

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

HAKIHEA // DECEMBER 2022

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY

 **MANAWATU**
DISTRICT COUNCIL

PALMY
PALMERSTON
NORTH
CITY

TE MAURI O
MANAWATŪ


REPORT



WELCOME TO THE NEW FORMAT MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // DECEMBER 2022

MANAWATŪ'S ECONOMY MAINTAINS SOME RESILIENCY, FOLLOWING THE TREND OF THE PAST FEW YEARS WHERE WE'VE SEEN THE REGIONAL ECONOMY CONSISTENTLY PERFORMING ABOVE THE NATIONAL AVERAGE.

Over the last five years, Manawatū regional GDP has seen a 20.7% increase compared to the national increase of 15.0%, a strong performance thanks to the unique mix of industries in our region.

The dominance of our public sector, the strength of our goods producing industries, and our high-value service sectors, has driven the strong regional economic performance relative to the national economy.

However, signs of a slowing economy are in clear sight, with the cost of living continuing to rise and the impacts of the recent extreme weather events set to further increase food prices for our families in the short term.

Most recently, Stats NZ announced on 13 March 2023, the 12% annual increase in food prices (groceries) was the highest since September 1989, adding to the on-going challenges of the cost-of-living.

CEDA's Chief Executive, Jerry Shearman, notes that although the cost-of-living challenges have been considerable, the regional economy* has proven resilient.

“Our large and diverse public sector, high-value service sector, and strength in food production has bolstered the regional economy compared with parts of New Zealand who traditionally

have a greater reliance on one sector, such as international tourism.

“Alongside strong public and private investment, our diversity of sectors has underpinned the region's resiliency relative to many other places and we are working hard to take full advantage of this to attract new investment here; while doing what we can to support our wider regional communities and neighbours as we recover from Cyclone Gabrielle,” states Shearman.

The expectation for the upcoming March quarter and beyond is unfortunately more of the same softening of the economy.

*Manawatū region covers Palmerston North City and Manawatū District

GROSS DOMESTIC PRODUCT (GDP)

PALMERSTON NORTH CITY COUNCIL (PNCC) CITY ECONOMIST, STACEY BELL SAYS "THE REGION'S UNIQUE MIX OF INDUSTRIES WILL CONTINUE TO SUPPORT ECONOMIC ACTIVITY IN THE REGION AS PRIVATE INVESTMENT AND DEMAND WEAKENS DUE TO RISING INTEREST RATES AND HIGHER COSTS".

GDP



UP 2.7%

IN MANAWATŪ

for the year to December 2022, compared to a year earlier.

Provisional GDP

\$7,870 M

in Manawatū

for the year to December 2022 (2022 prices).



Annual GDP

growth in Manawatū peaked at

8.9%

in the year to June 2021, coming off the weak base of 2020.



"While employment and earnings growth remain high, rising costs are dragging down the disposable incomes of families, and in some cases, limiting the affordability of core goods such as food and housing. Over the year to December, household living costs increased by 8.2%, with record household living cost growth since the data series began in 2009.

"Businesses continue to be affected by labour shortages and rising labour and material costs, as well as sharp increases in business lending costs.

"Hence, there are challenges out there and our households and businesses won't avoid the impacts of these wider economic conditions. However, the core economic strengths of the region will continue to buffer these impacts relative to places with greater reliance on private sector employment and discretionary household spending," Bell says.

CONSUMER SPENDING

IN THE LATEST QUARTERLY RETAIL REPORT FOR DECEMBER 2022, ELECTRONIC CARD SPENDING IN MANAWATŪ CONTINUED ITS RISE TO THE YEAR ENDING DECEMBER 2022 UP 7.5%. PALMERSTON NORTH RECORDED \$1,440 MILLION (UP 7.1% FROM YEAR ENDING DEC 2022) AND MANAWATŪ DISTRICT \$278 MILLION (UP 7.5% FROM YEAR ENDING DEC 2022).



Electronic card consumer spending in Manawātū increased by

7.5%

as measured by Marketview

over the year to December 2022, compared to a year earlier.

▲
10.3%

INCREASE // REST OF NEW ZEALAND



ELECTRONIC CARD CONSUMER SPENDING IN MANAWATŪ AS MEASURED BY MARKETVIEW, INCREASED BY 7.5% OVER THE YEAR TO DECEMBER 2022, COMPARED TO A YEAR EARLIER. This compares with an increase of 10.3% for the rest of New Zealand. National spending growth in 2022 was higher due to weak spending in 2021 as a result of the lockdowns affecting the upper half of the North Island from August to December 2021. The regional economy was less affected by these economic restrictions with strong retail spending figures throughout 2021.

Stacey Bell, City Economist at Palmerston North City Council, explains how inflationary pressures has impacted this data.

“Inflation hit 7.2% over the year to December compared with a 7.5% increase in retail spending in the region, indicating a real increase in spending relative to the rate of inflation. While the impact of higher interest rates and the rising cost of living is reflected in a sharp fall in spending on high value business and household goods such as commercial vehicles and private cars, high employment and earnings growth is supporting day to day expenditure on goods and services across the regional economy,” says Bell.



QUARTERLY RETAIL REPORT FOR DECEMBER 2022

EMPLOYMENT

DEMAND FOR WORKERS REMAINS HIGH IN THE REGION, A TREND MOST REGIONS ACROSS NEW ZEALAND ARE FACING.

Stacey Bell, City Economist at Palmerston North City Council says the number of people employed in the region reached a record 57,444 in December 2022, increasing by 1,186 from the previous year.

“ Alongside very low unemployment, the continuation of strong jobs growth continues to reflect the very tight labour market conditions in the region with demand for workers continuing to exceed supply. This is reflected in the increase in wages for people in paid employment across the Manawatū-Whanganui Region where average weekly earnings increased by 14.3% over the year to June 2022.



Employment for residents living in Manawatū

UP 2.1%

for the year to December 2022, compared to a year earlier



Growth was lower than in New Zealand

2.5%

An average of

57,444

people living in Manawatū were employed

in the year to December 2022



“ The lack of available labour will be weighing on businesses as they continue to struggle to find suitable workers to fill roles and pay higher wages for workers that are available.

“ Nationally, the number of employed 15-19-year-olds increased by 10.5% (+14,731) over the year. So, a lot of the slack is being taken up by young workers who are choosing to enter the workforce, rather than stay at school or enter tertiary study. High minimum wage and availability of work will be further supporting this trend,” says Bell.

The strong jobs market is also reflected in the sharp decline of jobseeker beneficiaries in the region with recipients falling by 459 over the year (-11.4%). This compares with a decline of 10.9% nationally.



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TOURISM



LOCAL MANAWATŪ HIMATANGI BEACH HOLIDAY PARK, WHO HAVE RECENTLY BECOME A TOP 10, HAS SEEN STEADY GROWTH SINCE OWNERS ALICE AND REUBEN TOOK THE BUSINESS ON IN 2015.

INDUSTRY RECKONS //

“On average, we’ve been steadily recouping visitor numbers across domestic and international since 2019 before the pandemic, and while we’re starting to slow down now, it’s been a very busy and busier than normal Summer.

“We’re buoyed to see a 30% increase from December 2021 across domestic and international visitors, to December 2022 and look forward to seeing this growth continue,” says Alice.



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Total tourism expenditure

in Manawatū increased by

7.8%

in the year to December 2022, compared to a year earlier



This compares with an increase of

18.9%

in New Zealand

Total tourism expenditure

was approximately

\$330 M

in Manawatū during the year to December 2022



which was up from

306 M

a year ago

CONSENTS



THE PRIMARY MARKET (FOR NEW HOMES) CAN BE A MASSIVE DRIVER FOR HOUSE SALES, AND THE COST OF BUILDING A NEW HOME IS HIGHER THAN EVER.

RESIDENTIAL //

A downturn in residential investment intentions from the record highs of 2021 reflects the impact of rising home building costs, higher mortgage interest rates, and challenges in accessing finance.

A total of 617 new dwelling consents were issued in the Manawātū Region over the year to December 2022, compared with 817 the previous year.

On an annual basis the number of consents in Manawātū decreased by 24.5% compared with the same 12-month period a year before. This compares with an increase of 1.1% in New Zealand over the same period.

NON-RESIDENTIAL //

Non-residential building consents to the value of \$172 million were issued in Manawātū during the year to December 2022.

The value of consents in Manawātū decreased by 32.5% over the year to December 2022, compared to a year earlier. This fall is coming off the record highs of 2021 where upgrades to Ohakea Airforce based added over \$75m to non-residential consent values in the region. To put this in context, the value of non-residential consents in the region remains at five-year annual averages, with \$173m in consents issued over the year to January 2023.

In comparison, the value of consents increased by 13.1% in New Zealand over the same period.

INDUSTRY RECKONS //

Jason Hockly, Property Consultant at QV helps to explain the drop in residential consents compared with the previous year.

“Demand for new homes is a massive driver of house sales. With the cost of building a new home at record highs and set to rise further, the appetite for investment in new builds in the city has fallen back to more normal levels. While some of this demand is going to more affordable greenfield development in the Manawātū District, rising development costs are expected to continue to put downward pressure on investment in new dwellings across the region,” says Hockly.

HOUSING



HOUSING REMAINS A KEY AREA OF CONCERN AND IS THE SECOND-EQUAL HIGHEST ISSUE FOR NEW ZEALANDERS CURRENTLY, FOLLOWING INFLATION AND COST OF LIVING. **PEOPLE AGED UNDER 50 ARE MORE CONCERNED ABOUT HOUSING (39%) THAN THOSE OVER 50 YEARS OF AGE (25%).**

(Source: Ipsos | NZ Issues Monitor, Feb 2023).



HOUSE VALUES //

The average house value in Manawatū was down 12.6% in December 2022, compared to a year earlier. The decline was greater than for New Zealand as a whole, where house values fell 9.2% compared with the December quarter 2021.

The average current house value was \$651,463 in Manawatū in December 2022, compared with the national average of \$953,850.

HOUSE SALES //

House sales in Manawatū decreased by 18.2% in the year to December 2022, compared to year earlier. This compares with a 'rest of New Zealand' /national decrease of 29.6%

A total of 1,495 houses were sold in Manawatū in the 12 months ended December 2022. This compares with the ten-year average of 1,864 per year.



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INDUSTRY RECKONS //

Jason Hockly, Property Consultant at QV says, the overall sale statistics show the different effects at play across different parts of the housing market.

" Higher valued properties have increased in price recently, while the lower valued properties have continued to reduce," he says.

This follows a period from 2020 to 2022 where the price of lower value properties was increasing strongly relative to other parts of the housing market. The continuation of falling prices for lower value homes will hopefully support first home buyers back into the market across the region. Current house sales volumes continue to show weakening demand.

In the IPSOS - NZ Issues Monitor, February 2023, the voice of New Zealanders shares their experience of housing issues.

One Manawatū-Whanganui based retiree on a total annual household income of \$15-\$20k comments on the increase of rents in smaller towns, exacerbated by accommodation supplement challenges via Work and Income.

" This leaves many people struggling... when we have enough trouble finding housing as it is," they say.



FOR MORE DATA AND INSIGHTS VISIT
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