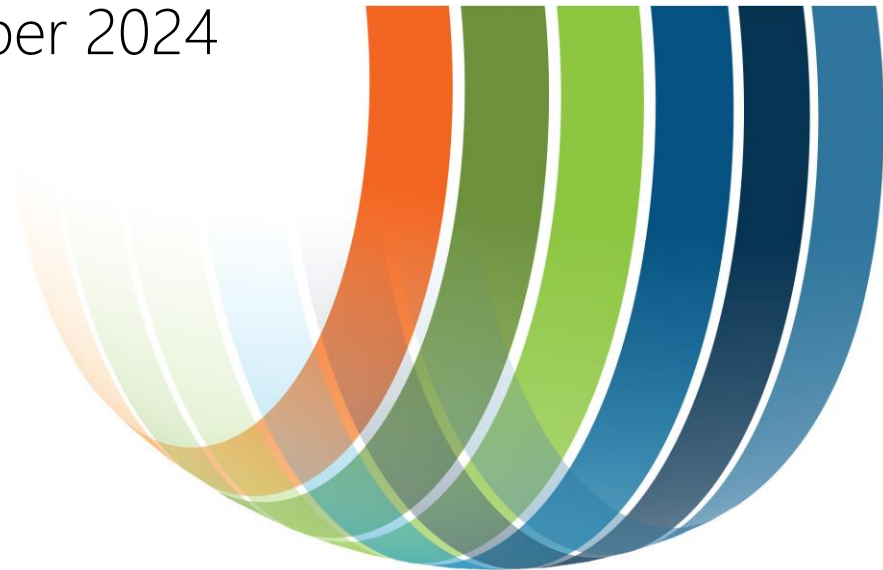


Outlook for the Tararua District economy **for Tararua District Council**

October 2024



Infometrics

Economics put simply

Authorship

This report has been prepared by Chief Executive and Principal Economist Brad Olsen and Principal Consultant Rob Heyes.

Email:

Brad.Olsen@infometrics.co.nz

Rob.Heyes@infometrics.co.nz

All work and services rendered are at the request of, and for the purposes of the client only. Neither Infometrics nor any of its employees accepts any responsibility on any grounds whatsoever, including negligence, to any other person or organisation. While every effort is made by Infometrics to ensure that the information, opinions, and forecasts are accurate and reliable, Infometrics shall not be liable for any adverse consequences of the client's decisions made in reliance of any report provided by Infometrics, nor shall Infometrics be held to have given or implied any warranty as to whether any report provided by Infometrics will assist in the performance of the client's functions.

Table of contents

| | |
|---|-----------|
| Summary | 6 |
| An agricultural-based economy | 6 |
| The agriculture sector is under strain at present | 6 |
| And the outlook is uncertain..... | 6 |
| It's been a tough 18 months for the whole economy..... | 7 |
| Retail is struggling in some areas | 7 |
| Cost-of-living pressures have been tough on households..... | 7 |
| Some businesses are optimistic, some not | 7 |
| Economic conditions will start to pick up in 2025 | 8 |
| A growing, but aging population..... | 8 |
| Tararua has a lot going for it | 8 |
| The global and national context | 10 |
| Global economic trends | 10 |
| COVID upheaval..... | 10 |
| Monetary stimulus leads to price inflation | 10 |
| Global growth will be lacklustre this year and next | 10 |
| Global trade seeks resilience..... | 10 |
| Commodity prices recover | 11 |
| Geopolitical tensions make for an uncertain outlook..... | 11 |
| Longer-term trends will weigh on global growth..... | 11 |
| National trends influencing Tararua | 11 |
| Inflation is almost tamed | 11 |
| Fiscal policy will remain tight..... | 12 |
| Consumers and business more pessimistic..... | 13 |
| Migration surges in both directions..... | 13 |
| Partial recovery in visitor numbers | 14 |
| The broader regional context | 15 |
| Local recognition often difficult | 15 |
| Weak regional activity weighs on Tararua | 15 |
| Regional activity will improve only gradually | 16 |
| The roading network is challenging to maintain..... | 16 |
| Mixed feelings about the new highway..... | 18 |
| Inter-regional population flows relatively small..... | 18 |
| Small changes can make a difference | 19 |
| Tararua economic overview | 20 |
| The Tararua economy is contracting | 20 |

| | |
|--|-----------|
| Businesses are struggling to varying degrees | 20 |
| COVID adaptation | 20 |
| Emerging from lockdown | 21 |
| Cyclone recovery | 21 |
| Cost pressures | 21 |
| Price relativities | 22 |
| Weakening demand | 22 |
| Retail is restructuring | 23 |
| Looking forward | 23 |
| Earthquake strengthening and leaky buildings are a longer-term problem | 24 |
| Construction | 24 |
| Tararua's primary sector | 27 |
| Structure of the local primary sector | 27 |
| Current trends | 27 |
| Lower farm sales across Tararua | 28 |
| Cyclone Gabrielle hammered farm and related infrastructure | 29 |
| Dairy | 29 |
| Sheep & beef | 30 |
| On-farm costs | 32 |
| Forestry activity in greater focus across Tararua | 34 |
| Wider primary sector trends | 37 |
| Service access a challenge | 37 |
| Compliance burden reported to be high | 37 |
| An uncertain outlook | 38 |
| The broader Tararua economy | 39 |
| The Tararua labour market | 40 |
| Employment growth weakens | 40 |
| Tararua employment trends tend to be volatile | 40 |
| Job ads decline | 41 |
| Some industries performing better than others | 41 |
| The migrant workforce is small | 43 |
| Unemployment rises | 43 |
| Jobseeker Support recipients on the rise | 44 |
| NEET rate rising | 45 |
| Tararua earnings tend to be lower | 46 |
| Tararua households & population | 47 |
| Population growth set to continue | 47 |
| Recent population growth a mix of drivers | 47 |
| A younger, but aging population | 48 |
| Cost-of-living pressures | 50 |

Incomes largely keep pace, for some households 50

Housing affordability above pre-COVID levels 50

Wellbeing 52

Crime rate falls then plateaus 54

Summary

An agricultural-based economy

Tararua is an agricultural-based economy populated by small towns that act as service centres to local farmers, other businesses, and residents. The year-to-year profitability of the farming sector has a broader effect through the whole local economy.

The local economy is also dependent on a small number of large employers such as the Alliance Freezing Works, Fonterra and Kiwi Lumber which are highly exposed to global economic conditions, particularly commodity prices. Tararua is home to world-leading manufacturers such as Metalform and NZ Natural Clothing whose success is founded on high quality products, research and innovation, developing close relationships with their customers, and engaging with them through social media.

The agriculture sector is under strain at present

Farmers are facing multiple challenges: cyclone damage, high input costs, lower commodity prices, and intense debt servicing pressures. Cyclone Gabrielle exacerbated the pressures which were then intensified by high interest rates coupled with lower commodity prices as overseas demand softened. The combination of lower returns and higher costs has seen an increase in demand for debt-funded credit across farms to remain operational. This increase in debt-financing is quickly eroding farm equity and risks long-term viability of some operations.

Locals report that off-farm income such as picking up jobs within the primary sector, boutique food and beverage options, and tourism options such as agritourism and Airbnb have become a necessity for the continued operation of a farm.

Higher operating costs, limited returns, and more attractive returns from forestry have seen a shift away from sheep and beef farming towards forestry – both for harvest (for eventually cutting down trees and utilising the wood) and for carbon farming (as a carbon sink, under the Emissions Trading Scheme).

Annual farm sales in the Tararua are at the lowest level since around 2016. The drop in sales, and obvious pressure on the sector, is also hitting prices. Prices have dropped around 24% from peak annual average prices seen in mid-2023. Long-term concerns remain about the succession of farms in Tararua. The next 18 months is set to be critical for the survival of many farms. Without improvement, some farms will be considered for selling, although the value of these farms are set to be lower, and finding a buyer would be difficult.

And the outlook is uncertain

An improvement in returns for sheep and beef are needed to support stronger outcomes across the wider primary sector. However, conditions for stronger returns are mixed. Global export markets are sluggish, and this isn't expected to quickly change. Nationally, modest export growth for meats is expected over the next few years. Trends towards fewer animals could make some farm operations less viable over time, and further conversions to forestry are possible. The next 18 months is set to be critical for the survival of many farms.

It's been a tough 18 months for the whole economy

Some businesses were able to adapt to COVID and the restrictions imposed by central government and many flourished in 2021 and 2022 with strong demand conditions domestically and abroad. However, the local economy has struggled with adverse weather events, cost-of-living pressures and weakening demand over the past 18 months. Sheep and beef farmers face low commodity prices and elevated costs. There are also concerns about conversion of sheep and beef farmland to forestry.

The Tararua economy has contracted since June 2023 and employment growth has weakened. Job numbers have so far not declined because even in struggling industries, employers are trying to keep hold of their staff because if they let them go, competition for workers means they can be difficult to attract once the recovery begins. Weaker employment growth has led to rising unemployment and a rising NEET rate.

Retail is struggling in some areas

In terms of longer-term trends, local retailers in Tararua are struggling to compete with online outlets, like many retailers across the motu. The commercial sector is also struggling to come to terms with building regulations relating to earthquake strengthening and leaky buildings. Absentee commercial landlords can make engagement challenging.

Cost-of-living pressures have been tough on households

Nationally, household living costs have increased around 20% over the past three years. Incomes have largely kept pace because the strong labour market has enabled people to increase their earnings. However, there is evidence that some households in Tararua are doing it tough with housing register applicants and total beneficiary numbers both on the rise. Despite recent house price falls, housing affordability in Tararua remains worse pre-pandemic levels, and rental affordability continues to steadily worsen. The affordability gap between Tararua and major centres has also eroded.

Some businesses are optimistic, some not

There is cautious optimism among some businesses that economic conditions will improve in 2025. The recent cut in the Official Cash Rate was helping feed that optimism. Other businesses were afraid to be confident or optimistic.

The new Te Ahu a Turanga highway between Woodville and Ashhurst (part of SH3) will be a significant addition to the District's roading network, reducing drive times for freight and other vehicles. Some people we spoke to see opportunities for growth in Woodville and other towns as the new road brings more visitors and residents to the area. Others are concerned that the new road will encourage more people to work, shop, and send their kids to school in Palmerston North, and ultimately move out of the local area. The announcement that the new road could be tolled¹ has raised concerns that some of its benefits will be lost.

¹ Consultation on the toll ends 7 October 2024.

Economic conditions will start to pick up in 2025

Infometrics expects the Tararua economy to start picking up in 2025, with the recovery gaining momentum through to 2027. Infometrics forecasts show most Tararua industries will perform worse in the year to March 2025 compared with the previous year, but the outlook to 2029 is much better for many. Cost-of-living pressures will have largely dissipated in 2025. However, concerns about job security could discourage consumer spending if unemployment in Tararua continues to rise, which will postpone the recovery in domestic demand.

The frequency and extent of cuts to interest rates will also strongly influence consumer spending and business investment. The recovery in international tourism is expected to remain muted, which will hamper the recovery of tourism related industries. International migration is expected to fall back from the recent high which will limit international migration as a source of population growth.

Falling interest rates should see building consents in Tararua pick up in the coming years, with building activity expected to follow. However, residential activity, in particular, is unlikely to recover to anything close to recent highs.

For exporting businesses, global growth in 2025 is expected to remain lacklustre before starting to pick up in 2026. Ongoing geopolitical tensions and elections in countries such as the US make the global economic outlook uncertain.

In terms of the fiscal environment, the current government is facing higher debt levels and future cost pressures on existing services caused by factors such as inflation and population growth. Consequently, Infometrics expects central government's push for cost savings will continue through into the 2025 budget at least which will limit central government funding for Tararua District.

The challenging economic outlook will be similar for the regions surrounding Tararua District, except that central government job losses will make conditions even more challenging for Wellington City and the surrounding region.

A growing, but aging population

Longer-term, the aging population is expected to limit economic growth. Since 2014, the District has enjoyed reasonably strong population growth from natural increase, internal migration from elsewhere in New Zealand, and international migration. However, Tararua's older and aging population means its working-age population is relatively small which will limit the size of the local economy and economic growth going forward. The local population is also relatively sparse which makes maintenance of local infrastructure such as roads challenging for the local council.

Tararua has a lot going for it

Trout fishing, tramping, good community spirit, crime is perceived to be low, and relationships with iwi Māori are good. The people we spoke to were passionate about the attractiveness of Tararua to visitors and to businesses and families considering locating to the area. Housing is affordable, although the gap with main centres has narrowed.

People we spoke to saw economic opportunities in tourism (particularly ecotourism), renewable energy, biodiversity, and environmental education by better utilising

Tararua's natural environment including its abundant freshwater assets. There are also opportunities in wastewater management and improving resilience to adverse weather events.

The global and national context

Global economic trends

COVID upheaval

Globally, the last five years has seen significant upheaval across the economy. Economic trends were severely disrupted in 2020 as the COVID-19 pandemic swept the world, leading to lockdowns and economic and social restrictions across many countries. Supply of goods became heavily effected by disrupted supply chains, leading to higher shipping rates and uncertain freight movements. Global restrictions on travel and movement saw spending shift away from services and towards physical goods, stimulating demand for high-quality food exports globally that Tararua supplied.

Monetary stimulus leads to price inflation

Governments and central banks embarked on monetary stimulus schemes such as subsidies and interest rates cut to spur spending and investment. These policies sent demand for goods and services soaring as COVID restrictions eased. Sustained high levels of monetary and fiscal stimulus kept demand for goods, including Tararua's exports, high for a period. However, with demand outstripping supply globally, inflation rose to rates not seen in a generation. Governments and central banks responded with sharply tighter monetary policy. Interest rates increases were used to curb global demand pressures, which led to reduced demand for export, as households and businesses around the world limited spending and investment.

Global growth will be lacklustre this year and next

Inflation is now decelerating in many key economies, including the US, Australia, the UK, the Euro Zone and Canda. Monetary policy is expected to start easing with cuts to interests. Consensus Forecasts of global growth are muted at below 3% in 2024 and 2025. Relatively weak growth in most advanced economies will be largely offset by solid growth in Asia. China's economy is expected to grow by an underwhelming 4.9% in 2024 with the weak housing market, a soft labour market, and low consumer confidence all weighing on Chinese consumer spending.

Global trade seeks resilience

Growth in global trade has slowed significantly over the past decade after a period of rapid expansion that started in the 1970s and persisted until the Global Financial Crisis. Supply chain growth, which supported this expansion, has largely run its course, which means global trade growth will be more limited going forward. The International Monetary Fund (IMF) reports that global trade growth will be robust in 2024 and 2025 in line with growth in economic activity. But trade flows are being rearranged as countries respond to unilateral tariffs, geopolitical tensions, and a desire for greater resilience in their trade flows, all of which will eventually weigh on economic activity.

New Zealand is increasingly favouring free trade agreements (FTAs), which will support our exports even if global trade growth slows. In 2023, New Zealand signed onto FTAs

with both the UK and European Union, which will make almost all exports to these areas tariff free. The National Government is pursuing FTAs with India and the United Arab Emirates.

Commodity prices recover

ANZ's commodity price index shows a rebound in international commodity prices since August 2023 following a slump over the previous 18 months. The recovery has been led by a lift in dairy and meat prices. The slump in prices in 2022/23 came alongside a surge in average farm input costs in New Zealand, implying a hefty hit to profits that producers have not yet recovered from. Forestry prices remain subdued with international markets for logs, pulp, and chip very challenging. The Chinese housing market crisis has prompted a steep fall in Chinese builders' demand for wood, leading to a build-up of logs at Chinese ports. China is starting to work its way through the stocks of logs at its ports, but underlying demand remains soft.

Geopolitical tensions make for an uncertain outlook

Ongoing geopolitical tensions, such as the risk of broader conflict in the Middle East and the ongoing war in Ukraine, as well as elections in major economies such as the US, will influence global inflation, trade, and growth. A Trump victory in the US Presidential Election could result in a universal 10% tariff on all products entering the US, which could trigger retaliatory protectionist policies elsewhere — all of which would increase global inflation, weaken growth, and stifle trade.

Longer-term trends will weigh on global growth

Ageing populations across both developed and emerging economies, weakening investment growth, and climate-change related challenges will weigh on global economic growth in the longer term.

Increasing economic digitalisation, which will spur weightless exports and development of emerging economies, as well as the opportunities afforded by Artificial Intelligence, could increase long-term growth.

National trends influencing Tararua

Inflation is almost tamed

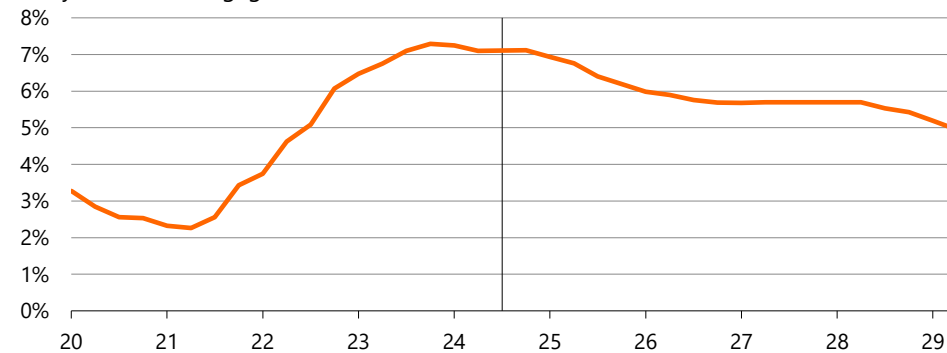
Inflation first emerged in New Zealand in mid-2022, rising to a high of 7.3% in the June 2023 quarter. The Reserve Bank responded by raising the Official Cash Rate which has prompted the retail banks to raise lending rates. As intended, rising interest rates have brought about weak demand conditions. Weak demand has reduced price pressures and brought inflation down to just outside the Reserve Bank's 1-3% target band (as of the June 2024 quarter), leading the Reserve Bank to cut the Official Cash Rate (OCR) by 25 basis points in August 2024.

Further cuts are expected over the next six-to-12 months. Cuts to mortgage rates are expected to follow cuts in the OCR. Infometrics is currently forecasting the one-year fixed mortgage rate to fall from 7.1% currently to 5.7% by late-2026 with further cuts expected from 2028 onwards (Chart 1).

Chart 1

Interest rates set to fall gradually

One-year fixed mortgage rate, Infometrics forecast

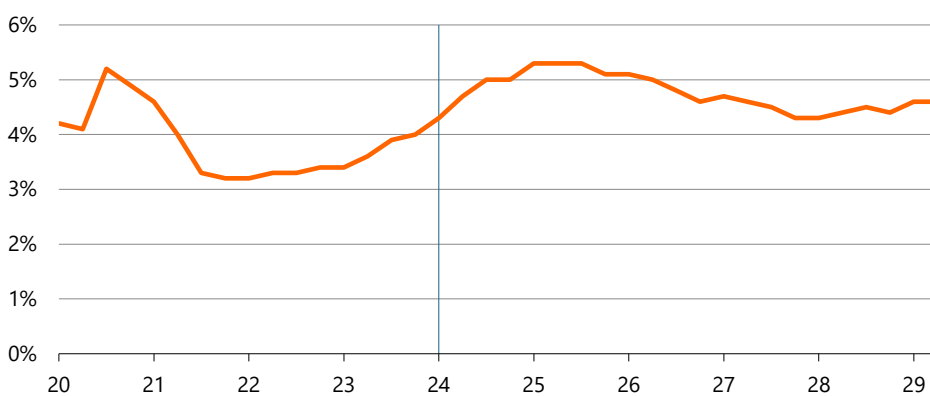


Weak demand across the economy is feeding into business caution around investment and hiring. The softer labour market is further hitting consumer confidence. The caution around hiring will see the unemployment rate continue to rise over the coming months, peaking at 5.3% in the March 2025 quarter before falling back to 4.3% in late 2027 (Chart 2).

Chart 2

Unemployment rate to rise further

Infometrics forecast

**Fiscal policy will remain tight**

Measures to control the spread of the COVID-19 pandemic, such as lockdowns, social distancing requirements, and the closed border, saw the (then) Labour Government inject large amounts of money into the economy, through policies such as the Wage Subsidy, to avoid an economic contraction and job losses. Partly because of COVID-19 stimulus, the current government is facing higher debt levels and future cost pressures on existing services caused by factors such as inflation and population growth. Consequently, Infometrics expects the government's push for cost savings will continue through into the 2025 budget at least.

Local councils are having to balance the need to increase local council rates to pay for infrastructure maintenance and other escalating costs against their residents' ability to

afford these increases while household budgets are being squeezed by broader cost-of-living pressures.

Consumers and business more pessimistic

Both businesses and consumers have become more pessimistic throughout 2024 as demand in the economy weakens, job growth stalls, and business profitability falls. NZIER's latest Quarterly Survey of Business Opinion (QSBO) shows that firms' experience of domestic trading activity is at its lowest since 2008/09 (excluding the 2020 lockdown).

Consumers are retreating further into their shells as the financial pressures of high interest rates are compounded by increasing concerns about the deteriorating labour market. The QSBO's reading on employment levels by firms over the last three months was the worst since the Global Financial Crisis, suggesting households' fears are well-founded. Job ad numbers have plunged since the end of last year and now sit well below their 2019 pre-pandemic level, demonstrating the reduction in appetite for hiring.

Migration surges in both directions

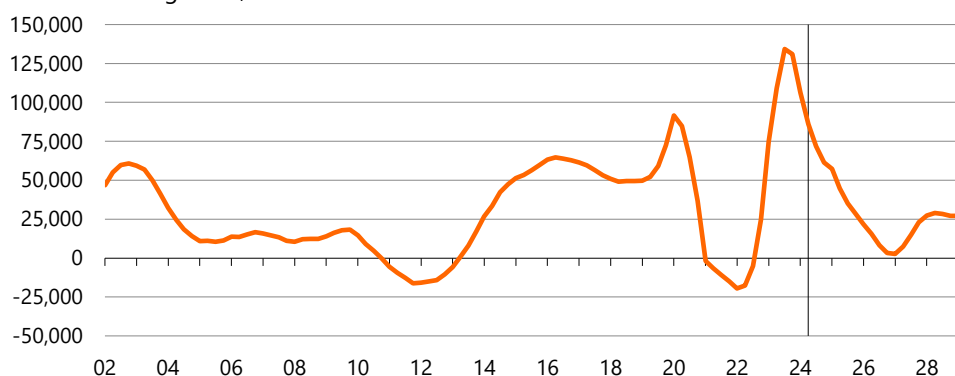
Over the past 10 years, international migration to and from New Zealand has been volatile to say the least. The (then) National Government's open-door policy to migrants saw annual net migration peak at almost 65,000 in mid-2016. A brief surge in movements prior to the closing of the New Zealand border in 2020 was followed by an almost complete cessation of migration during the pandemic.

With the opening of the border in mid-2022, pent up demand saw net migration surge to almost 137,000 over the year to October 2023 before falling away to just over 73,000 over the year to June 2024. Arrivals of non-New Zealand citizens make up the bulk of arrivals, reaching a peak of around 215,000 over the year to October 2023. At around 80,000 departures over the year to June 2024, departures of New Zealand citizens are currently at unprecedented levels and continue to climb.

Chart 3

Net migration set to weaken

Annual net migration, Infometrics forecast



The government recently announced changes to the Accredited Employer Work Visa scheme. The government is trying to pull back from the open-door approach that has prevailed since the borders were reopened in mid-2022, and it is wanting to focus more closely on bringing in higher-skilled workers to fill specific labour market gaps. The

government's approach makes sense given the increasing slack in the labour market, as the unemployment rate pushes up towards 5% and more domestic workers become available.

The weaker economy will see further increases to migrant departures alongside a weakening in arrivals which together will result in net migration falling to zero in mid-2027 before recovering to settle at a net inflow of around 27,000 (Chart 3).

Partial recovery in visitor numbers

On an annual basis, visitor arrivals were tracking along at just over 3.9 million in 2019, having risen steadily since the Global Financial Crisis. The closure of the border in 2020 saw visitor arrivals fall almost to zero. The opening of the border in mid-2022 has seen a recovery in visitor arrivals to around 80% of pre-pandemic levels.

The muted recovery in visitor numbers is the result of global cost-of-living pressures and weak global economic growth which have discouraged travel to distant, premium destinations such as New Zealand. The recovery in Chinese arrivals has been particularly weak, hampered by a sluggish Chinese economy. This has also spilled over into weaker arrivals from Asia more generally.

The broader regional context

The Tararua District economy is influenced by economic trends in the surrounding Manawātū-Whanganui, Hawke's Bay and Wellington Regions. Economic linkages include consumers and visitors from surrounding regions travelling to Tararua District, bringing money into the local economy, businesses in Tararua District having outlets in surrounding regions which bring money into the local economy, businesses from other regions relocating to Tararua, freight passing through Tararua District on its way to Wellington and Napier Ports and shifts in population between Tararua and the rest of New Zealand. The *Recent population growth a mix of drivers* section (p47) looks at how interregional population flows have changed the Tararua population.

Local recognition often difficult

Local feedback emphasised that Tararua as an area is often overlooked or misidentified in regional contexts, which hampers efforts to ensure recognition is given to the area and the challenges it faces. After Cyclone Gabrielle, Tararua is seen by locals as an area that struggled to get traction and attention for recovery efforts.

A lack of "Tararua-centric" data was highlighted, with the area often seen as a component of a larger regional area. However, with the District being viewed as part of multiple areas, and often at the crossroads of many regional groupings, locals view it as easy for Tararua to get lost in the mix.

Tararua District falls between three major regional areas: Hawke's Bay to the north, Manawātū (or Manawātū-Whanganui depending on the setting) to the west, and Wellington/the Wairarapa to the south. In terms of main centre, Tararua can become invisible, with the District comprised of several settlements that sit between Napier, Palmerston North, the Wairarapa, and more broadly Wellington.

Service provision is mixed across a range of organisations and boundaries. For Fire and Emergency New Zealand services, Tararua is considered part of Hawke's Bay. For health and social services, Tararua is considered part of Midcentral region. Education is more Wellington-based. These various regional inclusions all add to a sense of Tararua just being tacked on to other regions. As a result, the voice of Tararua can be left out or drowned out.

Weak regional activity weighs on Tararua

Weak economic activity, falling employment and subdued consumer spending are hitting both the Manawātū-Whanganui and Wellington regional economies. Hawke's Bay is still recovering from the economic effects of Cyclone Gabrielle. All of which is weighing on the local Tararua economy.

Between the June 2023 and June 2024 quarters, Infometrics provisionally estimates that the Manawātū-Whanganui regional economy contracted 0.4%, the size of the Wellington regional economy was static, and the Hawke's Bay economy grew 1.4%. The growth in Hawke's Bay reflects the region's recovery from the contraction that occurred

following Cyclone Gabrielle. Over the past two years, between the June 2022 and June 2024 quarters, the size of the Hawke's Bay economy has been static.

Employment has followed a similar pattern to economic growth with declines of 0.3% in Manawātū-Whanganui and 0.4% in Wellington Region, and a rise of just 0.2% in Hawke's Bay Region between the June 2023 and June 2024 quarters. Across all three regional economies, consumer spending growth has been below the rate of price inflation, indicating that spending volumes have been declining.

Declines in industries such as agriculture, manufacturing, retail, hospitality, and professional services, have been offset to some degree by increases in healthcare and public administration. Growth in the latter has been driven by population growth, declines in the former driven by weak demand and rising costs. Central government job cuts in Wellington are expected to show up in job numbers later this year.

Regional activity will improve only gradually

Economic conditions in surrounding regions are expected improve as interest rates start to fall. However, Infometrics is expecting only a gradual recovery. Consumer spending will remain subdued with unemployment expected to continue rising until mid-2025 as firms remain cautious about new hires. Wellington Region will continue to feel the effects of central government job losses on consumer spending and broader economic activity well into 2025 and perhaps 2026.

Further cuts to interest rates are expected to be steady, but not rapid, as the Reserve Bank remains cautious about domestic inflation. With most mortgages on fixed rates, any changes in mortgage rates will take time to have an effect on household budgets. Business investment is also expected to recover only slowly in line with falls in interest rates and increases in consumer demand.

Central government is in no position to stimulate the economy with greater spending. Higher debt levels and slightly less of a clampdown in spending taking place in the near term, mean we think the government's push for cost savings will continue through into next year's budget at least.

All told, economic growth in Manawātū-Whanganui, Hawke's Bay, and Wellington Regions is expected to start gathering pace from mid-2025, with growth strengthening out to 2028.

The roading network is challenging to maintain

Tararua's roading network is key to its regional linkages. Tararua is a rural economy with 1,913 km of local road to maintain, the eleventh largest network in New Zealand. Around 1,145 km of the roading network is sealed, with the remaining 767 km (40% of the network) being unsealed.²

² Infometrics analysis of NZTA roading network data for the 2022/23 year.

Tararua District has 515 bridges (of which 294 are single-laned), spanning a cumulative 9,896m. The District's bridge network is the 5th largest local road bridge network in New Zealand by count of bridges, and the 3rd largest by length of bridges.³

The topography is challenging with steep rolling hills and 'new' geography of clay soil uplifted from the sea. Vehicles are getting heavier. Over the past 10 years the maximum vehicle weight has increased from 44 to 62 tonnes. Heavier logging trucks, combined with weather events such as the cyclone in 2023 and storms in 2022, have deteriorated the condition of the roads. A forestry contractor we spoke to lamented the general condition of the roads, especially around farms where they are harvesting making it difficult to get machinery into the forests and logs out of them.

Funding to maintain the road network must be generated from a relatively small and sparse local population, which means revenue from council rates is small relative to the size of the roading network. NZTA provides a lot of financial support.

Cyclone Gabrielle substantially damaged several important transport links to Tararua District's various settlements. In particular, the section of Coast Road through the Marainanga Gorge was destroyed in the cyclone,⁴ limiting access between Ākitio and Pongaroa for usual traffic including stock trucks, farmers, and various other travellers.⁵

Figure 1



Left: Repair works on Coast Road along the Marainanga Gorge between Ākitio and Pongaroa.

Right: Repair works on River Road heading towards Ākitio. Source: Brad Olsen / August 2024

Infrastructure costs have also increased substantially in recent years. Infometrics analysis in early 2024 found a 27% increase in general roading infrastructure costs in the last three years (between 2020 and 2023), and a 38% increase in bridge infrastructure costs.⁶

To manage maintenance costs, Tararua District has a lower level of service (lines, signs etc) on the roads. This is balanced by the fact that there are fewer vehicles on the roads. The council is not looking to extend the roading network due to it being unaffordable.

³ Infometrics analysis of NZTA bridge network data for the 2022/23 year.

⁴ <https://www.stuff.co.nz/national/300819077/reopening-of-roads-a-priority-for-rural-tararua-community>

⁵ <https://www.stuff.co.nz/national/300821221/cyclone-gabrielle-damage-is-just-phenomenal--tararua-cleanup-a-big-challenge>

⁶ Olsen, B. (2024). Analysing increases in local government costs. Infometrics. Retrieved from <https://www.lgnz.co.nz/news/publications/analysing-increases-in-local-government-cost/> (accessed 13 September 2024).

The focus is on maintaining existing roads. The new Te Ahu a Turanga highway between Woodville and Ashhurst (part of SH3) will be a significant addition to the District's roading network, reducing drive times for freight and other vehicles. Te Ahu a Turanga is being funded by the New Zealand Transport Agency (NZTA).

NZTA is also seeking community feedback on a proposal to toll the new highway. Tararua residents are concerned the proposed toll, which is \$4.30 a trip for light vehicles and \$8.60 for trucks will be a steep cost for businesses to absorb, will discourage travel between Tararua and Palmerston for work, education, or healthcare. The toll could also encourage motorists to keep using the windy, slow Saddle Road, or the Pahiatua Track, or move to Palmerston North rather than commute there daily. Tararua Council is concerned that continued use of the Saddle Road, or the Pahiatua Track, will add to its road maintenance costs.⁷

An increase in the proportion of road maintenance spending that is subsidised by NZTA from 69% to 73% is helping bring the roads back up to standard following recent weather events. However, NZTA is also proposing changes to funding after weather events under the Emergency works policy review.⁸ Currently, an additional 20% subsidy is added to the existing 73% for 1-in-10-year storm events that cause \$100,000 or more of damage. The proposal is for additional funding to fall from 20% to 10% and for funding to be triggered by 1-in-20-year storm events rather than 1-in-10-year events. The threshold for funding will remain at \$100,000. Decisions are expected in September 2024.

Mixed feelings about the new highway

Local businesses' views on the effect of the new SH3 highway between Woodville and Ashhurst – *Te Ahu a Turanga – Manawatū Tararua Highway* – are mixed. The new road will reduce journey times into and around Tararua District and make the drive much easier. Some businesses are quietly optimistic that it will bring more visitors and consumers into Woodville and the broader District and are looking for opportunities to leverage this. Some are concerned that the new road will encourage more people to work, shop, and send their kids to school in Palmerston North, and ultimately move out of the local area. Others do not see the new road having any effect on their business.

Inter-regional population flows relatively small

Census data tells that 17% of the Tararua population in 2018 had been living in another territorial authority five years previously. Of these people who were living elsewhere, just over half came from eight territorial authorities: 15% came from Palmerston North, 7% from Auckland, 7% from Manawatu District, 6% from Hastings District, 5% from Masterton District, 5% from Central Hawke's Bay District, 3% from Napier City and 3% from Horowhenua District.

However, taking into account flows into Tararua District, the numbers are relatively small. The biggest was a net flow between 2013 and 2018 was a net outflow of 99 people from

⁷ <https://www.rnz.co.nz/news/national/528259/objections-raised-to-proposed-toll-for-manawatu-gorge-road-replacement>

⁸ <https://www.nzta.govt.nz/planning-and-investment/emergency-works-policies-review/>

Tararua District to Palmerston North City. The next largest were a net outflow of 66 people to Masterton District and a net inflow of 60 people from Auckland.

Small changes can make a difference

On the ground we heard about one Tararua retailer who had closed their store in Ōtaki because commercial rent increases were unsustainable. A local business owner in Pahiatua commented that when the year-round swimming pool was completed, local families would hopefully stop going to Palmerston North, Masterton, or Dannevirke for kids' swimming lessons, and this would keep more consumer spending in the local Pahiatua economy.

Tararua economic overview

The Tararua economy is contracting

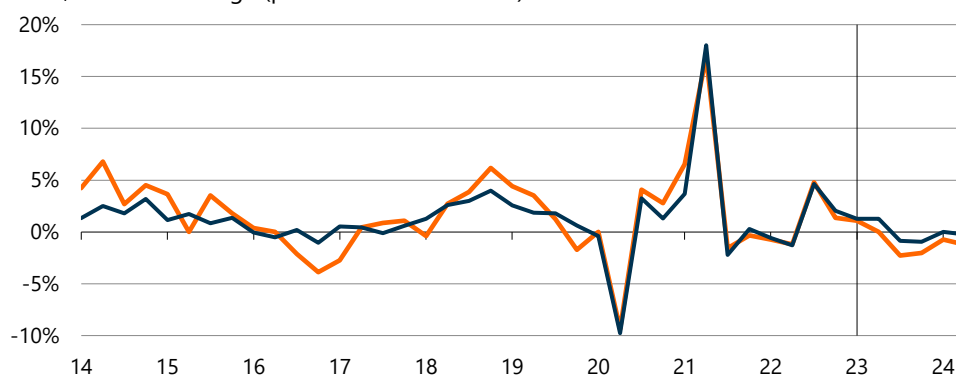
It is difficult to disentangle the lasting effects of the cyclone in early 2023 with the broader economic weakness that has seeped into the local economy over the past 18 months. To underscore this confluence of cyclone effects and broader economic weakness, Chart 4 shows that the Tararua District economy contracted in the aftermath of the cyclone (GDP fell 2.3%pa in the September 2023 quarter) and continued to contract for the next three quarters (GDP fell 1.2%pa in the June 2024 quarter).

Chart 4 also shows that Tararua's economic contraction has been slightly greater than the contraction across all rural economies in New Zealand, which points to the effects of the cyclone on Tararua.

Chart 4

Cyclone hits Tararua economic growth

GDP, annual % change (provisional from Jun 23)



Businesses are struggling to varying degrees

On the ground, all the businesses we spoke to were affected by the challenging economic conditions, albeit to varying degrees. Businesses that had struggled through COVID, often with mounting debt, are now faced with weaker consumer demand, escalating costs, and higher debt interest payments. Several businesses we spoke to said that unless conditions changed in the coming months, they would not survive.

COVID adaptation

Some businesses were able to adapt to COVID and the restrictions imposed by central government. Adaptations included gaining essential supplier status, manufacturing products that were in demand such as face shields, delivering essential items such as fresh food to local consumers, changing how they interacted with customers to maintain social distancing requirements, and boosting online sales through smart advertising. These adaptations enabled businesses to keep reaching their customers, even

generating new customers, during lockdown, which engendered strong customer loyalty.

Other businesses we spoke to barely made it through COVID. Continuing to pay staff when they were unable to operate, and the costs of various COVID restrictions such as weekly COVID testing for staff that kept them from working for 2-3 hours a week, all placed a sizeable financial burden on businesses that resulted in a build-up of debt. Government assistance such as the Wage Subsidy helped, but didn't cover all the costs.

Emerging from lockdown

As New Zealand and the rest of the world emerged from lockdown, local businesses were able to ramp up production to meet soaring demand. Several of the businesses we spoke to said that 2021 and 2022 were very good years.

Cyclone recovery

Cyclone Gabrielle took a crescent size 2,819.76 km² slash right through Tararua District along the coast through Ormondville, Te Uri, Weber, Pongaroa, Akitio, Ohanga, Alfredton, Makuri to just outside Dannevirke, then south to the Wairarapa. Over 2,300 road network faults were identified, 49 roads were closed at the time of response, 6 were bridges damaged (1 bridge was washed away) and approximately 200 farms were affected by slips and flooding.

Speaking to local businesses, the direct effects of the cyclone seem to be behind them. Two roads remain closed. One is scheduled to reopen by the end of 2024, the other is likely to reopen by July 2025. A lot of work is still being done to support affected farmers – work that could continue for years.

Those businesses that suffered losses due to the cyclone are still trying to recoup those losses. In terms of direct effects, forestry related businesses had to reduce their operations in the aftermath of the cyclone because they couldn't access forests around Dannevirke, and logging trucks were unable to carry logs to Napier Port. One of the businesses we spoke to said they worked to repair the roads in the aftermath of the cyclone. Other business we spoke to had to build new infrastructure, such as retaining walls, to prevent flooding in future.

Tararua District Council administered financial support from central government to local businesses which had incurred costs or had their operations affected by the cyclone, which business owners appreciated. But the funds amounted to only a fraction of what the cyclone cost these businesses.

Some farming businesses that suffered damage during the cyclone did not apply for government recovery funds. They were reluctant to ask for assistance because they felt that Hawke's Bay and other regions to the north were much worse off. Some businesses such as retail outlets benefitted from the cyclone because it drove customers south from the affected areas where local businesses had to close. Some of those unaffected businesses were also supplying goods to businesses in the affected area.

Cost pressures

All the businesses we spoke to have experienced cost pressures in the past 12 months that have been even more severe than during COVID. Costs have increased across every

aspect of business operations such as materials, energy, insurance, and wages. Wages have had to increase to keep pace with the cost of living and to maintain wage relativities with the rising minimum wage.

Many of the employers we spoke to have been looking across their whole business operation for ways to minimise costs, which has a knock-on effect on their suppliers and could have a knock-on effect on the business itself. For example, one business owner who used to run a limestone quarry said farmers are not buying lime for cattle raceways which, combined with all the rain they are having, will mean their animals will have more hoof problems that need tending to. Farmers are also not buying as much fertiliser at the moment, which will affect farm productivity next year.

Businesses are also being more selective about non-essential spending, such as which local events they sponsor, which can have a knock-on effect on the local community.

For businesses that operate in international markets, cost pressures in New Zealand have meant that production in New Zealand is less price competitive than in Asian countries. In China, the sluggish economy is keeping a lid on price inflation, mass production using high-end machinery and robotics offer economies of scale, and the Chinese government is offering subsidies to encourage exports. All of which makes it harder for New Zealand businesses to compete with Chinese businesses in global markets. For other local businesses, lower Chinese production costs present an opportunity to have their products made more cheaply in China, thereby achieving higher margins. Exporters have also had to cope with rising shipping costs and products taking longer to ship because of geopolitical tensions such as the war in Ukraine and unrest in the Middle East.

Some businesses agree prices with their suppliers at a fixed time each year. These businesses have been sheltered from subsequent cost increases by these fixed price contracts. However, when contracts roll-over this year, businesses are expecting suppliers to recoup any losses from the previous 12 months by raising prices.

A local food retailer talked about the cost of produce being high right through the COVID period, but prices have fallen back to pre-COVID levels in the past six months. Other business owners also said that cost increases might be starting to even out.

Price relativities

Businesses we spoke to commented on the cheaper land prices, building costs, house prices and broader cost of living that made Tararua a good place to do business. However, there was a feeling that since 2020, the price relativities with metro areas such as Auckland and Wellington had deteriorated making it harder to attract staff from major centres. The *Housing affordability above pre-COVID levels* section (p50) looks at housing and rental affordability relativities between Tararua, Wellington City and Auckland and finds that the gap in housing and rental affordability between Tararua and these main urban centres has narrowed. In fact, for tenants, Wellington City is now more affordable than Tararua.

Weakening demand

All the businesses we spoke to were experiencing weaker demand over the past year, and in some cases lower prices for their products, with the situation getting worse in the past few months (June/July/August). Exporting firms were suffering from the economic

slowdown in Australia, Asia, Europe, and the US. Domestically focussed businesses were struggling with similarly weak domestic conditions.

Some businesses were experiencing a manageable reduction in demand. Some were still working at full capacity but were seeing the pipeline of work dry up. Others were working at less than full capacity and/or were facing the prospect of letting staff go and even closing if conditions didn't improve before the end of the year. More businesses were trying to attract customers using advertising, promotions, sales, finance offers, free pickup and delivery services, anything to get more customers through the door. These strategies were in stark contrast to previous years when there was so much work around businesses' main problem was getting the work finished on time.

Every business we spoke to, even ones with relatively low debt, said that current economic conditions were not conducive to capital investment.

One business owner commented that recently they had noticed invoices not being paid on time. They had spoken to other businesses owners and had heard the same thing. Usually, invoices are paid on the 20th of the month. Recently invoices were being paid on the 21st or 22nd because businesses had to wait for their customers to pay them before they could pay their own invoices. Such behaviour is indicative of tight economic conditions.

Retail is restructuring

The number of specialist retailers on the high street has declined because of competition from online retailers and larger shopping complexes in bigger centres. Local customers have not been loyal to local retailers. With withdrawal of banks from the high street also reduced foot traffic for retailers close by. Fewer retailers mean less foot traffic for those that remain, which becomes a vicious circle. As a result, the high street in Dannevirke has more second-hand stores and takeaway food outlets. That said, a local retailer said the high street has fewer empty premises than it did before COVID.

The local chamber of commerce realises that they need to target the kinds of businesses they want on the high street and encourage these types of businesses to relocate. Outlet stores, such as those found in Ōtaki were put forward as one idea.

A commercial real estate broker we spoke to said rising interest rates had caused the number of commercial property sales to fall, and for sale prices to fall, because debt was increasingly expensive. Tenants for premises in small towns around the District are hard to find. There are very few long-term leases, most are month to month. Tenants, especially in Dannevirke, Pahiatua and Woodville rely on passing traffic for their trade because the local customer base isn't big enough. Substantial increases in rates and huge increases in commercial insurance have made it difficult for building owners and tenants. Those costs must be passed on to tenants which makes the properties less attractive, or absorbed by owners, which erodes their returns.

Looking forward

All the businesses we spoke to were hoping that economic conditions would improve in 2025. Some were optimistic and were, for example, looking forward to opening new product lines. The recent cut in the Official Cash Rate was helping feed that optimism. A residential property broker we spoke to said that the past month had seen more first home buyers and residential investors in the market, which is something they hadn't

seen for 18 months. A good spring for farmers (weather-wise) would also help boost confidence. Other businesses were afraid to be confident or optimistic because the past few years had been so difficult.

Infometrics expects the Tararua economy to start picking up in 2025, with the recovery gaining momentum through to 2027. Falling interest rates will eventually feed through to household budgets as homeowners roll on to lower-fixed-rate mortgages. However, if unemployment in Tararua continues to rise, concerns about job security could undermine the recovery in consumer spending. Local business conditions will be sensitive to this pick-up in consumer demand. Lower interest rates will offer more encouragement to business investment, but broader demand conditions will also factor into investment decisions.

Earthquake strengthening and leaky buildings are a longer-term problem

Some business owners spoke about the high cost of bringing buildings up to standard, and the onerous regulatory requirements. As a result, retail premises and other buildings sit empty. People we spoke to were asking what happens when the deadline for reaching standards passes. Will buildings be demolished? Absentee landlords further complicate the problem because they are hard to engage with.

A commercial property broker we spoke to said that earthquake prone buildings are difficult to sell. If they do sell, it's generally at a low price to cash buyers who are willing to take a risk on waiting to see if government legislation changes.

Construction

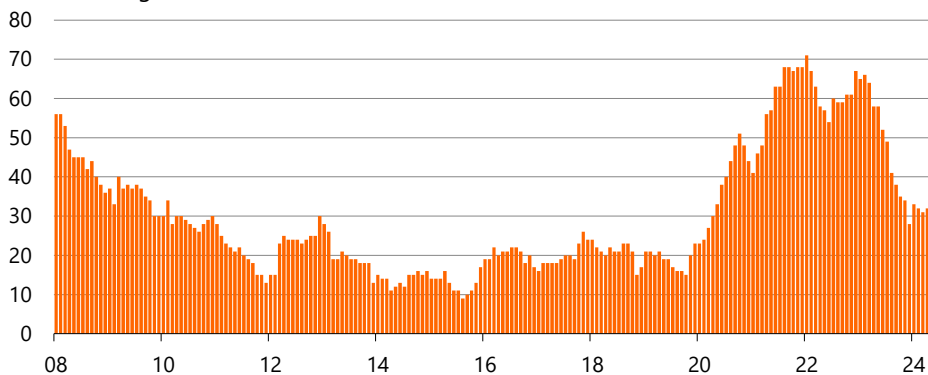
Future construction intentions across Tararua District have moved through a large boom-then-bust period, in line with wider movements in the New Zealand construction sector. Lower interest rates through 2020 and 2021 stimulated substantial investment in housing, with annual residential consents peaking at 71 in the 12 months ending January 2022.

Residential consents slowed considerably as interest rates rose to combat inflation, increasing finance costs and limiting house prices – and diminishing possible sales values for new housing. Coupled with high building cost escalation, local residential building consents over the 12 months to June 2024 slowed back to 31 — a 40%pa decline from the same time in 2023 (see Chart 5).

Chart 5

Pulling back from highs, down 40%pa

Annual running total, residential consents



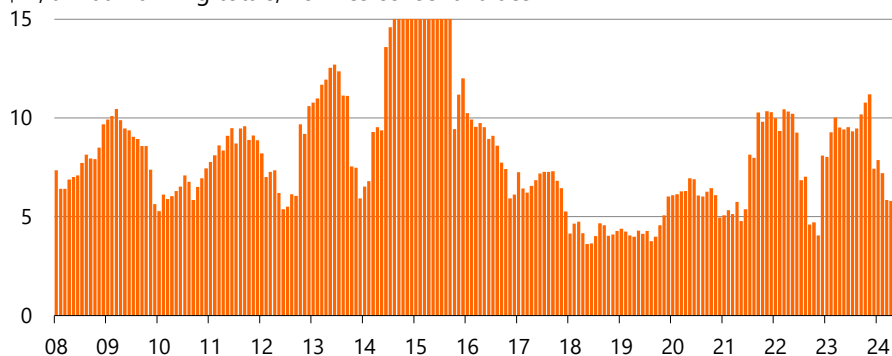
Current consent levels remain higher than over the period 2011-2020, but after a large build up, signal less future work for the local construction market in the months ahead.

Non-residential consent values have similarly pulled back, as investment intentions reduce in the face of higher interest rates. Non-residential consent values in Tararua totalled \$7.1m over the 12 months to June 2024, down 26% from the June 2023 year (see Chart 6).

Chart 6

Investments locally pulling back, down 26%pa

\$m, annual running totals, non-res consent values



Non-residential consents can be lumpy, and we have cut off the massive spike in consent values seen in the 2014/15 period, when Fonterra upgraded their Pahiatua plant.

Overall, the pull back in future work intentions will limit future work for local contractors. Long-term local operators we spoke to suggested that strong reputations provide a solid base to trade off, in good times and bad, with word of mouth enabling these operators to source work. But more competition is expected across the sector as operators without work compete more for what remains on offer.

Competition in the local construction sector could intensify even further, with reports that group home builders are struggling to source work and are expanding into rural areas in search of available work.

Local operators viewed the new highway as likely to boost the construction industry in coming years, with more development unlocked. However, more generally, uncertainty and concern over the stop-start nature of local infrastructure investment was flagged as concern for the contracting market.

More broadly, council building inspection timeframes were reported to be adding to cost and delays. A lack of ex-builders among inspectors is also leading to misunderstandings of on-site realities. Operators understand the challenges to find building inspectors, with rural locations all struggling to attract qualified inspectors.

Tararua's primary sector

The Tararua economy is dependent on the performance of its agriculture sector. In 2023, Infometrics estimates that 31% of economic activity in the District came from the primary sector. That proportion equates to \$339m of the \$1.08b in estimated gross domestic product (GDP) generated in Tararua, in 2023 prices.

The 31% concentration of the primary sector in Tararua is the 6th highest concentration across all 66 mainland territorial authorities in New Zealand.

Structure of the local primary sector

Dairy cattle farming and sheep and beef farming are both important to Tararua, with each group producing around 12% of Tararua District's overall GDP. In 2023, Infometrics analysis of DairyNZ/LIC data shows around 32,500ha of land in dairy production, with nearly 85,000 dairy cows.⁹

The 2022 Agricultural Census, conducted by Stats NZ, shows 130,800 beef cattle in Tararua District, and 1.191m sheep.¹⁰ The sheep concentration in Tararua District is high, with nearly 63 sheep for every person in the District.¹¹

Current trends

The primary sector is under substantial strain at present, with farmers facing multiple challenges: cyclone damage, high input costs, lower commodity prices, and intense debt servicing pressures. Pressures have been increasing on the primary sector in recent years. Cyclone Gabrielle exacerbated the pressures which were then intensified by high interest rates coupled with lower commodity prices as overseas demand softened.

The combination of lower returns and higher costs has seen an increase in demand for debt-funded credit across farms to remain operational. This increase in debt-financing is quickly eroding farm equity and risks long-term viability of some operations. Local representatives report an increasing trend of farmers not taking drawings from their business and limiting or laying off staff due to costs.

Weaker current conditions across the primary sector are also affecting suppliers to the sector. Local businesses reported fewer machinery sales and maintenance due to cash-flow challenges on-farm, as well as seasonal effects exacerbated by drought meaning that machinery didn't wear out as quickly, so machinery workshops were less busy during winter. A dry autumn meant farmers had to buy in a larger volume of feed because the grass had not grown enough, an increased cost to business.

⁹ <https://rep.infometrics.co.nz/tararua-district/economy/dairy>

¹⁰ <https://www.stats.govt.nz/information-releases/agricultural-production-statistics-year-to-june-2022-final/>

¹¹ <https://www.infometrics.co.nz/article/2023-05-chart-of-the-month-lambslide-in-sheep-numbers>

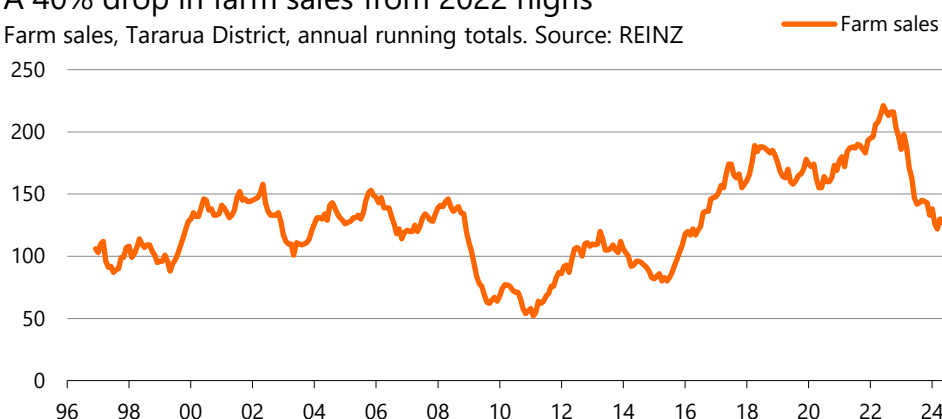
Lower farm sales across Tararua

Annual farm sales in the Tararua are at the lowest level since around 2016 (see Chart 7). Infometrics analysis of farm sales in Tararua District, recorded by REINZ, shows only 133 sales over the 12 months to June 2024. This total was down 10% from a year earlier, and down 40% from the peak in annual sales for the June 2022 year when 221 farms were sold in Tararua District. Farm sales are down across all farm-types, with notable drops for finishing, grazing, and livestock farm sales.

Chart 7

A 40% drop in farm sales from 2022 highs

Farm sales, Tararua District, annual running totals. Source: REINZ

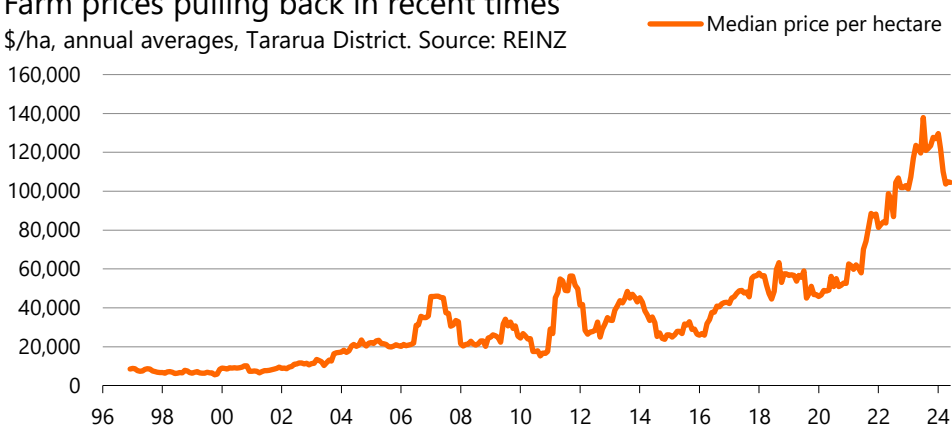


The drop in sales, and obvious pressure on the sector, is also hitting prices. It is difficult to fully quantify farm price trends at a local level, with limited sales creating substantial volatility in sales and price trends. However, to demonstrate the trend, we have taken the annual average of the median farm sales price per hectare of land (see Chart 8).

Chart 8

Farm prices pulling back in recent times

\$/ha, annual averages, Tararua District. Source: REINZ



Prices have dropped around 24% from peak annual average prices seen in mid-2023 and are down 19% from higher prices seen at the end of 2023 and start of 2024. However, the fall in sales in the last two years also highlights the lack of movement in the farm market locally. The time to sell a farm has doubled in the last two years.

Long-term concerns remain about the succession of farms in Tararua, and more broadly across New Zealand. Farm sizes have generally increased over time as farm operations have consolidated into more efficient operations or been sold off. However, these farms are now too big and too expensive to allow young, up-and-coming farmers to purchase and run them. Generally, locals expected lease to own options or investor-supported operations – so simply gifting farms – will be the only viable methods of farm succession.

Cyclone Gabrielle hammered farm and related infrastructure

Cyclone Gabrielle caused extensive damage to farms across Tararua, including destroying fencing, tracks, and land. Although work continues to repair fencing, tracks, and land, some remains unrepairable due to land slips and erosion. Damage to drainage systems is also causing ongoing issues for some operators. Repair costs are also substantially higher, with quoted repair costs for fencing more than doubling from a few years ago. Destruction of fencing has reduced farmers' ability to control feed to animals. This has led to a higher level of drench resistance, according to local leaders.

Cyclone damage to local transport infrastructure has also hit primary sector operations directly. Destroyed or damaged roads have limited farmers' ability to move stock on- or off-farm and have increased costs. As an example, one operator profiled that only smaller stock trucks were able to operate in some parts of the District, and had to operate only part-full, and take detours. These detours require more distance to be driven and require more trips due to the part-full trucks, all of which increases costs above baseline.

As a result of damage to some farm operations, more operators were converting land into forestry. For some, this conversion was reported at a wholesale level, where the entire farm was being converted into forest. Other operators were converting increasingly marginal, and damaged, land that could no longer be economically farmed.

Comments from various operators and local leaders across Tararua highlighted that there was limited targeted support for the primary sector post-Cyclone from national agencies, compared to support for urban areas and households. Support provided by local agencies for the primary sector were critical, but national support and recovery efforts often overlooked Tararua more generally, and Tararua's primary sector.

In raising this point, operators and leaders were at pains to stress that the support received in other areas (for example, in the Hawke's Bay and Gisborne) and by other groups was absolutely required but felt that more targeted support should be provided that recognises the unique aspects and requirements of rural events.

Dairy

Dairy prices have strengthened in recent times, allowing Fonterra to increase the forecast midpoint for the farmgate milk price. The previous season is expected to have seen a milk price of around \$7.80/kgMS, but at one stage was forecast to be just \$6.75/kgMS. The current season saw an opening forecast mid-point of \$8.00/kgMS, which has since lifted to \$8.50/kgMS.¹²

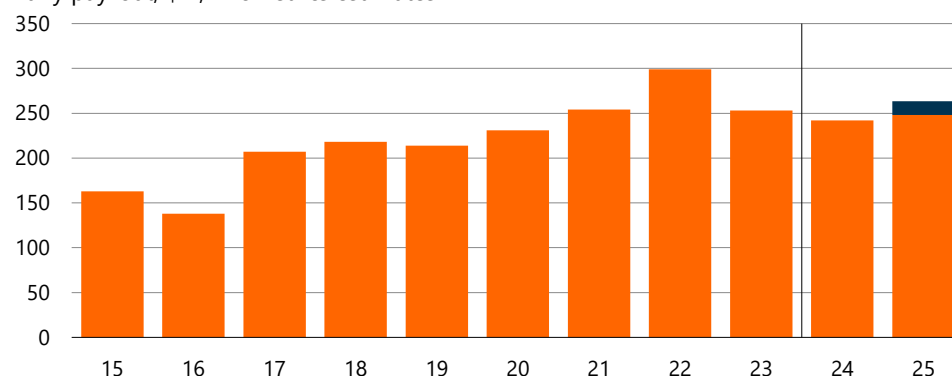
¹² <https://www.fonterra.com/nz/en/our-stories/media/fonterra-fy25-forecast-farmgate-milk-price-strengthens-fy24-earnings-guidance-updated.html>

Our latest formal update of forecast dairy pay-out by area suggested a \$248m pay-out for Tararua, at the \$8/kgMS opening forecast. The subsequent increase in the farmgate milk price has lifted our pay-out forecast for Tararua to \$263m in the current season, up \$21m from last season (see Chart 9). However, this forecast pay-out is still around \$36m less than the 2022 season pay-out, and with costs having increased since 2022.

Chart 9

A \$263m pay-out, up \$21m on the prior season

Dairy pay-out, \$m, Infometrics estimates



Sheep & beef

Sheep & beef farmers have been hit particularly hard in recent years. On-the-ground knowledge suggested that up to 80% of local operators may make a loss in 2024. A combination of challenges has hit the revenue-side of sheep and beef farming, including:

- Lower stock numbers in recent years because of lower returns and forestry conversion.¹³
- Drought conditions, with a medium-scale adverse event declared across the top of the South in early March,¹⁴ followed by an expansion of the declaration to including more of New Zealand – including Tararua District – in late March 2024.¹⁵
- Softer demand conditions, particularly from China, where spending activity has been weaker than expected, and hasn't rebounded as strongly post-pandemic.¹⁶ This weakness has combined with greater competition from other countries, and a restocking of pork domestically in China to dampen demand.¹⁷ In recent years Chinese demand for protein has been higher due to a lack of domestic pork,

¹³ <https://www.nzherald.co.nz/the-country/news/new-zealand-sheep-and-cattle-numbers-down-as-carbon-forestry-drought-and-low-prices-affect-sector/3IDZUEUM5RDBMZZWRUFEAGC4/>

¹⁴ <https://www.beehive.govt.nz/release/government-classifies-drought-conditions-top-south-medium-scale-adverse-event>

¹⁵ <https://www.beehive.govt.nz/release/drought-support-extended-parts-north-island>

¹⁶ Olsen & Morgan. 2024. Changing trends in China: implications for NZ. Asia Media Centre. Retrieved from <https://www.live.asiamediacentre.org.nz/assets/Changing-economic-trends-in-China-implications-for-New-Zealand-V3.pdf> (accessed 13 September 2024).

¹⁷ Beef+Lamb. 2024. China Market Insights – June 2024. Beef+Lamb. Retrieved from <https://beeflambnz.com/knowledge-hub/PDF/china-market-insights-report-2024.pdf> (accessed 13 September 2024).

after African Swine Fever saw a substantial culling of pigs in 2018 and on. Recent years have seen pork stocks being rebuilt domestically.

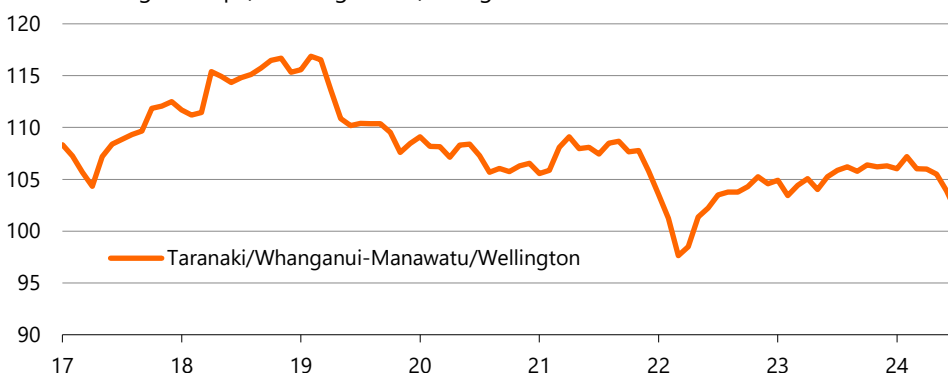
- A record level of lamb slaughter in Australia in late 2023, following significant destocking as drought occurred, coming after years of rebuilding stock levels in Australia after previous drought conditions caused a similar large destocking.¹⁸ The resulting increase in Australian sheep meat available for export has been seen as a “flooding” of the market, with high supply meeting softer demand and weakened prices.¹⁹

Falling supply of animals recently have become more pronounced, with a 30%pa drop in lambs killed over August 2024 in the North Island.²⁰ Due to confidentiality requirements, slaughter volumes are not available at a local or even regional level. However, for the combined Taranaki/Whanganui-Manawatu/Wellington area, the weight of adult cattle slaughtered over the last year is 3.0% lower than a year earlier, with lamb slaughter down 3.5% and overall sheep slaughter down 3.8%pa (see Chart 10).

Chart 10

A 3.8%pa fall in annual sheep meat graded

Millions of kgs, sheep (including lambs), slaughtered



In recent weeks, sheep meat prices, as well as beef prices, have improved somewhat as lower kill volumes force slaughter prices higher to retain enough throughput at meatworks. Lamb prices have recovered to \$7.68/kg on average for September so far (Chart 11).

Lamb slaughter prices had previously fallen to levels last seen 7 years ago, in 2017, at below \$6/kg. Mutton prices had followed a similar downward trend.

¹⁸ <https://businessdesk.co.nz/article/primary-sector/record-year-for-aussie-lamb-slaughter-bad-news-for-nz>

¹⁹ <https://www.farmonline.com.au/story/8452406/australia-accused-of-flooding-global-lamb-market/>

²⁰ Infometrics analysis of NZ Meat Board data.

Chart 11

Lamb prices rise on lower supply

\$/kg, monthly average slaughter price. Source: AgriHQ



Mutton prices remain low, at just \$3.43/kg on average for September. This price is an improvement of the recent low of \$2.33/kg seen at the start of 2024 but is a long way from the \$5.66/kg average price seen over the 2022 calendar year.

At present, New Zealand meats exports have switched away from China, given lower demand, towards the US, where demand is stronger. The US beefstock is at its lowest in 70 years, raising demand for protein.

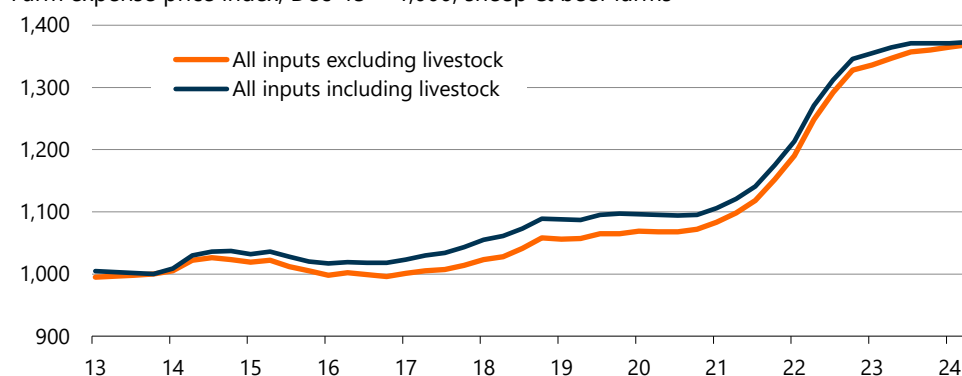
On-farm costs

On farm costs have increased substantially in recent years. The Stats NZ Farm Expenses Price Index shows an average increase over the last four years across all farm types of 25% including livestock, and 28% excluding livestock (see Chart 12).

Chart 12

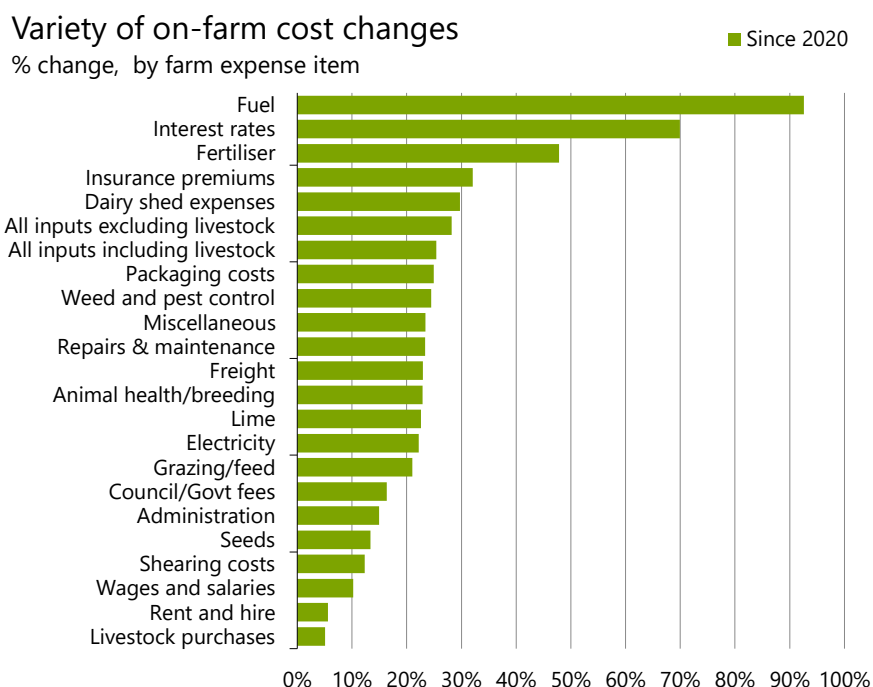
On-farm costs stabilise, but 25% above 2020 levels

Farm expense price index, Dec-13 = 1,000, sheep & beef farms



However, there is considerable variation in the source of higher on-farm costs. Fuel has seen the largest increase in cost compared to four years ago – with fuel costs increasing by nearly double (see Chart 13).

Chart 13



Interest rate (finance costs) increases have been considerable too, with a 70% increase in the last four years, followed by a price increase of 48% for fertiliser. The three 'f's – fuel, finance, and fertiliser, are also large components of on-farm costs, equivalent to 26% of total on-farm costs.

The 23% increase in repair and maintenance costs is also significant. Wages and salaries have increased by around 10% on average over the last four years.

Some prices have moderated in the last year, including for fertiliser, seeds, and livestock. But with interest rates being the second largest cost on-farm after grazing and feed, much higher interest rates have substantially challenged the economics of many farm operations.

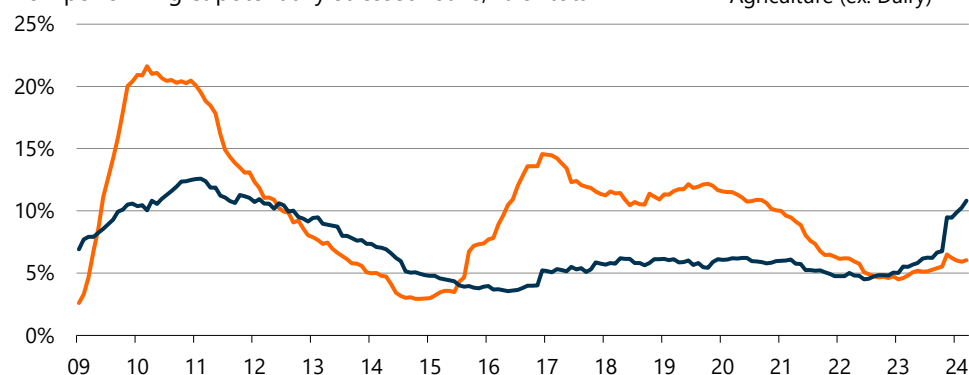
In May 2024, the Reserve Bank reported that the proportion of agricultural loans (excluding dairy) that were non-performing or potentially stressed had nearly doubled in a year, from around 5.5% of total loans to 10.8% at the end of March 2024 (see Chart 14).²¹

²¹ <https://www.rbnz.govt.nz/hub/publications/financial-stability-report/2024/may-2024/financial-stability-report-may-2024>

Chart 14

More pressure hitting

Non-performing & potentially stressed loans, % of total



Forestry activity in greater focus across Tararua

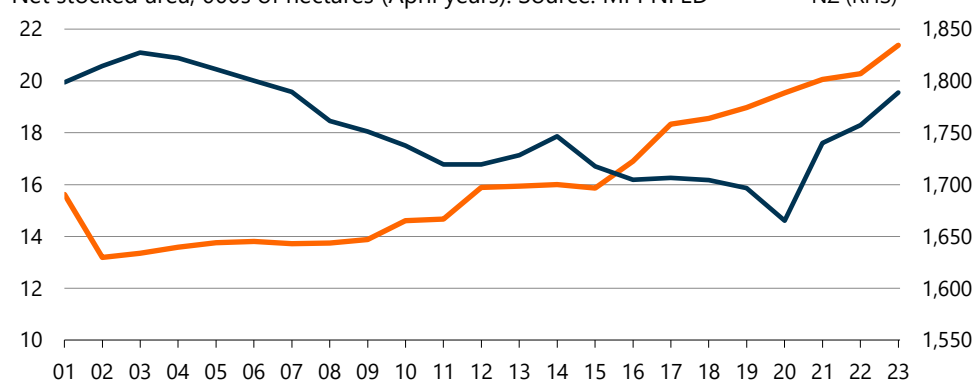
Higher operating costs, limited returns, and more attractive returns from forestry have seen a shift away from sheep and beef farming towards forestry – both for harvest (for eventually cutting down trees and utilising the wood) and for carbon farming (as a carbon sink, under the Emissions Trading Scheme).

Annual and biennial forestry surveys by the Ministry of Primary Industries (MPI) form the National Exotic Forest Description (NEFD) dataset. Infometrics analysis of NFED data over the past 24 years shows considerable growth in forestry across Tararua District. As Chart 15 shows, the net stocked forestry area in Tararua District stood at around 21,400ha in 2023, up 34% in the last decade. At the same time, the national net stocked forestry area has increased just 3.5% since 2013.

Chart 15

Stocked forestry area up 34% in Tararua since 2013

Net stocked area, 000s of hectares (April years). Source: MPI NFED



The 34% increase in Tararua is the 7th largest of all 66 mainland territorial authorities, and Tararua provided around 9% of the net gain in national net stocked area over the last decade.

Reinforcing the rising importance of forestry in Tararua District, the standing volume of wood in Tararua District similarly rose considerably in the last decade, up 46% to around 7.6 million cubic metres (see Chart 16). Nationally, the increase in standing volume was much slower, up just 11% over the decade since 2013.

Chart 16

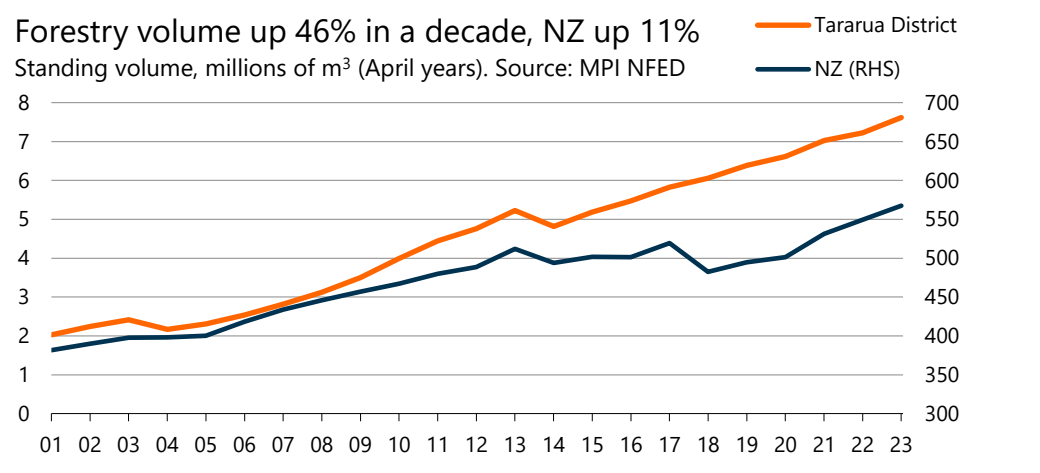


Figure 2



and Figure 3 show the continued forestry plantings across Tararua District, across a variety of land types.

Figure 2



Forestry plantings in Tararua District. Source: Brad Olsen / August 2024

Figure 3



Forestry plantings in Tararua District. Source: Brad Olsen / August 2024

Wider primary sector trends

Locals report that off-farm income has become a necessity for the continued operation of a farm, and that these off-farm roles are generally filled by female members of farming households. Farm operators are also increasingly looking to diversify income streams to ensure any income available is taken, including picking up jobs within the primary sector, boutique food and beverage options, tourism options like Airbnb, and more.

Although these additional income streams are necessary, there are concerns within the rural sector over how these additional demands on time will impact the sustainability of farm operations and family life for those in the rural sector. The sector reports increasing relationship strain as partners work off-farm to supplement income and these various pressures come to a head.

Farmer mental health is seen as a key challenge, with current financial stress and workload contributing to declining mental health. With more farms looking to limit wage costs by limiting staff, workload concerns increase. Short-term challenges coupled with the need to continue operating the farm, mean the sector is reporting that more farmers are postponing difficult financial conversations, exacerbating stress. Anecdotally, we have heard that more farmers are utilising wellbeing support networks.

Service access a challenge

The difficulty accessing services was often noted by locals and the wider primary sector. Limited medical offerings, including primary care, ambulances, and mental health support, are of great concern. Compounding this challenge are current on-farm demands. Farmers are busy and stressed, and many do not feel that they can take the time off from their farm activities to access medical services that are far away or difficult to find the time for.

Telecommunications is also an increasing area of worry, and a health and safety risk. Many farm operations lack mobile coverage. Local reports suggest 50% of farms are without service. Low service availability means options to provide virtual or remote medical support aren't possible and raises the risks of events occurring without readily available communications to request support.

Compliance burden reported to be high

Local operators reported high regulatory compliance burden, with multiple overlapping compliance systems creating confusion and extra work. Farmers have struggled to keep up with changing regulations and compliance requirements and are facing high costs to meet these requirements. Some operators reported the emergence of a "cottage industry" to produce land and freshwater plans at a high cost, because it is known that these plans are crucial to ongoing farm operations.

An uncertain outlook

The longer-term outlook for Tararua's primary sector is uncertain, and to a degree, precarious. On-farm returns for the current year are set to be below cost, further eroding equity. Longer-term, an improvement in returns for sheep and beef are needed to support stronger outcomes across the wider primary sector.

Conditions for stronger returns are mixed – global export markets are generally sluggish at present, particularly China, and this trend isn't expected to quickly change. Better results out of the US are encouraging, but it is difficult to tell how strong or for how long this trend will occur.

Trends towards fewer animals, due to costs, drought, and lower returns could make some farm operations less viable over time, and further conversions to forestry are possible.

The next 18 months is set to be critical for the survival of many farms. Without improvement, some farms will be considered for selling, although the value of these farms are set to be lower, and finding a buyer would be difficult.

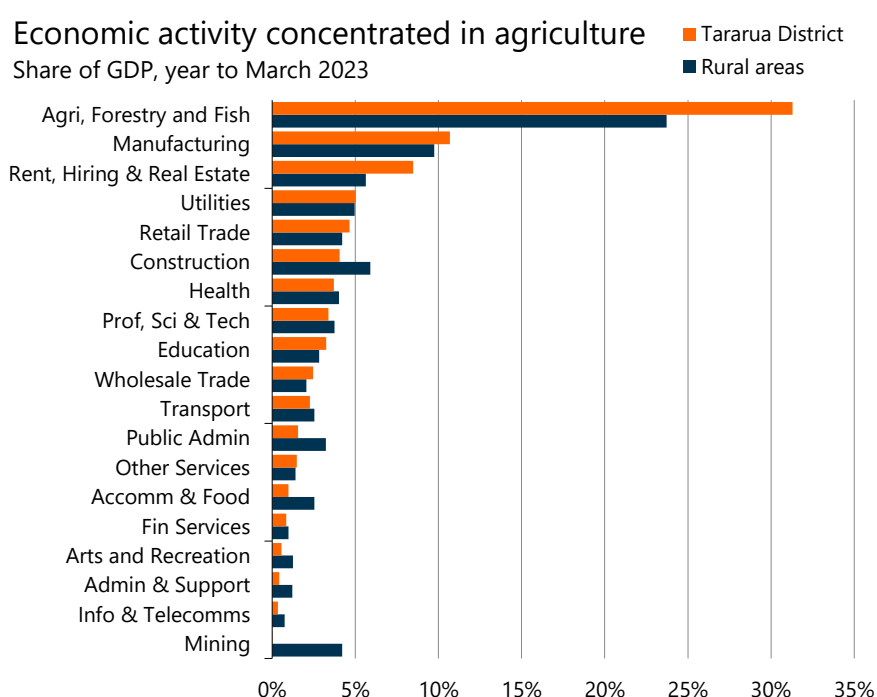
The latest Situation and Outlook for Primary Industries (SOPI), published by MPI in June 2024, suggests modest export growth for meats in the future. Combined beef and sheep meat export values are set to increase 2.0%pa in the June 2025 year, and then a further 3.2%pa in 2026, followed by 1.8%pa growth the next two years.²²

²² Infometrics analysis of SOPI data.

The broader Tararua economy

Tararua has a relatively large agriculture industry compared with other rural areas (see Chart 17). Almost one-third of Tararua's economic activity is concentrated in the agriculture industry compared with an average of one-quarter across all rural areas. Manufacturing makes up almost 11% of activity in Tararua, and the rental hiring and real estate industry is relatively large making up 8.5% of economic activity. Compared with the average of all rural areas, Tararua has small construction, mining and accommodation and food services industries.

Chart 17



People we spoke to commented that the Tararua economy is dependent on a small number of large employers such as the Alliance Freezing Works, Fonterra, and Kiwi Lumber which are highly exposed to global economic conditions, particularly commodity prices. Tararua is also home to world-leading manufacturers such as Metalform and NZ Natural Clothing whose success is founded on high quality products, research and innovation, developing close relationships with their customers, and engaging with them through social media.

The Tararua labour market

Employment growth weakens

A weakening labour market in Tararua reflects the broader weakening in economic conditions across the local economy. Annual growth in filled jobs in Tararua has weakened from a high of 5.5%pa in the June 2021 quarter, as the local economy surged out of COVID-related lockdowns, to fall by 0.2%pa in the June 2024 quarter (Chart 18).

That employment in Tararua has grown at all in recent quarters despite economic activity contracting (see Chart 4, p20) is testament to the fact that some industries are performing better than others. In industries that are performing worse, employers are reluctant to let staff go. Employers prefer to cut staff hours rather than let staff go because there is competition for workers at all skill levels and staff are hard to get back once the economy starts to grow again.

Chart 18

Employment growth weakens

Filled jobs, based on residential address, annual % change

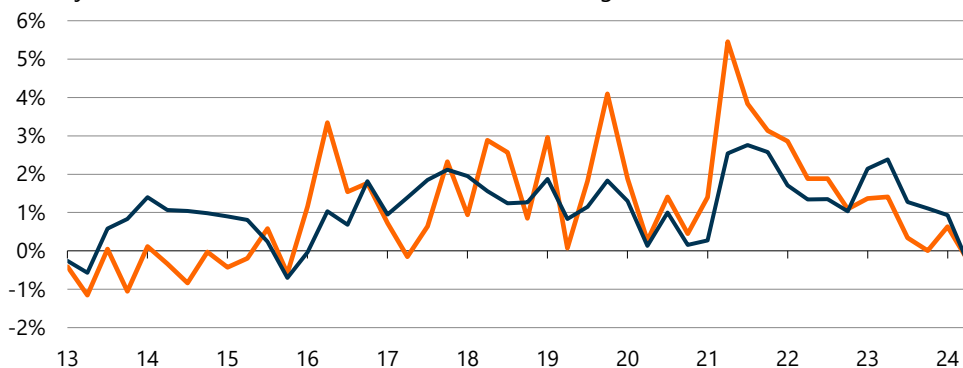


Chart 18 also shows that the recent decline in Tararua employment reflects declining employment across all rural areas. Tararua employment growth outperformed the rural average during COVID and in several of the years before that. But Tararua's weakening in employment growth in 2023 was more severe in 2023 compared with all rural areas, perhaps reflecting the effect of Cyclone Gabrielle.

Tararua employment trends tend to be volatile

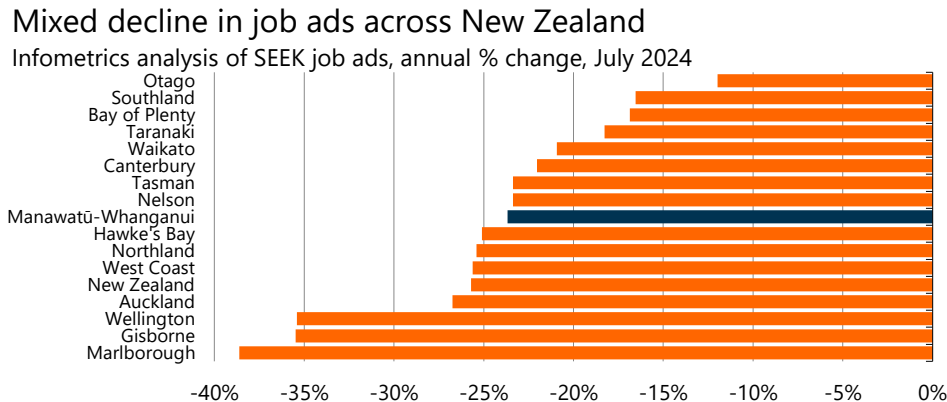
Chart 18 shows that, over recent years, employment growth in Tararua has tended to be quite volatile, as you would expect from a small agricultural-based economy. The post-lockdown surge in Tararua employment was a good example of this volatility.

Job ads decline

Job ads tend to be much more sensitive to economic conditions than employment. If employers are reluctant to let staff go when economic conditions are challenging, they can be just as reluctant to hire more staff. Chart 19 shows that between July 2023 and July 2024, job ads in Manawatū-Whanganui Region fell 24% compared with a 26% fall across New Zealand as a whole, which places Manawatū-Whanganui Region around the middle of the regional pack.

We don't have job ad numbers for Tararua District, but employment in Manawatū-Whanganui Region has fallen by a similar proportion compared with Tararua District over the year to June 2024 so we can speculate that job ads in Tararua might have fallen by a similar amount as the Manawatū-Whanganui Region.

Chart 19



Some industries performing better than others

Tararua's weak employment growth over the year to March 2024 was primarily driven by a 2.4% contraction in its agriculture sector. With agriculture making up such a large proportion of the Tararua economy, the fortunes of local dairy, sheep and beef farmers, and local foresters, have deep implications for the whole local economy. However, in the year to March 2024, several other industries did grow, which helped offset the struggling agriculture industry. Chart 20²³ shows that:

- The accommodation and food service industry was still recovering from COVID lockdowns and the closure of the border and was being boosted by the return of international tourism and resilience in domestic tourism.
- Growth in construction and real estate services was the tail end of the construction boom which was brought about by low interest rates and COVID stimulus, as well as rebuild work after recent weather events.
- Job growth in education and training, and healthcare and social assistance tends to be driven by population growth as well as the additional demand on health

²³ Chart 20 excludes the smallest industries in Tararua. Chart 20 uses Infometrics annual employment estimates and forecasts. Chart 18 uses Stats NZ Monthly Employment Estimates, which don't include forecasts.

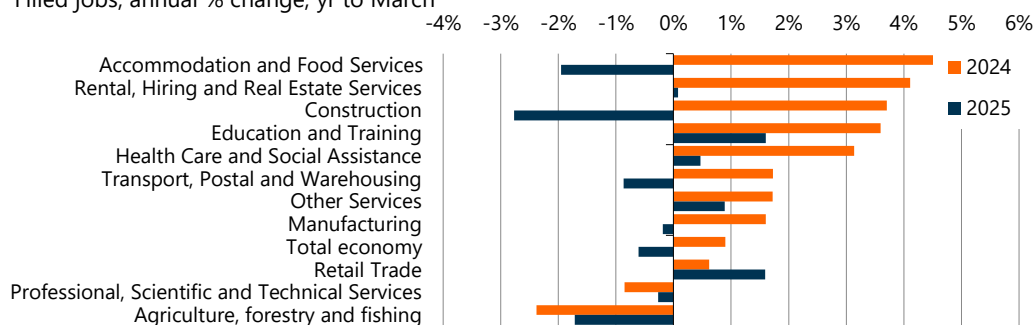
services during the pandemic. Although, we understand that rural health care providers in Tararua have struggled to fill roles.

- Weak growth in meat processing offset stronger growth in dairy processing, resulting in weak employment growth across manufacturing as a whole.

Chart 20

Some industries performing better than others

Filled jobs, annual % change, yr to March



Looking ahead at the short-term outlook (Chart 20), the year to March 2025 will see mixed fortunes for Tararua's key sectors.

- Employment in accommodation and food services is expected to decline as the tourism recovery stalls and both business and consumer spending remain weak.
- Employment in construction is expected to decline as the pandemic boom finally ends.
- Employment in agriculture will continue to decline.
- Manufacturing is expected to contract slightly due to the struggling agriculture sector and continued weak global demand for manufactured exports.
- Healthcare and social assistance, and education and training are expected to see weak employment growth, driven by population growth and continued skill shortages.
- Retail should see weak growth as falling interest rates boost household budgets a little.

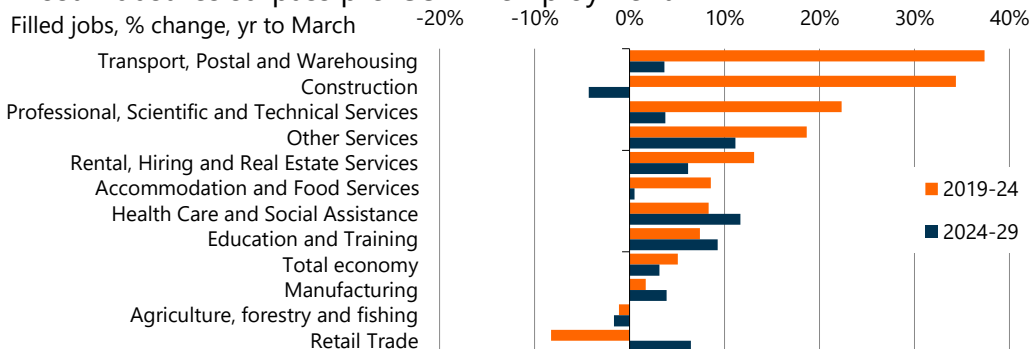
To get a sense of more structural economic trends Chart 21 shows longer-term historical and forecast employment growth of key industries in Tararua District.

- In transport, postal and warehousing, construction, and professional and technical services, growth over the period 2019-24 was much stronger than forecast growth for the period 2024-29 due to weaker economic conditions going forward.
- Growth in the health care and social assistance, and education and training industries is expected be similar in the period 2024-29 as it was in the period 2019-24 because these industries are driven more by population growth than economic prosperity.

- The retail industry is forecast to recover some of the jobs it shed during the pandemic. The shift to online spending has largely run its course, and local retailers will benefit from economic recovery as consumer spending picks up.
- The manufacturing industry is expected to continue to under-perform due to weakness in the agriculture industry and broader domestic and global economies.

Chart 21

Most industries surpass pre-COVID employment



The migrant workforce is small

Migrants make up a relatively small proportion of the Tararua District workforce. Over the year to February 2024, recent residents and people on work visas or other visas made up just 2.9% of employed people in Tararua District compared with 14% nationally. Although, the proportion in Tararua is rising. In 2019, migrants made up 1.3% of employed people in Tararua District.

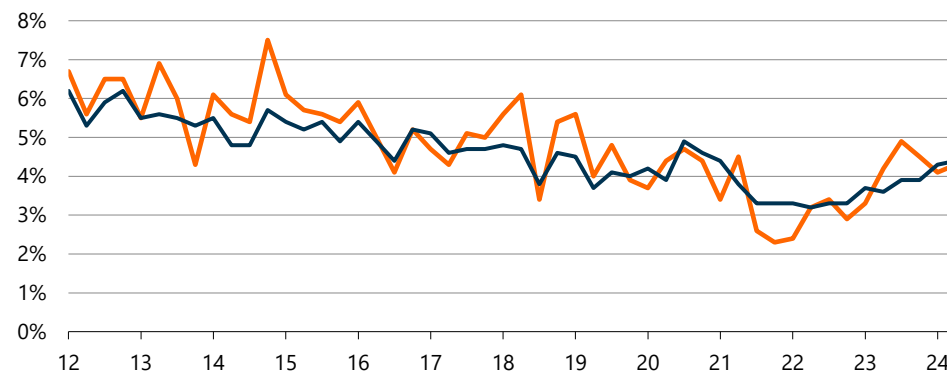
Unemployment rises

As employment growth has weakened, growth in the broader working-age population has grown faster than the number of new jobs available, leading to growth in unemployment. In the December 2021 quarter, Tararua's unemployment rate reached a low of just 2.3% as the local economy surged out of lockdown. Since then, the unemployment rate has risen steadily to reach 4.3% in the June 2024 quarter, which is just below the average across all rural areas of 4.4% (Chart 22).

Chart 22

Unemployment rises across the board

Unemployment rate, % of labour force



Tararua's unemployment rate sits just below the national rate and the Manawātū-Whanganui Regional rate, both of which were 4.5% in the June 2024 quarter. Comparatively speaking, this is a good result given that Tararua is more dependent on the struggling agriculture sector than the Manawātū-Whanganui Region or the country as a whole.

Over the past 20 years, the unemployment rate in Tararua District has tended to sit above the rural average, above or close to the national average, and below the Manawātū-Whanganui Region's average. Until recently, the overall trend in unemployment in Tararua has been downward.

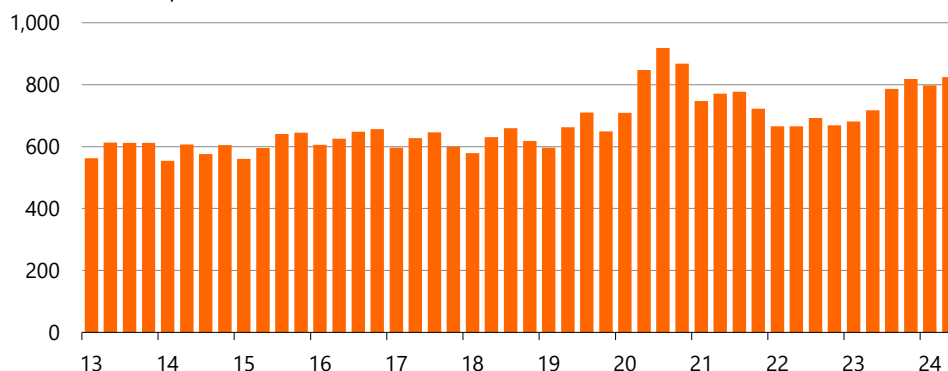
Jobseeker Support recipients on the rise

Since the Global Financial Crisis in the years leading up to the outbreak of COVID-19, the number of Jobseeker Support recipients in Tararua remained around 600. COVID lockdowns brought about a spike in Jobseeker Support recipient numbers, reaching 919 in the September 2020 quarter. Strong economic growth in 2021 brought numbers back down to a recent low of 666 in the June 2022 quarter. However, 2023 saw steep rises again. As of the June 2024 quarter, Jobseeker Support recipient numbers had reached 825, 10% lower than the 2020 peak (Chart 23).

Chart 23

Jobseeker Support recipients on the rise again

Number of recipients in Tararua



The number of Jobseeker Support recipients tends to reflect the strength of the labour market as well as government social policy. The current government has taken a tougher stance towards beneficiaries in ensuring they meet the job search requirements of their benefits. This might limit the growth in Jobseeker Support recipients going forward, but only if there are jobs available in the local economy.

NEET rate rising

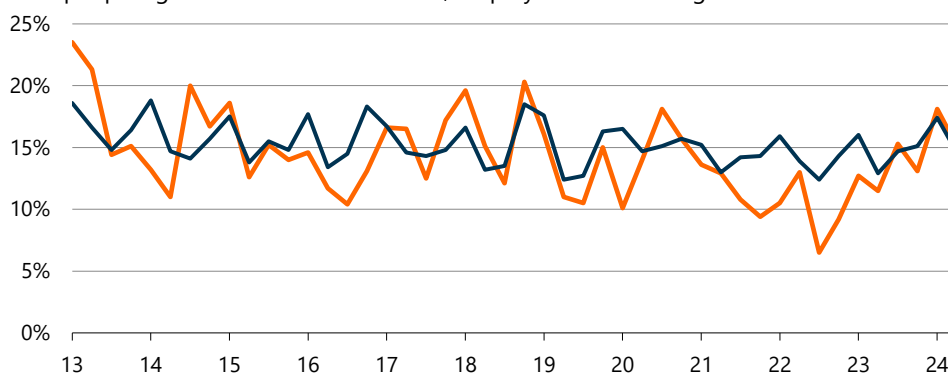
Nationally, much of the recent growth in unemployment has been among people below the age of 25. This rise in youth unemployment is concerning because it is increasing the proportion of young people not in education, employment, or training – the NEET rate. This seems to be the case in Tararua where the NEET rate has risen from a low of 6.5% in the September 2022 quarter to a recent high of 18% in the March 2024 quarter. For much of the COVID period, the Tararua NEET rate was below the average for all rural areas. The recent rise has seen the gap closed such that the Tararua and rural NEET rates are now the same (Chart 24).

Chart 24

NEET rate rising too, but is volatile

Tararua District Rural areas

% of people aged 15-24 not in education, employment or training



Tararua's rising NEET rate is still well below the high of 24% seen in 2014 in the aftermath of the Global Financial Crisis. A rising NEET rate is, nonetheless, a concern. Economic inactivity early in life can have economic scarring effects for years to come, as it increases the likelihood of a person working in lower-skilled employment, earning lower wages, and of being economically inactive later in life.

Inactive young people might also choose to leave the District in search of better opportunities elsewhere in New Zealand or abroad, which makes it harder for employers to access new workers when the economy starts to grow again. One of the business owners we spoke to commented that the District tends to lose its young people to Australia for the work, but then people return to Tararua to have families.

Tararua earnings tend to be lower

At \$59,119 in 2023, average earnings in Tararua currently sat slightly below the average across all rural areas of \$63,149, below the Manawātū-Whanganui Region on \$65,334 and well below the national average of \$74,754. Given the lower cost of living in Tararua compared with the Manawātū-Whanganui Region and the national average, lower earnings do not translate into a lower living standard. The *Tararua households & population* section (p47) looks at housing and rental affordability in Tararua.

Businesses we spoke to said rises in the minimum wage over the past few years had been costly for employers. With over one-third (38%) of employees in Tararua in low-skilled jobs compared with 36% across Manawātū-Whanganui Region and 35% nationally, Tararua probably has a higher-than-average number of workers on minimum wage. The effects of minimum wage increases are broader than just those workers on a minimum wage. Businesses told us that workers on wages above the minimum wage want to maintain relativities and therefore demand similar pay rises when the minimum wage is increased.

Tararua households & population

Population growth set to continue

Just over 19,300 people currently reside in Tararua District, more than at any time in the past 20 years. Population growth in the District only resumed in 2014 following several years of decline (Chart 25). Recent population growth is projected to continue in Tararua District albeit at a much weaker rate than we saw prior to the pandemic.

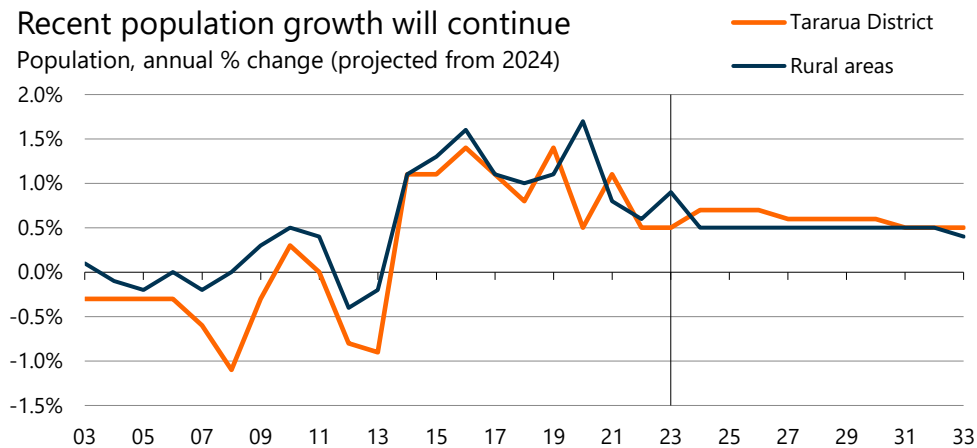
Population growth peaked at 1.4%pa in 2019. Projected growth over the next 10 years will weaken from 0.7%pa to 0.5%pa. All told, the Tararua population is projected to grow 6.2% from 2023 to just under 20,400 in 2033. The number of households is projected to grow 5.9% from around 8,050 in 2023 to just over 8,500 in 2033. Population will grow slightly faster than households because the aging population will bring about a slight reduction in the average household size.

Tararua's population change closely reflects changes across all rural areas with declines turning to growth in 2014 before tailing away during the pandemic when the border was closed. Tararua's projected growth is expected to be slightly above the average off all rural areas, below the national average growth, which will be around 1.0%pa, and below the Manawatū-Whanganui Region's growth which will be around 0.9%-0.7%pa

Chart 25

Recent population growth will continue

Population, annual % change (projected from 2024)



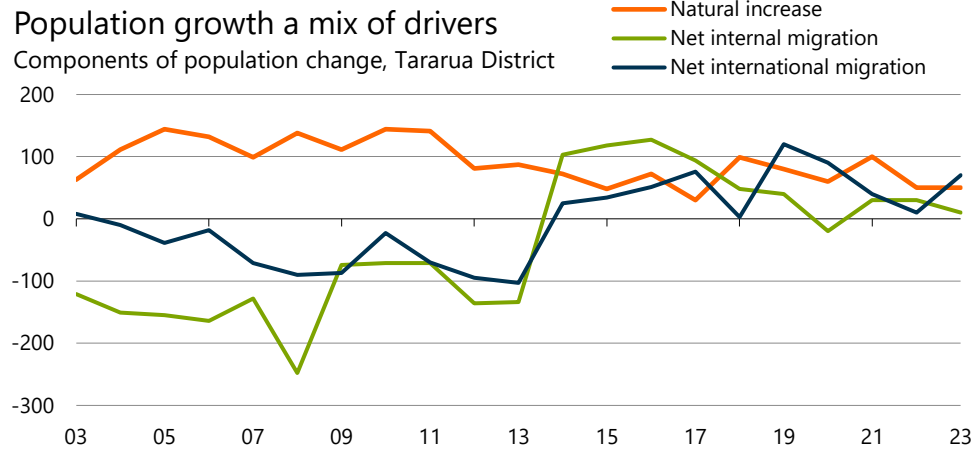
Recent population growth a mix of drivers

Prior to 2014, natural population increase was offset by declining net internal migration, as people moved from Tararua District to other parts of New Zealand, and declining net international migration, as people moved from Tararua District overseas (Chart 26).

Since 2014, natural increase, net internal migration, and net international migration have all contributed to Tararua's population increase. International migration increases were driven by the surge in migrant arrivals to New Zealand in the years leading up to the pandemic. Internal migration increases were driven by people moving away from urban

centres to provincial and rural areas where living costs, including housing affordability, were lower. Natural increase remained positive during this time but weakened because of the aging population and falling fertility rates.

Chart 26



Looking forward, the projected weakening in population growth shown in Chart 25 is driven by continued declines in the natural population increase as the Tararua population continues to age and the fertility rate continues to decline, a weakening in international migration as competition between countries for working migrants intensifies because of aging populations across the developed world, and a weakening in internal migration as the gap in living costs between urban centres and provincial/rural centres narrows.

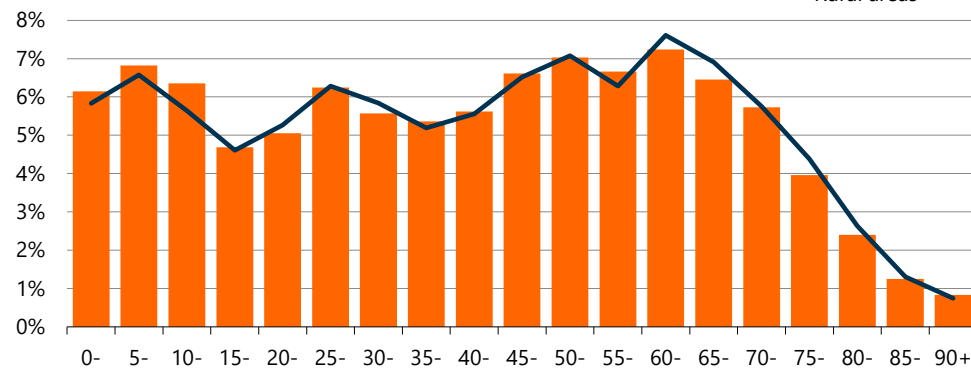
A younger, but aging population

For a rural district, the Tararua population is slightly younger than average (Chart 27). In 2023, 19% of the Tararua population was aged 0-14 years compared with 18% across all rural areas. Some 21% of the Tararua population was aged 65+ years compared with 22% across all rural areas. However, the Tararua population is old compared with the national average, and to a lesser extent the Manawātū-Whanganui Region. Some 17% of the national population and 19% of the Manawātū-Whanganui Region population are aged 65+ years.

Chart 27

A younger population in Tararua

Population by age, 2023



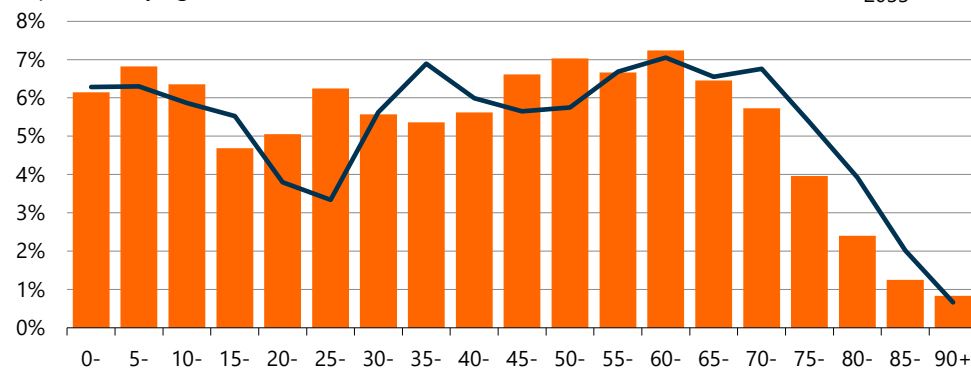
Crucially, Tararua’s older population means its working-age population is relatively small with 15-64-year-olds making up 60% of the Tararua population compared with 61% of the Manawātū-Whanganui Region population and 65% of the national population. A smaller working-age population means fewer people to create economic activity, which constrains the size of the economy and economic growth. To underline this problem, the dependency ratio (the number of economically dependent people per 100 economically active people) in Tararua in 2023 was 68, the same as the rural area average, compared with 63 across Manawātū-Whanganui Region and just 54 nationally.

Tararua’s population is also aging. The proportion of people aged 65+ years is projected to grow from 21% in 2023 to 25% in 2033. The working-age population (15–64-year-olds) is projected to shrink from 60% in 2023 to 56% in 2033. Chart 28 shows a noticeable dip in the proportion of 20-29-year-olds from 11% in 2023 to 7% in 2033, but a rise in the proportion of 35-44-year-olds from 11% in 2023 to 13% in 2033.

Chart 28

But a still-aging population in Tararua

Population by age, Tararua District



Cost-of-living pressures

Cost-of-living pressures began to emerge in New Zealand in mid-2021. At its peak, price inflation rose 7.3%pa in the June 2022 quarter before increases to interest rates weakened the economy and brought inflation back down to 3.3%pa in the June 2024 quarter.

However, looking at annual increases in the Consumers Price Index understates the full effect of cost-of-living pressures households have experienced, which include significant increases in mortgage interest payments. Nationally, between the June 2021 and June 2024 quarter, the average household experienced a 21% increase in living costs.²⁴ This increase was similar across different types of households with beneficiary household costs increasing 19%, Māori household costs increasing 22%, superannuant household costs increasing 19% and the costs of the lowest income households²⁵ increasing 20%. Cost increases were similar across the whole country, so it is likely that Tararua residents experienced cost pressures similar to the statistics quoted above.

Incomes largely keep pace, for some households

For the average household in Tararua, household incomes largely kept pace with cost-of-living pressures. Between the June 2021 and June 2024 quarters, Infometrics estimates that the average household income in Tararua rose 17%. Income per person rose 21% over the same period. These increases reflect a national trend with incomes rising on the back of rising earnings as the economy surged out of lockdown, businesses saw strong demand and workers were able to secure higher wages by changing jobs.

However, there is also evidence that some households are doing it tough. Nationally, KiwiSaver withdrawals for hardship reasons have been rising, Salvation Army food parcel demand has risen, debt and debt defaults have increased, and special Needs Grants for food and emergency housing remain elevated.

In Tararua, housing register applicants have started to rise again from an annual average of 43 applicants over the year to December 2023, to an average of 50 applicants over the year to June 2024. The total number of beneficiaries in Tararua rose 5.6% over the year to March 2024 to reach 1,813, which was just shy of the 1,822 beneficiaries in the year to March 2021 when COVID brought about a spike in beneficiary numbers. People we spoke to on the ground talked about seeing people leaving food in their supermarket trolleys because they couldn't afford to pay for it, requests for food bags were rising, as were requests for help with power bills.

Housing affordability above pre-COVID levels

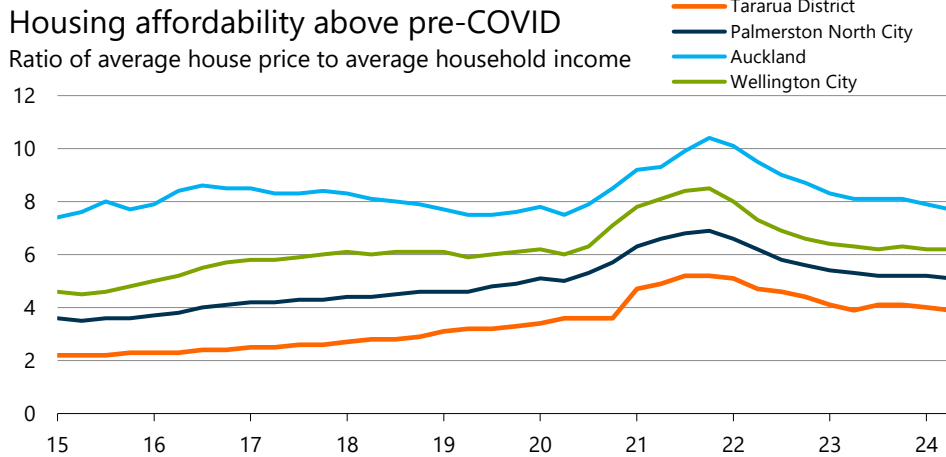
Housing affordability in Tararua worsened during the pandemic because of a spike in house price inflation. Rising interest rates took the heat out of the local housing market

²⁴ Source: Stats NZ, Household Living Cost Index. The index includes interest payments on mortgages whereas the Consumers Price Index does not.

²⁵ The bottom fifth percentile

causing house prices in Tararua to fall 16% between the March 2022 and June 2023 quarters leading to an improvement in housing affordability (Chart 29). However, with the average Tararua house price 3.9 times the average Tararua income in the June 2024 quarter, housing affordability has not improved back to its pre-COVID level of 3.4 in the March 2020 quarter and is a far cry from the 2.2 we saw in 2015.

Chart 29



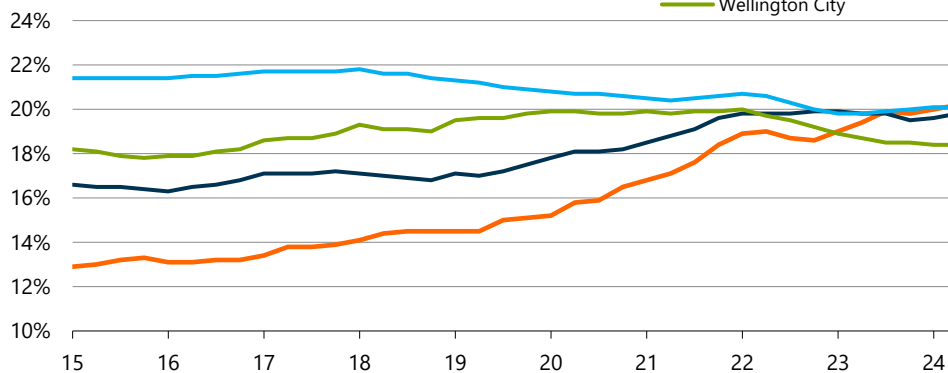
The gap in affordability with other areas has also narrowed. Some business owners we spoke to said they were finding it harder to attract staff from population centres such as Auckland (which is why we include Auckland in Chart 29). Housing in Auckland is clearly less affordable than in Tararua, but the gap has narrowed from a high of 6.1 in the December 2016 quarter to just 3.8 in the June 2024 quarter. The gap with Wellington City has also narrowed. The gap between Tararua and Palmerston North City has fallen from a recent high of 1.7 in the December 2021 quarter to 1.2 in the June 2024 quarter.

Rental affordability has also worsened markedly in Tararua. The pandemic saw double-digit rent increases in Tararua, peaking at 18% over the year to June 2022. Rents have been increasing faster than incomes for much longer than that. Chart 30 shows that rental affordability in Tararua has been worsening pretty much every year since we started measuring it in 2015. Affordability is worse than Wellington City and is on a par with Auckland and Palmerston North City.

Chart 30

Rental affordability worse than Wellington

Average rent, as % of average household income



Wellbeing

Infometrics wellbeing module uses 30 objective indicators of wellbeing across nine wellbeing domains to measure how different parts of New Zealand compare across a range of wellbeing metrics. The framework focusses on outcomes for people and communities.

Tararua scores particularly well on the Civic Engagement and Governance, Housing, and Safety domains and less well on the Environment, Health, Income and Consumption, and Knowledge and Skills domains (Chart 31).

Chart 31

Wellbeing radar

2023



Wellbeing domains where Tararua scores well:

Civic Engagement and Governance – both general election and local election turnout are relatively high in Tararua

Housing — housing affordability (Chart 29), rental affordability (Chart 30), and household crowding are all relatively low in Tararua, the home ownership rate is relatively high.

Safety — Road fatalities and workplace injuries are relatively low in Tararua.

Wellbeing domains where Tararua scores less well:

Environment — Carbon dioxide equivalent emissions (tonnes per capita) are relatively high and the waste diversion rate (the proportion of waste diverted from landfill) is relatively low in Tararua. Carbon dioxide equivalent emissions are related to the types of industries in an area. Sheep, beef, and dairy cattle farming produce large amounts of Carbon dioxide equivalent emissions.

Health — Drinking water quality (achieving or failing the water quality standard for Bacteria, Protozoa, and Chemicals) is relatively low in Tararua and the suicide rate is relatively high.

Income and Consumption — Earnings and household income are both relatively low in Tararua.

Knowledge and Skills — the proportion of the workforce with NCEA level 3 and secondary school to tertiary education transitions (the percentage of school leavers enrolled in tertiary education within one year of leaving) are both relatively low in Tararua.

Wellbeing domains where Tararua scores are mixed:

Jobs and earnings — the Tararua workforce has a relatively high proportion of workers employed in high skilled jobs, but also a high proportion of workers employed in declining industries

Social connections — Tararua has a relatively low rate of internet access, but also a relatively low school truancy rate.

Crime rate falls then plateaus

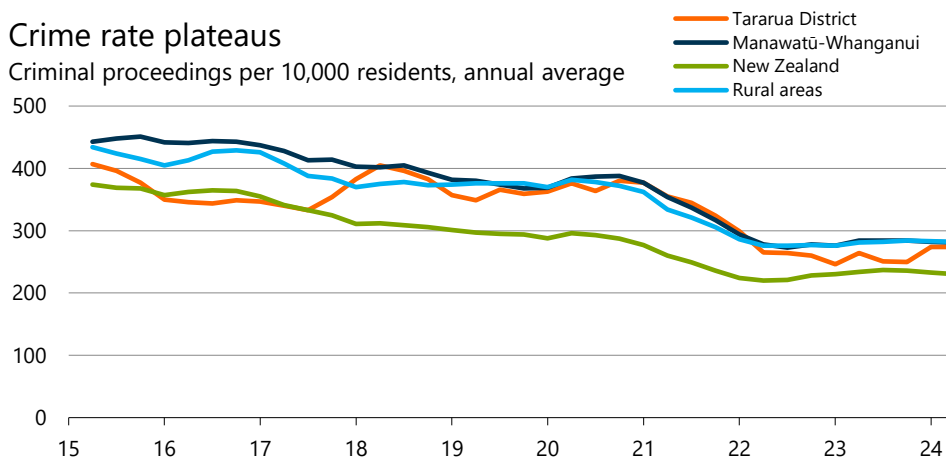
The crime rate in Tararua District was 274 (per 10,000 residents) in the year to June 2024, well down on the peak of 407 in June 2015. During the pandemic, the crime rate in Tararua broadly plateaued but it has ticked up recently, perhaps reflecting cost-of-living pressures.

Over the past nine years, the crime rate in Tararua has been comparable to the average across all rural areas and has remained just under or close to the Manawātū-Whanganui Regional average. However, the Tararua crime rate has been consistently well above the national average (230 in the year to June 2024). Crime rates are much lower in areas such as Wellington City (158), Manawātū District (158), Upper Hutt City (164) and Carterton District (168).²⁶

Chart 32

Crime rate plateaus

Criminal proceedings per 10,000 residents, annual average



²⁶ The crime rate does not consider the severity of crimes. All crimes are counted equally.