



**Manawatū District Quarterly Economic Update – March 2022**  
16 June 2022



# Today

- Economic performance to date
- Economic headwinds
- The economic outlook



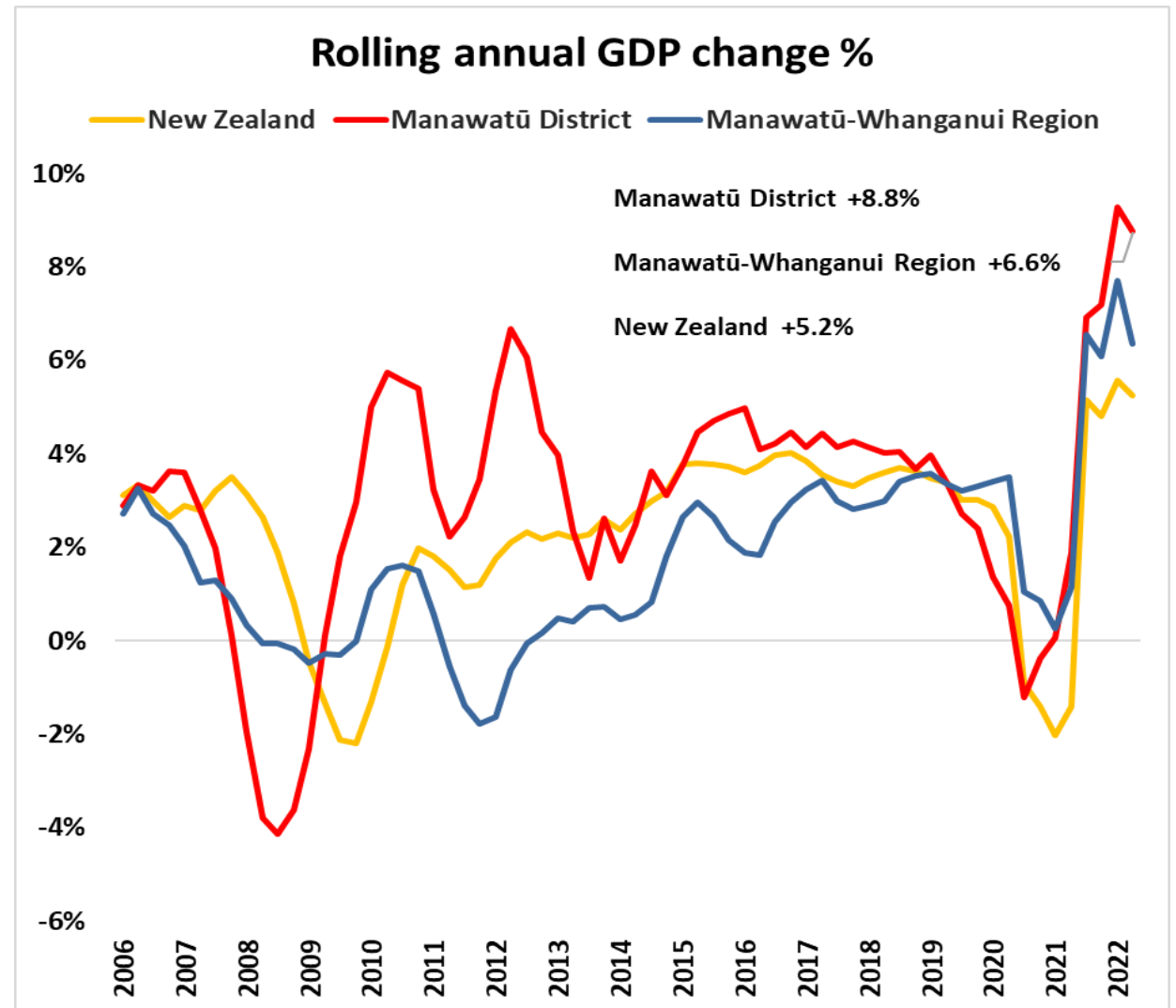
# Despite headwinds, the local economy continues to perform well in 2022

- Industry structure
- Favourable export conditions (despite challenges)
- Earnings growth, alongside record low unemployment
- Local consumers have continued to spend alongside elevated tourism expenditure
- Housing market indicators reflect changing market
- Need for affordable and public housing stock grows



# Manawatū District leads regional GDP growth

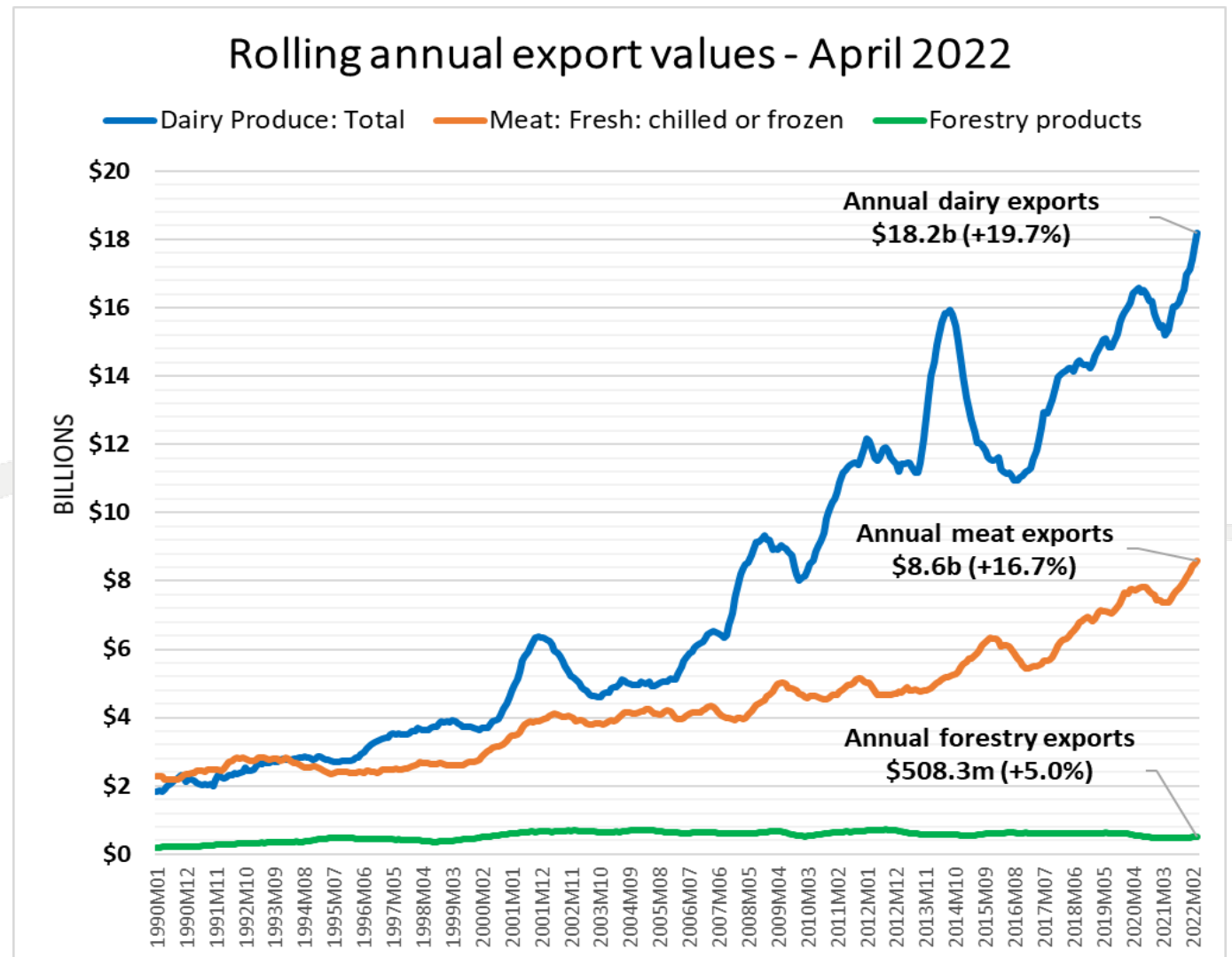
| Area               | March annual % change |
|--------------------|-----------------------|
| <b>Manawatū</b>    | <b>+8.8%</b>          |
| Rangitikei         | +8.5%                 |
| Tararua            | +7.9%                 |
| Horowhenua         | +6.6%                 |
| Palmy              | +6.4%                 |
| Whanganui          | +6.1%                 |
| <b>New Zealand</b> | <b>+5.2%</b>          |
| Ruapehu            | +2.1%                 |
| <b>Kawerau</b>     | <b>+17.5%</b>         |
| Otorohanga         | <b>-2.3%</b>          |



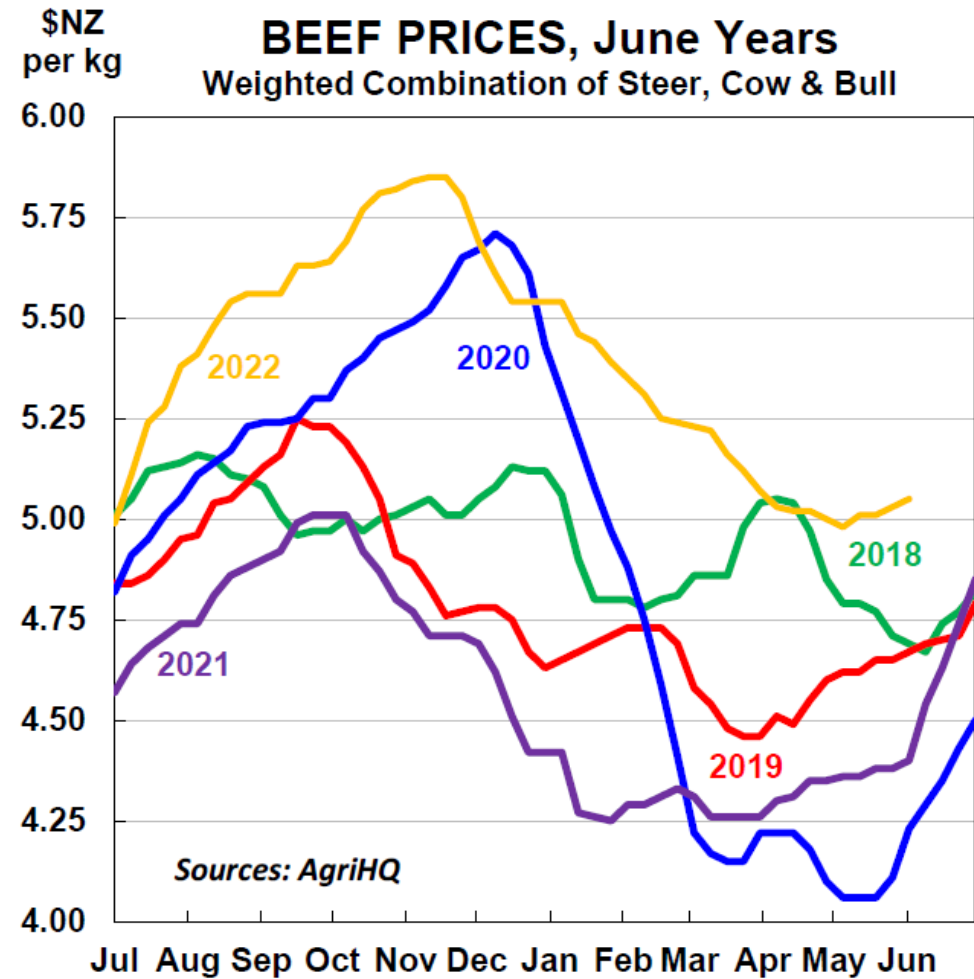
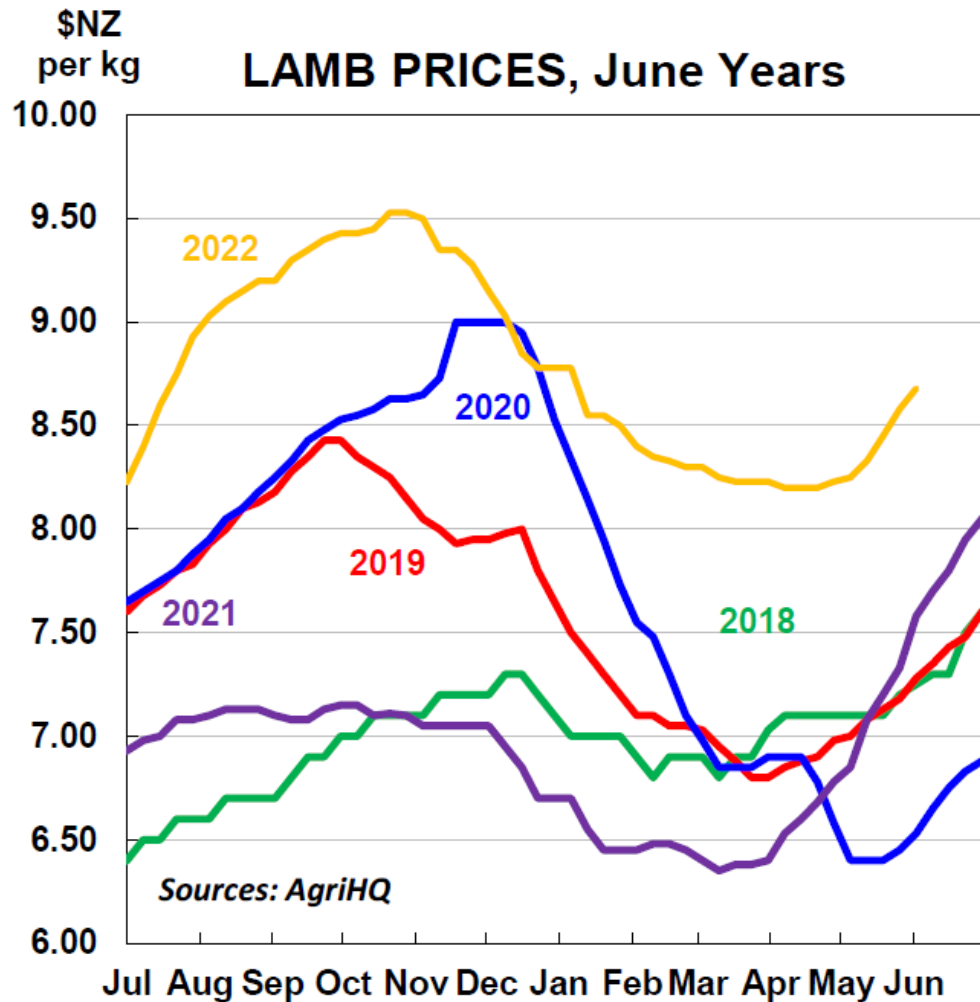
# Trade conditions continue to be favourable for our local food producers

Dairy and meat exports accounted for 40.4% of the total value of New Zealand exports over the year to April

Dairy, and sheep and beef farming are the largest agricultural industries in the District, producing an estimated \$380m in output and directly employing over 1,400 staff.

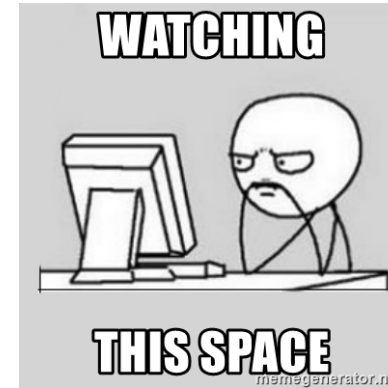


# 2022 meat prices are elevated alongside an 11.1% increase in dairy prices



# Outlook for our food producers

- Record high export revenue is forecast for our food producers over 2021/22 and 2022/23 seasons
- Constrained global supply, the low NZD, and the comparative advantage of NZ producers will support global competitiveness
- Sharp increases in farm input prices are impacting on profitability but high prices are expected to drive returns to food production



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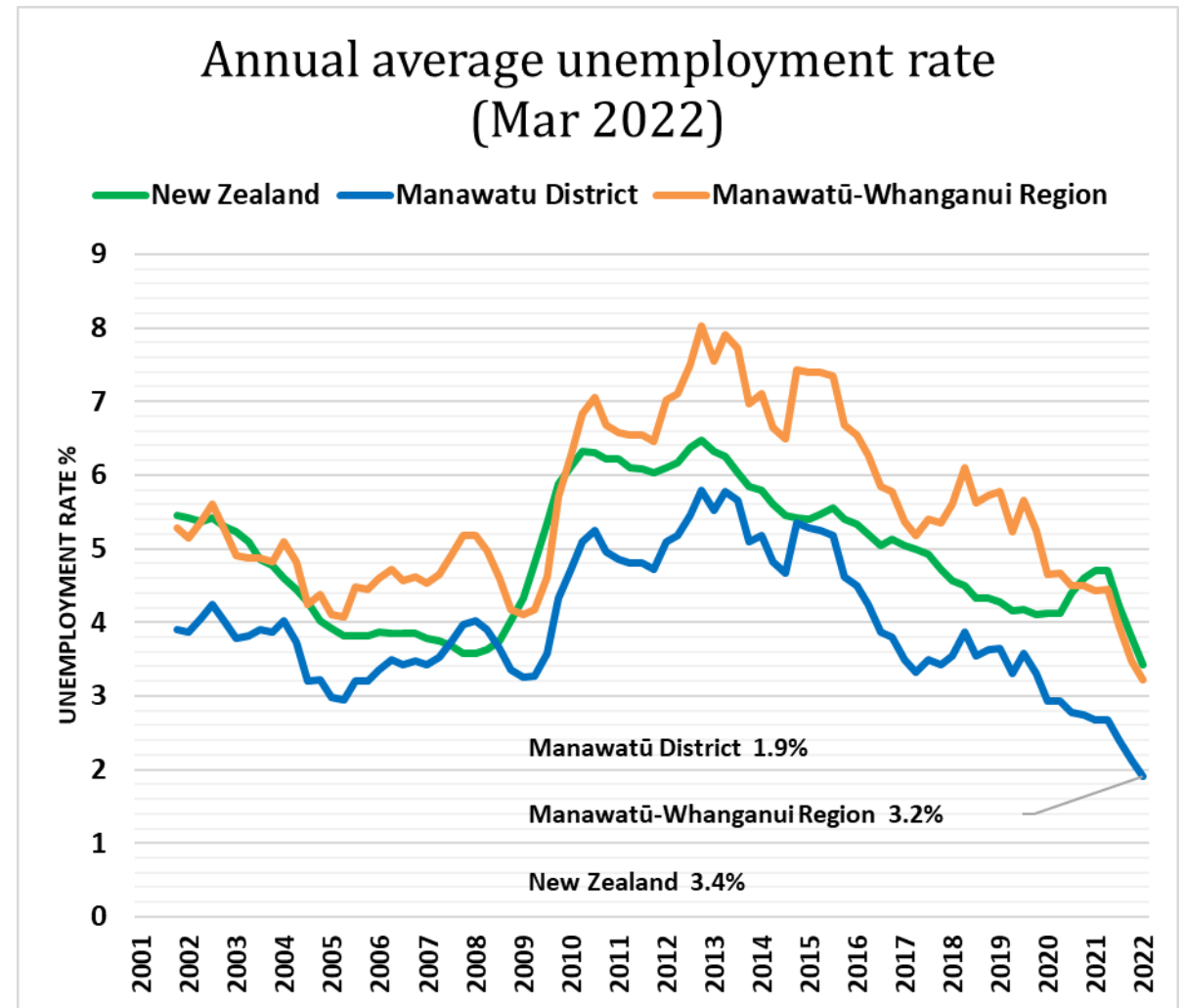
Beef and Lamb analysis indicates on-farm inflation costs hit 40-year high over the year to March 2022

On-farm inflation increased 10.7% over the year due to higher interest rates, and increased fuel, fertiliser and feed costs.

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# Low unemployment rate reflects critical demand for labour

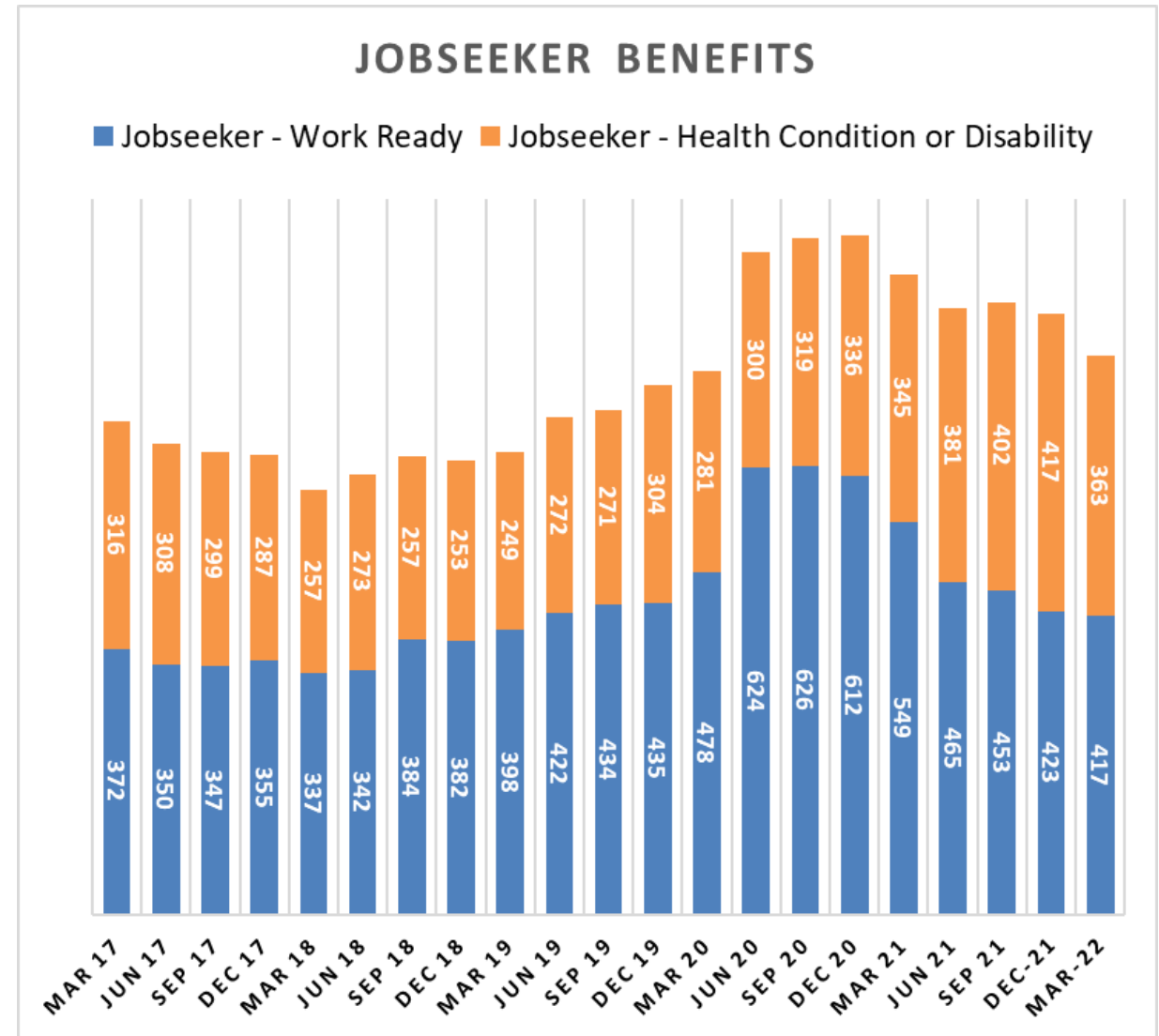
| TA                       | Unemployment rate % |
|--------------------------|---------------------|
| Horowhenua               | 4.0%                |
| Whanganui                | 3.9%                |
| Palmerston North         | 3.1%                |
| Ruapehu                  | 3.0%                |
| Tararua                  | 3.0%                |
| Rangitikei               | 2.9%                |
| <b>Manawatū District</b> | <b>1.9%</b>         |
| South Wairarapa          | 1.6%                |
| Mackenzie                | 1.6%                |
| Kawerau                  | 11.2%               |
| Wairoa                   | 6.8%                |



# Workready jobseekers exit to employment, but numbers remain elevated

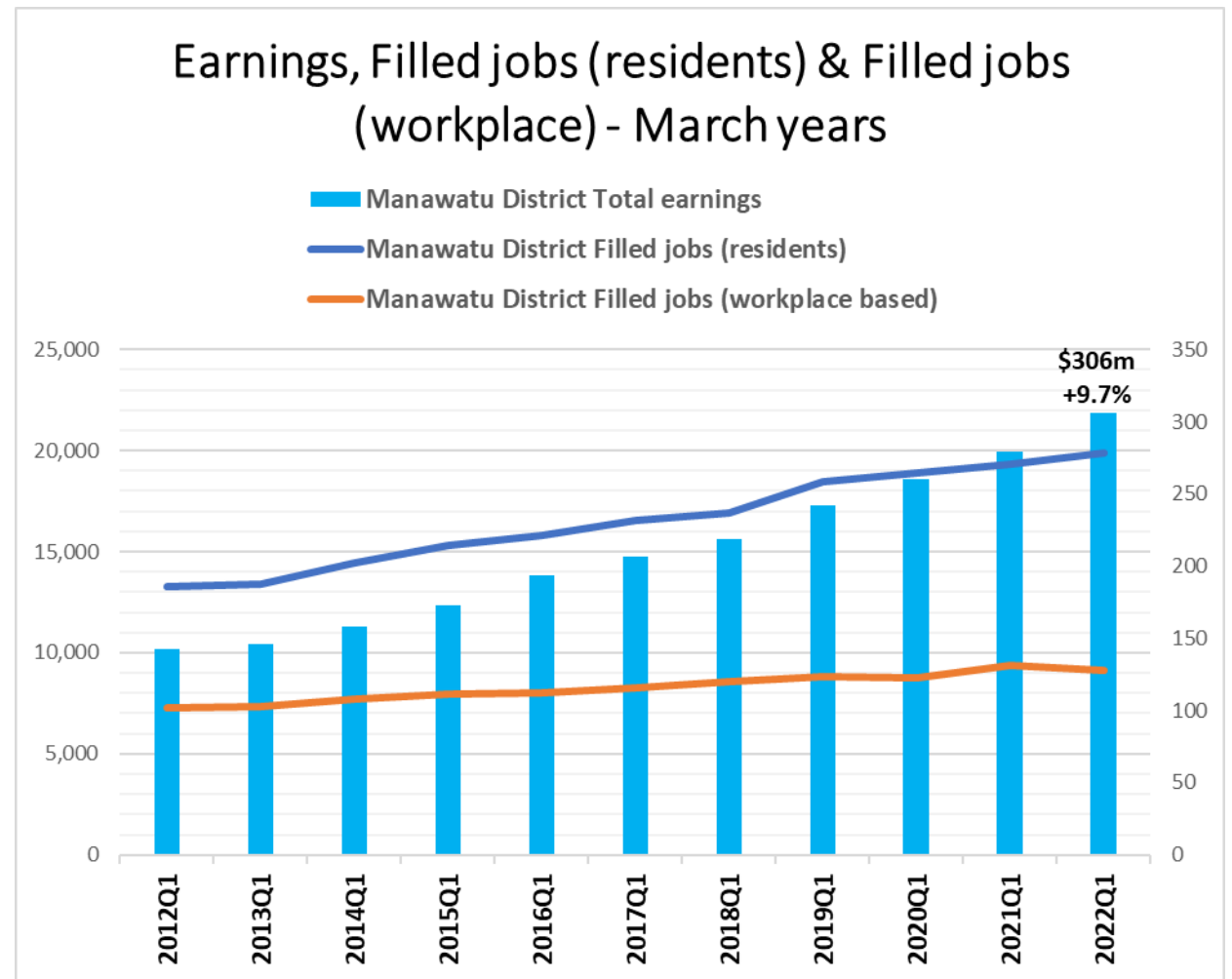
YE March versus the year ended March 2021:

- Jobseekers fell by 114 (-12.8%) vs -11.8% NZ
- Workready jobseekers fell by 132 (-24.0%) vs -17.9% NZ
- Jobseekers (health condition) increased by 18 (+5.2%) compared with a decline of 2.1% NZ
- Psychological/psychiatric conditions +18 (+5.2%) vs a fall of 2.1% NZ
- Jobseekers are down (-117) across those aged 18-54 yrs vs +6 for 55-64 yrs
- JS benefits remain elevated (+20.6%)



# Earnings rise amidst mixed jobs data

- Earnings increased by 9.7% vs the March quarter 2021 vs 9.3% NZ
- The number of employed residents increased 537 (2.8%)
- Filled jobs in the District fell by 225 in the March quarter 2022 vs 2021. This is down -2.4% on the previous year.
- Nationally, filled jobs increased by 3.3% in March 2022 vs March 2021.
- Wage inflation is at its highest rate since March 2009 +3.0%
- Highest wage growth in Health & social assistance workers, machinery operators and drivers and community and personal service workers

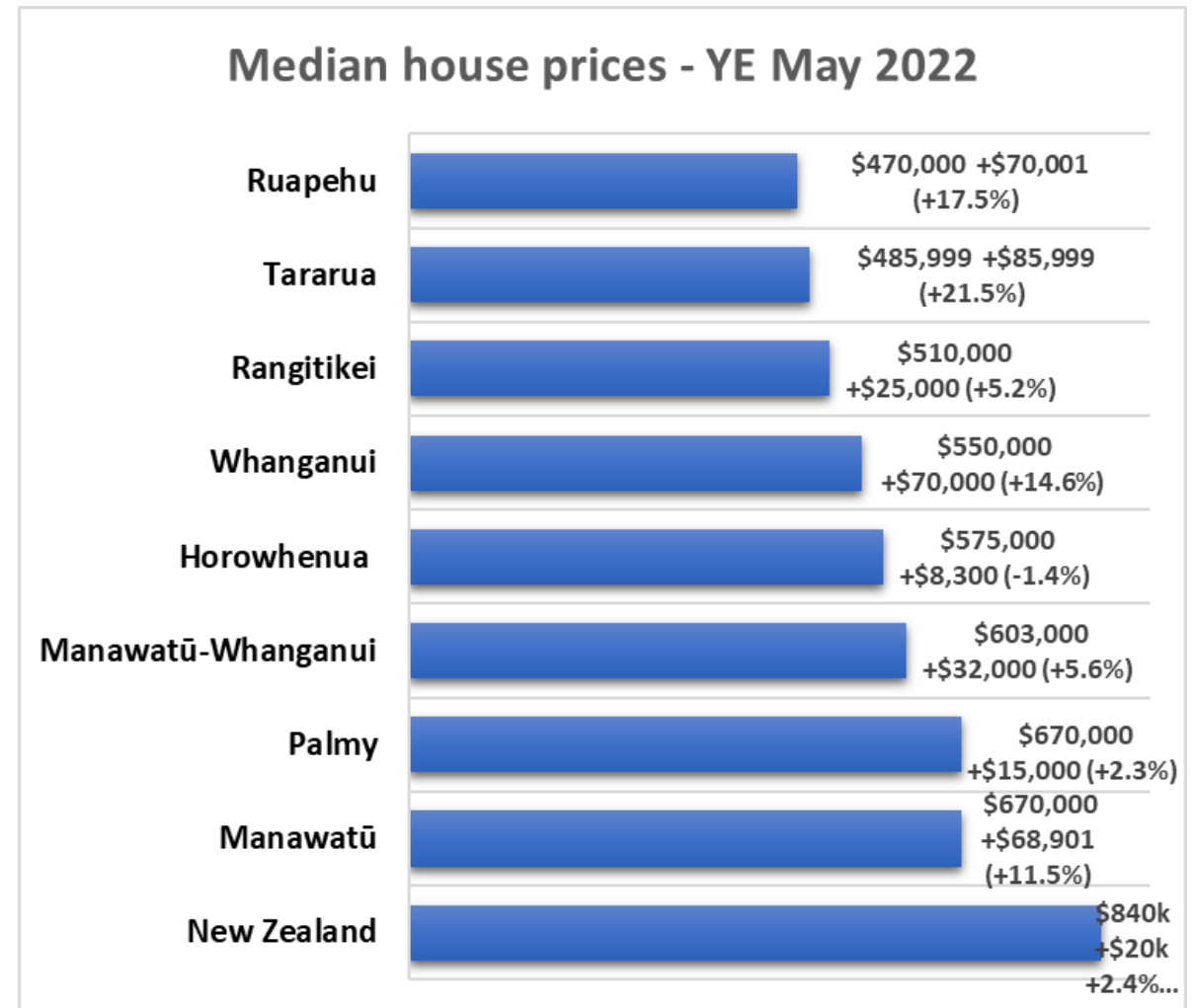


# Annual house prices growth continues alongside softening short term growth

Annual median growth continues to be positive with shorter term growth indicating softening house prices

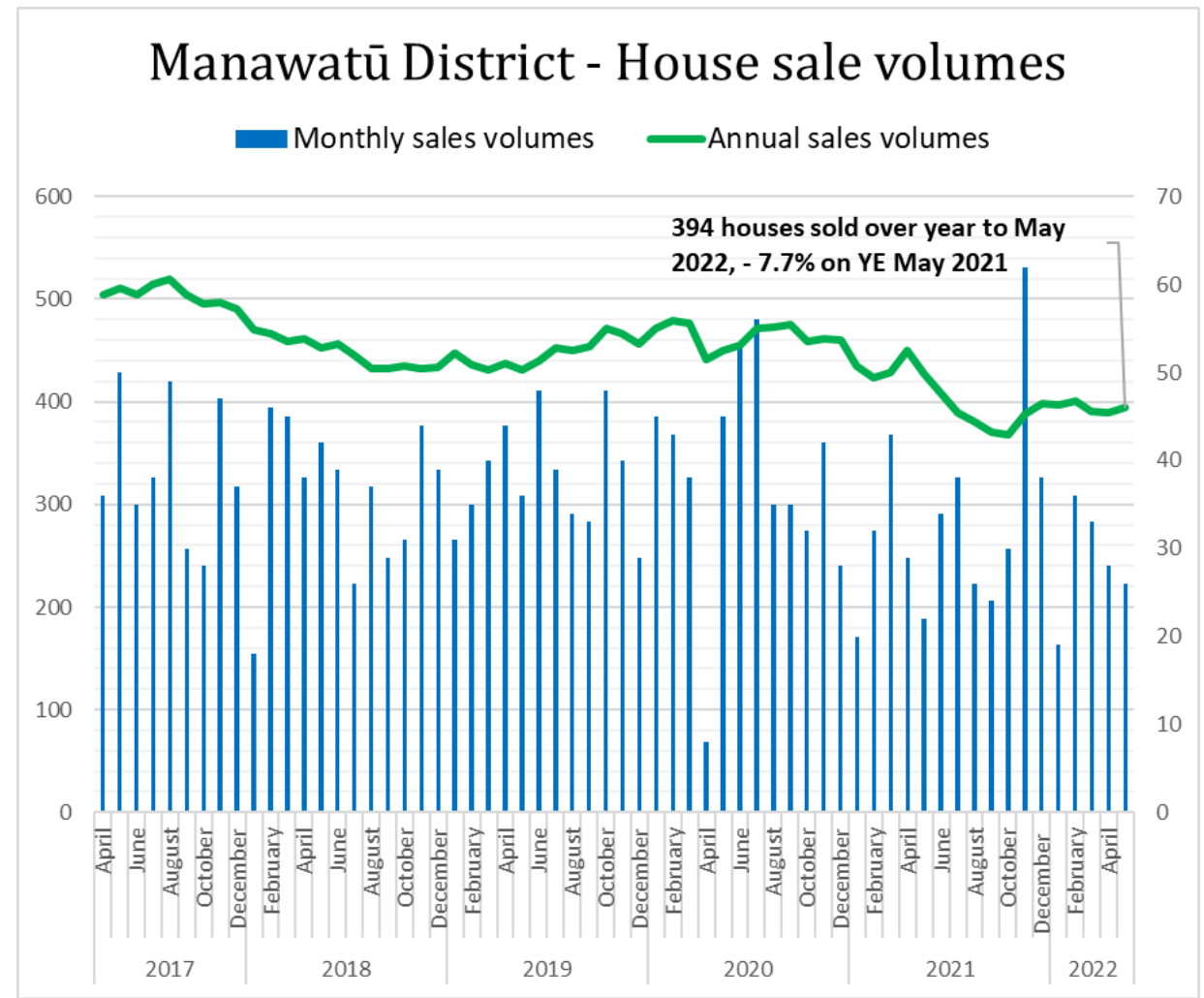
- Average house prices in the District fell by 1.9% in the May 2022 quarter compared with 2.2% fall across New Zealand
- Lower quartile house prices in the District fell by 4.4% to \$468,471
- Upper quartile houses in the District increased by 0.7% to \$961,051

Source: QV house price index

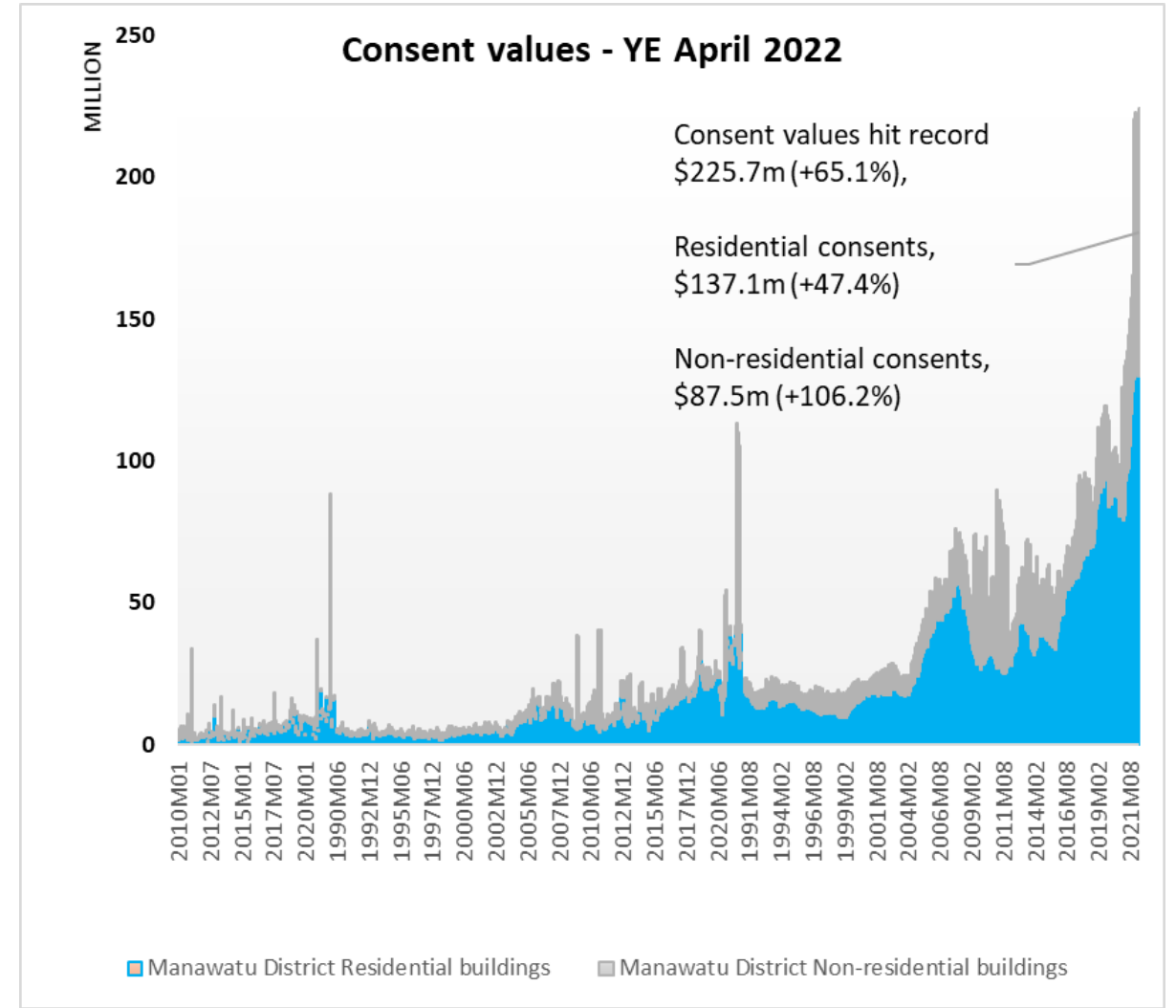
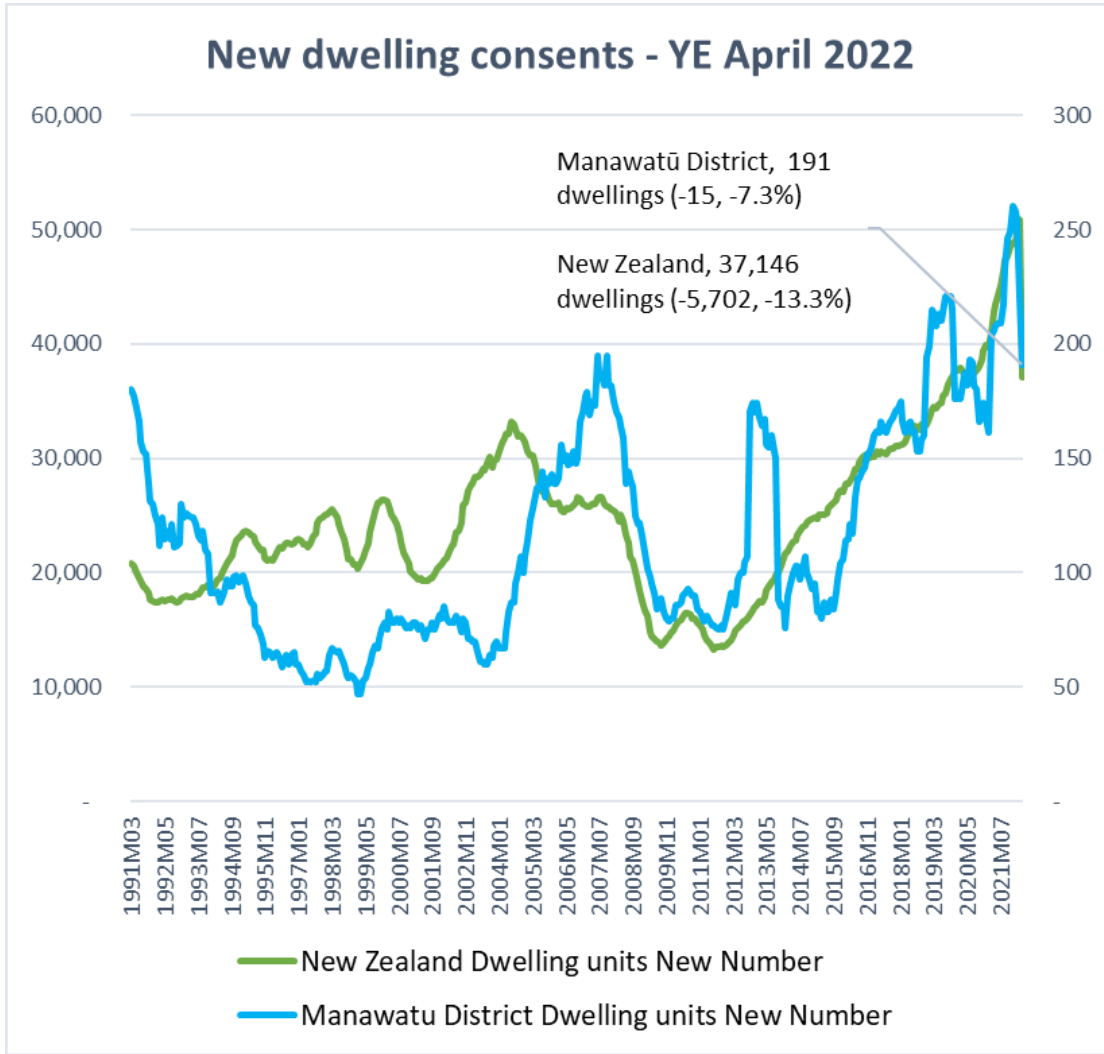


# House sales fall alongside growing inventories and days to sell

- YE May 2022 - 394 houses sold -7.7% from previous year vs -23.3% NZ
- Manawatū-Whanganui (May month):
  - House sales -11.7% vs -28.4% NZ (May 2022 vs May 2021)
  - Median days to sell hit 50 days vs 26 in May 2021 compared to 43 days NZ (+13 days)
  - The region now has 22 weeks of stock versus 6 weeks of stock in May 2021



# New dwelling consents soften while consent values hit records



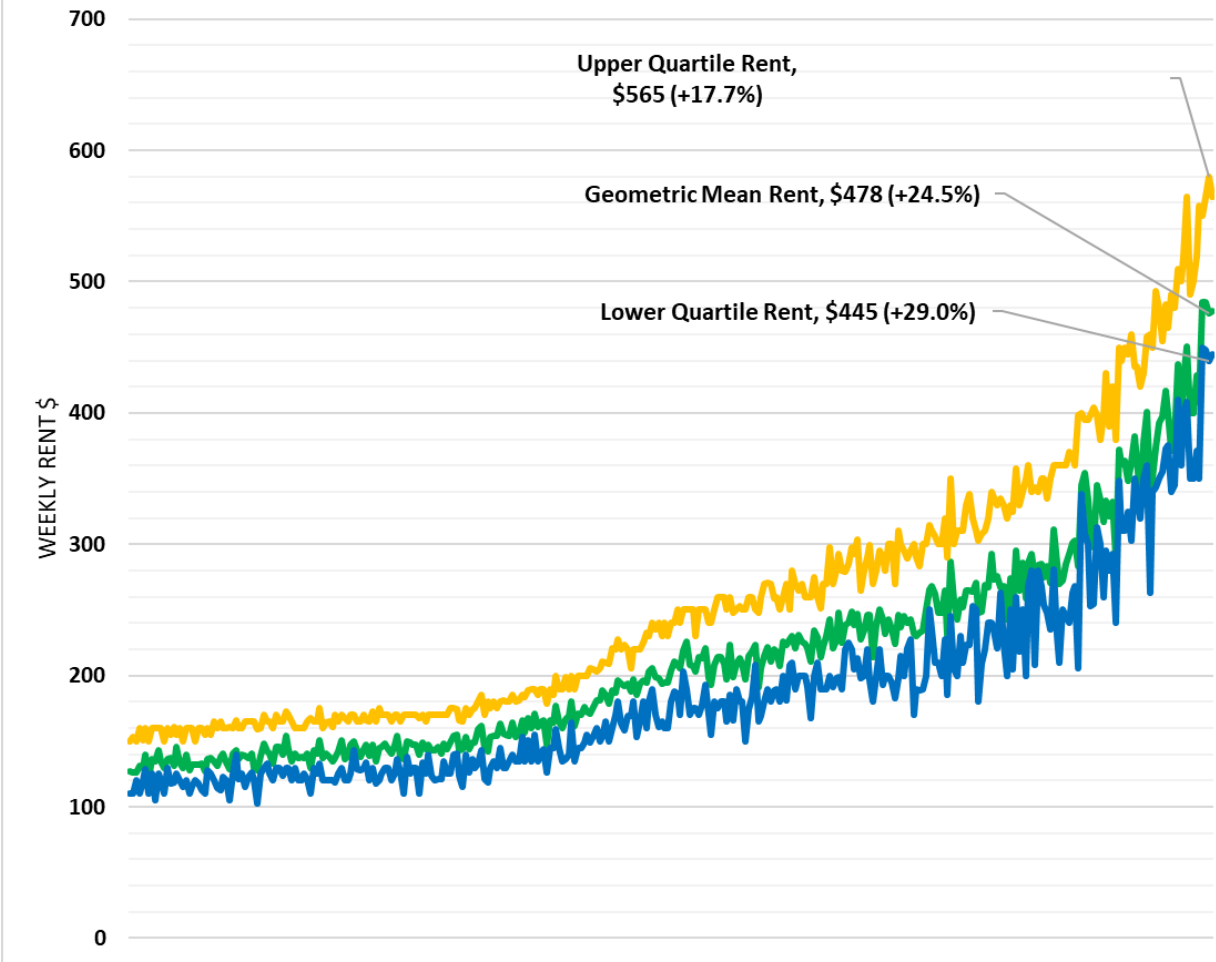
# New residential mortgage lending fell across all borrower types

Total lending fell 33.3% in April 2022 compared with April 2021

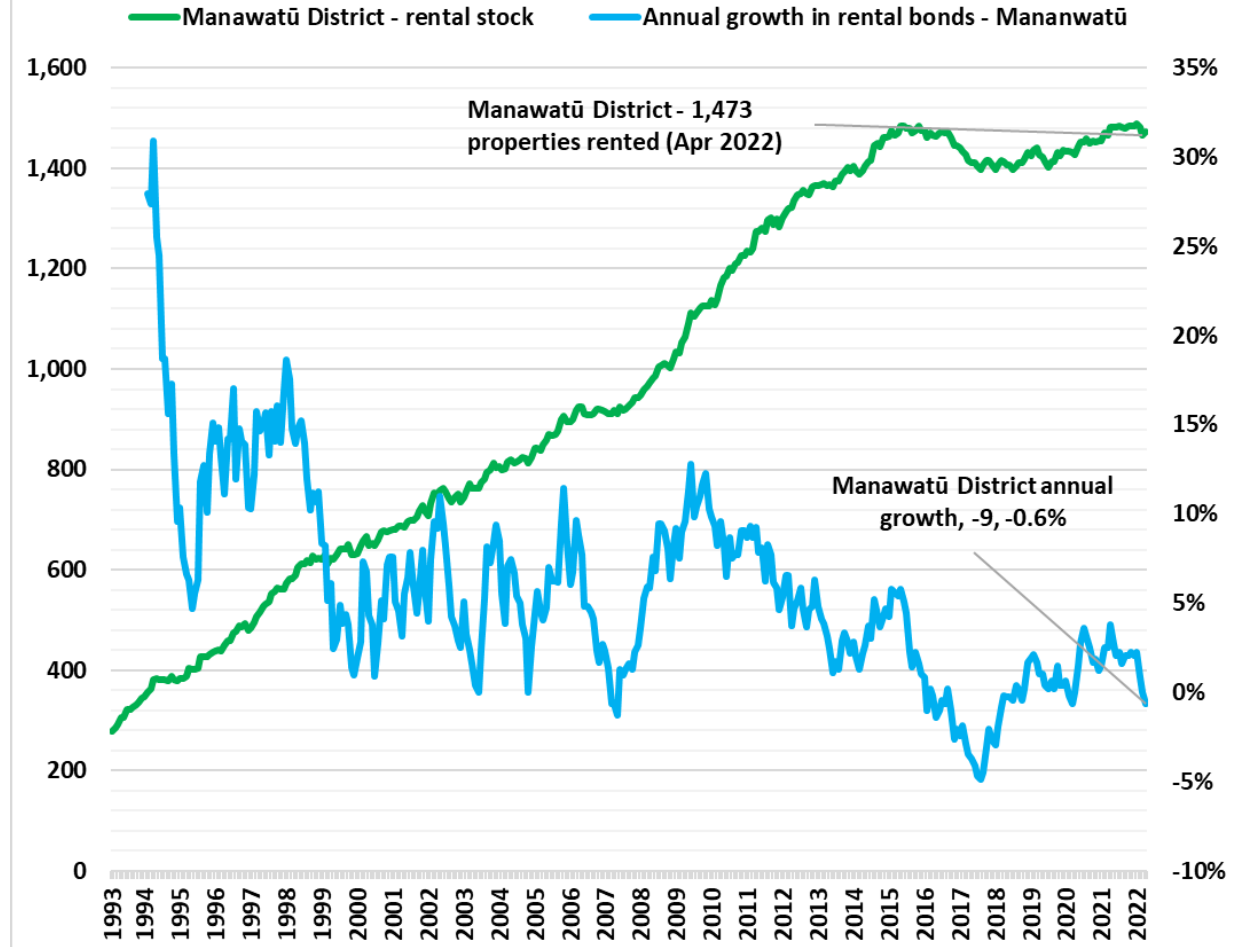
- Investor lending fell 41.3%
- First home buyer lending fell 33.5%
- Other owner occupier lending fell 31.0%
- Lending for other business purposes fell 6.6%

# Strong growth in rental prices persist alongside plateaued supply

## Weekly median rental prices - April 2022

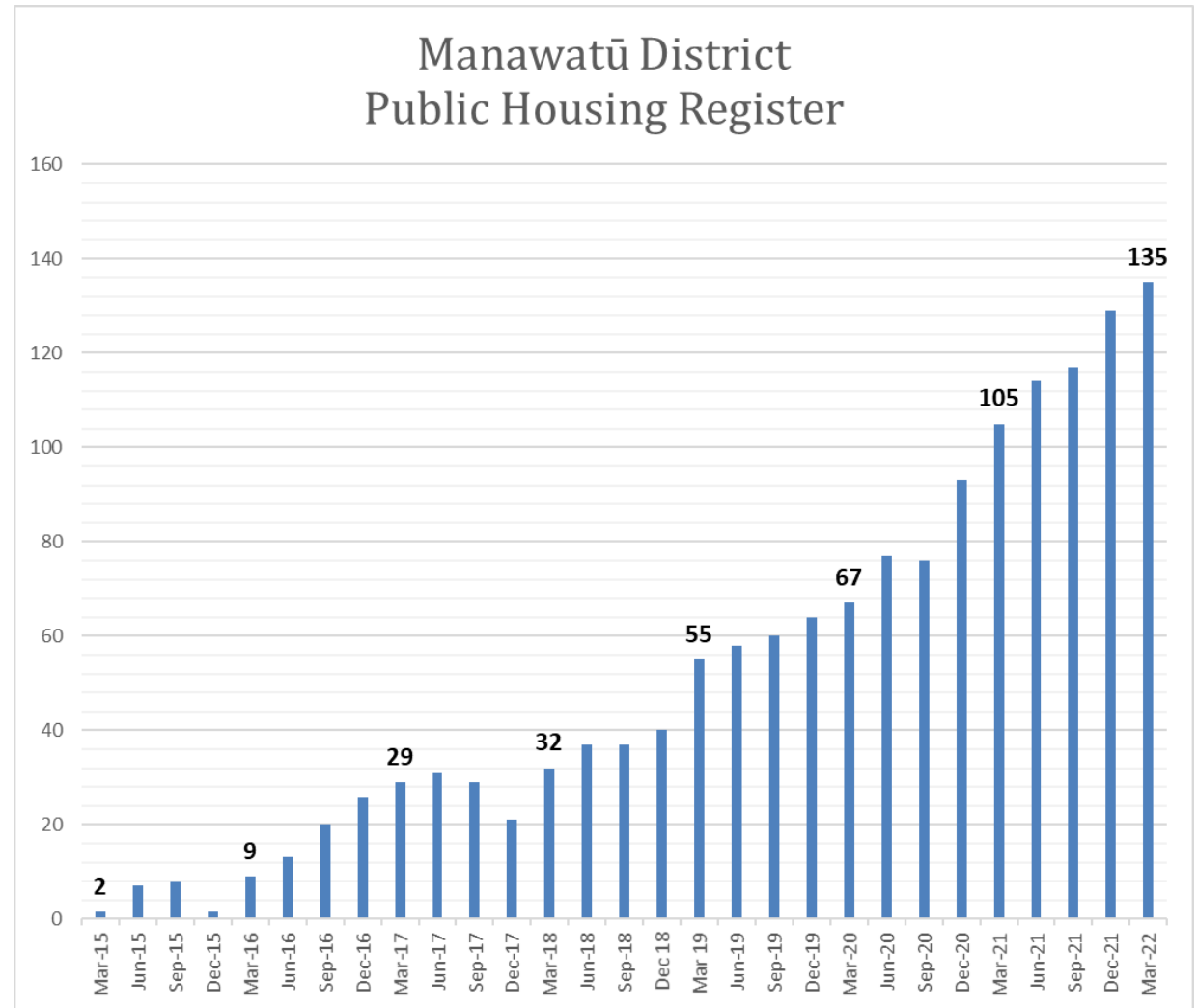


## Rental Stock - April 2022

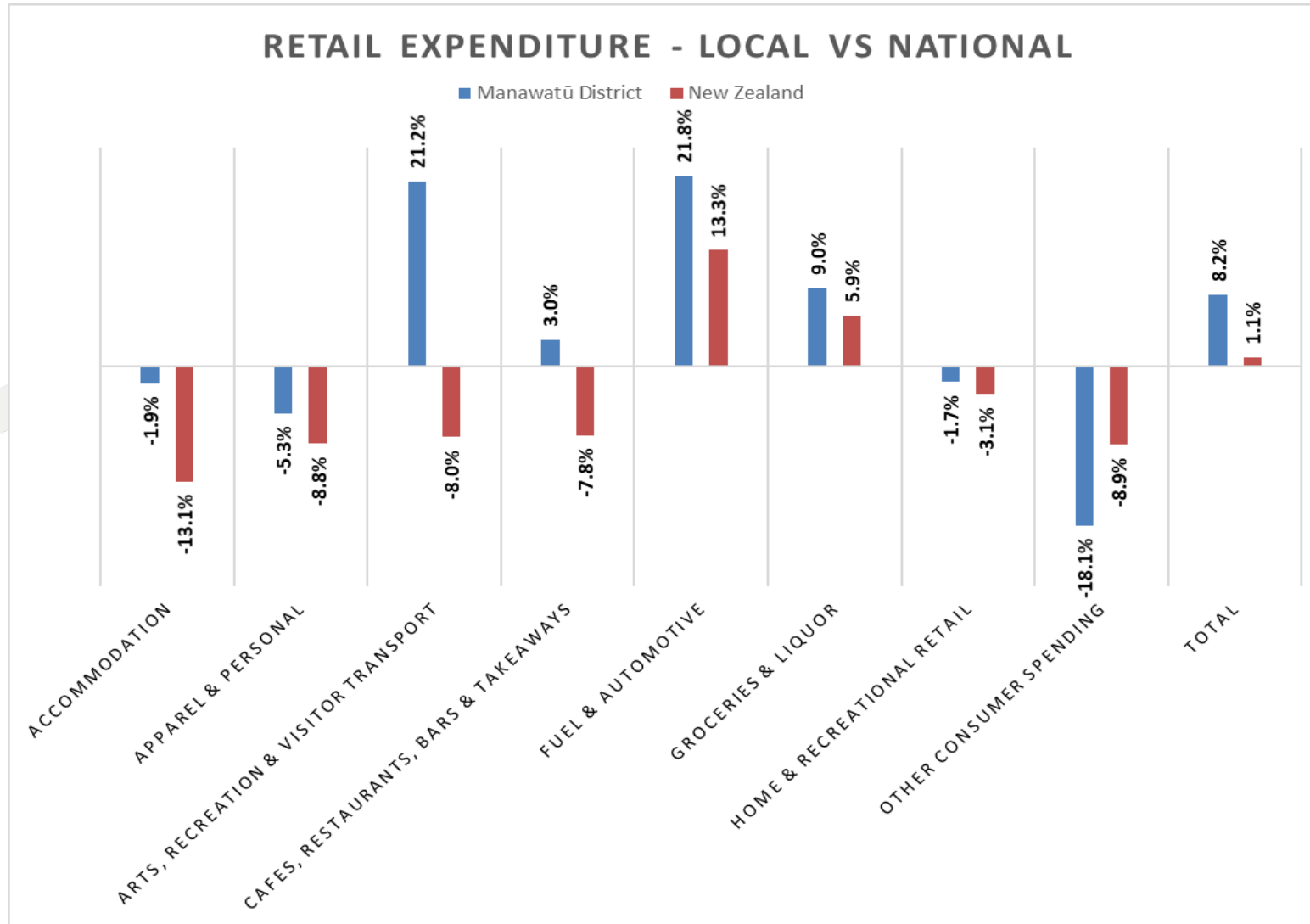


# Public housing need reflects increasing hardship

- The number of families on the public housing register increased by 30 (+28.6%) over the year to March 2022
  - All families on the local waiting list are priority A - 'severe and persistent need'
  - 82.3% of families on the register are in need of one-and-two bedroom dwellings
- MW Region public housing register increased by 14.2% to 1,758 families
- NZ public housing register increased by 13.4% to 26,868 families



# In the meantime, consumption data reflects confidence to spend



# Economic Headwinds

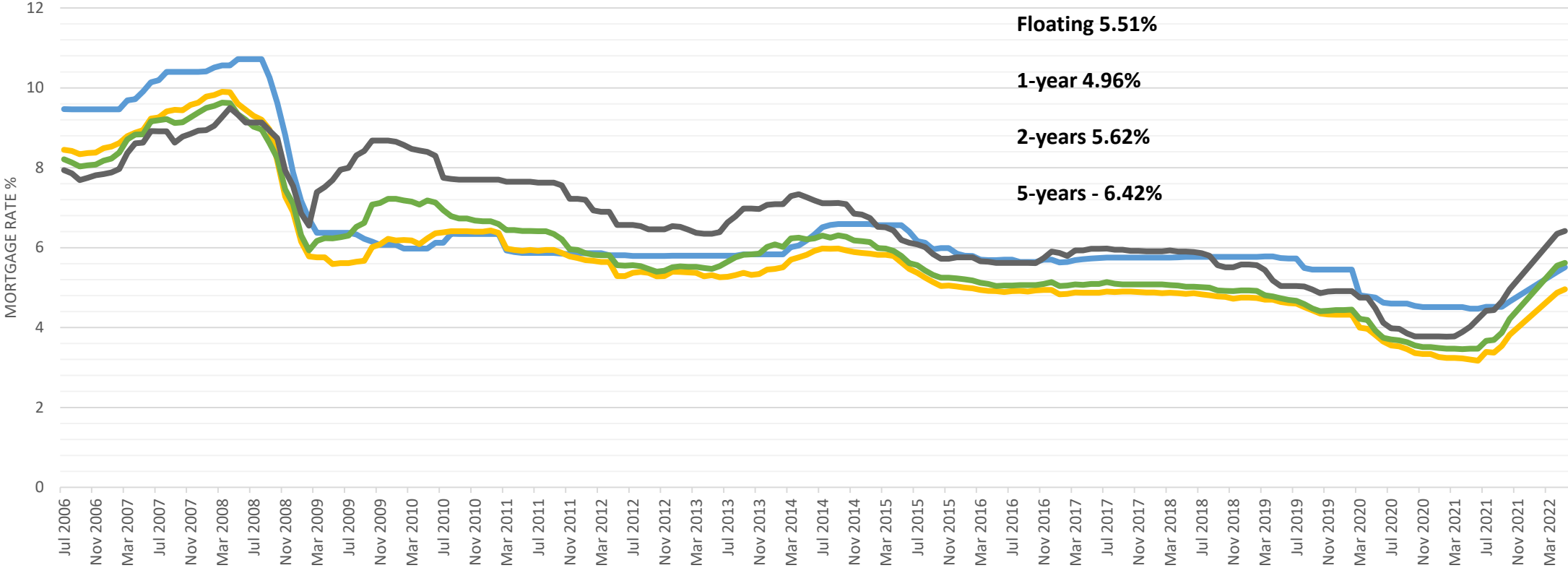
- Rising commercial and mortgage costs
- Inflationary pressures
- Negative wealth effect from softening house prices
- Critically tight labour markets and tight migration policy settings
- Global economic volatility



# The impact of rising mortgage costs on families

Residential mortgage rates - May 2022 (RBNZ)

— Residential mortgage rates - Floating 
 — Residential mortgage rates - 1 year  
— Residential mortgage rates - 2 years 
 — Residential mortgage rates - 5 years



# The impact of rising mortgage costs on families

| Mortgage value<br>(30-yr loan) | Weekly mortgage repayments at 3.0% | Weekly mortgage repayments at 6.0% | Increase in weekly mortgage repayments |
|--------------------------------|------------------------------------|------------------------------------|--|
| <b>\$300,000</b>               | \$292                              | \$415                              | +\$123                                 |
| <b>\$400,000</b>               | \$389                              | \$554                              | +\$165                                 |
| <b>\$500,000</b>               | \$487                              | \$692                              | +\$205                                 |
| <b>\$600,000</b>               | \$584                              | \$830                              | +\$246                                 |
| <b>\$700,000</b>               | \$681                              | \$968                              | +\$287                                 |
| <b>\$800,000</b>               | \$778                              | \$1,107                            | +\$329                                 |

# Global and domestic pressures have driven inflation to multi-decade highs

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Housing and household utilities +8.6%

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Transport +14%

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Food prices +6.8%

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Labour costs +3.0%

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Farm input costs +9.9% (StatsNZ vs 10.7% Beef & Lamb)

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Producer Price Index (outputs) +8.8%

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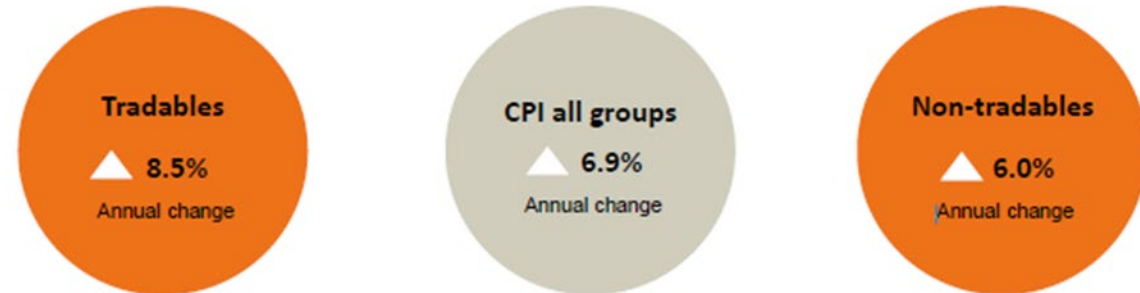
Producer Price Index (inputs) +9.8%

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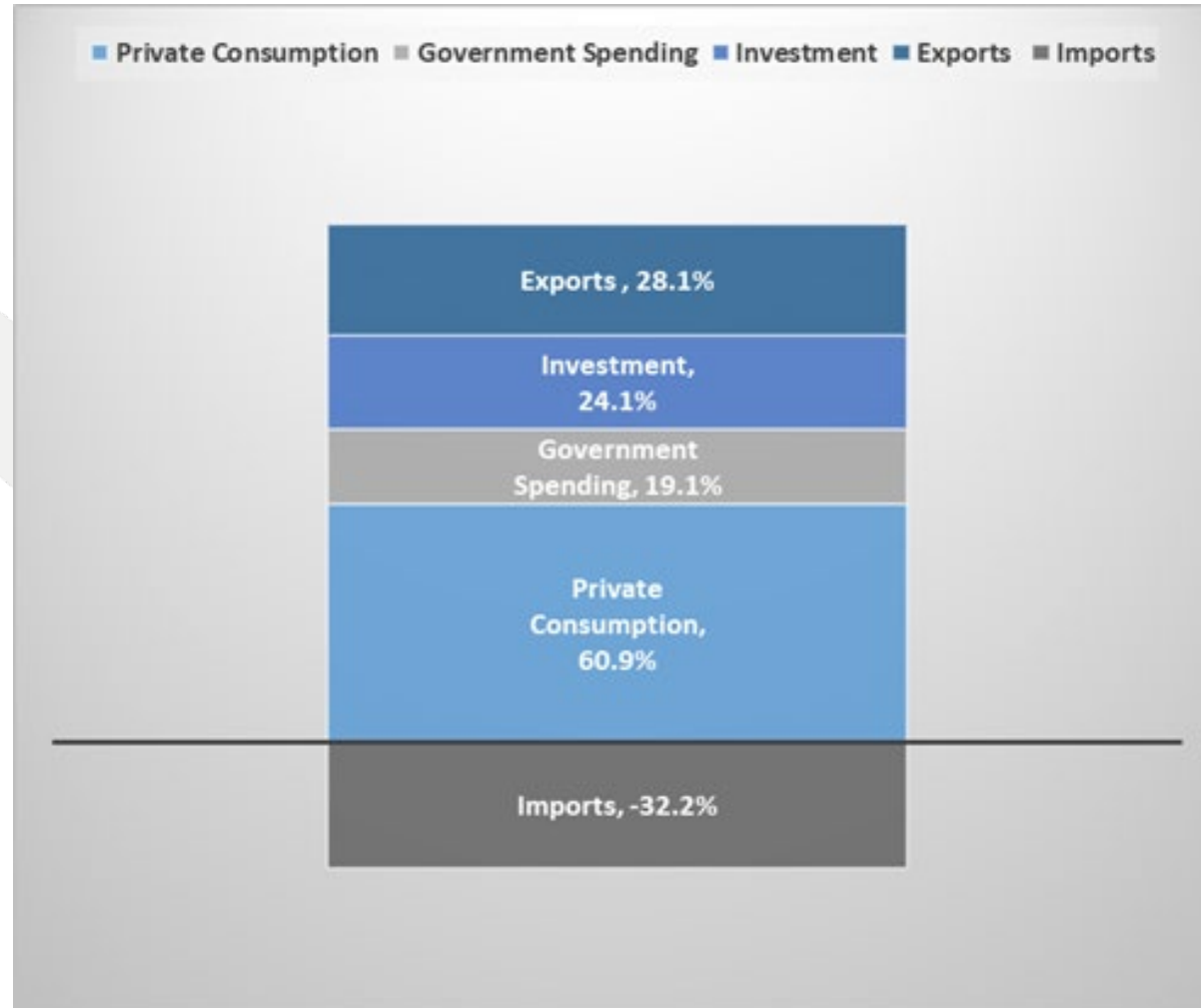
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## Consumers price index annual summary March 2022 quarter

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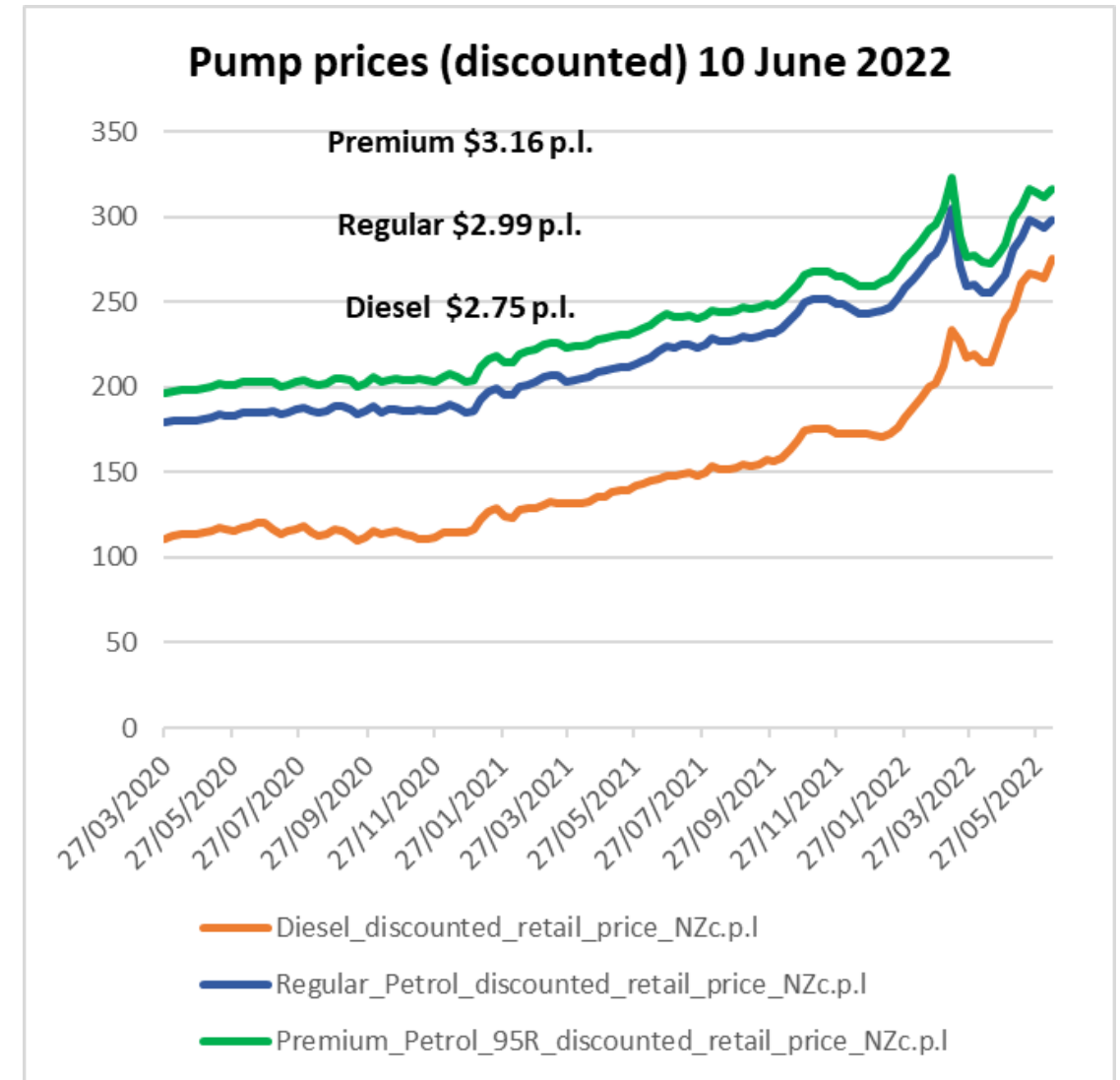


# Rising costs are expected to suppress spending by businesses and households as disposable incomes fall



# Global economic volatility

- UK and US Inflation hit 40-year highs
- FED hikes cash rate by 75bp rate
- Dubai crude \$181 NZD p.bbl (+85.2 YoY)
  - Diesel +90.1% YoY
  - Regular Petrol +37.1% YoY
  - Premium +33.6% YoY
- NZD/USD 0.625
- NZ stockmarket -5.6% over past 5 days
- Global bond yields rising amidst elevated risk profile



# Economic outlook

- Our economy will benefit from high commodity prices and elevated employment and earnings, but vulnerabilities are increasing from softening house prices and rising costs across the economy
- International and domestic factors will continue to constrain global supply chains putting upward pressure on the costs of goods and services to consumers
- The RBNZ will continue to raise interest rates
- Rising interest rates and costs of living will suppress disposable incomes and place downward pressure on spending across the economy

# Despite challenges, there are considerable strengths in the local economy

- Export conditions remain favourable
- Employment expected to remain high
- Substantial and growing public sector employment and earnings
- Recovering events sector activity
- Planned investment >\$8b to 2035



ANY  
QUESTIONS  
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