

MEMORANDUM

TO: Council

MEETING DATE: 11 December 2024

TITLE: Palmerston North Quarterly Economic Update - December 2024

PRESENTED BY: Stacey Andrews, City Economist

APPROVED BY: David Murphy, General Manager Strategic Planning

RECOMMENDATION TO COUNCIL

1. That Council receive the Palmerston North Quarterly Economic Update – December 2024, including:
 - a. Palmerston North Economic Growth Indicators - December 2024 (Attachment 1), and
 - b. Palmerston North Quarterly Economic Card Spending Report – September 2024 (Attachment 2),

presented to the Council meeting on 11 December 2024.
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1. INTRODUCTION AND PURPOSE

- 1.1 This memorandum presents a summary of the key themes in the Palmerston North Quarterly Economic Update to December 2024, and the Palmerston North City Centre Quarterly electronic card spending (retail and selected tourism sectors) for the September quarter 2024.
- 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 us 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) and national indicators', '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. This update is attached as Appendix 1.
- 1.4 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. The electronic card spending report for the city is included as Appendix 2.

- 1.5 Section 2 of this report includes a high-level summary of economic outcomes for the city to December 2024. A more in-depth analysis of economic performance, including the economic outlook for the city, is included within sections 3 to 5 of this report.

2. ECONOMIC SUMMARY

- 2.1 GDP contracted -0.4% in the city over the year to September 2024, as economic conditions remained challenging due to restrictive monetary and fiscal policy, and a downturn in spending by households and businesses across the domestic economy. This compares with 0.0% growth, nationally.
- 2.2 This downturn in economic activity in the city coincides with strong population growth with residents in the city increasing by +1.7% over the year, to 92,500. This compares with +1.8% growth in population, nationally.
- 2.3 Alongside population growth and the current contraction in GDP, GDP per capita fell by -2.6% over the year to an annual value of \$68,692. This compares with a decline in per capita GDP nationally of -1.9%.
- 2.4 These weaker economic conditions are reflected in the jobs and retail spending figures for Palmerston North, with fewer jobs and continued weakness in spending in the city. Jobseeker benefit numbers have increased across all age groups and total construction investment values have declined. There are some bright spots in the data though, with construction investment in commercial buildings, factories, industrial, and storage buildings holding their own. New dwelling consents in the city also held their own over the year, increasing by +1.0% relative to a -16.7% decline, nationally.
- 2.5 Carbon emissions per \$1m of GDP have continued to fall, with an estimated 102.1 tCO₂ emitted per \$1m of GDP generated in the city over the 2023 calendar year. This is down from 121.6 tCO₂ per \$1m of GDP generated in the city in 2018.
- 2.6 Financial market conditions are improving as inflation falls back to the middle of the Reserve Bank of New Zealand (RBNZ) target range of 1%-3%, and interest rates fall faster than previously anticipated. The RBNZ dropped the official cash rate to 4.25% in response to weaker than expected economic activity in November after a prolonged period at 5.5% (May 2023-August 2024). Banks have moved quickly to reduce retail rates to borrowers, as competition for new and existing mortgages heats up. Falling interest rates will start to bring relief for households and businesses throughout 2025, as borrowers roll onto lower rates.
- 2.7 For now the housing market remains flat with average prices in the city falling -0.7% over the year compared with a -0.6% fall, nationally. Lower house prices alongside rising incomes have boosted affordability in the city with the

average house price falling to 4.9 times the average annual household income. This does not mean that housing is affordable for all, however, with many whanau falling below the medium household income of \$125,772.

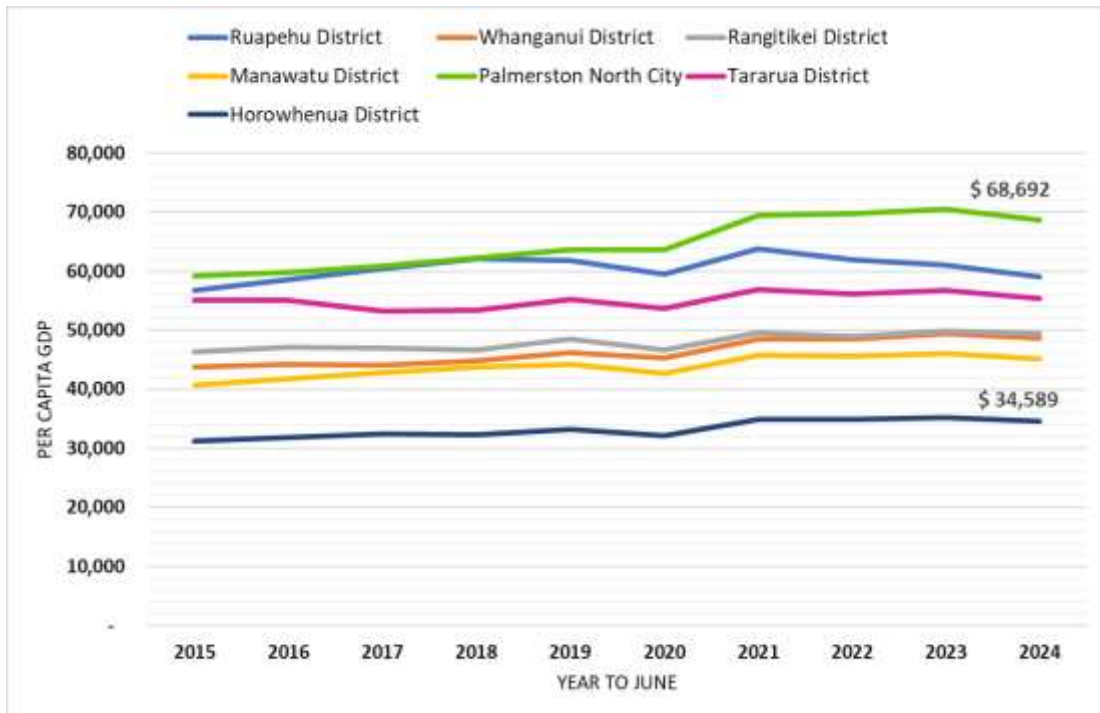
- 2.8 Positively, rental price inflation has fallen away over the year to September with average weekly rents rising just +0.4% to \$495 per week. This follows a period of sustained +4.0% plus per annum annual increases. Rents across the country increased by +2.9% over the same period to an average price of \$573 per week.
- 2.9 The number of households on the public housing register fell by -13.0% over the year alongside a -16.4% fall in the number families on the transitional housing register. This is accompanied by a decline in the number of families in emergency housing in Palmerston North, from 93 in September 2023, to 27 in September 2024. National statistics follow a similar trend. Some of the decline may be explained by the changing MSD criteria for accessing public housing, however, insights from the Ministry of Social Development (MSD) also cite an increase in availability of rental properties and stable prices, as a factor.
- 2.10 You can read a summary of the outlook for the city and national economy is section 5 of this report.

3. QUARTERLY ECONOMIC UPDATE

GROSS DOMESTIC PRODUCT AND NATIONAL INDICATORS

- 3.1 Infometrics reports that Palmerston North GDP fell by -0.4% over the year to September 2024 as the New Zealand economy slowed in response to restrictive monetary and fiscal policy. This compares with 0.0% growth in GDP nationally. Statistics New Zealand GDP data for the September quarter 2024 is not released until 19 December.
- 3.2 Latest population estimates for the June 2024 year indicate that the population of Palmerston North increased by +1,600 over the year. This is an annual increase in population of +1.8% in the city, equalling the national annual growth rate of +1.8% over the year. The New Zealand population is now estimated at 5,338,500.
- 3.3 As expected, per capita GDP also fell over the year driven by the contraction in GDP alongside an increase in the population of the city. This trend was also observed across the wider region, and nationally. Specifically, per capita GDP in the Palmerston North fell -2.6% to \$68,692 in the year to June 2024. This compares with a -2.1% fall across the wider Manawatū-Whanganui Region to \$54,301 and a -1.9% fall nationally, to \$70,905. Figure 1 reflects per capita GDP for territorial authorities across the Manawatū-Whanganui Region.

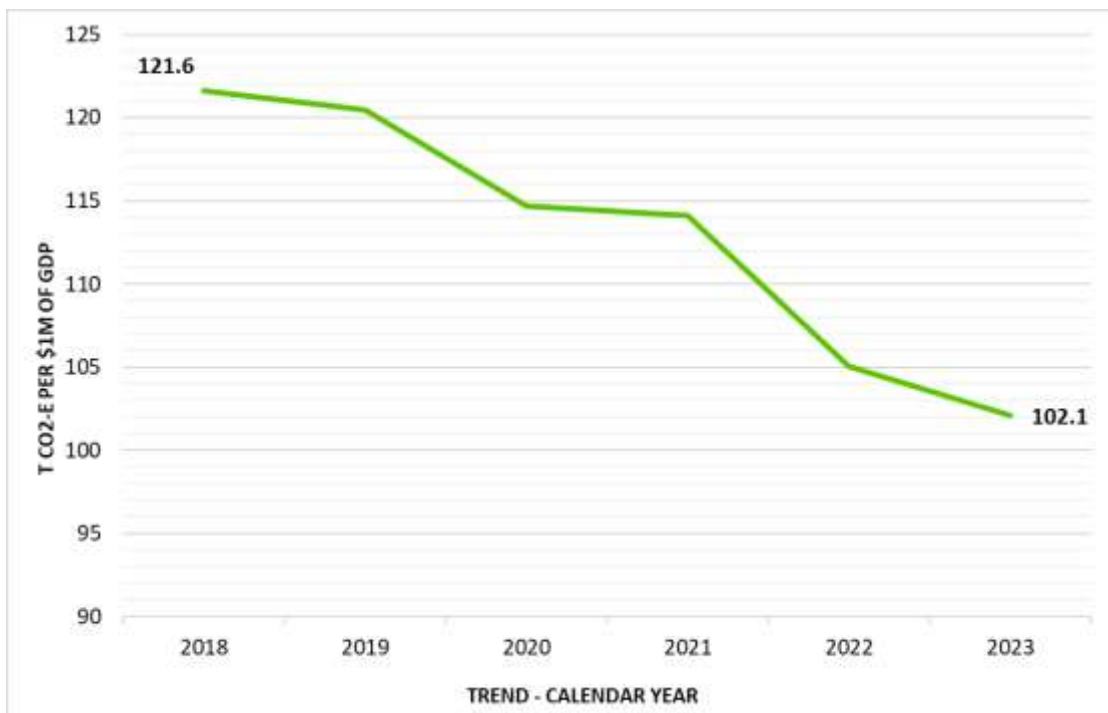
Figure 1: Per capita GDP timeseries (Regional territorial authorities)



- 3.4 Net international migration has driven the majority of the population increase both in the city and nationally, with net international migration hitting a record 136,300 over the October 2023 year. Since 2023, the level of net international migration has been declining, falling to 44,907 over the year to September 2024. Of particular influence is the number of New Zealanders leaving the country, with a total of 79,700 estimated to have emigrated overseas over the year to September 2024. Including New Zealanders returning to live in the country, this is a net loss of 54,700 New Zealand citizens over the year. Latest official statistics for the March 2024 year estimate a net 28,600 New Zealanders left the country to live in Australia, with a net 1,400 non-New Zealand citizens also leaving to live permanently in Australia. Early data implies that net migration of New Zealand citizens and residents to Australia continues to be elevated over the later part of 2024.
- 3.5 Annual inflation (as measured by the Consumer Price Index) fell to 2.2% in the September quarter as consumer demand continued to be dampened by the high cost of living, and increased risk aversion due to falling employment and the slowing economy. The sharper than expected reduction in the rate of inflation is positive, as banks move to reduce interest rates to households and businesses. Six-month mortgage rates have fallen to 5.99% at the time of writing, with two-year rates falling to around 5.7%.
- 3.6 In response to weaker than anticipated economic activity and falling inflation, the RBNZ has dropped the Official Cash Rate (OCR) by 1.25 percentage points, to 4.25% since August. This follows a policy rate of 5.5% in place since May 2023. Further rate reductions are expected in 2025, with the official cash rate forecast to fall to 3.5% by the end of 2025.

3.7 The volume of carbon emissions generated in the city per \$1 million of GDP is estimated to have reduced to 102.1 tCO₂ in the 2023 calendar year. As below, the volume of emissions relative to GDP in the city has been reducing since 2018. This is a positive trend, but it is worth noting that the generation of carbon emissions across the Palmerston North economy, is also influenced by factors outside the control of the city, such as the fuel used to generate electricity at the national level.

Figure 2: Carbon emissions (tCO₂ per \$1m GDP)



3.8 As reported in the September quarterly economic update, electricity prices surged over the 2024 winter driven by low lake levels, limited wind generation, and dwindling gas supplies. To date, commercial consumers have taken the brunt of these higher costs with electricity prices rising +9.6% overall over the year. Limited gas supplies have been the dominant driver of higher commercial energy costs, with gas prices up +22.5% over the year. These sharply higher energy prices have curtailed production in some cases due to the elevated cost of production.

3.9 A recent decision by the Commerce Commission gave the go-ahead for Transpower and local lines companies to raise prices to fund the upgrade and maintenance of the electricity grid. This will increase costs to households and businesses from April 2025. As observed, the resilience of the national electricity grid is critical to support business activity and employment, but if energy prices continue to spike from the need to use expensive fuels for generation, more pressure will be placed on producers. Stable energy prices are also central to reducing pressure on household budgets to support recovery of the New Zealand economy.

Business and jobs

- 3.10 There were 8,186 businesses in Palmerston North in September 2024; an increase of 55 businesses from the previous year. This is an increase of +0.7% over the year, compared with +1.3% growth in business counts, nationally.

- 3.11 Non-residential consents totalled \$98.7m in the city over the year to September 2024, a decline in value of -31.0% compared with the September year 2023. This compares with a -6.4% decline in non-residential consent values, nationally. The decline in non-residential consent values in the city was predominantly driven by a number of large-scale public infrastructure projects nearing completion, with education and healthcare construction values falling by -84.6% and -66.6% respectively over the year. In contrast, construction values for 'commercial buildings' and 'factories, industrial, and storage buildings' increased by 25.1% and 60.7% respectively over the September 2024 year.

- 3.12 The Seek Employment report for October 2024 continues to reflect the challenging labour market conditions, with jobs advertised declining and applicants per job increasing. Across the Manawatū Region, job ads were down -28% compared with the year ended October 2023. This compares with a -26% fall in job ads nationally over the year. In contrast, month-on-month job ads in the Manawatū Region increased by 4% between September and October, compared to a -1% fall nationally, implying some strengthening in employment intentions in the Region. Nationally, industries that are hiring include government and defence, with job ads up +15% between September and October 2024, banking and financial services, up +18%, and community services and development rising +7% over the month.

- 3.13 At the time of writing, filled jobs and earnings data for the September quarter are not available. The latest data for the year ended June 2024 indicates that filled jobs by workplace address decreased by -2.1% to a total of 46,265 over the year with jobs by place of residence up by +0.2% to 35,531. This compares with +0.6% growth, nationally. The impacts of the economic slowdown on employment and earnings levels in the city is an important indication of economic wellbeing.

- 3.14 The annual average unemployment rate published by Infometrics fell from 4.5% to 4.2% in the September quarter, predominantly driven by a decrease in the number of people looking for work. This compares with an annual average unemployment rate of 4.4% nationally. The national unemployment rate for the September quarter was reported by Infometrics at 4.7%. This compares with the Statistics NZ national unemployment rate for the September quarter of 4.8%. The RBNZ expects the national unemployment rate to rise to 5.2% in the March quarter 2025.

- 3.15 The number of MSD jobseeker beneficiaries in Palmerston North increased by 402 over the year to September, to a total of 3,321. This is a +13.8% increase (+402) on the previous year, compared with a +12.8% increase, nationally. Of this increase, 282 people were receiving the benefit due to health conditions

and disability, compared with an increase in work-ready jobseekers of 120 over the year.

- 3.16 The number of people receiving the Jobseeker benefit increased across all age groups in Palmerston North and nationally over the year to September 2024. Jobseeker beneficiaries aged between 18-24 years increased by 120 in the city over the year (+16.8%), compared with a +21.9% increase nationally. Over the same period, Palmerston North Jobseekers aged 25-39 years rose by 105 (+10.5%) compared with a +12.9% increase nationally, with recipients aged 40-54 years rising by 108 (+14.4%) in the city, compared with a +9.0% increase nationally. Palmerston North Jobseekers aged 55-64 years increased by 63 (+13.7%), compared with a +9.0% increase nationally.

Earnings and income

- 3.17 Earnings data for the city for the September 2024 quarter will be released 11 December. Latest earnings data for the city for the June quarter indicated strong earnings growth, with annual earnings up +8.0% over the June 2024 year. This compares with a +7.6% increase nationally. As explained in section 3.19, the rate of earnings growth eased in the later part of 2024, due to spare capacity in the labour markets relative to demand. The strong wage growth that continues in the June 2024 year reflects the flow through of wage agreements to pay packets, and the lingering impacts of wage pressure from 2023.
- 3.18 The elevated wage growth of the 2022/23 financial year is reflected in the Statistics NZ median salary and wages data, with median earnings in the city increasing by +7.4% over the year to September 2023, to a total of \$66,320. This compares with a +6.2% increase nationally to reach a median salary of \$67,680. Growth in earnings, both in the city and nationally, continued to reflect the elevated wage inflation that prevailed post-Covid due to tight labour market conditions and strong demand, alongside large scale sector wage agreements settled in 2022 and 2023.
- 3.19 Early indications of easing wage growth are reflected in the Quarterly Economic Survey (QES) for ordinary time hourly earnings, and the Labour Cost Index (LCI) for the September 2024 year. These measures of wage growth indicate that ordinary time hourly earnings increased by +3.9% over the September 2024 year, compared with a +6.7% increase the previous year and a 5.0% increase over the year to June 2024. The LCI also reflects the easing of wage inflation with the increase in labour costs also falling to 3.9% over the year. Further easing of wage growth is expected in 2024 and into 2025.

Spending

- 3.20 Retail spending fell -0.4% in the city over the year to October 2024, to a total of \$1,494m (\$1.49b). This compares with a +0.5% 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.

- 3.21 As discussed earlier in this report, the annual rate of inflation over the year to September 2024 was 2.2% with an increase in average household living costs of 3.8% over the year. The annual rate of spending growth continues to come in well below the rate of annual inflation, reflecting the sharp reduction in real spending across the national economy. This sharp contraction of demand has driven down the rate of annual inflation as intended, but it has also delivered a stagnant New Zealand economy with increasing job insecurity. It will take time for confidence to return, and demand for goods and services to rise.

- 3.22 The pressure on household budgets is further reflected in the decrease in spending on discretionary items. 'Home and recreational retail' spending in the city fell by -5.9% over the year to October 2024, with spending on 'Accommodation' and 'Arts, recreation and visitor transport' down -5.3% and -4.7% respectively, over the same period.

- 3.23 New car registrations in Palmerston North fell by -3.8% over the year to September 2024 compared with a -6.9% decrease nationally. The number of new commercial vehicle registrations also fell over the year, down -7.4% in the city versus the previous year. This compares with a decrease of -10.1% nationally.

- 3.24 Tourism spending in the city continues to be impacted by a pullback in spending by domestic travellers. According to the Tourism Electronic Card Transactions (TECT) series, domestic tourism spending in Palmerston North fell -4.3% over the year to September 2024 to a total of \$272.6m. This compares with a -3.8% fall nationally. While a small proportion of the city's total tourism spend, international tourism has strengthened with spending in the city up 10.3% to \$26.9m over the year. This compares with an +11.8% increase in international tourism spending, nationally.

- 3.25 The annual change in guest nights is also a useful indicator of tourism activity in the city and across the country. Over the year to September 2024, guest nights in the city decreased by -9.9% to a total of 416,100. This compares with a +1.7% Increase, nationally. Reflecting the downturn in domestic tourism, guest nights from domestic travellers fell by -12.9% in Palmerston North over the same period, compared with a -5.0% decrease nationally. In contrast, guest nights from international travellers increased +4.8% in the city over the year, compared with a +17.6% increase, nationally.

Housing

- 3.26 According to QV, house prices in the city fell by -0.7% over the year to October 2024 to an average price of \$631,421. This compares with a -0.6% fall nationally to an average price of \$902,231. The volume of house sales ticked up in Palmerston North over the year, with 1,190 houses sold in the October 2024 year. This is a +2.9% increase from the previous year compared with a +13.7% increase nationally. In the November Monetary Policy Statement, the RBNZ forecasts house prices to rise +3.5% over the coming year, with prices rising a further +5.9% in the September year 2026.

- 3.27 Mortgage lending increased to \$6.55 billion in the September month 2024, compared with \$5.19 billion in July 2023. This represents a +26.1% increase in monthly lending versus September 2023. Mortgage lending to owner-occupiers and investors increased the most, up \$744m (+25.1%) and \$485m (+54.3%) respectively. Lending to first home buyers lifted by \$126m (+10.1%) over the same period.

- 3.28 Home ownership affordability, as measured by the ratio of the average house price to average annual income, improved over the year to September 2024 with the average house price equal to 4.9 times the average income in the city. This compares with the average house price of 6.7 times the average income, nationally.

- 3.29 Rental price pressure has eased with average rents increasing +0.4% to \$495 per week, in the city over the year to September 2024. This compares with a +2.9% increase nationally to \$573. Over the same period, the number of properties rented increased by +0.9% in Palmerston North, compared with a +1.6% increase nationally. As at September 2024, 8,109 homes were rented in the city.

- 3.30 Renting a home in Palmerston North remains more affordable than in much of New Zealand, with annual average rent making up 19.9% of annual household income, compared with 22.1% nationally. Renting in the city is more affordable than both the Manawatū District and the wider Manawatū-Whanganui region, with average annual rent taking up 21.3% and 21.8% of the average household income, respectively.

- 3.31 The number of households on the public housing register in Palmerston North fell by -81 (-13.0%) over the year to September 2024. This compares with a -13.2% fall nationally. The number of families on the transfer register in Palmerston North sat at 153 in the September quarter 2024, down from 183 a year ago (-16.4%) compared with a 1.1% fall nationally.

- 3.32 Households in emergency housing in Palmerston North fell to 27 in September 2024, down from 93 in September 2023. This is a decline in families in emergency housing of -74.2% in the city, compared with a -70.4% fall, nationally. Some of the decrease in the number of families accessing housing support may be explained by the increased level of evidence required to prove housing need. Insights from MSD in the city also highlights the increase in tenancies available and stabilising prices as supportive of providing for housing needs in the city.

- 3.33 There were 423 consents for new dwellings issued in Palmerston North over the year to September 2024, an increase of 4 (+1.0%) compared with the previous year. This compares with a -16.7% decline in new dwelling consents nationally. The decrease in residential construction has been driven by the high cost of borrowing, elevated development costs, and weak capital gains. A pullback in central government investment in residential development is also weighing on levels of residential development, with Kāinga Ora recently announcing their plans to limit development in the city from 2025 onwards. Economic

recovery and improving financial market conditions are expected to support levels of residential investment from 2026.

- 3.34 Provisional data estimates that a total of 313 of the 423 dwellings consented over the year will add to the housing stock of Palmerston North. This data series is being developed manually, with the purpose of providing greater detail about additions to the total dwelling stock in the city. This series removes 'relocates' moved outside the city, adds in 'relocates' coming into the city from other parts of New Zealand, and removes uplifted dwellings. This estimate compares with the housing demand forecast in the 2024-34 LTP of 328 dwellings per year from 2024-2027, with 399 dwellings per year on average over the 10-years to 2034¹.

4. PALMERSTON NORTH ELECTRONIC CARD SPENDING REPORT – SEPTEMBER 2024

- 4.1 Total electronic card spending fell by -2.6% in the September quarter 2024 to a total value of \$358.0m. This compares with a -2.8% decrease in spending nationally.
- 4.2 Over the year to September 2024, electronic card spending in Palmerston North fell by -0.7% to \$1.492 billion. This compares with a +0.5% increase in retail spending nationally over the same period. Of this total, 56.1% continues to be spent in the city centre.
- 4.3 Spending in the city centre decreased by -0.8% over the year, to a total of \$837m. Discretionary spending was most affected by the pullback in consumer demand with 'Home & recreational retail' spending down -8.6% and 'Arts, recreation & visitor transport' spending falling -6.9% over the year. This trend continues to be 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 elevated household costs and uncertainty around wider economic conditions.
- 4.4 Spending on essential items continues to increase as households and businesses reduce spending on discretionary items. Spending on 'groceries and liquor' was the highest growth sector in Palmerston North, up +3.5% compared with the previous year. The trend for grocery spending was similar for the city centre and New Zealand, up by +5.1% and +4.4% respectively over the year.
- 4.5 Spending on 'cafes, restaurants, and bars' fell further over the September year, down -1.1% across the city and -0.5% in the city centre. This compares with weak growth of +0.2% nationally, supported by international tourism. This pullback in discretionary spending is expected as consumers continue to be downbeat due to high costs and concerns about job security.

¹ The annual housing forecasts include the 20% competitiveness margin required under the National Policy Statement for Urban Development. Actual forecast demand for housing over the first three years of the LTP is 273 per year, with average annual growth of 333 per year over the 10-years of the LTP.

- 4.6 'Other consumer spending' increased for a third consecutive quarter in Palmerston North, up +27.8% compared to the September 2023 year. This growth was stronger in the city centre, rising +89.6% over the year compared with national growth of +3.5%. It is worth noting that 'other consumer spending' makes up just +0.1% of total spending in the city, with the highest spending categories being 'groceries and liquor' (33.4%) and 'home and recreational retail' (30.3%).
- 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 September 2024. Across the Manawatū Region, the loyalty rate increases to 83.0% as consumers from the Manawatū District contribute to spending in the city.
- 4.8 The annual inflation rate to September 2024 was 2.2%, indicating a real decline in spending across all retail precincts in the city and nationally. This further contraction in spending reflects the challenges facing our retail sector both here in the city, and nationally. Lower interest rates reducing costs for households and businesses are expected to boost demand for goods and services and stimulate economic activity over the coming year.
- 4.9 The Quarterly Economic Card Spending Report for September 2024 is attached as Appendix 2.

5. ECONOMIC OUTLOOK



- 5.1 Challenges persist in the September 2024 quarter, with spending across the economy weakening further, job numbers easing, and private and public investment on a downwards track. The longer term outlook is growing more positive, however, as the economic fundamentals of the city and the region continue to boost resilience, inflation tracks lower, and interest rates look set to fall throughout 2025.
- 5.2 The impact of higher interest rates will take time to unwind as fixed interest rates continue to weigh on disposable incomes, the global growth outlook remains uncertain, and net migration into the country slows. As a result, GDP growth has remained weak over 2024 with the RBNZ projecting 0.0% growth in the New Zealand economy over the year. Next year presents a more positive scenario with annual GDP growth projected to rise to 2.3% in 2025, increasing to 2.5% in 2026.
- 5.3 Improving business and consumer confidence will help to drive the New Zealand economic recovery. While business confidence is improving, consumer confidence is lagging behind as households continue to be concerned about the high cost of living amidst increasing job insecurity as the economy continues to slow, and more businesses lay off staff. In a nutshell, there is a way to go yet before we see any notable improvement in economic conditions.

- 5.4 Immediate investment in the resilience and affordability of our critical energy and roading infrastructure will further support the long term productive capacity of the New Zealand economy, as well as revive confidence in the sustainability of business activity in the country.
- 5.5 On the upside, interest rates are falling at pace and will cycle through to more households in 2025 as mortgagee holders opt for shorter rates. Demand for New Zealand's high quality, nutritious, food exports has also surged as Chinese demand for dairy products gets a boost and global red meat supply weakens, increasing commodity prices. The incoming administration in the US drives additional uncertainty in terms of global growth and tradeable inflation from tariffs, but as it stands, export conditions have improved from 2023. We will be watching this space in 2025.

2. COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	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 objectives?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute all four strategic goals, but especially: Whāinga 1: He tāone auaha, he tāone tiputipu Goal 1: An innovative and growing city	
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. It is also important to support businesses to make informed decisions under the current economic conditions.

ATTACHMENTS

- 1. Palmerston North Economic Growth Indicators - November 2024  [↓](#)
- 2. Palmerston North City - Quarterly Electronic Spending Report September 2024  [↓](#)

PALMERSTON NORTH ECONOMIC GROWTH 2024

(as at November 2024)

	Palmerston North City*		New Zealand**
GDP (Provisional) YE September 2024 Source: Infometrics	\$6.357B	♥ -0.4%	0.0%
Annual inflation September 2024 Source: Stats NZ			2.2%
Official cash rate November 2024 Source: RBNZ			4.25%

Business and Jobs

Business counts September 2024 Source: Infometrics	8,186	♥ +0.7%	+1.3%
Non-residential construction investment YE September 2024 Source: Stats NZ	\$98.7M	♥ -31.0%	-6.4%
Filled jobs (Place of residence) As at June 2024 Source: Stats NZ	35,531	♥ +0.2%	+0.4%
Filled jobs (Workplace location) As at June 2024 Source: Stats NZ	46,265	♥ -2.1%	+0.6%
Unemployment rate As at September 2024 Source: Infometrics	4.2%	Average of four recent quarters	4.4%
Change in MSD Jobseeker recipients September 2024 quarter Source: MSD	+402	♥ +13.8%	+12.8%

YE: Year ending

M: million, B: billion

*Value and annual change, unless stated otherwise, ** Annual change, unless stated otherwise

Earnings		Palmerston North City*		New Zealand**
Annual earnings As at June 2024 Source: Stats NZ	\$2.565B	+8.0%		+7.6%
Median earnings from salaries and wages YE September 2024 Source: Stats NZ	\$66,320	+7.1%		+6.2%
Spending				
Retail spending YE October 2024 Source: Marketview	\$1.494B	-0.4%		+0.5%
New car registrations YE September 2024 Source: Infometrics	3,189	-3.8%		-6.9%
Commercial vehicle registrations YE September 2024 Source: Infometrics	1,021	-7.4%		-10.1%
Tourism electronic card spending YE September 2024 Source: MBIE	Domestic	\$272.6M	-4.3%	-3.8%
	International	\$26.9M	+10.3%	+11.8%
Guest nights YE September 2024 Source: ADP	416,100	-9.9%		+1.7%
Housing				
Average House Price October 2024 Source: QV	\$631,421	-0.7%		-0.6%
House sales YE October 2024 Source: REINZ	1,190	+2.9%		+13.7%
Home ownership affordability September 2024 quarter Source: Infometrics	4.9		Ratio of average house value to annual average household income	6.7
Home rental affordability September 2024 quarter Source: Infometrics	+19.9%		Percentage of average annualised rent to annual average household income	+22.1%
New dwelling consents YE September 2024 Source: Stats NZ	423	+1.0%		-16.7%
YE: Year ending		M: million, B: billion		* Value and annual change, unless stated otherwise, **Annual change, unless stated otherwise



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

September 2024

This report presents analysis of electronic card retail spending (i.e. 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 8 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 9).

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Summary – September 2024

Palmerston North: City at a glance

- For the quarter ending September 2024, total electronic card spending was \$358 million, a decrease of -2.6% from the same period last year. This compares with a -2.8% decline in spending across New Zealand (NZ) in the same quarter.
- For the year ending September 2024, total electronic card spending was \$1.492 billion, a decline of -0.7% decline compared with the previous year. In contrast, spending across NZ increased by +0.5% compared with the year ended September 2023. See graph on “Electronic Card Retail Spending Annual Change (%)” on page 3.
- The annual growth rate of retail spending in Palmerston North, as well as in NZ is lower than the annual inflation rate of 2.2% for the year ended September 2024. This indicates that spending growth was below the rate of inflation over the year, reflecting negative real growth in annual retail spending in both the city, and nationally over the year.

City Centre

- This quarter’s electronic card retail spending in the City Centre was \$200 million, a decrease of -2.1% compared to the September 2023 quarter. This is slightly better than the NZ quarter-to-quarter change of -2.8%.
- Annual electronic retail spending in the City Centre was \$837 million, down -0.8% from the previous year. Average annual growth in retail card spending was +0.5% across NZ, alongside a -0.7% decrease in spending in Palmerston North. Annual growth in retail spending in the City Centre, Palmerston North and NZ, was below the 2.2% annual inflation rate, indicating negative real growth.
- The top three retail sectors in the City Centre were “Groceries and liquor” (33% share), “Home and recreational retail” (30% of spend), and “Café, restaurants, bars and takeaways” (16% of spend). Together they represented 79% of retail electronic card spending. See pages 5 and 6 for breakdown by retail sectors.
- Since November 2023, annual spending on “Groceries and liquor” has taken over from “Home and recreational retail” as the top retail category in the City Centre. This is no surprise, as spending on non-essential consumer goods and services has declined nationally, in response to high living costs and weaker labour market conditions.

Retail Precincts

The table below shows the value and percentage change of electronic card spending for the September quarter, and for the year ending September 2024.

Retail Precincts	September 2024 quarter		Year ending September 2024		
	Value of spending (\$m)	Change from same quarter last year (%)	Value of spending (\$m)	Change from last year (%)	12-mth average (\$m)
Palmerston North Inner CBD and Broadway Avenue	121	-1.3%	503	0.5%	502
Palmerston North Outer CBD	79	-3.3%	334	-2.6%	338
Palmerston North City Centre*	200	-2.1%	837	-0.8%	841
PNCC Terrace End	31	-2.6%	126	0.8%	126
Rest of Palmerston North	127	-3.5%	530	-1.0%	535
Total Palmerston North**	358	-2.6%	1,492	-0.7%	1,502
Total New Zealand	18,367	-2.8%	77,967	0.5%	

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.

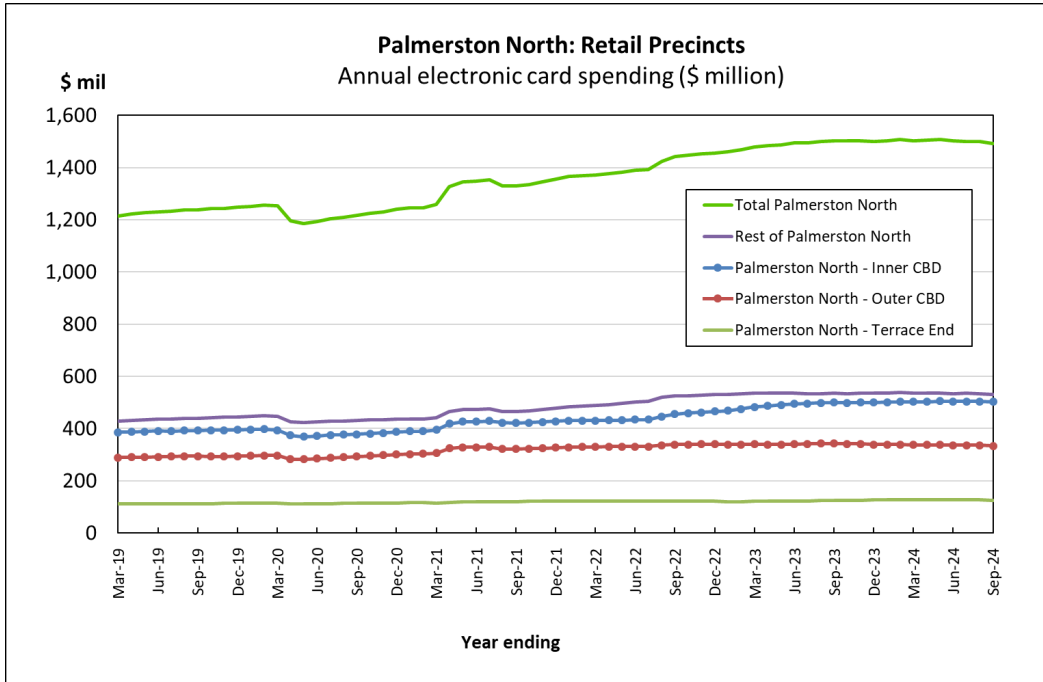
**Total Palmerston North City spending consists of spending from the City Centre + Terrace End precinct + the rest of the city. See map on page 9 for location of the precincts.

The data indicates that all four precincts in Palmerston North experienced negative quarter-on-quarter growth in the August and September 2024 quarters, with declines ranging between 1% - 4%. The last time this happened was during the pandemic in the April-May-June 2020 quarters, with declines in retail spending ranging between 3% - 29%.

Annual retail spending in Palmerston North for the year ending September 2024 declined by -0.7%. This compares with an annual decline in retail spending in the City Centre of -0.8%. The breakdown of the two City Centre precincts are as follows:

- Annual retail spending in the CBD and Broadway Avenue (inner business zone) precincts increased by +0.5%, equal to the NZ annual growth rate; and,
- The Outer CBD precinct experienced a -2.6% decline in retail spending over the year.

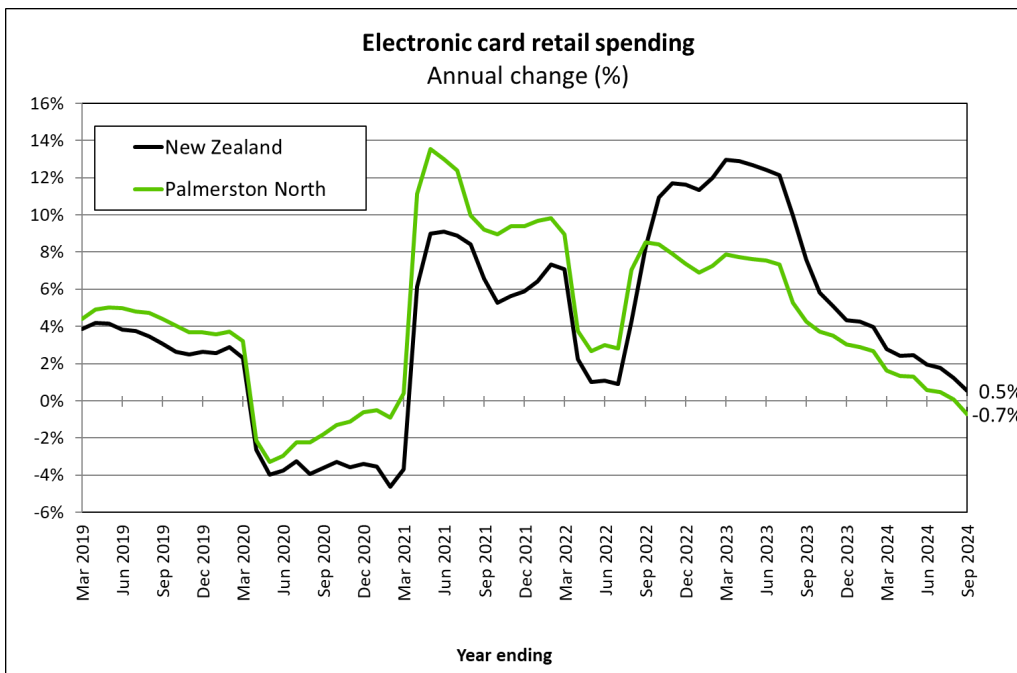
The graph below shows the annual time series of spending by precinct in Palmerston North city. Retail spending from the last 12 months indicates that spending has plateaued across all precincts.



The time series below shows the annual (i.e., rolling 12 months) change in electronic card spending (Mar 2019 – Sep 2024) for Palmerston North and NZ. Prior to October 2022, retail spending growth in the City outperformed relative to national spending. This was due to the industry structure in the city and less exposure to the impact of border closures on international tourism. Since October 2022, the average NZ growth rate has caught up and exceeded the rate of growth in Palmerston North City.

Annual growth rates in spending across NZ and Palmerston North have declined since April 2024 in response to increasing economic challenges for households and businesses. This is reflected in the first negative annual growth in retail spending in Palmerston North over the year ended September 2024 (-0.7%). The last negative annual growth in retail spending was observed over the year ended February 2021 (-0.9%).

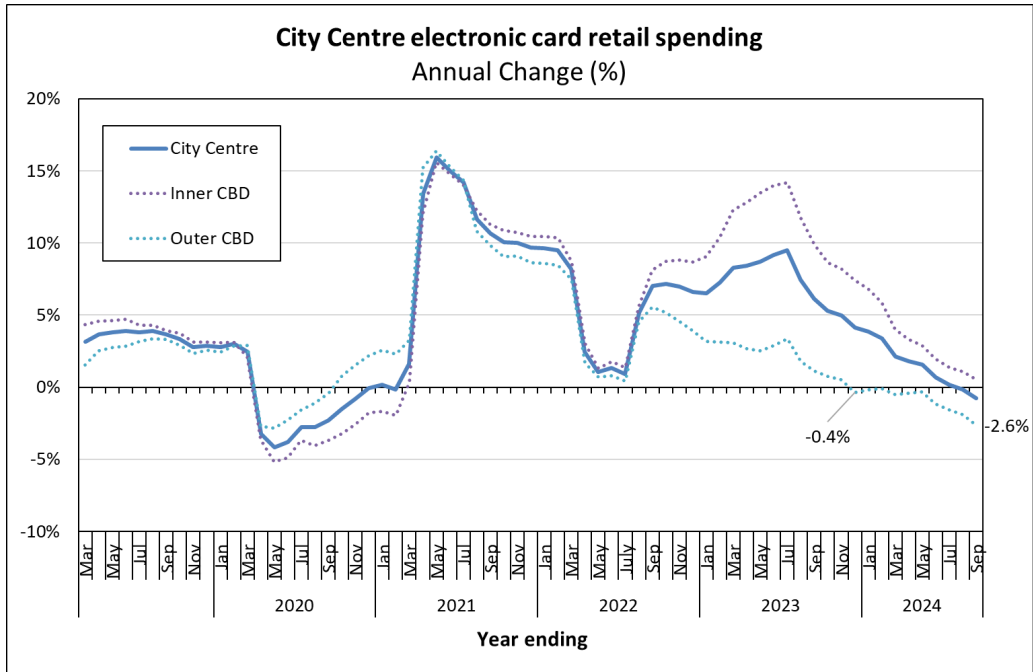
Time series: Annual Change (Mar 2019 – September 2024)



The graph below shows the time series of annual change of electronic card spending in the City Centre. The key observations are:

- Both precincts in the City Centre have experienced a decline in growth in annual retail spending since August 2023.
- The Outer CBD precinct started to experience negative growth rates from December 2023
- By August 2024, the City Centre tipped towards negative growth rates, despite the Inner CBD still showing positive growth.
- The Inner CBD's growth rate had dwindled to +0.5% by September 2024.

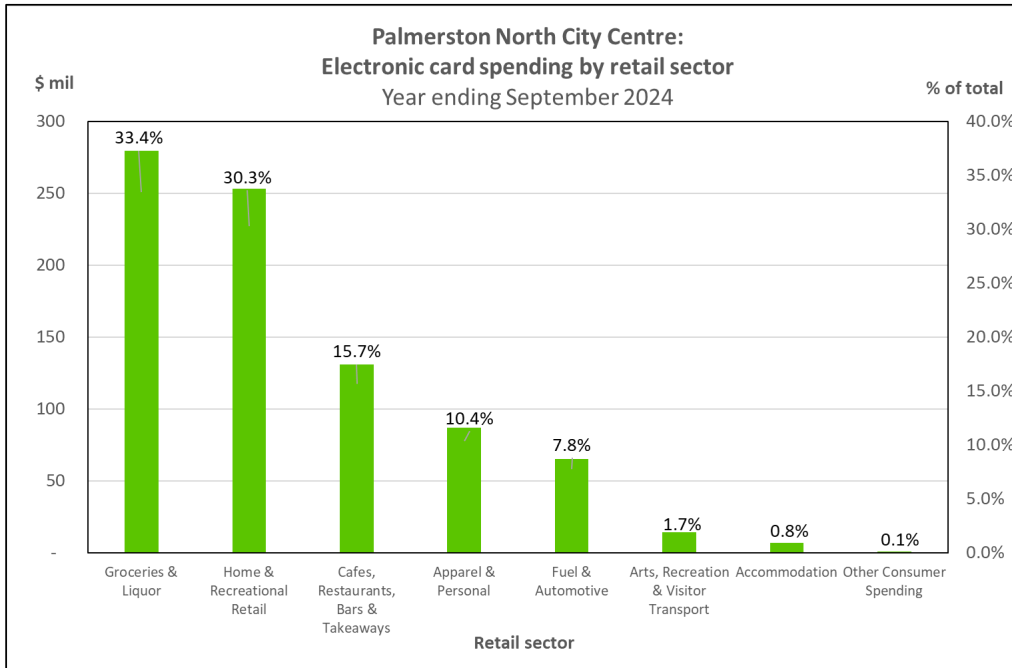
Time series: City Centre Annual Change (Mar 2019 – Sep 2024)



Retail sectors

The top three retail sectors in the City Centre make up 79% of total annual electronic card spending. They are:

- “Groceries and liquor” (33% of total annual spend)
- “Home and recreational retail” (30% of total annual spend)
- “Café, restaurants, bars and takeaways” (16% of total annual spend)



Since November 2023, annual electronic card spending in “Groceries and liquor” has taken the lead over “Home and recreational retail” as the top retail category in the City Centre. This recent trend is consistent with the contraction of spending on non-essential goods and services observed nationally, as household budgets continue to come under pressure from the high cost of living.

In the City Centre, annual growth was mainly supported by an increase in spending in the two following retail sectors:

- “Groceries and liquor” - \$14 million increase (+5.1% annual growth).
- “Fuel and automotive” - \$6 million increase (+9.7% annual growth)

The table below provides the breakdown of spending by retail sector, in the City Centre, Palmerston North, and New Zealand.

Retail sectors	Year ending September 2024						
	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	0.6%	24	-6.5%	1,755	-6.3%	1.4%
Apparel & personal	87	-0.9%	101	-2.1%	4,464	-2.9%	2.3%
Arts, recreation & visitor transport	14	-6.9%	26	-6.6%	2,213	-5.9%	1.2%
Cafes, restaurants, bars & takeaways	131	-0.5%	195	-1.1%	11,490	0.2%	1.7%
Fuel & automotive	65	9.7%	258	2.7%	13,260	3.5%	1.9%
Groceries & liquor	280	5.1%	525	3.5%	28,226	4.4%	1.9%
Home & recreational retail	253	-8.6%	359	-7.3%	16,181	-5.0%	2.2%
Other consumer spending	1	89.6%	3	27.8%	378	3.5%	0.9%
Total	837	-0.8%	1,492	-0.7%	77,967	0.5%	1.9%

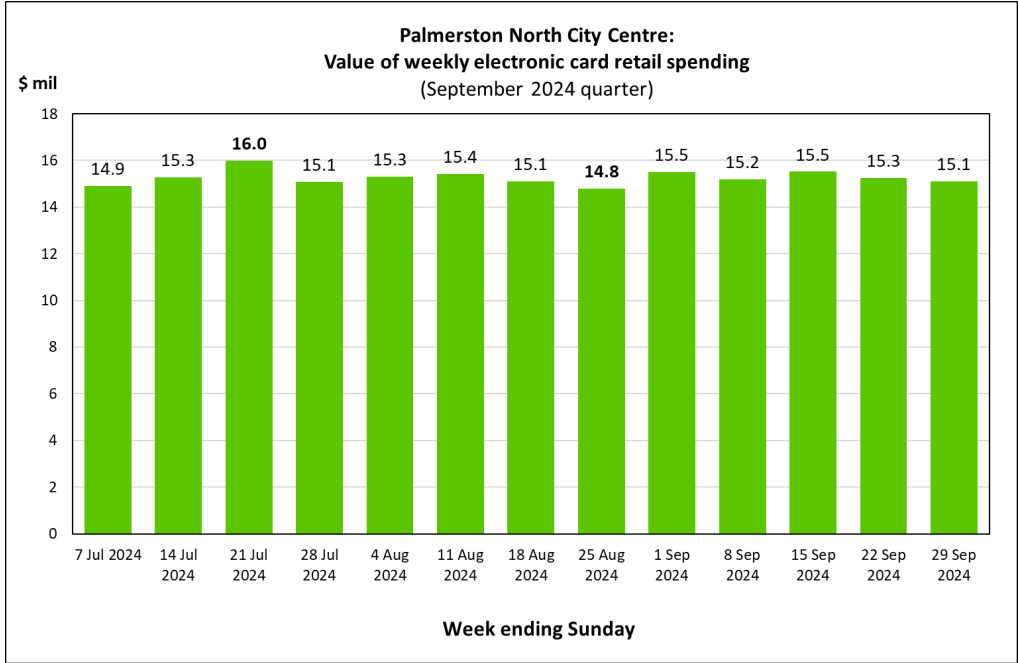
Within the City Centre, the following four retail sectors posted a decrease in spending over the year:

- i) "home and recreational retail" (-9%)
- ii) "arts, recreation and visitor transport" (-7%)
- iii) "apparel & personal" (-1%), and
- iv) "cafes, restaurants, bars & takeaways" (-1%).

Across the city, five retail sectors (home and recreational retail; arts, recreation and visitor transport; accommodation; apparel & personal; and cafes, restaurants, bars & takeaways) posted declines in annual spending. Across New Zealand over the same period, four of the sectors that experienced a decline in spending in the city also declined, with spending at restaurants, bars & takeaways increasing by +0.2% nationally.

City Centre: Weekly spending

The average weekly spending in the City Centre this quarter was \$15.3 million, ranging between \$14.8 - \$16.0 million over the period.



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

Nature reserves & conservation parks operation

Performing arts operation

Creative artists, musicians, writers & performers

Performing arts venue operation

Health & fitness centres & gymnasia 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)

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

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

Motorcycle retailing

Trailer & other motor vehicle retailing

Retail commission based buying & selling