



## Quarterly Economic Monitor, Infometrics, September 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.

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Economic activity in Nelson Tasman has been subdued over winter, with GDP declining by 0.9%pa across the September 2024 year. This easing of GDP was primarily driven by a slowdown in consumer spending and was spread evenly between Nelson City (-0.8%pa) and Tasman District (-1.0%pa).

Any period of slow demand is a frustration for local businesses, whose margins are squeezed, despite the current squeeze coming after a sustained period of strong growth in recent years. As recently as 18 months ago, Nelson Tasman's economy was growing 3.3%pa (March 2023), following 4.7%pa growth the year before (March 2022). In perspective, Nelson Tasman's economy is currently estimated to generate \$6.5 billion of GDP each year; while when Covid-19 first hit in 2020, GDP had not yet reached 6.0 billion.

Weakness in consumer spending has been apparent in the past three months, with consumer spending easing by 2.8%pa in the September quarter alone. Key contributors to weaker consumer spending included broader macroeconomic factors, such as relatively high mortgage rates and concerns about the deteriorating New Zealand labour market. A halving of numbers of migrants into New Zealand over the past year means population growth is not contributing as much to consumer demand as previously; Population growth into Nelson Tasman was just 0.7%pa over the past 12 months, compared to 1.2%pa the previous year.

Thankfully overall employment conditions within Nelson Tasman remain relatively healthy, despite challenging demand conditions for businesses. Filled jobs have experienced a marginal 0.2% easing, which has seen the overall employment rate in Nelson Tasman creep up to 3.7%. But unemployment remains below the national rate, which has averaged 4.4% over the past year. Pockets of job opportunities are also emerging, especially in the primary sector in Tasman, where economic returns remain relatively healthy.

Silver linings are worth noting, some of which may provide green shoots for the 2025 outlook:

- Confidence among Nelson Tasman households to spend is likely to improve, as mortgage rates come down again as the Reserve Bank cuts the Official Cash Rate with inflation back under control. Inflation is currently running at close to 2%pa, compared to closer to 6%pa a year ago.
- Demand in the visitor economy has been flat through winter, but there are indications of a busier summer season, including Christchurch Airport's recent announcement of a large expansion to flight capacity among international airlines, with sharply higher direct flight numbers across the Tasman, as well as to the US, Singapore, Malaysia, and Hong Kong.
- There have been improvements to Nelson Tasman's construction pipeline. New dwelling consents in the September 2024 quarter totalled 173 consents; double where they had been in March. Non-residential consents rose 11% in the year to September, contributed to by the Nelson Hospital ED expansion, as well as office and industrial builds.
- Nelson Tasman's horticulture sector is experiencing strong demand conditions. ANZ's Commodity Price Index shows that apple and kiwifruit commodity prices average 7.9% higher in the September quarter compared to a year ago. As further context, national level data from Statistics New Zealand shows that apple and kiwifruit exports from New Zealand rose 26% and 57% respectively across the same period.