

Eastern Bay of Plenty Region Economic Trends Report December 2009

1.0 Introduction

This report provides a brief analysis of the current economic situation within the Eastern Bay of Plenty (EBOP) region, trends over the past year and the medium-term economic outlook. The region comprises the Opotiki, Whakatane and Kawerau districts. The base data for the analysis is sourced from a range of economic agencies including Statistics New Zealand, Infometrics economic consultancy in Wellington, the New Zealand Institute of Economic Research also based in Wellington, trading bank reports and consultation with local organisations within the district. Growth comparisons with the wider Bay of Plenty region and the country as a whole are included in the analysis, where appropriate.

2.0 Trend Summary

- This summary highlights the significant economic indicators changes that have occurred in the EBOP region particularly since the March quarter earlier this year, when the last economic monitoring report was prepared. The detailed analysis in the report focuses on the economic indicator changes that have occurred in the region over the past year and prior to that.
- Over the year ending June 2009, the total population of the region (which is recorded annually by Statistics NZ) fell an estimated 180. At the same time, the total number of businesses in the area (recorded annually in February each year by SNZ) fell by 43 or 0.8%. Total annual regional employment increased by 2% whilst unemployment increased by 50%. The annual rate of unemployment in the region stood at 9.4% in September 2009, compared to 6.1% for the total Bay of Plenty area and 5.5% nationally.
- Total regional GDP (Gross Domestic Product) fell slightly in real inflation-adjusted terms by 0.3% over the year ending June 2009, compared to the 1.8% decline nationally. On an industry basis, growth was positive over the year in the region for primary production, communication services, business services, the public sector, education, health and community, cultural/recreational and personal/household services.
- Over April to September 2009, the total number of new buildings receiving consent to proceed in the EBOP region was recorded at 92, compared to 121 for the same period last year. Actual retail sales were virtually on par with last year. New motor vehicle registrations fell 24%. House sales increased 29%. Net overseas population migration loss from the region fell significantly from -240 for April- September 2008 to -29 for the same period this year. Electricity consumption was slightly up over April-September this year, compared to last year. The number of nights spent by visitors to the region staying in commercial guest accommodation was up 20% for the period, this year.
- Regional economic indicators which improved for the April-September 2009 period compared to the preceding six-month interval October 2008-March 2009 were the net overseas population migration situation (a reduction in the net loss from -185 to -66), house sales (up 40%) and electricity consumption (+2.3%). Most of the other local economic indicators were down for the latest six-month period, mainly due to seasonal effects though.

3.0 Key EBOP Region Economic Indicator Levels as at September 2009

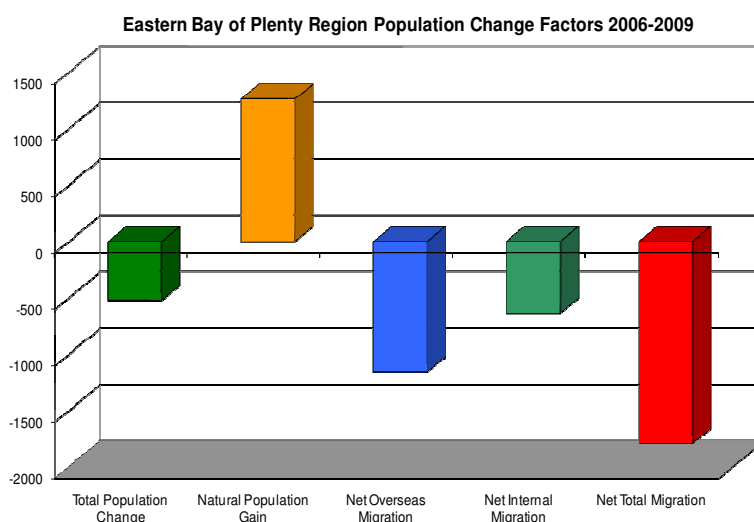
Population:	50,420
Household/Dwellings:	20,603
Nominal Gross Domestic Product (GDP):	\$1,616 million
Annual Economic Growth	-0.3%
Employment:	19,893
Annual Employment Growth:	2.0%
Unemployment:	2,053
Unemployment Rate (%):	9.4

4.0 Population

Figure 1:

EBOP's population currently stands at an estimated 50,420 and has fallen by 520 or -1% since the 2006 Census year. This compares to +3.1% nationally. The region's population growth track since the 2006 Census shows that this indicator has been growing approximately halfway between the Statistics NZ Low and Medium growth projection for the area. This projection indicates that the region's population is anticipated to continue to fall over the longer-term, down to a level of around 47,000 in Year 2031. During the 2006-2009 period, natural population increase (births minus deaths) in the region totalled 1,262. Total net migration for the district was therefore in the order of -1792. This comprised a net external (overseas) migration loss of -1155 and a net internal (domestic) migration loss of -637.

Figure 1 indicates the total changes over the last three years in the main population growth factors for the district, together with the change in the total population of the area.

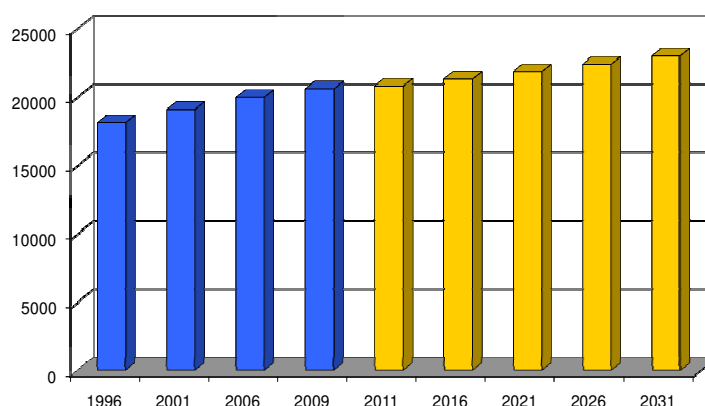


5.0 Household/Dwellings

Figure 2:

The total number of houses in EBOP region in September this year stood at an estimated 20,603. This represents an increase of 620 or 3.1% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 12% further increase in household/dwelling numbers in the region over the 2006-2031 period, under the midway Statistics NZ Medium-High growth projection. This compares to the total Bay of Plenty region projection of +37% and the national projection of +34%.

Eastern Bay of Plenty Region Household Growth 1996-2009 and Projected 2011-2031

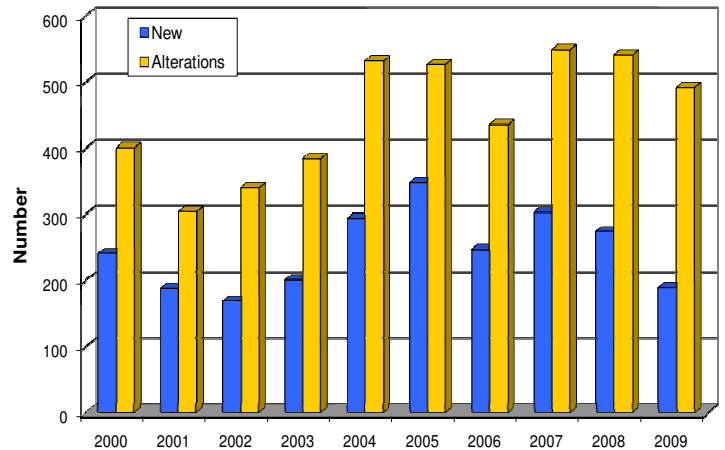


6.0 New Building

The number of new dwellings approved during the September 2009 year was down 25% on the previous year, whilst their combined value was down 29%. Total new commercial and industrial building work approved fell 35% in volume terms and 23% in value terms over the year. The amount of new rural building work approved fell 48%, whilst the value of the work was down 53%. The total volume of all new building activity in the district fell 31% over the year and its total value 26%. The total amount of all new construction authorisations (including buildings and other structures) fell 28% over the year and their combined value -26%. Total building alterations receiving consent fell 9% during the September 2009 year and the value of these alterations -21%.

Figure 3:

Eastern Bay of Plenty Region Total New Buildings and Building Alterations Receiving Consent 2000-2009

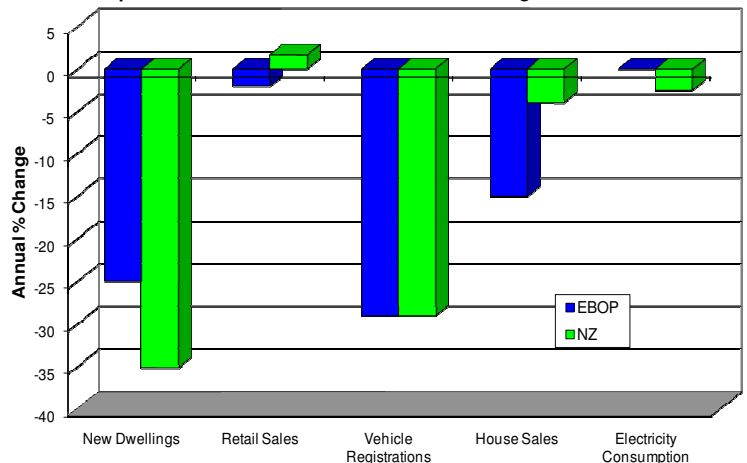


7.0 Other Economic Indicators

EBOP region house sales for the September 2009 year were 15% down on the previous September year. Sales have been falling since 2007, overall by -44%. House prices in the Whakatane district fell -2% over the September 2009 year, compared to -1% in Tauranga and Rotorua, and the marginal increase in prices nationally. Actual retail sales for the region fell -2% in the September 2009 year, compared to -1.2% for the full Bay of Plenty area and +1.9% nationally. New motor vehicle registrations in the region fell -29% over the year, the same as the national fall. Electricity consumption in the EBOP area over the September 2009 year was on par with the previous September year, compared to the 1.6% gain for the total Bay of Plenty region and the -2.5% fall nationally.

Figure 4:

Comparative EBOP/NZ Economic Indicator Changes 2007/08-2008/09

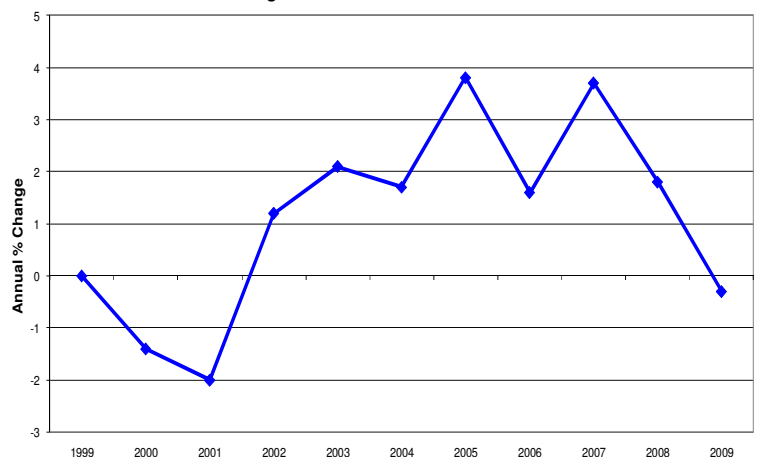


8.0 Economic Growth

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. Annual economic growth in the region has fluctuated considerably during the monitoring period but nevertheless has been positive over much of the period. The growth rate in the region over the latest June 2009 year was recorded at -0.3%, the same as for the total Bay of Plenty region, and nationally down -1.8%. The NZ Institute of Economic Research is currently forecasting average annual growth in the full Bay of Plenty region of 1.6% for the next five years, compared to 0.6% for the last five-year period.

Figure 5:

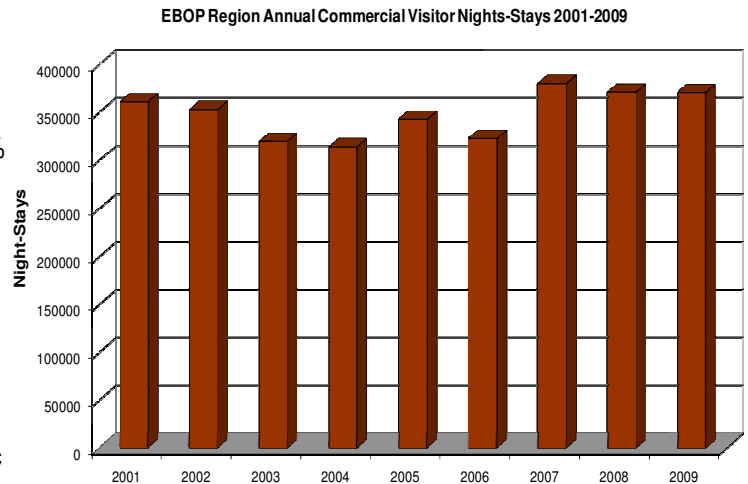
EBOP Region Economic Growth Track Since 1999



9.0 Visitor/Tourism Numbers

Figure 6:

Visitor arrival numbers into the EBOP region staying in commercial accommodation totalled 153,927 over the September 2009 year, down 10,440 or -6.4% on the previous September year. The comparative national change was a 3.5% decline. The number of nights spent in the region by visitors staying in commercial accommodation totalled approximately 368,000 for the September 2009 year, virtually the same as for the previous year. The Ministry of Tourism is forecasting total over-night visit numbers to the Bay of Plenty RTO region to increase by 3.6% over 2009-2015, with domestic numbers increasing by 2.1% and overseas numbers by 15.8%. The Ministry's forecasts for visitor-nights for the period are domestic 2.4%, international 13.8% and total market 5.7%.



10.0 Results Comparison

Table 1 provides an indication of the comparative local economic indicator changes over the past year for the Eastern Bay of Plenty sub-region, total Bay of Plenty region and New Zealand, for the listed indicators.

Table 1: Eastern Bay of Plenty Region Comparative Local Economic Indicator Changes Sept 2009 Year vs Sept 2008 Year

Area	% Change 2007/08 – 2008/09 Sept 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	-31.0	-14.8	-2.0	-	-0.1	+2.0	+39.8
Bay of Plenty Region	-35.8	1.2	-0.9	-29.0	-13.5	+3.9	+99.0
New Zealand	-31.2	3.8	+1.7	-29.2	-5.3	-0.3	+116.5

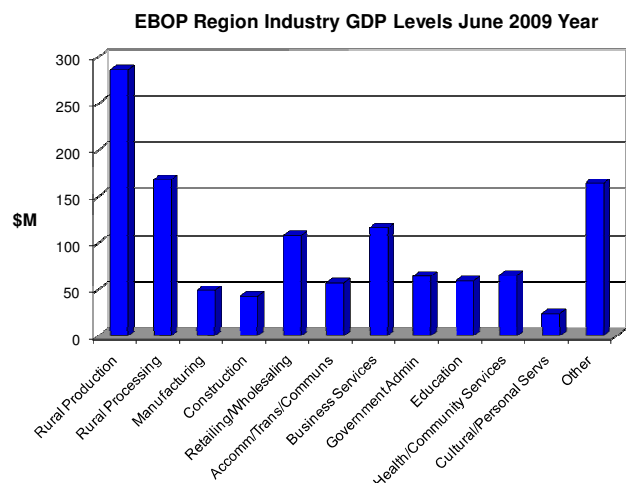
The EBOP region has performed better than the full Bay of Plenty region over the past year in relation to new building activity and commercial visitor-nights. It has also performed better than the country as a whole over the year in respect of visitor nights, employment and unemployment benefit numbers.

11.0 Industry Growth

Figure 7:

Positive real-terms GDP growth for EBOP region industry sectors over the June 2009 year occurred for primary production, communication services, financial/insurance services, property/business services, the public administration sector, education, health and community services, cultural/recreational services and personal/household services.

The region's largest industries in GDP terms, as indicated in Figure 7, are rural production, processing and manufacturing, property and business services, retailing, health and community services, the public sector and education. Table 2 details the current GDP contribution of the various industry



sectors in the region. The 'Other' category includes other undefined services, ownership of owner-occupied dwellings and unallocated industries.

Statistics NZ industry employment information indicates that over the year ending February 2009, employment gains were recorded by the following industries in the EBOP region:

- Primary production
- Professional/scientific/technical services
- Administrative and support services
- Public administration
- Education and training
- Health care and social assistance

Table 2: EBOP Region Industry GDP Results for Year Ending June 2009 (In Constant 1995/96 Prices)

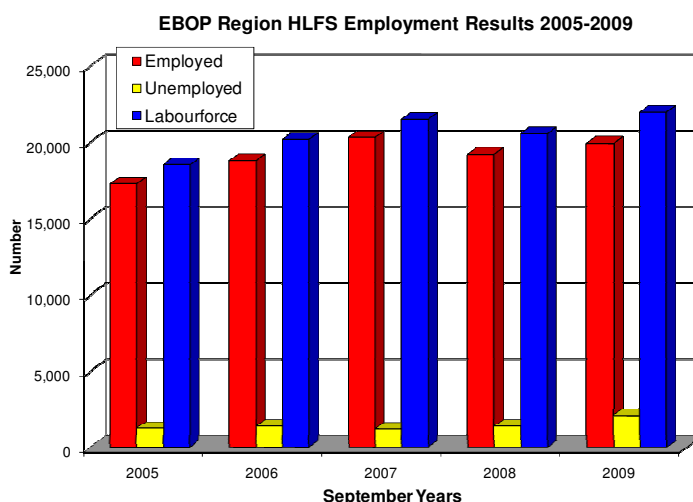
Industry	Real GDP (\$M)
Rural Production	286.0
Rural Processing	168.0
Manufacturing (Machinery and Equipment)	49.0
Construction	43.0
Retailing/Wholesaling	108.0
Accom/Transport/Communications	57.0
Property/Financial/Business Services	116.0
Government/Public Administration	64.0
Education	59.0
Health/Community Services	65.0
Cultural/Personal Services	24.0
Other ¹	164.0
TOTAL	1,203.0

Note: 1. Includes utility services, owner-occupied dwellings (imputed rental) and unallocated GDP activity.

12.0 Employment

Figure 8:

Total employment in EBOP region for the September 2009 year, at 19,893, was up 2% on the previous September year, compared to 3.9% at the full Bay of Plenty regional level and minus 0.3% nationally. At the same time, unemployment was recorded at 2053 or 9.4% of the regional labour-force. The number of people receiving the unemployment benefit in the region in September 2009 stood at 1,244, compared to 706 in September 2008, that is, an increase of 73% between the two quarters. At the national level, surveyed unemployment (Statistics NZ Household Labour-force Survey) for the September 2009 year increased by 44%, compared to 50% for the total Bay of Plenty region. The annual unemployment rate nationally at the September 2009 quarter stood at 5.5%.



13.0 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 in the country. The latest September 2009 forecasts are for negative GDP and consumption growth over the current March year, followed by a return to positive growth from Year 2010/11; fairly solid Government spending growth over the next few years (including major infrastructural spending brought forward to help counter the recession); significant new residential construction decline this year; falling business investment in 2009/10; some inflation this year; at best, relative exchange rate stability over the next three years; increasing interest rates; employment decline and increased unemployment over the year ahead; and lower private sector wage growth.

Table 3: NZIER Consensus Forecasts September 2009

Indicator	March Years		
	2009/10	2010/11	2011/12
GDP	-1.3	2.7	3.4
Private Consumption	-0.6	1.6	1.8
Govt Spending	2.9	2.2	2.0
Residential Investment	-16.9	17.9	15.9
Other Investment	-14.7	3.9	8.2
NZ TWI Exchange Rate	60.1	60.4	60.5
90 Day Bank Bill Rate	2.8	3.9	5.4
Employment	-1.8	0.8	2.2
Private Sector Wages	2.7	1.7	2.2

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.