

The State of the Hawke's Bay Economy

The Hawke's Bay economy is performing extremely well as highlighted by the Easter spending value growth through the Paymark system. Spending in our region increased by 11.7%, which was the largest increase of any region in New Zealand. Spending growth is a good indicator of the overall strength of the economy. This strength reflexes a strong and growing tourism market boosted by major events, more competitive airfares with the introduction of JetStar and an increase in the number of cruise ship arrivals. These activities have extended the tourist season.

The regional economy is underpinned by a robust primary sector. The Ministry of Primary Industries (MPI) predicts continued strong growth especially in the pitfruit, wine and forestry sectors, the main exports from the Bay. Consequently, the Port of Napier is experiencing exponential growth in volumes exported (this has been accelerated by capturing substantial business that was formerly exported though the port of Wellington).

Another strong indicator is the housing sector. Over the past three years, **house prices have risen by 33% nationwide and 52% in Auckland where asking prices average at \$900,000**. Housing prices in the Bay has significantly increased although at a much slower pace than in Auckland. Hawke's Bay property prices had risen 15.3 per cent in the year to February 2016 - 6.3 per cent above the national change of 9 per cent. The trend has continued in 2017 with Hastings home values increasing by 21.7 per cent and Napier slightly less by 18.8 per cent. The average value in Napier was now \$419,190 while Hastings was \$397,013.

The differential in housing prices between Auckland and the Bay has led to a number of people and businesses relocating to the area. The demand for housing has also driven an increase in subdivision applications and new house starts. The booming housing market, increased tourism, and strong export growth has all contributed to the strong state of the economy. These positive trends are expected to continue with the only note of caution being the effects of wet weather after the long dry summer on the wine production.

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This is the first of a series of periodic reports on the Napier economy and economic development initiatives. Napier City Council is undertaking the development of a Napier specific economic development strategy that will align with Matariki REDS. The new strategy will build upon the existing strengths of the city such as tourism, the port and airport, logistics and the emerging technology sector. The strategy will promote the establishment of an entrepreneurial ecosystem that encourages innovative new business opportunities and job creation.