

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

MAHURU //
SEPTEMBER QUARTER 2023

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

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY

 **MANAWATU**
DISTRICT COUNCIL

PALMY
PALMERSTON
NORTH
CITY

TE MAURI O
MANAWATŪ






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

"Many businesses will be feeling the pinch with the recent easing of economic growth, but that this is not unexpected, with there still much to be positive about. "The latest quarter has shown us the results of the Reserve Bank of New Zealand's engineered contraction of the domestic economy with impacts flowing through to consumption, private investment and economic activity. However, the industry structure in Manawātū continues to support regional economic activity."

-Jerry Shearman, CEDA's Chief Executive

GLIMPSES OF BETTER TIMES AHEAD, IN THE MEANTIME, SHOPPING AND SUPPORTING LOCAL IS MORE IMPORTANT THAN EVER.

The September national GDP figures have just come out indicating a 0.3% decline in GDP for the country with final figures for the December 2022 and March 2023 quarters indicating two consecutive quarters of negative growth (some may call this a recession). Mounting pressures on household budgets and business activity will be concerning as we move into another year of interest rates, but there is light at the end of the tunnel as inflationary pressure subsides and future interest rate expectations ease.

The New Zealand and regional economy have proven incredibly resilient to the pressures of the last few years with employment, earnings and economic activity well above earlier expectations. In the region, our strong economic performance has been driven by the diversity of our regional economy underpinned by our large public sector, growth in our construction and logistics and distribution sectors, and our excellence in food production.

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

As Palmerston North City Council Economist Stacey Bell notes, the economic resilience of the New Zealand economy has led to interest rates rising well above expectation in an attempt to slow the national economy.

"The good news is this is finally working as spending falls and inflation moves down toward the 1-3% target range." says Bell.

The pullback in consumer spending will provide confidence to the Reserve Bank of New Zealand (RBNZ) that their efforts to get inflation under control are working, reducing the probability of further rate rises in 2024. Population growth is also strong, helping to ease the labour shortages that contributed to inflation throughout 2021 and 2022 while supporting demand for goods and services across the economy.

International pressures on interest rates are also waning, with inflation easing above expectation in the United States alongside strong economic activity. There are also signs of increasing global demand for New Zealand exports as expectations and pricing for the following season improves.

Back home, the latest ANZ Business Confidence survey indicates that our businesses are feeling more upbeat after the election of the new government. Importantly, the survey also reports that businesses are pulling back on raising prices, supporting the view that domestic inflation will continue to fall in 2024.

"There are positive signs that we will see improving conditions for businesses in our region and across New Zealand as we approach 2025. However, we know that times will continue to be tough for many of our businesses and households as we navigate our way through 2024" adds Bell.

GROSS DOMESTIC PRODUCT (GDP)

ALTHOUGH GDP SHOWS GROWTH IN THE PREVIOUS QUARTER, THERE IS NO DOUBT OUR COUNTRY IS STILL FACING CHALLENGING CONDITIONS.

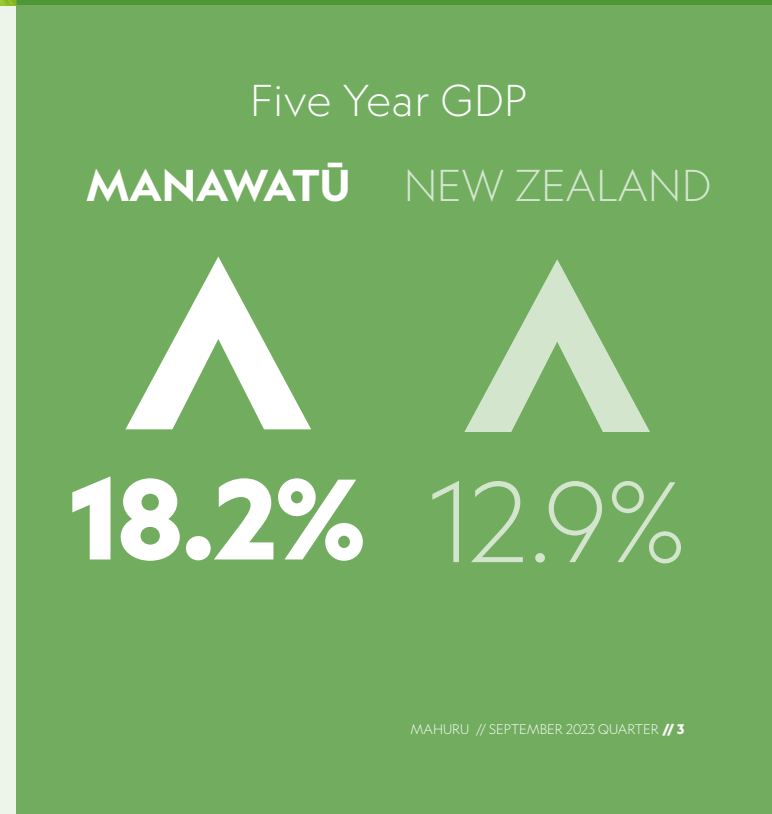
Higher interest rates and inflation continue to put pressure on families reducing the amount of disposable income families have to spend on goods and services across the economy. This pull back in spending is needed to bring inflation back to within the 1-3% range of the Reserve Bank, but in the meantime,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

Palmerston North City Council Economist Stacey Bell says the Manawātū regional economy has proven very resilient over the last several years, with the economic structure of our regional economy enabling substantially higher growth than the national economy.



“Part of this resilience was due to the limited impact of border closures on our regional economy relative to places across New Zealand that were highly dependent on international tourism. This supported levels of employment and spending across the regional economy relative to the national economy from 2020 through to 2022.

Now that the borders are open and international tourism is recovering, spending in our international tourism hotspots are increasing relative to spending here in the region. As is the case across the country, many of our families have also tightened their belts due to cost of living pressures, resulting in a decrease in spend across the regional and national economy.”



CONSUMER SPENDING



IN THE LATEST **QUARTERLY RETAIL REPORT FOR SEPTEMBER 2023**, ELECTRONIC CARD SPENDING IN MANAWATŪ WAS UP 2.5% COMPARED WITH THE PREVIOUS QUARTER. THIS IS ONLY SLIGHTLY LOWER THAN THE NEW ZEALAND AVERAGE GROWTH RATE OF 2.8% OVER THE SAME PERIOD.

Higher mortgage interest rates and the high cost of living is weighing on consumer spending, with annual spending growth falling below annual inflation 5.6 % for the period ending September 2023. This indicates a real decline in spending across the region.

As we move into the holiday season it is expected we will see some seasonal lift in spending. Latest retail spending data indicated that 76% of retail spending in the Manawātū region was from locals, totalling \$1,361 million. This is an increase of 3.4% from the previous year.

Supporting our retail businesses by shopping local has never been more important as they navigate the challenges of reduced spending and higher costs.

YoY Electronic card consumer spending in Manawātū
INCREASED BY

4.1%

COMPARED TO A YEAR EARLIER



INCREASE // NEW ZEALAND

*Electronic card consumer spending in Manawātū increased by 4.1% in the year to September compared to a year earlier. The overall increase for New Zealand was 7.4% over the same period. (as measured by Marketview)

Electronic card consumer spending in Manawātū
INCREASED BY

2.5%



IN THE SEPTEMBER QUARTER
COMPARED WITH THE PREVIOUS
QUARTER

**INDUSTRY RECKONS// KIERON MCLOUGHLIN//
TURNERS SPORTS FEILDING - RETAIL STORE OWNER**

"It is only natural that consumers are being more cautious with their spending, given the higher costs of living we are all facing," says Kieron from Turners Sports. "We are grateful for the local support we have seen in our first few months of operation, people have plenty of options nowadays - including shopping online - so the community support is essential."



SEE THE QUARTERLY RETAIL REPORT FOR SEPTEMBER 2023,



Employment for residents living in Manawatū

WAS

UP 1.8%

IN THE YEAR TO SEPTEMBER 2023 COMPARED TO A YEAR EARLIER



GROWTH WAS LOWER THAN NEW ZEALAND'S

3.0%

1,029

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

UP 1.8% FROM THE PREVIOUS YEAR



Unemployment for residents in Manawatū sat at

3.7%

COMPARED TO THE NATIONAL RATE OF 3.5%



EMPLOYMENT

WHILE UNEMPLOYMENT REMAINS HISTORICALLY LOW, THERE ARE SIGNS THAT LABOUR MARKET SHORTAGES ARE EASING BOTH ACROSS THE REGION AND NATIONALLY

An estimated 1,760 overseas residents have settled in the region over the year to September 2023, helping to ease labour market shortages across the region.

Palmerston North City Council Economist Stacey Bell says that while we are seeing strong population, jobs and earnings growth, we are starting to see labour market pressures easing.

“The region’s unemployment rate is still historically low but an increase in jobseekers across age groups implies the expected easing of labour markets is underway, with more workers now available across our workforce. This is aided by the strong net international migration we have seen over the past 12 months.”

INDUSTRY RECKONS // PN PERSONNEL CLIENT MANAGER MATT SMOUT

“We agree the labour market is showing signs of easing. Between October and November 2023 our available candidate pool increased by 9.1%. PN Personnel anticipates 2024 will see more jobseekers enter the market, giving increased scope and selection for Manawatū employers.”

“The employment market is moving quickly and our advice to employers is to ensure their recruitment process and communication is timely to secure the best person for their team.”

AGRICULTURE

OUR FOOD SECTOR HAS BEEN UNDER SIGNIFICANT PRESSURE WITH WEAK GLOBAL DEMAND A FEATURE IN 2023.

There are, however, signs of improvement in the latest quarter of 2023, with dairy prices edging up and a welcome increase in the forecast farmgate milk price for the following season.

Farmgate milk prices per kg/ms have increased to \$7.50 with some analysts expecting prices to rise a further \$0.25 up, to \$7.75. While this is an improved situation, it is still nowhere near the returns of the commodity price boom that we saw in in 2020/2021 with profits squeezed on the other side of the balance sheet due to higher costs of production.

Red meat prices continue to come under significant pressure influenced by an increase in supply from Australia and the continuation of subdued global demand. Forestry prices remain weaker than a year ago but there are more recent positive signs with the international price edging up over the last few months. Pricing is expected to come under further pressure in 2024 due to suppressed demand from China, as pressures on their property sector continue to mount.

Stacey Bell notes that on the upside, the signalled dry conditions that usually come with El Nino have not eventuated yet. This means even if the dry comes later in the summer, it has been preceded by good grass supply conditions.

Dairy Payout Estimates from Infometrics

\$429M

Estimated dairy payout for
Manawatū in 2021/2022
season



\$380M

Estimated dairy payout for
Manawatū in 2022/2023
season

According to Infometrics, the total payout for New Zealand is estimated to have been approximately \$17,369 million in the 2021/2022 season and is expected to be 1,972 million lower in the 2022/2023 season.



TOURISM

TOURISM SPENDING IN THE REGION CONTINUES TO RISE, SUPPORTING THE LOCAL TOURISM SECTOR AND WIDER ECONOMY. NEW ZEALAND'S ECONOMY BENEFITED FROM STRONG GROWTH IN BOTH DOMESTIC AND INTERNATIONAL TOURISM SPENDING.

Visitor spending supports tourism related businesses including hospitality and accommodation. We have seen increased spending in the region on accommodation, which was up 31%; culture, recreation and gambling services up 36%; and food and beverage serving services, up 46% compared to the year ending September 2022.

INDUSTRY RECKONS//MARGIE HOLMES// DIRECTOR LITTLE SAVANNA

"We keep in touch with a number of other restaurants who are also our relatively close neighbours, and I would be very surprised if any of them could say they noticed a 46% increase! In that same period we saw a 1.4% decrease in sales. There are a few factors that contribute to this:

1. The cost of living crisis/recession – often the luxury of eating out is sacrificed in a cost of living crisis.
2. In more recent times, the industry has faced an increase in labour costs where the average increase is 38% and food prices have increased around 12.5%. These increases have resulted in menu price increases, which ultimately shows an increase in sales but is really only reflecting the labour and food increases. So, whilst sales may have increased, profitability hasn't and has for us decreased – the industry traditionally runs with very tight profit margins.

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

Total visitor spend

In Manawatū was

\$583M

UP 12.2% IN THE YEAR TO SEPTEMBER 2023



Nationally, visitor spend rose

28.3%

IN THE SAME PERIOD

Four Year Growth

Manawatū saw a

24.8%

INCREASE IN VISITOR SPEND COMPARED TO PRE PANDEMIC LEVELS IN MANAWATŪ OF



\$467M

IN THE YEAR TO SEPTEMBER 2019

3. Instability regarding government regulations like Fair Pay Agreements have also been of a concern to those in the industry.

4. We have also been undergoing construction changes at Little Savanna and as a result have not been able to accommodate as many guests.

"For us and those who we have contact with around us it has been encouraging that more recently in the build up to Christmas things have picked up."



MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

CONSTRUCTION

THERE WERE 588 CONSENTS FOR NEW DWELLINGS ISSUED IN THE REGION OVER THE YEAR TO SEPTEMBER 2023.

This is down from a record 817 new dwelling consents issued over the 2021 year. While well off the record, the number of consents for new dwellings remains relatively strong, with the decrease well below the national decline.

There was a total of \$193.9m in non-residential consents issued in the Region over the year to September 2023. The value of non-residential construction in the region is coming off record values in 2021 and 2022. Planned investment of over \$8b into the region is expected to continue to support construction activity across the region until 2035.

New residential dwelling consent numbers decreased by

-14.7%

IN MANAWATŪ IN THE YEAR TO SEPTEMBER 2023



COMPARED WITH -20.4% DECREASE IN NEW ZEALAND IN THE YEAR TO SEPTEMBER 2023

Non-residential dwelling consent numbers decreased by

-24.5%

IN MANAWATŪ IN THE YEAR TO SEPTEMBER 2023



COMPARED WITH A 3.3% INCREASE NATIONALLY IN THE SAME PERIOD



HOUSING

HOUSE SALES IN THE REGION FELL BY LESS THAN NATIONAL HOUSE SALES WHILE HOUSE PRICES APPEAR TO STABILISE ACROSS THE REGION

HOME OWNERSHIP IN THE REGION REMAINS FAR MORE AFFORDABLE THAN MANY PARTS OF NEW ZEALAND



House sales in the region decreased by



-10%

IN THE YEAR TO SEPTEMBER 2023 COMPARED TO THE SAME PERIOD IN 2022

Nationally house sales were down -14.5% in the year to September 2023, compared to the same period in 2022

\$635,948

>> Average house prices in Palmerston North down -7.8% from the previous year

\$597,094

>> Average house price in Manawātū district, down -6.1% from the previous year

5.3

RATIO OF AVERAGE HOUSE PRICE TO AVERAGE ANNUAL HOUSEHOLD INCOME IN MANAWATŪ IS 5.3 FOR THE SEPTEMBER 2023 QUARTER

7.1

RATIO OF AVERAGE HOUSE PRICE TO AVERAGE ANNUAL HOUSEHOLD INCOME IN NEW ZEALAND IS 7.1 FOR THE SEPTEMBER 2023 QUARTER



Stacey Bell suggests that the key reading of these statistics indicates the housing market has found it's floor with signs of increasing positivity due to the new government

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

October's numbers confirm a reset of median property sale values with lighter stock levels and sales counts. New listings activity are starting to show signs of growth. Days on market to sell continue to reduce on a month-on-month basis. Buyers' dominance is softening given low supply levels and strengthening demand as a power rebalancing takes place.

Vendors are readjusting pricing expectations and those on the market are starting to benefit from lack of 'supply-side' competition.

We are seeing buyers gradually adjusting to the new interest rate environment, particularly at the entry level end of the market...notably with first-home buyers making a strong comeback. Lower prices and it follows, an improvement in the affordability of saving for a deposit, is also supporting buyers back into the market.



FOR MORE DATA AND INSIGHTS VISIT
[CEDA.NZ/DATA-INSIGHTS](https://ceda.nz/data-insights)



NEWSLETTER SIGN UP
[CEDA.NZ/NEWSLETTER-SIGNUP/](https://ceda.nz/newsletter-signup/)



WEBSITE //
[MANAWATUNZ.CO.NZ](https://manawatunz.co.nz)

FACEBOOK //
**[PALMY &
MANAWATŪ](#)**

INSTAGRAM //
[@MANAWATU_NZ](#)
[#THISISMANAWATU](#)

EMAIL //
COMMUNICATIONS@CEDA.NZ

PHONE //
[+64 6 350 1830](tel:+6463501830)