

Greener shoots in 2025?

Cambridge Chamber of Commerce

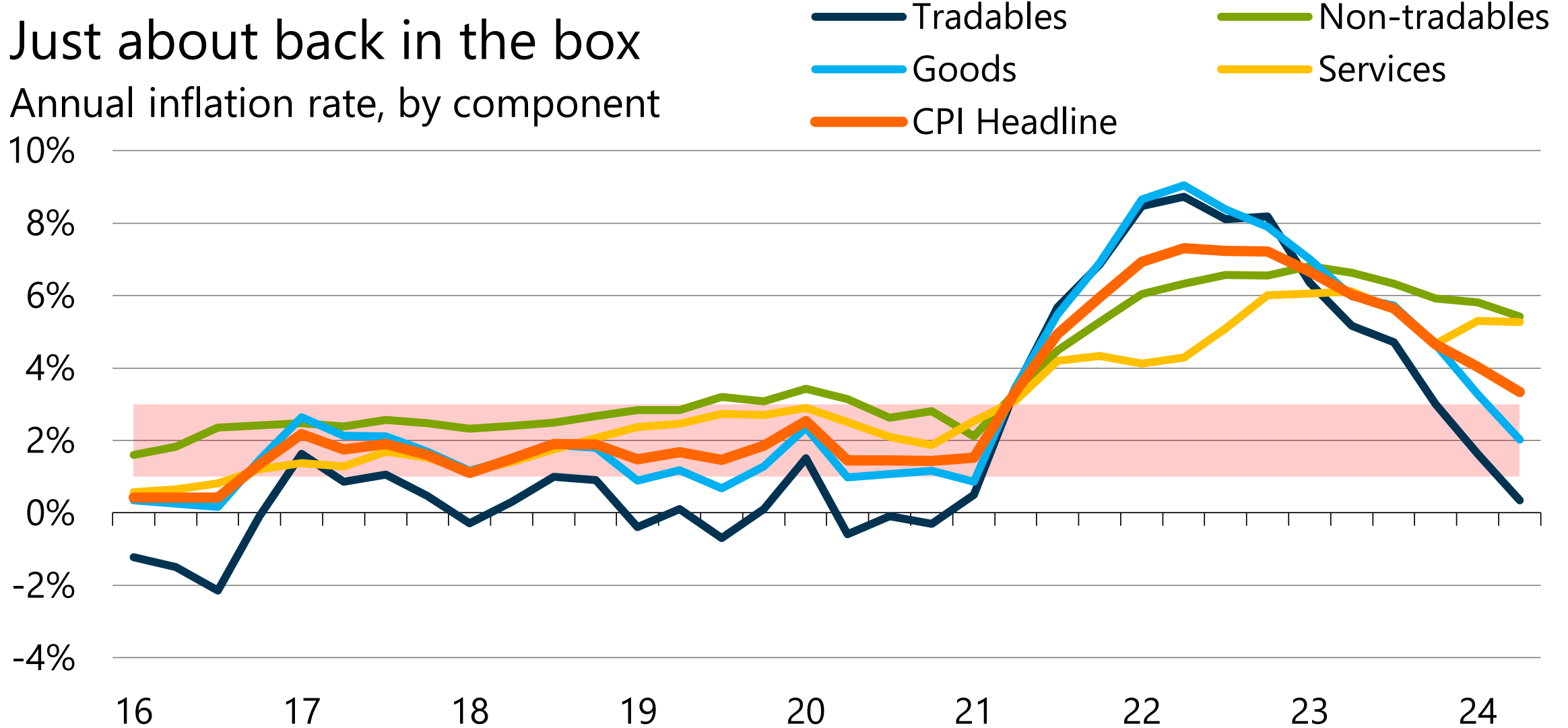
Brad Olsen (Chief Executive & Principal Economist)

2 August 2024

**Inflation's improving, but it's still
too high, and still too slow**

Inflation

Just about back in the box
Annual inflation rate, by component

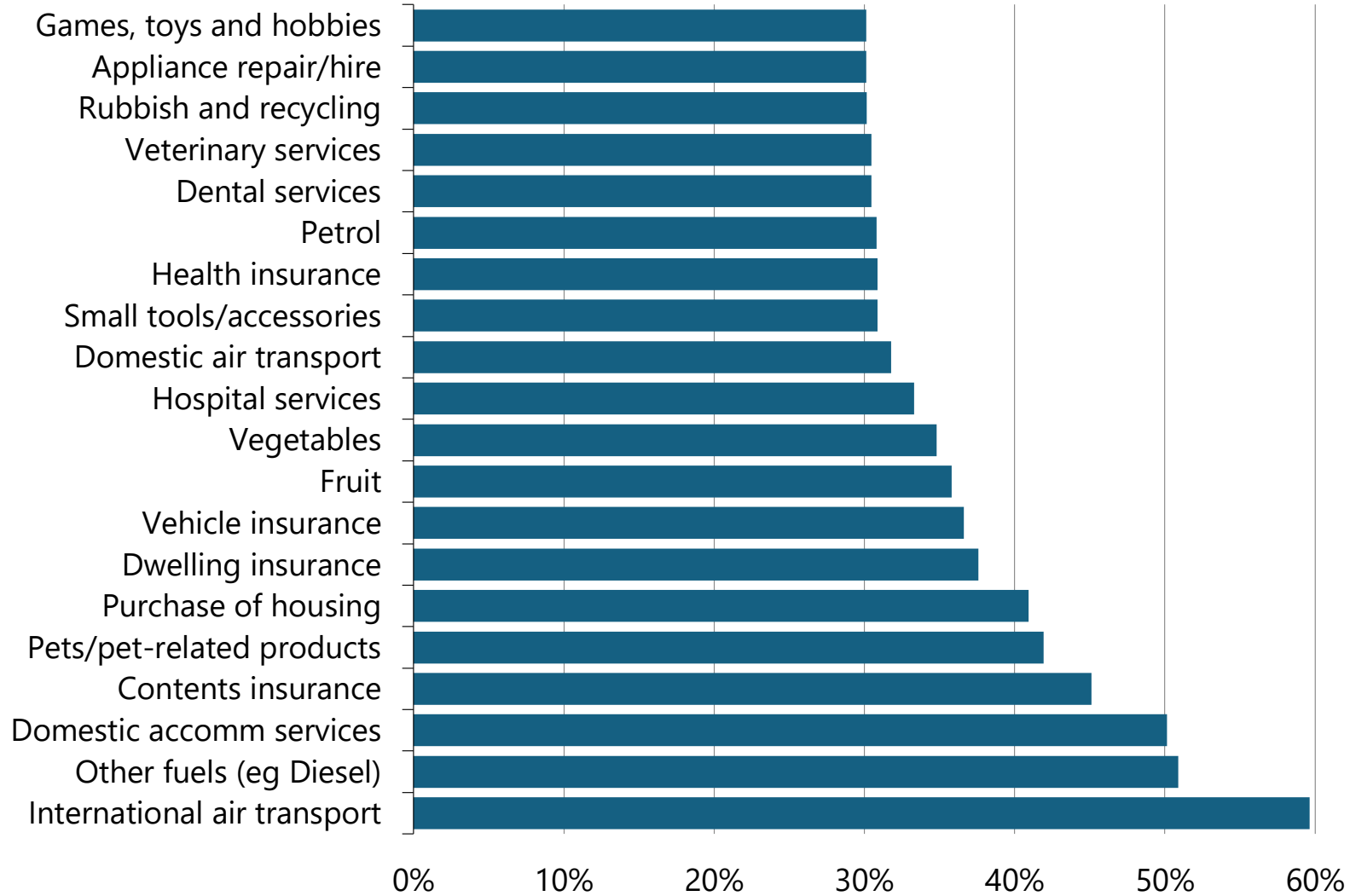


Inflation

The top 20 price rises since 2020

Price change between Mar-20 and Mar-24, by CPI Class

■ % Change since Mar-20

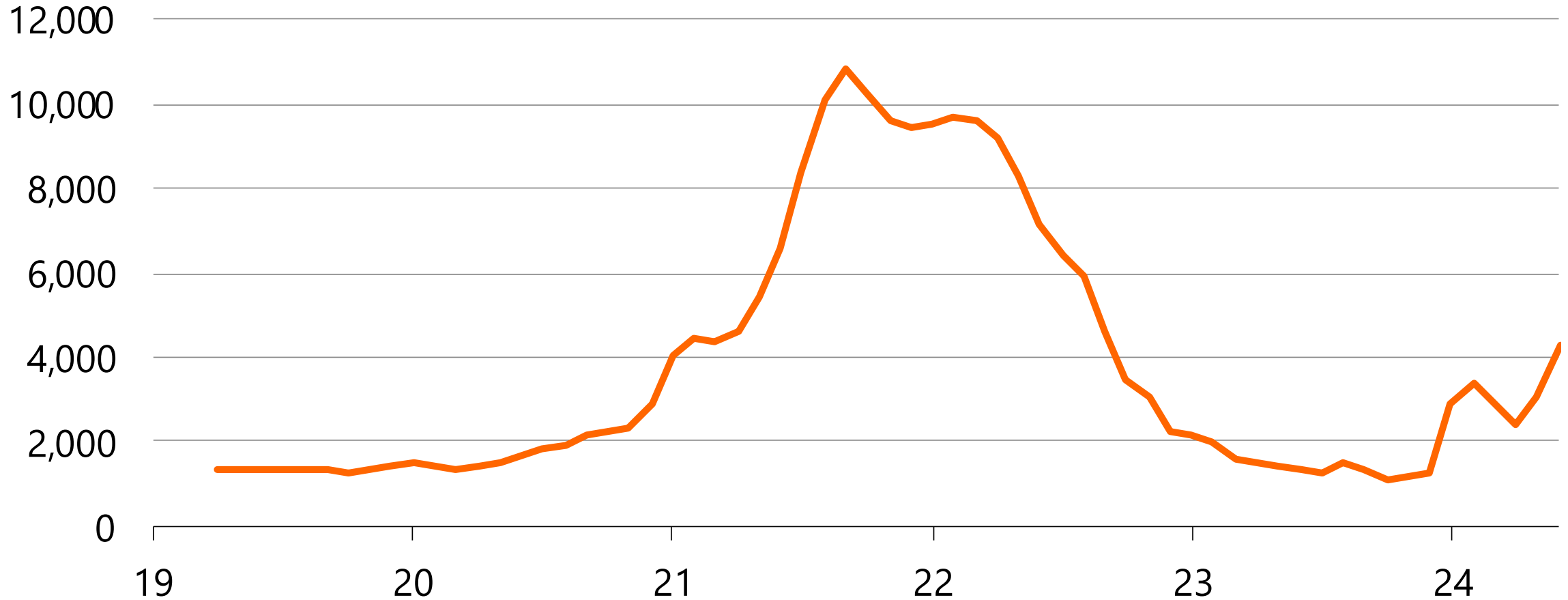


Global pressures?

Conflict forces shipping costs higher

— Freight Cost Index

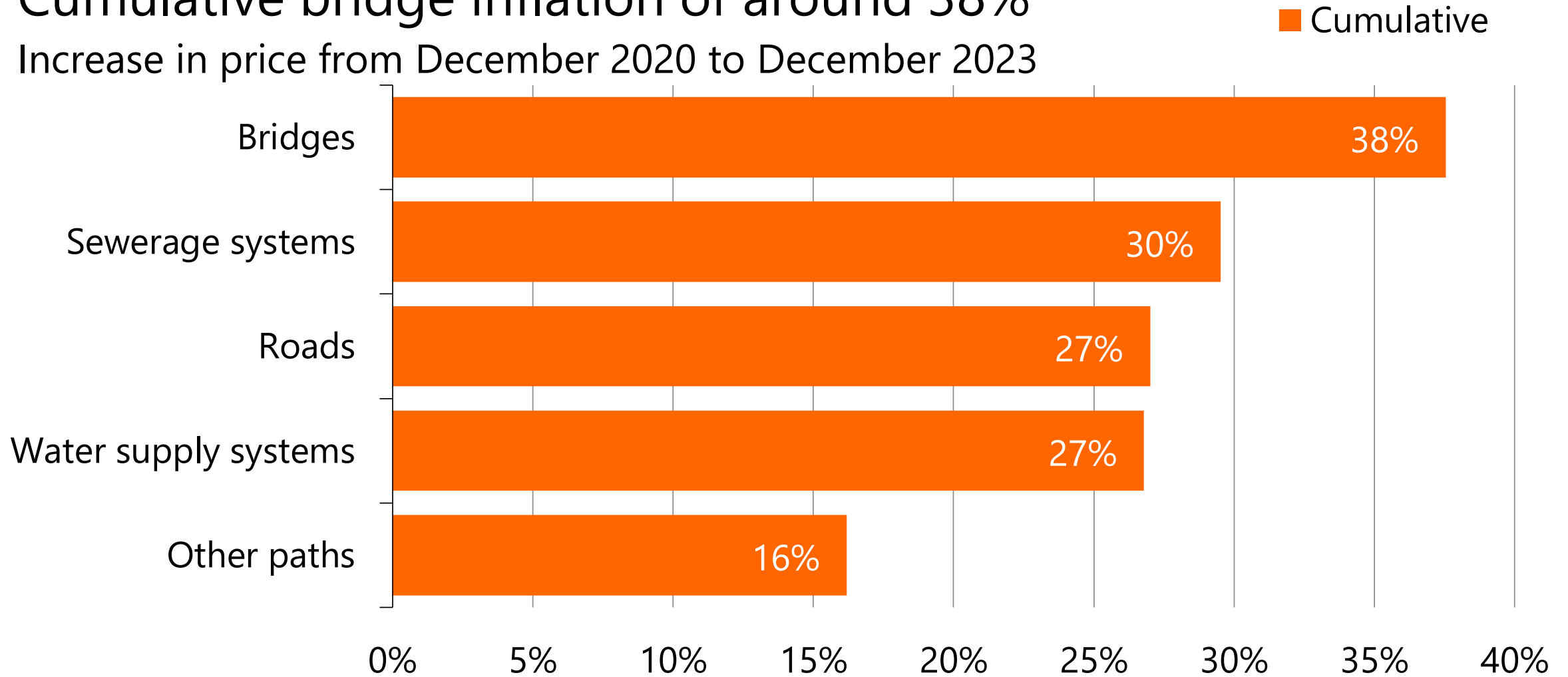
Freightos Baltic Index (FBX): Global container freight index, monthly averages



Detailed breakdown

Cumulative bridge inflation of around 38%

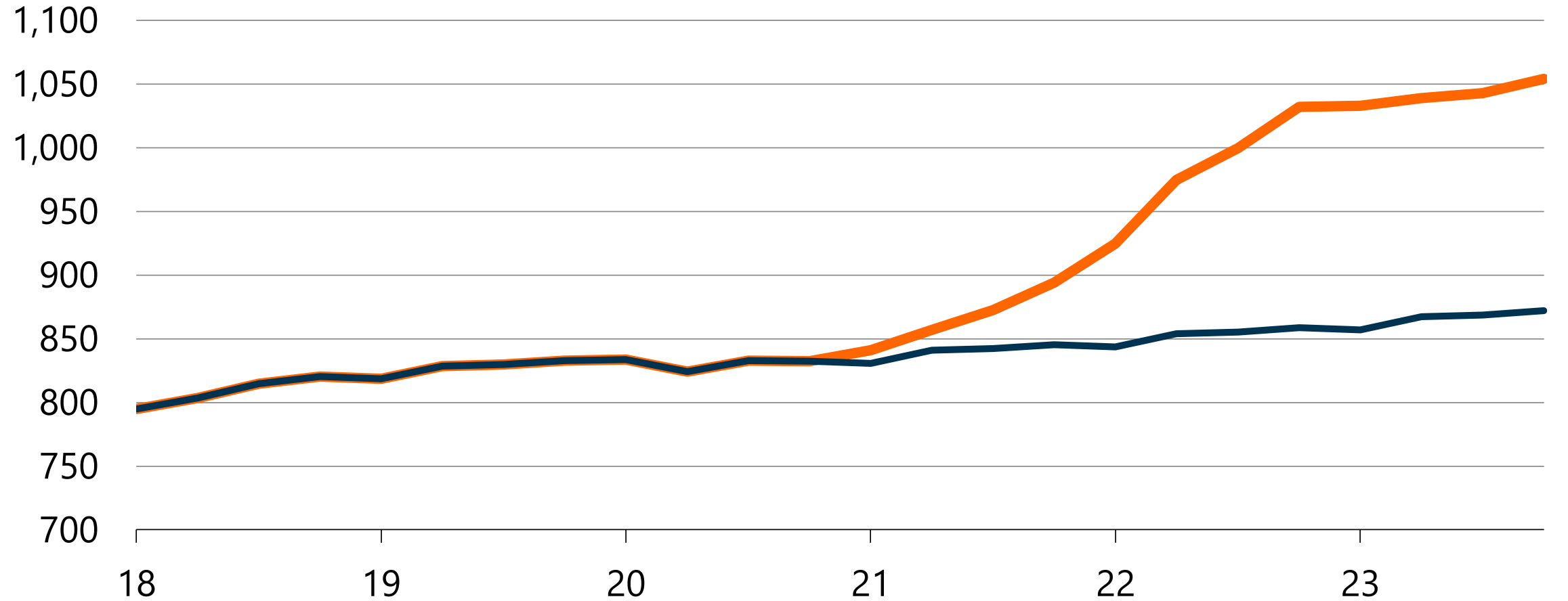
Increase in price from December 2020 to December 2023



Actual vs expected

Civil inflation up 21% above prior trend

Original and prior trend index, Sep-22 = 1,000



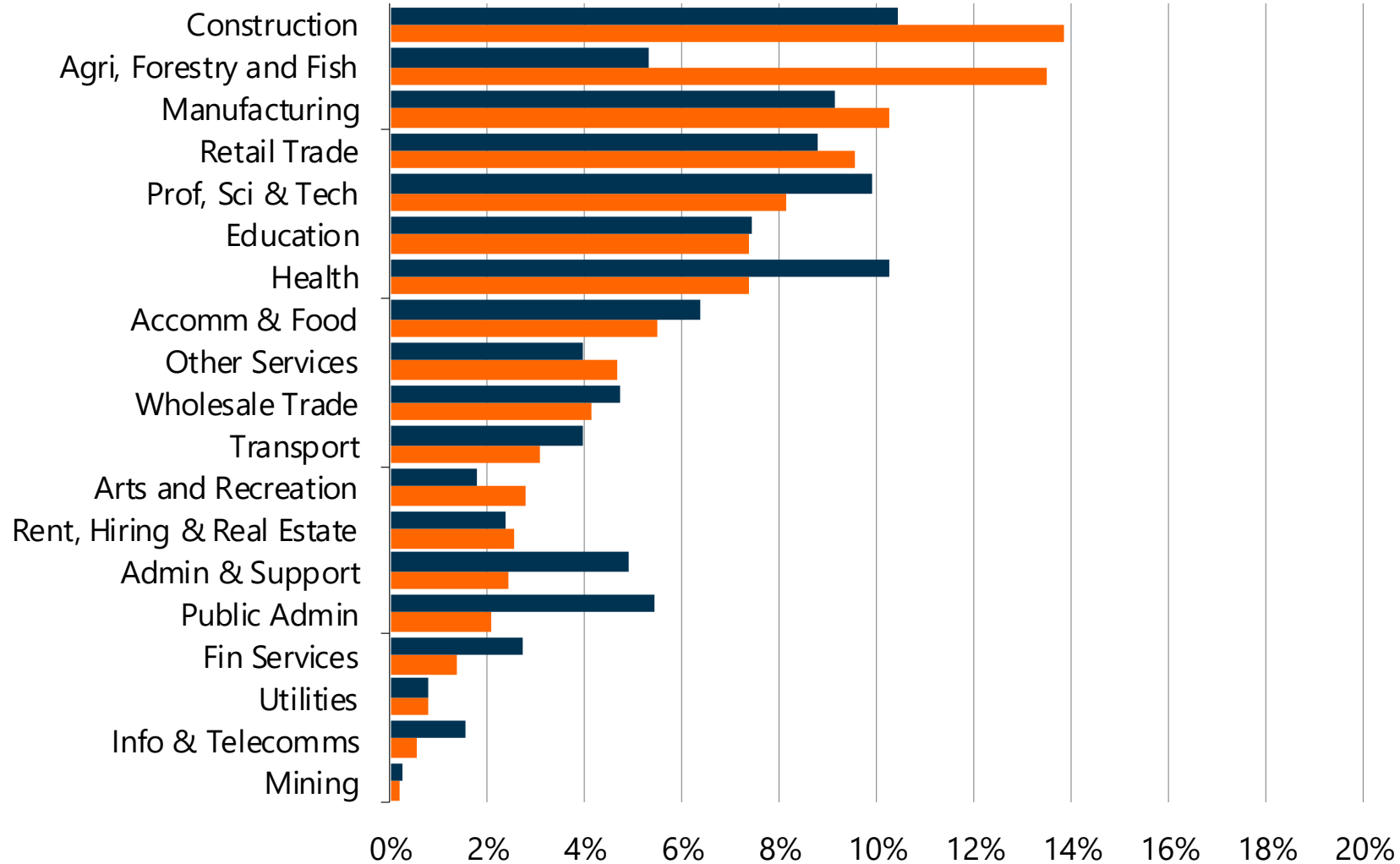
Hit harder, for longer

Structure

Construction and primary sector focus in Waipa

Share of employment, year to March 2023

■ New Zealand
■ Waipa District

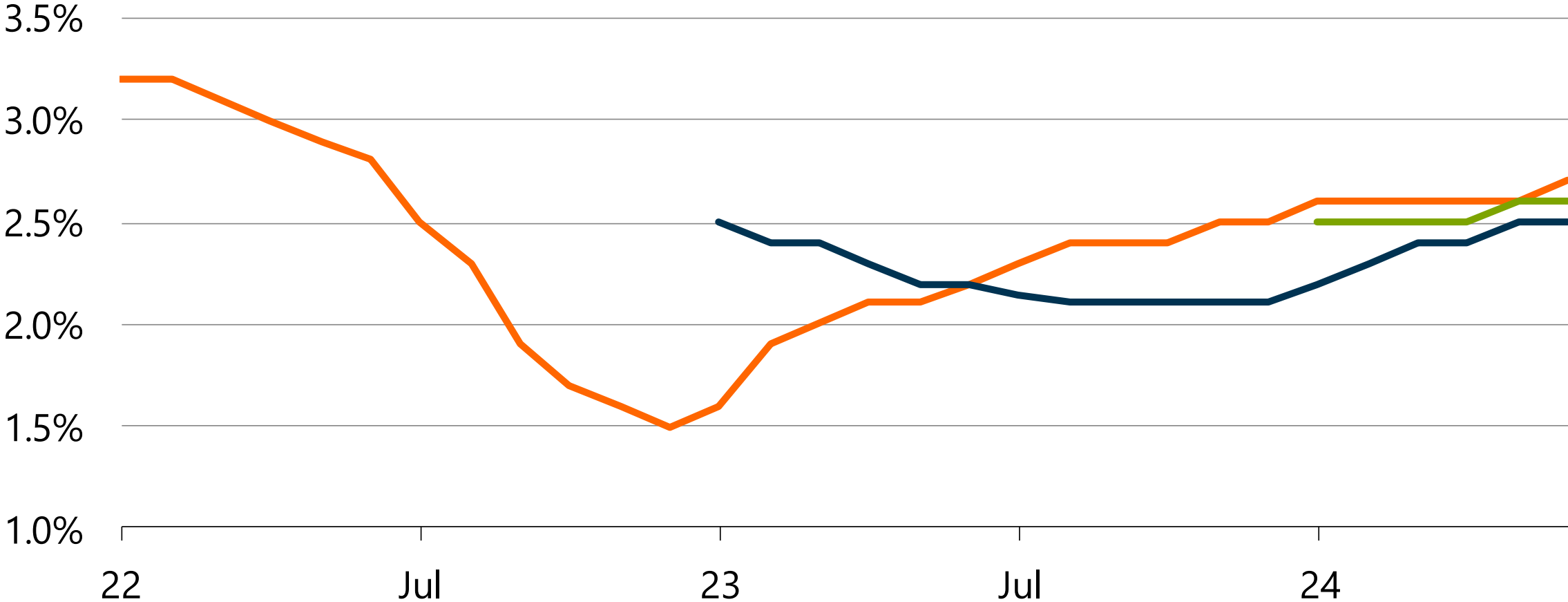


Global factors

Global growth expectations remain sluggish

Annual global growth, Consensus forecasts over time

— 2023
— 2024
— 2025



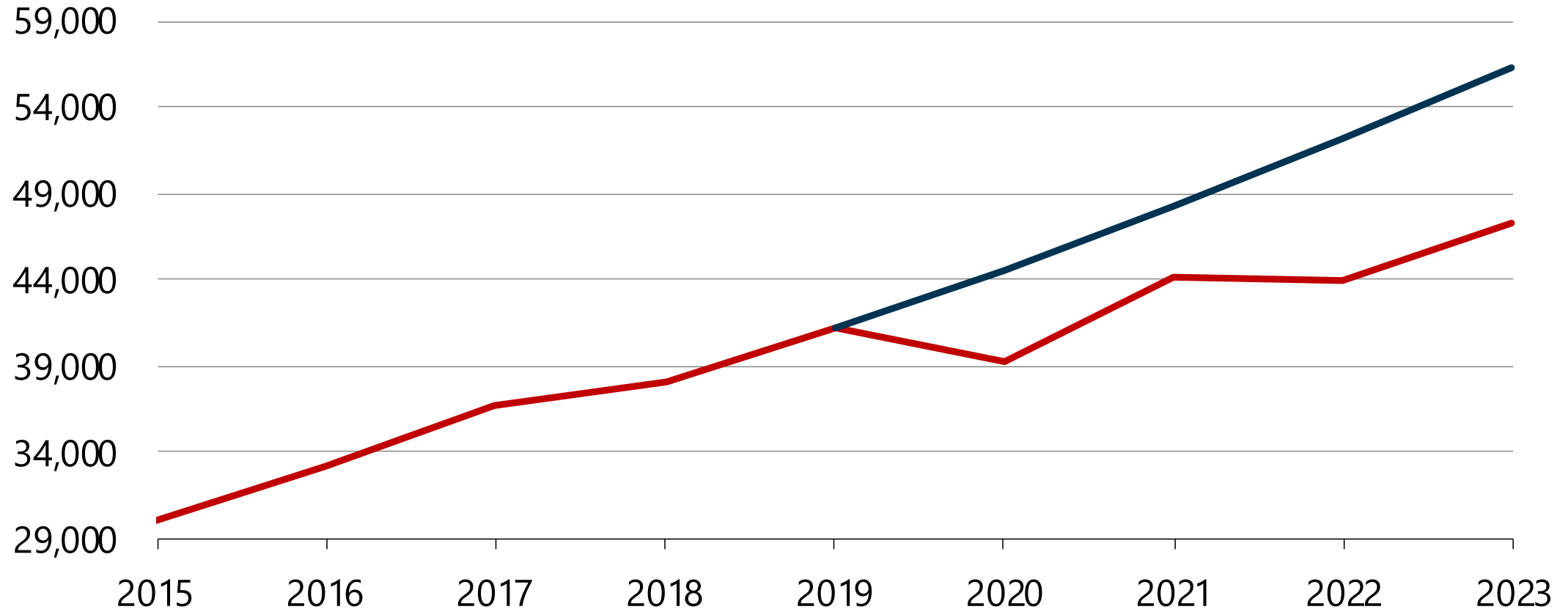
Trade partner changes

Spending is up, but below pre-pandemic trends

Annual Chinese retail sales, billions yuan

Source: National Bureau of Statistics, Infometrics

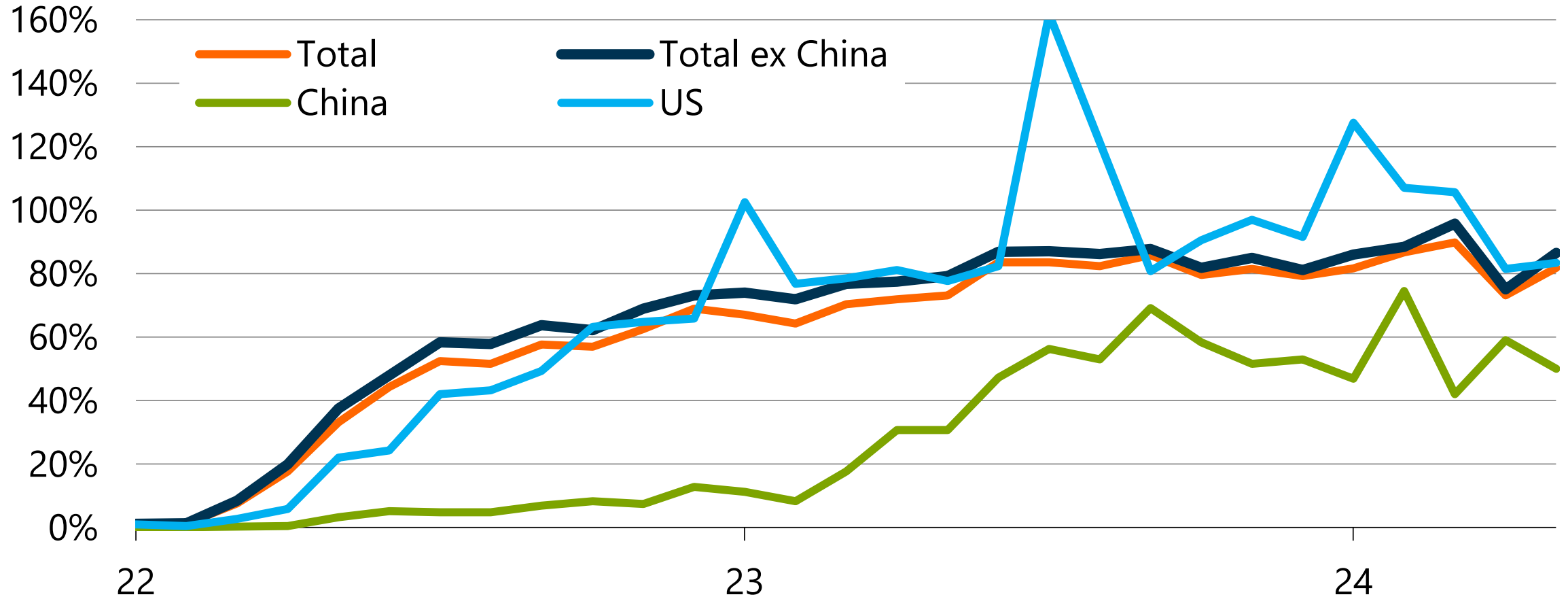
— Annual spending
— Pre-pandemic trend



Tourism recovery

Struggling Chinese market limits tourism recovery

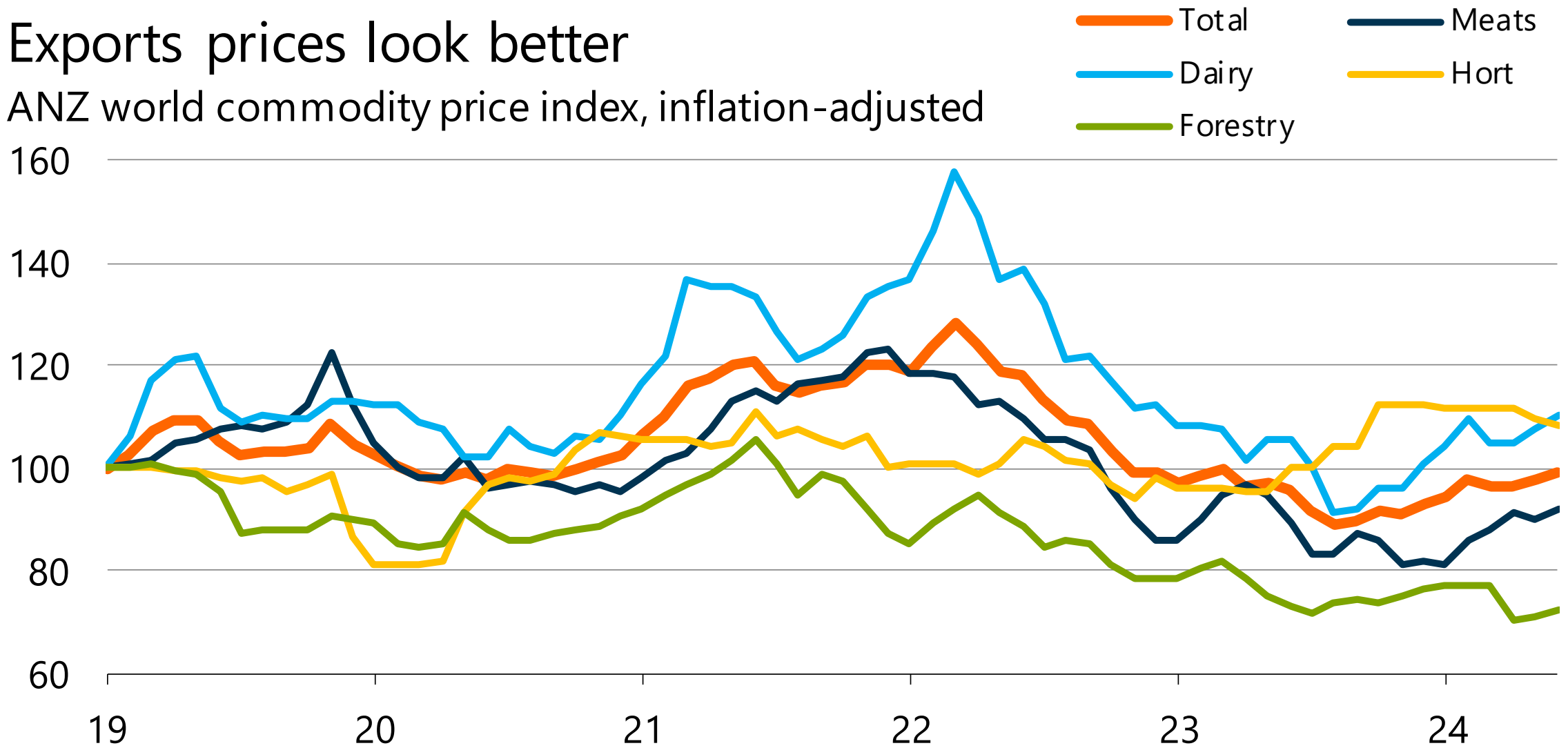
Monthly tourism arrivals, % of pre-pandemic (2019) levels



Primary sector

Exports prices look better

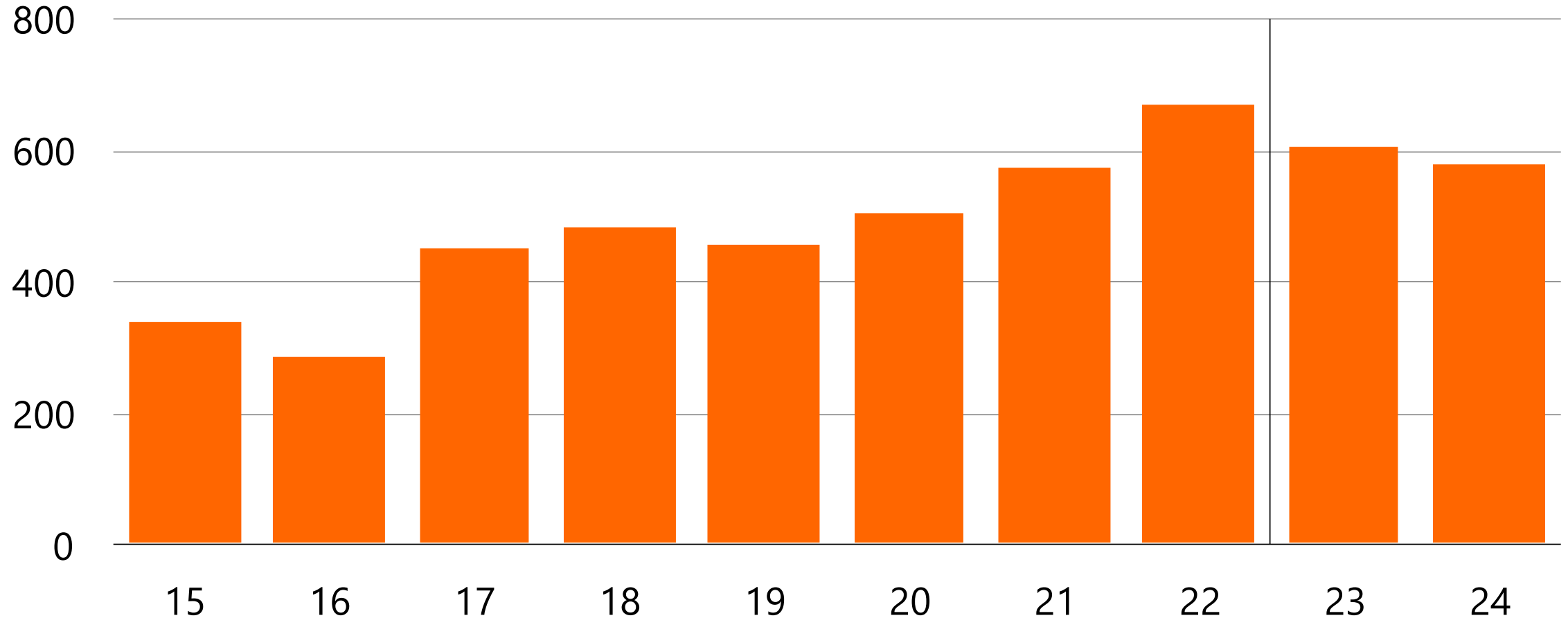
ANZ world commodity price index, inflation-adjusted



Challenges for primary sector

A \$581m pay-out, down \$24m on a year before

Dairy pay-out, \$m, Infometrics estimates



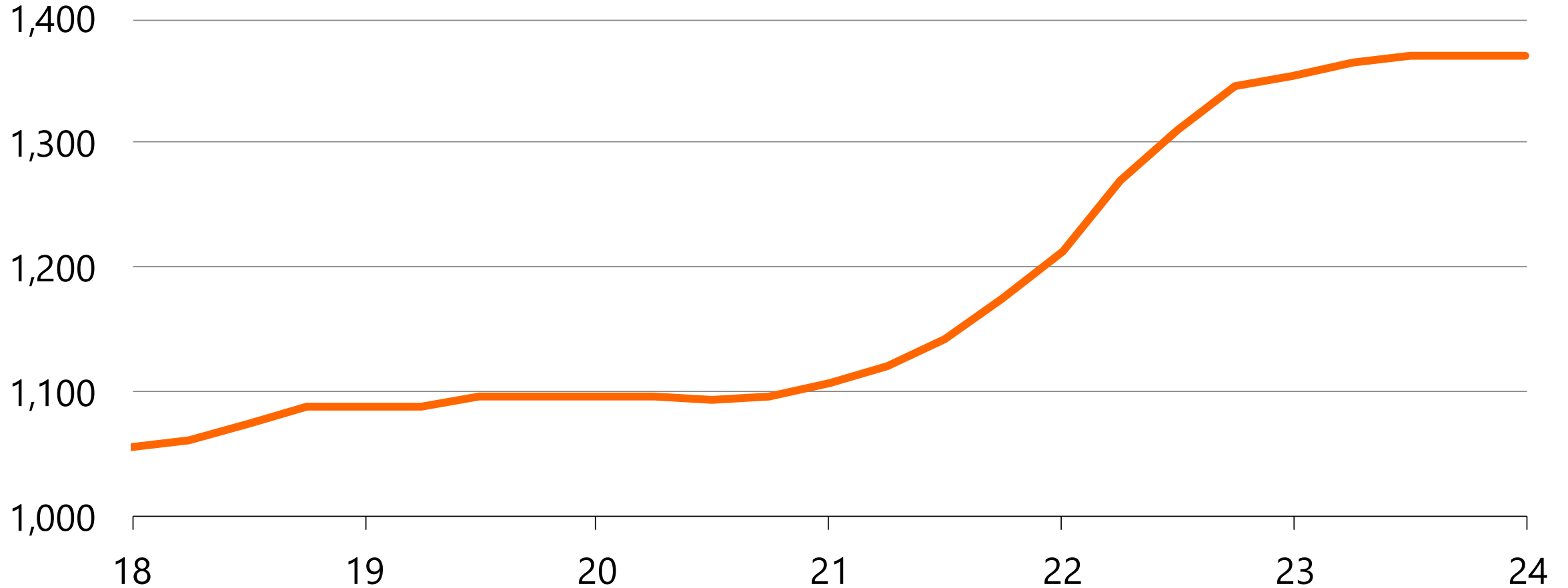
Waipa District

Cost pressures stabilising?

On-farm costs stabilise in last 6 months

Farm expense price index, Dec-13 = 1,000

— All farms - All inputs including livestock

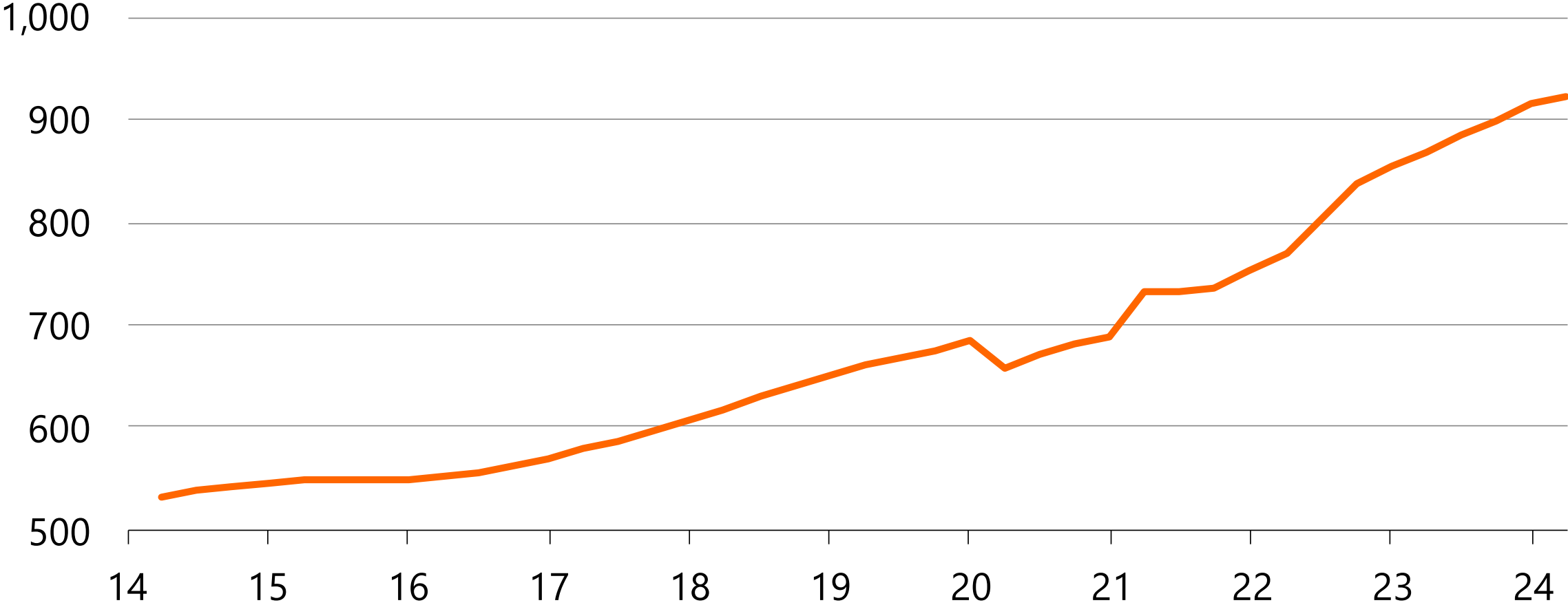


Spending

Annual spending up 3.2%pa in Q2

\$m, card spending, annual running totals. Source: Marketview

— Waipa District



New features

Quarterly Economic Monitor | Tairāwhiti | December 2023

Overview

Economic

Labour market

Housing

Social

Infographic

League tables

Data download

Report

Update calendar

Geography

Technical notes

Information video

Overview

Economic Labour market Housing Social **All**

Indicator	Tairāwhiti	New Zealand
Economic		
Gross domestic product (provisional)	-1.8% ▼	+0.7% ▲
Business counts	+1.5% ▲	+1.1% ▲
Consumer spending	+4.3% ▲	+4.3% ▲
Tourism expenditure	-1.9% ▼	+9.2% ▲
Guest nights	-9.7% ▼	+26.6% ▲
Non-residential consents	-33.7% ▼	-1.0% ▼
Electric vehicle registrations	+318.2% ▲	+32.9% ▲
Car registrations	-7.4% ▼	-0.6% ▼
Commercial vehicle registrations	-11.7% ▼	-20.5% ▼
Labour market		
Employment (place of residence)	+0.7% ▲	+3.1% ▲
Jobseeker Support recipients	+8.5% ▲	+3.5% ▲
Unemployment rate ^	4.5% ▶	3.7% ▲
NEET rate ^	16.1% ▼	11.7% ▲
Housing		
Residential consents	+13.0% ▲	-24.8% ▼
House sales	-14.0% ▼	+0.7% ▲
Real estate listings	-36.4% ▼	-12.1% ▼

Overview of Tairāwhiti

The Tairāwhiti economy remains subdued by the linger effects of Cyclone Gabrielle, alongside more challenging primary sector outcomes and household spending pressures. Infometrics provisional estimates show a 2.1%pa fall in economic activity in the December 2023 quarter, dragging year-end economic activity for 2023 down 1.8% below levels seen in 2022.

Consumer spending activity in Tairāwhiti remains solid, with a 4.3%pa boost over 2023 to see a total of \$696m spent. Although Tairāwhiti's spending growth is in line with the national average, annual inflation of 4.7%pa means households are getting less bang for buck. People are still looking for opportunities in the local economy, with a 1.5%pa increase in business counts in Tairāwhiti over 2023.

Employment of Tairāwhiti residents was sitting 0.7% higher on average over 2023 compared to the 2022 year, slower than the national average of 3.1%pa. Jobs growth locally has been driven by hiring in construction and health, alongside smaller contributions from other industries. However, primary sector employment is lower, as is retail trade.

More challenging times are hitting the primary sector. Sheep and beef farmers are facing lower prices, with a 19% decline in mutton prices and a 42% decline in lamb prices (to a 7-year low) alongside an 8.5% drop in beef prices at the end of 2023. Slaughter volumes in the 2023 calendar year for Hawke's Bay/Gisborne were 7.2% below a year ago, compared to a 0.8%pa rise across the rest of the country. Forestry prices appear to have stabilised at lower levels, but weak offshore demand and lower prices means annual roundwood removals are 9.3% lower than pre-pandemic levels nationally.

There are mixed construction outcomes across Tairāwhiti, with non-residential consent values down 34%pa over 2023. Employment in the residential consent numbers are up 13%pa, and there is a considerable amount of infrastructure work ongoing that is like keeping construction activity higher overall.

The Tairāwhiti housing market is more subdued, with house prices, sales, and new listings all lower than a year ago, as mortgage repayment affordability limits activity. More pressure appears to be hitting some in Tairāwhiti, with a 3.2%pa increase in rents over the last year, as well as higher Housing Register waitlist numbers. Public housing numbers are higher and emergency housing grants lower, showing some are getting more support, but challenges remain.

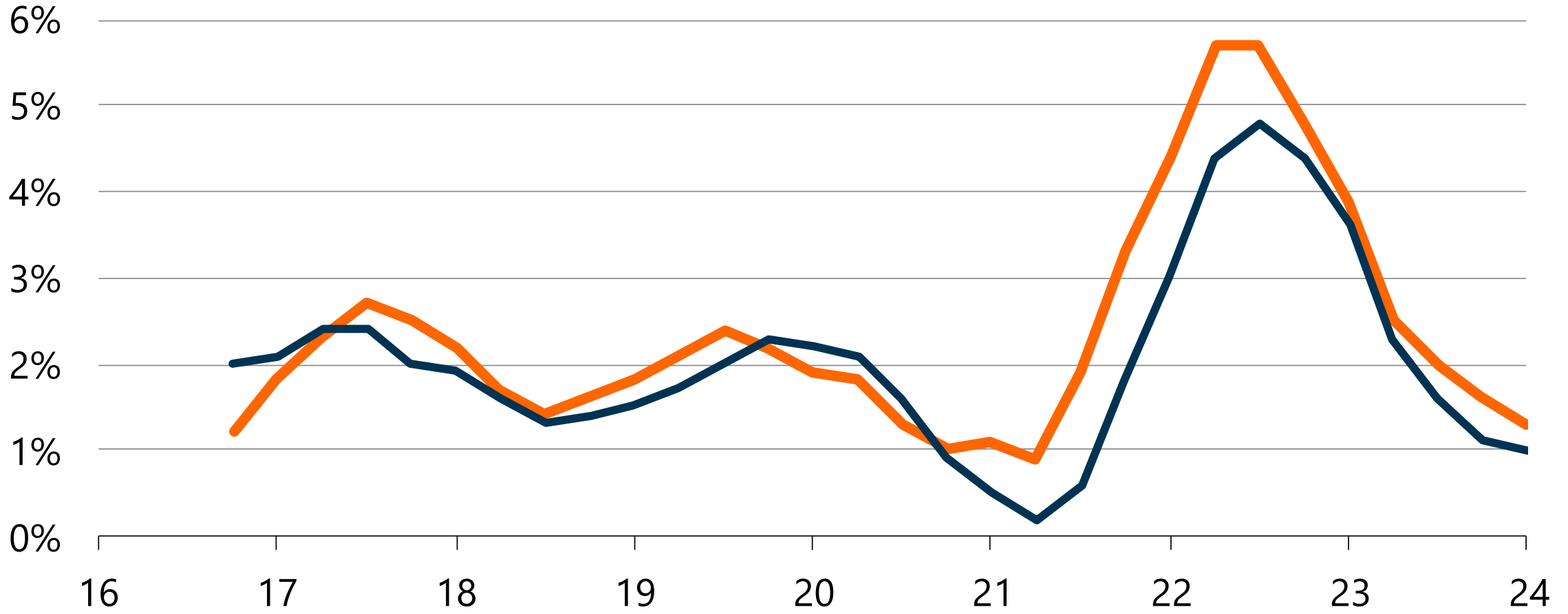
Feedback



More businesses

Stronger previous business growth locally

Change in business units, annual average % change



Waipa District
New Zealand

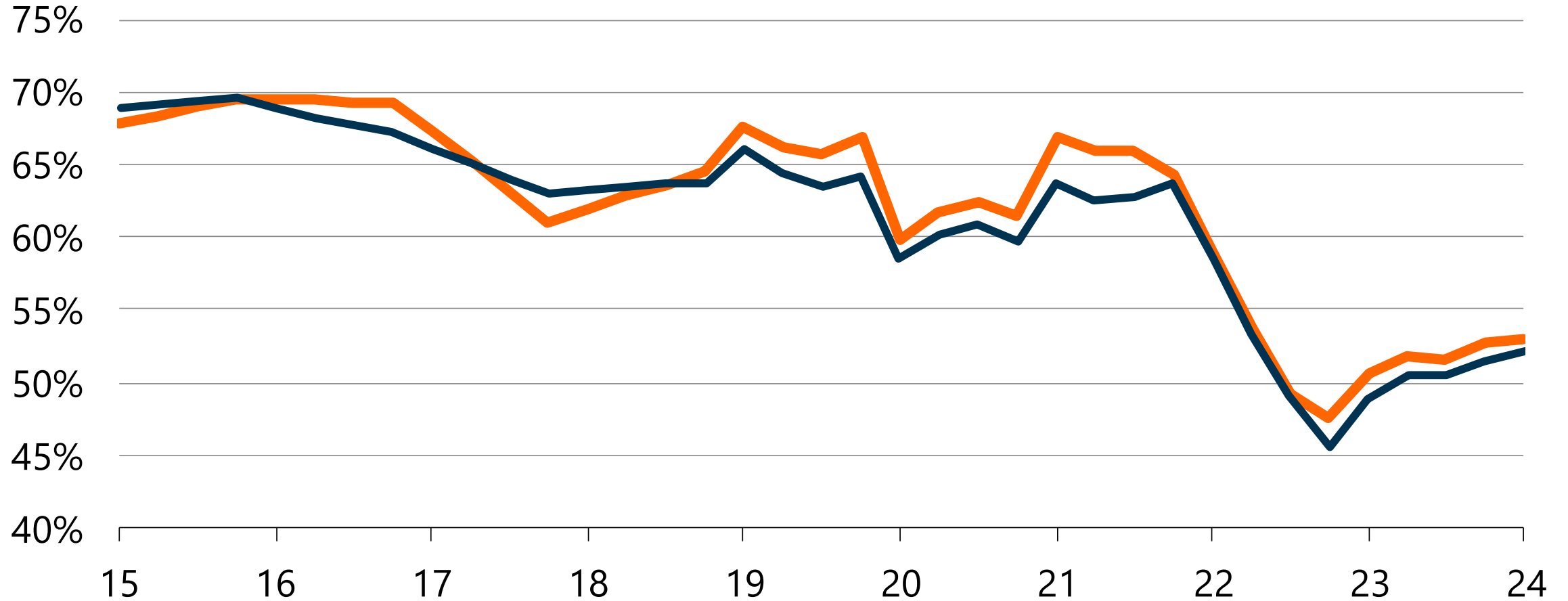
Attendance

Gotta get more kids to school

% of school students attending 90%+ of classes, ann. av.

Waipa District

New Zealand



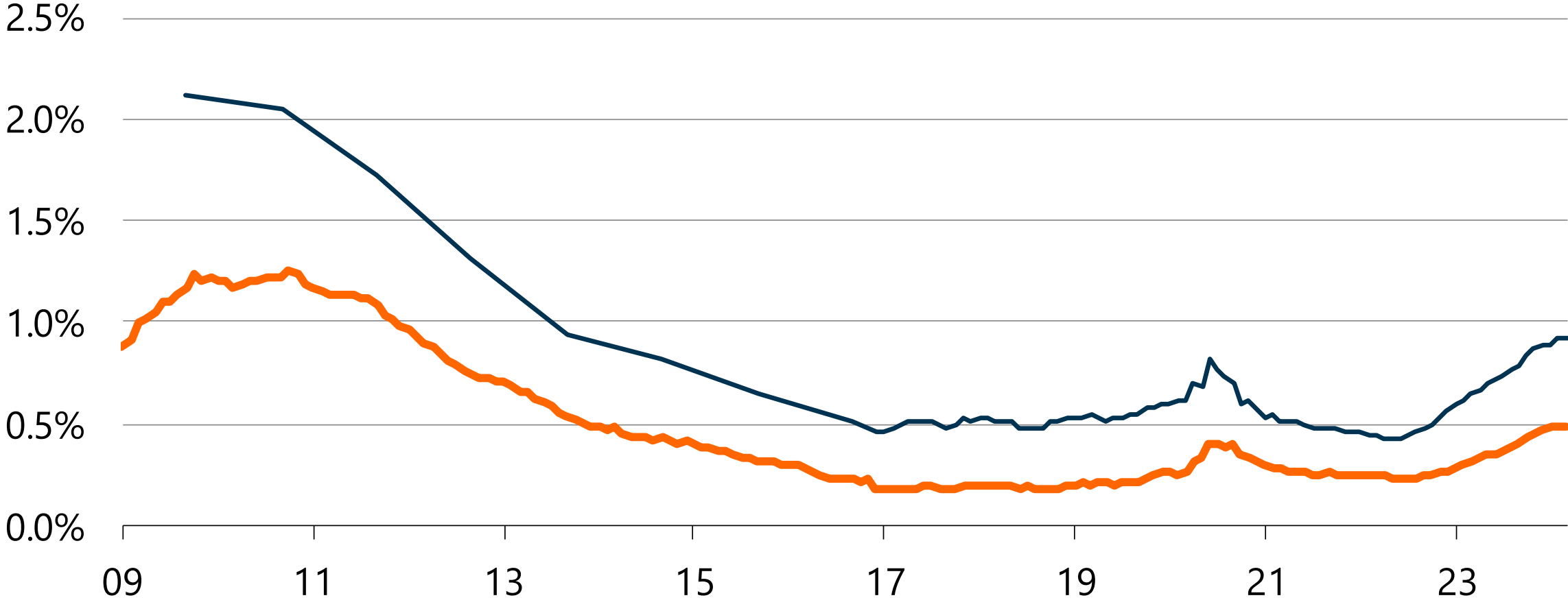
**Housing activity subdued
and we're still expecting restraint**

Household pressure

Bad mortgages on the rise

Share of mortgage lending by value, seasonally adjusted

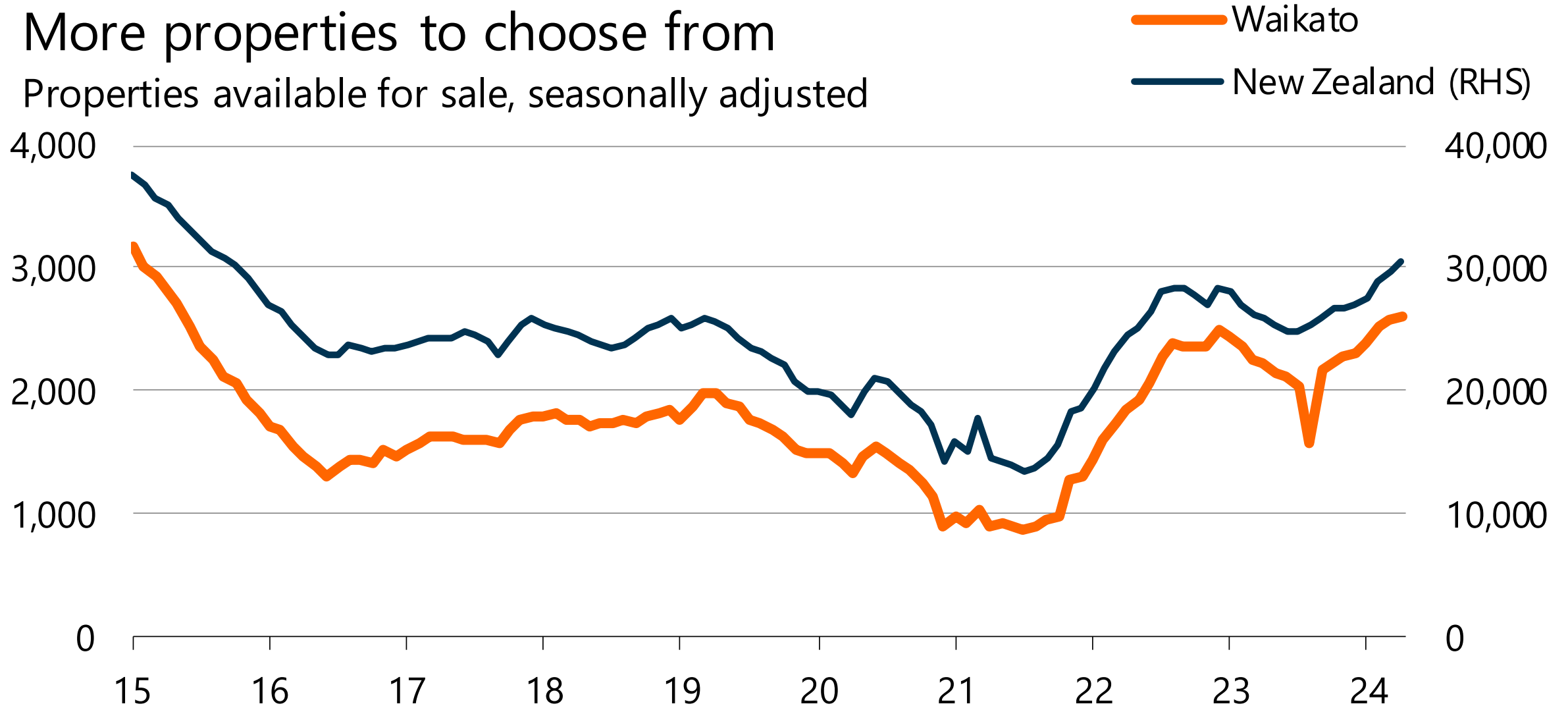
Non-performing
30+ days past due



Housing

More properties to choose from

Properties available for sale, seasonally adjusted

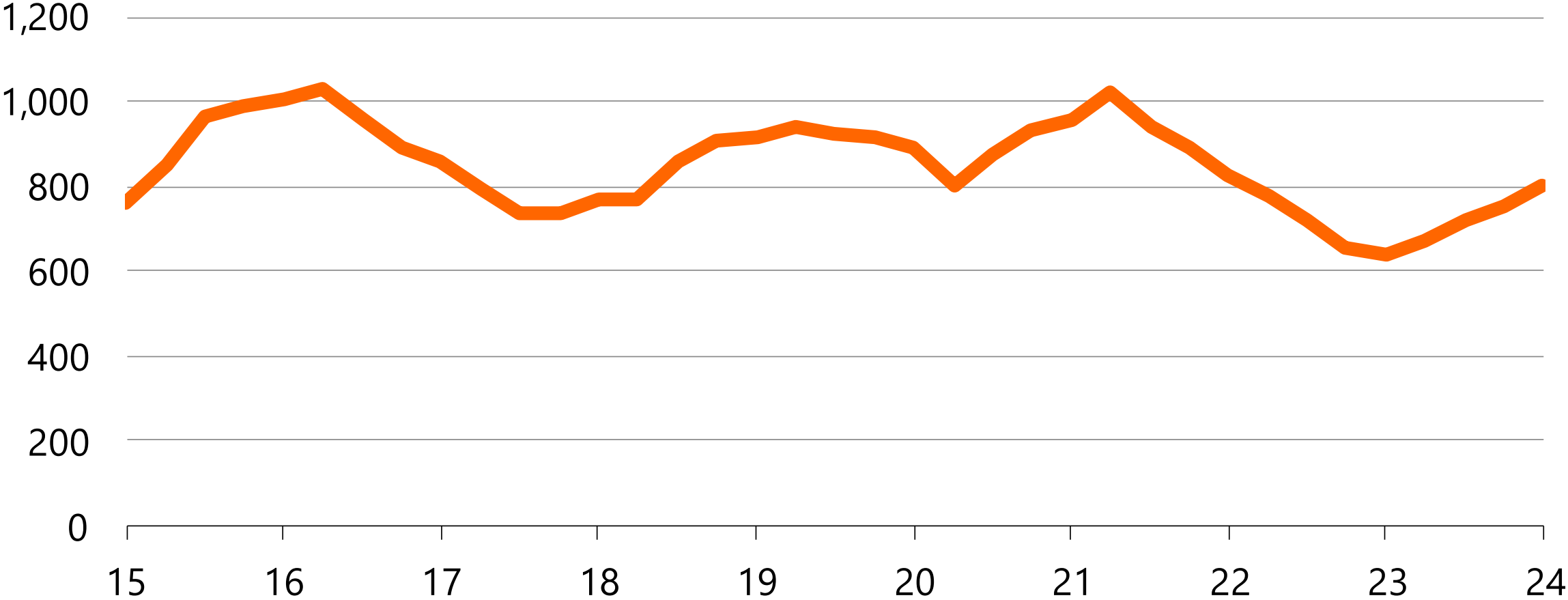


Housing

Bit of a rise in sales, but still low

House sales, annual running totals

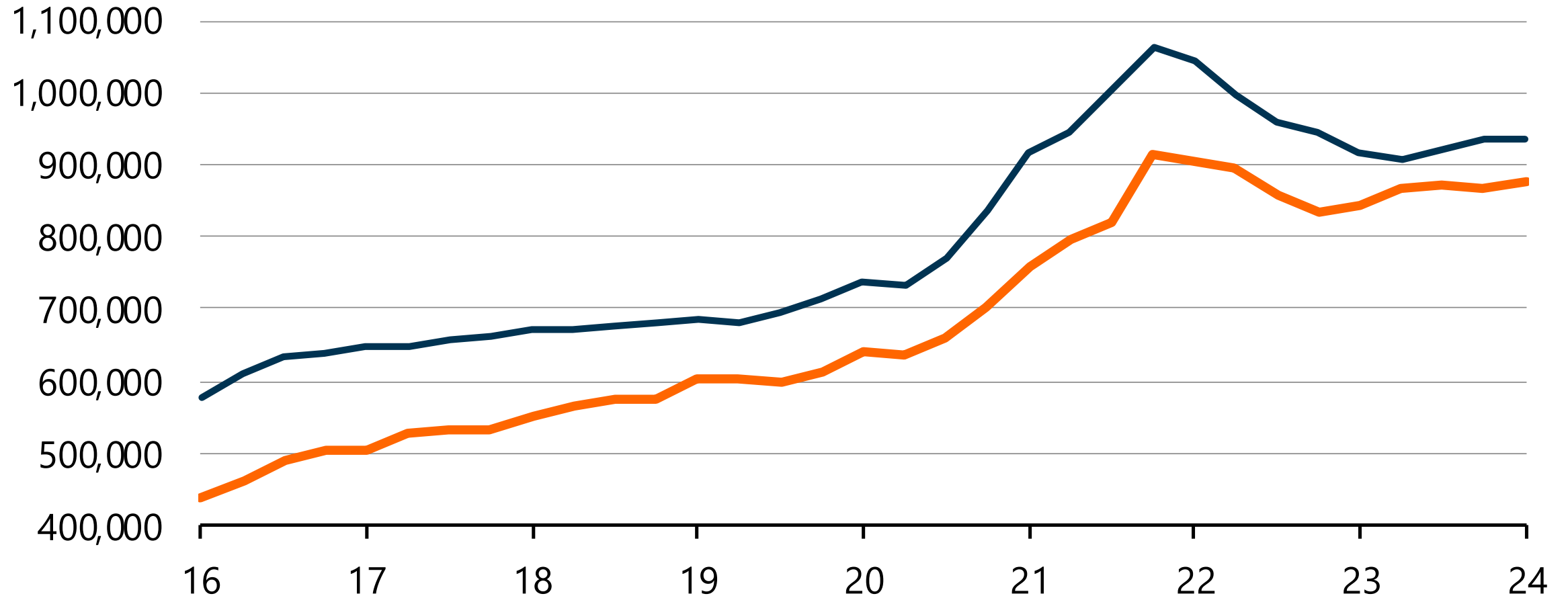
Waipa District



Housing

House values up 4.2% in 2024 in Waipa

Average house value, Infometrics estimates

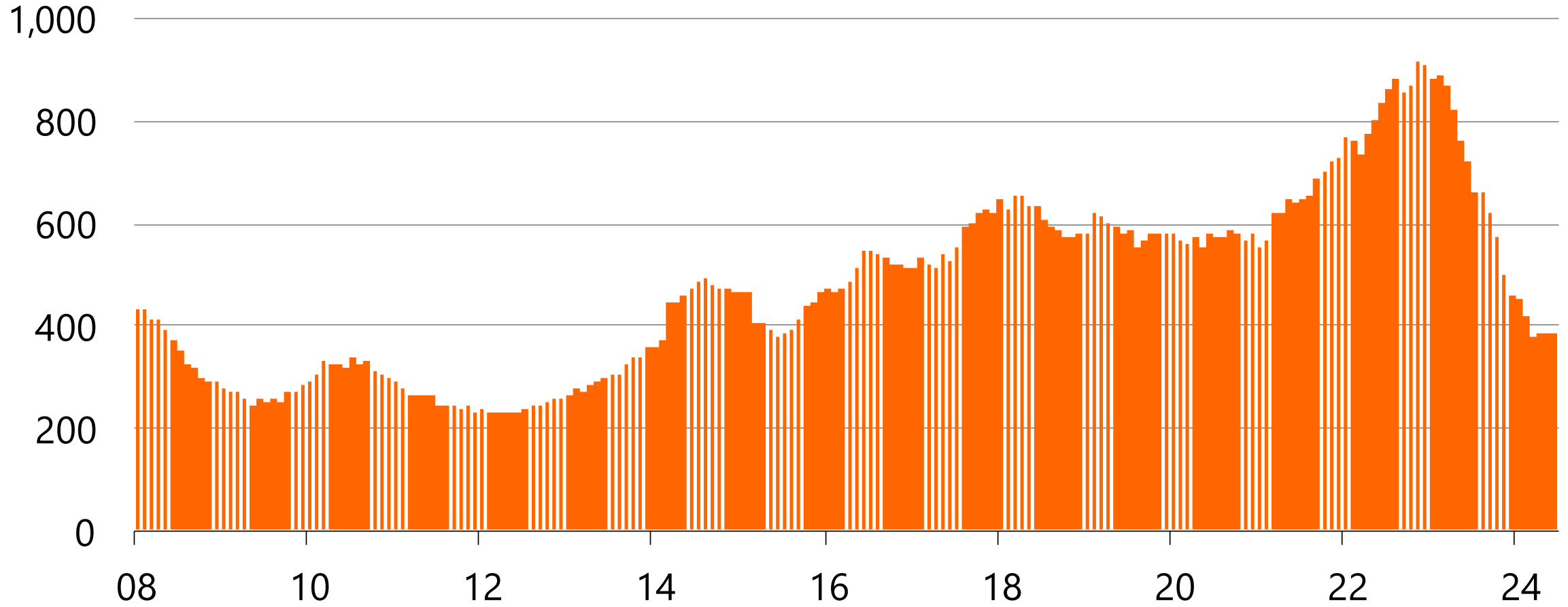


Construction

Pulling back from highs, down 47%pa

Annual running total, residential consents

■ Waipa District

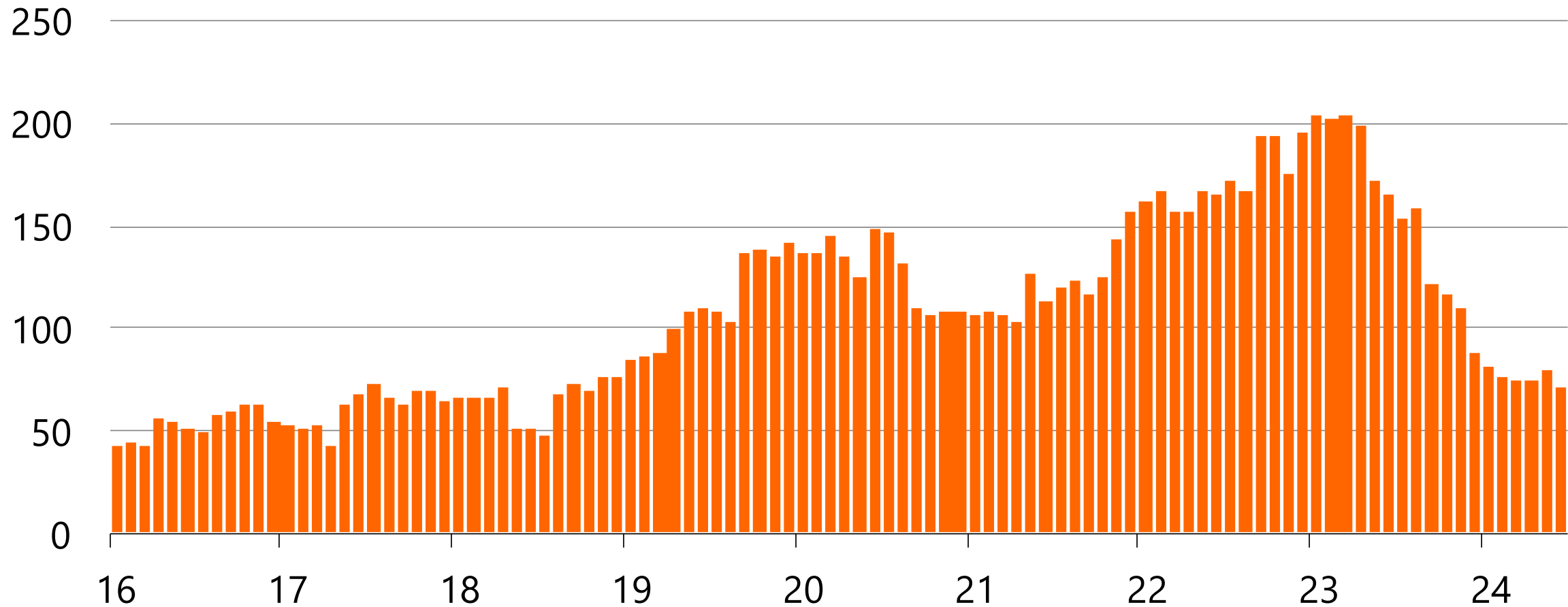


Business investment pulling back

Investments locally pulling back, down 57%pa

\$m, annual running totals, non-res consent values

Waipa District



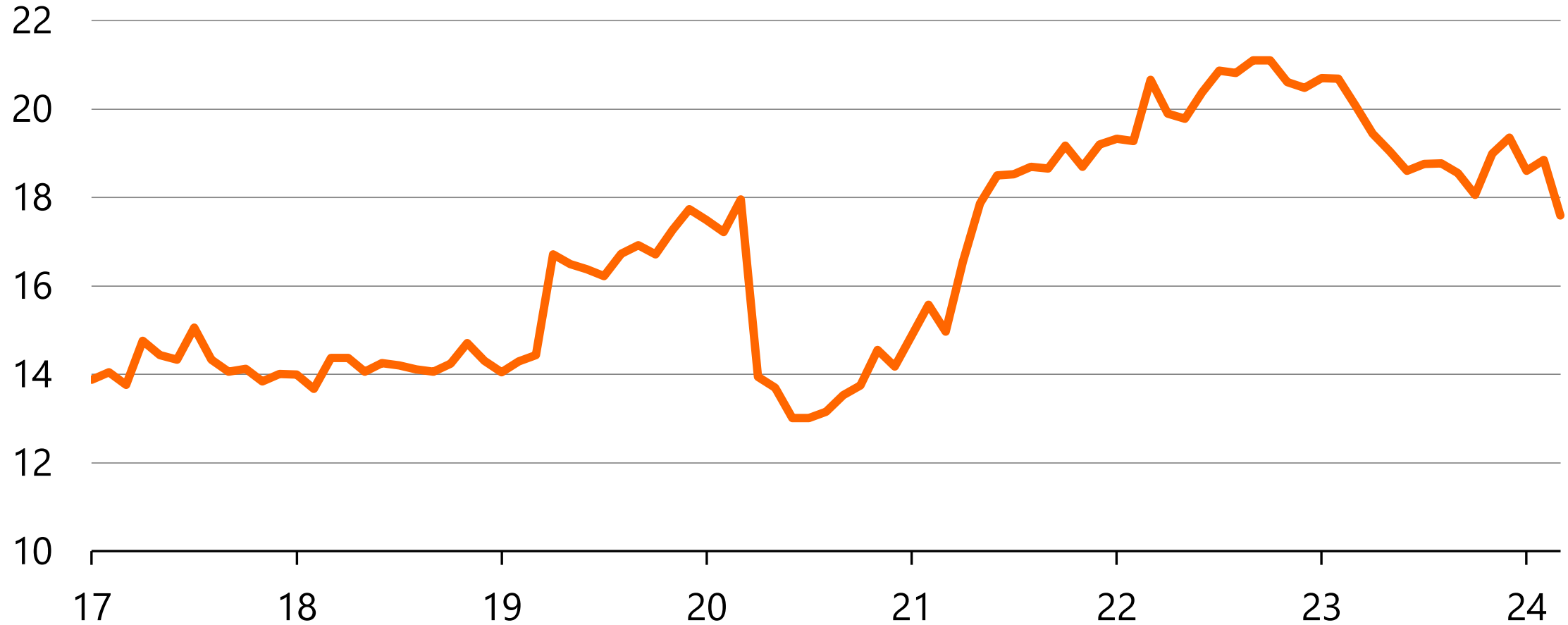
New government

Same challenges

Money is tighter

Corporate tax down 12%pa in Mar-24 year

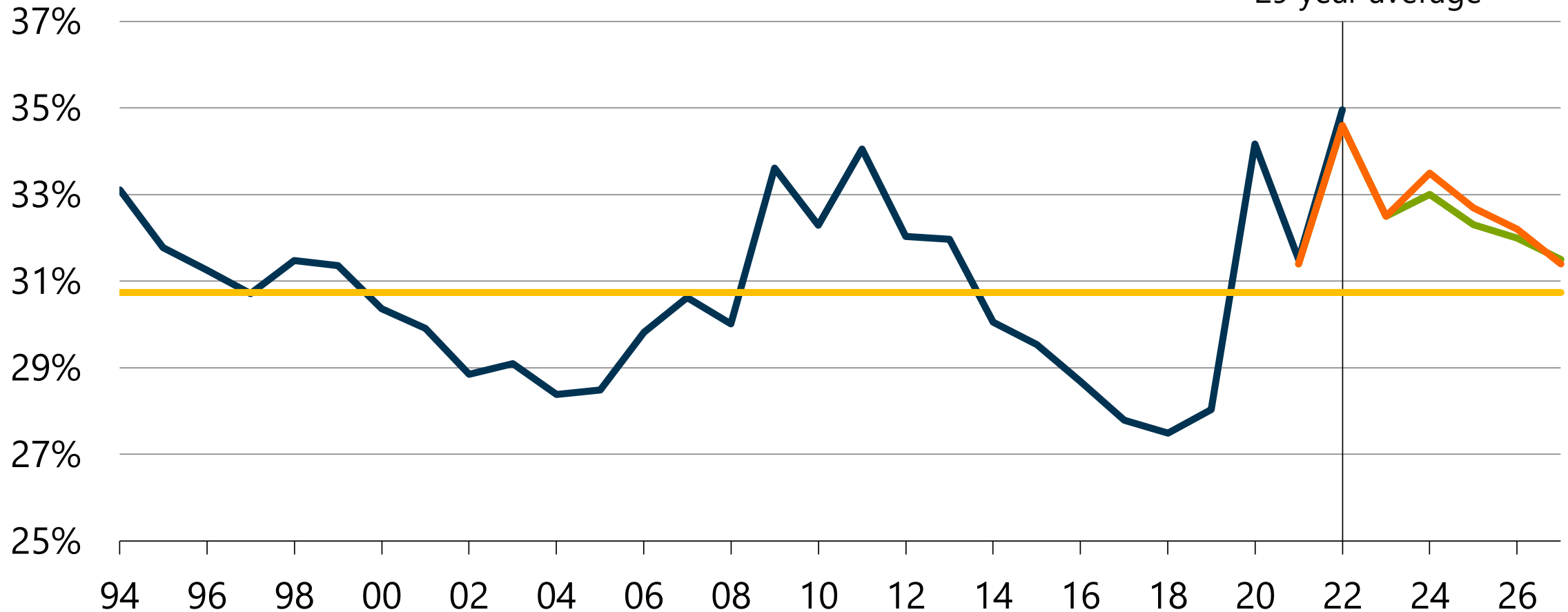
\$b, corporate tax take, annual running totals



Spending more as a share of the economy

Core Crown Expenses

Core Crown expenses, % of GDP

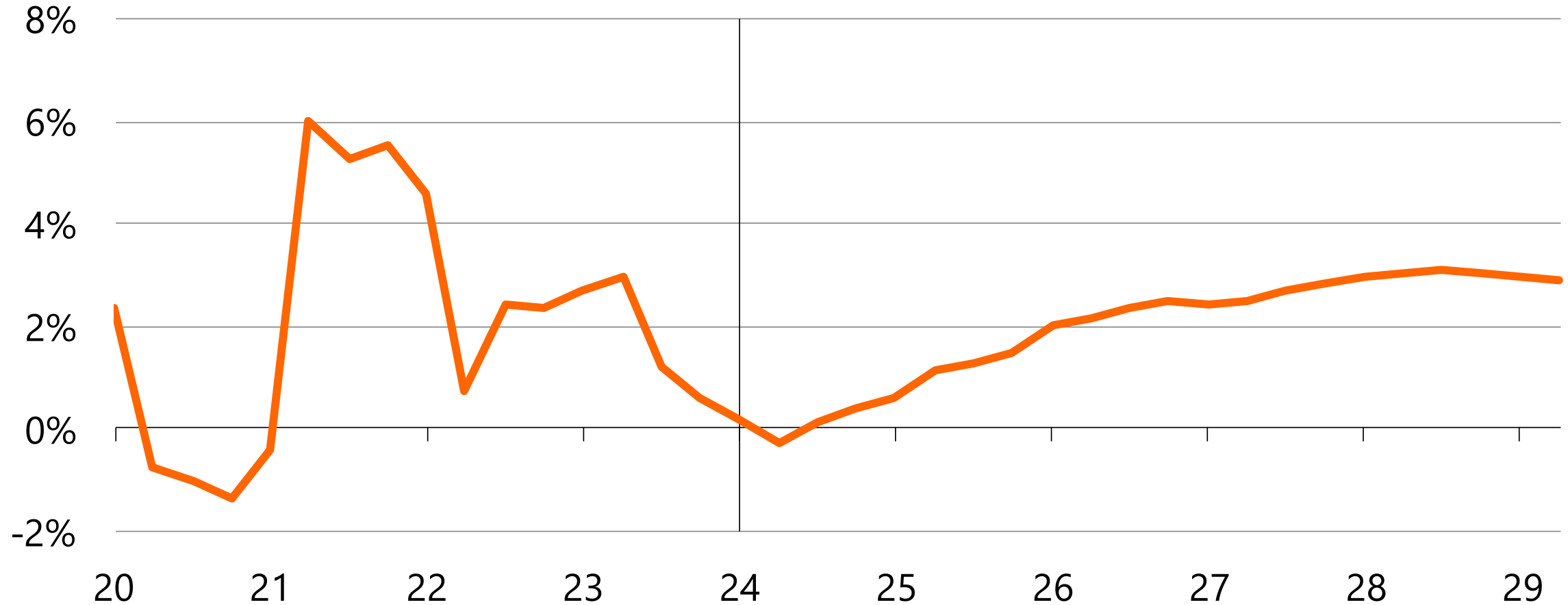


Economic activity

Recovery stunted by tight monetary policy

GDP forecast comparison, year-end % changes

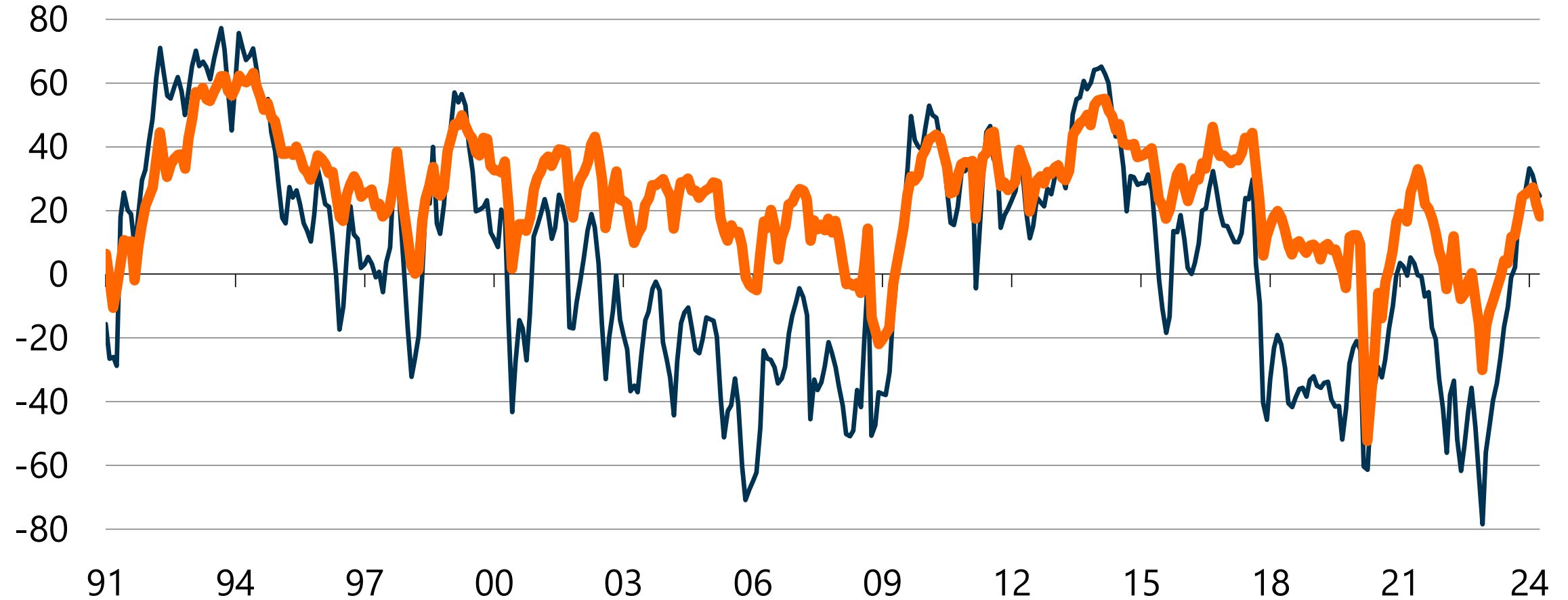
— Jul 24 forecast



Economic activity

Better confidence about the path ahead

ANZ Business Outlook, net % of firms, seas. adj.

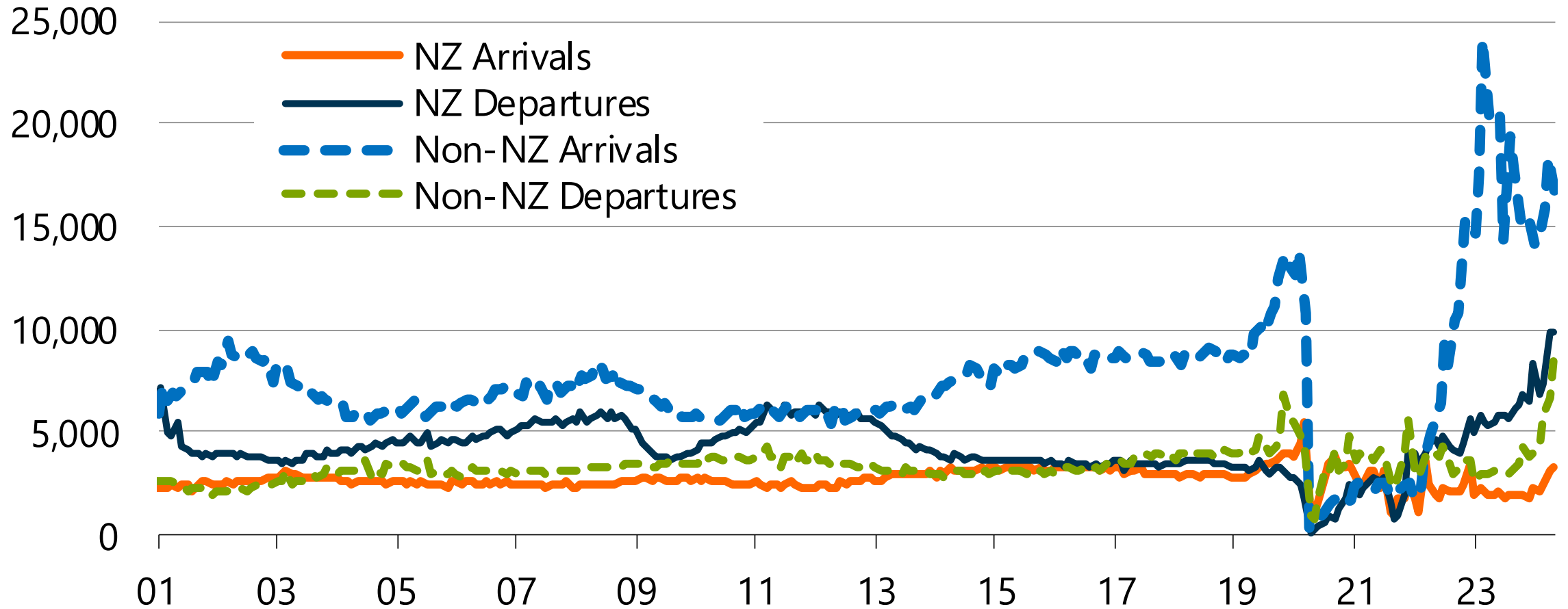


Shifting migration and employment trends

Migration shifts

More foreign arrivals, more Kiwi departures

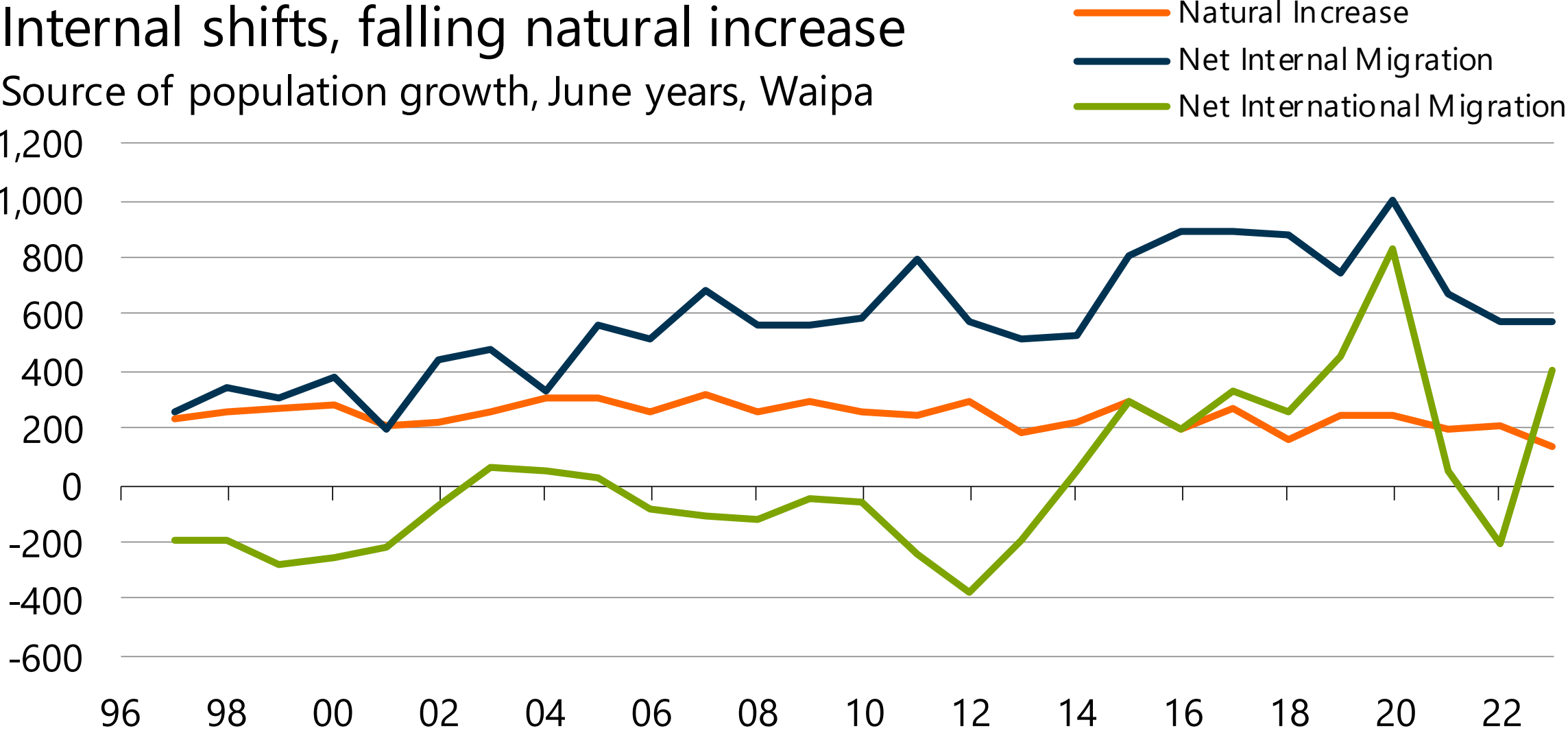
Monthly migration movements, seasonally adjusted



Population is changing

Internal shifts, falling natural increase

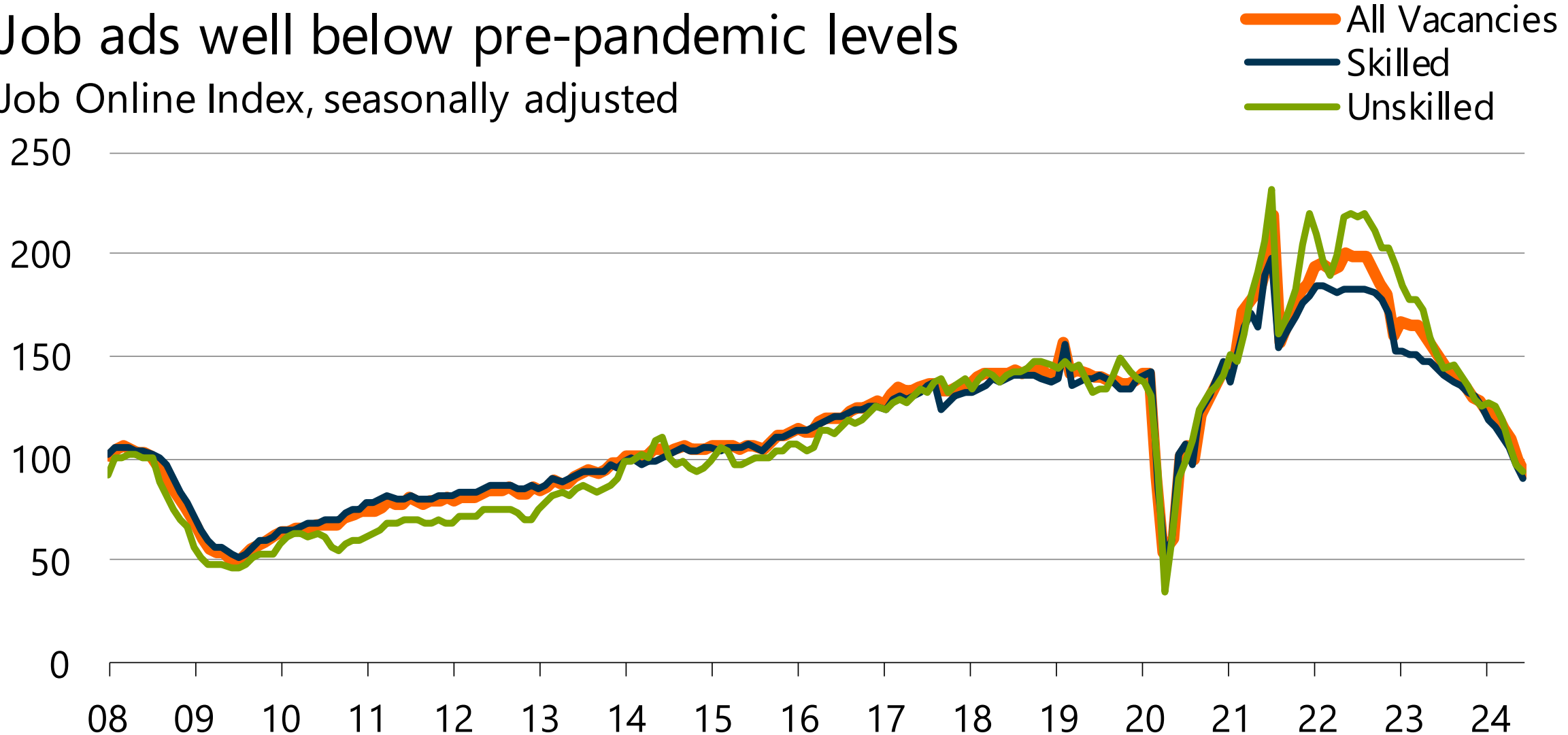
Source of population growth, June years, Waipa



Labour market

Job ads well below pre-pandemic levels

Job Online Index, seasonally adjusted

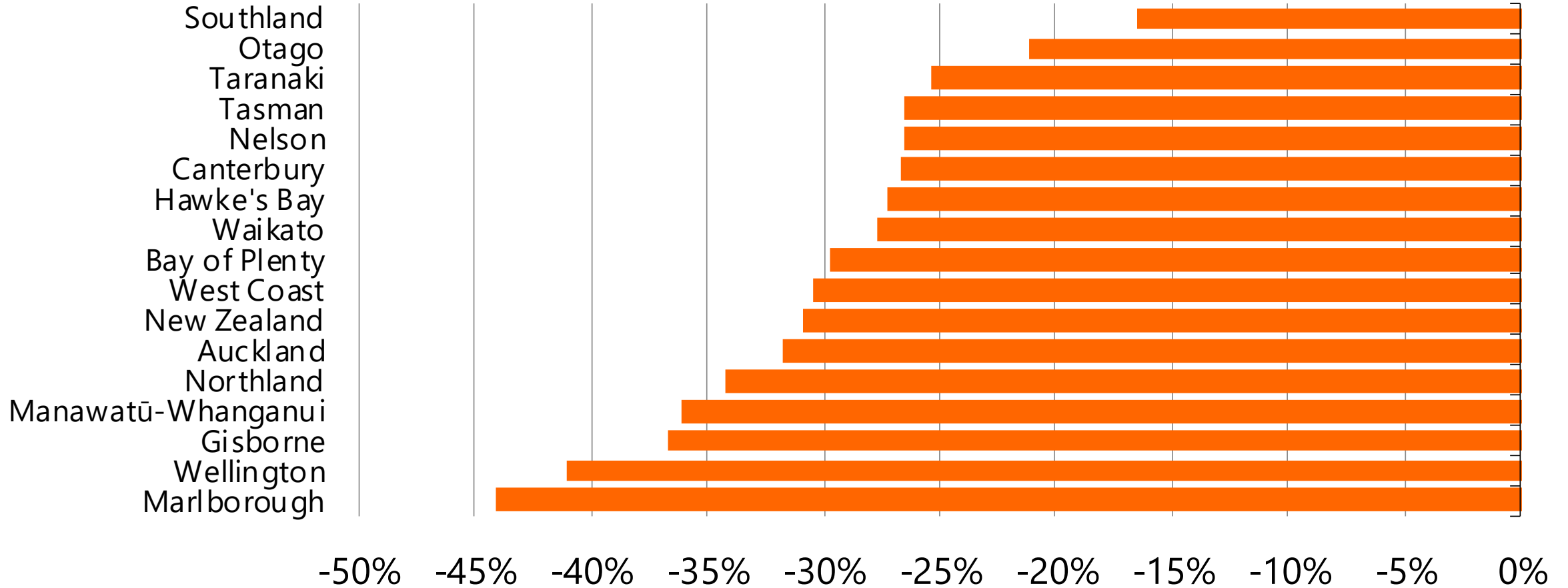


Labour market

Waikato in the middle

Infometrics analysis of SEEK job ads, June-24

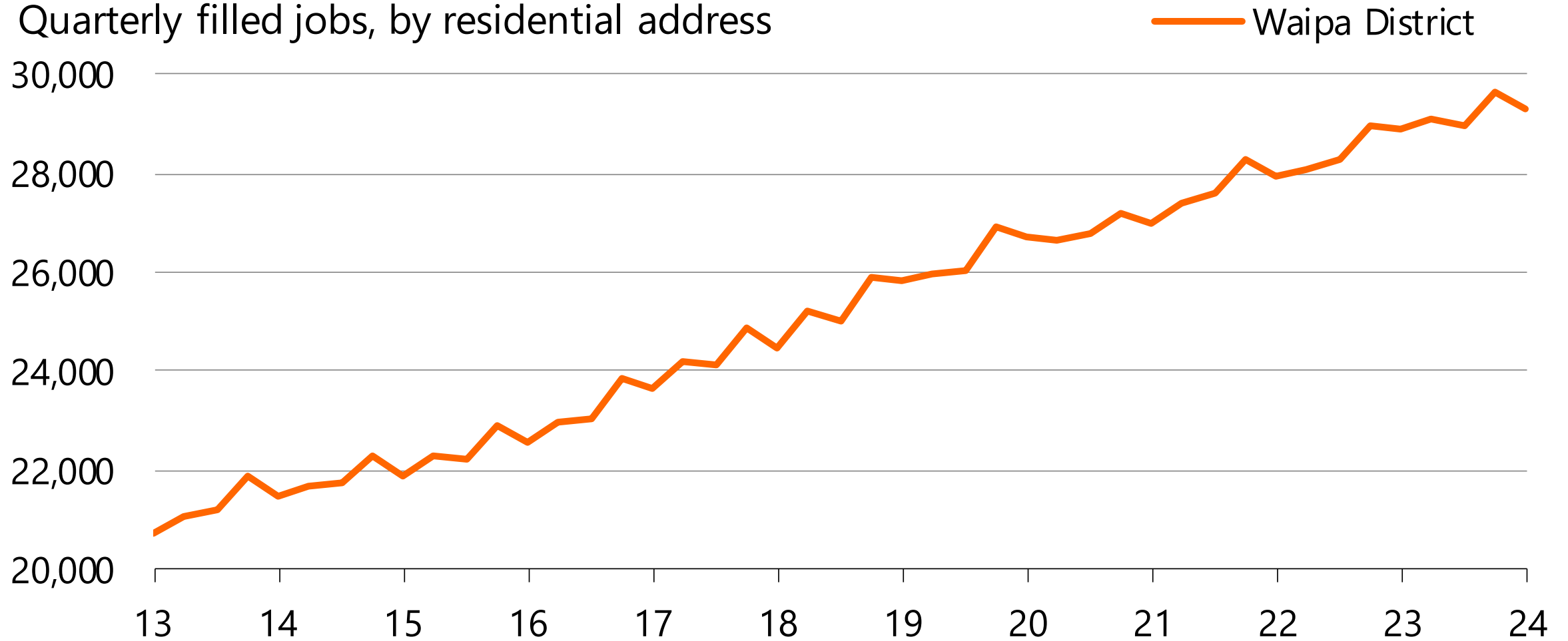
Annual % Change



Jobs growth under pressure

Solid jobs growth, for now, up 1.3%pa

Quarterly filled jobs, by residential address

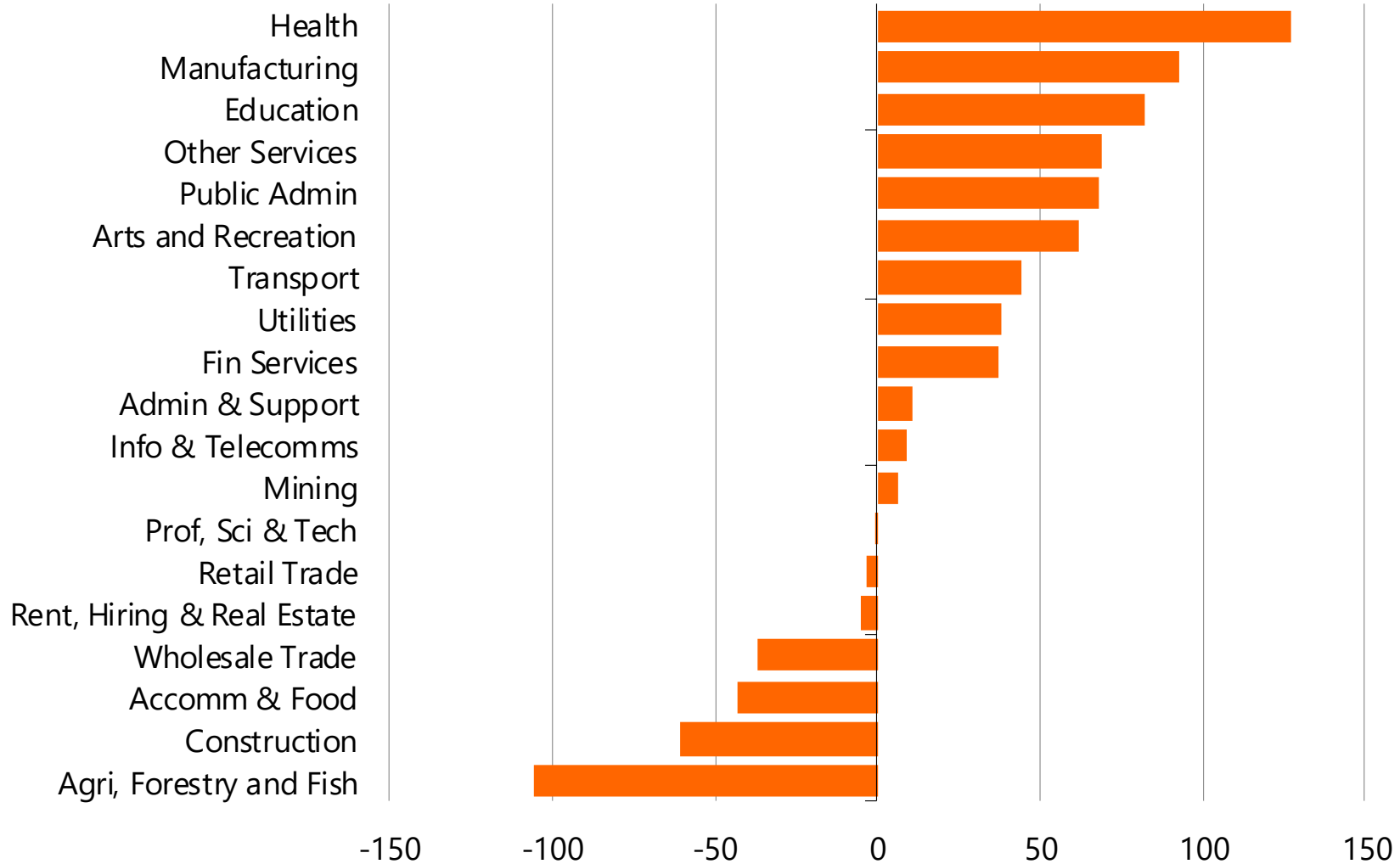


What's happening with jobs?

Some sectors are performing better than others

Filled jobs by industry, Mar-24, Waipa (residential location)

Change from 2023

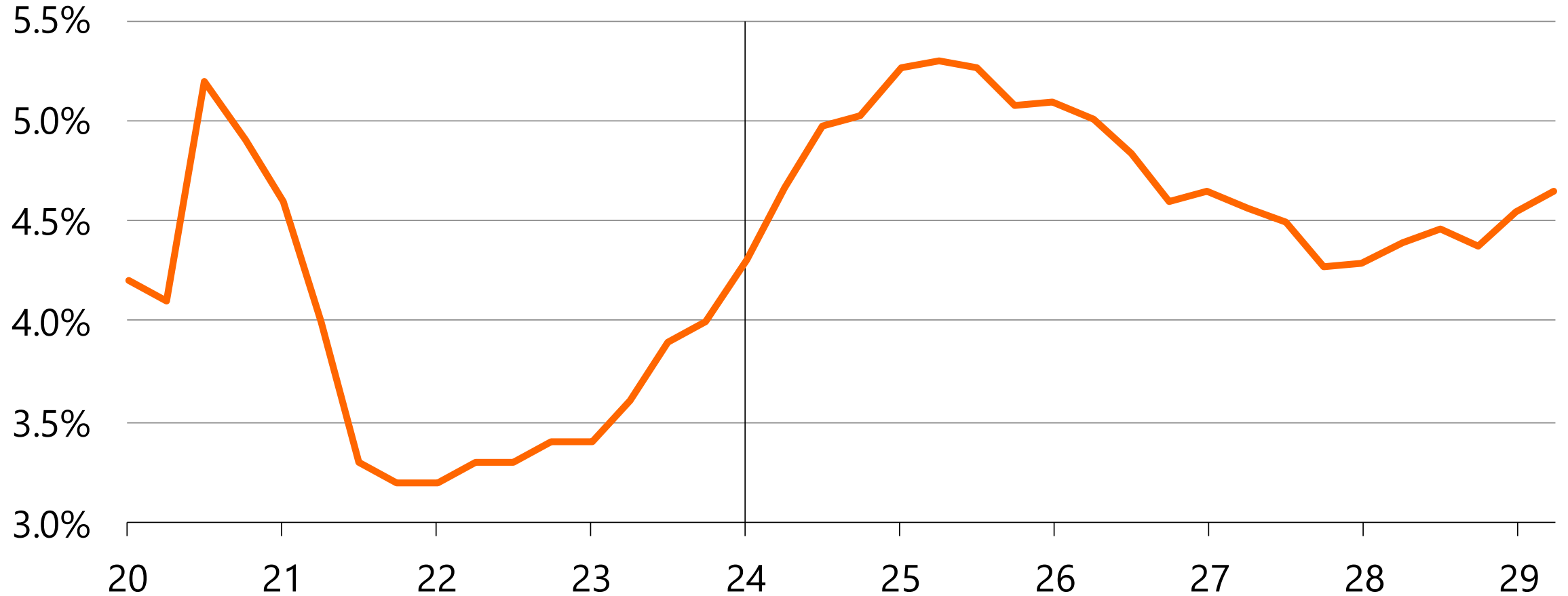


Labour market

Job losses still to hit

Forecast comparison of unemployment rate, % of labour force

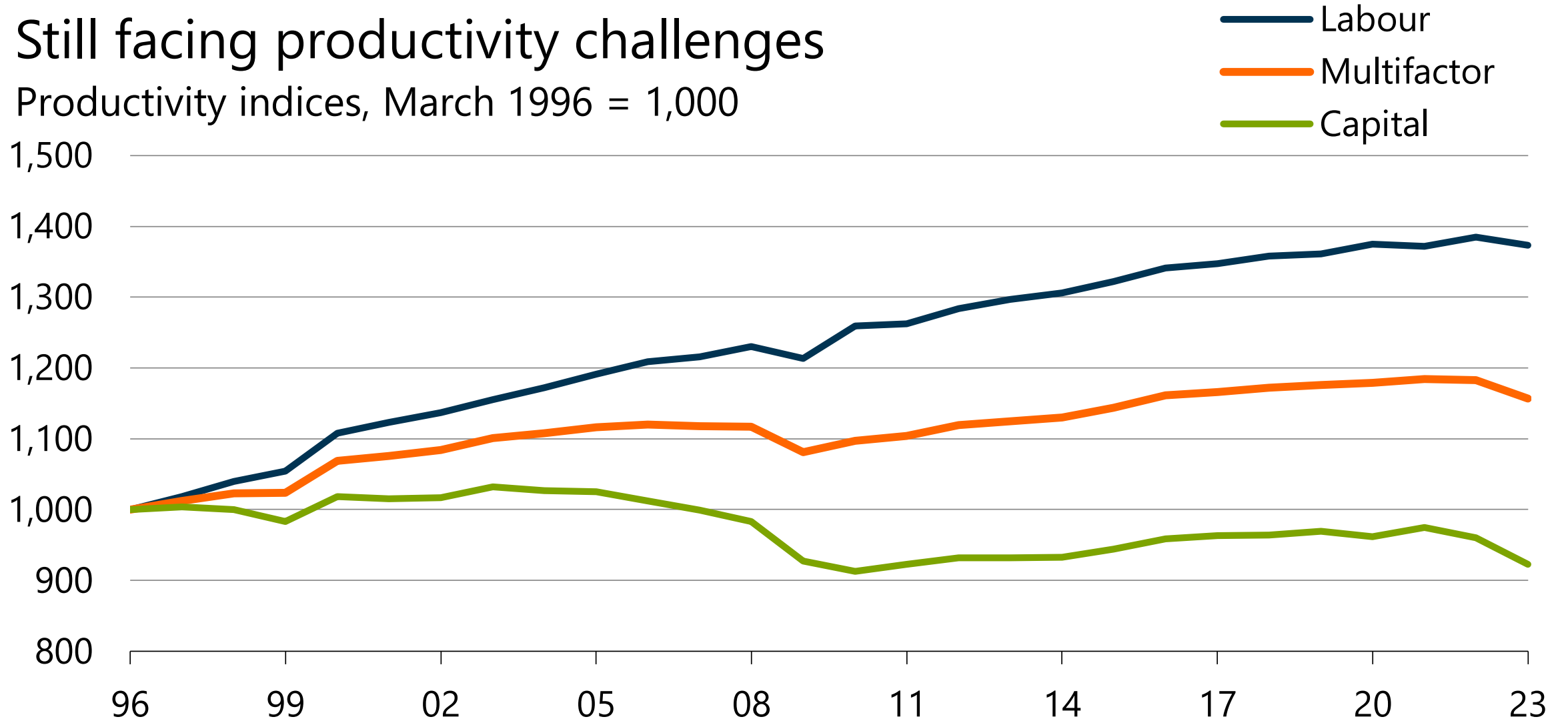
— Jul 24 forecast



Labour market

Still facing productivity challenges

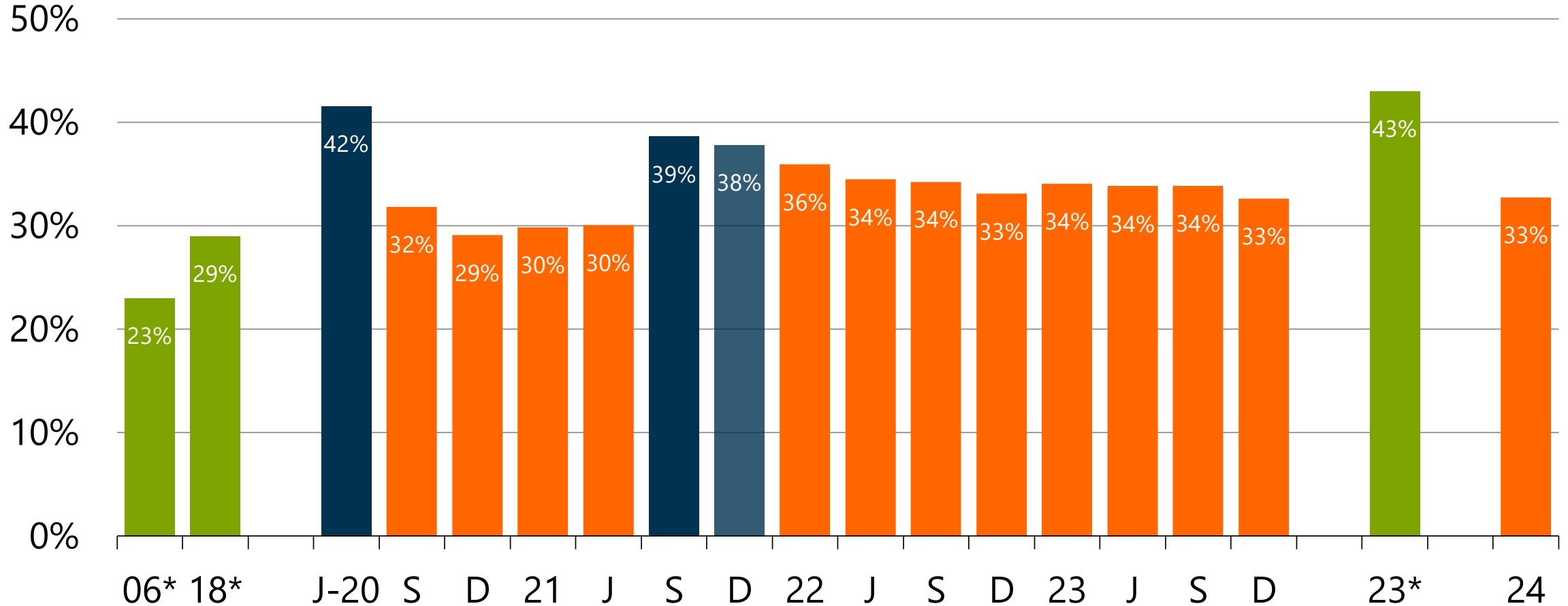
Productivity indices, March 1996 = 1,000



Labour market

Sustained high levels of WFH

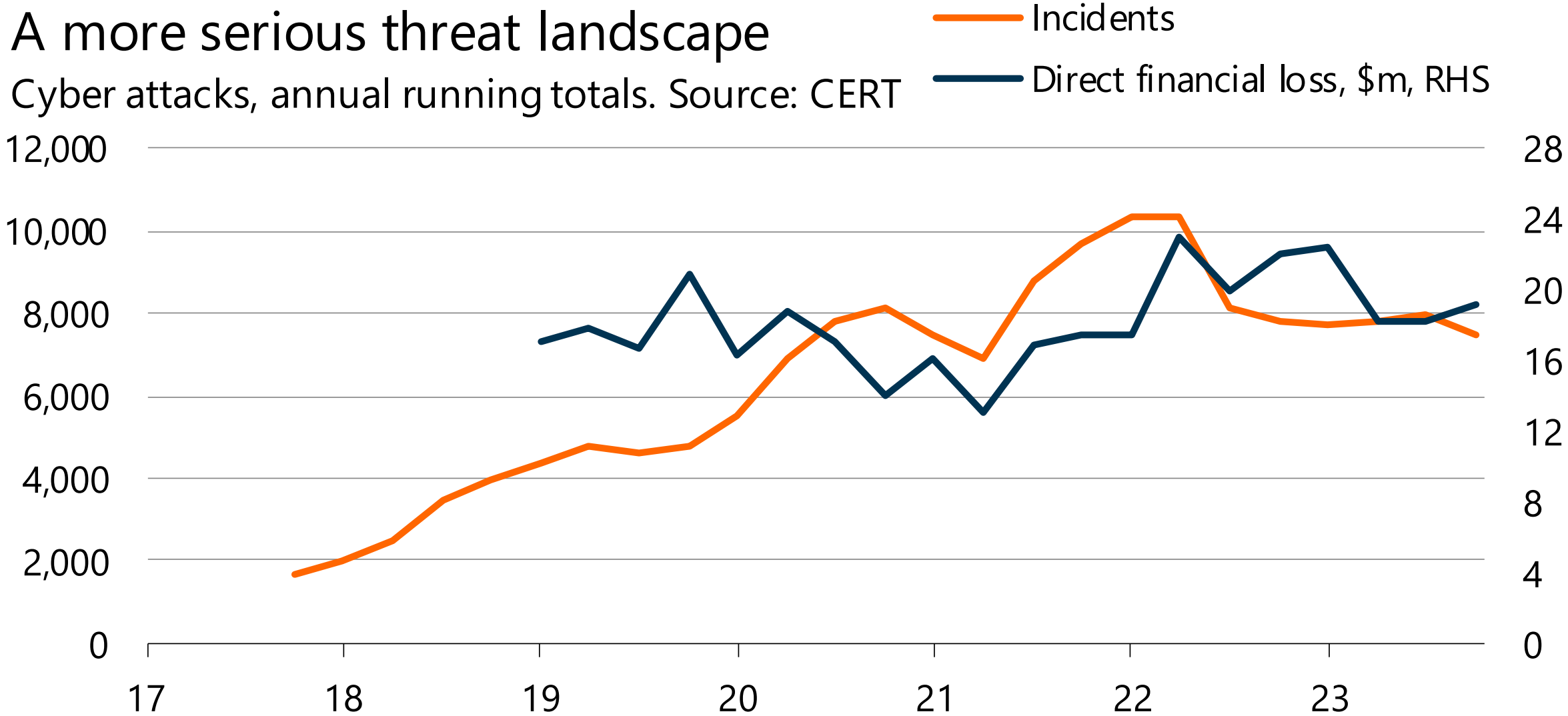
% of workers able to (*) or currently, work from home



Business trends

A more serious threat landscape

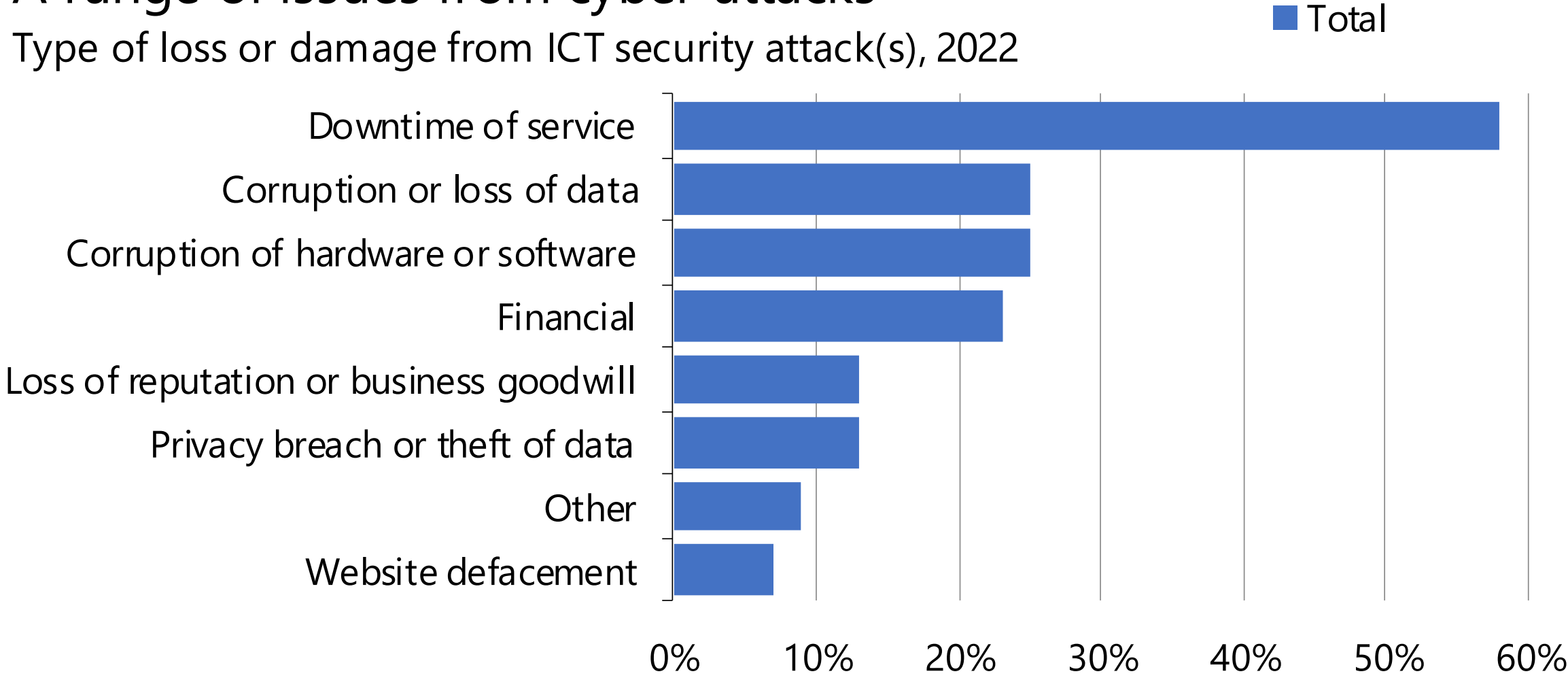
Cyber attacks, annual running totals. Source: CERT



Business trends

A range of issues from cyber attacks

Type of loss or damage from ICT security attack(s), 2022

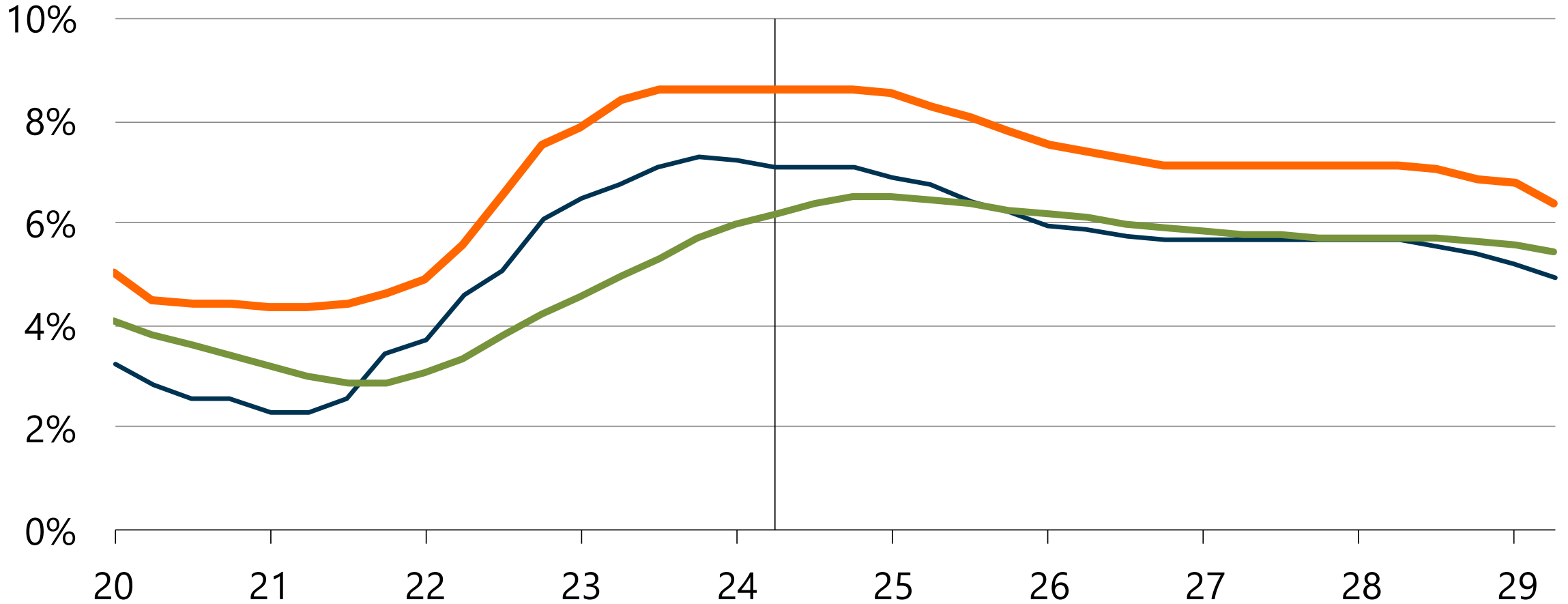


Still tough out there

Interest rates

It feels like a long wait until February 2025

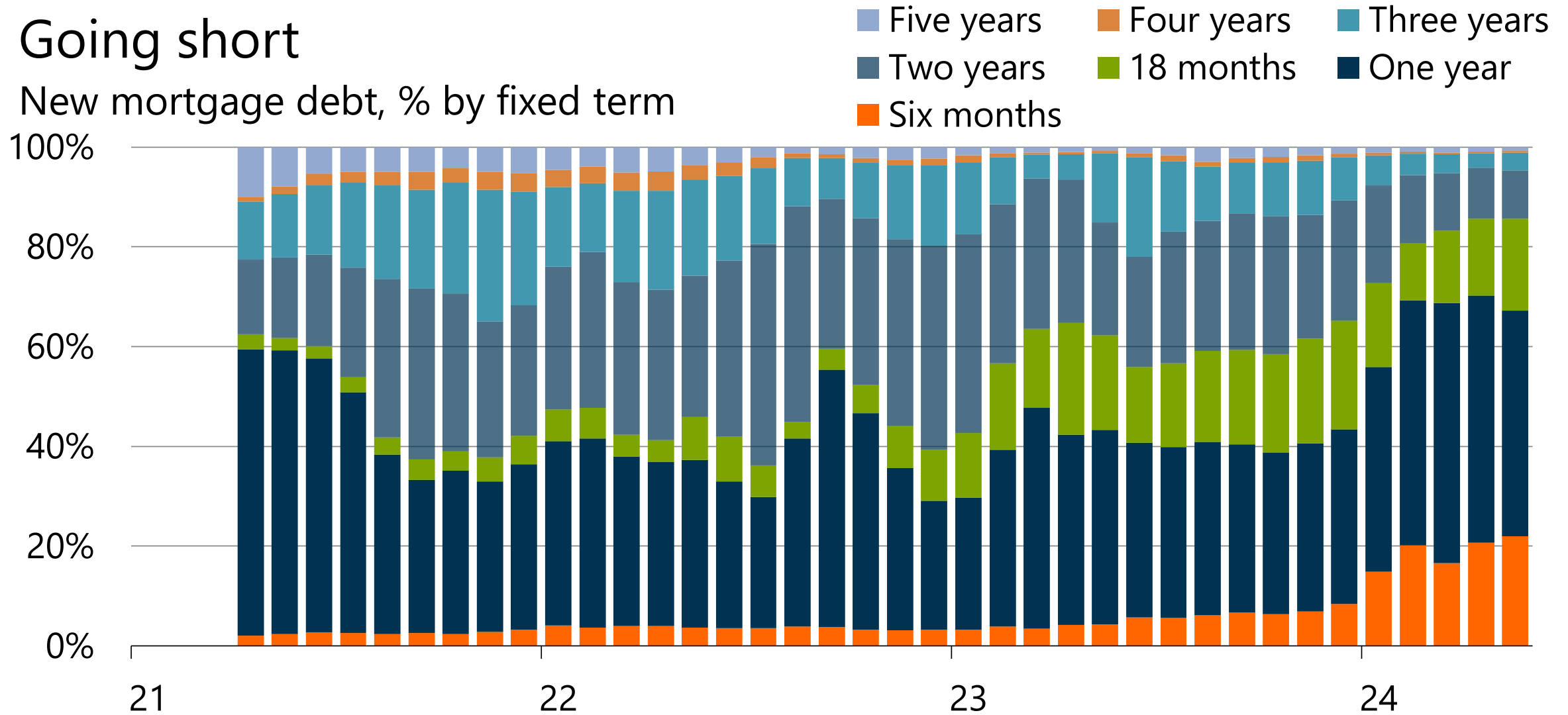
Mortgage rates, quarterly averages



Interest rates

Going short

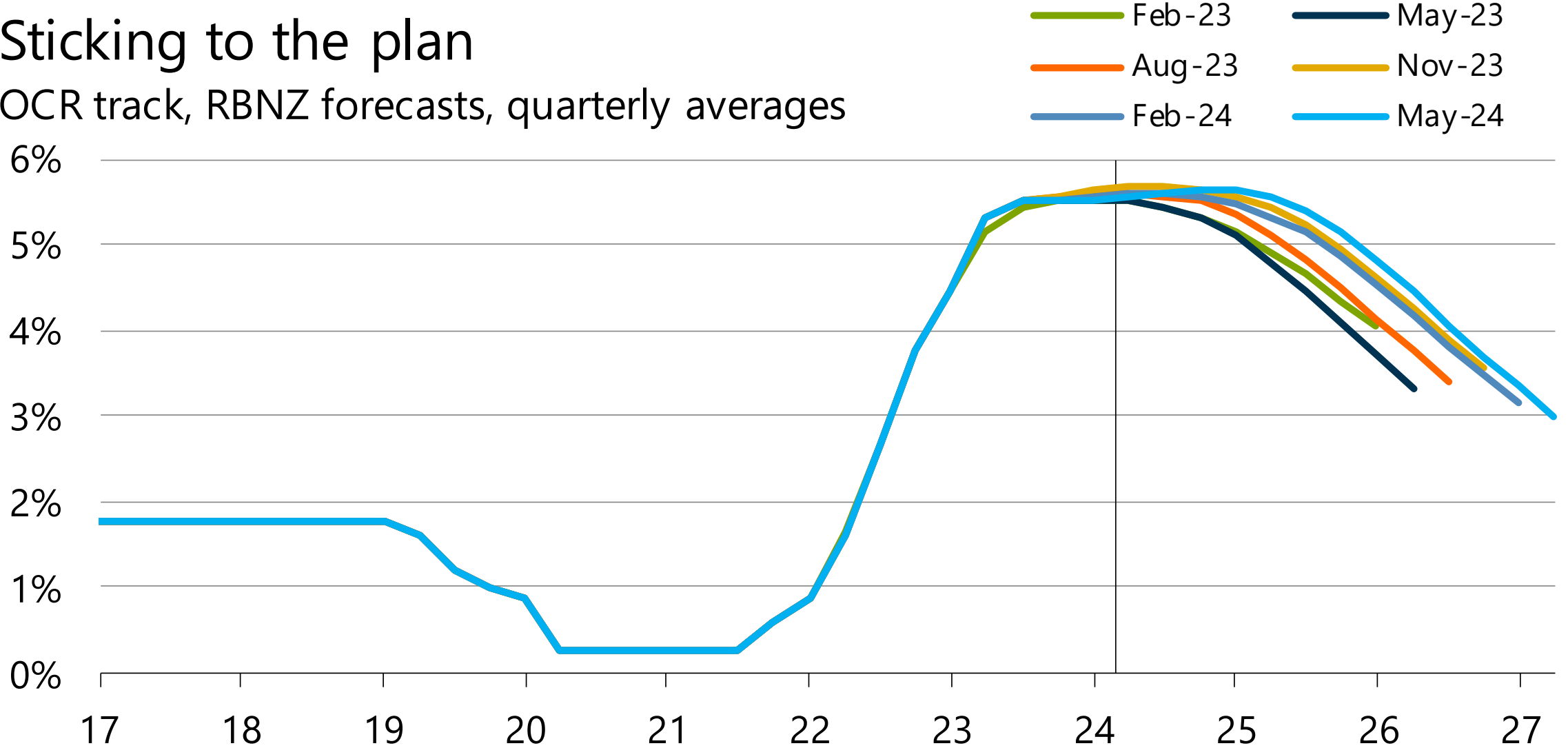
New mortgage debt, % by fixed term



Interest rates

Sticking to the plan

OCR track, RBNZ forecasts, quarterly averages

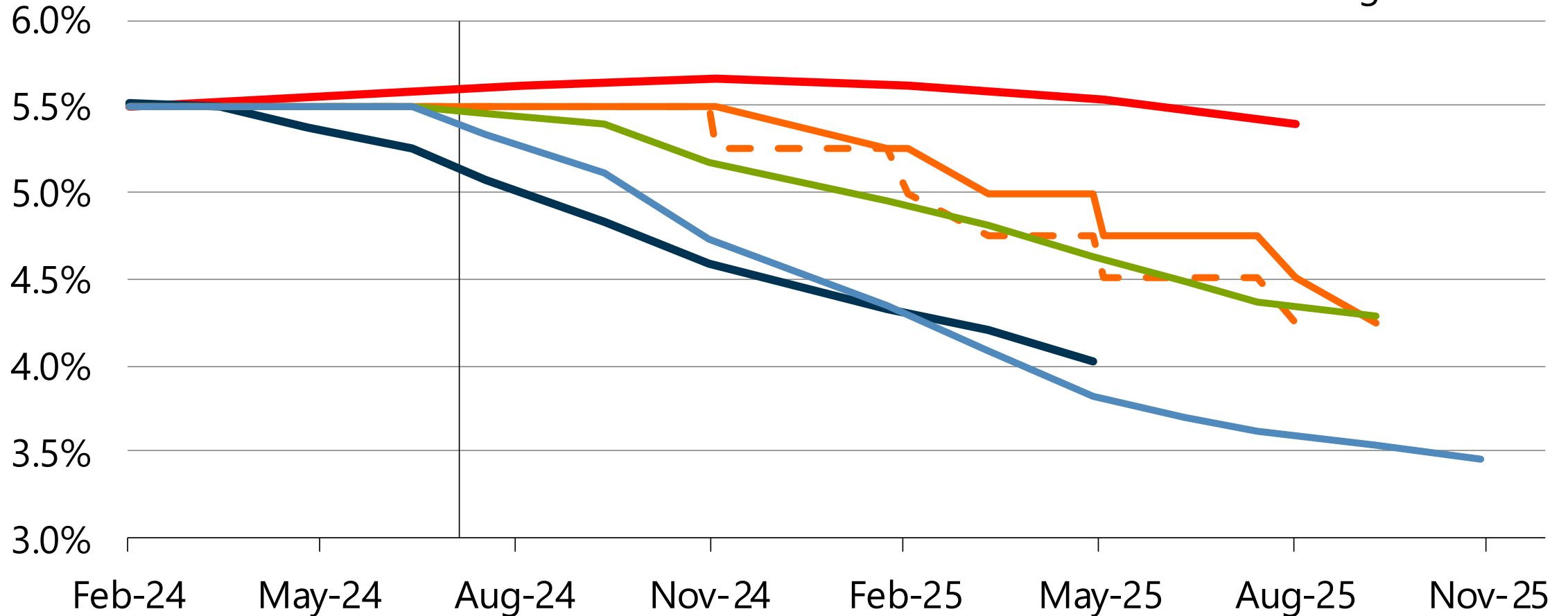


Interest rates

Markets vs RBNZ

OCR, market pricing by date

- RBNZ (May24)
- Infometrics (Apr24)
- 21-Jun-24
- 2-Feb-24
- Infometrics (Jun24)
- 2-Aug-24





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