

Rangitīkei District Quarterly Economic Update

September 2024



RANGITĪKEI
DISTRICT COUNCIL



September Quarter 2024



The Rangitikei economy showed small growth in the September quarter.

This is positive result in the context of Manawatū Whanganui region which contracted, and the New Zealand economy which was flat for the same period. GDP for the district is performing better some of the economic indicators we monitor which suggests some industries are experiencing the pinch more than others. Sheep and beef prices continue to experience lower than average prices, whereas diary is anticipated to reach their highest dollar pay out for some time. Business numbers in the district continue to decline along side the number of filled jobs, while at the same time unemployment levels improve and the housing market recovery continues.

The impact of the drop in interest rates is starting to be felt with business and consumer confidence improving. This will only increase as the anticipated interest rate cuts are made in 2024 with further cuts signalled for early 2025. A big reason for the easing by the Reserve Bank of New Zealand is the decline in inflation pressures. Inflation has slowed to 2.2% in the year to September. Many economists suggest the outlook is for ongoing

rate reductions to 3.50% by mid 2025 however the impact of the global landscape could change this, particularly in the wake of the US election.

As the benefit of lower interest rates flows through to mortgage holders, we can expect consumer spending to bounce back. This will continue to increase confidence for business and typically leads to more jobs filled. Seasonal work increases the employment market further through the warmer months and more employment will lead to additional consumer spending. New vehicle registrations have increased for the first time since December 2021 signalling optimism in the economy for big ticket purchases.

The Rangitikei economy is making small gains with some sectors performing much better than others.

The last quarterly update outlined signs of improvement across the economy and while this statement continues to be true, individual sectors will be experiencing these improvements unequally. Overall, there is reason for optimism across the district with a recovering primary sector and an energy sector establishing in the district bringing job opportunities increasing demand for products and services.



Gross Domestic Product

The September quarter showed the economic cooling continues.

The GDP in Rangitikei showed minimal growth of 0.1%. This is a positive in context to Manawatū Whanganui Region which contracted by 0.4% and New Zealand's economy which was flat for the quarter.

Agriculture continues to dominate the share of GDP for the district with approximately a third of GDP coming from this sector.

The GDP result appears stronger than many other economic indicators. Housing (Real estate sales and new dwelling consents) are trending upwards, while new car registrations and consumer spending is trending downwards. This suggests the recovery is bumpy and will take some time to flow through the various industries across the district.

	GDP	5 Year GDP
Rangitikei	\$822m	Rangitikei 7.6%
Manawatū/Whanganui	\$14.3b	Manawatū/Whanganui 9.2%
New Zealand	\$378.5b	New Zealand 9.5%



Consumer spending insights and update



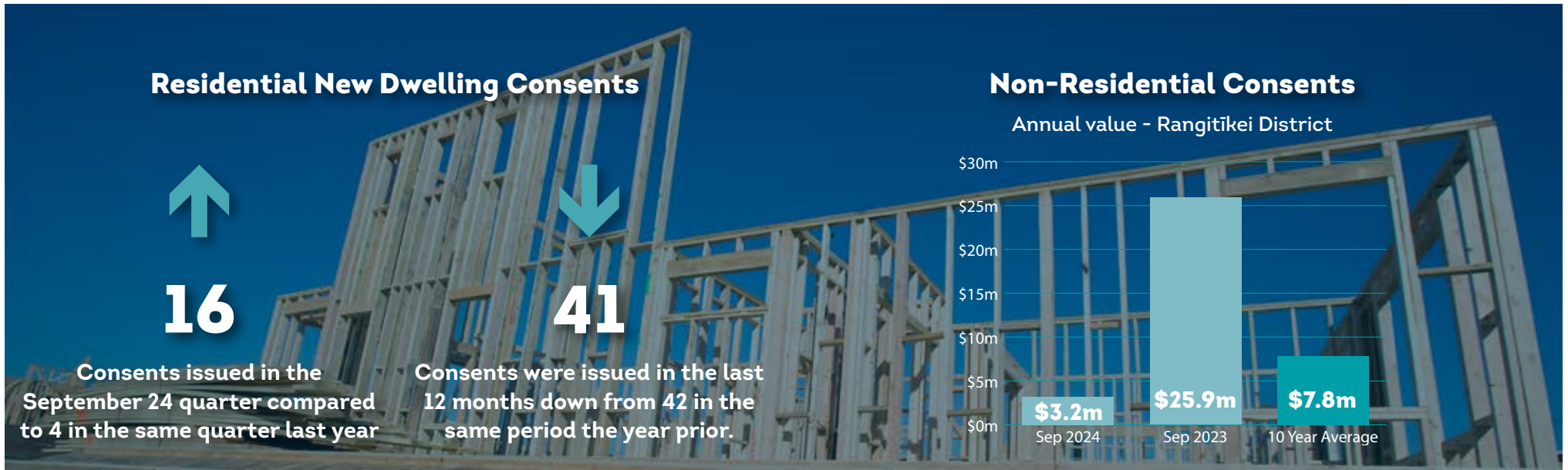
The impact of reduced discretionary spending continues to put pressure on the retail spending market.

Spending in the Rangitikei declined 2.2% on last year and after accounting for population growth and inflation, this represents a nearly 6% decrease in per capita spending.

While the Official Cash Rate has been falling this last quarter, it can take some time to flow through to household spending as home loans come off their fixed rates at various times. It is anticipated nationally, approximately half of home loans will come off their fixed terms before the end of March 2025 which will be a relief to household budgets and could result in an increase in consumer spending.

Typically the October – December quarter sees an increase in consumer spending by at least 10% which will be welcome news for retailers.

Rangitikei District Council is incentivising consumers to ‘think local’ during the festive period with a Shop Rangitikei campaign running through November and December.



Construction sector insights and update



After a sluggish end to 2023 and start to 2024, where there was only 9 residential building consents issued in a 6 month period, the second half to 2024 is showing signs of recovery with above average numbers. There were 16 new builds consented last quarter.

This now reflects 12 consecutive months of growth and well above the 10-year average of 11. Signs are positive for the construction sector, particularly in relation to new builds with additional residential land being developed and interest rates lower than 12 months ago.

There was \$3.2m of non-residential consents issued in the quarter which is below the recent highs experienced in the district. New commercial and industrial activity is subdued from the post-covid boom experienced across the district. Previous trends suggest the reduced activity will continue for another 12 months before we see this activity bounce back and Council is taking proactive steps to encourage development of commercial and industrial sites which will generate business and employment opportunity.

The cost of materials seems to be fairly static after massive increases after Covid 19. There are a lot of sections available in the Rangitikei and it would be great to see them start filling up with new homes."

Todd Sutton - Richards Construction



Housing insights and update



The housing market is showing signs of recovery with 58 more sales in the September 2024 quarter compared to the September quarter in 2023.

A total of 159 properties were sold in the quarter, which is down on the 10 year average of 185 per quarter.

The number of properties on the market has grown again with 348 properties on the market, although the rate of increase is slowing suggesting demand for property is starting to match supply.

We expect the number of sales to continue a steady increase as interest rates ease. Banks are also showing signs of relaxing their lending rules which will bring more borrowers into the market and therefore increase activity further. While the impacts of the debt-to-income limits are yet to be fully understood across the country, it is unlikely there will be too much impact in

Rangitīkei where average house prices remain extremely affordable at 3.5 times salary.

As mentioned in the previous update, an increase in buyer activity does not always reflect an increase in property values at the same rate and we are seeing this with house prices increasing moderately at 1.4%, with the average house price in the district \$416,746. This is compared to the region at \$538,286 and New Zealand at \$908,247.

Average House Price

Rangitīkei	1.4% now \$416,746
Manawatū/Whanganui	-1.0% now \$538,286
New Zealand	-0.3% now \$908,247





Tourism insights and update



Tourism expenditure is down 9.6% for the September quarter adding \$66m to the local economy in the last 12 months.

This is down \$7m on the same period last year and following a similar trajectory as the region and country after the peak growth experienced in March 2023 where growth was close to 20%. This is reflective of a reduction in overseas visitors coming to New Zealand and a tightening of domestic spend. Global economic pressure continues to impact international tourism with current international visitors to New Zealand not yet returning to pre-covid levels.

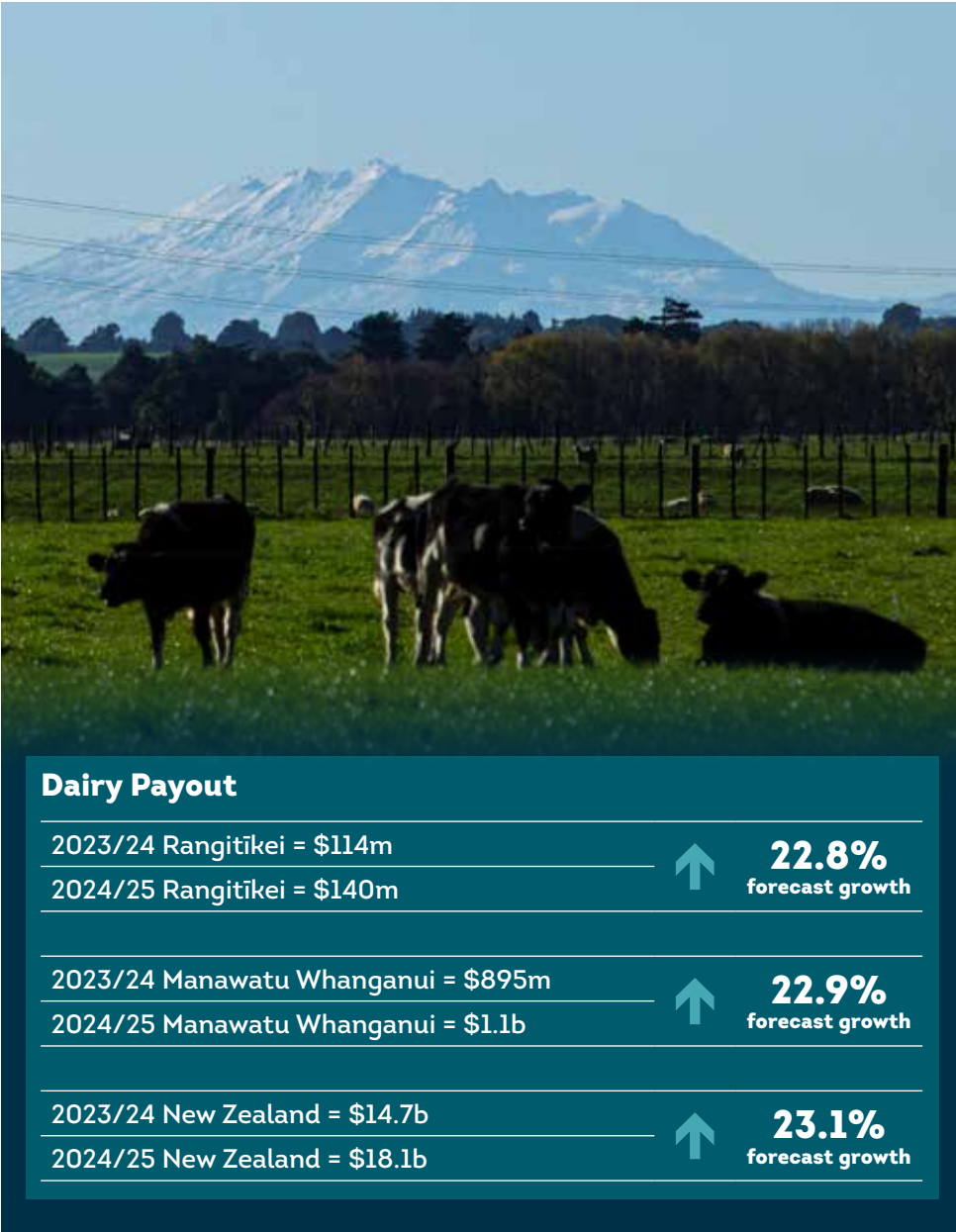
As a district, only 10% of tourism spend is international compared to 27% for New Zealand. The decline in overall tourism spend in the district of 9.6% reflects the challenging economic climate in New Zealand with less discretionary spending available hitting this sector harder than others.

Total number of guest nights as a lead indicator show a reduction of 3.8% to 71,600 nights per year across the district. This is down from a peak of 75,700 the same period a year ago.

The warmer months are a great time to explore our district with rivers, oceans, walks, and bike trails dotted right through the Rangitīkei. Our tourism operators will be looking forward to the increased travellers moving throughout our district during the holiday season and stopping to take advantage of our picturesque scenery and unique offering.

Tourism Guest Nights

Rangitīkei	-5.4%	71,600 guest nights per year
Manawatū/Whanganui	-5.8%	1,115,000 guest nights per year
New Zealand	1.7%	40,147,700 guest nights per year



Dairy Payout

2023/24 Rangitikei = \$114m	↑	22.8% forecast growth
2024/25 Rangitikei = \$140m		
2023/24 Manawatu Whanganui = \$895m	↑	22.9% forecast growth
2024/25 Manawatu Whanganui = \$1.1b		
2023/24 New Zealand = \$14.7b	↑	23.1% forecast growth
2024/25 New Zealand = \$18.1b		

Agriculture insights and update



Dairy

The 2024/25 dairy season is starting with a stronger milk price than last year, with Fonterra's \$9.50/kgMS being the midpoint of \$9.00 - \$10.00.

If the mid-point be achieved and production remain the same, this would result in a \$26m (3% of GDP) injection into the economy.

The influences impacting input costs appear generally more under control which are encouraging signs for the sector.

Sheep and Beef

Demand for red meat in 2024/25 is expected to be better in the new season, however farm profitability in 2023/24 was worse than forecast and 2024/25 is looking equally challenging as interest payments have doubled since 2021/22.

Inflationary pressures are easing and with interest rates falling, this will be a relief to floating and short-term debt costs however benefit will take time to flow through for those with fixed term loans.

Forestry

Demand for logs remains weak with China continuing to face difficulties in their building sector. The US election has potential to exacerbate this further with incoming President Trump signalling tariff increases specifically for Chinese imports into the US which will further decrease demand as US accounts for 27% of Chinese furniture exports.

Domestically, demand is looking better with building consents on the rise and the official cash rate reducing. The increase in construction activity will assist local demand and therefore prices however realistically the effects will not be felt until mid to late 2025



Employed people living in:

Rangitikei	7,303
Manawatū/Whanganui	113,793
New Zealand	2,374,358

Unemployment

Rangitikei	3.9%
Manawatū/Whanganui	4.4%
New Zealand	4.4%

NEETS rate

Rangitikei	15.6%
Manawatū/Whanganui	15.8%
New Zealand	12.5%

* 16-24 year olds not in employment or education or training

Workforce / employment insights and update



Workforce

The employment market for Rangitikei reduced by 0.3% in the year to September 2024 which is the second consecutive quarter where the number of employed people in the district declined.

This is not an unexpected result with a large employer in a neighbouring district closing its doors impacting up to 60 individuals living in Rangitikei. The number of employed residents declined by less than the number impacted by the closure which suggests there is employment growth across the district to offset the impact of the closure. This will not be any relief to those impacted and Council has partnered with MSD and Mayors Taskforce for Jobs to provide employment support to the impacted workers.

Unemployment

The unemployment rate for the district remains low at 3.9% and under the 10 year peak of 5.7%

This is a drop of 0.4% from last quarter and much lower than the region and country. Unemployment remains low and will be having an impact on employers seeking skilled and unskilled workers, especially as we move into the season work period in the primary sector.

NEETs* and Mayors Taskforce for Jobs

Rangitikei district has a higher number of NEET's that the region and country. The current percentage youth not in employment or education or training is 15.6% and up from 13.0% the same time last year. The low unemployment rate and high NEET rate suggests a higher number of our youth are unemployed compared to other age groups. Council pro-actively works in this space through a programme called 'Mayors Taskforce for Jobs' which primary function is support NEET's into work.

Since 1 July 2024, the Mayors Taskforce for Jobs programme has helped place 56 people into employment in the district.



For more information contact:

Jarrold Calkin

Economic Wellbeing Lead

027 294 1368

jarrod.calkin@rangitikei.govt.nz

business@rangitikei.govt.nz

Data sources – Infometrics and Stats NZ



www.rangitikei.govt.nz

P 06 327 0099 | 0800 422 522 (24 hrs)

E info@rangitikei.govt.nz

46 High Street

Private Bag 1102, Marton 4741