

# Hawke's Bay Region

## Economic Monitor to June Quarter 2014

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### 1.0 Introduction

This report provides an analysis and assessment of the current economic situation within the Hawke's Bay region, some historical economic trends and the economic outlook for the region for the next 12 months. Most of the economic indicator results provided in the report are for the year ended June 2014 but a few later results are also included. The base information for the analysis is sourced from a range of agencies including Statistics New Zealand and other Government agencies and regional and local organisations. Growth comparisons with other regions and the country as a whole are included in the analysis where appropriate.

### 2.0 Trend summary

- **Positive** economic changes over the past year (YE June 2014) include:
  - An estimated total population gain of 900 or 0.6%, accompanied by a sharp fall in net international migration loss from the region.
  - Increased value of consented new dwellings and farm buildings, and an increased number of consented new rural buildings and consented total building alterations.
  - Significantly increased retail spending and new motor vehicle registrations.
  - An increase in commercial visitor arrivals and night-stays in the region, as well as total visitor spending.
  - Significant increase in international export volumes handled by the Port of Napier and increased passenger numbers at Hawke's Bay Airport.
  - Overall improved business trading performance of Napier-Hastings firms.
  - Increased lamb, mutton, beef/ veal, wool, pip-fruit and forest product export returns.
  - Reduced level and rate of unemployment, and noticeable overall fall in the number of people receiving various Government benefits including the Jobseeker benefit.
  - A number of significant new business and community developments including the Kiwibank back-up head office and call centre in Hastings; upgraded mechanical pulping and kiln facilities at Pan Pac Forest Products; development of new commercial office space in Napier; new waterfront hotel/conference facility redevelopment in Ahuriri; residential development work on the old Napier Hospital site; new Port of Napier office complex and other Port facilities, wine and pip-fruit industry investments in the Napier-Hastings area; retail sector upgrades across Napier-Hastings; HB Airport facility and service upgrades; further roading developments in the Napier-Hastings area; and service extensions at a number of sports and recreational facilities throughout the region.
- **Downside** changes over the past year include significantly reduced value of new commercial-industrial and social-community building work, fall in the total value of consented building alterations, fall in housing affordability, reduced consumer confidence, reduced level of international freight imports handled by the Port of Napier, slight fall in employment and a continuing relatively high rate of unemployment.
- **Overall**, the ANZ Bank's Quarterly Regional Economic Activity Indicator, which is a composite of quarterly results for a wide range of direct and indirect economic indicators for the different regions in the country, shows a 2.8% economic activity growth rate for Hawke's Bay for the year ended June 2014, compared to 1.8% for the previous June year and the national rate for the latest June year of 4.2%. Economic activity has been strengthening in the region since 2012.
- Economic indicator gains since June this year include increased volume and value of consented new housing, and increased commercial accommodation visitor arrivals into Hawke's Bay.

### 3.0 Key Hawke's Bay Region annual economic indicator levels June 2014 Year

Estimated Population (June 2014):	156,000
Estimated households:	58,120
Nominal Gross Domestic Product (GDP):	\$6.5 billion
Annual economic activity growth:	2.8%
Annual employment:	80,287
Annual employment change:	-1.0%
Estimated unemployment:	6,231
Estimated unemployment rate (%):	7.2%

### 4.0 Population

Hawke's Bay's population currently stands at an estimated 156,000 and has increased by an estimated 900 or 0.6% over the past year.

**Figure 1a** indicates the trend in the region's estimated population since 1996, for selected years. Over the period, the population has increased overall by 9,400 or 6.4%. This compares with the national figure of approximately 20%.

Over the past year, the main components of population change in the region were a natural population gain (births minus deaths) of 906 and a small total net migration loss of just 6. The latter figure comprised an international net migration loss of 26 and a net internal migration gain of 20. Net international migration loss from the region for the latest year was the lowest it has been during the past five years and well down on the annual levels for 2011-2013.

On the basis of the current population estimate for Hawke's Bay, as above, the region's population is projected to increase to 161,200 by June 2031, under the Statistics NZ Medium or 'middle of the road' projection scenario. This represents a gain of 5,200 or 3.3% on the current regional population.

Over the 2014-2031 period, the Hawke's Bay under 15 years age-group population is projected to fall by 7.4% and the 15-64 population by 7.6%, with the 65+ population increasing by 56%.

Fig 1a: Hawke's Bay Region Estimated Population Growth Since 1996

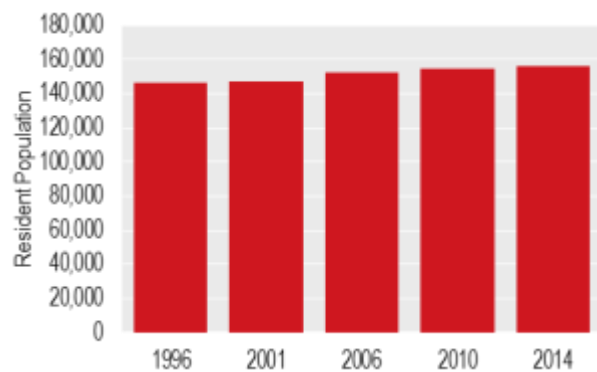
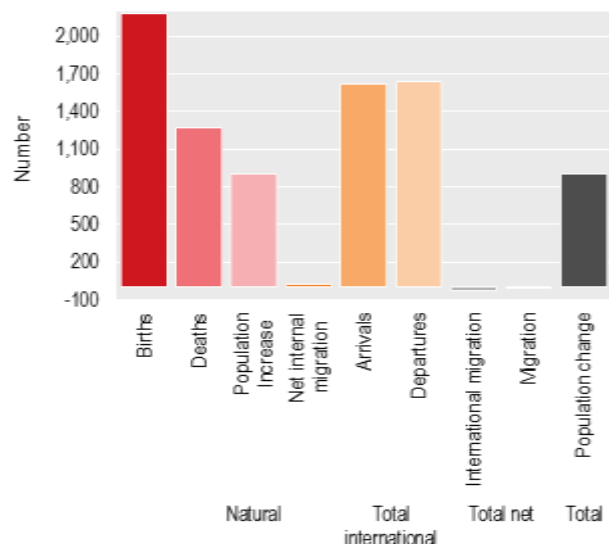


Fig 1b: Hawke's Bay Region Population Change Factors 2013-2014



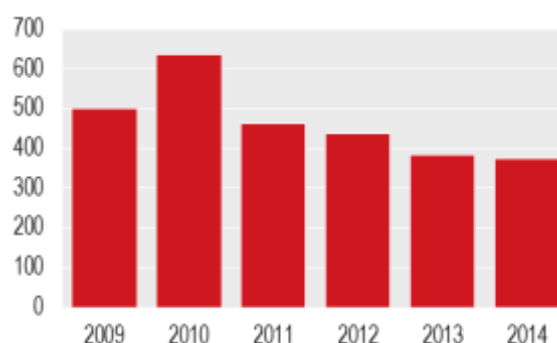
## 5.0 Households/dwellings

The total stock of households in Hawke's Bay in June this year stood at an estimated 58,120, compared to 57,642 in March 2013. This represents an increase of 478 or 0.8% over the year.

The latest Statistics New Zealand Medium projections see the number of households in the region increasing by a further 6,020 or 9.8% to the 67,700 mark by Year 2031.

**Figure 2** indicates the trend in the number of consented new dwellings in the region, since 2009. The number fluctuated noticeably over 2009-2011, fell further over the following two years but stabilised over the year ending June 2014.

Fig 2: Hawke's Bay Region New Residential Building 2009-2014

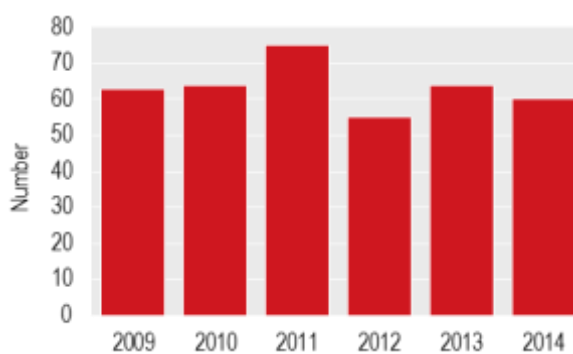


## 6.0 New building activity

Over the year ending June 2014, a total of 375 new dwellings received building consent in the Hawke's Bay region, worth a combined value of \$121.8 million. The number of new dwellings approved during the year was down 2.3% on the previous year whilst their combined value was up 6.7%. Total housing alterations consented rose 6.1% in volume terms but fell 3.5% in dollar terms.

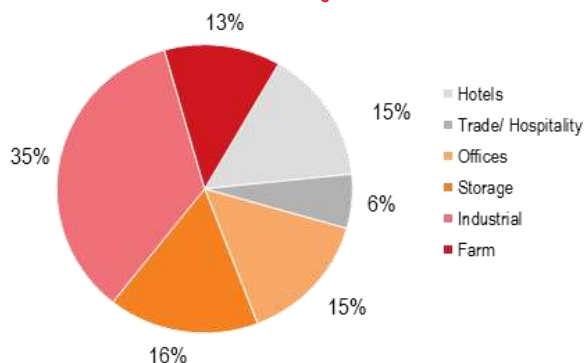
**Figure 3a** indicates the annual trend in the volume of consented new commercial/ industrial building work in the region, since 2009. Building work approved over the latest June year was down 6.3% on the previous year in volume terms and down 36.4% in value terms. Significantly increased activity occurred over the year only in the visitor accommodation and industrial building sectors. As the graph indicates, the volume of building activity has fluctuated on an annual basis but on a positive note has increased overall since 2012.

Fig 3a: Hawke's Bay Region New Commercial-Industrial Building 2009-2014



**Figure 3b** indicates the profile of new commercial, industrial and rural building consented during the past year. The largest sectors of new building activity (in value terms) have been, in order, industrial, storage, visitor accommodation and office.

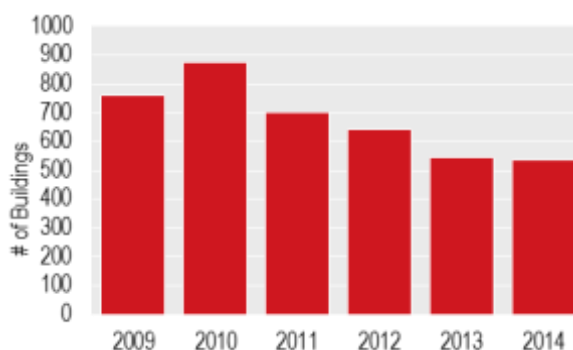
Fig 3b: Hawke's Bay Region sector shares of the total value of new commercial/industrial building work consented 2013-2014



The volume of new rural building work consented rose by 25.8% during the latest June year, whilst the total value of this work rose by 64%.

The total number of new buildings, other than residential, commercial/industrial and rural, consented in the region over the year ended June 2014, was down 41% on the previous year. The total value of the building work was down 49%, with only the hostels/boarding houses and social/community sectors recording a gain over the year.

Fig 3c: Hawke's Bay Region Total Annual Consented New Buildings 2009-2014



All up, the total number of new buildings consented in the region during the year was recorded at 537 with a combined value of \$170 million. These results were down 1.6% and 11% respectively on the previous June year results. The total number of consented building alterations was up 0.6% on the previous year whilst the total value was down 2%.

## 7.0 Other economic indicators

The changes indicated in this section are for the year ending June 2014. **Figure 4a** shows some of the economic indicator changes for the region versus NZ as a whole, over the period. New dwellings consented rose 6.7% over the year in value terms, compared to the national gain of 27%.

Hawke's Bay house sales totalled approximately 2220 for the year ended June 2014. Sales were relatively flat in the region over late 2012 to the end of 2013 and have since trended downwards. The median house selling price rose over early 2013 to early 2014 but has since fallen back.

The latest Massey University Home Mortgage Affordability survey undertaken in September this year indicates that housing affordability in the Hawke's Bay region has declined by 2.1% over the past year, compared to the 11.4% national decline. The median weekly housing rental in Napier City in May 2014 was on par with the same month in 2013 but up 1.7% in Hastings.

Hawke's Bay commercial visitor-nights rose by 1% over the past June year, compared to the 5.3% national gain. Total commercial visitor arrivals into the region increased by 0.8% compared to 3.2% nationally. The average visitor 'length of stay' in the region for the two years was similar at around two nights.

Paymark monitored retail spending figures (which cover 50% of all retail spending in New Zealand), indicate a 4.8% increase in the volume of spending in the full Hawke's Bay region for the year ended June 2014 compared to the same period last year. The national change was 6.8%. The total nominal value of spending in Hawke's Bay rose 3.6%, compared to 5.9% nationally. **Figure 4b** shows the trend in the volume of retail spending for the June quarters over the period 2009 to 2014. Spending activity has risen by 21% over the full period, in nominal terms.

According to the results of the September 2014 quarter Westpac McDermott Miller Consumer Confidence survey, consumers in the Hawke's Bay region as a whole are mildly optimistic overall about shorter-term economic conditions in New Zealand for the coming year. However, the overall level of consumer confidence has fallen by about 7% over the past year, compared to the national gain of 1.3%.

New motor vehicle registrations in the region for the year ended June 2014 were up 16.5% on the previous year's result for the same period, compared to +14.7% nationally

Fig 4a: Comparative Hawke's Bay Region and New Zealand Economic Indicator Changes 2013-2014

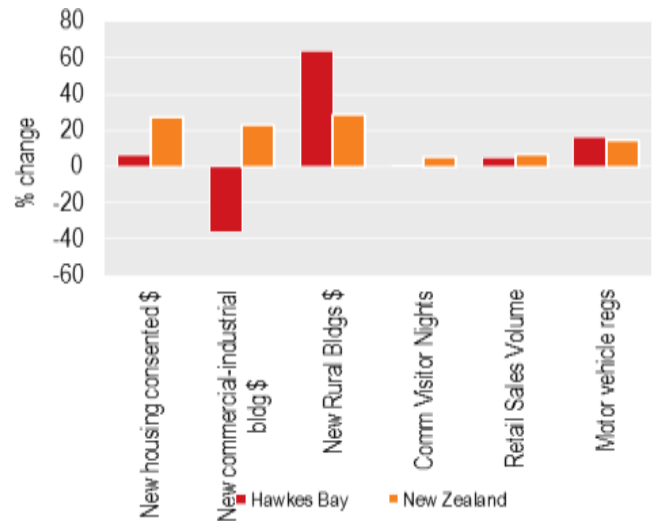


Fig 4b: Paymark Hawke's Bay Retail Spend June Quarters 2009-2014

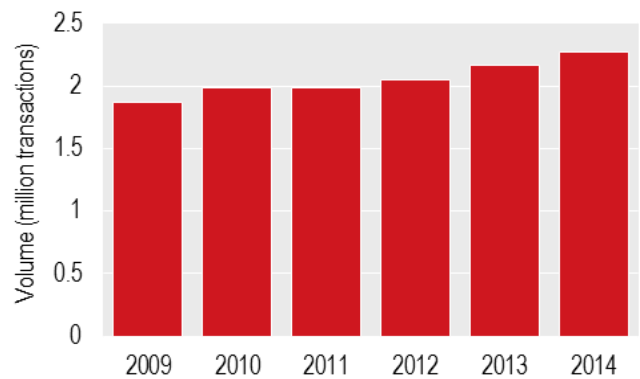
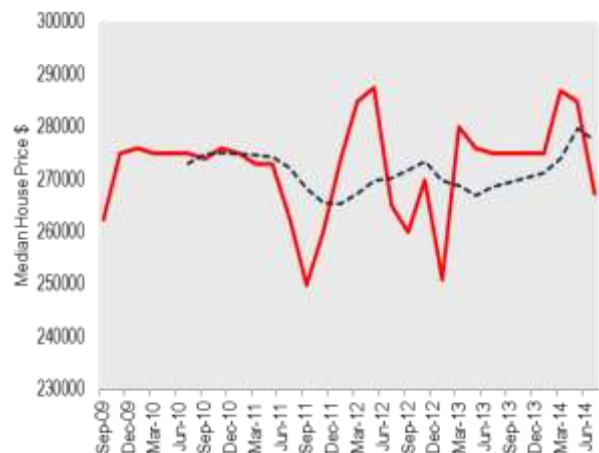


Fig 4c: Hawke's Bay Median House Price Trend 2009-2014



## 8.0 Overall economic activity

**Figure 5a** indicates the longer-term trend in overall economic activity in the Hawke's Bay region and nationally since 2005, as measured by the ANZ Bank's regional economic activity indicator for New Zealand. Where the graph lines lie above the zero horizontal axis, this indicates positive economic activity growth and vice versa where the lines lie below this axis.

As the graph shows, annual economic activity growth in Hawke's Bay weakened over 2005-2008 and was essentially negative over the following two years. Economic activity growth has been positive since 2010 although fluctuating somewhat. Since 2011, regional activity growth has been significantly below the national level.

The economic activity growth rate in Hawke's Bay for the June 2014 year was 2.8%, compared to 4.2% nationally and the HB figure for the previous June year of 1.8%.

Fig 5a: Hawke's Bay Region annual economic activity growth since 2005



## 9.0 Visitor/tourism numbers

Visitor arrival numbers into the Hawke's Bay region staying in commercial accommodation (which accounts for an estimated 40% of all regional overnight visitors) totalled 442,824 for the year ended June 2014, up 0.8% on the previous year. The number of nights spent in the area by visitors staying in commercial accommodation (representing only 25% of all annual regional night-stays; the rest relate to the VFR accommodation sector) totalled 952,350 for the year, up 1% on the previous year.

As **Figure 6a** indicates, the number of commercial visitors to the region rose gradually over 2005-2007, fell back until 2013 but then increased slightly over the latest year. Arrival numbers for the year ended June 2014 were 12% down on the 2008 peak level. As shown in **Figure 6b**, annual commercial accommodation visitor-nights spent in the region have followed a very similar trend to that for commercial visitor arrivals.

The number of visitors to Hawke's Bay staying with friends and relatives (VFR visitors) currently accounts for 60% of total overnight visitor numbers and 75% of total visitor nights spent in the region. Over the year ended June 2014, VFR numbers increased 11% whilst VFR night-stays rose approximately 4%.

Central Government tourism figures indicate a total direct visitor spend in the region over the March 2014 year of \$604 million, comprising \$513 million or 85% for domestic visitors and \$91 million or 15% for international visitors. Total visitor spend in the region has been consistently increasing since 2009 and overall by 26% in nominal 'dollars of the day' terms. The gain over the latest year was 6.3%. These spending figures are based on recorded electronic card transactions.

Fig 6a: Total Hawke's Bay Region commercial visitor arrival numbers 2005-2014

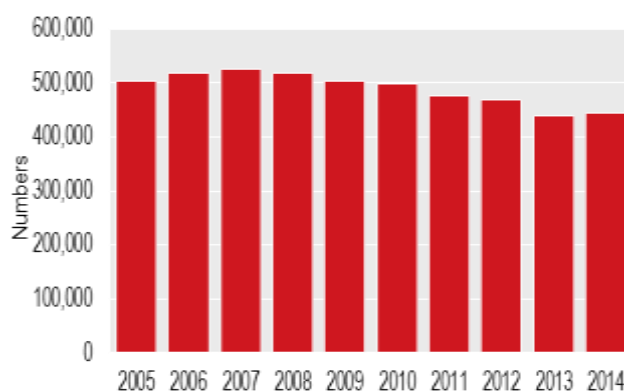
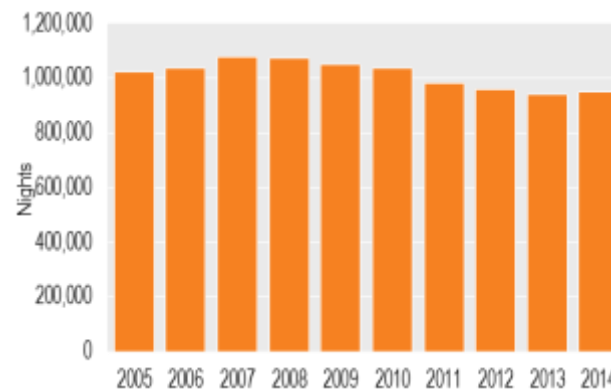


Fig 6b: Total Hawke's Bay Region commercial visitor nights 2005-2014





## 10.0 Results comparison

**Table 1** indicates the latest comparative annual local economic changes for the Hawke's Bay region as a whole, its constituent local authority districts and New Zealand for the listed indicators, for the year ended June 2014. The indicators comprise population, value of consented new building, house prices and commercial accommodation visitor-nights. The population results cover the 2012 and 2013 years as later information is not available as yet for all districts.

All districts and therefore the region recorded positive growth in the value of consented new dwellings over the year. The opposite was the case for new commercial-industrial building. All districts recorded significant positive growth in consented new rural building values. Hastings District was the only area to record positive growth in the total value of consented building alterations over the year. Only Napier and Central Hawke's Bay recorded positive property price change and commercial visitor-nights growth over the year. Hawke's Bay out-performed the country as a whole only in terms of the value of consented new rural building activity.

Table 1: Comparative Hawke's Bay Region TLA District and New Zealand Economic Indicator Changes 2014 June Year vs 2013 June Year

Area	% Change 2013–2014 years						
	Economic indicators						
	Population	\$ New Dwellings Consented	\$ New Commercial-Industrial Bldg	\$ New Rural Buildings	\$ Total Building Alterations	Average Residential Property Prices	Commercial Visitor Nights
Napier City	0.0	8.3	-23.3	20.0	-9.4	1.0	2.0
Wairoa District	-1.1	104.3	-58.5	16.3	-36.8	-0.1	-1.5
Hastings District	0.3	1.2	-49.0	66.0	6.5	-2.9	-2.0
Central HB District	-0.4	35.2	-92.4	10.3	-13.8	2.6	12.9
<b>HB Region</b>	<b>0.0</b>	<b>6.7</b>	<b>-36.4</b>	<b>64.1</b>	<b>-2.0</b>	<b>-1.0</b>	<b>1.0</b>
<b>New Zealand</b>	<b>0.9</b>	<b>27.2</b>	<b>22.7</b>	<b>28.8</b>	<b>13.8</b>	<b>6.9</b>	<b>5.3</b>

## 11.0 Industry profile and growth

**Table 2** indicates Hawke's Bay estimated industry nominal (current dollar terms) GDP levels for the year ended March 2014. The total primary production sector accounts for, in round terms, 13% of total GDP in the region, secondary industry (processing-manufacturing, utility services and construction) 25%, commercial services 31%, public & community services 15% and other items (other industries, owner-occupied dwellings and GST) 16%.

**Figure 7a** further illustrates the current broad industry profile of the Hawke's Bay economy. The largest industries are, in order, processing and manufacturing; business services; rural production; health, education and community services, and retailing, wholesaling and hospitality services.

Industry employment growth during the latest (2006-2013) Census period was highest in Hawke's Bay for, in order:

- Utility services
- Health care and social assistance services
- Public administration
- Education and training services, and
- Arts and recreation services.

Table 2: Hawke's Bay Region industry GDP Profile 2014

Industry	Nominal GDP (\$m)	% of total
Fruit Growing	340	5.3
Pastoral Farming	190	2.9
Forestry and Fishing	120	1.9
Other Primary Production & Rural Support Services	180	2.8
Rural Commodity Processing & Manufacturing	710	11.0
Other Manufacturing	305	4.7
Utility Services & Construction	570	8.8
Accommodation & Food Services	120	1.9
Wholesale & Retail Trade	550	8.5
Transport Storage Communications	320	4.9
Business Services	1,010	15.6
Public & Community Services	990	15.3
Other <sup>1</sup>	1,070	16.5
<b>Total</b>	<b>6,475</b>	<b>-</b>

Note: 1 Owner-occupied dwellings (imputed rental), other industries and GST.

Trends in national export returns for Hawke's Bay's key pastoral farming industries for the six months to March 2014, are as follows:

- Lamb export returns up 10.8% in \$fob terms.
- Mutton export returns up 43.9%.
- Beef and veal returns up 0.4%.
- Wool export returns up 8.1%.

Other relevant annual trends are:

- Export returns for pip-fruit this year are expected to be broadly similar to last year's record high level of 320,000 tonnes and \$500 million fob value.
- Total export returns for fresh and processed vegetables from NZ are forecast to be up around 1% this year compared to last year.
- Total wine exports from NZ are forecast to be up 12% this year compared to last year.
- The total volume of forestry commodity exports from New Zealand for the year ended June 2014 is expected to be 12% up on the 2013 figure, with total export returns increasing 15%.

Total international trade volumes handled at the Port of Napier during the latest June year, at approximately 3.6 million tonnes, were up 12.9% on the previous year. The total volume handled during the latest year was also up 27% on the 2009 level. The total overseas export tonnage which currently accounts for 87% of the total international trade volume handled by the Port, increased 17.8% over the latest year and 32.5% between 2010 and 2014. Meanwhile, international imports which account for 13% of total international tonnages currently handled by the Port fell 11% over the latest June year.

Fig 7a: Hawke's Bay Industry GDP Profile 2014

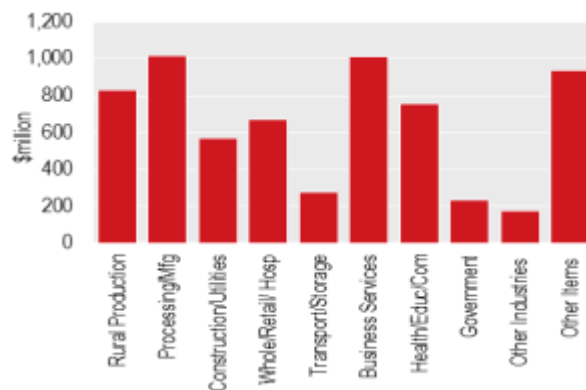


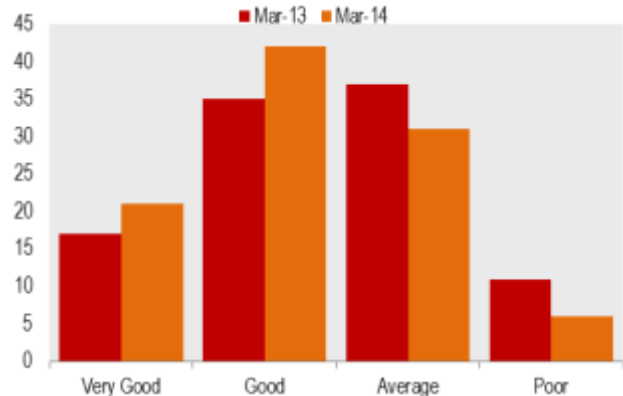
Fig 7b: Total Port of Napier Annual International Trade Volumes Since 2010



## 12.0 Business confidence

The Napier and Hastings Council's latest (March 2014) formal surveys of local business confidence (some 200 local businesses across all industry groups are surveyed in each district on a range of confidence factors) indicated that, as shown in **Figure 8**, the current trading performance of the firms surveyed was primarily either 'good' or 'average'. In addition, the proportion of firms reporting 'very good' and 'good' trading performance had increased significantly since March 2013, whilst the proportion reporting 'average' and 'poor' trading had fallen noticeably. The key positive influences on business performance around the time of the survey included business reputation, quality of staff, the improving national economy, increased marketing and advertising, seasonal upturn in business, improved customer service, rural and construction sector growth and assistance from Government policy changes and programmes.

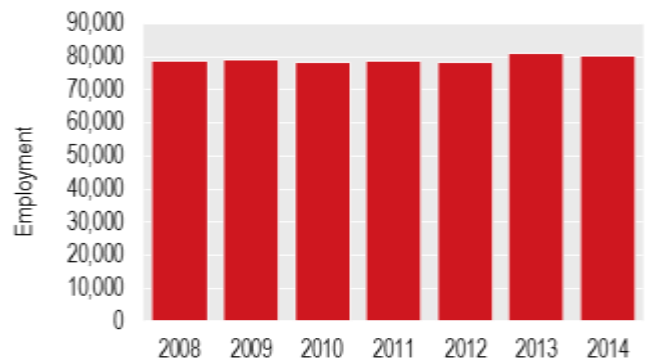
Fig 8: Napier City and Hastings District Current Business Trading Performance March 2014



## 13.0 Employment

Total employment in Hawke's Bay for the June 2014 year is estimated at an annualised 80,287 and was down approximately 1% on the previous year. Employment has increased overall by 1,977 or 1.9% since 2008. The trend since that year is indicated in **Figure 9a**. Employment in the region was relatively stable over 2008-2012 but then jumped up in 2013 before falling back a little over the latest March year.

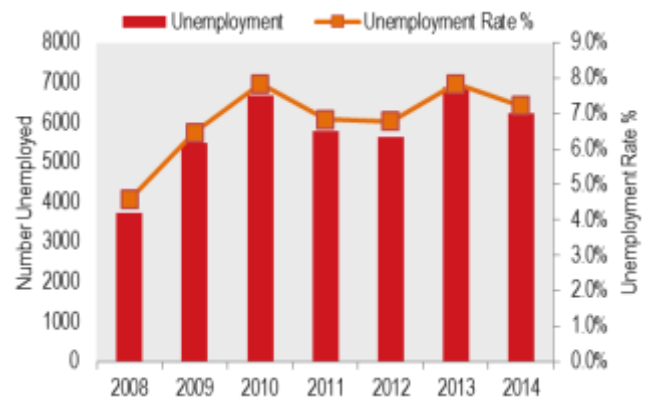
Fig 9a: Annualised Hawke's Bay Region Employment Trend 2008-2013



Statistics NZ's LEED (Linked Employer-Employee Database) dataset provides quarterly information on median earnings at the local/ regional level. Over the year ended June 2013 (the latest available information for this indicator), total median earnings for continuing jobs in Hawke's Bay were recorded at \$43,180. The comparative national figure for the same period was \$47,420, 9.8% up on the regional earnings level. Hawke's Bay has a national ranking of 11<sup>th</sup> out of 16 regions for this indicator.

In June this year, the annualised rate of unemployment in Hawke's Bay was recorded at 7.2%, compared to 5.9% nationally. At the same time, total unemployment in the region stood at an estimated 6,231, down 9.6% on the previous year. The number of people receiving the job-seeker benefit in the Hawke's Bay region in June 2014 stood at 4,700, compared to 5,449 in September 2013; however, the number in June this year was up 11.4% on the March 2014 figure reflecting the seasonal impact with the winding down of the horticultural harvesting period.

Fig 9b: Hawke's Bay Region Annualised Unemployment 2008-2014





## 14.0 National economic outlook

This final section provides an indication of the forecast national economic environment over the next two years, on the basis of trends in key economic indicators.

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 a number of the different economic forecasting agencies. The latest June 2014 forecasts are for:

- Noticeably positive overall economic and consumption growth in New Zealand over the next three years.
- Minimal and falling stable Government spending over the period.
- Major construction sector growth over the next two years, particularly with the Christchurch rebuild and new housing development in Auckland.
- Significant although falling business investment growth.
- Overall slight exchange rate depreciation over the forecast period.
- Increasing interest rates over the coming year.
- Significant although lowering employment growth over the forecast period.
- Noticeable private sector wage growth over the period.

Table 3: NZIER Consensus forecasts June 2014

Indicator	March years		
	2013/14	2014/15	2015/16
GDP	3.1	3.8	2.8
Private Consumption	3.6	3.6	2.9
Govt Spending	1.4	0.3	0.8
Residential Investment	16.1	19.2	10.1
Other Investment	10.1	9.8	5.4
NZ TWI Exchange Rate	77.1	79.2	76.2
90 Day Bank Bill Rate	2.9	3.9	4.7
Employment	3.5	2.3	1.6
Private Sector Wages	2.8	3.1	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.