

Rangitīkei District Quarterly Economic Update

June 2024



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The Rangitikei economy is presently facing strong headwinds.

We are heavily dependent on the primary sector, especially sheep and beef, and low prices are impacting the sector.

Lamb prices are up slightly from a 7-year low while beef prices are at their lowest level in close to 3 years. Construction and retail trade are also feeling the pinch with business confidence low and consumers being very considered in their purchase decisions.

It's not all negative however with the Reserve Bank of New Zealand (RBNZ) beginning their long anticipated rate cuts with the first of these being a 25-basis point cut on 14 August and a suggestion of further cuts coming now inflation is expected to be within RBNZ target range of 1-3%

The response to reduce interest rates by the trading banks has been swift and this will be welcomed news to borrowers and businesses alike. More money in consumers pockets will transfer to increased levels of consumer spending and increased optimism

for businesses. This won't automatically result in increasing consumer spending and GDP as unemployment is forecast to climb as some of our larger employers show signs of stress due to rising expenses, especially energy prices.

The impact from the closure of Winstone Pulp International and Karioi Pulpmill is yet to be felt and while these businesses are not in Rangitikei, many of our residents are directly employed with an even greater number of businesses are directly impacted by their closure.

While the economy is going through a period of cooling, signs are there for improvement with future rate cuts predicted, housing growth and a growing population.

Rangitikei District Council is taking proactive steps to support economic growth through its investment in infrastructure projects and partnering with developers to bring opportunities to our district.



Gross Domestic Product

The June quarter showed the economic cooling continues.

The GDP in Rangitikei showed minimal growth of 0.4% which is down from growth of 2.9% a year earlier. However this is still growth in contrast to Manawatū/Whanganui Region which contracted by 0.8% and New Zealand's economy contracting by 0.2%.

Annual GDP growth in Rangitikei peaked at 6.8% in June 2021 when the economy was \$800m

GDP

Rangitikei	\$821m
Manawatū/ Whanganui	\$14.3b
New Zealand	\$378.3b

5 Year GDP

Rangitikei	7.5%
Manawatū/ Whanganui	9.6%
New Zealand	9.5%



Consumer spending insights and update



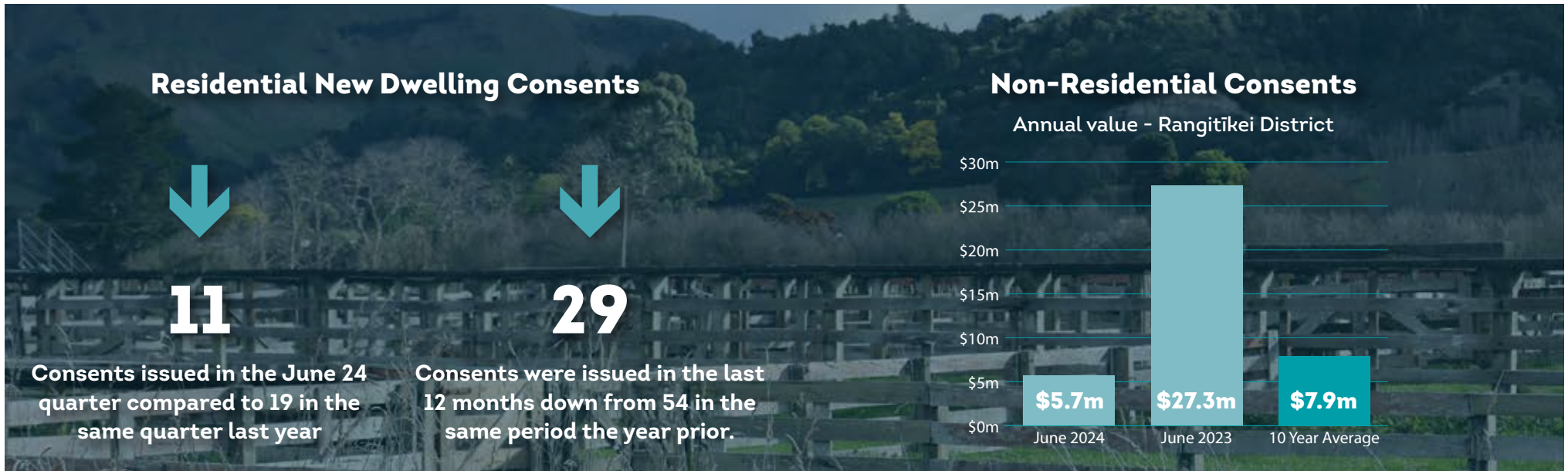
We are seeing the impacts of reduced discretionary spending because of the high costs of living.

Pressures on household expenditure like food, power, insurance, mortgage and rents continues to mean less cash in the pockets of consumers for discretionary spending. While spending grew by 1.7% against the same period last year, this is below the current rate of inflation of 3.3%.

While the number of consumer transactions is holding relatively constant, there is a trend shared by retailers of consumers seeking cheaper alternatives. Sale racks are being shopped more often and incremental or impulse purchases are becoming less frequent.

However, there is some relief in sight with interest rates beginning to tumble meaning there will be more money available in household budgets signalling good news for retailers.

The benefit of these rate reductions won't be instant and will only be felt as borrowers lending comes off higher interest rates and replaced with lower rates.



Construction sector insights and update



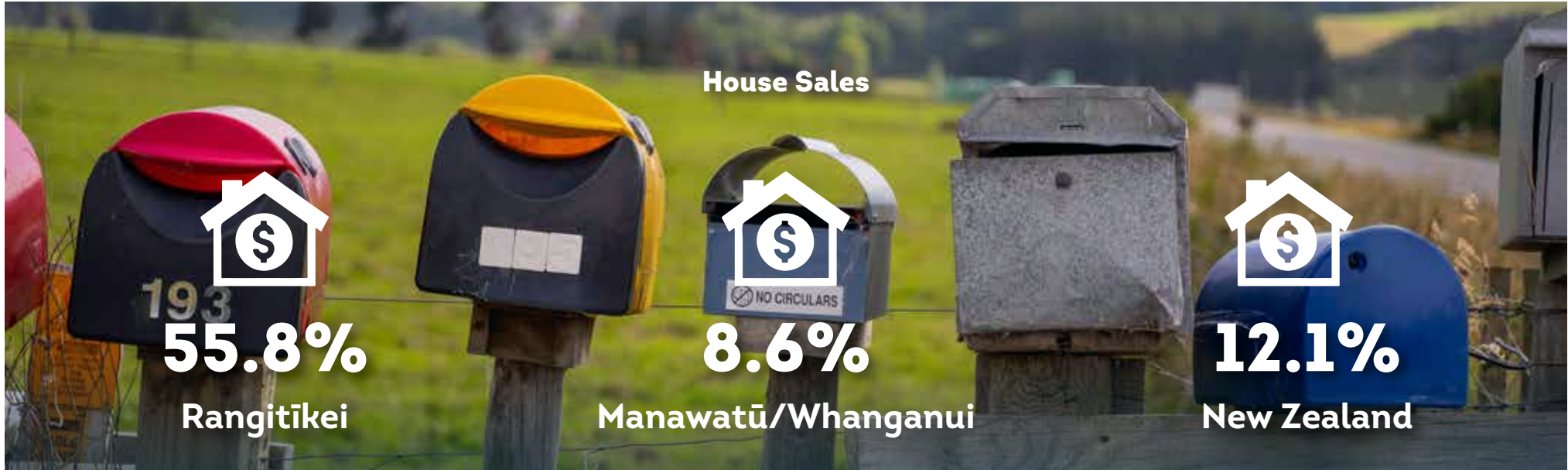
Rangitikei has come off a period of strong new housing development which started in March 2021 where 91 new dwellings were consented in a 12-month period.

This ended in March 2023 where 7 new dwellings were consented and bottomed out the September 2023 quarter where only 4 dwellings were consented.

There were 11 new dwellings consented in the June quarter of 2024 which is the third consecutive quarter of growth indicating the new dwelling market is bouncing back.

This will be further supported by the market influences like interest rates, bank lending policy, and land development.

Non-residential consents have returned to pre-pandemic levels after a period of extreme growth from September 2022 to September 2023 where over \$100m of work was consented in a 12-month period.



Housing insights and update



The housing market is showing signs of recovery with 53 more sales in the June 2024 quarter compared to the June quarter in 2023.

The number of properties on the market in the district are the highest since March 2019 signalling plenty of choice for buyers.

We expect the number of sales monthly to continue to grow as interest rates continue to fall and banks compete for new lending. The impact of recent changes made for landlords will bring more buyers back into the market which will increase demand across the district. All these factors point towards increased housing activity in the district noting recent experience suggests an increase in housing activity doesn't always reflect an increase in house prices in the short term.

Many homeowners will be cautious with recovery required for those who purchased in the 12 months prior to December 2022 after house prices dropped by close to 18%

The average house price to June 2024 has grown moderately at 3.3% against the same time last year and the average house price of \$427,118 is 3.6 times salary which signals housing the district remains extremely affordable when compared to the region and country.

Average House Price

Rangitīkei	3.3% now \$427,118
Manawatū/Whanganui	4.9% now \$555,281
New Zealand	2.5% now \$923,899



Tourism insights and update



Tourism expenditure is down 4.2% for the last 12 months now adding \$69m to the local economy.

This is down from a peak of \$75m in March 2023 and the second consecutive quarter of decline. Nationally we are seeing growth in overall Tourism expenditure however it is tempered with a flattening of international visitors coming to New Zealand. This suggests the global economic conditions are putting pressure on international travel which is being felt across the wider tourism sector.

Total number of guest nights as a lead indicator show a reduction of 5.4% to 71,600 nights per year across the district. This is down from a peak of 75,700 the same period a year ago and reflects the slow down of international visitors and tightening of discretionary spending impacting domestic tourism.

The Rangitikei district boasts some of the most picturesque landscapes, natural features and tourist experiences in the country.

With rivers, ranges, seas, walking tracks and tourism operators offering unique experiences, our district is well placed to grow and can expect the current headwinds to ease as the global economy recovers and domestic inflation eases.

Tourism Guest Nights

Rangitikei	-5.4%	71,600 guest nights per year
Manawatū/Whanganui	-5.8%	1,447,600 guest nights per year
New Zealand	5.3%	39,476,600 guest nights per year

Agriculture insights and update



Diary

The 2024/25 dairy season is starting with a stronger milk price than last year, with Fonterra's \$8.00/kgMS being the midpoint of a wide ranging \$7.25 - \$8.75 range.

Should milk production in the Rangitikei remain the same in 2024/25 as last year, then this will result in a net gain of \$3m for the sector in 2024/25. The influences impacting input costs appear generally more under control which are encouraging signs for the sector.

Sheep and Beef


It is anticipated prices for red meat will increase through 2024/25, while farm profitability will remain tight due to high input costs and a stronger NZ dollar.

Over the medium term, improving prices for red meat, reduction in debt servicing costs and stabilising input costs signal positive signs for the sector who will be looking for better times in 2025 and beyond.

Forestry

Demand for logs remains weak with China continuing to face difficulties in their building sector. The usage in China has reduced meaning less logs moving between New Zealand and China and prices are expected to remain flat going into 2025 with a pick up anticipated in 2026 when demand in China recovers.

The domestic demand for wood is weakening reflective of a slowdown in construction activity. It is expected the domestic market will remain weak in 2024 putting further pressure on revenue for forestry owners.



Dairy Payout		
2023/24 Rangitikei = \$114m	↑	2.6% growth
2024/25 Rangitikei = \$117m		
2023/24 Manawatu Whanganui = \$895m	↑	2.5% growth
2024/25 Manawatu Whanganui = \$917m		
2023/24 New Zealand = \$14.7b	↑	2.5% growth
2024/25 New Zealand = \$15.1b		

Workforce / employment insights and update



Workforce

The employment market for Rangitikei reduced by 0.4% in the year to June 2024 which is the first decline in nearly 10 years.

This reflects the weaker primary sector and the districts high reliance on the performance of this sector. Anticipated recovery in the primary sector will have positive ripple effects on other related sectors who grow and contract based on the success of the primary sector. For example meat processing plants are considered manufacturing and increased employment opportunities within this sector are the benefit of a strong primary sector.

Unemployment

The unemployment rate for the district remains low at 4.3% and under the 10 year peak of 5.7%

The unemployment market is expected to rise further throughout the rest of the year as the labour market continues to soften.

NEETs (16-24 year olds not in employment or education or training) and Mayors Taskforce for Jobs

Rangitikei district has a higher number of NEET's then the region and country. The current percentage of youth not in employment or education or training is 15.6% and up from 11.4% the same time last year. Increases are typical during tough economic times as entry level employers such as hospitality, retail, and construction face weak demand and less need for employees.

The Mayors Taskforce for Jobs programme has helped place 132 people into employment in the district in the 12 months to June 2024 and at least 80 of these people were NEET's.

Employed people living in:	
Rangitikei	7,312
Manawatū/Whanganui	114,064
New Zealand	2,349,486

Unemployment	
Rangitikei	4.3%
Manawatū/Whanganui	4.7%
New Zealand	4.2%

NEETS rate	
Rangitikei	15.6%
Manawatū/Whanganui	15.5%
New Zealand	12.4%

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Data sources – Infometrics and Stats NZ



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