

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

PIPIRI //
JUNE QUARTER 2024

YOUR ECONOMIC SNAPSHOT
FOR THE JUNE 2024 QUARTER
AND YEAR TO DATE

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY

 **MANAWATU**
DISTRICT COUNCIL

PALMY
PALMERSTON
SOUTH CITY

TE MAURI O
MANAWATŪ




WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // JUNE 2024 QUARTER



THE ECONOMY IS TURNING, AND BETTER TIMES ARE NEAR.

Inflation is falling slightly above the Reserve Bank of New Zealand's expectations, which has prompted an earlier-than-expected reduction in the Official Cash Rate (OCR). In mid-August, the Reserve Bank cut the OCR by 25 basis points - the first reduction in over four years. The Reserve Bank noted that price pressures are easing, with annual inflation expected to return to its 1-3% target band in the September quarter this year.

Mortgage holders have opted for shorter-term interest rates, meaning that the benefits of lower rates will reach households quicker than usual. Stabilising prices and lower interest rates will offer timely relief for household budgets and begin to stimulate demand for goods and services across the economy. While this effect will take time to fully materialise, we can expect 2025 to be a much better year for the business community.

"Although we're still facing some economic challenges in 2024, the outlook is starting to look brighter. Our region's strong economic foundations are helping us to stay resilient, and with inflation coming down and interest rates expected to drop throughout the rest of the year and into 2025 we can see better times ahead.

The Reserve Bank's decision to bring forward OCR cuts earlier than planned should help boost spending and activity for businesses in Manawātū."

-Jerry Shearman, CEDA's Chief Executive

GROSS DOMESTIC PRODUCT (GDP)

THE JUNE FIGURES SHOW THE REGIONAL ECONOMY IS CONTINUING TO FEEL THE EFFECTS OF THE WIDER ECONOMIC PRESSURES WITH ANNUAL GDP DECLINING 0.8% COMPARED TO A SLIGHT DECREASE NATIONALLY OF 0.2%.

The annual inflation rate nationally is at 3.3% in June 2024, compared to 4% in March. This easing of the annual inflation rate suggests progress with inflation in September widely expected to be back within the Reserve Bank's target range of 1-3%.

GDP growth is expected to stay low, with the Reserve Bank predicting a small decline of -0.4%. While interest rates from major banks are starting to decrease due to a better OCR, it will take time for people to feel relief from the impact of higher interest rates on their spending. This is partly because global growth is slow, fewer people are migrating to the country, and the government is spending less, which all contribute to keeping demand low. However, things look positive for 2025, with GDP growth expected to rise to 3.3%.

Annual GDP growth in Manawatū peaked at 9% in the year to June 2021.

MANAWATŪ GDP

\$7.92 BILLION

In the year to June 2024 which is



DOWN 0.8%

New Zealand GDP

\$378 BILLION



DOWN 0.2%

In the year to June 2024

Five Year GDP

MANAWATŪ

UP



12.5%

NEW ZEALAND

UP



10.3%

CONSUMER SPENDING



RETAIL CARD SPENDING IN THE REGION DECLINED BY 0.3% IN THE JUNE QUARTER 2024 COMPARED WITH THE PREVIOUS JUNE QUARTER. THIS IS MARGINALLY LOWER THAN THE NEW ZEALAND AVERAGE QUARTERLY GROWTH OF 0.3% OVER THE SAME PERIOD.

Annual electronic card retail spending increased by 0.7% over the year to June 2024, which is below the national growth rate of 2%. This compares with an annual inflation rate of 3.3% over the same period, indicating a real decline in the value of retail spending over the year. Annual retail spending was primarily supported by an increase in spending on groceries and liquor which rose 6%, fuel and automation which increased by 3%; and cafes, restaurants, bars and takeaways which increased by 2%.

The slight decline in retail spending can be attributed to the broader economic environment, with rising living costs, higher interest rates, and general consumer caution contributing to a drop in discretionary spending. Despite this, there is optimism that economic conditions will improve, with forecasts suggesting a pick-up in consumer spending by 2025 as inflation stabilises and economic growth strengthens.



While spending challenges remain for businesses, there are plenty of reasons to feel optimistic according to the latest ANZ Business Outlook Survey. The August 2024 survey showed that business confidence has hit its highest level in ten years, jumping 23 points to +51. Companies' expectations for their own growth also reached a seven-year high of +37. There's less concern about rising prices, meaning inflation pressures seem to be easing. However, the survey notes that these positive changes are coming after a period of very low activity, so it will take time for the improvement to show up in the economy.



**QUARTERLY RETAIL REPORT
FOR JUNE 2024**

YoY Electronic card consumer spending in Manawatū increased by



0.7% to \$1,792 million

Compared to a year earlier

2% increase to \$78,376 million for New Zealand

BUSINESS COUNTS

IN THE YEAR LEADING UP TO JUNE 2024, THE NUMBER OF BUSINESS UNITS IN MANAWATŪ GREW BY 0.8%.

This is lower than the 1.5% growth seen across New Zealand. This growth, while small reflects the resilience and steady expansion of the region's business sector, even in a challenging economic climate. The total number of business units in Manawatū reached an annual average of 12,236 in the year to June 2024, up from 12,144 in the previous 12 months.

This growth, while slower than the peak of 3.3% experienced in the year to September 2022, indicates that businesses in Manawatū are continuing to find opportunities for expansion and development.

"It is an ideal time for businesses that can invest in their futures to do so, with ample supply in the construction sector and weak cost pressures. Small and medium-sized enterprises (SMEs) are feeling the brunt of short-term demand and interest rate pressures. However, as confidence grows, we can expect to see a rise in construction investment both regionally and nationally."

- Stacey Andrews, City Economist, PNCC

The number of business units in Manawatū



UP 0.8%

For the year ending June 2024



INDUSTRY RECKONS // JOANNA OCHOA // ABC BUSINESS SALES

"The level of inquiry from potential buyers has reached a record high, with 8,357 Signed Confidentiality Agreements in the four months leading up to July 2024. This marks a substantial 33% increase compared to the same period last year.

Meanwhile, 255 new businesses were listed with ABC Business Sales, which is in line with what we typically see.

The market is in a strong position, with both buyers and sellers actively involved in transactions. Completed business sales have risen by 28%, driven by increasing demand. This demand is largely due to two factors: rising unemployment is bringing more buyers into the market, and new immigrants to New Zealand are increasingly choosing to buy a business rather than seek employment.

We're also seeing business prices start to level out, with a slight dip of 0.3% in July 2024 compared to July 2023. Prices had peaked in December 2022. It's worth noting that distressed business sales remain a small part of the market, making up less than 2% of new businesses coming on the market."

The number of business units in nationally



UP 1.5%

For the year ending June 2024



CONSTRUCTION

THE CONSTRUCTION SECTOR WILL CONTINUE TO FACE CHALLENGES UNTIL BORROWING COSTS DECREASE AND CONFIDENCE IN THE ECONOMY IMPROVES.

The government's reduction in housing spending will add further pressure to the industry. However, there is some good news for the region, with ongoing defence and health sector investments helping to sustain economic activity.

NON-RESIDENTIAL CONSENTS

The value of non-residential consents have decreased by 49.9%, compared to a 9.6% decline nationally. After sitting well above the national average for the past year or more, this drop in non-residential consents for our region is partly due to major projects being completed such as the major upgrades at MidCentral,

combined with high interest rates delaying planning. The current high cost of borrowing and weak near-term demand are also contributing to the drop in consents in the commercial sector.

Businesses that can are likely balancing short-term challenges with strategic investments to capitalise on medium- to long-term economic opportunities. The region won't fully see the benefits of lower interest rates and higher disposable incomes until 2025 and beyond, which will be crucial for supporting business profitability. While pressures are beginning to ease, there's still progress to be made.

On a positive note, the Reserve Bank has found that there's a lot of unused potential in the economy. This could lead to quicker cuts in interest rates to encourage more spending and prevent long-term damage. We might see interest rates come down faster as a result.

Non-residential consent value decreased by

49.9%

IN MANAWATŪ IN THE YEAR TO JUNE 2024



Compared with 9.6% decrease in New Zealand in the year to June 2024.



New residential dwelling
consent numbers decreased by

21.1%

IN MANAWATŪ IN THE YEAR TO JUNE
2024



Compared with 24.5% decrease in
New Zealand in the year to June
2024.



RESIDENTIAL CONSENTS

A total of 159 new residential building consents were issued in Manawatū in the June 2024 quarter, compared with 200 in the same quarter last year. A 21.1% decrease in residential consents is consistent with a national drop of 24.5%.

Right now, private residential investment is being driven more by financial factors, like high interest rates and how financially secure people feel, rather than by the actual need for more houses due to population growth. High interest rates reduce people's confidence in their financial situation, which is leading to less investment in new homes.

There's also less investment in public housing due to government cutbacks, and community housing providers are facing uncertainty. Despite these challenges, the long-term outlook is still positive. It's important to have the right zoning and land available for new homes, and both Palmerston North City and Manawatū District Councils are working on plans to support future growth.

The Maewa growth precinct in the northwest of Feilding will see the development of 1,000 homes over a 12-year period. Significant infrastructure work has begun, with several development companies already having their resource consents approved.

“The Manawatū District Council’s issued residential building consents show a significant rebound within the June 2024 quarter - in fact marking the highest number of consents processed in the Manawatū district since the March 2023 quarter.

Although this resurgence contrasts with the overall regional trend, it highlights a period of renewed activity and growth within the district’s residential construction sector.”

- Lyn Daly, General Manager Community, Manawatū District Council

WORKFORCE AND EMPLOYMENT

EMPLOYMENT FOR RESIDENTS LIVING IN MANAWATŪ WAS UP 1% FOR THE YEAR TO JUNE 2024, COMPARED TO A YEAR EARLIER.

Growth was lower than the national rate of 2.1%. An average of 58,433 people living in Manawatū were employed in the year to June 2024. Annual employment growth for Manawatū residents peaked at 3.6% in the year to December 2019.

The annual average unemployment rate in Manawatū was 4.2% in the year to June 2024, up from 3.4% in the previous year to June 2023. Over the last ten years the annual average unemployment rate in Manawatū reached a peak of 6.9% in September 2015.

Employment levels are a major concern, with some businesses responding to lower demand by reducing their workforce. We anticipate that unemployment will continue to rise until economic demand recovers.

The Seek Employment report for July 2024 shows a 29% decrease in advertised jobs in the Manawatū region year on year, though there was a 10% increase in job ads from June to July, indicating some improvement. Nationally, job ads fell 29% over the year but increased by 3% month-to-month between June and July.

In addition, the annual average NEET rate in Manawatū was 12.9% in the year to June 2024, up from 9.6% in the previous 12 months.

* The NEET rate indicates the proportion of 15-24-year-old residents who are Not engaged in Education, Employment, or Training.

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

With this data nearing the peak figure of 13.6% in December 2018, we had a chat with Jasmine Groves to understand if this rise in the NEET rate is causing an increase in tertiary enrolments.

INDUSTRY RECKONS // JASMINE GROVES UCOL BUSINESS DIVISION

"Equivalent full-time students (EFTs) for 2024 are performing well, with UCOL achieving 105% of the DQ3+ target and overall enrolment. The Trades Academy is oversubscribed, highlighting strong school partnerships and increasing demand, leading to a higher number of waitlisted applicants.

The U-Skills program shows a positive progression to full-time study, with rates between 51% and 61% over the last four years, reflecting its impact on students and regional schools.

Programs with strong interest include Nursing, Construction and Trades, Mechanical Engineering, Automotive Engineering, Information and Computer Technology, Medical Imaging Technology, and Early Childhood Education."

Employment for residents living in Manawatū

UP 1%

IN THE YEAR TO JUNE 2024 COMPARED TO A YEAR EARLIER.



GROWTH WAS LOWER THAN NEW ZEALAND'S

2.1%

Unemployment for residents in Manawatū sat at

4.2%

IN THE YEAR TO JUNE 2024



WHICH IS CONSISTENT WITH THE NATIONAL RATE OF

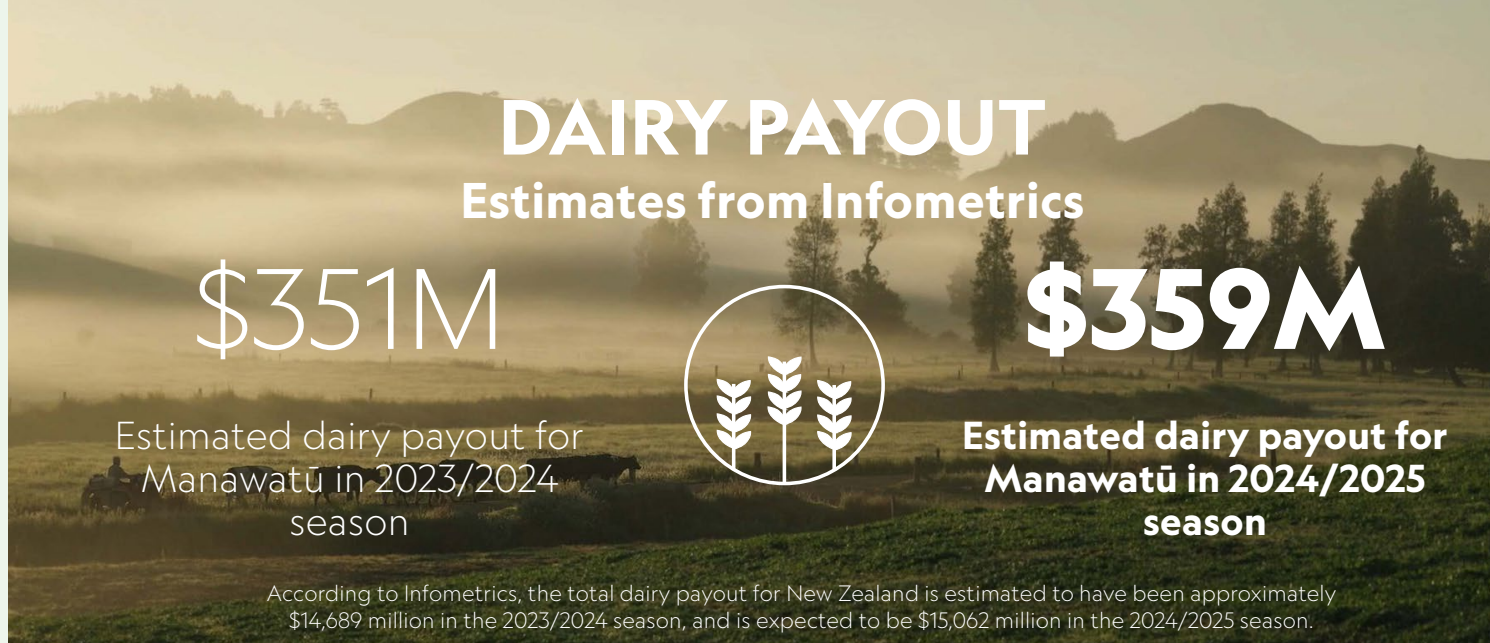
4.2%

AGRICULTURE

PRIMARY SECTOR PRICES ARE SEEING POSITIVE IMPROVEMENTS, PARTICULARLY FOR RED MEAT, WHICH IS EXPECTED TO BRING SIGNIFICANT BENEFITS TO THE PRIMARY SECTOR.

At the same time, demand for dairy products is rebounding, which will provide additional support to farmgate milk prices throughout the current season. This upward trend in pricing is a welcome relief for the sector, especially after a period of volatility. Moreover, price pressures on the farming industry are beginning to ease, as farm input costs, such as feed, fertiliser, and fuel, have stabilised, with costs declining by 0.7% in the year to June 2024. This marks a considerable turnaround from the peak inflation of 15% seen in the sector in the year to September 2022.

The reduced cost pressures, coupled with improving prices for key products, are creating a more favourable financial environment for farmers and growers. In addition, the decline in interest rates is set to provide an additional boost to profitability, lowering the cost of borrowing and allowing farmers to redirect funds into critical areas such as innovation, sustainability, and growth. These developments collectively signal a more optimistic outlook for the primary sector.



ASB COMMODITIES INDEX AT 23/08/2024

INDEX	INDEX*	WEEK %	YEAR %**
Total NZD	114.0	0.1	13.2
Total SDR	110.9	2.9	18.4
Total USD	107.4	3.2	19.1
Dairy USD	117.2	2.2	28.5
Sheep/beef USD	100.9	4.4	19.5
Forestry USD	88.9	3	5.2
Fruit USD	99.5	3	9.5
NZD/USD	0.6208	3	5.2

Base Year 2019, Base = 100



TOURISM

IN THE YEAR TO JUNE 2024, INTERNATIONAL VISITOR SPENDING IN THE REGION GREW BY 15.8%, WHILE DOMESTIC SPENDING DROPPED BY 1.7%.

Overall, our total visitor spend in the year to June 2024 dropped by 0.5%. While we have remained highly active in hosting business events across the region, the tightening of belts due to elevated costs has impacted local spending.

This is largely in line with the trends being seen across New Zealand, with domestic visitation being affected by the pullback in spending. As economic conditions start to improve for both businesses and households, we anticipate a boost to tourism and business spending in the region over the coming year.

Guest nights in
Manawatū

Decreased by



6.6%

IN THE YEAR ENDING JUNE 2024

Guest nights
nationally

Increased by



5.6%

IN THE YEAR ENDING JUNE 2024



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