

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

PIPIRI //
JUNE QUARTER 2023

YOUR ECONOMIC SNAPSHOT
FOR THE JUNE 2023 QUARTER
AND YEAR TO DATE

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY

 **MANAWATU**
DISTRICT COUNCIL

PALMY
PALMERSTON
NORTH
CITY

TE MAURI O
MANAWATŪ


PIPIRI

WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // JUNE 2023 QUARTER



THE REGIONAL ECONOMY CONTINUES TO PUNCH ABOVE ITS WEIGHT AND BUSINESS SENTIMENT REMAINS MAINLY POSITIVE.

Manawātū holds a robust economic position proving again to be resilient to the economic pressures at play.

Consent levels are up showing continues investment and confidence, employment is strong, and housing is relatively affordable in a national context, which are just some factors keeping the region in good economic health.

According to the latest [Statistics New Zealand Food Price Index](#), the cost of food signals a slowing of the annual food price increase. This reduced pattern gives some optimism with the potential for a plateau in the future.

A vibrant employment market balanced with higher incomes in many instances is taking pressure off household budgets, enabling families

to ride out current economic challenges. Further to that, record net international migrations is easing labour market pressures while supporting core spending across the region.

"On the back of significant infrastructure investment and progress in key projects, our sectors of strength remain confident. There are still challenges particularly around the talent and skills pipeline to fill vacancies but overall, there is confidence in the economic outlook for the region".

-Jerry Shearman, CEDA's Chief Executive

GROSS DOMESTIC PRODUCT (GDP)

ALTHOUGH GDP IS UP AND THE EMPLOYMENT MARKET IS STRONG, THERE IS NO DOUBT OUR COUNTRY IS STILL FACING CHALLENGING CONDITIONS.

Higher interest rates and inflation continue to put pressure on families reducing the amount of disposable income families have to spend on goods and services across the economy. This pullback in spending is needed to bring inflation back to within the 1-3% range of the Reserve Bank Of New Zealand, but in the meantime, tighter economic conditions are putting pressure on families and businesses across the board.

Palmerston North City Council Economist Stacey Bell says the regional economy continues to show resilience with GDP increasing by 2.6% over the year off the back of a solid economic performance in 2022. National GDP growth over the year was higher due to many parts of New Zealand playing catch-up from the greater impacts of pandemic restrictions on economic performance in 2022.

"Although we've endured growth, people have tightened their belts with the cost of living pressures, resulting in a decrease in spend across the regional and national economy," says Bell.

MANAWATŪ GDP

\$7903M



UP 2.6%

In the year to June 2023

New Zealand GDP

UP 3.1%



Five Year GDP

MANAWATŪ

NEW ZEALAND



19%



13.7%

CONSUMER SPENDING



IN THE LATEST QUARTERLY RETAIL REPORT FOR JUNE 2023, ELECTRONIC CARD SPENDING IN MANAWATŪ WAS UP 3.6% COMPARED WITH THE PREVIOUS QUARTER. THIS IS LOWER THAN THE NEW ZEALAND AVERAGE GROWTH OF 3.8% OVER THE SAME PERIOD.

This annual increase in consumer spending is supported by strong employment and earnings paired with increased visitor spending in the region. However, it is important to acknowledge high prices overall are contributing to this level of growth.

"At a national level, the volume of retail sales fell over the year to June 2023 alongside growth in spending over the same timeframe. This reflects that while spending values are holding up, consumers are receiving less for their money."

"The impact of a higher cost of living is also reflected in a decrease in spending on big ticket items, with 'other' consumer spending falling 15.2% in the region over the year to June 2023", says Palmerston North City Council Economist Stacey Bell.

Electronic card consumer spending in Manawātū

INCREASED BY

7.4%

*Electronic card consumer spending in Manawātū increased by 7.4% in the year to June compared to a year earlier. The overall increase for New Zealand was 12.2% over the same period. (as measured by Marketview)



12.2%

INCREASE // REST OF NEW ZEALAND

Annual growth in the region was mainly supported by:

- >> **Accommodation 30.8%**
- >> **Art, recreation and visitor transport 28.7%**
- >> **Cafes, restaurants, bars and takeaways 18.8%**
- >> **Fuel and automotive 10.3%**



QUARTERLY RETAIL REPORT FOR JUNE 2023



Employment for residents living in Manawātū

WAS AT A RECORD HIGH

UP 1.9%

IN THE YEAR TO JUNE 2023 COMPARED TO A YEAR EARLIER



GROWTH WAS LOWER THAN NEW ZEALAND'S

2.6%

1,229

Jobs were created in the region over the year to June 2023

UP 2.2% FROM THE PREVIOUS YEAR



The unemployment in the region continues to match

THE VERY LOW NATIONAL UNEMPLOYMENT RATE OF

3.4%



EMPLOYMENT

WHILE LOW UNEMPLOYMENT CAN BE VIEWED AS POSITIVE IN THE SENSE THAT PEOPLE ARE EMPLOYED, VERY LOW UNEMPLOYMENT ALSO HIGHLIGHTS THE LACK OF SPARE LABOUR AVAILABLE ACROSS THE REGION AND THE COUNTRY.

As a region, our business still face the challenges of a tight labour market.

Net international migration reached a record 96,200 over the year to July 2023. The flow of workers into the country is providing New Zealand with a wider talent pool and helping to ease labour market pressures.

Nationally, the tourism sector is benefitting from access to more workers with jobs in accommodation and food services making up nearly 16% of total growth over the year to July 2023.

Not only did the tourism sector benefit from the increase in available workers, the education, health care and social assistance sectors benefitted with a 22% increase in workers nationally.

The unemployment rate in the region continues to match the very low national employment rate of 3.4%

AGRICULTURE

Nationally the agriculture sector is under pressure as commodity prices fall, farmgate prices decline, and on-farm cost escalation remains high. Due to the drastic milk prices drop, the primary sector has taken a hard hit driven by weak demand and stronger supply globally.

Stacey Bell notes farmers are facing challenges with commodity prices falling off the back of weaker global demand, and increased debt and production costs squeezing profit margins across the sector.

"Global demand for New Zealand agriculture products was expected to improve, supported by the recovery of the Chinese economy, however, this has been slow to eventuate. We will be keeping a close eye on conditions facing our producers throughout 2023", says Bell.

INDUSTRY RECKONS// ERICA VAN REENEN
AGFIRST

"This combination of factors is resulting in a significant drop in farm profitability.

This will impact spending and investment activity across the region as farmers look to reassess their budgets and cut back spending.

Due to the strong rural and urban connection in the local Manawatū economy this is going to affect many people in the community.



Regionally the total dairy payout is expected to be approximately

\$378M

Which is

\$51M

lower than the 2022-23 year

What can we do as a suppliers and a local community? For those who are selling a product or service to farmers, focus on the long term relationships with your clients. We have seen tough times in the past, and prices are forecast to lift in 2024. In our experience farmers value loyalty and good service, and will repay that in the future."

Nationally the total dairy payout is expected to be approximately

\$17,369M



Which is

\$2010 million lower in than 2022-23 season



TOURISM

TOURISM SPENDING CONTINUES TO RISE AND SUPPORT THE LOCAL ECONOMY WITH EXPENDITURE UP BOTH DOMESTICALLY AND INTERNATIONALLY

Across New Zealand, overall tourism card spending is up around 32% per annum and is now sitting 16% pre-pandemic (2019) levels.

In the quarter to June 2023, the Manawātū has been in the top five regions in New Zealand for occupancy rates in commercial accommodation, according to the [Accommodation Data Programme](#). This is a trend we have been seeing steadily since this data measurement was put in place, reinforcing our strengths in business travel, events and conferences and more.

Domestic visitor spend

In Manawātū was

\$320.9M

UP 9.2% IN THE YEAR TO JUNE 2023



New Zealand was up

10.9%

IN THE SAME PERIOD

International visitor

In Manawātū was

\$26.3M

UP 115% IN THE YEAR TO JUNE 2023



New Zealand was up

301%

IN THE SAME PERIOD



Non-residential construction values increased by

27%

IN THE REGION OVER THE YEAR



**COMPARED WITH A 10.8% INCREASE
NATIONALLY**

Residential construction values increased by

8.9%

IN THE REGION OVER THE YEAR



**COMPARED WITH A 6.5% FALL
NATIONALLY**

CONSTRUCTION

CONSTRUCTION LEVELS IN THE REGION HAVE DEFIED THE NATIONAL TRENDS WITH VALUES INCREASING 14.9% OVER THE YEAR TO JUNE 2023. THIS COMPARES WITH -0.1% FALL NATIONALLY.

Overall, there was a total of 698 new residential dwelling consents and an increase of 6.4% compared with the previous year. This compares with a 12.2% fall in the number of new dwelling consents issues across the country over the same period.

The increase in construction in our region against falling volumes nationally shows confidence from buyers and developers as they adjust to new interest rates and inflation challenges.

Non-residential activity has a bright future for both the region and New Zealand, gaining momentum for a strong and continued pipeline of construction. Nationally, June 2023 was 15% higher than the previous year, totalling \$7.8 billion.

INDUSTRY RECKONS// ANGUS FINDLAY
COMMERCIAL AND INDUSTRY SALES BAYLEYS

“As the investment landscape of the commercial market follows the shift with interest rates, the demand for industrial land continues its momentum as the Regional Freight Hub gets the tick of approval. We expect the non-residential consent growth to continue to rise as Manawātū establishes itself as New Zealand’s central distribution hub under Te Utanganui attracting both public and private investment.”

HOUSING

LEADING TRENDS IN THE HOUSING MARKET INCLUDE A STRONG NUMBER OF CONSENTS PAIRED WITH CONSENT SALES AND HOUSE PRICES STABILISING.



HOUSE SALES//

House sales in Manawatū were down 11.7% in the year to June 2023. However, sales have not taken as much of a hit as they have nationally, with a 20.7% decrease experienced.

HOUSE VALUES//

There has been a continued stabilisation in the housing market with house values down 12.9% in Palmerston North city and down 10.3% in Manawatū district

\$636,926

>> Average house price Palmerston North city

\$607,309

>> Average house price in Manawatū district

Home ownership is far more affordable in Manawatū compared to many other regions in the country. With the current cost of living and inflation pressures, affordable housing is an essential factor to the wellbeing of New Zealand families.

5.4

RATIO OF AVERAGE HOUSE PRICE TO AVERAGE ANNUAL HOUSEHOLD INCOME IS 5.4

7.2

RATIO OF AVERAGE HOUSE PRICE TO AVERAGE ANNUAL HOUSEHOLD INCOME IN NEW ZEALAND IS 7.2

INDUSTRY RECKONS // ROD GRIEVE OWNER/ MANAGING DIRECTOR BAYLEYS MANAWATŪ, RANGITĪKEI AND HOROWHENUA

"The year-on-year decrease in average values echoes the active first-home buyer group. The recent softening of CCCFA rules has seen banks take a more generous view when it comes to lending capacity.

Rising residential consent numbers further reinforce the positive 'live, work, play' benefits of our affordable and attractive region.

Fun fact: We typically have circa 60% of property viewers from out-of-region with potential buyers from Auckland and Wellington most common. Our market is no longer just local. The secret's getting out.... our proud region is on the march."





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