

Opotiki District Economic Profile and Trends Report November 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 year and the medium-term economic outlook. 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 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 indicator changes that have occurred in Opotiki district since the March quarter earlier this year, when the last economic monitoring report was prepared. The detailed analysis following in the report examines the economic changes that have occurred in the district over the past year and longer-term period.
- The positive local economic indicator changes in the district over the April-September period this year, compared to the same period in 2008, were the major reduction in net external population migration loss from -38 last year to +1 this year and the 27% increase in commercial accommodation visitor guest-nights.
- The negative economic indicator changes were the reduction in total new building work consented -22%, slight fall in nominal retail spending and major increase in the number of people receiving the unemployment benefit.
- Comparing the April-September 2009 period with the preceding two-quarters period October 2008-March 2009, economic indicators that improved over the interval included the total number of new buildings in the district receiving consent to proceed, the number of new rural buildings receiving consent and the net population migration situation. Indicators that worsened noticeably included actual retail sales, the number of unemployment beneficiaries and commercial accommodation sector visitor night-stays. It should be noted though that some of these changes reflect seasonal influences.
- Over the year ending June 2009, the total population of the district fell an estimated 40 or 0.4%. At the same time, the total number of businesses in the area fell by 1%, whilst total industry employment increased by 3.9%. The district rate of unemployment stood at 10.1% in September 2009.
- Total district GDP (Gross Domestic Product) increased in real inflation adjusted terms by almost 2% over the year ending June 2009, compared to the 1.8% decline nationally. On an industry basis, growth was strongest over the year for cultural/recreational services, financial and insurance services, health/community services, Government sector and wholesaling.

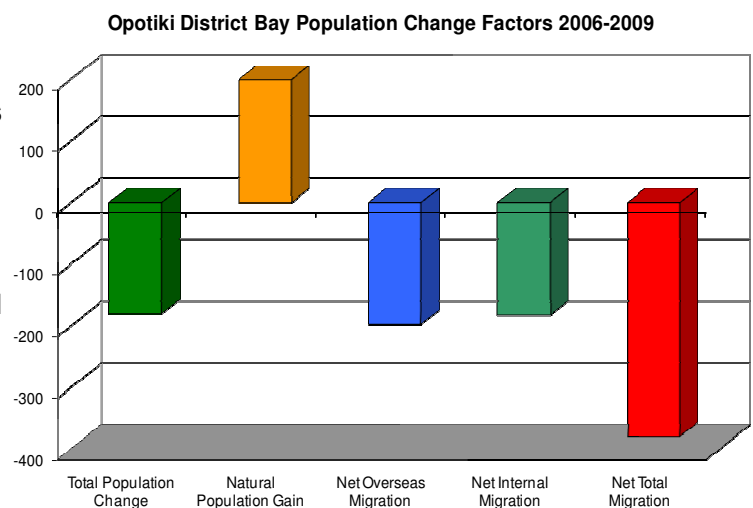
3.0 Key Opotiki District Economic Indicator Levels as at September 2009

| | |
|---------------------------------------|---------------|
| Population: | 9,020 |
| Household/Dwellings: | 4,248 |
| Nominal Gross Domestic Product (GDP): | \$241 million |
| Annual Economic Growth | 1.9% |
| Employment: | 3,500 |
| Annual Employment Growth: | 3.9% |
| Unemployment: | 395 |
| Unemployment Rate (%): | 10.1 |

4.0 Population

Figure 1:

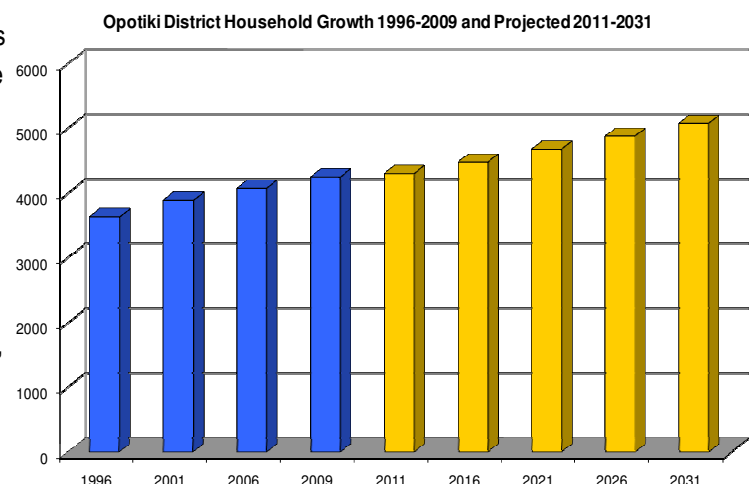
Opotiki district's population currently stands at an estimated 9,020 and has fallen by 180 or -2% since the 2006 Census year. This compares to +3.1% nationally. The district's population growth track since the 2006 Census shows that this indicator has been growing midway between the Statistics NZ Low and Medium growth projection. This projection indicates that the district's population growth rate is anticipated to fall to 8,820 by Year 2011. During the 2006-2009 period, natural population increase (births minus deaths) in the district totalled 199. Total net migration for the district was therefore in the order of a -379 loss. This comprised a net external (overseas) migration loss of -197 and a net internal (domestic) migration loss of -182. **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:

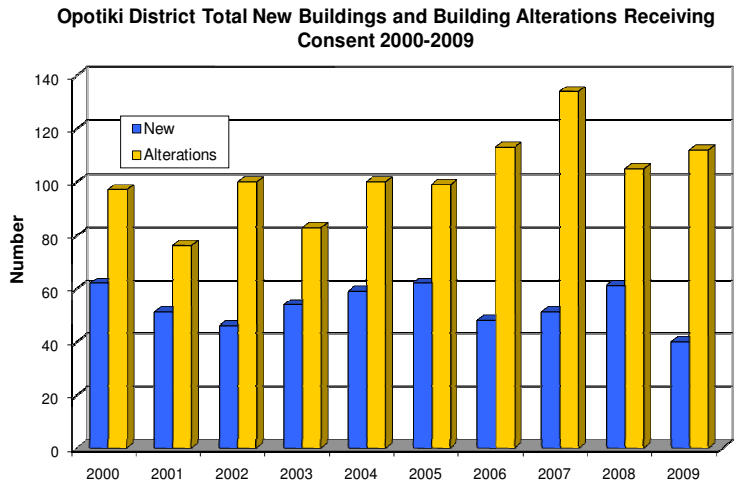
The total number of houses in Opotiki district in September this year stood at an estimated 4,248. This represents an increase of 177 or 4.3% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 9% further increase in household/dwelling numbers in the district over the 2006-2031 period, under the Medium growth projection. This compares to the total Bay of Plenty region projection of +37% and the national projection of +34%. The number of 'couple without children' families in the district is projected to increase by 22%, two-parent families -33% and one-parent families 0.0%. The number of family based households is projected to fall by 4%, with single-parent households increasing numerically by 44%.



6.0 New Building

Over the period since the 2006 Census, a total of some 93 new dwellings have received building consent in Opotiki district, worth a combined value of \$19M. The number of new dwellings approved during the September 2009 year was down 37% on the previous year, whilst their combined value was down 33%. Total new commercial/industrial building work approved fell 17% in volume terms but increased 87% in value terms over the year, due to some new hospitality and storage developments. The value of new rural building work approved fell 32%, whilst the volume of work was down 36%. The total amount of new building activity in the district fell 34% over the year and the total value -15%. Total new building and other developments requiring consent fell 31% in volume terms over the last year and 14% in value terms.

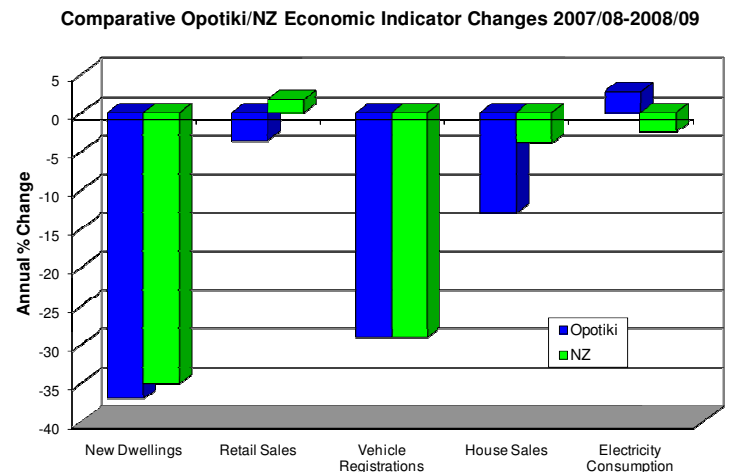
Figure 3:



7.0 Other Economic Indicators

Opotiki district house sales for the September 2009 year were 13% down on the previous September year. Sales have been falling since 2007, overall by 44%. House prices stabilised over the September 2009 year, compared to -2% in Whakatane, -1% in Tauranga and Rotorua, and the marginal increase in prices nationally. Actual retail sales for the district fell 3.6% for the Sept 2009 year, compared to -1.2% for the full Bay of Plenty region and +1.9% nationally. New motor vehicle registrations in the whole region fell -29% over the year, the same as the national fall. Electricity consumption in the district increased 2.7% over the June 2009 year, compared to +1.6% for the total Bay of Plenty region and -2.5% nationally.

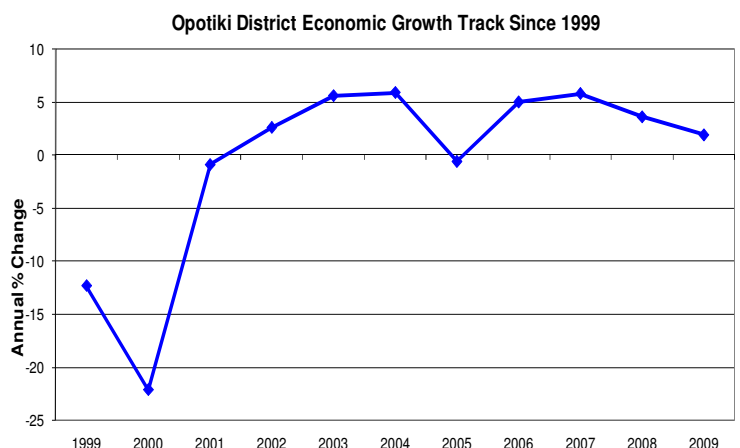
Figure 4:



8.0 Economic Growth

Figure 5 indicates the longer-term trend in real terms economic/GDP growth in Opotiki district, since 1999. The base growth data is sourced from Infometrics economic consultancy in Wellington. Economic growth in the district has fluctuated considerably but nevertheless generally been positive since 2001. The rate of growth has fallen steadily though, since 2007. Economic growth in the district over the latest June 2009 year was recorded at 1.9%, compared to -0.3% for the full Eastern Bay of Plenty sub-region and also the total Bay of Plenty region, and nationally minus 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.

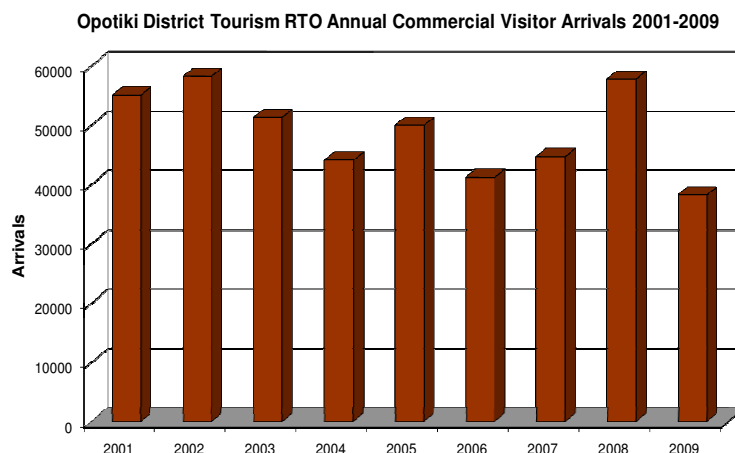
Figure 5:



9.0 Visitor/Tourism Numbers

Figure 6:

Visitor arrival numbers into the Opotiki district staying in commercial accommodation totalled 38,164 over the September 2009 year, down 19,550 or 34% on the previous 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 107,000 for the September 2009 year, down 15% on the previous year. The visitor average length of stay for the latest year was 2.8 nights, compared to 2.2 nights for the previous September year. Statistics New Zealand's monthly commercial visitor accommodation survey indicates a total of 16 accommodation outlets covered each month by the survey, with a total 'stay-unit nights' annual capacity of 394,000 and an annual occupancy rate of 12%. 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 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 June/Sept 2009 Year vs June/Sept 2008 Year

| Area | % Change 2007/08 – 2008/09 June/Sept Years | | | | | | |
|---|--|-------------|--------------|-----------------------|---------------------|------------|------------------------------|
| | Economic Indicators | | | | | | |
| | Total New Buildings | House Sales | Retail Sales | Vehicle Registrations | Comm Visitor Nights | Employment | Unemployment Benefit Numbers |
| <i>Opotiki District</i> | -34.4 | -13.1 | -3.6 | - | -14.9 | +3.9 | +52.4 |
| <i>Eastern Bay of Plenty Sub-Region</i> | -31.0 | -14.8 | -3.5 | - | -0.1 | +2.0 | +39.8 |
| <i>Bay of Plenty Region</i> | -35.8 | 1.2 | -0.9 | -29.0 | -13.5 | +3.9 | +99.0 |
| <i>New Zealand</i> | -31.2 | 3.8 | +1.7 | -29.2 | -5.3 | -0.3 | +116.5 |

The district has performed better than the EBOP region as a whole over the past year, in respect of house sales (a lesser decline) and employment. It has performed better than the full Bay of Plenty region and the country as a whole in respect of the employment indicators.

11.0 Industry Growth

Figure 7:

Real GDP growth for Opotiki industry sectors over the last year has been highest for cultural/recreational services, finance/insurance services, health/community services, the public sector, wholesaling and primary industries. Negative GDP growth has occurred most for the construction, tourism/hospitality, personal/household service and retailing industries. The district's largest industries in GDP terms, as indicated in **Figure 7**, are rural production, business services, retailing/wholesaling, education services, health/community service and tourism/transport/communications. The main employing production/processing industries in the district are kiwifruit growing, dairying, forestry and agricultural services.

The current relatively high \$NZ and continued soft international market conditions due to the major international economic downturn over the past year, will continue to place considerable financial pressures on the district's rural exporting sector in general, as with the rest of the country.

Returns for 'green' kiwifruit this year are expected to be on par with last year. Dairy farmers in the district will benefit from the significantly increased payout for the 2009/10 season, recently announced by Fonterra.

Work is continuing on the proposed major aquacultural/mussel sea-farming development in Opotiki. This is a joint venture between local Iwi and a major fishing corporate. Annual production is estimated at 20,000-25,000 tonnes, virtually all of which will be exported. The total direct employment impact is estimated at around 450-500 jobs, with an additional significant employment impact in linked servicing and supplier businesses. Other recent new developments in the district include kiwifruit 'gold' enterprises, tourism resort, some new coastal lifestyle dwellings and SH 35 road upgrading.

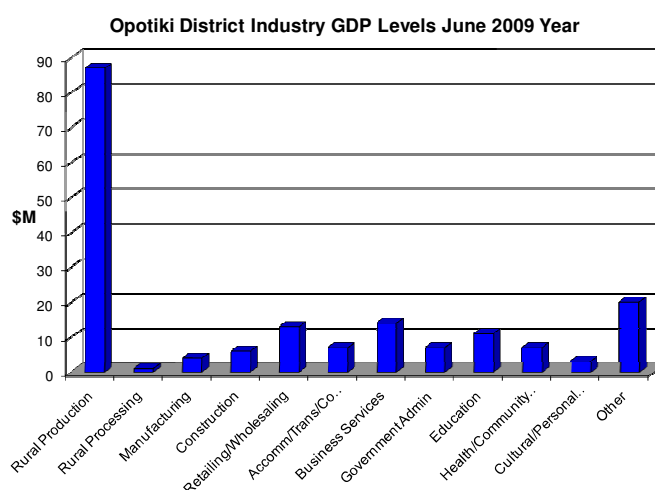


Table 2: Opotiki District Industry GDP Results for Year Ending June 2009 (In Constant 1995/96 Prices)

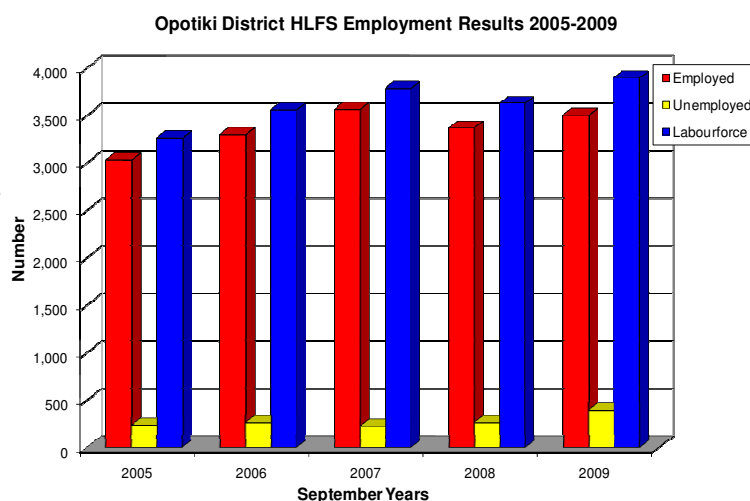
| Industry | Real GDP (\$M) |
|---|----------------|
| Rural Production | 87.0 |
| Rural Processing | 1.0 |
| Manufacturing (Machinery and Equipment) | 4.0 |
| Construction | 6.0 |
| Retailing/Wholesaling | 13.0 |
| Accom/Transport/Communications | 7.0 |
| Business Services | 14.0 |
| Government/Public Administration | 7.0 |
| Education | 11.0 |
| Health/Community Services | 7.0 |
| Cultural/Personal Services | 3.0 |
| Other ¹ | 20.0 |
| TOTAL | 180.0 |

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

12.0 Employment

Figure 8:

Total employment in Opotiki district for the September 2009 year was up 3.9% on the previous September year, compared to 2% at the total EBOP sub-region level, 3.9% at the full Bay of Plenty regional level and -0.3% nationally. Employment in the district in September this year was down -0.8% on September 2008. At the same time though, unemployment was up 245 or 92%, and 135 or 52% on an annualised basis. In September 2009, the district rate of unemployment stood at 10.1%, compared to 6.3% nationally. The number of people receiving the unemployment benefit in the district in September 2009 stood at 148, compared to 37 in September 2008, that is, an increase of 300%.



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.