Eastern Bay of Plenty Region

Economic Update to 2015/16

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Summary

- This report provides an updated analysis of recent key economic trends occurring within the Eastern Bay of Plenty (EBOP) region and its constituent local authority districts. The periods covered by the analysis are the historical period since 2009 and the advent of the GFC (Global Financial Crisis), the last calendar year in particular and the shorter-term economic outlook for the next few years.

- The main economic gains that have been recorded in the region over the past six years include increasing levels of new motor vehicle registrations since 2012, increasing visitors numbers and spending also since 2012; overall population recovery since 2013 and ongoing household growth; increased volume and value of consented new residential building from 2013 onwards; increased value of consented new farm buildings and building alterations also from 2013 onwards; an increased number of house sales and median selling prices last year; and also increased retail spending.

- Overall real economic/GDP growth of 2.3% was recorded in the region for the year to March 2015, a considerably stronger growth result than for the year to March 2014. Nominal GDP per capita in the region has increased by $8,104 or 24% since 2009. Regional industries recording strongest overall growth since 2009 include rural production, health/social services, hospitality/ tourism, public administration and business services generally.

- Total employment has gradually recovered in the region over the past two years and unemployment has fallen relatively sharply. Last year, annualised employment and unemployment levels of 22,239 and 2,063 respectively were recorded, along with an unemployment rate of 8.5% compared with 6.8% and 5.8% respectively for the full Bay of Plenty and NZ areas.

- Since 2009, strongest industry employment growth in EBOP has been recorded by, in order, the utility services, public administration, health services, primary production and rental/hiring/real estate industries. Employment has fallen the most in the retailing, manufacturing, financial services and transport/storage industries.

- GDP in the EBOP region is currently highest for, in order, the rural production, business services, utilities/construction, manufacturing and wholesaling/retailing/hospitality services industries. The direct wealth-creating sectors of rural production, manufacturing/processing and utilities/ construction together account for 40% of total regional GDP and almost half of total industry GDP.

- Section 3 of the report provides both the latest results for key economic indicators for the EBOP region, a detailed industry based GDP profile for the full region and an industry based employment profile for the individual territorial local authority districts comprising the region.

- Consented new building activity for Jan/Feb 2016 is up significantly on the same period in 2015.

- Section 4 of the report provides a short commentary on the shorter-term economic outlook for the region and concludes that "*The general upshot of the above trends is that the broad economic 'environment' facing the EBOP area over the shorter-term is a generally favourable one, which should assist and facilitate further positive economic and investment growth in the area over the next few years*".

1- Introduction

This report provides an updated analysis of economic trends within the Eastern Bay of Plenty (EBOP) region. The region comprises the local authority districts of Whakatane, Opotiki and Kawerau. Trend information at both region-wide and district levels is included in the analysis. The analysis covers longer-term economic trends since the advent of the impacts of the Global Financial Crisis from 2008/2009, the region's economic performance last year, the current industry economic and employment profile within EBOP and the economic outlook for the coming year. Information concerning recent and impending significant economic developments in the region is also provided. The primary information sources used for the analysis in the report include Statistics New Zealand, other Government agencies, financial institution reports, local Councils and TOI EDA.

2- Historical Trends

Population and Households

In June 2015, the resident population of the EBOP region stood at 50,070 or 17.4% of the full Bay of Plenty area population. Whilst the region's population has fallen overall since 2009 by 0.6% nevertheless it has been gradually increasing since 2013 and overall by 440 or 0.9%. Last year, the region's population increased by 340 or 0.7%. The population of Whakatane District, which presently accounts for 69% of the total EBOP region population, has increased overall by 300 or 0.9% since 2009 and also increased to this extent last year. The Kawerau District population has fallen overall since 2009 by 310 or 4.4% but rose last year for the first time in seven years by 0.9%; the District presently accounts for 13% of the total EBOP population. The population of Opotiki District, which currently accounts for 18% of the total EBOP population, has fallen overall by 280 or 3.1% since 2009; the area's population also fell last year to a slight extent. During the last six years, the total Bay of Plenty region population has increased overall by 14,400 or 5.3% and also rose by 4,800 or 1.7% last year.

At the same time, the 0-14 population of the EBOP region has fallen by 790 or 6.4% and the 15-64 working-age population by 1,080 or 3.5%. However, the 65+ population has risen by 1,570 or almost 23%.

Since 2009, the total number of households in the EBOP region has risen by an estimated 330 or 1.8%. At the same time, average household occupancy (average number of persons per household) has fallen from 2.70 to 2.64. Current household numbers within the region are estimated at Whakatane 13,065, Kawerau 2,480 and Opotiki 3,415. These compare with the 2009 figures of Whakatane 12,670, Kawerau 2,560 and Opotiki 3,400.

Building Construction

The following main trends have occurred in the EBOP Region since 2009 in relation to consented new building activity and consented building alterations:

- An ongoing fall in the annual number of consented new residential buildings over 2009-2012, followed by an overall increase since then. The number of new dwellings consented last year was up a third on the result for 2014. The total annual value of consented new dwellings fell steadily over 2009-2012, almost doubled in 2013 and then fell slightly in 2014. However, this indicator rose sharply last year by 60%.

- The annual number of consented new commercial/industrial buildings fluctuated over 2009-2014 in the range 12-24 buildings. In 2015, the number of consented new buildings was 15.8% below the figure for the previous year. The annual value of consented new commercial/ industrial building has also fluctuated over the period since 2009 and last year was 42% down on the 2014 figure.

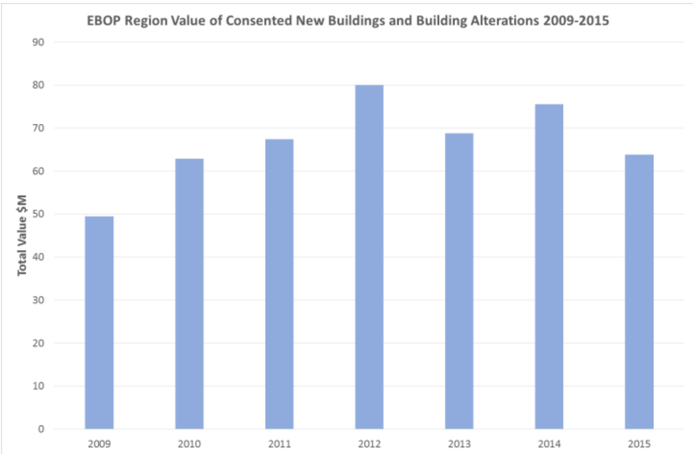
- The annual number of consented new farm buildings also fluctuated noticeably over 2009-2015 and fell 17.1% last year. However, the total annual value of the new building activity has been increasing steadily since 2013 and rose 42% in 2015, following the 12% gain the previous year.

- The annual number of consented new community/social buildings increased over 2009-2011, fell sharply over the following two years, almost doubled in 2014 but then fell by half last year. The combined value of the consented building activity also fell sharply last year.

- The number of consented building alterations has been falling since 2012 and last year fell by 11%. However, the total value of the alterations rose in 2015 by 7%.

Figure 1 below tracks the annual trend in the total value of all consented new building activity and building alterations over the 2009-2015 period. Last year saw a 15.3% decline in the indicator, following the 9.4% increase in 2014.

Figure 1



Other Economic Indicators

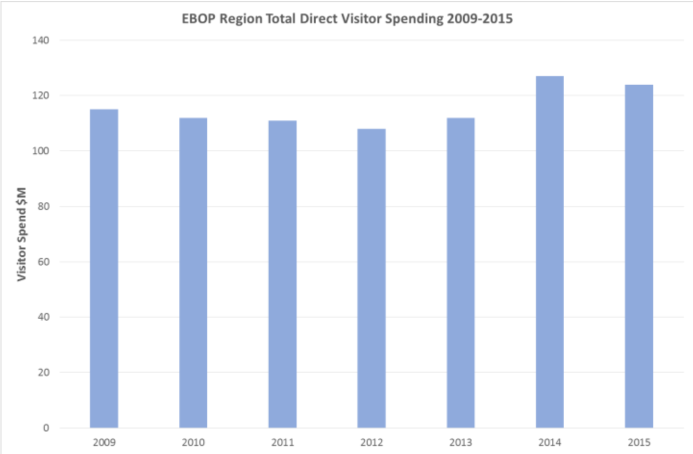
The following trends have occurred since 2009 in the region for a range of other economic indicators:

- After increasing steadily over 2009-2013, the annual number of house sales fell noticeably in 2014 but then recovered sharply (44.3%) in 2015. The median house selling price has lifted overall by 7.4% since 2013, following an overall decline during the 2009-2012 period.
- Estimated annual retail sales increased steadily in the region over 2009-2012, fell a little during the following two years but rose 5.8% last year.
- The number of new motor vehicle registrations in the region has been increasing gradually since 2012 and rose by 5.7% last year.
- After falling steadily over the 2009-2012 period, the annual number of visitor arrivals into the region staying in commercial accommodation has since increased steadily and overall by 23.5%.

Last year, the number of arrivals increased by 3.6% and the total number of visitor-nights by 32,240 or 10%. The latter indicator has increased since 2012 by 104,884 or 42.2%.

- **Figure 2** below indicates the trend since the 2008/09 March year in annual visitor spending in the EBOP region. The level of spending fell gradually over the 2008/09-2011/12 period but has since recovered overall by 14.8%. Last calendar year, total international visitor spending in the region increased sharply whilst total domestic visitor spending fell.

Figure 2



Appendix 1 provides a range of annual economic indicator results for the individual territorial local authority districts in the region, for the period 2010-2015.

Overall Economic Activity

Figure 3(a) below tracks the actual and underlying trend in total real (inflation adjusted) GDP for the EBOP region since year 2000. The base information for the graph is Statistics NZ's latest revised regional GDP time-series for New Zealand. The GDP estimates for EBOP have been calculated taking into account its shares of SNZ's national and wider Bay of Plenty region GDP, as well as industry GDP estimates for the latter area. As the graph indicates, overall economic activity in the region increased gradually over the 2000-2008 period; it then fell back noticeably in 2009; however, since then, it has gradually increased (other than in 2012) to reach its highest level for the period last year. **Figure 3(b)** indicates the annual economic growth trend in the region since 2000; the annual rate of growth has fluctuated markedly during the period but has been mainly positive throughout. The region recorded 2.3% real economic growth last year.

Figure 3(a)

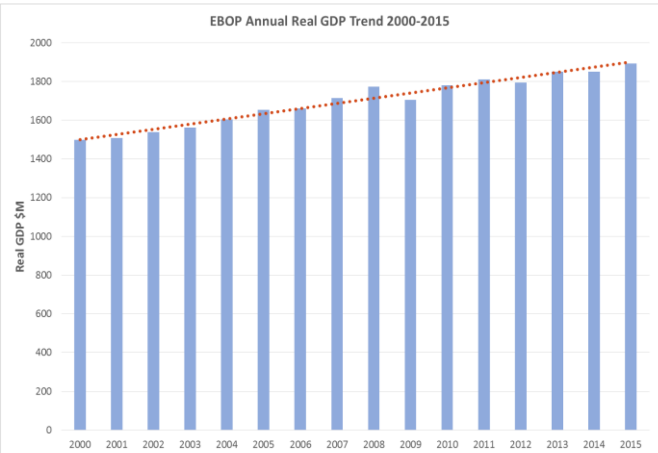


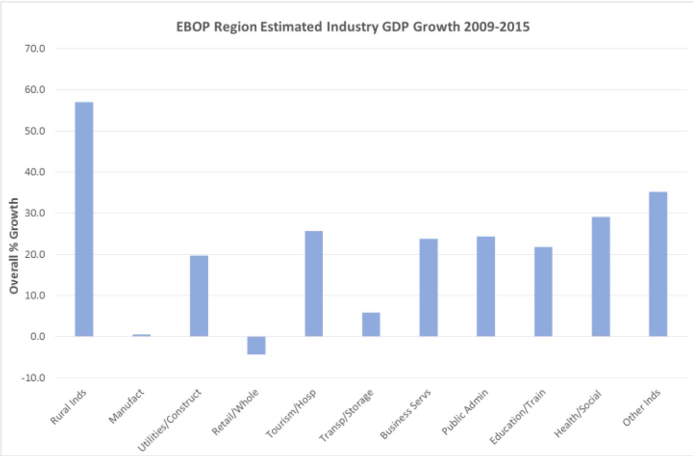
Figure 3(b)

GDP per capita is a formal measure of the average economic standard of living in a particular geographical area. The current annual figure for EBOP is $41,782; this compares to $43,159 for the full BOP region and $52,953 for the country as a whole. Since 2009, nominal GDP per capita in the EBOP area has increased by $8,104 or 24%.

Industry Growth

Figure 4 below indicates overall industry based nominal (current dollar terms) GDP growth for the EBOP region, for the 2009-2015 period. The strongest growth industries for the period were, in order, rural production (agriculture/forestry/fishing/mining) as a whole, health and social services, hospitality/tourism services, public administration and business services. Only the combined wholesaling/retailing industries recorded a growth decline for the period. Manufacturing grew only slightly overall.

Figure 4

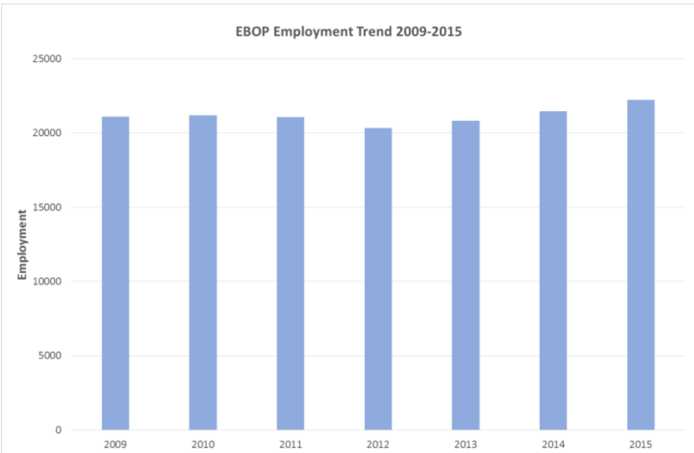


Labour-Market

The EBOP labour-market results reported in this section have been correlated with Statistics New Zealand's annual Household Labour-force Survey, business demography and LEED employment results for the wider Bay of Plenty region.

Over 2009-2015, total annual employment in the EBOP region fluctuated within the broad range 21,000 to 22,300, as indicated in **Figure 5** below. After falling overall during 2009-2011 employment has since increased and overall by 1,171 or approximately 6%, compared with the figure of 10.6% for the full Bay of Plenty region. Last year, employment in EBOP rose by 763 or 3.6%.

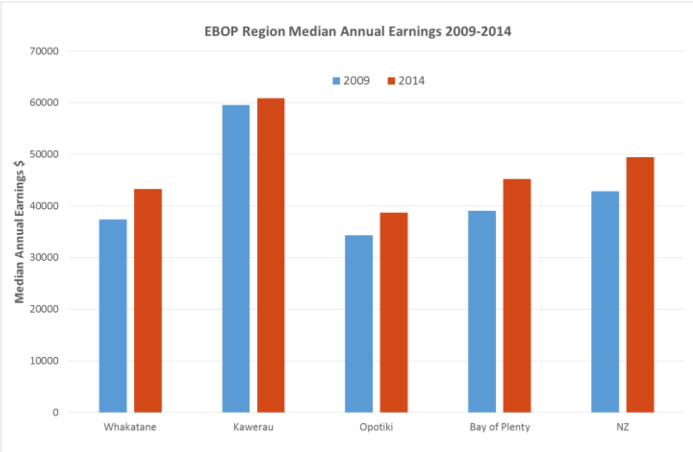
Figure 5:



GDP per employee is a formal measure of average labour productivity. The current annual nominal figure for EBOP is $93,077 and this compares with the figure of $80,322 in 2009. The current levels for the wider BOP region and the country as a whole are $86,992 and $102,238 respectively. EBOP's higher figure relative to the wider Bay of Plenty region can be traced to its particular mix of rural and manufacturing industries compared to the mix for the wider region as a whole.

For the year ended December 2014, median annual earnings for continuing jobs in the Whakatane District were $43,270, Kawerau District $60,910 and Opotiki District $38,690. The comparable figures for the BOP region and New Zealand were $45,240 and $49,400 respectively. These results are shown in **Figure 6** below along with their 2009 comparisons. Over the 2009-2015 period, median annual earnings in the Whakatane District increased by 15.8% in nominal terms, Opotiki by 12.8% and Kawerau by 2.3%, whilst the total Bay of Plenty region increase was 15.9% and New Zealand 15.4%.

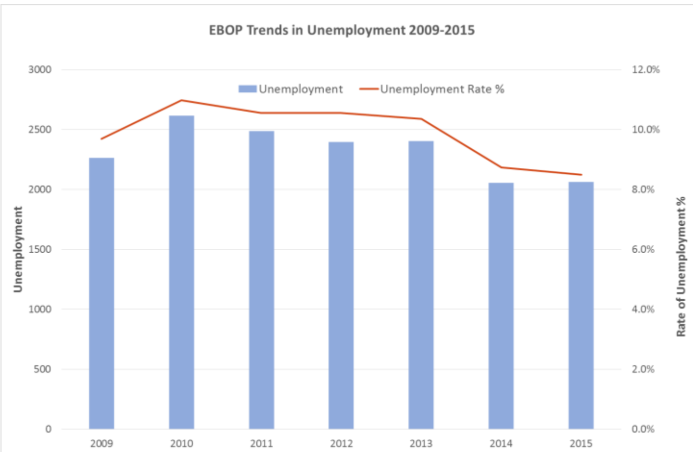
Figure 6:



Source: *Statistics New Zealand LEED Results*

Annualised unemployment in EBOP at the end of December 2015 is estimated at 2,063, up just slightly on the December 2014 figure. The December 2009 figure was 2,263. The annualised rate of unemployment in EBOP in December 2015 stood at 8.5%, compared with 8.7% in December 2014 and 9.7% in December 2009. In December last year, the full Bay of Plenty region rate of unemployment was recorded at 6.8% and nationally at 5.8%. **Figure 7** below indicates the longer-term trends since year 2009 in both unemployment and the rate of unemployment in EBOP.

Figure 7



Since 2009, strongest industry employment growth in EBOP has been recorded by, in order, the utility services, public administration, health services, primary production and rental/hiring/real estate industries. Employment has fallen the most in the retailing, manufacturing, financial services and transport/storage industries.

3- Current Economic Profile

This section provides a summary economic profile of the EBOP region in 2015. The profile comprises three parts, namely key economic indicator results for the region, an industry based GDP and employment profile of the region, and a district based industry employment profile for the area. **Table 1** below provides key economic indicator results for the region last year.

Table 1: EBOP Key Economic Indicator Results 2015

Economic Indicator	Result
Total Population	50,070
Working Age (15+) Population	38,600
Total Estimated Households	18,960
Total Number of Businesses	5,376
Number of SME Businesses	5,349
Total Employment	22,239
% of 15+ Population Employed	57.6
Total Nominal GDP $M	2,092
Total Unemployment	2,063
Total Labour-force	24,302
Total Unemployment Rate %	8.5%
Total People On Job Seeker Support Benefit	2,805

Table 2 below provides the latest year 2015 annual industry GDP and employment profile for the EBOP region, together with an industry based employment profile for the three territorial local authority districts comprising the region.

Table 2: Eastern Bay of Plenty Area Industry GDP and Employment Levels March 2015 Year

Industry	EBOP Region		Employment		
	GDP $M	Employment	Whakatane	Opotiki	Kawerau
Rural Production	334	3,188	2,016	1,112	60
Manufacturing	248	2,822	1,503	61	1,258
Utilities & Construction	253	1,820	1,185	244	391
Wholesaling/Retailing Hospitality Services	144	3,768	2,968	507	293
Transport/Storage/Coms	45	717	550	106	61
Business Services	291	2,174	1,441	568	165
Health & Community Services	134	2,822	2,333	281	208
Government Admin	60	1,148	892	98	158
Education/Training	120	2,761	1,991	489	281

Industry	EBOP Region		Employment		
	GDP $M	Employment	Whakatane	Opotiki	Kawerau
Other Industries	86	1,019	713	161	145
Owner Occupied Dwellings[2 3]	165	-[3]	-[3]	-[3]	-[3]
GST[2 3]	188	-[3]	-[3]	-[3]	-[3]
TOTAL	**2,068**	**22,239**	**15,592**	**3,627**	**3,020**

Notes:

1. Base data sourced from Statistics NZ.
2. Part of the national accounts/GDP reporting system.
3. No employment attached to this factor.

The largest EBOP sectors in GDP terms are, in order, rural production, business services, utilities and construction, manufacturing, trade and hospitality services and health/community services. The largest employing industries are trade and hospitality services, rural production, manufacturing, health/community services and education/training services.

At the district level, Whakatane presently accounts for 70% of total regional employment, Opotiki 16% and Kawerau the balance of 14%. Within Whakatane district, the largest employing industries are, in order, trade and hospitality services, health/community services, rural production, education/ training and business services. Within Opotiki district, the leading employers are rural production (30% of total district employment), business services, trade and hospitality services, education/ training and health/community services. In Kawerau district, the leading employers are manufacturing (41% of total district employment), utilities and construction, trade and hospitality services, education/training and health/community services.

As the employment figures in the above table indicate, Whakatane and Opotiki are the main rural production localities in the EBOP region. Whakatane and Kawerau are the main manufacturing localities. Whakatane is the main base (75% of total employment) for the remainder of the region's industry portfolio.

The rural production industry accounts for approximately 20% of total EBOP industry Gross Domestic Product and 14% of total regional employment. In terms of employment, the leading rural industries in Whakatane district are dairying, fruit growing (mainly kiwifruit and berry fruit), agricultural support services, forestry/logging and sheep/beef farming. In Opotiki, they are fruit-growing (mainly kiwifruit), agricultural support services, dairying and forestry/logging.

The manufacturing sector accounts for 12% of total EBOP Gross Domestic Product and employment. The main manufacturing activities in Whakatane are dairy product processing, pulp, paper and paperboard manufacturing, and metal product and transport equipment/machinery manufacturing. Opotiki has a very small manufacturing base. Kawerau's main manufacturing activities are wood product manufacturing, pulp/paper/paperboard manufacturing and machinery/equipment manufacturing.

The leading service industries in EBOP in GDP terms are business services, utilities and construction, trade/hospitality services and health/community services. The leading regional industries in employment terms are trade and hospitality services, health and community services, education and training services, business services and utilities/construction services.

4- Economic Outlook

In terms of the economic outlook for the EBOP region over the shorter-term, the following points are pertinent:

- There has been gradual population recovery in the region since 2013, following a period of decline since 2010. Statistics New Zealand is projecting further household growth in the region over the next few years.
- The region has recorded underlying annual average economic growth of approximately 1.5% since year 2000 and this provides a positive base for further growth in the area in the future.
- This should be reinforced by positive 'spill over' effects for the area resulting from growth trends occurring at the wider Bay of Plenty regional level. It is noted in this regard that since 2009, the Bay of Plenty population has steadily increased and overall by around 5%; Statistics New Zealand is projecting further population growth in the region in the range approximately 2.5-4% over the next three years. Further household growth in the region in the range approximately 3.5-5% is also projected for the same interval. Annual average real GDP growth of around 2.5% has been recorded by the region since year 2000 and this result also provides a solid platform for further economic growth in the area. Overall employment in the region has increased significantly since 2012 and last year was at its highest level for the past 15 years.
- Specific positive local economic/business trends and developments within the region include the following:
  - *Opotiki*: Further progress (design and construction) on the major Harbour entrance redevelopment project which will, amongst other things, facilitate the growth and development of the local marine farming and related processing industry; major increase in kiwifruit gold production and related pack-house capacity; the NZ Manuka Group is investing for growth and adding staff to its manuka oil, honey extraction and agar/bio-media production (from seaweed) operations; and further tourism sector developments such as the Motu River cycling trails.
  - *Whakatane*: Major growth of the local marine boat building industry; upswing in the local housing market; operation of the new Tauranga Eastern Link road; facilitation of increased events tourism in the district; new motel developments; major redevelopment of Whakatane Public Hospital; proposed new residential/retirement village development at Piripai and Seascape residential development at Ohope Beach; Air Chathams has been providing scheduled air and freight services between Whakatane and Auckland since October 2015 following the withdrawal of Air NZ services; and significant tourism activity over the latest summer period with positive flow-ons to the CBD area.
  - *Kawerau*: Sequal Lumber is in the process of significantly increasing its kiln drying capacity which will use geothermal steam generated heating; increased use of the local geothermal energy field for industrial development including direct heating purposes; processing of forestry product residues to begin shortly; further business developments under consideration; proposed new joint venture geothermal power station; new 'state of the art' high school; and further development of events tourism in the district.

- The Toi Moana Bay of Plenty regional growth strategy and associated action plan were both released last year. The strategy identifies future industrial development opportunities for the whole of the Bay of Plenty region including forest and wood fibre processing, horticulture and processing, agriculture and processing, apiculture (honey), aquaculture, manufacturing and tourism. All these activities are also of significant relevance to the eastern portion of the overall Bay of Plenty region and have already been and continue to be further developed in the EBOP area, as the above summary of business developments indicates. Recent and future Maori business developments, including those linked to use of Maori owned land and future Treaty Settlements are also important in this regard.
- The latest (March 2016) Consensus Forecasts from the New Zealand Institute of Economic Research indicate an expectation of 2.6% economic growth in New Zealand over the year ending March 2017, compared to 2.2% for the year ending March 2016. Annual growth rates of 3% and 2.5% are currently forecast for the following 2018 and 2019 March years respectively. Hence, a noticeably positive overall domestic economic growth environment is presently forecast for the country, in the shorter-term.
- The Ministry of Primary Industries latest (December 2015) update report on the performance and outlook for New Zealand's main primary production export sectors, indicates the following trends that are pertinent to the EBOP area given its current rural industry profile:
  - Following the forecast 3.7% fall in national dairy export receipts for the year ended June 2016, receipts are forecast to recover by approximately 32% over the June 2017 year.
  - Meat and wool export receipts are currently forecast to be up around 10% for the June 2016 year and a further 5.7% for the June 2017 year.
  - Horticultural sector export receipts are forecast to be up approximately 16% for the current June year and a further 7% for the June 2017 year. Gold kiwifruit export receipts are forecast to be up some 76% for the current June year and a further 18% for the June 2017 year.
  - National forestry product export receipts are forecast to be up some 13% this current June year and a further 9% for the coming June 2017 year.
  - Seafood export receipts are presently forecast at approximately 12% up for this June year and 6.6% for the June 2017 year.
- In the context of the EBOP region's manufacturing and service export industries in particular, it is noted that annual average economic growth amongst New Zealand's major overseas trading partners of around 3.5% is currently forecast for the next three years, with growth being relatively strong in the China and Australian markets.
- Total international visitor numbers for New Zealand are presently forecast to be up by 4.1% this year and by a similar factor for the coming year. Visitor average length of stay in New Zealand is forecast to increase by one day for the coming year. Total direct visitor spend is forecast to increase by 5% this coming year.

The general upshot of the above trends is that the broad economic 'environment' facing the EBOP area over the shorter-term is a generally favourable one, which should assist and facilitate further positive economic growth in the area over the next few years.

APPENDIX 1

Eastern Bay of Plenty/TLA District Economic Indicator Results 2010-2015

Indicator	2010	2011	2012	2013	2014	2015
Consented New Dwellings $M:						
Whakatane	18.9	14.2	10.9	19.0	14.2	26.4
Opotiki	4.4	2.0	1.3	3.4	5.2	6.3
Kawerau	0.4	0.5	0.2	0.1	1.1	0.2
TOTAL[1]	**23.7**	**16.7**	**12.4**	**22.5**	**20.5**	**32.9**
Consented New Commercial/Industrial Buildings $M:						
Whakatane	3.1	4.4	0.6	11.3	5.5	0.9
Opotiki	0.04	0.6	0.3	0.06	1.1	2.7
Kawerau	0.01	0.0	1.0	15.0	1.2	0.9
TOTAL	**3.2**	**5.0**	**1.9**	**26.4**	**7.8**	**4.5**
Consented New Farm Buildings $M						
Whakatane	1.3	1.5	2.7	1.5	1.4	2.4
Opotiki	0.2	0.5	0.8	0.2	0.4	0.3
Kawerau	0.0	0.0	0.0	0.0	0.05	0.0
TOTAL	**1.5**	**2.0**	**3.5**	**1.7**	**1.9**	**2.7**
Total Primary Process & Secondary Industry Employment:						
Whakatane	4,005	4,305	4,080	4,443	4,537	4,704
Opotiki	1,191	1,237	1,233	1,301	1,404	1,417
Kawerau	2,049	1,964	1,815	1,634	1,555	1,709
TOTAL	**7,245**	**7,506**	**7,128**	**7,378**	**7,496**	**7,830**
Commercial Visitor Nights:						
Whakatane / ***Kawerau*** }	212,841	212,111	175,933	208,445	223,270	232,909
Opotiki	106,183	85,407	72,854	95,729	97,972	120,762
TOTAL	**319,024**	**297,518**	**248,787**	**304,174**	**321,242**	**353,671**

Note: All totals in the table are the sum of the individual district results.