



**PAPAIOEA**  
PALMERSTON  
NORTH  
CITY

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# **PALMERSTON NORTH CITY COUNCIL**

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## **AGENDA**

### **MINUTES ATTACHMENTS ECONOMIC GROWTH COMMITTEE**

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**9:00 AM, WEDNESDAY 28 FEBRUARY 2024**

COUNCIL CHAMBER, FIRST FLOOR  
CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

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# ECONOMIC GROWTH COMMITTEE MEETING

28 February 2024

- 9      Annual economic snapshot - Palmerston North**
  - 1.      Presentation - Annual Economic Snapshot February 2024 4

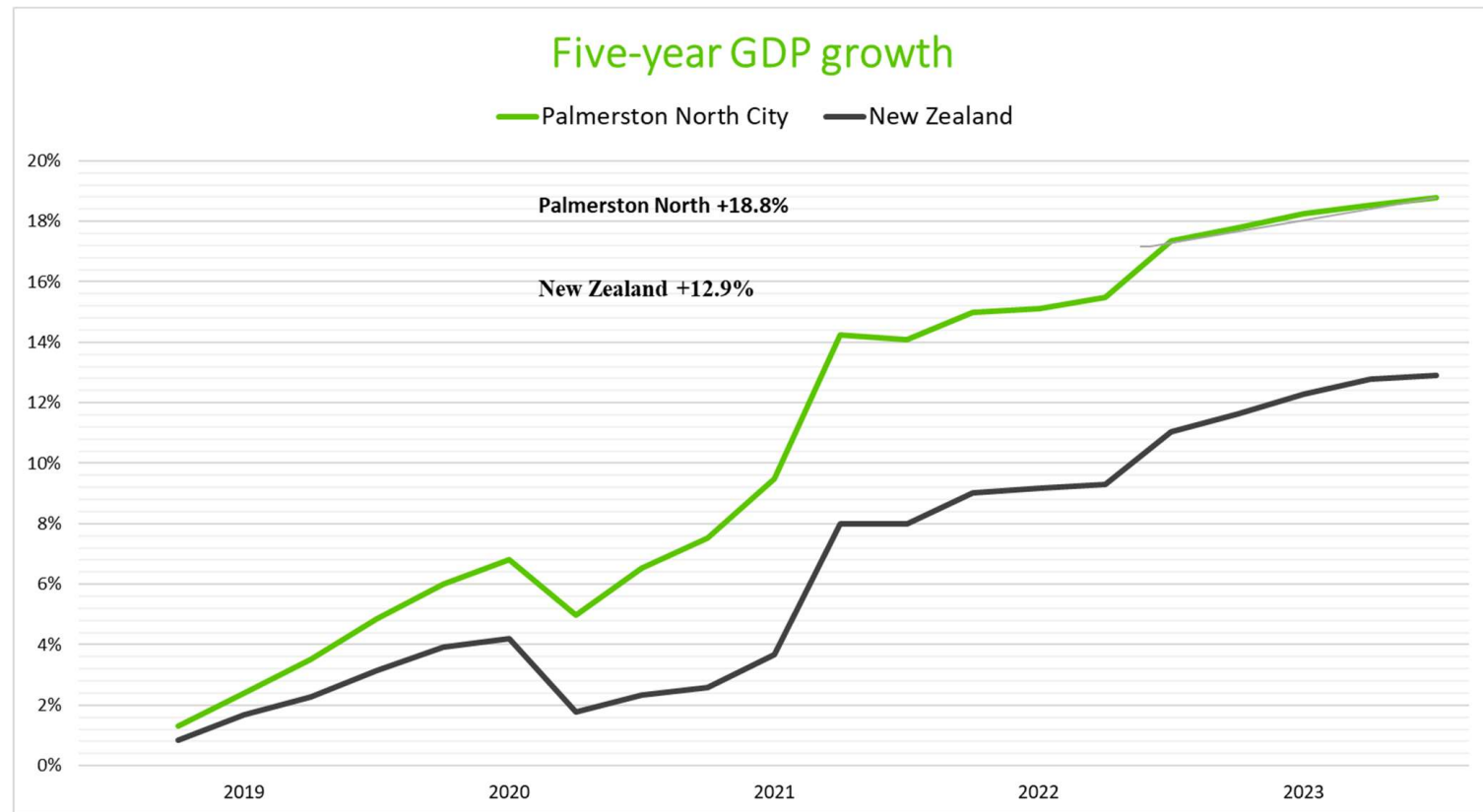
# Annual economic snapshot

28 February 2024

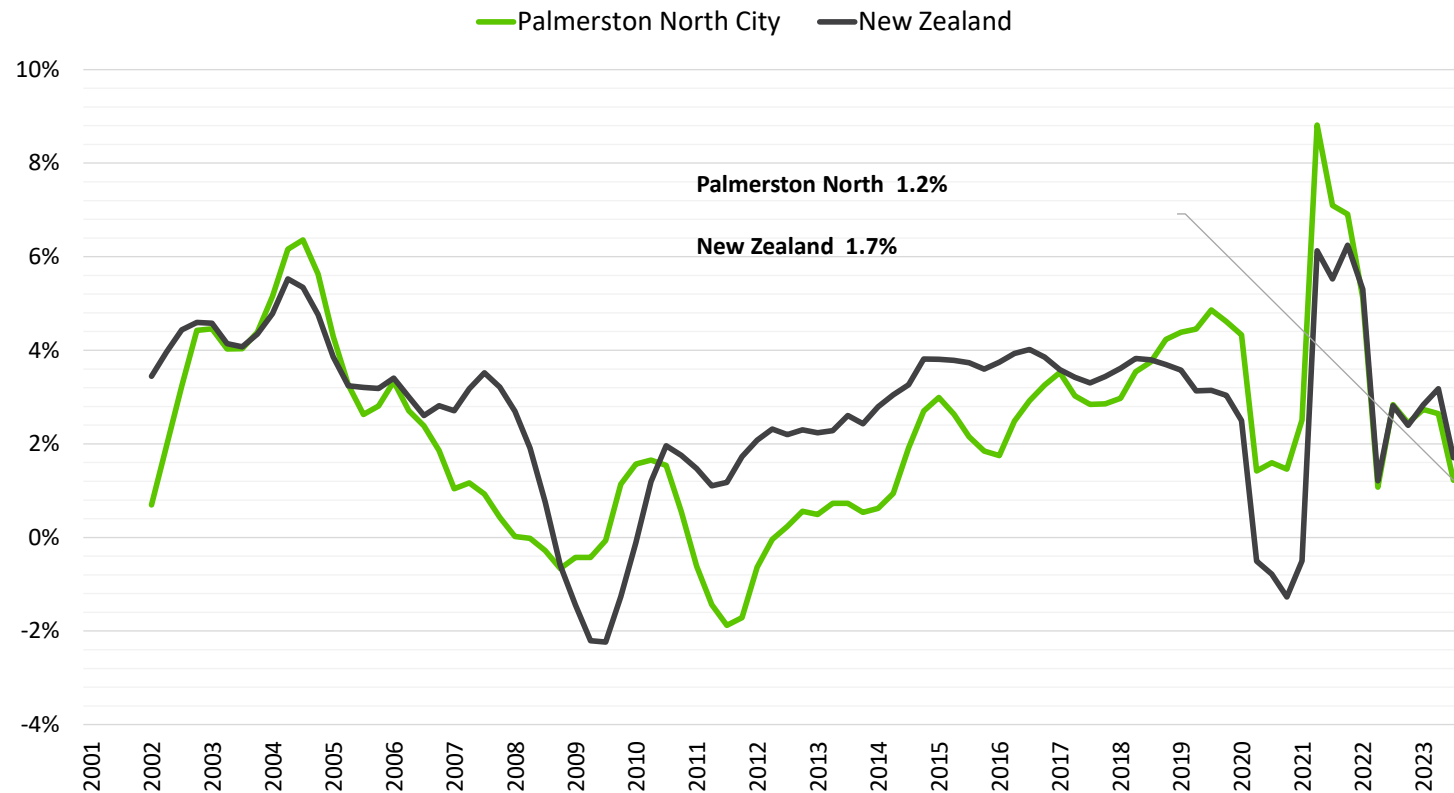
## HIGHLIGHTS

- Population growth, the diverse mix of public and private sector activity, and employment and earnings growth have supported the city economy
- Employment and earnings remain strong, but the cost of living is placing pressure on households and suppressing demand across the economy
- Weaker demand is expected to flow through to job numbers and ease earnings growth in 2024
- Inflation is falling which will ease the rate of price increases, and provide an incentive for the RBNZ to lower the OCR later in 2024
- Pockets of inflation remain stubborn, and labour market conditions are stronger than anticipated, providing some incentive for tight monetary and fiscal policy in 2024
- Challenges in 2024, as the cost of living remains elevated, and interest rates look set to stay higher for longer

## CITY ECONOMY HAS BEEN IN A HIGH GROWTH PHASE

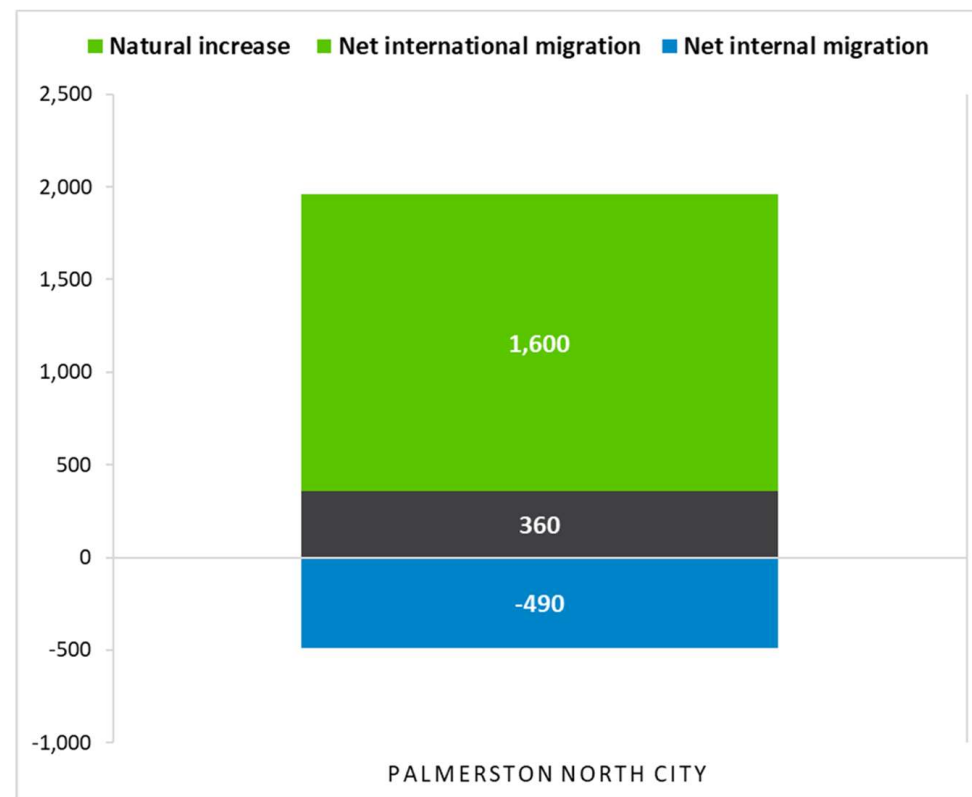


# ANNUAL GDP GROWTH EASES IN Q3 2023



# POPULATION GROWTH SUPPORTING ACTIVITY

- Population +1,500 YE June 2023  
(+1.7% vs +2.1% NZ)
- Net international migration (NZ)  
reached record 134,400 YE Oct 2023
- Growth has eased labour supply  
shortages but also increased demand  
for housing
- Despite population growth, consumer  
spending remains weak



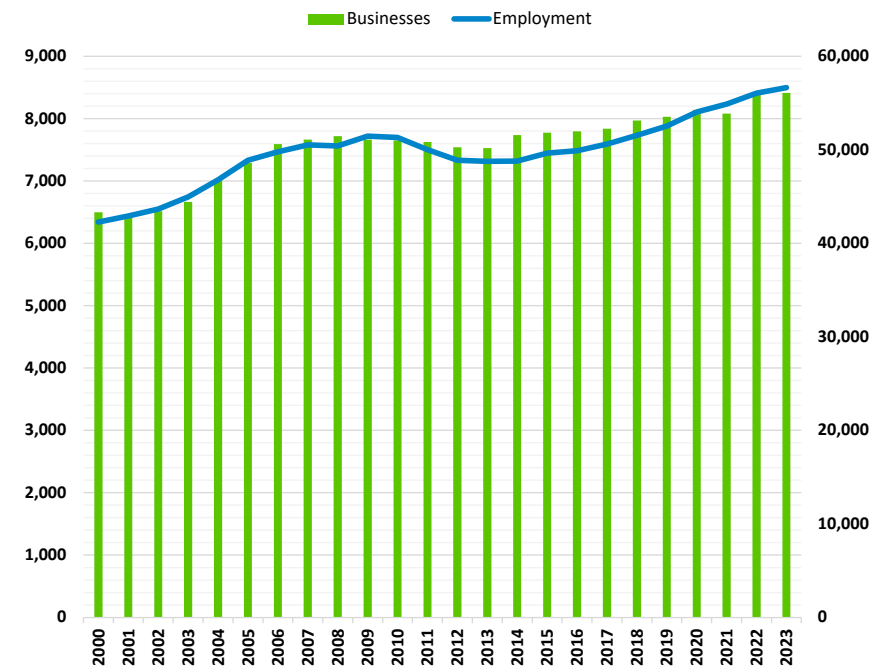


# RECORD ANNUAL BUSINESS AND JOB NUMBERS

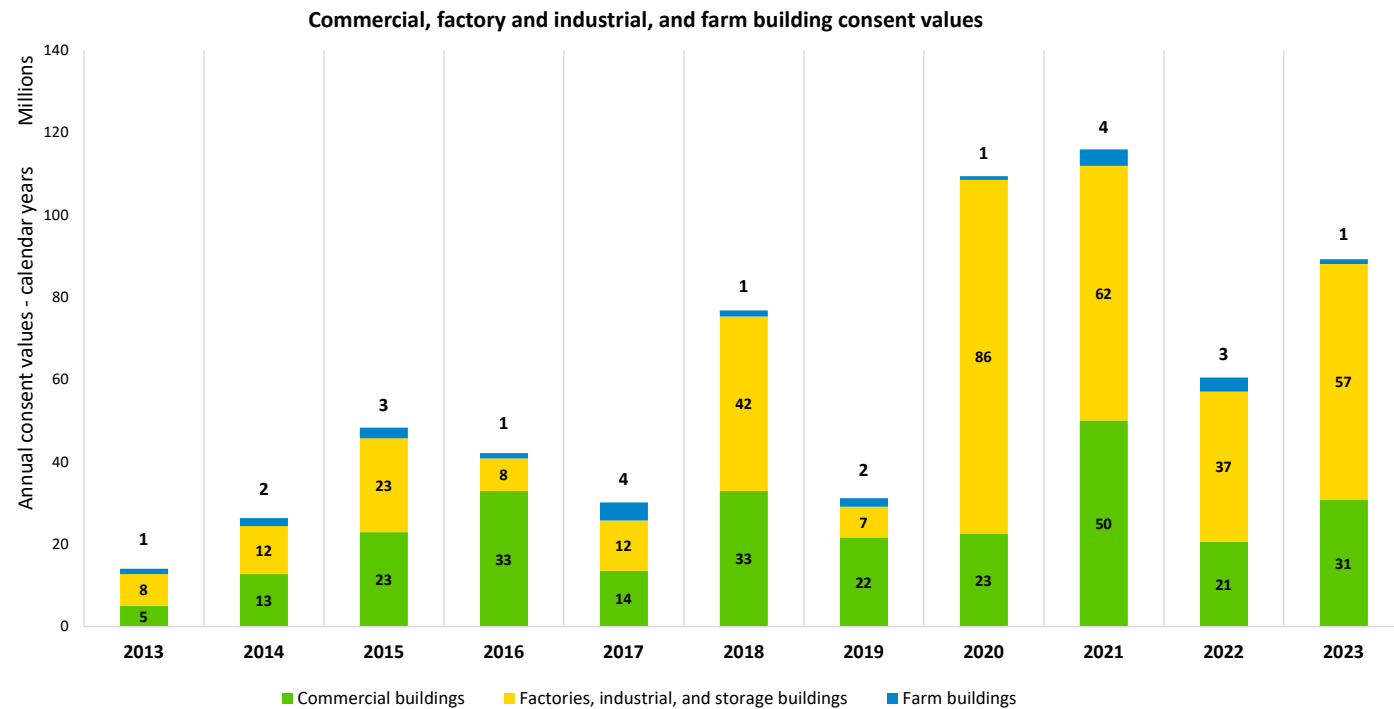
- 8,412 businesses – annual change 0.0% vs +1.7% NZ (YE Mar 2023)
- Businesses +318 (2021-2023, +4.1%)
- Business survival rate 55.5% vs 61.6% NZ (Feb 2023)
- Jobs 56,665 (+1.1%) vs +2.4% NZ (Mar 2023)
- Annual average unemployment rate 4.0% vs 3.5% NZ (Sept 2023)



Palmerston North businesses and employment



# BUSINESS INVESTMENT GROWTH POSITIVE



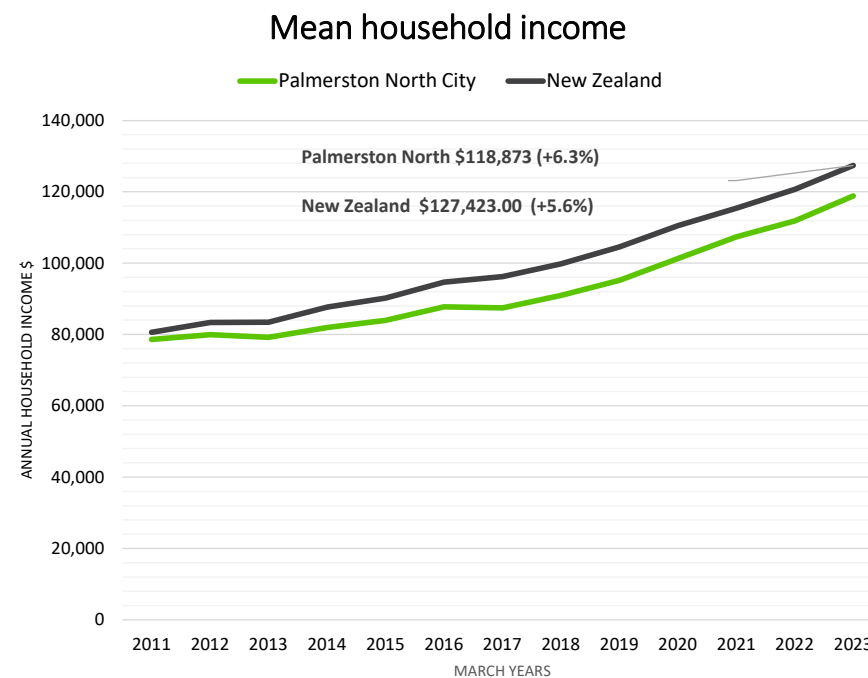
# HIGH EARNINGS AND INCOME GROWTH

YE Sept 2022

- Total annual earnings +7.1% vs +10.2% NZ
- Median earnings (salaries and wages) +6.9% vs +7.6% NZ

Since then

- Elevated wage price pressure in 2023
- Earnings growth expected to decelerate this year as labour market conditions ease



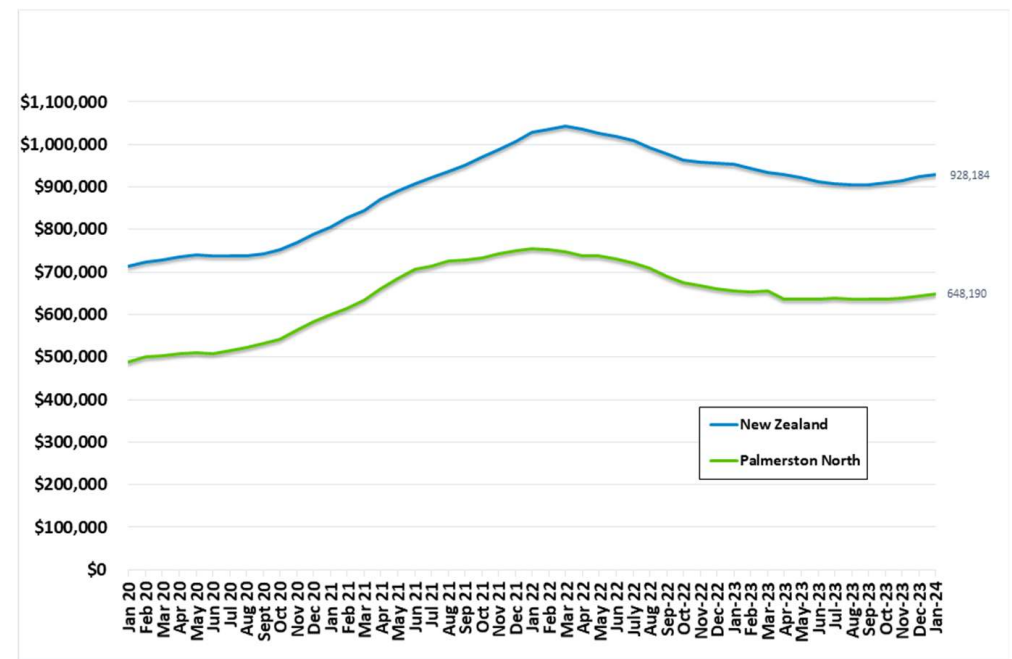
Source: Infometrics, REP

# HOUSING MARKET EDGES UPWARDS

- House prices +1.8% over the three months to Jan 2024 vs 2.1% NZ
- Affordability of saving for a deposit improves amidst a stabilising interest rate outlook
- Housing affordability continues to be more affordable (5.5 vs 7.1 NZ)
- New dwelling consents +7.1% vs -24.8% nationally

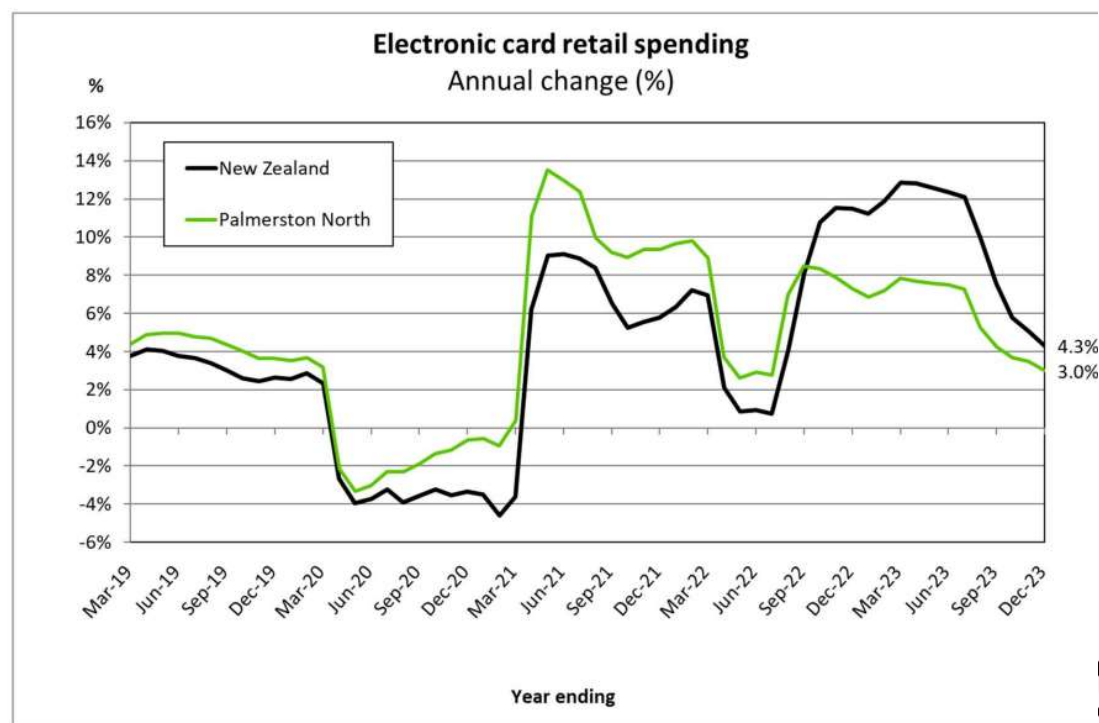


Palmerston North vs NZ – Corelogic House Price Index

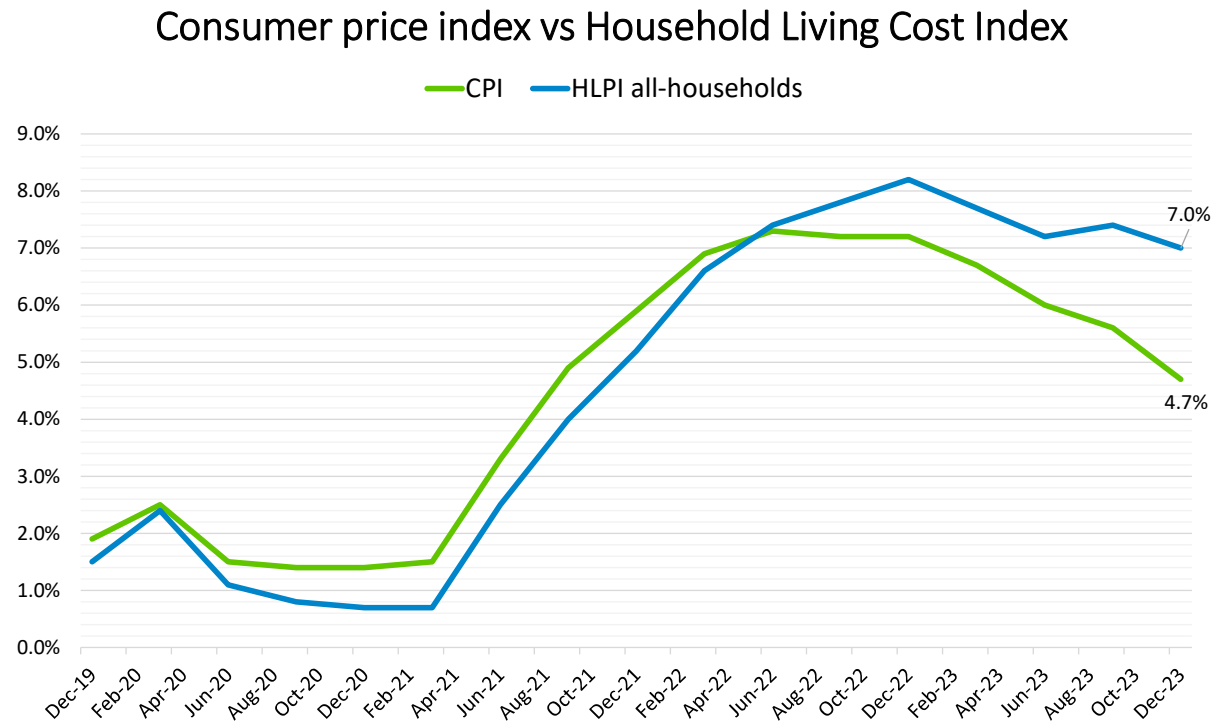


# HIGH LIVING COSTS WEIGH ON SPENDING

- Retail spending growth falls as household costs rise and businesses come under pressure
- Tourism spending +11.7% to \$500m vs 28.3% NZ (YE Sept 2023)
- The city retains the 10th highest domestic tourism spend by TA, ranking 20<sup>th</sup> in international spending and 12<sup>th</sup> overall



# THE FIGHT AGAINST INFLATION



## Economic outlook

- Consumer spending and impacts on economic activity
- Labour market conditions
- Financial stress – households and businesses
- Pockets of stubborn inflation i.e., rental prices
- Housing pressures
- Levels of investment (private and fiscal)
- Domestic interest rates
- Geopolitical/international conditions - commodity prices and bond yields

# Questions ?



# Economic outlook

Things to watch:

- Labour market
- Pockets of inflationary pressure i.e., rental prices
- Consumer spending
- Investment levels
- Financial stress – households and business
- Geopolitical/international conditions - commodity prices and bond yields
- **INTEREST RATES**

The OCR - The case for an increase:

- Stronger than expected labour market conditions
- Near record net international migration
- Elevated business sentiment (likely influenced by the election)
- Stubborn core and domestic inflation

The case to hold fire:

- Weak consumer spending
- Inflation moving in the right direction
- Weak inflation expectations
- Easing labour market pressures suppressing wage growth
- Housing market stabilising but not firing
- Price pressures still working their way through to households

# \$8BN IN INVESTMENT SUPPORTS THE LONGER TERM OUTLOOK



Major construction projects	\$ million
Te Ahu A Turanga (Manawatū Gorge)	650
Linton and Ohakea regeneration plan 2019	660
Mercury Energy - Turitea	450
Massey University capital plan	230
Powerco growth and security projects	245
Te Whatu Ora	427
Private hospital, Milson Line	70
Airport terminal building	40
Manukura School	38
PN Integrated Transport Investment	370
KiwiRail regional freight hub	1,016
PNCC capital investment	1,350
Manawatū district capital investment	308
NZTA Otaki to north of Levin	1,500
Kainga Ora - (496 units PN - Manawatu District - 14 units)	319
Te Rere Hau windfarm replacement	58
Massey Solar farm	10

