

## Growth and Demand Assumptions

### 1. POPULATION GROWTH

<p><b>Our Assumption – The Most Likely Scenario:</b></p>	<p><b>Average 1.5% growth per annum to 2054 (50th percentile) with higher growth of approximately 1.7% expected in Y1-10, and lower average growth in later years.</b></p> <p>This is based on Sense Partners growth projections (50th percentile). For the 3 decades from 2018-2048 Sense forecast median growth at 1.47% per annum. For 2022-2054 this is forecast at 1.48% per annum.</p> <p>The 50th percentile is considered the most likely scenario based on current data and most recent trends, noting a high level of uncertainty surrounding migration.</p> <p><b>Mean<sup>1</sup> Growth:</b> Sense Partners 2023<sup>2</sup> projections forecast mean population change of +1.7% for Masterton for the 10 years from 2022-2032; and +1.4% per annum for the period from 2022-2047.</p> <p><b>Median<sup>3</sup> Growth:</b> Sense Partners 2023 median projections (from a 2018 base) forecast growth of 2.0% for the 10 years from 2018-2028, with slower rates of growth in later years: 1.3% growth for 2028-2038; and 1.1% growth for 2038-48. For 2022-2054 an average 1.48% per annum growth is forecast.</p> <p>Masterton has seen consistent growth over the past 10 years, with peak annual growth of 3% in 2020 aligning with the emergence of the COVID-19 pandemic. During the period that borders were closed, the regions continued to see growth as people moved from the cities to surrounding areas. However, since borders have re-opened, there has been a slowing of growth in rural-provincial areas where growth tends to be influenced by internal rather than international migration. With the borders open, younger people and families have been relocating overseas, and new migrants have tended to 'land' in our biggest cities. This has seen regional growth slow, and growth in our cities begin to increase again<sup>4</sup>.</p>
<p><b>High Growth Scenario:</b></p>	<p><b>Average 2.0% growth per annum to 2054 (75th percentile)</b> <b>Average 2.88% growth per annum (95th percentile)</b></p>

<sup>1</sup> Mean = The mean (average) of a data set is found by adding all numbers in the data set and then dividing by the number of values in the set.

<sup>2</sup> Sense Partners March 2023 Update – Demographic forecasts for the Wellington region.

<sup>3</sup> Median = The median is the middle value when a data set is ordered from least to greatest.

<sup>4</sup> Infometrics 31 October 2023 Rising Tide of Net Migration Doesn't Lift All Boats  
<https://www.infometrics.co.nz/article/2023-10-regional-population-estimates>

	<p>2.0% is based on Sense Partners median-higher growth projections (75th percentile) for 2022-2054.</p> <p>2.9% is based on Sense Partners high growth projections (75th percentile) for 2022-2054.</p>
<b>Low Growth Scenario:</b>	<p><b>Average 0.45% growth per annum to 2054 (5th percentile)</b>  <b>Average 0.85% growth per annum to 2054 (25th percentile)</b></p> <p>0.45% is based on Sense Partners low growth projections (5th percentile) for 2022-2054.</p> <p>0.85% is based on Sense Partners median-low growth projections (25th percentile) for 2022-2054.</p>
<b>Level of Uncertainty:</b>	<p style="text-align: center;"><b>High Uncertainty</b></p> <p>Uncertainty is assessed as high as it is still too early to fully ascertain the impacts of COVID-19 border closures and subsequent re-opening on growth. Sense Partners (P7) state <i>“There is considerable uncertainty about what will happen to immigration now that the borders have reopened”</i>.</p> <p>In September 2023 changes to immigration settings were announced including adding roles to the 'green list' and increasing seasonal employer caps<sup>5</sup>. A simplified Skilled Migrant Category Resident Visa process also applies from 9 October 2023<sup>6</sup>. These changes may also influence trends.</p>
<b>Risk:</b>	<p>Given the level of uncertainty, there is a high risk that population growth across the district will occur at a rate that is higher or lower than we have assumed.</p>
<b>Financial Implications if we get it wrong:</b>	<p><b>A higher growth scenario:</b></p>

<sup>5</sup> <https://www.immigration.govt.nz/about-us/media-centre/news-notifications/changes-to-immigration-settings-announced>

<sup>6</sup> <https://www.immigration.govt.nz/about-us/media-centre/news-notifications/skilled-migrant-category-to-open-on-9-october-2023#:~:text=From%209%20October%202023%2C%20there,Skilled%20Migrant%20Category%20Resident%20Visa.&text=These%20changes%20will%20see%20a,to%20demonstrate%20their%20skill%20level>.

Masterton has capacity for growth within its key infrastructure and services. Our 2021 Asset Management Plans indicated we could accommodate growth of up to 1.8% per annum over the ten years to 2028 without significant impacts. We will reassess this as we develop the spatial plan scheduled for Year 1 of the 2024-34 LTP.

If there was a significant and sustained rise in population beyond 1.8% per annum, that could have adverse effects on our ability to deliver some services to existing service levels – e.g. if demand was higher than the capacity of the service or asset. This could result in reduced levels of service or, worst case scenario, asset failures and/or a need to rapidly and heavily invest in assets to accommodate the growth. This in turn could result in much higher than planned debt or significant increases in rates (or both).

If we were to experience higher growth than we have planned for, Council services that could be most affected are:

- **Roading** – greater congestion could be experienced on our roads, especially at peak times of the day. There could be a need to expand roads and/or introduce new traffic management controls.

- **Water Supply** – given consent conditions, demand for water can exceed our capacity to supply over hot, dry summer periods. Rapid growth could add to this. To help mitigate water demand Council have introduced water meters, however the water charging regime has been deferred. The full effect of water meters will not be seen until the charging regime is introduced. We have purchased land and have provision for water storage reservoirs in Year 2-4 of the 2024-34 LTP.

- **Community Facilities** e.g. the Library and Recreation Centre may not have the capacity to meet demand from an increased population. A library expansion, which would take population growth into consideration, has been included in Year 1 and 2 of the 2024-34 LTP.

- **Community Services** e.g. our regulatory functions like Animal and Noise Control could see increased demand as 'nuisance' related requests for service tend to be concentrated in more densely populated areas.

**A lower growth scenario:**

If there was significant and sustained decline in population, this would ultimately impact our rating base and may affect our ability to set rates at a level that is affordable for our community.

	<p>This could result in higher than planned rates increases to maintain infrastructural assets (such as roads, water, and wastewater) and/or assets with greater capacity than required. It could also reduce demand for some services. This could increase the 'cost per use' for those services making them less affordable, whether that is due to increased fees and charges or increased rates to support the cost of service.</p> <p>However, in the short to medium term, lower growth than we have assumed, or even declines in our population, would not necessarily result in a lower number of rating units given the rating base relies on the number of rateable properties versus people. As projections for households indicate fewer people per household, the number of rateable properties is likely to decline at a slower rate than the population.</p> <p>That noted, one of the drivers for more but smaller households is our aging population, and an aged population also means more people on fixed incomes. So while the rating base may not decline as rapidly, those paying the rates may have less capacity to absorb future rate increases.</p>
<p><b>What are we doing to reduce that risk? (Mitigation)</b></p>	<p>We need to balance the risk of over-investing to expand infrastructure and services that may not ultimately be required against the alternative risk of not being adequately prepared for growth.</p> <p>Our 2021 Asset Management Plans indicated we could accommodate growth up to 1.8% per annum over the ten years to 2028 within existing infrastructure and services. We will reassess this as we develop the spatial plan scheduled for Year 1 of the 2024-34 LTP.</p> <p>Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work. Any costs beyond the level funded by financial contributions could result in additional Council expenditure, which would likely be loan funded.</p> <p>The financial implications for Council should be limited and able to be managed in the short to medium term but may need longer term responses if growth is substantially more or less than assumed.</p> <p>To help mitigate the risk of over or under investing in infrastructure, Council has included provision for a Spatial Plan in Year 1 of the 2024-34 LTP. This plan will help inform our planning for growth, where that is most likely to occur and what infrastructure will be needed to support that growth. The proposed WCDP also includes increased cost recovery from development.</p>

	Council will also continue to closely monitor population change in the District. By monitoring trends we can adjust and respond accordingly if we do need to revise our plans and approach.
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## SUPPORTING INFORMATION:

### Growth Projections

Sense Partners produce annual updates of population projections for all Councils in the Wellington Region.

### Sense Partners 2023 Projections to 2052<sup>7</sup>

Percentile	Population in 2022	Population in 2025	Population in 2032	Population in 2052	Change 2022-2025	Change 2025-2032	Change 2032-2052
5th percentile	28,900	30,100	32,000	33,300	1,200	1,900	1,300
25th percentile	28,900	30,300	33,100	36,700	1,400	2,800	3,600
50th percentile	<b>28,900</b>	<b>30,500</b>	<b>33,900</b>	<b>42,100</b>	1,600	3,400	8,200
75th percentile	28,900	30,600	35,000	47,000	1,700	4,400	12,000
95th percentile	28,900	30,800	36,000	54,000	1,900	5,200	18,000

### Sense Partners 2023 Median Projections (50th Percentile) for Masterton

	2021	2030	2040	2050	2054	% Change 2021-2054
<b>Growth</b>	<b>28,403</b>	<b>33,060</b>	<b>37,416</b>	<b>41,546</b>	<b>42,984</b>	<b>+51%</b>
		<b>+16.4%</b>	<b>+31.7%</b>	<b>+46.3%</b>	<b>+51.3%</b>	

### Sense Partners 2023 Median Projections (50th Percentile) for Masterton

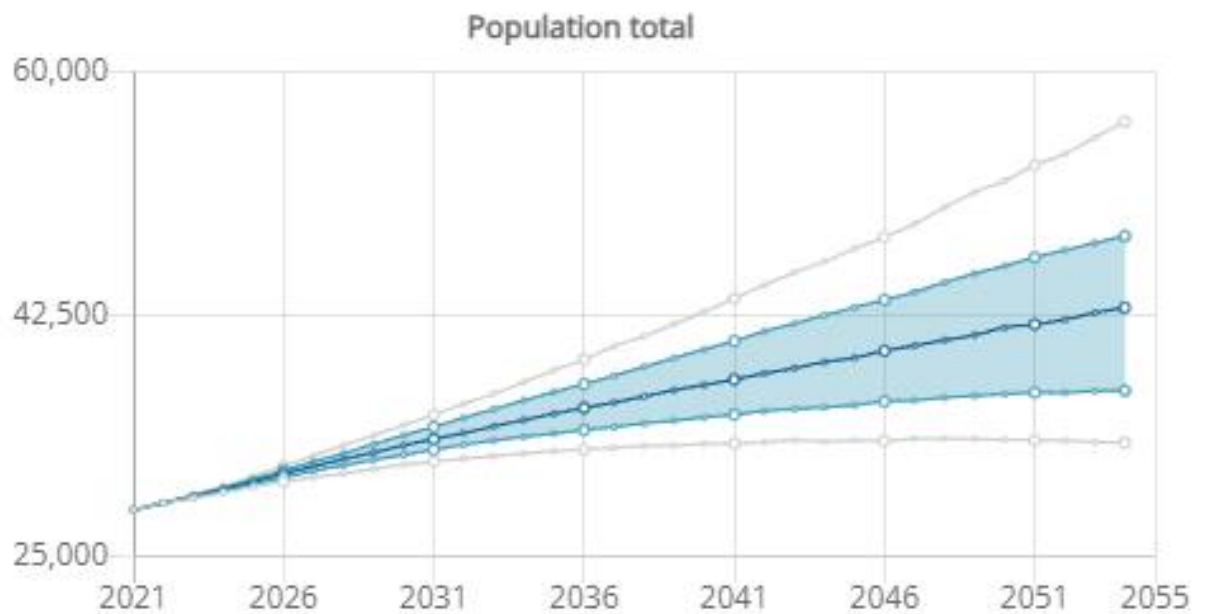
	2021	2024	2027	2030	2033
<b>Annual % Growth</b>	<b>28,403</b>	<b>1.75</b>	<b>1.73</b>	<b>1.59</b>	<b>1.41</b>

<sup>7</sup> Sense Partners Website – accessed 24/10/23

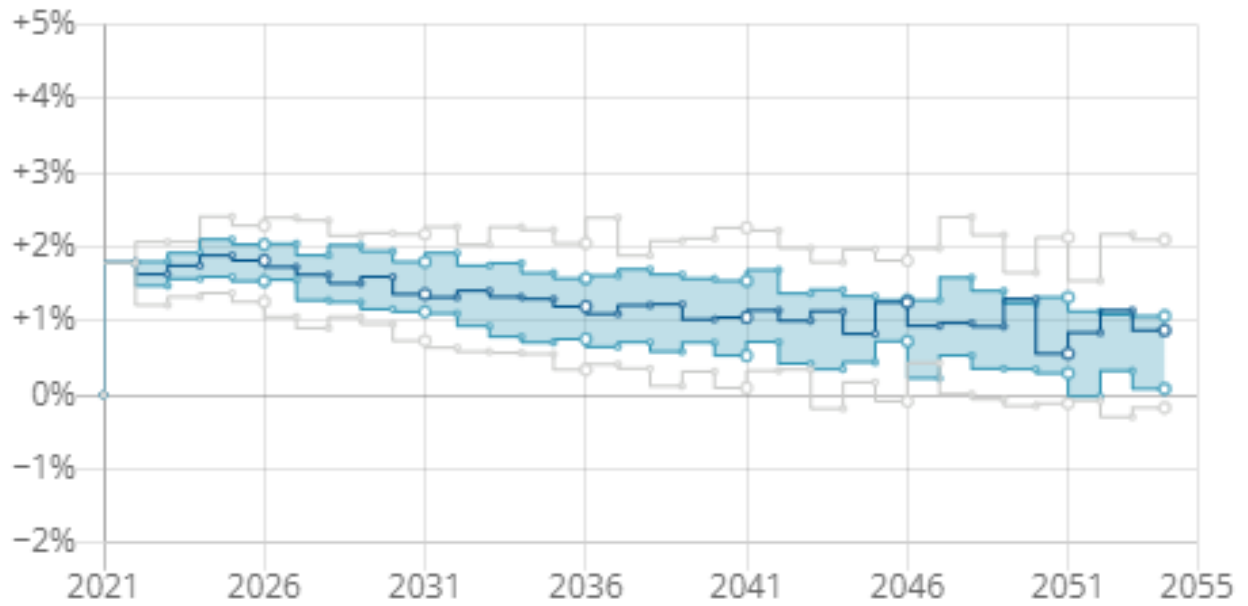
## Annual average population growth

Area	Historical	Stats NZ medium projections			Sense median projections		
	1998-2018	2018-2028	2028-2038	2038-2048	2018-2028	2028-2038	2038-2048
Horowhenua	0.6%	1.2%	0.5%	0.3%	1.5%	1.0%	0.9%
Kapiti Coast	1.5%	0.7%	0.3%	0.2%	1.2%	1.2%	1.0%
Porirua	0.9%	0.9%	0.5%	0.3%	1.1%	1.0%	0.9%
Upper Hutt	0.9%	1.0%	0.5%	0.3%	1.2%	1.0%	0.8%
Lower Hutt	0.4%	0.7%	0.4%	0.2%	0.9%	1.0%	0.9%
Wellington City	1.2%	0.2%	0.5%	0.4%	0.4%	0.9%	0.8%
Masterton	0.6%	1.5%	0.4%	0.1%	2.0%	1.3%	1.1%
Carterton	1.7%	1.2%	0.5%	0.3%	1.6%	1.3%	1.1%
South Wairarapa	1.0%	1.3%	0.5%	0.2%	1.5%	1.2%	0.9%

Tables from Sense Partners website for Masterton District:



## Percentage annual change



### Sense Partners 2023 Updates<sup>8</sup>:

## Components of population change, by district next 10 years (2022-2032)



Components of projected mean population change<sup>1</sup>

Area	Horowhenua	Kapiti	Porirua	Upper Hutt	Lower Hutt	Wellington	Masterton	Carterton	Wairarapa	Region	NZ
2022 population	36,952	57,551	61,564	47,689	112,422	212,849	28,910	10,258	11,758	543,001	5,118,207
Net natural change	-0.2%	-0.2%	1.1%	0.5%	0.8%	0.7%	0.2%	0.2%	0.4%	0.6000%	0.5%
Births	1.3%	1.1%	1.7%	1.4%	1.5%	1.2%	1.5%	1.3%	1.4%	1.3%	1.4%
Deaths	-1.5%	-1.3%	-0.6%	-0.9%	-0.7%	-0.5%	-1.3%	-1.1%	-1.0%	-0.7%	-0.8%
Net migration change	1.5%	1.5%	0.0%	0.7%	0.3%	0.1%	1.6%	1.4%	1.0%	0.5000%	0.8%
Net domestic change	1.4%	1.1%	0.0%	0.6%	0.0%	-0.6%	1.4%	1.1%	0.8%	0.0%	0.0%
In-migration	7.2%	6.7%	6.4%	6.2%	5.3%	5.5%	7.9%	8.9%	8.8%	6.0%	0.0%
Out-migration	-5.8%	-5.6%	-6.4%	-5.6%	-5.3%	-6.1%	-6.5%	-7.9%	-8.0%	-6.0%	0.0%
Net international change	0.1%	0.4%	0.0%	0.1%	0.3%	0.7%	0.2%	0.3%	0.2%	0.4%	0.8%
Immigration	1.2%	1.6%	1.7%	1.3%	1.9%	3.7%	1.3%	1.0%	1.4%	2.5%	2.7%
Emigration	-1.1%	-1.2%	-1.7%	-1.2%	-1.6%	-3.0%	-1.1%	-0.8%	-1.1%	-2.0%	-1.9%
2032 population	41,763	65,310	68,287	53,447	124,321	229,368	34,052	11,890	13,450	600,124	5,776,577
10 year change	4,811	7,759	6,723	5,758	11,899	16,519	5,142	1,632	1,692	57,123	658,370
10 year growth	1.2%	1.3%	1.0%	1.1%	1.0%	0.8%	1.7%	1.5%	1.4%	1.0%	1.2%
Prior 10 years growth	1.7%	1.3%	1.4%	1.5%	1.1%	0.8%	1.8%	2.1%	2.0%	1.1%	1.5%
Growth vs Region	1.2	1.3	1.0	1.1	1.0	0.8	1.7	1.5	1.4	1.0	1.2
Growth vs NZ	1.0	1.1	0.8	0.9	0.8	0.7	1.4	1.3	1.2	0.8	1.0

<sup>1</sup> Overall growth at the mean does not align with growth at the median. Means are provided here because they allow for consistent comparisons of the contributions across the components of population change.

<sup>8</sup> Sense Partners March 2023 Update – Demographic forecasts for the Wellington region



# Projected population growth rates, comparison with Stats NZ projections

## Annual average population growth

Area	Historical	Stats NZ medium projections			Sense median projections		
	1998-2018	2018-2028	2028-2038	2038-2048	2018-2028	2028-2038	2038-2048
Horowhenua	0.6%	1.2%	0.5%	0.3%	1.5%	1.0%	0.9%
Kapiti Coast	1.5%	0.7%	0.3%	0.2%	1.2%	1.2%	1.0%
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Lower Hutt	0.4%	0.7%	0.4%	0.2%	0.9%	1.0%	0.9%
Wellington City	1.2%	0.2%	0.5%	0.4%	0.4%	0.9%	0.8%
Masterton	0.6%	1.5%	0.4%	0.1%	2.0%	1.3%	1.1%
Carterton	1.7%	1.2%	0.5%	0.3%	1.6%	1.3%	1.1%
South Wairarapa	1.0%	1.3%	0.5%	0.2%	1.5%	1.2%	0.9%

- Our projections for population growth are substantially higher than Stats NZ's projections released on 12 December 2022.
- The substantial difference between these two sets of projections is due to differing views on migration. Our median projections include long-run positive net migration rates of similar magnitude to trends observed in the past 10 years pre pandemic. Stats NZ is projecting a substantial decline in net migration.

## Past Growth Trends

Since 2013, Masterton's population has increased by approximately 5,000 people, or 20.1%. That equates to average annual growth of around 2.0%.

Just over half of that growth (54% of the 5,000 increase) has occurred in the last five years, with Masterton's population growing by 2,700 since 2018. That equates to an average annual growth rate of 2.18%.

Peak growth over this period occurred in 2020 and 2021 and aligns with trends of New Zealander's returning 'home' in response to the COVID-19 pandemic. Growth slowed slightly in 2022 compared to the previous two years, and in 2023 growth is at the lowest rate experienced since 2013. This is likely to be associated with borders re-opening following the closure during the COVID-19 pandemic. Areas that are influenced more by internal than international migration, like Masterton, have seen growth begin to slow since the borders have re-opened. This is influenced by NZ residents heading overseas and new migrants tending to 'land' in the cities first<sup>9</sup>.

In the last ten years the lowest annual growth has been 1.4% in 2023 and the highest was 3.0% in 2020.

<sup>9</sup> Infometrics 31 October 2023 Rising Tide of Net Migration Doesn't Lift All Boats <https://www.infometrics.co.nz/article/2023-10-regional-population-estimates>



**Past Growth - Infometrics<sup>10</sup>**

Year	Population	Change	Change
2023	29,100	+100	+1.4%
2022	29,000	+600	+2.1%
2021	28,400	+700	+2.5%
2020	27,700	+800	+3.0%
2019	26,900	+500	+1.9%
5Y Baseline - 2018	26,400	+600	+2.3%
2017	25,800	+400	+1.6%
2016	25,400	+500	+2.0%
2015	24,900	+400	+1.6%
2014	24,500	+400	+1.7%
2013	24,100		
Growth Over 10Y from 2013:		+5000	+20.1%



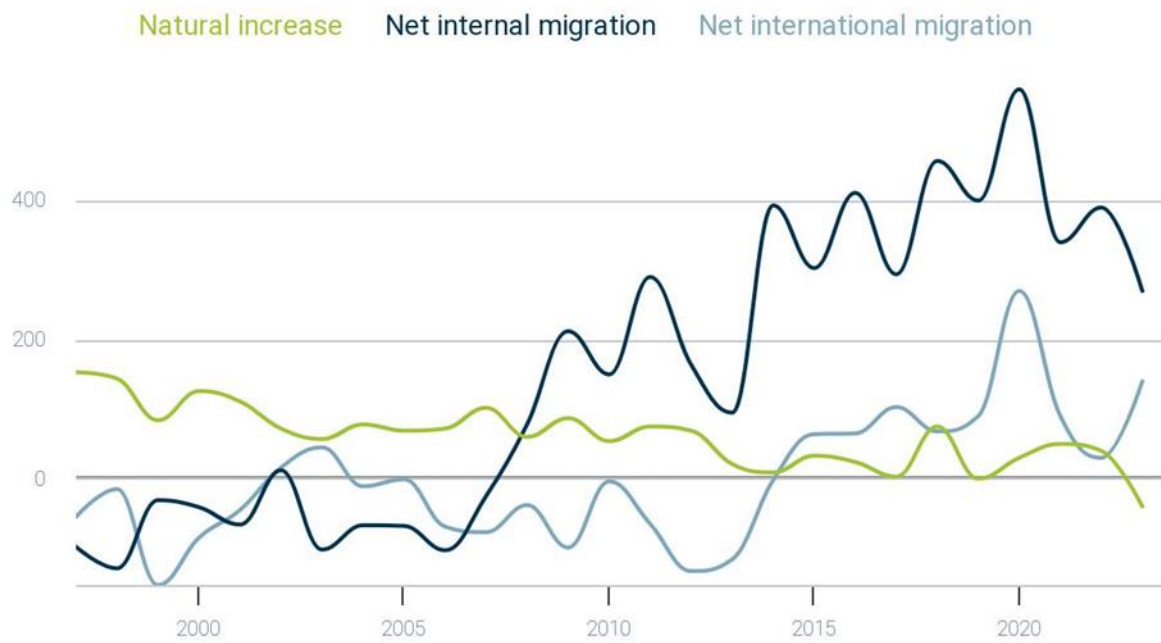
Masterton District's population increased by 370 people in the year to June 2023. This was made up of an internal net migration of 270, an international net migration of 140 and a natural increase of -40.<sup>11</sup>

<sup>10</sup> Infometrics 2023 downloaded from <https://ecoprofile.infometrics.co.nz/Masterton%20District/Population> on 14 November 2023

<sup>11</sup> Infometrics 2023 – accessed 17/11/23

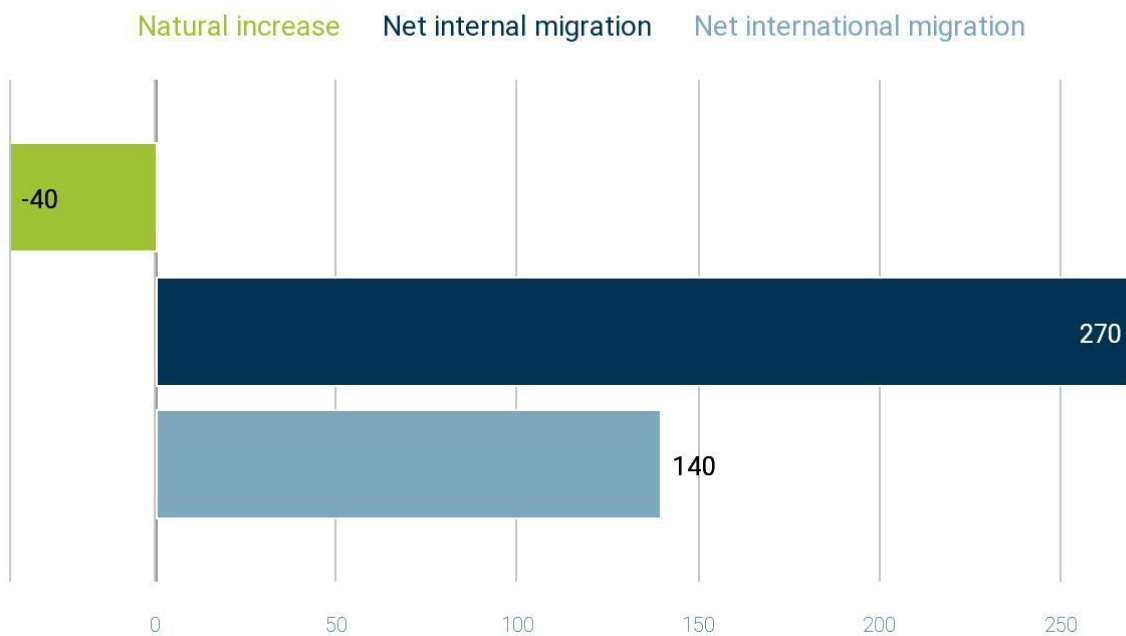
## Source of population growth

Persons, June years



## Source of population growth 2022 - 2023

Persons, annual average, June years

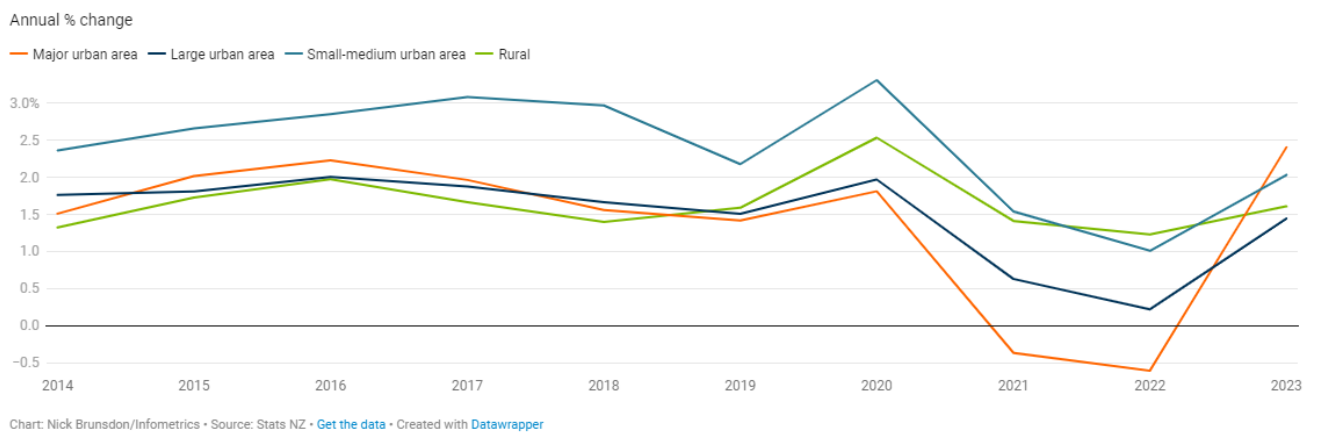


## Migration:

“Large and small-medium urban areas gained from internal migration in 2021 and 2022, as people left the major urban areas, so the return of international net migrants in 2023 represented a modest boost to overall growth. Similarly, rural areas did quite well out of internal migration in 2021 and 2022, so the addition of international migration in 2023 has barely moved the growth rate.”

“Conversely, other areas are more driven by internal migration, and continue to lose New Zealand citizens who are heading off overseas, without gaining enough from the surge in non-citizen arrivals to make up the shortfall. This seems to be most acute in areas that act (at least partly) as a satellite to larger centres, with growth slowing between 2022 and 2023 in Kaipara, Central Hawke’s Bay, Masterton, Carterton and Central Otago<sup>12</sup>.”

**Chart 1. Population growth by urban and rural areas**



## House Affordability<sup>13</sup>:

Drivers for those relocating within New Zealand include the ability to work remotely and affordable living, especially affordable housing. Housing in Masterton is more affordable than many other parts of the country and compared to the NZ average. This coupled with our proximity to Wellington may make Masterton an attractive option for New Zealander’s looking to relocate.

- In September 2023, housing in Masterton District was more affordable than in the Wellington Region and compared to the New Zealand average.
- In Masterton District the average house value was 7.5 times the average household income in 2021, compared to 8.9 times the average household income for New Zealand.

<sup>12</sup> Infometrics 31 October 2023 Rising Tide of Net Migration Doesn’t Lift All Boats

<https://www.infometrics.co.nz/article/2023-10-regional-population-estimates>

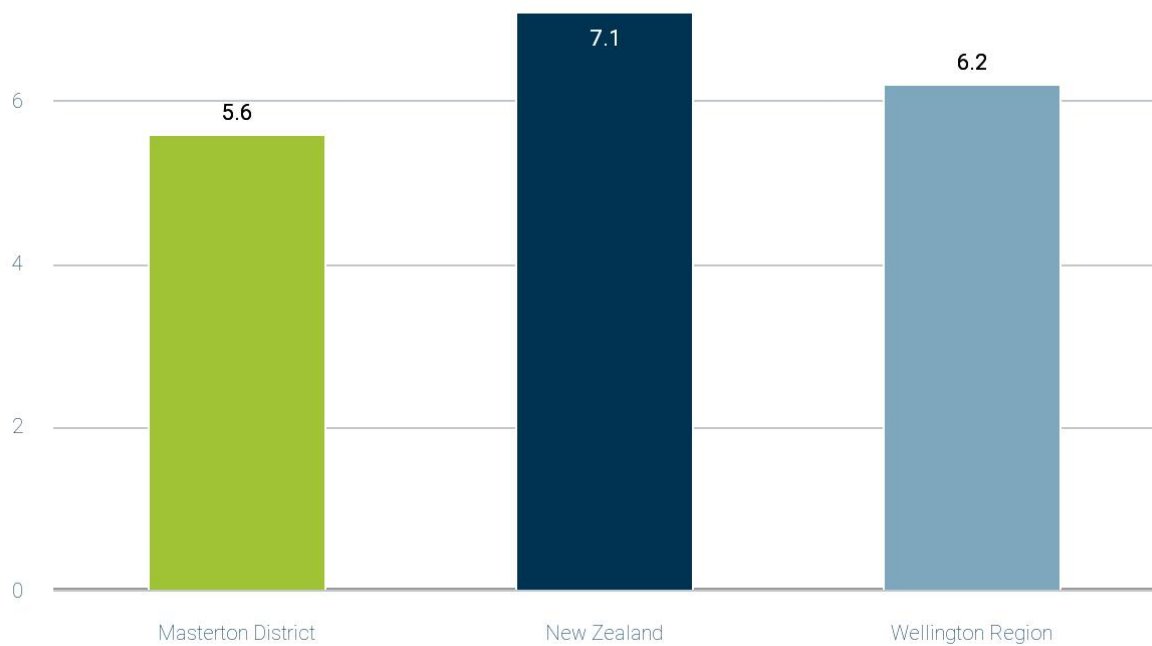
<sup>13</sup> Infometrics - <https://gem.infometrics.co.nz/masterton-district/affordability/housing?compare=new-zealand>

- Downloaded 14/11/23

- Since 2005, the house value to income multiple in Masterton District reached a maximum (least affordable) of 7.5 in 2022 and a minimum (most affordable) of 3.3 in 2015.
- In Masterton District, 42.1% of the average household income would be needed to service a 20 year mortgage on the average house value, with a 20% deposit at average 2-year fixed interest rates in 2022. This was lower than in New Zealand (50.0%).

## Housing affordability

September 2023



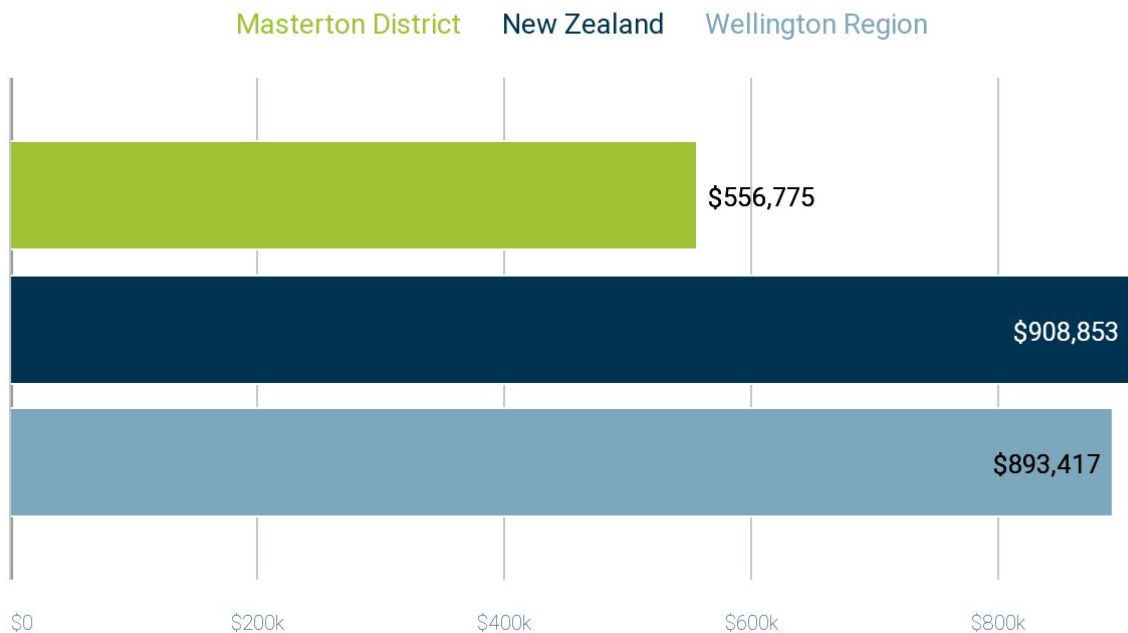
## Housing affordability index

Annual level



## Average current house value

Average house value in September 2023 quarter



## House value growth

Annual % change



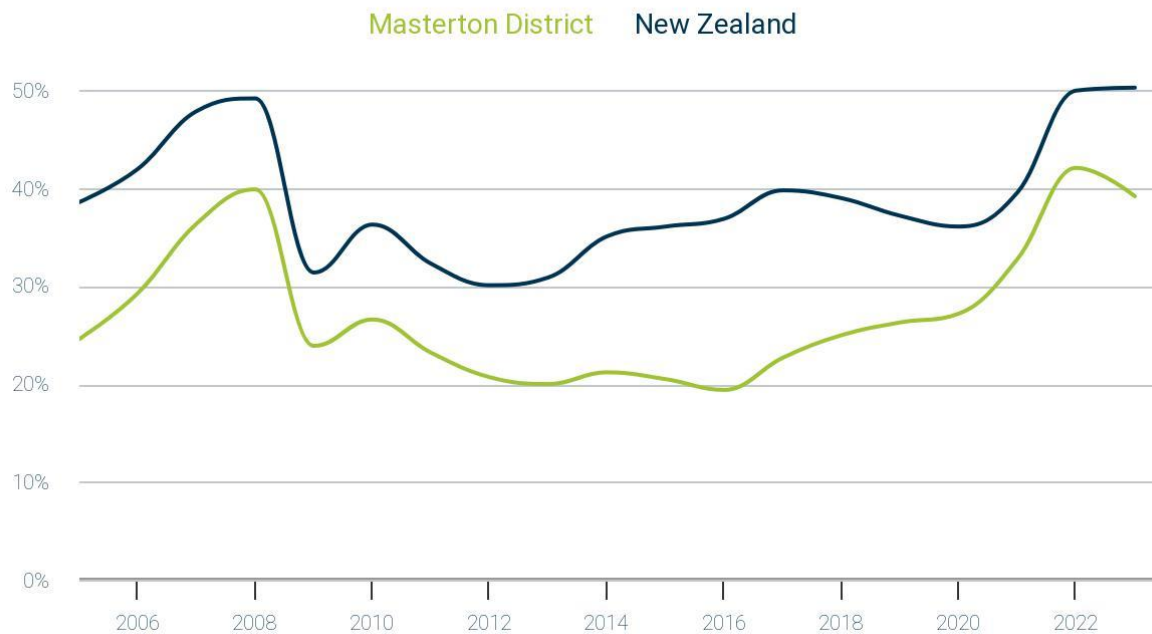
## House value to income multiple

March years



## Mortgage payment proportion of income

March years



### Rental Affordability<sup>14</sup>:

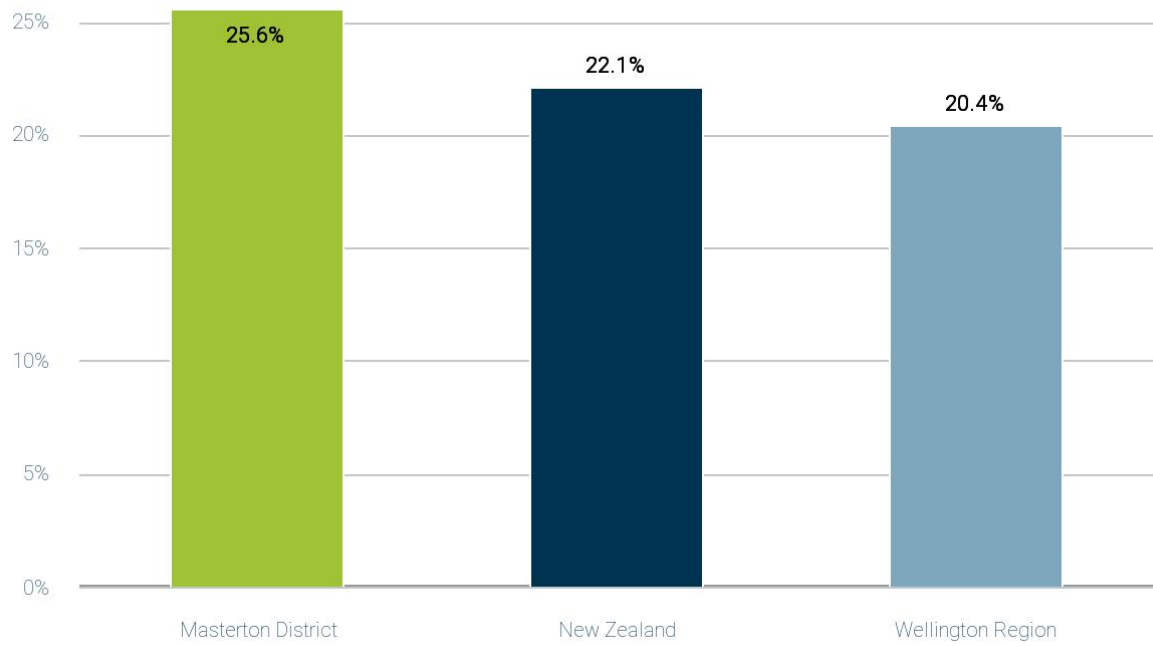
In contrast to housing affordability, renting is becoming less affordable in Masterton. Latest statistics signal renting in Masterton is more expensive than the NZ average.

- In 2023 in Masterton District the average weekly rent equates to 25.3% of the average household income compared to 21.9% for New Zealand.
- Since 2000, the rent to income proportion in Masterton District reached a maximum (least affordable) of 25.3% in 2023 and was at a minimum (most affordable) in 2002 (14.2%).
- For the twelve months to September 2023, renting in Masterton District was less affordable than in Wellington Region and compared to New Zealand. While rental affordability deteriorated in Masterton District over this period, rental affordability improved in the Wellington Region and there was no material change in rental affordability for New Zealand.

<sup>14</sup> Infometrics - <https://gem.infometrics.co.nz/masterton-district/affordability/rental?compare=new-zealand> – downloaded 14/11/23

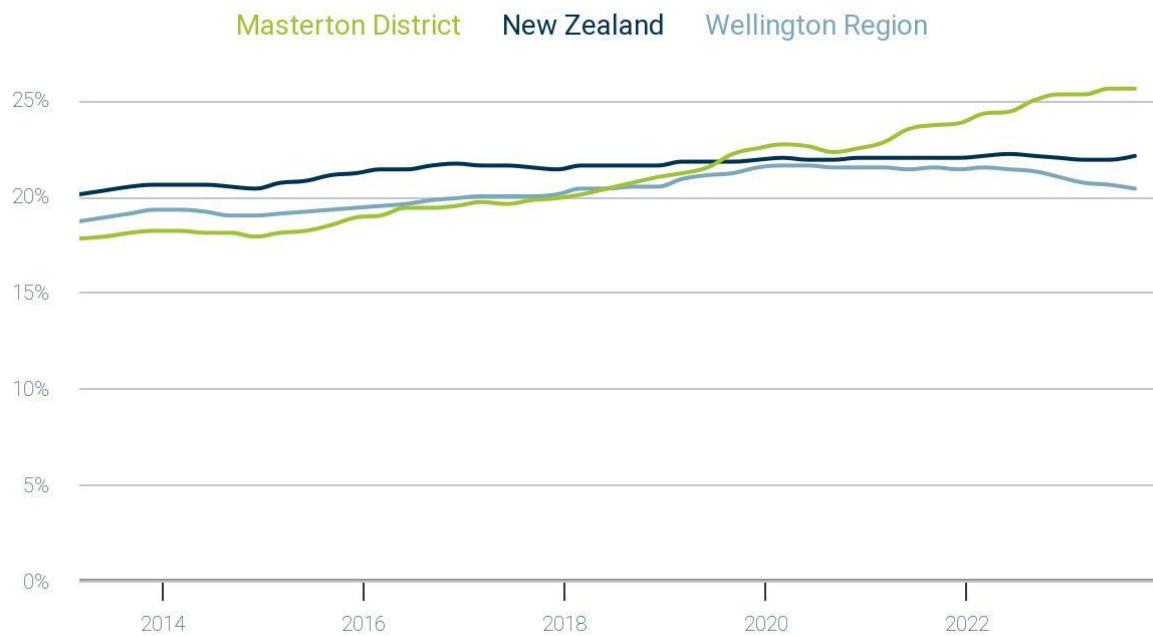
## Rental affordability

September 2023



## Rental affordability index

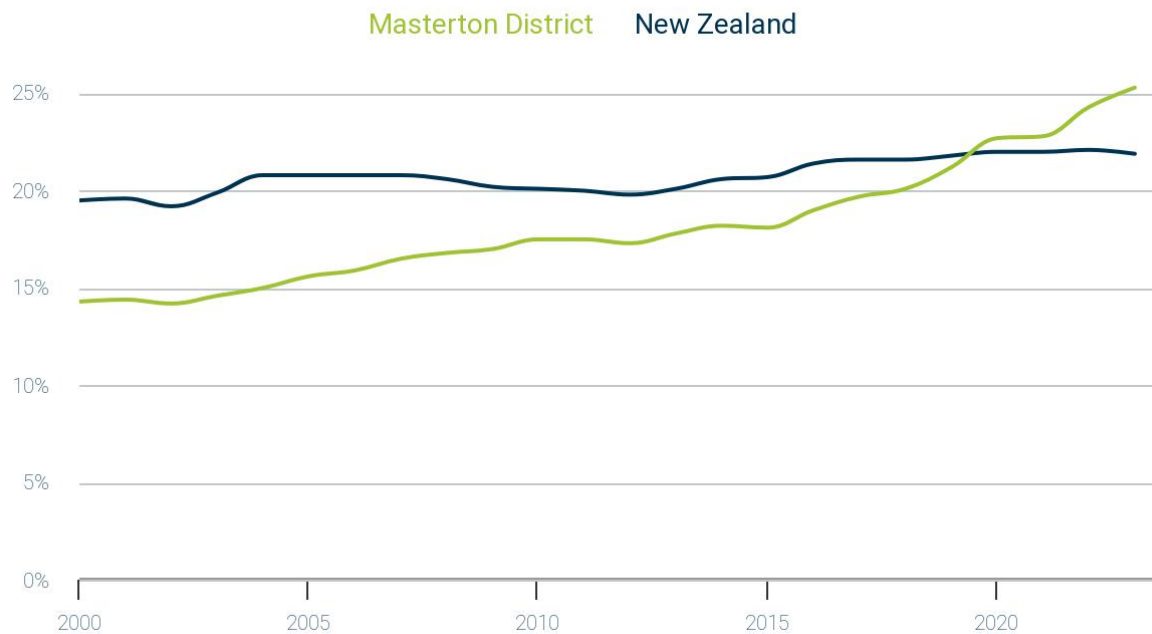
Annual ratio





## Rent to income proportion

Average weekly rent as % of average household income, March years



## House Sales

While some house sales are people relocating within the district, house sales can also reflect people moving into the area. In the year to September 2023, house sales in Masterton District decreased compared with the previous year and were lower than the 10 year average. This is consistent with the lower population growth in the past 12 months compared to the previous 2-3 years.

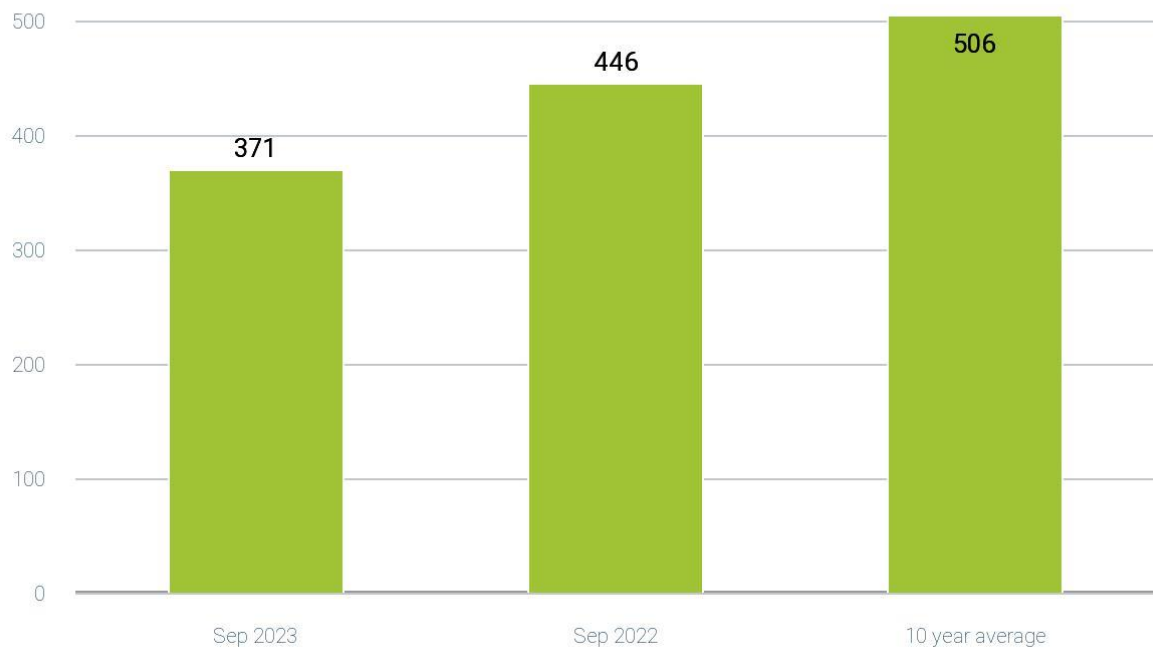
## House sales

Annual number, Masterton District



## House sales

Annual number, Masterton District



## 2. DEMOGRAPHIC CHANGE: POPULATION AGE STRUCTURE

<p><b>Our Assumption – The Most Likely Scenario:</b></p>	<p style="text-align: center;"><b>Our population will continue to age faster than the NZ average.</b></p> <p>This is consistent with demographic trends and population projections for Masterton. See supporting information.</p>
<p><b>Best Case Scenario:</b></p>	<p style="text-align: center;"><b>The population ages slower than we anticipate.</b></p> <p>Given Masterton's close proximity to Wellington, relative affordability and with greater acceptance of remote working, more people of working age and young families could be attracted to or choose to stay in the district. This could slow the ageing of our population, grow our 'working age population' and balance affordability concerns by spreading the 'rates load'. This could also enable Council to more easily invest in projects and initiatives that could make Masterton more attractive in future.</p>
<p><b>Worst Case Scenario:</b></p>	<p style="text-align: center;"><b>The population ages more quickly than we anticipate.</b></p> <p>If more people of working age, young families and youth than we anticipate are attracted to opportunities in other districts/locations/overseas and choose to leave the district, this could see our younger population decline, accelerating the aging of our population. This could contribute to affordability challenges as the rates impact would need to be shared by those who remained in the district. A higher proportion of people of retirement age would also mean a higher proportion of people on fixed incomes. Affordability concerns could restrict Council from being able to pursue projects/investment in our community and community infrastructure.</p>
<p><b>Level of Uncertainty:</b></p>	<p style="text-align: center;"><b>Low-Medium Uncertainty</b></p> <p>Globally (for western nations) and nationally it is widely accepted that the population is ageing. Masterton, like many other rural provincial towns in New Zealand, is ageing faster than the New Zealand average. Without intervention, this trend is unlikely to change. That noted, Masterton could become more attractive to younger people/families given its relative affordability, proximity to Wellington and as remote working becomes easier and more acceptable.</p>

<b>Risk:</b>	There is a low risk that our population will age differently to what we expect – this could be ageing faster or slower than anticipated.
<b>Implications if we get it wrong:</b>	<p><b>A faster ageing scenario:</b></p> <p>If the population ages more quickly than we anticipate, this could result in a higher proportion of people on fixed incomes and increased affordability challenges for our community.</p> <p><b>A slower ageing scenario:</b></p> <p>If the population ages more slowly than we have assumed, this could assist in mitigating affordability concerns for the community.</p>
<b>What are we doing to reduce that risk? (Mitigation)</b>	<p>We will continue to closely monitor population change in the district to understand trends and ensure we respond appropriately.</p> <p>We are currently working to ensure we balance demand and services at both ends of the demographic pyramid, providing services and opportunities that engage and contribute to the wellbeing of both our younger and our more mature populations.</p> <p>The three Wairarapa Councils have a Wairarapa Positive Ageing Strategy and a Wairarapa Rangatahi Strategy. These strategies aim to improve outcomes for, and the wellbeing of, these demographics.</p> <p>By implementing these strategies, we will be better placed to attract and maintain younger people/families, whilst also supporting active aging (whether that is through involvement in social and cultural activities, volunteering or physical activity).</p> <p>From a financial perspective, those aged 65+ are more likely to have fixed incomes and rate increases can 'hit harder' in these circumstances. With a larger proportion of people on fixed incomes in our community, rates affordability is a consideration for Council and could impact Council's ability to pursue some opportunities.</p> <p>To mitigate this, we have, and will continue to seek external funding for projects where opportunities exist; and will continue to explore future partnership opportunities with local Iwi and funders like Trust House and Trust Lands Trust.</p>

**SUPPORTING INFORMATION:**

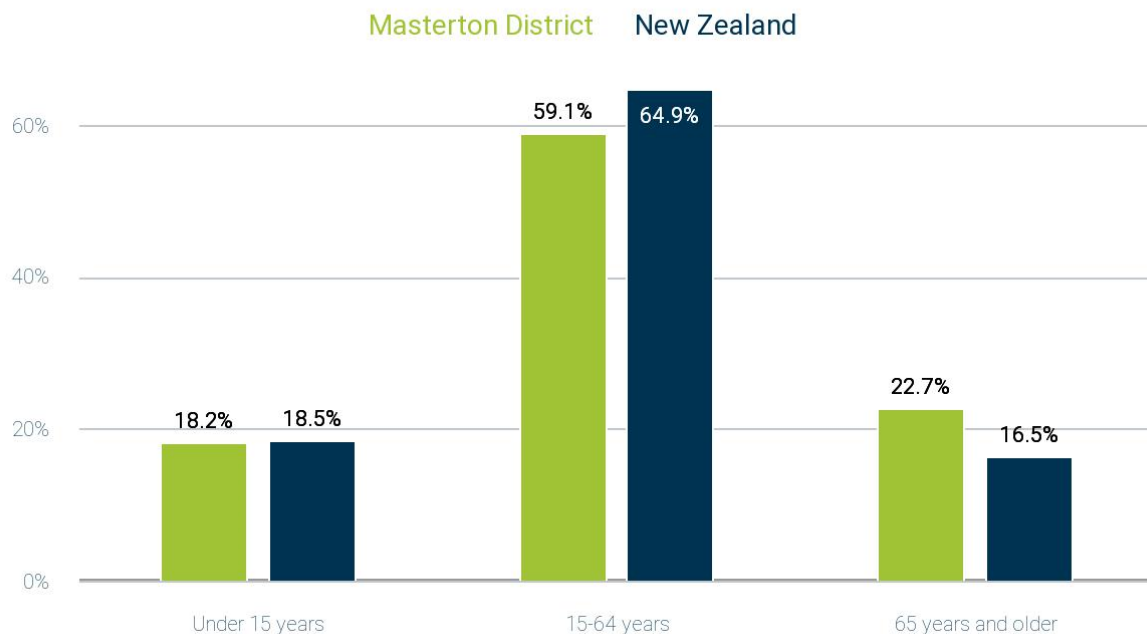
“The age composition of an area's population has implications for the demand for services and facilities, as well as decisions regarding changes to property rates. For example, as a population ages, the demand for certain types of service and new facilities, for example schools, will decrease. Meanwhile, as a greater proportion of population retires from work, sources of incomes change and there is likely to be an increase in demand for leisure and care-based facilities<sup>15</sup>.”

### Current Population Age Composition<sup>16</sup>

- The proportion of people 65 years and older was 22.7% in Masterton District. This proportion was higher than in New Zealand (16.5%).
- Overall, the dependency ratio was 69.2% in Masterton District. This proportion was higher than in New Zealand (54.0%).

### Population by broad age group, 2023

% of total, as at 30 June



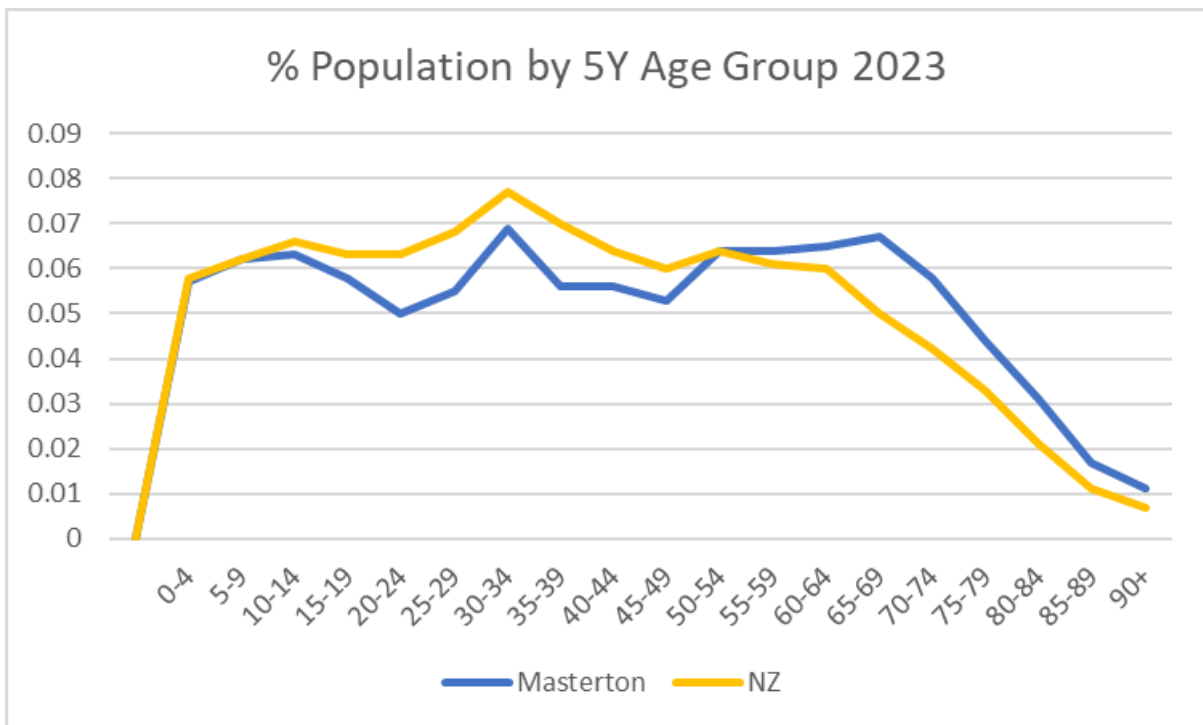
<sup>15</sup> Infometrics 2023 – downloaded from

<https://ecoprofile.infometrics.co.nz/Masterton%20District/Population/AgeComposition> on 16/11/23

<sup>16</sup> Infometrics 2023 – accessed 17/11/23

## Population by 5-year age group, 2023

% of total, as at 30 June



## Dependency Ratio<sup>17</sup>

The dependency ratio is the number of people aged under 15 and over 65 as a ratio of the rest of the population.

- The dependency ratio for Masterton is 69.2% in 2023, compared to 69% in 2019 and 61.4% in 2009.
- For NZ this is 54%, compared to 54.1% in 2019 and 50.8% in 2009.

The dependency ratio for Masterton is increasing, reflecting the aging population.

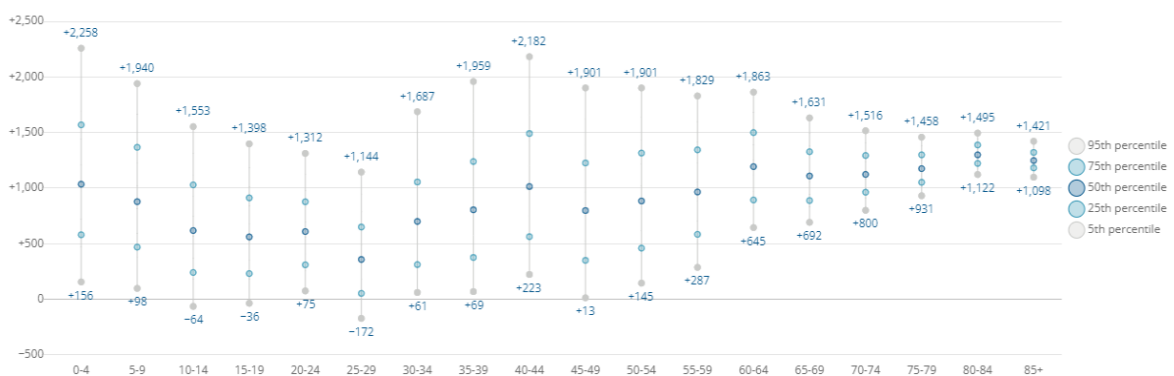
## Population projections

In April 2021 Sense Partners<sup>18</sup> stated that for the Wellington region:

- Rates of population growth are highest at ages 50 and over – a continuation of a long term trend.
- The share of the population aged over 70 is expected to rise from 10% to 15% over the next 30 years.
- Fastest rates of growth are in the 80 and over (80+) age group.
- The lowest rates of population growth are for people in their 20s – a consequence of the projected decline in immigration relative to recent highs.
- This implies there will be substantially fewer young workers and tertiary students as a share of the population.

The following table shows the Sense Partners 2023 forecast growth in age groups for Masterton district<sup>19</sup>:

The following chart shows the ranges of expected change in population totals between 2018 and 2054:



<sup>17</sup> Infometrics 2023 – accessed 16/11/23

<sup>18</sup> Sense Partners 2021 Demographic and dwelling forecasts for Wellington region -

<https://demographics.sensepartners.nz/report-files/Demographic%20forecasts%20for%20the%20Wellington%20Region%20-%202021.pdf>

<sup>19</sup> Sense Partners 2023 - <https://demographics.sensepartners.nz/age-structure>

Statistics NZ<sup>20</sup> project the population of all Territorial Authorities to age in the future; and by 2048 all 67 territorial authorities are projected to have fewer children under 15 years of age, primarily related to lower fertility rates.

For Masterton, Statistics NZ<sup>21</sup> forecast the median age to increase from 42.2 years in 2023 to 47.7 years in 2048.

<b>Projected population age structure and components of change</b>											
1996–2048 (2018-base) update, medium projection											
Auckland loc	Year	Population <sup>(2)</sup> by age group (years), at 30 June					Components of population change, five years ended 30 June				Median age <sup>(7)</sup> (years) at 30 June
		0–14	15–39	40–64	65+	Total	Births <sup>(3)</sup>	Deaths <sup>(4)</sup>	Natural increase <sup>(5)</sup>	Net migration <sup>(6)</sup>	
Masterton district	1996	5,800	7,700	6,600	3,200	23,200	...	...	...	...	34.8
	2001	5,400	6,900	7,300	3,500	23,100	1,700	1,100	600	-700	37.9
	2006	4,900	6,600	7,800	3,800	23,000	1,400	1,100	300	-400	40.4
	2013	4,800	6,400	8,200	4,600	24,100	1,500	1,200	300	400	42.5
	2018	5,000	7,400	8,500	5,500	26,400	1,500	1,300	200	2,200	42.9
	2023	5,400	8,700	8,900	6,600	29,700	1,700	1,400	300	3,000	42.2
	2028	5,600	8,600	8,800	7,500	30,600	1,700	1,600	100	800	43.0
	2033	5,600	8,100	9,300	8,200	31,300	1,600	1,800	-100	800	44.1
	2038	5,400	8,000	9,500	8,700	31,700	1,500	1,900	-400	800	45.8
	2043	5,200	8,200	9,700	8,800	31,900	1,500	2,100	-600	800	47.0
2048	5,100	8,300	9,800	8,900	32,100	1,500	2,200	-600	800	47.7	

<sup>20</sup> Statistics NZ 2022 - <https://www.stats.govt.nz/information-releases/subnational-population-projections-2018base2048-update/> accessed 23/11/23

<sup>21</sup> Statistics NZ - [https://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE8616&\\_ga=2.2032181.544228278.1700701356-1998042352.1700701356#](https://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE8616&_ga=2.2032181.544228278.1700701356-1998042352.1700701356#) accessed 23/11/23



### 3. DEMOGRAPHIC CHANGE: POPULATION DIVERSITY

<p><b>Our Assumption – The Most Likely Scenario:</b></p>	<p style="text-align: center;"><b>Our population will continue to become more diverse, and our Māori population will continue to grow.</b></p> <p>This is consistent with demographic trends and population projections for Masterton. See supporting information.</p>
<p><b>A More Diverse Scenario:</b></p>	<p style="text-align: center;"><b>The diversity of our population occurs more quickly than we anticipate.</b></p> <p>Our community could benefit from opportunities that greater diversity present, provided we continue to take action to grow a more equitable and inclusive community now.</p>
<p><b>A Less Diverse Scenario:</b></p>	<p style="text-align: center;"><b>The diversity of our population occurs at a slower rate than we anticipate.</b></p> <p>Planning for greater diversity and for meeting the needs of a more diverse community will make Masterton a better and more inclusive place, even if change happens slower than we anticipate or not at all. The more responsive and inclusive we can be, the stronger our community will become.</p>
<p><b>Level of Uncertainty:</b></p>	<p style="text-align: center;"><b>Low Uncertainty</b></p> <p>Nationally it is accepted that the population is becoming more diverse. Our Māori population is younger and growing faster than other ethnicities. We have also seen more 'new' New Zealanders. Masterton is also a refugee resettlement location.</p>
<p><b>Risk:</b></p>	<p>Given the level of uncertainty, there is a low risk that our population will be less diverse than what we anticipate, however planning for a more diverse, welcoming and inclusive community, can only benefit Masterton and its existing residents. The greater risk is doing nothing, especially given we know there is inequity between different ethnicities within our community now.</p>
<p><b>Financial Implications if we get it wrong:</b></p>	<p>A less inclusive community is more likely to see a break down in the 'social fabric' and potential negative implications as a result, such as growing inequality which is linked to a range of negative outcomes from poor health and education outcomes, to increased crime and violence.</p> <p>While these implications may appear to be more social than financial, there are financial flow on effects. For example, lower levels of education and/or poor health may impact an individual's</p>

	<p>ability to find work. A community with higher numbers of people in low skill, low paying jobs will have greater affordability concerns, which could limit opportunities for the community as a whole. A community where everyone thrives, and diversity is celebrated, will be stronger and more resilient.</p> <p>It will also be a more attractive place to live. Attracting 'new New Zealanders' and New Zealanders returning from overseas and/or living in other parts of New Zealand now, could contribute to population growth, buffer the effect of our aging population, result in new businesses/ economic growth and ultimately help to spread the rates load.</p>
<p><b>What are we doing to reduce that risk? (Mitigation)</b></p>	<p>We will continue to closely monitor population change in the District to understand trends and respond appropriately.</p> <p>Aspirations for our district, identified as priorities in our Wellbeing Strategy, <i>He Hiringa Tangata He Hiringa Whenua</i>, include:</p> <ul style="list-style-type: none"> <li>• Strengthening relationships with Iwi</li> <li>• Increasing opportunities for meaningful partnerships and collaboration with Iwi</li> <li>• Equitable access to opportunities</li> <li>• Being a community where people want to live</li> <li>• Having engaged communities that actively participate in our community</li> </ul> <p>Implementing the Strategy will help to create a more inclusive community.</p> <p>For Māori as tangata whenua it is particularly important that we respect and celebrate diversity (both as an organisation and as a community) and work towards greater equity and inclusiveness.</p> <p>A standard item on every Council decision report is consideration of how the decision may impact Māori. We are currently developing a framework to support better engagement and consultation with Māori, which will assist in growing our capacity to better meet the needs of our Māori communities.</p> <p>We are also continuing to work to improve the cultural appropriateness of services (e.g. offering te reo Māori based programmes in our Library; bilingual signage; reflecting Māori culture and design in 'our place'; and correcting past errors such as correcting the spelling of Makoura Road).</p> <p>We are also welcoming new residents. Masterton is a refugee resettlement location and is also part of the "Welcoming Communities Programme", an initiative to support improved social inclusion outcomes for recent migrants.</p>

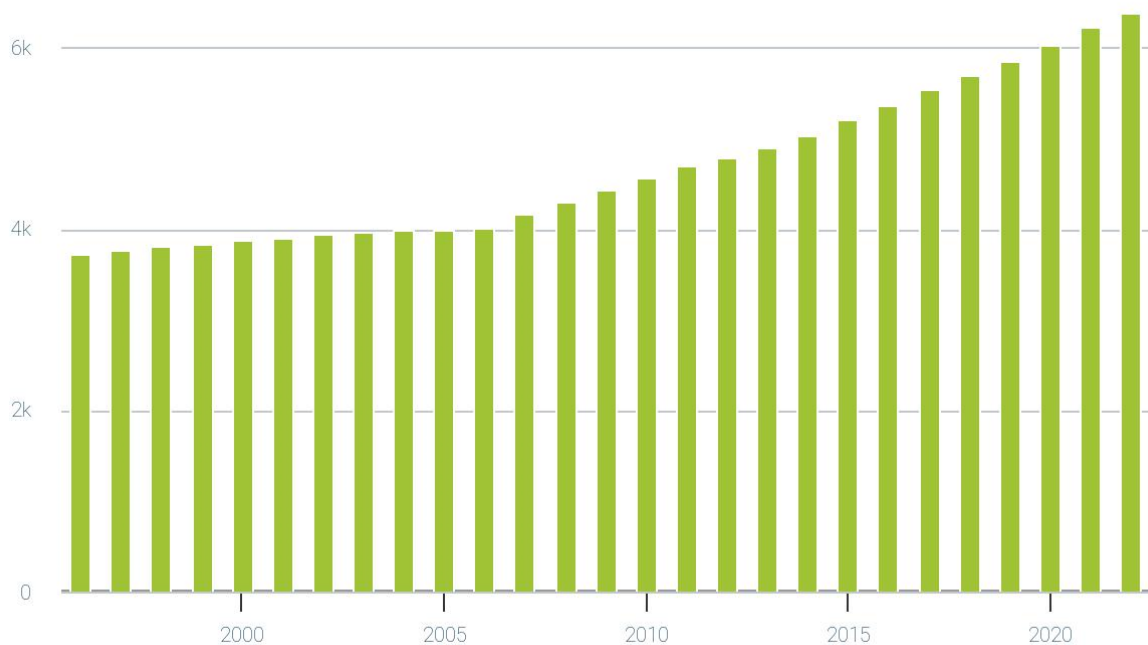
**SUPPORTING INFORMATION:**

## Māori Population Growth (2022)<sup>22</sup>

- Masterton District's total Māori population was 6,390 in 2022, up 2.6% from a year earlier. Total Māori population grew by 2.0% in New Zealand over the same period.
- Māori population growth in Masterton District averaged 2.9%pa over the 5 years to 2022 compared with a Māori population growth of 2.2%pa in New Zealand.
- Since 1996, Māori population growth in Masterton District reached a high of 3.7%pa in 2007 and a low of 0.2%pa in 2006.

## Māori population level

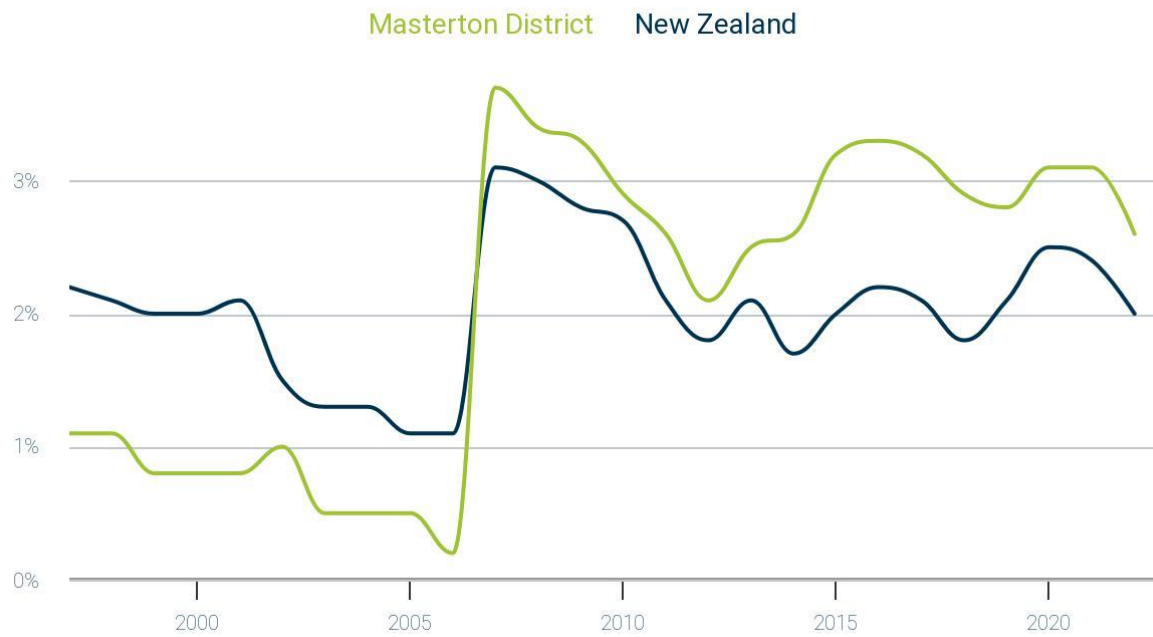
People, annual level, June years



<sup>22</sup> Infometrics 2023 – accessed 17/11/23

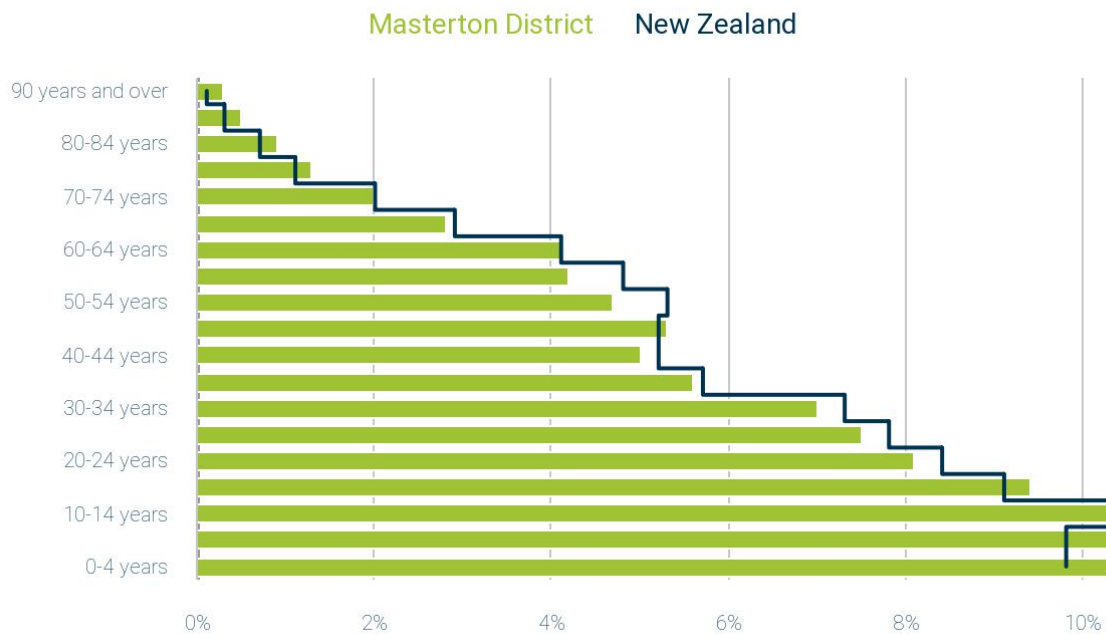
## Population growth for Māori

Annual % change, June years



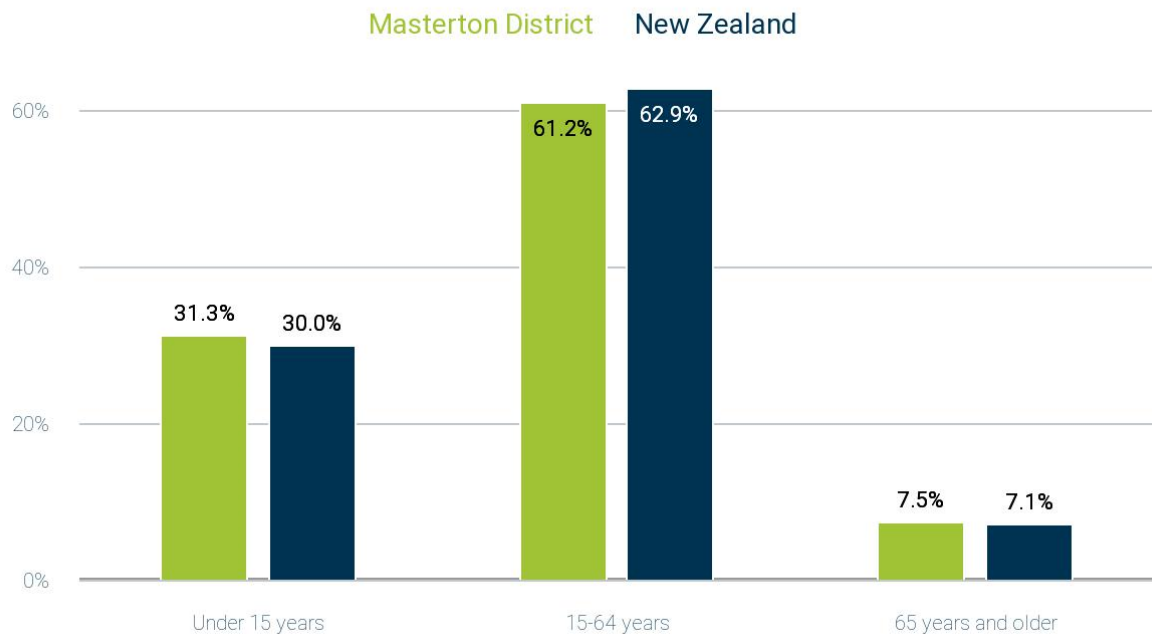
## Māori population by 5-year age group, 2022

% of total, as at 30 June



## Māori population by broad age group, 2022

% of total, as at 30 June



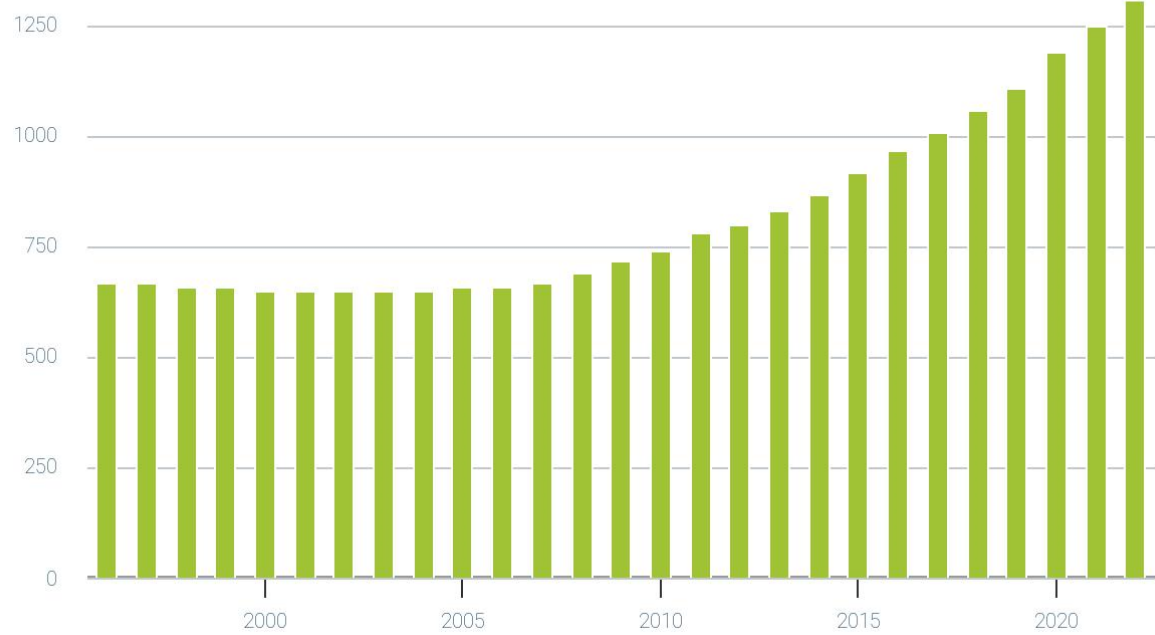
### **Pacific Peoples Population Growth (2022)<sup>23</sup>**

- Masterton District's total Pacific Peoples population was 1,310 in 2022, up 4.8% from a year earlier. Total Pacific Peoples population grew by 2.2% in New Zealand over the same period.
- Pacific Peoples population growth in Masterton District averaged 5.3%pa over the 5 years to 2022 compared with Pacific Peoples population growth of 3.0% pa in New Zealand.
- Since 1996, Pacific Peoples population growth in Masterton District reached a high of 7.2%pa in 2020 and a low of -1.5%pa in 2000.

<sup>23</sup> Infometrics 2023 – accessed 17/11/23

## Pacific Peoples population level

People, annual level, June years

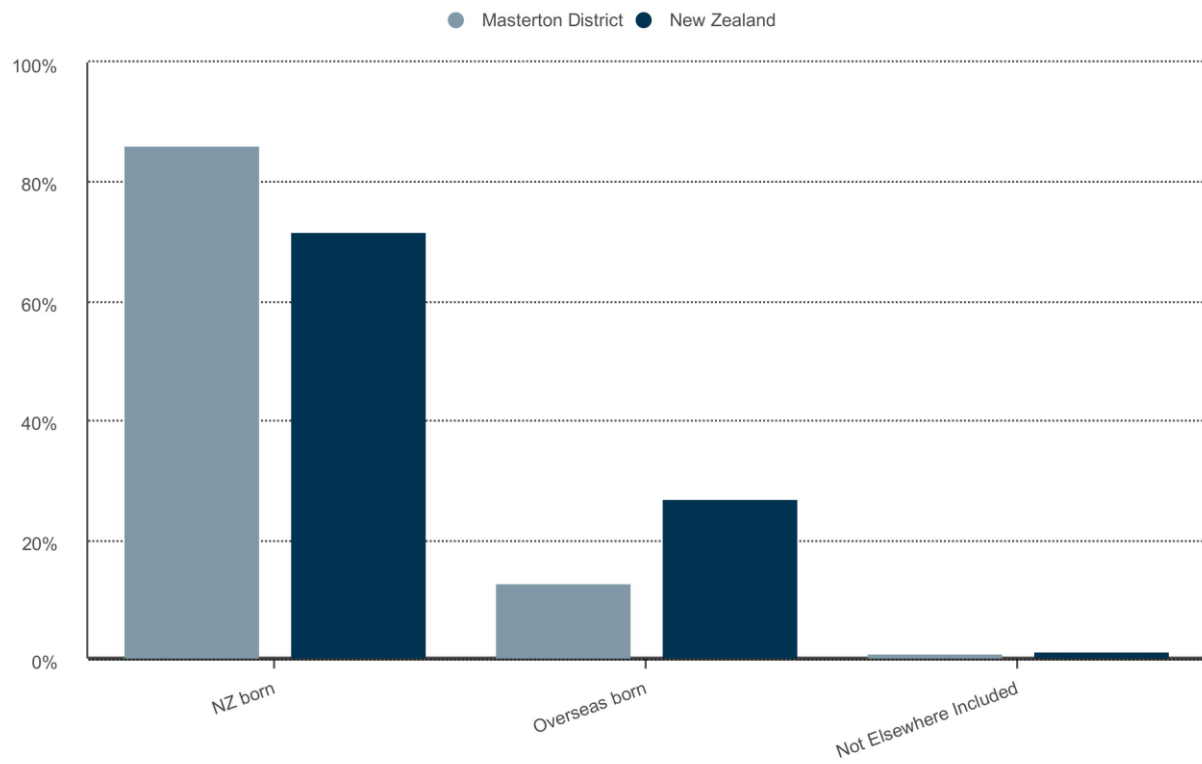


## Population growth for Pacific Peoples

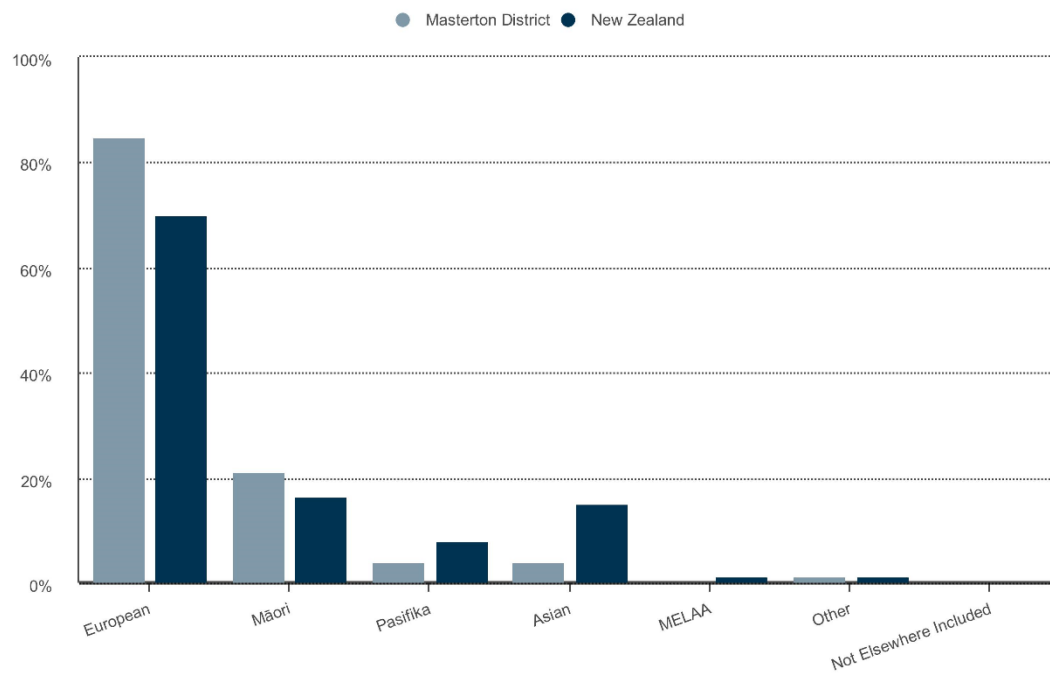
Annual % change, June years



## Population Diversity 2018<sup>24</sup>



## Population by Birthplace 2018<sup>25</sup>



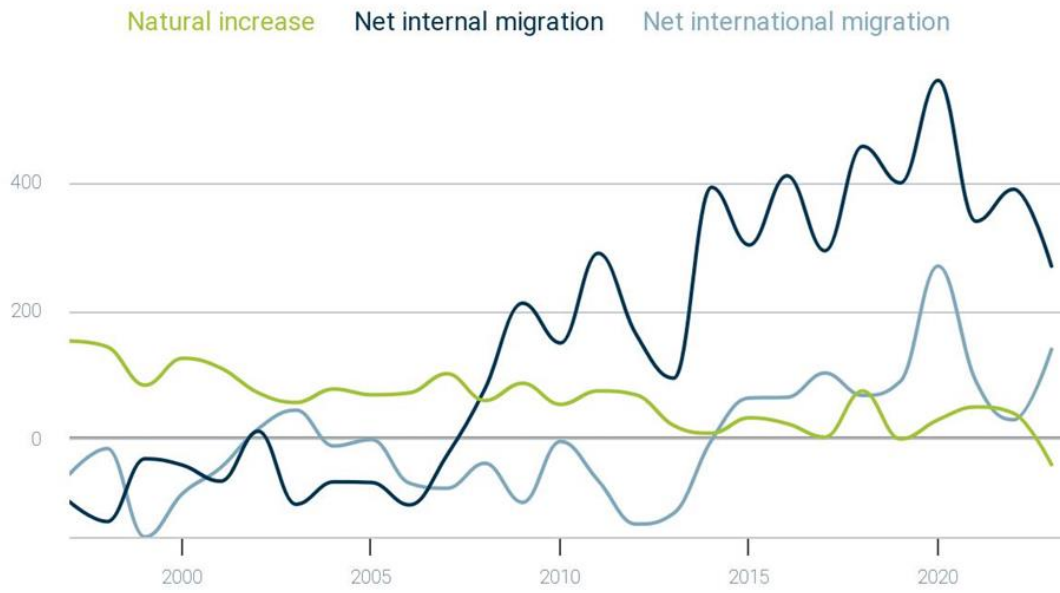
<sup>24</sup> Infometrics – accessed 17/11/23

<sup>25</sup> Infometrics – accessed 17/11/23

## Migration

### Source of population growth

Persons, June years





#### 4. HOUSEHOLD GROWTH

<p><b>Our Assumption – The Most Likely Scenario:</b></p>	<p><b>Average 1.6% growth per annum to 2054 (50th percentile) with higher growth of approximately 1.95% expected in Y1-10, and lower average growth in later years.</b></p> <p>This is based on Sense Partners growth projections (50th percentile).</p> <p>Sense Partners projections (2023) forecast growth of 6,550 between 2022-2054, from an estimated 12,352 households in 2022 to 18,902 households in 2054. This equates to an increase of 53% over the 32 year period, or average growth of 1.66%. From a 2023 baseline, growth is forecast to increase from 12,605 to 18,902, an increase of 6,297 (49.96% or an average of 1.61% per annum).</p> <p>For the 10 years of this LTP (2024-34), the number of households is expected to grow by 2,501 from an estimated 12,863 households in 2024 to 15,364 in 2034. This equates to growth of 19.44% for the 10 year period, or average growth of 1.94%.</p> <p>The 50th percentile is considered the most likely scenario based on current data and most recent trends, noting a high level of uncertainty surrounding migration and in the current economic environment.</p> <p>Household growth is higher than population growth as households are also projected to get smaller with fewer people living in each house.</p>
<p><b>High Growth Scenario:</b></p>	<p><b>Average 2.2% growth per annum to 2054 (75th percentile) Average 3.1% growth per annum (95th percentile)</b></p> <p>2.2% is based on Sense Partners median-higher growth projections (75th percentile) for 2022-2054.</p> <p>3.1% is based on Sense Partners high growth projections (95th percentile) for 2022-2054.</p>
<p><b>Low Growth Scenario:</b></p>	<p><b>Average 0.6% growth per annum to 2054 (5th percentile) Average 1.1% growth per annum (25th percentile)</b></p> <p>0.6% is based on Sense Partners low growth projections (5th percentile) for 2022-2054.</p> <p>1.1% is based on Sense Partners low-median growth projections (25th percentile) for 2022-2054.</p>
<p><b>Level of Uncertainty:</b></p>	<p style="text-align: center;"><b>High Uncertainty</b></p> <p>Housing growth forecasts include some reliance on population growth and economic forecasts. There is always some uncertainty,</p>

	and at the current time, with economic conditions and uncertainty surrounding migration, this is amplified.
<b>Risk:</b>	Given the level of uncertainty, there is a moderate-high risk that household growth will be higher or lower than we have forecast.
<b>Implications if we get it wrong:</b>	<p><b>A higher growth scenario:</b>  Masterton has capacity for growth within its key infrastructure and services. Our 2021 Asset Management Plans indicated we could accommodate housing growth up to 1.8% per annum over the ten years from 2021-31 without significant impacts. We will reassess this as we develop the spatial plan scheduled for Year 1 of the 2024-34 LTP.</p> <p>If there was a significant and sustained rise in population beyond 1.8% per annum, that could have adverse effects on our ability to deliver some services to existing service levels – e.g. if demand was higher than the capacity of the service or asset. This could result in reduced levels of service or, worst case scenario, asset failures and/or a need to rapidly and heavily invest in assets to accommodate the growth. This in turn could result in much higher than planned debt or significant increases in rates (or both).</p> <p>If we were to experience higher household growth than we have planned for, Council services that could be most affected are:</p> <ul style="list-style-type: none"> <li>• Water Supply – given consent conditions, demand for water can exceed our capacity to supply over hot, dry summer periods. Rapid growth could add to this. To help mitigate water demand Council are introducing water meters. We also have provision for a water storage reservoir at Kaituna in the 2024-34 LTP.</li> <li>• Community Services e.g. our regulatory functions like Planning and Building Control could see increased demand for consent processing and inspections.</li> </ul> <p><b>A lower growth scenario:</b>  If there was significantly less growth than anticipated, this would ultimately impact our rating base and may affect our ability to set rates at a level that is affordable for our community. This could result in higher than planned rates increases to maintain infrastructural assets (such as roads, water, and wastewater) and/or assets with greater capacity than required.</p>
<b>What are we doing to reduce that risk? (Mitigation)</b>	<p>We need to balance the risk of over-investing to expand infrastructure for housing development if that is not going to be required against the alternative risk of not being adequately prepared for, and able to manage, growth.</p> <p>Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work.</p>

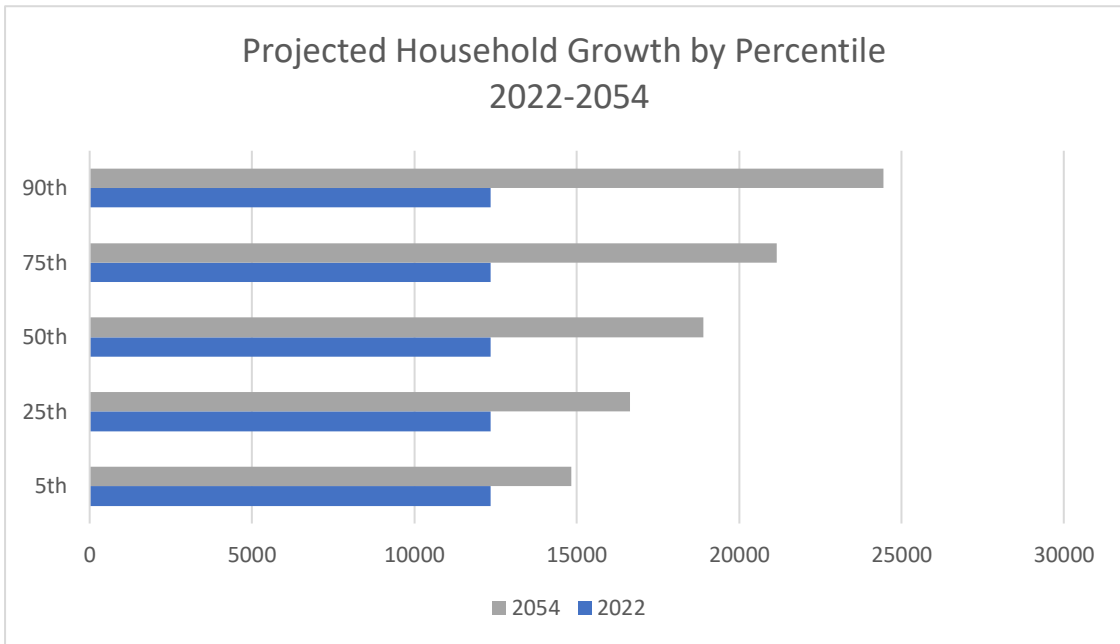
	<p>Costs over this amount could result in additional Council expenditure, which would likely be loan funded.</p> <p>Council will continue to closely monitor population growth, economic conditions, and resource and building consents being processed in the District. By monitoring trends we can adjust and respond accordingly if we do need to revise our plans and approach.</p>
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**SUPPORTING INFORMATION:**

***Growth Projections***

**Sense Partner Median (Forecasting to 2054)<sup>26</sup>**

At the 50th Percentile, Sense Partners forecast growth of 6,550 households by 2054, from 12,352 in 2022 to 18,902 in 2054. This equates to a 53% increase in households, or an average of 1.66% growth per annum.



<sup>26</sup> Sense Partners Website – accessed 25/10/23

Year	percentile	total	TOTAL GROWTH		
			Growth	% Growth	%Growth PA
2022	percentile_5th	12352			
2054	percentile_5th	14833	2481	20.09	0.63
2022	percentile_25th	12352			
2054	percentile_25th	16644	4292	34.75	1.09
2022	percentile_50th	12352			
2054	percentile_50th	18902	6550	53.03	1.66
2022	percentile_75th	12352			
2054	percentile_75th	21158	8806	71.29	2.23
2022	percentile_95th	12352			
2054	percentile_95th	24454	12102	97.98	3.06

Year	percentile	one_parent	two_parent	multi_family	couple	multi_person	alone	total	TOTAL GROWTH		
									Growth	% Growth	%Growth PA
2022	percentile_5th	1443	2756	291	3763	377	3722	12352			
2054	percentile_5th	1473	2684	324	4729	383	5240	14833	2481	20.09	0.63
2022	percentile_25th	1443	2756	291	3763	377	3722	12352			
2054	percentile_25th	1704	3163	368	5234	439	5736	16644	4292	34.75	1.09
2022	percentile_50th	1443	2756	291	3763	377	3722	12352			
2054	percentile_50th	2014	3809	425	5838	519	6297	18902	6550	53.03	1.66
2022	percentile_75th	1443	2756	291	3763	377	3722	12352			
2054	percentile_75th	2325	4450	482	6447	590	6864	21158	8806	71.29	2.23
2022	percentile_95th	1443	2756	291	3763	377	3722	12352			
2054	percentile_95th	2791	5445	565	7289	702	7662	24454	12102	97.98	3.06

### Past Growth Trends

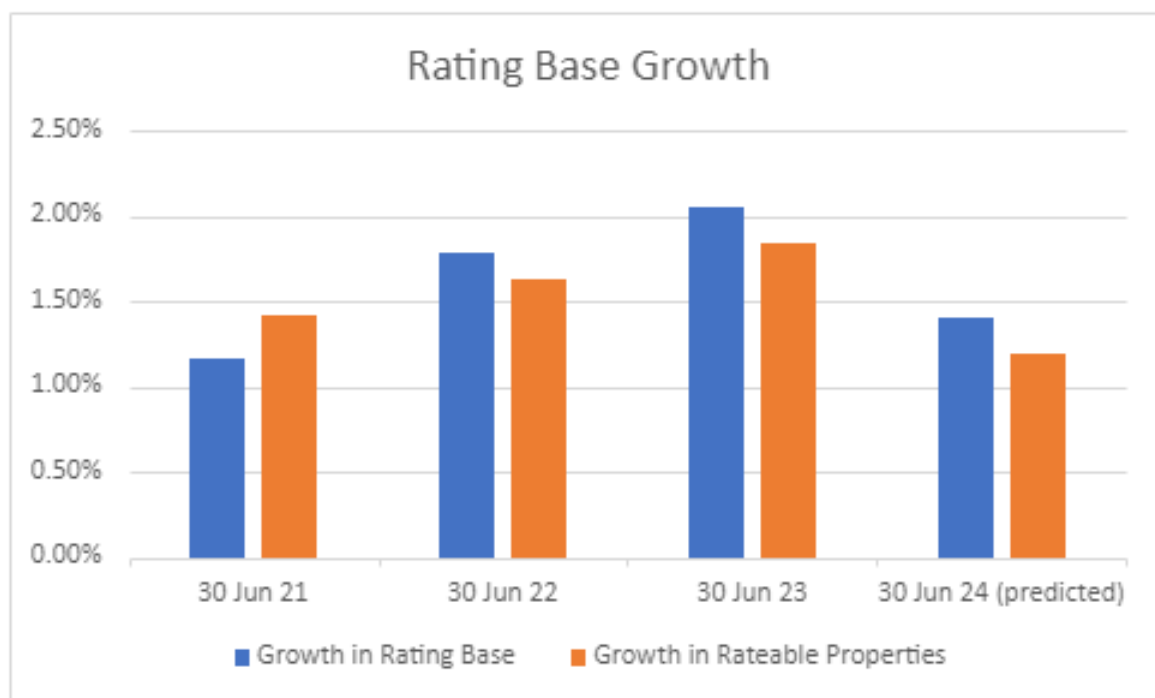
#### Annual growth in the rating base since 2016 is included below:

The number of rateable properties is included in the Annual Report each year, noting this figure is broader than just residential properties. Between 30 June 2016 and 30 June 2023, the number of rateable properties increased from 12,220 to 13,411 an increase of 9.75%, which equates to average annual growth of 1.39%.

Year Ending:	Rateable Units	Growth
30 June 2016	12,220	
30 June 2017	12,325	+105
30 June 2018	12,373	+48
30 June 2019	12,500	+127
30 June 2020	12,702	+202
30 June 2021	13,007	+305
30 June 2022	13,179	+172
30 June 2023	13,411	+232

Over the past three years (2021-2023), growth in the rating base has averaged 1.63% overall, and 1.72% in the urban area. There has been an upward trend over the 3 years with a peak in 2023 of 1.84% overall growth and 2.2% growth in the urban area.

During the year ended:				Predicted <sup>27</sup> :
<b>Masterton District</b>	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24 (predicted)
Growth in Rating Base	1.16%	1.79%	2.05%	1.40%
Growth in Rateable Properties	1.42%	1.63%	1.84%	1.20%
During the year ended:				
Masterton - <b>Urban</b>	30-Jun-21	30-Jun-22	30-Jun-23	
Growth in Rating Base	1.16%	1.98%	2.48%	
Growth in Rateable Properties	1.40%	1.56%	2.21%	
During the year ended:				
Masterton - <b>Rural</b>	30-Jun-21	30-Jun-22	30-Jun-23	
Growth in Rating Base	1.19%	1.22%	0.74%	
Growth in Rateable Properties	1.90%	1.50%	0.90%	

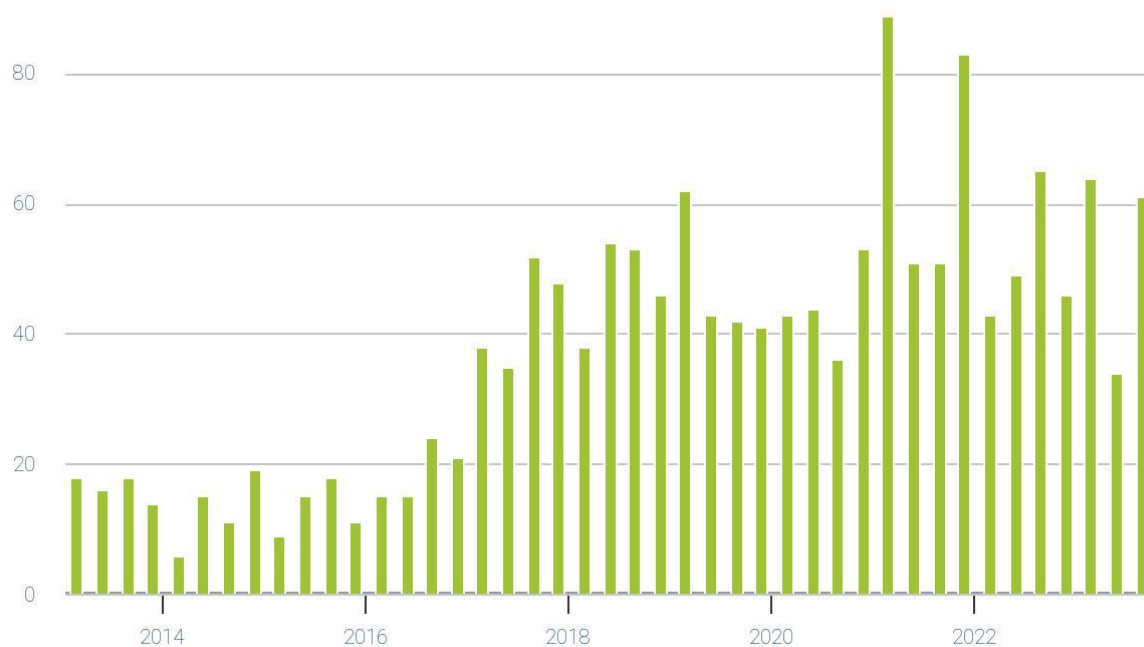


<sup>27</sup> Provided by Finance Manager 17/11/23

## Building Consents<sup>28</sup>:

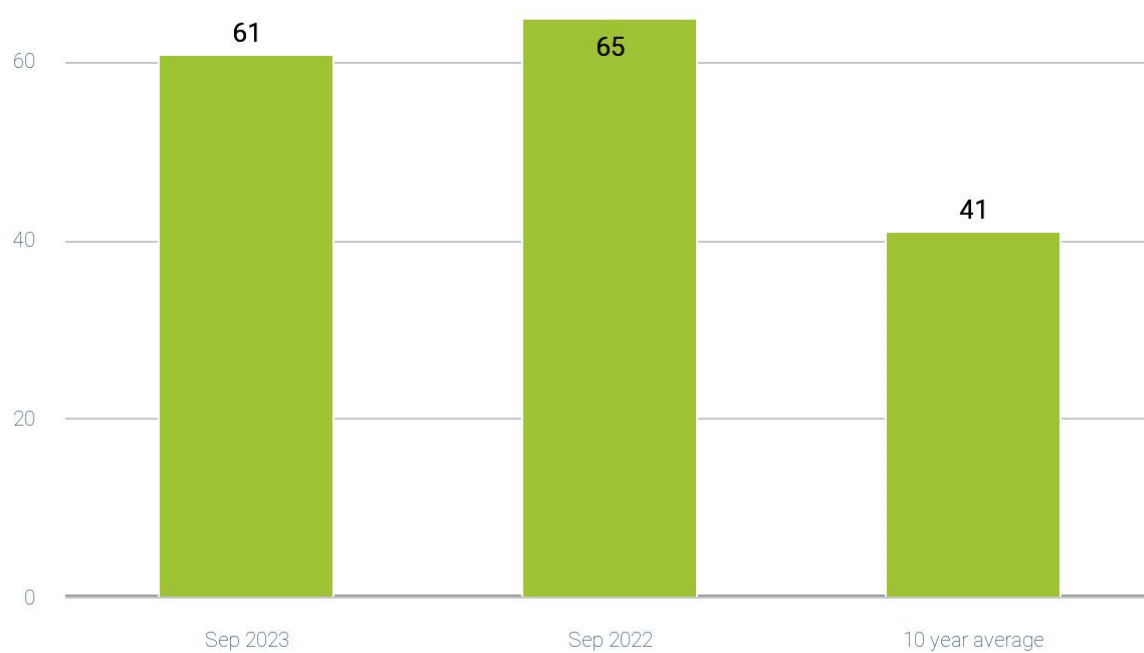
### Residential consents

Quarterly number, Masterton District



### Number of new dwelling consents

Quarterly number, Masterton District



<sup>28</sup> Infometrics – accessed 17/11/23

## 5. THE ECONOMY

<b>Our Assumption – The Most Likely Scenario:</b>	<p style="text-align: center;"><b>Economic Slowdown Continues</b></p> <p>“Although the Masterton economy grew at a moderate pace of 2.3% p.a. over the year to September 2023 according to provisional estimates from Infometrics growth has slowed considerably in recent quarters, growing by just 0.5% in the September quarter. The period of strong growth experienced by Masterton during the pandemic and post-pandemic period has ended. The economy is facing strong headwinds and most indicators we monitor have deteriorated<sup>29</sup>,”.</p> <p>We have based our planning on the assumption that our economy will continue to slow in the short to medium term.</p> <p>The BERL Cost adjusters 2023 final update, released in October, reflects this picture. At that time, the Reserve Bank of New Zealand (RBNZ) indicated that interest rates would remain elevated for some time given inflation is still far from being within the target</p>
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<sup>29</sup> Infometrics Quarterly Economic Monitor - <https://qem.infometrics.co.nz/masterton-district> Accessed 23/11/23

	<p>range of one to three percent. Any growth over the next few quarters is expected to be small and will largely be driven by high migration and spending by the government on the rebuild from the flooding in the upper North Island.</p> <p>&lt;Note – Very recently some banks have announced interest rate drops. We will continue to monitor trends and revise the assumptions prior to finalising the 2024-34 LTP if justified to reflect any changes.&gt;</p>
<b>Best Case Scenario:</b>	<p style="text-align: center;"><b>Our Economy Grows/Recovers Faster</b></p> <p>Masterton's location near Wellington, and relative affordability of housing, has attracted new residents - and has the potential to continue to do so. These factors have the potential to positively impact our economy.</p>
<b>Worse Case Scenario:</b>	<p style="text-align: center;"><b>Our Economy Contracts/Recovers Slower</b></p> <p>Inflationary pressures continue to linger, increasing the cost of living which is impacting people right across the community. The impact of high interest rates is beginning to be felt more keenly as households roll off previously low interest rates.</p> <p>As the economy contracts, it is expected that unemployment will increase. The Government's commitment to reduce the size of the public service may also have a noticeable impact on the community, as many of our resident's commute to Wellington for work.</p> <p>These factors have the potential to negatively impact our economy.</p>
<b>Level of Uncertainty:</b>	<p style="text-align: center;"><b>High Uncertainty</b></p> <p>"The global outlook is highly uncertain and will depend on the effectiveness of central banks' monetary policy tightening and the absence of further negative shocks<sup>30</sup>".</p>
<b>Risk:</b>	Given the level of uncertainty, there is a high risk that our economic situation will vary from what we have assumed.
<b>Implications of Risk:</b>	<p><b>A growth scenario:</b> If our economy grows more than we have assumed, that would be a positive outcome reducing stress on our community and</p>

<sup>30</sup> Budget Policy Statement 2023 - <https://www.budget.govt.nz/budget/2023/bps/economic-fiscal-forecasts.htm#:~:text=GDP%20is%20expected%20to%20decline,to%20which%20we%20compare%20ourselves>



	<p>improving affordability. A growth economy could attract business and jobs creating more opportunities for our community.</p> <p>Under an unexpected growth scenario risks for Council include:</p> <ul style="list-style-type: none"> <li>▪ <b>Infrastructure Strain:</b> Unexpected economic growth may place a strain on infrastructure including utilities, public services, and transport. Infrastructure issues can hinder productivity and negatively impact quality of life.</li> <li>▪ <b>Skills Gap and Workforce Shortages:</b> Unexpected economic growth can lead to workforce shortages and a mismatch between skills and workforce needs.</li> <li>▪ <b>Environmental Impacts:</b> Rapid or unexpected growth can strain natural resources and lead to increased pollution and environmental degradation if sustainability measures are not in place or robust.</li> <li>▪ <b>Social Inequality:</b> Unplanned growth can exacerbate income inequality and social disparities, particularly if growth is not felt evenly across the community.</li> </ul> <p><b>A contracting scenario:</b> If the economy continues to contract, this will increase the stress in our community and amplify affordability considerations for Council. If high levels of inflation (or other economic shocks) continue to impact the community in the short to medium term, options such as reducing levels of service or deferring projects may need to be considered.</p> <p>Under a contracting scenario risks for Council include:</p> <ul style="list-style-type: none"> <li>▪ <b>Reduced consumer and business confidence:</b> A deep contraction could erode business and consumer confidence.</li> <li>▪ <b>Financial Instability:</b> Deeper contractions can strain financial systems, with more people likely to struggle to repay debt and meet other payment obligations.</li> <li>▪ <b>Social Unrest and Inequality:</b> Economic contractions can exacerbate social tensions and inequalities. Deeper downturns can widen income disparities and result in social unrest or political instability if certain segments of the population feel disproportionately affected or marginalised.</li> </ul>
<p><b>What are we doing to reduce that risk? (Mitigation)</b></p>	<p>We will continue to closely monitor economic change in the district to understand trends and respond appropriately.</p> <p>The three Wairarapa Councils are committed to working together, where possible, to develop and implement plans and strategies.</p> <p>It is important to note that the effects of high inflation and rising interest rates have not been evenly distributed in our community. Some industries and individuals have been impacted more than others. Ensuring that those who have been affected most are also considered is an important part of our planning.</p>

	We are also working to balance affordability for our community now against investment in projects that could stimulate jobs and investment that is required for the future. If we don't invest now, we may not be adequately prepared for, and able to manage, future challenges such as climate change, water resilience and affordability issues.
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## **SUPPORTING INFORMATION:**

### ***Economic Projections***

#### **BERL Cost adjusters 2023 final update<sup>31</sup>**

The BERL Cost adjusters 2023 final update (October 2023) reported the following:

#### GDP

Looking ahead to the rest of 2023, BERL anticipates minimal GDP growth with possible contractions. BERL project a modest 1.2% increase for June 2024 and a 1.1% rise for June 2025. The Reserve Bank of New Zealand (RBNZ) expects sluggish GDP growth until early 2024, mentioning declining spending growth in their latest statement.

BERL note that cyclone and flood recovery efforts in the upper North Island will stimulate economic activity over the next quarters, but the impact will be gradual. Net migration will bolster the economy overall, yet per capita performance might not mirror this growth. New migrants will drive demand for housing, rentals, and services while expanding the labour force for increased production.

However, declining demand coupled with high interest rates is dampening all sectors of the economy. Retail sales, housing demand, and business activity are decreasing. Low export prices and weak economic conditions in key trade partners, especially China, will further reduce demand for our exports.

#### Labour market

The RBNZ foresees the unemployment rate climbing to 4.4% by year-end and peaking at 5.5% in 2025. BERL's projection indicates a peak of five percent in June 2025, followed by a gradual decline. This decrease will stem from heightened labour supply due to migration, coupled with reduced demand from organizations amid declining economic activity.

### ***Infometrics Economic Monitor<sup>32</sup>***

Infometrics Quarterly Economic Monitor (September 2023) reported the following:

Masterton's economy, which grew by 2.3% annually up to September 2023, has seen a significant slowdown lately, marking just a 0.5% growth in the last quarter. The

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<sup>31</sup> BERL Cost adjusters, October 2023

<sup>32</sup> Infometrics Quarterly Economic Monitor September 2023 – accessed 17/11/23

strong growth experienced during and after the pandemic has ceased, as the economy faces substantial challenges, evident in deteriorating indicators.

Consumer spending in Masterton grew by only 1.6% annually, significantly trailing the inflation rate of 5.6%. This indicates a notable decrease in household consumption compared to the previous year.

Population growth in Masterton slowed to 1.4% annually up to June 2023, dropping below the national growth rate for the first time since 2017. The economy's slowdown is impacting the labour market, with employment growth declining to 1.9% annually, well below the national average of 3%. Jobseeker Support recipients have increased, hitting 936 in the September 2023 quarter, up from a post-COVID low in June 2022.

Despite a drop in house values to an average of \$557,000 in September 2023 from a peak of nearly \$700,000 in March 2022, residential consents remain relatively steady. However, non-residential consents have sharply decreased to around 65% of the 10-year average level in the year to September 2023.

At the national level for the September 2023 quarter Infometrics reported:

New Zealand's economy expanded in the September 2023 quarter, but its pace slowed due to various economic pressures. Despite sustained job and population growth contributing to this expansion, high inflation and increased interest rates have tempered the economy's strength.

Infometrics' estimates suggest a 0.5% activity increase in the September quarter, resulting in 1.7% annual average growth. However, despite higher spending in dollar terms, it's restrained by excessive inflation, affecting spending as interest rates climb. Job growth remains strong, supported by migration boosting demand.

Yet, challenges persist, including declining construction plans, pressure on the primary sector, rising unemployment, and fewer job advertisements. These factors are expected to dampen economic momentum, indicating a more subdued economic outlook ahead.

### ***Budget Policy Statement 2023<sup>33</sup>***

"The Reserve Bank's efforts to reduce demand and return inflation to its target range mean that many households will face increasing mortgage rates in the coming months, with an associated decline in consumer spending and investment. The Treasury forecasts that wages are set to rise faster than inflation every year across the forecast period, providing further support for households."

"The significant tightening of monetary policy is coming at a time when global growth in 2023 is likely to be the lowest since the early 1990s, outside of the COVID-19 pandemic and Global Financial Crisis. The global outlook is highly uncertain and

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<sup>33</sup> Budget Policy Statement 2023 - <https://www.budget.govt.nz/budget/2023/bps/economic-fiscal-forecasts.htm#:~:text=GDP%20is%20expected%20to%20decline,to%20which%20we%20compare%20ourselves>

will depend on the effectiveness of central banks' monetary policy tightening and the absence of further negative shocks."

Table 3 - Summary of the Treasury's Half Year Update economic forecasts

Year ending 30 June	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Real GDP growth (annual average % change)	1.0	3.5	-0.3	2.1	3.3	3.0
Real GDP per capita (annual average % change)	0.7	3.2	-1.0	1.1	2.2	1.8
Unemployment rate (June quarter)	3.3	3.8	5.5	5.2	4.6	4.3
Consumers Price Index (annual % change)	7.3	6.4	3.5	2.5	2.0	2.0
Wage growth (annual % change)	6.4	6.8	6.1	4.7	4.0	3.8
Current account (annual, % of GDP)	-7.8	-7.6	-5.6	-4.8	-4.6	-4.6

### Pre-election Economic and Fiscal Update 2023<sup>34</sup>

"New Zealand's economic slowdown is unfolding broadly in line with the *Budget Economic and Fiscal Update 2023 (Budget Update)*. High interest rates are driving a sustained period of soft economic growth that is necessary to reduce inflationary pressure."

"The *Pre-election Economic and Fiscal Update 2023 (Pre-election Update)* shows a similar economic outlook to the *Budget Update*, but with slightly higher activity reflecting stronger migration-led population growth. Persistent domestic inflation suggests that interest rates will remain high for some time yet to contain inflation. The resulting period of soft activity growth then continues to drive further slowing in the labour market, with the unemployment rate forecast to peak at 5.4% in early 2025."

"Slow economic growth is forecast to continue over the next eighteen months as high inflation necessitates high interest rates. Domestic inflationary pressure has remained persistent, and with ongoing domestic demand pressure, interest rates are expected to remain at their current level over the next year in order to reduce inflation. High interest rates are expected to constrain economic growth to a quarterly average of

<sup>34</sup> Pre-election Economic and Fiscal Update 2023 - <https://www.treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2023>

0.4% over the next year, and the unemployment rate is expected to rise to 5.4% while wage growth eases from a relatively high 6.9% in June 2023 to 3.7% in June 2027.”

“Households and businesses are expected to remain under pressure. Subdued house price growth and easing labour market conditions will dampen households’ wealth and incomes, constraining growth in household consumption. For businesses, rising costs and subdued domestic demand will weigh on investment, offset partially by the North Island weather event rebuild. Meanwhile, the outlook for real government consumption, a measure of goods and services provided by the government, remains much flatter than has been previously experienced.”

“The export sector also faces headwinds. The global growth outlook remains subdued as interest rates remain high in many countries to counter inflation. This in turn weighs on export demand and prices, contributing to a slower narrowing of the current account deficit, which returns to 4.3% of GDP in December 2026, close to the historic average.”

### **ANZ Research<sup>35</sup>**

The battle between economic tailwinds and headwinds continues to play out. A turning housing market, surging net migration, and expansionary fiscal policy are landing some hefty blows against contractionary monetary conditions, softer global demand, and heightened geopolitical tensions and global market volatility. There are clear winners and losers in the resulting patchy outlook. Overall business sentiment is well off the floor, but remains generally low. Until the RBNZ has CPI inflation back in the bag, it’s hard to see economic conditions turning ‘rosy’ any time soon.

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<sup>35</sup> ANZ Quarterly Economic Outlook: Ups and Downs November 2023 - <file:///C:/Users/taniam/Downloads/ANZ-QEO-20231107.pdf>

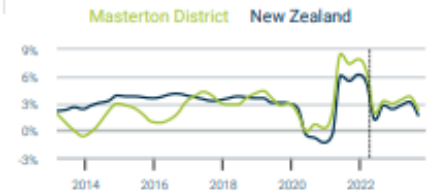
# Masterton District Quarterly Economic Infographic SEPTEMBER 2023

COMPARISON	RANK AMONG 66 TERRITORIAL AUTHORITIES	ANALYSES
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## ECONOMIC ACTIVITY

Masterton	New Zealand	Low	Best/High
2.3% ▲	1.7% ▲	Gross domestic product: annual ave. change	
1.6% ▲	7.4% ▲	Consumer spending: annual ave. change	

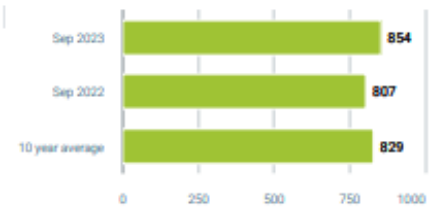
## GDP growth



## LABOUR MARKET

Masterton	New Zealand	Low	Best/High
1.9% ▲	3.0% ▲	Employment (place of residence): annual ave. change	
5.8% ▲	-1.9% ▼	Jobseeker Support recipients: annual ave. change	
2.4%	3.5%	Unemployment rate: annual average	

## Number of Jobseeker Support recipients



## TOURISM

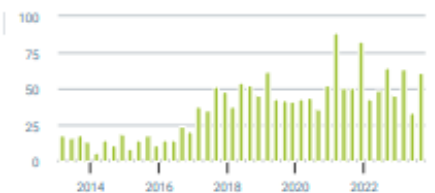
Masterton	New Zealand	Low	Best/High
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## Guest nights

## BUILDING AND PROPERTY

Masterton	New Zealand	Low	Best/High
-14.6% ▼	-20.4% ▼	Residential consents: annual ave. change	
-68.0% ▼	3.9% ▲	Non-residential consents: annual ave. change	
-7.2% ▼	-5.9% ▼	House values: annual ave. change	
-16.8% ▼	-13.7% ▼	House sales: annual ave. change	

## Residential building consents



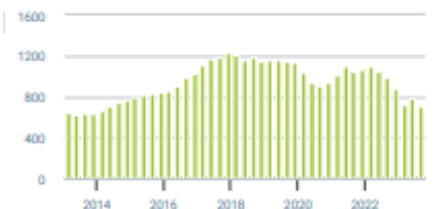
## Average house value

\$556,775	\$908,853
Masterton	New Zealand

## VEHICLES

Masterton	New Zealand	Low	Best/High
-27.7% ▼	-8.0% ▼	Car registrations: annual ave. change	
-30.4% ▼	-16.0% ▼	Commercial vehicle registrations: annual ave. change	

## Non-commercial car registrations

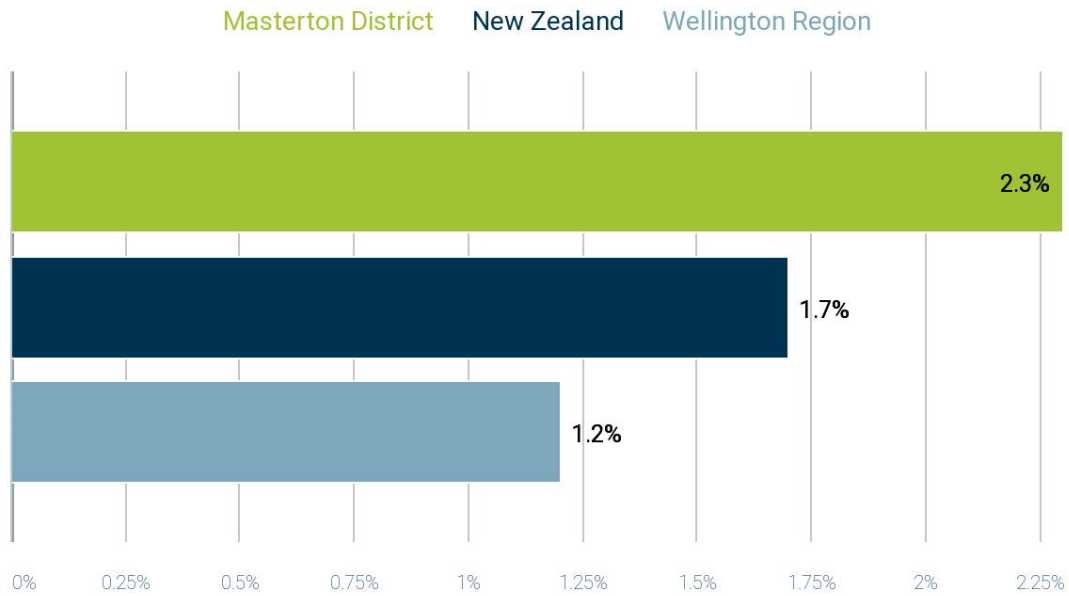


## Economic Indicators<sup>36</sup>

Economic indicators for the September 2023 quarter showed:

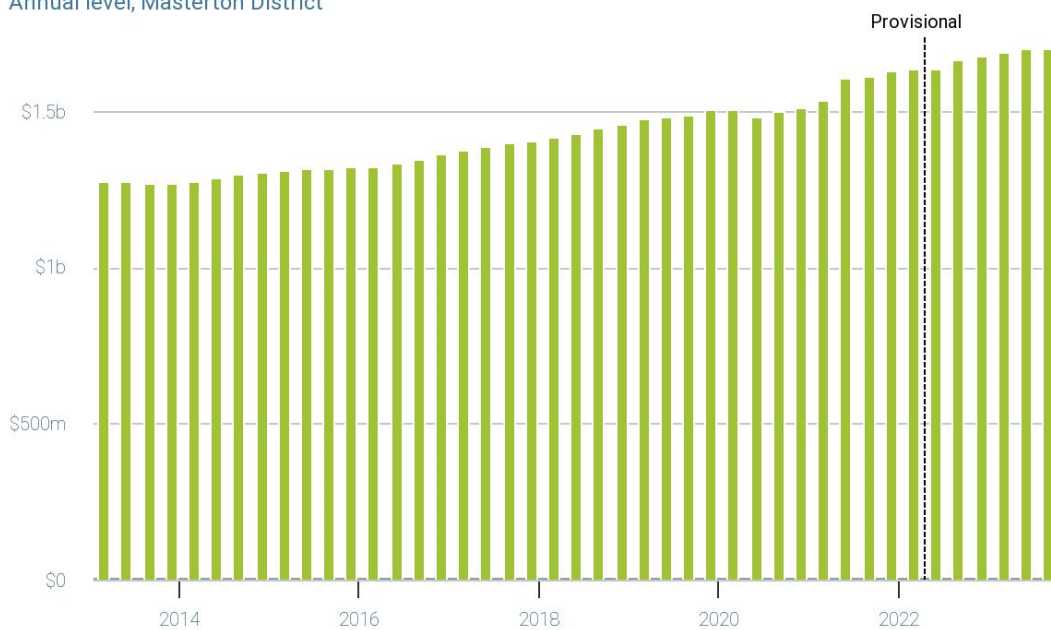
### Gross domestic product growth (provisional)

Annual average % change September 2022 - September 2023



### Gross domestic product

Annual level, Masterton District



<sup>36</sup> Infometrics Quarterly Economic Monitor September 2023 – accessed 17/11/23

## Gross domestic product growth

Annual average % change



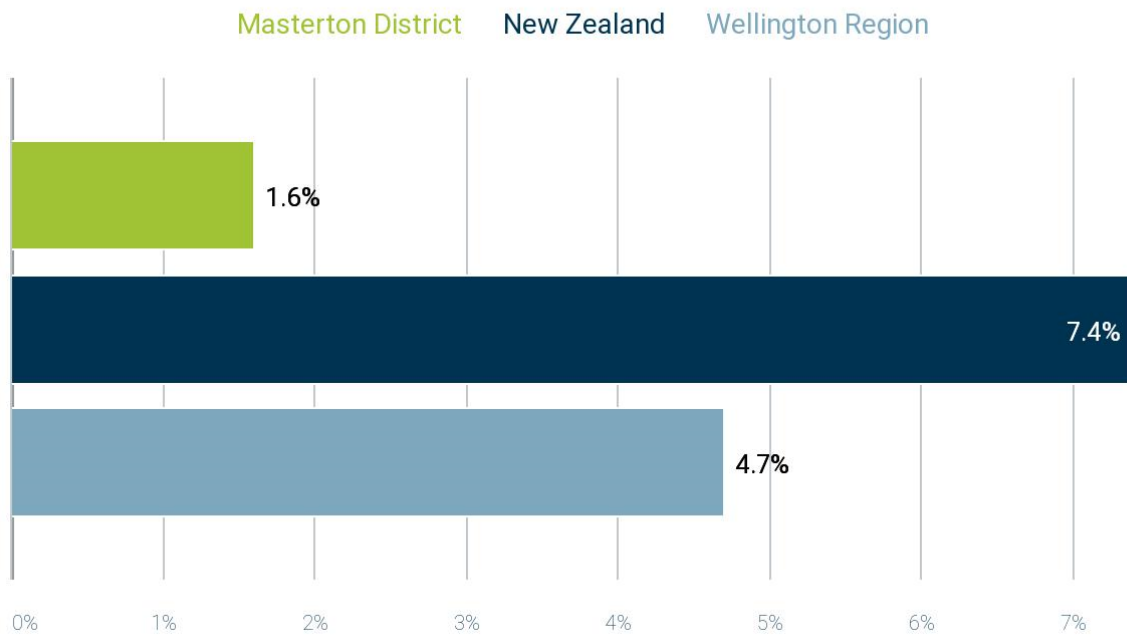
### Consumer Spending:

Nationally, "annual spending growth eased to 7.4%pa after three previous quarters of double-digit growth. Recently softening employment growth indicates that wage growth is set to decelerate, which will bring down the ceiling on potential spending. With inflation remaining high and mortgage rates still rising, household budgets will remain under considerable pressure into 2024".



## Growth in consumer spending

Annual average % change September 2022 - September 2023



## Consumer spending

Annual level, Masterton District



## Consumer spending

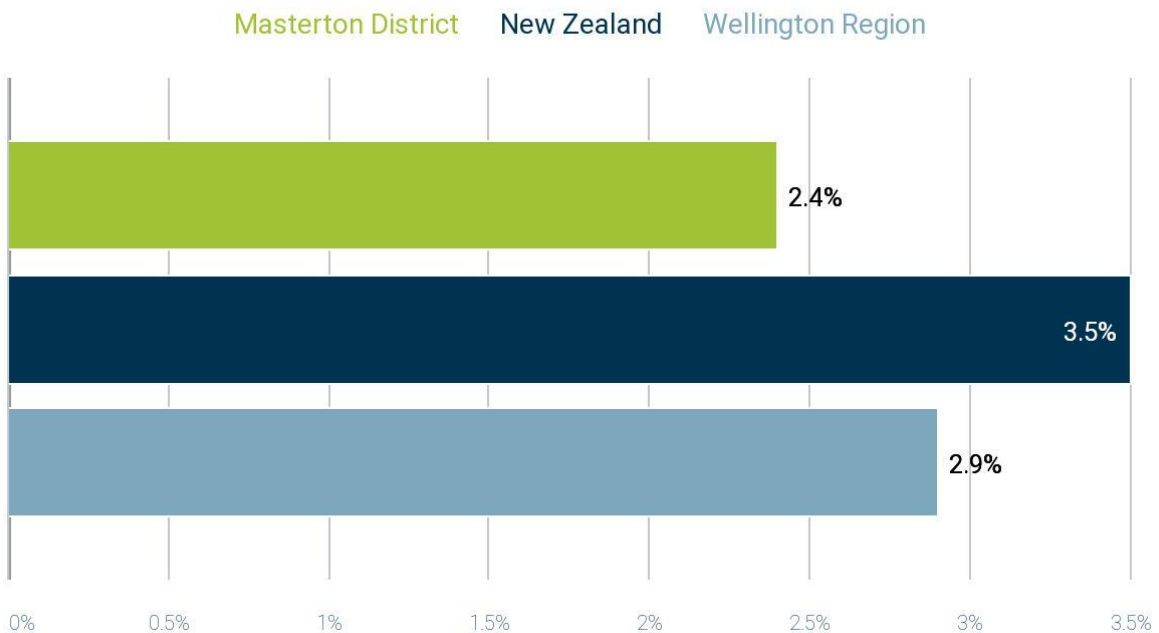
Annual average % change



## Unemployment Rate:

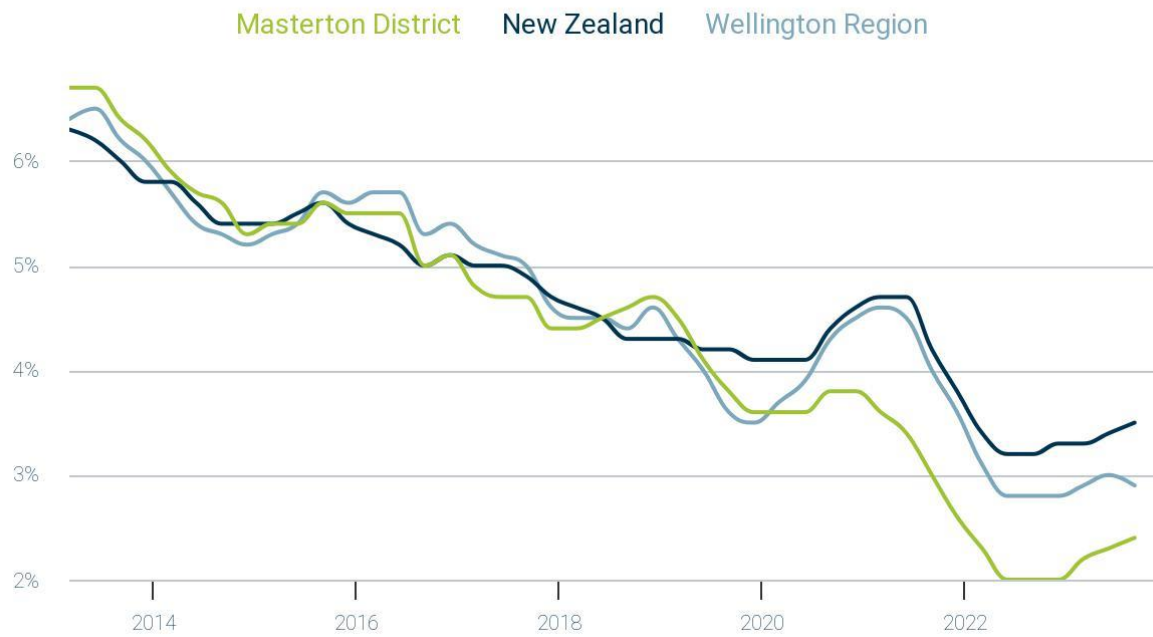
### Unemployment rate

Annual average rate to September 2023



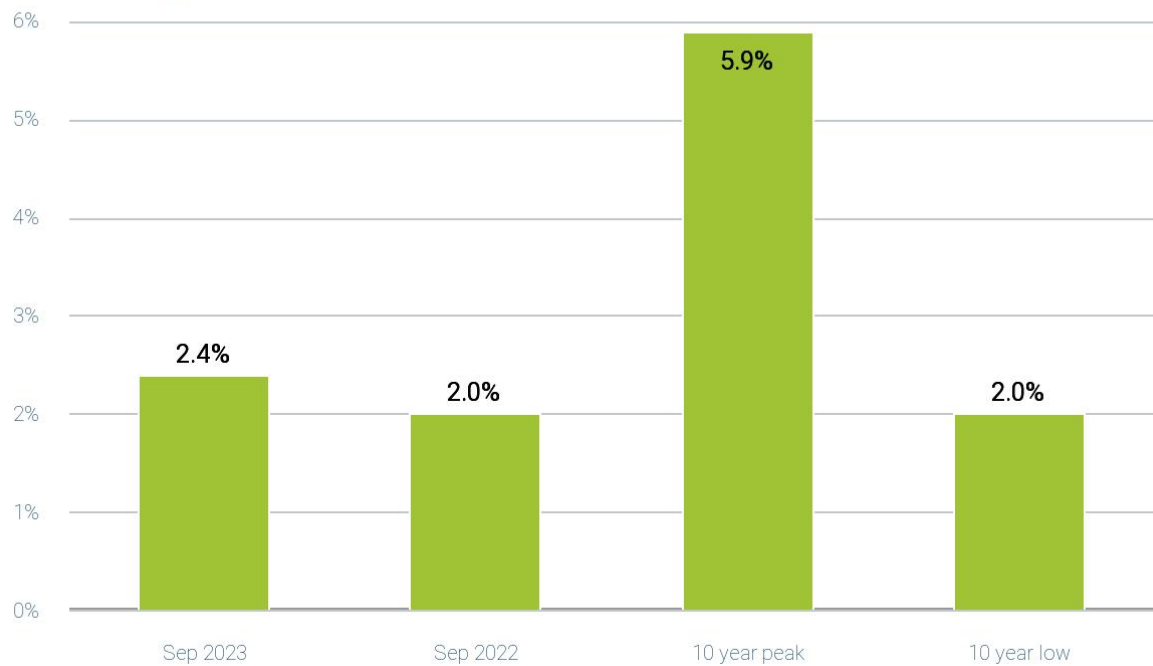
## Unemployment rate

Annual average rate



## Unemployment rate

Annual average, Masterton District



## Tourism:

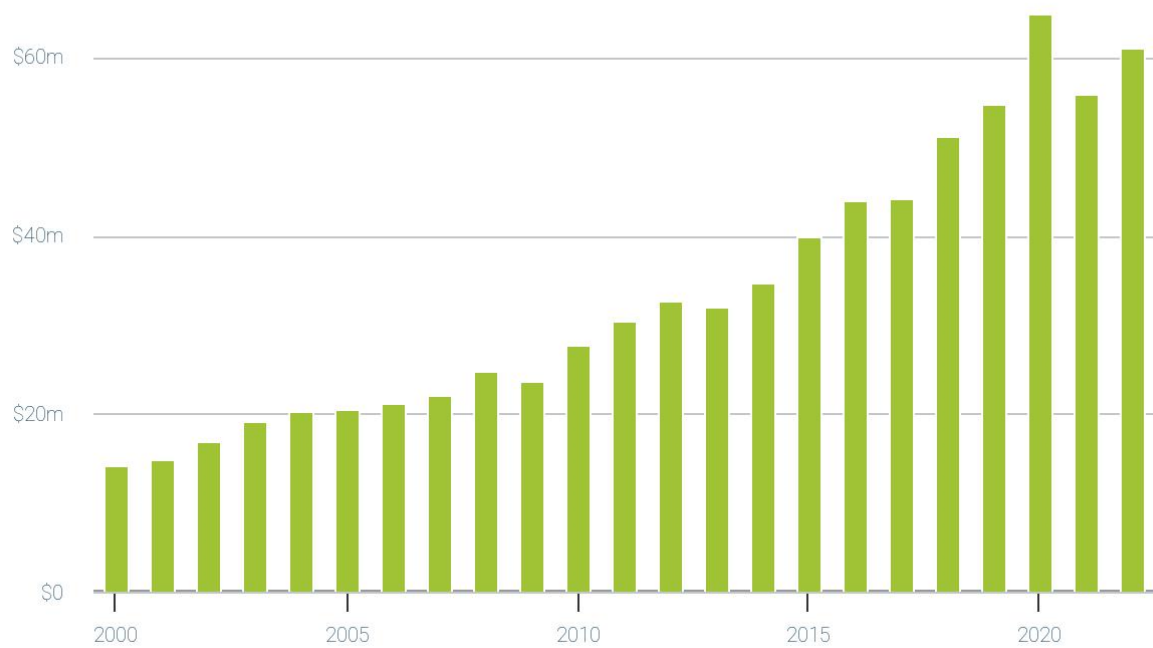
### Tourism GDP growth

Annual % change, March years



### Tourism GDP

March years, 2022 prices



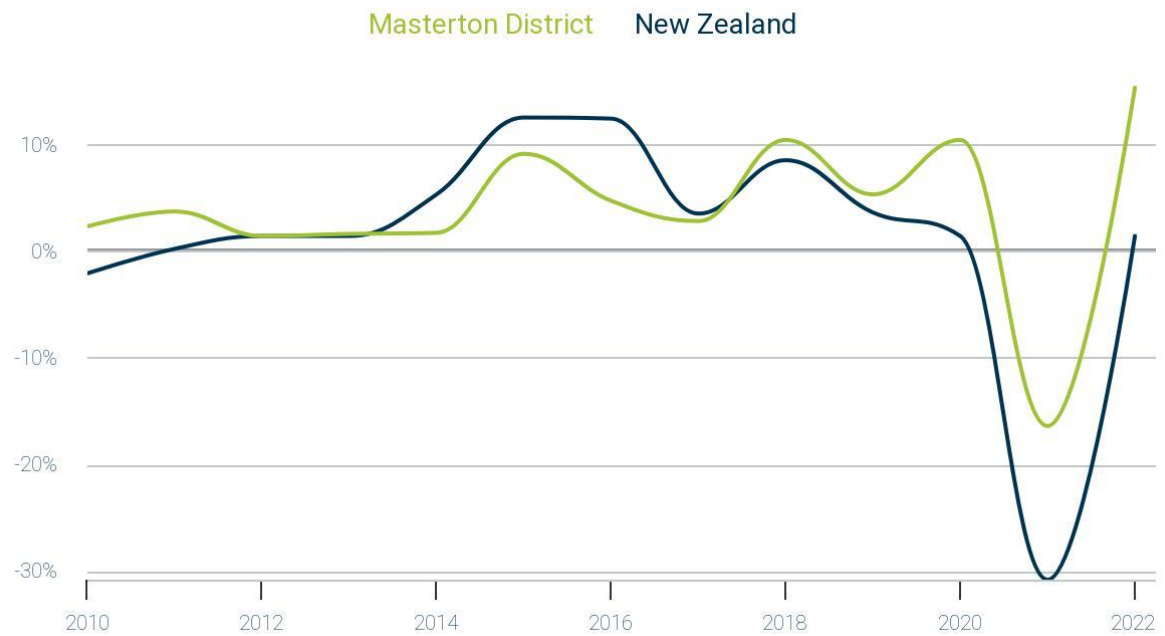
## Tourism sector GDP proportion of total GDP

% of total, March years



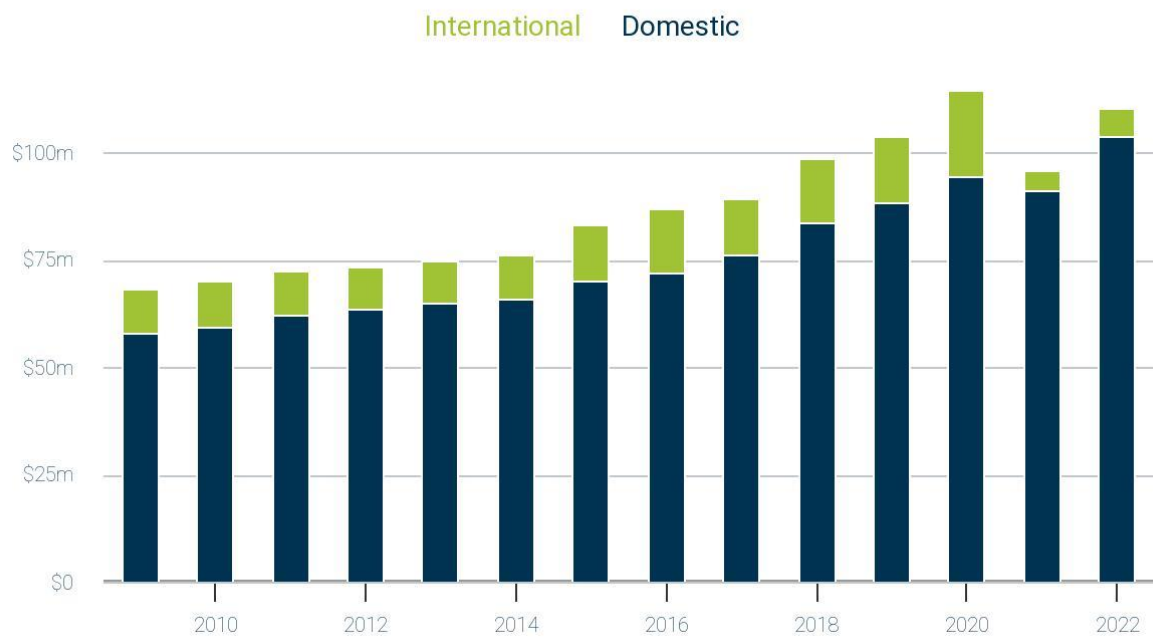
## Total tourism expenditure growth

Annual % change, March years



## Composition of tourism expenditure

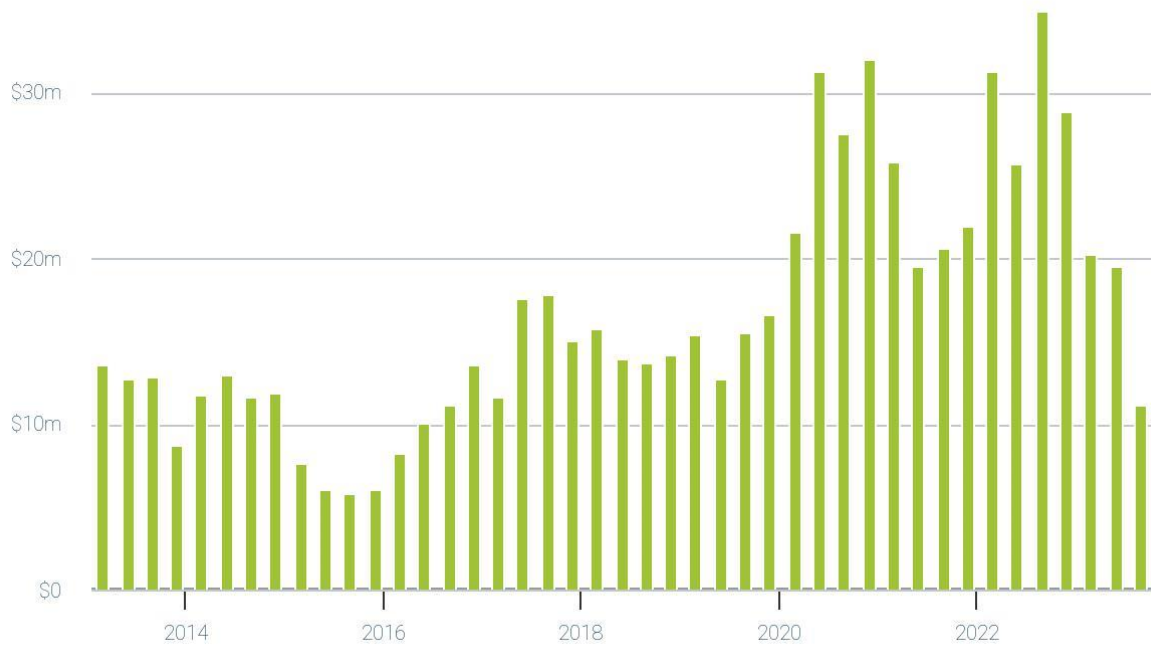
March years, current prices



## Non Residential building consents:

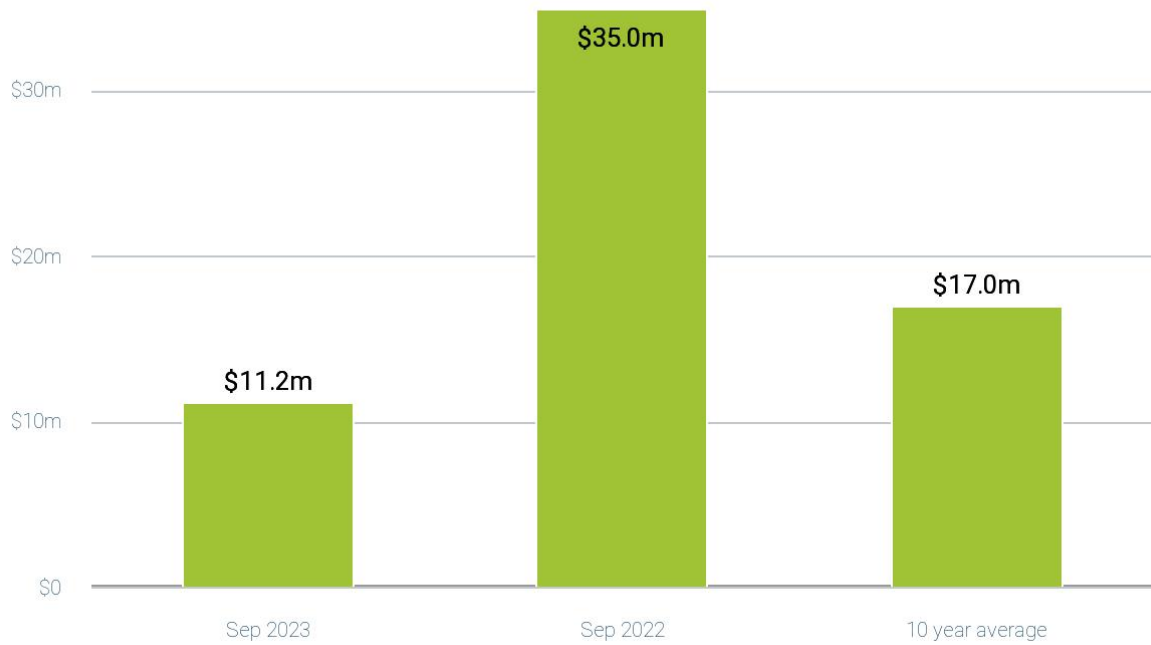
### Non-residential consents, Masterton District

Annual running total, Masterton District



### Non-residential consents

Annual value, Masterton District



## House Value Growth:

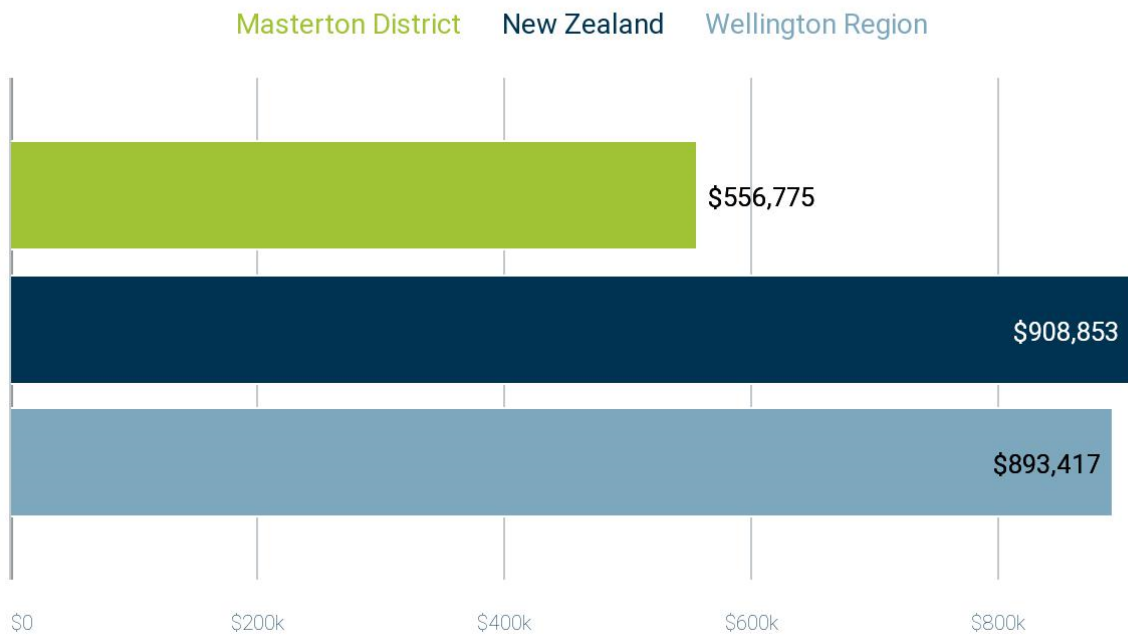
### House value growth

Annual % change



### Average current house value

Average house value in September 2023 quarter





## House Sales

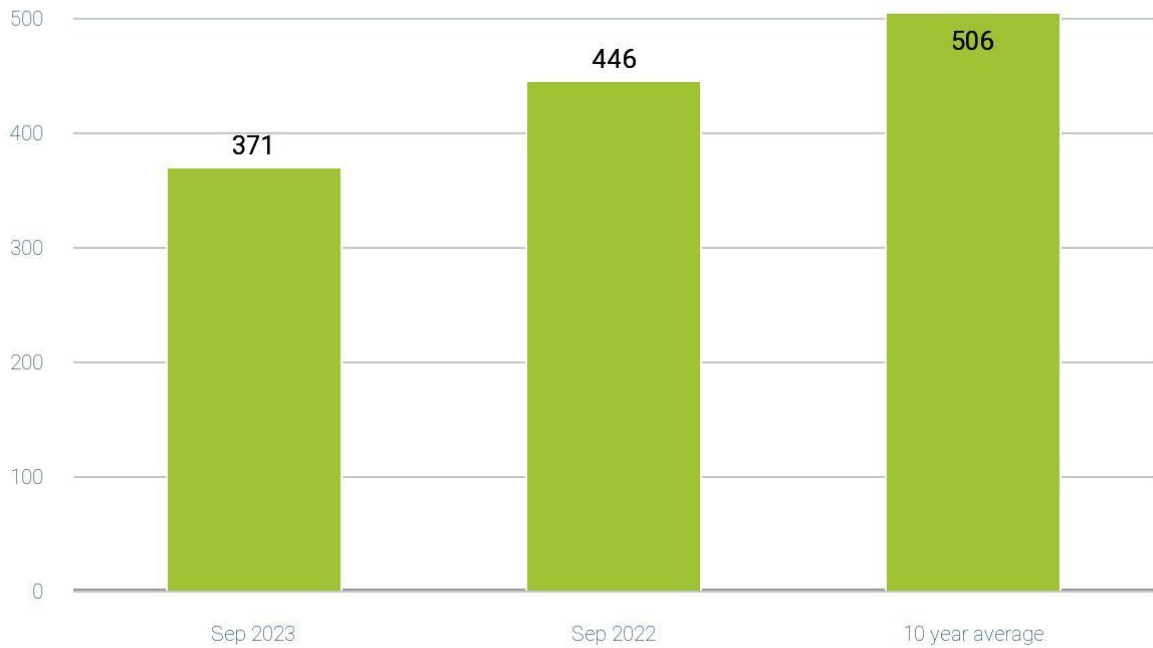
### House sales

Annual number, Masterton District



### House sales

Annual number, Masterton District



## Car Registrations

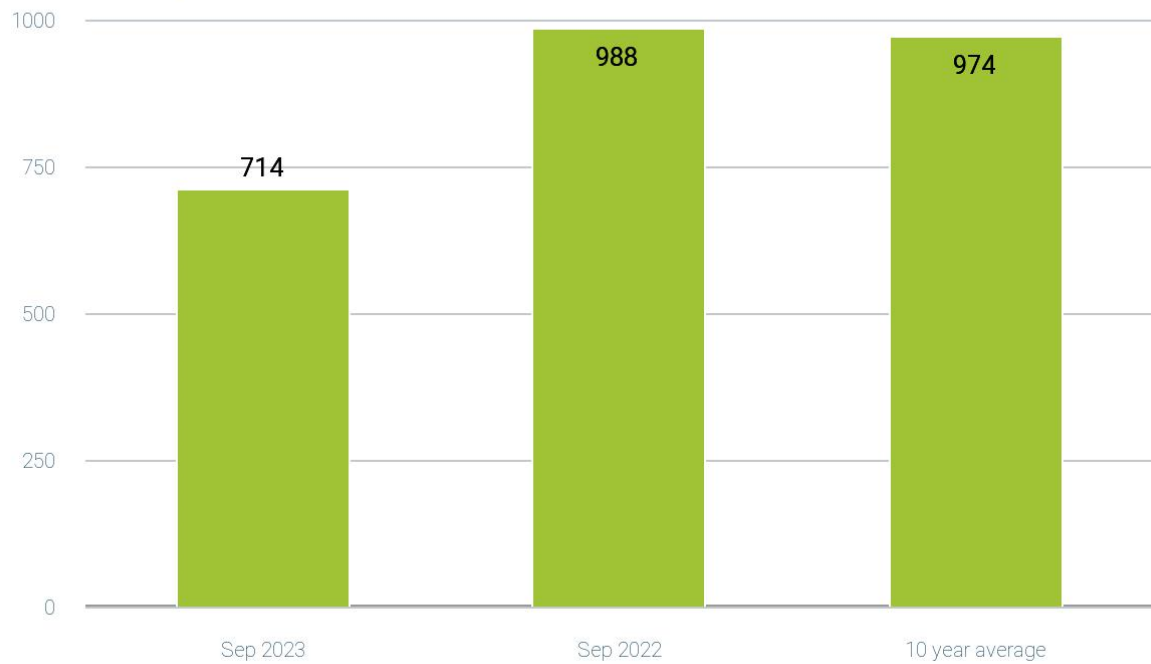
### Car registrations

Annual number, Masterton District



### Car registrations

Annual number, Masterton District



## Commercial vehicle registrations

Annual number, Masterton District

