

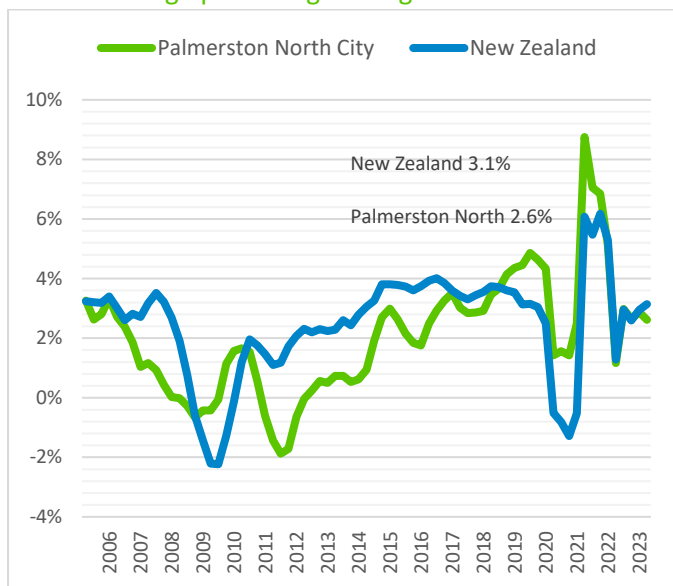
Palmerston North residents in paid employment is at record numbers, house prices have stabilised, and construction investment is again boosting economic activity with record consent values issued in the city over the year to June 2023.

**The number of employed people in the city hit a record 36,423 in June 2023.**

GDP increased by 2.6% in Palmerston North over the year to June 2023. The national economy grew by a greater 3.1% over the year following weak growth over the year to June 2022, as parts of the country continued to be hit hard by Covid-19 restrictions.

### Palmerston North Gross domestic product growth

#### Annual average percentage change



Source: Infometrics QEM, June 2023

The Palmerston North economy has been particularly strong over the last five-years with GDP growing by 19.6% compared with 13.7% growth nationally. This growth has been supported by elevated investment with around \$8 billion in public and private investment anticipated to flow into the Manawatū Region to 2035.

**Building consent values hit a record \$435.0m over the year to June 2023, up \$126.2m compared with 2022.**

The New Zealand economy has proven resilient overall, but challenges continue. Costs remain elevated for both households and businesses and with more households moving onto higher interest rates this year, spending across the economy is expected to pullback further in 2023. This is compounded by pressures on our agricultural sector as the high costs of production and lower commodity prices curb investment and spending across the economy.

Statistics NZ data for the June quarter confirms the slowdown in retail demand, with per capita volumes falling by a lofty 5.2% in the first six-months of 2023. The contraction in retail volumes is alongside a dollar increase in retail spending both in the city and nationally as prices remain high due to inflationary pressures. Retail spending trends and the city's retail sector is discussed in more detail later in this report.

If there is a bright side, it is that the fall in consumer demand was exactly what the RBNZ needed to see to limit further interest rate rises. The stabilisation of interest rates will help to restore confidence to sectors of the economy more sensitive to higher costs of borrowing.

This report employs June quarter data and, where available, more recent monthly data, to provide an up-to-date understanding of the factors that are impacting on economic activity and wellbeing in the city.

### Economic highlights:

- GDP hit \$6.36b in the city in the year to June 2023.
- Labour market conditions continue to be tight despite an increase in the city's annual average unemployment rate from 3.4% to 3.7%.
- Growth in total retail spending in the city continues, as discretionary spending on big ticket items fall.
- Commercial vehicle registrations in the city increased by 2.9% over the year compared to a 10.1% decline nationally.
- New dwelling consent numbers rebounded, alongside record consent values in the city.
- Median house prices in the city edged up to \$640,000 in July, down 5.2% from July 2022.
- House sales fell 9.5% over the year to July 2023 compared with a greater 17.3% fall nationally.
- Economic wellbeing indicators are mixed:
  - The annual increase in household living costs eased to 7.2% with food prices increasing by 12.5% over the year to June.
  - Average weekly rents in the city increased by 6.3% to \$459, compared with \$549 nationally.
  - Public housing register numbers in the city fell 17.7% over the year, compared with a 7.3% fall nationally.
  - Jobseeker numbers increased by 2.1% driven by an increase in recipients suffering with health conditions and disability in the city. The number of work ready jobseekers fell by 24 over the year to June 2023.

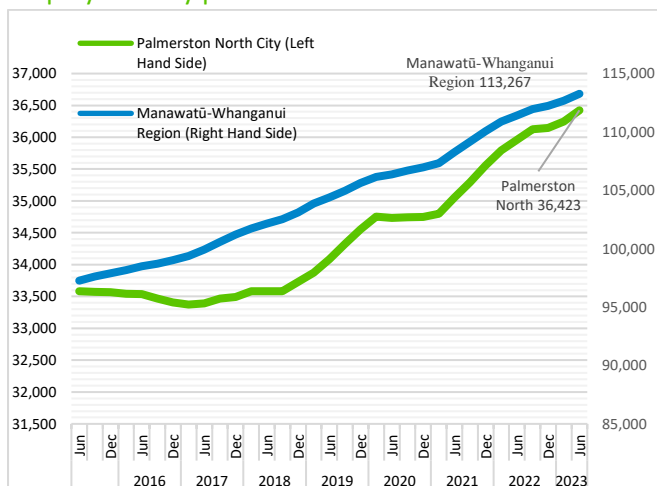
## JOBS AND INCOME

The number of employed people in the city hit a record 36,423 in the June 2023 quarter 2023 as employment proves resilient relative to forecasts.

This trend was observed nationally and across the region, with employment numbers rising to 2,331,067 and 113,267 respectively in June 2023<sup>1</sup>.

### Palmerston North and the Manawatū-Region

#### Employment by place of residence



Source: Infometrics, QEM, June 2023

In percentage terms, employment in the city increased by 1.3% over the year to June while regional and national employment increased by 1.7% and 2.6% respectively.

In the year to March 2023, earnings increased 8.5% in Palmerston North compared with annual earnings growth of 8.7% nationally. Earnings data for the city for June will not be published until September, however national data indicates the continuation of strong wage growth with median weekly incomes increasing by 8.6% over the year.

**Despite an uptick in the unemployment rate, labour market conditions continue to be tighter in the city than we would like, with businesses continuing to struggle to find labour.**

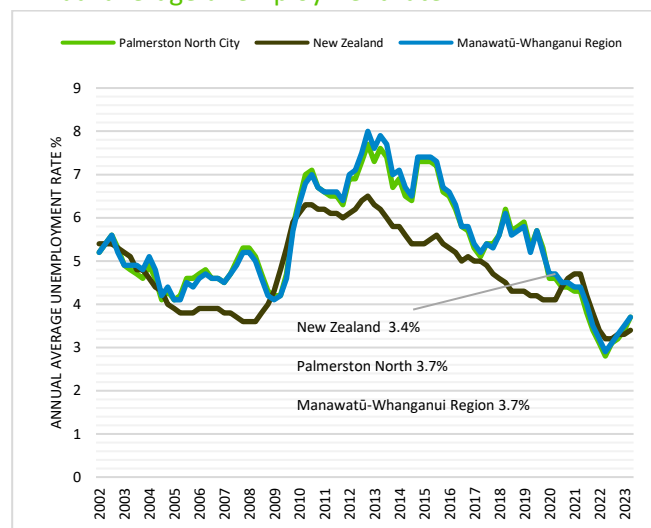
The unemployment rate in the city increased from an annual average of 3.4% in June, to 3.7% in the year to June 2023.

Record employment and a fall in work ready jobseekers implies the increase in the unemployment rate is driven by an increase in the size of the labour force<sup>2</sup> both in the city and across New Zealand.

<sup>1</sup> The employment by place of residence figures exclude self-employed.

### Palmerston North, M-W Region and New Zealand

#### Annual average unemployment rate



Source: Infometrics, QEM, June 2023

### Net international migration into New Zealand reached 86,800 over the year to June 2023.

The number of overseas migrants moving to New Zealand versus the number of people leaving, is substantially higher than forecast, with population growth for the country now estimated to have increased by 2.1% over the year to June 2023. The increase in working migrants will be helping to ease labour market pressures across the country, putting upward pressure on the unemployment rate while, at the same time, delivering record levels of employment as vacancies are able to be filled due to the increased availability of workers.

Elevated net international migration is expected to continue to ease labour market pressures in 2023-24.

## CONSUMER SPENDING

**Employment and the recovery of tourism is supporting retail spending in the city, despite the high cost of living.**

Retail spending increased by 7.5% over the year to June 2023. This is above the annual inflation rate of 6.0% indicating real growth in spending over the year. Spending growth continues to be supported by tourism related expenditure with spending on core items such as groceries and liquor, and fuel and automotive falling below the rate of annual inflation.

Spending on apparel and personal items also increased above the rate of inflation over the year, while spending on fuel and automotive decreased in

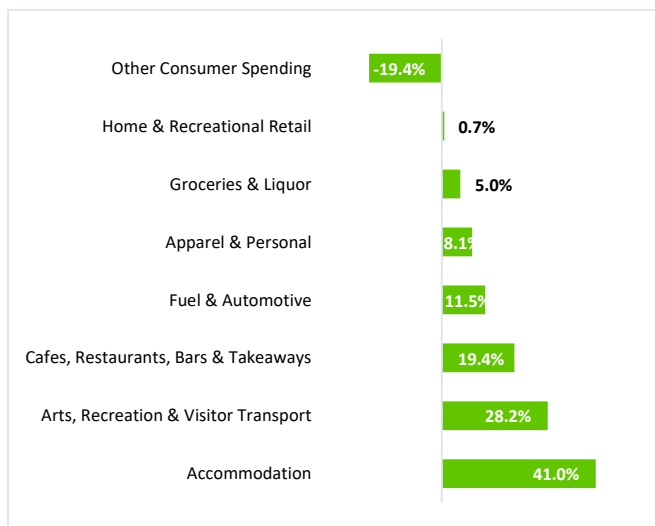
<sup>2</sup> The labour force includes those that are employed plus people who are available for work (unemployed).

response to lower fuel prices. The expectation is that expenditure on fuel will increase in the September quarter as fuel prices rise due to lower global supply and the weaker New Zealand dollar.

Other consumer spending fell by 19.4% over the year reflecting the impact of rising costs on the appetite of households for spending on big-ticket items.

## Palmerston North retail spending

YE June 2023 vs YE June 2022



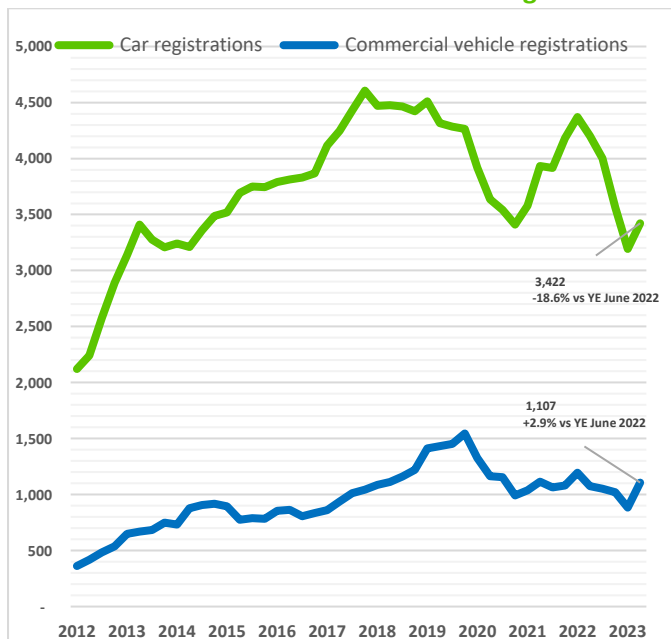
Source: Marketview, June 2023

## Commercial registrations pick up after a weak start to 2023.

Consumer spending on big ticket items continued to be down over the year to June 2023. However, new commercial vehicle registrations did recover over the year, rising 2.9% in the city compared with a 10.1% fall nationally.

## Palmerston North

### Annual new car and commercial vehicle registrations



Source: Infometrics, QEM, June 2023

New car registrations in Palmerston North fell 18.6% over the June 2023 year compared with a 4.2% fall nationally. While new car registrations remain below the long term trend, they did increase in the June quarter with an additional 230 cars registered in the city compared with the March quarter 2023.

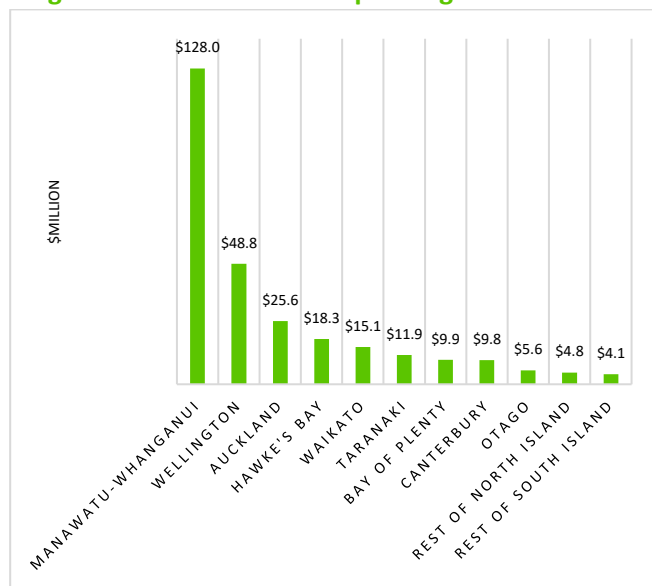
Across the Manawatū-Whanganui Region, registrations of new cars and commercial vehicles fell by 17.7% and 10.2% respectively over the June 2023 year. Nationally, car registrations fell by 4.2% over the year while new commercial vehicle registrations fell 10.1% over the same period.

## The recovery in tourism related spending in the city is boosting spending to local businesses.

Tourism spending rebounded to \$305.7m in the city over the year to June 2023, up 12.6% compared with the year ended June 2022. Domestic spending increased 8.3% while international spending increased 111.2% over the year.

## Palmerston North

### Origin of domestic tourism spending



Source: TECT, MBIE June 2023

Domestic tourism spending totalled \$282m in the city over the year to June. The Manawatū-Whanganui Region is by far our largest tourism market, contributing \$128.0m to the city economy. This was 45.4% of total domestic tourism spending in Palmerston North over the year to June 2023. Wellington and Auckland are our second and third largest tourism markets, contributing \$48.8m and \$25.6m respectively to retailers in the city.

## There was a total of 472,900 guest nights in the city over the year to June 2023.

Reflecting the post-Covid recovery in tourism, guest nights increased by 41.2% in Palmerston North over the year to June 2023. This compares with a 62.5% increase in national guest nights over the same period.

### CONSTRUCTION INVESTMENT

**The value of building consents lifted to a record \$435.0m over the year to June 2023, up \$126.2m compared with the previous year.**

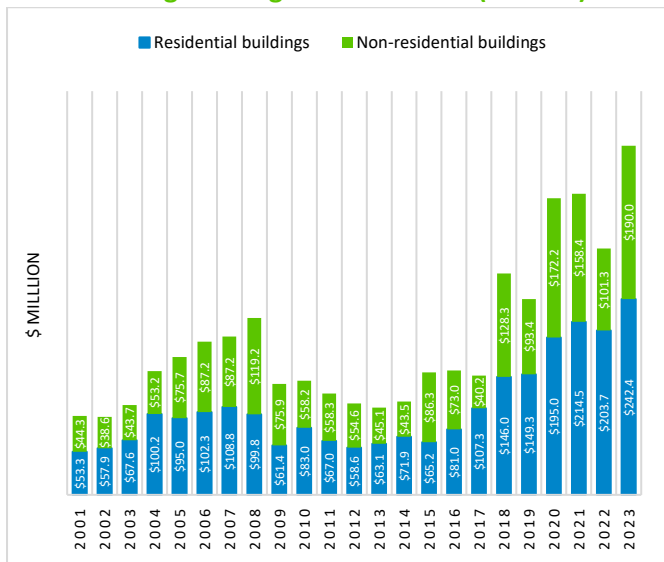
Building consent activity in Palmerston North defied the national trend over the year, with values up 40.9% compared with the year ended June 2022. This compares with a 0.1% fall nationally.

Non-residential consents increased by 87.6% to reach a total of \$190.0m in the year to June. This compares to 10.8% growth nationally. The value of residential consents in the city increased by 19.0% to a total of \$242.4m in the June year. This compares with a 4.2% fall in the value of residential consents, nationally.

Consents include the \$35.8m investment in a 28-bed acute mental health facility at Te Whatu Ora Midcentral, a \$5.8m investment in residential care units in the city, and a \$5.0m apartment development.

### Palmerston North construction investment

#### Annual rolling building consent values (YE June)



Source: Stats NZ, June 2023

Over the year to June 2023, 486 new dwelling consents were issued in Palmerston North city.

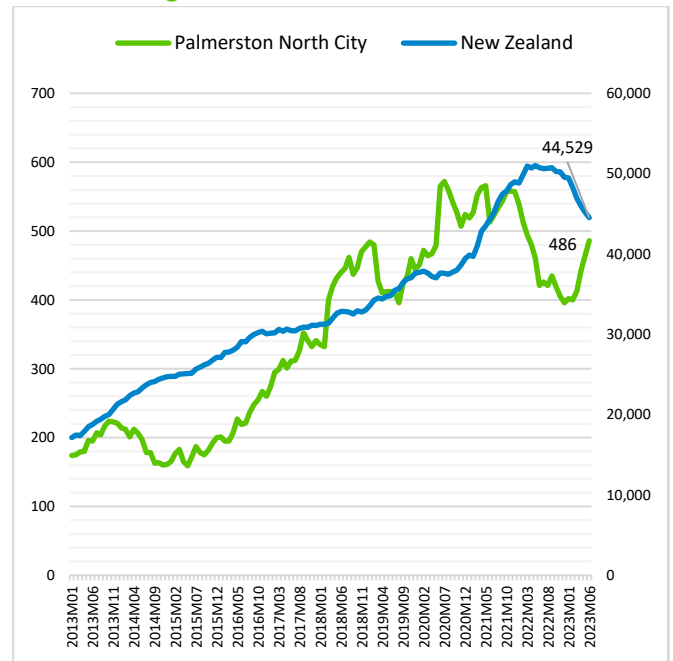
**Dwelling consents continued to rebound in the city, increasing by 15.4% over the year to a total of 486.**

This is moving in the opposite direction compared with

national dwelling consents which fell 12.2% over the year to June 2023.

### Palmerston North and New Zealand

#### New dwelling consents to June 2023



Source: StatsNZ, June 2023

Dwelling consents peaked early in Palmerston North, with a record 572 consents for new homes issued over the year to July 2020. This compares with a latter peak of 51,015 new dwelling consents issued nationally, over the year to June 2022.

### THE HOUSING MARKET

**The median house price ticked up in the city in July supported by stabilising interest rates and higher than expected net international migration.**

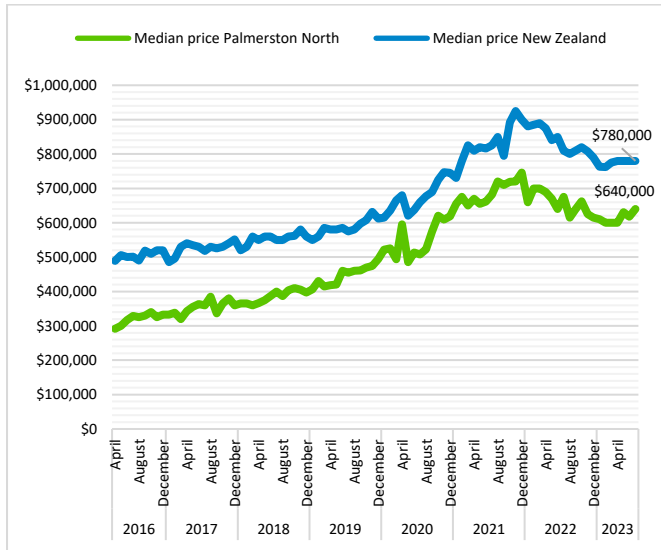
Stronger than expected labour market conditions and near record net international migration are supporting house prices across the country, with the RBNZ now anticipating that house prices are on a modest upward track. This differs from the earlier expectation that house prices would continue to fall until the June quarter 2024<sup>3</sup>.

The median house price in the city rebounded to \$640,000 in July relative to weaker prices earlier in the year. The median house price is now 5.2% lower than a year ago, and equal to the median house price of June 2022. Over the same period, the national median house price fell by 3.7% to \$780,000.

<sup>3</sup> May Monetary Policy Statement, RBNZ, 2023

## Palmerston North and New Zealand

### Median house prices



Source: REINZ, July 2023

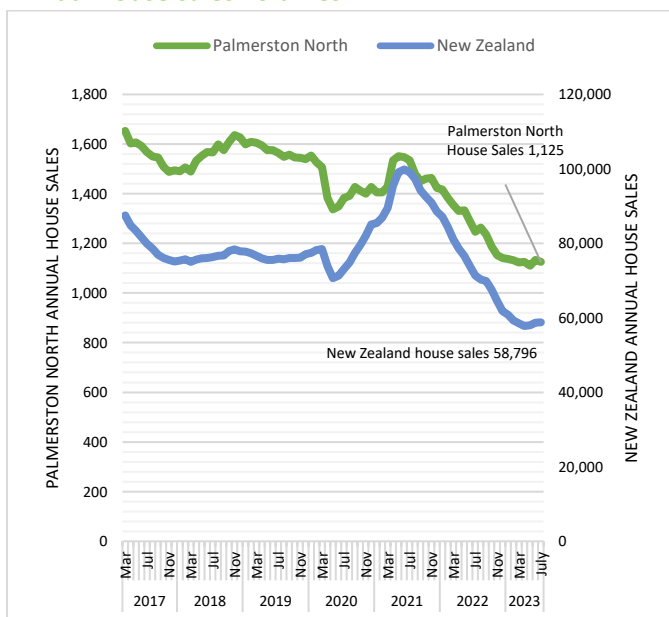
Average house prices in Palmerston North are also stabilising with the average value up marginally to \$638,036 in July 2023. Average house prices in the city remain 11.4% lower than a year ago compared with a 10.1% fall in the average house price nationally.

**House sales in the city remain down on the previous year, however the fall in sales volumes is substantially weaker than the decline in national sales volumes.**

House sales fell 9.5% in Palmerston North over the year to July 2023 compared with a 17.3% fall nationally.

## Palmerston North and New Zealand

### Annual house sales volumes



Source: REINZ, July 2023

The number of days to sell in the Manawātū-Whanganui region increased to 62 days in July compared with 48 days nationally.

### ECONOMIC WELLBEING

Annual inflation eased to 6.0% over the year to June 2023 but remains well above the RBNZ range of 1-3%.

High employment and earnings growth are helping to ease the pressure of rising costs, but there are those in our community that are more vulnerable to the higher costs of living than others.

**Average household living costs increased 7.2% in the June quarter 2023 compared with the June quarter 2022.**

Food prices increased by 12.5% over the same period, with fruit and vegetable prices up 22.0% over the year. Food prices to July 2023, show a slight easing in the annual growth rate, up 9.6% per annum. While the growth in food prices appears to be easing, prices are still 16.6% higher than they were in July 2020. This increase in the price of core goods, will impact disproportionately on low income and vulnerable households.

### The formal rental market<sup>4</sup>

The average weekly rent in Palmerston North was \$459 per week in June 2023, an annual average increase of 6.3% over the year to June. This compares with an average weekly rent of \$549 nationally, up 4.9% from the previous year.

The number of properties that are formally rented is increasing nationally up 4.7% over the year to June 2023. This upward trend was also observed in Palmerston North with 183 rental properties added to the formal rental market, an increase of 2.4% over the year. A total of 7,770 properties were formally rented in the city as at June 2023.

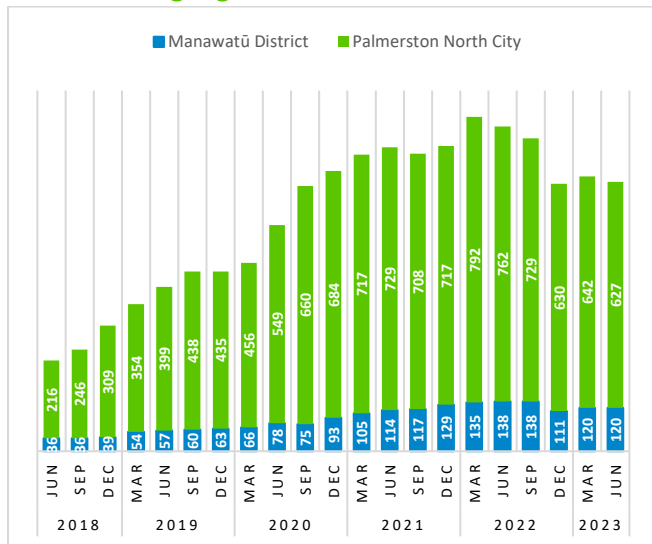
### Public housing

The number of households on the register for public housing in Palmerston North fell by 17.7% over the year to June 2023, with 627 families remaining on the register. This compares with a 7.3% fall nationally, over the year.

<sup>4</sup> The formal rental market for Palmerston North includes all properties in the city that have a bond lodged against them.

## Manawātū Region

### Public housing register



Source: MSD, June 2023

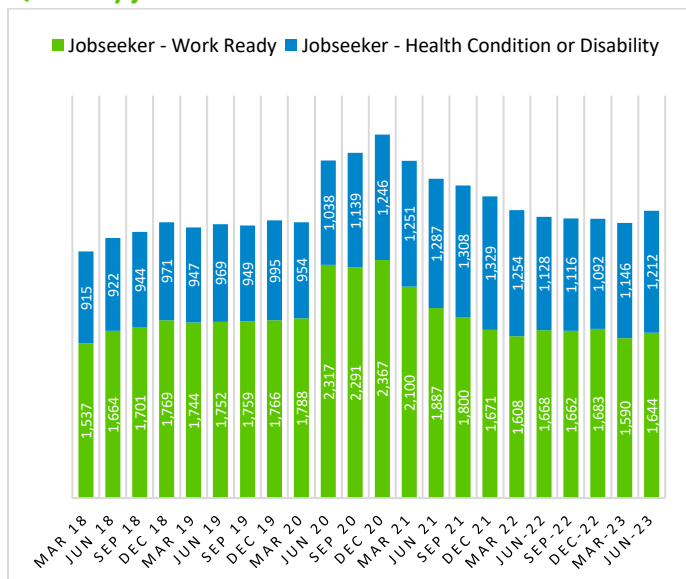
### Jobseeker benefit trends also reflect tight labour market conditions.

The number of jobseekers increased by 2.1% in the city over the year to June 2023 to a total of 2,856. The increase in Jobseeker support was driven by an increase in the number of recipients suffering from health conditions and disability, up 7.4% (+84) compared with the year to June 2022. In contrast, work ready jobseekers fell by 1.4% (-24) over the year.

This trend is also reflected in national data where jobseekers suffering with health conditions and disability increased by 4.5% and work ready jobseeker recipients declined by 0.8% over the year

## Palmerston North

### Quarterly job seeker numbers



Source: MSD, June 2023

## THE PALMERSTON NORTH RETAIL SECTOR



Source: Infometrics, REP, 2023

Palmerston North has a broad based retail sector that provides for the diverse retail needs of both residents of the city, and the central to lower North Island.

The loyalty rate describes the percentage of total spend by residents to merchants within the same location. Reflecting the scale of the retail sector in the city, the loyalty rate of city residents to city merchants is high at 81.2%.

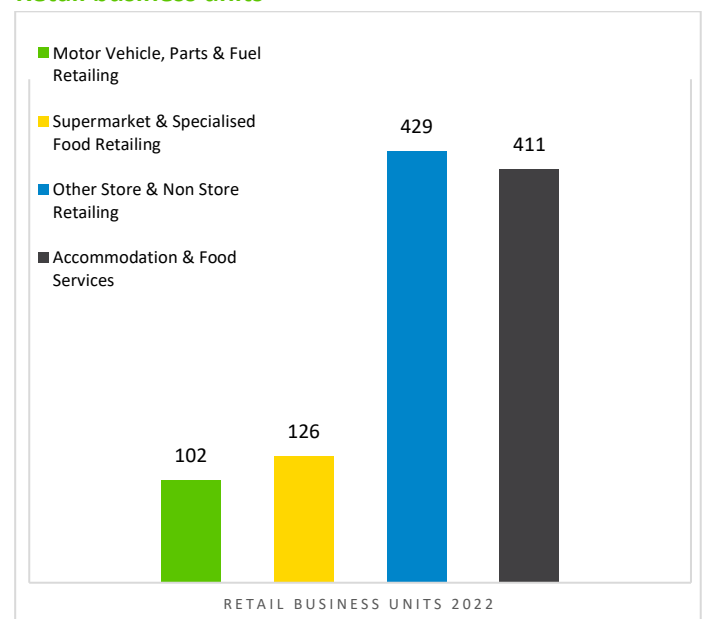
The loyalty rate for the Manawātū Region is 82.6% reflecting the patronage of residents of the Manawātū District at merchants in the city. This compares with a 45.3% loyalty rate in the Manawātū District.

**The rest of Manawātū-Whanganui Region and Wellington are our largest external retail markets, making up 23.5% and 3.2% of total retail spending in the city over the year to June 2023.**

Including accommodation and food services, there was a total of 1,068 retail businesses in Palmerston North in March 2022.

## Palmerston North

### Retail business units



Source: Infometrics, REP, 2023

## The city’s retail sector continues to grow.

Retail sector GDP increased by 23.8% over the five-years to March 2022. This compares with growth of 21.3% for New Zealand over the same period.

### Palmerston North City

#### GDP \$m by retail category (YE March 2022)



Source: Infometrics, REP, 2022

## The retail sector is a large employer in the city.

There were 8,671 people employed in the retail sector in the city in June 2022. The number of people employed in retail increased by 6.4% over the 5-years to March 2022. Growth in retail employment was higher for New Zealand, increasing 7.0% over the same period.

### Palmerston North City

#### Employment by retail category (YE March 2022)



Source: Infometrics, REP, 2023

## The retail sector generates substantial economic activity across the city economy.

The retail sector is estimated to have generated a further \$222.4m in GDP across the city economy over the year to March 2022.

For every \$1 in GDP that is generated from the Palmerston North retail sector, an additional \$0.66 is estimated to be added across the city economy. For every 3 ½ people employed in retail, an additional job is estimated to be created across the city economy<sup>5</sup>.



<sup>5</sup> Butcher IO models, 2020

# Palmerston North: Economic snapshot - June 2023 quarter

(also available through [City Dashboards](#))

Level	Period	Palmerston North	New Zealand
Annual inflation rate	As at Jun 2023	6.0%	6.0%
Unemployment rate*	Average of four recent quarters	3.7%	3.4%
Indicator	Period	Palmerston North Annual average % change	New Zealand Annual average % change
<a href="#">Gross domestic product (provisional)*</a>	YE Jun 2023	<a href="#">+2.6%</a>	+3.1%
Consumer spending (Electronic Card Retail Spending)	YE Jun 2023	+7.5%	+12.2%
Employment (Place of residence)	YE Jun 2023	+1.3%	+2.6%
Residential consents (number)	YE Jun 2023	+15.4%	-12.2%
Non-residential consents (value)	YE Jun 2023	+87.6%	+10.8%
Commercial vehicle registrations	YE Jun 2023	+2.9%	-10.1%
<a href="#">Jobseeker support recipient</a>	Jun 2023 quarter	<a href="#">2.1%</a> compared to Jun 2022 quarter	1.4% compared to Jun 2022 quarter
<a href="#">Tourism electronic card transactions - domestic**</a>	YE Jun 2023	<a href="#">+8.3%</a>	+10.9%
<a href="#">Tourism electronic card transactions - international**</a>	YE Jun 2023	<a href="#">+111.2%</a>	+301.0%
Housing Indicator	Period	Palmerston North	New Zealand
Average house value***	Jun 2023	-12.9% compared to Jun 2022	-10.6% compared to Jun 2022
Average weekly rent** (based on rental bond data)	Jun 2023 quarter	+5.5% compared to Jun 2022 quarter	+6.3% compared to Jun 2022 quarter
<a href="#">Home ownership affordability*</a> (ratio of average house value to estimated annual average household income)	Jun 2023 quarter	<a href="#">5.5</a>	7.2
<a href="#">Rental affordability*</a> (% of average annualised rent to estimated annual average household income)	Jun 2023 quarter	<a href="#">20.7%</a>	21.9%

Sources: Stats New Zealand, \*Infometrics, \*\*MBIE, \*\*\*Corelogic

Note: YE = Year ending