

# Whakatane District Economic Profile and Trends Report November 2009

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## 1.0 Introduction

This report provides a brief analysis of the current economic situation and profile within the Whakatane 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.

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## 2.0 Trend Summary

- This summary highlights the significant economic indicator changes that have occurred in Whakatane 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 number of new residential building consents +13%, retail sales unchanged, net external population migration loss reduced from -127 last year to just -37 this year, electricity consumption +2% and commercial visitor guest-nights +18.2%.
- The negative indicator changes were the number of new commercial/industrial building consents -82%, new rural sector building consents -67%, total number of all new building consents -23% and the numbers receiving the unemployment benefit +63%.
- Comparing the April-September 2009 period with the preceding two-quarters period October 2008-March 2009, economic indicators that improved over the interval included new residential building consents +19%, net external population migration loss (-123 to -37) and electricity consumption +10%. Indicators that worsened included new commercial/industrial building consented, new farm building consents, total new building consents, retail sales and the (increased) number of people receiving the unemployment benefit. It should be noted that some of these changes reflect seasonal influences.
- Over the year ending June 2009, the total population of the district fell an estimated 100. At the same time, the total number of businesses in the area fell by 35, whilst total industry employment fell by 370. The district rate of unemployment stood at 8.6% in September 2009.
- Total district GDP (Gross Domestic Product) increased in real inflation adjusted terms by almost 1% over the year ending June 2009, compared to the 1.8% decline nationally. On an industry basis, growth was strongest over the year for utility services, financial/insurance services, property/business services, the public sector, health/community services and cultural/recreational services.

### 3.0 Key Whakatane District Economic Indicator Levels as at September 2009

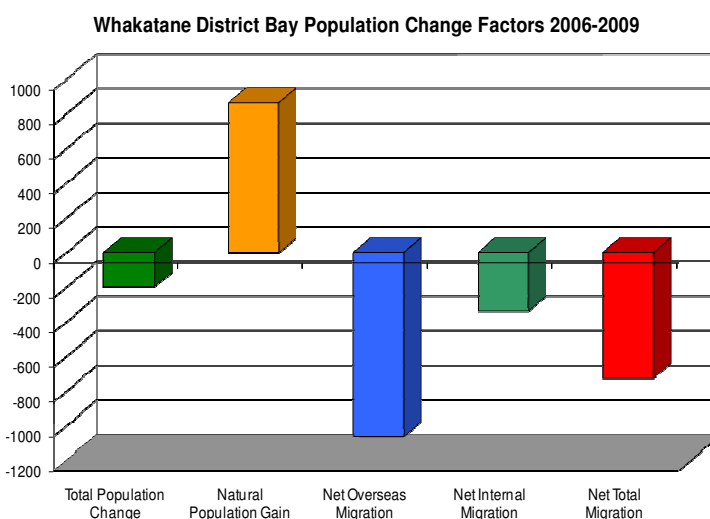
Population:	34,300
Household/Dwellings:	13,680
Nominal Gross Domestic Product (GDP):	\$1,091 million
Annual Economic Growth	0.9%
Employment:	13,642
Annual Employment Growth:	2.2%
Unemployment:	1,277
Unemployment Rate (%):	8.6

### 4.0 Population

Figure 1:

Whakatane district's population currently stands at an estimated 34,300 and has fallen by 200 or 0.6% 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 close to the Statistics NZ Low growth projection for the area. This projection indicates that the district's population is anticipated to continue to fall over the longer-term, down to a level of around 30,800 in Year 2031. During the 2006-2009 period, natural population increase (births minus deaths) in the district totalled 864. Total net migration for the district was therefore in the order of -1064. This comprised a net external (overseas) migration loss of -726 and a net internal (domestic) migration loss of -338.

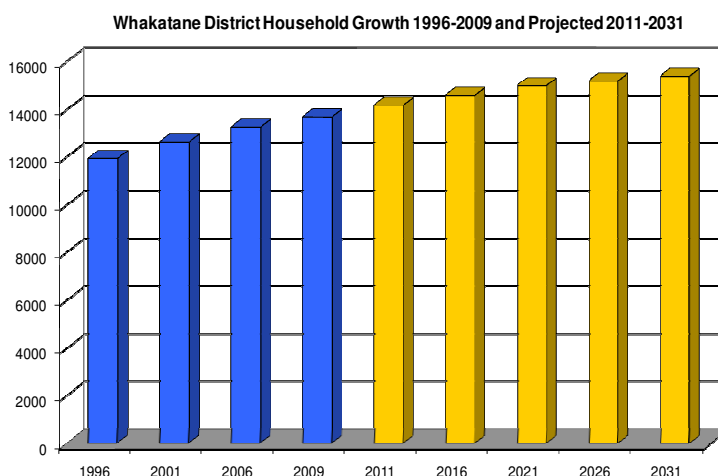
Figure 1 indicates the total changes over the last three years in the main population growth factors for the district, together with the change in the total population of the area.



### 5.0 Household/Dwellings

Figure 2:

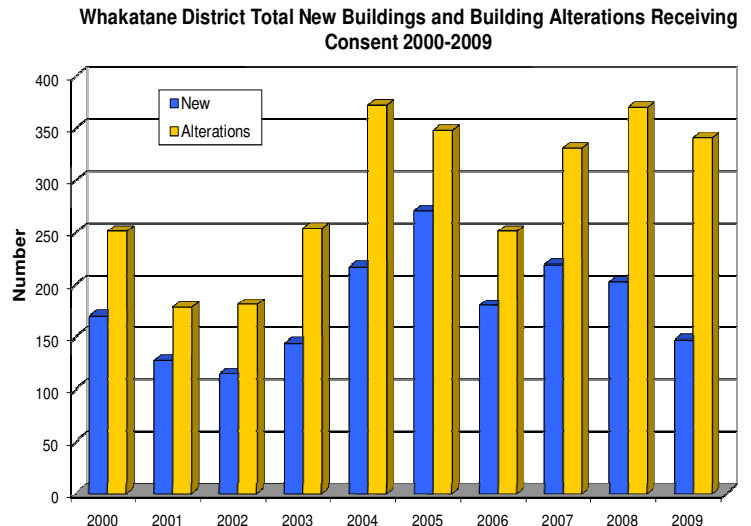
The total number of houses in Whakatane district in September this year stood at an estimated 13,680. This represents an increase of 408 or 3.1% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 11% further increase in household/dwelling numbers in the district over 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%. More residential land will be required in the district to service this additional demand.



## 6.0 New Building

Over the period since the 2006 Census, a total of some 408 new dwellings have received building consent in Whakatane district, worth a combined value of \$99M. The number of new dwellings approved during the September 2009 year was down 38% on the previous year, whilst their combined value was down 25%. Construction of new 'high-end' homes is proceeding fairly steadily, whilst the low cost new housing sector has 'died' at present. Total new commercial/industrial building work approved fell 60% in volume terms but increased 19% in value terms over the year. The value of new rural building work approved fell 58%, whilst the volume of work was down 51%. The total amount of new building activity in the district fell 27% over the year and the total value 20%.

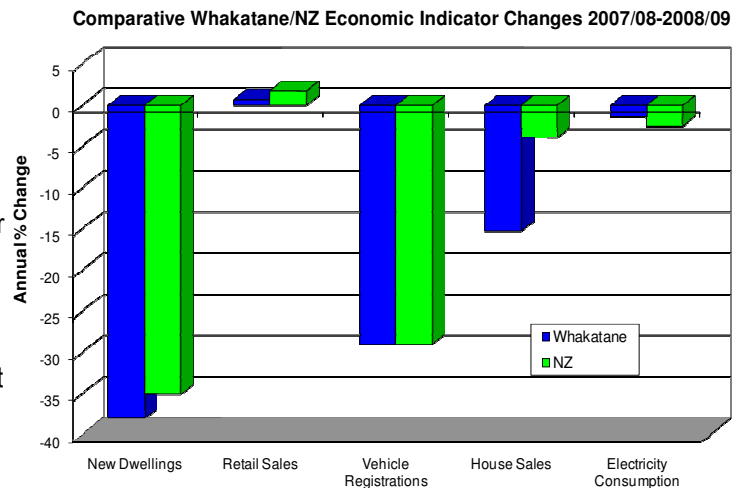
Figure 3:



## 7.0 Other Economic Indicators

Whakatane district 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 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 district increased 0.7% for the June 2009 year, compared to -0.9% for the full Bay of Plenty region and +1.7% 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 fell -1.4% over the June 2009 year, compared to +1.6% for the total Bay of Plenty region and -2.5% nationally.

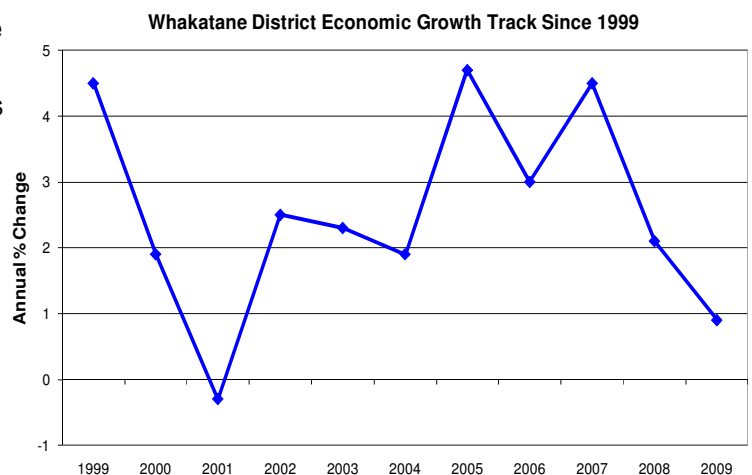
Figure 4:



## 8.0 Economic Growth

Figure 5 indicates the longer-term trend in real terms economic/GDP growth in Whakatane 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 over the full period, although the rate of growth has fallen steadily since mid 2007. The growth rate in the district over the latest June 2009 year was recorded at 0.9%, compared to -0.3% for the full Eastern Bay of Plenty sub-region and also 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.

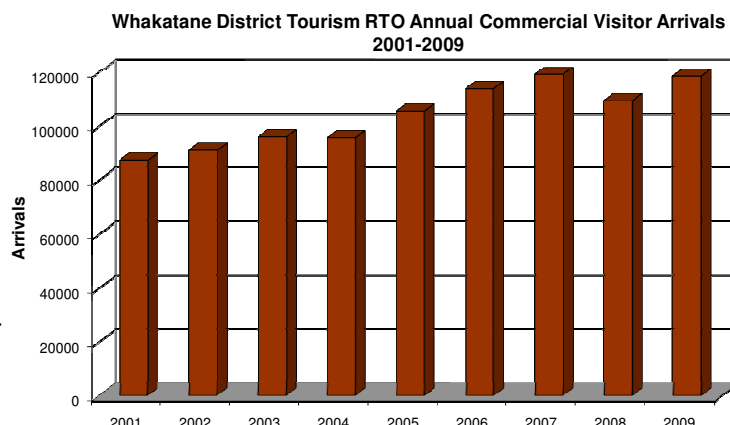
Figure 5:



## 9.0 Visitor/Tourism Numbers

Figure 6:

Visitor arrival numbers into the Whakatane/Kawerau districts staying in commercial accommodation totalled 116,000 over the September 2009 year, up 9100 or 8.5% on the previous year. The comparative national change was a 3.5% decline. The number of arrivals has fallen by 6% since the 2007 peak for the past decade. The number of nights spent in the region by visitors staying in commercial accommodation totalled approximately 261,000 for the September 2009 year, up 8% on the previous year. Visitor nights spent in the area have fallen by 5% since the 2007 peak figure. The local i-Site reports significantly increased international visitor activity over September/October this 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 Whakatane 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						
	<i>Economic Indicators</i>						
	Total New Buildings	House Sales	Retail Sales	Vehicle Registrations	Comm Visitor Nights	Employment	Unemployment Benefit Numbers
<b>Whakatane District</b>	-27.2	-15.3	0.7	-	7.7	+2.2	+52.4
<b>Eastern Bay of Plenty Sub-Region</b>	-31.0	-14.8	-3.5	-	-0.1	+2.0	+39.8
<b>Bay of Plenty Region</b>	-35.8	1.2	-0.9	-29.0	-13.5	+3.9	+99.0
<b>New Zealand</b>	-31.2	3.8	+1.7	-29.2	-5.3	-0.3	+116.5

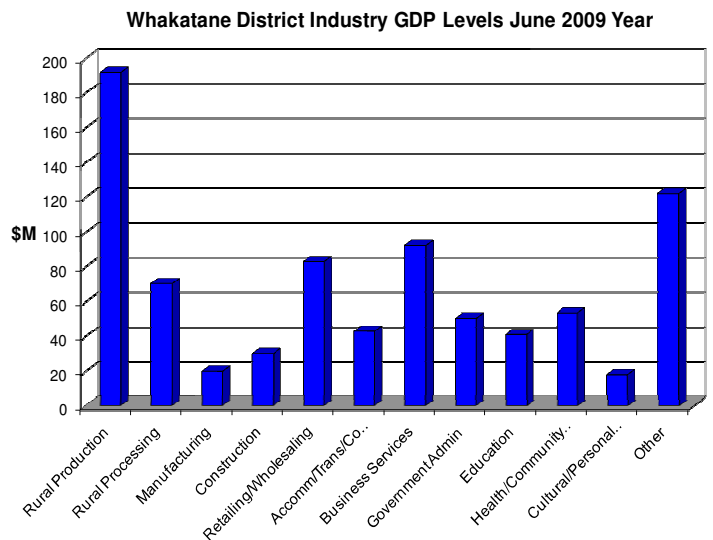
The district has performed better than the remainder of the EBOP region over the past year in respect of total new building activity, retail sales, commercial visitor-nights and employment. It has performed better than the full Bay of Plenty region in respect of new building construction (a lesser decline), retail sales, visitor nights and unemployment benefit numbers (a smaller increase). It has also performed better than the country as a whole over the year in respect of new building construction, visitor nights, employment and unemployment benefit numbers.

## 11.0 Industry Growth

Figure 7:

Real GDP growth for Whakatane industry sectors over the last year has been highest for Central/Local Government administration, cultural/recreational services, health and community services, business services and utilities. Negative GDP growth occurred most for the mining, tourism/hospitality, wholesaling and processing/manufacturing industries. The district's largest industries in GDP terms, as indicated in **Figure 7**, are rural production, rural commodity processing, retailing and wholesaling, business services, health/community service and Central/Local Government administration. The main employing production industries in the district are kiwifruit growing, dairying, forestry, agricultural services, dairy product processing and pulp/paper manufacturing.

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 per 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. Total rural production GDP in the district has increased 6% in real terms since 2007, whilst rural processing GDP has stabilised. Statistics NZ industry employment information indicates that over the year ending February 2009, employment gains were recorded by the dairying and dairy processing industries in Whakatane. Significant longer-term overall employment gains since Year 2000 have been recorded by the kiwifruit, dairying, forestry/logging and dairy processing industries. Employment in pulp and paper manufacturing has fallen overall.



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

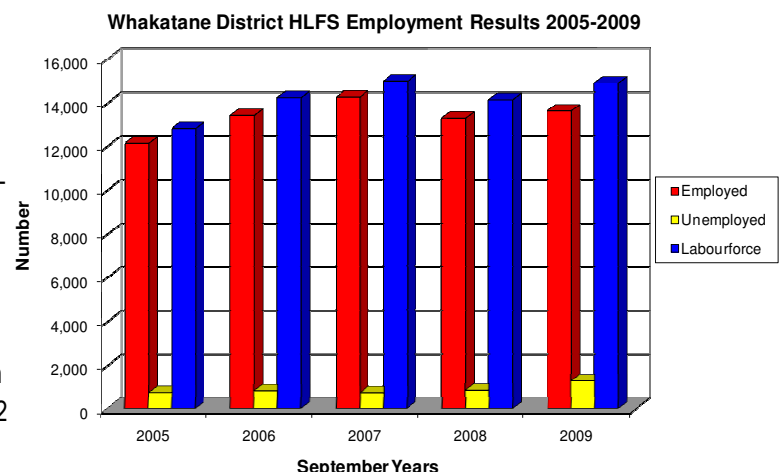
Industry	Real GDP (\$M)
Rural Production	192.0
Rural Processing	70.0
Manufacturing (Machinery and Equipment)	20.0
Construction	30.0
Retailing/Wholesaling	83.0
Accom/Transport/Communications	43.0
Business Services	92.0
Government/Public Administration	50.0
Education	41.0
Health/Community Services	53.0
Cultural/Personal Services	18.0
Other <sup>1</sup>	122.0
<b>TOTAL</b>	<b>814.0</b>

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

## 12.0 Employment

Figure 8:

Total employment in Whakatane district for the September 2009 year was up 2.2% 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 -2.4% on September 2008. At the same time though, unemployment was up 799 or 92%, and 323 or 33% on an annualised basis. In September 2009, the district rate of unemployment stood at 8.6%, compared to 6.3% nationally. The number of people receiving the unemployment benefit in the district in September 2009 stood at 803, compared to 492 in September 2008, that is, an increase of 63%.



### 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.