

DECEMBER 2017 BUSINESS AND PUBLIC CONFIDENCE

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

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



INTRODUCTION

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

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

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

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

RESULTS SUMMARY

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

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

ROTORUA BUSINESS CONDITIONS

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

The Rotorua business and public indexes both showed lowering confidence levels in December 2017, although most were optimistic with an expectation of mainly increasing indicators over the 12 months to December 2018.

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

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

Rotorua residents expected local unemployment to decrease.

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

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

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

NATIONAL BUSINESS CONDITIONS

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

The national indexes generally showed decreasing confidence levels regarding national business indicators with a noticeable change in indexes turning neutral or showing decreases.

On the positive side economic activity was expected to increase and personal income was expected to increase.

Investment into businesses was expected to remain static at December 2017 levels.

Business employment levels were expected to remain static by national businesses.

On the negative side:

- National businesses expect general business conditions to decrease, while Rotorua business expect conditions to remain at current levels.
- Regarding national unemployment, businesses nationally expected it to increase from December 2017 levels.
- All groups showed an expectation of raising prices.
- Interest rates were expected to increase.

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

Overall summary of indexes

Positive indexes

☺
☺
☹

23 indexes

Static indexes

7 indexes

Negative indexes

8 indexes

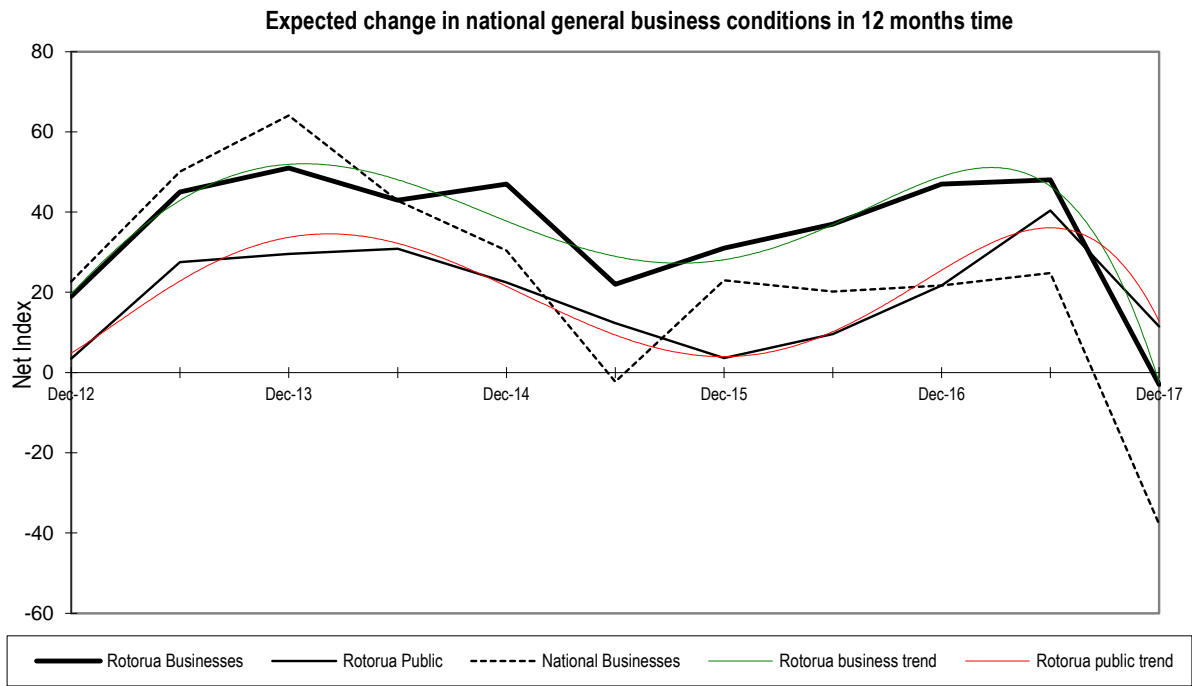
FULL RESULTS

National General Business Conditions

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️

Rotorua Public ↓ - 😊



Rotorua businesses reported a large decrease in confidence regarding national general business conditions over the 12 months to December 2018. The index decreased by 51.0 points to -3.0. Despite the large decrease, the neutral index indicated that the majority of Rotorua businesses expected national general business conditions to remain at December 2017 levels over the year to December 2018.

The Rotorua household index decreased by 28.9 points, taking it to 11.5. Despite the decrease in confidence, the positive index indicated that a majority of householders in Rotorua expected national general business conditions to increase from December 2017 levels over the 12 months to December 2018.

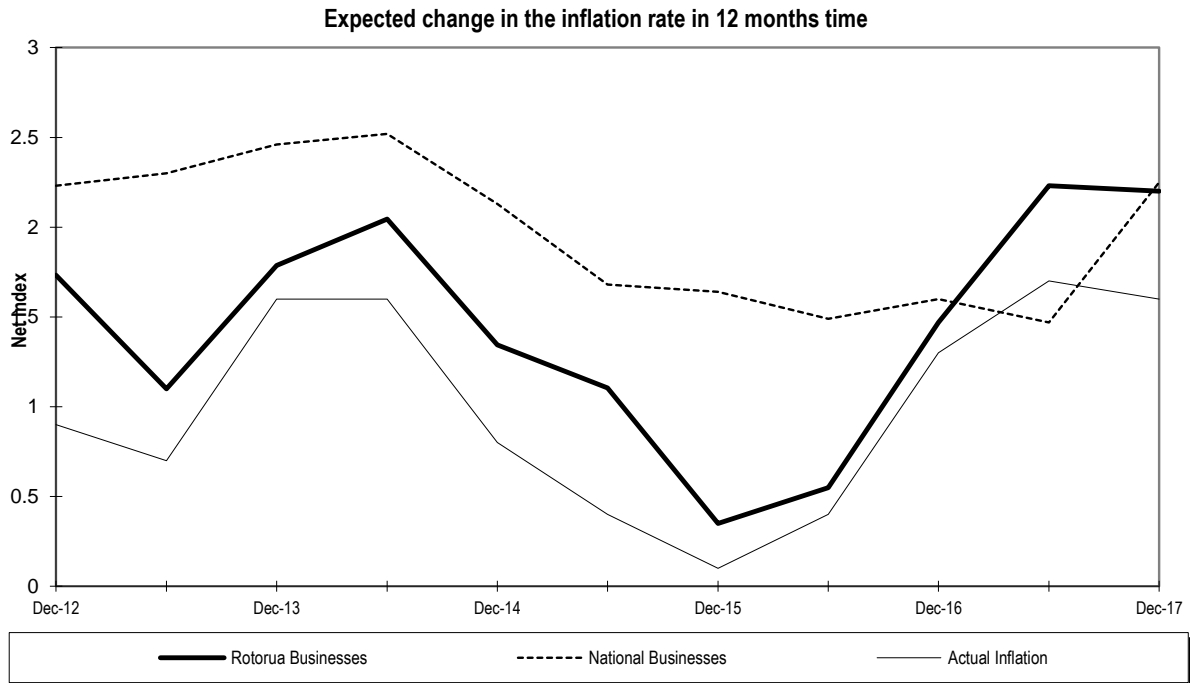
The national business index decreased by 62.6 points. This took the index to -37.8 points. This negative index indicated that businesses nationally expected national general business conditions to decrease from December 2017 levels.

In conclusion, all indexes showed decreasing confidence when it comes to national general business conditions, with Rotorua businesses expecting it to slow to a stable level, Rotorua householders expecting it to increase at a lesser rate and national businesses expecting it to decrease.

Inflation Rate

NZ Business ↑

Rotorua Business ↓



Rotorua businesses were expecting inflation to decrease over the 12 months to December 2018, with an expected decrease of 0.03%, taking expected inflation to 2.2% year on year.

Businesses nationally reported an expectation that inflation levels would increase, with expected inflation increasing by 0.78% to 2.25%.

The actual inflation rate for December 2017, as measured by the Consumer Price Index, was 1.6% from the same time last year. This was a decrease of 0.1% from the June 2017 rate of 1.7%.

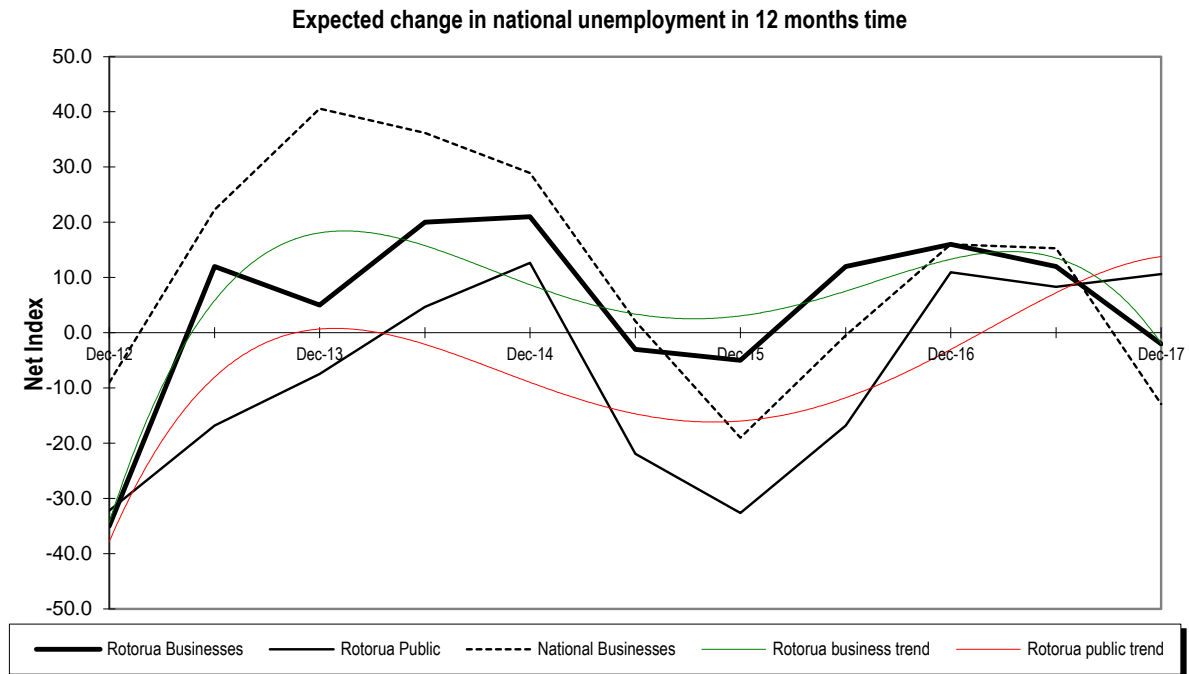
Looking back to last year, Rotorua businesses predicted inflation would be at 1.47% in December 2017 and New Zealand businesses were expecting it to reach 1.60%.

National Unemployment

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️

Rotorua Public NC - 😊



Rotorua businesses reported a decrease in confidence with the index decreasing by 14.0 points to -2.0. Despite the drop in confidence, this neutral index indicated that a majority of Rotorua businesses expected unemployment to remain at December 2017 levels over the 12 months to December 2018.

The Rotorua public index increased slightly by 2.3 points, taking it to 10.6. This positive index indicated that a majority of Rotorua households expected unemployment nationally to reduce from December 2017 levels over the 12 months to December 2018.

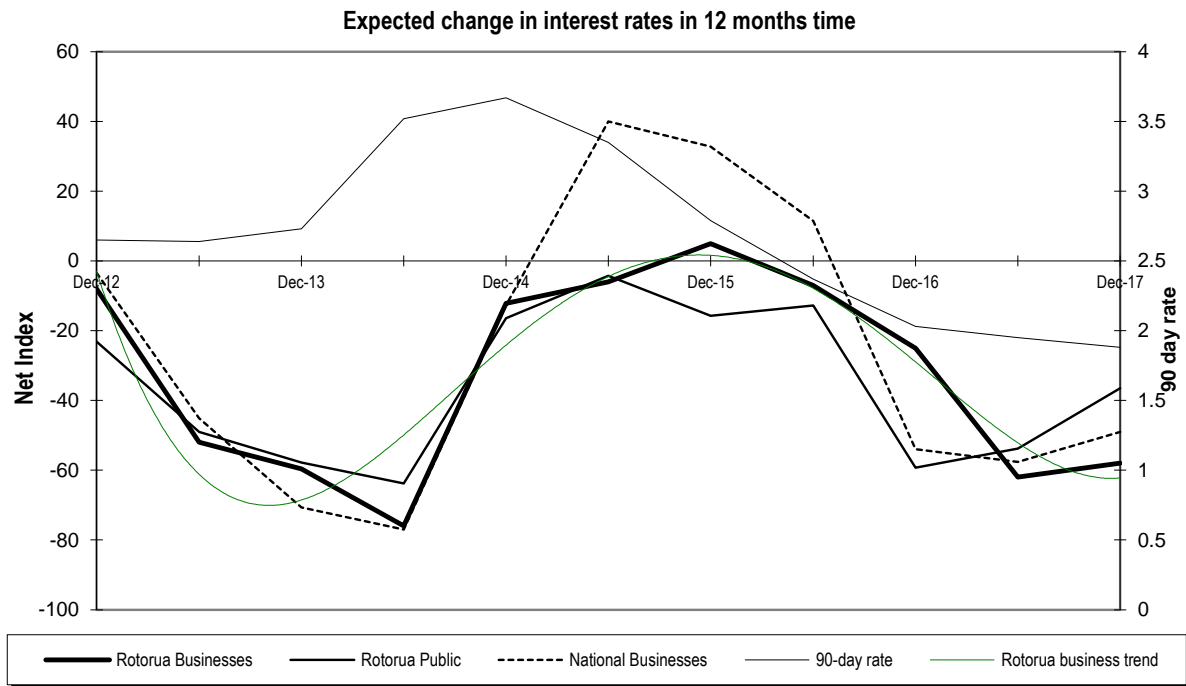
The national business index decreased by 28.2 points, taking it to -12.9. This negative index indicated that a majority of national businesses expected unemployment to increase from December 2017 levels.

Interest Rates

NZ Business ↑ - ☹

Rotorua Business ↑ - ☹

Rotorua Public ↑ - ☹



Rotorua businesses reported an increase in confidence regarding expected interest rates in 12 months' time. The index increased by 4.0 points, taking it to -58.0. Despite the small increase in confidence, this negative index indicated that a majority of Rotorua businesses expected interest rates to increase from December 2017 levels over the year to December 2018.

Rotorua residents reported an increase in confidence from the June 2017 survey. The index increased by 17.3 points taking it to -36.5. Despite the increase, this negative index indicated that a majority of Rotorua households expected interest rates to increase from December 2017 levels over the year to December 2018.

Nationally, businesses reported an increase in confidence with the index increasing 8.6 points, taking the national business index to -49.0. This negative index indicated that the majority of national businesses expected interest rates to increase from December 2017 levels.

The December 2017, 90-day rate decreased by 0.07 over the six months from June 2017, decreasing from 1.95 in June 2017 to 1.88 in December 2017.

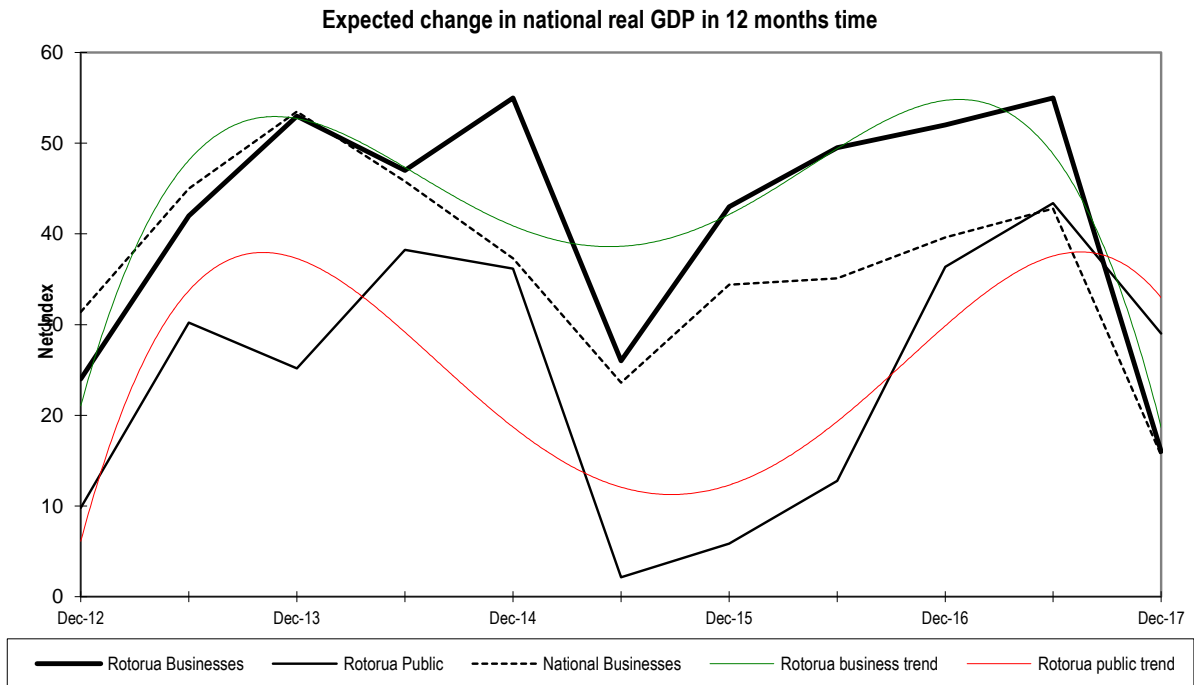
In conclusion, all indexes showed an expectation of interest rates increasing from December 2017 levels.

National Real GDP/Economic Activity

NZ Business ↓ - 😊

Rotorua Business ↓ - 😊

Rotorua Public ↓ - 😊



Despite drops in confidence, all three indexes showed an expectation of increasing economic activity.

Rotorua businesses reported a decrease in confidence during the December 2017 survey, with the index decreasing by 39.0 points, taking it to 16.0. Despite the drop in confidence, this positive index indicated that the majority of Rotorua businesses expected national real GDP to increase over the 12 months to December 2018.

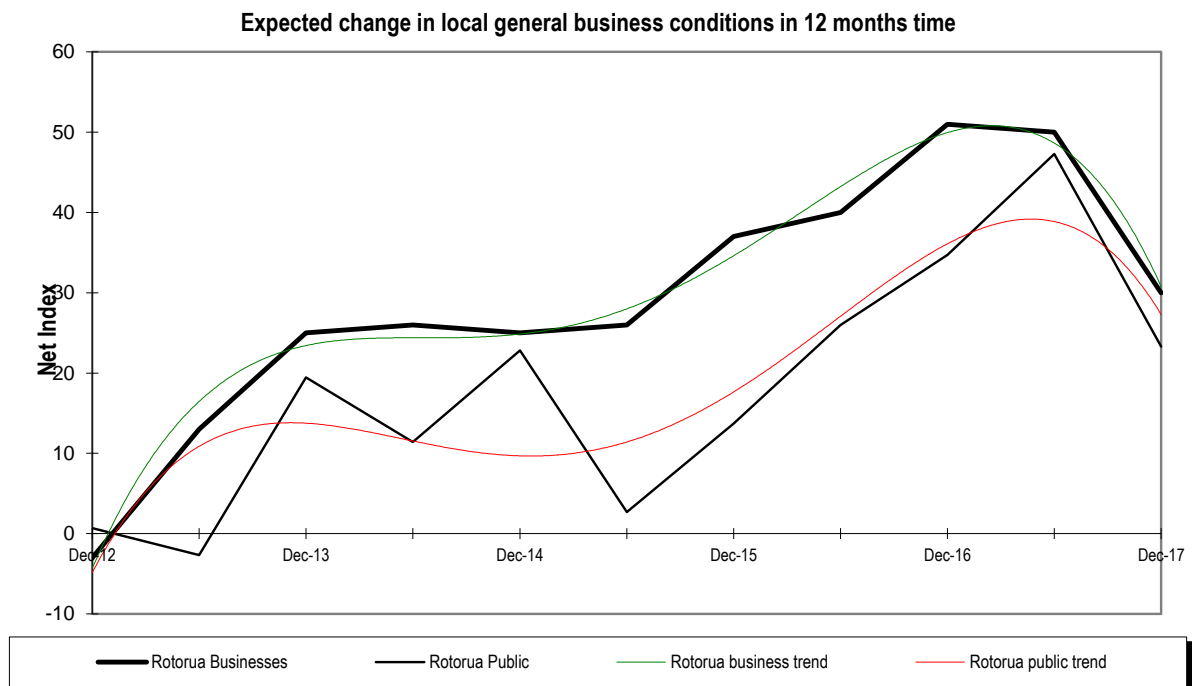
Rotorua households reported a decrease in confidence with the index dropping 14.4 points to 29.0. Despite the drop in confidence, the index is still positive indicating that a majority of Rotorua households expected levels to increase from December 2017 levels over the 12 months to December 2018.

Nationally, the business index decreased by 27.2 points, taking it to 15.6. Despite the drop in confidence, this positive index indicated that the majority of national businesses predicted that national real GDP would increase from December 2017 levels.

Local General Business Conditions

Rotorua Business ↓ - ☺

Rotorua Public ↓ - ☺



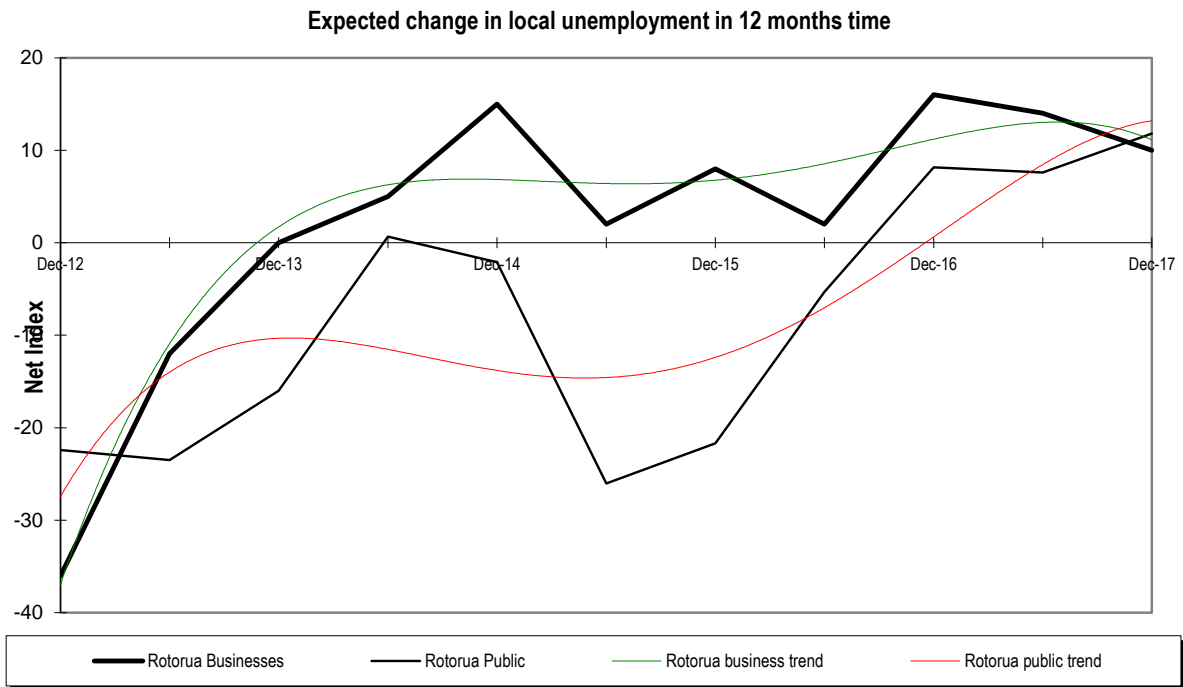
The Rotorua business index decreased by 20.0 points. Despite the decrease, the index reached 30.0 during the December 2017 Rotorua confidence survey. The positive index indicated that a majority of Rotorua businesses expected local general business conditions to increase from December 2017 levels over the 12 months to December 2018.

The Rotorua public index decreased by 24.0 points, taking it to 23.3. Despite the drop in confidence, the positive index indicated that the majority of Rotorua households expected local general business conditions to increase from December 2017 levels over the year to December 2018.

Local Unemployment

Rotorua Business ↓ - ☹️

Rotorua Public ↑ - 😊



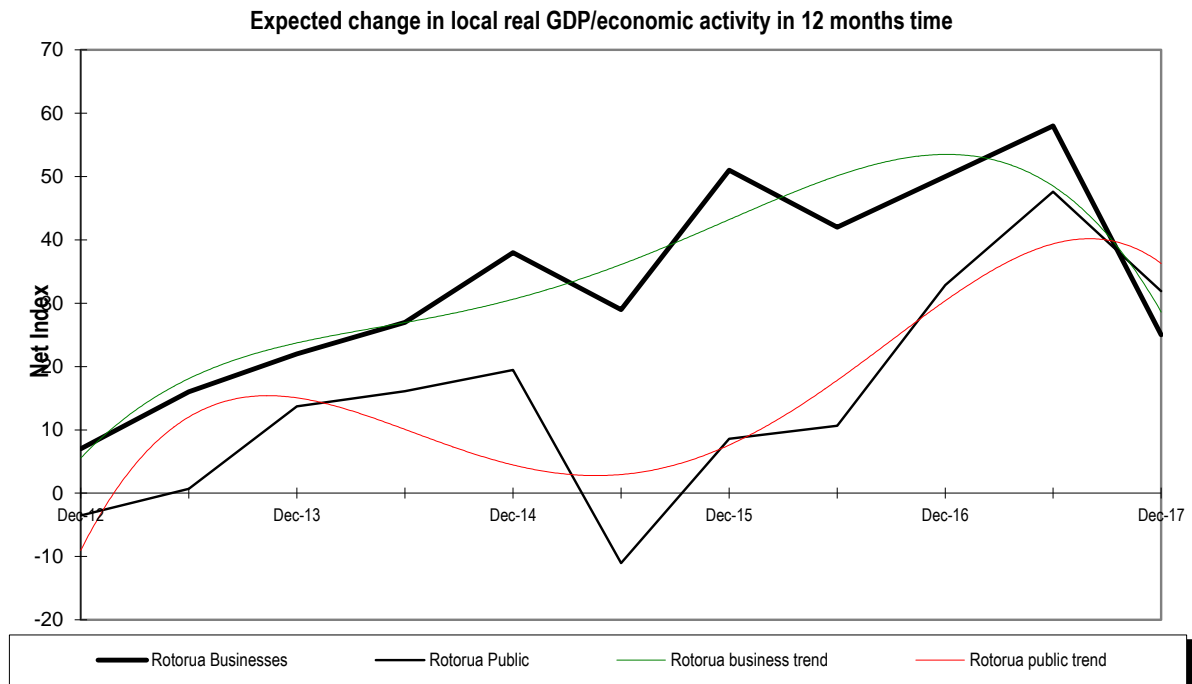
The Rotorua business index decreased by 4.0 points during the December 2017 survey, taking it to 10.0. Despite the decrease, the positive index indicated that the majority of Rotorua businesses expected local unemployment to reduce from December 2017 levels over the 12 months to December 2018.

Rotorua households reported an increase in confidence, with the index increasing 4.2 points, taking it to 11.8. The positive index indicated that Rotorua householders expected local unemployment to decrease from December 2017 levels over the 12 months to December 2018.

Local Real GDP / Economic Activity

Rotorua Business ↓ - 😊

Rotorua Public ↓ - 😊



Rotorua businesses reported a decrease in confidence of 33.0 points during the December 2017 survey. Despite the drop in confidence, the positive index of 25.0 indicated that the majority of Rotorua businesses expected economic activity to increase from December 2017 levels over the 12 months to December 2018.

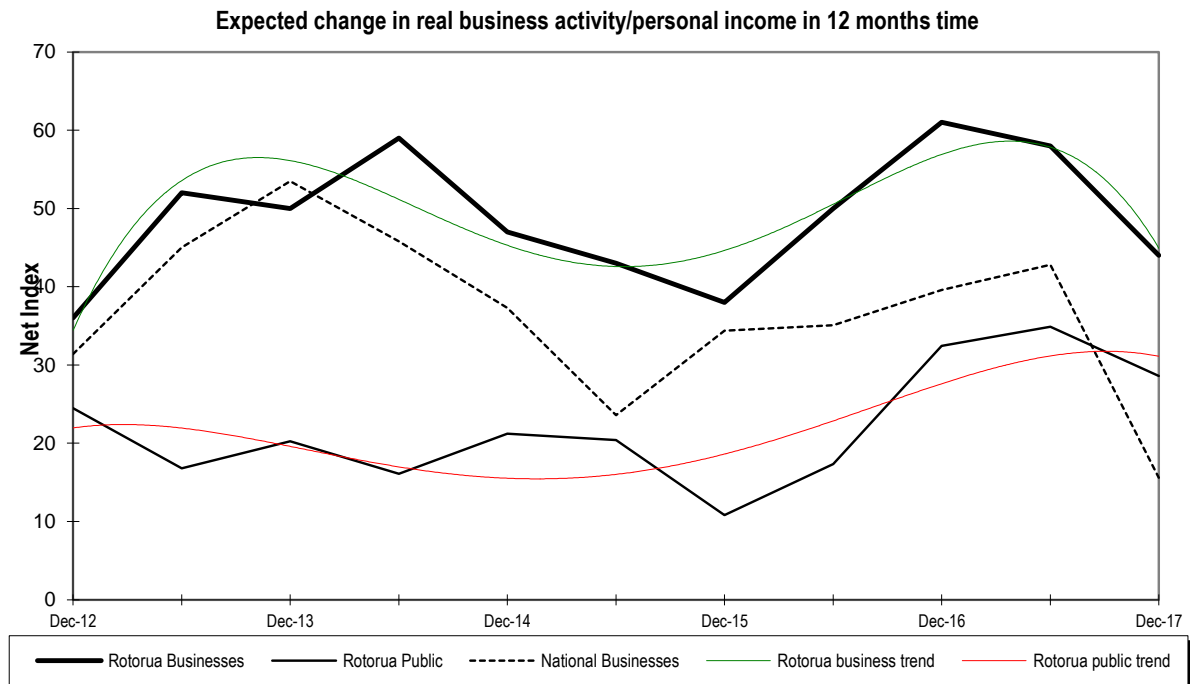
Rotorua households also reported a decrease in confidence, dropping 15.7 points, taking the index to 31.9. Despite the drop, this positive index indicated that a majority of Rotorua households expected business activity to increase from December 2017 levels over the 12 months to December 2018.

Real Business Activity / Personal Income

NZ Business ↓ - 😊

Rotorua Business ↓ - 😊

Rotorua Public ↓ - 😊



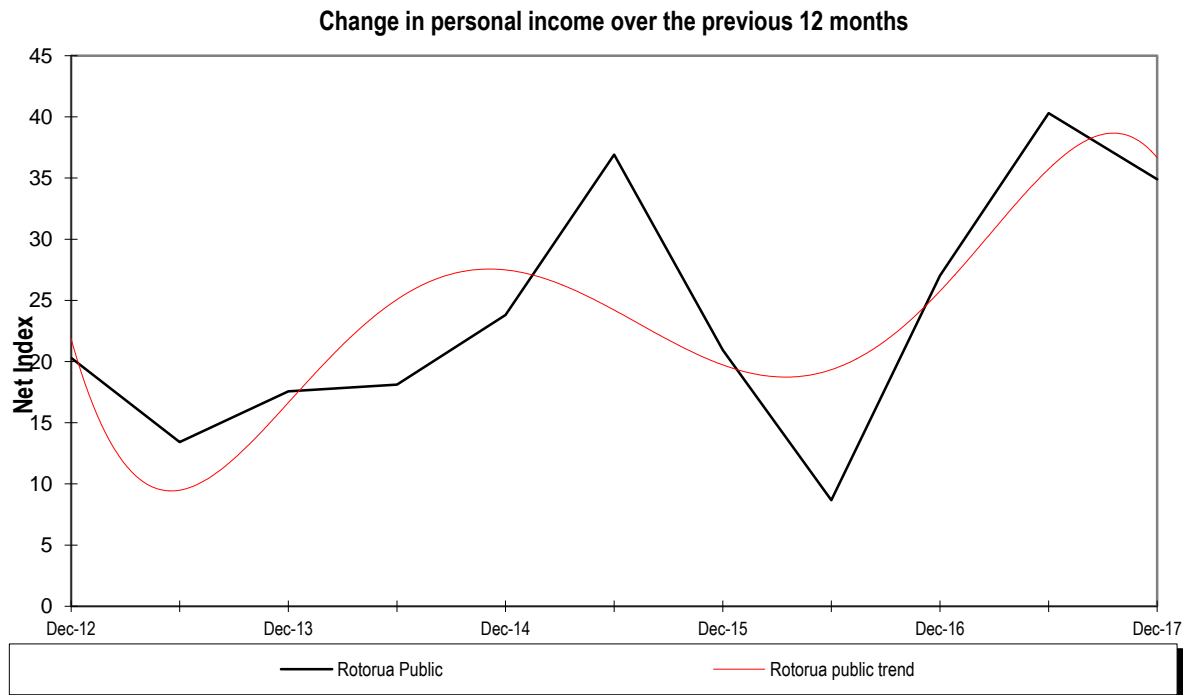
All indexes showed an expectation of increasing income levels from December 2017 levels.

Rotorua businesses reported a decrease in confidence over the six months from June 2017, with the index decreasing 14.0 points. Despite the decrease in confidence, the high positive index of 44.0 indicated that the majority of Rotorua businesses were confident of increased income levels over the 12 months to December 2018.

The Rotorua public index decreased by 6.3 points during the December 2017 survey, taking the index to 28.6. Despite the drop in confidence, the positive index indicated that a majority of Rotorua residents expected their personal income to increase from December 2017 levels over the year to December 2018.

Nationally, the index decreased by 27.2 points, taking it to 15.6. Despite the drop, the positive index indicated that a majority of national businesses expected their income levels to increase from December 2017 levels.

Rotorua Public ↓ - ☺

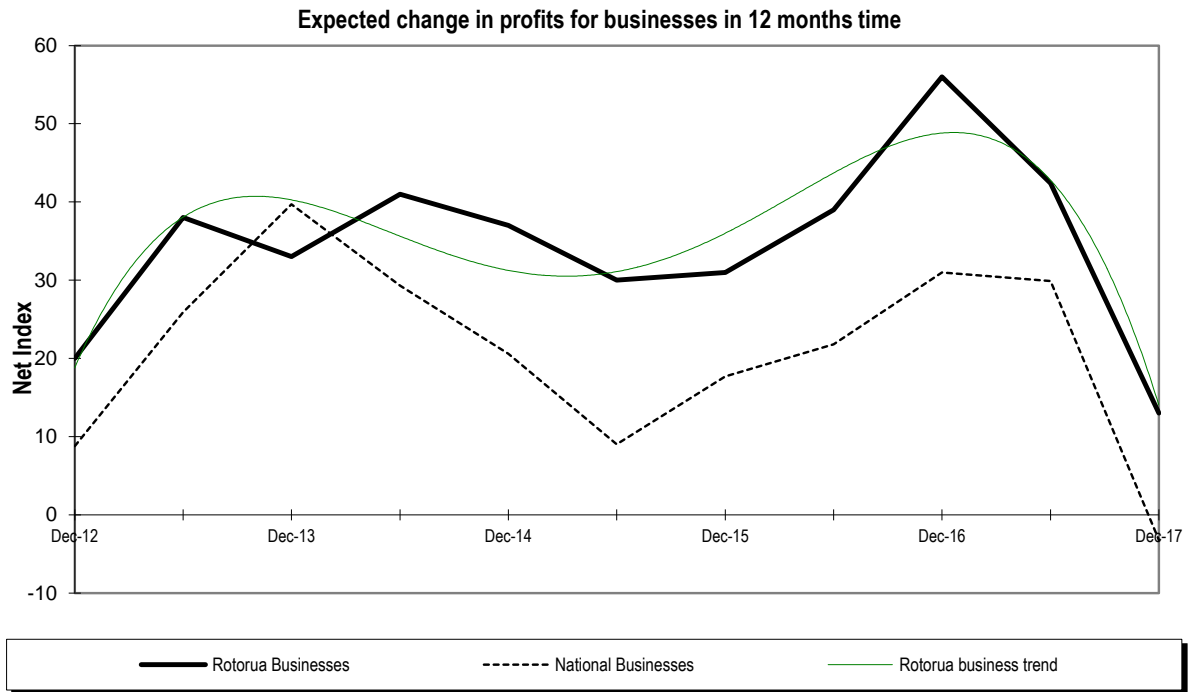


The Rotorua public index decreased by 5.4 points during the December 2017 survey, taking the index to 34.9. This positive index indicated that most people have increased their personal income over the 12 months prior to December 2017.

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 2018. The Rotorua business index decreased by 29.4 points. Despite the drop in the index, it was still in positive territory, with a value of 13.0. The positive index indicated that a majority of Rotorua businesses expected profits to increase from December 2017 levels over the year to December 2018.

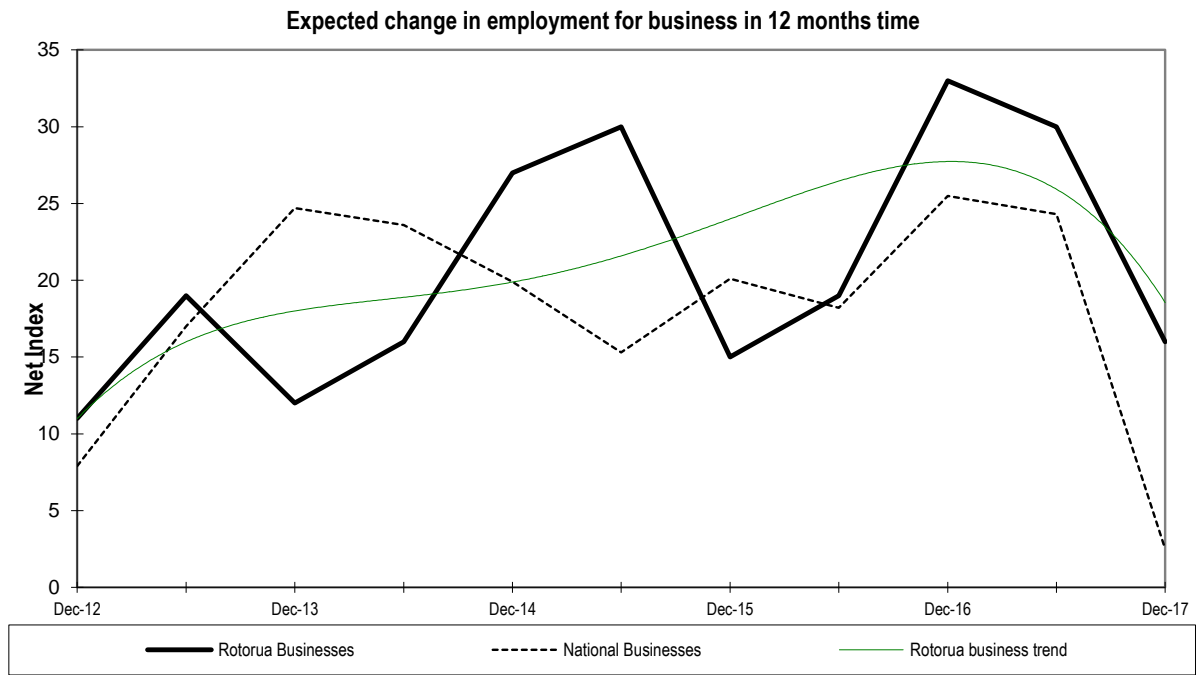
The National business index decreased by 33.1 points taking the December 2017 index to -3.2. The neutral index indicated that a majority of businesses nationally expected profits to remain at December 2017 levels.

In conclusion, the majority of Rotorua businesses expected an increase in their profit levels from December 2017 while nationally, businesses expect profit levels to remain static.

Employment for Businesses

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️



Rotorua businesses reported a decrease in confidence regarding levels of employment over the 12 months to December 2018. The index decreased by 14.0 points taking it to 16.0. Despite the decrease, the positive index indicated that the majority of Rotorua businesses expected to employ an increased number of workers over the year to December 2018, than they did in December 2017.

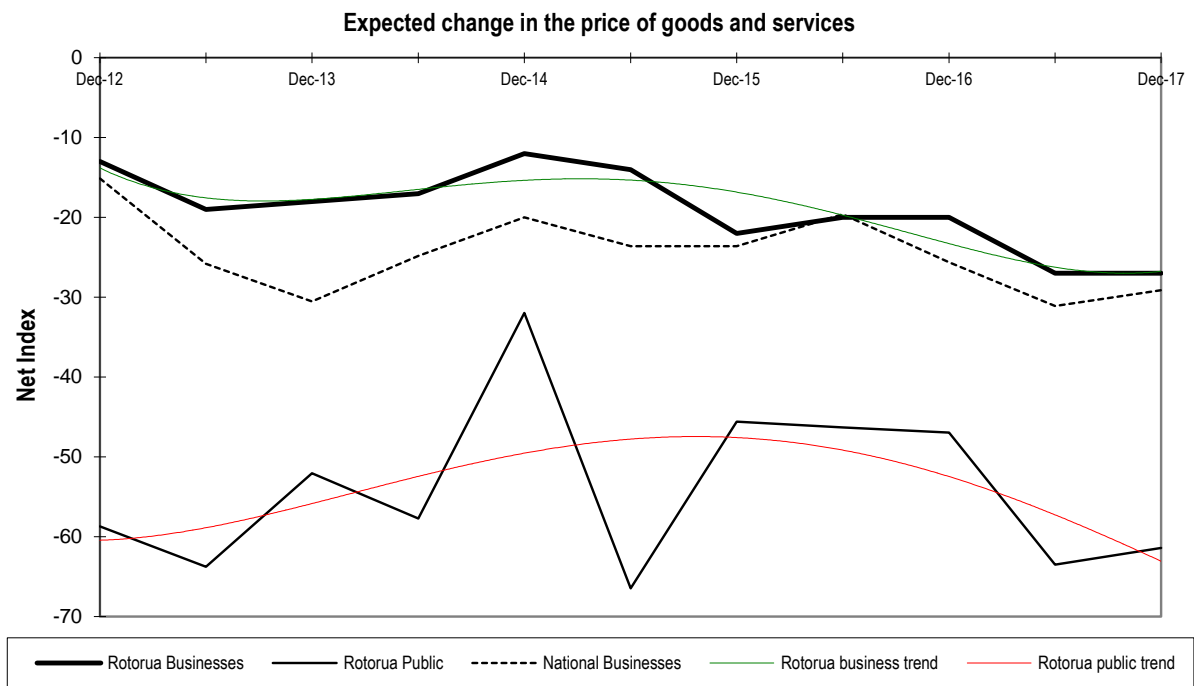
Nationally, businesses reported a decrease in confidence of 21.8 points, taking the index to 2.5. This neutral index indicated that nationally businesses expected to employ a similar number of workers than the numbers they employed in December 2017.

Price of Goods and Services

NZ Business NC - ☹

Rotorua Business NC - ☹

Rotorua Public NC - ☹



All three indexes indicated an expectation of price rises.

Rotorua businesses confidence remained unchanged at -27.0. This negative index indicated that a majority of Rotorua businesses expected the price of their goods and services to increase over the three months to March 2018.

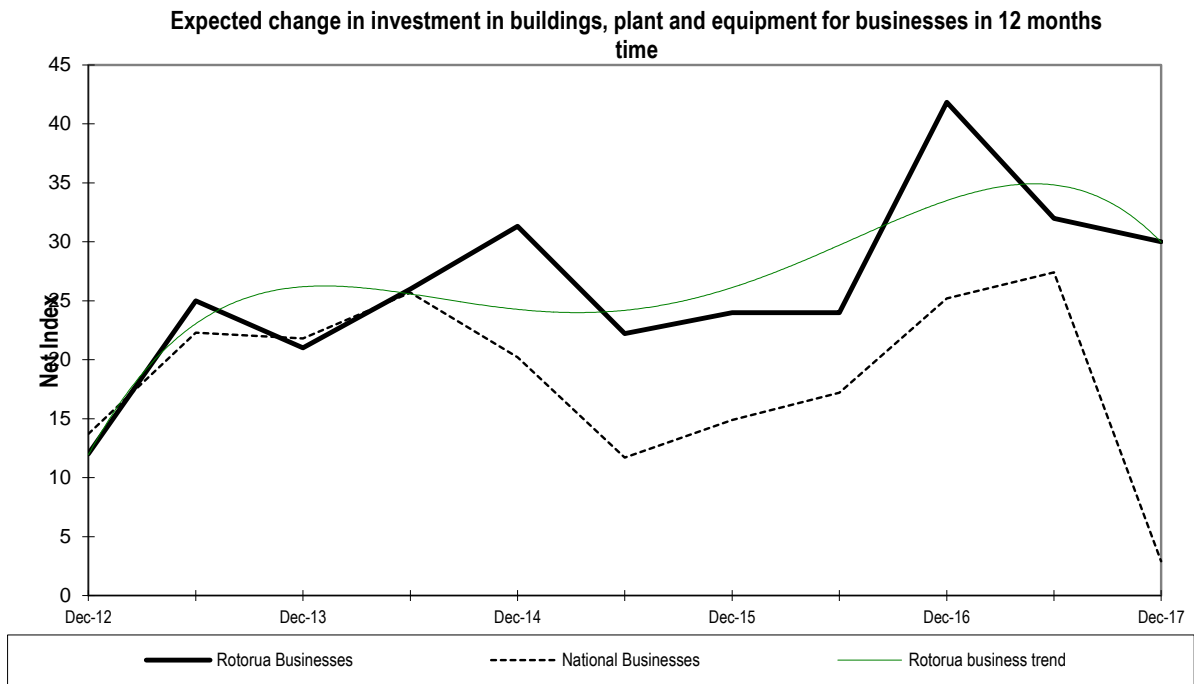
Rotorua householders reported a slight increase in confidence, with the index increasing 2.1 points to -61.4. This highly negative index indicated that the majority of Rotorua householders believed that prices will increase over the three months to March 2018.

Nationally, businesses reported a slight increase in confidence for the December 2017 survey, with the index increasing 2.0 points to -29.1. This negative index indicated that a majority of businesses nationally expected prices to increase from December 2017 levels.

Investment for Businesses

NZ Business ↓ - ☹️

Rotorua Business NC - 😊



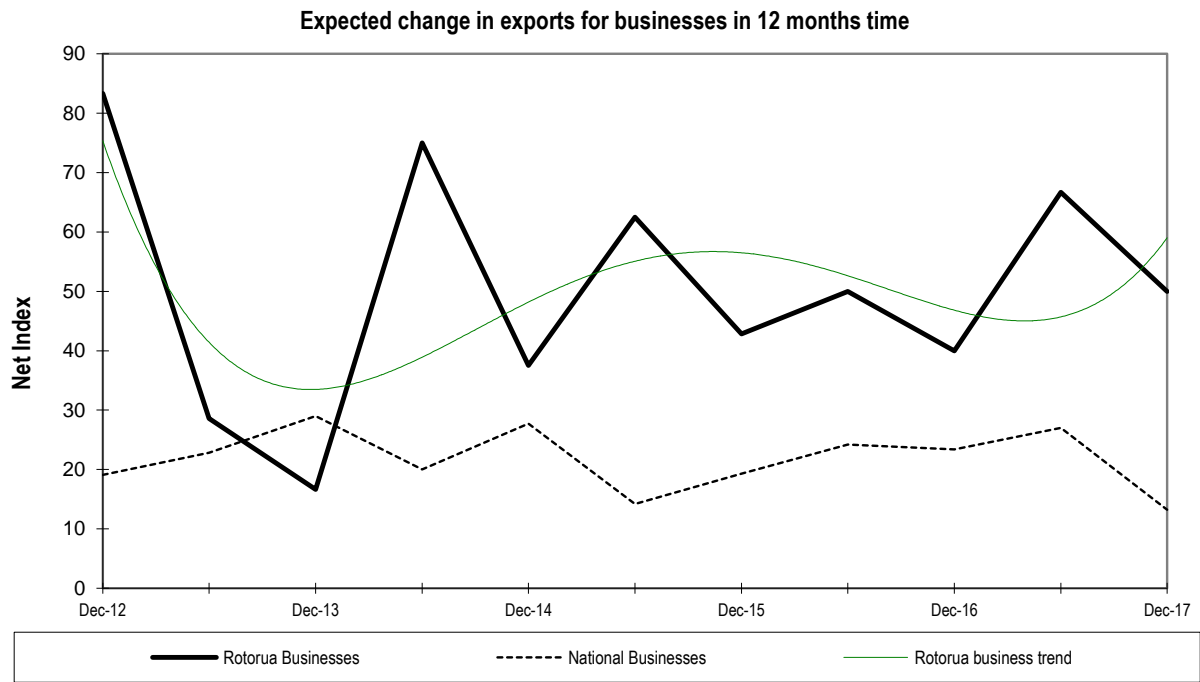
Rotorua businesses reported a slight decrease in their index, with the index decreasing 2.0 points to 30.0. Despite the slight decrease, this positive index indicated that a majority of Rotorua businesses expected to invest more back into their businesses over the 12 months to December 2018.

Nationally, businesses reported a decrease in confidence of 24.5 points, taking the national business index to 2.9 for the December 2017 survey. The drop in the index took it to neutral territory. The neutral index indicated that businesses nationally expected to invest similar amounts into their businesses than they did in December 2017.

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 2018. The index decreased 16.7 points to reach a high 50.0 points. Despite the drop in confidence, this indicated that the majority of export businesses expected levels of exports to increase over the 12 months to December 2018.

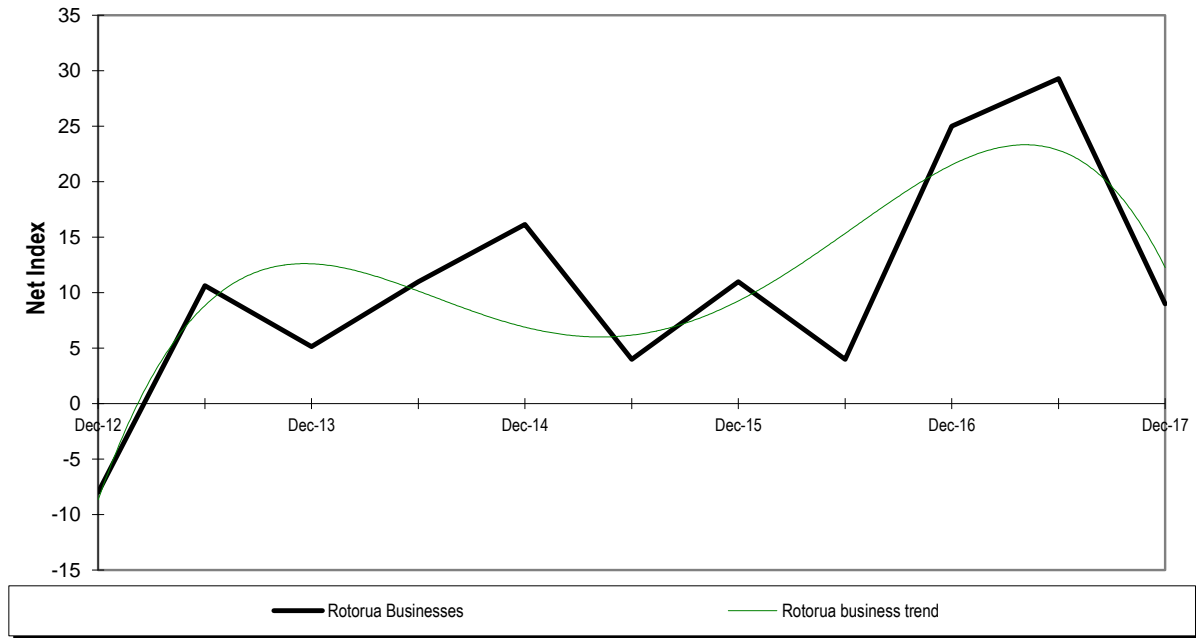
Nationally, businesses involved in exporting reported a decrease in confidence of 13.8 points, taking the index to 13.2. The positive index indicated that a majority of export businesses nationally expected their volume of exports to increase from December 2017 levels.

Purchases

Inside the District

Rotorua Business ↓ - 😐

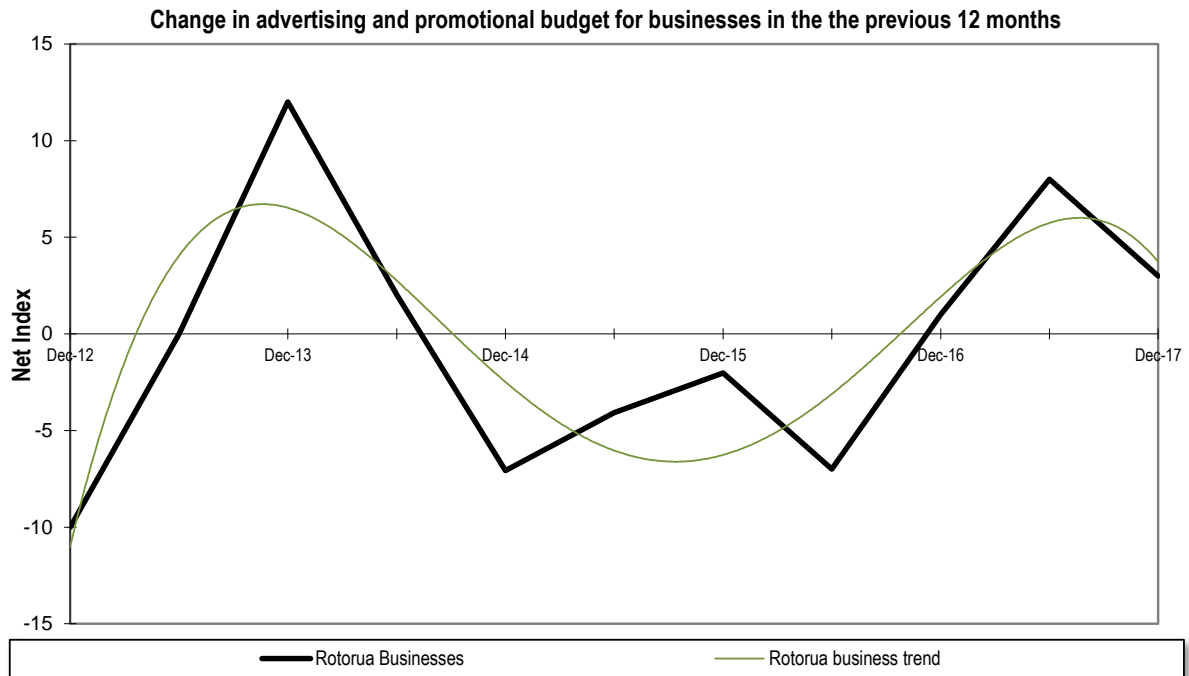
Change in purchases for businesses in the previous 3 months from inside the District



Rotorua businesses reported spending similar amounts from inside the district in September 2017 compared to December 2017. The index decreased 20.3 points taking it to 9.0. This neutral index indicated that a majority of businesses purchased similar products or services from inside the district than they had from outside it.

Promotional Activity

Rotorua Business ↓ - ☹️



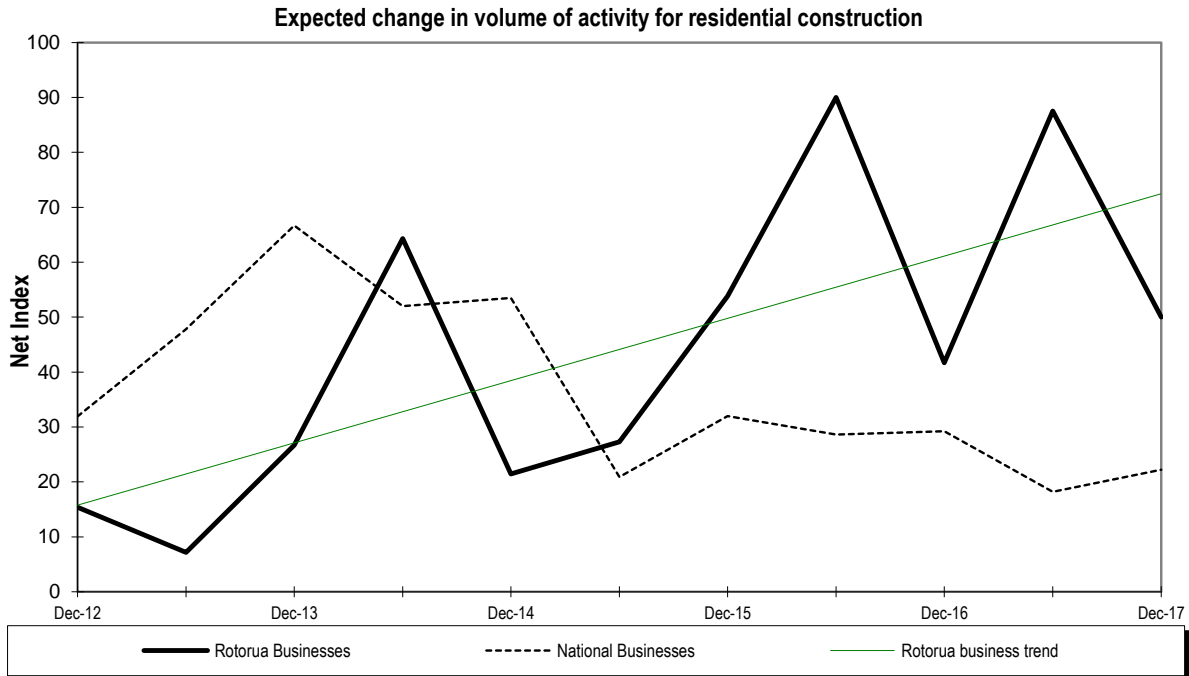
Rotorua businesses reported a decrease in confidence since December 2017. The December index decreased by 5.0 points to an index of 3.0. This neutral index indicated that the majority of businesses had kept their promotional budgets similar to December 2016 levels over the year ending December 2017.

Construction

Residential Construction

NZ Business ↑ - 😊

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 37.5 points taking it to 50.0. Despite the drop in confidence, the positive index indicated that the majority of construction businesses expected the volume of their residential construction to increase from December 2017 levels.

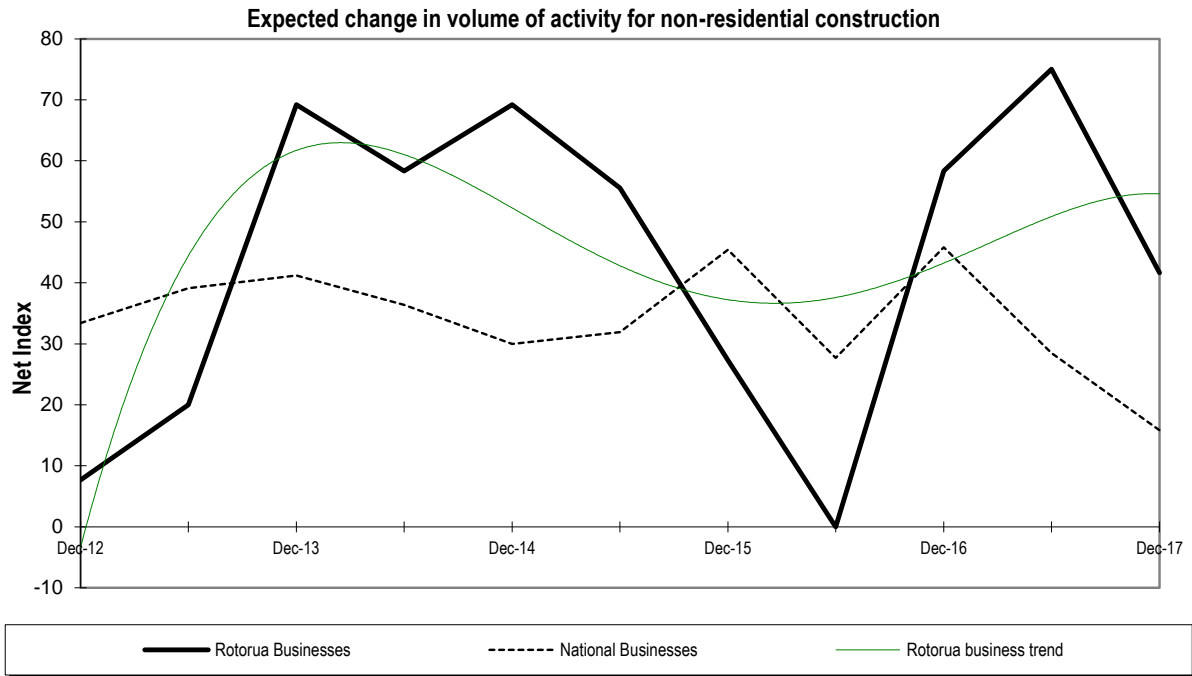
Nationally, construction businesses reported an increase in confidence of 4.0 points, taking the index to 22.2. The positive index indicated that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction would increase from December 2017 levels.

Rotorua and National construction businesses both reported expected levels of residential construction to increase from December 2017 levels.

Non-residential Construction

NZ Business ↓ - 😊

Rotorua Business ↓ - 😊

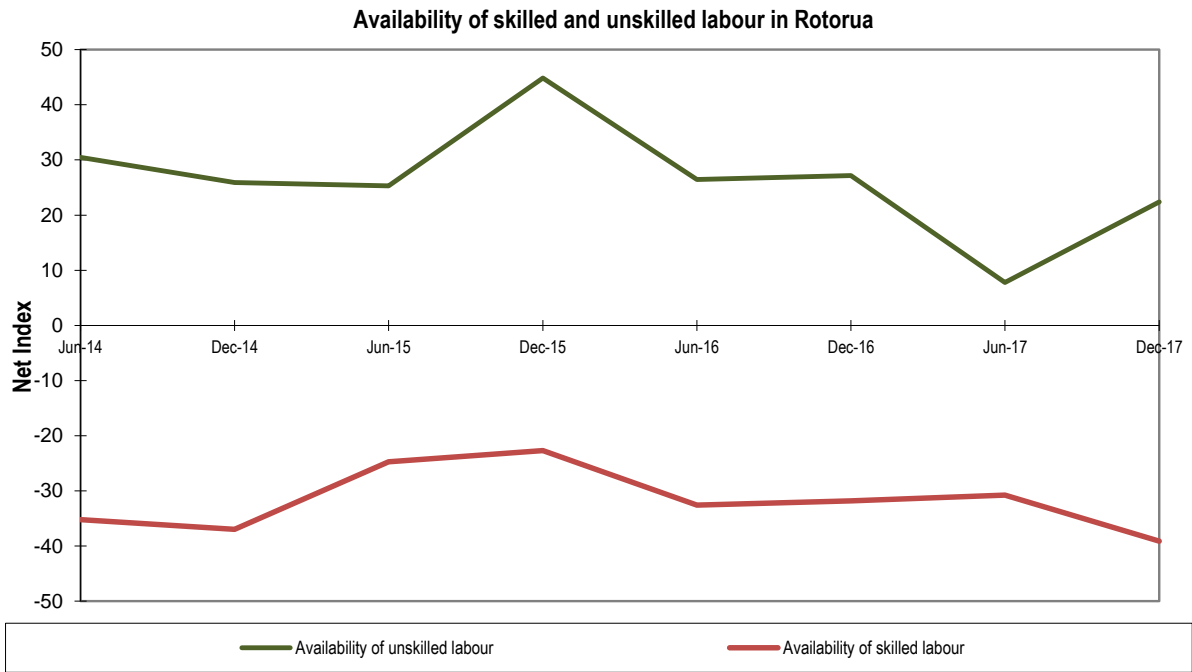


Rotorua construction businesses reported a decrease in confidence regarding their expected volume of upcoming non-residential construction. The index decreased by 33.3 points to 41.7. Despite the decrease in confidence, this positive index indicated that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from December 2017 levels.

Nationally, construction businesses reported a decrease in confidence of 12.7 points, taking the national business index to 15.8. Despite the decrease in the index, this positive index indicated that the majority of national businesses expected levels of non-residential construction to increase from December 2017 levels.

ROTORUA SKILLS AVAILABILITY

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



Availability of Rotorua Unskilled Labour – December 2017

Availability of unskilled labour	Number	Percent	% ex non spec
Excellent	10	10.0%	13.2%
Good	21	21.0%	27.6%
Average	31	31.0%	40.8%
Poor	9	9.0%	11.8%
Very poor	5	5.0%	6.6%
Don't know	24	24.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

In December 2017, Rotorua businesses were asked how they rated the availability of unskilled labour in Rotorua. This was asked using a five point Likert scale ranging from excellent to very poor. When asked about the availability of unskilled labour in Rotorua, 40.8% of respondents rated it as excellent or good, 40.8% as average and 18.4% as poor or very poor. From these responses received, an index of 22.4 was determined. This indicated that a majority of Rotorua businesses believed that the availability of unskilled labour in Rotorua was average or better.

The index for December 2016 was 27.2, the June 2017 index reached 7.8 and the December 2017 index was 22.4. This was an increase in the index of 14.6 points, indicating an increase in confidence amongst Rotorua businesses regarding the availability of unskilled labour since June 2017.

Availability of unskilled labour comments:

Comments for a rating of excellent:

- There is plenty of unskilled labour here.
- They are hopeless but there are plenty around.

Comments for a rating of good:

- Quality is poor but plenty of unskilled workers around.

Comments for a rating of very poor:

- It is very difficult to get good labour in Rotorua.
- Workers can't pass drug tests. "P" is prevalent in Rotorua.

Comments for a rating of don't know:

- I have never looked for unskilled labour.

Availability of Rotorua Skilled Labour – December 2017

Availability of skilled labour	Number	Percent	% ex non spec
Excellent	1	1.0%	1.1%
Good	9	9.0%	9.8%
Average	36	36.0%	39.1%
Poor	35	35.0%	38.0%
Very poor	11	11.0%	12.0%
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, 10.9% of respondents rated it as excellent or good, 39.1% as average and 50.0% as poor or very poor. Converting this to an index gave an index of -39.1. This negative index indicated that the majority of Rotorua businesses thought that the availability of skilled labour in Rotorua was poor.

The index for December 2016 was -31.8, -30.8 in June 2017 and -39.1 in December 2017. This was a decrease of 8.4 points in the index and indicated a decrease in confidence amongst Rotorua businesses regarding the availability of skilled labour since June 2017.

Availability of skilled labour comments:

Comments for a rating of poor:

- Hard to find specialised staff.
- It is extremely difficult to find skilled qualified staff.

Comments for a rating of very poor:

- It is extremely hard to find staff who can pass both a drug and security check.
- It is impossible to find a good butcher here.
- Very hard to find good skilled workers.