

# Whakatane District Economic Monitor to September Quarter 2011

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## 1.0 Introduction

This report provides an analysis and assessment of the current economic situation within the Whakatane 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.

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## 2.0 Report Summary

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

- Overall economic growth in excess of 1% with employment growing at a faster rate.
- From a sector perspective, recent growth at the wider EBOP region level has been driven through the rural production, energy, new construction (e.g. Whakatane Maori wananga/ education/ cultural and district hospital facilities), business services, public sector administration and health/ education/ welfare service industries.
- This situation reflects amongst other factors the impact of the improved rural sector/ international market situation (although this appears to be softening somewhat at the present time), new commercial and community construction projects in the district and the significantly increased public sector infrastructural expenditure of more recent years to counter the impacts of the major international economic downturn since 2007.
- Significantly increased new visitor accommodation, education, storage, industrial and community/ cultural building activity consented.
- There has been significant employment growth over the past year in the rural production, commercial/ business services and health care/ social assistance industries in Whakatane district.
- A 2.8% increase in district employment, fall in the rate of unemployment and -34% decline in the number of unemployment benefit recipients.

Downside changes over the past year include:

- Continuing significant level of net population migration loss.
- Significant falls in consented new residential building activity and residential building alterations.
- Fall in house sales and visitor activity levels.
- Decline in retailing and hospitality sector GDP.

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 milksolid increase in its forecast dairy payout to farmers for the 2012 production season. The increase is expected to generate additional total dairying revenue in Whakatane/ Opotiki districts of an estimated \$7.6 million.
- NZ export beef production is forecast to lift 3% during the 2011/12 season. The long-term outlook for the sector remains relatively robust.
- 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 Whakatane District Economic Indicator Levels as at September 2011

<i>Population:</i>	34,500
<i>Est Households/Dwellings:</i>	13,810
<i>Nominal Annual GDP:</i>	\$810 million
<i>Annual Economic Growth</i>	1.1%
<i>Annualised Employment:</i>	14, 218
<i>Annual Employment Change:</i>	2.8%
<i>Unemployment:</i>	891
<i>Est Unemployment Rate (%):</i>	5.9

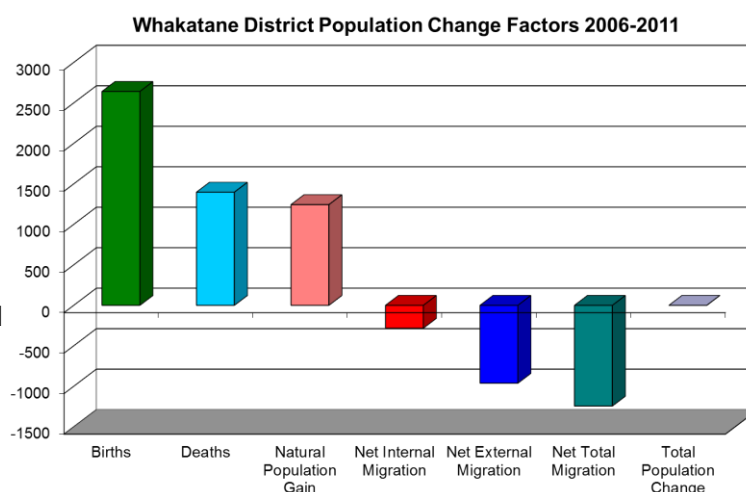
### 4.0 Population

Figure 1:

The Whakatane district's population currently stands at an estimated 34,500, the same level as in the 2006 Census year. The district's population grew by 100 or 0.3%, however, 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 1,244. Given the overall population change over the period of 0, total net migration for the area was therefore in the order of -1,244. This comprised a net external (overseas) migration loss of -962 and a net internal (domestic) migration loss of -282. **Figure 1** illustrates these changes.

The fastest growing regional populations in New Zealand since 2006 have been, in order, Auckland, Canterbury,

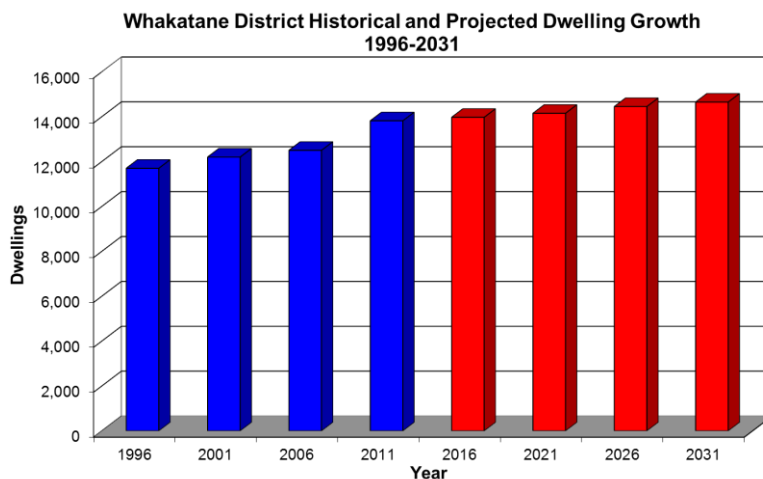


Waikato, Marlborough, Bay of Plenty, Wellington and Otago. The slowest growing have been Manawatu-Wanganui, Southland, Gisborne, Hawke's Bay and Taranaki. Population growth has been strongest during the past year in Auckland, Tasman, Nelson and Otago; and slowest in Canterbury, Gisborne, Hawke's Bay 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 Whakatane district currently stands at an estimated 13,816, compared to 12,500 in mid 2006. Thus, the period since then has seen a 1,316 or 10.5% increase in the number of district households or dwellings. Latest Statistics NZ projections indicate an approximate 8% further increase in occupied household/dwellings in the district over the 2011-2021 period, under the Statistics NZ halfway Medium to High scenario, followed by 3.5% additional growth over 2016-2031. These figures compare to the national Medium projections of 13% and 10% respectively.

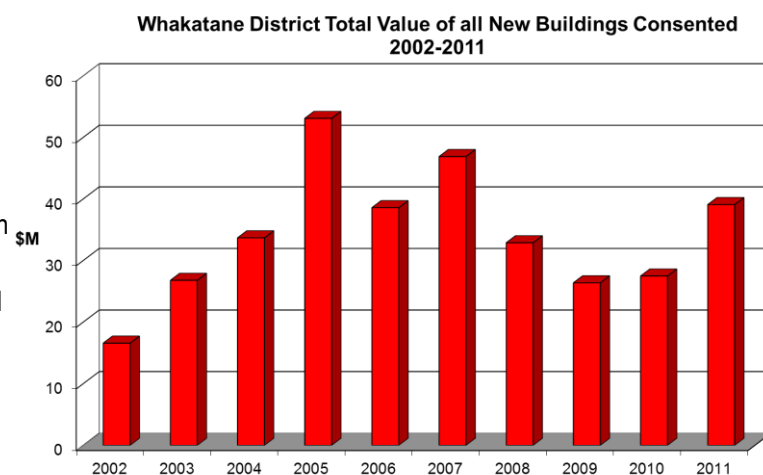
Figure 2:



## 6.0 New Building Activity

Over the year ended September 2011, a total of some 38 new dwellings received building consent in the district, worth a combined value of \$10.5M. The number of new dwellings approved during the year was down 55% on the previous year, whilst their combined value was down 51%. Total housing alterations consented decreased 47% in volume terms and -30.1% in value terms.

Figure 3:



Total new commercial/industrial building work approved in the district rose approximately 140% on the previous year in volume terms and tripled in value terms, with increased activity occurring in the visitor accommodation, storage and factory building sectors. The volume of new rural building work approved fell 37% over the September 2011 year, whilst the value of this work fell 25%.

The total number of all (residential, commercial-industrial, rural, community, cultural and other) new buildings consented in the district fell 27% over the year, with the associated total value of the buildings increasing though by 43%. The total number of all consented alterations to buildings fell by 41% over the period, whilst the total value of all the alterations fell by 17%.

## 7.0 Other Economic Indicators

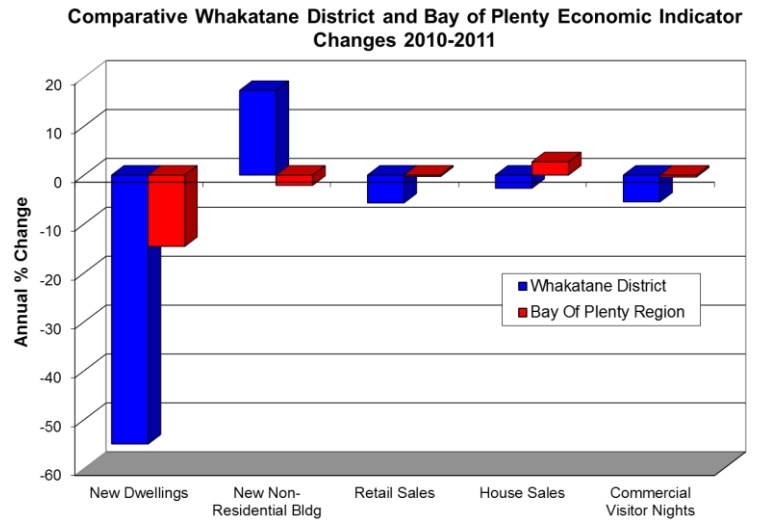
As mentioned in the previous section, total new dwellings consented in the Whakatane district fell 55% over the latest year. This compares to the full EBOP region fall of 50.5%.

Total Whakatane house sales fell 2.7% over the September 2011 year, the same result as for the EBOP region and compared to the 2.8% fall nationally. 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.

Whakatane core retail sales (excluding automotive retail sales) fell an estimated 5.7% over the year ending September 2011, compared to -5.3% for the full EBOP region, on the basis of Statistics NZ supplied information.

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

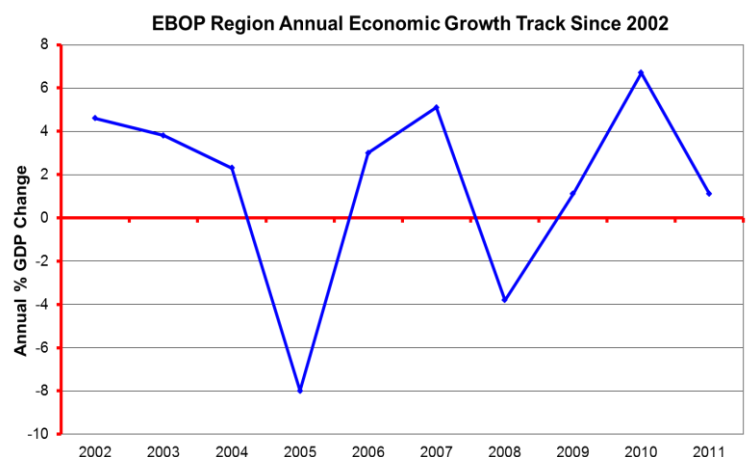
Figure 5 indicates the longer-term trend in real terms economic/GDP growth in the full EBOP region, since 2002. The base growth data is sourced from NZIER economic consultancy in Wellington. Growth data is not available for the individual local authority districts within the region.

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.

Figure 5:



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

Figure 6a:

Total visitor arrival numbers into the combined Whakatane/ Kawerau area staying in commercial accommodation totalled 97,461 for the latest September year, down 4.5% from the previous year's figure. The annual number of arrivals has fallen steadily and overall by about 21% since 2006/07.

The number of nights spent in the region by visitors staying in commercial accommodation totalled approximately 212,683 for the September 2011 year, down 5.5% on the previous September year. Visitor nights spent in the area have fallen by 23% since 2006/07.

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 Whakatane/ Kawerau share is estimated at approximately \$70 million on the basis of the combined 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 Whakatane/Kawerau district over the latest year was 2.18 nights, compared to 2.20 nights last year and 2.23 nights in 2006/07.

Whakatae/Kawerau Districts Annual Commercial Visitor Arrivals 2002-2011

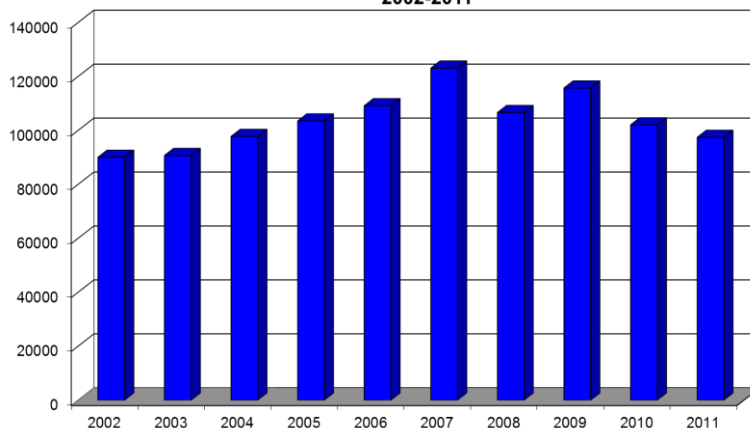
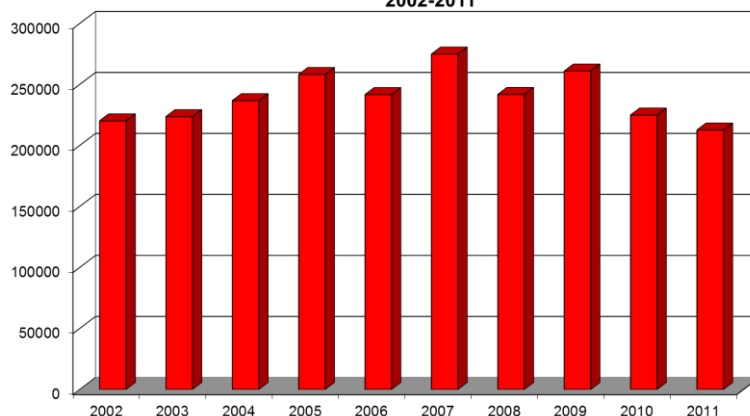


Figure 6b:

Whakatane/Kawerau Districts Commercial Visitor Night-Stays 2002-2011



## 10.0 Results Comparison

**Table 1** indicates the comparative local economic indicator changes during the 2011 September year for Whakatane 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.

Whakatane out-performed the EBOP region as a whole over the year only in respect of population growth, new non-residential building consented, commercial visitor nights, employment and unemployment benefit numbers. The district out-performed the country as a whole in respect of new non-residential buildings consented, house sales, employment and the decline in unemployment benefit numbers.

**Table 1: Comparative Whakatane 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>Whakatane District</b>	0.3	-55.0	17.3	-2.7	-4.5	+2.8	-33.9
<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

**Table 2:**

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 also 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

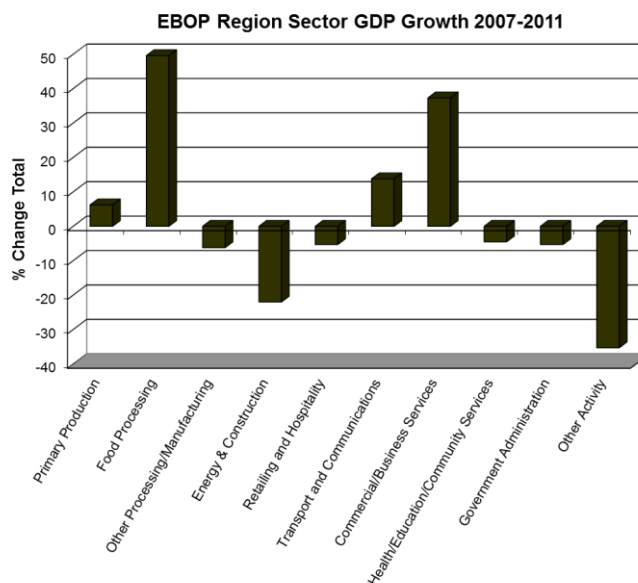
Industry	Nominal GDP (\$M)	% of Total
Rural production	185.0	15.3
Food Processing	17.0	1.4
Other Processing/ Manufacturing	188.0	15.6
Energy/Water/Construction	81.0	6.7
Retailing/Wholesaling/Hospitality	131.0	10.9
Transport/Storage/Communications	58.0	4.8
Commercial/Business Services	161.0	13.3
Health/Education/Community 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).

processing and manufacturing. Economic decline occurred 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 Whakatane district in 2011 was up 2.8% on the previous year and stood at an annualised 14,218 in September this year.

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

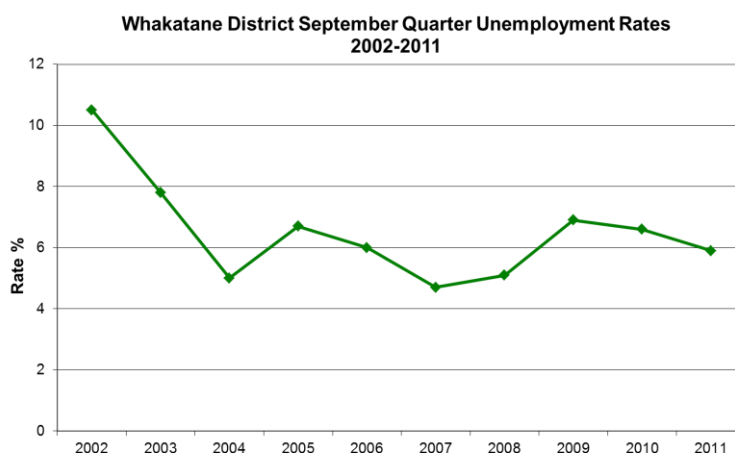
In September this year, the rate of unemployment in the district was an estimated 5.9%, compared to the national rate of 6.4%. At the same time, total unemployment in the area stood at 891.

The number of people receiving the unemployment benefit in the Whakatane district in September this year stood at 618, compared to 935 a year ago. This represents a decrease of 34% over the year. The total number of working-age income-tested beneficiaries stood at 3,417 in September 2011, compared to 3,737 a year earlier. This represents a fall of -8.6% over the year.

Table 3:

Industry	Total Employment	% of Total
Rural production	1,916	13.5
Food Processing	496	3.5
Other Processing/ Manufacturing	609	4.3
Energy/Water/Construction	1,052	7.4
Retailing/Wholesaling/Hospitality	2,754	19.4
Transport/Storage/Communications	425	3.0
Commercial/Business Services	1,601	11.3
Health/Education/Community Servs	4,018	28.3
Public Sector Administration	705	5.0
Other Industries	642	4.3
<b>TOTAL</b>	<b>14,218</b>	<b>-</b>

Figure 8:



## 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 Whakatane District Economic Indicator Results Last Six Years

INDICATOR	2006	2007	2008	2009	2010	2011
<i>Population June Qtr</i>	34,500	34,400	34,400	34,300	34,400	34,500
<i>Households/Dwellings</i>	12,500	12,638	12,733	12,812	12,896	12,934
<i>Est. Real GDP (\$M)</i>	506.7	535.5	516.3	523.6	549.4	568.4
<i>New Dwellings Consented</i>	142	138	95	79	84	38
<i>New Commercial/Industrial Buildings Consented</i>	15	25	20	8	8	19
<i>New Farm Buildings Consented</i>	13	43	74	36	35	22
<i>Total Building Alterations</i>	180	219	202	147	136	99
<i>House Sales</i>	577	615	405	343	323	314
<i>Retail Sales (\$M)</i>	404	436	459	458	433	410
<i>New Motor Vehicle Registrations</i>	1122	1004	1008	643	782	747
<i>Total Commercial Visitor Arrivals Whakatane/Kawerau</i>	109,189	123,128	106,654	115,763	102,089	104,528
<i>Total Commercial Visitor Nights</i>	241,754	274,927	241,886	260,972	224,981	225,133
<i>Total Employment Sept Qtr</i>	13,400	13,790	13,044	13,493	13,834	14,218
<i>Total Unemployment Sept Qtr</i>	855	680	701	1000	978	891
<i>Number of People on Unemployment Benefit Sept Qtr</i>	839	512	492	803	974	618
<i>Unemployment Rate (%) Sept Qtr</i>	6.0	4.7	5.1	6.9	6.6	5.9