

MEMORANDUM

TO: Economic Growth Committee

MEETING DATE: 24 April 2024

TITLE: Palmerston North Quarterly Economic Update

PRESENTED BY: Stacey Andrews, City Economist

APPROVED BY: David Murphy, Chief Planning Officer

RECOMMENDATION TO ECONOMIC GROWTH COMMITTEE:

1. That the Committee receive the following reports:
 - a. Palmy Economic Growth Indicators - April 2024 (Attachment 1),
 - b. Cities Snapshot – December 2023 (Attachment 2),
 - c. Palmerston North electronic card spending report – December quarter 2023 (Attachment 3),presented to the Economic Growth Committee on 24 April 2024.
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1. PURPOSE

- 1.1 This memorandum presents a summary of the key themes in the Palmerston North Quarterly Economic Update to April 2024, the newly developed Cities quarterly economic snapshot (December quarter 2023), and the Palmerston North City Centre Quarterly electronic card spending (retail and selected tourism sectors) for the December quarter 2023.
- 1.2 The quarterly economic update is prepared in-house, utilising data from a range of sources to provide the most up-to-date information available on the city economy. This includes national and global data where appropriate, to inform of broader conditions that are impacting on local economic conditions.
- 1.3 The quarterly economic update is organised under the categories of (Gross Domestic Product (GDP), business and jobs, earnings and income, spending, and housing. National data that influences the city economy, such as the Consumer Price Index (CPI) and the Official Cash Rate (OCR), are also included in the quarterly economic update.
- 1.4 The Cities quarterly economic snapshot ranks the performance of Palmerston North against a group of other tier 2 cities (as defined in the National Policy Statement on Urban Development). The cities included are

Rotorua, New Plymouth, Dunedin, Hastings, Napier, and Whangārei. The snapshot compares change in annual average GDP, employment (by place of residence), retail spending, new commercial vehicles and car registrations, the rate of young people aged between 15-24 years that are not in employment, education and training (NEET rate), school attendance, the annual average unemployment rate, non-residential consent values, new dwelling consents, and home ownership and rental affordability.

- 1.5 The Cities snapshot is an evolving report and we plan further content and design improvements throughout 2024. We intend to provide the report quarterly, to identify the strengths of the city relative to comparable locations, as well as areas where improvements can be made.
- 1.6 The Palmerston North City Centre Quarterly electronic card spending report is prepared in-house and provided as a resource to the city retail sector. This report includes information on retail spending across the city and by precinct, as well as data on retail flows, customer loyalty, and the origin of customers who are spending in Palmerston North.
- 1.7 The memorandum concludes with a summary of the economic outlook for the city and the wider regional economy. The summary includes factors that are front of mind as we progress through the challenges of 2024.

2. QUARTERLY ECONOMIC UPDATE

GDP

- 2.1 GDP data from Statistics NZ indicates that the New Zealand economy contracted over the September and December 2023 quarters, alongside annual GDP growth of 0.6% over the December 2023 year. Statistics NZ GDP data is not available at territorial authority level, therefore Infometrics data is used as a basis for understanding the impact of current economic conditions on the city economy. The update is attached as Attachment 1.
- 2.2 Infometrics reports that the Palmerston North GDP fell by 0.5% over the year to December 2023. This compares with a 0.7% increase nationally. The Infometrics GDP series averages GDP growth over the most recent four quarters and therefore is not comparable to the Statistics NZ national GDP data series.
- 2.3 Annual inflation (as measured by the Consumer Price Index) eased to 4.7% in the December quarter as the economy contracted in response to higher interest rates and a pullback in spending across the economy.
- 2.4 With GDP growth in the negatives, these are challenging times for our businesses and households. On the upside, the economic slowdown signals that the efforts of the Reserve Bank to reduce spending and rein in inflation are working, increasing the odds of an earlier than expected cut to the Official Cash Rate (OCR).

- 2.5 A lower OCR will provide relief to households and businesses by lowering interest payments on borrowing and releasing money for spending on other goods and services that contribute to economic wellbeing. The OCR currently sits at 5.5%, with a reduction in the OCR widely anticipated later this year.

Business and jobs

- 2.6 There were 8,138 businesses in Palmerston North in December 2023; a slight increase of 6 businesses from the previous year. This flat growth follows a period of high growth over the December 2022 year, where the number of businesses in the city increased by 228 (+2.9%).
- 2.7 The value of non-residential construction investment increased by 42.7% over the year to January 2024 compared with 4.0% growth nationally. This strong growth in the city was driven by a mix of public and private investment. Health sector investment increased fivefold to near \$50 million in the year to January 2024, while construction of education buildings remained elevated at \$44.4 million. Industrial and commercial investment were also elevated at \$56.9 million and \$29.9 million respectively.
- 2.8 Jobs data for the city was mixed over the year, with filled jobs by workplace address decreasing and filled jobs by place of residence increasing. Jobs by workplace address fell -2.7% to a total of 46,446 in the December quarter, while the number of Palmerston North residents in jobs increased by 2.0% to 35,940. This compares with 2.8% and 2.9% growth respectively, nationally.
- 2.9 Domestic economic conditions suggest further easing of labour market conditions in 2024, driven by an increase in the number of available workers and easing demand for goods and services across the economy.
- 2.10 The annual average unemployment rate increased to 4.4% in the city in the December quarter 2023, up from 3.2% in the December quarter 2022. This compares with 3.7% nationally. This remains low by historical standards but is certainly on the way up as businesses and government shed workers in response to challenging economic conditions. A lack of supply of workers was the biggest challenge for businesses in 2022 and the first half of 2023, with concerns now shifting to weaker demand.
- 2.11 The number of MSD jobseeker beneficiaries in Palmerston North increased by 309 over the year to December, to a total of 3,087. This is an 11.1% increase on the previous year compared with an 11.6% increase, nationally. Of this increase, 234 people were receiving the benefit due to health conditions and disability. Jobseeker benefits increased across all age-groups both in the city and nationally.

Earnings and income

- 2.12 Statistics NZ publishes business collection data that estimates quarterly earnings at the territorial authority level. This series is not as robust as the Linked-Employer-Employee data but does provide a more-timely indication of

earnings from salary and wages by territorial authority area. According to this series, earnings in the December 2023 quarter increased by 10.0% in the city compared with the December quarter 2022. This compares with a 9.5% increase nationally over the same timeframe. Growth in earnings, both in the city and nationally, is reflective of the elevated wage inflation that prevailed over the period due to a shortage of workers and strong demand across the local and national economy.

- 2.13 Elevated earnings growth is further reflected in the Statistics NZ median salary and wages data, with median earnings in the city increasing by 6.4% over the year to December 2022. This compares with a 7.3% increase nationally. Strong wage growth, due to sector wage agreements and the continuation of tight labour market conditions in 2023, are expected to have pushed median salaries and wages up at a higher rate in 2023.
- 2.14 Wage price pressure is expected to ease in 2024 alongside CPI inflation, relieving some pressure on businesses and organisations across the country.

Spending

- 2.15 Retail spending increased by 2.7% in the city over the year to February 2024, to a total of \$1,503m. This compares with a 4.1% increase in retail spending nationally. Retail spending is in dollar value and does not account for the impact of inflation on the purchasing power of consumers. Early indicators of inflation in 2024 suggest that the growth in retail spending continues to fall below the rate of inflation, implying negative real growth in spending over the year. CPI and Household Living Price Index (HLPI) data for the March quarter 2024 will provide further information on household inflation impacting on households.
- 2.16 The pressure on household budgets is reflected in the decrease in spending on discretionary items. Home and recreational retail spending in the city fell by -7.0% over the year to February 2024, with other consumer spending falling by -21.8% over the same period.
- 2.17 New car registrations in the city fell by -2.0% over the year to December 2023 compared with a -0.6% fall nationally. In contrast, commercial vehicle registrations increased by 1.7% in Palmerston North relative to a -20.5% fall nationally.
- 2.18 Tourism expenditure data is temporarily unavailable due to the closure of the business providing the data. As a temporary alternative, the annual change in guest nights is used as an indication of tourism activity in the city and across the country. Over the year to February 2024, guest nights increased by 0.2% to 439,500. This compares with a 17.3% increase, nationally. The national increase was driven by the resurgence of international visitors to our tourism hotspots, heavily impacted from border closures and a downturn in spending from 2020-2022.

Housing

- 2.19 The average house price in the city continues to ease upward with prices increasing 1.6% over the February 2024 quarter, to a value of \$650,302. This is equal to the 1.6% quarterly increase, nationally. The average house price, both in the city and nationally, remains slightly down on a year ago.
- 2.20 The affordability of saving for a deposit alongside easing interest rate expectations continues to boost mortgage lending to first home buyers with lending making up 22.6% of total mortgage lending in February 2024. This compares with a nine-year average of 16.8%.
- 2.21 Conversely, mortgage lending to investors continues to be weak, making up just 17.3% of total mortgage lending in February 2024. This compares with a longer term average of 22.1%. Investor lending is expected to strengthen as interest deductibility is restored by the new government and financial conditions become more favourable.
- 2.22 Home ownership remains more affordable in Palmerston North than many other parts of the county, with the average house price equal to 5.2 times the average income in December 2023. This compares with 7.0 times the average income, nationally.
- 2.23 Renting a home in Palmerston North is more affordable than much of New Zealand, with annual average rent making up 19.5% of annual household income compared with 21.5% nationally. A comparison of housing and rental housing affordability compared with similar cities across New Zealand, is included in the following section of this report.
- 2.24 After a strong 2022, the number of new dwelling consents issued across New Zealand fell by -26.3% over the year to January 2024. This decline was driven by elevated development costs, weaker demand and pricing, and tougher lending conditions. Over the same period, new dwelling consents in the city increased by 16.4% to a total of 468 dwellings.
- 2.25 Kāinga Ora (KO) was a significant developer in the city over 2023 and into 2024 with an estimated 116 new dwellings consented from March 2023 to March 2024. Kāinga Ora has signalled its intention to continue to invest in housing in Palmerston North, with a total of 496 new dwellings planned to be built in the city to 2026.

3. CITIES QUARTERLY ECONOMIC SNAPSHOT

- 3.1 The performance of the city over the year to December 2023, was mixed when compared to comparator cities. Palmerston North city ranked number one on the annual increase in commercial vehicle registrations, school attendance, and home ownership and rental affordability.
- 3.2 New commercial vehicle registrations reflect the willingness of businesses to invest in big ticket items, with the relative strength of new commercial

registrations in the city implying some investment continues. It is worth noting that the growth rate in the city is just 1.7%, with all other comparator cities posting negative growth over the year.

- 3.3 Palmerston North boasts the fourth highest school attendance rate in the country as well as the highest school attendance rate when compared with comparator cities, at 56.3%. School attendance is positively correlated with improved educational attainment and outcomes for young people (He Whakaaro, Education Counts, MoE, 2020).
- 3.4 Palmerston North city has the most affordable housing when compared with other tier 2 cities. Both home ownership and rental affordability is higher in Palmerston North than all comparator cities.
- 3.5 GDP growth in the city ranks fourth out of seven locations at -0.5%. Rotorua ranks highest at 0.4% over the year, with a rebound in tourism lifting economic activity relative to 2022. Whangārei, Napier, and Hastings experienced a sharper fall in GDP than Palmerston North. The annual fall in GDP in Dunedin and New Plymouth was less than in the city, but still negative over the year.
- 3.6 Growth in consumer spending and new car registrations was weak over the year, reflecting the challenges faced by households due to the high cost of living and pressure on household budgets. While growth in new car registrations was negative in Palmerston North over the year (-2.0%), the city ranked second compared with other cities measured.
- 3.7 Labour market indicators were also weaker than comparator cities with employment by place of residence posting the lowest growth rate of 1.6% over the year. The unemployment rate was higher in Palmerston North than all other locations except Rotorua. Unemployment remains low in the city and across New Zealand when compared with historical averages.
- 3.8 A greater proportion of our young people are engaged in education, employment, or training than many of our comparator cities. The NEET rate ranked third when compared with other locations at 11.8%. Rotorua, Whangārei, New Plymouth, and Hastings all have higher NEET rates than Palmerston North.
- 3.9 Residential and non-residential construction has held up relatively well in the city compared with many other locations. This has been supported by a mix of public and commercial and industrial development. Palmerston North posted the third highest growth when compared with comparator cities for both non-residential construction and new dwelling consents. Non-residential consent values increased by 45.5% over the year to December 2023 alongside a 7.1% increase in new dwelling consents. New Plymouth and Rotorua both experienced higher growth in non-residential consent values over the year, while the growth rate of new dwelling consents in Napier and Rotorua were higher than the city. National growth rates for both non-residential and new dwelling consents were negative over the year. The Cities snapshot is attached as Attachment 2.

4. PALMERSTON NORTH ELECTRONIC CARD SPENDING REPORT – DECEMBER 2023

- 4.1 Reflecting the current economic climate, total electronic card spending fell 0.8% in the December quarter 2023 to a total value of \$407.0. This compares with a 0.8% increase nationally. National growth was predominantly driven by a partial recover of spending in parts of New Zealand with greater dependency on tourism spending.
- 4.2 Over the year to December 2023, electronic card spending in the city reached \$1,496 million, up 3.0% from the previous year. This compares with a 4.3% increase nationally over the same period. Of this total, 56.0% was spent in the city centre.
- 4.3 Spending in the city centre increased by 4.2% over the year. The retail sectors most affected by the pullback in consumer spending were 'home and recreational retail', falling -9.2%, and 'other consumers spending' down by -18.1% over the year. This is consistent with electronic card spending data for many parts of the country, where spending on non-essential goods and services has come under pressure from rising household costs.
- 4.4 Spending on 'groceries and liquor' and 'cafes, restaurants, and bars' increased the most over the year to December 2023, reflecting an increase in spending on essential items. The increase in spending in cafes, restaurants and bars in the city is partly due to the restrictions on the sector over the comparator year (year to December 2022), when COVID restrictions continued to impact on activity.
- 4.5 Spending in the city centre (Palmerston North Inner CBD and Broadway Avenue) retail precinct was the only precinct in the city to experience spending growth above the rate of the inflation over the year to December 2023, increasing 7.4%. Reflective of the growing economic challenges, spending in the December quarter 2023 fell 0.2% from the same quarter 2022.
- 4.6 The annual inflation rate to December 2023 was 4.7%, indicating a real decline in spending across retail precincts in the city except for the Inner CBD and Broadway Avenue. This real decline in spending is observed alongside elevated net international migration into New Zealand since March 2023.
- 4.7 Palmerston North consumers remain relatively loyal to local merchants. The loyalty rate, explained as the percentage of spending by Palmerston North residents at local retailers, was 81.6 % over the year to December 2023. This is up from 81.4% the previous year.
- 4.8 There was a \$300.0m net gain from spending flowing into the city, compared with spending flowing out of the city over the year to December 2023. This is a 3.0% net gain, compared with the previous year.
- 4.9 The Quarterly Economic Card Spending Report for December 2024 is attached as Attachment 3.

5. ECONOMIC OUTLOOK




- 5.1 The current challenges are reflected in the economic data for the city and the country. Interest rate pressures are flowing through to households and suppressing spending across the economy. This is impacting on the demand for goods and services across our economy and placing businesses under significant pressure. These conditions are expected to impact on economic activity flowing through to jobs and earnings over 2024.
- 5.2 On the upside, the actions of the RBNZ to suppress spending across the economy and drive down inflation is working, increasing the likelihood that interest rates will fall sooner than previously expected. This will relieve pressure on households, enabling increased spending across the economy, supporting businesses and levels of employment alongside the economic wellbeing of our communities.
- 5.3 Planned investment remains positive in the city with elevated central government investment in infrastructure and housing, and commercial and industrial construction investment. Affordability of our housing and school attendance also stand out, as we look toward the future resilience of our city.
- 5.4 The Palmerston North economy also benefits from a large proportion of big business in the city, alongside the scale of our defence, education and health care sectors. These large employers are less vulnerable to economic cycles and the contraction of fiscal spending. These attributes of the Palmerston North economy will support economic activity relative to parts of New Zealand with greater dependency on consumer demand and back office roles in central government.
- 5.5 There is some risk to central government employees in the city who fill back office functions. Frontline services such as health workers and defence roles are less vulnerable. We will be watching conditions closely.
- 5.6 Challenges to our business community and households are expected to continue throughout 2024 with relief in the form of lower interest rates widely anticipated later in the year. Analysis of the performance of the city economy, including any changes to the economic outlook, will be provided throughout the quarterly economic reporting series to Committee.

6. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No


Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the achievement of action/actions in Economic Development	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Reporting on economic trends in the city and the longer-term outlook for growth, is important for encouraging local business to invest growing their business and attracting new businesses to the city.

ATTACHMENTS






1. Palmy Economic Growth Indicators - April 2024 [↓](#) 
2. Cities Snapshot - December Quarter 2023 [↓](#) 
3. Quarterly Electronic Card Retail Spending Report - December 2023 [↓](#) 

PALMY ECONOMIC GROWTH 2024

(as at April 2024)

	Palmerston North	New Zealand
GDP (Provisional) <small>YE Dec 2023 Source: Infometrics</small>	\$6,355m  -0.5%	+0.7%
Consumer Price Index (CPI) <small>YE Dec 2023 Source: Stats NZ</small>	4.7%	
Official Cash Rate (OCR) <small>February 2024 Source: RBNZ</small>	5.5%	

Business and jobs

Business counts <small>Dec 2023 (a) Source: Infometrics</small>	8,138  +0.1%	+1.1%
Non-residential construction investment <small>Jan 2024 Source: Stats NZ</small>	\$185.3m  +42.7%	+4.0%
Filled jobs (place of residence) <small>YE Dec 2023 Source: Stats NZ</small>	35,940  +2.0%	+2.9%
Filled jobs (workplace location) <small>As at Dec 2023 Source: Stats NZ</small>	46,446  -2.7%	+2.8%
Unemployment rate (average of four recent quarters) <small>As at Dec 2023 Source: Infometrics</small>	4.4%	3.7%
Change in MSD Jobseeker Benefits <small>As at Dec 2023 Source: MSD</small>	+309  +11.1%	+11.6%

Earnings and Income

Earnings

Dec quarter 2023 vs Dec quarter 2022
Source: Stats NZ

\$657,366m  **+10.0%**
Annual change

+9.5%
Annual change

Median earnings from salaries and wages (excluding self-employment)

YE Dec 2022

\$62,530  **+6.4%**
Annual change

+7.5%
Annual change

Spending

Retail spending

YE Feb 2024

\$1,504.2m  **+2.7%**

+4.1%

New car registrations (annual)

As at Dec 2023
Source: Infometrics

3,492  **-2.0%**

-0.6%

Commercial vehicle registrations (annual)

As at Dec 2023
Source: Infometrics

1,039  **+1.7%**

-20.5%

Guest nights (annual)

As at Feb 2024
Source: ADP

439,500  **+0.2%**

+17.3%

Housing

Average house value

Feb 2024
Source: Corelogic House Price index

\$650,302  **-0.5%**
Annual change

-1.4%
Annual change
(\$930,495)

Home ownership affordability

Dec 23 Quarter
Source: Infometrics

5.2

(Ratio of average house value to estimated annual average household income)

7.0

Home rental affordability

Dec 23 Quarter
Source: Infometrics

19.5%

(Percentage of average annualised rent to estimated annual average household income)

21.5%

New dwelling consents

Jan 2024
Source: Stats NZ

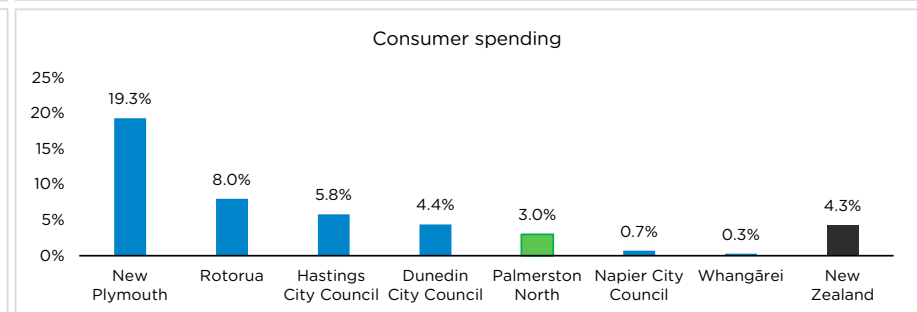
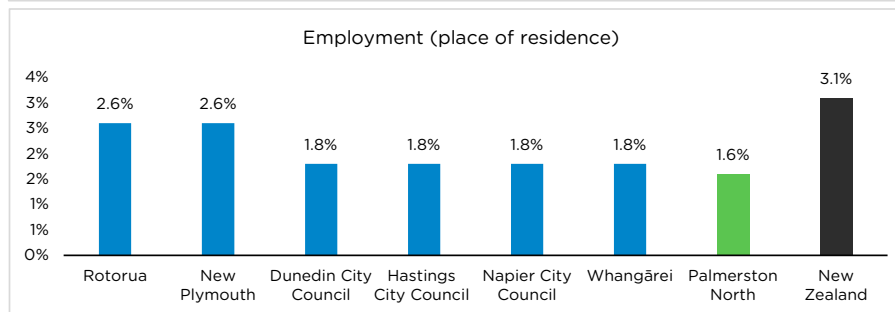
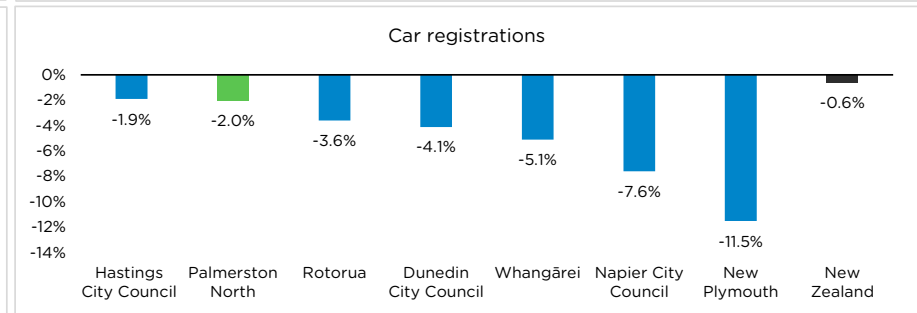
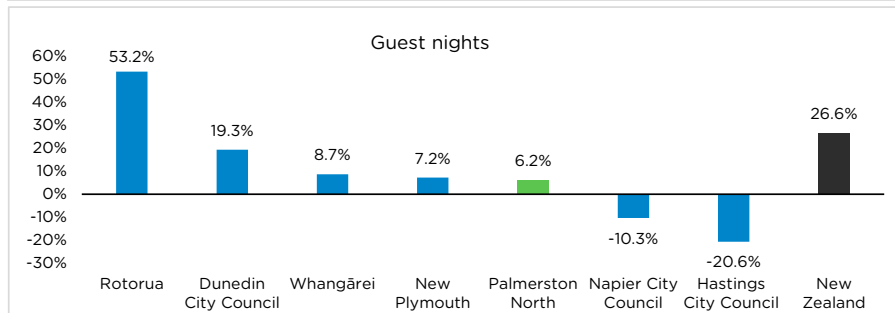
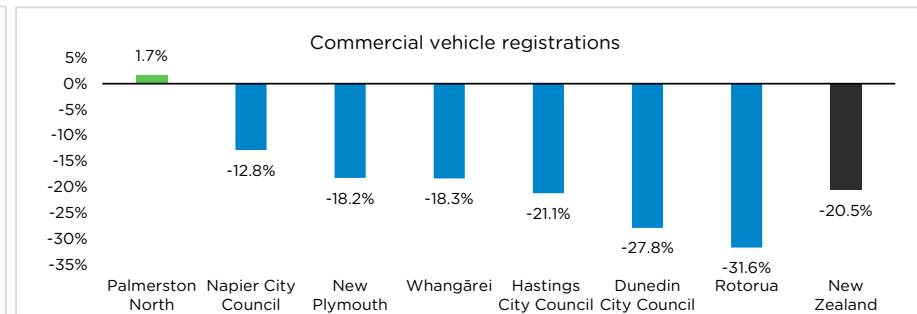
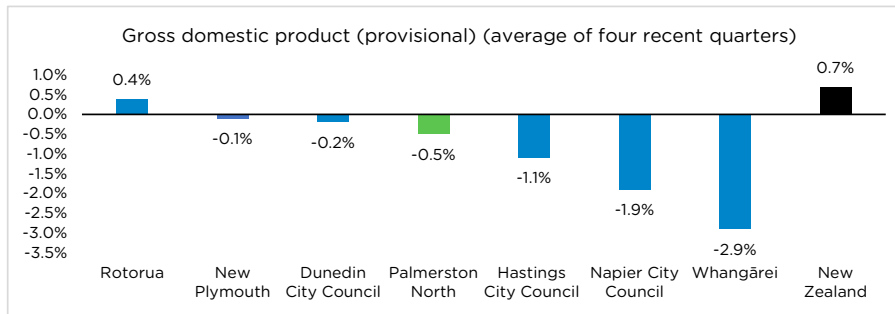
468  **+16.4%**
Annual change

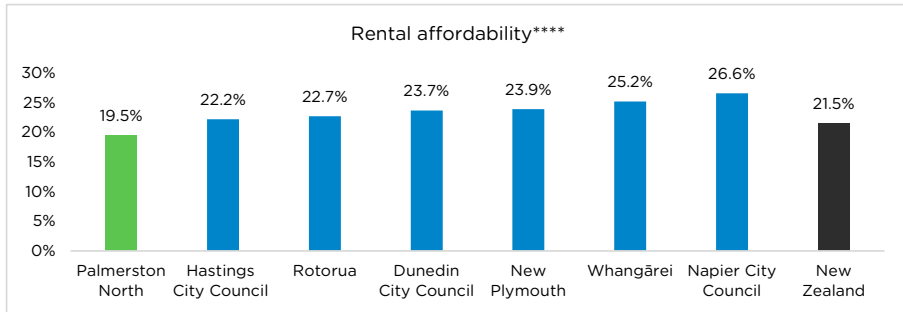
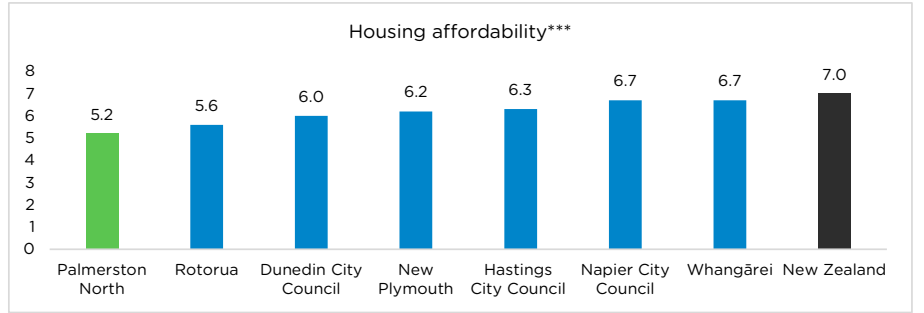
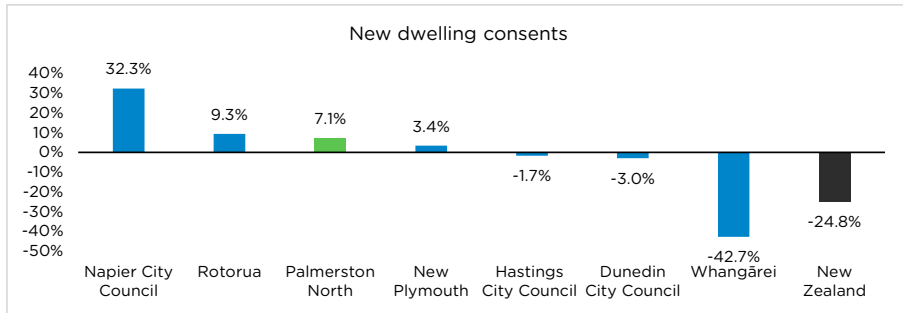
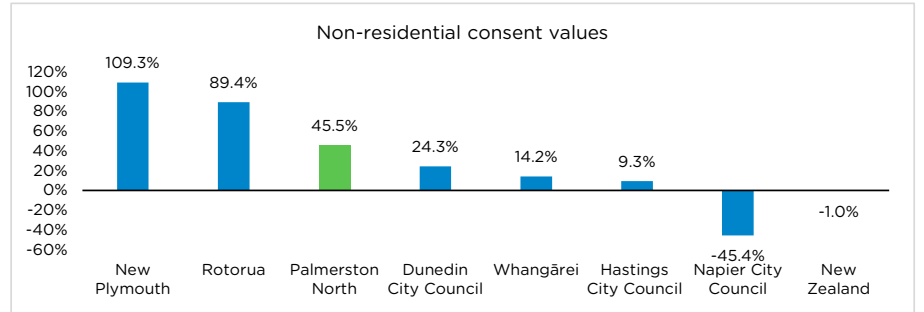
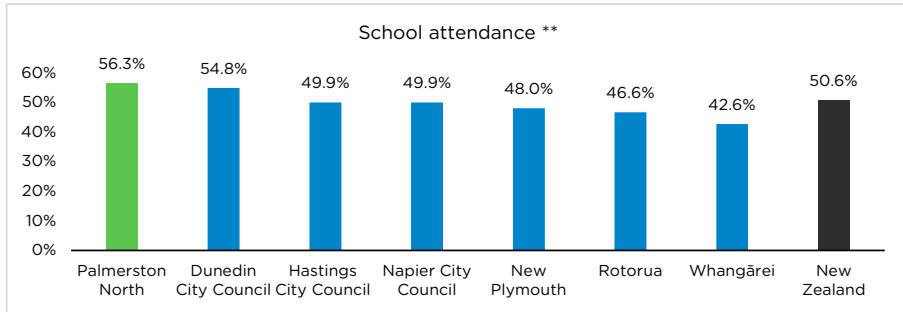
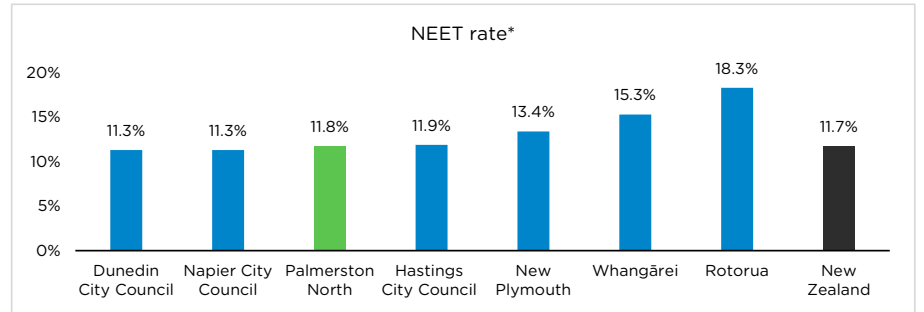
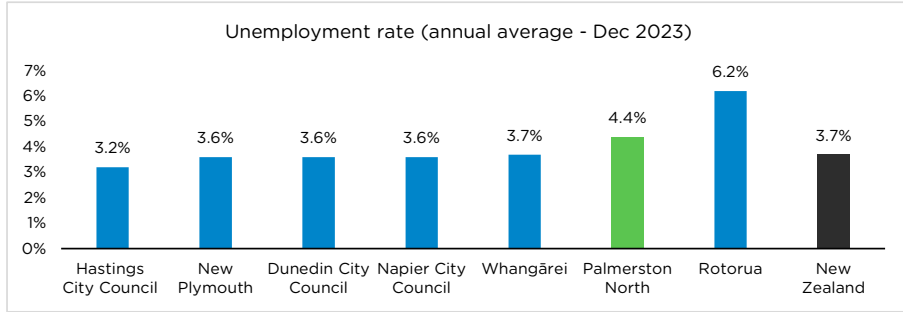
-26.3%
Annual change

Notes: (a) Reflecting most recently available information as at April 2024

CITIES SNAPSHOT

DEC QUARTER 2023





* % of people aged 15-24 not in employment education or training (annual average rate)

** annual average % of school student attending >90% of classes (Year ended Sep 2023)

** the ratio of average house price to average income

**** annual rent as % of household income



Palmerston North City Centre
Quarterly electronic card spending
(retail and selected tourism sectors)

December 2023

This report presents analysis of electronic card retail spending (ie. total value of electronic card transactions made in person) in the city. The focus is on Palmerston North City Centre (consisting of CBD and Broadway Avenue precinct; and Outer CBD precinct); city as a whole (see map on page 9 for location of precincts); and comparison with New Zealand.

Data is obtained from Marketview and is based on information from Worldline (formerly known as Paymark) the largest electronic card payment network in New Zealand. Analysis covers eight retail sectors consisting of accommodation; apparel & personal; arts, recreation & visitor transport; cafes, restaurants, bars & takeaways; fuel & automotive; groceries & liquor; home & recreational retail; and other consumer spending (see retail sector classification on page 10).

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Summary – December 2023

Palmerston North: City at a glance

- For the December quarter 2023, total electronic card spending was \$407 million, down 0.8% from the same period 2022. This compares to 0.8% growth, nationally.
- For the year ending December 2023, total electronic card spending in the city was \$1,496 million. There is a slight narrowing of the gap between the Palmerston North's year on year growth of 3.0% compared to national growth of 4.3% over the year - see graph on "Electronic Card Retail Spending Annual Change (%)" on page 4.
- Annual retail spending growth across the country and in the city is below the annual rate of inflation of 4.7%, indicating negative real growth.

City Centre

- This quarter's electronic card retail spending in the city centre was \$231 million, down 2.1% compared with the December 2022 quarter. National retail spending increased 0.8% over the same period.
- Annual electronic retail spending in the city centre was \$838 million, an increase of 4.2% from the previous year. Growth in retail spending in the city was below the 4.7% annual inflation rate, equal to national growth of 4.2% growth, and above the 3.0% growth rate for Palmerston North.
- The top three retail sectors were "Groceries and liquor" (32% share of city centre spend), "Home and recreational retail" (31% of city centre), and "Café, restaurants, bars and takeaways" (16% of city centre). Together they represented 80% of retail electronic card spending. See pages 5 and 6 for breakdown by retail sectors.
- Since the November 2023 quarter, "Groceries and liquor" has taken the lead over "Home and recreational retail" as the top retail category in the city centre. This is no surprise as consumers respond to higher costs, reducing spending on big ticket household and business goods.

Retail Precincts

Retail Precincts	Dec 2023 quarter		Year ending Dec 2023		
	Value of spending (\$m)	Change from same quarter last year (%)	Value of spending (\$m)	Change from last year (%)	Precinct share (%)
Palmerston North Inner CBD and Broadway Avenue	138	-0.2%	500	7.4%	33.4
Palmerston North Outer CBD	92	-4.8%	338	-0.3%	22.6
Palmerston North City Centre*	231	-2.1%	838.4	4.2%	56.0
PNCC Terrace End	34	3.9%	126	4.4%	8.4
Rest of Palmerston North	142	0.1%	532	0.9%	35.5
Total Palmerston North**	407	-0.8%	1,496	3.0%	100
Total New Zealand	21,224	0.8%	77,434	4.3%	

Notes:

*Palmerston North City Centre spending consists of spending from: 1) CBD and Broadway Avenue (inner business zone) precinct, and 2) Outer CBD (outer business zones) precinct.

**Total Palmerston North City spending consists of spending from the city centre + Terrace End precinct + the rest of the city. See map on page 9 for location of the precincts.

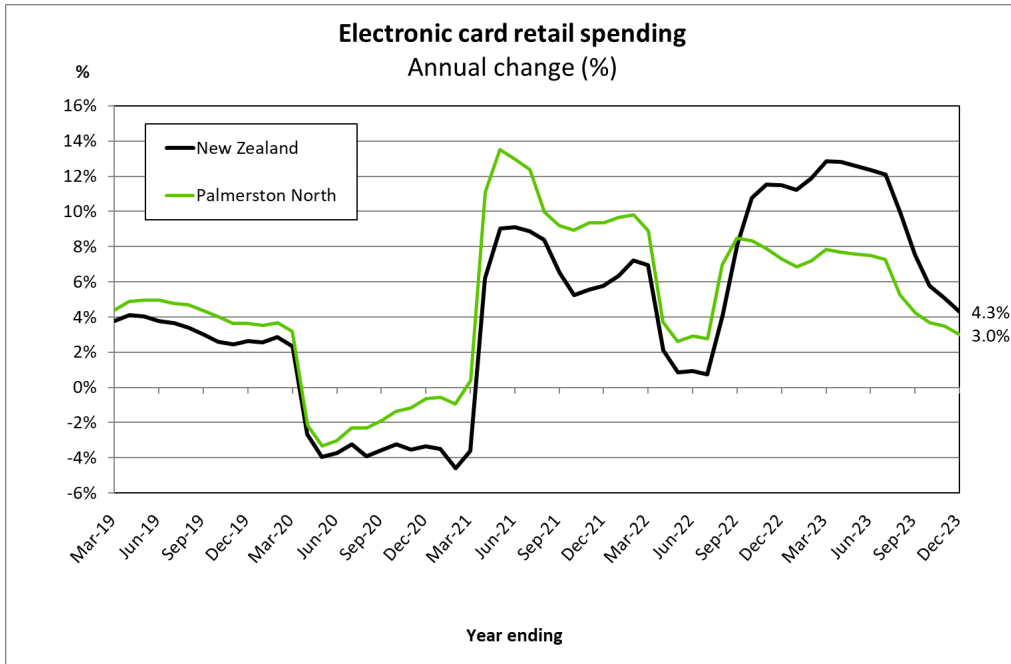
The annual growth rate of retail spending in Palmerston North for year ending December 2023 was 3.0% below the annual inflation rate of 4.7%. This indicates negative real growth at the city level. Annual growth of Palmy Bid precincts are as follows: -

- CBD and Broadway Avenue (inner business zone) precinct achieved an annual growth rate of 7.4%, higher the annual inflation rate (4.7%) and NZ annual growth rate (4.3%).
- Spending in the Outer CBD fell 0.3% over the year.

Comparing the December quarter 2023 with the December quarter 2022, combined spending in the Inner CBD and Broadway, and the Outer CBD precincts fell by 2.1%. A decline in these precincts was previously observed in the October 2021 quarter. These combined precincts make up the Palmerston North City Centre representing about 56% of total retail spending in the city. The December quarter-on-quarter decline in spending in the city reflects the sharper pullback in spending in late 2023 in response to mounting pressures on households.

The time series below shows annual (i.e., rolling 12 months) change in electronic card spending (Mar 2019 – Dec 2023) for Palmerston North and New Zealand. Prior to October 2022, our City’s retail spending experienced stronger performance relative to national spending due to parts of the country continued to be more greatly affected by reduced tourism and supply chain issues. Since October 2022, the average New Zealand growth rate caught up and began to exceed the rate of growth in our City. Annual growth rates in spending for NZ and Palmerston North begun to decline since April 2023 in response to tougher economic conditions.

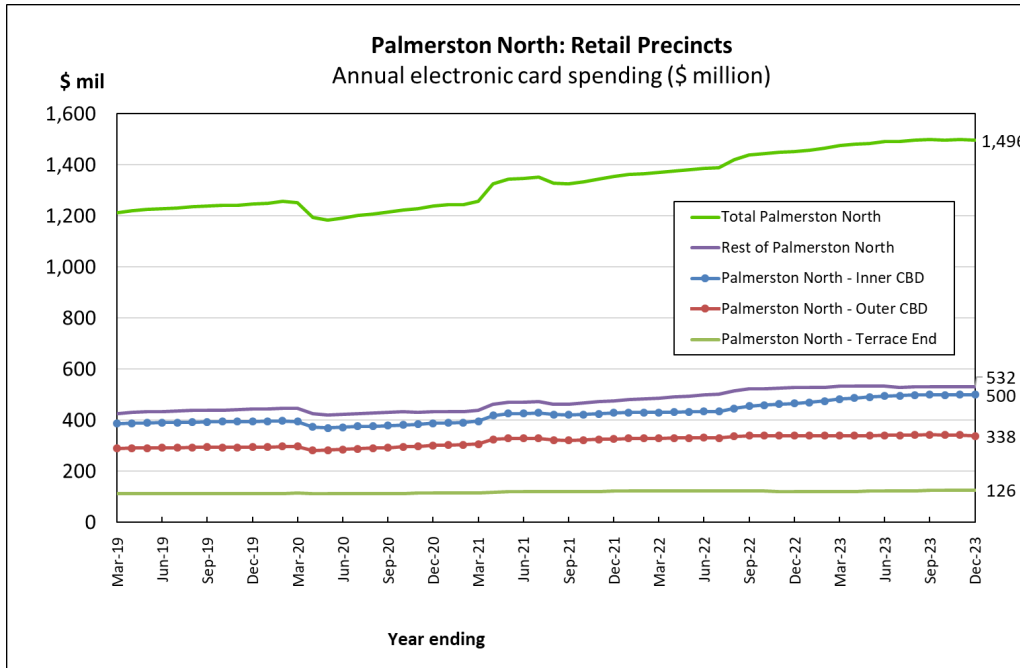
Time series: Annual Change (Mar 2019 – Dec 2023)



The time series of spending by precincts below shows upward trends in spending across all precincts. Key observations are:

- The “Rest of Palmerston North” has been leading as the precinct with the highest spending since Dec 2016.
- During the recent months “Palmerston North inner CBD” (i.e., inner CBD and Broadway) is catching up with “Rest of Palmerston North”. Spending in both precincts appear to be plateauing as pressure on spending mounts.

Time series: Annual Electronic Card Spending (Mar 2019 – Dec 2023)



Retail sectors

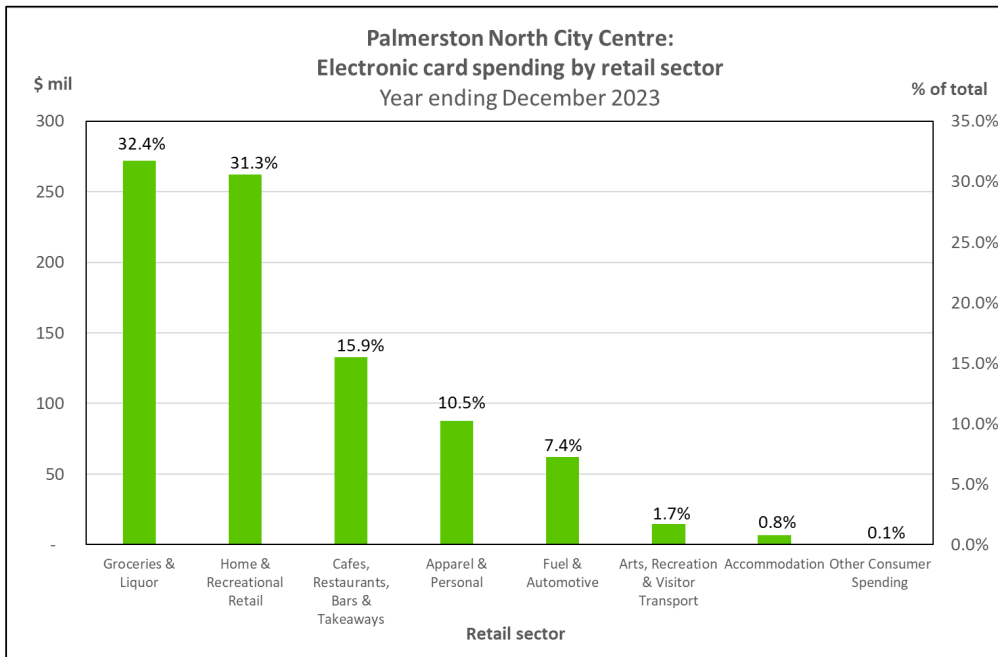
The table below shows the breakdown in spending across retail sectors for the city centre, Palmerston North, and New Zealand.

Retail sectors	Year ending Dec 2023						
	City Centre		Palmerston North		New Zealand		Palmerston North City Centre share of NZ
	Value of spending (\$m)	Change (from last year)	Value of spending (\$m)	Change (from last year)	Value of spending (\$m)	Change (from last year)	
Accommodation	7	26.6%	25	15.3%	1,830	12.1%	0.36
Apparel & personal	88	6.0%	103	4.1%	4,520	2.3%	1.94
Arts, recreation & visitor transport	15	2.8%	27	2.9%	2,286	13.0%	0.64
Cafes, restaurants, bars & takeaways	133	13.4%	198	11.5%	11,502	10.2%	1.16
Fuel & automotive	62	21.7%	253	1.3%	12,813	-0.8%	0.48
Groceries & liquor	272	10.9%	516	8.6%	27,576	9.1%	0.99
Home & recreational retail	262	-9.2%	372	-7.1%	16,565	-3.7%	1.58
Other consumer spending	1	-18.1%	2	-33.2%	368	4.0%	0.14
Total	838	4.2%	1,496	3.0%	77,459	4.3%	1.08

The top three retail sectors in the city centre were

- “Groceries and liquor” (32% of total annual spend)
- “Home and recreational retail” (31% total annual spend). This sector was ranked #1 for the year ending Sept 2023
- “Café, restaurants, bars and takeaways” (16%)

Combined, the above retail sectors made up 80% of retail electronic card spending in the city. Since the November 2023 quarter, “Groceries and liquor” has for the first time taken the lead over “Home and recreational retail” as the top retail category in the city centre. This is no surprise, as falling disposable incomes take a toll on non-essential purchases of goods and services across the economy.



In the city centre, annual growth in spending was supported by growth in retail sectors related to travel and tourism: -

- “Accommodation” (27%)
- “Fuel and automotive” (22%)
- “Café, restaurants, bars and takeaways” (13%)
- “Groceries and liquor” (11%). This position was previously held by “Arts, recreation and visitor transport”, which is now (2.8%) and ranked number 6, after Apparel and personal (6%)

City Centre: Customer origin

Year ending Dec 2023

Cardholder origin	Value of spending (\$m)	Change from last year (%)	Share of total spending (%)
Palmerston North City	535.3	4.6	63.9
Manawatu District	82.3	-0.1	9.8
Rest of New Zealand	44.1	4.8	5.3
Horowhenua District	41.7	-1.3	5.0
Tararua District	34.7	6.4	4.1
Wellington Region	27.4	-4.6	3.3
Rangitikei District	24.3	0.2	2.9
International	17.8	87.5	2.1
Auckland Region	14.1	-3.3	1.7
Whanganui District	14.0	-3.2	1.7
Ruapehu District	2.7	6.3	0.3
Total	838.4	4.2	100.0

For the year ending December 2023, 64% of retail spending in the City Centre was made by locals. The visitor (i.e. non-local) share was 36% of total spending. The top five visitor spends spenders were from the Manawatu, Rest of New Zealand, Horowhenua, Tararua, and the Wellington region. Together, these areas contributed 28% of total spending to the city centre over the year.

Although international visitors recorded the highest annual growth at 88%, it has decreased from 132% from the year ending June 2023 (11 months after NZ's international border opens to all visitors on 1 August 2022). Despite high growth rates, international visitors represent only about 2% of total annual spending.

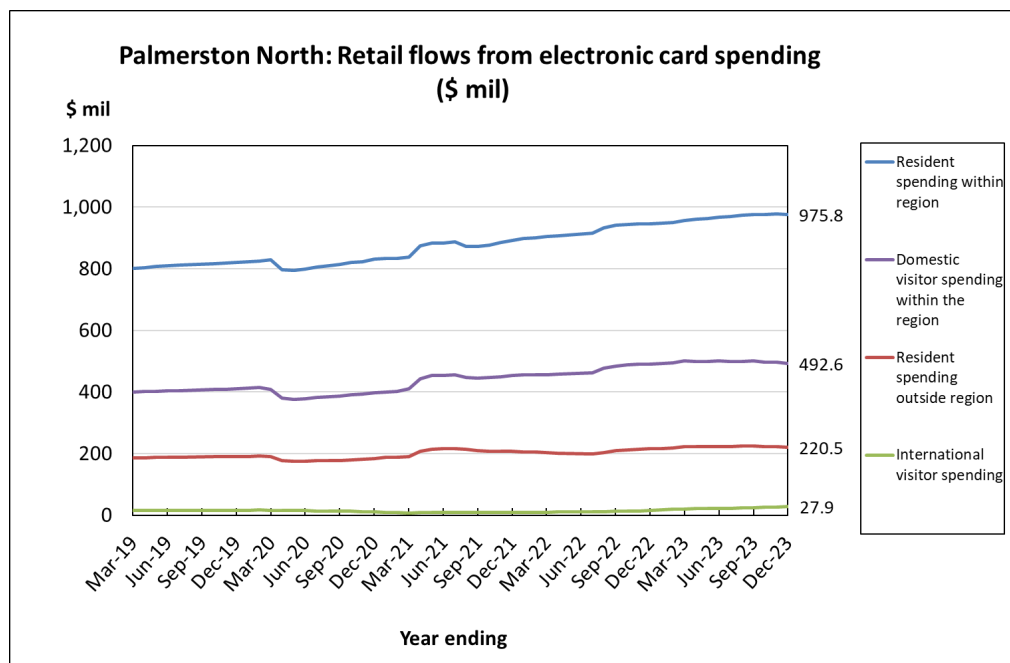
Palmerston North: Retail flows

Year ending Dec 2023

Retail flow	Value of spending (\$m)	Change from last year (%)
Resident spending locally (A)	976	3.1
Resident spending outside the city (B)	221	2.2
Total resident spending (A)+(B)	1,196	2.9
Domestic visitor spending (C)	493	0.4
International visitor spending (D)	28	76.4
Total spending at Palmerston North merchants (A)+(C)+(D)	1,496	3.0
Net gain in spending for city (C)-(B)	271	-1.0
	Year ending Dec 2023	Year ending Dec 2022
Visitor share of Palmerston North spending	32.9%	33.8%
Palmerston North loyalty rate	81.6%	81.4%

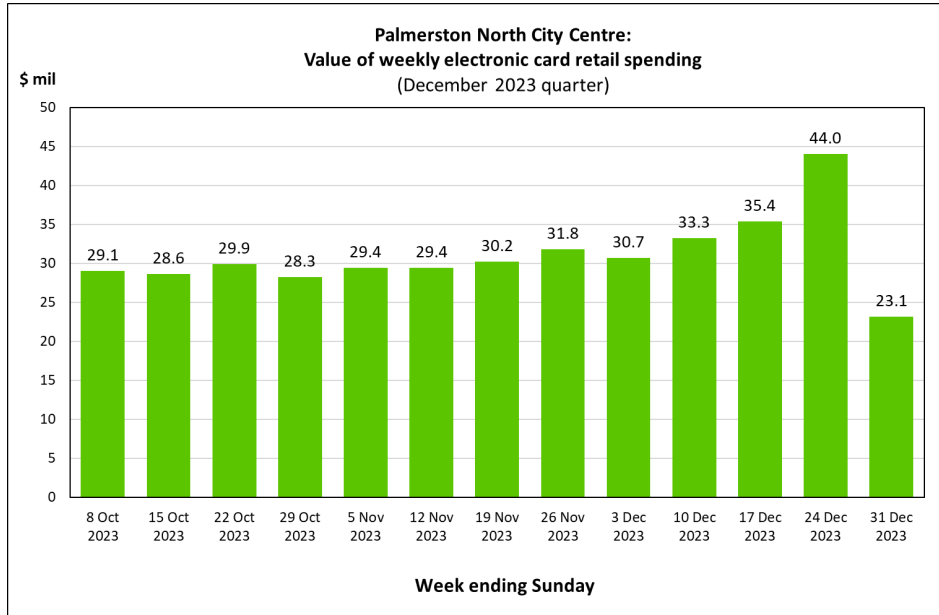
For the year ending December 2023, Palmerston North residents spent \$976 million locally (3.1% increase) compared to \$221 million outside the city (2.2% increase). Total visitor spending was \$521 million, which consisted of \$493 million (0.4% increase) from domestic visitors and \$28 million (76.4% increase) from international visitors. See figure below for trend in annual spend over time.

Time series: Retail flows – Annual Spending (March 2019 – December 2023)



Palmerston North: Weekly spending

The average weekly spending in the City Centre this quarter is \$31 million, with a range between \$23 - \$44 million. Weekly spending gradually increased after the week of Black Friday (24 November). Spending ranged from \$31 million in the week ending 3 December to \$44 million in the week ending 24 December. Weekly spending fell to \$23 million in the week ending 31 December 2023.



Precinct Map



Retail sector classification

Accommodation

Accommodation

Apparel & personal

Clothing retailing
Footwear retailing
Watch & jewellery retailing
Other personal accessory retailing
Hairdressing & beauty services

Arts, recreation & visitor transport

Interurban & rural bus transport
Urban bus transport (including tramway)
Taxi & other road transport
Rail passenger transport
Water passenger transport
Air & space transport
Scenic & sightseeing transport
Passenger car rental & hiring
Other motor vehicle & transport equipment rental & hire
Travel agency & tour arrangement services
Museum operation
Zoological & botanical gardens operation

Fuel & automotive

Motor vehicle parts retailing
Tyre retailing
Fuel retailing
Other automotive repair & maintenance

Groceries & liquor

Supermarket & grocery stores
Fresh meat, fish & poultry retailing
Fruit & vegetable retailing
Liquor retailing
Other specialised food retailing

Home & recreational retail

Sport & camping equipment
Entertainment media retailing
Toy & game retailing
Newspaper & book retailing
Marine equipment retailing
Department stores
Pharmaceutical, cosmetic & toiletry goods
Stationery goods retailing
Antique & used goods retailing

Nature reserves & conservation parks operation
Performing arts operation
Creative artists, musicians, writers & performers
Performing arts venue operation
Health & fitness centres & gymnasias operation
Sport & physical recreation clubs & sports professionals
Sports & physical recreation venues, grounds & facilities
Sport & physical recreation admin. & track operation
Horse & dog racing administration & track operation
Other horse & dog racing activities
Amusement parks & centres operation
Amusement & other recreation activities n.e.c
Casino operation
Lottery operation
Other gambling activities

Cafes, restaurants, bars & takeaways

Cafes & restaurants
Takeaway food services
Catering services
Pubs, taverns & bars
Clubs (hospitality)

Flower retailing
Other store-based retailing n.e.c.
Furniture retailing
Floor coverings retailing
Houseware retailing
Manchester & other textile goods retailing
Electrical, electronic & gas appliance retailing
Computer & computer peripheral retailing
Other electrical & electronic goods retailing
Hardware & building supplies retailing
Garden supplies retailing

Other consumer spending

Car retailing
Motor cycle retailing
Trailer & other motor vehicle retailing
Retail commission based buying & selling