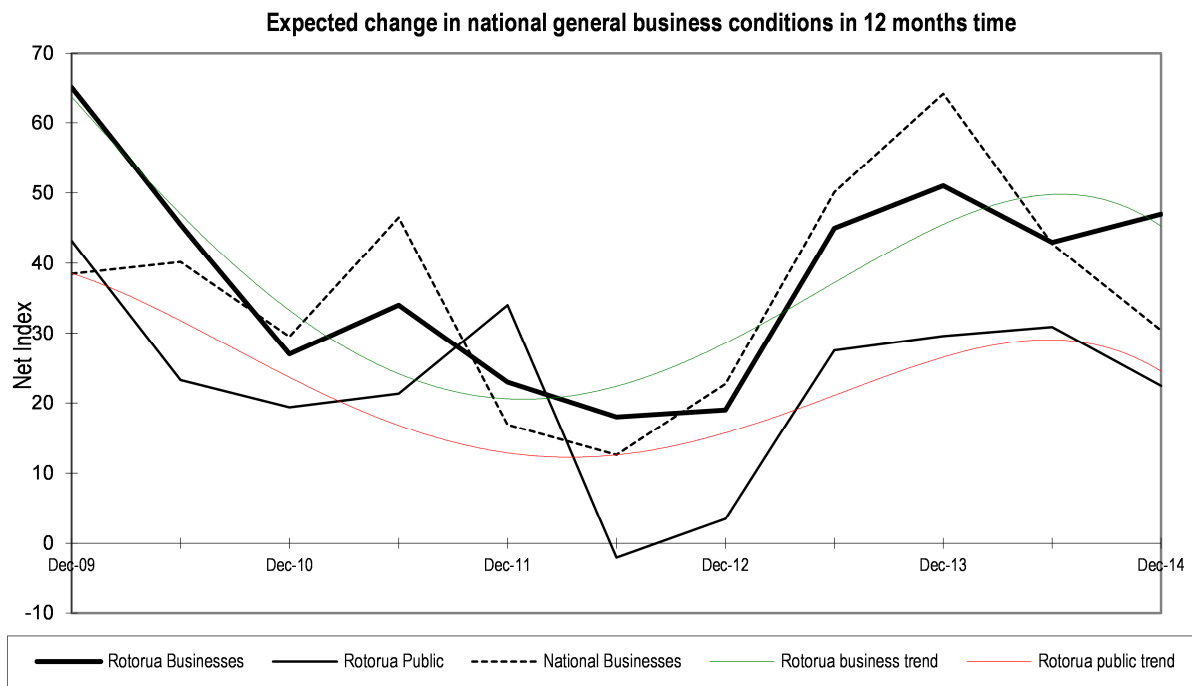
FULL RESULTS

National General Business Conditions

NZ Business ↓ - ☹️

Rotorua Business ↑ - 😊

Rotorua Public ↓ - ☹️



Rotorua businesses reported an increase in confidence regarding national general business conditions over the 12 months to December 2015. The index increased by 4.0 points to 47.0. The positive index indicated that a majority of Rotorua businesses expected national general business conditions to increase.

The Rotorua household index decreased by 8.4 points, taking it to 22.5. Despite the drop in confidence, this positive index indicated that the majority of householders in Rotorua expected national general business conditions to increase from December 2014 levels over the 12 months to December 2015.

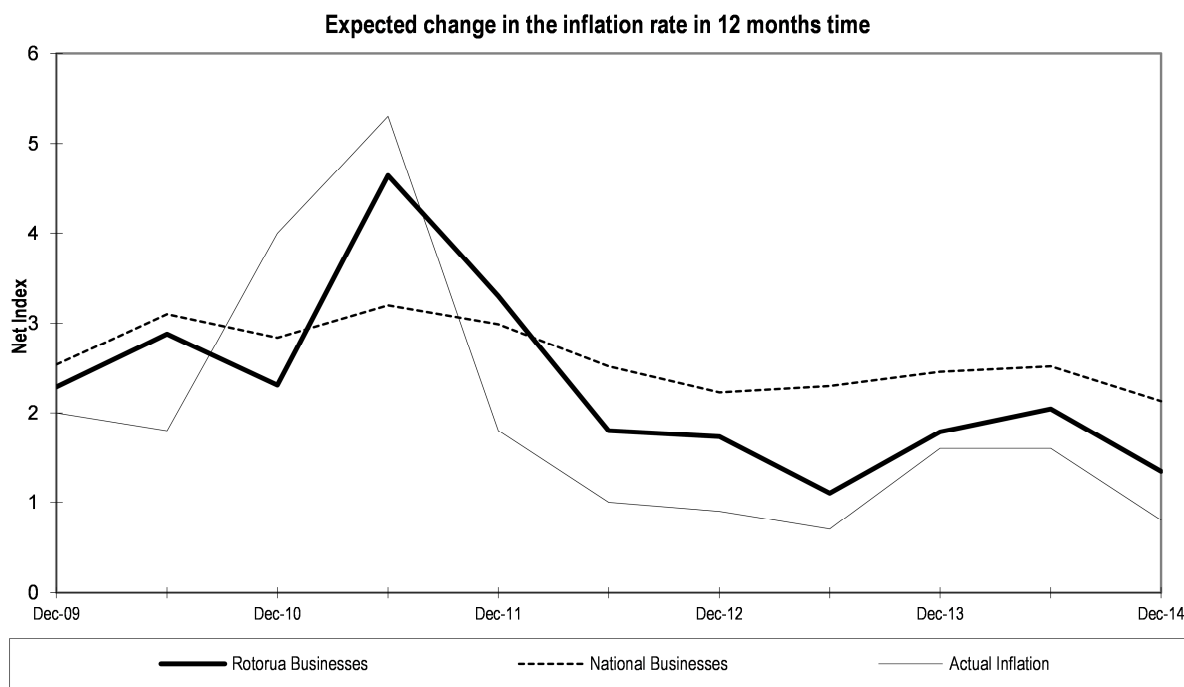
The national business index decreased by 12.4 points. This took the national index to 30.4 points. Despite the drop in confidence, businesses nationally expected national general business conditions to increase from December 2014 levels.

In conclusion, all indexes showed an expectation of increased national business conditions, with Rotorua businesses being the most confident in December 2014.

Inflation Rate

NZ Business ↓

Rotorua Business ↓



Rotorua businesses were expecting inflation to decrease over the 12 months to December 2015, with an expected decrease of 0.70%, taking expected inflation to 1.34% year on year.

Businesses nationally reported an expectation that inflation levels would decrease, with expected inflation decreasing by 0.39% to 2.13%.

The actual inflation rate for December 2014, as measured by the Consumer Price Index, was 0.8% from the same time last year. This was a decrease of 0.8% from the June 2014 rate of 1.6%.

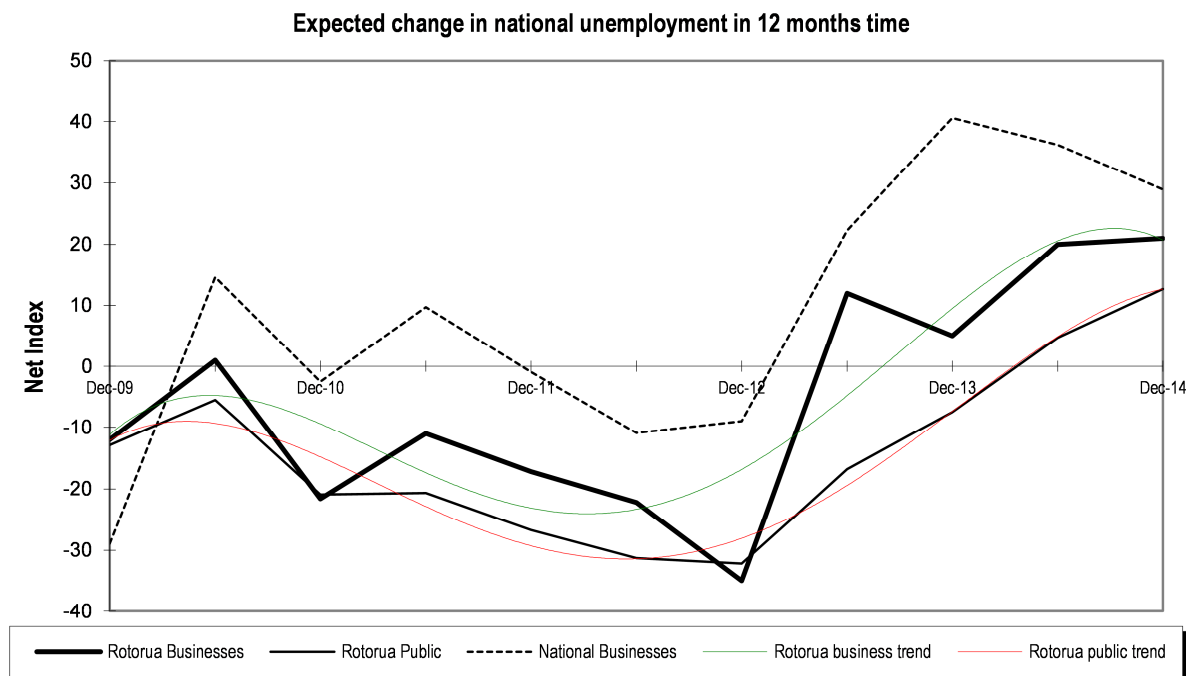
Looking back to last year, Rotorua businesses predicted inflation would be at 1.79% in December 2014 and New Zealand businesses were expecting it to reach 2.46%.

National Unemployment

NZ Business ↓ - ☺

Rotorua Business NC - ☺

Rotorua Public ↑ - ☺



All indexes showed an expectation of decreasing national unemployment rates over the year to December 2015, with national businesses being the most optimistic, followed by Rotorua businesses and then Rotorua households.

Rotorua businesses reported a slight increase in confidence with the index increasing by 1.0 point to 21.0. The positive index indicated that a majority of Rotorua businesses expected unemployment nationally to decrease from December 2014 levels over the 12 months to December 2015.

The Rotorua public index increased by 8.0 points, taking it to 12.7. This indicated that a slight majority of Rotorua households expected unemployment nationally to decrease over the 12 months to December 2015.

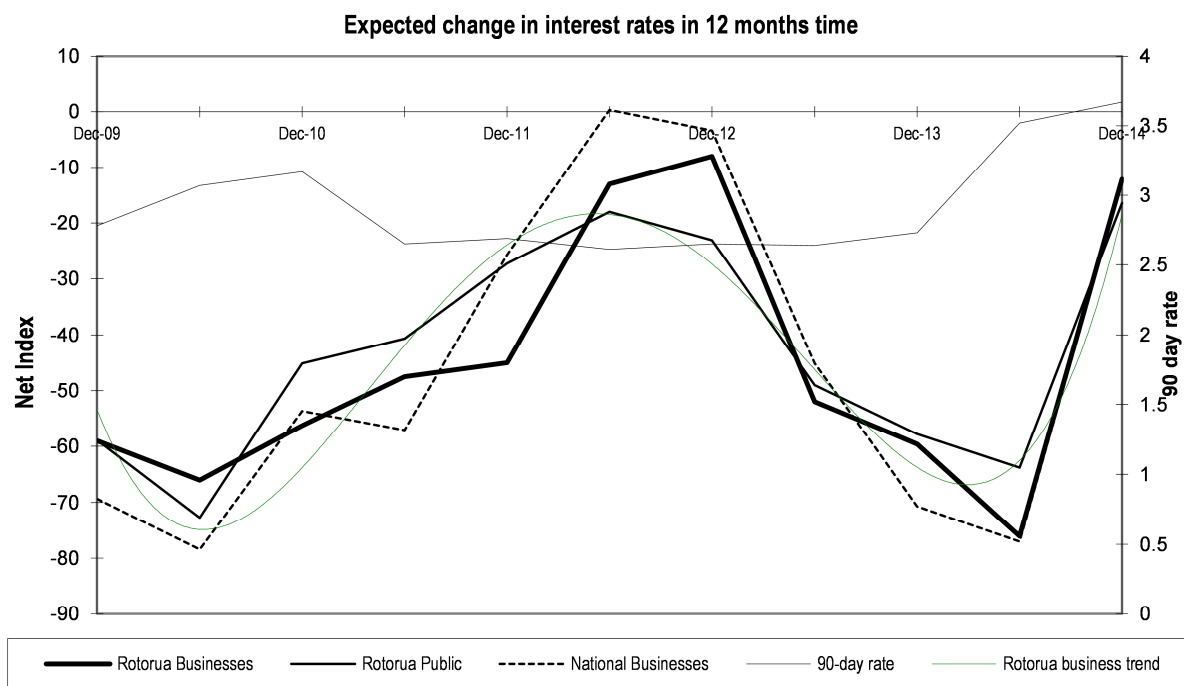
The national business index decreased by 7.3 points, taking it to 28.9. Despite the decrease, the positive index indicated that the majority of national businesses expected unemployment to reduce from December 2014 levels.

Interest Rates

NZ Business ↑ - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↑ - ☹



Despite large increases in confidence levels, all indexes are predicting interest rate increases with all indexes converging under the -12.0 level.

Rotorua businesses reported an increase in confidence regarding expected interest rates in 12 months' time. The index increased by 63.9 points, taking it to -12.1. Despite the large increase in confidence, this negative index indicated that a majority of Rotorua businesses expected interest rates to increase from December 2014 levels over the year to December 2015.

Rotorua residents also reported a large increase in confidence. The index increased by 47.3 points taking it to -16.4. This indicated that a majority of Rotorua households also expected interest rates to increase over the year to December 2015.

Nationally, businesses also reported an increase in confidence with the index increasing 64.3 points, taking the national business index to -12.7. This negative index indicated that the majority of national businesses also expected interest rates to increase from December 2014 levels.

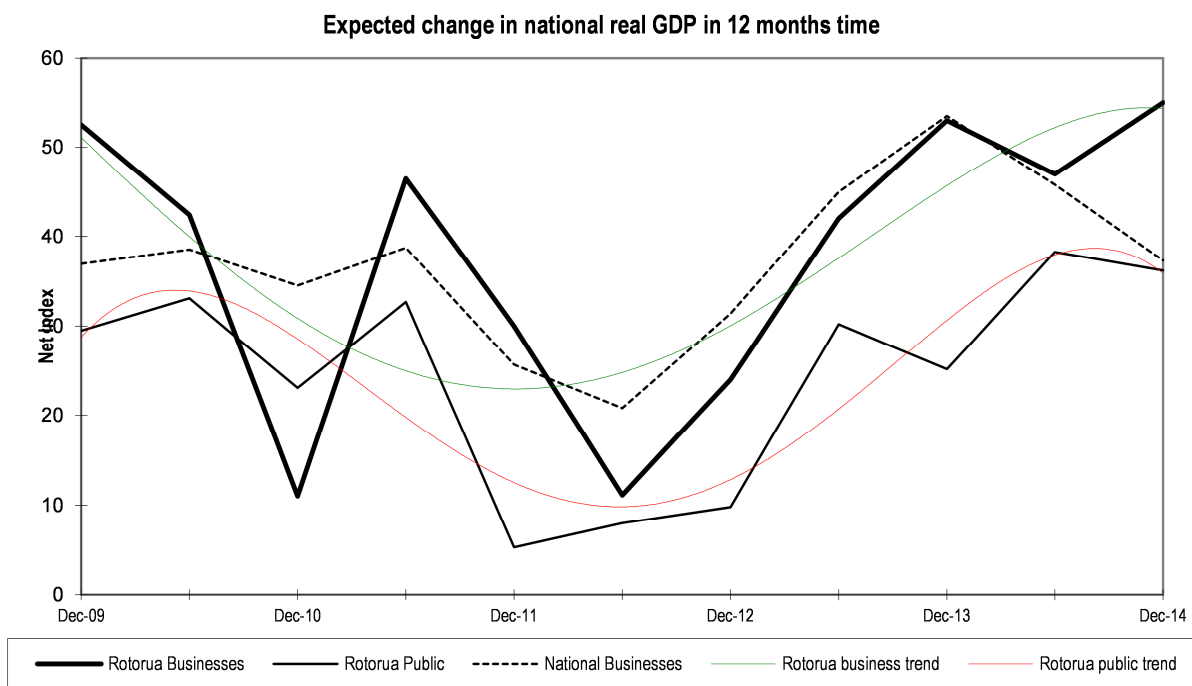
The December 2014, 90-day rate increased by 0.15 over the six months from June 2014, increasing from 3.52 in June 2014 to 3.67 in December 2014.

National Real GDP/Economic Activity

NZ Business ↓ - 😊

Rotorua Business ↑ - 😊

Rotorua Public NC - 😊



Rotorua businesses reported an increase in confidence during the December 2014 survey, with the index increasing by 8.0 points, taking it to 55.0. The positive index indicated that the majority of Rotorua businesses expected national real GDP to increase over the 12 months to December 2015.

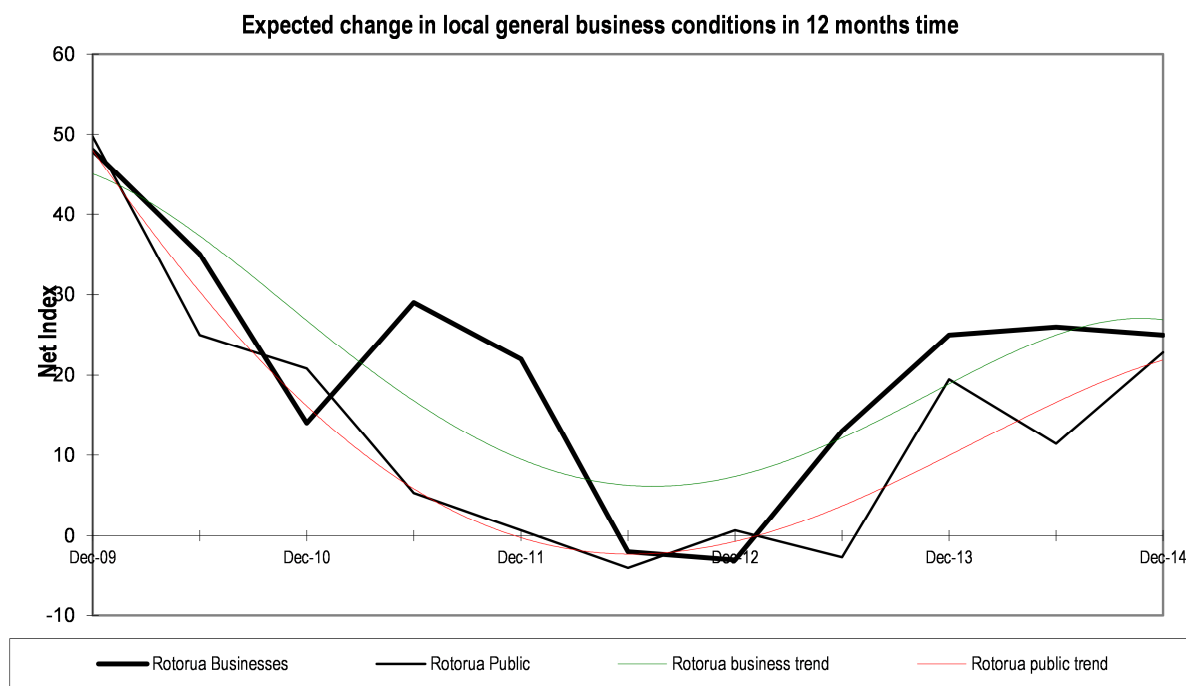
Rotorua households reported a slight decrease in confidence with the index decreasing 2.1 points to 36.2. Despite the decrease in confidence, the positive index indicated that a majority of Rotorua households expected levels to increase from December 2014 levels over the year to December 2015.

Nationally, the business index decreased by 8.5 points, taking it to 37.3. Despite the decrease in confidence, this positive index indicated that the majority of national businesses predicted that national real GDP would increase from December 2014 levels.

Local General Business Conditions

Rotorua Business NC - 😊

Rotorua Public ↑ - 😊



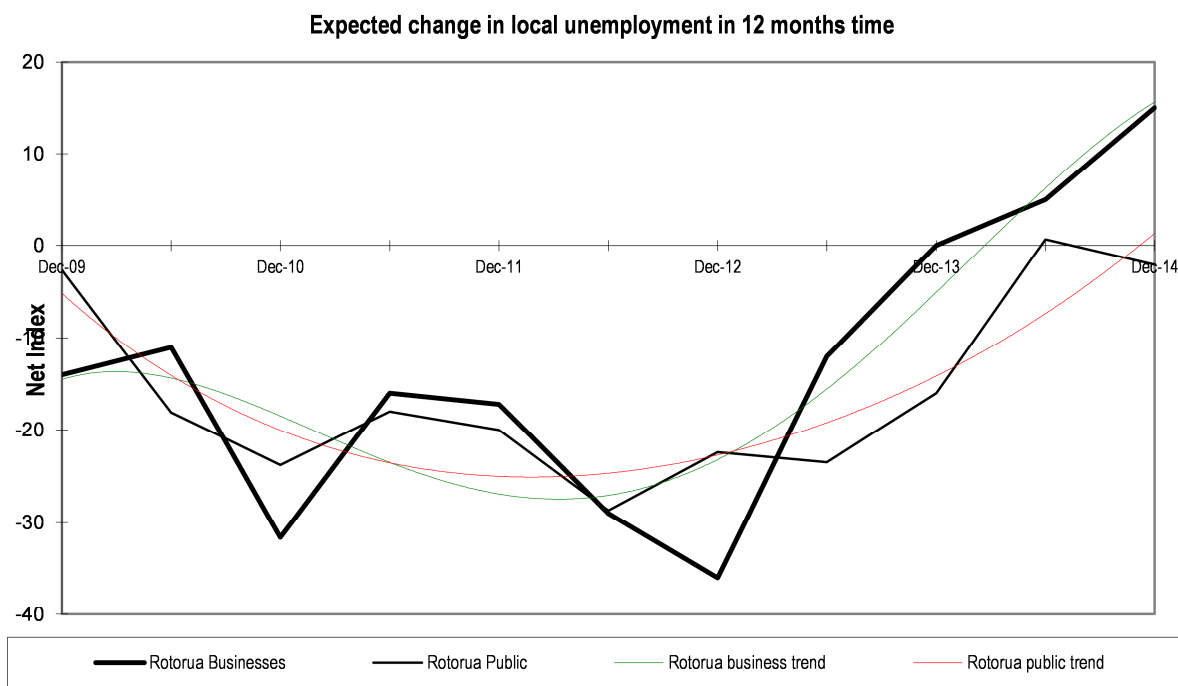
The Rotorua business index decreased slightly by 1.0 point to 25.0 during the December 2014 Rotorua confidence surveys. Despite the slight decrease, the positive index indicated that a majority of Rotorua businesses expected local general business conditions to increase from December 2014 levels over the 12 months to December 2015.

The Rotorua public index increased by 11.4 points, taking it to 22.8. This indicated that the majority of Rotorua households expected local general business conditions to increase from December 2014 levels over the year to December 2015.

Local Unemployment

Rotorua Business ↑ - 😊

Rotorua Public NC - 😐



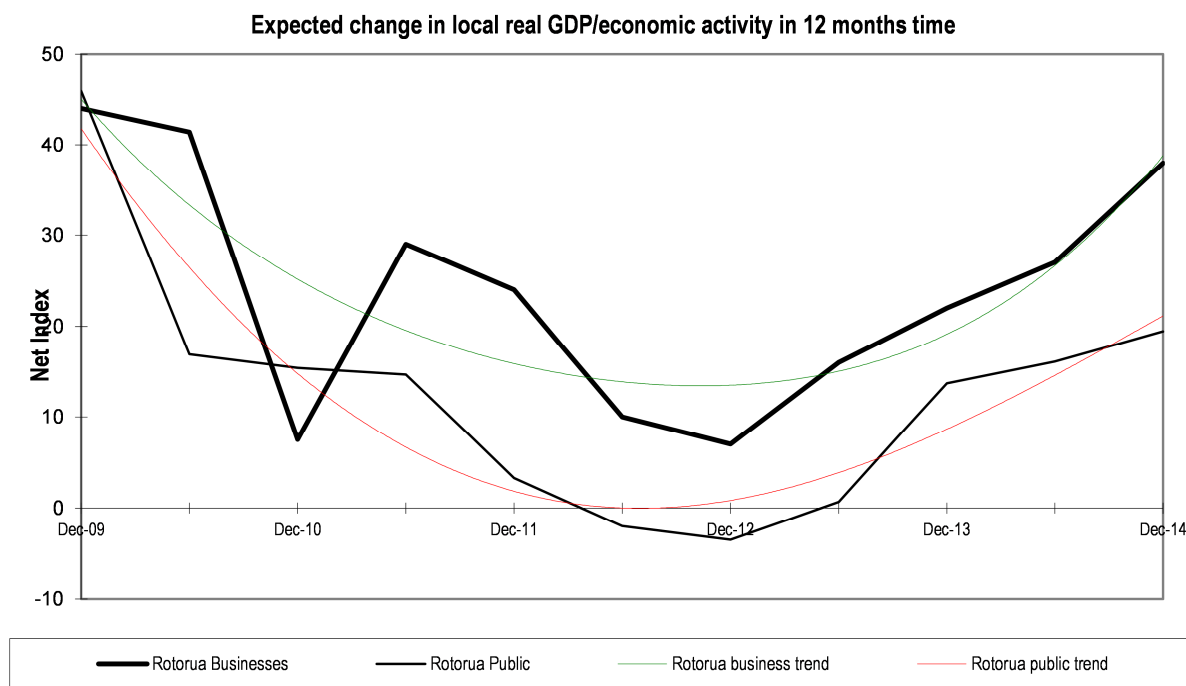
The Rotorua business index increased by 10.0 points during the December 2014 survey, taking it to 15.0. The positive index indicated that the majority of Rotorua businesses expected local unemployment to reduce over the 12 months to December 2015.

Rotorua households reported a slight decrease in confidence, with the index dropping 2.8 points, taking it to -2.1. The neutral index indicated that Rotorua householders expected local unemployment to remain relatively static over the 12 months to December 2015.

Local Real GDP / Economic Activity

Rotorua Business ↑ - 😊

Rotorua Public NC - 😊



Rotorua businesses reported an increase in confidence of 11.0 points during the December 2014 survey, taking the index to 38.0. This positive index indicated that the majority of Rotorua businesses expected economic activity to increase from December 2014 levels over the 12 months to December 2015.

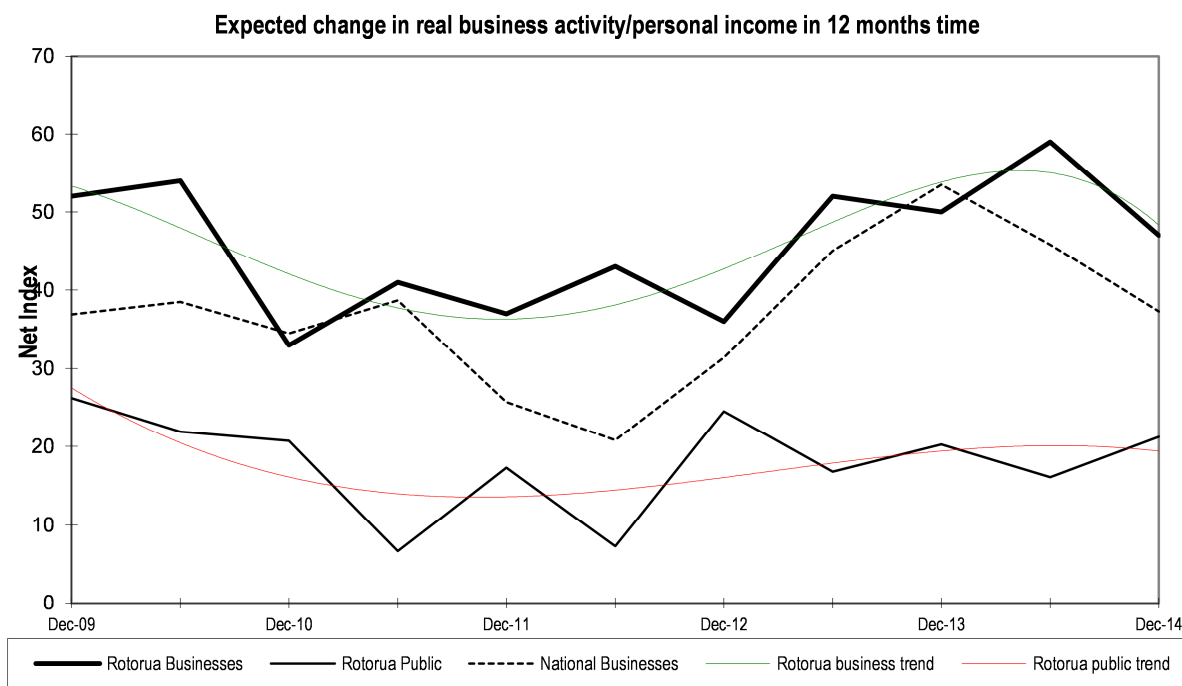
Rotorua households reported a small increase in confidence, with the index increasing 3.3 points, taking it to 19.4. This positive index indicated that a majority of Rotorua households expected business activity to increase from December 2014 levels over the 12 months to December 2015.

Real Business Activity / Personal Income

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️

Rotorua Public ↑ - 😊



Rotorua businesses reported a decrease in confidence over the six months from December 2014, with the index decreasing 12.0 points, taking it to 47.0. Despite the drop in confidence, the positive index indicated that the majority of local businesses were confident of increased income levels over the 12 months to December 2015.

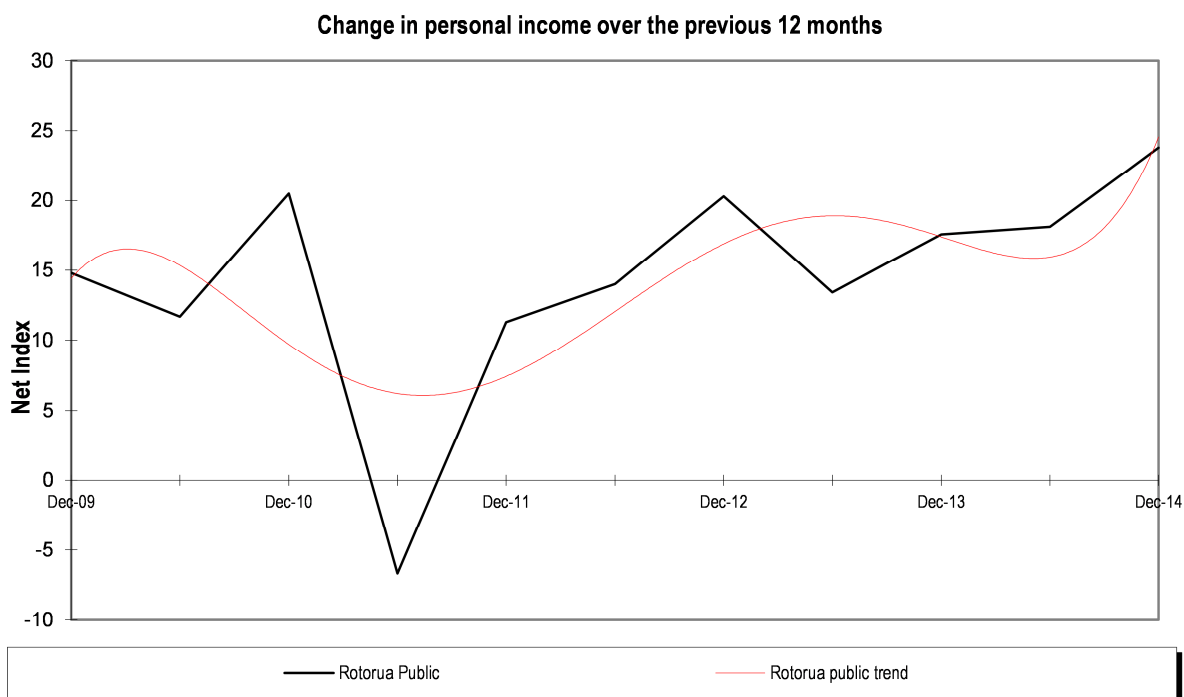
Rotorua residents reported an increase in confidence with their index rising 5.1 points, taking it to 21.2. The positive index indicated that a majority of Rotorua residents expected their personal income over the year to December 2015 to increase from December 2014 levels.

Nationally, businesses reported a decrease in confidence of 8.5 points, taking the December 2014 index to 37.3. Despite the decrease in confidence, a majority of national businesses expected their income levels to increase from December 2014 levels.

There were small drops in confidence from Rotorua and national businesses regarding future real business activity, but all indexes showed an expectation of increasing income levels from December 2014 levels.

Change in Personal Income

Rotorua Public ↑ - 😊

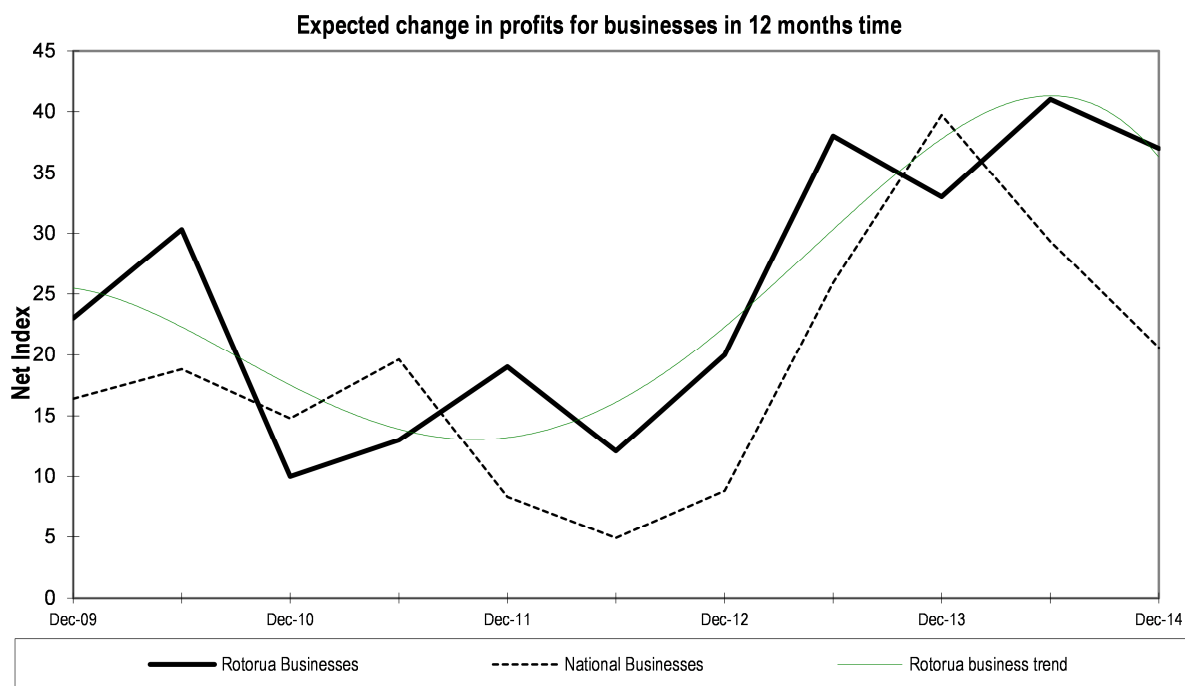


More Rotorua residents reported an increase in their personal income over the previous 12 months. The index increased 5.7 points to reach 23.8. This positive index indicated that more people have increased their personal income than have decreased it over the 12 months prior to December 2014.

Profits for Businesses

NZ Business ↓ - 😊

Rotorua Business ↓ - 😊



Rotorua businesses reported a decrease in confidence with regard to their profit levels over the 12 months to December 2015. The Rotorua business index decreased by 4.0 points taking it to 37.0. Despite the decrease, the positive index indicated that a majority of Rotorua businesses expected profits to increase from December 2014 levels over the year to December 2015.

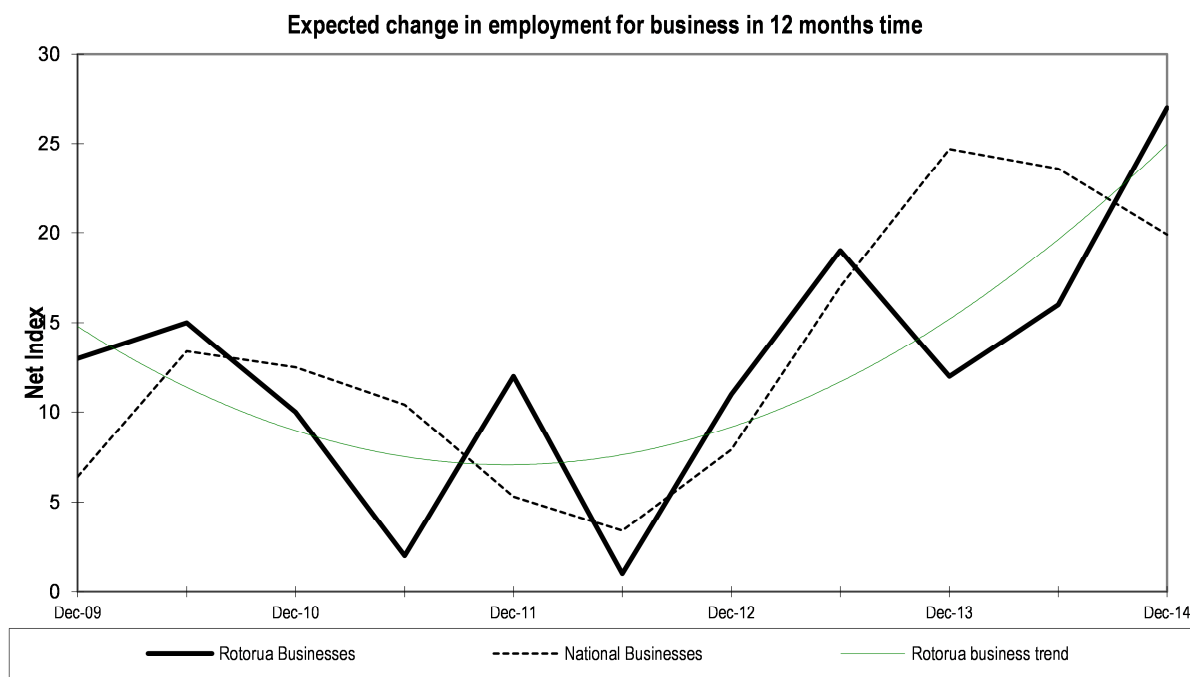
Nationally, businesses reported a decrease in confidence of 8.7 points, taking the index to 20.6. Despite the decrease, the positive index indicated that a majority of businesses nationally also expected profits to increase from December 2014 levels.

In conclusion, both Rotorua businesses and their national counterparts were confident of increased business profits.

Employment for Businesses

NZ Business ↓ - ☹️

Rotorua Business ↑ - 😊



Rotorua businesses reported an increase in confidence regarding levels of employment over the 12 months to December 2015. The index increased by 11.0 points taking it to 27.0. The positive index indicated that a majority of Rotorua businesses expected to employ an increased number of workers than they did in December 2014 over the year to December 2015.

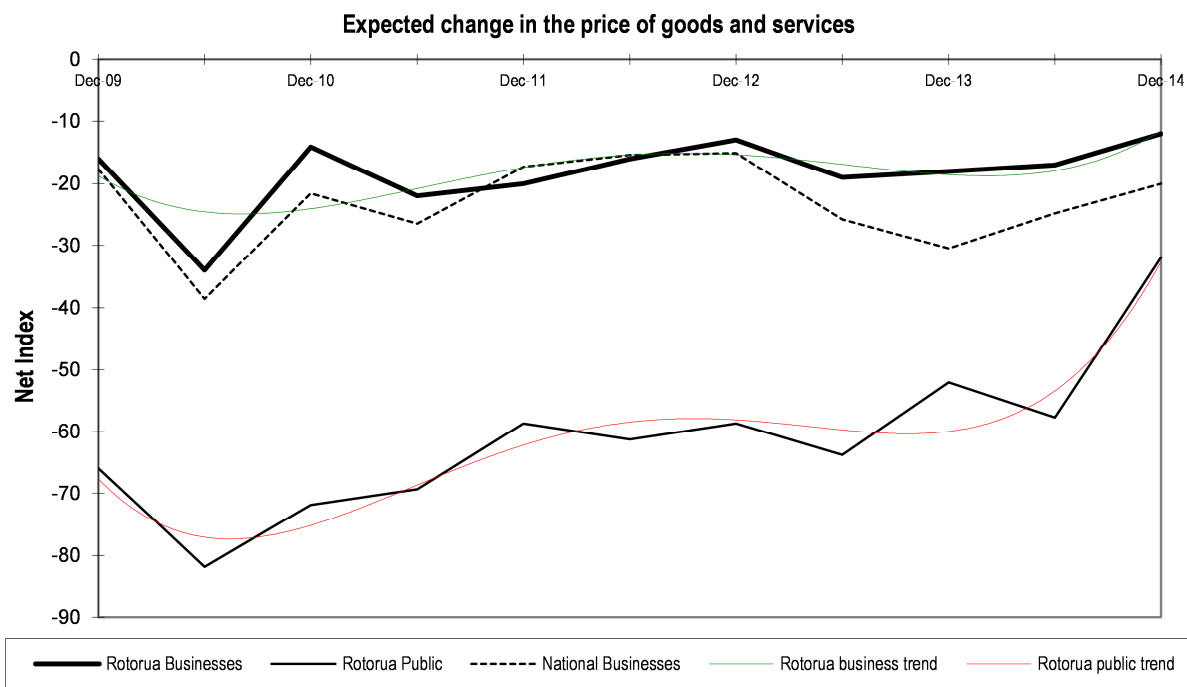
Nationally, businesses reported a decrease in confidence of 3.7 points, taking the index to 19.9. Despite the decrease in confidence, the positive index indicated that nationally businesses expected to employ an increased number of workers than the numbers they employed in December 2014.

Price of Goods and Services

NZ Business ↑ - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↑ - ☹



Despite increases in confidence, all three indexes indicated an expectation of price rises.

Rotorua businesses reported an increase in confidence with the index rising 5.0 points to -12.0. Despite the increase in confidence, the negative index indicated that a majority of Rotorua businesses expected the price of their goods and services to increase over the three months to March 2015.

Rotorua residents reported an increase in confidence, with the index increasing 25.8 points to -31.9. Despite the increase in the index, the negative index indicated that the majority of Rotorua residents believed that prices will increase over the three months to March 2015.

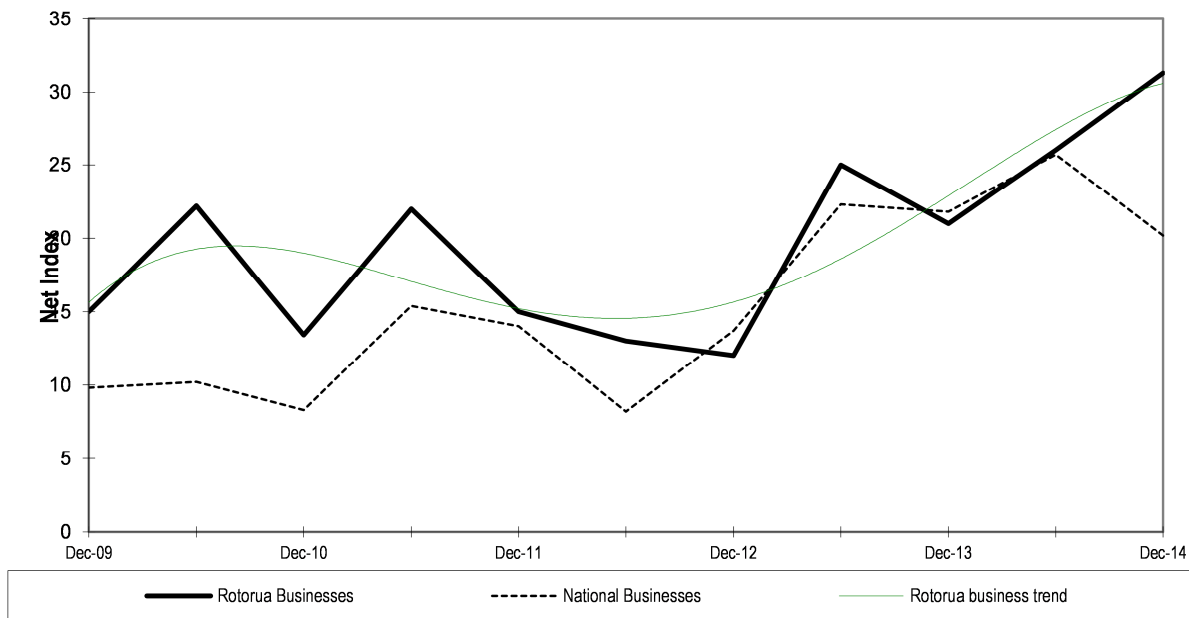
Nationally, businesses reported an increase in confidence of 4.8 points, taking the index to -20.0. The negative index indicated that a majority of businesses nationally expected prices to increase from December 2014 levels.

Investment for Businesses

NZ Business ↓ - ☹️

Rotorua Business ↑ - 😊

Expected change in investment in buildings, plant and equipment for businesses in 12 months time



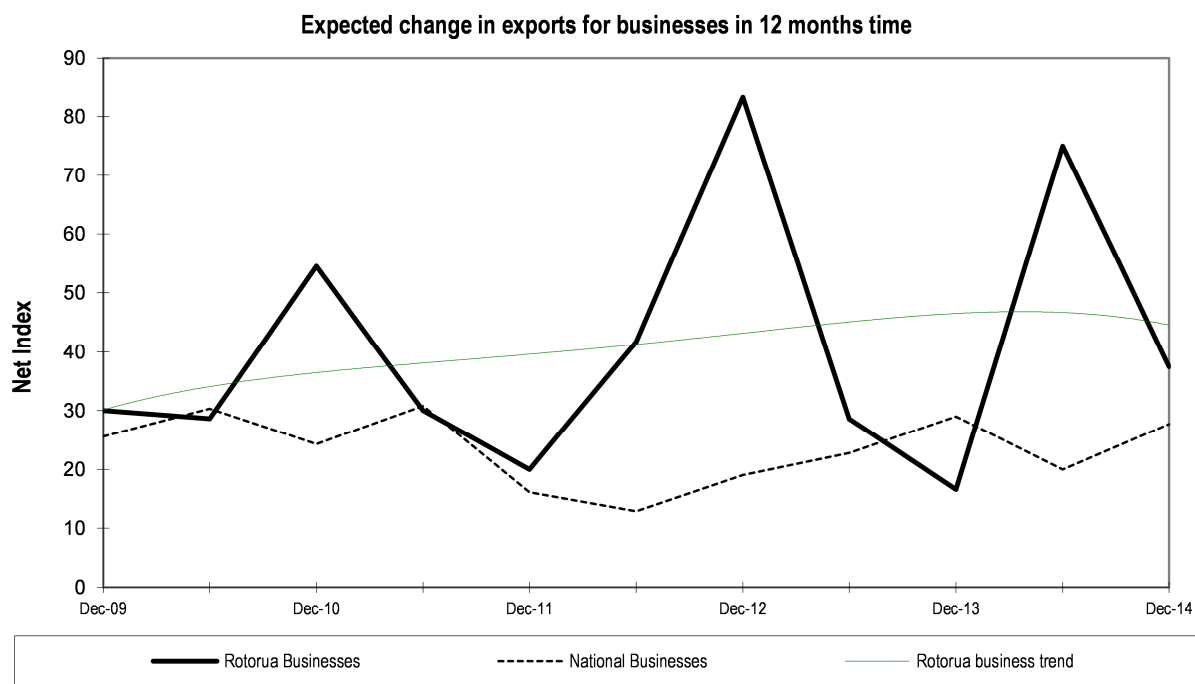
Rotorua businesses reported an increase in confidence levels over the six months from June 2014. The index increased by 5.3 points, taking it to 31.3. This positive index indicated that a majority of Rotorua businesses expected to invest more back into their businesses over the 12 months to December 2015.

Nationally, businesses reported a decrease in confidence of 5.5 points, taking the national business index to 20.2. Despite the decrease in confidence, the positive index indicated that businesses nationally expected to invest an increased amount into their businesses than they did in December 2014.

Exports

NZ Business ↑ - 😊

Rotorua Business ↓ - 😞



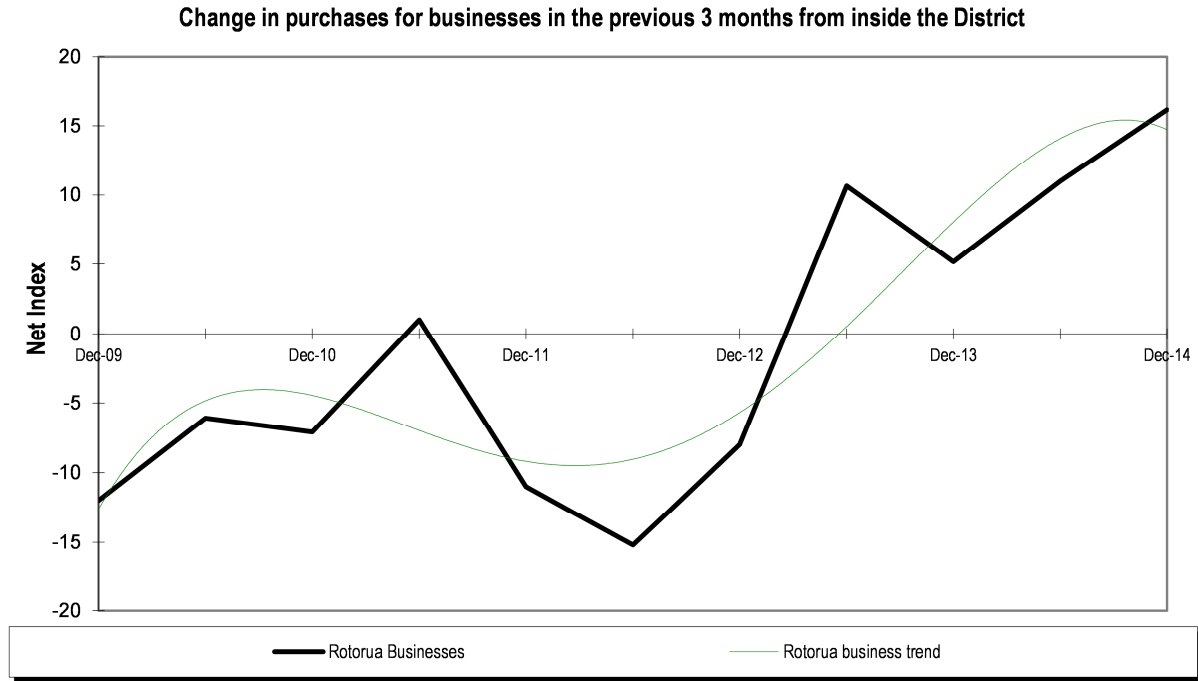
Rotorua businesses involved in exporting reported a decrease in confidence regarding the volume of products to be exported over the 12 months to December 2015. The Rotorua business index decreased by 37.5 points taking it to 37.5. Despite the decrease, this positive index indicated that the majority of export businesses expect levels of exports to increase over the 12 months to December 2015.

Nationally, businesses involved in exporting reported an increase in confidence of 7.7 points taking the index to 27.7. The positive index indicated that the majority of export businesses nationally expected their volume of exports to increase from December 2014 levels.

Purchases

Inside the District

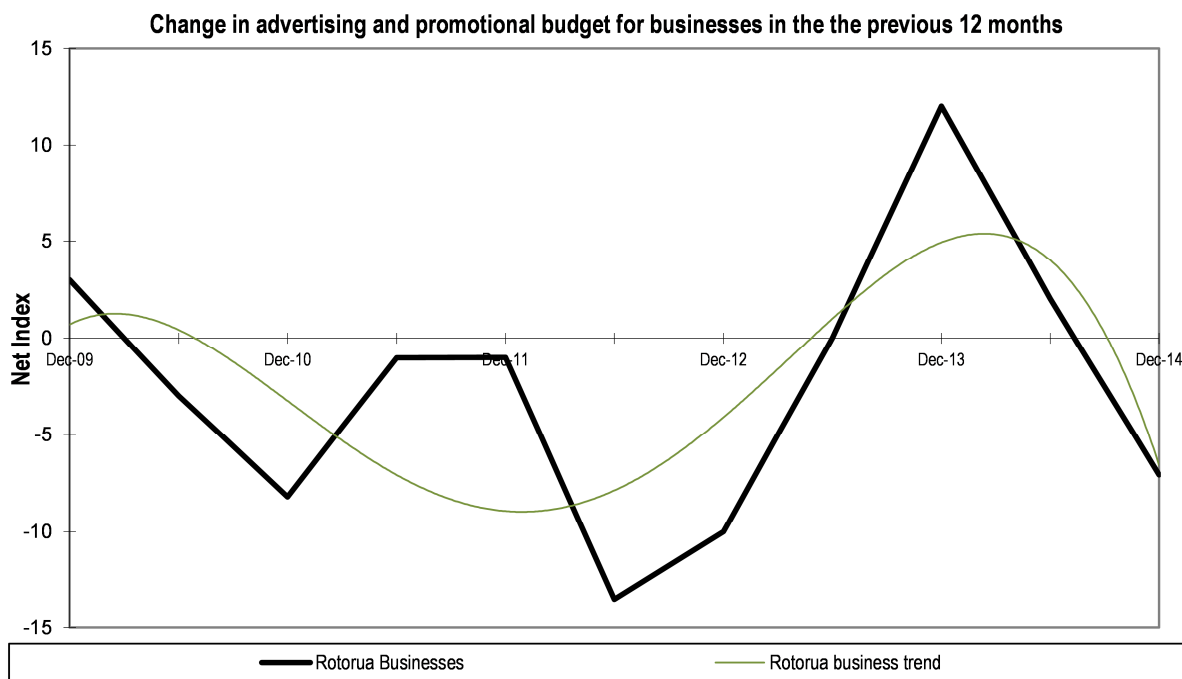
Rotorua Business ↑ - 😊



Rotorua businesses reported spending more from inside the district in December 2014 compared to September 2014. The index increased 5.2 points taking it to 16.2. This indicated that most businesses purchased increased levels of products or services from inside the district than they had from outside it between September and December 2014.

Promotional Activity

Rotorua Business ↓ - ☹



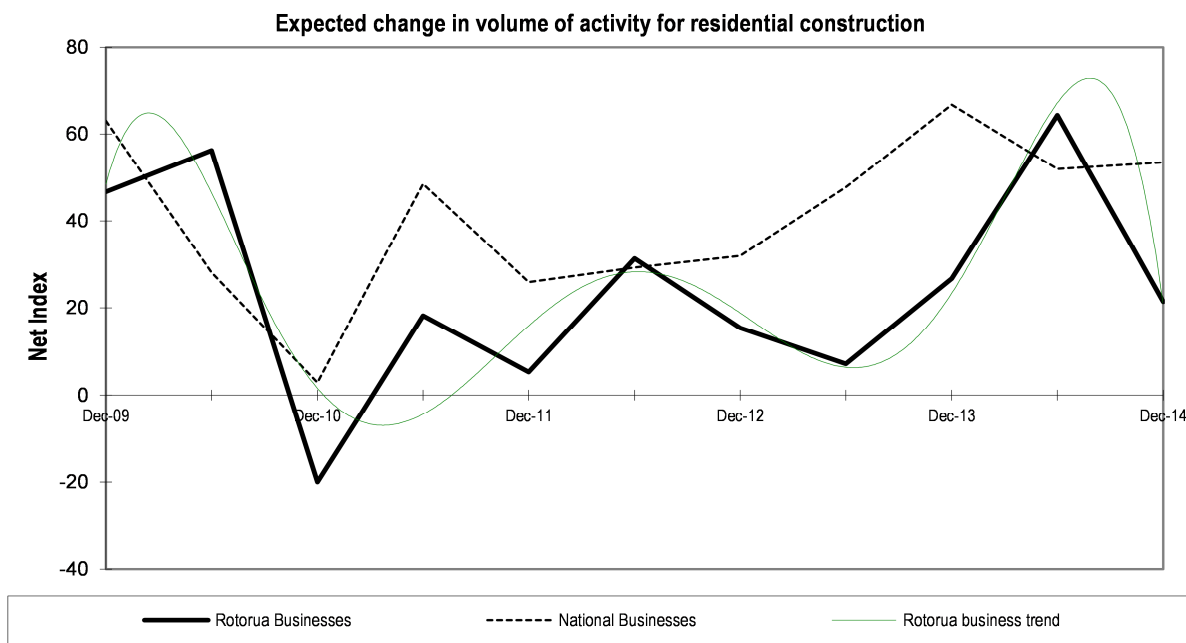
The Rotorua business index decreased by 9.1 points over the 12 months prior to December 2014, to reach an index of -7.1. Despite the drop in confidence, this neutral index indicated that the majority of businesses had kept their promotional budgets similar to December 2013 levels over the year ending December 2014.

Construction

Residential Construction

NZ Business NC - 😊

Rotorua Business ↓ - 😊



Rotorua businesses involved in residential construction reported a decrease in confidence with regard to their upcoming volume of work. The Rotorua business index decreased by 42.9 points taking it to 21.4. Despite the decrease in confidence, the positive index indicated that the majority of construction businesses expected the volume of their residential construction to increase from December 2014 levels.

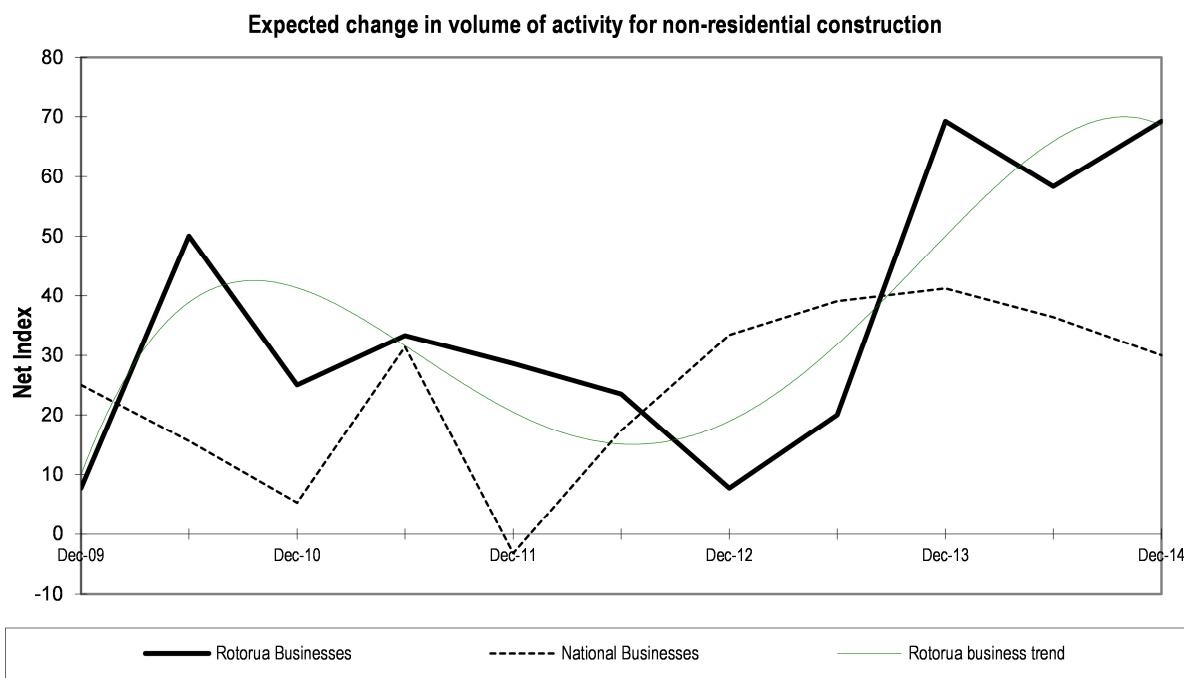
Nationally, construction businesses reported a slight increase in confidence of 1.5 points, taking the index to 53.5. This positive index indicated that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction would increase from December 2014 levels.

National construction businesses reported higher levels of confidence regarding upcoming volumes of construction compared to their Rotorua counterparts, although both indexes indicated increasing levels of activity from December 2014 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 10.9 points to 69.2. The positive index indicated that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from December 2014 levels.

Nationally, construction businesses reported a decrease in confidence of 6.4 points, taking the national business index to 30.0. Despite the decrease, the positive index indicated that the majority of national businesses expected levels of non-residential construction to increase from December 2014 levels.

Rotorua and national businesses are optimistic about levels of commercial construction with both predicted increasing volumes of construction activity.

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 – December 2014

Availability of unskilled labour	Number	Percent	% ex non spec
Excellent	11	11.0%	13.6%
Good	26	26.0%	32.1%
Average	28	28.0%	34.6%
Poor	13	13.0%	16.0%
Very poor	3	3.0%	3.7%
Don't know	19	19.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

When asked about the availability of unskilled labour in Rotorua, 45.7% of respondents rated it as excellent or good, 34.6% as average and 19.8% as poor or very poor.

Availability of Rotorua Skilled Labour – December 2014

Availability of skilled labour	Number	Percent	% ex non spec
Excellent	0	0.0%	0.0%
Good	13	13.0%	14.1%
Average	32	32.0%	34.8%
Poor	40	40.0%	43.5%
Very poor	7	7.0%	7.6%
Don't know	8	8.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

When asked about the availability of skilled labour in Rotorua, 14.1% of respondents rated it as excellent or good, 34.8% as average and 51.1% as poor or very poor.