



Manawatū District Quarterly Economic Update – December 2021

17 March 2022



Key messages



- The solid economic performance of the District continued over the December 2021 year;
- Our booming agriculture sector, record public and private investment, employment and population growth, have driven the performance of the district economy;
- The positive outlook for our main primary industries, dairy and beef and lamb, is expected to continue to bolster local economic performance over 2022/23;
- Strength and confidence in the local economy is reflected in robust retail expenditure and new commercial vehicle and car registration data to December 2021;
- Strong visitor spending in the District has also supported local jobs and incomes;

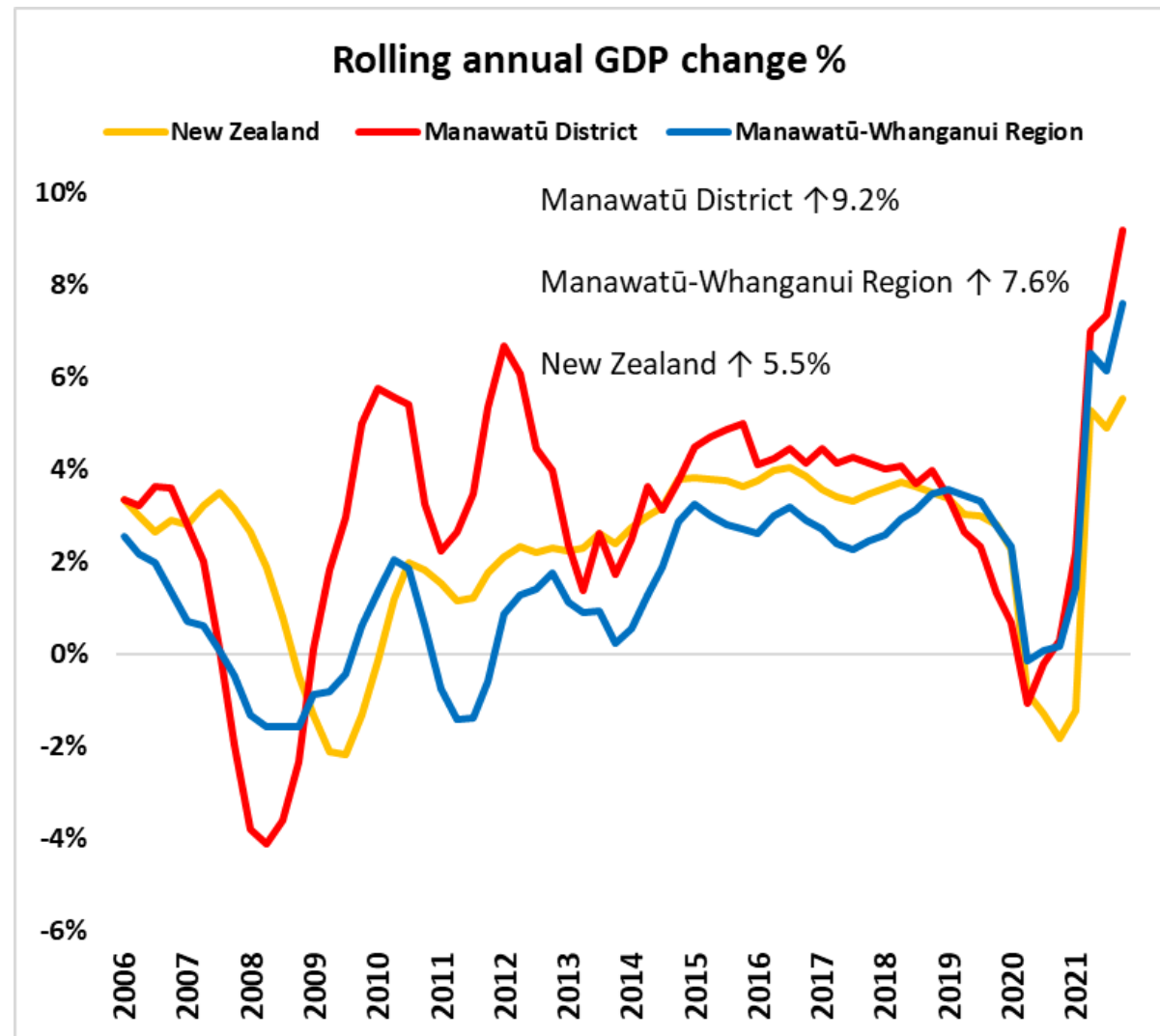
Key messages



- House price growth continues but growing inventories and record new dwellings implies softening house price growth in 2022;
- Rent increases in the District continue to outpace national growth, causing concern for low to middle income families and for attracting much needed workers;
- Labour force indicators reflect an ever-tightening labour market;
- Household inflation hits 32-year high with pressures continuing to mount. Inflation driven by global factors are difficult to control via domestic monetary policy;
- Indicators reflect the resilience of the local economy however rising costs, the effects of COVID-19 and global factors will impact on the economy in 2022. Households and businesses who are highly indebted and/or with limited or disrupted incomes will be particularly affected.

Manawatū District leads regional GDP growth

Area	December annual % change
Kawerau	+15.5%
Auckland	+3.7%
New Plymouth	+9.3%
Palmy	+7.8%
Ruapehu	+6.1%
Whanganui	+6.9%
Rangitikei	+8.9%
Tararua	+8.5%
Horowhenua	+5.6%
Otorohonga	+2.3%



The value of food production to the local economy

	Implied Direct Output (\$m)	Direct GDP (\$m)	Type I multiplier	Direct + indirect GDP - Type I (\$m)	Type II multiplier	Direct, indirect + induced GDP - Type II (\$m)	Direct employment	Type I multiplier	Direct + indirect employment (Type I)	Type II multiplier	Direct, indirect + induced employment (Type II)
Agri-food subsectors											
Horticulture and fruit growing	16.58	6.3	1.54	9.70	1.80	11.34	127	1.37	174	1.50	191
Sheep, beef cattle, and grain farming	201.00	80.4	1.31	105.32	1.47	118.19	757	1.38	1,045	1.52	1,151
Dairy cattle farming	202.92	97.4	1.27	123.70	1.45	141.23	661	1.38	912	1.57	1,038
Poultry, deer, and other livestock farming	22.14	6.2	1.51	9.36	1.79	11.10	120	1.38	166	1.53	184
Forestry and logging	56.86	19.9	1.91	38.01	2.09	41.59	45	3.22	145	3.63	163
Fishing and aquaculture	1.10	1.1	1.00	1.10	1.00	1.10	6	1.00	6	-	-
Agriculture, forestry, and fishing support services	56.12	27.5	1.33	36.58	1.57	43.18	352	1.29	454	1.43	503
Agriculture, forestry and fishing sector totals	556.72	238.8		323.77		367.72	2,068		2,901		3,229
Meat and meat product manufacturing	292.11	55.5	1.49	82.70	1.49	99.90	698	1.40	977	1.6	1,110
Seafood processing	1.47	0.5	1.26	0.63	1.26	0.74	6	1.20	7	1.3	8
Dairy product manufacturing	0.00	0	1.00	0.00	1.00	0.00	4	-	-	-	-
Fruit, oil, cereal, and other food product manufacturing	31.00	9.3	1.43	13.30	1.43	15.53	142	1.37	195	1.5	216
Beverage and tobacco product manufacturing	0.80	0.8	1.00	0.80	1.00	0.80	3	-	-	-	-
Textile and leather manufacturing	5.38	1.4	1.44	2.02	1.44	2.38	26	1.31	34	1.4	37
Clothing, knitted products, and footwear manufacturing	0.47	0.2	1.23	0.25	1.23	0.30	3	1.10	3	1.2	4
Wood product manufacturing	11.79	3.3	1.79	5.91	1.79	7.00	45	1.54	69	1.7	78
Pulp, paper, and converted paper product manufacturing	0.00	0	1.00	0.00	1.00	0.00	-	-	-	-	-
Value added agri-food processing	343.01	71		105.59		126.64	927		1,286		1,453
Agri-food Totals	899.73	309.8		429.36		494.37	2,995		4,181		4,682
Agri-food percentage of total GDP and Employment		23.0%		31.8%		36.6%	24.1%		33.7%		37.7%

Our largest agri-food sectors

Food production

Total output, direct-indirect-induced GDP (\$m)

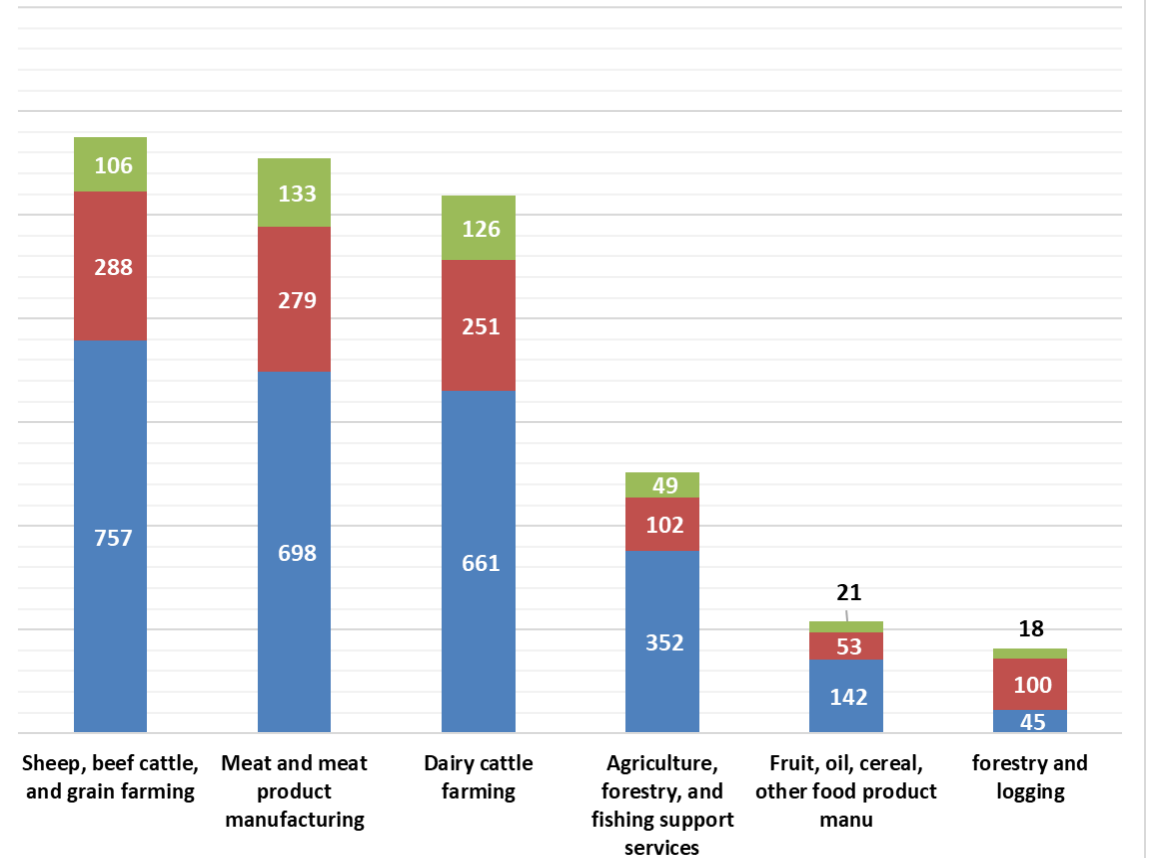
■ Direct GDP (\$m) ■ Indirect GDP (\$m) ■ Induced GDP (\$m) ● Implied direct output (\$m)



Food production

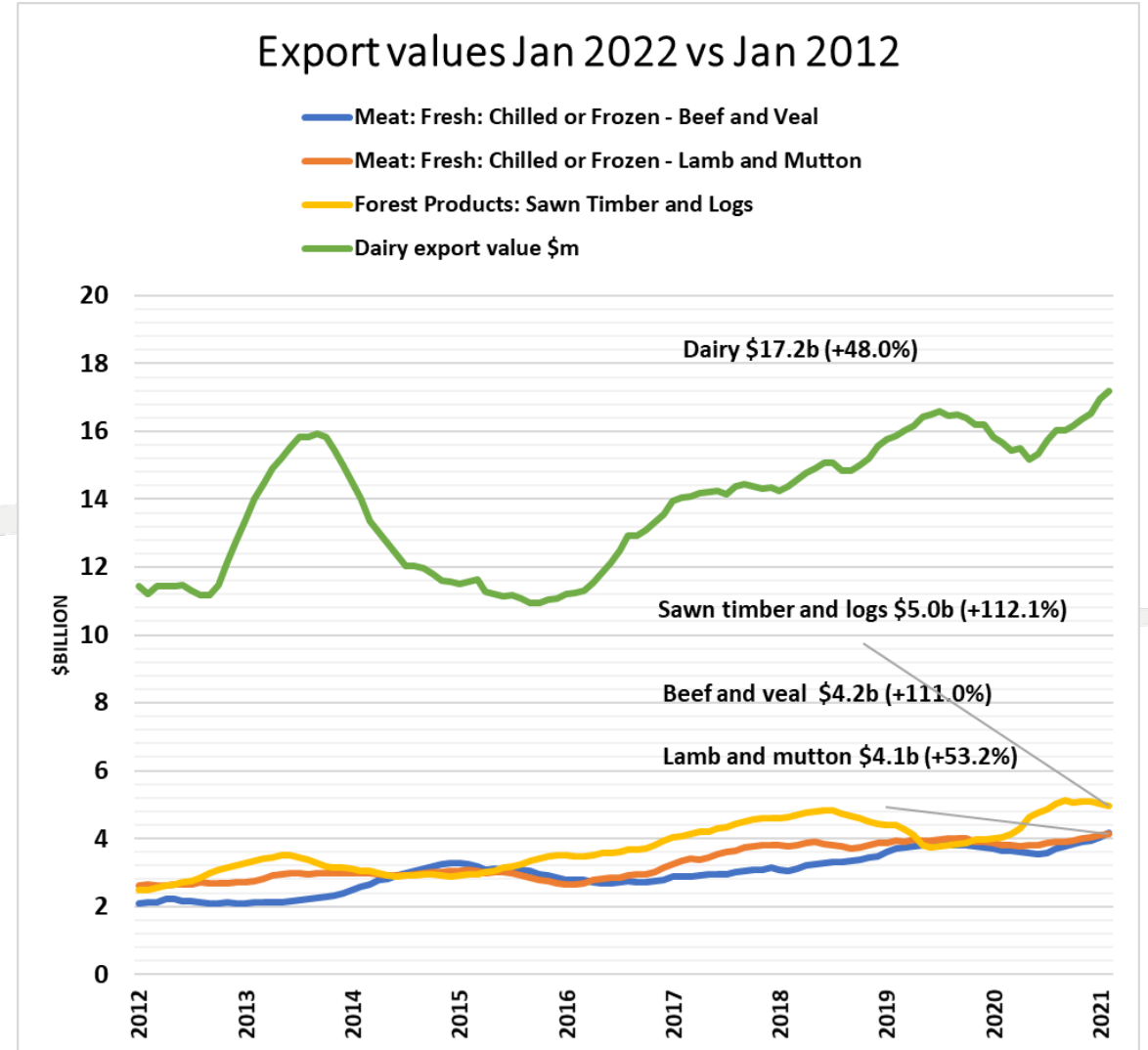
Direct- indirect-induced employment

■ Direct employment ■ Indirect employment ■ Induced employment



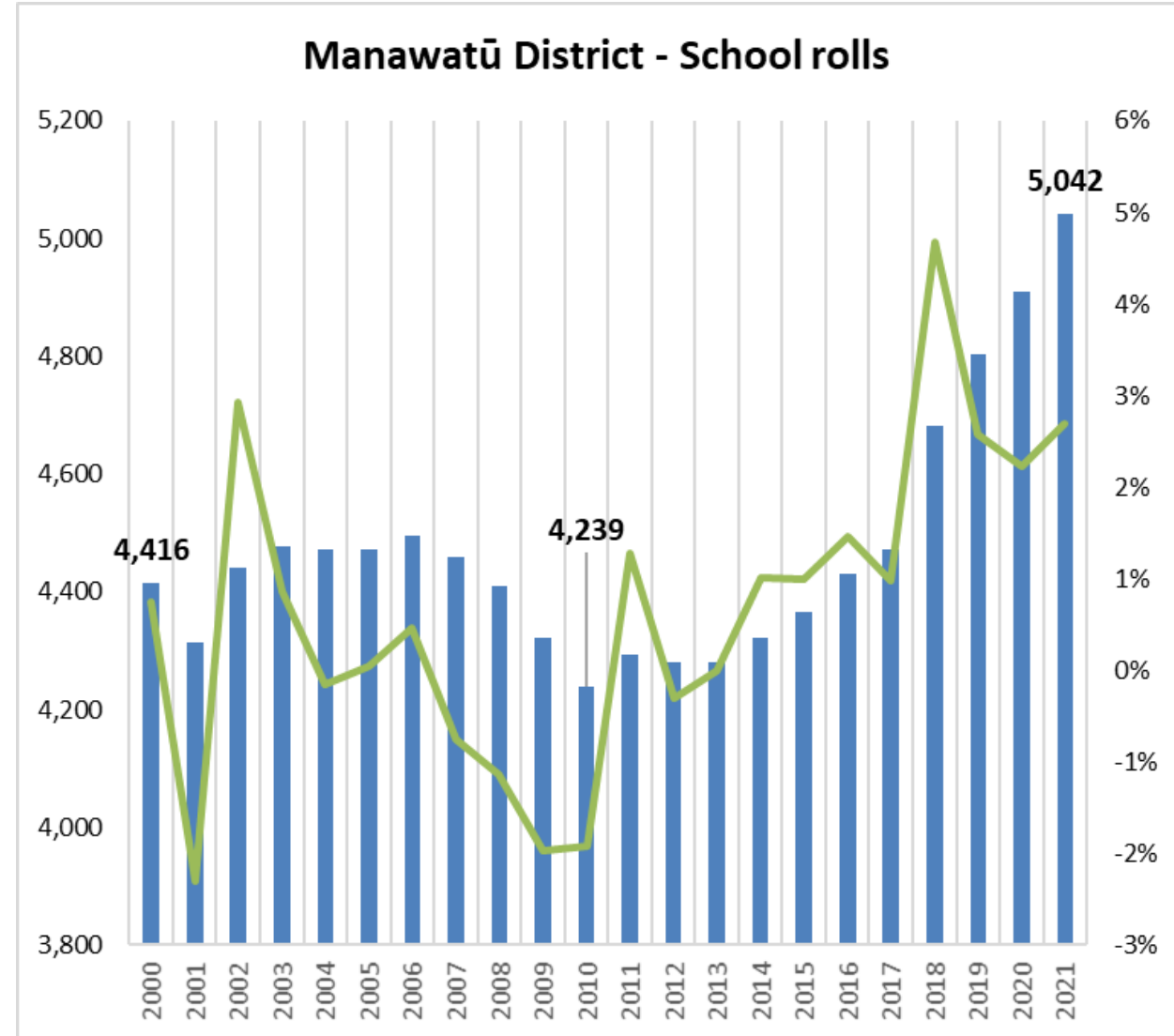
Strong conditions for our agri-food producers

USD	Index	Week %	Annual %
Dairy USD	157.2	5.4%	19.6%
Sheep & beef USD	110.8	0.3%	18.7%
Forestry USD	98.4	0.8%	-7.0%
NZD/USD	0.6839	0.8%	-4.6%



Population indicators continue to suggest strong growth

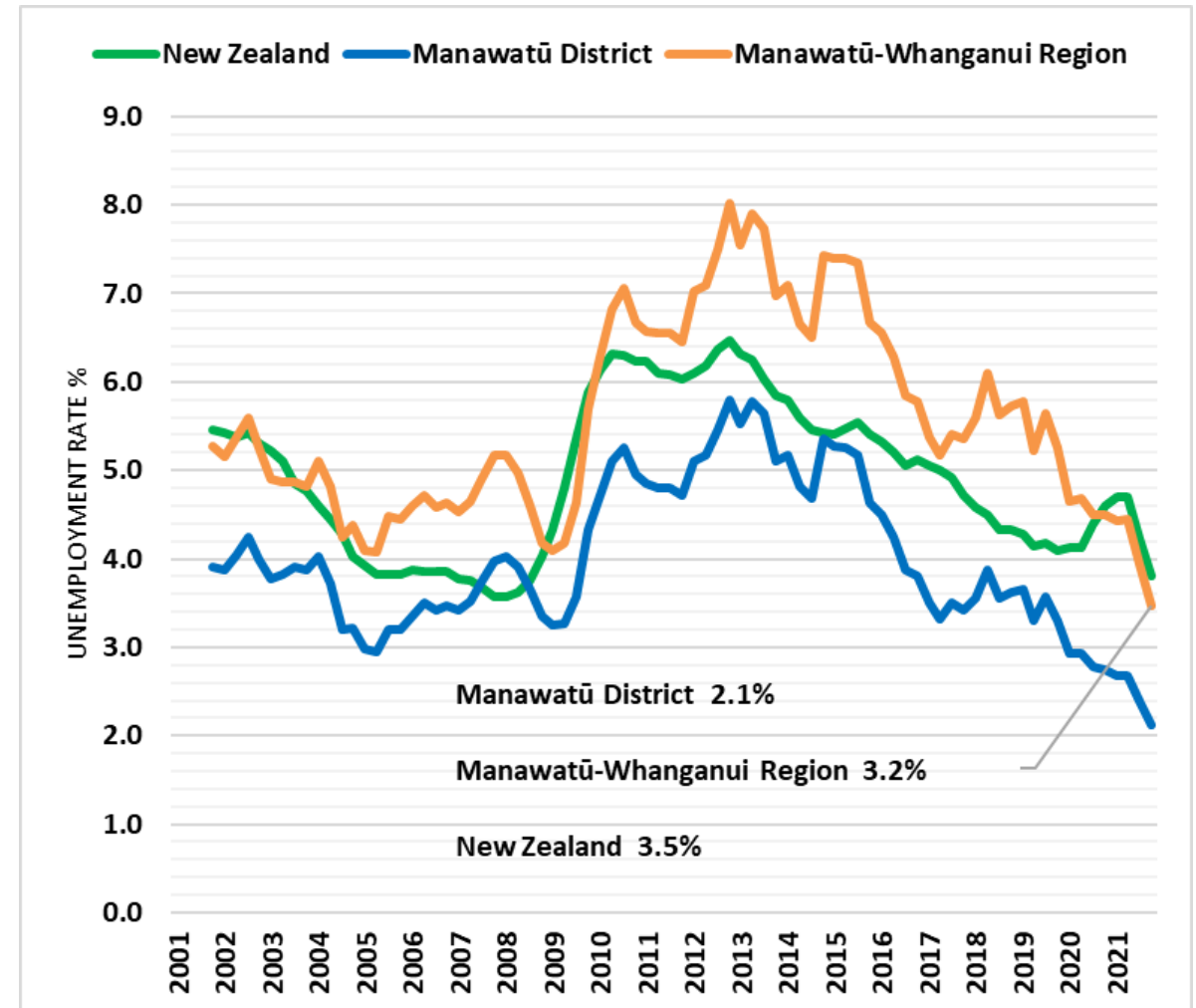
Area	School rolls – Annual % change	Health enrolments – Annual % change
Ruapehu	+2.0%	-0.8%
Whanganui	+0.1%	-0.1%
Rangitikei	-2.3%	-0.8%
Manawatū	+2.7%	+1.9%
Palmy	-0.5%	+0.3%
Tararua	-0.1%	+0.6%
Horowhenua	+1.0%	+1.0%
New Zealand	+0.03%	+0.7%



Low unemployment rate reflects tight labour supply

TA	Unemployment rate %
Horowhenua	4.3%
Whanganui	4.2%
Ruapehu	3.7%
Palmerston North	3.4%
Tararua	3.2%
Rangitikei	3.1%
Manawatū District	2.1%
South Wairarapa	1.7%
Mackenzie	1.7%
Kawerau	12.0%
Wairoa	7.7%

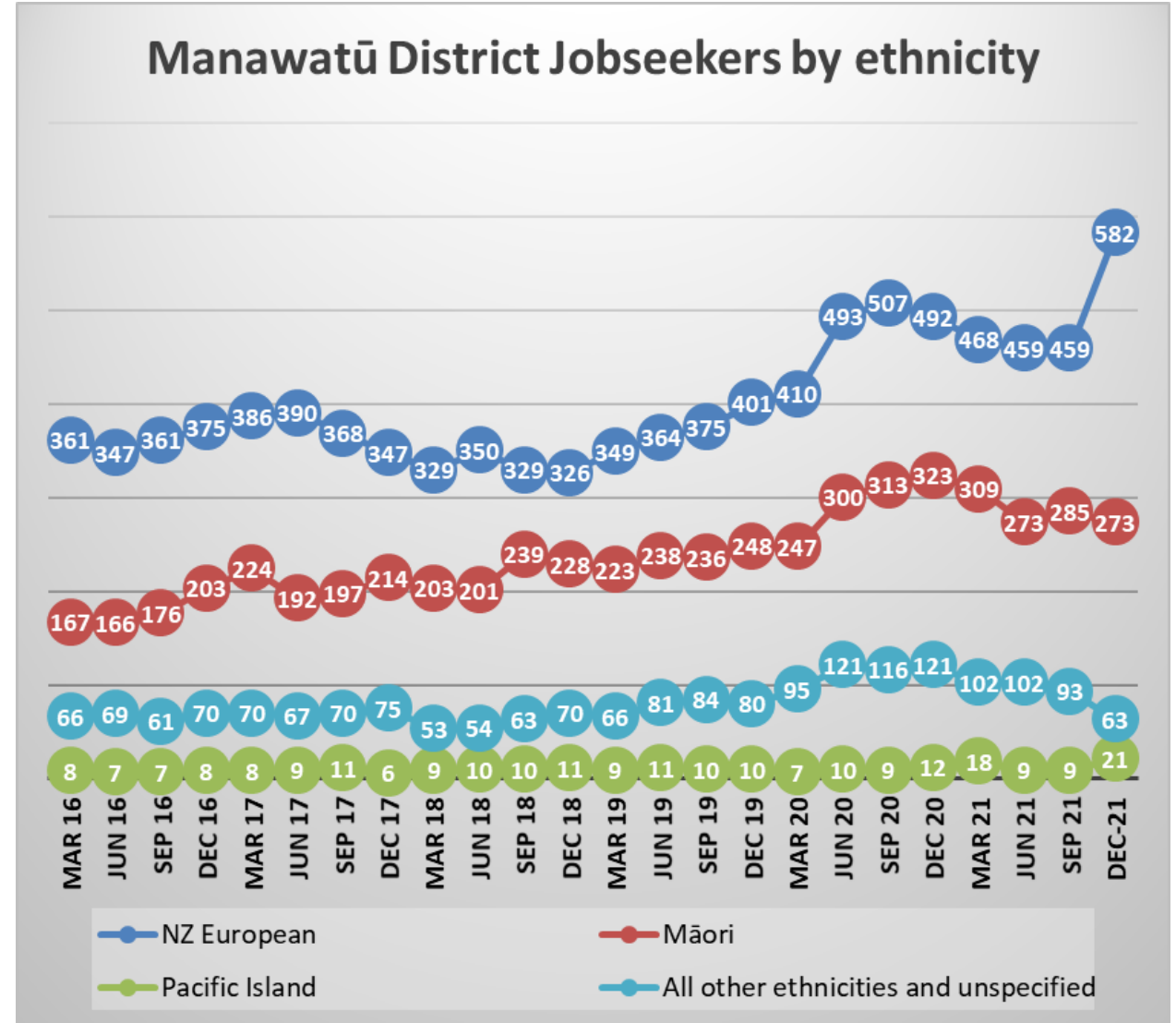
Unemployment rate (December 2021)



Workready jobseekers exit to employment

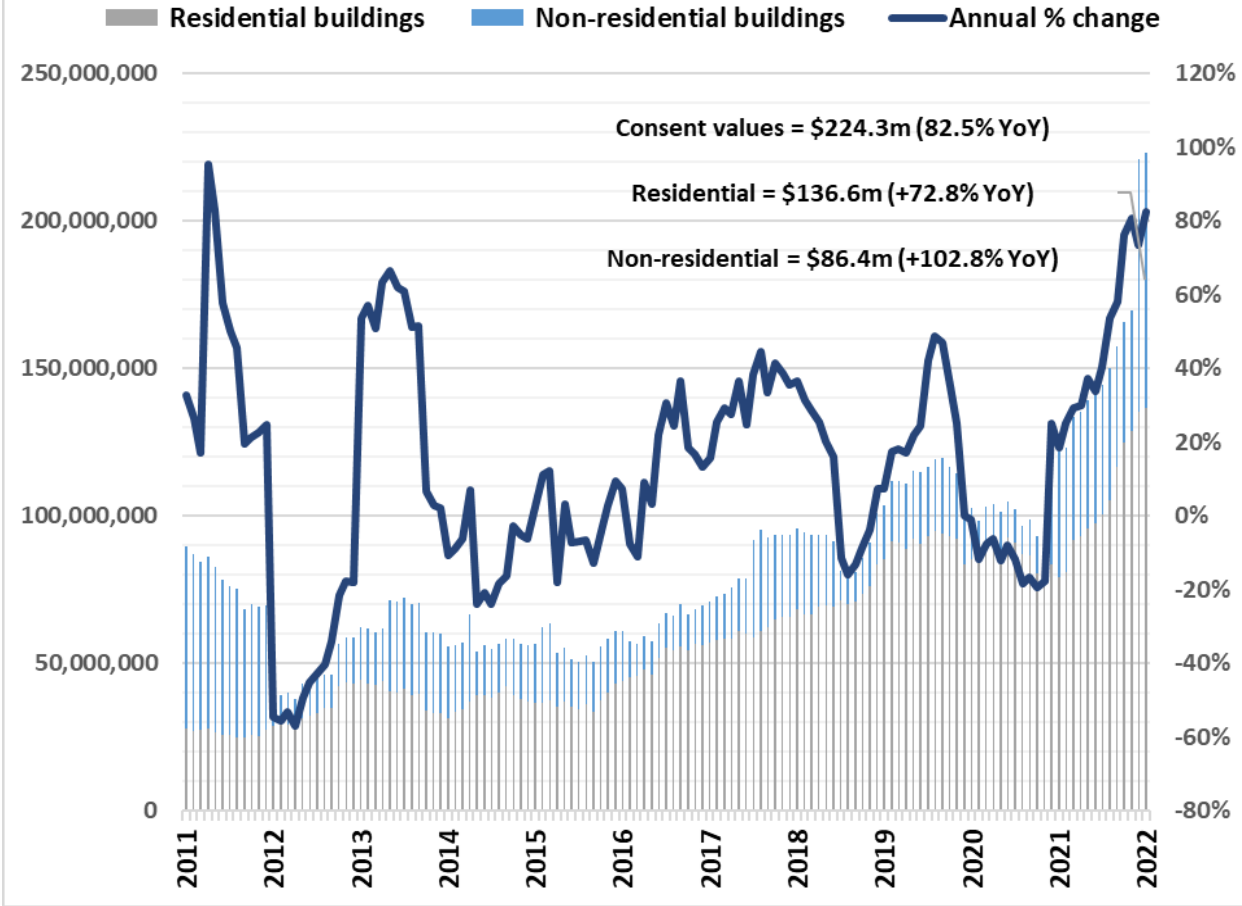
YE Dec 2021 versus the year ended Dec 2020:

- Total of 840 Jobseeker benefit recipients ↓ 108 (↓11.4%) from Dec 2020 compared with ↓ 11.3% NZ
- Workready jobseekers ↓ 189 (↓30.9%) compared with ↓21.1% NZ
- Jobseekers (health condition) ↑81 (↑ 24.1%) compared with ↑5.1% NZ
- Psychological/psychiatric conditions +49 (↑29.3%) vs ↑3.9% NZ
- JS aged 15-24 yrs ↓59; 25-39 yrs ↓62; 40-54 yrs ↓15; 55-64 yrs ↑31.

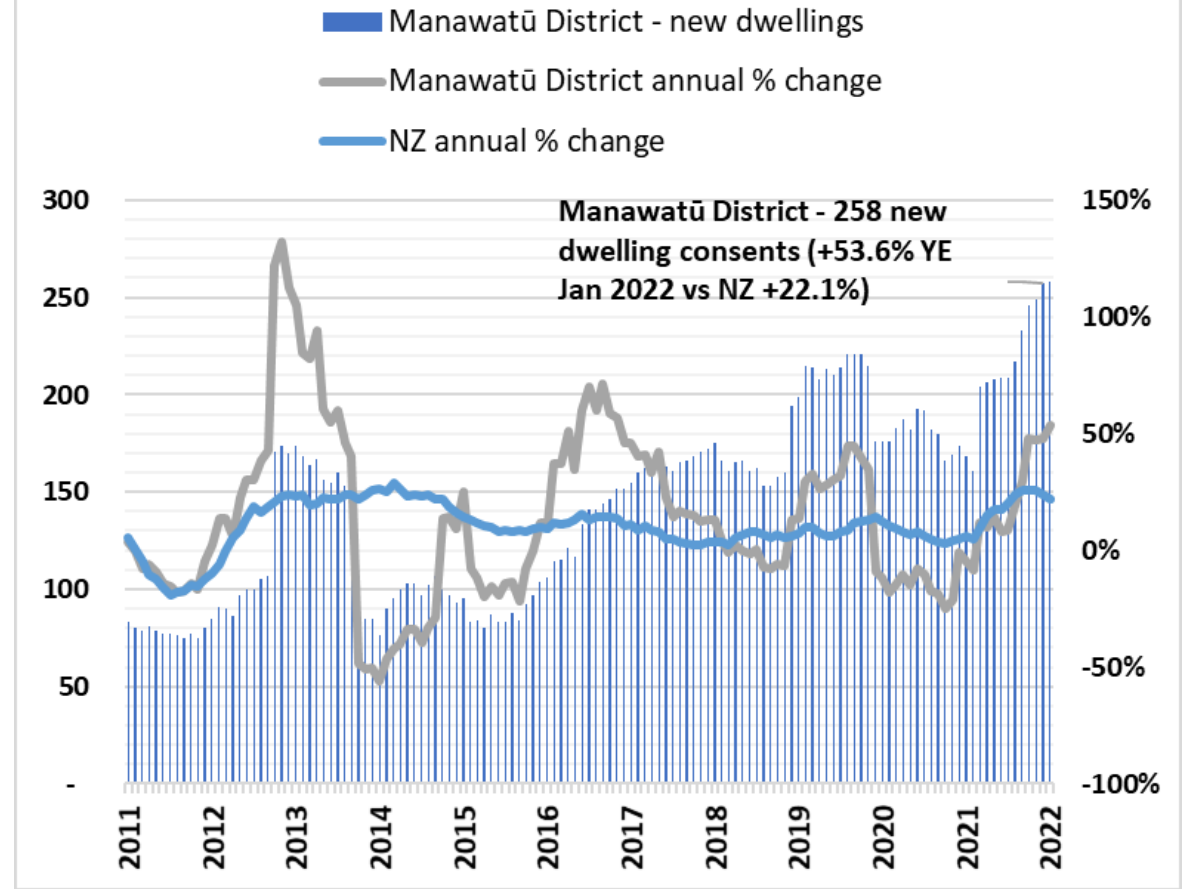


Building consents hit a new record over the year to Jan 2022

Annual building consent values \$



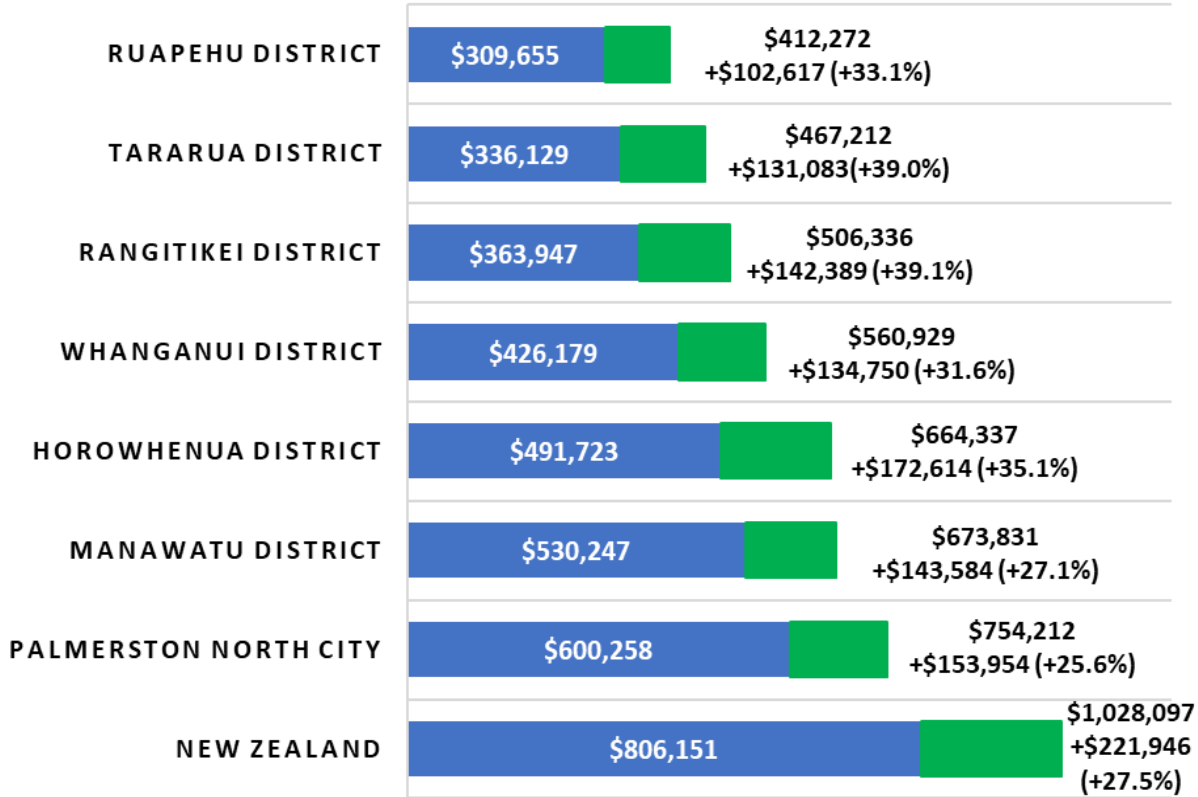
Annual new dwelling consents



Double digit house price growth continues but price pressure is easing

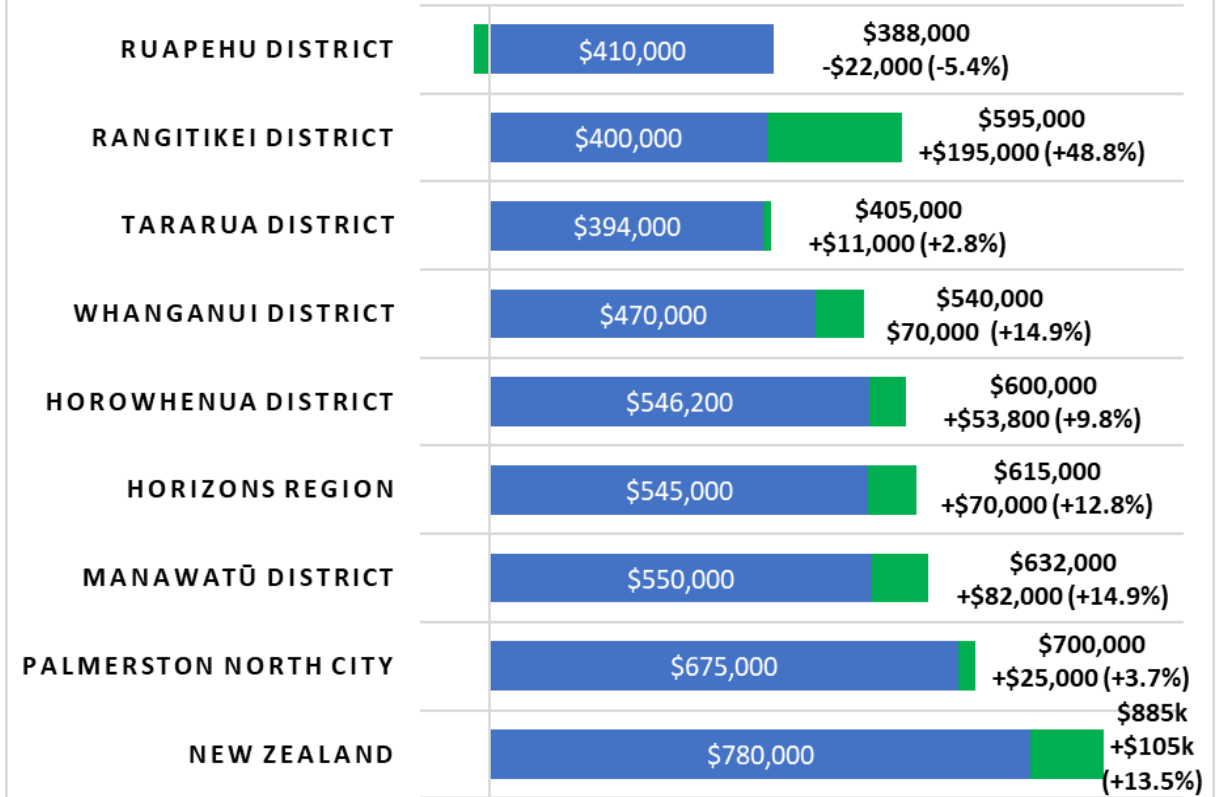
AVERAGE HOUSE PRICES - JANUARY MONTH

■ 2021 ■ 2020



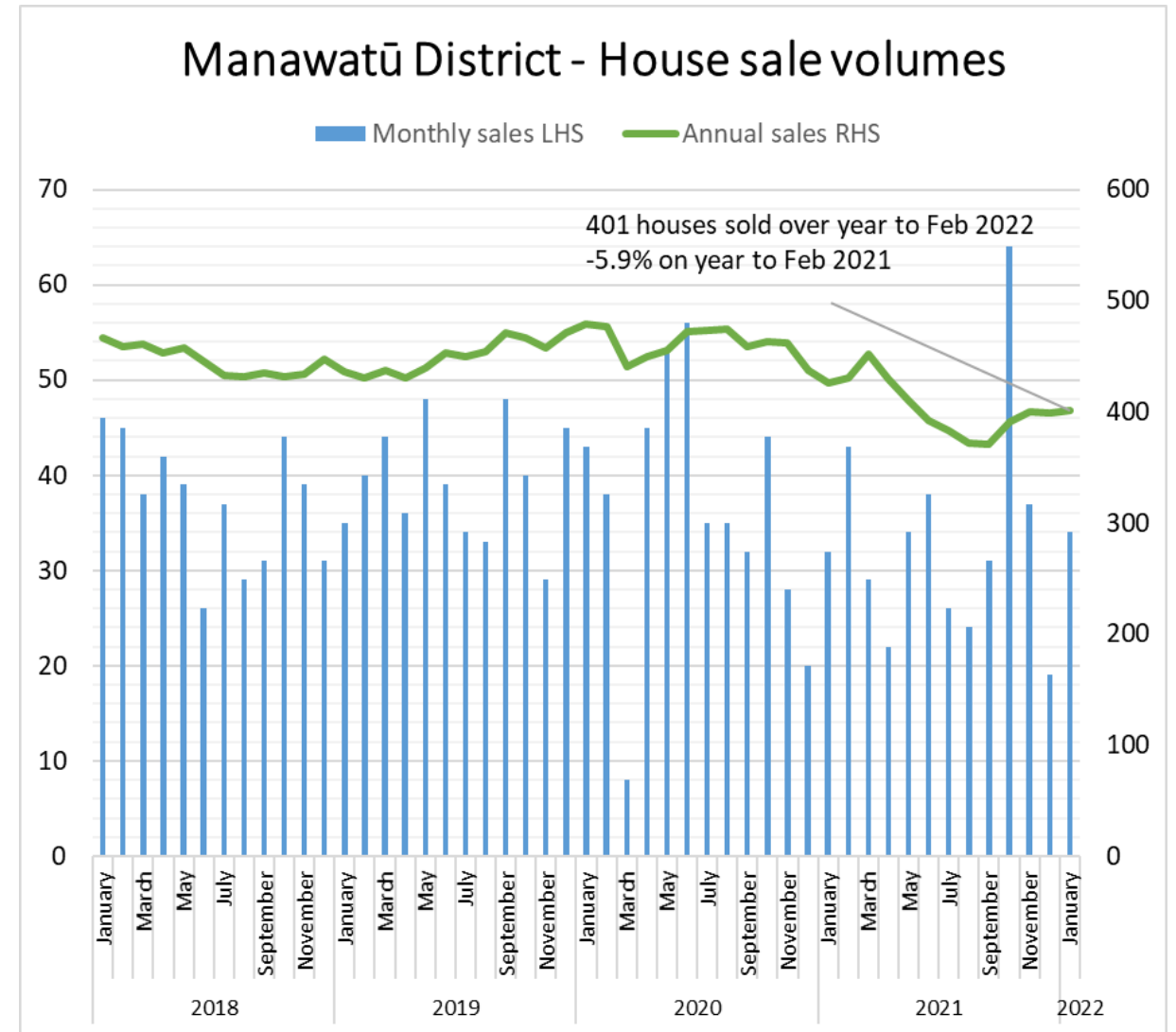
MEDIAN HOUSE PRICES - FEBRUARY MONTH

■ 2021 ■ 2022



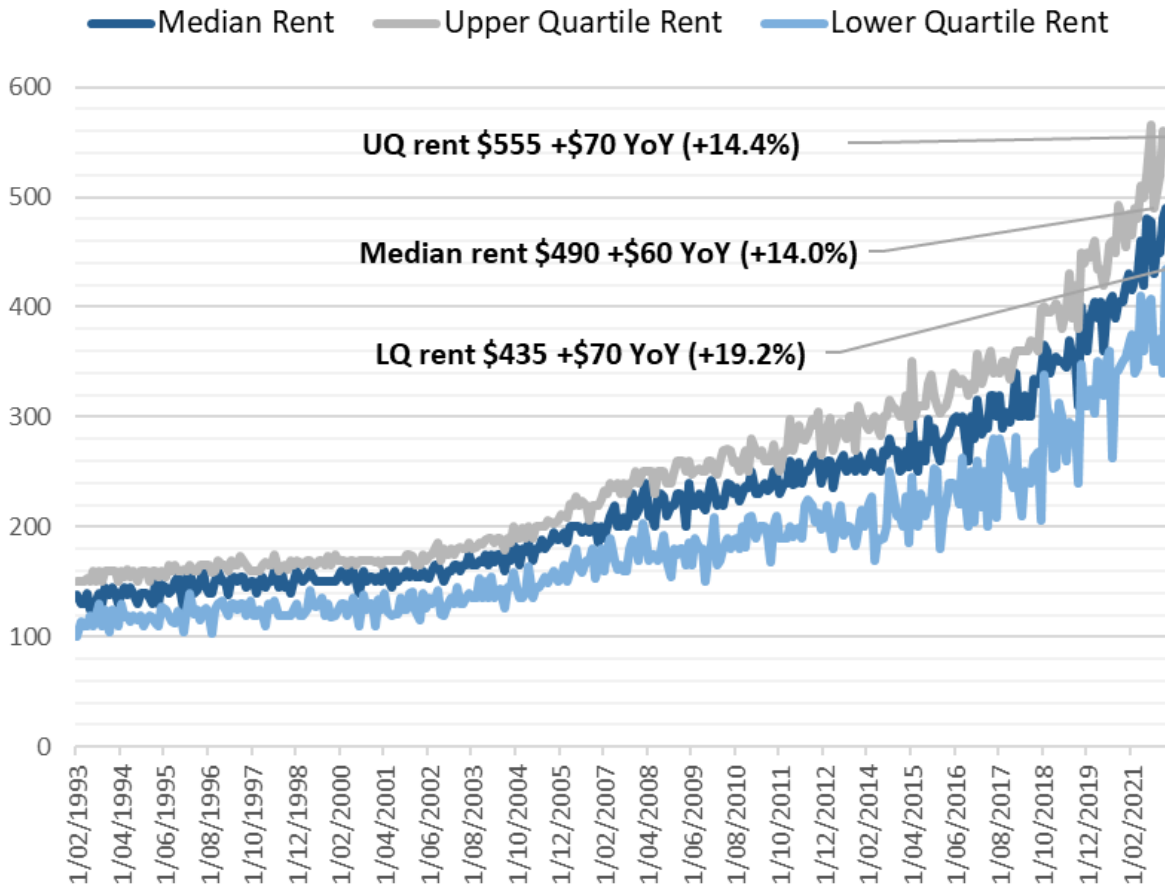
Signs our housing market is softening – sales activity down with more properties on the market

- YE Feb '22 - 401 houses sold ↓ 5.9% from previous year vs ↓ 4.0% NZ
- Manawatū-Whanganui (February month):
 - House sales ↓40.1% vs ↓32.8% NZ (Feb '22 vs Feb '21)
 - Median days to sell doubled to 48 days vs 24 in Feb '21 compared to 42 days NZ (+11 days)
 - New property listings ↑ 30.5% over the year vs ↑ 47.0% NZ
 - The region now has 16 weeks of stock versus 6 weeks of stock in February 2021

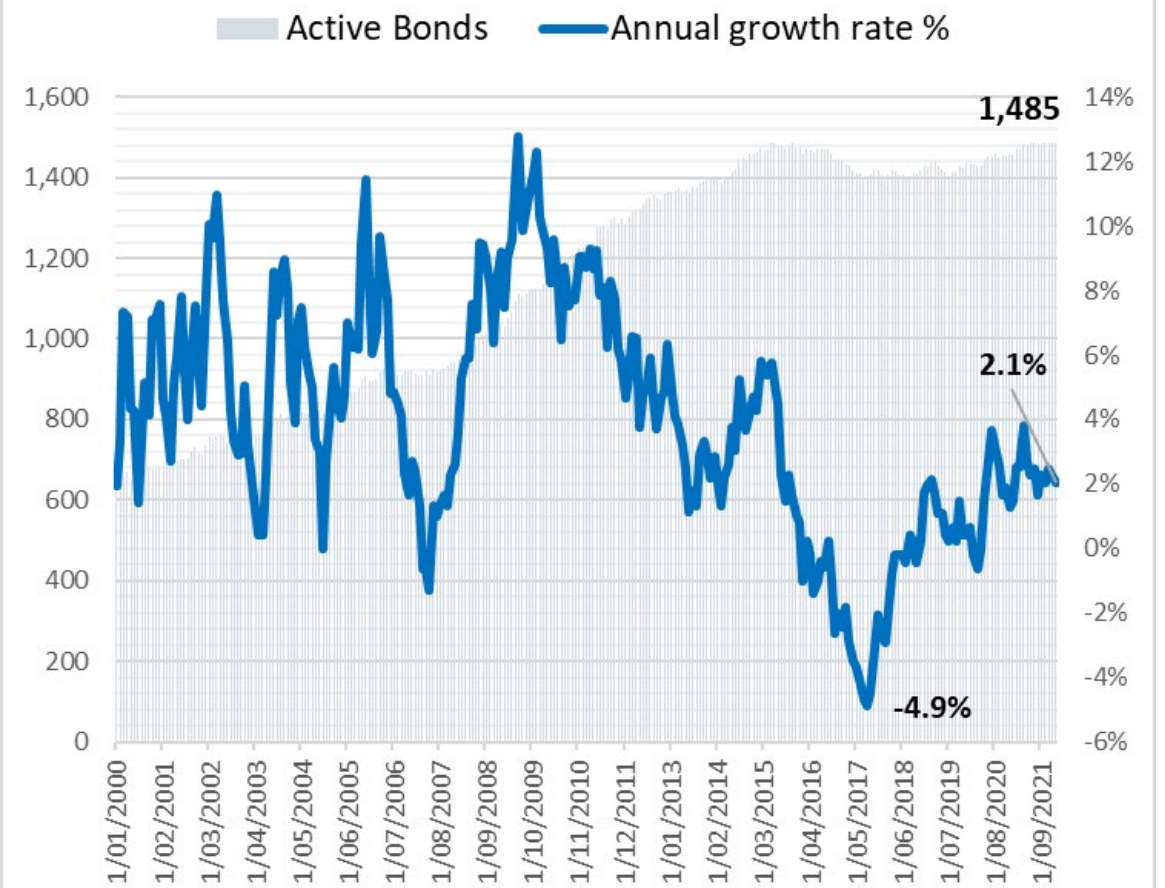


Strong growth in rental prices persist alongside plateaued supply

Manawatū District - weekly rents \$



Manawatū District - Active bonds

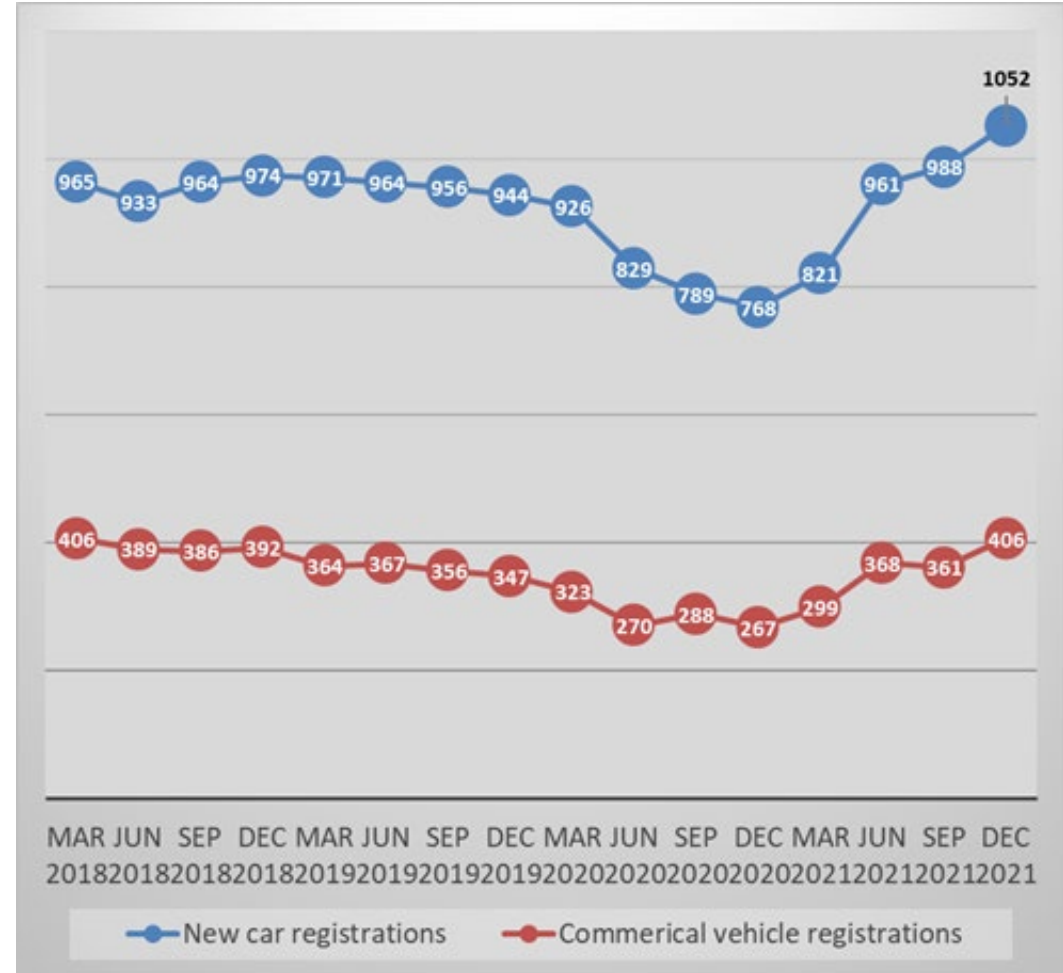
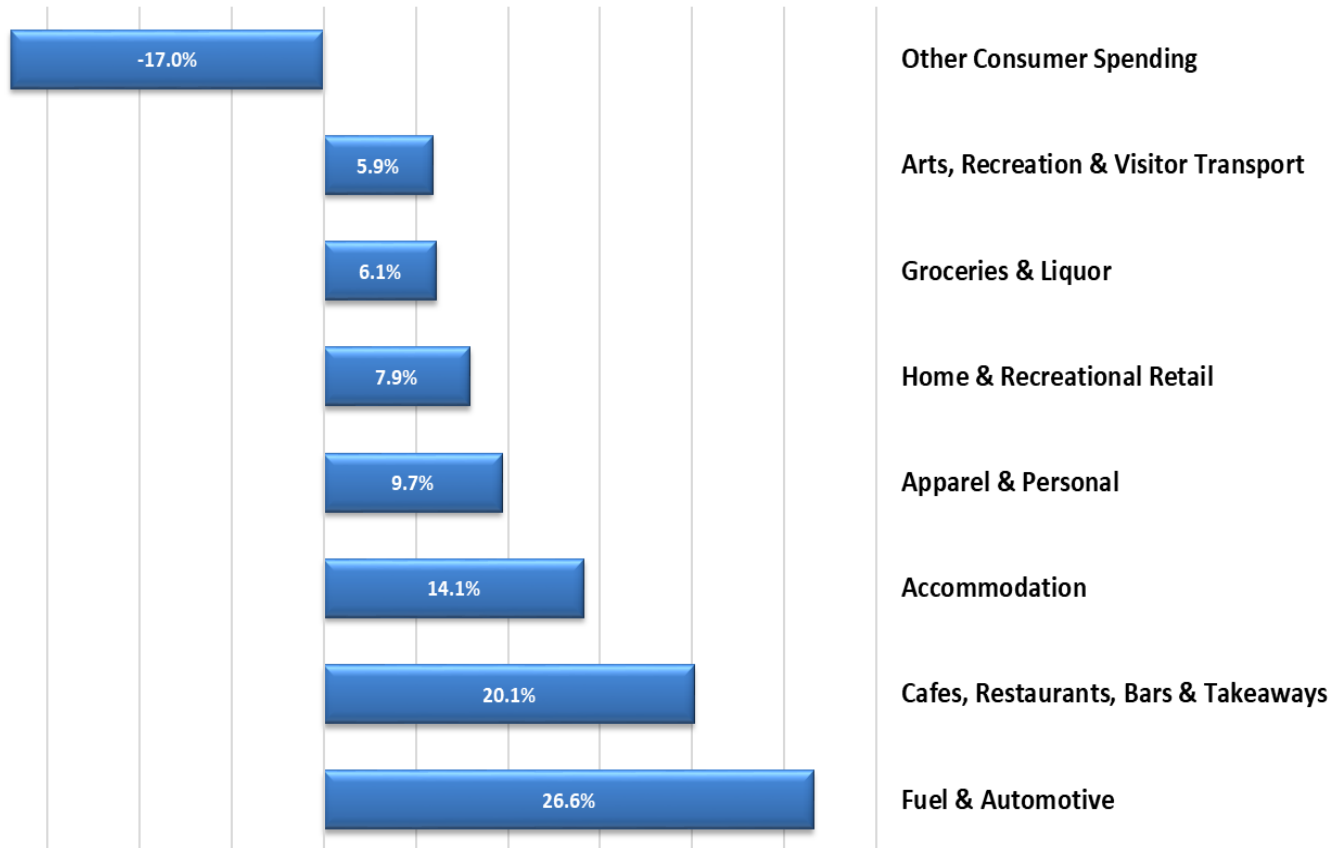


Strong growth in visitor spending over the year to Oct 2021

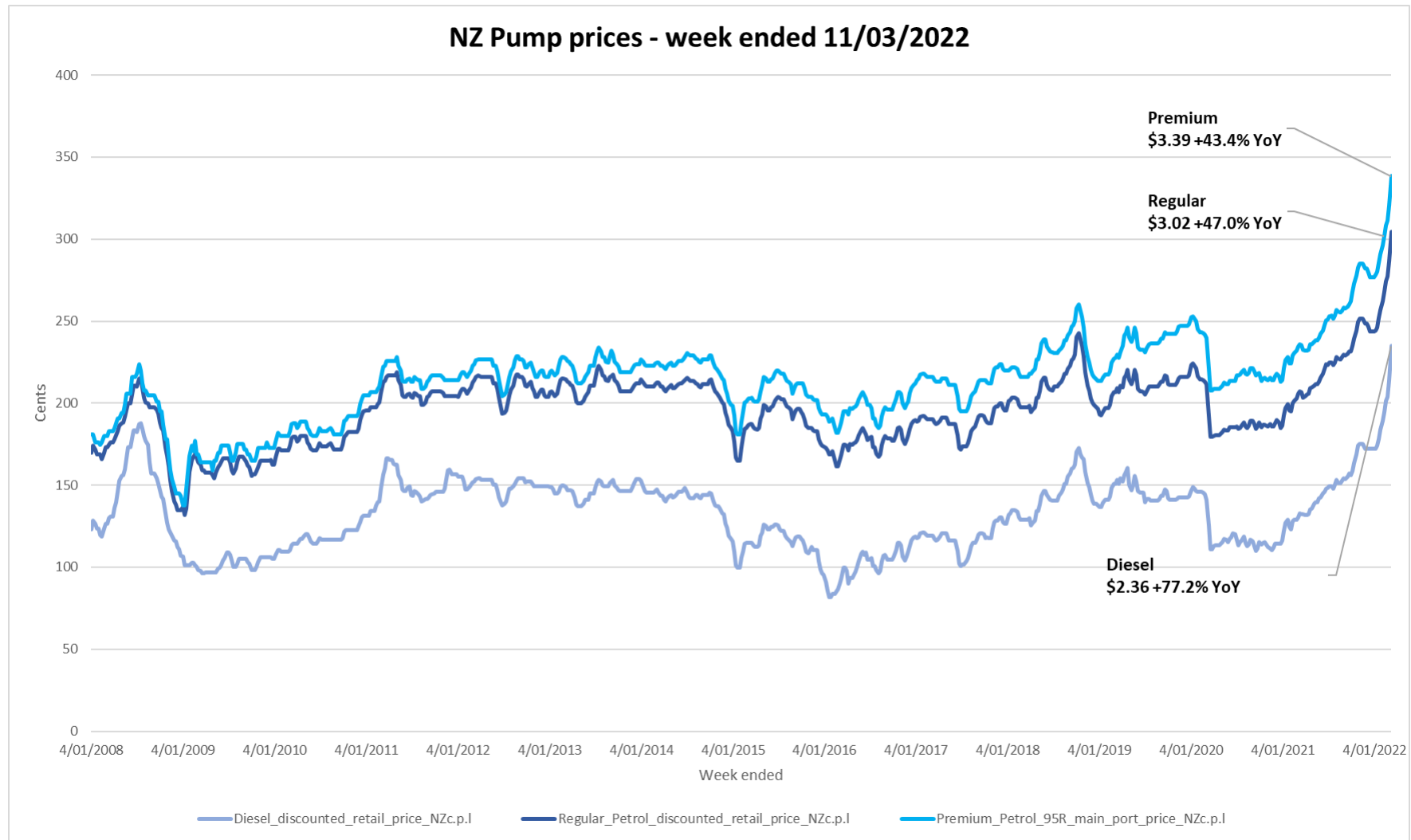
Area	Jan 2021	Jan 2022	% change
Manawatū District	\$27m	\$34m	↑25.8%
Palmerston North City	\$239m	\$276m	↑15.5%
Whanganui District	\$92m	\$103m	↑11.9%
Manawatū-Whanganui Region	\$579m	\$654m	↑13.0%
New Zealand	\$10,846m	\$11,469m	↑5.7%
Queenstown-Lakes District	\$754m	\$764m	↑1.4%
Ruapehu District	\$85m	\$84m	↓1.4%
Auckland	\$2,239m	\$2,159m	↓3.5%

Consumption data to Jan 2022 reflects confidence to spend

Retail spending increased 12.3% YE Jan to \$255.4m

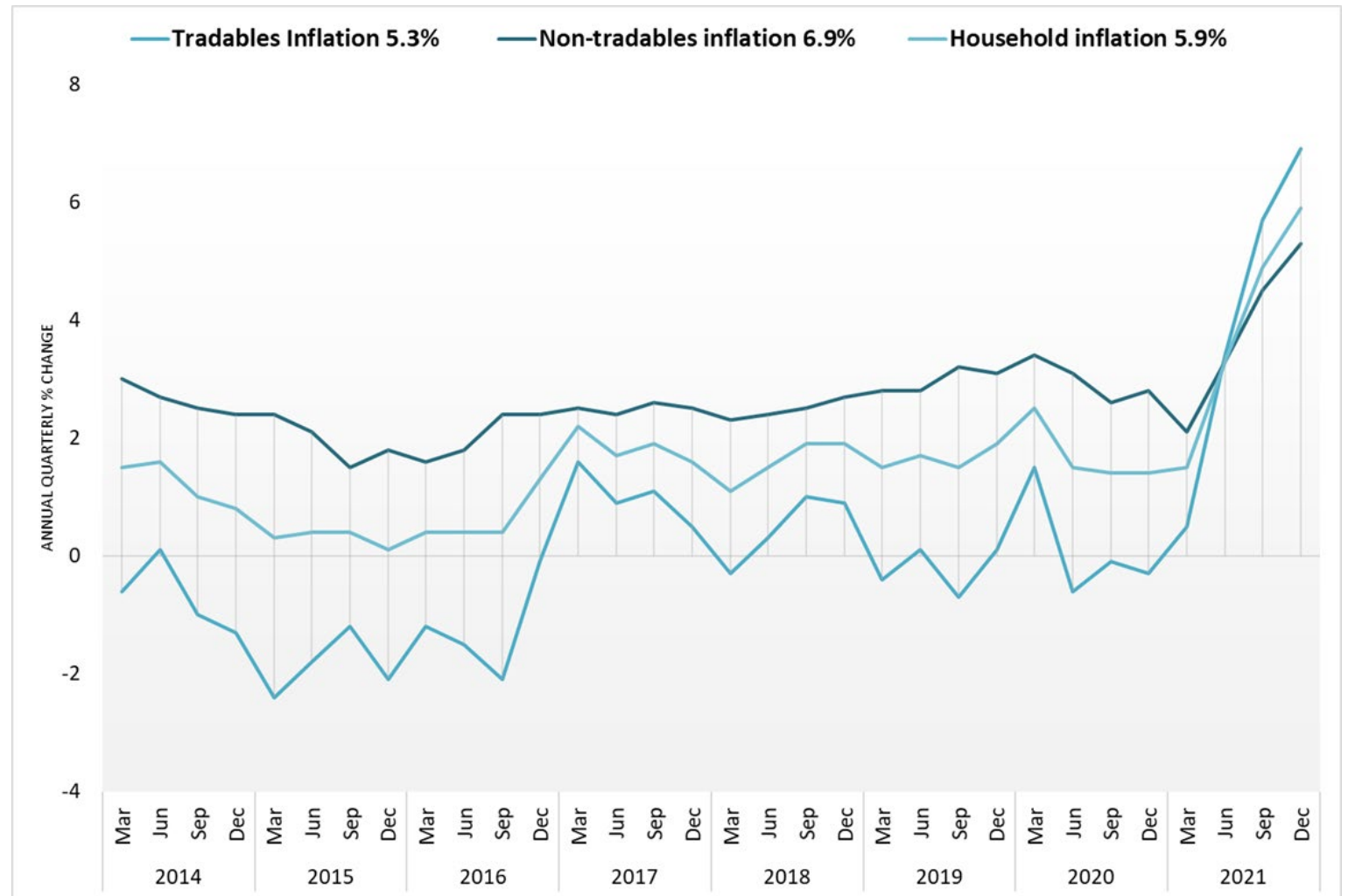


Retail expenditure is driven in-part by rising costs...



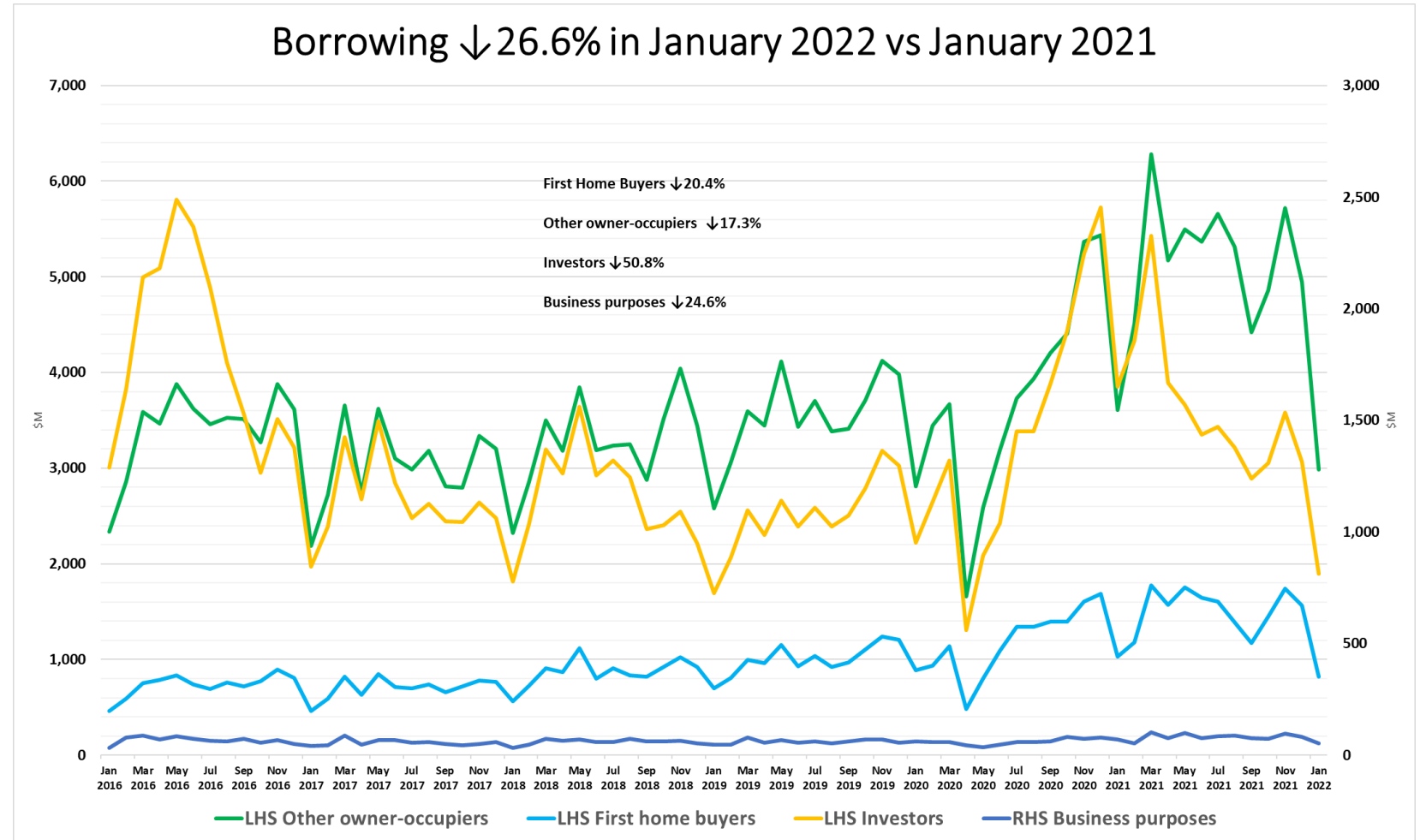
Global and domestic pressures have driven inflation to 32-yr highs

- Fruit and vege prices increased 15.4% over the year to January 2022;
- Milk, cheese and egg prices increased 6.6% over the same period;
- Prices for meat, poultry and fish increased 5.7% over the year;
- The cost of new builds increased 15.7% in 2021;
- Construction input costs increased 7.6% in 2021;
- Labour costs increased 2.6% in 2021. Public sector +2.3%. Private sector +2.8%.



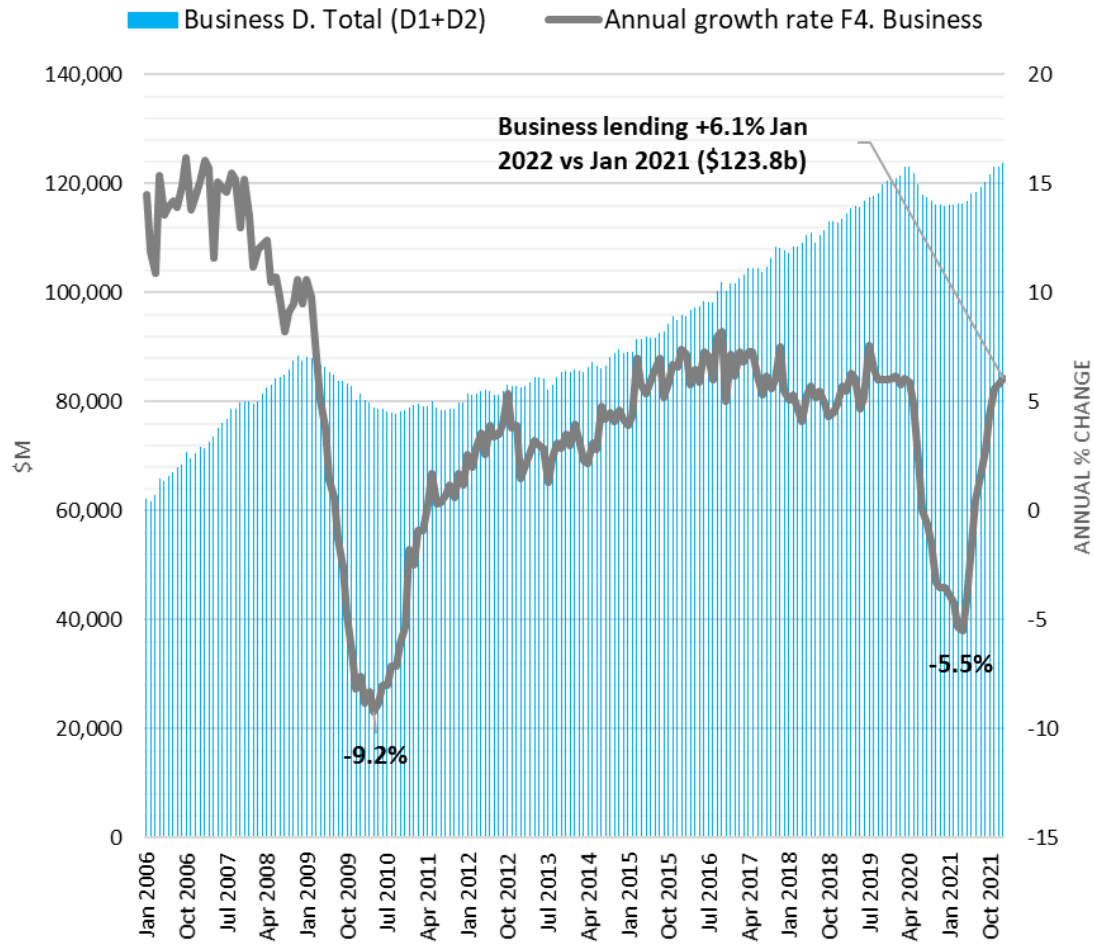
Mortgage borrowing declines due to tightening credit conditions

- LVR for investors increased to 40% in April 2021
- Interest rates are rising – currently forecast to hit 3.4% by 2024. They may rise faster and further due to inflationary pressures. Balancing act for the RBNZ.
- The Credit Contracts and Consumer Finance Act (CCCFA) is impacting on vulnerable borrowers – let's see how the tweaks play out

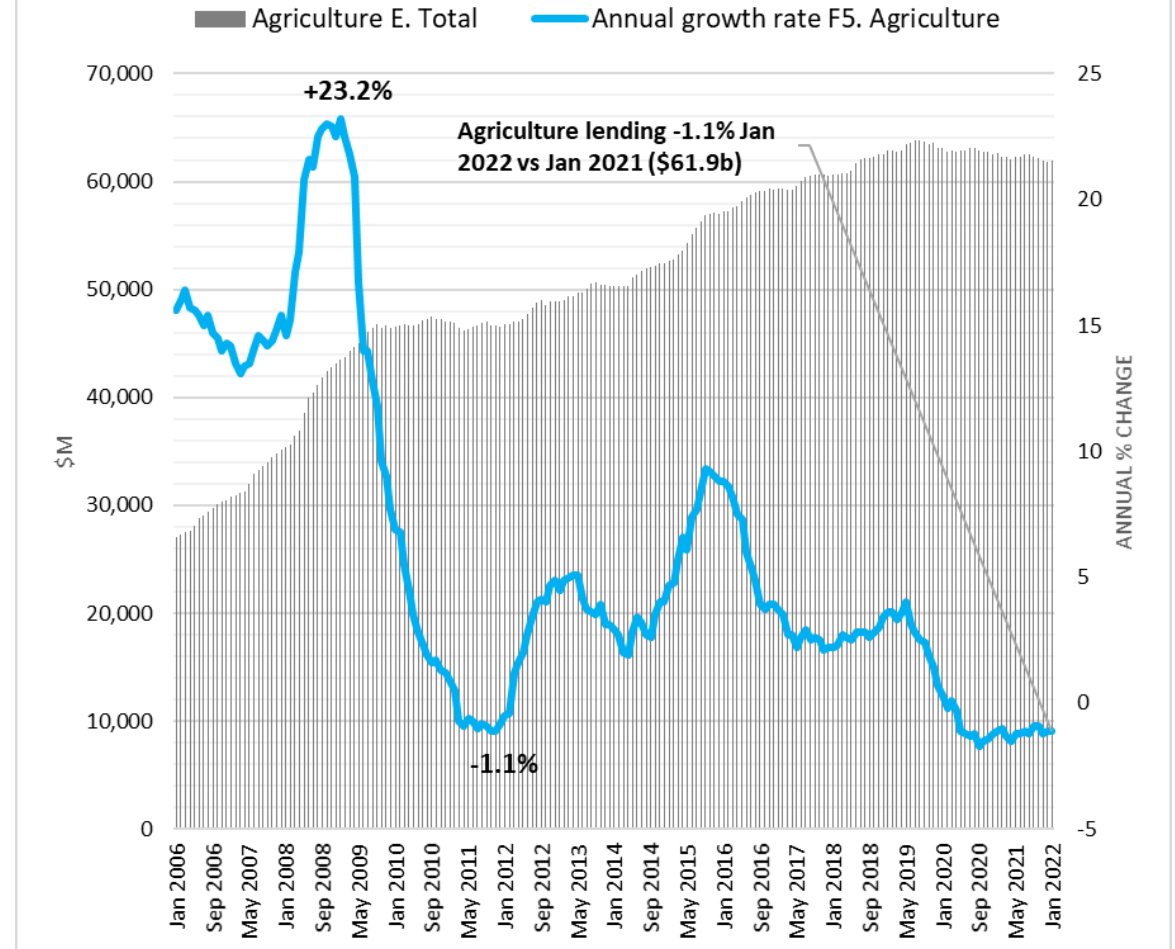


Business lending recovers while agriculture lending softens

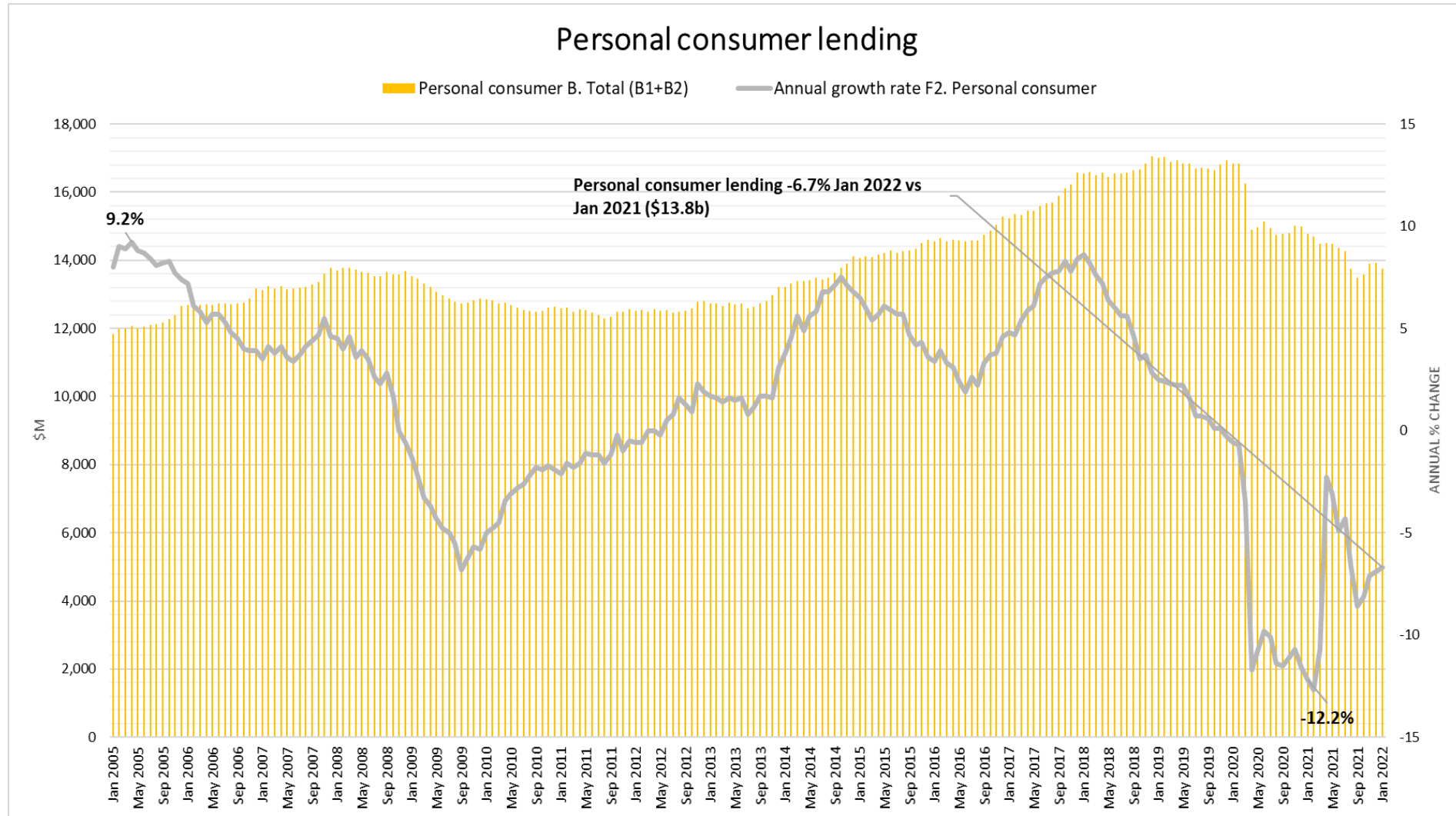
Business sector lending



Agriculture sector lending

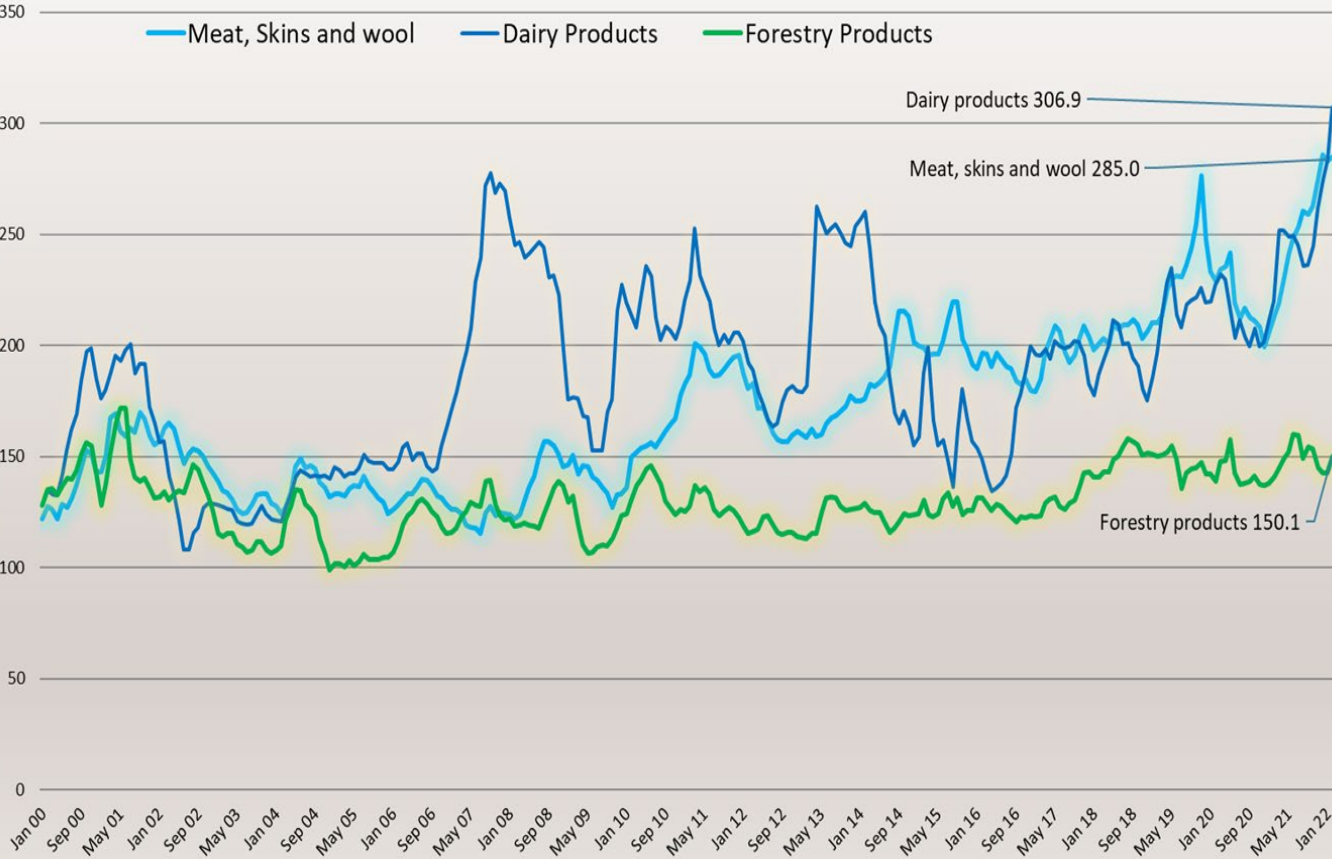


Personal consumer lending falls post the emergence of COVID



NZ both benefits and pays the price of booming global commodity prices

Commodity prices for our largest agri-food producers are at record highs



Commodity	Annual % growth
Brent crude	+47.9%
Coal	+299.5%
Wheat	+75.6%
Oats	+77.1%
Corn	+35.0%
Nickel	+199.3%
Magnesium	+ 153.8%
Lithium	+262.9%

What this means for wider economic conditions

- International factors are likely to continue to constrain global supply chains ramping up the costs of imported goods such as oil and inputs to food production
- The RBNZ will continue to raise interest rates (currently forecast to increase to 3.4% by 2024). The question is, will they raise them faster than currently signaled and how effective are domestic interest rates at controlling imported inflation?
- Rising interest rates will impact on the ability of kiwis to buy the goods they need in a time of rapidly rising costs
- Our food producers will benefit from booming commodity prices, but low-to-middle income households and highly indebted businesses and households will be impacted

On the upside

- The past eighteen months has highlighted the strength and resilience of the local economy
- Our key sectors continue to be resilient and the outlook for these sectors in 2022/23 continues to be very positive
- We should see some easing in domestic supply chains over 2022 however further lockdowns in China will add pressure over the next few months
- Easing border restrictions will support tourism and ease labour supply pressures
- Substantial and expanding public sector activity and employment in the District will support economic activity.
- As will record levels of public and private investment, record commodity prices, increased competitiveness and sustained global demand for goods produced in the region

ANY
QUESTIONS
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