

# Economic Wellbeing Report

This section presents available information on the Rotorua economy under the following headings:

- Economic overview
- Business confidence
- Agriculture
- Forestry
- Manufacturing
- Construction and real estate
- Transport
- Wholesale and retail
- Tourism and hospitality



## Economic overview

The Rotorua District has an estimated aggregate output of around \$2,900 million per annum with forestry and agriculture and their associated processing as well as tourism making the largest contributions.

Labour force participation in the District has increased substantially over the past decade, but has slowed and unemployment has increased over the past 12 months. Rotorua's occupational profile is gradually changing, with fewer agricultural workers and increased numbers of manufacturers, professionals, teachers, and other service occupations.

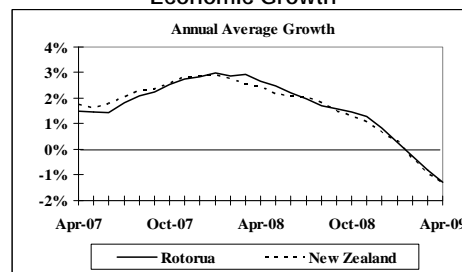
In Rotorua District, primary production (including farming and forestry but excluding related processing and manufacturing) generates 7.2% of total employment compared with 6.0% nationally and in 2008 contributed an estimated \$482 million (17%) towards Rotorua's total economic output. Many manufacturers, service industries and contractors in Rotorua are directly affected by progress in the District's primary sector. Rotorua's soils are well suited for pastoral farming and forestry, and the District's average annual rainfall of 1,400mm is distributed evenly throughout the year. Rotorua also has a sunny climate and relatively little wind.

Recent major developments have slowed with the economic downturns there are however advanced plans to further develop the Rotorua Central Mall, there are also developments in advanced stages of planning to convert the old Post office building to inner city apartments and the Airport extension is well under way as is the additions to the museum . These major investments will all have a positive impact on the business confidence in the region.

There were a total of 94 houses, with a median sale price of around \$239,000, sold in Rotorua during May 2009. This represented a high over the past 18 months, which in turn, has helped the annual average growth rate in the number of houses sold in Rotorua improve from negative 34.4% for year ended April 2009 to negative 28.0% for the year ended May 2009.

There is also strong support for the tourism and screen production sectors with Rotorua being a major partner in the regional film office initiative known as Film Central , and the strong destination marketing program being implemented by Destination Rotorua Tourism Marketing.

### Economic Growth



Source: APR Consultants

# Business confidence

Council commissions a six monthly survey of Rotorua firms and consumers to assess trends in business confidence. The results are compared with those of a national survey undertaken by the National Bank. The most recent results for December 2008 show that the local business confidence indexes are slightly down, with a mix of positive and negative expectations.

The local confidence indexes are showing signs of increasing confidence, with many of the indexes moving back into positive territory.

On a positive note, Rotorua businesses expect local general business conditions to increase, while households expect it to remain at June 2009 levels. This was the same trend as for Rotorua economic activity. Personal income levels are expected to increase and profits for business are also expected to increase.

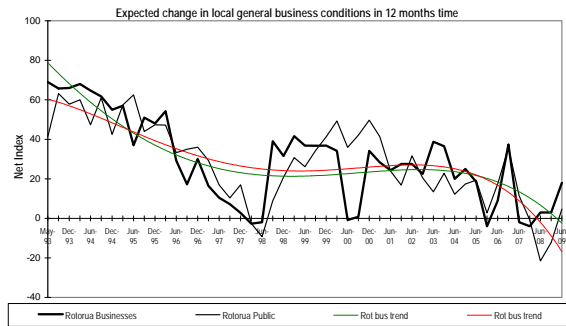
Businesses are planning to invest similar levels into their businesses and keep promotion at June 2009 levels.

Rotorua residents expect prices to increase and interest rates to rise. Local unemployment is also expected to increase.

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

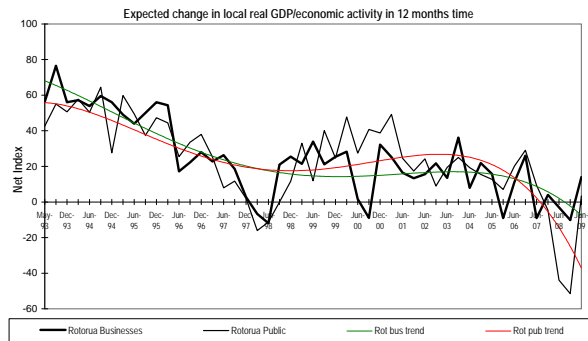
Construction businesses expected increasing volumes of construction.

## Local General Business Conditions



Source: APR Consultants; June 2008 Business & Consumer Confidence Survey – [www.rotorua-business.com](http://www.rotorua-business.com)

## Local Real GDP



Source: APR Consultants; June 2008 Business & Consumer Confidence Survey - [www.rotorua-business.com](http://www.rotorua-business.com)



## Agriculture

Farming and its associated processing are estimated to contribute around 8% of Rotorua's total economic output in 2008. Most of the agricultural land in Rotorua is dedicated to dairy, beef, sheep and deer farming. There is an increasing number of smaller lifestyle blocks in the District, as well as rationalisation and more intensive use of larger farming blocks. Dairy and deer farming have shown strong profitability in recent years.



## Forestry

Rotorua is at the heart of the dominant wood supply region in New Zealand. The Central North Island supply area produces nearly 50% of New Zealand's annual wood harvest, and is projected to remain the dominant woodproducing region in New Zealand. Rotorua is located in close proximity to vast plantation forestry resources, including the extensive Kaingaroa Forest. Rotorua is also located halfway between Kawerau and Tokoroa, which have the two largest forestry processing sites in New Zealand, and is less than one hour's drive from the major forestry export port, Port of Tauranga. Red Stag's Waipa mill, located on the outskirts of Rotorua's main urban area, is currently the largest sawmill in

Australasia. Rotorua is the home of the internationally renowned New Zealand Crown Research Institute, Scion (formally New Zealand Forest Research Institute Ltd). Scion has expanded its research capabilities to meet the growing consumer demand for renewable materials and products from plants offering wide ranging technical and scientific capability to anyone in the business of producing materials or creating products using renewable plant resources.

Rotorua's forestry sector directly and indirectly employs around 3,000 people, with forestry and first stage processing alone employing 2,275 people. Organisations based within the Rotorua District make a significant contribution to all aspects of national forestry, including industry training and research. A depth of experience and expertise exists within the numerous engineering, manufacturing, harvesting, transport, and professional service businesses involved with forestryrelated activities in Rotorua. Many of these regularly service the Kawerau and Tokoroa based pulp and paper mills.



## Manufacturing

The manufacturing and construction sectors jointly account for 5,600 jobs in the Rotorua District. Around 40% of all manufacturing employment in Rotorua relates to wood and paper products manufacturing. Machinery and equipment manufacturing and food and beverage processing are also significant local employers.

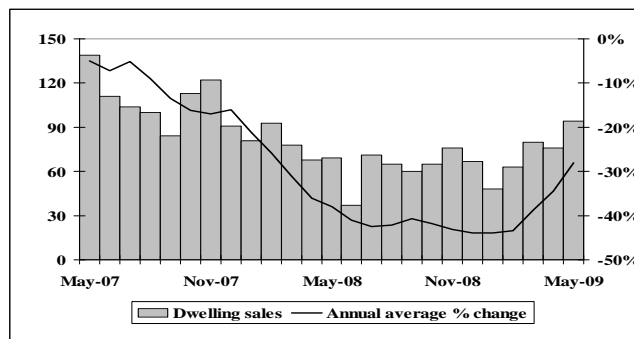


## Construction and real estate

The construction sector includes residential, non-residential and civil construction, as well as building-related services such as plumbing and roofing. Around 56% of jobs in this sector in Rotorua are in construction trade services with the remainder in general construction. The fortunes of this sector are subject to greater variation in market activity than many other industry sectors.

The combined construction sector employs around 1,820 people in Rotorua District, up from 1,200 in 2002.

### Residential Real Estate Sales



Source: Real Estate Institute of New Zealand



## Transport

The transport sector includes road freight, bus transport, taxis, rail transport, air transport, and services to the transport industry. As at February 2007 Rotorua's transport sector accounted for around 879 jobs in the District. The sector in Rotorua is dominated by road transport and related services, collectively accounting for around 820 jobs. This is a reflection of the strategic central North Island location of the Rotorua District, as well as the dominance of agriculture, forestry and tourism and the road cartage associated with these industries. The route from Rotorua to the Port of Tauranga is used intensively to carry wood and wood products, dairy industry products, and manufactured goods.

Rotorua Airport is in a stage of redevelopment to future-proof Rotorua's position as a premier visitor destination. Much of the infrastructure at the Rotorua Regional Airport (Rotorua Airport) has recently undergone a phase of redevelopment and the airport is planned to be fully trans-Tasman capable during 2009.



## Wholesale and Retail

Collectively the wholesale and retail sectors in Rotorua account for over 5,480 jobs. Major categories of wholesale and retail trade include personal and household goods, as well as machinery and motor vehicles. Rotorua has a diverse trade base, and is influenced by both domestic household spending and overseas visitors.

In recent years, the upgrade of the central business district (CBD) and the arrival of Rotorua Central has had a profound effect on some retail businesses, particularly around the City Focus and at the northern end of the city near the lakefront. The opening of

major chains such as Rebel Sport, Glassons, Countdown, Harvey Norman and many national and international fast food chains, has also increased the attractiveness of the city for both residents and out-of-town shoppers.



## Tourism and Hospitality

Rotorua is one of the leading visitor resort destinations in New Zealand. More than one third of all international visitors to New Zealand visit the Rotorua District. The Rotorua tourism industry is built on leading attractions including Maori culture and history, a unique natural environment including many lakes, parks, reserves and the geothermal experience, along with an extensive adventure tourism product and growing events sector. Rotorua has a wide range of accommodation, from backpackers and major hotels to luxury lodges. Geothermal attractions remain a strong part of the District's tourism industry, but the range of activities and attractions has diversified over recent years in order to remain competitive in the national marketplace. This reflects an ongoing shift in the focus of tourist demand away from passive attractions and towards more 'interactive' type attractions. The tourism industry in Rotorua is also a major contributor to the District's economy. The District attracts more than 1.5 million overnight visitors and 1.4 million day visitors annually. The 1.5 million overnight visitors spend an average of 2.3 nights each in Rotorua, which equates to approximately 3.5 million visitors nights. 20% of all jobs in Rotorua are within tourism businesses (that's one in five people employed in the tourism industry) and a further 5% of jobs are dependent on tourism by virtue of being in roles that service the tourism industry. The Ministry of Tourism forecasts visitor expenditure in the Rotorua region will be \$516 million for the year ending December 2008. This expenditure has a significant flow on effect into other business sectors that service the tourism industry, into the many Rotorua households that have members employed in the tourism industry and into the Rotorua community as wages and profits derived from visitor expenditure are spent by local residents and businesses. In the same forecast, visitor arrivals are expected to increase 2.0% annually and expenditure to increase 5.8% annually through until 2013. The tourism sector is guided by the Destination Rotorua Visitor Industry Strategic Plan, which maps out the development of the Rotorua Visitor industry product over the next 5 -10 years. The implementation of this plan is well supported by the Destination Rotorua Tourism Marketing section of council along with support and guidance from the Destination Rotorua Tourism Board.

