TOI EDA
Eastern Bay of Plenty Economic Development Agency

Opotiki District Economic Monitor June 2011

1.0 Introduction

This report provides an analysis and assessment of the current economic situation within the Opotiki district, trends over the past year and the economic outlook for the year ahead. 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. **As far as the available information allows, the actual monitoring period covered in the main by the formal economic indicator data presented in the report is the year ending March 2011. Appendix 1** contains indicator results for the district, for the last five years.

2.0 Trend Summary

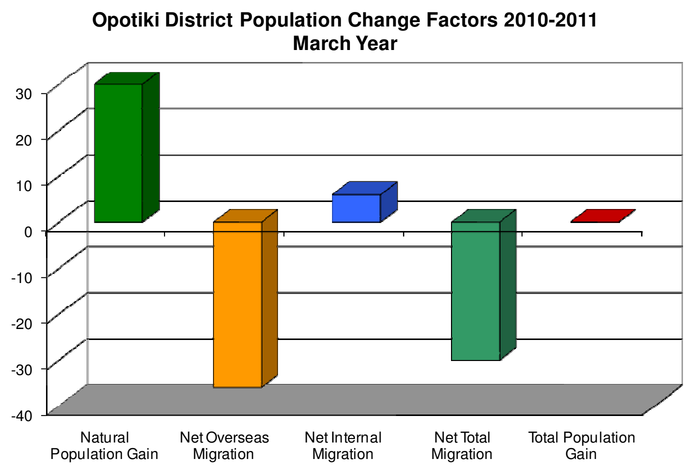
- Whilst economic conditions within Opotiki district remain tight overall at the present time, the shorter-term outlook would appear to be more positive given the continuing improvement in the international market situation for the area's primary production specialisations of kiwifruit growing, dairying and logging.
- There have been some economic gains for the district over the December 2010/ March 2011 quarters, as compared to the same period a year previously, including the number of dwelling alterations consented, value of consented alterations to commercial/ industrial buildings, significantly increased number and value of new farm buildings receiving consent to proceed, total employment and electricity consumption.
- On an annualised basis, district economic indicators that have improved over the past year include population; new commercial/ industrial and farm buildings consented; building alterations consented, new motor vehicle registrations and commercial accommodation based visitor arrivals into the district.
- Total district employment in the March quarter this year was up 7.4% on the same period in 2010. At the same time, there was a small fall in the number of people receiving the unemployment benefit, whilst the rate of unemployment in the area was the same as in March last year.
- Over the period of the latest major international economic downturn since 2007, the local economic indicators that have improved are GDP/ total economic activity, total population, employment and unemployment beneficiary numbers. Those that have worsened include new dwellings and building alterations receiving consent, retail and house sales, and unemployment.
- The industry sectors that have actually grown over the period include communications, business services, personal/ household services and rural production in this order, whilst the industries recording the highest levels of economic downturn are transport/storage, construction, tourism/ hospitality services and cultural/ recreational services.
- The latest June 2011 Consensus Forecasts of the NZ Institute of Economic Research are pointing to continuing limited economic growth nationally in NZ over the coming year.

3.0 Key Opotiki District Economic Indicator Levels as at March 2011

Population:	9,000
Households/Dwellings:	3,506
Nominal Gross Domestic Product (GDP):	$250 million
Annual Economic Growth Est.	-2.2%
Employment Mar Qtr 2011:	3,717
Employment Growth Mar Qtr 2011:	7.4%
Unemployment Mar Qtr 2011:	233
Unemployment Rate (%):	5.9

4.0 Population

Figure 1:

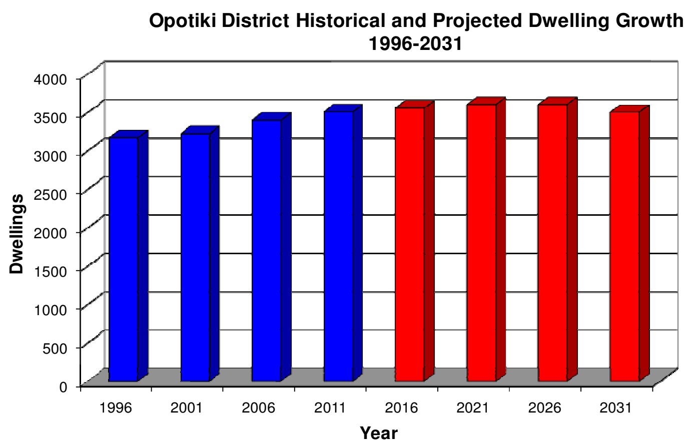


Opotiki district's population currently stands at an estimated 9,000, compared with 9,200 at the time of the 2006 Census year, according to Statistics NZ figures. The district's population growth track since the 2006 Census shows that this indicator is currently growing close to the Statistics NZ Medium growth projection for the area. This projection indicates that the district's population is anticipated to be around the 8,900 mark in Year 2016. This compares with the High or most optimistic projection of a Year 2016 population of 9,400.

Over the past year, natural population increase (births minus deaths) in the district totalled 30. Given the district's nil total population change over the year, total net migration for the district was therefore in the order of -30. This comprised a net external (overseas) migration loss of -36 and a net internal (domestic) migration gain of just 6. **Figure 1** indicates the total changes over the latest March year in the main population growth factors for the district, together with the change in the total population of the area.

5.0 Household/Dwellings

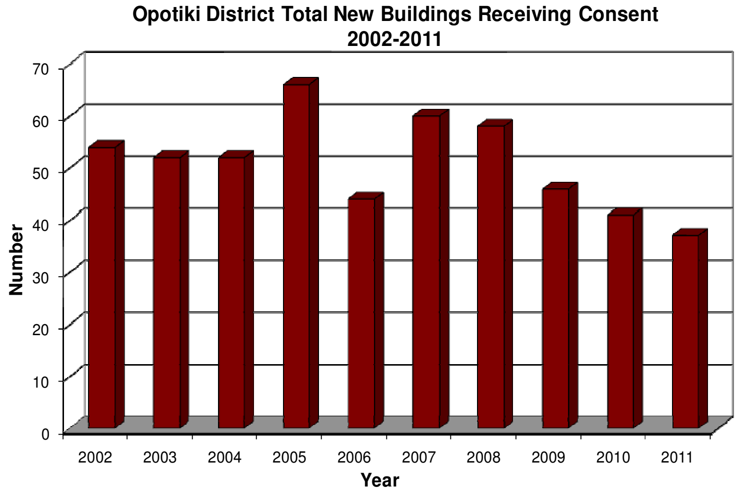
Figure 2:



The total stock of houses in Opotiki district in March this year stood at an estimated 3,506. This represents an increase of 106 or 3.1% from the 2006 Census result. Latest Statistics NZ projections indicate stable household numbers in the district over the 2011-2031 period, under the Statistics NZ Medium growth projection scenario. This compares to the total Bay of Plenty region projection of 16%, and the national Medium projection of 27%.

6.0 New Building Activity

Figure 3:



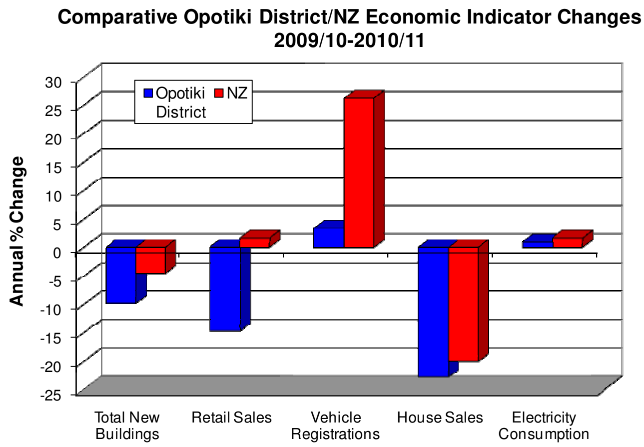
Over the year ended March 2011, a total of 37 new buildings of all descriptions received consent to proceed in Opotiki district, worth a combined value of $5M. The total number of new buildings approved during the previous March year was 41, with a combined value of approximately $7 million. The total number of building alterations consented during the latest March year was 100 worth $2.9 million, compared to 95 and $2.3 million for the March 2010 year.

The number of new residential dwellings consented in the district during the latest year was 16 worth $3.6 million, compared to 21 worth $4.6 million during the 2010 March year.

The number of new commercial/industrial buildings consented during the latest March 2011 year was 6 worth $0.65 million, compared to 5 worth $1.5 million during the 2010 March year. The number of new farm buildings consented during the latest year was 12 worth $0.5 million, compared to 11 worth $0.5 million for the previous March year.

7.0 Other Economic Indicators

Figure 4:



Opotiki district house sales for the March 2011 year were down 22.8% on the previous year. Annual sales are currently still about 35% of the 2003/04 peak level. Actual retail sales for the area fell 14.7% during the latest year, compared to the national gain of 1.6%. New motor vehicle registrations rose 3.4% over the year, compared to 26% nationally. Electricity consumption in the district during the March 2011 year was 0.9% up on the previous year, compared to the national gain of 1.6%.

8.0 Economic Growth

Figure 5:

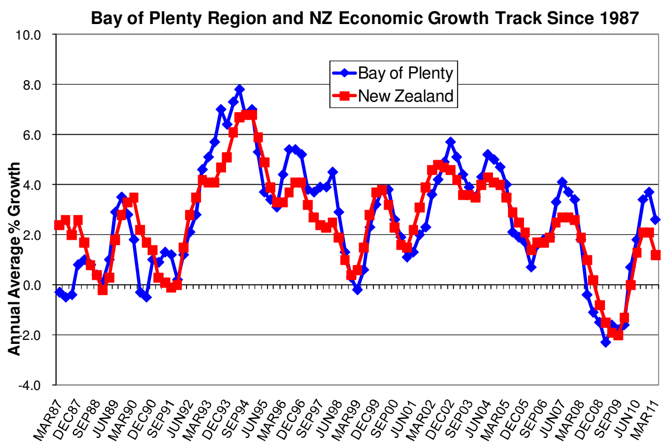


Figure 5 indicates the longer-term trend in economic/GDP growth in the wider Bay of Plenty region and nationally, since 1987. The base growth data for the graph is sourced from the National Bank and has been used in this report due to the unavailability at this time of district growth data beyond the end of 2010 (The growth rate shown in Section 3 on Page 2 is only Economic Solution's estimate for the year ended March 2011 and will need to be confirmed or otherwise at a later date). The growth track regionally and nationally has historically been quite similar. Annual

economic growth has been positive in the region since mid last year but fell back in March this year to just above 2%.

9.0 Visitor/Tourism Numbers

Statistics NZ visitor arrival numbers staying in Opotiki commercial accommodation totalled 41,649 for the combined area over the March 2011 year, up 3,272 or 8.5% on the previous year. The comparative national change was a 2.1% loss. Visitor arrivals have fallen by 32% since the 2008 peak for the last decade.

The number of nights spent in the area by visitors staying in commercial accommodation totalled 92,830 for the March 2011 year, down 9.4% on the previous year. Visitor nights have fallen by 31% since 2008.

Over the latest year, domestic visitors accounted for 76% of total night-stays in commercial accommodation in the Bay of Plenty region and overseas visitors the balance of 24%. The comparative figures for the March 2010 year were 77% domestic and 23% international. During the March 2011 year, the national proportions were domestic visitors 59% and overseas visitors 41%.

The average length of stay of commercial visitors to Opotiki over the last year was 2.2 nights, compared to 1.9 nights nationally.

Figure 6a:

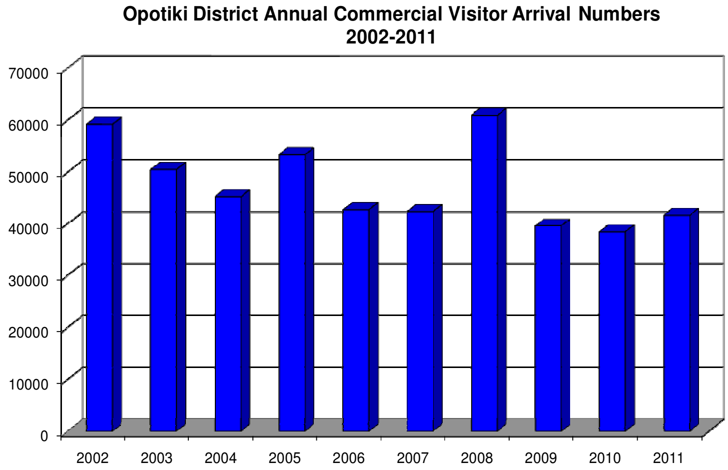
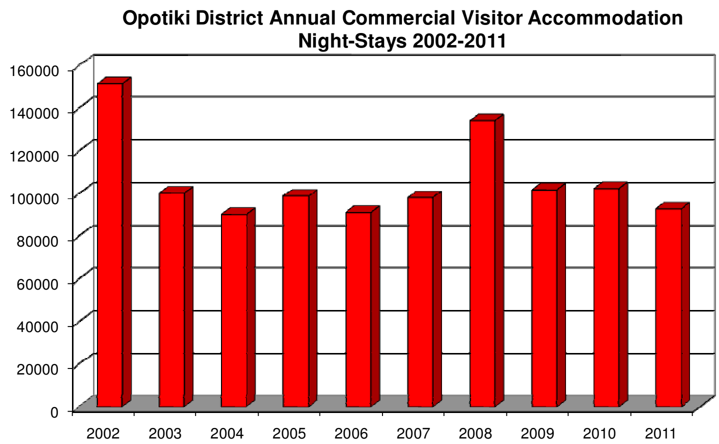


Figure 6b:



10.0 Results Comparison

Table 1 overpage indicates the comparative local economic indicator changes over the March 2011 year for the Opotiki district, total Eastern Bay of Plenty sub-region, total Bay of Plenty region and New Zealand, for the listed indicators.

The employment and unemployment benefit results relate to the comparison between the March quarters of 2010 and 2011. The other indicator results relate to the annualised trend over these years.

Opotiki out-performed the full Eastern BOP region over the latest year for retail sales, visitor nights and employment/ unemployment benefit numbers. The district out-performed the full BOP region in respect of employment and unemployment benefit numbers.

Table 1: Eastern Bay of Plenty Area Comparative Local Economic Indicator Changes March 2011 Year vs March 2010 Year

Area	% Change 2009/10 – 2010/11 March Years						
	Economic Indicators						
	Total New Buildings	House Sales	Retail Sales	Vehicle Registrations	Comm Visitor Nights	Employ-ment	Unemploy-ment Benefit Numbers
Opotiki District	-9.8	-22.8	-14.7	+3.4	-9.4	+7.4	-3.1
Eastern Bay of Plenty Sub-Region	-9.2	-21.0	-15.8	+18.2	-10.6	0.3	+18.1
Bay of Plenty Region	+4.2	-18.3	-4.8	+6.9	+0.4	-0.6	+3.7
New Zealand	-4.5	-20.0	+1.6	+26.2	-1.3	0.8	-0.5

11.0 Industry Growth

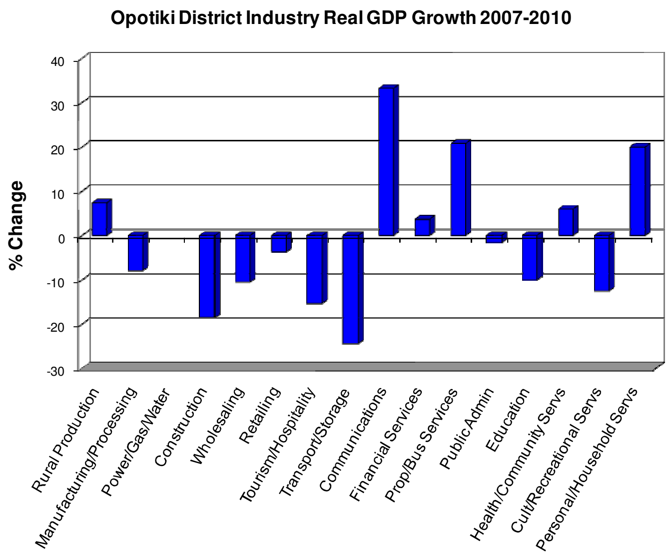
Real GDP growth for Opotiki industry sectors over the period of major international economic downturn since 2007 has been highest for the communications, property/business services, personal/ household services, health/ community services and primary production industries. Negative growth has been most pronounced for the processing/manufacturing, construction, wholesaling, hospitality services, transport/ storage, education and cultural/ recreational service industries.

The graph to the right shows real GDP growth over the last three years for all the different Opotiki industry sectors. The table below the graph indicates the current economic size of the different industry groups in the district. The district's largest industries in GDP terms, as indicated in the table, are rural commodity production (accounting for almost half of total district GDP), business services, retailing/ wholesaling, education and health/ community services.

The main broad production industries in the district are kiwifruit growing; dairying; logging; and rural production support services. The relevant main points to note from the latest MAF report (SONZAF 2011) on the medium-term outlook for the NZ horticultural and forestry sector are as follows:

- Dairy farming gross revenue has increased by almost 50% since 2009 and is forecast to rise nationally by 38% over 2011-2015, driven by high international dairy prices based on strong global demand especially from developing countries
- National kiwifruit volumes rose 3% over the past three years; volumes are forecast to rise a further 6% over the next four years, with export volumes for the 'gold' variety increasing by over 70%. Export prices are forecast to rise by 33% and the total export value by 42%.
- Log export prices are forecast to increase steadily over the next four years and overall by about a third, driven by

Figure 7a:



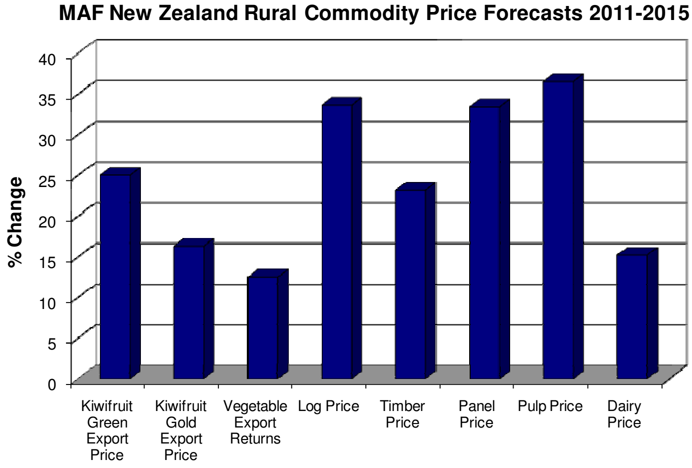
Industry	Nominal GDP ($M)
Rural Production	119.4
Processing & Manufacturing	5.0
Electricity/Gas/Water	0.0
Construction	7.5
Retailing/Wholesaling	20.3
Accom/Transport/Communications	9.5
Business Services	21.4
Government/Public Administration	8.9
Education	14.1
Health/Community Services	12.8
Cultural/Personal Services	3.6
Other[1]	27.5
TOTAL	**250.0**

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

strong demand out of China, Australia, the US, India and Japan (post earthquake). Export volumes are forecast to increase by almost 6%.

- Sawn timber prices are forecast to rise by 23% and export volumes by 15%. Demand will come from both the domestic and export sectors (including China).
- Wood panel prices are forecast to rise by 33% and export volumes by about 5%, driven out of Australia and Japan.
- Pulp prices are forecast to increase by 36% and export volumes by 5%. Australia is expected to be a significant future market for NZ pulp and paper production.

Figure 7b:



12.0 Employment

Total employment in Opotiki district for the March 2011 year was up 7.7% on the previous year and stood at an annualised 3,727 in March this year. As the graph to the right indicates, employment in the district has generally been increasing since 2007.

Since 2007 and the onset of the latest major international and domestic economic downturn, industry employment growth in the district has been strongest for the primary production, communications, personal/ household services and business services sectors. Employment decline has been most pronounced for processing and manufacturing, construction, hospitality services, transport/storage and cultural and recreational services industries.

The largest employing industries in the district are currently primary industries production, retailing and wholesaling, construction, hospitality services, business services, education and health/ community services industries.

In March this year, the rate of unemployment in the district was recorded at 5.9%, the same result as in March 2010. The national rate in March 2011 was 6%. As the graph to the right shows, the rate of unemployment in the district has fallen significantly overall since 2002 but has increased a bit since 2007 although levelling out from 2008.

In March this year, total unemployment in the district stood at 233. The number of people receiving the unemployment benefit in the district stood at 63, compared to 65 a year ago, that is, a decrease of 3% over the year. The total number of working-age income tested beneficiaries stood at 1,004 in March 2011, compared to 984 a year earlier.

Figure 8a:

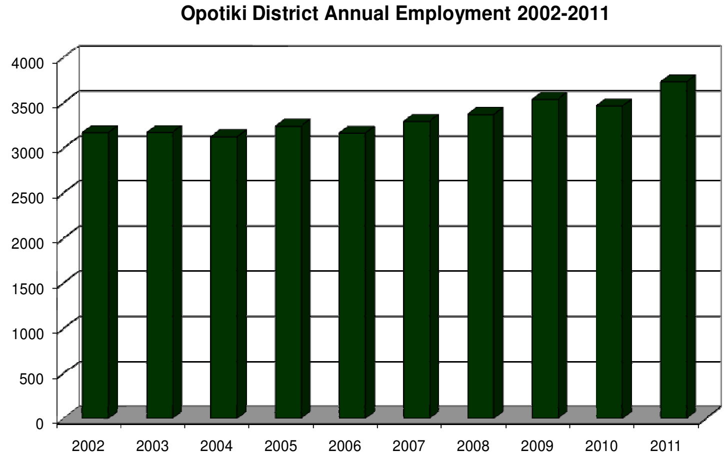
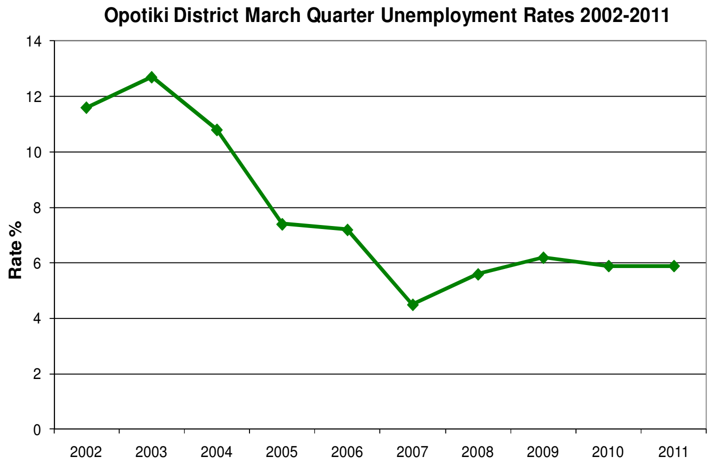


Figure 8b:



13.0 National Economic Outlook

Each quarter, the NZ Institute of Economic Research produces updated Consensus Forecasts for shorter-term economic activity at the national level. The forecasts are a consensus or average of the views of the different main economic forecasting agencies. The latest June 2011 forecasts are for:

- Relatively limited GDP and consumption growth over the next two years.
- Falling Government spending growth over the next few years.
- Limited construction sector growth over the next two years, followed by a sharp increase over 2012/13.
- Significant and improving business investment growth.
- Reducing inflation over the next two years.
- Relative exchange rate stability over the next two years.
- Reduced interest rates over the coming year, followed by another rise during 2012/13
- Limited employment growth over the next two years
- Increasing private sector wage growth.

Over the next five-year period, the Institute itself is forecasting annual average economic growth of 0.8% for the wider Bay of Plenty region, compared to 2.2% at the national level. The region's growth figure for the 2005-2010 period was an annual average 1.5%.

Over the next five years, strongest growth nationally is forecast by the Institute for the fishing, construction, personal/household service, agricultural, health/community service industries, forestry/logging, transport/storage and communications industries.

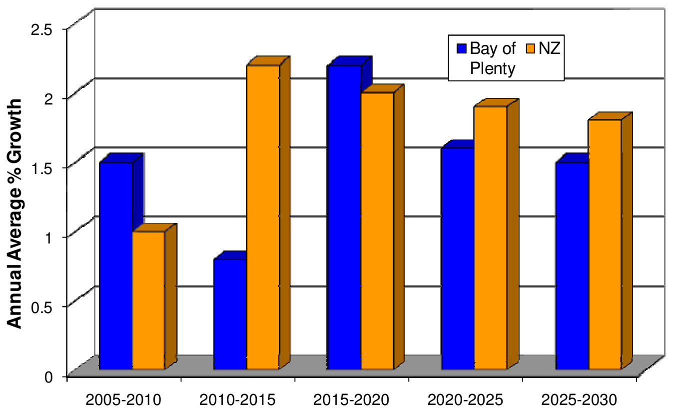
Table 3: NZIER Consensus Forecasts June 2011

Indicator	March Years 2010/11	2011/12	2012/13
GDP	1.1	2.1	4.0
Private Consumption	1.7	1.9	2.4
Govt Spending	2.3	2.1	0.6
Residential Investment	1.8	2.0	37.9
Other Investment	6.8	8.6	10.9
NZ TWI Exchange Rate	67.2	67.6	66.9
90 Day Bank Bill Rate	3.1	2.9	4.2
Employment	1.7	1.3	2.5
Private Sector Wages	1.5	2.9	3.5

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.

Figure 9:

NZIER-Economic Growth Forecasts for Bay of Plenty and NZ



APPENDIX 1

Annual Opotiki District Economic Indicator Results
Last Five March Years

INDICATOR	2006	2007	2008	2009	2010	2011
Population June Qtr	9,200	9,140	9,060	9,020	9,000	9,000
Households/Dwellings	3,400	3,417	3,447	3,469	3,490	3,506
Est. Real GDP ($M)	159	170	172	180	180	176
New Dwellings Consented	17	30	32	22	21	16
New Commercial/Industrial Buildings Consented	7	7	7	6	5	6
New Farm Buildings Consented	13	17	15	17	11	12
Total Building Alterations	112	120	111	126	95	100
House Sales	97	91	83	45	57	44
Retail Sales ($M)	63	66	65	66	68	58
New Motor Vehicle Registrations	292	192	171	127	116	120
Commercial Visitor Arrivals	42,716	42,349	60,884	39,534	38,377	41,649
Commercial Visitor Nights	91,154	98,095	134,266	101,852	102,415	92,830
Total Employment Mar Qtr	3,164	3,294	3,370	3,535	3,461	3,717
Total Unemployment Mar Qtr	268	155	200	234	217	233
Number of People on Unemployment Benefit Mar Qtr	-	91	18	13	65	63
Unemployment Rate (%) Mar Qtr	7.2	4.5	5.6	6.2	5.9	5.9