

Eastern Bay of Plenty Region Economic Overview Profile and Trends Report

June 2009

1.0 Introduction

This report provides an overview analysis of the current economic situation and profile within the full Eastern Bay of Plenty (EBOP) region (comprising the Whakatane/Kawerau/Opotiki districts), trends over the past five years and the medium-term economic outlook.

The report is intended as providing a regional economic context for the detailed individual district economy analyses that accompany it.

The report therefore comprises basically two parts, namely:

- A current economic profile of the region
- A recent economic trends summary

The base information for the analysis is sourced from a range of economic agencies including Statistics New Zealand, Infometrics economic consultancy in Wellington and the New Zealand Institute of Economic Research also based in Wellington. Growth comparisons with the wider Bay of Plenty region and the country as a whole are included in the analysis, where appropriate.

2.0 Regional Economic Profile

The main elements of the economic profile of the EBOP region are as follows:

■ Demographic

The estimated total population of the region currently stands at 50,510 or nearly 19% of the Bay of Plenty region total. Under Statistics New Zealand's Medium or 'middle of the road' scenario, the EBOP population is projected to increase slightly over the 2006-2011 period but then fall gradually from that point, down to 48,220 in Year 2031, that is, a fall of 2,290 or 4.5% from the current position. At the same time, the number of dwellings/households in EBOP is projected to increase by 10% over the 2006-2021 period. For the full Bay of Plenty region, the growth projections are population (+23% over 2006-2031) and households/dwellings (+24% over 2006-2021).

■ Production

Table 1 below provides an overall profile of industry/business activity in the EBOP area and changes in the profile over the last five years:

Table 1: EBOP/Bay of Plenty Region Industry/GDP Profile 2004-2009

Industry	EBOP Real GDP 95/96 Prices (\$M)			Full BOP Region 2009 (\$M)	EBOP % Share of Full BOP Region 2009
	2004	2009	% Change		
<i>Agriculture</i>	170	175	2.9	740	23.6
<i>Forestry</i>	59	81	37.3	265	30.6
<i>Other Rural</i>	6	4	-33.3	49	8.2

Industry	EBOP Real GDP 95/96 Prices (\$M)			Full BOP Region 2009 (\$M)	EBOP % Share of Full BOP Region 2009
	2004	2009	% Change		
<i>Processing</i>	189	182	-3.7	700	26.0
<i>Manufacturing</i>	46	57	23.9	422	13.5
<i>Utilities</i>	12	19	58.3	88	21.6
<i>Construction</i>	42	52	23.8	330	15.8
<i>Retail/Wholesaling</i>	98	116	18.4	936	12.4
<i>Accom/Cafes/Rests</i>	11	13	18.2	120	10.8
<i>Transport/ Communs</i>	32	48	50.0	495	9.7
<i>Business Services</i>	99	117	18.2	977	12.0
<i>Government</i>	49	61	24.5	299	20.4
<i>Education</i>	55	59	7.3	253	23.3
<i>Health/Community</i>	62	66	6.5	466	14.2
<i>Cultural/Personal Svces</i>	22	24	9.1	167	14.4
<i>Other</i>	122	115	-5.7	680	16.9
TOTAL	1,074	1,189	10.7	6,987	17.0

The largest GDP industries in the EBOP region are, in order, primary product processing, agriculture, business services, retailing/wholesaling, forestry/forestry services, health/community/welfare services, the Government sector, education and manufacturing. The region's greatest contributions to full Bay of Plenty region industry GDP are forestry/forestry services, primary product processing, agriculture, education, utility services and the Government sector. Industry change in GDP in the EBOP area over 2004-2009 was most positive for utility services (power, gas, water), transport/communications, forestry/forestry services, Government administration, manufacturing and construction. GDP fell over the period for rural production other than agriculture/ forestry, and processing.

■ Industry/Employment

The largest employing industries in the EBOP region include:

- **Rural Production** – vegetable production, kiwifruit growing, berry fruit growing, beef farming, dairying, logging, forestry support services and agricultural support services.
- **Primary Product Processing** – dairy processing, log sawmilling and pulp/paper/paperboard manufacturing.
- **Manufacturing** – machinery and equipment manufacturing and repairing
- **Services** – residential construction, road/bridge construction, heavy/civil engineering, electrical services, painting and decorating services, agricultural wholesaling, car retailing, fuel retailing, supermarkets/grocery stores, furniture retailing, hardware and building supplies retailing, clothing retailing, department stores, pharmacies, visitor accommodation, cafes/restaurants/bars, takeaway food services, road freight transport, newspaper publishing banking services, property/real estate services, legal services, accounting services, management/consultancy services, employment related services, cleaning services, packaging services, Central and Local Government, policing, education, hospital sector, medical services and aged care services.

■ Industry Outlook

Over the next five years, the New Zealand Institute of Economic Research is forecasting the country's fastest growing industries to be, in order, mining/quarrying, communication services, business services, machinery/equipment manufacturing, health/community services, Local Government administration, finance/ insurance and Central Government administration.

The EBOP region will be looking to its industry strengths in pastoral beef/dairy cattle farming, forestry, kiwifruit production, dairy and forestry products processing, machinery/equipment manufacturing, specialised services and tourism to lead the area out of the current major economic slow-down.

■ **Intra-Regional Shares of Economic Activity**

Table 2 below indicates the respective district shares at the present time of total EBOP region economic activity:

Table 2: EBOP Region –District Shares of Total Economic Activity 2008/09 Year

Indicator	% of Total		
	Whakatane District	Kawerau District	Opotiki District
<i>Population</i>	68	14	18
<i>Households</i>	68	14	18
<i>Businesses</i>	73	6	21
<i>GDP</i>	65	19	16
<i>Primary Industries GDP</i>	62	4	34
<i>Processing GDP</i>	43	55	2
<i>Manufacturing GDP</i>	43	50	7
<i>Services GDP</i>	74	13	13
<i>Employment</i>	68	17	15

Whakatane’s largest regional shares relate to services sector GDP, business numbers and population/households/employment. Kawerau district’s largest shares concern primary product processing sector GDP, manufacturing sector GDP and total GDP. Opotiki district’s largest regional shares relate to primary industries GDP, business numbers and population/households.

3.0 Trend Summary

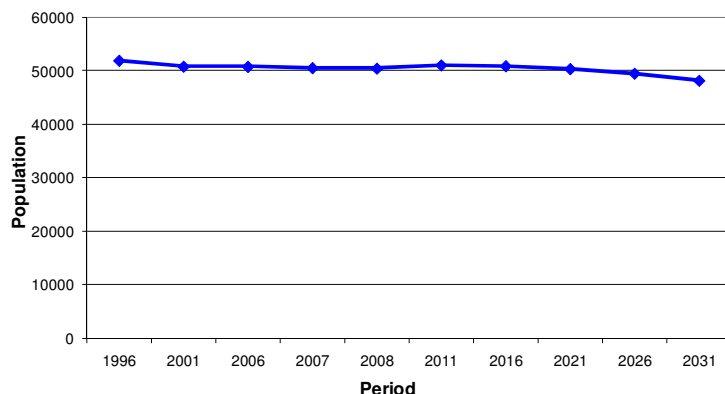
- The EBOP region has recorded generally positive but significantly fluctuating annual economic growth since the March 2002/03 year. Over the March 2009 year, the annual rate of growth was +0.3%, compared to the almost 4% growth rate for the previous March year.
- The rate of growth in the region over the past year was slightly behind that for the full Bay of Plenty region but nevertheless in contrast to the national negative rate of growth. Employment growth in the EBOP during the March 2009 year was slightly behind the national level.
- At the same time, total new building construction work approved fell 34%, house sales -42%, new motor vehicle registrations -26% (for the whole Bay of Plenty region), commercial visitor accommodation sector visitor nights -11%, whilst employment rose +0.8%. Actual retail sales for the whole EBOP sub-region increased 3.4% though during the year. Unemployment benefit numbers rose 21% over the year.
- As throughout the rest of the country, economic activity in the district is expected to continue to be soft over the coming year, with a pickup in growth anticipated from around mid to late 2010.

4.0 Population

Figure 1:

EBOP's population currently stands at an estimated 50,510 and has fallen slightly by 340 or -0.7% since the 2006 Census year. This compares to the total Bay of Plenty region +1.7% and +2.5% nationally. Statistics NZ's Medium growth projection for the EBOP indicates that the region's population growth rate is anticipated to increase slightly by Year 2011 and then fall gradually from that time. Since the 2006 Census, the region has recorded a natural population increase gain of 1,134 (2,388 births and 1,254 deaths). However, there has been an overall net population migration loss of -1,474, comprising an internal migration loss of -355 and an external/overseas migration loss of -1,119.

Eastern Bay of Plenty Region Population Growth 1996-2008 and Projected 2011-2031

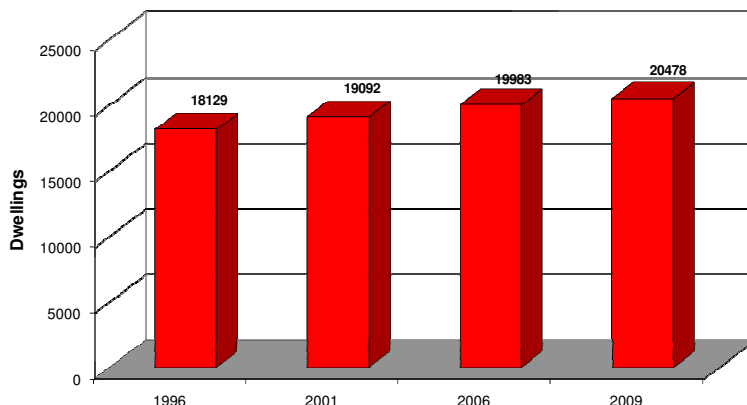


5.0 Household/Dwellings

Figure 2:

The total number of houses in EBOP region in March this year stood at an estimated 20,463. This represents an increase of 480 or 2.4% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 10% further increase in dwelling numbers in the region over the 2006-2021 period, under the Medium growth projection. This compares to the total Bay of Plenty region projection of 24% and the national projection of 20%.

Eastern Bay of Plenty Region Household/Dwelling Growth 1996-2009

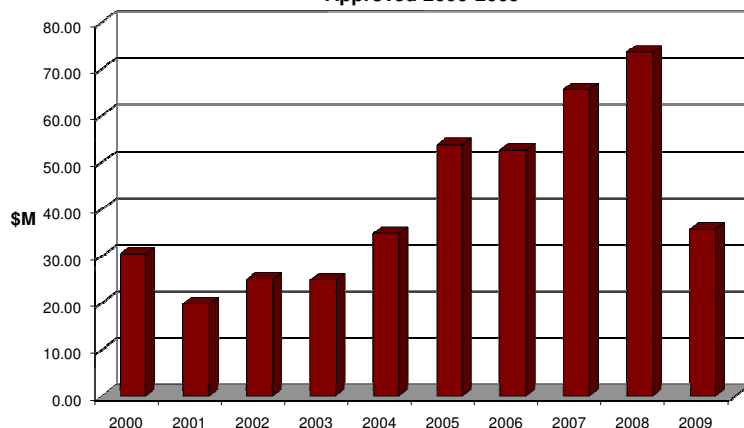


6.0 New Building

Figure 3:

Over the period since the 2006 Census, a total of some 480 new dwellings have received building consent in the region, worth a combined value of \$110M. The number of new dwellings approved during the March 2009 year was down -49% on the previous year, whilst their combined value was down -51%. Total new commercial/industrial building work approved fell -41% in volume terms and -75% in value terms over the year. The value of new rural building work approved rose 69%, whilst the volume of work unchanged. The total amount of new building activity in the district fell -34% over the year and the value -52%.

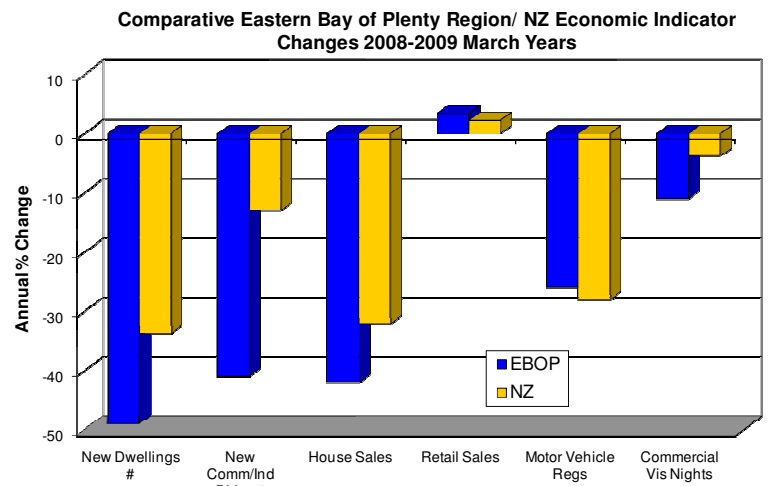
Eastern Bay of Plenty Region-Value of Total New Building Construction Approved 2000-2009



7.0 Other Economic Indicators

Figure 4:

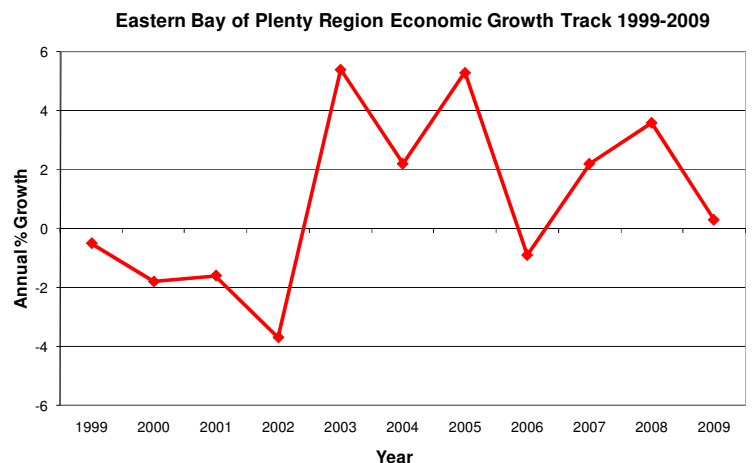
EBOP house sales for the March 2009 year were 42% down on the previous March year. House prices fell in the range 5%-9% during the March 2009 year, compared to -9% in Tauranga, -11% in Rotorua and -9% nationally. Actual retail sales for the Eastern Bay of Plenty sub-region increased 3.4% for the March 2009 year, compared to 0.4% for the full Bay of Plenty region and 2.2% nationally. New motor vehicle registrations in the whole BOP region fell 26% over the year, compared to the 28% fall nationally. Electricity consumption in the Bay of Plenty region over the March 2009 year was 1.9% down on the previous year.



8.0 Economic Growth

Figure 5:

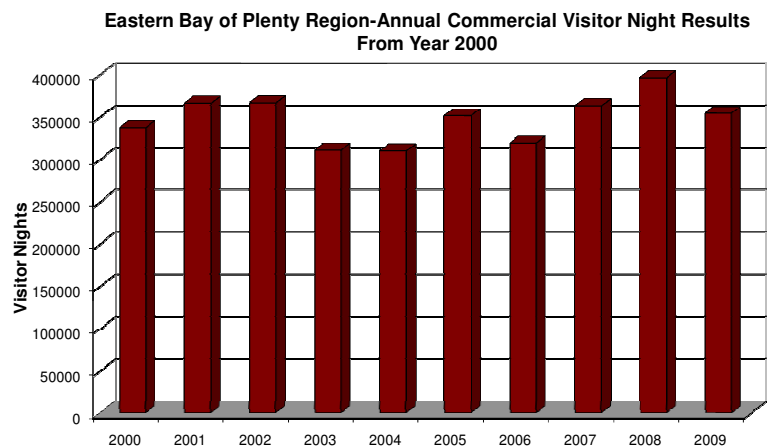
Figure 5 indicates the longer-term trend in real terms economic/GDP growth in EBOP region, since 1999. The base growth data is sourced from Infometrics economic consultancy in Wellington. Economic growth in the region has generally been positive since 2003, following four years of negative growth. The growth rate for the area over the March 2009 year was +0.3%, compared to the total Bay of Plenty region +0.5% and nationally -0.9%. The NZ Institute of Economic Research is currently forecasting average annual growth in the full Bay of Plenty region of 2% for the next five years, compared to 0.9% for the last five-year period and the national medium-term economic growth forecast of 1.7%.



9.0 Visitor/Tourism Numbers

Figure 6:

Visitor arrival numbers into the region staying in commercial accommodation totalled 152,189 over the March 2009 year, down 25,579 or 14% on the previous year. The comparative national change was a 2.4% decline. The number of nights spent in the region by visitors staying in commercial accommodation totalled approximately 354,295 for the March 2009 year, down 11% on the previous year.



10.0 Results Comparison

Table 3 provides a summary of the comparative local economic indicator changes over the past year for the Eastern Bay of Plenty region, total Bay of Plenty region and New Zealand, for the listed indicators.

Table 3: Eastern Bay of Plenty Area Comparative Local Economic Indicator Changes March 2009 Year vs March 2008 Year

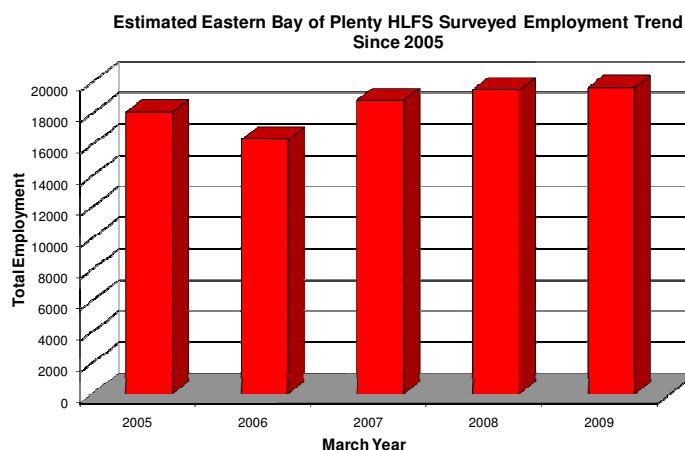
Area	% Change 2007/08 – 2008/09 March Years						
	Economic Indicators						
	Total New Buildings	House Sales	Retail Sales	Vehicle Registrations	Comm Visitor Nights	Employment	Unemployment Benefit Numbers
Eastern Bay of Plenty Sub-Region	-33.9	-42.4	+3.4	-	-10.6	+0.8 ¹	+20.8
Bay of Plenty Region	-36.4	-45.2	+0.4	-21.9	-13.5	+0.8 ¹	+65.1
New Zealand	-25.8	-38.9	+1.5	-21.1	-3.8	+0.9	+95.2

Note: 1. The result for the EBOP area is the same as for the full Bay of Plenty region, as it is based on the region's total employment figure.

11.0 Employment

Figure 7:

Total employment in EBOP region for the March 2009 year was up 0.8% on the previous March year, slightly less than at the national level. Employment in the area in March this year was up 4.2% on March 2008. At the same time though, unemployment was up 275 or 23%, and 24% on an annualised basis. In March 2009, the regional unemployment stood at 8.7%, compared to 7.5% in March 2008 and the March 2009 national unemployment rate of 5.6%. The number of people receiving the unemployment benefit in the region in March 2009 stood at 777, compared to 643 in March 2008, that is, an increase of 20.8%.



12.0 National Economic Outlook

Each quarter, the NZ Institute of Economic Research produces updated Consensus Forecasts for shorter-term economic activity in New Zealand. The forecasts are a consensus or average of the views of the different main economic forecasting agencies. The latest March 2009 forecasts are for weak GDP and consumption growth over the year ahead; solid Government spending growth over the next few years (including major infrastructural spending brought forward to help counter the recession); negative new construction growth; decline in business investment over the year ahead; lower inflation; further exchange rate depreciation; lower interest rates; employment decline and increased unemployment; and lower private sector wage growth.

Table 4: NZIER Consensus Forecasts March 2009

Indicator	March Years		
	2008/09	2009/10	2010/11
GDP	-0.9	-0.6	2.7
Private Consumption	-0.4	0.1	1.4
Govt Spending	3.4	3.7	3.4
Residential Investment	-22.8	-15.1	7.9
Other Investment	-2.8	-9.5	4.4
NZ TWI Exchange Rate	60.5	51.9	55.9
90 Day Bank Bill Rate	6.7	3.0	4.1
Employment	0.8	-1.7	1.0
Private Sector Wages	5.0	3.1	2.3

Note: All figures in the table other than for the TWI and 90-Day Bank Bill rate refer to the 'annual average % change' in the relevant indicators.