

Quarterly Economic Monitor, Infometrics, December 2024: Commentary

The September QEM was released by Infometrics on 21 November 2024. Continuing our quarterly commentary, this paper summarises and provides context to the QEM report. This paper is based on input from Benje Patterson, independent economist.

Infometrics has released its December 2024 Quarterly Economic Monitor. Based on various commentary towards year end, the opening line of the QEM “Economic activity in Nelson-Tasman remains soft, with a 1.1% fall in GDP in the year to December 2024” is not a surprise.

Nelson Tasman is unfortunately following a similar pattern to the rest of New Zealand, remaining in recession during the closing stages of 2024, with GDP falling by 1.1% over the December 2024 year and the decline spread evenly between Nelson City (-1.4%) and Tasman District (-0.9%).

As with other parts of New Zealand, industries which have been more affected by the current economic downturn are those which rely on discretionary spending; with high inflation and interest rates having squeezed budgets over the past two to three years and households and businesses having had to make cutbacks. This is reflected in consumer spending (-0.3%), new dwelling consents (-23%), and vehicle registrations (-16%); these three indicators having fallen at similar rates in both Nelson City and in Tasman District.

On a positive note, recent cuts to interest rates will eventually begin to create more space in household budgets for discretionary spending by Nelson Tasman residents, but any increases are likely to be modest until employment conditions stabilise. There were 1.3% fewer jobs in Nelson Tasman in 2024, which flowed into a 15% increase in the number of people receiving Jobseeker Support. Thankfully, these more difficult employment conditions come after a sustained period of employment growth and Nelson Tasman’s unemployment rate remains well below the New Zealand average (3.6% compared to 4.7% average nationally). Realistically, employment is unlikely to begin expanding again until businesses see sustained improvements to their profit margins.

Despite some current business challenges, the QEM shows that there are still some bright spots emerging that demonstrate businesses have confidence in the long-term prospects for Nelson Tasman. The value of non-residential consents climbed 37% in 2024, with more commercial and industrial builds, complementing public sector work on the Nelson Hospital ED expansion. There was also a 1.3% increase in the number of businesses registered in Nelson Tasman and an 8.8% increase in commercial vehicle registrations.

Over recent months, there have also been signs of improving conditions in several of Nelson Tasman’s key focus areas – especially for exporters in the food and beverage sector, and businesses associated with the visitor economy:

- ANZ’s January 2025 Commodity Price Index showed that meat, dairy, and horticulture export prices all rose between 12% to 40% over the past 12 months, while forestry prices have been flatter due to challenging demand conditions in China. Previous estimates from Infometrics have shown that Nelson Tasman business exported \$2.0 billion of goods and services in 2023 – a 55% increase on ten years earlier.

- Parts of the visitor sector that appeal to domestic travellers are still grappling with the discretionary spending pullback by New Zealanders, while visitor operators who rely more on international travellers are doing better. Over the 12 months to December 2024, domestic visitor spending in Nelson Tasman was down 2.2% while there was a 17% increase in spending by international visitors. Nationally there was a 1.9% pullback in domestic visitor spending, while international visitor spending rose 15%.

With the overall message of the QEM being that current economic conditions remain a challenge, this emphasises the need to focus on investing in Nelson Tasman's future to ensure we are as productive and resilient as can be. Future twists and turns in the macroeconomy are inevitable, so as a region we need to ensure we are playing to our strengths the best we can, including continuing to play to our competitive advantages, such as the blue economy, forestry value add, science and tech, food and beverage and tourism.

Within this mix, NRDA is interested to support the visitor economy in strengthening its linkages to other sectors and act as a 'shop front' for the region. Tourism can add value not only from the transaction value when the visitor is in the region, but it can also connect that visitor long-term to Nelson Tasman's other key products (eg. food and beverage) that they can consume when they return home. Many of the things that appeal to visitors, also appeal to people residing in the region for lifestyle reasons – so the sector is also an important conduit for worker attraction and local investment.

When it comes to industries that are likely to offer future investment opportunities, the region's blue economy is an example that stands out. Significant growth potential has been identified for New Zealand's blue economy and Nelson Tasman is well-positioned to be a key driver of this growth for New Zealand. The New Zealand Government Aquaculture Strategy identified opportunities to expand New Zealand's aquaculture exports from \$600 million per annum to \$3 billion a year by 2035. Nelson Tasman already has about one third of all New Zealand's fishing and aquaculture employment, over 400 businesses involved with the blue economy, and boasts a range of other established and emerging opportunities in other parts of the blue economy.

Commentary on the Infometrics Nelson Tasman December 2024 QEM.
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