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Regional economic momentum waning as primary sector slowdown hits

New Zealand's economy looks to have expanded further in the September 2023 quarter, although momentum has slowed as various economic pressures hit. Continued jobs and population growth have supported growth, but high inflation and higher interest rates have moderated the strength seen in the economy. Rising pressures on the primary sector are also beginning to hit provincial economies.

Infometrics' September 2023 Quarterly Economic Monitor points to provisional economic growth of 0.5%pa in the September 2023 quarter, a slowdown from growth earlier in the year, and has contributed to annual average growth slowing back to 1.7%pa.

"Jobs growth remains solid, and migration is adding additional demand into the economy," says Mr Olsen. Recent Stats NZ population data has shown that recent population growth has benefited **major urban centres the most**, alongside strong population growth in areas like Queenstown as tourism activity has rebounded. Stronger population growth has supported jobs growth, with areas including Marlborough, Auckland, and the West Coast seeing employment rise around 5%pa in the September 2023 quarter."

Spending activity, although higher in dollar terms than a year ago, is still being eroded by too-high inflation, and is becoming increasingly restrained as rising interest rates hit. "Card spending is now growing at a slower pace than annual inflation, with households having to be much more careful with their money, as budgets are squeezed and bang for buck continues to erode. With inflation remaining high and mortgage rates still rising, household budgets will remain under considerable pressure into 2024." Spending data suggests more restraint is emerging in the upper North Island and lower South Island.

"Other challenges remain too, with falling construction intentions, rising unemployment, falling job ads, and increasing pressure on the primary sector," say Mr Olsen.

"Stronger trends in international dairy auctions have prompted a slight lift in the expected dairy pay-out, but this season is still expected to return \$1.8b less than the season before. Slaughter prices for mutton, lamb, and beef have also fallen in recent months too, some by considerable amounts. This lower revenue, coupled with on-farm costs rising 7.3%pa so far in 2023, is adding extensive pressure to provincial economies."

"We expect these factors will undermine economic momentum and sets the tone for a more subdued economic outlook."

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Note to editors:

Infometrics Principal Economist Brad Olsen is available to speak to media on Wednesday 15 November from Auckland, and on Thursday 16 November from Wellington and Levin.

The Infometrics Quarterly Economic Monitor is a series of reports about local economies, **rather than one comprehensive report**. This media release provides a high-level overview of trends and changes to regional economies.

Request for insights into local areas will be considered, including contact with client subscribers in local areas who have access to their local Infometrics Quarterly Economic Monitor.

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