

Eastern Bay of Plenty Region Economic Monitor June 2011

1.0 Introduction

This report provides an analysis and assessment of the current economic situation within the Eastern Bay of Plenty region (the EBOP region comprises the territorial local authority districts of Kawerau, Whakatane and Opotiki), 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 region, for the last five years.**

2.0 Trend Summary

- EBOP economic indicators that improved over the past year to March 2011 included the total population of the area, number of new commercial and industrial buildings receiving consent, the total number of building alterations consented, new motor vehicle registrations, employment and unemployment. New dwelling consents, house sales and retail sales all fell during the year. Visitor activity in the region recorded a relatively sharp drop over the latest year, with the number of people staying in commercial visitor accommodation falling by 7% and the number of night-stays falling by 12%.
- There have been some economic gains for the region over the December 2010/ March 2011 quarters (the monitoring period that has elapsed since the last report was prepared), as compared to the Dec 2009/ March 2010 period (a year earlier), in the form of an increase in the number and value of housing alterations consented and in the number and value of new commercial and industrial premises receiving building consent; a rise in new vehicle registrations; increased electricity consumption; higher employment and a reduced rate of unemployment.
- 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 begin to flow through to the EBOP region once farmers and growers have addressed their debt levels.
- 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 noticeable 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 EBOP Region Economic Indicator Levels as at March 2011

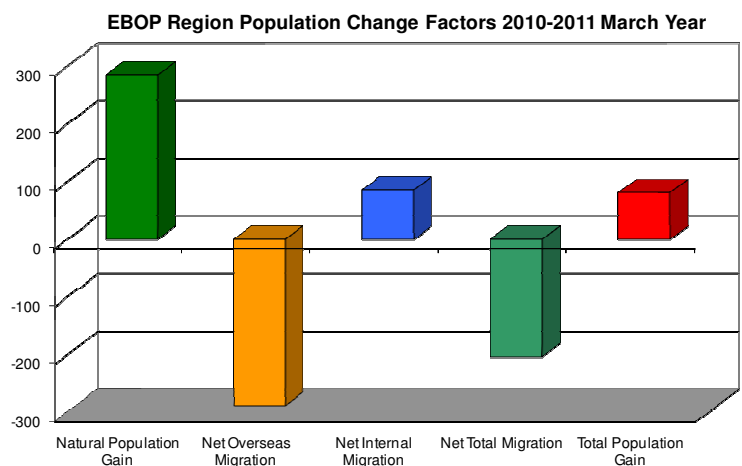
Population:	50,470
Households/Dwellings:	19,975
Nominal Gross Domestic Product (GDP):	\$1,693 million
Annual Economic Growth Est.	-0.3%
Employment March Qtr 2011:	20,269
Employment Growth Mar Qtr 2011:	1.6%
Unemployment Mar Qtr 2011:	1,215
Unemployment Rate (%):	5.6

4.0 Population

Figure 1:

The EBOP region’s population currently stands at an estimated 50,470, based on 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 region’s population is anticipated to be around the 51,000 mark in Year 2016.

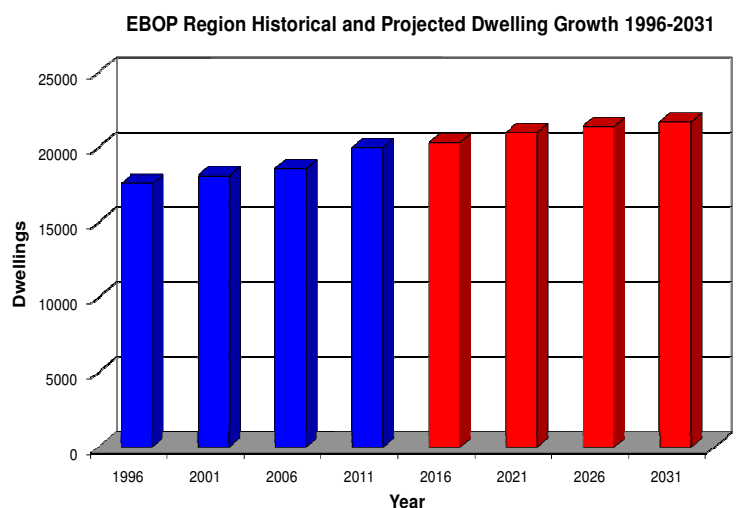
Over the past year, natural population increase (births minus deaths) in the region totalled 284. Given the area’s total population gain over the year of 80, total net migration for was therefore in the order of -204. This comprised a net external (overseas) migration loss of -289 and a net internal (domestic) migration gain of 85. **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

Figure 2:

The total stock of houses in EBOP region in March this year stood at an estimated 19,975. This represents an increase of 1,432 or 7.7% from the 2006 Census result. Latest Statistics NZ projections indicate a further 8.5% increase in household/dwelling numbers in the region 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%.



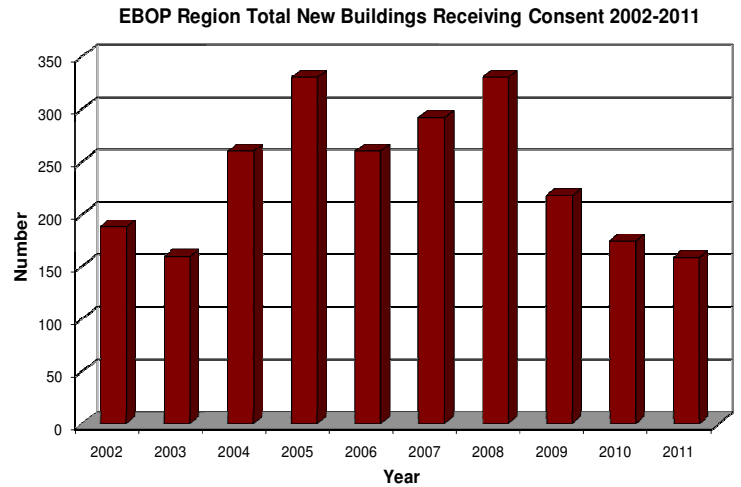
6.0 New Building Activity

Over the year ended March 2011, a total of 158 new buildings of all descriptions received consent to proceed in EBOP region, worth a combined value of \$39M. The total number of new buildings approved during the previous March year was 174, with a combined value of approximately \$32 million. The total number of building alterations consented during the latest March year was 612 worth \$26.7 million, compared to 458 and \$16.1 million during the March 2010 year.

The number of new residential dwellings consented in the region during the latest year was 88 worth \$17 million, compared to 98 worth \$23.6 million during the 2010 March year.

The number of new commercial/industrial buildings consented during the latest March 2011 year was 17 worth \$3.1 million, compared to 13 worth \$3.2 million during the 2010 March year. The number of new farm buildings consented during the year was 37 worth \$1.7 million, compared to 39 worth \$1.2 million for the previous March year.

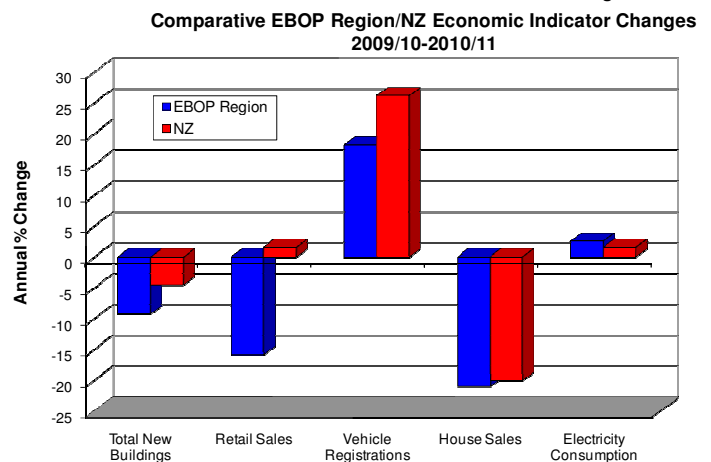
Figure 3:



7.0 Other Economic Indicators

EBOP region house sales for the March 2011 year were down 21% on the previous year. Actual retail sales for the area fell 15.8% during the latest year, compared to the national gain of 1.6%. New motor vehicle registrations rose 18.2% over the year, compared to 26% nationally. Electricity consumption in the region during the March 2011 year was 2.6% up on the previous year, compared to the national gain of 1.6%.

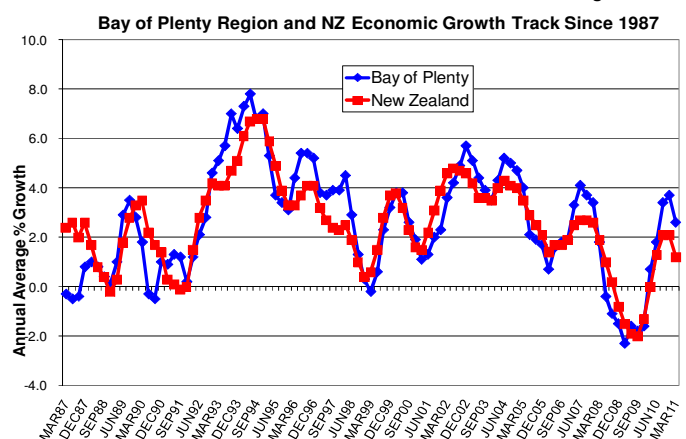
Figure 4:



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 EBOP sub-region 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

Figure 5:



growth has been positive in the region since mid last year but fell back in March this year to just above 2%.

9.0 Visitor/Tourism Numbers

Statistics NZ commercial visitor arrival numbers staying in commercial accommodation totalled 136,123 for the region over the March 2011 year, down 10,421 or 7.1% on the previous year. The comparative national change was a 2.1% loss. The number of arrivals has fallen by 23% since the 2008 peak for the past five years. The number of nights spent in the area by visitors staying in commercial accommodation totalled approximately 304,000 for the March 2011 year, down 10.6% on the previous year. Visitor nights have fallen by 23% since 2008.

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 EBOP region over the last year was 2.2 nights, compared to 1.9 nights nationally.

Figure 6a:

EBOP Region Annual Commercial Visitor Arrival Numbers 2002-2011

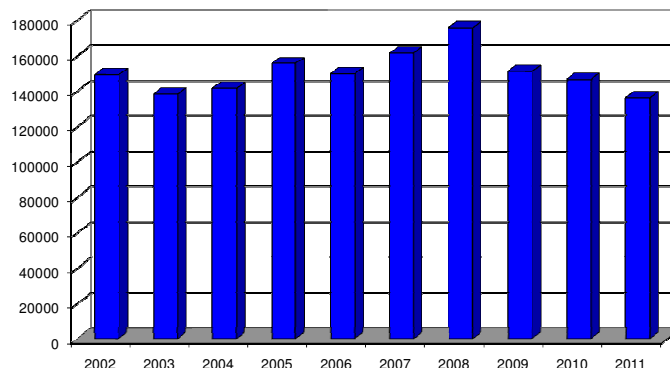
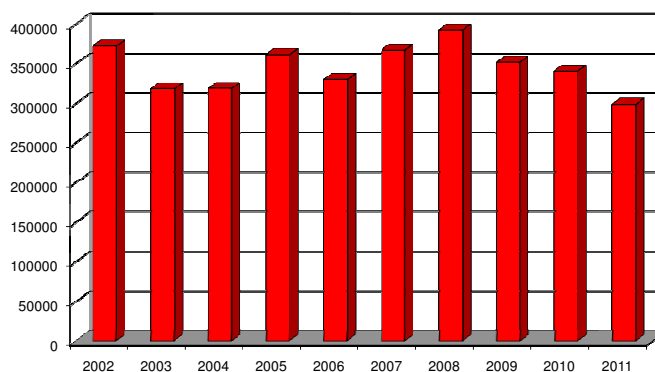


Figure 6b:

EBOP Region Annual Commercial Visitor Accommodation Night-Stays 2002-2011



10.0 Results Comparison

Table 1 below indicates the comparative local economic indicator changes over the March 2011 year for the 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.

The full Eastern BOP sub-region outperformed the total Bay of Plenty region over the latest year for vehicle registrations and employment.

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
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:

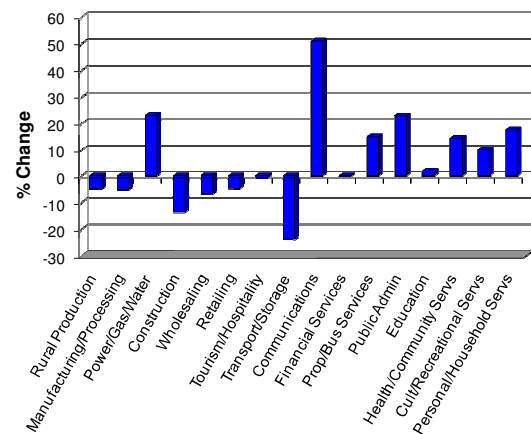
Real GDP growth for EBOP region industry sectors over the period of major international economic downturn since 2007 has been highest for the communications, Government, power/gas/water, property/business services, health and community services, and cultural/recreational services industries. Negative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

The graph to the right shows real GDP growth over the last three years for the different regional industry sectors. The table below the graph indicates the current economic size of the different industry groups in the region. The region's largest industries in GDP terms, as indicated in the table, are rural commodity production, processing and manufacturing, retailing and wholesaling, business services, the Government sector and health/ community services.

The combined rural production and processing/manufacturing sectors account for 40% of total industry GDP in the EBOP region. The main broad production industries in the area are kiwifruit growing; dairying; logging; rural production support services; dairy product processing; and pulp, paper, paperboard 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.

EBOP Region Industry Real GDP Growth 2007-2010

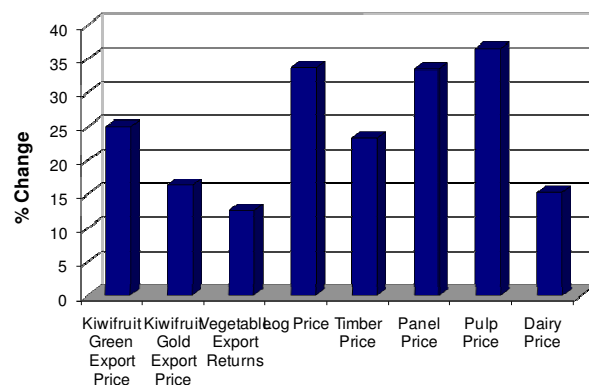


Industry	Nominal GDP (\$M)
Rural Production	353.3
Processing & Manufacturing	311.8
Electricity/Gas/Water	57.2
Construction	57.5
Retailing/Wholesaling	151.7
Accom/Transport/Communications	83.4
Business Services	172.0
Government/Public Administration	99.1
Education	84.5
Health/Community Services	96.3
Cultural/Personal Services	33.4
Other ¹	192.8
TOTAL	1,693.0

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

Figure 7b:

MAF New Zealand Rural Commodity Price Forecasts 2011-2015



12.0 Employment

Total employment in EBOP region for the March 2011 year was up 0.3% on the previous March year and stood at an annualised 21,045 in March this year. As the graph to the right indicates, employment in the region has been relatively stable since 2008.

Since 2007 and the onset of the latest major international and domestic economic downturn, industry employment growth in the region has been strongest for the power/gas/water services, communications, health and community services, Government administration and recreation/ household services sectors. Employment decline has been most pronounced for primary production, processing and manufacturing, construction and transport/storage sectors.

The largest employing industries are currently primary industries production, processing/ manufacturing, construction, retailing, education, health and community services, and business services.

In March this year, the rate of unemployment in EBOP was recorded at 5.6%, compared to 6% 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 area has fallen significantly overall, during the period.

In March this year, total unemployment in the region stood at 1,215. The number of people receiving the unemployment benefit in the district stood at 1,287, compared to 1,090 a year ago, that is, an increase of 18.1% over the year. The total number of working-age income tested beneficiaries stood at 5,872 in March 2011, compared to 5,558 a year earlier.

Figure 8a:

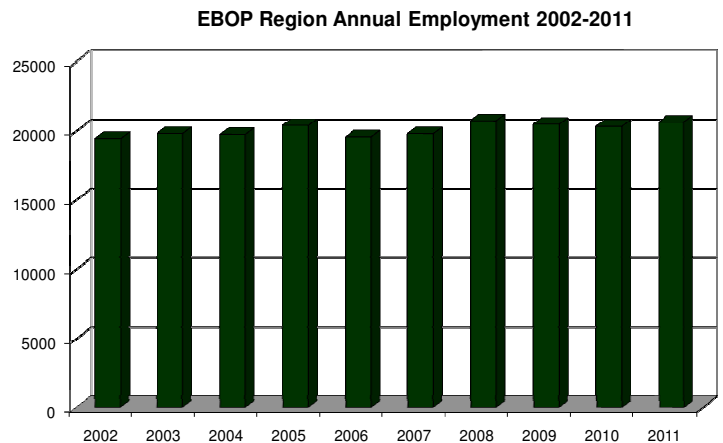
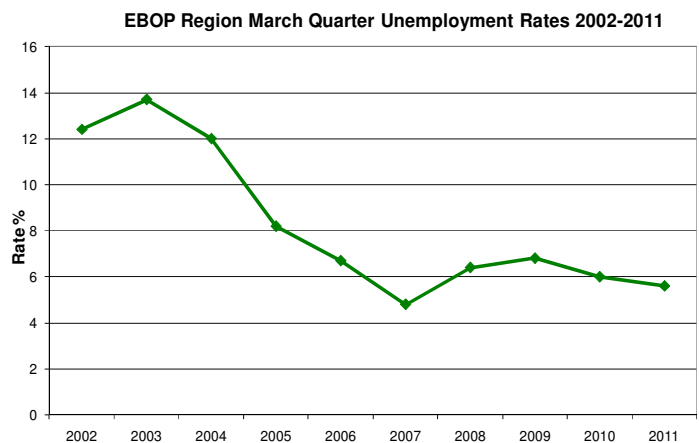


Figure 8b:



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.

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

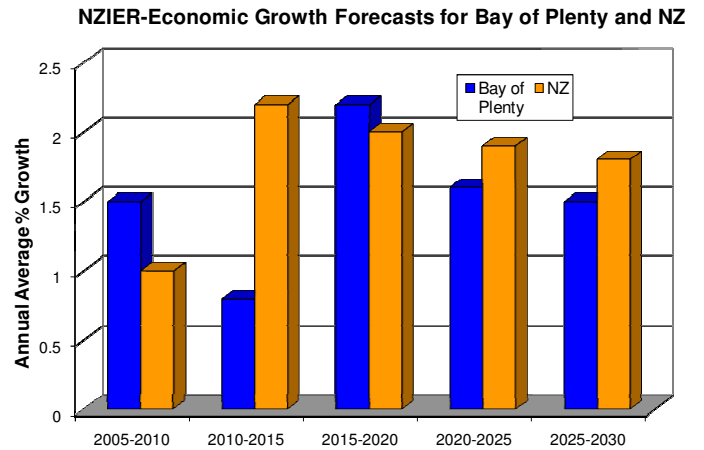
Note: All figures in the table other than for the TWI and 90-Day Bank Bill rate refer to the 'annual average % change' in the relevant indicators.

- 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.

Figure 9:



APPENDIX 1

**Annual Eastern Bay of Plenty Region Economic Indicator Results
Last Five March Years**

INDICATOR	2006	2007	2008	2009	2010	2011
<i>Population June Qtr</i>	50,850	50,610	50,510	50,330	50,390	50,470
<i>Households/Dwellings</i>	18,543	18,827	19,124	19,412	19,702	19,975
<i>Est. Real GDP (\$M)</i>	1,144	1,172	1,194	1,188	1,196	1,192
<i>New Dwellings Consented</i>	200	187	194	99	98	88
<i>New Commercial/Industrial Buildings Consented</i>	24	37	41	24	13	18
<i>New Farm Buildings Consented</i>	17	49	77	77	39	37
<i>Total Building Alterations</i>	485	507	498	532	458	612
<i>House Sales</i>	843	805	725	404	509	402
<i>Retail Sales (\$M)</i>	384	429	442	456	467	393
<i>New Motor Vehicle Registrations</i>	1,815	1,326	1,373	1,043	846	1,000
<i>Commercial Visitor Arrivals (Whakatane/Kawerau)</i>	149,668	161,440	175,653	150,929	146,544	136,123
<i>Commercial Visitor Nights (Whakatane/Kawerau)</i>	329,957	366,500	392,226	351,272	339,910	303,880
<i>Total Employment Mar Qtr</i>	19,546	19,786	20,723	20,477	20,310	20,629
<i>Total Unemployment Mar Qtr</i>	1,403	992	1,412	1,490	1,286	1,215
<i>Number of People on Unemployment Benefit Mar Qtr</i>	NA	1,032	643	777	1,090	1,287
<i>Unemployment Rate (%) Mar Qtr</i>	6.7	4.8	6.4	6.8	6.0	5.6