Opotiki District Economic Profile and Trends Report June 2009

1.0 Introduction

This report provides a brief analysis of the current economic situation and profile within the Opotiki district, trends over the past five years and the medium-term economic outlook. The base information 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 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

- Opotiki district has recorded fluctuating annual economic growth rates over the past decade, with the rate of growth generally being positive since Year 2002. However, over the March 2009 year, the annual rate of growth was slightly negative at -0.7%, compared to -3.1% for the previous March year.
- At the same time, total new building construction work approved fell 21%, house sales -44%, new motor vehicle registrations -26% (for the whole Bay of Plenty region), commercial visitor accommodation sector visitor nights -24%, whilst employment rose 0.8%. Actual retail sales for the whole EBOP sub-region increased 3.4% though during the year. Unemployment benefit numbers actually fell 28% over the year.
- The overall economic performance of the district is closely tied to the performance of its primary production sector, in particular, dairying and kiwifruit; and tourism to a lesser extent. The overall price outlook for kiwifruit is reasonably positive this year (especially 'gold') whilst dairying and tourism face challenges. Further aquacultural industry and harbour entrance developments are important for future economic growth and expansion in the district.

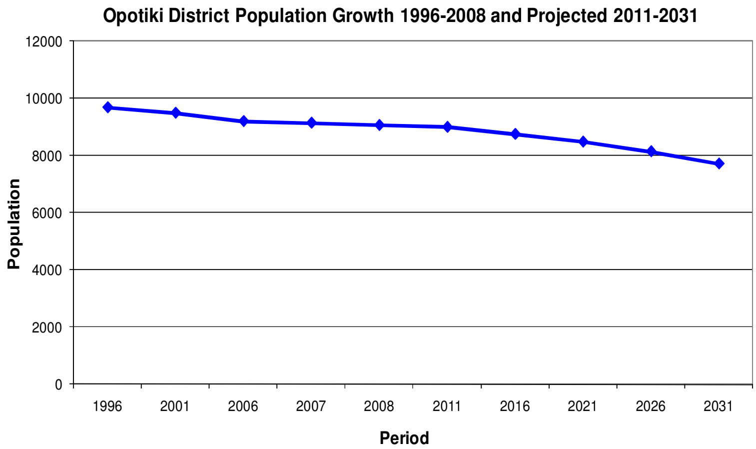
3.0 Key Opotiki District Economic Indicator Levels as at March 2009

Population:	9,060
Household/Dwellings:	4,155
Nominal Gross Domestic Product (GDP):	$248 million
Annual Economic Growth	-0.5%
Employment:	3,229
Annual Employment Growth:	0.8%
Unemployment:	345
Unemployment Rate (%):	9.7

4.0 Population

Figure 1:

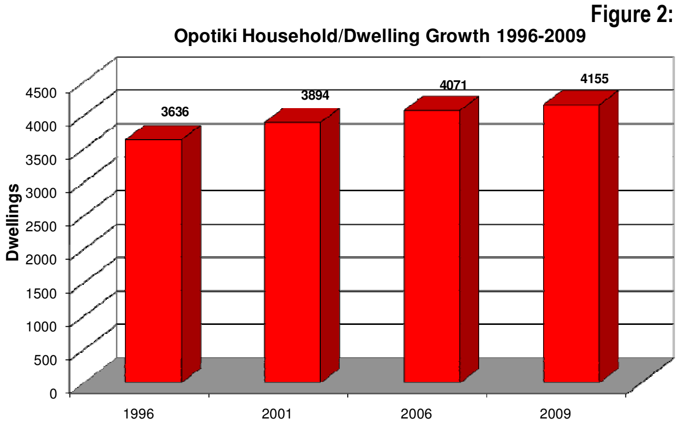
Opotiki district's population currently stands at an estimated 9,060 and has fallen by 140 or -1.5% since the 2006 Census year. This compares to the full Eastern Bay of Plenty area -0.7%, total Bay of Plenty region +1.7% and 2.5% nationally. The district's population growth track since the 2006 Census shows that this indicator has been growing midway between the Statistics NZ Low and Medium growth projection. This projection indicates that the district's population growth rate is anticipated to fall to 8,820 by Year 2011. Since the 2006 Census, the district has recorded a natural population increase gain of 177 (420 births and 243 deaths). However, there has been an overall net population migration loss of -317, comprising an internal migration loss of -119 and an external/overseas migration loss of -198.



5.0 Household/Dwellings

Figure 2:

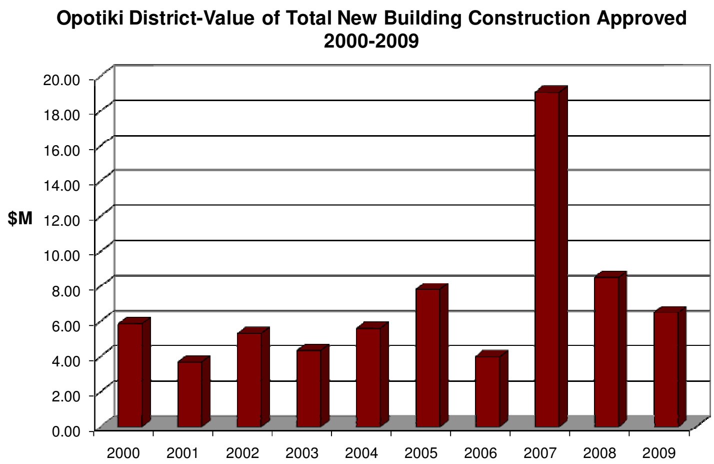
The total number of houses in Opotiki district in March this year stood at an estimated 4,155. This represents an increase of 84 or 2.1% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 600 or 17% further increase in dwelling numbers in the district over the 2006-2021 period, under the Medium growth projection. This compares to the total Bay of Plenty region projection of 24% and the national projection of 20%.



6.0 New Building

Figure 3:

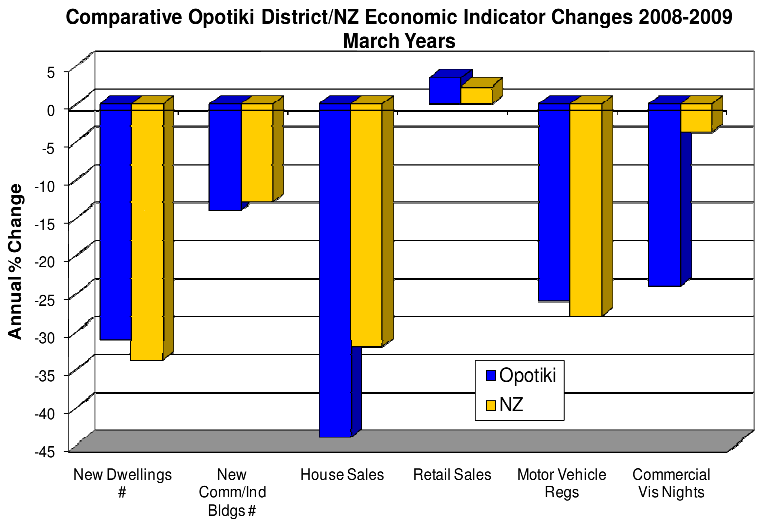
Over the period since the 2006 Census, a total of some 84 new dwellings have received building consent in Opotiki district, worth a combined value of $16M. The number of new dwellings approved during the March 2009 year was down 31% on the previous year, whilst their combined value was down 36%. Total new commercial/industrial building work approved fell 14% in volume terms but increased 7% in value terms over the year, with increased activity occurring in the industrial buildings sector. The value of new rural building work approved doubled, whilst the volume of work increased 13%. The total amount of new building activity in the district fell 21% over the year and the value -24%. Since 2005, the total volume of new building work in the district has generally been falling whilst the value actually peaked in 2007 but has fallen sharply since then. Building consents for alterations have risen.



7.0 Other Economic Indicators

Figure 4:

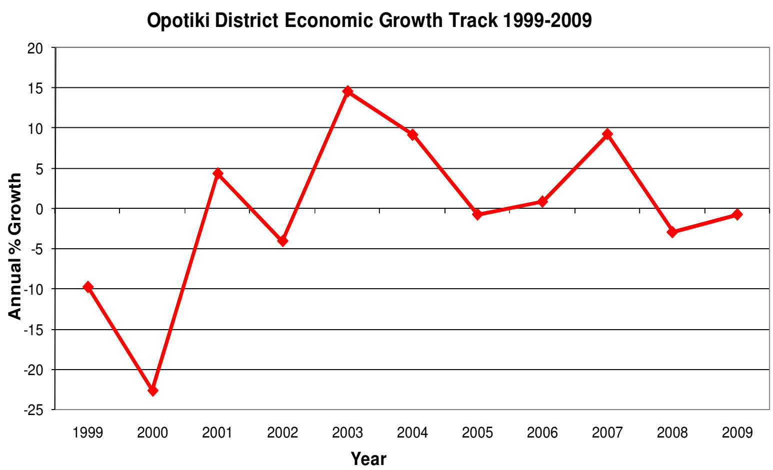
Opotiki district house sales for the March 2009 year were 44% down on the previous March year. Sales have been falling overall since 2005, although the 2007 year saw a slight increase in sales. House prices fell 8% over the March 2009 year, compared to- 9% in Tauranga, -11% in Rotorua and -9% nationally. 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 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:

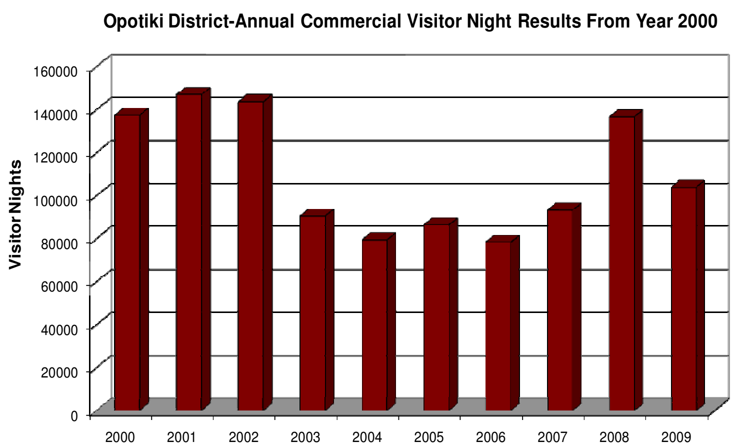
Figure 5 indicates the longer-term trend in real terms economic/GDP growth in Opotiki district, since 1998. The base growth data is sourced from Infometrics economic consultancy in Wellington. Economic growth in the district has fluctuated noticeably over the period but has been negative over the past two years. The growth rate for the Eastern Bay of Plenty sub-region over the March 2009 year was +0.3%, total Bay of Plenty region +0.5% and nationally -0.9%, compared to -0.7% for Opotiki district. 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 Opotiki district staying in commercial accommodation totalled 40,449 over the March 2009 year, down 22,000 or 35% on the previous year. The comparative national change was a 2.4% decline. The number of nights spent in the district by visitors staying in commercial accommodation totalled approximately 104,000 for the March 2009 year, down 24% on the previous year. However, visitor nights in April 2009 were up 61% on April 2008. Arrival numbers were up only 0.4%.



10.0 Results Comparison

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

Table 1: 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	Employ-ment	Unemploy-ment Benefit Numbers
Opotiki District	-20.7	-43.7	-	-	-23.9	+0.8[1]	-27.8
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 results for Opotiki and EBOP areas are the same as for the full Bay of Plenty region, as they are based on the region's total employment figure.

11.0 Industry Growth

The district's largest industries in GDP terms, as indicated in **Figure 7 and Table 2,** are agricultural production, business services, retailing/wholesaling, health/community services, education, Central/Local Government administration and transport/communications. Real GDP growth for Opotiki's different industry sectors over the last five years has been highest for the rural production, processing, construction, visitor accommodation, public administration and health industries. Negative growth has been recorded by the wholesaling/ retailing, transport/communications, education (slightly) and cultural/personal service industries. Returns for 'green' kiwifruit this year are expected to be on par with last year whilst returns for 'gold' are forecast to be up significantly. Dairy farmers in the district are facing a significantly reduced Fonterra payout for the 2009/10 season; in the meantime the fall in the $NZ has helped to moderate the financial impact of the falling overseas commodity price. The local forestry-logging sector has been assisted in recent times by the relatively strong overseas market for logs, depreciating exchange rate and lower shipping costs. Total rural production GDP in the district has fallen 3% since 2006/2007; however, it is still up 22% from the March 2004 year result.

Figure 7:

Opotiki District Industry GDP Levels March 2009 Year

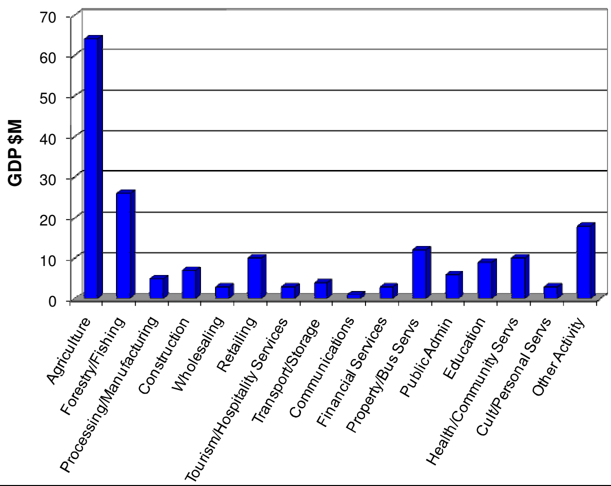


Table 2:
Opotiki District Industry GDP Results for Year Ending March 2009 (In Constant 1995/96 Prices)

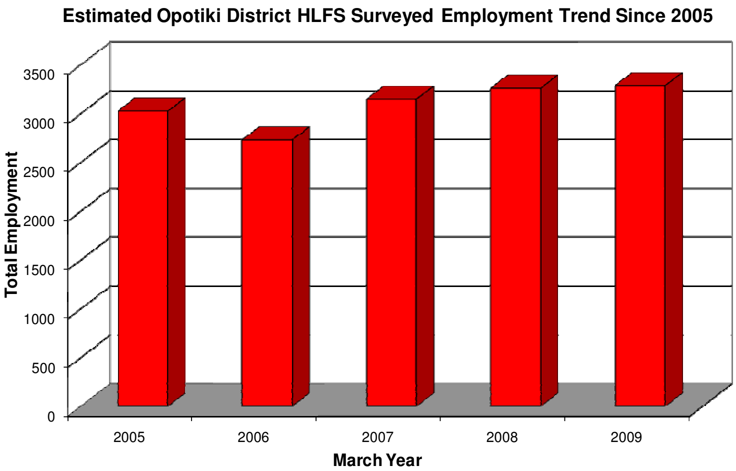
Industry	Real GDP ($M)
Rural Production	90.0
Rural Processing	3.0
Manufacturing (Machinery and Equipment)	2.0
Construction	7.0
Retailing/Wholesaling	13.0
Accom/Transport/Communications	8.0
Business Services	15.0
Government/Public Administration	6.0
Education	9.0
Health	10.0
Cultural/Personal Services	3.0
Other[1]	18.0
TOTAL	**184.0**

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

12.0 Employment

Total employment in Opotiki district for the March 2009 year was up 0.8% on the previous March year, compared to 0.9% as at the national level. Employment in the district in March this year was up 4.2% on March 2008. At the same time though, unemployment was up 66 or 23%, and 24% on an annualised basis. In March 2009, the district rate of unemployment stood at 9.7%, compared to 8.3% in March 2008 and the March 2009 national unemployment rate of 5.6%. The number of people receiving the unemployment benefit in the district in March 2009 stood at 13, compared to 18 in March 2008, that is, a decrease of 27.8%.

Figure 8:



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. 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 3: 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.