

# Whakatane District Economic Monitor

## June 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, 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.**

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### 2.0 Trend Summary

- On the evidence of the trends over the past year in a number of local economic indicators and feedback from discussions held with some local businesses in the course of preparing this report, the district economy (as with many other parts of the country) continues to face an overall difficult local economic situation, exacerbated by the traditional seasonal downturn, climatic vagaries, continuing low confidence, cost increases resulting from external factors and Government expenditure constraints.
- However, one bright light for the shorter-term is the very significant improvement in both the current and forecast international marketplace for the rural production and related processing sector, some of the benefits of which should ultimately flow through to the wider district economy once farmers and growers have addressed their debt levels. A further positive is the significant facility developments occurring in the township area, including Maori cultural, tourism and tertiary education projects and the new \$65 million hospital re-development .
- There have been some economic gains for the district over the December 2010/ March 2011 quarters (the period that has elapsed since the last report was prepared), as compared to the Dec 2009/ March 2010 period, in the form of an increase in the value of housing alterations consented and in the number and value of new commercial and industrial buildings consented; a rise in new vehicle registrations; increased electricity consumption; higher employment and a reduced rate of unemployment.
- On an annualised basis, district economic indicators that have improved over the past year include total population; new commercial/ industrial buildings and total building alterations consented; and new motor vehicle registrations. Total employment in March this year was slightly above the level in March 2010, although employment on an annualised basis to the end of March 2011 was down a little on the previous year. The rate of unemployment in the district in March 2011 stood at 4.8%, compared to 5.2% in March 2010.
- The main broad production industries in the district include kiwifruit growing; dairying; forestry and logging; rural production support services; dairy product processing; and pulp, paper, paperboard manufacturing. The latest annual primary industries forecast report from the Ministry of Agriculture

and Forestry (SONZAF 2011) paints a particularly positive medium-term international market outlook for these industries nationally, with prices for kiwifruit, horticultural commodities, forest products and dairy items all forecast to increase significantly over the next four years. The economic benefits of this should flow through to the district.

- Visitor activity in the district recorded a relatively sharp drop over the latest year, following the gradual annual falls prior to this from 2007.
- The latest Consensus Economic Forecasts from the NZ Institute of Economic research point to limited economic growth across New Zealand during the coming year, followed however by a significant improvement in growth over the 2012/13 year. Significant growth industries nationally over the next five years are seen as including construction, agriculture, health/community services, forestry/logging and transport/storage.

### 3.0 Key Whakatane District Economic Indicator Levels as at March 2011

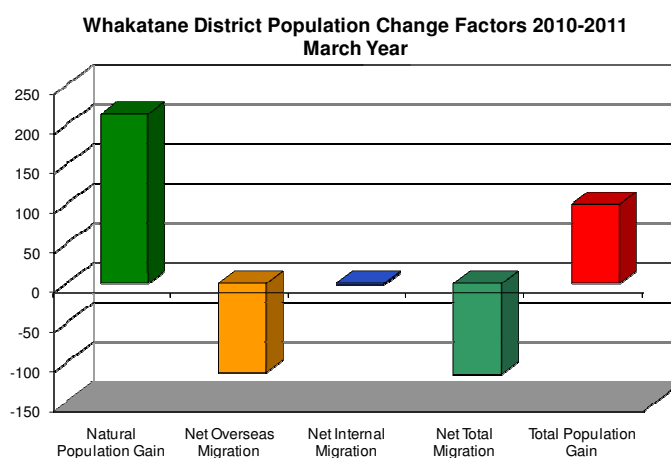
<i>Population:</i>	34,500
<i>Households/Dwellings:</i>	13,790
<i>Nominal Gross Domestic Product (GDP):</i>	\$1,116 million
<i>Annual Economic Growth Est.</i>	-1.8%
<i>Annual Employment:</i>	14,186
<i>Employment Growth Mar Qtr 2011:</i>	0.4%
<i>Unemployment Mar Qtr 2011:</i>	699
<i>Unemployment Rate (%):</i>	4.8

### 4.0 Population

Figure 1:

Whakatane district's population currently stands at an estimated 34,500 and is at the same level as it was 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 35,200 mark in Year 2016.

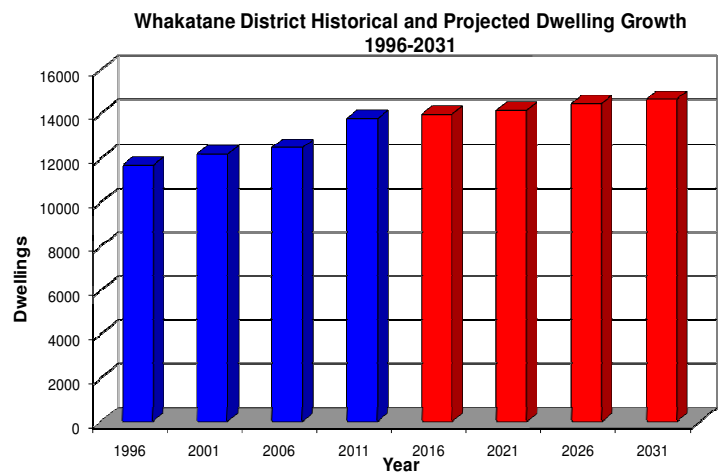
Over the past year, natural population increase (births minus deaths) in the district totalled 214. Given the district's total population gain over the year of 100, total net migration for the district was therefore in the order of -114. This comprised a net external (overseas) migration loss of -112 and a net internal (domestic) migration loss of just 2. **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

The total stock of houses in Whakatane district in March this year stood at an estimated 13,790. This represents an increase of 1,290 or 10.3% from the 2006 Census result. Latest Statistics NZ projections indicate an 8% further increase in household/dwelling numbers in the district over the 2011-2021 period, under the Statistics NZ halfway Medium to High growth projection. This compares to the total Bay of Plenty region projection of 16%, and the national Medium projection of 27%.

Figure 2:



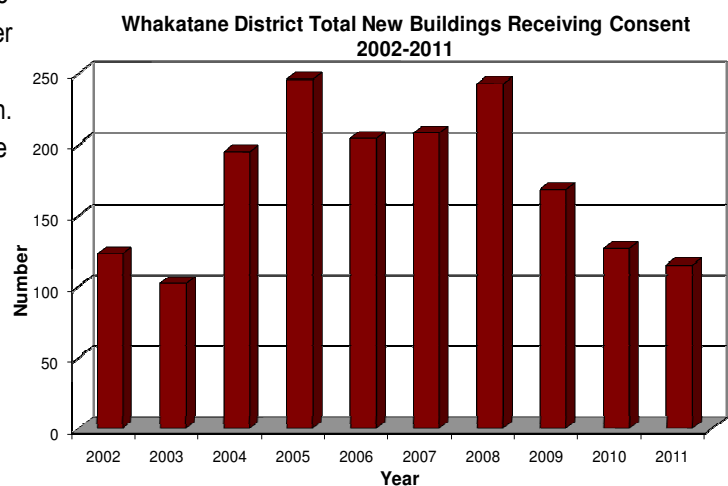
## 6.0 New Building Activity

Over the year ended March 2011, a total of 115 new buildings of all descriptions received consent to proceed in Whakatane district, worth a combined value of \$33.1M. The total number of new buildings approved during the previous March year was 127, with a combined value of approximately \$25 million. The total number of building alterations consented during the latest March year was 456 worth \$22.7 million, compared to 319 and \$12.4 million during the March 2010 year.

The number of new residential dwellings consented in the district during the latest year was 67 worth \$17 million, compared to 76 worth \$19 million during the 2010 March year.

The number of new commercial/industrial buildings consented in the district during the latest March 2011 year was 11 worth \$2.4 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 25 worth \$1.2 million, compared to 28 worth \$0.7 million for the previous March year.

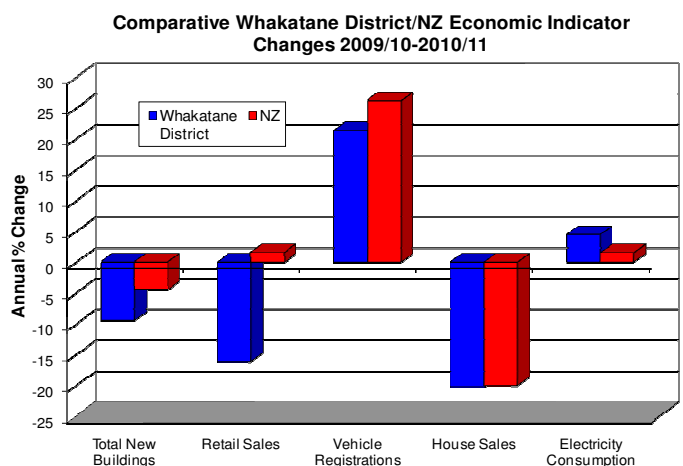
Figure 3:



## 7.0 Other Economic Indicators

Whakatane district house sales for the March 2011 year were down 20.2% on the previous year. Annual sales are currently still about 40% of the 2003/04 peak level. Actual retail sales for the area fell 16.1% during the latest year, compared to the national gain of 1.6%. New motor vehicle registrations rose 21.4% over the year, compared to 26% nationally. Electricity consumption in the district during the March 2011 year was 4.5% up on the previous year, compared to the national gain of 1.6%.

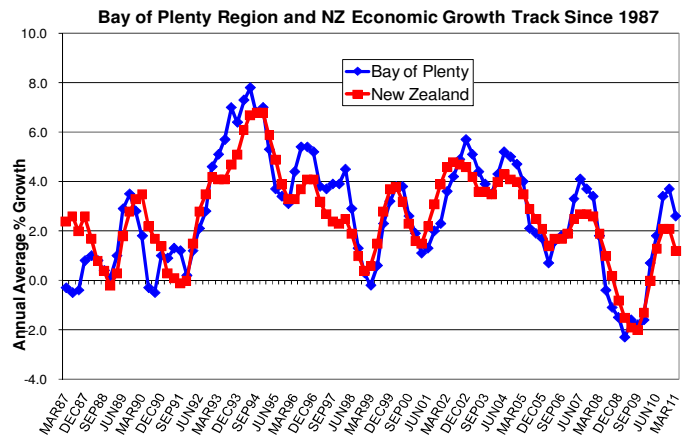
Figure 4:



## 8.0 Economic Growth

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 district growth rate shown in Section 3 on Page 2 is only an 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 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%.

Figure 5:



## 9.0 Visitor/Tourism Numbers

Statistics NZ commercial visitor arrival numbers covering the Whakatane area are only provided for the combined Whakatane/Kawerau districts.

Arrivals staying in commercial accommodation totalled 96,880 for the combined area over the March 2011 year, down 11,287 or 10.4% on the previous year. The comparative national change was a 2.1% loss. The number of arrivals has fallen by 19% since the 2007 peak for the past decade. The number of nights spent in the area by visitors staying in commercial accommodation totalled approximately 211,000 for the March 2011 year, down 11.2% on the previous year. Visitor nights have fallen by 21% since 2007.

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 Whakatane/Kawerau over the last year was 2.2 nights, compared to 1.9 nights nationally.

Figure 6a:

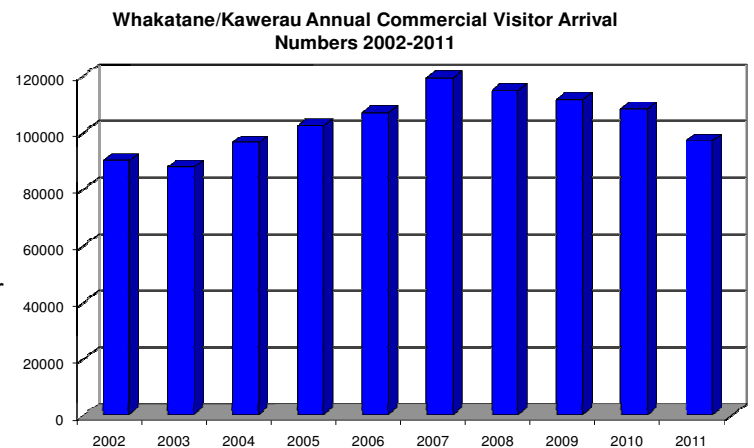
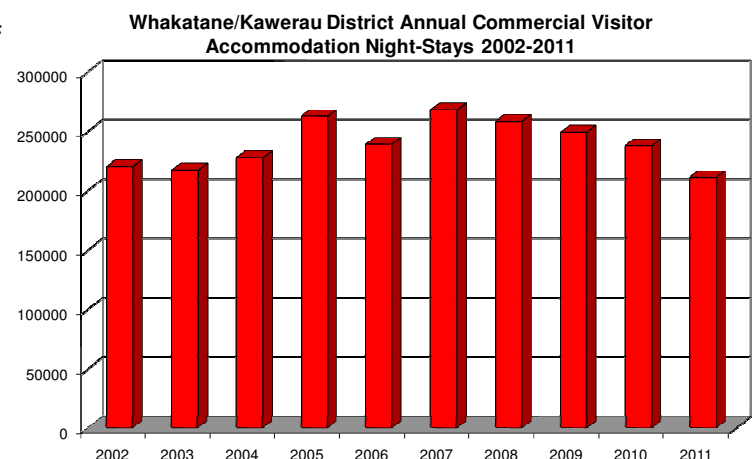


Figure 6b:



## 10.0 Results Comparison

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

The 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.

Whakatane out-performed the full Eastern BOP region over the latest year for house sales, vehicle registrations and unemployment benefit numbers. The district out-performed the full BOP region in respect of vehicle registrations.

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	Employment	Unemployment Benefit Numbers
Whakatane District	-9.4	-20.2	-16.1	+21.4	-11.2	-2.2	+16.4
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

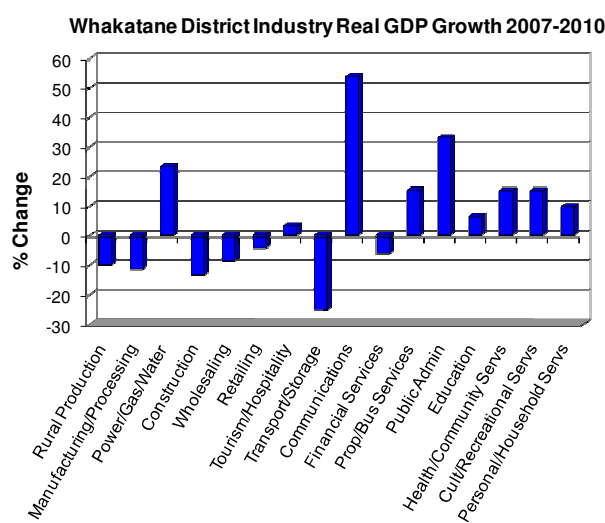
## 11.0 Industry Growth

Figure 7a:

Real GDP growth for Whakatane industry sectors over the period of major international economic downturn since 2007 has been highest for the communications, Government, power/gas/water, property/business services, health and community services, and cultural/recreational services industries. Negative growth has been most pronounced for the transport/storage, construction and primary production industries.

The graph to the right shows real GDP growth over the last three years for the different Whakatane 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, processing and manufacturing, retailing and wholesaling, business services and the Government sector.

The combined rural production and processing/manufacturing sectors account for 30% of total industry GDP in Whakatane district. The main broad production industries in the district are



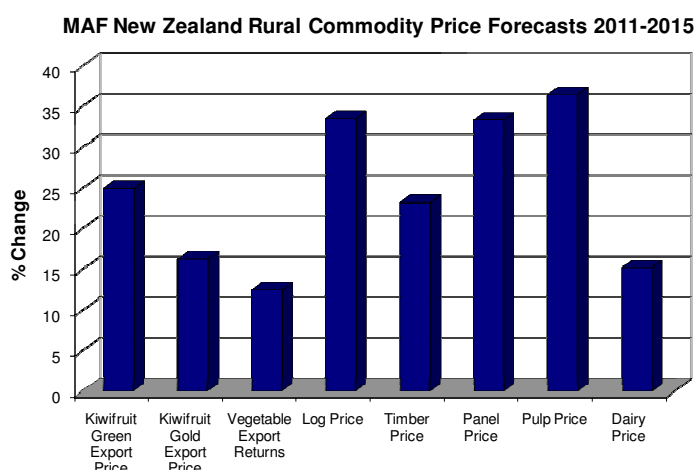
kiwifruit growing; dairying; forestry and logging; rural production support services; dairy product processing; pulp, paper, paperboard manufacturing and machinery & equipment manufacturing. The relevant main points to note from the latest MAF report (SONZAF 2011) on the medium-term outlook for the NZ agricultural 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 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.

Industry	Nominal GDP (\$M)
Rural Production	223.7
Processing & Manufacturing	113.2
Electricity/Gas/Water	56.1
Construction	40.6
Retailing/Wholesaling	114.1
Accom/Transport/Communications	64.8
Business Services	133.8
Government/Public Administration	83.5
Education	60.4
Health/Community Services	76.3
Cultural/Personal Services	24.1
Other <sup>1</sup>	125.2
<b>TOTAL</b>	<b>1,115.8</b>

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

Figure 7b:



## 12.0 Employment

Figure 8a:

Total employment in Whakatane district for the March 2011 year was down 2.2% on the previous year and stood at an annualised 14,186 in March this year. As the graph to the right indicates, employment in the district has fallen back a bit since 2009.

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 power/gas/water services, communications, health and community services, and Government administration sectors. Employment decline has been most pronounced for primary production, processing and manufacturing, transport/storage and finance/insurance services.

The largest employing industries in the district are currently

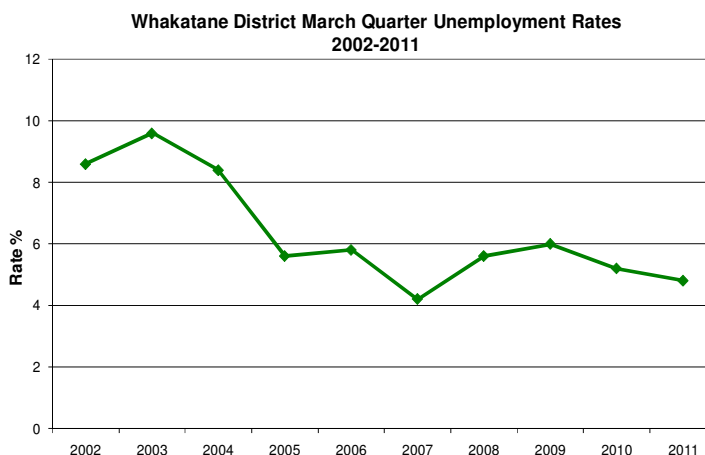


primary industries production, retailing and wholesaling, education, health and community services, and business services.

In March this year, the rate of unemployment in the district was recorded at 4.8%, compared to 5.2% in March 2010 and the national rate of 6.6% in March 2011. As the graph to the right shows, the rate of unemployment in the district has fallen significantly overall, during the period.

In March this year, total unemployment in the district stood at 699. The number of people receiving the unemployment benefit in the district stood at 888, compared to 763 a year ago, that is, an increase of 16.4% over the year. The total number of working-age income tested beneficiaries stood at 3,639 in March 2011, compared to 3,450 a year earlier.

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%.

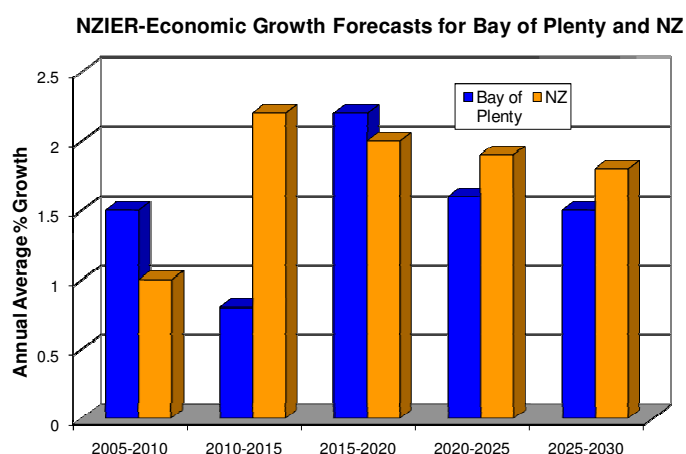
Over the next five years, strongest growth nationally is forecast by the Institute for the fishing, construction, personal/household service, agricultural, health/community service industries, forestry/logging, transport/storage and communications industries.

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:



## Annual Whakatane District Economic Indicator Results Last Five March 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	12,760	13,020	13,280	13,540	13,790
<i>Est. Real GDP (\$M)</i>	752	775	790	789	790	784
<i>New Dwellings Consented</i>	176	143	148	74	76	67
<i>New Commercial/Industrial Buildings Consented</i>	13	21	20	17	5	11
<i>New Farm Buildings Consented</i>	4	31	62	60	28	25
<i>Total Building Alterations</i>	293	310	321	352	319	456
<i>House Sales</i>	624	598	536	300	376	300
<i>Retail Sales (\$M)</i>	283	319	332	345	355	298
<i>New Motor Vehicle Registrations</i>	1319	973	1078	830	658	799
<i>Commercial Visitor Arrivals (Whakatane/Kawerau)</i>	106,952	119,091	114,769	111,395	108,167	96,880
<i>Commercial Visitor Nights (Whakatane/Kawerau)</i>	238,803	268,405	257,960	249,420	237,495	210,995
<i>Total Employment Mar Qtr</i>	13,115	13,340	14,143	13,894	13,812	13,863
<i>Total Unemployment Mar Qtr</i>	808	585	839	887	758	699
<i>Number of People on Unemployment Benefit Mar Qtr</i>	-	730	467	553	763	888
<i>Unemployment Rate (%) Mar Qtr</i>	5.8	4.2	5.6	6.0	5.2	4.8