

JUNE 2018 BUSINESS AND PUBLIC CONFIDENCE

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

Prepared for : Rotorua Lakes Council
By : APR Consultants
Date : June 2018



INTRODUCTION

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

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

In the following sections, the results of specific questions from each of the surveys are outlined, together with a brief comment on the results. The most recent surveys were undertaken in June 2018. Note that as from June 2001, the indexes are being updated six monthly instead of every quarter.

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

RESULTS SUMMARY

This report outlines the results of business and public confidence surveys undertaken in the Rotorua District in June 2018, and provides a comparison of the results of these surveys with previous surveys undertaken since June 2013. 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 June 2018 although overall were more positive than the national business index.

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.

A majority of Rotorua businesses report that their promotional budgets have increased over the 12 months to June 2018.

Rotorua residents expected local unemployment to remain static at June 2018 levels.

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

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

Construction businesses in Rotorua expected volumes of residential and commercial construction to increase from June 2018 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.

Economic activity and personal income was expected to remain static. Investment into businesses was also expected to remain static at June 2018 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 June 2018 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 June 2018 levels.

Overall summary of indexes

	Index	Number
Positive indexes	😊	14 indexes
Static indexes	😊	13 indexes
Negative indexes	☹️	11 indexes

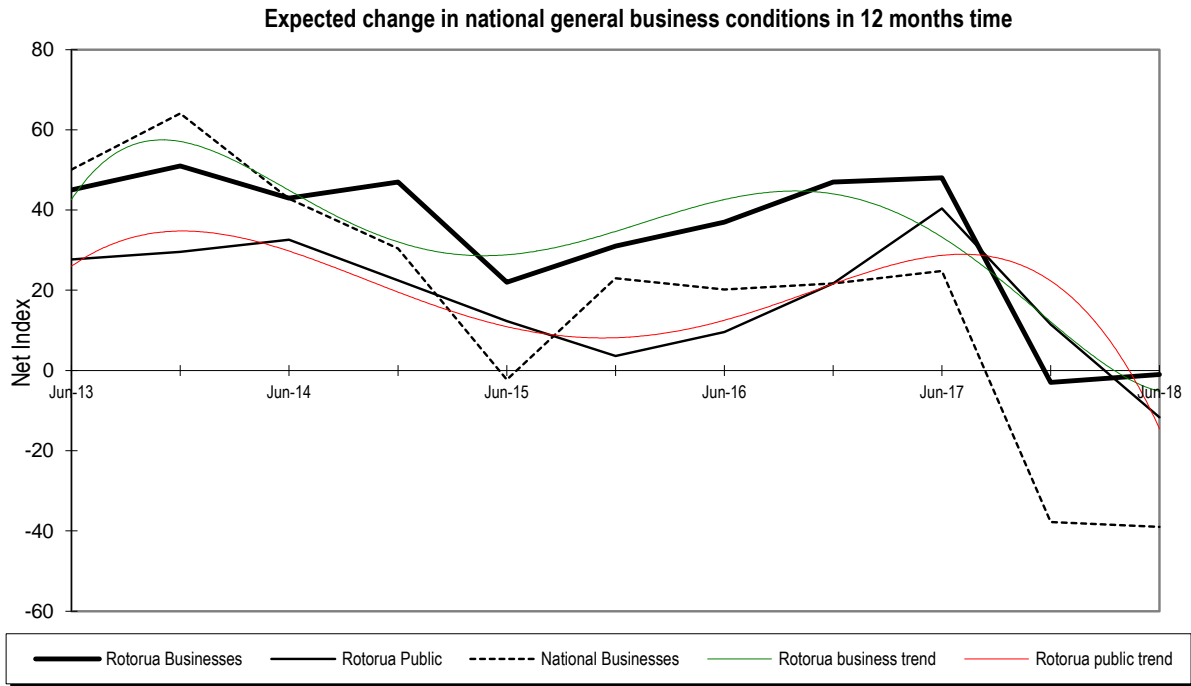
FULL RESULTS

National General Business Conditions

NZ Business NC - ☹

Rotorua Business NC - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported static confidence regarding national general business conditions over the 12 months to June 2019. The index increased slightly by 2.0 points to -1.0 following the large fall in confidence reported in December 2017. This neutral index indicated that the majority of Rotorua businesses expected national general business conditions to remain at June 2018 levels over the year to June 2019.

The Rotorua household index decreased by 23.1 points, taking it to -11.6. This decrease took the index into negative territory and indicated that a majority of householders in Rotorua expected national general business conditions to decrease from June 2018 levels over the 12 months to June 2019.

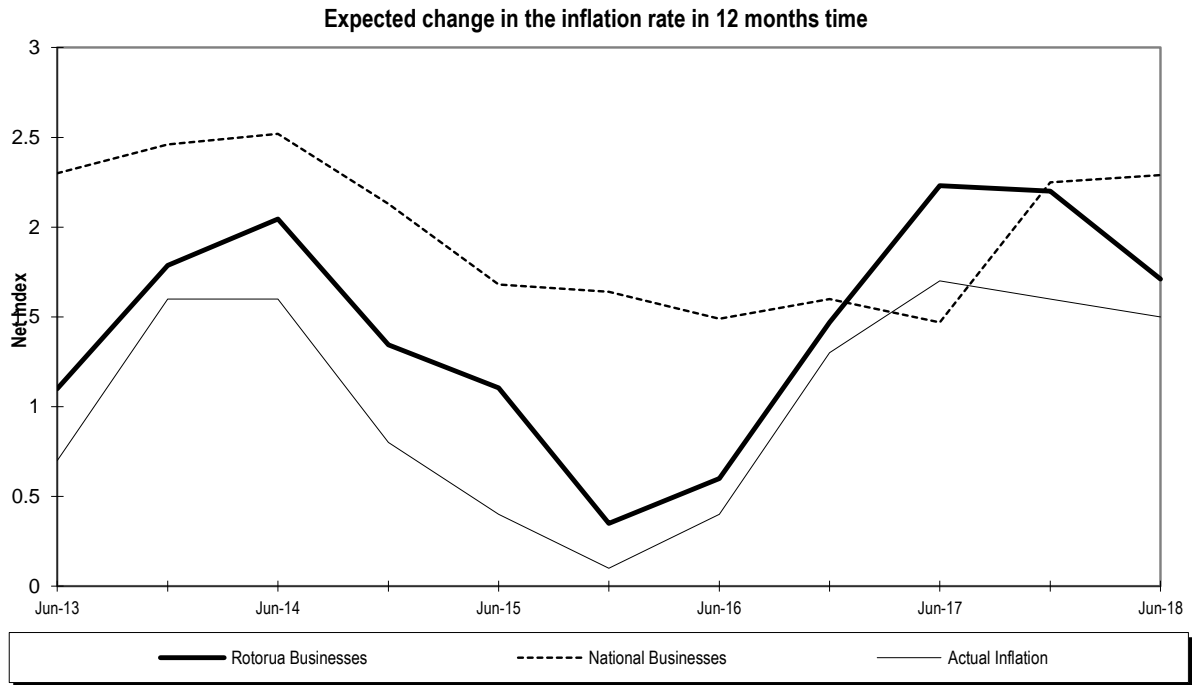
The national business index remained relatively unchanged. The index decreased slightly by 1.2 points taking it to -39.0 points. This negative index indicated that businesses nationally expected national general business conditions to decrease from June 2018 levels.

In conclusion, business indexes remained steady with little change over the six months between December 2017 and June 2018, where large decreases in confidence were reported. Rotorua businesses expecting conditions to be neutral while national businesses expecting conditions to deteriorate. Rotorua householders expected national business conditions to deteriorate over the next 12 months to June 2019.

Inflation Rate

NZ Business ↑

Rotorua Business ↓



Rotorua businesses were expecting inflation to decrease over the 12 months to June 2019, with an expected decrease of 0.49%, taking expected inflation to 1.7% year on year.

Businesses nationally reported an expectation that inflation levels would increase, with expected inflation increasing by 0.04% to 2.29%.

The actual inflation rate for June 2018, as measured by the Consumer Price Index, was 1.5% from the same time last year. This was a decrease of 0.1% from the December 2017 rate of 1.6%.

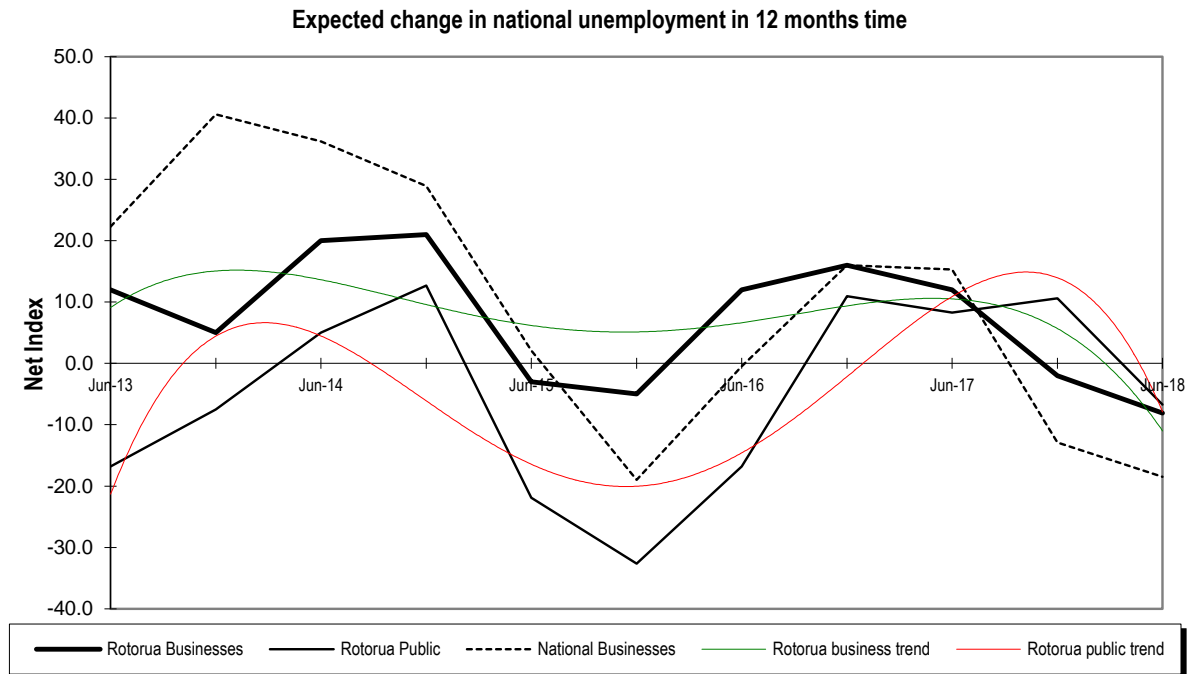
Looking back to last year, Rotorua businesses predicted inflation would be at 2.23% in June 2018 and New Zealand businesses were expecting it to reach 1.70%.

National Unemployment

NZ Business ↓ - ☹

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a decrease in confidence with the index decreasing by 6.1 points to -8.1. Despite the drop in confidence, this neutral index indicated that a majority of Rotorua businesses expected unemployment to remain at June 2018 levels over the 12 months to June 2019.

The Rotorua public index decreased by 17.3 points, taking it to -6.7. This neutral index indicated that a majority of Rotorua households expected unemployment nationally to remain at June 2018 levels or increase slightly over the 12 months to June 2019.

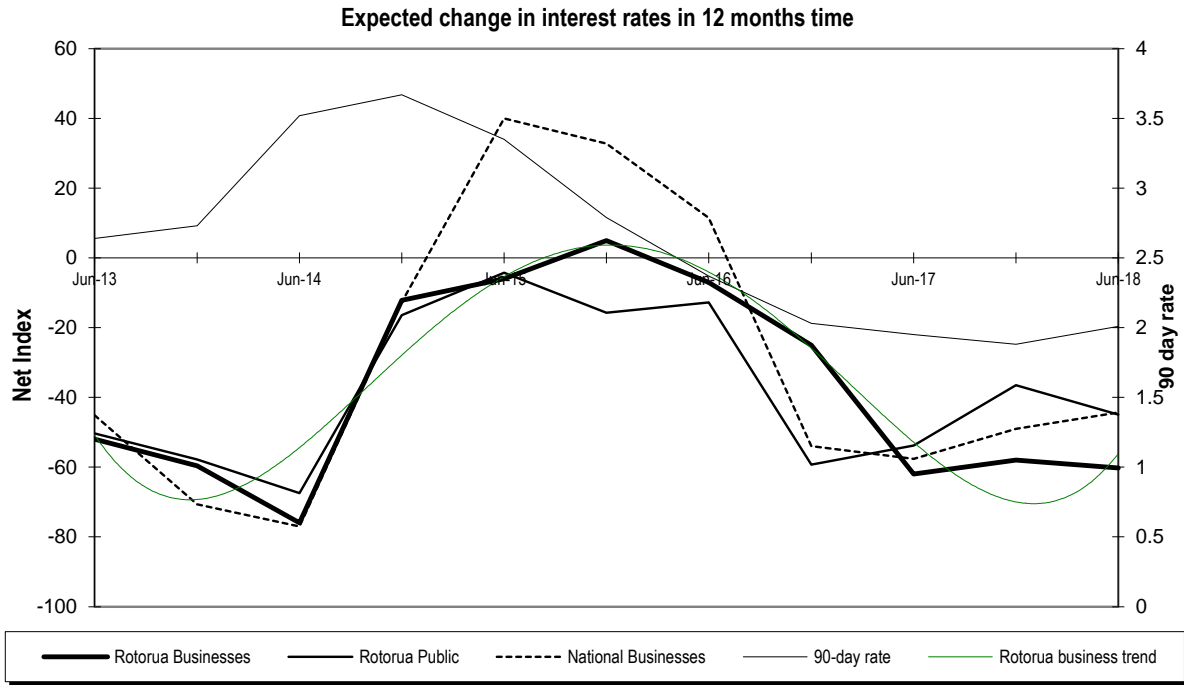
The national business index decreased by 5.6 points, taking it to -18.5. This negative index indicated that a majority of national businesses expected unemployment to increase from June 2018 levels.

Interest Rates

NZ Business ↑ - ☹

Rotorua Business NC - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a slight decrease in confidence regarding expected interest rates in 12 months' time. The index decreased by 2.2 points, taking it to -60.2. This negative index indicated that a majority of Rotorua businesses expected interest rates to increase from June 2018 levels over the year to June 2019.

Rotorua residents reported a decrease in confidence from the December 2017 survey. The index decreased by 8.5 points taking it to -45.0. This negative index indicated that a majority of Rotorua households expected interest rates to increase from June 2018 levels over the year to June 2019.

Nationally, businesses reported an increase in confidence with the index increasing 4.7 points from December 2017, taking the national business index to -44.3. Despite the increase, this negative index indicated that the majority of national businesses expected interest rates to increase from June 2018 levels.

The June 2018, 90-day rate increased by 0.13 over the six months from December 2017, increasing from 1.88 in December 2017 to 2.01 in June 2018.

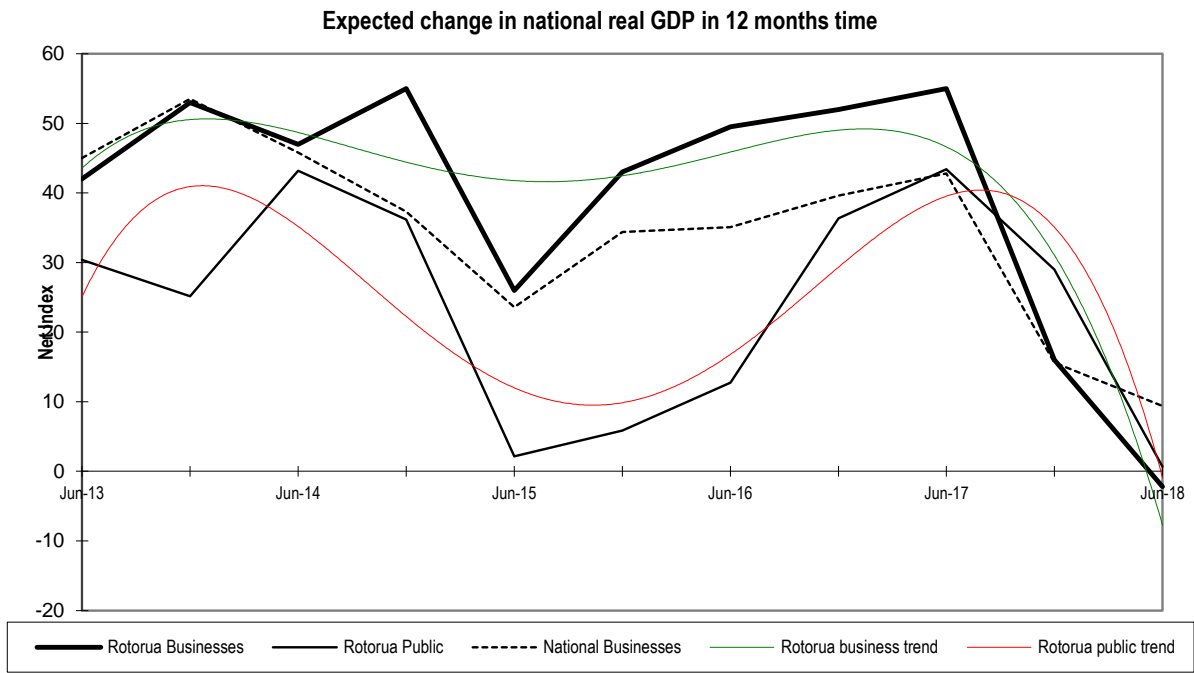
In conclusion, all indexes showed an expectation of interest rates increasing from June 2018 levels.

National Real GDP/Economic Activity

NZ Business ↓ - 😊

Rotorua Business ↓ - 😊

Rotorua Public ↓ - 😊



All three indexes showed an expectation of static economic activity.

Rotorua businesses reported a decrease in confidence during the June 2018 survey, with the index decreasing by 18.2 points, taking it to -2.2. Despite the drop in confidence, this neutral index indicated that the majority of Rotorua businesses expected national real GDP to remain at June 2018 levels over the 12 months to June 2019.

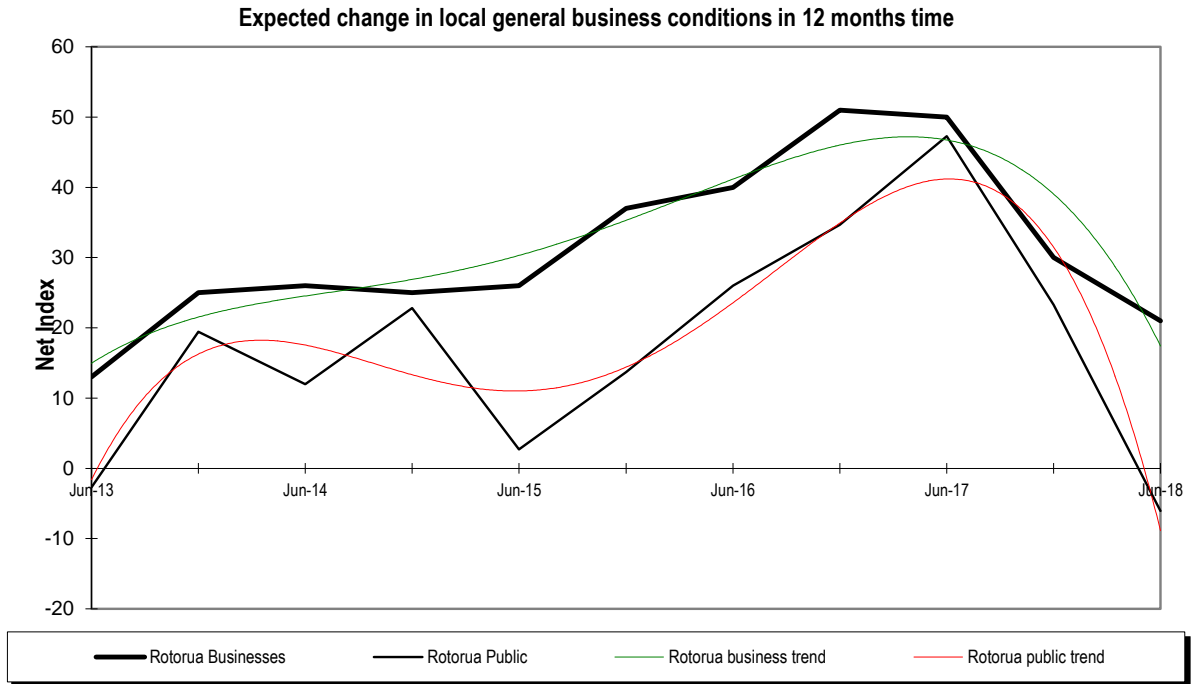
Rotorua households reported a decrease in confidence with the index dropping 28.3 points to 0.7. This put the index into neutral territory and indicated that a majority of Rotorua households expected levels to remain at June 2018 levels over the 12 months to June 2019.

Nationally, the business index decreased by 6.2 points, taking it to 9.4. This took the index into neutral territory and indicated that the majority of national businesses predicted that national real GDP would remain at June 2018 levels or increase slightly.

Local General Business Conditions

Rotorua Business ↓ - 😊

Rotorua Public ↓ - 😊



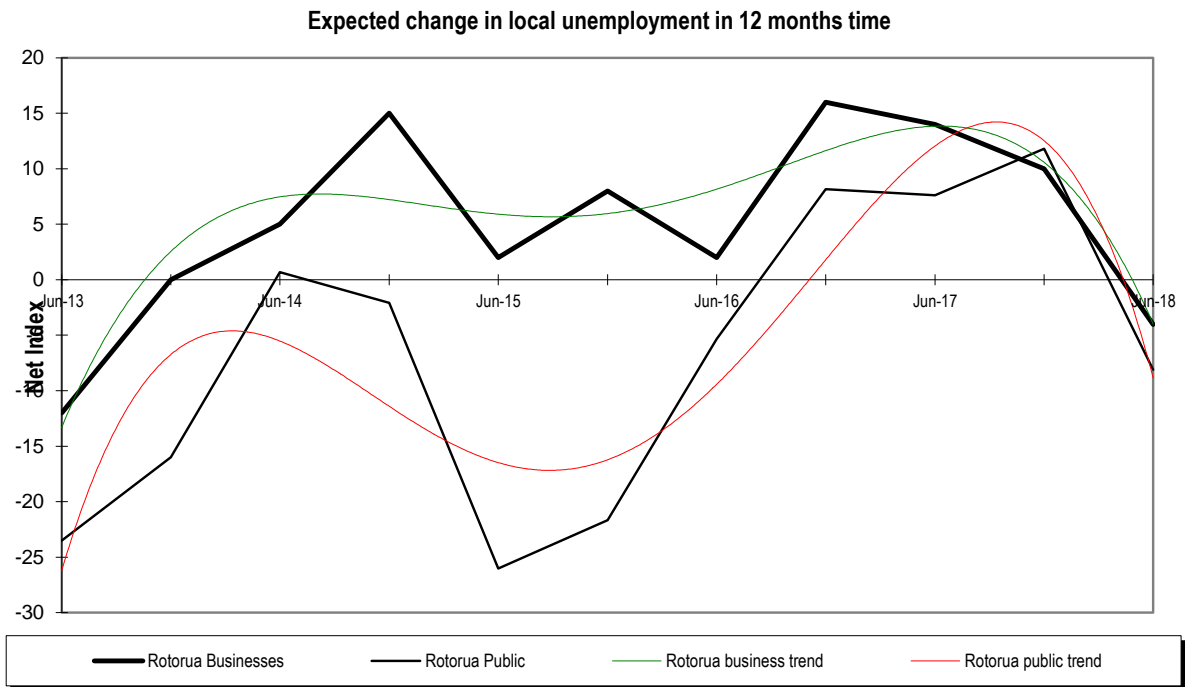
The Rotorua business index decreased by 9.0 points. Despite the decrease, the index reached 21.0 during the June 2018 Rotorua confidence survey. The positive index indicated that a majority of Rotorua businesses expected local general business conditions to increase from June 2018 levels over the 12 months to June 2019.

The Rotorua public index decreased by 29.4 points, taking it to -6.1. Despite the drop in confidence, the neutral index indicated that the majority of Rotorua households expected local general business conditions to remain at June 2018 levels over the year to June 2019.

Local Unemployment

Rotorua Business ↓ - ☹️

Rotorua Public ↓ - ☹️



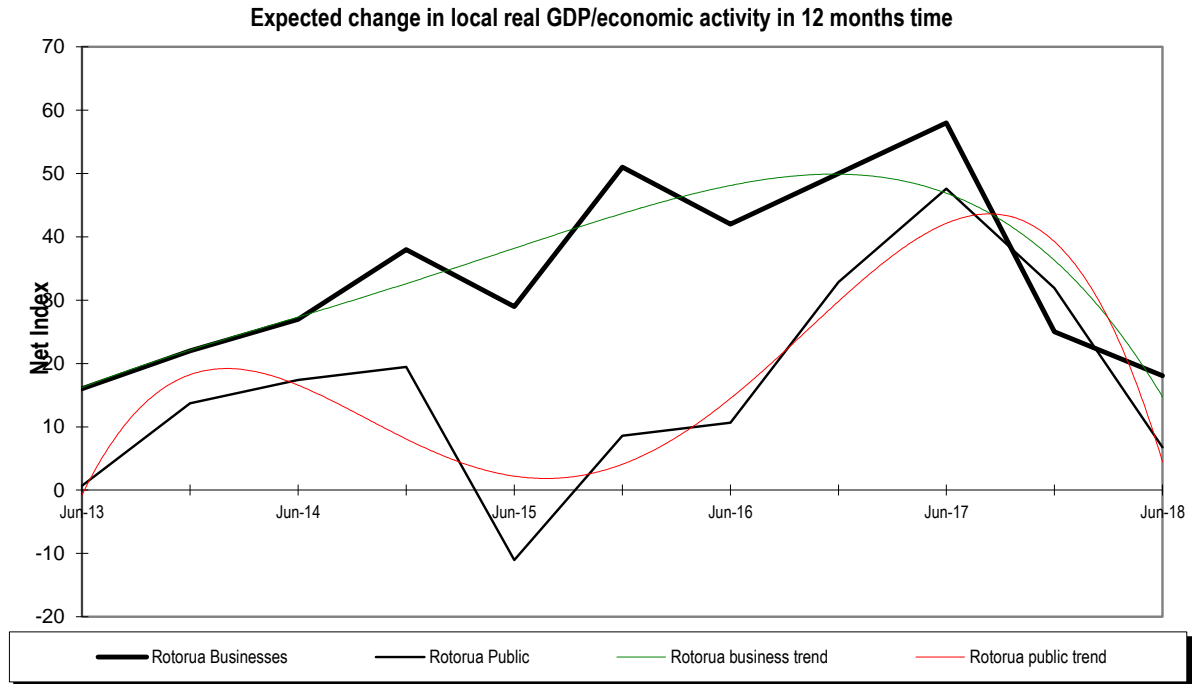
The Rotorua business index decreased by 14.0 points during the June 2018 survey, taking it to -4.0. This took the index into neutral territory and indicated that the majority of Rotorua businesses expected local unemployment to remain at June 2018 levels over the 12 months to June 2019.

Rotorua households reported a decrease in confidence of 20.0 points, taking the index to -8.1. The neutral index indicated that Rotorua householders expected local unemployment to remain at June 2018 levels or decrease over the 12 months to June 2019.

Local Real GDP / Economic Activity

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



Rotorua businesses reported a decrease in confidence of 6.9 points during the June 2018 survey, following a large decrease in December 2017. Despite the drop in confidence, the index remained in positive territory with an index of 18.1, indicating that a majority of Rotorua businesses expected economic activity to increase from June 2018 levels over the 12 months to June 2019.

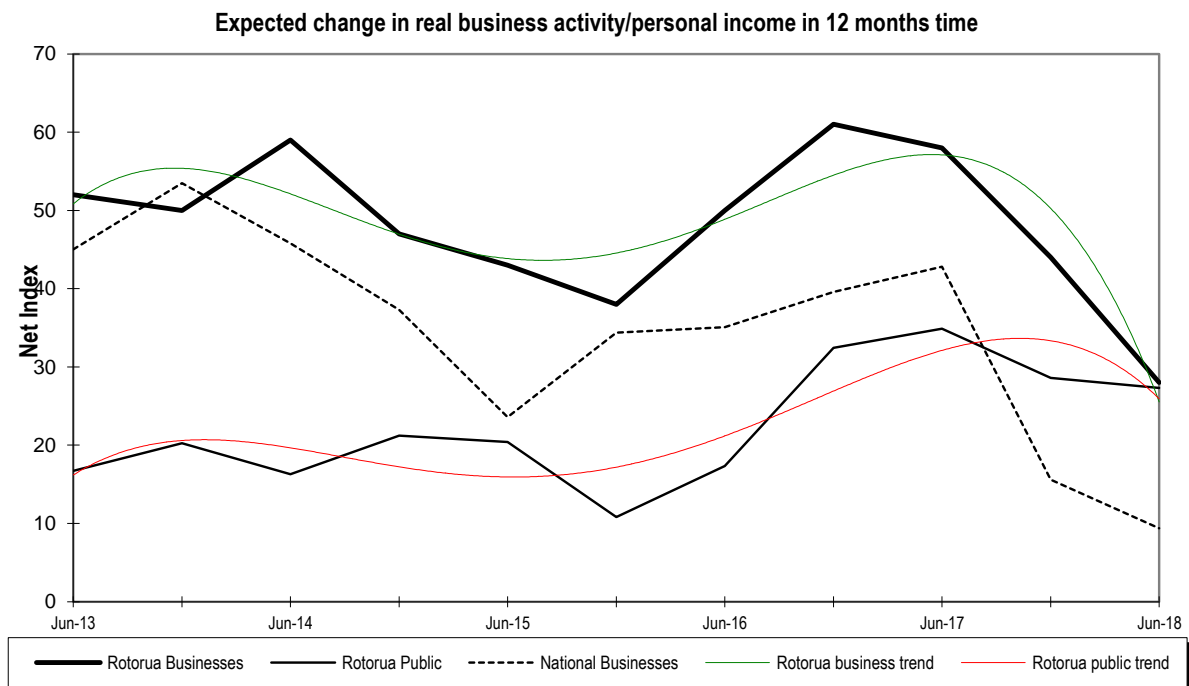
Rotorua households also reported a decrease in confidence with the index dropping 25.1 points, taking the index to 6.8. This took the index to neutral territory and indicated that a majority of Rotorua households expected business activity to remain at June 2018 levels over the 12 months to June 2019.

Real Business Activity / Personal Income

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️

Rotorua Public NC - 😊



All indexes showed an expectation of static or increasing income levels from June 2018 levels.

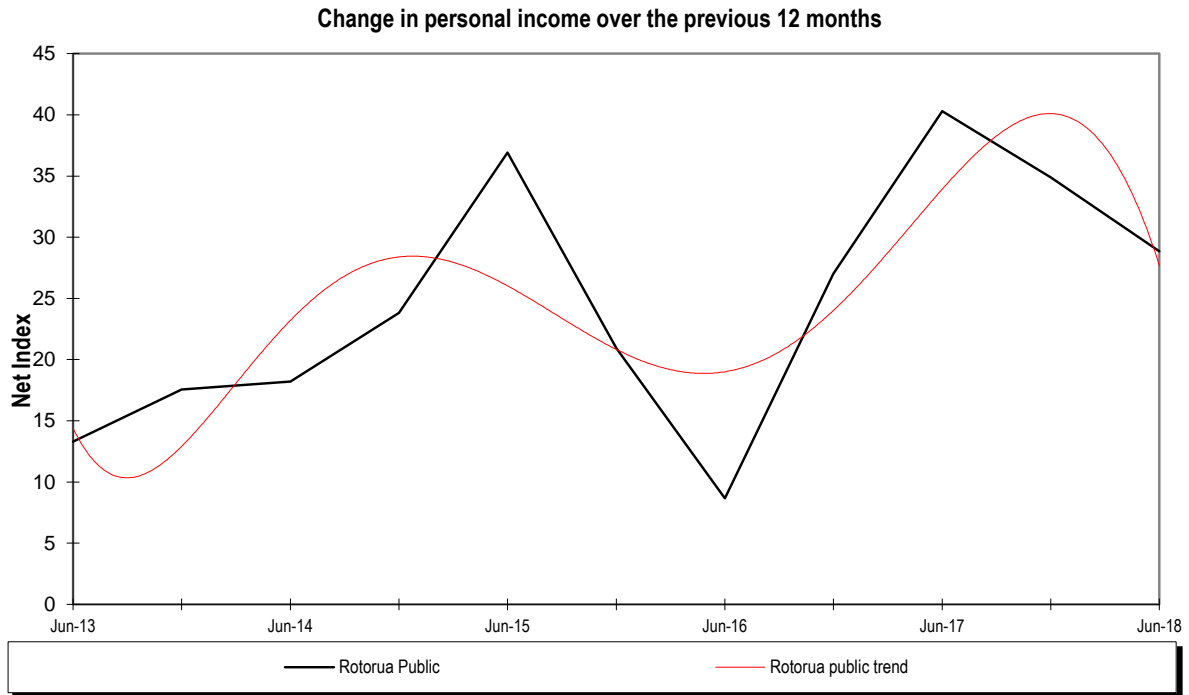
Rotorua businesses reported a decrease in confidence over the six months from December 2017, with the index decreasing 16.0 points. Despite the decrease in confidence, the index remained positive on 28.0 and indicated that the majority of Rotorua businesses were confident of increased income levels over the 12 months to June 2019.

The Rotorua public index remained relatively unchanged with a small drop of 1.3 points during the June 2018 survey, taking the index to 27.3. Despite the drop in confidence, the positive index indicated that a majority of Rotorua residents expected their personal income to increase from June 2018 levels over the year to June 2019.

Nationally, the index decreased by 6.2 points, taking it to 9.4. This drop took the index into high neutral territory and indicated that a majority of national businesses expected their income levels to remain at, or increase slightly from June 2018 levels.

Change in Personal Income

Rotorua Public ↓ - 😊

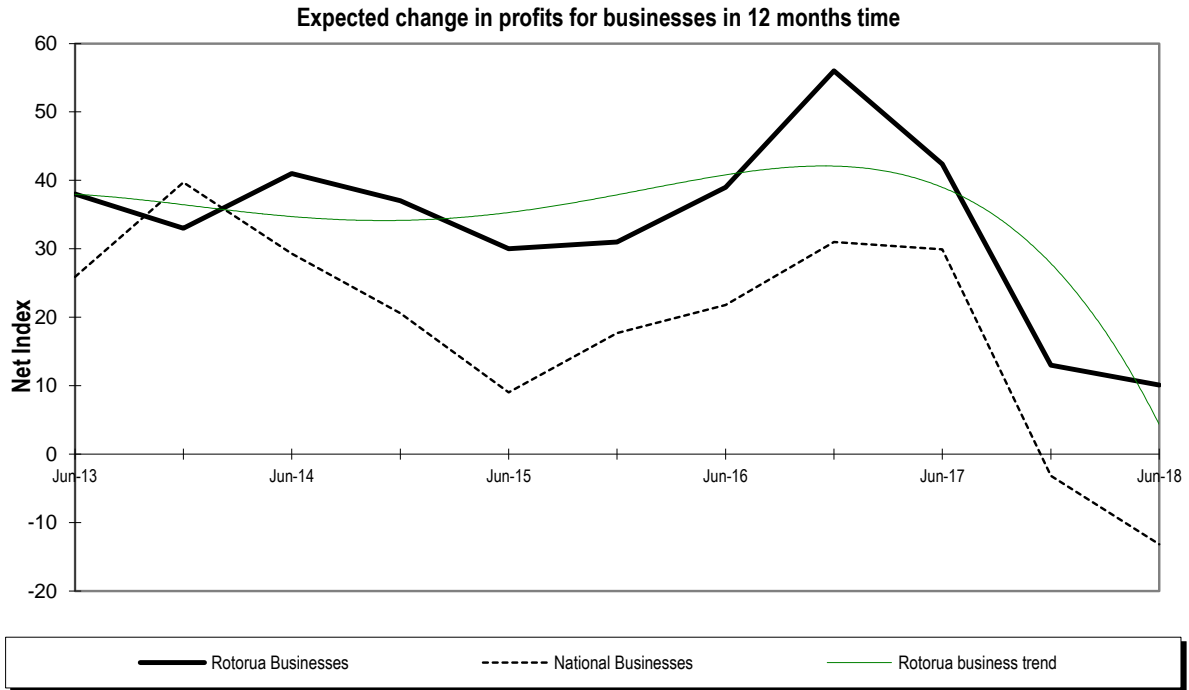


The Rotorua public index decreased by 6.0 points during the June 2018 survey, taking the index to 28.9. This positive index indicated that most people had increased their personal income over the 12 months prior to June 2018.

Profits for Businesses

NZ Business ↓ - ☹️

Rotorua Business NC - 😊



Rotorua businesses reported a slight decrease in confidence with regard to their profit levels over the 12 months to June 2019. The Rotorua business index decreased slightly by 2.9 points. Despite the drop in the index, it was still in positive territory, with a value of 10.1. The positive index indicated that a majority of Rotorua businesses expected profits to increase from June 2018 levels over the year to June 2019.

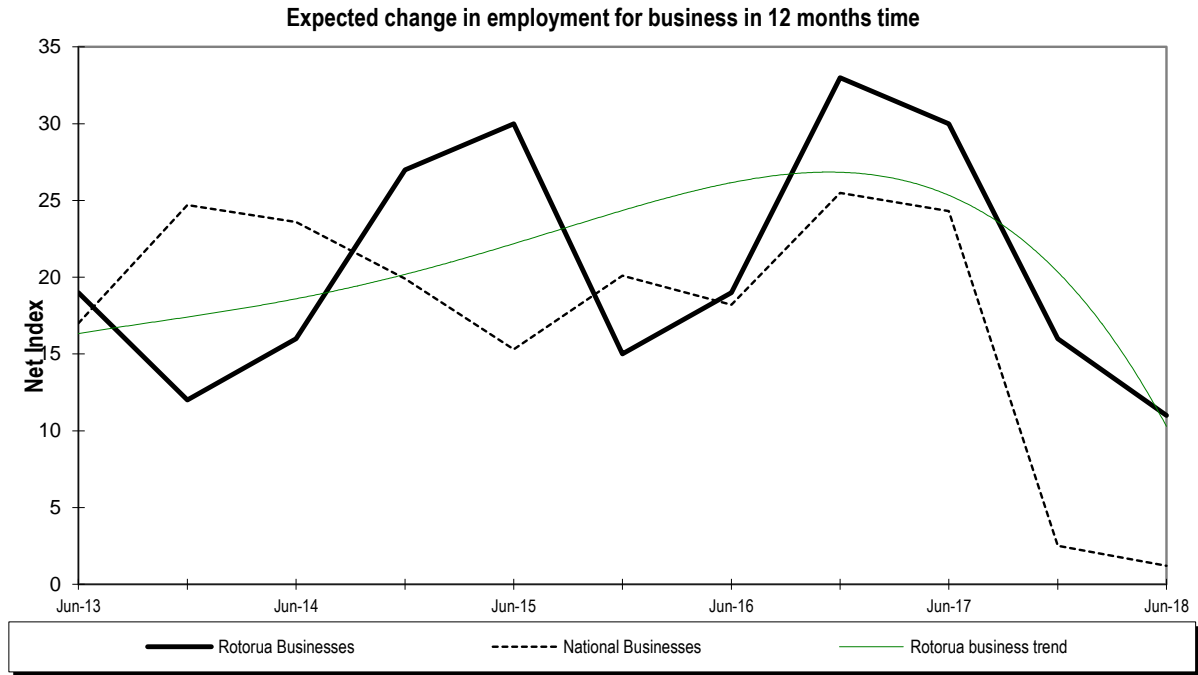
The National business index decreased by 10.0 points taking the June 2018 index to -13.2. The negative index indicated that a majority of businesses nationally expected profits to reduce from June 2018 levels.

In conclusion, the majority of Rotorua businesses expected an increase in their profit levels from June 2018 while nationally, businesses expect profit levels to remain static or decrease.

Employment for Businesses

NZ Business NC - 😊

Rotorua Business ↓ - 😊



Rotorua businesses reported a decrease in confidence regarding levels of employment over the 12 months to June 2019. The index decreased by 5.0 points taking it to 11.0. Despite the decrease, the positive index indicated that the majority of Rotorua businesses expected to employ an increased number of workers over the year to June 2019, than they did in June 2018.

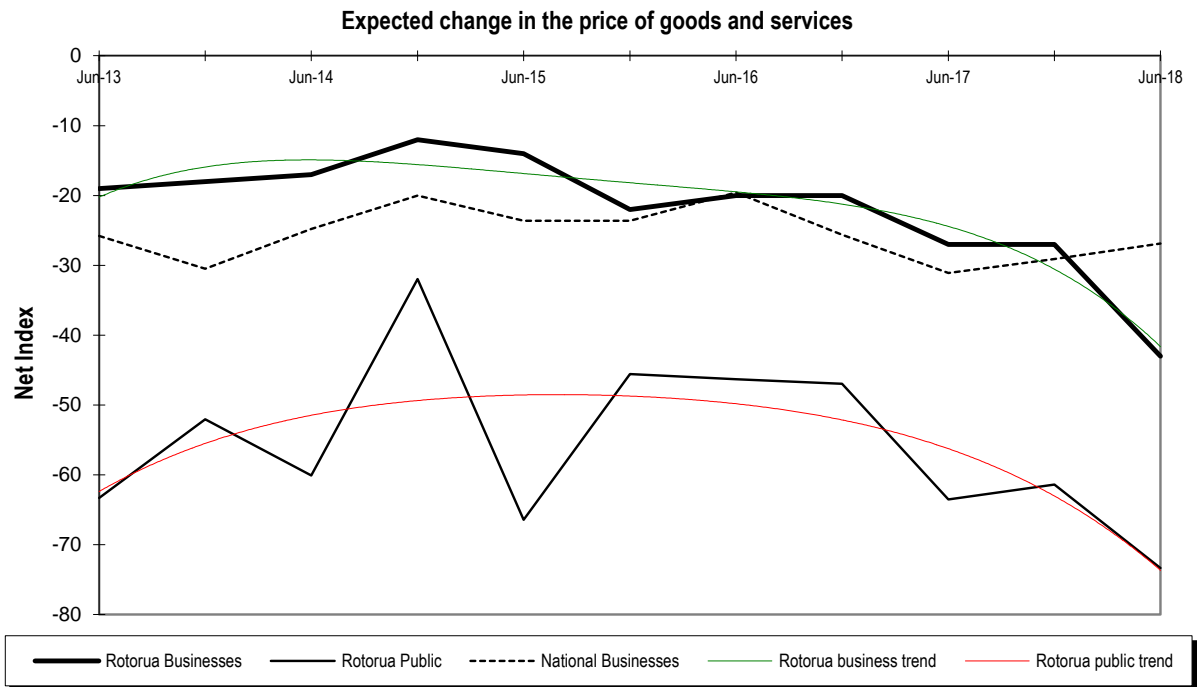
Nationally, businesses reported a slight decrease in confidence of 1.3 points, taking the index to 1.2. This neutral index indicated that nationally businesses expected to employ a similar number of workers than the numbers they employed in June 2018.

Price of Goods and Services

NZ Business NC - ☹

Rotorua Business ↓ - ☹

Rotorua Public ↓ - ☹



All three indexes indicated an expectation of price rises.

Rotorua businesses confidence decreased by 16.0 points to -43.0. This negative index indicated that a majority of Rotorua businesses expected the price of their goods and services to increase over the three months to September 2018.

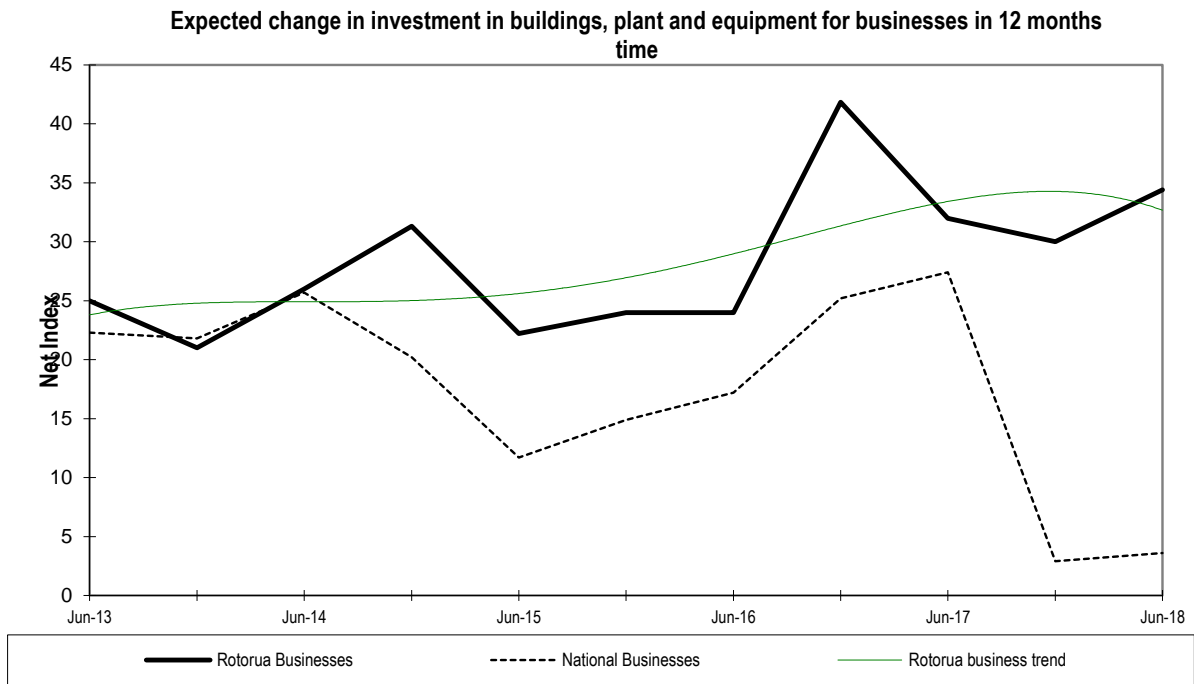
Rotorua householders reported a decrease in confidence, with the index decreasing 11.9 points to -73.3. This highly negative index indicated that the majority of Rotorua householders believed that prices will increase over the three months to September 2018.

Nationally, businesses reported a slight increase in confidence for the June 2018 survey, with the index increasing 2.2 points to -26.9. Despite the small increase in confidence this negative index indicated that a majority of businesses nationally expected prices to increase from June 2018 levels.

Investment for Businesses

NZ Business NC - 😊

Rotorua Business ↑ - 😊



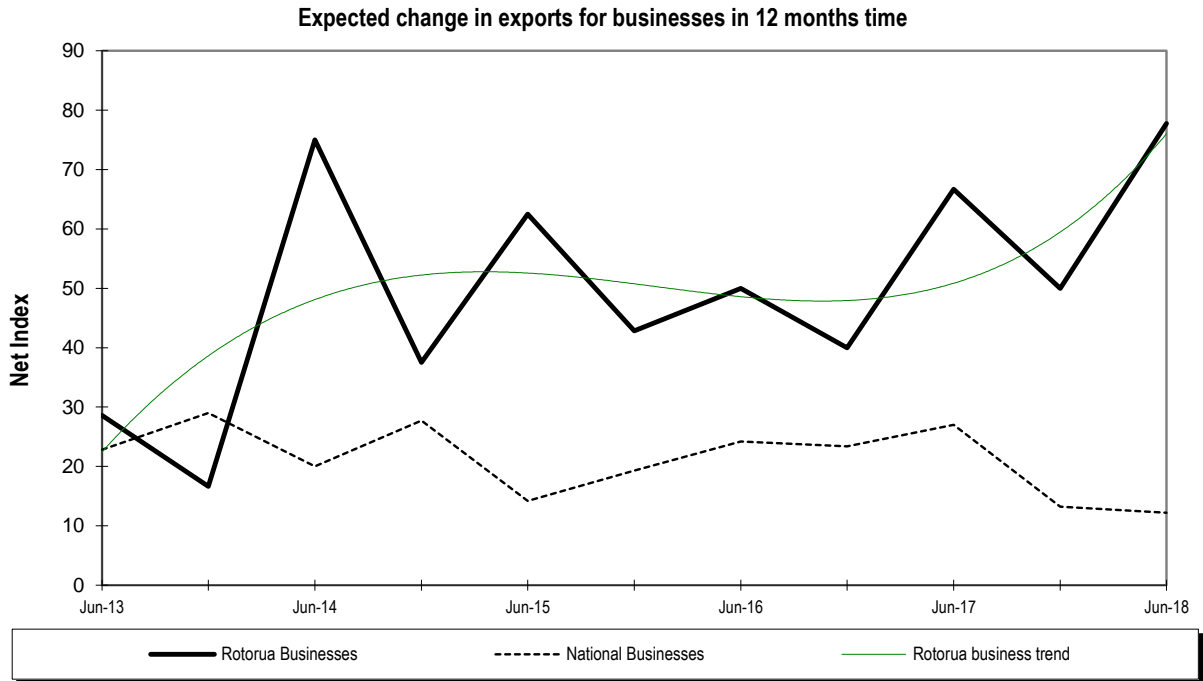
Rotorua businesses reported an increase in their index, with the index increasing 4.4 points to 34.4. This positive index indicated that a majority of Rotorua businesses expected to invest more back into their businesses over the 12 months to June 2019.

Nationally, businesses reported a slight increase in confidence of 0.7 points, taking the national business index to 3.6 for the June 2018 survey. This neutral index indicated that businesses nationally expected to invest similar amounts into their businesses than they did in June 2018.

Exports

NZ Business NC - 😊

Rotorua Business ↑ - 😊

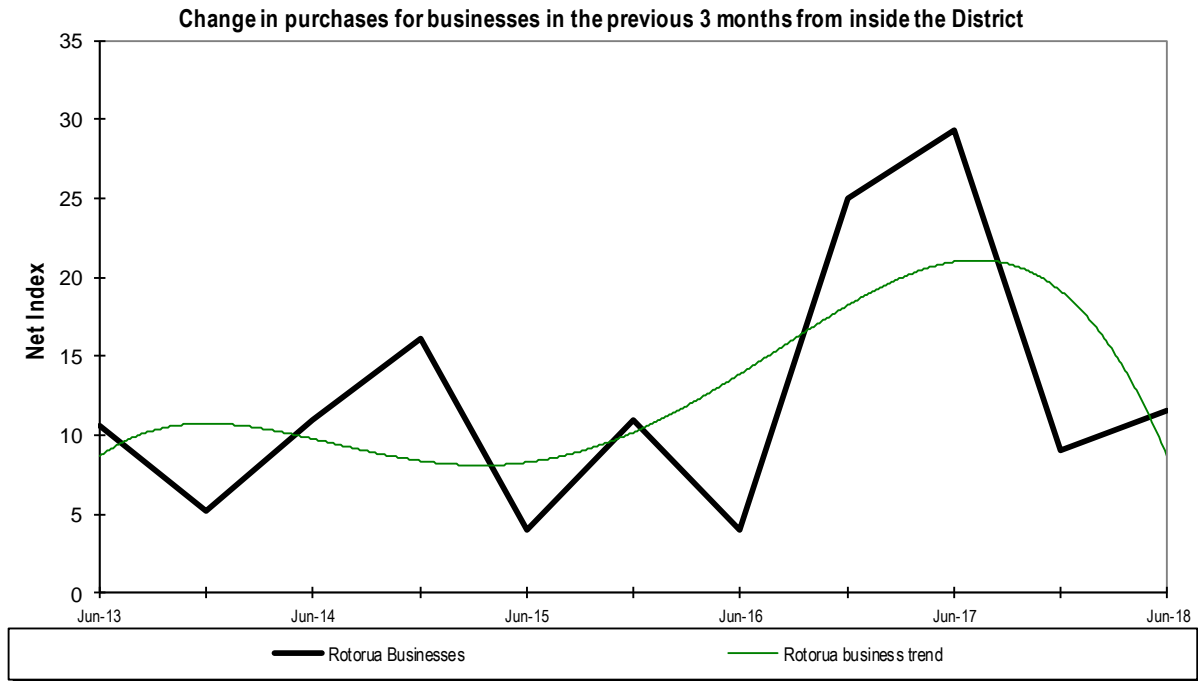


Rotorua businesses involved in exporting reported an increase in confidence regarding the volume of products to be exported over the 12 months to June 2019. The index increased 27.8 points to reach a high 77.8 points. This indicated that the majority of export businesses expected levels of exports to increase over the 12 months to June 2019.

Nationally, businesses involved in exporting reported a slight decrease in confidence of 1.0 points, taking the index to 12.2. Despite the slight drop, the positive index indicated that a majority of export businesses nationally expected their volume of exports to increase from June 2018 levels.

Purchases

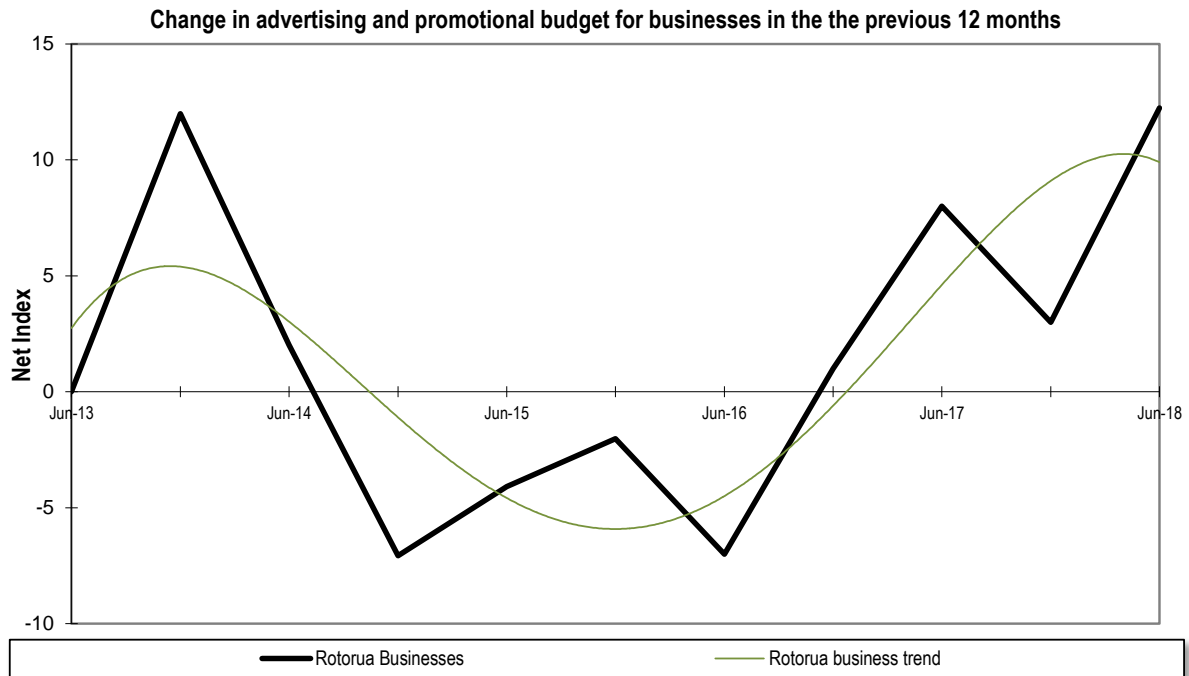
Inside the District
Rotorua Business NC - 😊



Rotorua businesses reported spending slightly more from inside the district in June 2018 compared to March 2018. The index increased slightly by 2.6 points taking it to 11.6. This positive index indicated that a majority of businesses purchased more products or services from inside the district than they had from outside it.

Promotional Activity

Rotorua Business ↑ - 😊



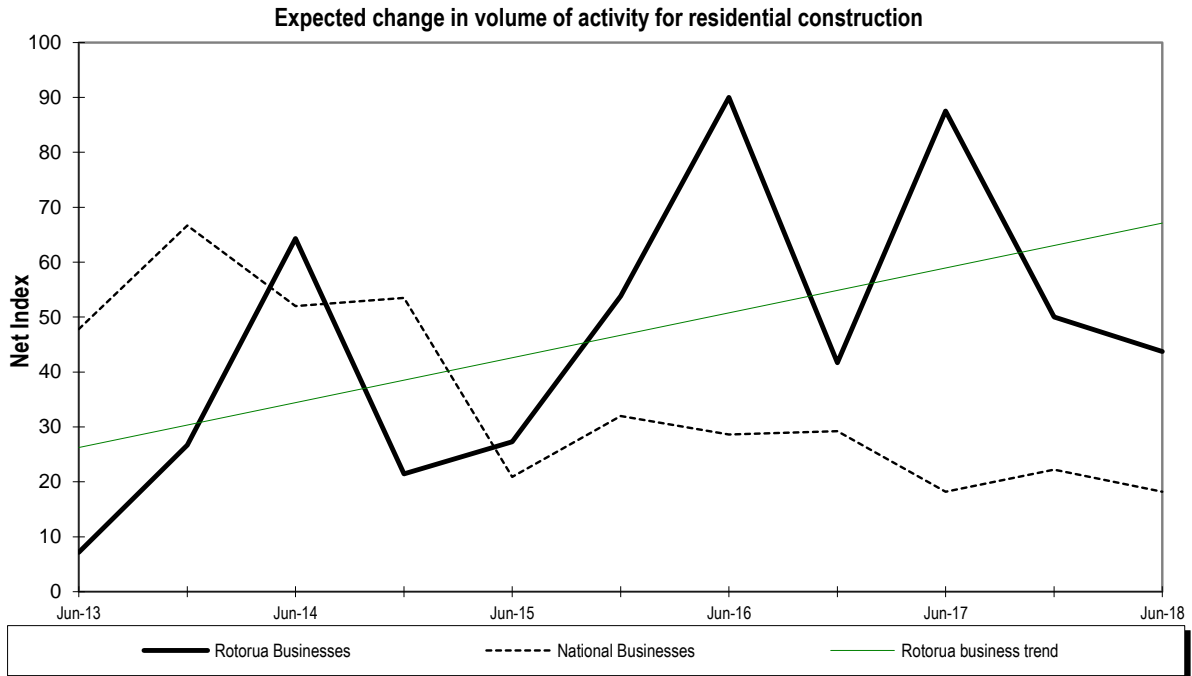
Rotorua businesses reported an increase in confidence since June 2017. The June 2018 index increased by 9.2 points to an index of 12.2. This positive index indicated that a majority of businesses had increased their promotional budgets from June 2017 levels over the year to June 2018.

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 6.3 points taking it to 43.8. 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 June 2018 levels.

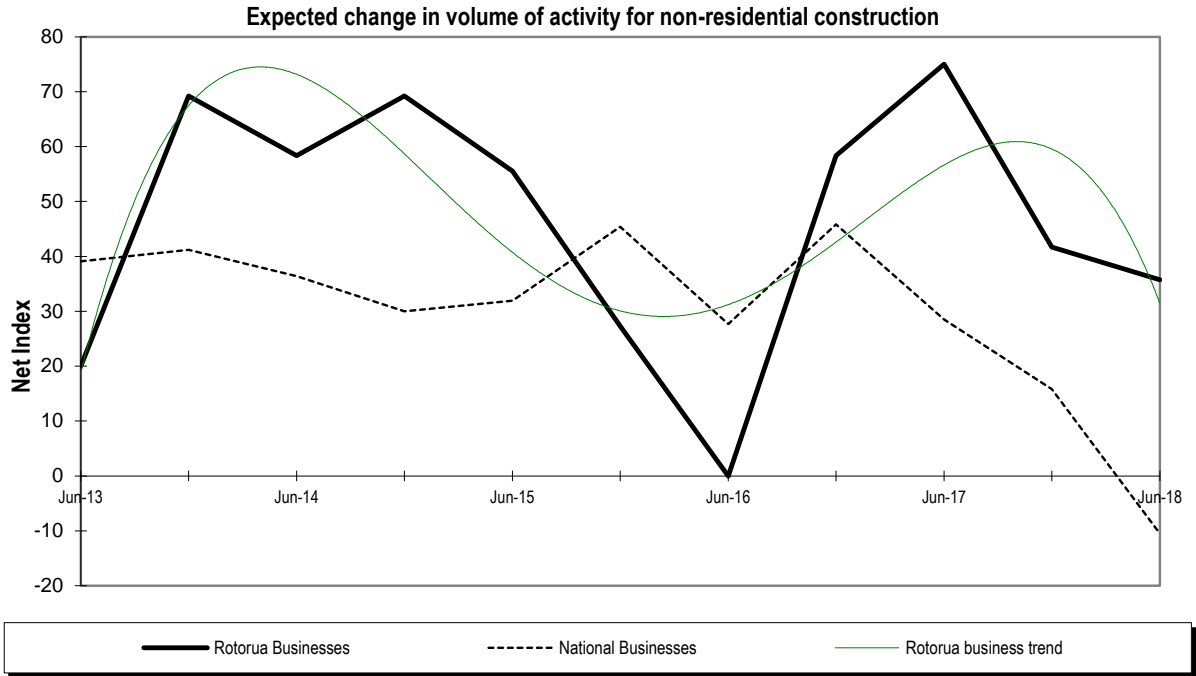
Nationally, construction businesses reported a decrease in confidence of 4.0 points, taking the index to 18.2. The positive index indicated that nationally, construction businesses involved in residential construction predicted that the volume of their residential construction would increase from June 2018 levels.

Rotorua and National construction businesses both reported expected levels of residential construction to increase from June 2018 levels.

Non-residential Construction

NZ Business ↓ - ☹️

Rotorua Business ↓ - ☹️

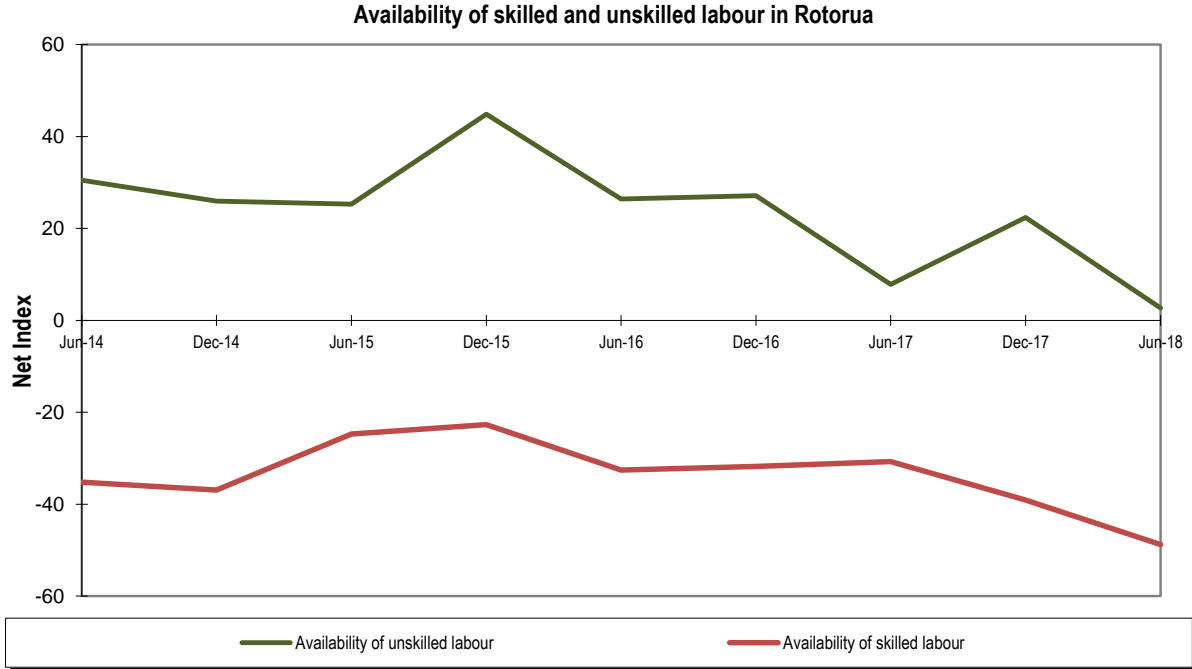


Rotorua construction businesses reported a decrease in confidence regarding their expected volume of upcoming non-residential construction. The index decreased by 6.0 points to 35.7. Despite the decrease in confidence, this positive index indicated that the majority of Rotorua construction businesses expected their volume of commercial construction to increase from June 2018 levels.

Nationally, construction businesses reported a decrease in confidence of 26.3 points, taking the national business index to -10.5. This negative index indicated that the majority of national businesses expected levels of non-residential construction to decrease from June 2018 levels.

ROTORUA SKILLS AVAILABILITY

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



Availability of Rotorua Unskilled Labour – June 2018

Availability of unskilled labour	Number	Percent	% ex non spec
Excellent	8	8.0%	10.7%
Good	17	17.0%	22.7%
Average	27	27.0%	36.0%
Poor	11	11.0%	14.7%
Very poor	12	12.0%	16.0%
Don't know	25	25.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

In June 2018, 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, 33.3% of respondents rated it as excellent or good, 36.0% as average and 30.7% as poor or very poor. From these responses received, an index of 2.7 was determined. This indicated that a majority of Rotorua businesses believed that the availability of unskilled labour in Rotorua was average.

The index for December 2016 was 27.2, the June 2017 index reached 7.8, the December 2017 index was 22.4 and the June 2018 index was 2.7. This was a decrease in the index of 19.7 points. The neutral index indicated an expectation of static levels of unskilled labour amongst Rotorua businesses regarding the availability of unskilled labour since December 2017.

Availability of unskilled labour comments:

Comments for a rating of excellent:

- *It's the skilled labour we need.*

Comments for a rating of average:

- *Unwillingness of these people to work.*
- *Young people don't want to work. Don't turn up. On the phone all the time.*

Comments for a rating of poor:

- *A lack of work ethic.*
- *Can't get good staff.*
- *Need to get people into trades again.*
- *Nobody.*
- *People don't want to work.*

Comments for a rating of very poor:

- *Attitude. Don't want to work.*
- *People under 30 don't want to work especially in manual labour.*
- *They don't get enough training.*
- *We have high unemployment but it is difficult to retain staff.*

Comments for a rating of don't know:

- *Don't deal with unskilled labour.*

Availability of Rotorua Skilled Labour – June 2018

Availability of skilled labour	Number	Percent	% ex non spec
Excellent	0	0.0%	0.0%
Good	11	11.0%	13.4%
Average	20	20.0%	24.4%
Poor	34	34.0%	41.5%
Very poor	17	17.0%	20.7%
Don't know	18	18.0%	
Not specified	0	0.0%	
Total	100	100.0%	100.0%

When asked about the availability of skilled labour in Rotorua, 13.4% of respondents rated it as excellent or good, 24.4% as average and 62.2% as poor or very poor. Converting this to an index gave an index of -48.8. This negative index indicated that the majority of Rotorua businesses thought that the availability of skilled labour in Rotorua was poor.

The index for December 2016 was -31.8, -30.8 in June 2017, -39.1 in December 2017 and -48.8 in June 2018. This was a decrease of 9.7 points in the index and indicated a decrease in confidence amongst Rotorua businesses regarding the availability of skilled labour since December 2017.

Availability of skilled labour comments:

Comments for a rating of good:

- *In our business it's okay.*

Comments for a rating of average:

- *Depends on which department. Most of our professional staff come from outside of Rotorua.*
- *For me the only employment needed is cleaners.*

Comments for a rating of poor:

- *Demographics in Rotorua, population of area.*
- *In our industry it is very hard to get skilled labour.*
- *Just not available in Rotorua.*
- *Most good workers have jobs and are keen to keep them.*
- *Need more apprenticeship schemes to create skilled workers.*
- *Not a big population. Pool not large.*
- *Not enough trained surveyors.*
- *People I'm looking for are not available.*
- *Skilled labour has decreased for years due to government not putting in apprentice training.*
- *Struggled in the past to get professional staff.*
- *Very difficult to find professional people.*
- *Very difficult to find skilled labour.*

Comments for a rating of very poor:

- *Lack of apprenticeships.*
- *Lack of quality housing.*
- *People not available in Rotorua.*
- *Wages are not high enough to keep them here as compared to big cities or overseas.*
- *We can't find anybody.*

Comments for a rating of don't know:

- *Employ family.*
- *We have a very specific skill requirement.*