Domestic Economic Outlook

‘New Zealand is enjoying a strong, broad based economic expansion...’

due to...

‘booming tourism, strong net inward migration, solid construction activity, and supportive monetary policy.’

Alongside an increase in government spending, favourable financial market conditions and renewed strength in trade, the domestic economy is forecast to continue to grow at 3% per annum over 2017-18.
Growth in the local economy is strong

Manawatu District GDP ↑ 3.5% YE Mar 17

Man-Whang Region GDP ↑ 2.4%

Rangitikei GDP ↑ 2%

Palmerston North City GDP ↑ 2.1%

Horowhenua GDP ↑ 3.8%

Auckland GDP ↑ 4%
Drivers of growth

**Trade conditions strengthen**

- 33.1% of MD businesses = primary producers
- Commodity price index ↑ 22.3% YoY
- Dairy prices ↑ 50% higher than May 2016
- Meat prices ↑ lamb +2.8%; beef +2.0%
- Forecast 4.3% ↑ Agricultural Production
Highest rate of population growth for the region (10-yrs)
**Significant public investment**

- $1.1bn + of central government investment signalled to 2030
- Wellington Northern Corridor – connectivity to markets
- Central government commitment to investment in infrastructure

**Business confidence**

- 24.8% of businesses optimistic about the year ahead - ↑ 10% May
- Greatest increase in confidence in the agricultural sector
- Upsurge in global business confidence
The indicators reflect strength in the economy

People are working

- Despite strong population growth, average unemployment to Mar 2017 ↓ 0.3% to 3.8%

- Benefit numbers decline + more people available for work

- The number of beneficiaries as a proportion of working age population is declining and is now beneath the national average (9.2% vs 9.4% NZ)
People want to live here

- Population growth & favourable economic conditions continue to support growth in residential property prices

<table>
<thead>
<tr>
<th>TA</th>
<th>Average value June 2017</th>
<th>12 month change %</th>
<th>3 month change %</th>
<th>Since 2007 market peak change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manawatu</td>
<td>308,599</td>
<td>16.1%</td>
<td>3.1%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Palmerston North</td>
<td>357,752</td>
<td>13.2%</td>
<td>1.6%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Horowhenua</td>
<td>278,503</td>
<td>22.8%</td>
<td>5.1%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Rangitikei</td>
<td>186,313</td>
<td>21.9%</td>
<td>3.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Whanganui</td>
<td>226,526</td>
<td>14.8%</td>
<td>4.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Tararua</td>
<td>175,781</td>
<td>12.2%</td>
<td>3.0%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Ruapehu</td>
<td>163,463</td>
<td>14.1%</td>
<td>0.7%</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Total NZ</td>
<td>639,051</td>
<td>8.1%</td>
<td>1.2%</td>
<td>54.2%</td>
</tr>
</tbody>
</table>
Residents and developers are confident to invest

- Resource consents for new dwellings ↑ 42%
- The $ value of non-residential consents climbed 39% to $15m
- Registration of new cars ↑ 25%
- Registration of commercial vehicles ↑ 15%
Residents are confident to spend

- Growth in retail spending in the district in 2017 exceeds national growth
Tourism

Guest nights decline in March followed by an increase to YE April 2017

- 6.6% annual average ↓ in number of guest nights YE March (excludes private Hotels, Guesthouses, B&Bs and Farmstays)

- YE April 2017 guest night figures indicate a 5.9% increase in guest nights from YE April 2016.
### Strong visitor spending growth

<table>
<thead>
<tr>
<th>Manawatū District Total Visitor Spend</th>
<th>Annual % change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec 16</td>
</tr>
<tr>
<td>Accommodation services</td>
<td>12.8%</td>
</tr>
<tr>
<td>Cultural, recreation, and gambling services</td>
<td>30.5%</td>
</tr>
<tr>
<td>Food and beverage serving services</td>
<td>25.4%</td>
</tr>
<tr>
<td>Other passenger transport</td>
<td>244.2%</td>
</tr>
<tr>
<td>Other tourism products</td>
<td>15.5%</td>
</tr>
<tr>
<td>Retail sales - alcohol, food, and beverages</td>
<td>1.4%</td>
</tr>
<tr>
<td>Retail sales - fuel and other automotive products</td>
<td>6.8%</td>
</tr>
<tr>
<td>Retail sales - other</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>15.6%</td>
</tr>
</tbody>
</table>
Things to watch

**Domestic debt** — Alongside increasing household wealth, high levels of private debt renders households vulnerable to increasing debt servicing costs.
Labour Market Changes

The OECD reports:

• High rates of qualifications and skills mismatch to demand for labour
• Displacement of labour due to technological change and the disproportionate impact of increasing automation on low skilled workers

Local context: CEDA reports - 700 workers needed in logistics and distribution over next 5 years to ensure sector can grow with demand

Political context: Immigration settings
Global Trade Conditions

• China - steps to strengthen capital markets; strong manufacturing data

• Australia – heavily exposed to Chinese economy; HH debt 190% of disposable income; strengthening manufacturing data and iron ore prices

• Emerging US protectionist trade policy – Canada - US import tariffs on dairy products?
Any Questions?