

News Release

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“Rotorua businesses and consumers more optimistic than their national peers.”

ROTORUA – 22nd FEBRUARY, 2006:

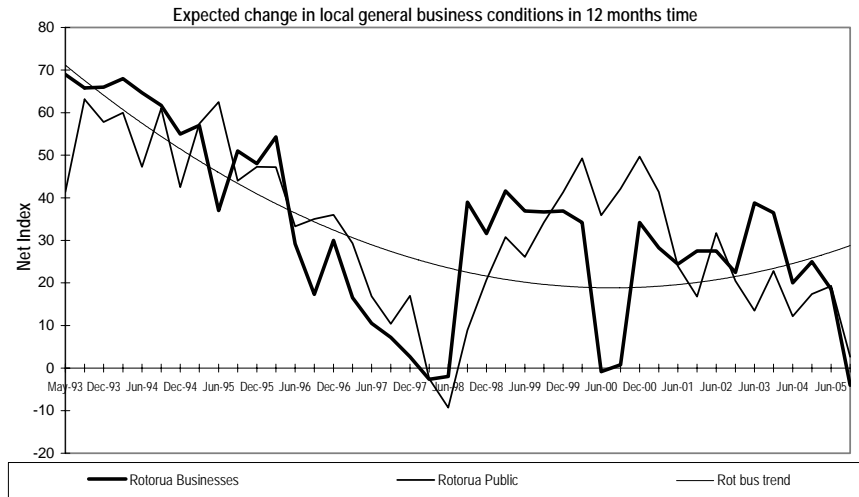
The Rotorua business index indicated a decrease in business confidence levels over the past six months, despite the decrease in confidence, the majority of Rotorua businesses expect local general business conditions to remain at current levels over the next 12 months.

The Rotorua public confidence index also decreased, despite the drop, like their business counterparts, the Rotorua community are showing higher business & consumer confidence that their national peers according to the latest business confidence survey released by Destination Rotorua Economic Development.

The survey, carried out every six months to identify confidence levels, shows that most local indices have the following expectations:

- local general business conditions will remain constant over the next 12 months,
- national economic activity will decrease,
- personal income will go up,
- business profits will rise,
- business employment will increase,
- business investment will be at increased levels,
- promotional budgets will remain steady or increase.
- export volumes will increase,
- building construction levels will increase.

However nationally, inflation is still likely to increase as are interest rates and prices are likely to rise.



Destination Rotorua Economic Development’s General Manager, Mark Rawson, said that he was encouraged by the way Rotorua business are more confident than their national counterparts.

“These figures are still very encouraging for Rotorua. The provisional growth index shows that business activity in Rotorua has grown by 3.1% for the year to October 2005 and is above the level of business activity in the national economy which was below 3 % over the same time period. The median real estate sales price also increased to record highs to reach \$214,500 in December 2005.”

Despite the level of discussion and some indications around the fact that the NZ economy is slowing, it is of interest that the majority of Rotorua businesses expect to employ the same amount or more workers over the coming year. This highlights the importance of creating a working and living environment that can retain and attract highly skilled staff, which will create the opportunity for more lower level employment as a flow on effect.

Roger Gordon, CEO of the Rotorua Chamber of Commerce said, “This is a very positive indicator for business in our city. The next year will be a challenge and some organisations will find it a difficult environment in which to do business. However, maintaining a positive approach and looking at ways in which we can work cleverer, making the most of the opportunities that arise will help us get through this soft period.”

At a recent informal meeting of a number of Rotorua businessmen, discussion was focused on identifying the factors that is giving Rotorua such a relatively buoyant view of the future.

- High profile events being staged in the city such as:
 - Forest Industries 2006
 - Oceania & World Mountain Biking events

- The proposed airport development and the impact that this could have on the growth and efficiency for business.
- The construction of the Rotorua Energy Events Centre positioning Rotorua as the only provincial New Zealand city with a developed high visitor potential convention industry.
- The strength of the New Zealand residential housing market. The steady but sure growth in property values in Rotorua verses the boom bust cycles of some other areas. The impact on individual's personal wealth as they see the increase in the value of their main asset.
- The impact of the opening of the direct road to Tauranga through Ngongotaha. The ease and reduced time of travel to Travel is seeing more commuter traffic between the two cities. Tauranga residents working in Rotorua; Rotorua residents working in Tauranga.
- The growth in supply of new residential sections and sub-divisions. Recent reports of close to 400 new sections in various areas throughout the Rotorua region. Construction trades are seeing a longer window of available work, tempered with an increased challenge of getting trade staff.
- Challenges with infrastructure being experienced by neighbouring cities, such as traffic congestion, is influencing a consideration of Rotorua as a better life style option.
- The quality of leadership being shown by council is a strong factor. Council has developed an open door policy and has become considerably more accessible. The lead that has been taken through initiatives such as the BrightEconomy is providing strength of focus and direction for business. This attitude is being viewed by others outside of Rotorua as positive approach to attracting and welcoming investment in our city.

Phil Verry, Executive Chairman of Red Stag Timber identified the rationalization and reorganization of the forestry industry as a major positive factor. The key players are being more proactive and recognize the opportunities for growth and expansion. He commented, "We would not be investing to increase our mill capacity by 50%, if we did not think that we had a solid economic environment from which to operate from in Rotorua." Mr Verry still considered that the exchange rate was an important issue but added that his concerns are being acknowledged by Wellington.

Bryce Heard, Chairman of the Rotorua BrightEconomy Advisory Board said that in his new role he was also heartened by the level of collegiality and leadership that had been displayed recently between the public and private sectors. The airport development and the energy events centre aligned with the serious levels of investment from organisations such as Skyline Skyrides, Te Puia and the Ibis Hotel would be a couple of good examples that spring to mind.

Deryck Shaw, Director APR Consulting was very positive about the level of development that is planned, both residential and commercial. “A number of local contractors are looking at a larger window with the commitment to a number of reasonably large scale projects. This has a considerable flow on to all sectors of business in the city.”

For more details on the latest Destination Rotorua Economic Development Business and Public Confidence Survey, plus other relevant Rotorua economic information, visit the ‘publications’ section of Destination Rotorua Economic Development’s website at www.rotorua-business.com

From the Chamber perspective, CEO Roger Gordon states, “If you keep telling everyone that it is bad and doom and gloom then they may just start to believe it, however Rotorua has a real opportunity to take advantage of this current discussion and turn it into a positive. Let’s keep it POSITIVE”

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Others