

Economic Monitor

October 2020

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The Western Bay economy continues to look pretty healthy, with local indicators showing a sustained return to business as usual.

Spending had some minor ups and downs following Auckland's alert level moves, yet is consistently higher than last year. Heavy traffic flows are 15% above February levels.

The housing market continues its stellar upward trajectory, with record median prices in both Tauranga City and Western Bay of Plenty this month.

To help understand how people are faring with lower incomes, we've been including food parcel numbers distributed, and added budget advisory service figures and support for foreign nationals.

Growth in employment is one of our key reasons for being, and for the first time this month since March, Jobseeker numbers have dropped, even though the first of the COVID-19 Income Relief Payments have expired. We're still not seeing anything alarming – in fact there were 1,000 jobs advertised on Trade Me last week and 600 on SEEK.

Thanks to the primary sector, New Zealand's export performance has been a good news story in the last 6 months, with our total trade surplus more than offsetting the loss of visitor spending. Local visitor spend is down only 6% on last year.

September has proven again that we are not necessarily in recession here in New Zealand, but there are stormclouds on the horizon of the global economy with COVID-19 returning strongly as countries ease lockdowns. It is unknown when or how the new surges will affect our economy in the long run – meantime, indicators are looking good.

Our Economic Monitor is focused on Tauranga City and Western Bay of Plenty District, combining data from economists, data we have locally, and information from local businesses. We also provide key national measures to round out the picture.

The information available within this monitor is given in good faith and intended to provide general information to Priority One stakeholders. The information is obtained from sources believed to be reliable and accurate at the date of preparation.

Uncertainty is the only certainty

You could use many words to describe the year that has been 2020 so far.

One that might be appropriate is UNPREDICTABLE.

In the space of 10 short months, we've experienced quite the rollercoaster of events:

1. A global health pandemic
2. Government lockdown orders
3. A liquidity crisis
4. Record unemployment rates in many nations
5. The price of oil went negative
6. The largest monetary stimulus package ever
7. The fastest asset price recovery post a recession
8. Civil unrest
9. Technology adoption has skyrocketed
10. Global travel, hospitality and entertainment has ground to a halt.

The vast majority didn't have a clue what was coming.

Even if you look at what professional economic forecasters were saying back at the start of the year, none of them could have predicted all 10 of these events would occur around the world.

The market didn't see it coming, so neither did many of the forecasters.

John Kenneth Galbraith put it eloquently when he said: "We have two classes of forecasters: those who don't know, and those who don't know they don't know."

On the macro stage, the likelihood of predicting events correctly and consistently is incredibly low given the complexity and the number of constantly changing variables at play.

Simply Wall Street, Australia, 21 October 2020



Christmas supply chain hurdle

Muted spending won't be the grinch that steals Christmas, but issues with supply chains could, says a Smith & Caughey's executive. The Auckland-based department store is among retailers experiencing major delays to incoming stock from Europe and other global markets, that should have arrived in the country months ago.

Stock delays are the result of sustained periods of no production as manufacturers and suppliers faced shutdowns in their countries. Major supply chain issues first affected the retail sector back in April, but in recent months the issue has become worse.

Retailers are now facing months of delays as opposed to weeks, and this is for stock coming out of major markets within Asia, Europe, the Americas and Australia.

Edward Caughey, merchandise and executive director of the upmarket department store retailer, said the business had originally braced for the opposite problem – a hole in sales and with less demand so inventory would build up – but instead is having trouble getting its hands on stock.

“Without as many planes in the air, the ability to put cargo on planes now is quite limited, so everything is ending up on ships, and then there are strikes going on at various ports, and with Covid there's social distancing which slows things down, so the whole global supply chain has seized up.”

“Suppliers have cut production, certain suppliers have failed or restructured their business and it has been a very disruptive time. Securing stock, and decent stock, will be the number one challenge over the next six months.”

The department store retailer has pivoted to ensure it has a strong all-important Christmas trading period and is now sourcing more stock from New Zealand suppliers, particularly within the food category.

Strong spending momentum and sales had returned for Smith & Caughey's following the August lockdown, and its trading levels in recent months are ahead of this time last year, despite facing 70 days closed through lockdown.

Sales within homewares, beauty and women's fashion have experienced double-digit

sales growth, which Caughey put down to conscious Kiwis who wanted to shop and support local, about \$10 billion trapped in the economy which would normally be spent overseas, and good weather putting consumers in a good mood.

Caughey said people were generally spending less frequently but were now spending more in a single transaction, and that the focus had shifted from quantity to quality.

More than 50% of retailers recently surveyed by Retail NZ have reported sourcing product as the biggest issue they are facing at present.

Retail NZ chief executive Greg Harford said bringing stock into New Zealand had become harder and more expensive over the past two months. “We're hearing about issues with sporting goods, with bike parts, with books, with homewares, hardware, a bit of fashion, it's just really challenging to get any product moving around the globe at the moment.”

www.nzherald.co.nz/business/department-store-smith-caugheys-on-the-supply-chain-hurdle-as-christmas-approaches/JRVDURUQIL6BAIOUKCOGRW7M4E/, 13 October 2020





Business confidence improving as demand lifts

The latest NZIER Quarterly Survey of Business Opinion (QSBO) shows business confidence has improved, reflecting a pick-up in demand over the September quarter.

A net 1% of businesses reported an increase in own trading activity – a turnaround from the net 37% reporting a decline in the previous quarter. This result supports NZIER's expectations of a V-shaped recovery in economic activity, as the New Zealand economy responds to the unprecedented amount of stimulus measures implemented by the Government and Reserve Bank.

Nonetheless, businesses on the whole are still feeling downbeat, but this pessimism is reducing, with a net 39% of businesses expecting a deterioration in general economic conditions over the coming months – lower than 58% in the previous quarter.

Firms more positive about hiring and investment

As demand picks up, firms are feeling more positive about expanding. This is particularly the case when it comes to hiring, with a net 16% of firms looking to increase headcount in the next quarter. This recovery in employment demand has seen skilled labour shortages re-emerge, with a net 18% of businesses reporting difficulty in finding skilled labour.

Although firms are still cautious about investment with a net 10% of businesses planning to cut back on investment in buildings, this caution is ebbing. The decisive outcome of the general election should remove one aspect of uncertainty, which should drive a continued improvement in investment intentions.

Building sector now the most confident

An improved pipeline of construction work has driven a turnaround in construction sector sentiment, with the building sector now the most buoyant of the sectors surveyed. A net 7% of construction sector firms expect an improvement in the economy over the coming months, reflecting increased construction demand across residential, commercial and Government work.

Other sectors more cautious

Other sectors are more cautious about the economic outlook. Although retailers report stronger demand and increased pricing power, profitability in the retail sector remains subdued given intense cost pressures.

Manufacturers are also feeling less pessimistic, despite weak export sales in the September quarter. Profitability expectations are improving, and that is making manufacturers feel more positive about hiring.

The services sector is now the most pessimistic of the sectors surveyed, with a net 49% of firms expecting a worsening in general economic conditions over the coming months. The lockdown and border restrictions have had a severe negative impact on accommodation and hospitality businesses, and there remains a large degree of uncertainty over when restrictions will be relaxed.

The New Zealand Institute of Economic Research has conducted its Quarterly Survey of Business Opinion since 1961. It is New Zealand's longest-running business opinion survey. Each quarter NZIER asks around 4,300 firms whether business conditions will deteriorate, stay the same or improve.

NZIER Quarterly Survey of Business Opinion, 20 October 2020



Business Confidence

The ANZ Business Outlook continues to show solid improvement across the board.

- **Business confidence lifted 14 points to -15%, while own activity lifted 9 points to +4%.**
- **Many activity indicators are now back in their 2019 ranges.**

The recent theme of goods-producing sectors outdoing services has continued.

Investment intentions were little changed and remain subdued, but employment intentions lifted again, up 9 points to just a net 3% of firms intending to reduce employment. In light of the wage subsidies rolling off, this is very encouraging.

Profitability expectations were up another 9 points, with expected costs 7 points higher, yet pricing intentions were up by slightly more, and expected 'busy-ness' (capacity utilisation) very slightly higher.

The backward-looking indicators are still showing the impact of the renewed Alert Level restrictions. Compared to the same month a year ago, a net 9% of businesses reported lower activity - up 10 points, while a net 17% reported lower staff numbers than a year ago, an improvement of 4 points.

Preliminary Survey Results October 2020

NET BALANCE	PRELIM OCT	SEPT
Business confidence	-14.5	-28.5
Own activity outlook	3.6	-5.4
Export intentions	2.1	-4.7
Investment intentions	1.4	-0.3
Cost expectations	42.4	35.3
Capacity utilisation	1.4	1.2
Employment intentions	-3.2	-11.8
Profit expectations	-15.2	-24.4
Pricing intentions	24.1	15.1
Ease of credit	-33.6	-36.0
Inflation expectations	1.33	1.38
Activity vs. same month one year ago	-8.9	-18.7
Employment vs. same month one year ago	-16.8	-20.7

Preliminary results cover the period from 1 October to midnight 6 October (224 respondents).

[Read the full report here](#)

The next chapter for small business

October 2020

Xero commissioned a study to find out more about the impact of the pandemic on small businesses. The study surveyed over 2,000 small business owners and consumers across Singapore, Australia, New Zealand, Canada, the US and the UK.

They found small businesses deliver value that is distinct from large enterprises, online consumer behaviours adopted during COVID-19 are here to stay and thriving in a world impacted by COVID-19 requires agility and strategic thinking.

Xero, 14 October 2020

The study made 5 key recommendations on what small business owners can do to help their businesses thrive:

1. Make company and financial information easily accessible and digitised.
2. Create emotional connections with your customers.
3. Start with your accountant to seek out available help in the ecosystem.
4. Increase efficiency with cloud-based tools.
5. Leverage partner data sources to predict and plan for the future.

[Read the full report here](#)

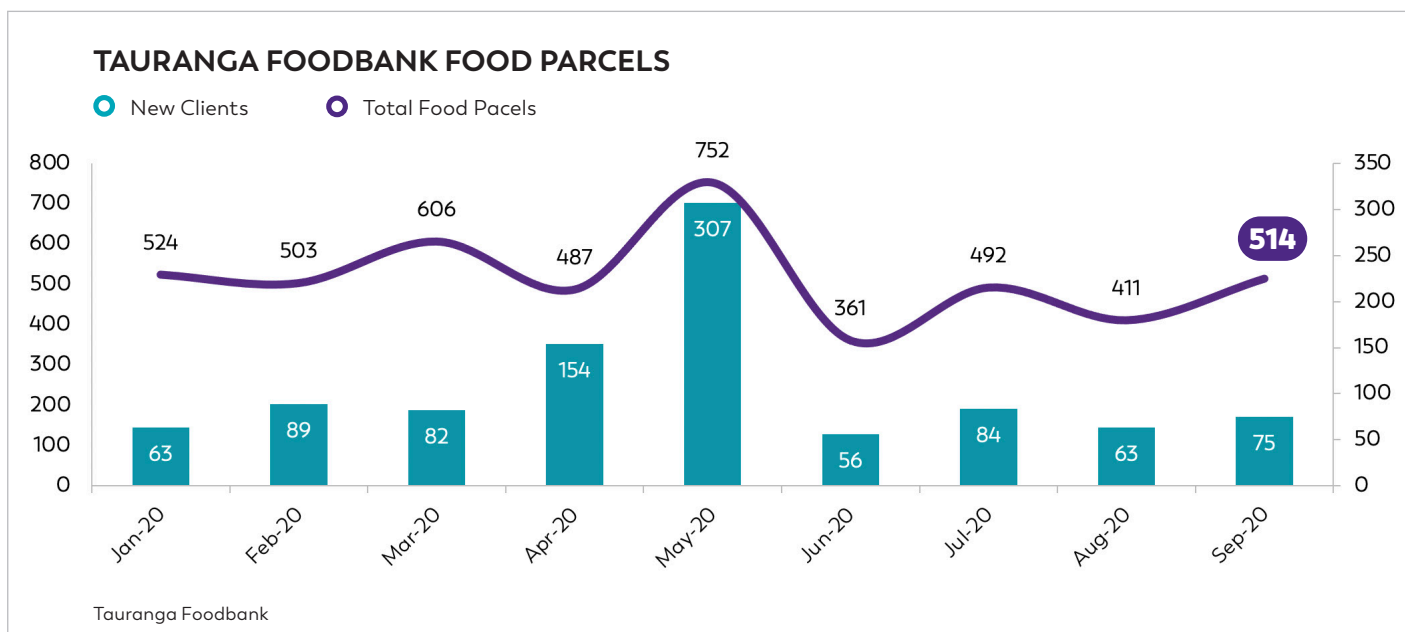




Social Indicators

Food Parcels

For the month of September, total food parcel numbers issued by Tauranga Foodbank rose over 100 to 514, and 75 new clients registered.



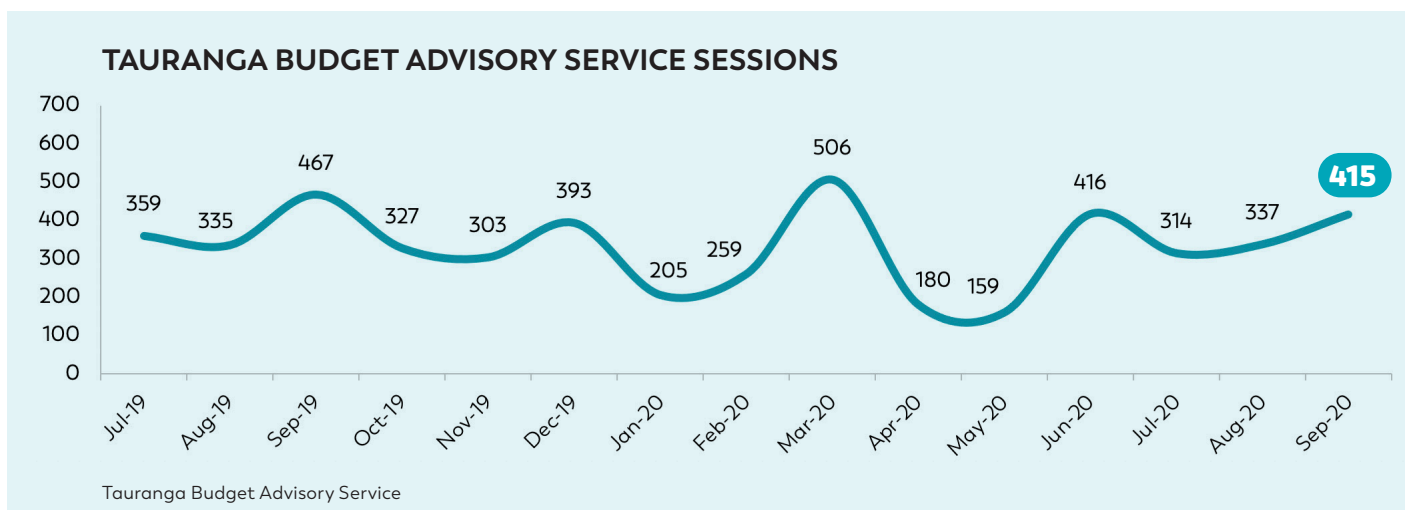
Budget Advisory

Tauranga Budget Advisory Service has 10 clinics across the Western Bay offering free money management and debt relief advice. Financial mentors can guide and support people through tough financial circumstances, liaise with creditors on behalf, and connect with other organisations that can help.

Tauranga Budget Advisory Service runs a number of regular workshops and courses for individuals, couples and workplaces, and occasionally seminars for the public.

Number of service sessions varies month by month, with a significant decline during lockdown when the service was unavailable in person. After slightly lower numbers in July and August, sessions rose to 415 in September, the same number as in June.

For September 2020, clients presented \$37m of total debt. 72% or \$27m was owed to banks, finance companies or other consumer lenders, and 16% or almost \$6m was owed to government departments or agencies. The remaining 12% or \$4m was owed to retailers, family or friends, utilities, landlord, debt collectors, motor vehicle repairers, local government and health services.



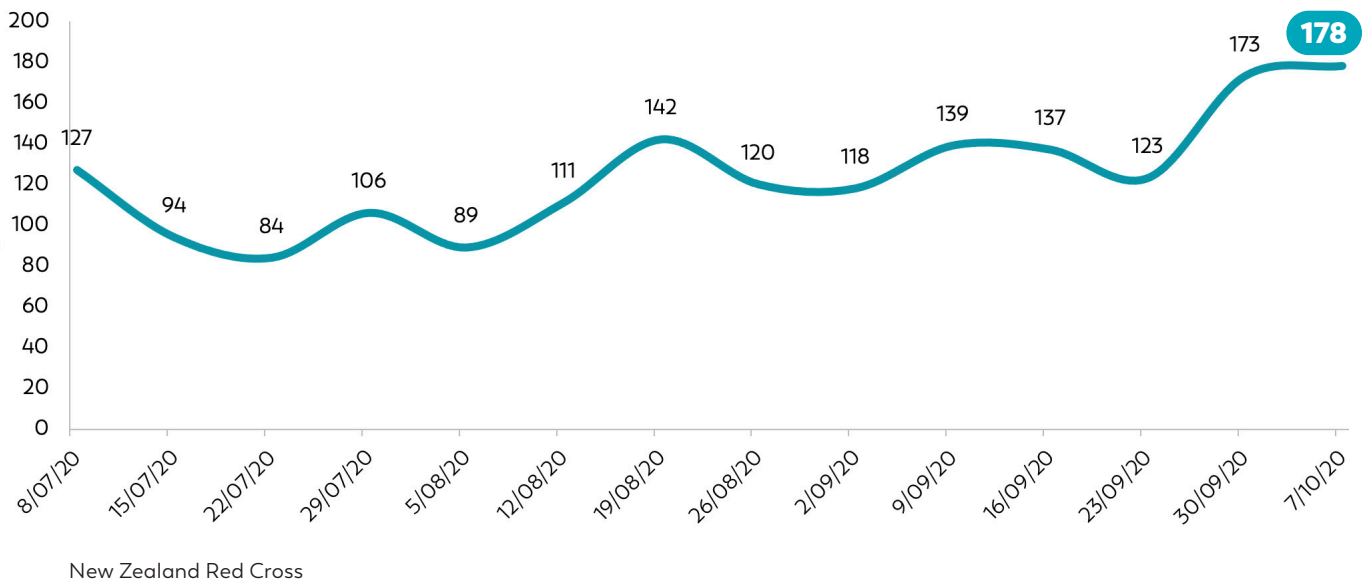
Visitor Care

Working with the Department of Internal Affairs, New Zealand Red Cross Visitor Care Manaaki Manuhiri delivers in-kind assistance to help people on temporary visas meet basic needs, such as food and accommodation.

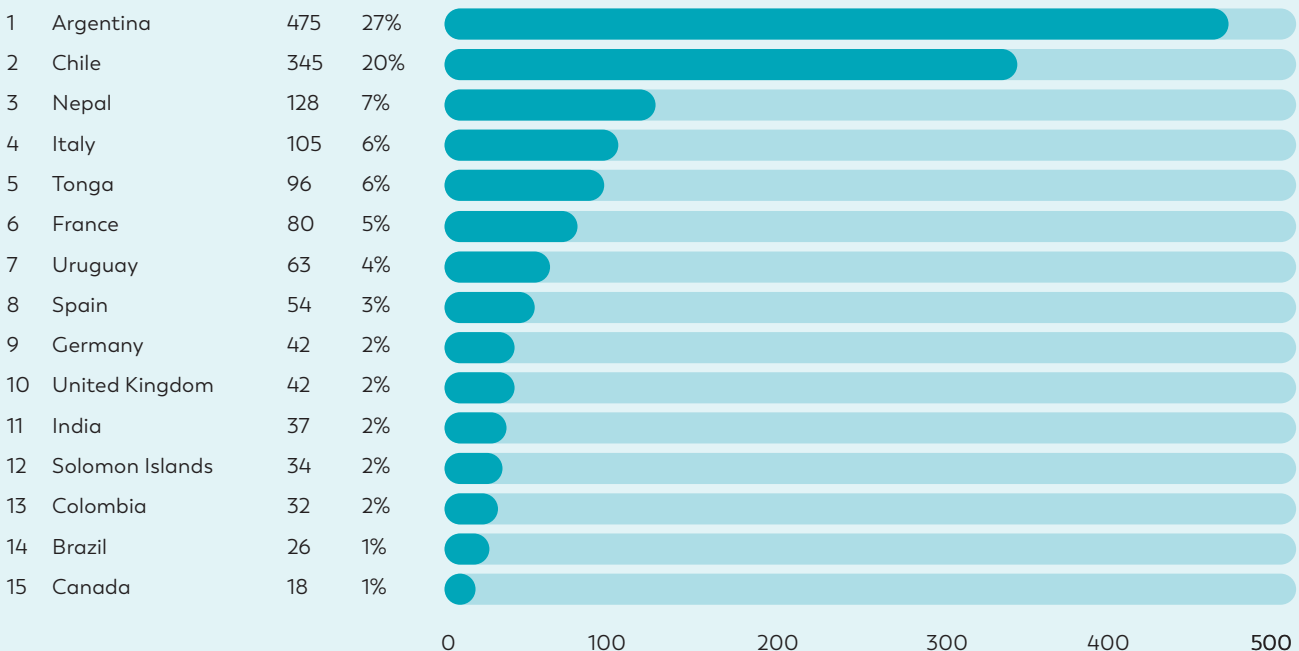
From 1 July, Internal Affairs have been administering the online system and processing applications if foreign nationals are in need and on a temporary (work, student, visitor) or Recognised Seasonal Employer (RSE) visa.

On 24 September, the government announced the programme has been extended to the end of November, on the basis there are still significant urgent humanitarian needs being faced by temporary visa holders in our communities.

BAY OF PLENTY VISITOR CARE APPLICATIONS



BAY OF PLENTY TOP 15 NATIONALITIES



New Zealand Red Cross

Visitor Spend

Visitor spend in the Western Bay of Plenty (Tauranga City and Western Bay of Plenty combined) was \$902m for the year ending August 2020.

This represents a decrease of 6% compared to year ending August 2019, whereas the national average change in visitor spend for the same period was 15%.

The strong domestic market in this region (and growth of that market), and less reliance on the international market than other areas, means the impact here is less significant so far.

Plenty of people moving to the Bay

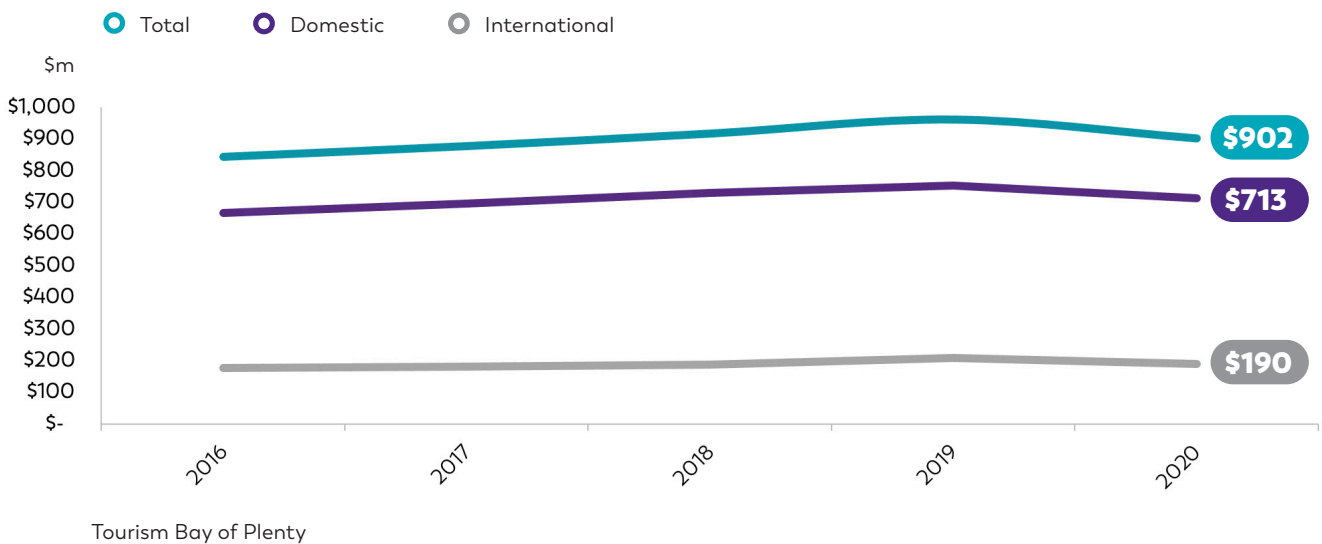
Bay of Plenty had the highest percentage population growth of all regions in the year ended June 2020.

Bay of Plenty's population grew 2.8% in the year ended June 2020, an increase of 9,100 people.

This was driven by high growth in Tauranga City and Western Bay of Plenty District.

Stats NZ, 22 October 2020

VISITOR SPEND IN THE WESTERN BAY



Environment

Bay of Plenty Regional Council is committed to improving air quality in the Mount Maunganui industrial area, and understands how important this is to the community.

September marks 6 months without any breaches of the National Environmental Standards (NES) for air quality at any of our 11 air quality monitors.

This is positive as the Mount Airshed was gazetted as 'polluted' when created in November 2019. The polluted airshed status has implications for business development and consent conditions.

To achieve a non-polluted status, there must be no NES breaches over a five-year consecutive period.

While there is always more to be done to improve air quality, this takes us one step closer to achieving a key goal for cleaner air.

Mount Industrial Community Newsletter, September 2020



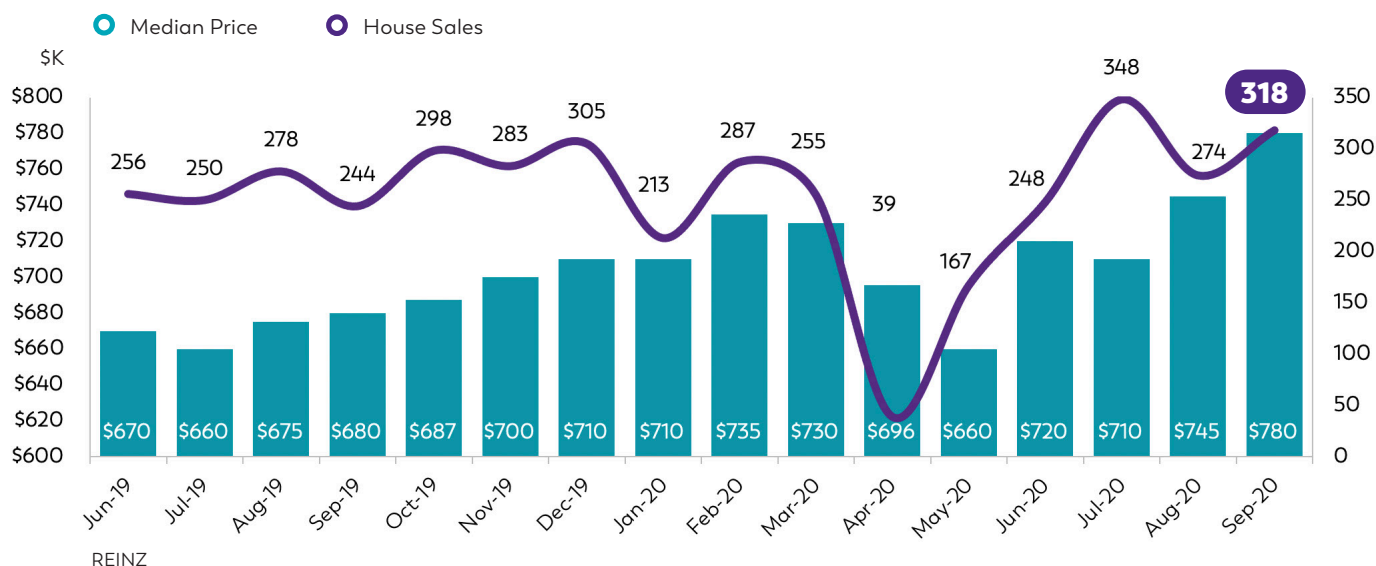
Housing

The housing market continues to boom. The number of residential properties sold in September across New Zealand increased by 37% from the same time last year – the highest number of properties sold in a month for 42 months since March 2017, and the highest number of properties sold in a September month for 14 years.

Activity is being driven by extremely low borrowing rates (at its lowest level since records began), and consumers having additional cash available due to a lack of international travel. When you add in high levels of confidence in the housing market, the removal of LVRs back in March, and fear that people's fear that prices are going to keep increasing in the future, then this explains why people are going to such lengths to secure a property now.

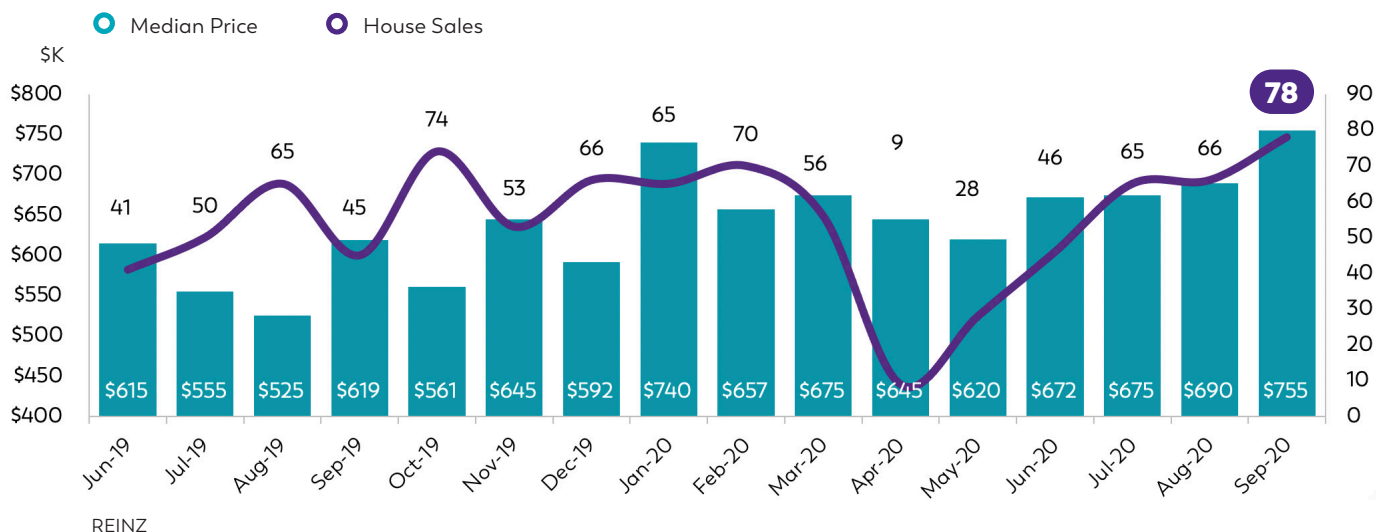
In Tauranga City, the number of properties sold rose to 318 in September, and achieved record median price for the second month running of \$780,000. This is up \$100K or 15% on the same month last year.

HOUSE SALES - TAURANGA CITY



Western Bay of Plenty District sales also rose to 78 in September, with a new record median price of \$755,000, up \$65K in a month, and up \$136K or 22% on the same month last year.

HOUSE SALES - WESTERN BAY OF PLENTY DISTRICT





Retail Spend

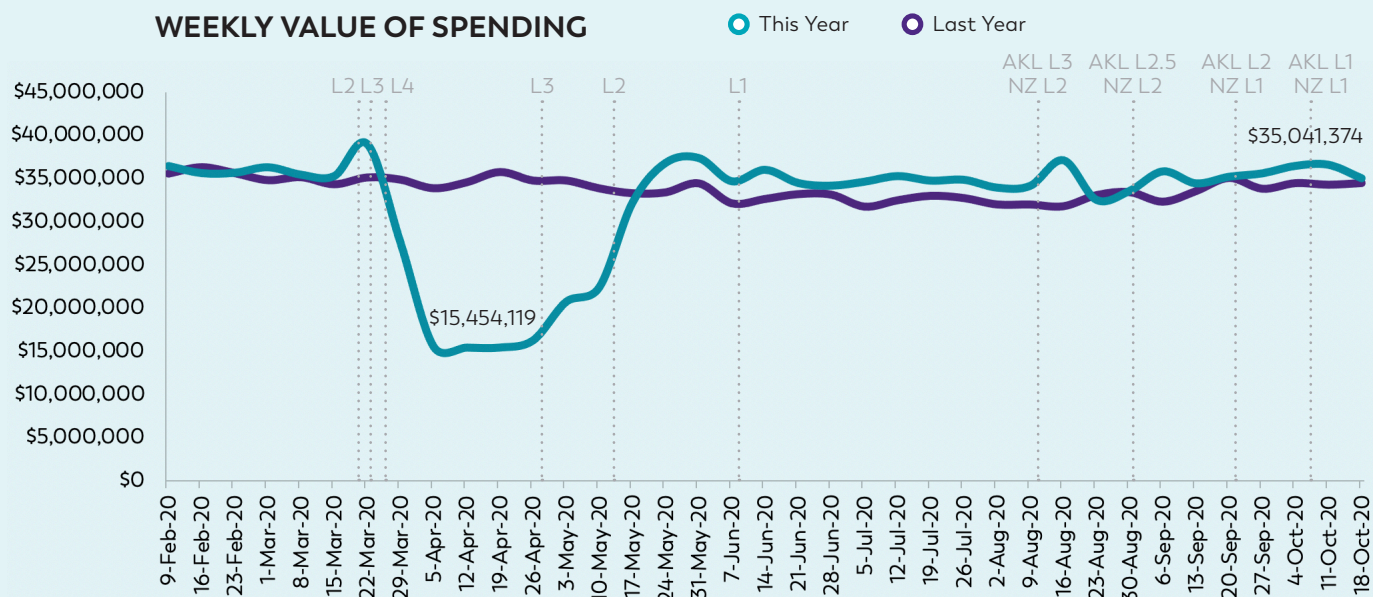
Weekly Spend

Retail spend in the Western Bay has fluctuated in August and September in tandem with Alert Level restrictions being applied and eased in Auckland.

After some slight panic buying peaks and subsequent averaging-out troughs since the 12 August announcement of new COVID-19 cases in the community, spend has flattened to a more normal pattern, with an uptick in the School Holidays.

For the week of 18 October weekly spend was \$35.0m, up 1.7% on the same week last year.

WEEKLY VALUE OF SPENDING



Marketview. Marketview collect data from 25,000+ retailer and consumer service businesses across NZ, who have been operating continuously on the Paymark network over the last two years. Our weekly report covers the Priority One boundary of Tauranga City and Western Bay of Plenty District. Weeks run Monday to Sunday. Spending figures include GST. No allowance is made for non-card purchases. Does not include online transactions. No adjustments are made for inflation.

Online Spend

National online spending rose 17% in September, and online spending was up 15% compared to the September quarter in 2019. With Auckland out of Level 3 restrictions, and the rest of New Zealand back to Level 1 towards the end of the month, online shopping wasn't as high as in August when online spending was up 27%.

Roughly 2/3 or 67% of national online spending went to domestic online businesses. This has been a pretty typical split for 2020, averaging 68% domestic to date. Only at the height of Level 4 lockdown (April-May) did the allocation rise to over 70% domestic online spend.

All categories experienced growth this month compared to last year, with Furniture Housewares & Hardware up a huge 52%, and Electrical & Electronic, Pharmacy Cosmetics Stationery Antiques & Flowers, and Clothing & Footwear all up around 20%.

- 52%** Furniture, Housewares & Hardware
- 21%** Electrical & Electronic
- 19%** Pharmacy, Cosmetics, Stationery, Antiques & Flowers
- 18%** Clothing, Footwear & Accessories
- 14%** Groceries & Liquor
- 13%** Variety, Department & Other
- 7%** Recreation, Toys, Games, Entertainment & Books

Marketview



Employment

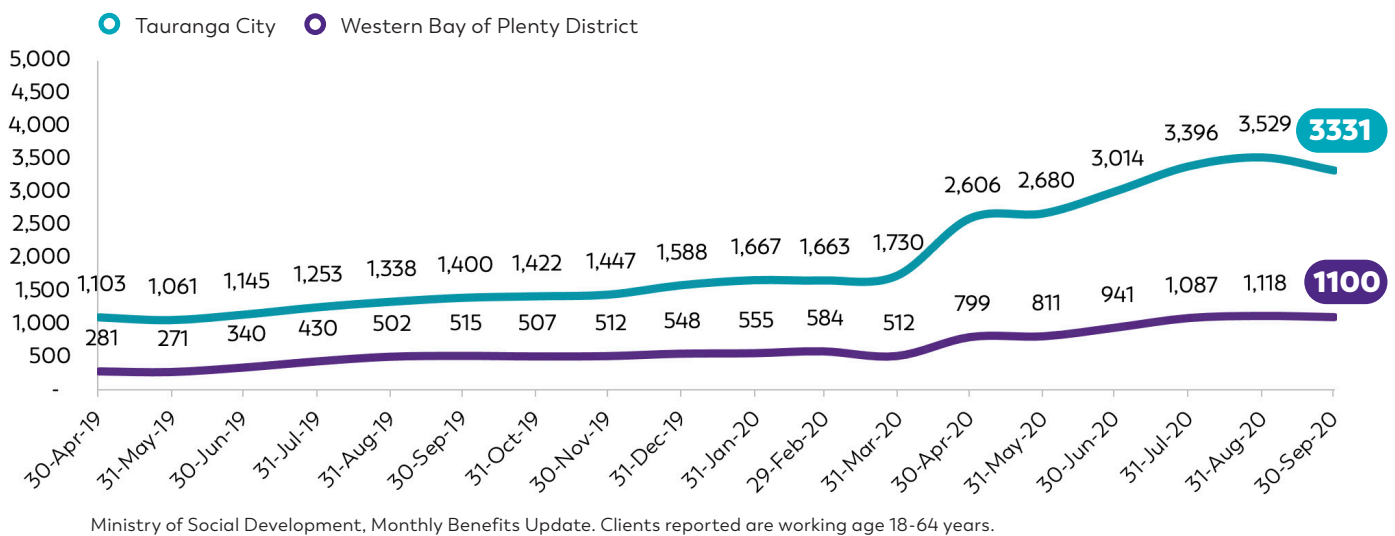
Jobseeker Support

Numbers of people on Jobseeker Support or receiving the COVID-19 Income Relief Payment (CIRP) have reduced by a total of 216 people for the Western Bay in September - down 198 for Tauranga City and down 18 for Western Bay of Plenty District.

The CIRP 12 week payment has now expired, so if people were still out of work, we would expect to see a 1:1 addition to the Jobseeker Support benefit, which doesn't appear to be the case.

With a healthy number of job advertisements and no signs of widespread business failures or redundancies, we are confident people remain employed in the Western Bay.

JOBSEEKER SUPPORT + CIRP

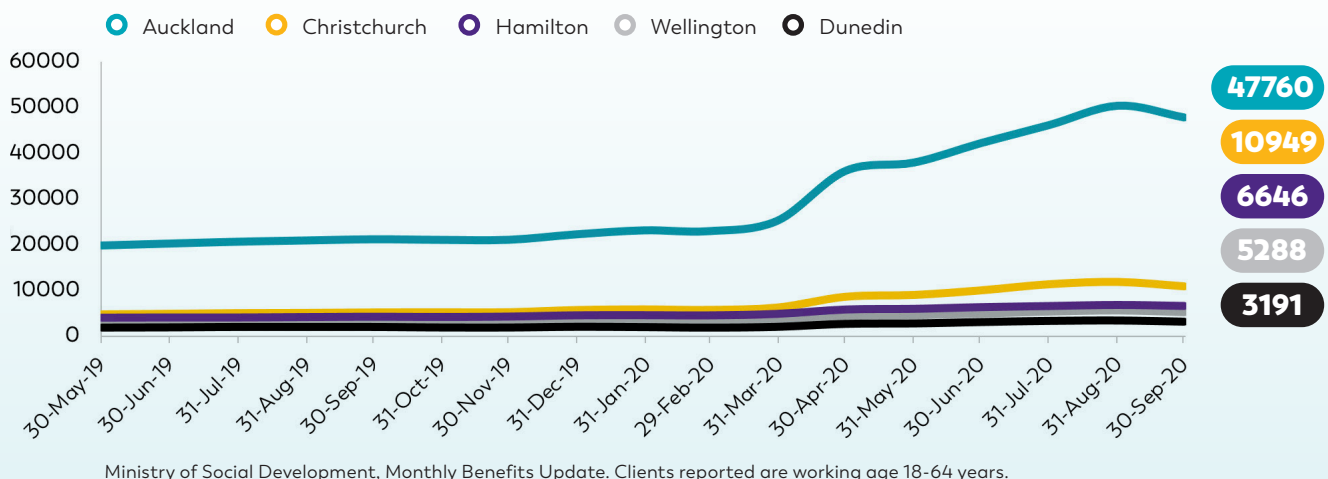


Other Cities

Despite the Auckland lockdown in August, September has been a positive month for Jobseekers + CIRP for the main centres across New Zealand.

Auckland numbers are down 5% for the month, Wellington down 7%, Christchurch and Dunedin down 8% each, and Hamilton down 3% - again reflecting positive prospects in employment.

JOBSEEKER SUPPORT + CIRP - OTHER CITIES



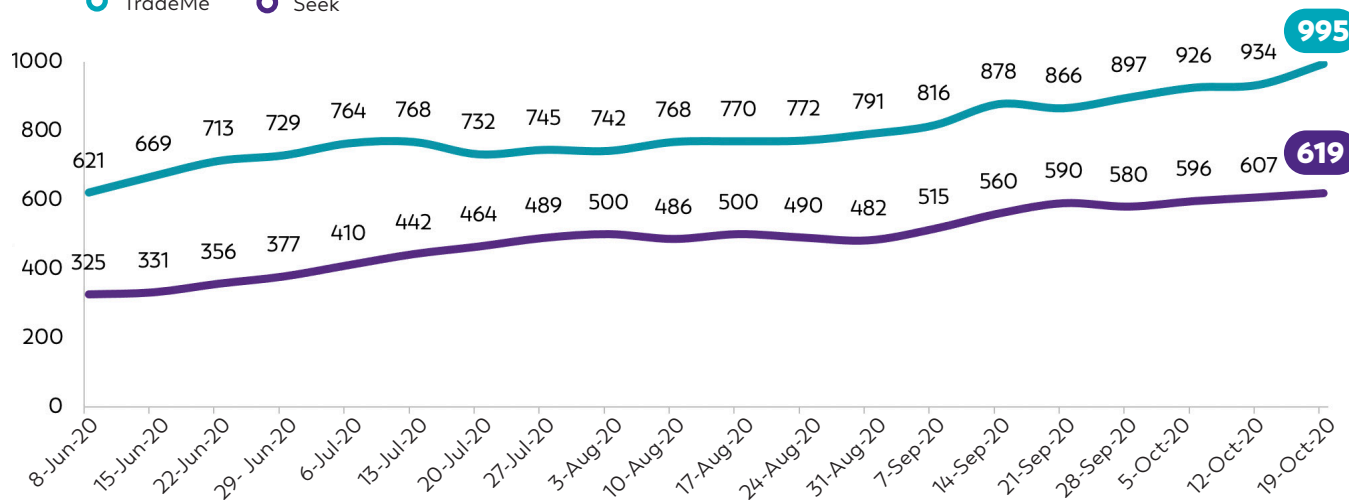
Advertised Jobs

Advertised job numbers have continued to increase throughout September and October for the Western Bay – reaching almost 1,000 jobs advertised on Trade Me in the week of 19 October, and over 600 jobs on SEEK.

JOBS ADVERTISED

Tauranga City and Western Bay of Plenty District

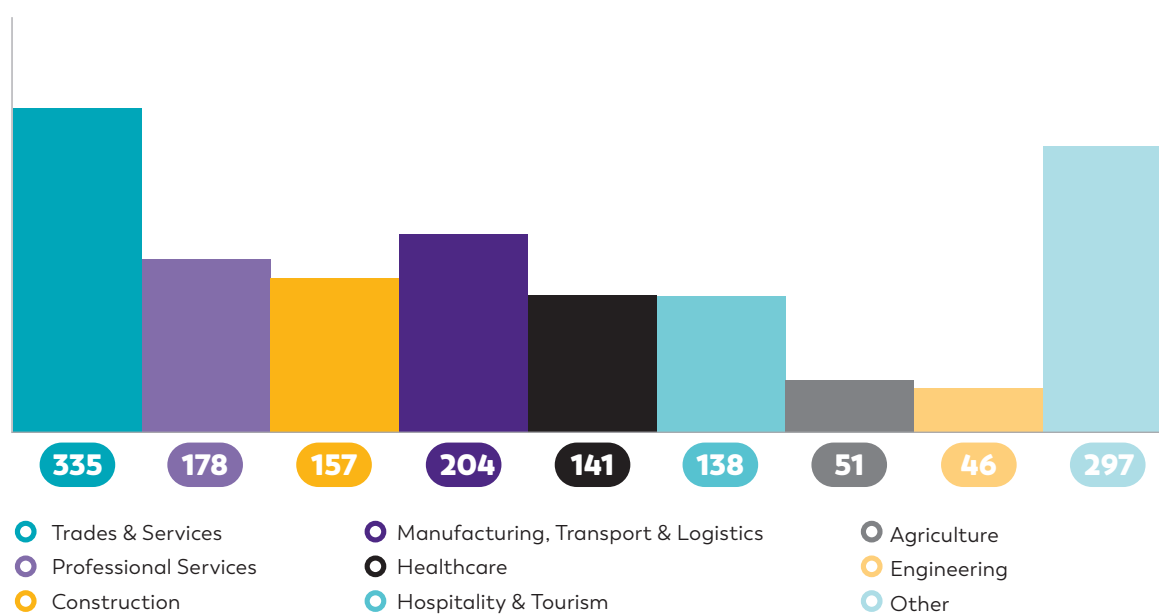
TradeMe Seek



Jobs listed on TradeMe and SEEK websites. Week ending Sunday. Tauranga City and Western Bay of Plenty District combined.

JOBS BY INDUSTRY

19 October 2020



Jobs listed on TradeMe website. Week ending Sunday. Tauranga City only.

Trades & Services remains the highest industry each week and growing, exceeding 300 jobs this week. Recent growth is especially evident in Manufacturing, Transport and Logistics with over 200 jobs, and a return of growth in Hospitality and Tourism positions advertised.

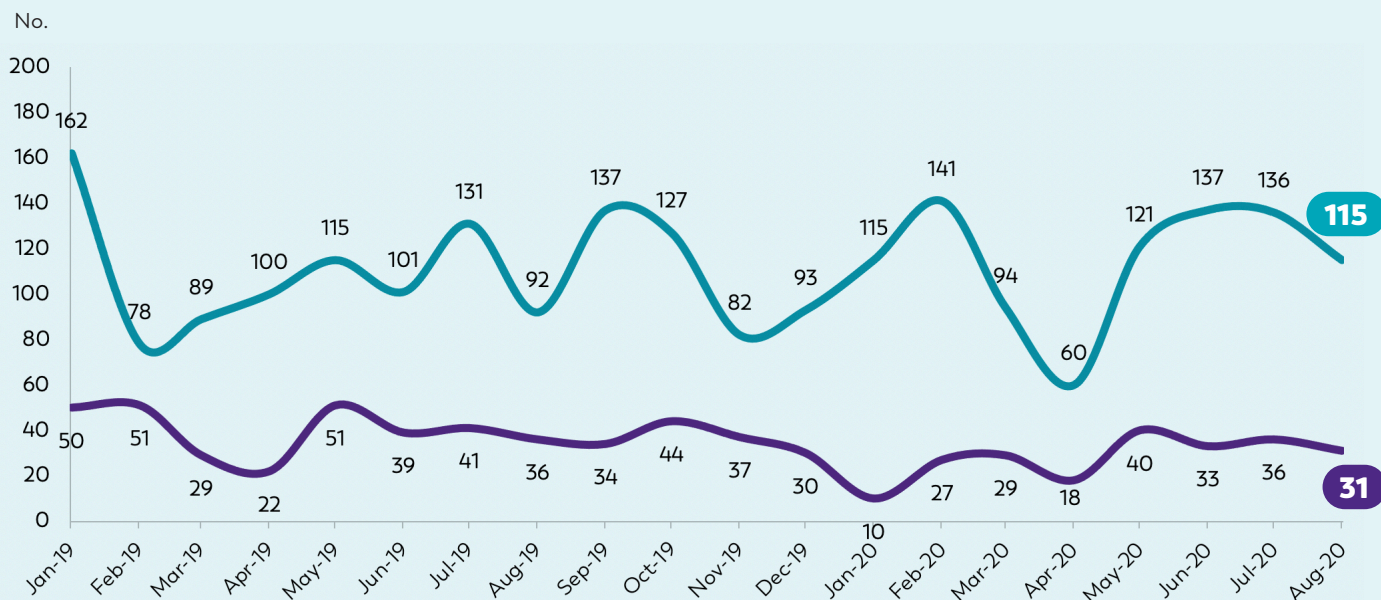


Consents

Residential Consents dipped slightly for August for Tauranga City, with 115 consents issued worth \$38m. Western Bay of Plenty District residential consents dipped slightly also to 31 consents worth \$14.7m.

RESIDENTIAL BUILDING CONSENTS VOLUME

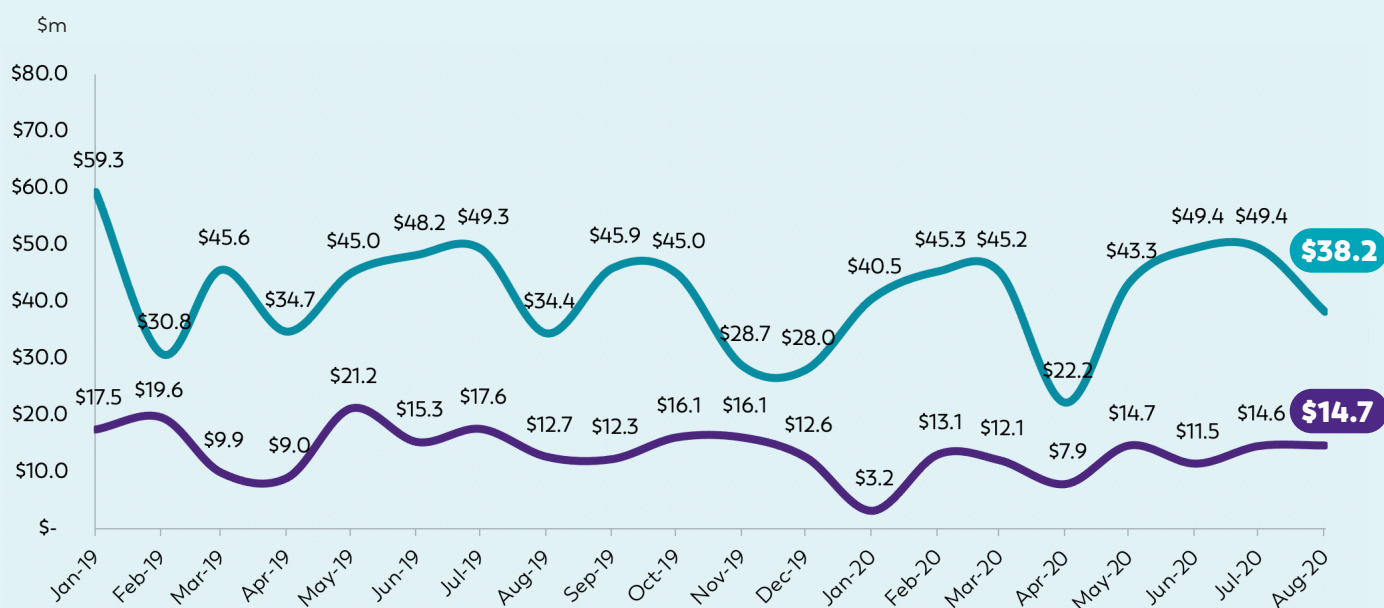
● Tauranga City ● Western Bay of Plenty District



Statistics NZ.

RESIDENTIAL BUILDING CONSENTS VALUE

● Tauranga City ● Western Bay of Plenty District

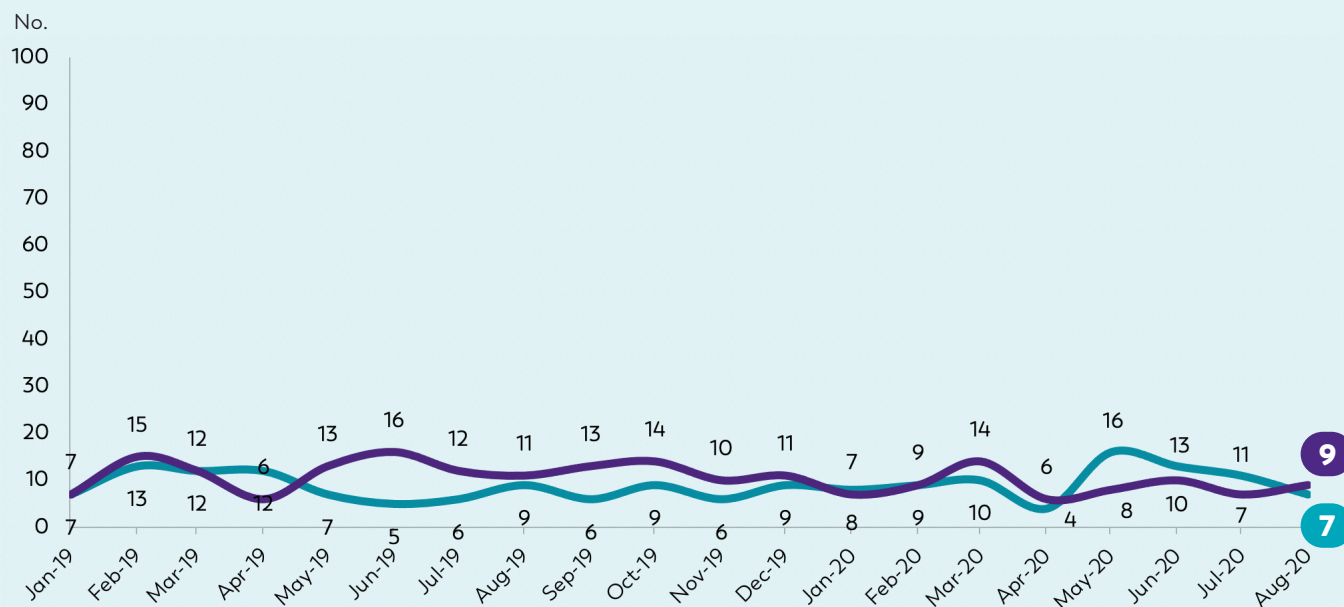


Statistics NZ.

Non-Residential Consents decreased slightly in August for Tauranga City and increased slightly for Western Bay of Plenty District. Tauranga City issued 7 non-residential consents worth \$5m, and Western Bay of Plenty District issued 9 consents worth only \$0.8m.

NON-RESIDENTIAL BUILDING CONSENTS VOLUME

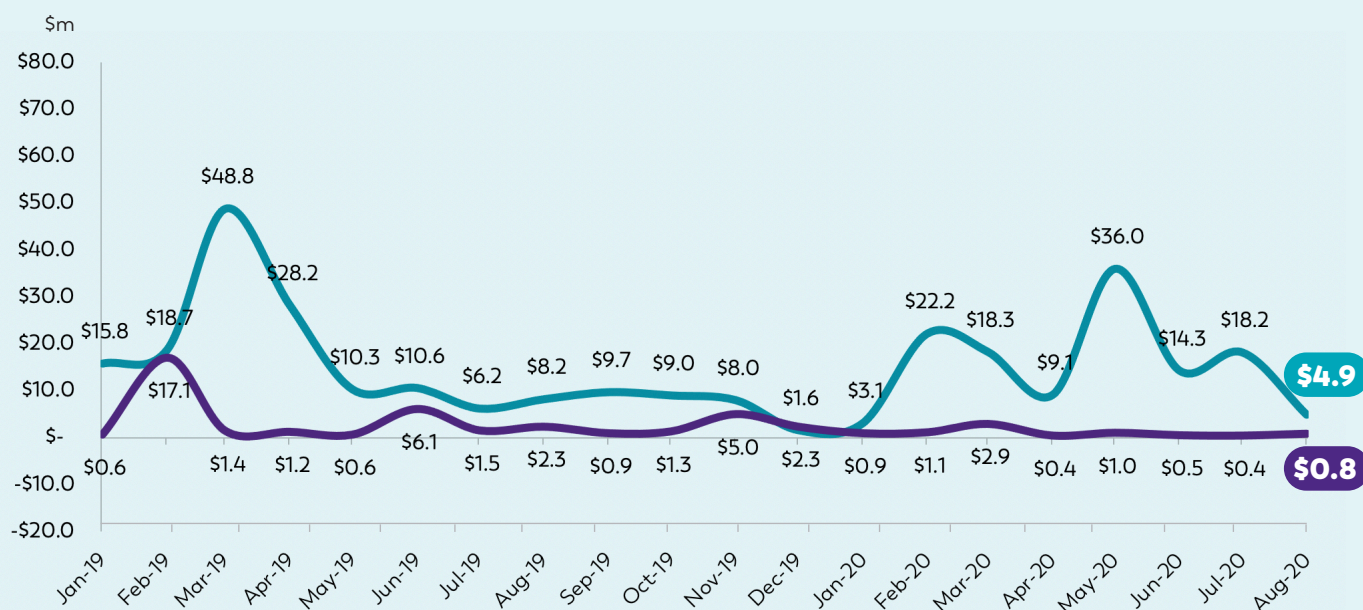
Tauranga City Western Bay of Plenty District



Statistics NZ.

NON-RESIDENTIAL BUILDING CONSENTS VALUE

Tauranga City Western Bay of Plenty District



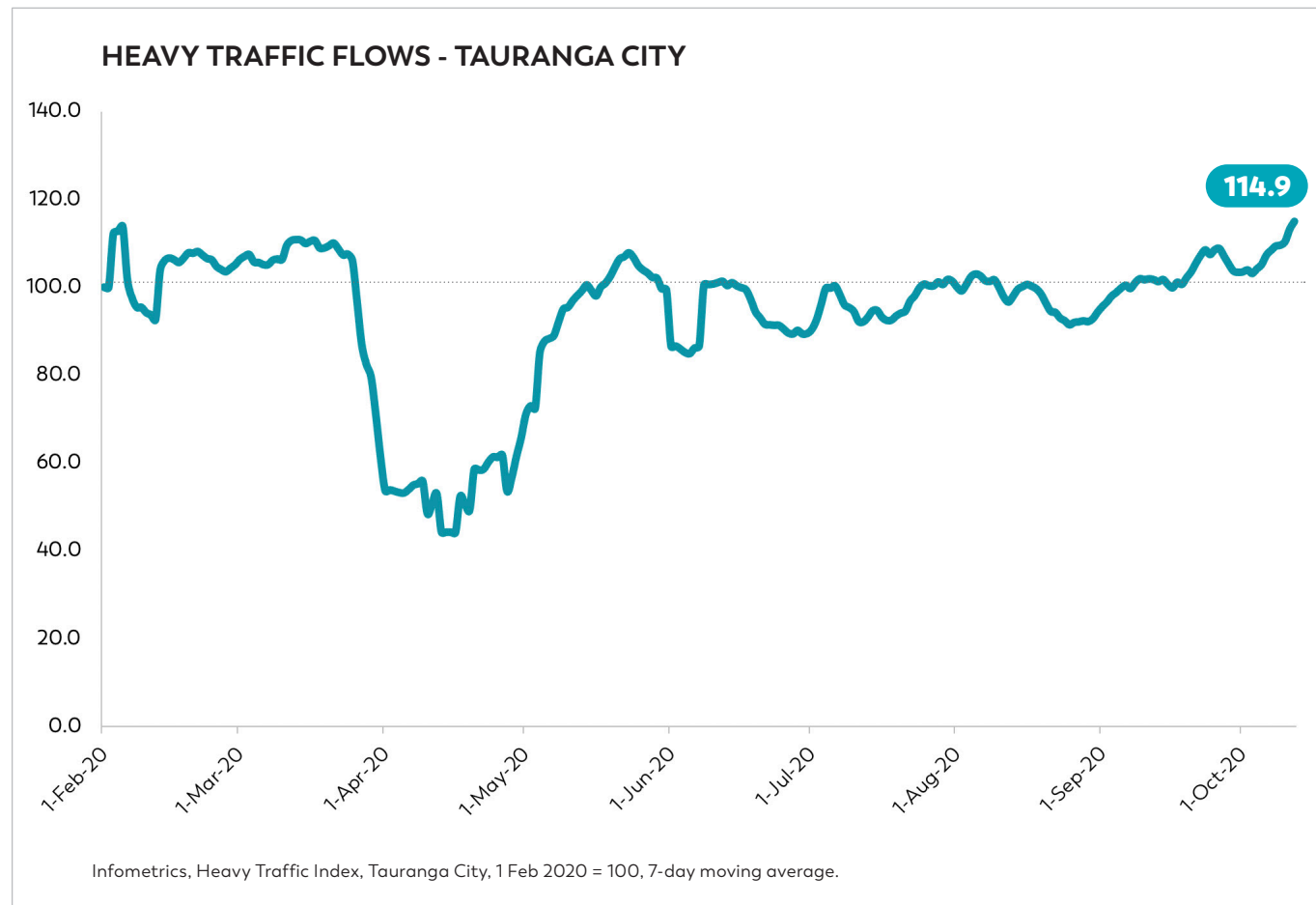
Statistics NZ.



Transport

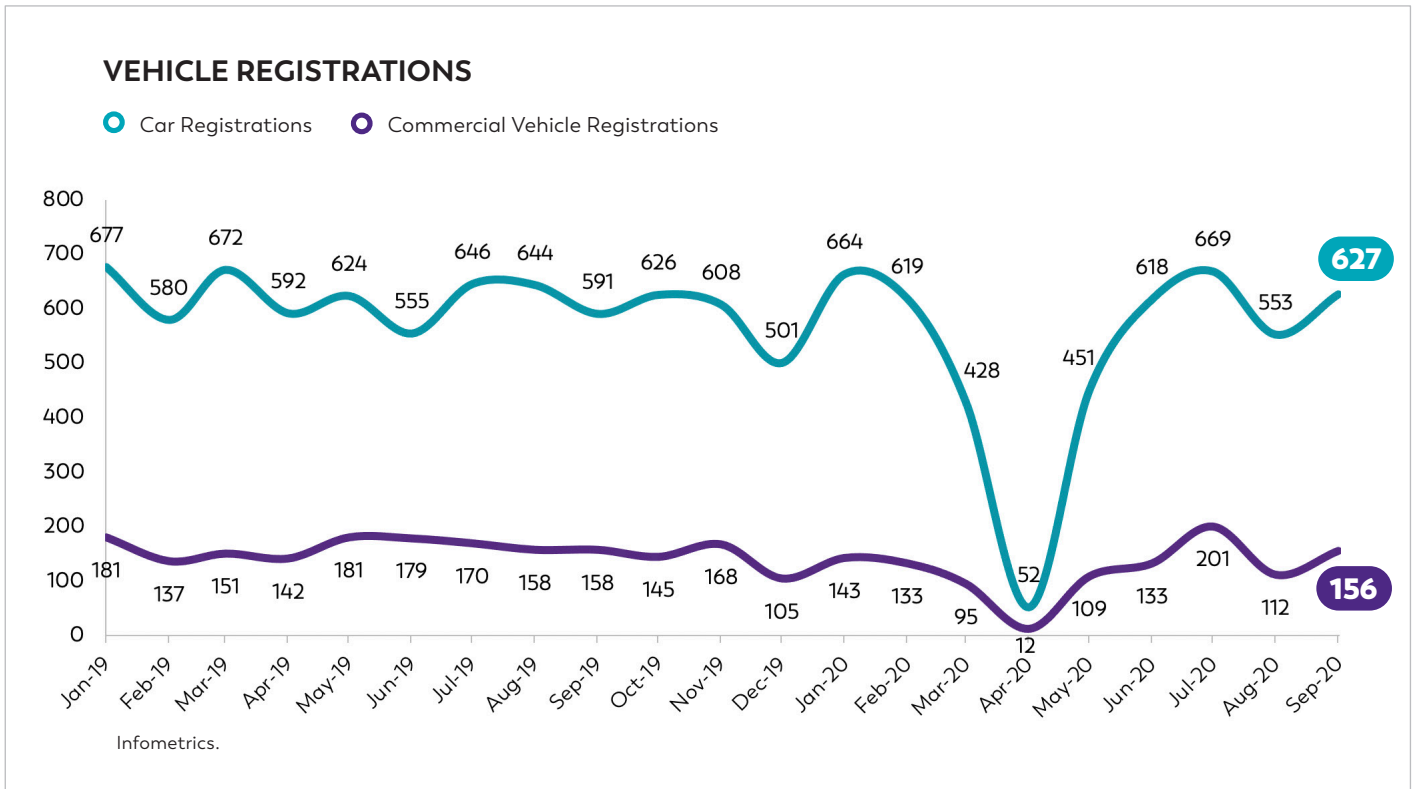
Heavy Traffic

Heavy traffic flows are a great indicator of business activity returning to normal, showing steady growth above 100% of February levels since 8 September, and sitting 15% higher as at 12 October.



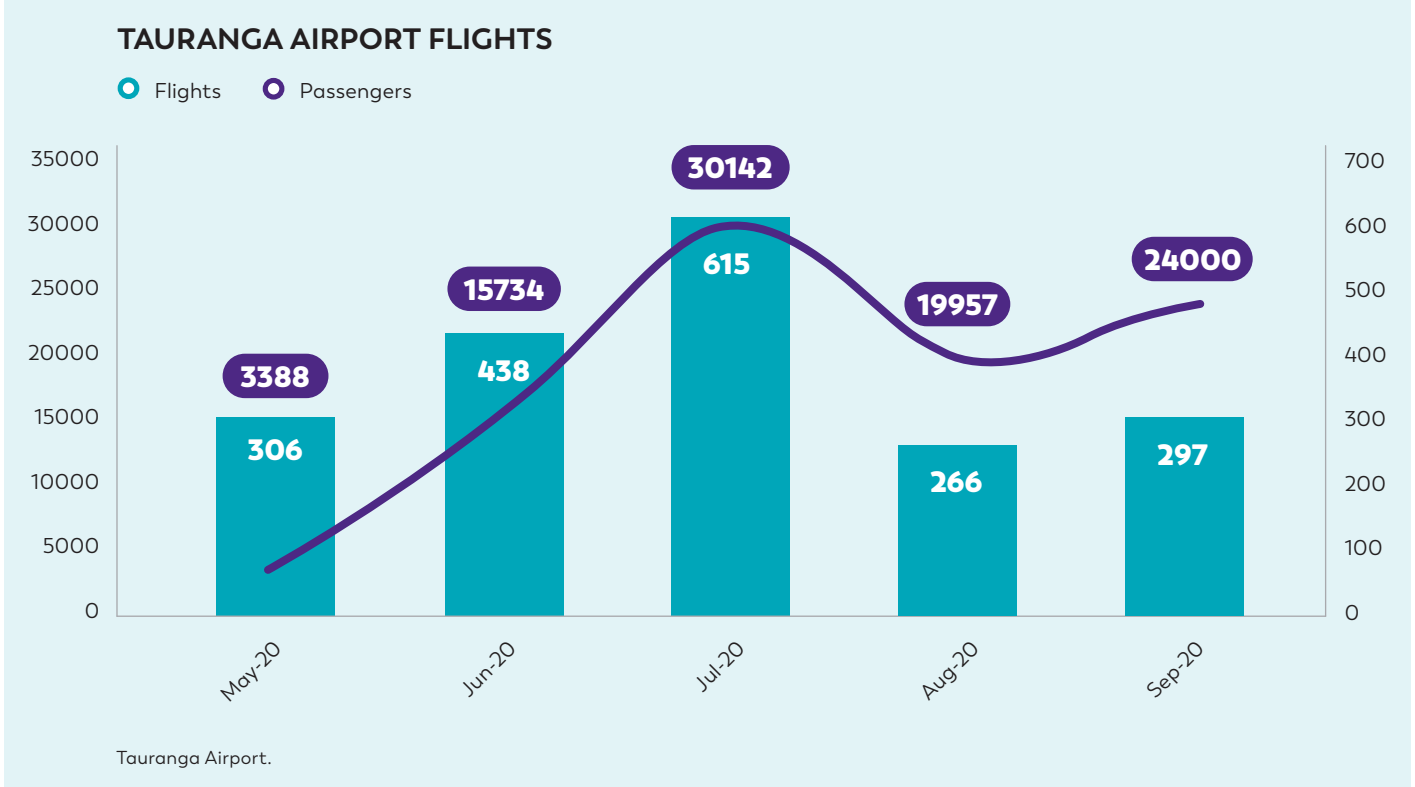
Vehicle Registrations

After a dip in August, commercial vehicle registrations for Tauranga City rose to 627 in September. Car registrations followed a similar pattern, rising to 156.



Airport Flights

The Auckland lockdown caused Tauranga Airport flights to drop by one third in August, recovering to almost 300 flights carrying 24,000 passengers in September.

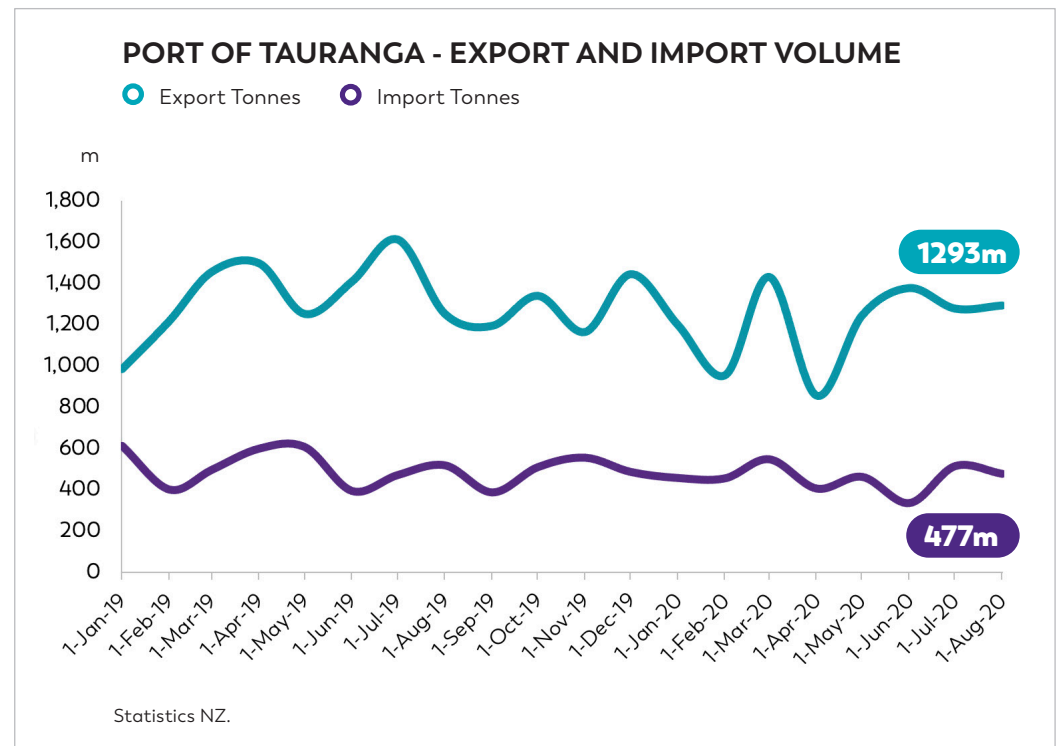


The Port of Tauranga is a vital link to the world for the Western Bay

Port Volumes

Port of Tauranga export volumes remained steady in August at 1,293,000 tonnes.

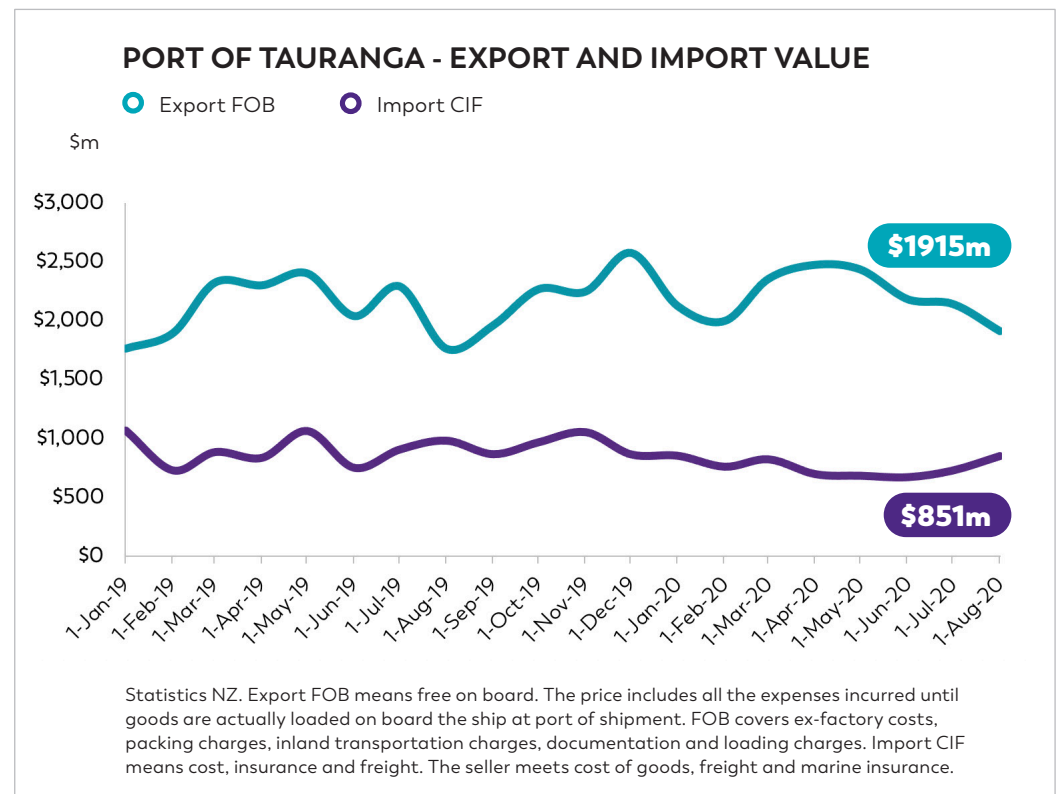
Import volumes dropped slightly to 477,000 tonnes.



Port Values

Export values declined slightly to \$1,915m for August.

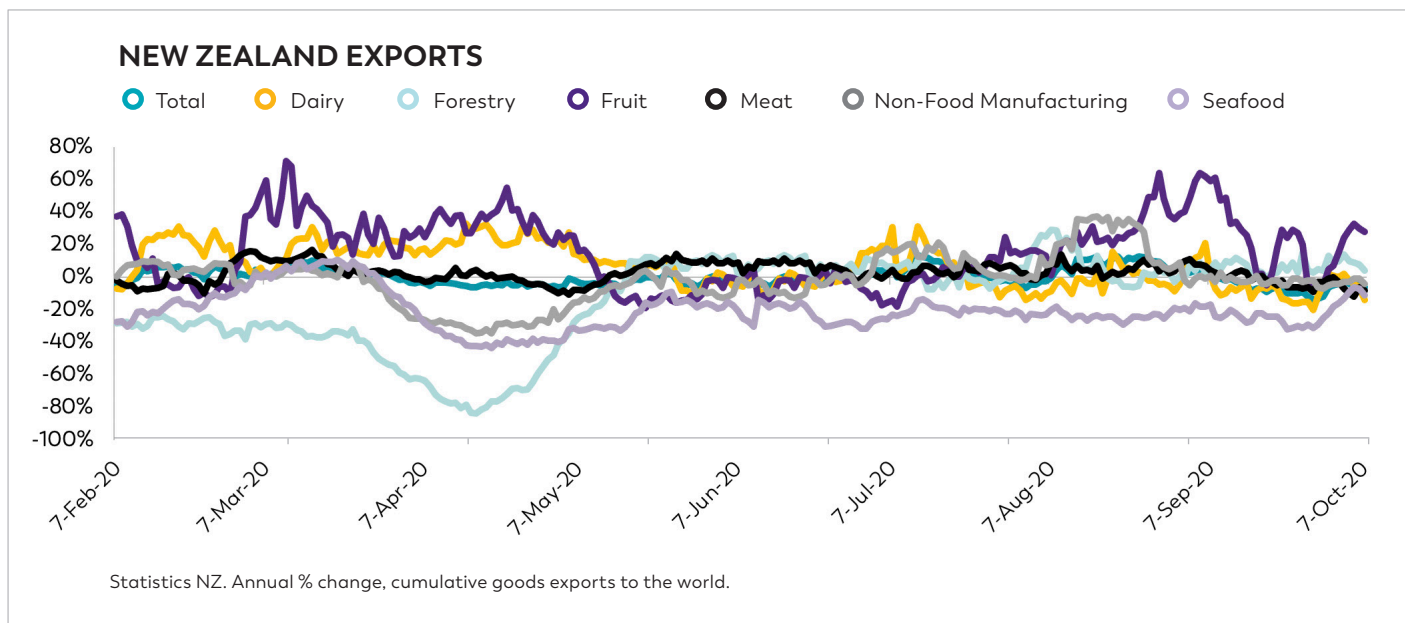
Import values have been relatively flat since April, lifting by \$120m to \$851m in August.





New Zealand Exports

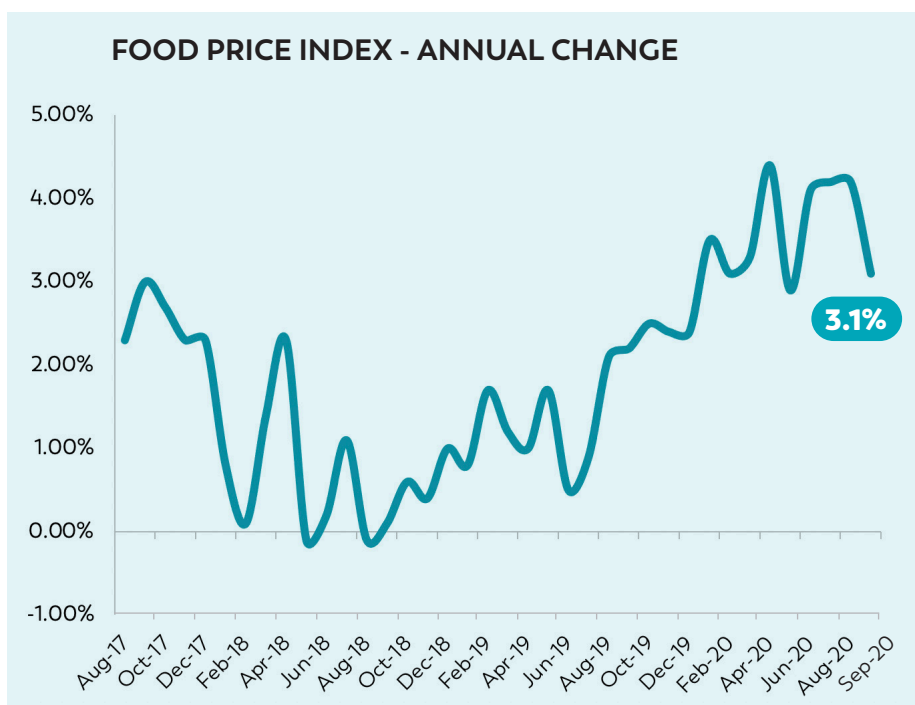
Total New Zealand exports have been in negative territory since 9 September for annual percentage change, with a low of -14% at the end of the month, and sitting at -6% on 7 October. Fruit exports were very high for 20-25 September, and again for 2-7 October, sitting at 28% annual change. Of particular interest is an uptick in Seafood exports, still negative, but down only 11% on 7 October, rather than the -20-30% prior.



Food Prices

Food prices increased 3.1% in the year ended September 2020.

Food prices are collected from about 650 outlets in the 15 surveyed urban areas. About 75 are supermarkets, 30 greengrocers, 30 fish shops, 30 butchers, 50 convenience stores, 120 restaurants, and more than 300 other suitable outlets.



Price changes are measured by tracking the prices of individual food items that make up a representative food basket organised into five subgroups. Compared with September 2019:

- ↑ 11%** Fruit and vegetables
- ↑ 4%** Restaurant meals and ready-to-eat food
- ↑ 2%** Meat, poultry, and fish
- ↑ 1%** Grocery food
- ↓ 1%** Non-alcoholic beverages

Statistics NZ.

Trade surplus offsets lost visitor spend

New Zealand's export performance has been an enduring good news story throughout the COVID-19 pandemic. The trade surplus has risen to a record level, which is providing a welcome net inflow of foreign capital while the borders are closed to tourists. Incredibly, the expansion to the trade surplus during 2020 has more than offset the reduction of foreign visitor spending to date.

Just how big is the trade surplus?

9 months to 30 September	Compared to same period 2019	
Merchandise exports	\$44.6 billion	↑ 1.0%
Merchandise imports	\$41.6 billion	↓ 11.9%
Trade Surplus	\$3.0 billion	↑ \$6 billion

This resilience has been led by the agricultural sector, with dairy, meat and horticultural exports leading the way. The good news for New Zealand is that the world still has to eat. Our commodity-based food products come from a safe growing and production environment, which are in high demand across the globe.

At the same time as exports have remained resilient, imports to New Zealand have fallen because of reduced consumerism and lower oil prices.

How much have we lost from border closures?

While merchandise goods exports have soared, border closures have created a large hole in earnings for tourism operators and the international education sector.

Balance of Payments shows that earnings from inbound business and personal travellers (for both tourism and educational purposes) during the first six months of 2020 were \$7.0 billion, with \$5.3 billion of this revenue occurring in the March quarter alone before lockdown. By comparison, by June last year earnings from international visitors had totalled \$9.0 billion.

A modest level of spend is still occurring due to international students and other visitors who have remained in the country since lockdown. Projecting forward trends using partial spending indicators suggests that total international visitor earnings for the nine months to 30 September 2020 will have climbed to about \$8.1 billion. By comparison, over the first nine months of 2019, total earnings were \$12.0 billion.

These estimates imply that approximately \$3.8 billion less money was spent by international visitors and students during the first nine months of 2020 than a year earlier.

Trade surplus has more than offset lost earnings from visitors

The lost visitor spend is more than offset by the country's expanded trade surplus.

Comparing the record trade surplus calculated earlier, against lower earnings from international visitors, shows that in net terms so far in 2020 the country has earned \$2.2 billion more than a year ago.





PMI

New Zealand's manufacturing sector experienced a pick-up in expansion during September, up 3.0 points from August.

September saw Auckland at level 2.5 or lower, which meant back to business for most manufacturers.

All but one of the key sub-indices improved in September, including Employment (51.6), which showed expansion for the first time since February. New Orders and Production continue to expand.

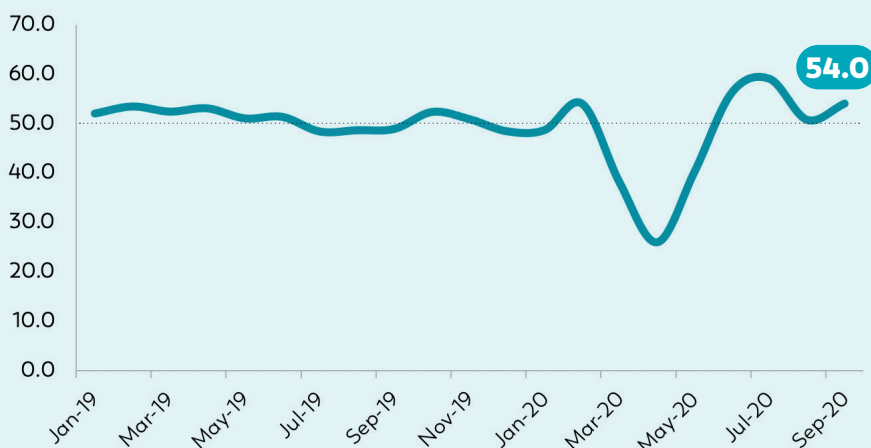
MAIN INDICES



0 10 20 30 40 50 60

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PMI - PERFORMANCE OF MANUFACTURING INDEX

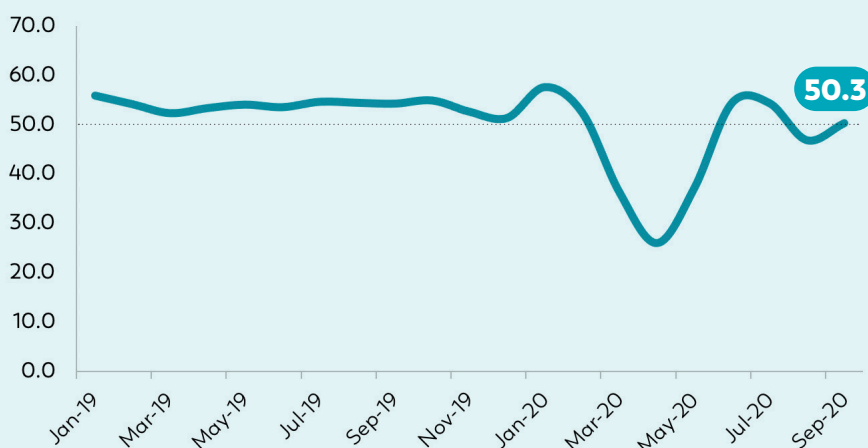


PSI

Activity in New Zealand's services sector managed to just slip into expansion for September, up 3.1 points from August.

BNZ Senior Economist Doug Steel said that "recent PSI and PMI readings are consistent with a big bounce back in Q3 GDP from the massive decline in Q2. The exact degree of it is much more difficult to judge. What lies ahead is arguably more important – making the PSI and PMI indicators important to monitor over coming months."

PSI - PERFORMANCE OF SERVICES INDEX



MAIN INDICES



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