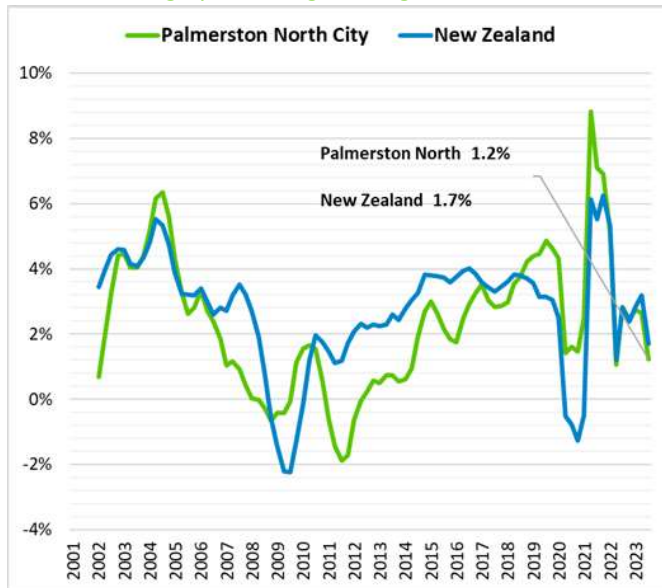


**The domestic economy is slowing, with national GDP growth easing to 1.7% over the September 2023 year.**

This compares with 1.2% growth in GDP in Palmerston North city and 1.0% GDP growth across the Manawātū Region over the same period. This weaker growth follows a period of elevated economic activity in the region over the COVID period, as the structure of our economy supported economic activity relative to many other parts of New Zealand.

**Palmerston North Gross domestic product growth**  
Annual average percentage change



Source: Infometrics QEM, September 2023

The slowing of the New Zealand economy is by design, with the Reserve Bank of New Zealand (RBNZ) acting to drive down inflation by increasing interest rates and reducing levels of spending across the economy.

This is putting households under pressure with interest costs for households having increased an average of 27.8% over the year to September. The RBNZ now estimates that average mortgage costs have risen from 9% of the average household income to 22% in December 2023. There is more pain to come with a greater number of households rolling onto higher interest rates in 2024. Hence, times will continue to be tough for many families as we navigate through 2024.

There are positive signs in the economy, however. Firstly, the national economy had to slow to contain inflation and enable interest rate pressures to ease. The slowing economy will provide confidence to the RBNZ that efforts to get inflation under control are working, reducing the probability of further rate rises in 2024.

Population growth is also strong, helping to ease the labour shortages that contributed to inflation in 2022.

The latest ANZ Business Confidence survey indicates that businesses are pulling back on raising prices, supporting the view that domestic inflation will continue to fall into 2024. National business confidence is also at its highest level since 2015 with businesses feeling more upbeat after the election of the new government.

International pressures on interest rates are also waning, with inflation easing above expectation across western economies. There are signs of light in terms of renewed demand from China, and the international oil price is falling, delivering some relief to families and businesses just in time for Christmas.

**Economic highlights:**

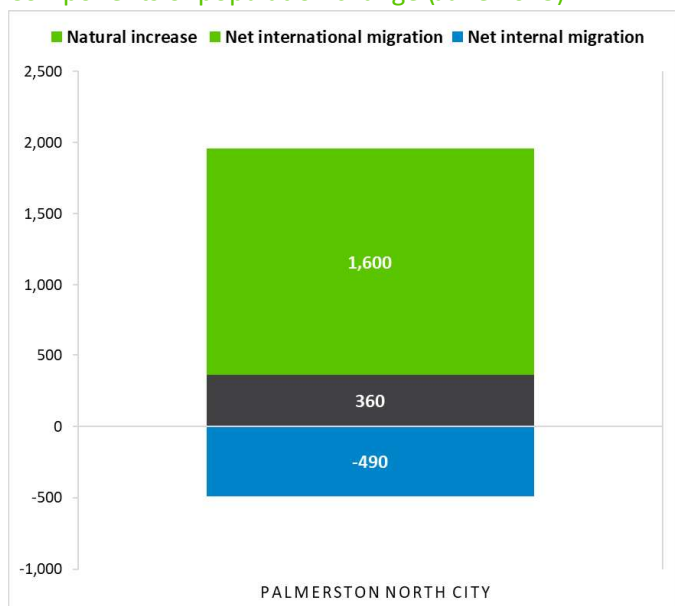
- GDP hit \$6.38b in the September 2023 year.
- The population of the city increased by 1,500 over the year to June 2023, up 1.7% over the year.
- Employed residents increased by 1.2% over the September year, to a total of 36,536 jobs.
- Jobs by workplace location increased by 0.4% with an additional 202 jobs created in the city over the year.
- Total earnings were 10.9% higher in the September quarter 2023 compared to the same quarter 2022. This compares with a 9.0% increase nationally.
- The unemployment rate in the city eased to 4.0% in the September quarter, compared with a national unemployment rate of 3.5%.
- Jobseeker benefit numbers increased by 5.0% in Palmerston North in the year to September 2023. This compares with a 6.7% increase nationally.
- Retail spending increased 4.2% in the city over the September year, compared to an annual inflation rate of 5.6%. This compares to 7.4% growth in retail spending nationally.
- Dwelling consents show no change from the previous year while building consent values ease from elevated levels.
- The city housing market is showing a slight upward trend with prices edging up and days to sell falling from earlier in 2023.
- Average weekly rents increased 6.5% in the city over the year to September 2023, compared to a 5.2% increase nationally.
- Families on the public housing register in the city fell 14.8% compared to a 1.2% increase nationally.
- The number of jobseekers increased 5.0% in the city over the September year compared with a 6.7% increase nationally.

### Strong population growth in Palmerston North

The city has benefited from high net international migration with an additional 1,600 migrants settling in the city over the year to June 2023. Natural increase has also contributed to the growing population, with 360 more births in the city than deaths. An estimated 490 residents are also estimated to have moved to other parts of New Zealand over the year. Overall, the city population is estimated to have increased by 1,500 people over the year, an increase of 1.7% from 2022.

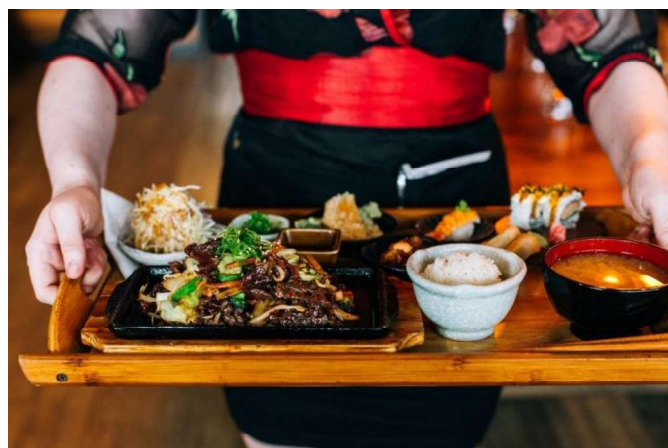
### Palmerston North

#### Components of population change (June 2023)



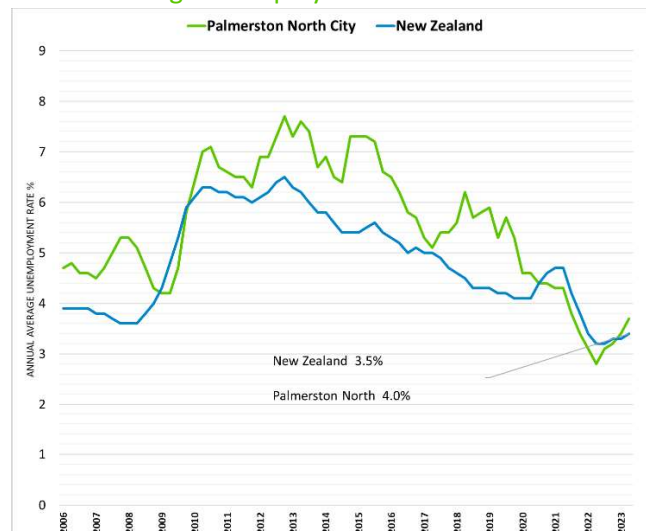
Source: Statistics NZ, Estimated Resident Population

**Labour market conditions are easing, supported by the increase in workers flowing into the country.** The annual average unemployment rate in Palmerston North increased to 4.0% in the September quarter, up from a low of 2.8% in the June quarter 2022. This compares with a national unemployment rate of 3.5% and a regional unemployment rate of 4.1%. While rising, unemployment remains low by historical standards.



### Palmerston North and New Zealand

#### Annual average unemployment rate



Source: Infometrics, QEM, September 2023

**High levels of employment and strong earnings growth is supporting families to weather the current economic challenges.**

Jobs and earnings growth continued in Palmerston North over the year to September 2023 with residents in employment and the number of jobs in the city increasing by 1.2% (+430) and 0.4% (+202) respectively. This compares with 3.0% growth nationally.

Earnings growth in the city was particularly strong, with September quarter earnings up 10.9% compared with the previous September quarter. This compares with 9.0% nationally.

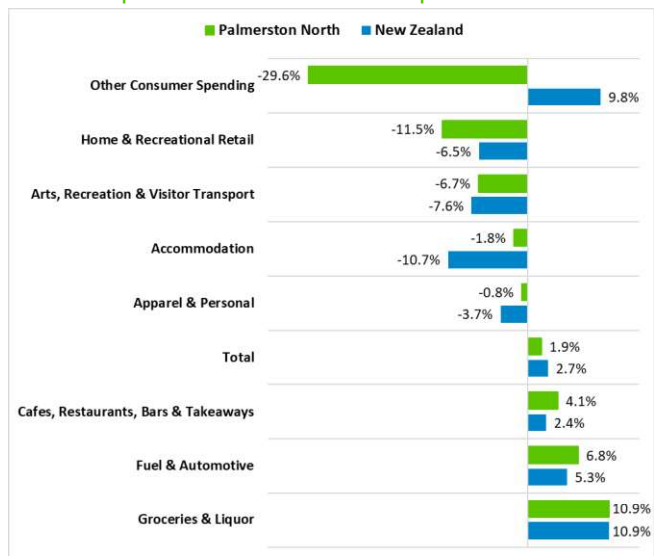
Over the year to September, total earnings in Palmerston North increased by 8.6% compared with the previous year. This is equal to national growth in total earnings over the same period.

**Despite elevated employment and earnings growth, sharply higher mortgage interest rates and the cost of living is weighing on consumer spending,**

Spending in Palmerston North increased 3.7% over the year to October 2023, compared with 7.5% growth across New Zealand. This compares with an annual inflation rate of 5.6%, indicating a real decline in spending in the city over the year.

## Palmerston North versus NZ retail spending

October quarter 2023 vs October quarter 2022



Marketview, October 2023

Reflecting the more recent impact on spending, retail data for the October 2023 quarter indicates a sharp pullback in discretionary spending in the city. Other consumer spending fell 29.6% with home and recreational retail down 11.9% in the quarter.

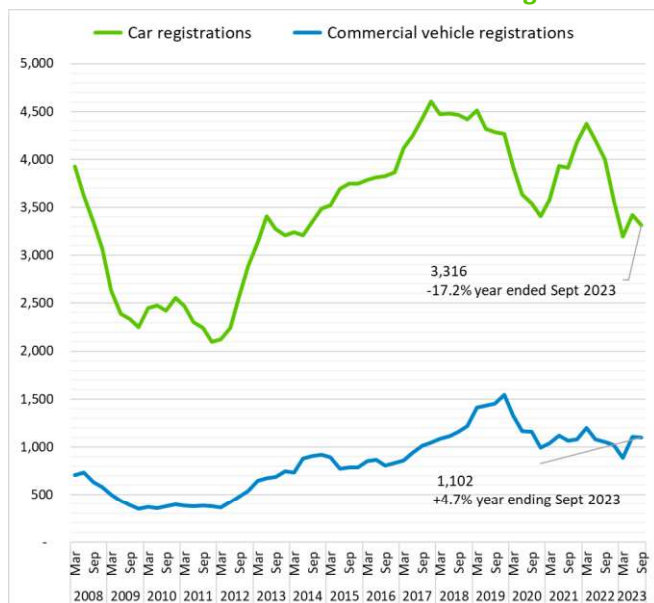
### The pullback in discretionary spending is further reflected in falling volumes of new car registrations.

New car registrations in the city fell 17.2% percent over the year to September 2023. This compares with an 8.0% decline, nationally.

In contrast, new commercial registrations in Palmerston North bucked the trend increasing 4.7% over the year. This compares with a 16.0% fall in new commercial registrations across the country.

## Palmerston North

### Annual new car and commercial vehicle registrations



Source: Infometrics, QEM, September 2023

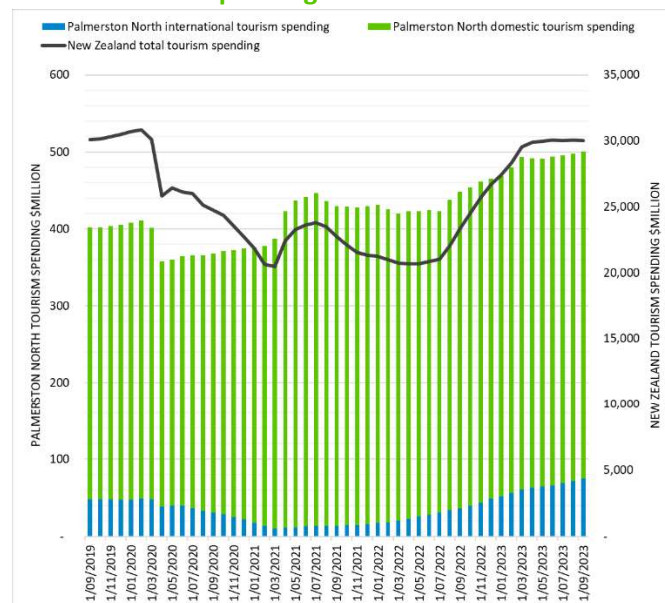
## Tourism spending

The Ministry of Business, Innovation and Employment (MBIE) has rebooted their Monthly Regional Tourism Estimates (MRTE) put on hold during the pandemic due to the failure of the model to accurately estimate tourism spending. The MRTE estimates total tourism spending and replaces the Tourism Electronic Card Transactions series which excluded on-line and cash tourism spending.

Tourism spending lifted to \$500m in the city over the year to September 2023, up 11.7% compared with the year ended September 2022. Domestic spending increased 3.4% while international spending increased 105.3% over the year. This compares with a 28.3% increase in tourism spending nationally, with domestic tourism spending increasing 3.7% and international spending up 171.3% over the year.

## Palmerston North and New Zealand

### Annual tourism spending



Source: MBIE, MRTE

### Building consent activity eases from earlier highs but remains healthy compared with longer term trends.

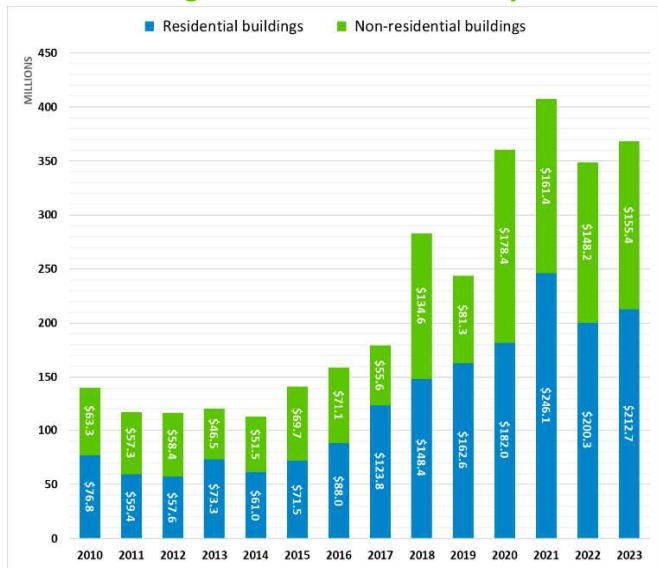
A total of \$368.1 million in building construction consents were issued over the year to October 2023, up 5.6% from the previous year. This compares with an 8.4% decline nationally.

A total of \$212.7 million in residential consents were issued in the city over the year to October 2023, an increase of 6.2% compared with the previous year. Over the same period, non-residential consents in the city increased 4.9% to a total of \$155.4 million. National residential consent values fell 13.1% in the year to October 2023 year with non-residential consent values up 3.0% over the same period.



**Palmerston North building construction consents**

**Annual building consent values- October years**

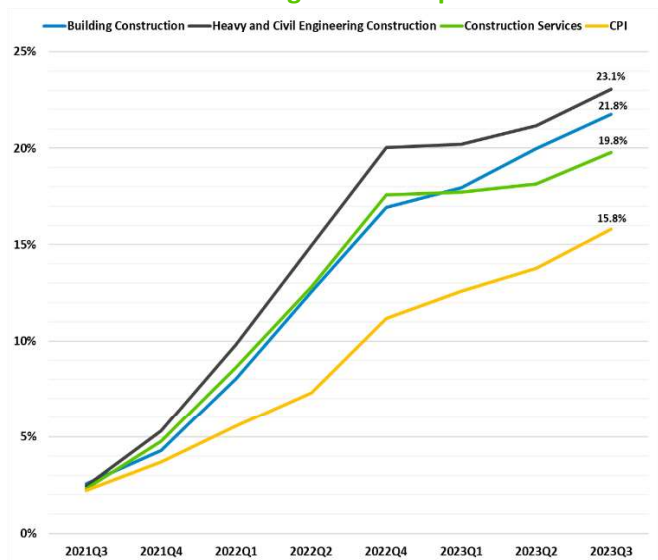


Source: Statistics NZ, October 2023

The Producer Price Index (PPI) reflects the level of inflation in the construction sector. As below, construction sector inflation is substantially higher than the Consumer Price Index (CPI), indicating greater price pressure for construction, relative to the basket of goods that makes up the CPI. Rising costs and tougher financial conditions are subduing private investment despite population growth and elevated employment levels.

**New Zealand**

**Inflation – 2021-24 Long Term Plan period to date**

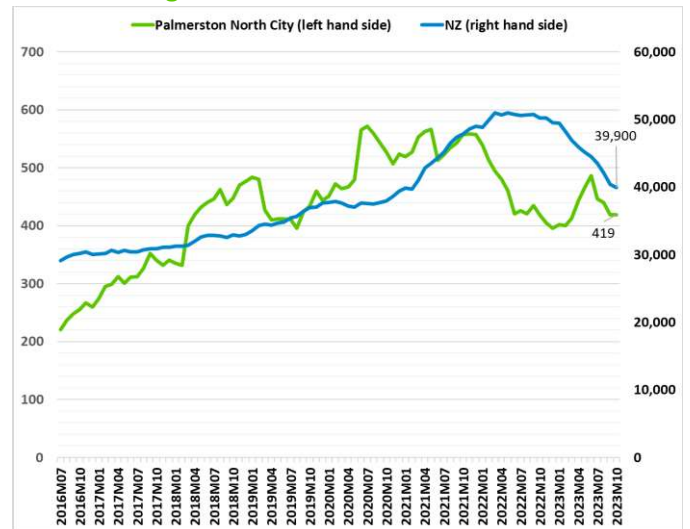


Source: Statistics NZ, PPI & CPI, September 2023

Over the year to October 2023, 419 new dwelling consents were issued in Palmerston North city, the same number consented over the year to October 2022. This compares with a sharper decline of 20.6% in national dwelling consents over the same period.

**Palmerston North and New Zealand**

**New dwelling consents to October 2023**



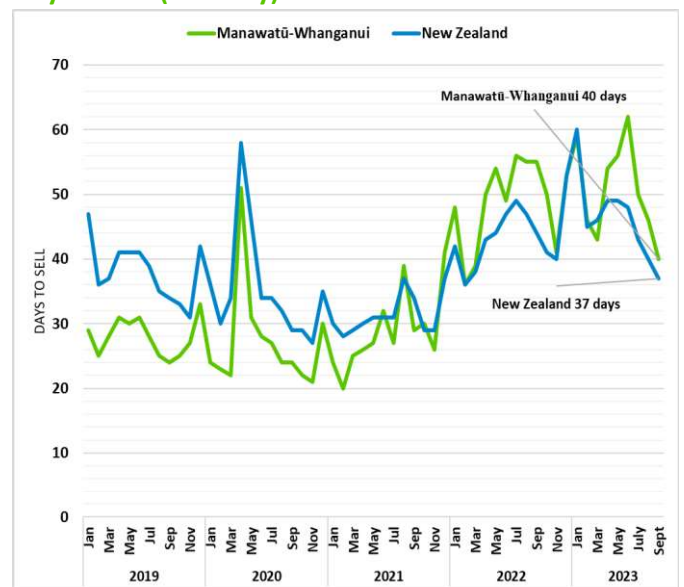
Source: Statistics NZ, October 2023

**The housing market is stabilising, with days to sell easing and house prices beginning to trend up.**

The number of days to sell in the region fell from 62 days in July 2023, to 40 days in October 2023. This compares with 37 days nationally.

**Manawatū-Whanganui Region vs NZ**

**Days to sell (monthly)**



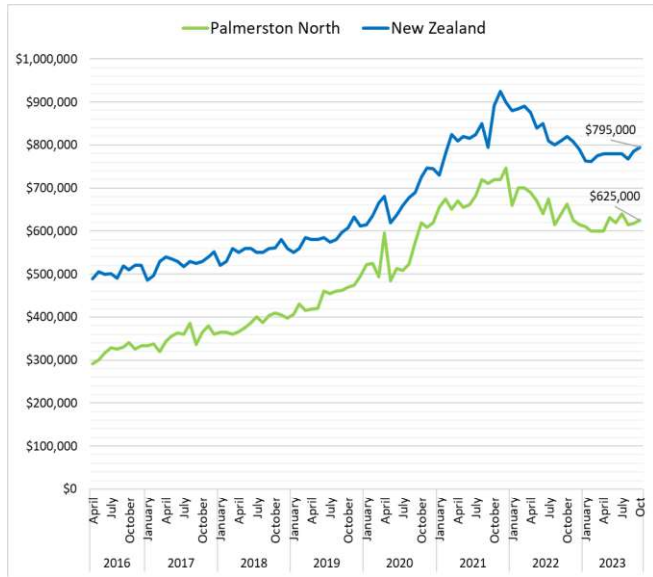
Source: REINZ, Regional days to sell

**Median house prices show a slight upward trend in 2023, with prices rising from \$600,000 in March, to \$625,000 in October.**

House prices both in the city and across New Zealand remain lower than a year ago, with median house prices in Palmerston North falling 5.7% over the year to October 2023, compared with a 3.0% fall nationally.

## Palmerston North and New Zealand

### Median house prices

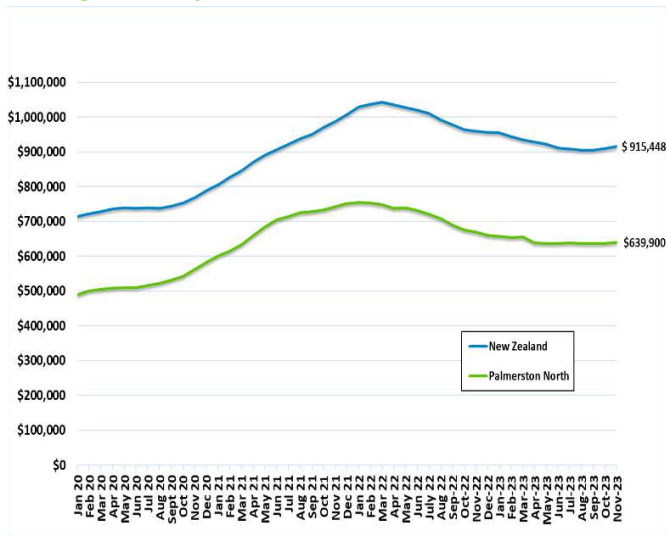


Source: REINZ, October 2023

Average house prices are following a similar trend, with average house prices over the three-months to November 2023 ticking up to \$639,900.

## Palmerston North and New Zealand

### Average house prices



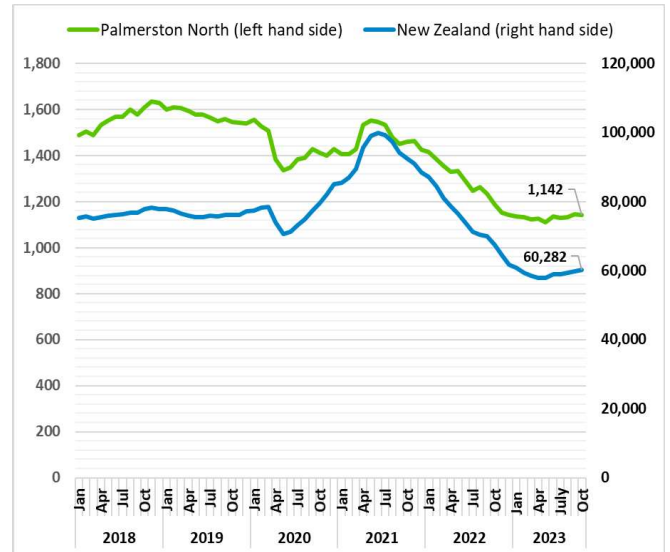
Source/s: Corelogic, REINZ, November 2023

**House sales have also begun to trend up, with annual sales volumes in the city rising from 1,110 in the year to May 2023 to 1,142 in the October 2023 year.**

House sales remain lower than a year ago, with sales volumes in Palmerston North down 3.9% over the year to October 2023. This compares with a 10.8% decline in national sales volumes over the same period.

## Palmerston North and New Zealand

### Annual house sales volumes



Source: REINZ, October 2023

### Economic wellbeing

Annual inflation is easing however this just means that the rate of price growth is slowing, not that prices are falling or becoming more affordable for vulnerable households. Over the year to September 2023, average household living costs increased 7.4% compared with the September quarter 2022. Food prices increased 9.0% over the same period, with interest payments increasing 27.3% over the year.

**Since June 2021, average household living costs have increased 18.0%.**

The high cost of living will continue to put substantial pressure on households into 2024, with the hope of falling inflation and lower interest rates in latter 2024/2025.

### The rental market

The flow of workers into the country is positive in terms of relieving labour market pressures, however the increase in demand for housing is placing upward pressure on rental costs across the country. The average weekly rent in Palmerston North was \$468 per week, up 6.5% over the year to September 2023. This compares with an average weekly rent of \$542 nationally, up 5.2% from the previous year.

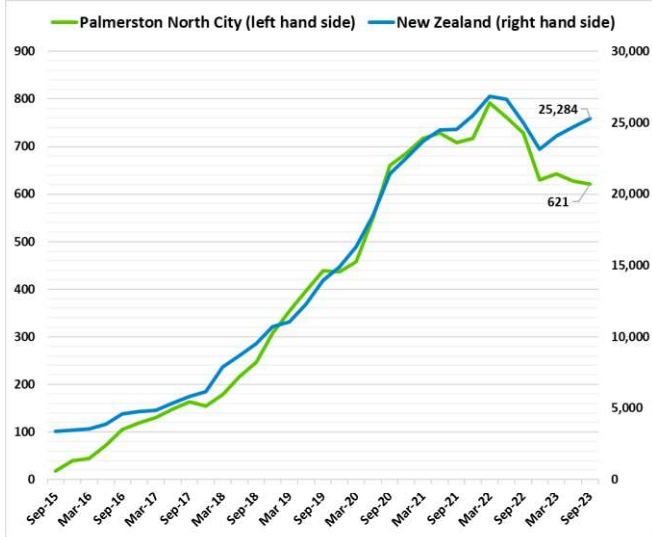
The number of rental properties in the city increased by 2.9% (+228) to 7,992 over the year to September 2023. This increasing trend was also observed at the national level, with the number of properties formally rented increasing by 4.2% over the year.

**Public housing**

The number of households on the register for public housing in Palmerston North fell by 14.8% over the year to September 2023. This compares with a 1.2% increase nationally. As at September, there were 621 families on the register for public housing in the city.

**Palmerston North and New Zealand**

**Public housing register**



Source: MSD, September 2023

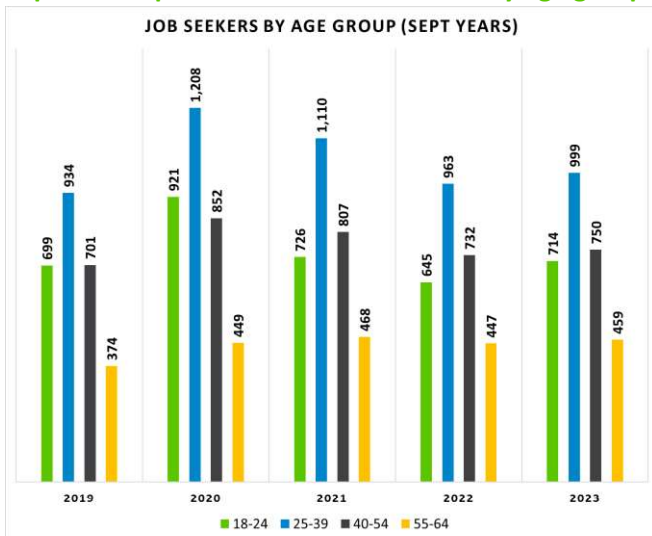
**Jobseekers**

The number of jobseekers increased by 5.0% in the city compared with a 6.7% increase, nationally. Job seeker numbers increased across all age groups over the September 2023 year.

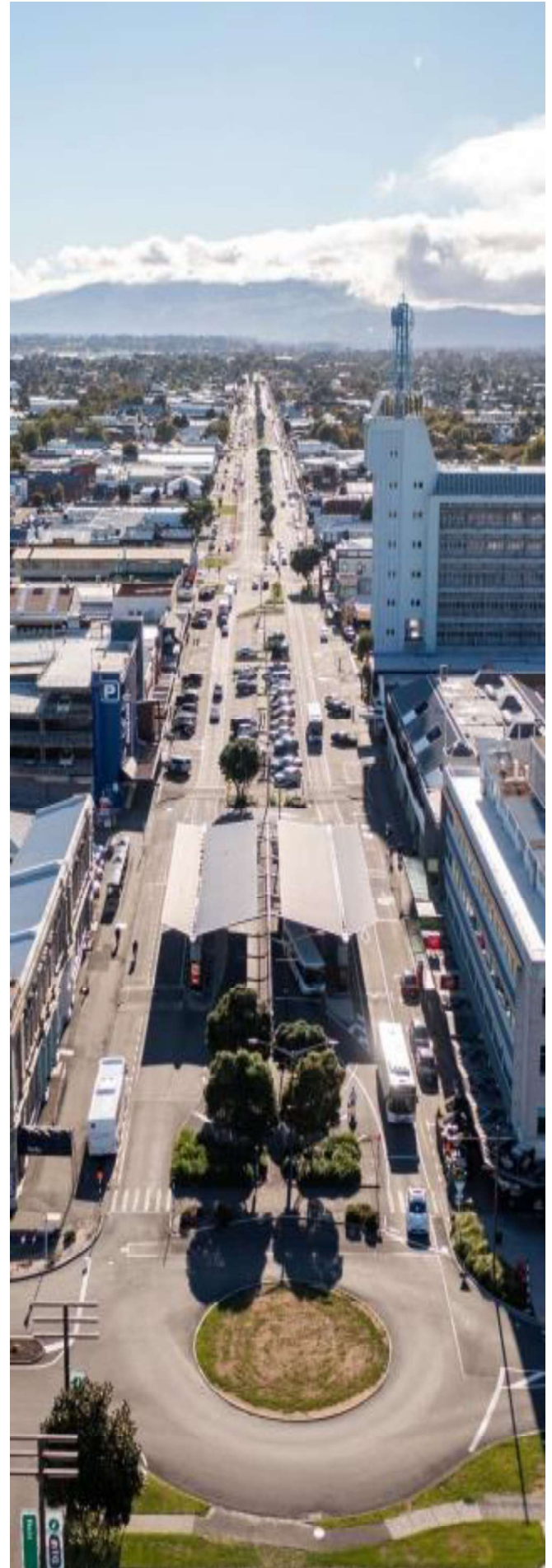
Jobseekers with disability or illness made up 89.0% of the total increase, up 123 compared with September 2023 with work ready jobseekers increasing by 18 over the year.

**Palmerston North**

**September quarter Jobseeker numbers by age group**



Source: MSD, September 2023





## Economic Indicators: Sep 2023 quarter

(also available through [City Dashboards](#))

Level	Period	Palmerston North	New Zealand
Annual inflation rate	As at Sep 2023	5.6%	5.6%
Unemployment rate*	Average of 4 recent quarters	3.7%	3.5%
Indicator	Period	Palmerston North Annual average % change	New Zealand Annual average % change
<a href="#">Gross domestic product (provisional)*</a>	YE Sep 2023	<a href="#">+1.2%</a>	+1.7%
Consumer spending (Electronic Card Retail Spending)	YE Sep 2023	+4.2%	+7.4%
Employment (Place of residence)	YE Sep 2023	+1.2%	+3.0%
Residential consents (number of new dwellings)	YE Sep 2023	-3.7%	-20.4%
Non-residential consents (value of new and altered)	YE Sep 2023	-3.5%	+3.3%
Commercial vehicle registrations	YE Sep 2023	+4.7%	-16.0%
<a href="#">Jobseeker support recipient</a>	Sep 2023 quarter	5.0% compared to Sep 2022 quarter	6.7% compared to Sep 2022 quarter
<a href="#">Visitor spending** (based on Monthly Regional Tourism Estimates)</a>	YE Sep 2023	<a href="#">+11.7%</a>	+28.3%
Housing Indicator	Period	Palmerston North	New Zealand
Average house value***	Sep 2023	-7.8% compared to Sep 2022	-7.3% compared to Sep 2022
Average weekly rent** (based on rental bond data)	Sep 2023 quarter	+3.4% compared to Sep 2022 quarter	7.6% compared to Sep 2022 quarter
<a href="#">Home ownership affordability*</a> (ratio of average house value to estimated annual average household income)	Sep 2023 quarter	<a href="#">5.5</a>	7.1
<a href="#">Rental affordability*</a> (% of average annualised rent to estimated annual average household income)	Sep 2023 quarter	<a href="#">20.8%</a>	22.1%

Source: Stats New Zealand, \*Infometrics, \*\*MBIE, \*\*\*Corelogic

Note: YE = Year ending