Manawatu
Young Heart, Easy Living

# MANAWATU

## ECONOMIC OUTLOOK

## DECEMBER QUARTER 2010

DESTINATION MANAWATU

VISION MANAWATU
leading economic development

# MANAWATU
## ECONOMIC OUTLOOK

## CONTENTS



## EXECUTIVE SUMMARY

National indicators suggest the pace of economic growth slowed further in the December quarter. The 1 October GST increase is one contributor to the weak activity recorded in the quarter, with some purchases brought forward in the September quarter to avoid the additional GST applying from 1 October. This hid the extent of the decline in economic activity in the September quarter and may be hiding some indicators of a stabilising in economic growth in the December quarter.

The building sector continues to experience a further decline in activity and preliminary indicators suggest the sector will continue to decline in the first half of 2011. There are some initial signs the sector may begin to recover later this year but the 23 February Christchurch earthquake has created significant confusion over the likely short-term and long-term impact on the construction sector.

Retail sales growth (excluding motor vehicle sales and servicing) in the region slowed, increasing by 1.3% in the December quarter compared with growth of 3.2% in the September quarter. This narrowed the growth margin the region has been enjoying over the national trend, with national retail sales increasing by 0.7% in the December quarter. The 1 October GST increase is likely to be a factor in the weak growth rate in the December quarter. It is however clear the income tax cuts on 1 October contributed little to economic growth as households continue to improve their balance sheets.

Export commodity prices continued to rise, more than offsetting the 1.4% rise in the exchange rate between the September and December quarters. Statistics New Zealand estimates for the December quarter suggest dairy prices increased by 37% from the December 2009 quarter, meat prices increased by 14% and wool prices by 34%.

The strength of export commodity prices is reflected in more favourable economic indicators in Manawatu District compared with Palmerston North and national data. Core retail sales growth is an early indicator of economic activity and shows significant divergence between the city and district. Core retail sales in Manawatu District increased by 5% in the December quarter (compared with December 2009) while city growth slowed to just 0.7%.

The outlook for other export sectors remains positive, particularly the outlook for a weaker exchange rate and improving economic growth prospects in most of our international markets. International student arrivals (staying for more than 12 months) increased by 34% in the December quarter. Tourist numbers have slowed since the Christchurch earthquake but the effects of this are primarily seen in the South Island. Core retail sales, which include commercial accommodation and other tourism expenditure, declined by 4.0% in the South Island in the December quarter and increased by 2.2% in the North Island. Interestingly, retail sales in Canterbury increased by 3.3% in the December quarter but declined by 11.4% in the remainder of the South Island.

# ECONOMIC OUTLOOK

## INTERNATIONAL

The OECD composite leading indicators index (an indicator of economic growth) for December points to continued expansion in New Zealand's major trading partners. The index shows relatively robust growth in Germany, Japan and the United States and moderate expansion in Canada, France and the UK. The latest indicators for China point to a downturn, reversing tentative signs of growth in January. Some components for China point to increased growth while others point to a downturn so the outlook remains mixed.

## NEW ZEALAND

The New Zealand economy recovered strongly over the six months to March 2010but the pace of growth faltered in the June quarter and slowed further in the September quarter. The 1 October tax cuts were expected to boost economic activity in the December quarter but it appears households have increased savings and reduced debt, resulting in weak consumption growth. The greatest benefits from the tax cuts went to higher income households while for lower income households the tax cuts were only sufficient to compensate for the increase in the GST rate. Economic activity in the December quarter is also likely to have been understated due to expenditure being brought forward to avoid the GST increase.

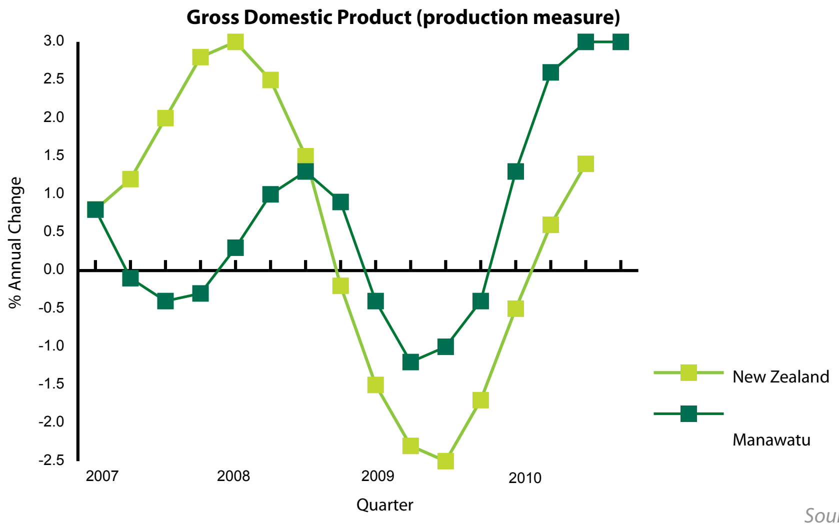
January indicators are pointing to a gradual recovery in consumer expenditure but the construction sector is still experiencing a decline in activity. The prospects for a recovery in the construction sector later in the year are discussed in an article later in this report.

## MANAWATU

There is considerable confusion over the likely short-term and long-term economic impacts from the 23 February Christchurch earthquake. There will be significant disruption to business activity, export flows and tourist inflows in the South Island but the likely impacts on the North Island are less clear at this stage. There will significant short-term pressure on Government finances but there will also be a significant boost to economic activity from reinsurance inflows from overseas. Following the Christchurch earthquake, changes in expectations for the timing of interest rates this year have already resulted in falls to some fixed mortgage interest rates and a fall in the exchange rate, both positive for longer-term economic activity in the Manawatu region.

The improved dairy payout this season and stronger meat and wool prices would normally have provided a significant boost to economic activity in the region. However, there are signs the agriculture sector has also moved to reduce debt levels, reducing the expected increase in spending. Strength in the exchange rate during December and January and uncertainty over production levels for the current season have also impacted on confidence and spending. There have also been suggestions that the ongoing delay in a decision on the sale of the Crafer farms has been impacting on investment decisions by the sector.

The Reserve Bank's action on 10 March to cut the OCR from 3.0% to 2.5% is positive for all sectors in the region. The exchange rate is continuing to decline in value as the prospect for future interest rates in New Zealand has been delayed. Central banks in the US and Europe are beginning to point to future interest rate rises in response to their recovery in economic activity, changing the longer term outlook for the New Zealand dollar compared with other currencies. The widening divergence in interest rates between New Zealand and Australia has contributed to a significant decline in the New Zealand dollar against the Australian dollar, providing significant support for exporters of manufactured products.




*Source: Infometrics / Statistics NZ*

## DECEMBER QUARTER ECONOMIC TRENDS

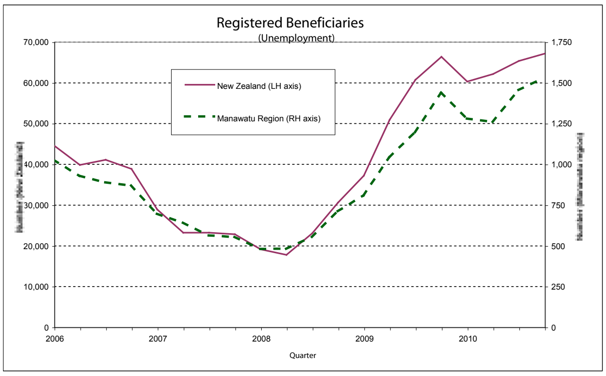
GDP growth in the Manawatu region growth slowed rapidly in the December quarter, but the current estimates suggest there was a very small increase in overall economic activity. Annual GDP increased by 3.0% in the year to December 2010, no change from the 3.0% recorded in the year to September. Some indicators show further growth in the economy while others point to a contraction in economic activity.

December quarter comparisons with the December 2009 quarter are:

- 3.0% increase in estimated annual production. National GDP data is due to be released on 24 March.
- 1.3% increase in nominal core retail sales (excludes motor vehicle sales and servicing). Core retail sales are a useful indicator of consumer expenditure trends in the region. National sales growth was 0.7%.
- New car registrations increased by 23% while ex-overseas car registrations increased by 31%. (National registrations increased by 15% and by 8% respectively).
- The number of beneficiaries increased by 5% compared with a 2% national increase (Palmerston North rose by 6% while Manawatu District rose by 1%).
- The number of new residential building consents approved declined by 19% (national decline of 16%), while the total value of residential and non-residential consents declined by 31% (national decline of 10%).
- Visitor nights are estimated to have increased by 5%. Visitor nights in commercial accommodation declined by 9% while visitor nights with family and friends increased by 9% (national comparison not available).
- Net external migration in the region declined, with a net loss of 16 people in the December 2010 quarter compared with a net gain of 31 people in the December 2009 quarter.
- Net natural population growth of 187 people in the December 2010 quarter compared with a net increase of 134 people in the December 2009 quarter (379 births and 192 deaths in the December 2010 quarter compared with 327 births and 193 deaths in the December 2009 quarter).

## LABOUR FORCE

Unemployment data for the Manawatu region is not available from the Household Labour Force Survey so the best up-to-date indicator of labour force trends in the region is data on the number of people receiving the unemployment benefit. In December 2010 there were 1,527 people registered for the unemployment benefit in the Manawatu region, 1.7% of the working-age population in the region. The number of people registered for the unemployment benefit increased by 6% from December 2009.




*Source: Ministry of Social Development*

## BUILDING ACTIVITY

Building consents data for the December quarter shows a difficult outlook for the building sector in the first half of 2011. The number and value of consents for new residential dwellings declined (19% and 28% declines respectively), consents for residential additions and alterations declined by 28% and non-residential consents declined by 20% in value. Total consent values in the December quarter were $32.3 million, a 25% decline from the December 2009 quarter.

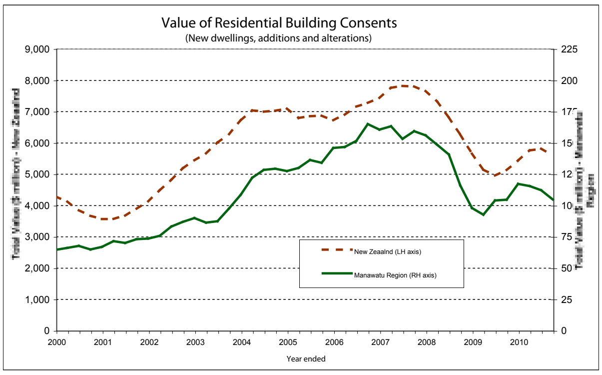
In the 12 months to December 2010 297 new dwelling consents were issued. This was above the low during the recession of 258 dwellings in the year to June 2009 but below long-term averages for the region. Total consent values for new dwellings were $90 million, 2% lower than for the year to December 2009. Consents for residential additions and alterations were a further $21 million, 10% higher than the previous year.

The value of non-residential consents approved in the year ended December 2010 was $85 million, a 23% decline from 2009. Major consents approved in the previous year included work at Ohakea and a number of consents for the fit out of new shops in the Plaza.

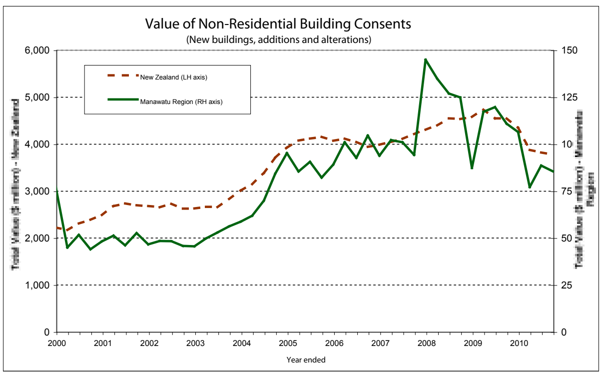
**Building Consents Issued in the Manawatu Region**

| $ million | Year ended Dec 2009 | Year ended Dec 2010 | Annual Change |
|---|---|---|---|
| **Residential Consents (new dwellings, additions, alterations)** | | | |
| Palmerston North | 71 | 71 | 0% |
| Manawatu District | 33 | 33 | 1% |
| Manawatu Region | 104 | 104 | 0% |
| New Zealand | 5,118 | 5,574 | 9% |
| **Non Residential Consents (new buildings, additions, alterations)** | | | |
| Palmerston North | 71 | 55 | -23% |
| Manawatu District | 40 | 31 | -24% |
| Manawatu Region | 111 | 85 | -23% |
| New Zealand | 4,526 | 3,763 | -17% |

*Source: Statistics New Zealand*




*Source: Statistics New Zealand*




*Source: Statistics New Zealand*

## RETAIL ACTIVITY

New estimates for Manawatu region core retail sales growth (excluding motor vehicle sales and servicing) suggest growth slowed in the December quarter and the rate of growth is now similar to national retail sales growth. Core retail sales growth weakened from 3.2% in the September quarter (compared to the same quarter last year) to 1.3% in the December quarter. National retail sales growth weakened from 1.9% in the September quarter to just 0.7% in the December quarter.

Retail spending increased in the month of September, prior to the 1 October increase in the GST rate, so it was inevitable there would be a slowing in retail sales growth in the December quarter. However the pre-GST increase in sales masked the degree to which economic activity was slowing in the second half of the year

Core retail sales growth remains stronger in Manawatu District (increasing by 5% in the December quarter) while the growth rate in Palmerston North slowed to 0.7%, the same as the national growth rate. The growth rate in Manawatu District has slowed despite strong prices for agricultural commodities.

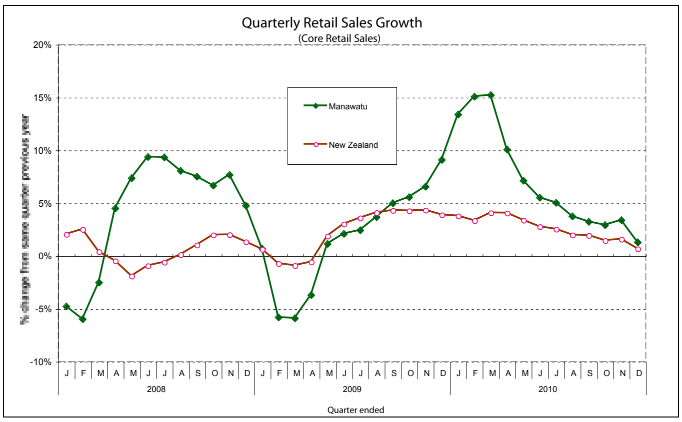
The growth rate for total retail sales in the region slowed to 1.4%, the same as the national growth rate. National retail prices (including fuel) in the December quarter were estimated to be 1.9% higher than in the December 2009 quarter, implying a 0.4% fall in retail sales volumes in the quarter

Motor vehicle sales improved in the region in the December quarter, supported by strong growth in new vehicle registrations in December. New vehicle registrations in the December quarter were 23% higher than for the December 2009 quarter while registrations of ex-overseas registered cars increased by 31%.

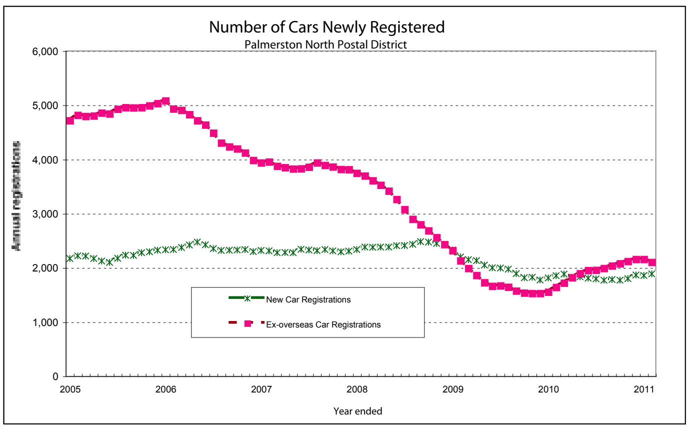
**RETAIL SALES IN THE MANAWATU REGION**

| $ million | Year ended Dec 2009 | Year ended Dec 2010 | Annual Change |
|---|---|---|---|
| **Core Retail Sales (excluding motor vehicle sales and servicing)** | | | |
| Palmerston North | 1,206 | 1,263 | 5% |
| Manawatu District | 164 | 187 | 14% |
| Manawatu Region | 1,370 | 1,450 | 6% |
| New Zealand | 49,519 | 50,657 | 2% |
| **Motor Vehicle Sales and Servicing** | | | |
| Palmerston North | 501 | 574 | 15% |
| Manawatu District | 56 | 46 | -18% |
| Manawatu Region | 557 | 620 | 11% |
| New Zealand | 13,401 | 14,492 | 8% |
| **Total Retail Sales** | | | |
| Palmerston North | 1,707 | 1,837 | 8% |
| Manawatu District | 220 | 233 | 6% |
| Manawatu Region | 1,927 | 2,070 | 7% |
| New Zealand | 62,920 | 65,149 | 4% |

*Source: Statistics New Zealand*




*Source: Statistics New Zealand*




*Source: NZ Transport Agency*

## TOURISM TRENDS

Total visitor nights in the region increased by 5% in the December quarter compared with December 2009, despite a further decline in commercial guest nights in the quarter. Visitor nights in commercial accommodation declined by 10% in the quarter but this was offset by a 9% increase in visitor nights in private accommodation.

Nearly 1.9 million visitor nights were recorded in the Manawatu region during the year to December 2010, a 14% increase from 2009. Visitor nights in commercial accommodation have been declining gradually since 2005 but the rate of decline has accelerated over the last nine months. Visitor nights in private accommodation in the Manawatu have increased strongly over this period.

Motels accounted for 267,000 guest nights in commercial accommodation in the region in the year to December 2010, 68% of total guest nights. Hotels accounted for 105,000 guest nights (26% share) while backpackers and holiday parks accounted for 25,554 guest nights (6%). The share of guest nights by accommodation type in the region differs significantly from the national data, where motels accounted for just 31% of guest nights and backpackers and holiday parks accounted for a 34% share.

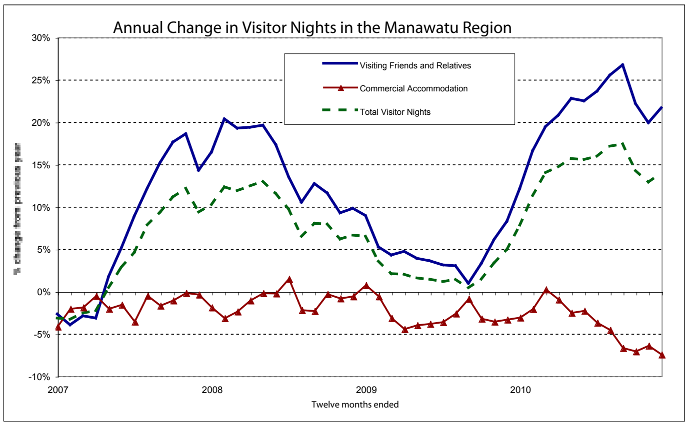
Visitor nights in private accommodation have increased from 65% of total visitor nights in the region in the year to December 2005 to 79% in the year to December 2010. The proportion of international visitor nights in private accommodation has remained fairly stable over this period so the growth in visitor nights in private accommodation reflects both increased domestic and international visitor nights.

Comparable national data for private accommodation visitor nights is not available but the Manawatu region has achieved strong growth compared with the other regions participating in the survey.

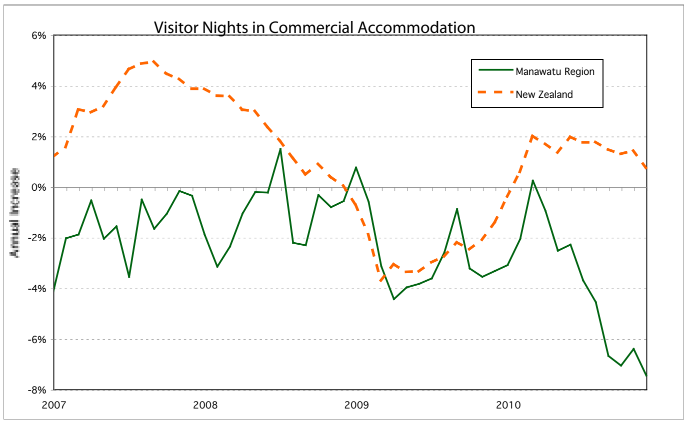
### GUEST NIGHTS IN THE MANAWATU REGION

| Guest Nights in: | Year ended Dec 2009 | Year ended Dec 2010 | Annual Change |
|---|---|---|---|
| **Commercial accommodation** | | | |
| Palmerston North | 393,663 | 367,383 | -7% |
| Manawatu District | 45,722 | 39,233 | -14% |
| **Manawatu Region** | **439,385** | **406,616** | **-7%** |
| **Private accommodation** | **1,222,491** | **1,486,709** | **22%** |
| **TOTAL** | **1,661,876** | **1,893,325** | **14%** |

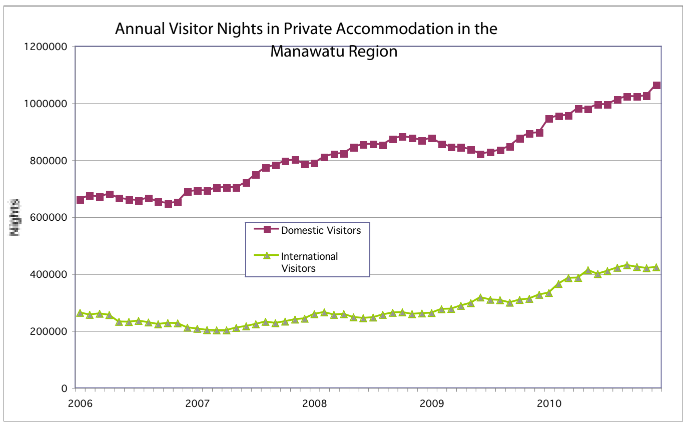
*Source: Statistics New Zealand / APR Consultants*




*Source: Statistics New Zealand / APR Consultants*



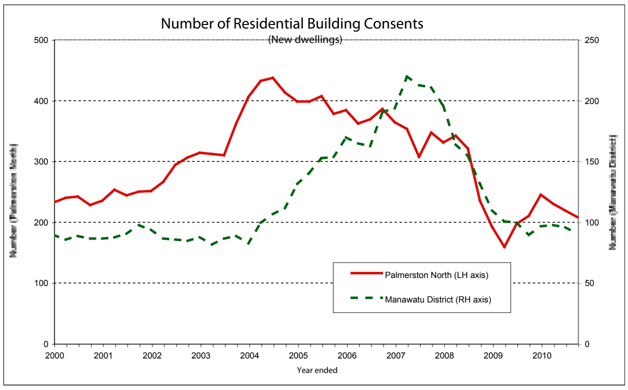

*Source: Statistics New Zealand*




*Source: Destination Manawatu / APR Consultants*

## WHEN WILL THE BUILDING SECTOR RECOVER?

The value of building activity fell sharply in the Manawatu region during the 2008/09 global recession but began to recover strongly from mid 2009. The recovery in residential construction has been short lived and from April 2010 the number of consents approved for new residential dwellings began to decline again. The total volume of new residential dwelling consents during 2010 is still higher than the low point reached during the 2008/09 recession but the volume of consents approved for new dwellings is continuing to decline.




*Source: Statistics NZ*

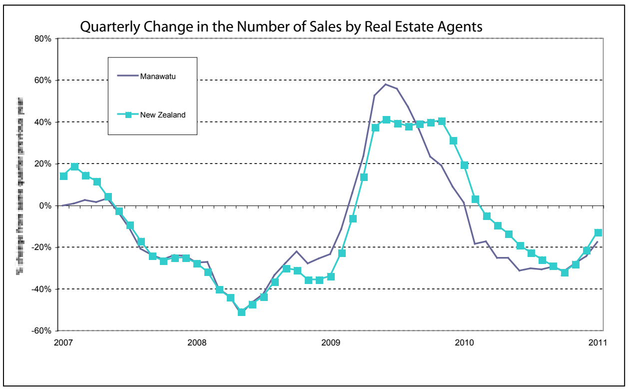
The building sector has not reached the low point recorded in 1998, when just 221 consents for new residential dwellings were approved in the Manawatu. However, the 297 consents approved during 2010 is well down on the peak of 575 dwellings approved during 2006, resulting in considerable pain for the sector as it adjusts to the reduced volume of activity.

It is difficult to predict what the low point will be in the current housing cycle or when there will be a recovery in activity but several indicators suggest the rate of decline may be slowing.

## House Sales by a Real Estate Agent

House sales by real estate agents in the Manawatu region began to increase (compared with the same month in the previous year) in February 2009. This increase in house sales was followed three months later by an increase in consents for new residential dwellings. We do not have data on what proportion of new dwellings are built by property developers or builders for on-sale once they are completed but this appears to be a common practice in the building sector. Any slowdown in sales of new dwellings is therefore likely to reduce the level of new building consents being lodged by developers when it becomes more difficult to sell new houses that have been completed. An increase in house sales is therefore likely to eventually result in an increase in the number of new dwelling consents approved and eventually the level of building activity.

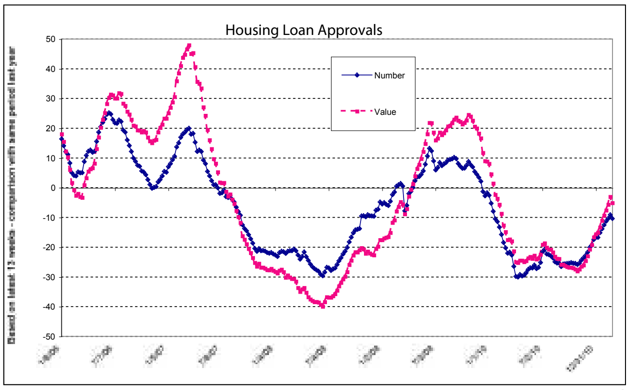
Current house sales data suggests the number of building consents approved will continue to fall in the short-term but there are some signs the market might be starting to turn. The rate of decline in monthly house sales (compared with the same month a year ago) is less than it was a few months ago but nevertheless the number of houses being sold is still declining.




*Source: REINZ*

## Housing Loan Approvals

Reserve Bank data for new housing loan approvals shows a very similar pattern to the house sales data, with a reduction in the rate of decline. The data is published weekly and is released more quickly than house sales data so is a useful advance indicator of trends in the housing sector. The series also suggests we have not reached the point of a recovery in building activity but also confirms the rate of decline is slowing. The rate of change in the series has improved significantly during February and it may record positive growth in March if this trend continues.




*Source: Reserve Bank*

## Recovery in Second Half of 2011?

The current house sales and housing loan approvals data suggests there may be a recovery in residential building consent volumes in the second half of 2011 but it is still too early to predict how strong the recovery will be.

Strong growth in international prices for primary commodities would normally have been expected to support stronger growth in the region but other factors appear to have contributed to the slowdown in economic growth during the second half of 2010.

A major change has been a significant change in the financial position of households and the agricultural sector. There has been weak growth in agricultural sector and household debt in the second half of 2010 and signs the agricultural sector and households have been increasing savings, resulting in much weaker growth in expenditure than expected.

## Canterbury Earthquake

The Canterbury earthquake on 23 February is expected to have a significant economic impact but it is too early to assess the likely impact on the Manawatu region over the next 12 months. It has been suggested by some commentators that the disruption to business activity in Christchurch will significantly reduce expected national GDP growth this year. There is likely to be an impact on tourist numbers in other parts of the South Island due to reduced passenger numbers through Christchurch airport. However, this short-term impact will be offset by insurance payments to businesses and households and increased spending by central and local government.

The 10 March reduction in the OCR by the Reserve Bank was well anticipated by banks and several had already moved to reduce interest rates. Since the beginning of the recession in 2008 there has been a significant divergence between the OCR and the interest rates charged by banks and finance companies. In recent months there has been a fall in longer term interest rates charged for mortgages because economic growth in the second half of 2010 was lower than economists had expected. Most now do not expect the Reserve Bank to raise the OCR until much later this year or even in 2012 and have been reducing interest rates for new fixed term loans. This will give more confidence to households looking to purchase a house during the year.

Another factor which is affecting the timing of the next increase in the OCR is the ongoing transfer of households away from fixed term mortgages to floating mortgages. The Reserve Bank has previously suggested it needed to start raising the OCR at least 18 months before significant inflation pressures began to occur in the economy because of the lag between raising the OCR and the affect of higher interest rates on household spending. The move to floating interest rates means the Bank can further delay any interest rates increases because future interest rate increases will have a more immediate impact.

# MANAWATU RETAIL SECTOR

## Overview

The retail sector is an important part of the Manawatu region economy, with a higher share of regional GDP compared with the national average and is a major contributor to employment and earnings. The sector attracts a significant number of visitors to the region, so is an important component of the tourism sector, and it is an important source of part-time and holiday employment for tertiary students in the region.

## Jobs

The retail sector accounted for 9,180 jobs in the Manawatu region in February 2010, 16.5% of total jobs in the region. Annual earnings (salaries and wages and self-employed) were $278.6 million in the year to March 2009, 10.8% of total earnings in the region. The number of jobs in the sector increased by 1,440 between February 2000 and February 2010, an increase of 19%, slightly weaker than overall job growth in the region (21%). The growth in the region was, however, stronger than national employment growth in the retail sector, which grew by 18% between 2000 and 2010.

## Jobs Count by Sector[1]

| | Manawatu Region | | | New Zealand | | | Manawatu share of national retail employment |
|---|---|---|---|---|---|---|---|
| | Employee Count | 2000 - 2010 change | | Employee Count | 2000 - 2010 change | | |
| | 2010 | Number | % | 2010 | Number | % | |
| **Core Retailing** | | | | | | | |
| Food Retailing | 1,560 | 110 | 8% | 64,800 | 10,130 | 19% | 2.41% |
| Other Store-Based Retailing | 2,900 | 300 | 12% | 104,580 | 19,020 | 22% | 2.77% |
| Non-Store Retailing and Retail Commission Based Buying and/or Selling | 463 | 412 | 808% | 1,750 | -480 | -22% | 26.46% |
| Accommodation | 690 | 90 | 15% | 31,800 | 4,110 | 15% | 2.17% |
| Food and Beverage Services | 2,710 | 520 | 24% | 99,180 | 22,090 | 29% | 2.73% |
| ***Total core*** | ***8,323*** | ***1,432*** | ***21%*** | ***302,110*** | ***54,870*** | ***22%*** | ***2.75%*** |
| **Motor vehicle retailing** | | | | | | | |
| Motor Vehicle and Motor Vehicle Parts Retailing | 580 | 95 | 20% | 14,640 | -840 | -5% | 3.96% |
| Fuel Retailing | 290 | -70 | -19% | 8,870 | -3,650 | -29% | 3.27% |
| ***Total motor vehicle*** | ***870*** | ***25*** | ***3%*** | ***23,510*** | ***-4,490*** | ***-16%*** | ***3.70%*** |
| **TOTAL INDUSTRY** | **9,180** | **1,440** | **19%** | **325,630** | **50,390** | **18%** | **2.82%** |

[1] Note: reclassification of some businesses occurred during the period between 2000 and 2010, affecting the comparison of 2000 and 2010 job counts) within the retail sector

*Source: Statistics New Zealand*

The retail trade sector is a very important source of part-time and holiday employment for students in tertiary education facilities in the region, reflecting the important inter-linkages which occur between sectors. Data from the 2006 Census shows that young people in the 15 – 24 age group accounted for 39% of employment in the retail sector in the Manawatu region, while this group accounted for 20% of overall employment in the region. Similarly the retail sector accounted for 29% of jobs with between 1 and 15 hours a week.

## Earnings

The retail sector's share of total earnings and GDP in the region is smaller than its share of job numbers because of the high proportion of part-time employment in the sector and the young average age of employees but it is still a significant contributor to total earnings, with a 10.8% share in the year to March 2009. The earnings data is based on salaries and wages paid and annual income of the self-employed in the year to March 2009 (the latest year for which data is available). While the growth in the number of jobs in the sector was slightly weaker than overall jobs growth over the period from 2000 to 2010, the gap between earnings growth in the region was much smaller. Retail sector earnings increased by 65.0% between 2000 and 2009 while total earnings growth across all sectors was 65.6%.

National retail sector jobs growth was similar to the jobs growth recorded in the region between 2000 and 2010 (18% growth and 19% growth respectively) but the region has experienced stronger growth in earnings. Manawatu region earnings increased by 65% between 2000 and 2009 while national earnings increased by 62%. The Manawatu region currently has a 2.54% share of New Zealand's population but accounts for 3.11% of total earnings in the New Zealand retail sector, confirming the region pulls in a significant level of retail sales from surrounding areas, particularly from the remainder of the Manawatu-Wanganui region. The Manawatu region's share of national retail earnings has increased from 3.04% in 2000 to 3.11% by 2009.

## Retail Sales

The faster growth in earnings in the Manawatu region is also reflected in Statistics New Zealand retail sales estimates for the region. In the year to January 2007 the region had a 2.75% share of national retail sales but this had risen to 3.18% in the 12 months ended December 2011. The region's share of national retail sales is highest in the motor vehicle sales and fuel sector, reflecting the sale of motor vehicles in Palmerston North to purchasers from the wider Manawatu-Wanganui region. It is estimated the Manawatu region accounts for 4.3% of national motor vehicle and fuel sales (by value).

Total retail sales in the region were estimated to be $2,070 million in the year to December 2010, with $1,450 million for "core' retail sales and $620 million for motor vehicles and fuel.

BNZ cardholder expenditure (debit and credit card) data for the 12 months to June 2010 also confirms the strength of Manawatu region as a significant retail centre in the North Island. The cardholder data for the region was based on the expenditure of 14,426 cardholders who live in the region and 58,651 cardholders from outside the region who made purchases while visiting the region during the year.

Manawatu region residents make a high proportion of their retail purchases from local retailers. In the last year 84% of total purchases by value were from local retailers. The main exceptions to this were holiday and entertainment related spending and mail order and internet purchases. Manawatu region cardholders spent $120.3 million with Manawatu region businesses during the year and $23.1 million outside the region, giving total local cardholder expenditure of $143.3 million.

## Visitor Expenditure

Total sales recorded by BNZ merchants whose physical trading location is in the Manawatu region were $151 million during the year to June 2010, with $120 million (80%) coming from Manawatu residents and $31 million (20%) coming from visitors to the Manawatu.

The net balance for city retailers was negative in January due to increased spending by Manawatu residents at holiday destinations but this followed a high level of spending by visitors to the Manawatu region in December. The annual net retail gain by BNZ merchants based in the region was $8 million over the year to June 2010.

The largest gains in retail sales for the Manawatu region came from the local authorities closest to the region (Tararua, Horowhenua, Rangitikei, Wanganui and Masterton) while the largest losses in purchases by Manawatu region residents were to the major cities and key holiday destinations (Auckland, Wellington, Christchurch, Taupo and Queenstown-Lakes District).

Areas of strength for merchants in the region were recorded for clothing, footwear, recreational goods and furniture and flooring retailers, with between 34 and 25% of retailer revenue coming from consumers who live outside the region.

**Expenditure at Manawatu region merchants by cardholders not resident in the Manawatu**

| | % share of total turnover Merchant revenue |
|---|---|
| Department stores | 25% |
| Furniture & floor coverings retailing | 27% |
| Hardware retailing | 20% |
| Appliance retailing | 21% |
| Recreational Goods | 25% |
| Clothing & softgoods retailing | 34% |
| Footwear | 34% |

## Wider Economic Impacts

The New Zealand Institute of Economic Research (NZIER) economic model for Palmerston North estimates the degree to which economic growth in one sector flows through to increased economic activity in the region. Estimating economic impacts is done using multipliers, the tools economists use for measuring the downstream, or flow-on, effects of an initial change to a particular industry. Multipliers generally estimate the direct, indirect, and induced effects of one additional unit of final demand for a particular industry's output on the entire economy. The model suggests that a $1 million increase in incomes in the retail sector would result in a further $224,000 increase in incomes in other parts of the Palmerston North economy. The multiplier is likely to be similar in the wider Manawatu region. This increase in economic activity is generated through increased purchases by local retailers from suppliers and increased spending by retail sector employees.

Note: the definition of retailing used in this profile is based on the coverage of the Statistics New Zealand Retail Trade Survey. This covers the Retail Trade and Accommodation, Cafes and Restaurants components of the Australian New Zealand Standard Industrial Classification 2006 (ANZSIC06).

## ECONOMIC INDICATORS FOR THE MANAWATU REGION - AS AT DECEMBER 2010

| Key Economic Indicators | Palmerston North | Manawatu District | Manawatu Region | New Zealand |
|---|---|---|---|---|
| **POPULATION (ESTIMATE) - JUNE 2010 (NUMBER)** | **81,300** | **29,700** | **111,000** | **4,367,700** |
| Annual Increase | 1.2% | 0.7% | 1.1% | 1.2% |
| **EMPLOYMENT (ANNUAL EARNINGS) $ MILLION (DECEMBER 2009)** | **1,948** | **323** | **2,271** | **82,773** |
| % annual change from December 2008 [*] | 3.3% | 3.9% | 3.4% | -0.8% |
| **GROSS DOMESTIC PRODUCT (GDP) [1]** | | | **(ESTIMATE)** | **(ACTUAL)** |
| September 2010 % change from September 2009 (annual) | NA | NA | 3.0 | 1.4 |
| December 2010 % change from December 2009 (annual) | NA | NA | 3.0 | NA |
| **ANNUAL NEW RESIDENTIAL DWELLING CONSENTS (NUMBER)** | **207** | **90** | **297** | **15,602** |
| % change from December 2009 quarter | -19.6% | -17.2% | -18.8% | -16.1% |
| Year ended % change | -1.0% | 1.1% | -0.3% | 8.2% |
| **ANNUAL NON RESIDENTIAL BUILDING CONSENT VALUES ($ MILLION)** | **55** | **31** | **85** | **3,763** |
| % change from December 2009 quarter | -33.2% | 98.1% | -19.6% | -3.5% |
| Year ended % change | -22.5% | -23.6% | -22.9% | -16.9% |
| **ANNUAL TOTAL BUILDING CONSENT VALUES ($ MILLION)** | **126** | **64** | **189** | **9,338** |
| % change from December 2009 quarter | -31.2% | -5.7% | -24.6% | -9.7% |
| Year ended % change | -11.4% | -12.5% | -11.8% | -3.2% |
| **ANNUAL CORE RETAIL SALES ($ MILLION)** | **1,263** | **187** | **1,450** | **50,657** |
| % change from December 2009 quarter | 0.7% | 5.4% | 1.3% | 0.7% |
| Year ended % change | 4.7% | 13.8% | 5.8% | 2.3% |
| **ANNUAL TOTAL RETAIL SALES ($ MILLION)** | **1,837** | **233** | **2,070** | **65,149** |
| % change from December 2009 quarter | 2.0% | 4.1% | 2.2% | 1.4% |
| Year ended % change | 7.6% | 5.7% | 7.4% | 3.5% |
| **ANNUAL GUEST NIGHTS IN COMMERCIAL ACCOMMODATION (NUMBER)** | **367,383** | **39,233** | **406,616** | **32,246,584** |
| % change from December 2009 quarter | -8.5% | -16.7% | -9.5% | -0.8% |
| Year ended % change | -6.7% | -14.2% | -7.5% | 0.7% |
| **TOTAL BENEFICIARY NUMBERS [2]** | **7,063** | **1,940** | **9,003** | **352,707** |
| % change from December 2009 quarter | 6.4% | 0.8% | 5.1% | 2.1% |

[*] December 2009 is the latest employment data available
[1] Source: Infometrics (Production GDP estimate)
[2] Source: Ministry of Social Development

*Source: Statistics New Zealand (except otherwise indicated)*

VISION MANAWATU leading economic development

DESTINATION MANAWATU

Vision Manawatu is an independent organisation that leads the execution of the regional economic strategy. It identifies, researches and delivers initiatives that play a significant role in transforming the regional economy, while also delivering best practice services, particularly in the area of business support.

The agency has a wider mandate right across the Horizons region that encompasses Tararua, Horowhenua and Rangitikei districts, for delivery of various business support initiatives.

**Key responsibilities are to:**

- Lead the development of a 10 year economic development strategy for Palmerston North City and Manawatu.
- Enhance the region's reputation as a transport hub and centre of excellence in education, defence, health, science, food and agri-business.
- Drive key activities to ensure an effective regional labour market- including attracting and retaining talent and investment.
- Ensure the retention, growth and sustainability of existing businesses in key sectors.
- Broker central government research and development grants.
- Provide analysis, reports and forums to share regional performance.

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Ph: 06 350 1830
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www.visionmanawatu.org.nz

Destination Manawatu is a collaborative marketing organisation that provides regional leadership in generating economic development from the tourism, visitor, business and education travel and events sectors.

**Our key goals are:**

- Increase Manawatu's market share of convention visitor nights to 10% (from 6% in 2009).
- Work with key regional agencies and local government to serve six annual events of national significance and one of international significance.
- Work with regional partners between Wellington and Taupo to develop a touring route that travels through Feilding and Palmerston North.
- Deliver excellent Visitor Information Services at Palmerston North, Feilding and on SH1 at or near Sanson.
- Work with Palmerston North Airport Ltd to establish Palmerston North as a sustainable International hub.
- Work collaboratively with our major tertiary education providers to attract International students to Manawatu.
- Use the web as our key marketing platform for promotion and development.
- Deliver a professional and capable destination marketing organisation with widespread support.

PO Box 12005, Palmerston North
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www.manawatunz.co.nz

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