

**URBAN DEVELOPMENT  
CAPACITY INDICATORS FOR  
PALMERSTON NORTH**  
YEAR ENDED DECEMBER 2020



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## 1. Annual economic overview

- 1.1. Economic growth recovered in Palmerston North during the second half of 2020, following a decline in GDP during COVID-19 Level-3 and Level-4 restrictions that were in place between March and May. Infometrics provisional estimates suggest GDP in the city declined by 0.7% in the year to December 2020 compared with a national decline of 2.6%. GDP growth in the city was supported by strong growth in construction activity, with the value of building consents issued reaching \$361 million in the year to December 2020.
- 1.2. Strong growth in house prices and rents in the city during the last six months of 2020 points to further demand for the construction of new housing during 2021 and significant land supply constraints.
- 1.3. The number of people in the city receiving MSD benefits in December increased by 30.9% from December 2019, while national job seeker benefit numbers increased by 44.1%. There was strong growth in benefit numbers in Auckland, Canterbury and Otago.

### Key statistics for Palmerston North

Population estimate as at 30 June 2020 <sup>1</sup>	90,400
Filled jobs as at December 2020	47,899
Annual earnings (salaries, wages and self-employment) - year ended March 2019	\$3,027 million
Electronic card retail spending – year ended December 2020	\$1,181 million
GDP (2020 prices) – year ended December 2020	\$5,215 million
City land area	39,500 ha

## 2. Annual trends summary

- 2.1. Palmerston North's economy grew by 0.6% in the December 2020 quarter, but declined by 0.7% in the year to December 2020 (Infometrics provisional estimate). GDP for New Zealand declined by 2.6% in the year ended December 2020.
- 2.2. Population growth strengthened in the year to June 2020, increasing by 1,300 people between June 2019 and June 2020, an increase of 1.5% (Statistics New Zealand provisional estimates).
- 2.3. The number of filled jobs in the city declined by 0.9% between December 2019 and December 2020. That followed an increase of 4.1% in the year to December 2019, with a significant increase in construction activity boosting jobs in the city. The decline is also due to revisions to Defence Force jobs at Linton and Ohakea.
- 2.4. Electronic card retail spending in Palmerston North was \$1,181 million in the year ended December 2020, a decline of 2.2%, while national spending declined by 3.7%.
- 2.5. The Palmerston North inner CBD area attracted one-third of retail spending in the City in the 12 months ended January 2021 (\$386 million) while the outer CBD area attracted a further 15% (\$185 million).

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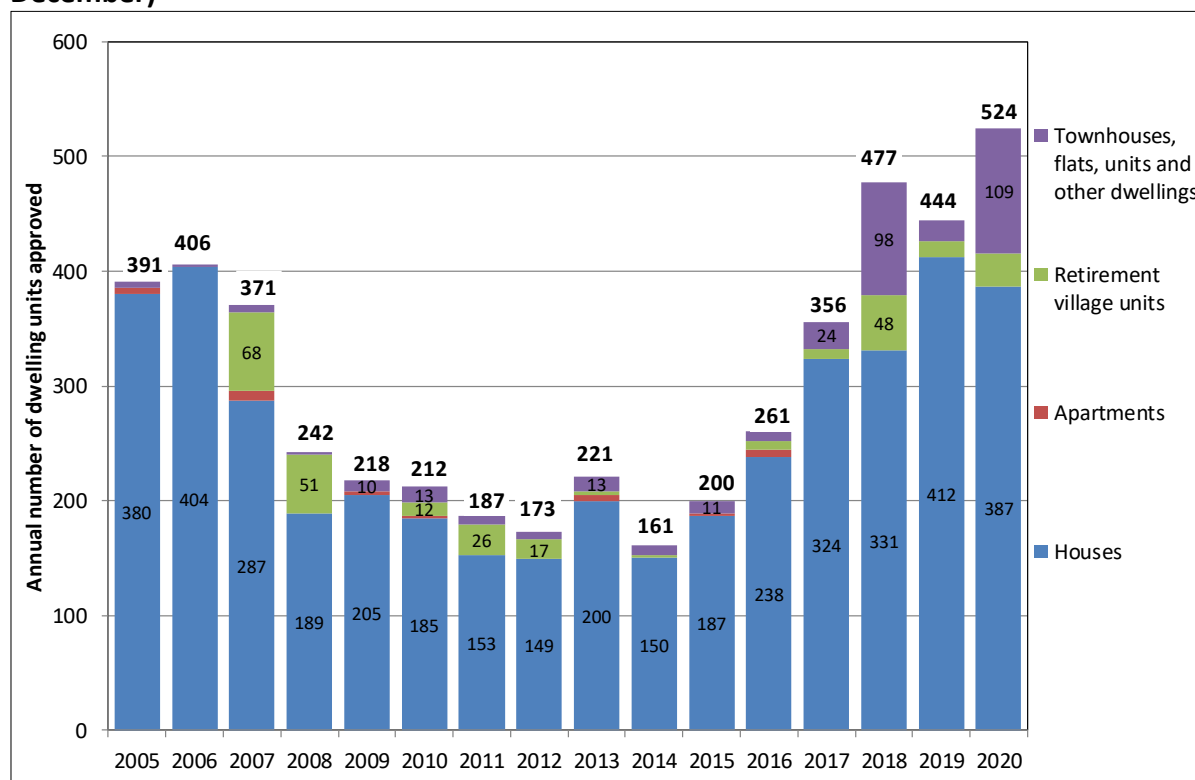
<sup>1</sup> Provisional.

### 3. Palmerston North's housing market

#### Residential building consents

- 3.1. Consents for 110 new residential dwellings were issued in the December 2020 quarter, a decline of 14% from the December 2019 quarter.
- 3.2. In the year ended December 2020, 524 new residential dwellings, valued at \$172 million, were approved for construction in Palmerston North. The number of new dwellings approved in the year to December 2020 increased by 18% (80 more dwellings) from the previous year and the value of consents increased by 16%. The total number of new dwellings consented in New Zealand increased by 5% in the year to December 2020.

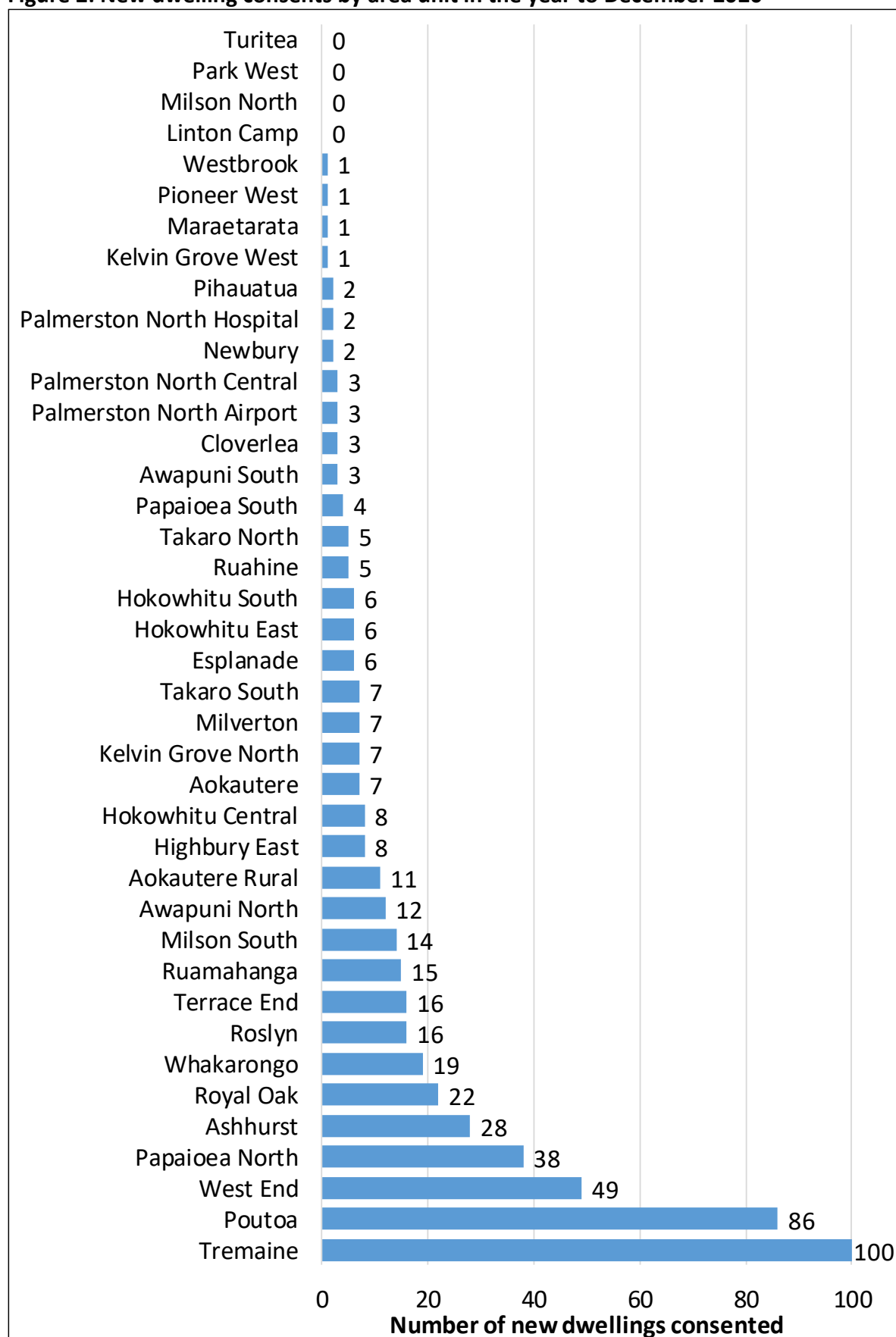
**Figure 1: New residential dwelling units consented by building type (years ended December)**



Source: Statistics New Zealand

- 3.3. There have been no apartments consented in Palmerston North since 2016, but there has been growth in the number of dwellings recorded as townhouses, flats, units and minor dwellings. The replacement City Council Papaioea pensioner housing boosted consent numbers in 2018 and 2020, but changes to the Council's District Plan to enable the construction of medium density housing and minor dwellings have also contributed to the growth in consents in this building category. The retirement village consents approved from 2018 to 2020 are due to the construction of the BUPA retirement village on Napier Road.
- 3.4. Area unit data for new dwelling consents shows Tremain was the largest area unit during 2020, but a large share of these consents was for relocatable houses and the new BUPA retirement village development on Napier Road. Poutoa and Ashhurst are the main areas where greenfield housing development is occurring. West End was boosted the construction of the Soho apartments and Papaioea was boosted by the construction of new Council houses.

**Figure 2: New dwelling consents by area unit in the year to December 2020**



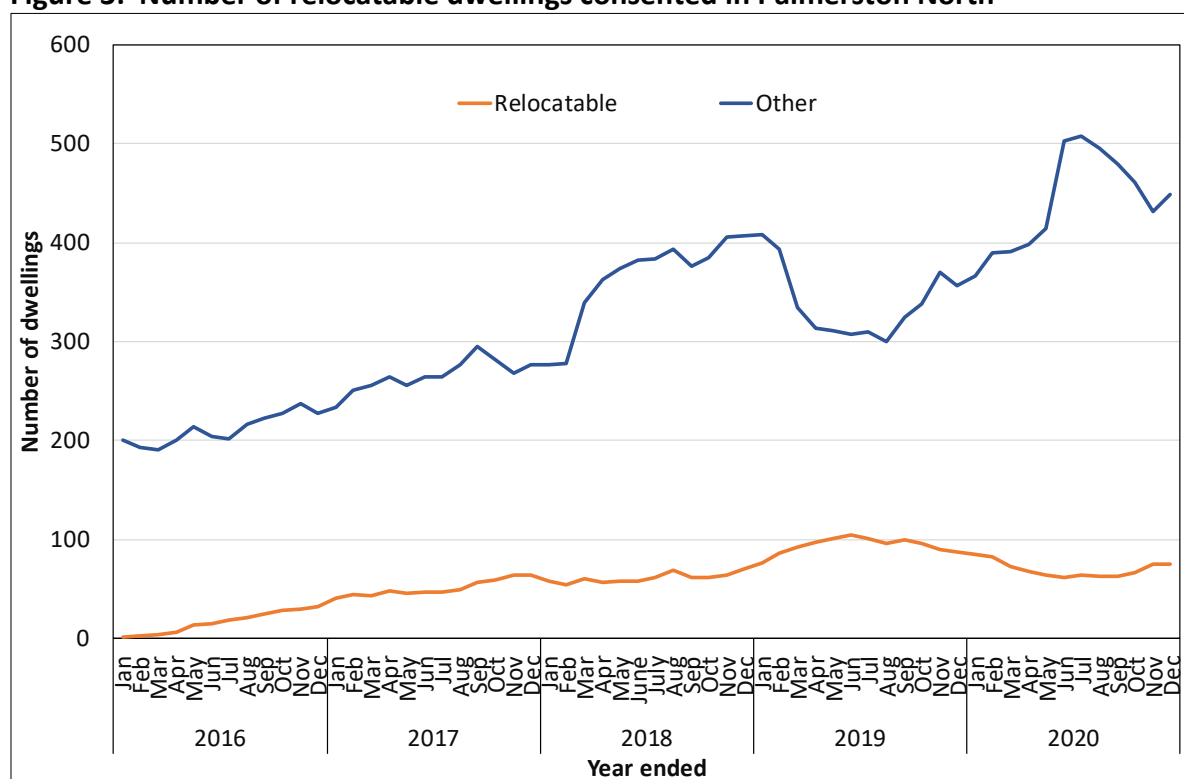
Source: Statistics New Zealand

- 3.5. Over the last three years there has been an increase in the number of dwellings approved in the Papaioea, Terrace End and Roslyn area units. Infill housing has generally occurred at

higher levels on the eastern side of the city, particularly in Hokowhitu and Roslyn, but increasing land values on the western side of the city are now encouraging higher levels of infill development across most parts of the urban area.

- 3.6. This trend will continue due to increased construction of one- and two-bedroom houses by Kainga Ora (formerly Housing New Zealand). Most of this is occurring through the removal or demolition of houses on large sections and their replacement with an increased number of small houses.
- 3.7. The number of building consents issued for relocatable dwellings declined during the second half of 2020. Annual consents for relocatable dwellings peaked at 104 in the year to June 2019 but by December 2020 the annual total had declined to 75. Just five of the relocatable dwellings consented in the year to December 2020 were identified as going to a site in Palmerston North.
- 3.8. Data supplied by the companies producing relocatable dwellings shows that most houses were relocated to sites across 15 territorial authorities in the lower North Island. Council is monitoring the production and destination of relocatable homes to assess the annual net change in housing stock in the city. There is incomplete data on the destination of the houses consented between 2017 and 2020.

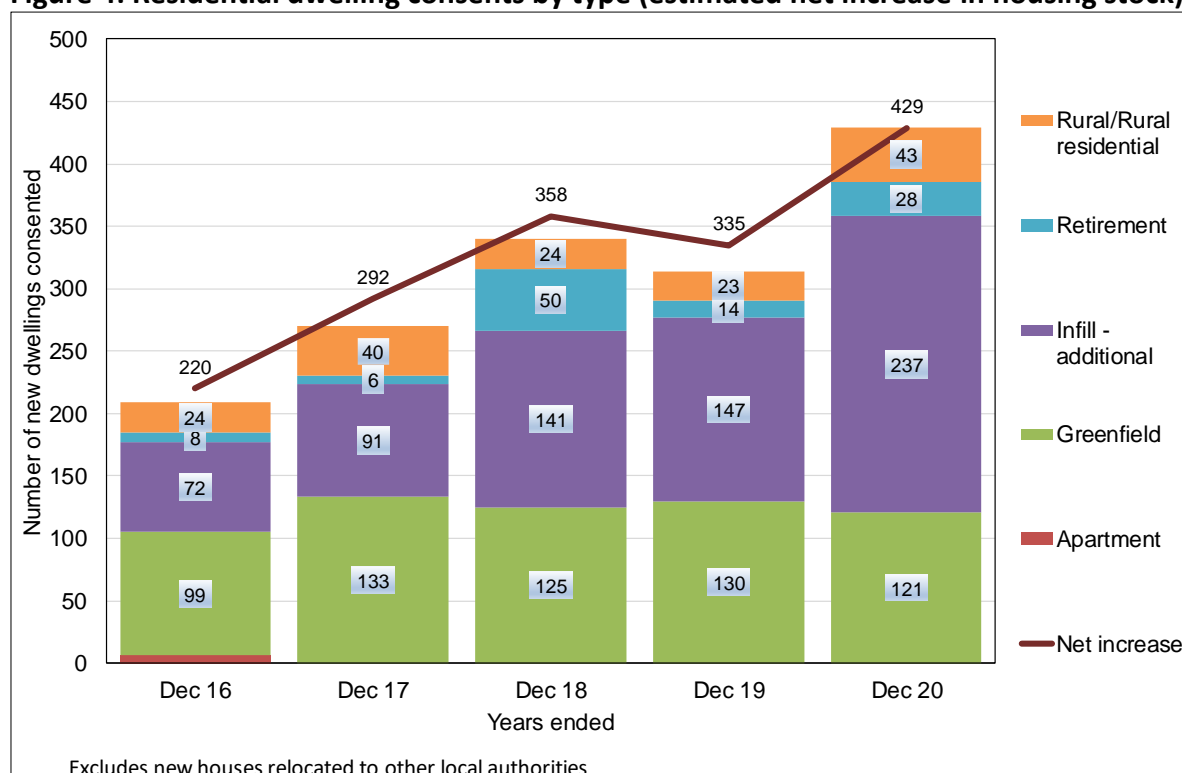
**Figure 3: Number of relocatable dwellings consented in Palmerston North**



Source: Palmerston North City Council

- 3.9. Council monitoring of housing by type of development shows significant growth in the proportion of additional housing supplied by infill housing, while the greenfield share has declined. This is due to the District Plan changes noted early, large housing developments (Papaioea council housing and Soho apartments), very strong growth in average land values and a shortage in the supply of greenfield land.

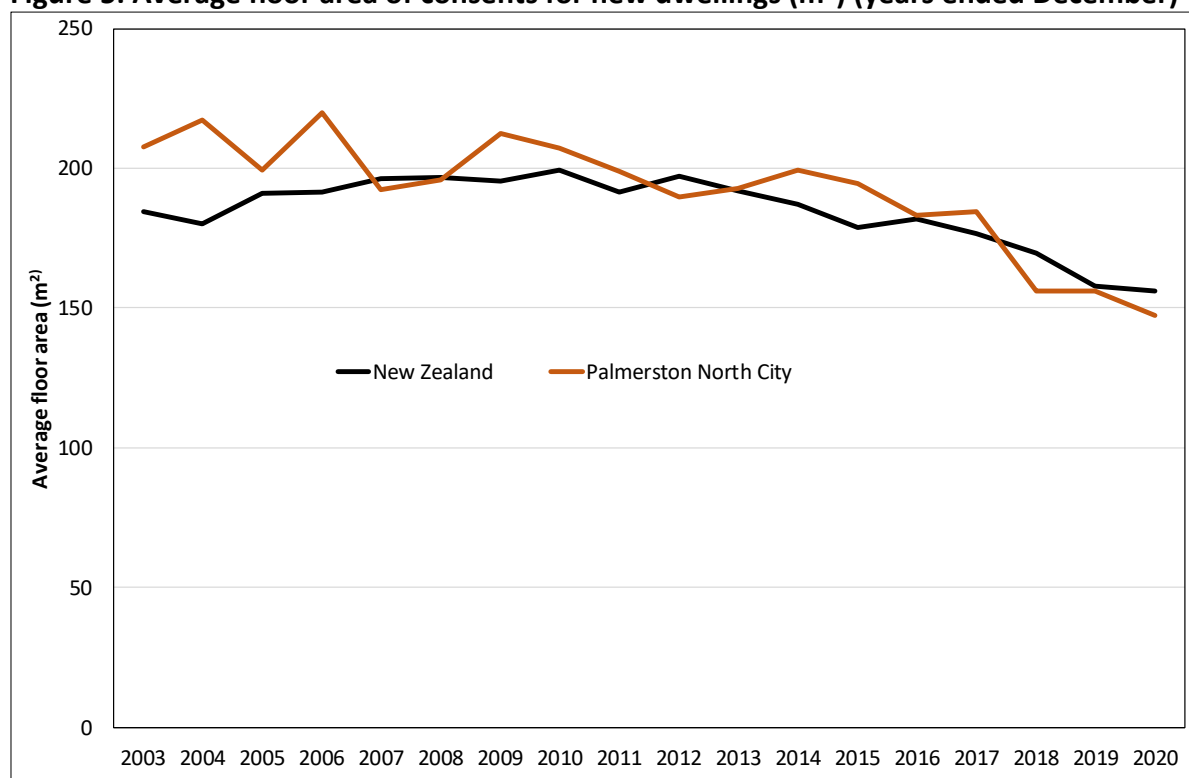
**Figure 4: Residential dwelling consents by type (estimated net increase in housing stock)**



Source: Palmerston North City Council

- 3.10. The average floor area of new dwellings consented in Palmerston North has been declining since 2006, when the average was 220m<sup>2</sup>, to 147m<sup>2</sup> in the year to December 2020. The overall decline in the average floor area of all new dwellings influenced by:
- more houses being constructed without an attached garage. The construction of relocatable houses in the city since 2017 is an important contributor to the decline, since none have an attached garage
  - the retirement village units and apartments approved for the BUPA retirement village,
  - the new housing units in the Council's Papaioea flats complex, the 46 apartments constructed by the Soho Group and an increasing numbers of consents Kāinga Ora for one- and two-bedroom houses.
- 3.11. The two main greenfield growth areas in 2019 and 2020, Poutoa and Ashhurst, also show a gradual decline in average floor area for new dwellings consented. The average for Ashhurst increased between 2005 and 2014 but has averaged just over 180m<sup>2</sup> over the past four years. Average floor area has also been declining in Poutoa since peaking at 290 m<sup>2</sup> in 2007 and was 211 m<sup>2</sup> in the four years to December 2020.
- 3.12. The average dwelling size in the Tremaine area unit was just 115 m<sup>2</sup> in the last four years, where the majority of dwellings consented were relocatable houses and units in the BUPA retirement village.

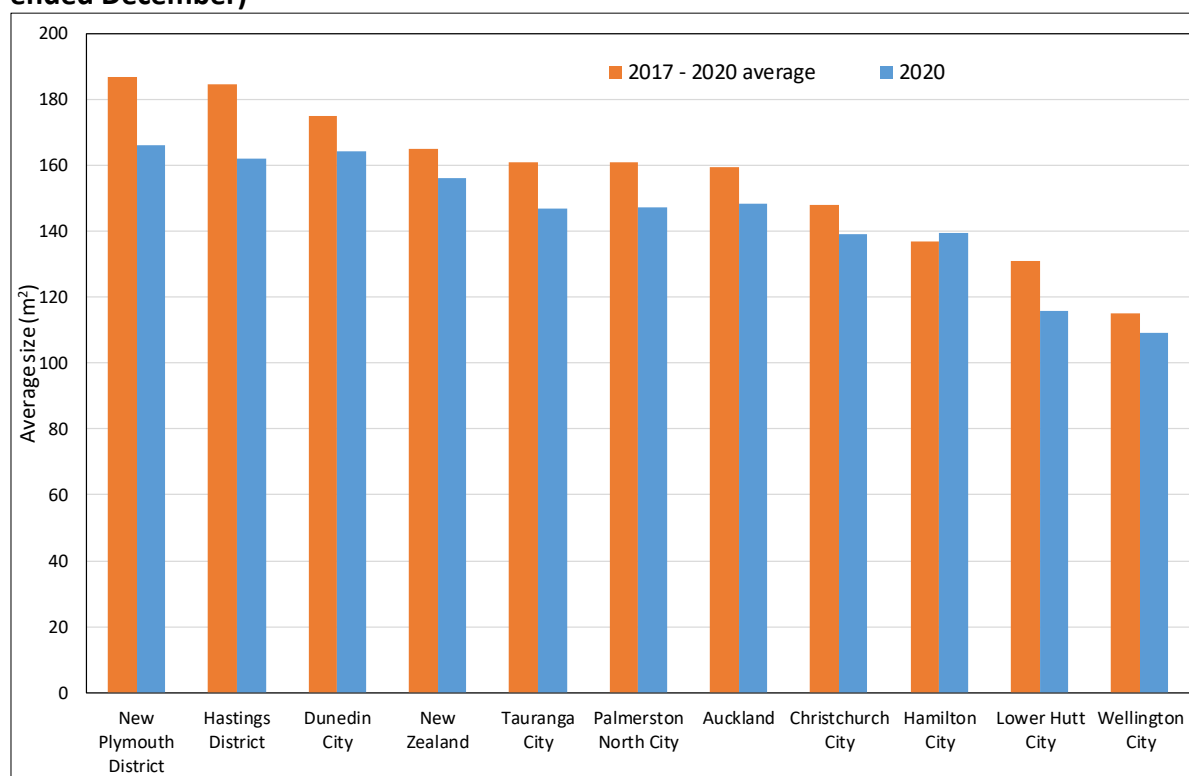
**Figure 5: Average floor area of consents for new dwellings (m<sup>2</sup>) (years ended December)**



Source: Statistics New Zealand

- 3.13. The average size of new dwellings consented over the past four years in Palmerston North compares favourably with other urban areas, with smaller average sized dwellings than Tauranga, Dunedin, New Plymouth and Hastings, but larger than Auckland, Christchurch, Hamilton, Lower Hutt and Wellington.

**Figure 6: Average floor area (m<sup>2</sup>) of consents for new dwellings in major urban areas (years ended December)**

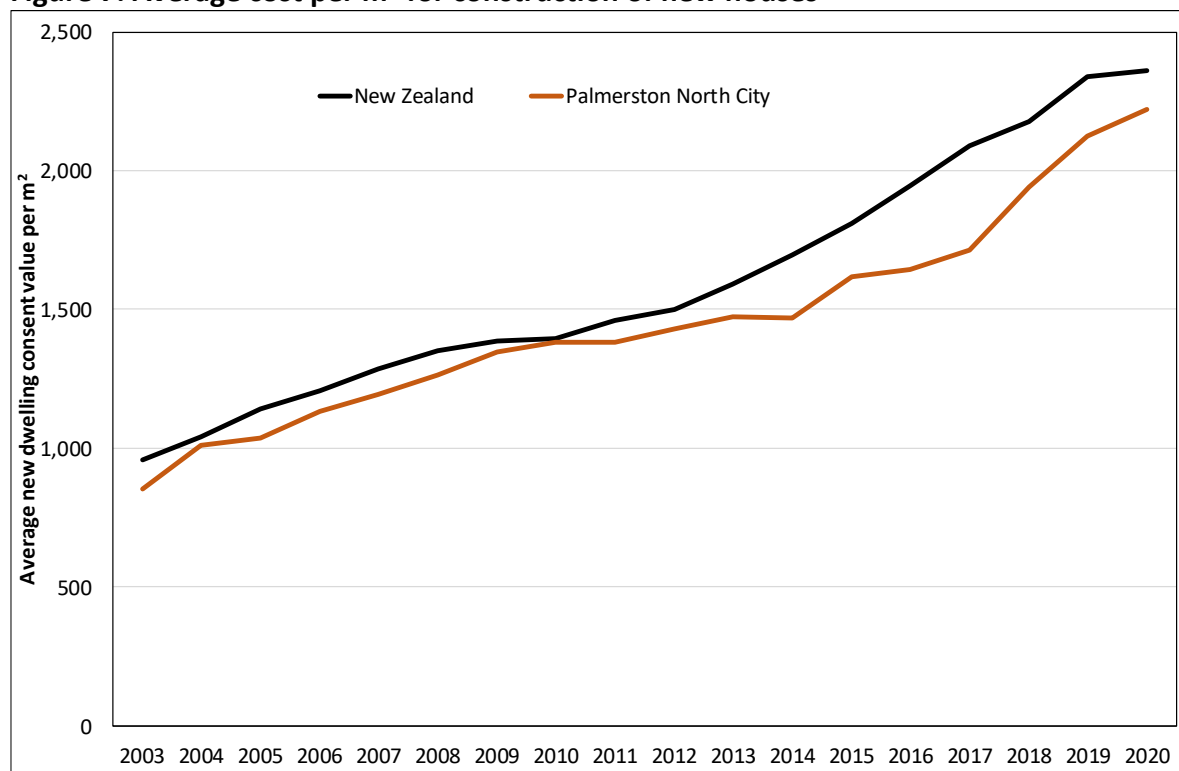


Source: Statistics New Zealand



- 3.14. The average value of new dwellings consented in Palmerston North peaked at \$332,054 in 2019, but the decline in the average size of houses consents has resulted in a small decline to \$327,319 in 2020. The estimated cost of construction per m<sup>2</sup> for houses consented in Palmerston North in the year ended December 2020 was \$2,222 per m<sup>2</sup>, an increase of 4.5% from 2019, while the average for New Zealand was \$2,360 per m<sup>2</sup>, an increase of 1.0% from 2019. The rate of increase in consent values per m<sup>2</sup> in Palmerston North has been higher than for New Zealand over the past three years. It is likely some of this increase is due to the increase in the number of small dwellings consented.

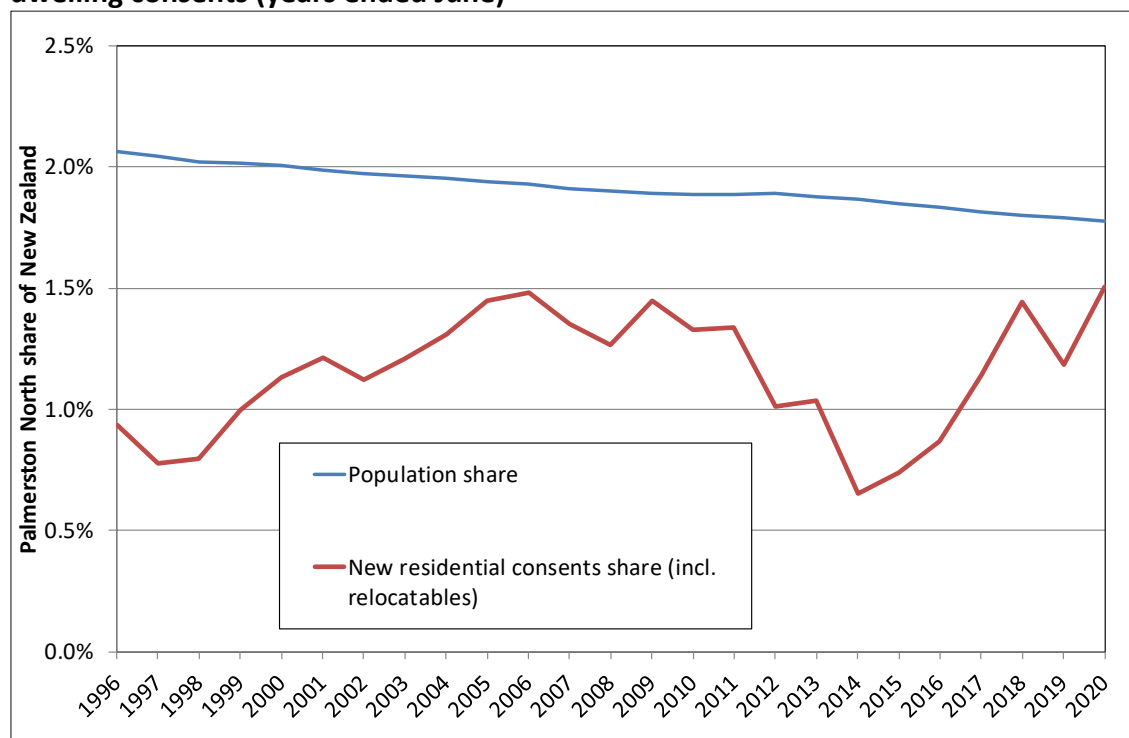
**Figure 7: Average cost per m<sup>2</sup> for construction of new houses**



Source: Statistics New Zealand

- 3.15. The number of houses consented in Palmerston North in the year ended December 2020 was 5.8 dwellings per 1,000 residents, the highest recorded in the 25 years for which annual population estimates are available. National consents for new dwellings were 7.8 per 1000 residents.
- 3.16. The number of new dwellings consents per 1000 residents in Palmerston North has been consistently below the ratio for New Zealand. That has been a contributing factor in the city's gradual decline in its share of New Zealand's population. In 1996 the city's population of 77,100 people accounted for a 2.1% share of New Zealand's population, but by 2000 the city's population of 90,400 people accounted for a 1.8% share of New Zealand's population. Figure 7 compares the city's share of national new dwelling consents and the total population for New Zealand. The increase in the number of new houses consents in the last five years has narrowed the gap between the two series, but the 565 houses consented in the year to June 2020 was 1.5%, still below the city's 1.8% share of New Zealand's population. A 1.8% share of national building consents would have required 675 new dwellings to have been consented in the city in the year to June 2020. It is important to note that to maintain parity with New Zealand, the number of new houses consented would have to be higher than 675 dwellings due to the number of houses exported from the city to other areas.

**Figure 8: Palmerston North share of total New Zealand population and annual new dwelling consents (years ended June)**

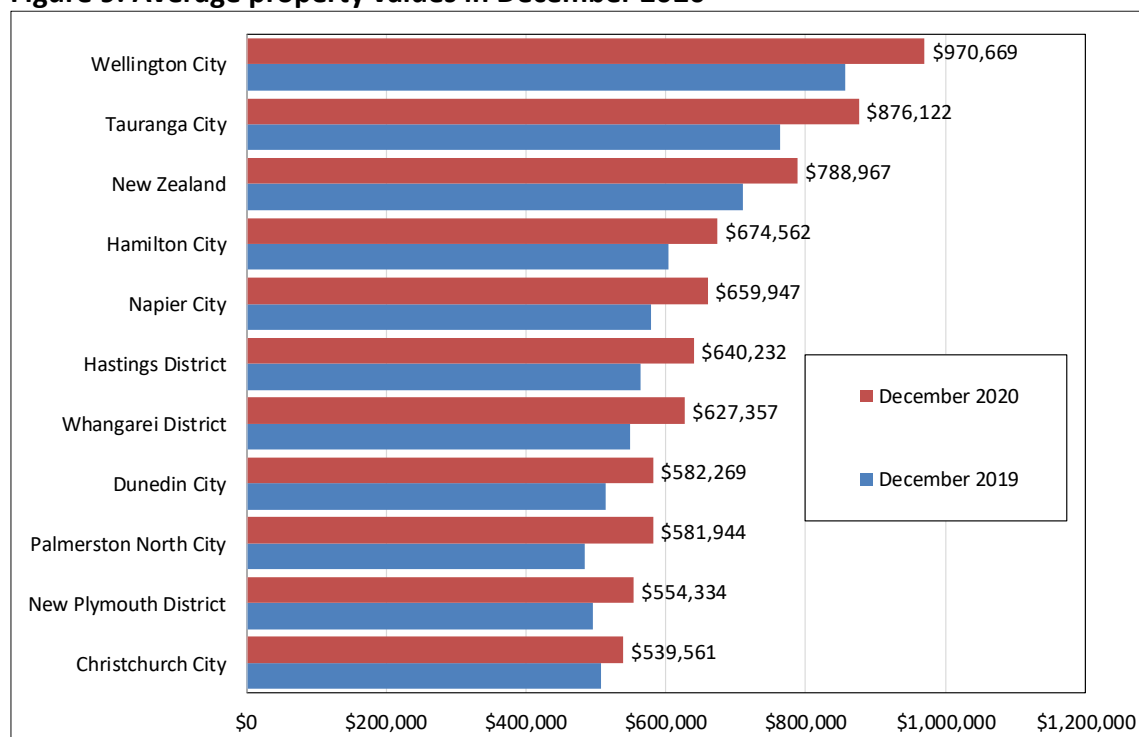


Source: Statistics New Zealand

- 3.17. The number and value of consents issued in Palmerston North for residential additions and alterations declined by 15% and 13% respectively in the year ended December 2020. The total number of consents issued in the year ended December 2020 was 389 and the total value was \$13.7 million. Data is not recorded by Statistics New Zealand on the amount of floor area added to existing dwellings or the change in the number of bedrooms through additions or alterations.

### Residential property values and houses sales volumes

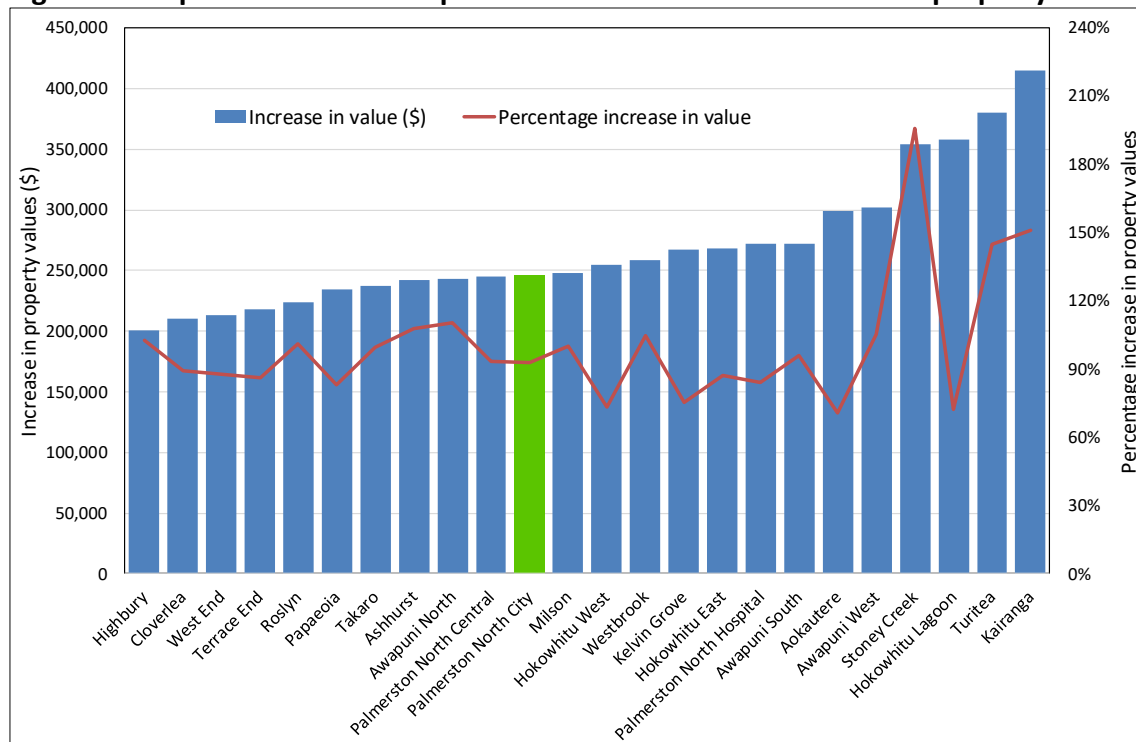
**Figure 9: Average property values in December 2020**



Source: Quotable Value

- 3.18. Average residential property values in Palmerston North were \$581,944 in the three months to December 2020, an increase of \$98,249 from December 2019, or 20.3% increase. New Zealand house values increased to \$788,967 in the three months ended December, increasing by \$78,838 from December 2019, or 11.1% increase. The average value of \$483,700 in Palmerston North in December 2019 was lower than for comparable sized urban areas, but by December 2020 the average house value in Palmerston North was higher than average values in Christchurch and New Plymouth.
- 3.19. Area unit data for change in average property values between September 2010 and September 2020 shows that the rate of growth in property values was consistent across the Palmerston North urban area, but was stronger in rural area units. Within the urban area, the percentage rate of change in property values was generally higher in area units with lower average property values in 2010.

**Figure 10: September 2010 to September 2020 increase in residential property values**



Source: MBIE

- 3.20. The MBIE/MfE price-cost ratio for Palmerston North increased from 1.02 in 2015 to 1.39 in 2020. The ratio measures the gap between house prices and construction costs in each urban area. It was developed as an indicator of the extent to which house price increases are driven by construction costs or the cost of land. The current ratio is the same as the previous peak in the ratio in 2007.
- 3.21. House sales in Palmerston North declined by 7% in the year to December 2020, while total sales for New Zealand increased by 8%. Real Estate Institute data for the Manawatū/Whanganui region suggest the fall in sales has been primarily due to a significant reduction in housing stock available for sale. The number of days to sell in the region is well below the 10-year average for the region.

### Rental property trends

- 3.22. Improvements in Census housing stock data means it is difficult to compare 2013 and 2018 census data for sector of landlords. In 2013, 561 renting households did not provide information on the sector of their landlord, while in 2018 there were only 15 households for

which sector of landlord data was not available. This means it is difficult to determine how much of the change between 2013 and 2018 was due to increased rental property supply or improvements in the rental property data.

- 3.23. Average weekly dwelling rents in Palmerston North were \$370 in the year ended December 2020 (annual average), increasing by 10.1% from 2019. Rents have increased more strongly in other territorial authorities in the Manawatū/Whanganui region (apart from Ruapehu and Tararua districts), reducing the difference in weekly rents between the city and neighbouring areas. Average rents in the region increased by \$107 per week between 2016 and 2020, while the increase for Palmerston North was \$87 per week.

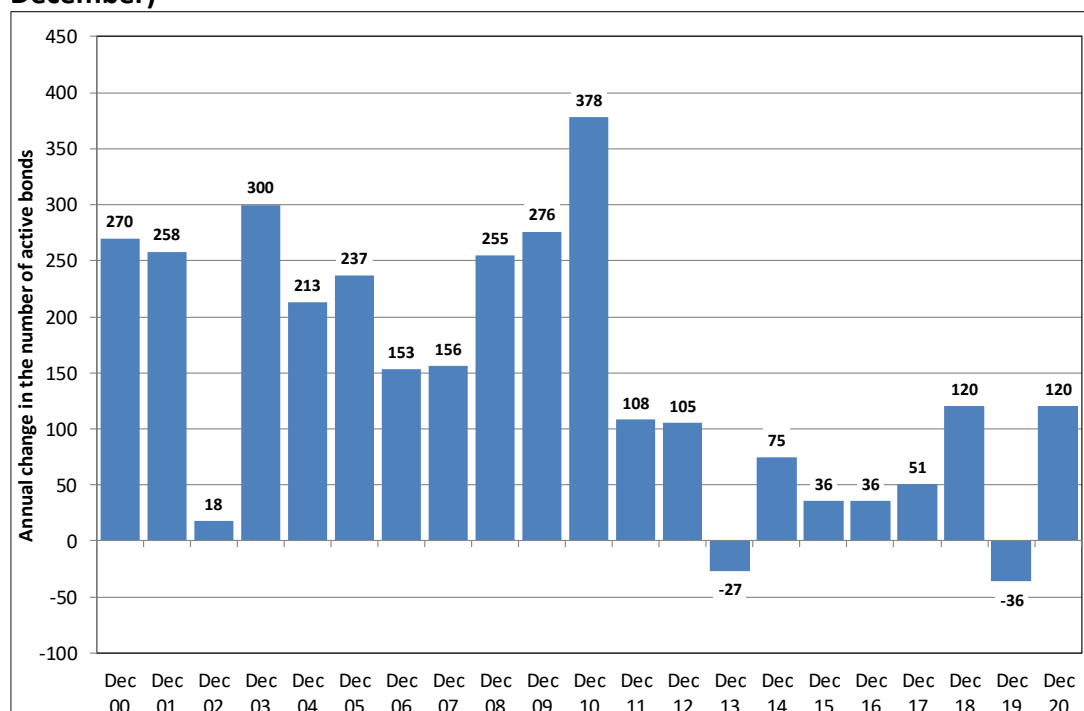
**Table 1: Average annual rents in the Manawatū/Whanganui region (years ended December)**

Territorial authority and region	Years ended December		2016 - 2020 change	
	2016	2020	\$	%
New Zealand	\$379	\$459	\$80	21%
Horowhenua District	\$240	\$370	\$130	54%
Manawatū District	\$265	\$370	\$105	40%
Palmerston North	\$283	\$370	\$87	31%
Rangitikei District	\$187	\$291	\$104	56%
Ruapehu District	\$193	\$253	\$61	31%
Tararua District	\$181	\$260	\$79	43%
Whanganui District	\$222	\$346	\$124	56%
Manawatū-Whanganui	\$247	\$354	\$107	43%

Source: MBIE Tenancy Services

- 3.24. There were 120 more active residential rental bonds in Palmerston North registered by the Ministry of Business, Innovation and Employment (MBIE) at the end of December 2020 compared with December 2019. This was an increase of 1.6% from December 2019. There was an increase of 1.9% in total active bonds in New Zealand in the year to December 2020.

**Figure 11: Annual change in the number of active residential rental bonds (years ended December)**

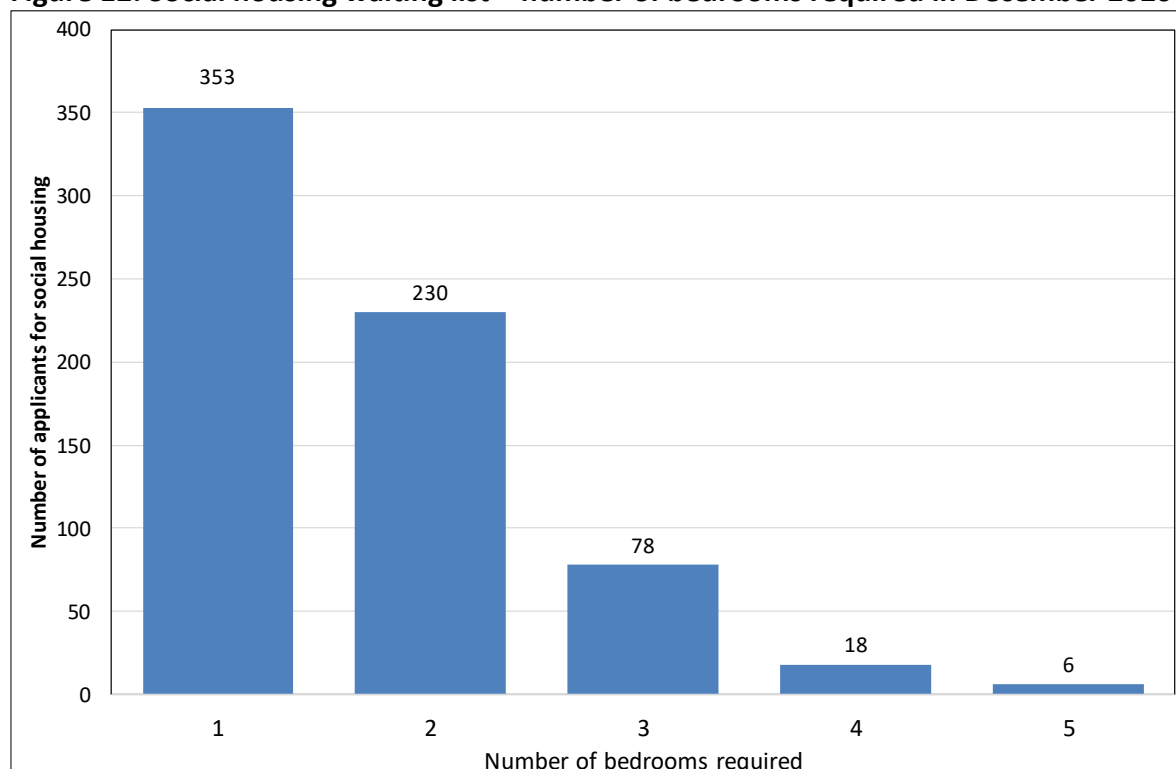


Source: MBIE



- 3.25. Annual change in rental stock has been volatile since 2012, but the overall trend has been for weaker growth in private sector rental stock, even though there has been a faster rate of increase in net housing stock in the city. An increase in the rate of housing ownership has contributed to this weakness, but increased Kainga Ora (Housing New Zealand) activity in the rental market may also be a contributor, as it has attempted to address the sudden increase in its waiting list since 2015.
- 3.26. The waiting list for social housing in Palmerston North has increased from 20 households in December 2014 to 685 households December 2020. The Housing Register identifies the number of applicants not currently in public housing who have been assessed as eligible, and who are ready to be matched to a suitable property.

**Figure 12: Social housing waiting list – number of bedrooms required in December 2020**



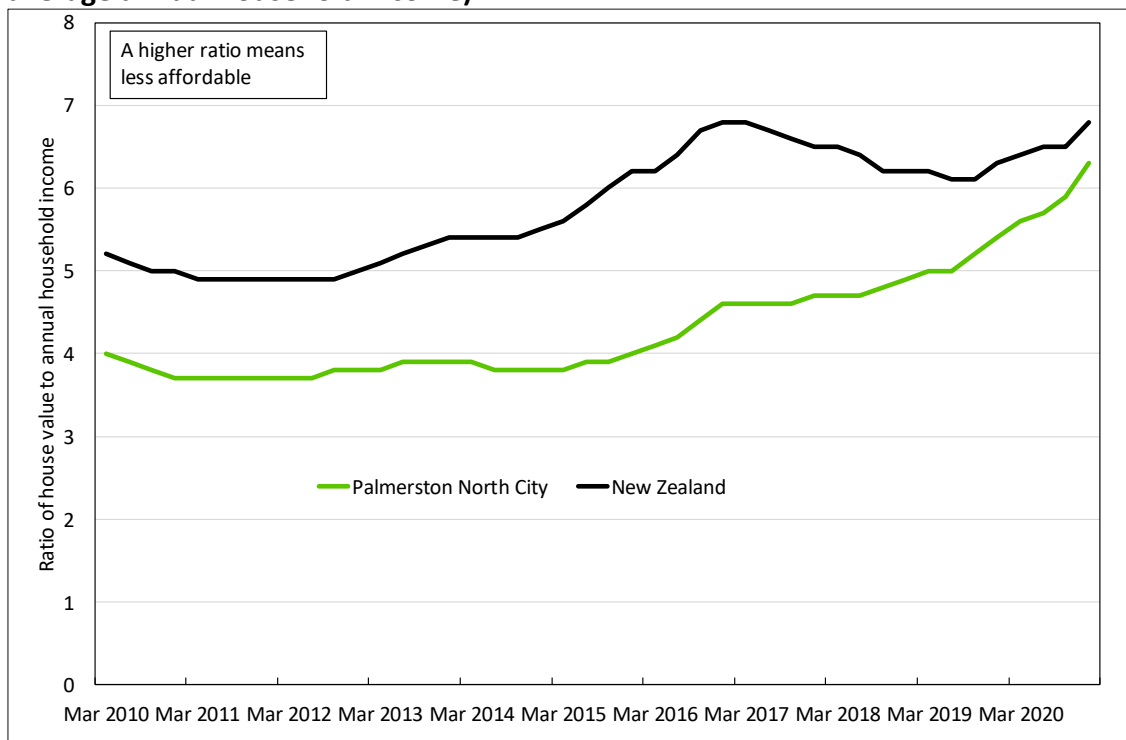
Source: MSD

- 3.27. The waiting list data provides a useful indication of the increasing demand for small houses. In December 2020 there were 353 households (52% of the waiting list) requiring a one-bedroom house and 230 households (34%) requiring a two-bedroom house.

### **Housing Affordability**

- 3.28. Housing affordability is calculated using estimates for household income and the cost of housing, either for purchase or for rent. The Infometrics household income estimate captures labour market earnings (wages, salaries and self-employment) as well as allowances (e.g. Disability Allowance), benefits (e.g. Jobseeker Support) and superannuation. Investment income is excluded.
- 3.29. Housing affordability indicators for both home ownership and renting showed a decline in affordability during the year to December 2020. The housing affordability (ownership) ratio in Palmerston North deteriorated from 5.4 times average annual household income in the year to December 2019 to 6.3 in December 2020. The affordability score for New Zealand increased from 6.3 in December 2019 to 6.8 in December 2020.

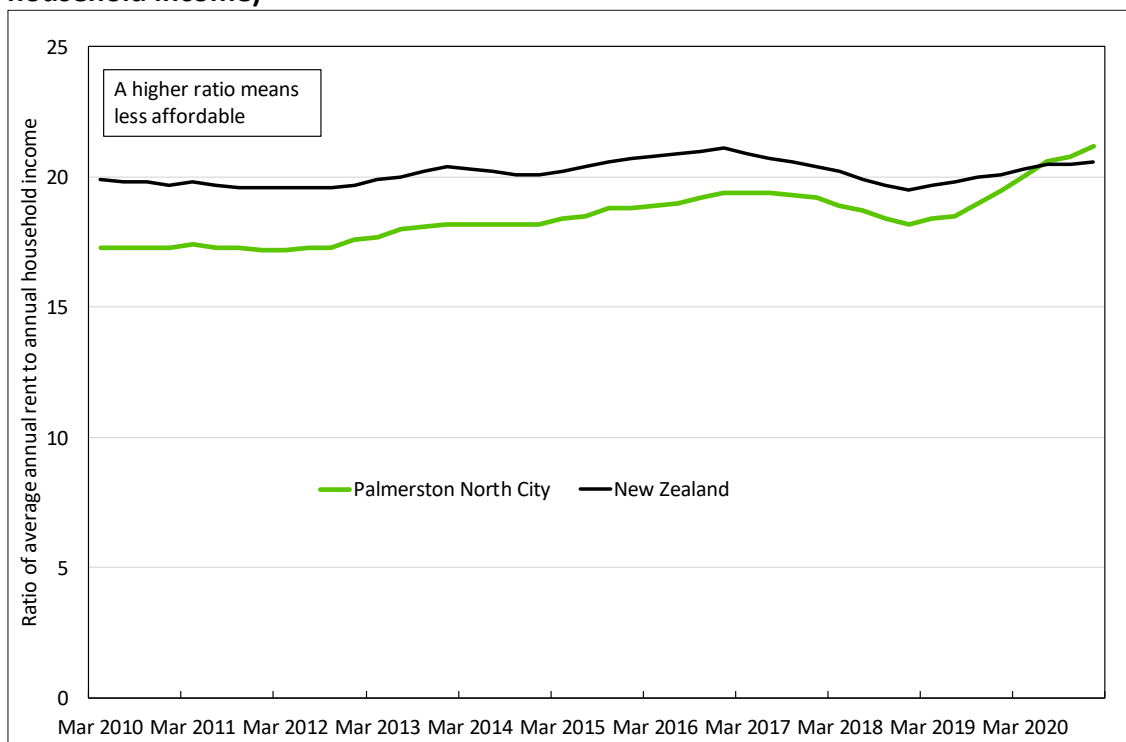
**Figure 13: Housing affordability (home ownership) (ratio of average house value to average annual household income)**



Source: Infometrics

- 3.30. Rental affordability in Palmerston North also deteriorated during 2020, with average rents increasing from 19.5% of average annual household income in December 2019 to 21.2% in December 2020. Average annual rents in Palmerston North increased by 10.1% in the year to December 2019. The affordability score for New Zealand increased from 20.1% in December 2019 to 20.6% in December 2019.

**Figure 14: Housing affordability (rent) (ratio of average annual rent to average annual household income)**



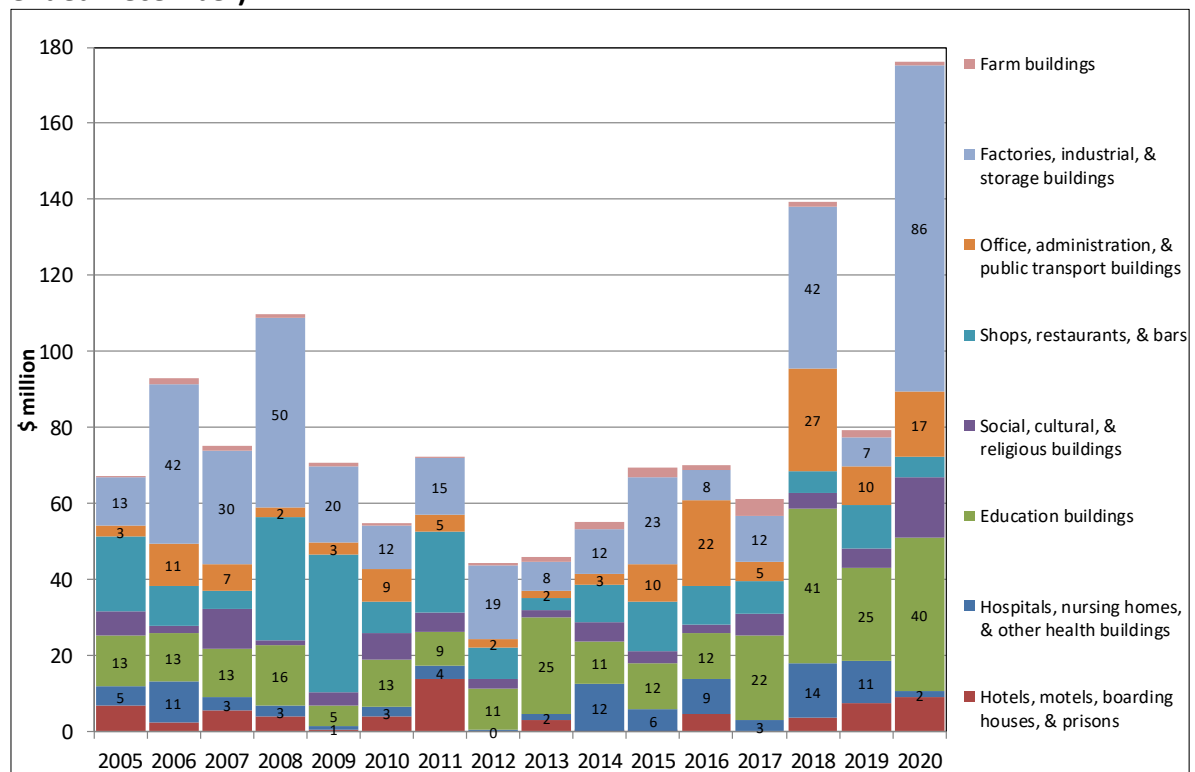
Source: Infometrics

## 4. Business Activity

### Non-residential building consents

- 4.1. The value of non-residential consents issued in the year ended December 2020 was \$176 million, an increase of 122% from 2019, the highest annual value recorded in the city.
- 4.2. Major consents approved during 2020 were:
  - a. Massey University veterinary science facilities,
  - b. Countdown distribution centre,
  - c. Toyota structural strengthening of existing buildings,

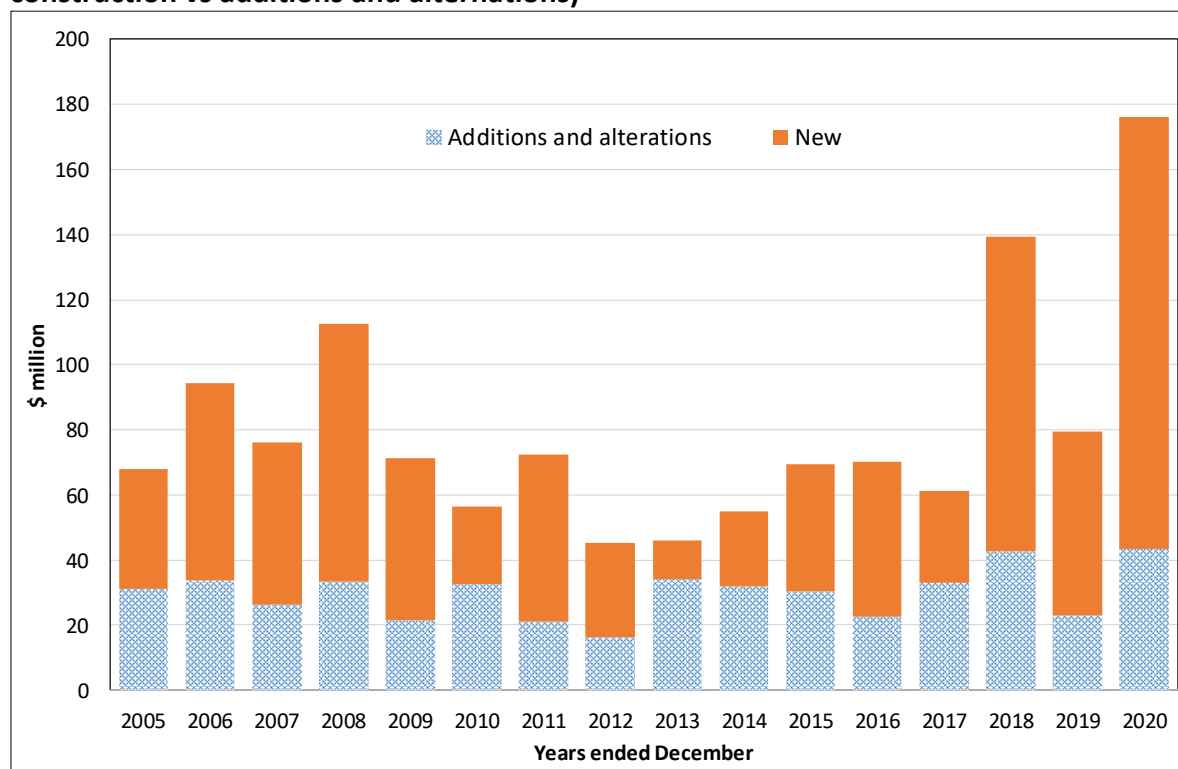
**Figure 15: Non-residential building consents issued by value in Palmerston North (years ended December)**



Source: Statistics NZ

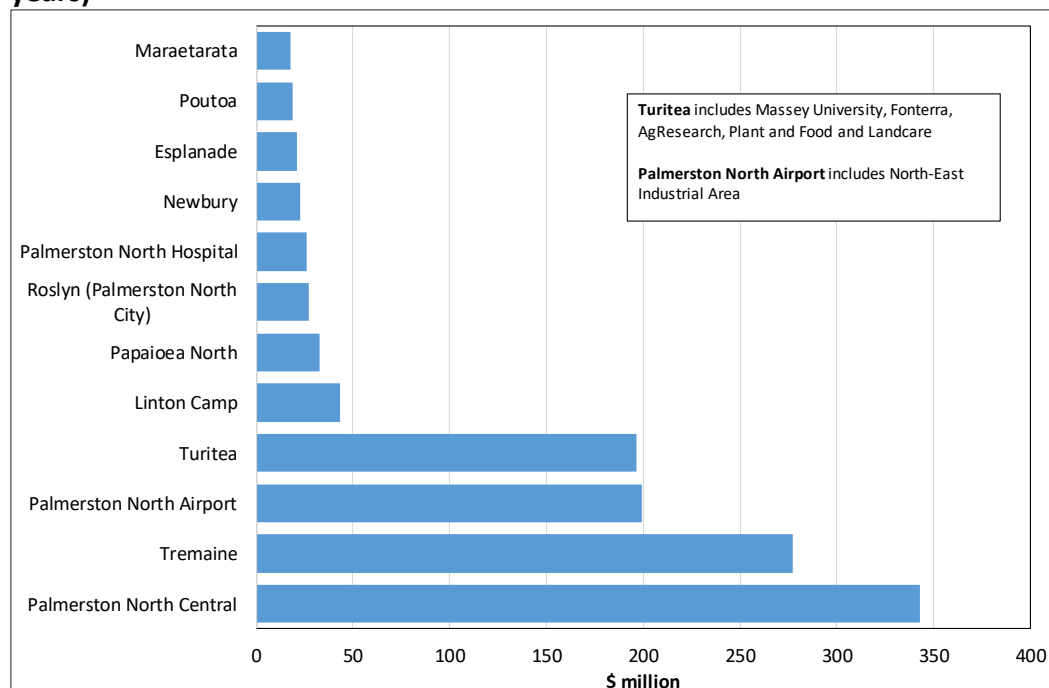
- 4.3. The Countdown and Toyota consents accounted for the largest contribution to the growth in consents for factories, industrial and storage buildings in 2020, but there were also other smaller consents for industrial and storage buildings during 2020.
- 4.4. The annual value of consents for the construction of new non-residential buildings averaged \$49 million between 2005 and 2020 while the annual value of consents for additions and alterations to non-residential buildings averaged \$30 million. Earthquake strengthening requirements have been an important contributor to the increase in the value of consents for additions and alterations to non-residential buildings, but it is difficult to measure the impact on consent values.

**Figure 16: Annual value of non-residential building consents in Palmerston North (new construction vs additions and alternations)**



Source: Statistics NZ Palmerston North Central area unit accounted for 26% of non-residential building consents (by value) in Palmerston North over the period between 2003 and 2019. Tremaine accounted for a further 21%, Turitea 13% (covers Massey University and research institutes) and Palmerston North Airport 10% (covers the North-East Industrial Zone).

**Figure 17: Distribution of non-residential consents by area unit (2003 – 2020 December years)**



Source: Statistics NZ



## Commercial property market survey

- 4.6. The 2020 commercial property survey by Telfer Young was completed in late 2020 and was a follow up to the first survey in 2018. Key results from the survey comparing 2018 and 2020 are:
- Grade A<sup>2</sup> total floor areas have increased.
  - Grade B total floor areas have remained relatively steady.
  - Grade C total floor areas have reduced except for in the Inner Business Zone.
  - Vacancy levels across nearly all zoning areas and building categories have decreased
  - Rental increases are evident across a range of categories, particularly in new and compliant building categories
- 4.7. Vacancy rates in the city have reduced between 2018 and 2020, with reductions occurring across all commercial property zones. The average vacancy rate for the city declined from 5.8% in 2018 to 3.1% in 2020. The largest improvement in vacancy rates was in the Inner Business zone, where the rate declined from 11.9% in 2018 to 5.4% in 2020.

**Table 2: Palmerston North commercial property vacancy rates by zone**

Business zone	2018			2020		
	Ground floor	Upper floor	Total	Ground floor	Upper floor	Total
Airport	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fringe Business	6.6%	3.7%	6.4%	5.6%	0.0%	5.4%
Industrial	3.6%	5.9%	3.7%	2.0%	0.7%	1.9%
Inner Business	10.3%	14.0%	11.9%	3.8%	7.9%	5.4%
Local Business	0.0%	25.7%	4.7%	0.0%	0.0%	0.0%
North East Industrial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Outer Business	6.1%	10.8%	7.0%	3.5%	8.2%	4.4%
<b>Total</b>	<b>4.8%</b>	<b>11.5%</b>	<b>5.8%</b>	<b>2.5%</b>	<b>6.5%</b>	<b>3.1%</b>

Source: Blackmore and Associates Limited trading as TelferYoung Manawātū

- 4.8. The commercial property market over the past 12 - 18 months has seen modern well-tenanted properties achieving strong demand at low investment yields (5% – 6%). There remains strong occupancy in industrial locations, particularly for modern versatile properties. Owner-occupiers have been active in the purchase of property, influenced by low funding costs.
- 4.9. Industrial land and construction activities show strong demand and short supply. This, together with low funding costs is influencing upward pressure on prices.
- 4.10. The North-East and East Terrace industrial areas are experiencing strong growth. The availability of land in the North-East Industrial area remains complicated by developer land-

<sup>2</sup> Grade A – New and modern buildings (i.e. post 2000 builds)

Grade B – 1960s to 1990s buildings

Grade C – Pre-1960s and earthquake prone status buildings

Adjustments are made to finalise grading by reference to physical viewing (i.e. refurbished, modernised buildings may be B grade rather than C grade)

banking and a volume of unserviced land holdings. The KiwiRail regional freight hub development is further diminishing land supply.

- 4.11. There remains other vacant industrial land within the city boundary but some of this is not available to the market or compromised by infrastructural constraints, particularly at Works Road, Longburn.

## 5. Outlook for major construction projects in Palmerston North and the wider region

- 5.1 Major development and construction projects announced or under development for Palmerston North and the Manawātū region amount to at least \$4 - \$5 billion of construction activity over the period to 2035. Some projects are still waiting for final approval, one of the largest being the construction of the MidCentral DHB acute services block. There are several projects under development where final values have not been put on project, such as the construction of the new KiwiRail freight hub, but estimates have been included in the summaries below.
- 5.2 New capital projects and renewals in the Palmerston North City Council 2021-31 10-year plan total \$1,319 million. The Palmerston North plan proposes that \$206 million (16%) of the capital budget of \$1,319 million will be funded externally. Some of this, such as the Council's contribution to the Palmerston North Integrated Transport Initiative (PNITI) (\$109 million), is counted twice in the list of projects below. The draft capital expenditure budget for the City Council will not be confirmed until late June this year. The Manawātū District 2021-31 10-year plan proposes capital expenditure of \$225 million, primarily on roading and water supply, wastewater and stormwater projects.

**Table 3: Major construction projects (2020 – 2035)**

Major construction projects	\$ million	Timing
Te Ahu A Turanga (Manawātū Gorge)	650	start January 2020
Linton and Ohakea regeneration plan 2019	660	2019 - 2035
Mercury Energy - Turitea	450	2019 - 2021
Massey University capital plan	230	2020 - 2030
Powerco growth and security projects	245	2017 - 2024
Hokowhitu campus redevelopment	90 - 135	started late 2019
MidCentral DHB surgical and mental health	57	early 2021
MidCentral DHB acute services block	370	timing uncertain
PN Integrated Transport Investment	335 - 370	timing uncertain
KiwiRail regional freight hub	cost and timing to be confirmed	
<i>PNCC capital investment (draft)</i>	<i>1,317</i>	<i>2021 - 2031</i>
<i>Manawātū District - capital investment (draft)</i>	<i>225</i>	<i>2021 - 2031</i>
Countdown distribution centre	66	2020 - 2021

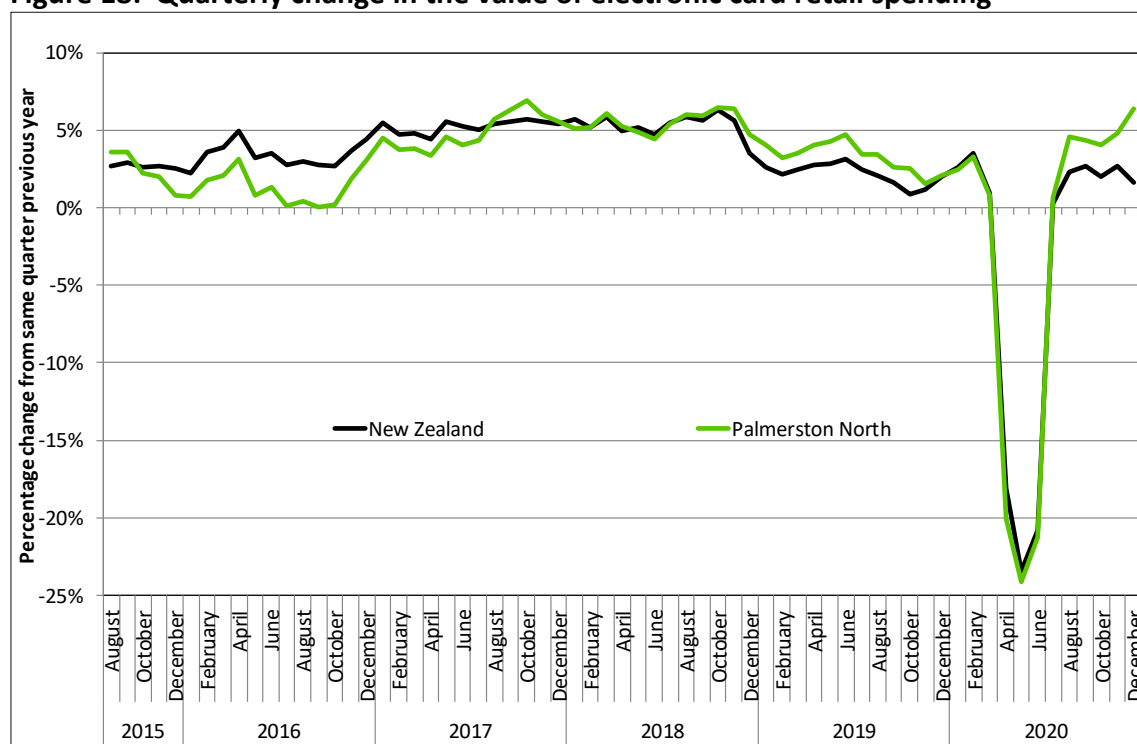
Source: Palmerston North City Council

## 6. Retail trends

- 6.1. Total electronic card retail spending increased by 6.0% in Palmerston North in December 2020 quarter, while national retail growth was 1.5%. The closure of many shops due to COVID19 Level-3 and 4 restrictions between 25 March and 13 May 2020 contributed to a 0.7% decline in retail spending in the year ended December 2020, while total spending in New Zealand declined by 4.3%. The rate of growth for the city has been ahead of the growth

rate for New Zealand for most of the period since the September 2017 quarter, supported by strong growth in spending by residents at local merchants.

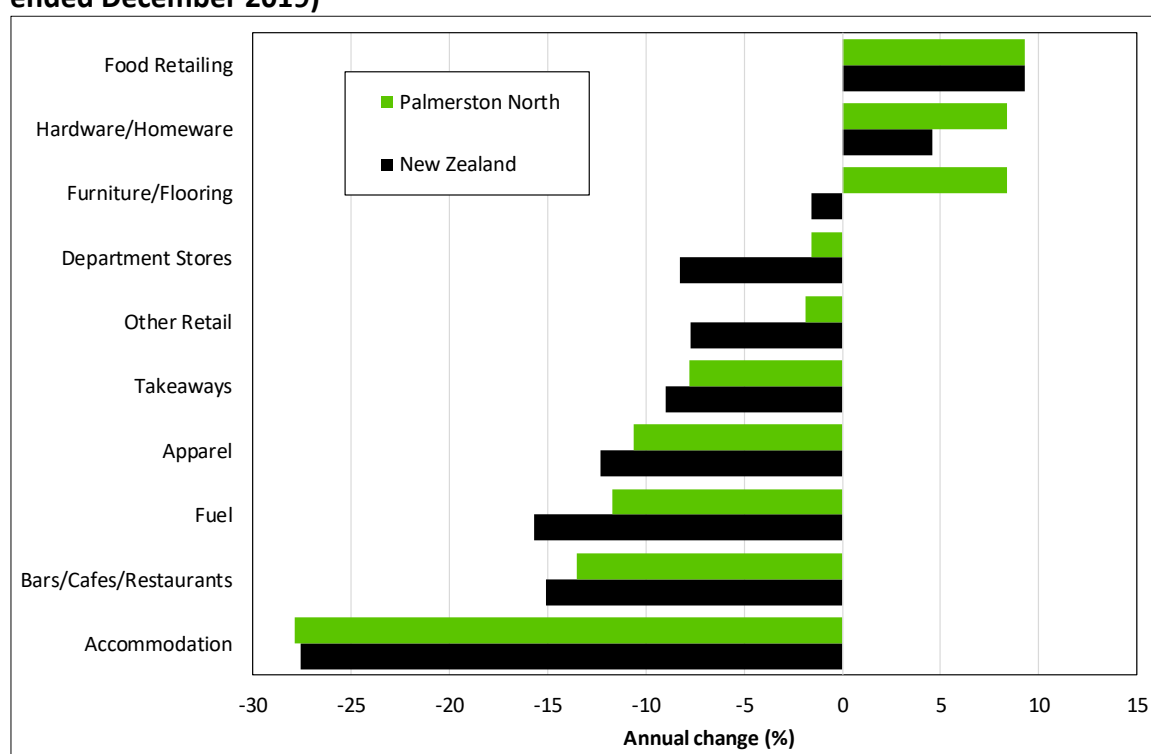
**Figure 18: Quarterly change in the value of electronic card retail spending**



Source: Marketview

6.2. Food retailing (supermarkets, liquor stores and other specialised food retailers) accounted for 30% of total electronic card spending in the year to December 2019. The value of fuel spending was affected by a 13.1% decline in fuel prices in the year to December 2020

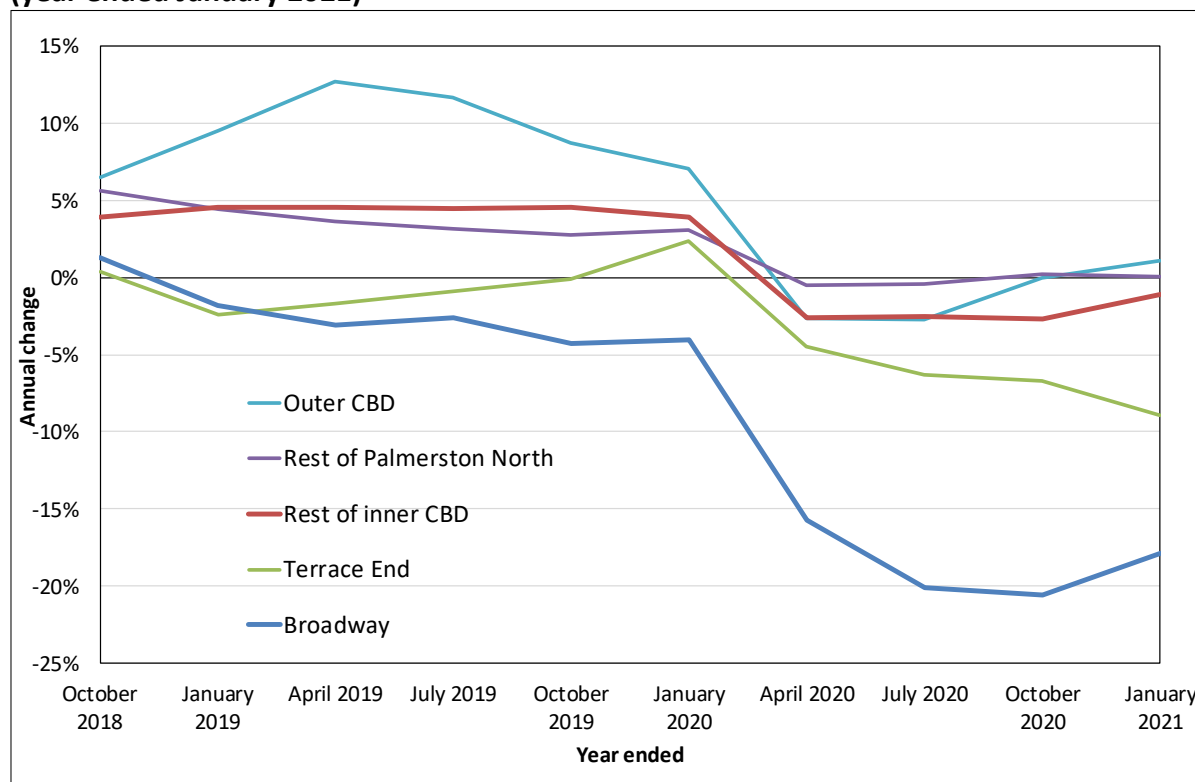
**Figure 19: Change in Palmerston North electronic card retail spending by sector (year ended December 2019)**



Source: Marketview

- 6.3. Electronic card spending data for the 12-months ended January 2021 shows a 2.6% decline in annual spending in the CBD. Declines in spending at bars/cafes/restaurants, apparel and takeaways were the largest contributors to the decline in spending. The strongest rate of growth was in the outer CBD zone, where spending increased by 1.1%, while growth in the rest of Palmerston North was 0.1%.

**Figure 20: Change in Palmerston North electronic card retail spending by retail precinct (year ended January 2021)**



Source: Marketview

- 6.4. Total electronic card visitor spending in the city in the year ended February 2021 was \$241 million, ranking it 12th overall among the 67 local authorities. Tourism spending in the city declined by 7.7% in the 12 months ended February, a smaller decline than the national 18.9% decline in national tourism spending. Domestic visitor electronic card spending was \$229 million, declining by 5.9% from the previous year, while international card spending was \$12 million, a decline of 32.6% from the previous year (New Zealand international card spending declined by 68%). MBIE is currently unable to distinguish between spending on international cars by New Zealanders returning home to New Zealand and international visitors, so isn't defining international card spending as tourism.
- 6.5. The 'retail sales – other' category is the biggest sector for tourism expenditure in Palmerston North. It includes apparel, appliances, department stores, furniture and flooring, hardware and homeware and other general retail stores. Total spending by visitors in the 'retail sales – other' category was \$100 million in the year to February 2021, an average of \$274,000 per day.
- 6.6. The Manawatū-Whanganui region is the largest source of visitor spending in the city, following by visitors from the Wellington and Auckland regions.

## 7. Gross domestic product (GDP)

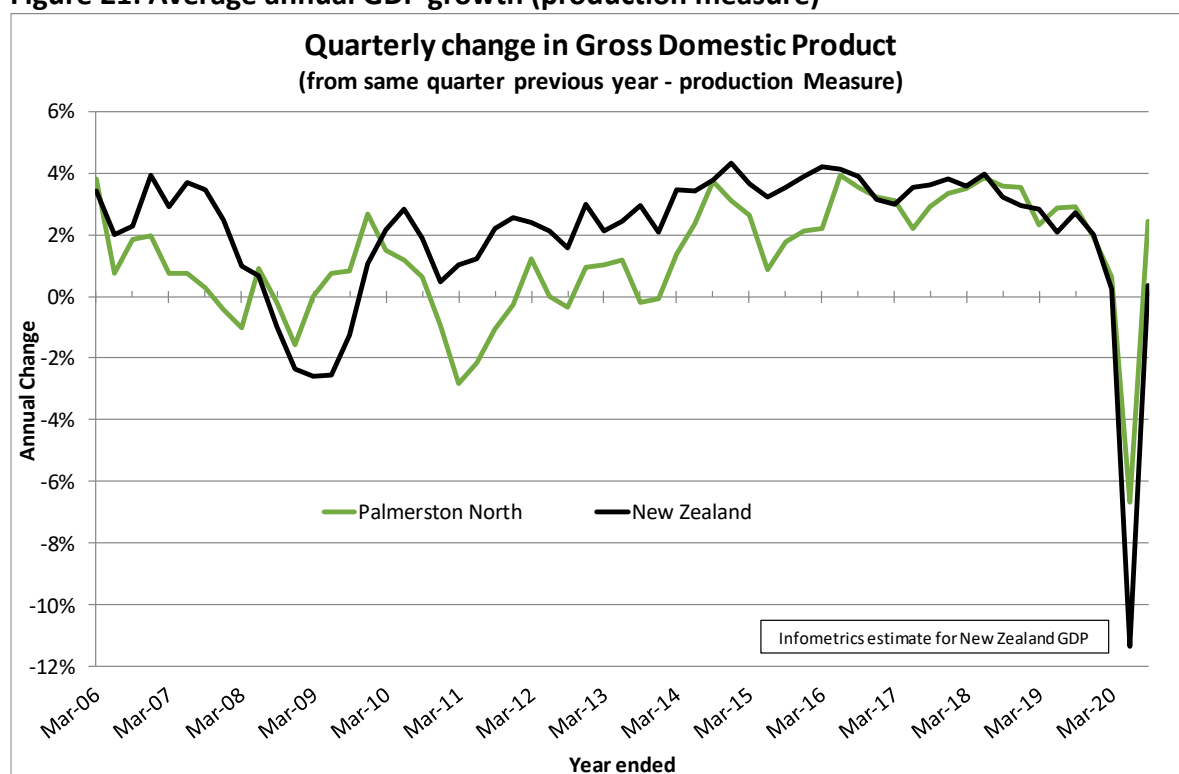
- 7.1. The latest Infometrics GDP estimates suggest Palmerston North GDP declined by 0.7% in the 12 months ended December 2020. National GDP was estimated to have declined by 2.6%.



Quarterly GDP estimates suggest GDP growth in the city slowed from 2.4% growth in the September quarter to 0.6% growth in the December quarter, but this is inconsistent with the strengthening in retail growth in the December quarter.

- 7.2. The Infometrics estimates for 2020 are provisional and will be revised once employment data is published later this year. GDP growth in Palmerston North in 2021 is expected to be high in the first half of 2021 due to only minimal impact from the reintroduction of COVID-19 Level-2 restrictions in February. There will be support for GDP growth in the city from major construction projects in the city.

**Figure 21: Average annual GDP growth (production measure)**



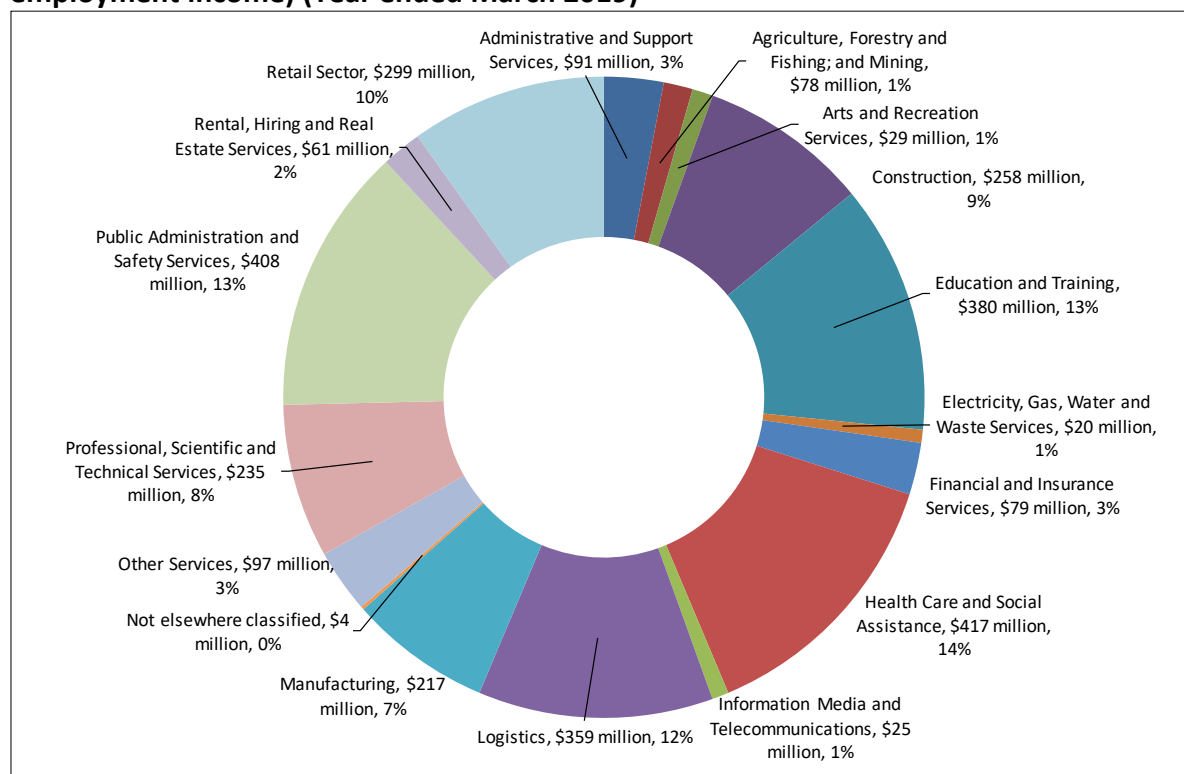
Source: Infometrics

## 8. Employment trends

### Earnings

- 8.1. Annual earnings (salaries, wages and self-employment income) paid in the city in the year ended March 2019 were \$3,027 million, increasing by 5.6% from the previous year, while earnings for New Zealand increased by 4.7%. Salaries and wages were \$2,723 million in the year to March 2019, increasing by 7.0% from the previous year, while self-employment income was \$304 million, declining by 5.4% from the previous year. The share of income from self-employment is just 10% of total income, well below the 17.7% average for New Zealand. This is mainly due to the high share of salary and wage income from the government sector, which accounted for 30.9% of total earnings in the year ended March 2018.

**Figure 22: Distribution of earnings in Palmerston North (salaries, wages and self-employment income) (Year ended March 2019)**



Source: Statistics NZ

- 8.2. Health care and social assistance is the largest sector for earnings from salaries, wages and self-employment, contributing 14% of total earnings in the city. Other major sectors in the city are; education and training, public administration and safety (include defence), logistics and retail (including accommodation and food services).

### Employee counts

- 8.3. The total employee count in Palmerston North in February 2020 was 52,200, an increase of 1.8% from February 2019, an increase of 900 jobs from 2019 (the growth rate for New Zealand was 1.2%). Revisions to the employee count for 2019, increased the annual growth in employment between 2019 and 2019 to 1,300 jobs. That followed an increase of 1,800 jobs in the year to February 2018.
- 8.4. The largest increases in employment between 2019 and 2020 were in the health care and social assistance sector (500 jobs) the construction sector (450 jobs) and education (300 jobs). The largest decline in employment was in the retail sector, where there was a decline of 250 jobs.
- 8.5. The biggest contributor to job growth between 2000 and 2020 was the public administration and safety sector, with an additional 2,950 jobs created between 2000 and 2020. Other major contributions to employment growth came from the health care and social assistance (additional 2,800 jobs), logistics (additional 2,000 jobs) and construction (additional 2,100 jobs).

**Table 4: Change in employee counts between February 2000 and February 2020**

All industries	Palmerston North			New Zealand		
	Employee count	2000 - 2020 change		Employee count	2000 - 2020 change	
ANZSIC06	2020	Number	%	2020	Number	%
Agriculture, Forestry and Fishing	630	120	24%	120,800	18,900	19%
Mining	25	16	178%	5,700	2,150	61%
Manufacturing	3,300	-350	-10%	235,200	-1,000	0%
Electricity, Gas, Water and Waste Services	230	-30	-12%	18,900	9,900	110%
Construction	4,300	2,200	105%	183,300	107,400	142%
Wholesale Trade	3,500	1,400	67%	116,700	26,100	29%
Retail Trade	4,900	700	17%	221,500	54,400	33%
Accommodation and Food Services	2,800	300	12%	174,300	69,500	66%
Transport, Postal and Warehousing	1,900	600	46%	98,500	15,200	18%
Information Media and Telecommunication	330	-650	-66%	32,200	-13,700	-30%
Financial and Insurance Services	760	10	1%	58,100	16,500	40%
Rental, Hiring and Real Estate Services	900	380	73%	34,900	14,600	72%
Professional, Scientific and Technical Services	2,650	300	13%	189,000	87,500	86%
Administrative and Support Services	2,500	550	28%	123,500	45,700	59%
Public Administration and Safety	6,200	2,950	91%	137,300	61,500	81%
Education and Training	6,400	1,400	28%	195,600	62,100	47%
Health Care and Social Assistance	7,900	2,800	55%	250,100	97,600	64%
Arts and Recreation Services	930	220	31%	44,600	17,700	66%
Other Services	2,000	600	43%	76,600	25,500	50%
<b>Total</b>	<b>52,200</b>	<b>13,500</b>	<b>35%</b>	<b>2,317,000</b>	<b>717,500</b>	<b>45%</b>
Earnings for all industries (salaries, wages and self-employment income)	Earnings (\$m)	2000 - 2019 change		Earnings (\$m)	2000 - 2019 change	
	2019	(\$m)	%	2019	(\$m)	%
<b>Total earnings</b>	<b>3,027</b>	<b>1,757</b>	<b>138%</b>	<b>157,248</b>	<b>97,159</b>	<b>163%</b>

Source: Statistics NZ

- 8.6. Palmerston North Central area unit is the largest area unit for employment, with 15,700 employees counted in February 2020, accounting for 31% of total employment in Palmerston North. It was also the largest contributor to employment growth between 2000 and 2020, with an increase of 3,700 jobs (31% increase). The second largest increase was in the Tremaine area unit, where employee numbers increased by 3,600 over this period, an increase of 64%.
- 8.7. The strongest rate of increase between 2000 and 2020 was in the Palmerston North Airport area unit, which includes the industrial zone to the north-east of the city. The number of jobs in the area unit increased from 160 in 2000 to 1,790 in 2020 (increase of 1119%), with the largest contributions coming from increased employment in the grocery, liquor and tobacco product wholesaling and road transport industry sectors. Linton Camp had 3,400 employees in 2020, increasing by 1,500 (79% increase) from 2000. The Turitea area unit covers the Massey University campus and research institutes.

**Table 5: Employee counts and 2000 – 2020 employment change for Palmerston North area units**

Employee count as at February 2020	2020	2000 - 2020 change	
	Number	Number	%
<b>Palmerston North City</b>	<b>52,200</b>	<b>13,500</b>	<b>35%</b>
Palmerston North Central	15,700	3,700	31%
Tremaine	9,200	3,600	64%
Turitea	4,300	400	10%
Palmerston North Hospital	3,700	800	28%
Linton Camp	3,400	1,500	79%
Palmerston North Airport	1,950	1,790	1119%
Papaioea North	1,050	-200	-16%
Newbury	1,000	180	22%
Takaro North	1,000	40	4%
Roslyn	1,000	410	69%
West End	860	490	132%
Papaioea South	770	200	35%
Esplanade	610	-30	-5%
Hokowhitu East	550	-120	-18%
Ruahine	460	210	84%
Awapuni South	440	120	38%
Pouota	440	270	159%
Highbury East	430	90	26%
Milson South	370	-380	-51%
Whakarongo	360	140	64%
Terrace End	360	50	16%
Milverton	350	-70	-17%
Ashhurst	350	140	67%
Royal Oak	330	220	200%
Maraetarata	310	60	24%
Kelvin Grove North	290	225	346%
Takaro South	280	-50	-15%
Hokowhitu Central	270	160	145%
Ruamahanga	250	80	47%
Pihauatua	250	-370	-60%
Milson North	210	-370	-64%
Awapuni North	210	-30	-13%
Westbrook	200	20	11%
Kelvin Grove West	160	10	7%
Park West	140	-40	-22%
Pioneer West	120	25	26%
Cloverlea	110	10	10%
Aokautere	85	20	31%
Aokautere Rural	85	30	55%
Hokowhitu South	80	5	7%

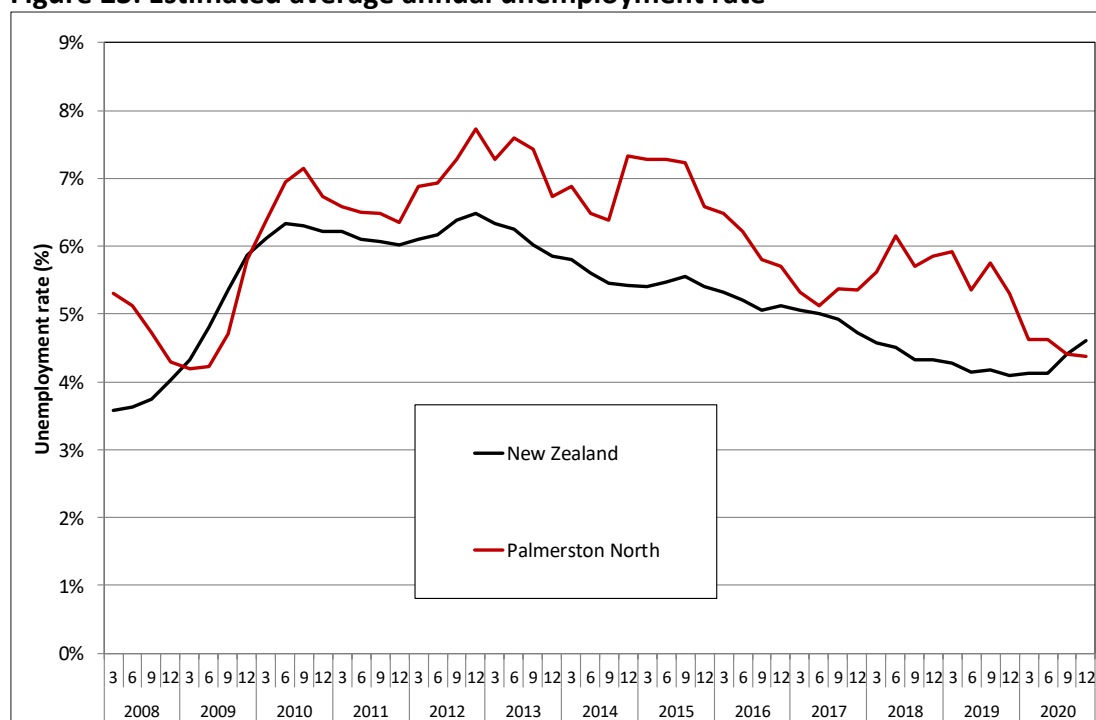
Source: Statistics NZ

## Unemployment

- 8.8. The average rate of unemployment in Palmerston North in the year to December 2020 was 4.4%, while the unemployment rate for New Zealand was 4.5%. The unemployment rate in the city has declined significantly since peaking at 7.7% in December 2012.



**Figure 23: Estimated average annual unemployment rate**



Source: Statistics NZ/ Infometrics

- 8.9. Palmerston North's unemployment rate is generally higher than the average for New Zealand due to its young population. The median age for the city's population was estimated to be 34.2 years in June 2020 while the median for New Zealand was 37.4 years.

