

# Opotiki District Economic Monitor to September Quarter 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, the New Zealand Institute of Economic Research in Wellington, bank reports and other organisations. The actual monitoring period covered by the analysis in the report is the year ending September quarter 2011. **Appendix 1** contains individual economic indicator results for the district, for the last six years.

## 2.0 Report Summary

There have been some positive economic trends in the Opotiki area during the past year, including:

- Overall economic growth in excess of 3%, with employment growing at a faster clip.
- Significant increase in the value of new commercial and industrial building consented
- Increased retail and house sales.
- Significant fall in the number of residents receiving the unemployment benefit and in the district rate of unemployment
- Noticeable employment growth over the past year in the district's rural services, visitor accommodation, Central Government administration and medical services industries.

Downside changes over the past year include:

- Continuing significant level of net internal and external population migration loss.
- Significant falls in consented new residential building activity and total housing alterations.
- Noticeable fall in visitor activity levels.
- Reduced employment in construction, retailing, business services and education/ training services.

Rural Sector Outlook:

- \$NZ commodity prices are expected to remain relatively high but the volatile global political and economic situation continues to pose a considerable downside risk to this scenario. Commodity prices have generally been slowly falling since mid 2011 (overall by 8%); however, the recent weakening bias in the \$NZ is providing a buffer to the impact of the falling price regime.
- Fonterra has recently announced a 20c per kg milk solid increase in its forecast dairy payout to farmers for the 2012 production season. The increase is expected to generate additional total dairying revenue in the combined Whakatane/Opotiki districts of an estimated \$7.6 million.
- The outlook for the kiwifruit sector continues to be somewhat pessimistic as the major Psa disease continues to affect a significant proportion of regional orchards, especially the Gold kiwifruit growing ones. The Bay of Plenty accounts for 85% of the national crop and the Whakatane/ Opotiki districts a large part of the regional crop. Currently, the national drop in production this season is estimated at 40% in volume terms and almost 60% in value terms. Potential closure of kiwifruit packhouses in the EBOP region could result in significant job loss.
- Domestic log prices have been steadily increasing over the past three years, as have export log prices. The ANZ Bank's forestry products international commodity price index has remained strong since early 2010 but has nevertheless fallen back by about 8% since mid this year.

### 3.0 Key Opotiki District Economic Indicator Levels as at September 2011

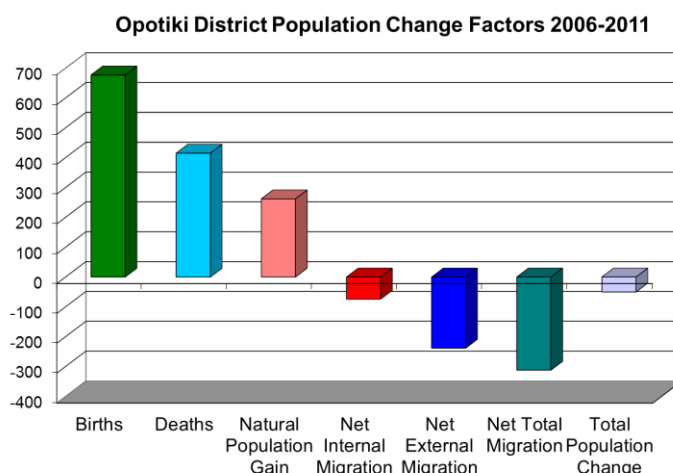
<i>Population:</i>	8,950
<i>Est Households/Dwellings:</i>	3,509
<i>Nominal Annual GDP:</i>	\$184.9 million
<i>Annual Economic Growth</i>	3.5%
<i>Annualised Employment:</i>	3,496
<i>Annual Employment Change:</i>	4.9%
<i>Unemployment:</i>	240
<i>Est Unemployment Rate (%):</i>	6.9

### 4.0 Population

Figure 1:

The Opotiki district's population currently stands at an estimated 8,950, down 250 on the 2006 Census year level. The district's population fell by 50 or 0.6% over the last year according to Statistics NZ figures, compared to the nil change at the EBOP region level.

Over the past five years, natural population increase (births minus deaths) in the district totalled 262. Given the overall population fall during the period of 50, total net migration for the area was therefore in the order of -312. This comprised a net external (overseas) migration loss of -238 and a net internal (domestic) migration loss of -74. **Figure 1** illustrates these changes.

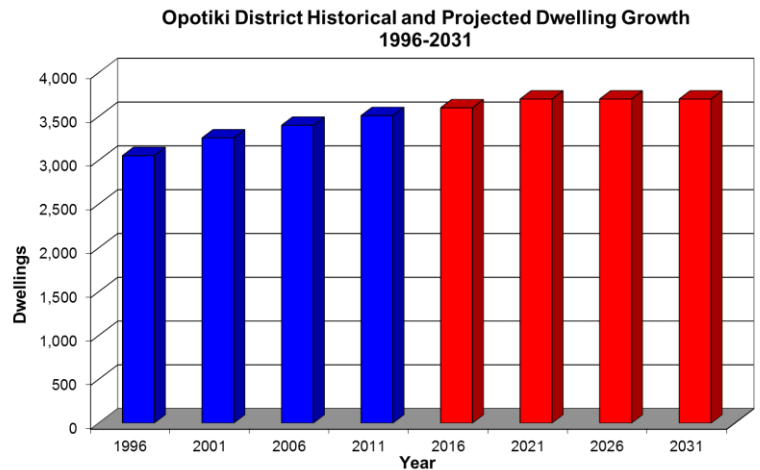


The fastest growing regional populations in New Zealand since 2006 have been, in order, Auckland, Canterbury, Waikato, Marlborough, Bay of Plenty, Wellington and Otago. The slowest growing have been Manawatu-Wanganui, Southland, Gisborne, Hawke's Bay and Taranaki. Population growth has been strongest during the past year in Auckland, Tasman, Nelson and Otago; and slowest in Canterbury, Gisborne, Hawke's Bay and Manawatu-Wanganui. Auckland has accounted for over half of the total population gain in NZ since 2006.

## 5.0 Households/Dwellings

The total stock of households/dwellings in Opotiki district currently stands at an estimated 3,511, compared to 3,400 in mid 2006. Thus, the period since then has seen a 111 or 3.3% increase in the number of district households or dwellings. Latest Statistics NZ projections indicate a 5.7% further increase in household/dwelling numbers in the district over the 2011-2031 period, under the Statistics NZ Medium or 'middle of the road' growth projection.

Figure 2:



## 6.0 New Building Activity

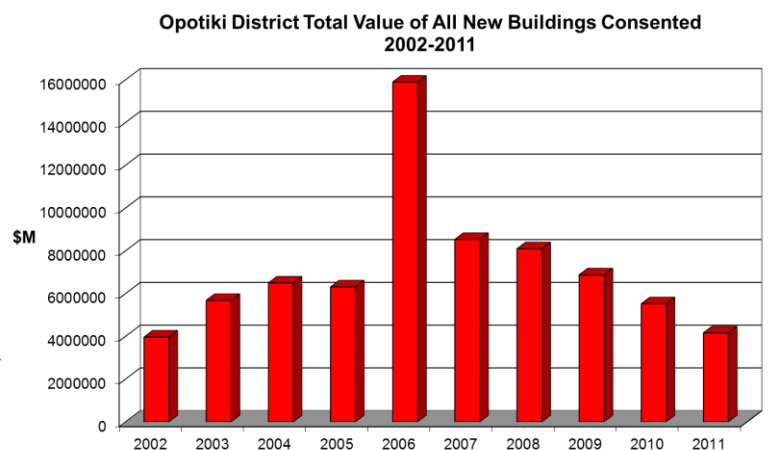
Over the year ended September 2011, eleven new dwellings received building consent in the district, worth a combined value of \$2.4M. The number of new dwellings approved during the year was down 47.6% from the previous year's total, whilst their combined value was down 40%. Total housing alterations consented fell 13.4% in volume terms but increased 36% in value terms.

Five new commercial/industrial buildings were approved in the district during the latest year, compared to six in the previous year. The latest year's value for these buildings was 33% up on the previous September year's result. Sixteen new rural buildings worth \$0.6 million were consented over the September 2011 year, compared to four and \$0.2 million for the previous year.

A total of 34 new buildings were consented to in the district over the September 2011 year, compared to 35 for the previous year, with the respective total values of the buildings being approximately \$4.2 million in 2010/11 and \$5.5 million in 2009/10.

The total number of non-residential building alterations receiving consent during the latest September year was recorded at 17 (worth \$0.8 million), compared to 20 (worth \$1.0 million) for the September 2010 year.

Figure 3:



## 7.0 Other Economic Indicators

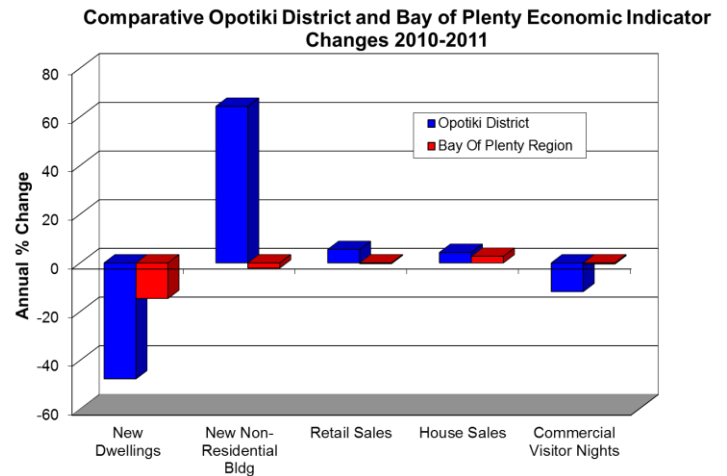
As mentioned in the previous section, total new dwellings consented in the Opotiki district during the latest year were down 47.6% on the result for the previous year. This compares to the full EBOP region fall of 50.5%.

Total Opotiki house sales rose 4.3% over the September 2011 year. The latest AMP Home Mortgage Affordability survey undertaken in September this year indicates that housing affordability in the wider Waikato/Bay of Plenty area has improved by 11% over the past year, compared to the 8.4% gain nationally.

Opotiki core retail sales (excluding automotive retail sales) rose an estimated 5.5% over the year ending September 2011, compared to the 5.3% decline for the full EBOP region.

According to the results of the September 2011 Westpac McDermott Miller Consumer Confidence Survey, consumers in the Bay of Plenty region are currently fairly optimistic overall about shorter-term economic conditions, as are most regions in New Zealand. Consumer confidence in the region was 3.6% up on the September quarter in 2010, compared to the national fall of 2.1%.

Figure 4:



## 8.0 Overall Economic Growth

Figure 5 indicates the longer-term trend in real terms economic/GDP growth in the full EBOP region, since 2002. The base growth data is sourced from NZIER economic consultancy in Wellington.

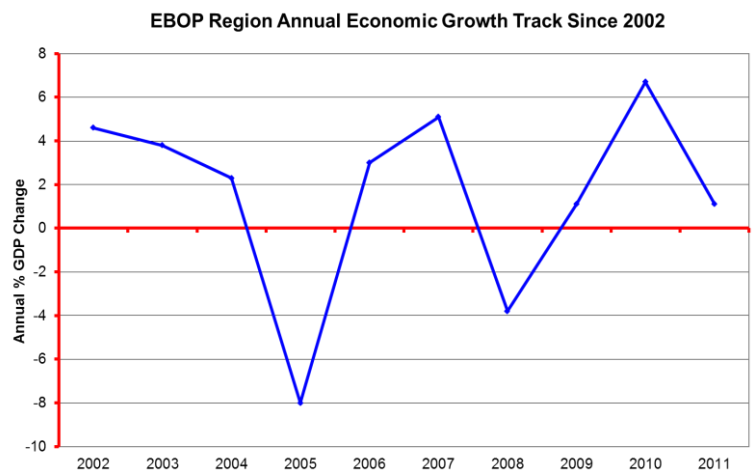
As the graph shows, annual economic growth in the region has fluctuated markedly over the period. However, growth has generally been positive, with negative annual growth only being recorded in 2004/05 and 2007/08. The peak growth result for the period was the 6.7% result in 2009/10.

Growth for the latest September year was an estimated 1.1%, compared to the above figure for the previous year. The national growth result was 1.5%.

The National bank's latest regional economic review indicates that the leading annual growth regions in NZ over the September 2011 year were, in order, Auckland, the West Coast, Gisborne and Hawke's Bay. The negative growth regions were Northland, Taranaki and Manawatu-Wanganui.

Over the coming year, the NZ Institute of Economic Research is forecasting a 2.8% fall in economic activity in

Figure 5:



the wider Bay of Plenty region, followed though by 2.4% growth for 2012/13 and 2.1% for 2013/14. No growth forecasts are available for the EBOP region.

## 9.0 Visitor/Tourism Numbers

Total visitor arrival numbers into the Opotiki district staying in commercial accommodation totalled 37,799 for the latest September year, down 5.1% from the previous year's figure. The annual number of arrivals has fallen noticeably and overall by about 35% since 2007/08.

The number of nights spent in the region by visitors staying in commercial accommodation totalled approximately 89,844 for the September 2011 year, down 11.8% on the previous September year. Visitor nights spent in the area have fallen by 29% since 2007/08.

Recently provided Ministry of Tourism data indicates a total annual direct visitor spend figure in 2010 for the Bay of Plenty regional tourism organisation area of \$474 million or 3.3% of the national total. This is an increase of 9.2% on the Year 2005 'low' figure for the past five years, of \$434 million. The EBOP share of the total direct visitor spend last year in the full Bay of Plenty region, is currently estimated at about \$95 million, of which the Opotiki share is estimated at approximately \$25 million on the basis of the area's share of total visitor nights for the full EBOP region.

Last year, domestic visitors accounted for 69% of total night-stays in the full Bay of Plenty tourism region and overseas visitors the balance of 31%. Over the 2005-2010 period, the total NZ domestic visitor market for the region declined by 2%, whilst the total overseas visitor market grew by 5.3%. The region's largest domestic markets are Auckland, Waikato and Wellington, whilst its largest international markets are the UK and Australia.

The average commercial accommodation 'length of stay' of all visitors to the Opotiki district over the latest year was 2.38 nights, compared to 2.56 nights last year and 2.19 nights in 2007/08.

Figure 6a:

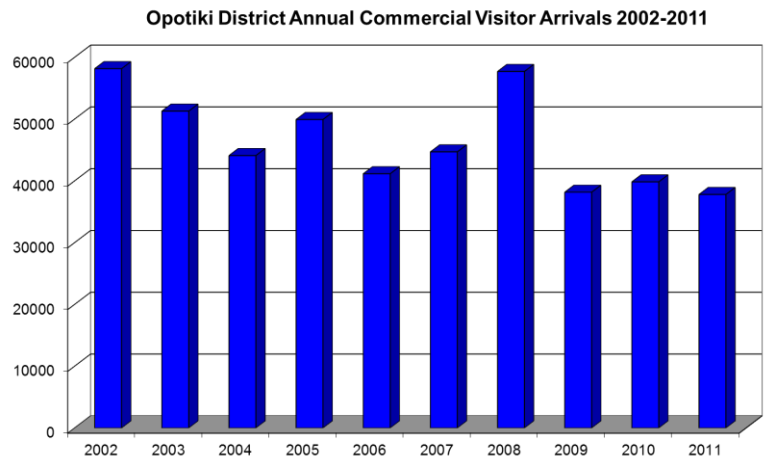
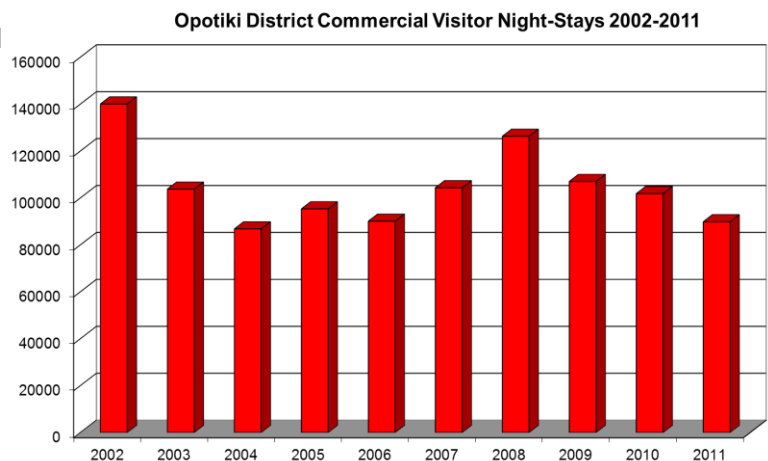


Figure 6b:



## 10.0 Results Comparison

**Table 1** indicates the comparative local economic indicator changes during the 2011 September year for Opotiki district, the wider EBOP area and NZ as a whole, for the listed indicators. The unemployment benefit figures refer to the change between the September quarters of 2010 and 2011.

Opotiki out-performed the EBOP region as a whole over the year in respect of population growth, new housing consented, new non-residential building consented, house sales, employment and unemployment benefit numbers. The district out-performed the country as a whole in respect of new housing consented, new non-residential building consented, house sales, employment and unemployment benefit numbers.

**Table 1: Comparative Opotiki District Economic Indicator Changes 2010 Year vs 2011 September Years**

Area	% Change 2010 – 2011 September Years						
	Economic Indicators						
	Population	New Housing Consented	New Non-Residential Buildings Consented	House Sales	Commercial Visitor Nights	Employment	Unemployment Benefit Numbers
<b>Opotiki District</b>	-0.6	-47.6	64.3	4.3	-11.8	+4.9	-49.4
<b>EBOP Region</b>	0.0	-50.5	0.0	-2.7	-7.2	+2.7	-31.1
<b>New Zealand</b>	+0.9	-16.9	-5.3	-2.8	-0.9	+1.6	-14.7

## 11.0 Industry Growth

The table to the right shows current annual nominal terms GDP levels for the different EBOP broad industry sectors (this information is not available for the individual local authority districts within the EBOP area).

The region's largest industries in GDP terms are, in order, non-food processing and manufacturing; rural production; health, education, community services; business services and retailing and hospitality services.

Real GDP growth for EBOP industry sectors over the past decade has been highest for energy/ construction; business services, Government administration; and health, education and community services.

Growth over the period of major economic downturn since 2007 has been strongest for food processing, commercial/ business services and transport/communications (see **Figure 7**). Negative growth has been most pronounced for energy and construction services as a group.

Over the past year, growth in the region was highest for energy/ construction services as a group, health and community services, rural production and non-food processing and manufacturing. Economic decline occurred

**Table 2:**

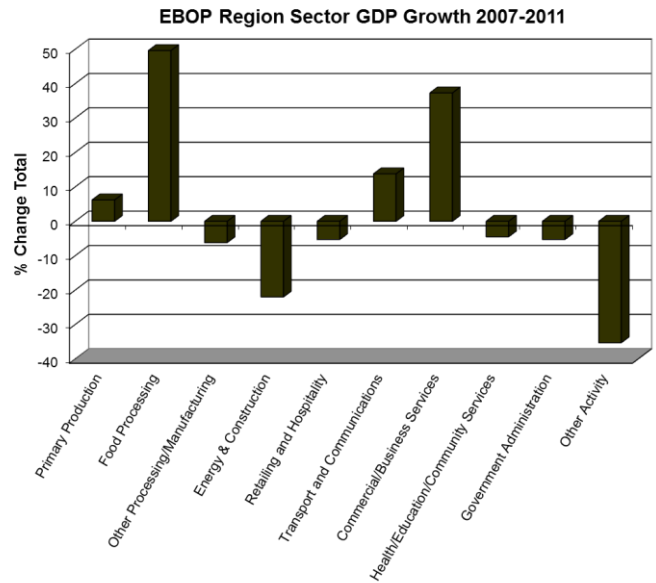
Industry	Nominal GDP (\$M)	% of Total
Rural production	185.0	15.3
Food Processing	17.0	1.4
Other Processing/ Manufacturing	188.0	15.6
Energy/Water/Construction	81.0	6.7
Retailing/Wholesaling/Hospitality	131.0	10.9
Transport/Storage/Communications	58.0	4.8
Commercial/Business Services	161.0	13.3
Health/Education/Community Servs	168.0	13.9
Public Sector Administration	39.0	3.2
Other Industries	35.0	2.9
Other <sup>1</sup>	143.0	11.9
<b>TOTAL</b>	<b>1,205.0</b>	<b>-</b>

**Note:** 1. Includes owner-occupied dwellings (imputed rental).

most for retailing/hospitality services, transport/storage services and business services.

Statistics NZ business information indicates that over the past year, noticeable industry employment growth in the region occurred in the rural production sector, transport and storage services, administrative and support services, Government administration, and health care and social assistance services.

Figure 7:



## 12.0 Employment

Total employment in the Opotiki district in 2010/ 2011 was up 4.9% on the previous year and stood at an annualised 3,677 in September this year.

The table to the right indicates September 2011 quarter industry employment levels in the district. The leading employing industries in the area are currently rural production; health, education and community services; retailing, wholesaling and hospitality services; and commercial/ business services.

At a more detailed level, the significant employing activities in the district include kiwifruit growing, dairying, logging, rural sector support services, road and bridge construction, supermarket retailing, visitor accommodation, road freight transport, packaging services, education, GP medical services, other health services and aged care services.

The NZ Institute of Economic Research is forecasting a small fall in employment in the wider EBOP region over the coming year, due to a forecast softening of international economic conditions arising from continuing global economic uncertainty (e.g. the current European financial crisis). However, the annual level of employment in the region is expected to pick up from later next year and increase overall by 2.6% over the ensuing two years.

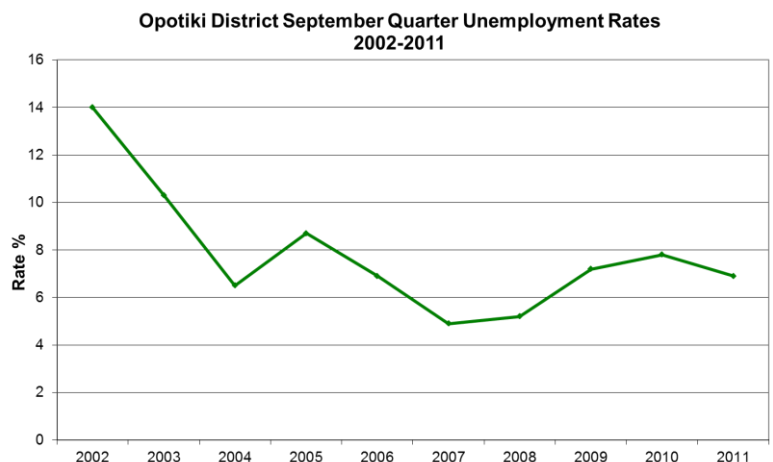
In September this year, the rate of unemployment in the district was an estimated 6.9%, compared to the national rate of 6.4%. At the same time, total unemployment in the area stood at 240.

The number of people receiving the unemployment benefit in the Opotiki district in September this year stood at 81,

Table 3:

Industry	Total Employment	% of Total
Rural production	1034	32.0
Food Processing	13	0.4
Other Processing/ Manufacturing	46	1.4
Energy/Water/Construction	161	5.0
Retailing/Wholesaling/Hospitality	501	15.5
Transport/Storage/Communications	85	2.6
Commercial/Business Services	452	14.0
Health/Education/Community Servs	722	22.3
Public Sector Administration	108	3.3
Other Industries	113	3.5
<b>TOTAL</b>	<b>3,235</b>	<b>-</b>

Figure 8:



compared to 160 a year ago. This represents a decrease of 49.4% over the year. The total number of working-age income-tested beneficiaries stood at 1,083 in September 2011, compared to 1,177 a year earlier. This represents a fall of 8% over the year.

### 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 in NZ. The latest September 2011 forecasts are for:

- Noticeable GDP and consumption growth over the next three years.
- Reducing Government spending growth over the next few years.
- Negative construction sector growth this year but a sharp rebound over the next two years.
- Significant and improving business investment growth.
- Relative exchange rate stability over the next two years.
- Increasing interest rates over the forecast period.
- Some employment growth over the next two years.
- Increasing private sector wage growth.

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**Table 4: NZIER Consensus Forecasts September 2011**

Indicator	March Years		
	2011/12	2012/13	2013/14
GDP	2.6	3.7	2.9
Private Consumption	2.0	2.3	2.6
Govt Spending	2.5	0.5	0.3
Residential Investment	-5.6	39.8	9.8
Other Investment	8.3	10.2	6.4
NZ TWI Exchange Rate	71.1	71.1	68.8
90 Day Bank Bill Rate	3.0	4.1	4.8
Employment	1.7	2.5	1.7
Private Sector Wages	3.2	3.5	3.8

**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.

**Annual Opotiki District Economic Indicator Results  
Last Six September Years**

<b>INDICATOR</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<i>Population June Qtr</i>	9,200	9,140	9,060	9,020	9,000	8,950
<i>Households/Dwellings</i>	3,400	3,428	3,458	3,477	3,498	3,509
<i>Est. GDP (\$M)</i>	155.1	167.1	161.8	169.1	182.7	189.1
<i>New Dwellings Consented</i>	21	28	30	19	21	11
<i>New Commercial/Industrial Buildings Consented</i>	4	8	6	5	6	5
<i>New Farm Buildings Consented</i>	17	10	22	14	4	16
<i>Total Building Alterations</i>	113	134	105	112	102	88
<i>House Sales</i>	88	95	61	53	47	49
<i>Retail Sales (\$M)</i>	64	66	67	66	63	66
<i>New Motor Vehicle Registrations</i>	221	196	159	93	126	100
<i>Total Commercial Visitor Arrivals</i>	41,154	44,695	57,713	38,164	39,843	37,799
<i>Total Commercial Visitor Nights</i>	90,081	104,322	126,267	107,022	101,819	89,844
<i>Total Employment Sept Qtr</i>	3,136	3,103	3,171	3,210	3,807	3,235
<i>Total Unemployment Sept Qtr</i>	232	160	174	249	322	240
<i>Number of People on Unemployment Benefit Sept Qtr</i>	125	27	37	148	160	81
<i>Unemployment Rate (%) Sept Qtr</i>	6.9	4.9	5.2	7.2	7.8	6.9