

Overview of Horowhenua District

Horowhenua is in the middle of an economic upswing which for now is showing few signs of abating. Infometrics' provisional estimate of GDP shows growth of 4.5% for the September year, ahead of the national average of 2.5%. Traffic flows in Horowhenua climbed 4.0% over the past year.

Population data from Statistics New Zealand confirms that population growth in Horowhenua has remained elevated. The number of residents increased by 1.9% over the June year, following 1.6% population growth the previous year. By comparison, Horowhenua's population growth has averaged just 0.6%pa over the past ten years.

An expanding population has helped push up spending. Data from Marketview showed electronic card spending on retail purchases climbed 13% over the September year, while car registrations increased 16%.

Demand for housing has remained strong, with prices increasing 18% over the September year. Residential building consents remain at their highest levels in a decade. But Horowhenua's real estate market is unlikely to grow as rapidly 2018, as the housing market is showing signs of cooling throughout the country. Nevertheless, significant infrastructure investments through the lower North Island and better prospects for key industries will temper the extent of any slowdown.

Crop yields this spring have been severely reduced because of wet winter weather. But the agricultural sector has reasons to be optimistic for the year ahead. Commodity prices having risen across the board, including for forestry, meat, horticulture, and seafood. Dairy prices have eased slightly over recent months, but remain ahead of last season. Recent falls in the value of the NZ dollar against major currencies will further increase domestic returns for exporters.

Horowhenua's small tourism sector continues to enjoy rapid growth. Commercial guest nights rose 22% over the September year, while visitor spending increased 23%. Infometrics' estimates show that tourism currently accounts for just under 5% of employment in Horowhenua, compared to 8.0% nationally.

Indicator	Horowhenua District	Manawatu-Wanganui Region	New Zealand
Annual average % change			
Gross domestic product	↑ 4.5%	↑ 3.2%	↑ 2.5%
Traffic flow	↑ 4.0%	↑ 3.7%	↑ 2.3%
Residential consents	↑ 17%	↑ 28%	↑ 3.0%
Non-residential consents	↓ -26%	↑ 1.7%	↑ 5.9%
House prices*	↑ 18%	↑ 16%	↑ 3.1%
House sales	↓ -5.5%	↑ 0.6%	↓ -17%
Guest nights	↑ 22%	↑ 4.5%	↑ 2.6%
Retail trade	↑ 13%	↑ 5.5%	↑ 3.8%
Car registrations	↑ 16%	↑ 16%	↑ 9.4%
Commercial vehicle registrations	↑ 7.0%	↑ 21%	↑ 19%
Jobseeker Support recipients	↑ 0.2%	↑ 1.2%	↑ 0.6%
Tourism expenditure	↑ 23%	↑ 6.8%	↑ 6.4%
Level			
Unemployment rate	7.0%	5.4%	4.9%
International net migration	98	1,323	70,983

* Annual percentage change (latest quarter compared to a year earlier)

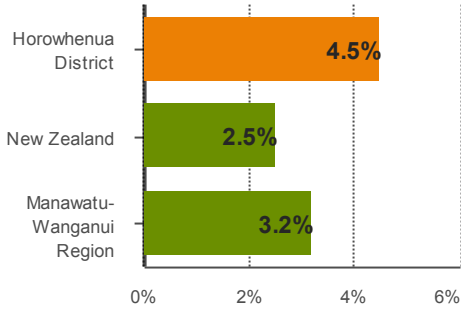
Overview of national economy

The New Zealand economy had a healthy September quarter. A rosy economic growth outlook, and signs that inflation is set to increase, raise the prospect of mortgage rates beginning to creep up later next year. More expansionary fiscal policy under the Labour government is a key driver of the solid GDP outlook. But capacity constraints in the residential construction sector remain a key risk.

Gross domestic product

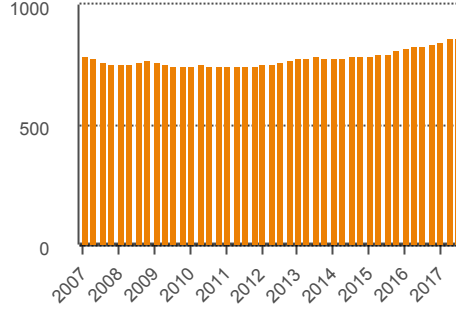
Gross domestic product growth

Annual average % change Sep 16 - Sep 17



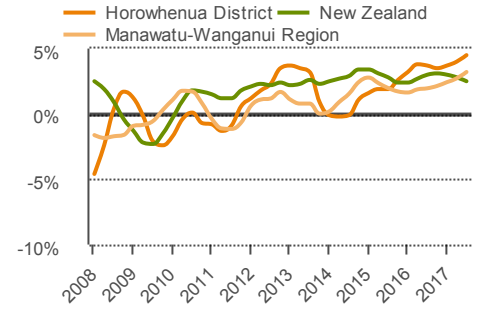
Gross domestic product (\$m)

Annual level, Horowhenua District



Gross domestic product growth

Annual average % change



Highlights for Horowhenua District

- GDP in Horowhenua District was up 4.5% for the year to September 2017 compared to a year earlier. Growth was higher than in New Zealand (2.5%) and higher than in Manawatu-Wanganui Region (3.2%).
- GDP was \$870 million in Horowhenua District for the year to September 2017 (2010 prices).
- Annual GDP growth in Horowhenua District peaked at 4.5% in the year to September 2017.

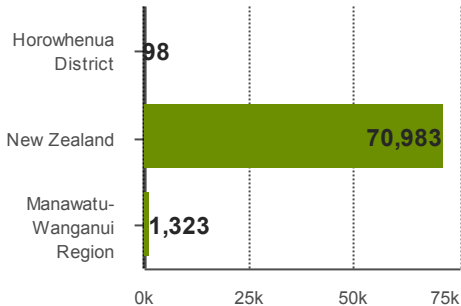
National overview

Infometrics' provisional estimate of GDP shows growth of 2.5% over the September year. Looking ahead, more rapid economic growth is anticipated in 2018 due to a stronger primary export sector, increasingly stimulatory fiscal policy, and the continued need for more housing in Auckland. We forecast that GDP growth could peak as high as 3.7% by late 2018. However, labour capacity pressures in Auckland's residential construction sector could still stymie growth, while the spectre of property price falls is hanging over the housing market. Over the medium-term, the economy's recent reliance on an expanding population and growing construction activity is likely to be exposed.

International net migration

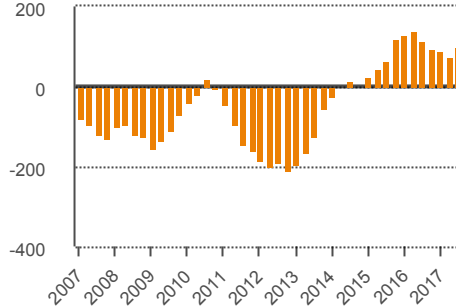
Net migration

Number of persons, year to September 2017



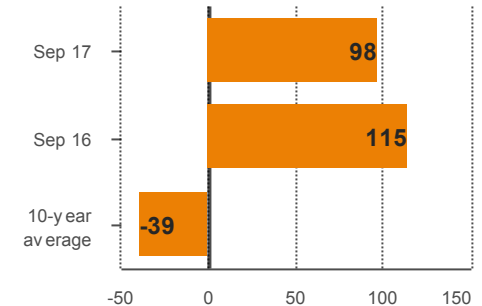
Net migration

Annual number of persons, Horowhenua District



Net migration

Annual number of persons, Horowhenua District



Highlights for Horowhenua District

- Horowhenua District experienced a permanent and long-term net migration gain of 98 persons in the year to September 2017. This compares with a gain of 115 a year ago, and a ten year average of 39 (loss).
- New Zealand's annual net migration increased to 70,983 from 69,947 a year ago.

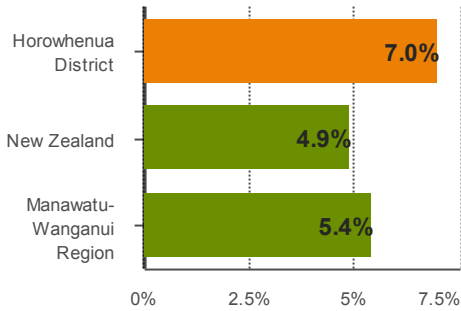
National overview

Annual net migration slipped back from 72,072 in August to just below 71,000 in September. This dip resulted from the combination of a surge in departures and a fall in arrivals, and we are confident that net migration has now peaked. The new coalition government has signalled it will put in place measures to reduce net migration over the coming years, but we think that net migration is already on its way down.

Unemployment rate

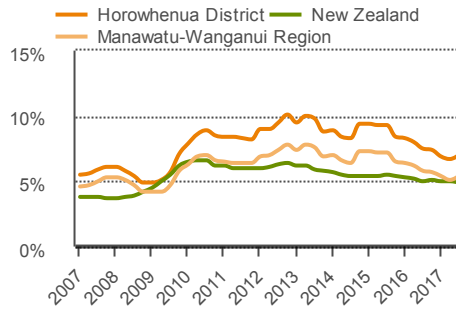
Unemployment rate

Average annual rate, year to September 2017



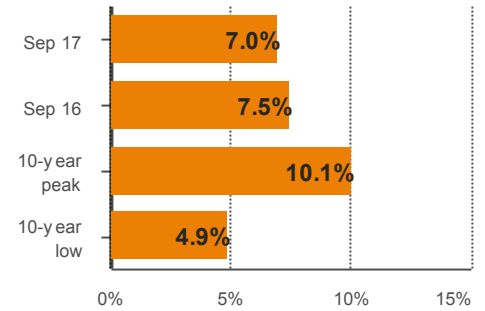
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Horowhenua District



Highlights for Horowhenua District

- The annual average unemployment rate in Horowhenua District was 7.0% in September 2017, down from 7.5% a year earlier.
- The unemployment rate in Horowhenua District was higher than in New Zealand, where the unemployment rate averaged 4.9% over the year to September 2017.
- Over the last ten years the unemployment rate reached a peak of 10.1% in December 2012;

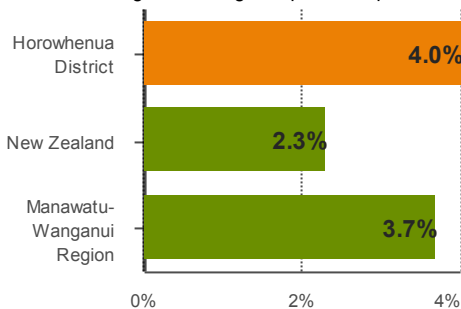
National overview

The labour market strengthened further in the September quarter. Employment rebounded from last quarter's fall and this growth was enough to offset a higher level of workforce participation. Consequently, the unemployment rate dipped to its lowest level in nine years, 4.6%, and averaged 4.9% across the September year. Looking ahead, the unemployment rate is expected to remain low. We also think that the tight labour market will see wages begin to climb.

Traffic flow

Annual change in traffic flows

Annual average % change Sep 16 - Sep 17



Highlights for Horowhenua District

- Traffic flows in Horowhenua District increased by 4.0% over the year to September 2017. This compares with an increase of 2.3% in New Zealand.

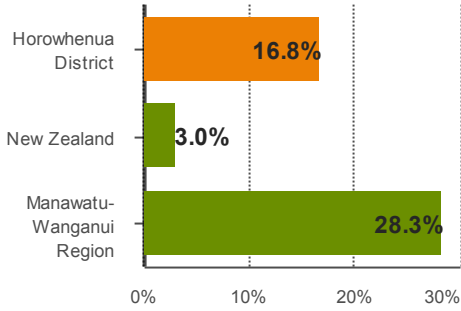
National overview

Traffic flows along the State Highway network climbed 2.3% over the September 2017 year. Earthquake disruptions continue to disrupt traffic in the upper South Island, and pushed up vehicle movements in Tasman by 18% over the past year. Other regions in the South Island with rapid growth in traffic flows are West Coast and Otago where tourism activity is soaring. Regions in the North Island with the most rapid growth in traffic flows include Northland, Waikato, Bay of Plenty, Taranaki, Gisborne, and Hawke's Bay.

Residential consents

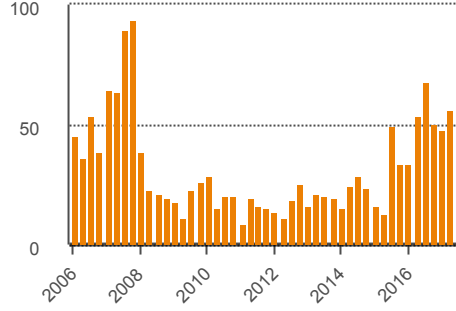
Growth in no. of new dwelling consents

Annual average % change Sep 16 - Sep 17



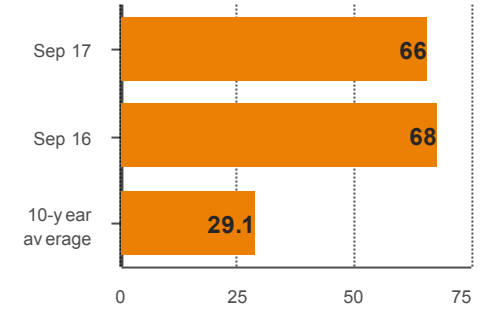
Residential consents

Quarterly number, Horowhenua District



Number of new dwelling consents

Quarterly number, Horowhenua District



Highlights for Horowhenua District

- A total of 66 new residential building consents were issued in Horowhenua District in the September 2017 quarter, compared with 68 in the same quarter last year.
- On an annual basis the number of consents in Horowhenua District increased by 17% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 3.0% over the same period.

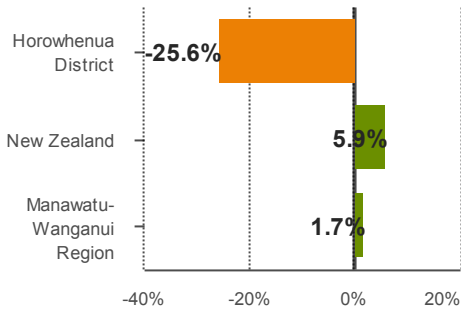
National overview

Consents for new dwellings rose 3.0% over the September year. Although positive, this growth is far from the levels we're expecting to see over the next 18 months. By September 2018, we expect consent levels to be 24% higher than the same quarter this year. Underpinning this forecast is continued population growth, Auckland's massive undersupply, and the new government's plans to build houses around the country. However, we recognise that acute capacity constraints might still mean that the construction industry struggles to keep up with this demand.

Non-residential consents

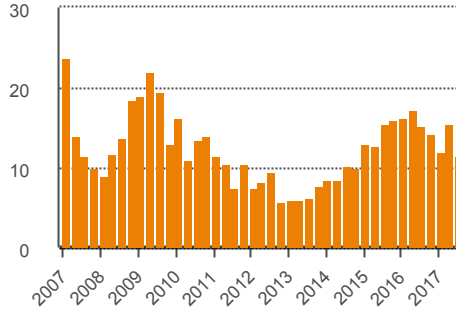
Growth in value of consents

Annual average % change Sep 16 - Sep 17



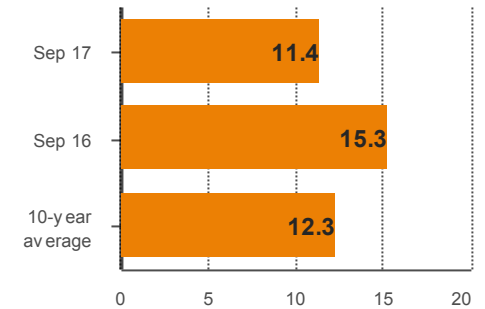
Non-residential consents, Horowhenua District

\$m, annual running total, Horowhenua District



Value of non-residential consents

Annual value (\$m), Horowhenua District



Highlights for Horowhenua District

- Non-residential building consents to the value of \$11 million were issued in Horowhenua District during the year to September 2017.
- The value of consents decreased by -26% over the year to September 2017. By comparison the value of consents in New Zealand increased by 5.9% over the same period.
- Over the last 10 years, consents in Horowhenua District reached a peak of \$22 million in the year to June 2009.

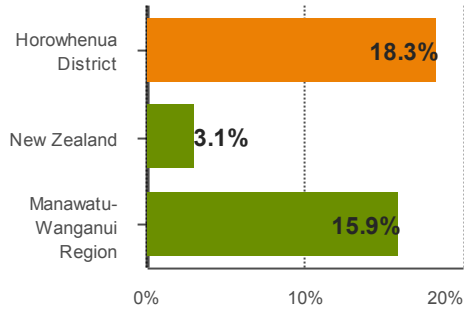
National overview

The value of consents was growing at a rate of 5.9%pa in the September year. Growth during the September quarter was felt throughout the upper North Island and indicates that underlying activity in the sector is solid. Shops, restaurants and bars made the largest contribution to growth, followed by offices and administration buildings. There was also a sharp lift in social, cultural and religious buildings over the period. We expect consents for social, cultural and religious buildings to continue to lift over the coming year, which will see an increase in work put in place from 2019. Social, cultural and religious building activity will be driven up by work on convention centres in Wellington and Auckland, as well as work in Christchurch.

House prices

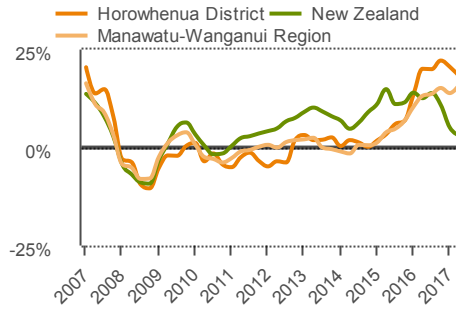
Annual change in house prices

Annual % change Sep 16 - Sep 17



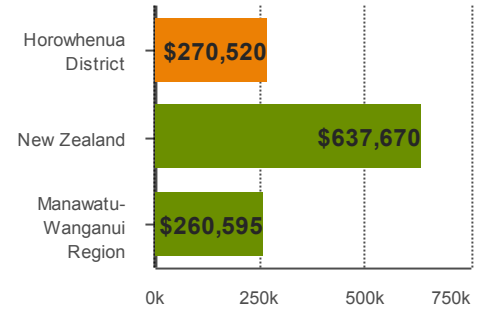
House price growth

Annual % change



Average current house value

Average for 12 months to Sep 2017



Highlights for Horowhenua District

- The average current house value in Horowhenua District was up 18% in September 2017 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 3.1%.
- The average current house value was \$270,520 in Horowhenua District over the September 2017 year. This compares with \$637,670 in New Zealand.

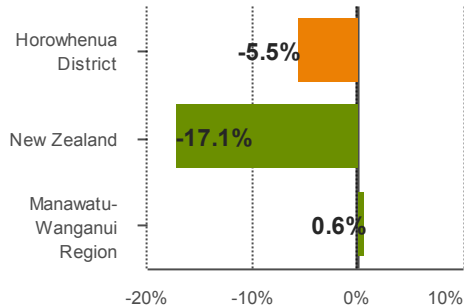
National overview

House prices growth slowed to 3.1%pa in September - its slowest pace since December 2011. Since then, outright declines have emerged in Auckland with prices in October down 0.6% from a year ago. We expect prices to fall more than 10% over the next three years as the market undergoes a correction. The Labour government's adjustments to foreign buyer rules will not lead to significant additional price falls beyond what we have forecast. Australian buyers will still be allowed to purchase property, just like we can in Australia. And other foreign purchasing of property has already slowed down due to retail banks' refusal to approve mortgage lending based on overseas incomes.

House sales

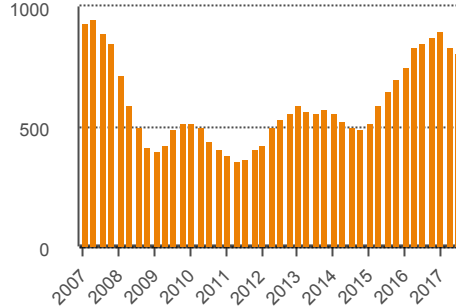
Annual change in house sales

Annual average % change Sep 16 - Sep 17



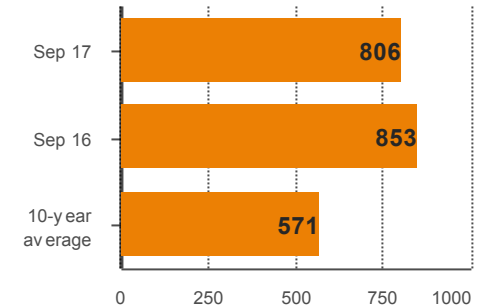
House sales

Annual number, Horowhenua District



House sales

Annual number, Horowhenua District



Highlights for Horowhenua District

- House sales in Horowhenua District in the year to September 2017 decreased by 5.5% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 17%.
- A total of 806 houses were sold in Horowhenua District in the 12 months ended September 2017. This compares with the ten year average of 571.

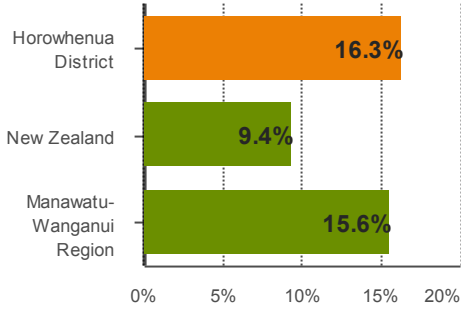
National overview

House sales in the September year were 17% lower than a year earlier. Our seasonal adjustment of REINZ data showed that sales volumes were down 4.6% in the month of September alone. Sales weakness has spread out from Auckland and surrounding areas to across almost the entire country. Although some of this weakness can be attributed to pre-election uncertainty, we don't think that there will be a significant uplift in activity after the new government settles. Any increases to sales in 2018 will be lower than we had previously anticipated.

Car registrations

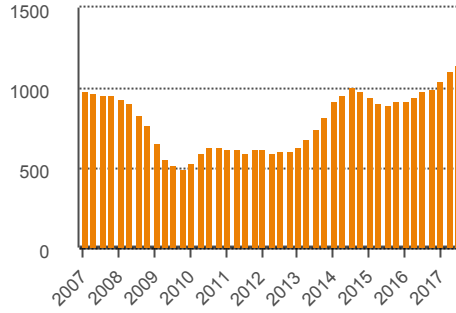
Car registrations

Annual average % change Sep 16 - Sep 17



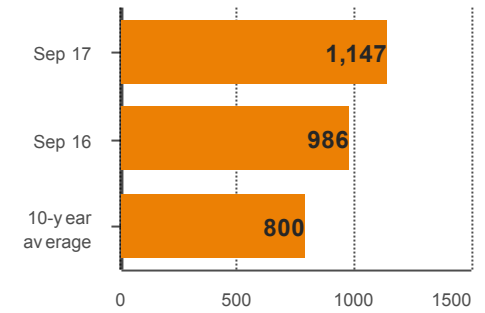
Car registrations

Annual number, Horowhenua District



Car registrations

Annual number, Horowhenua District



Highlights for Horowhenua District

- The number of cars registered in Horowhenua District increased by 16% in the year to September 2017 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 9.4%.
- A total of 1,147 cars were registered in Horowhenua District in the year to September 2017. This compares with the ten year average of 800.

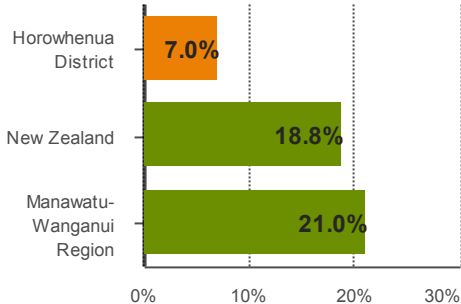
National overview

Car sales over the September year were up 9.4% from a year earlier. Sales of used imports are particularly buoyant, but new car sales are only growing because of strong demand from rental car companies. Business confidence and investment intentions slipped in September due to uncertainty around the election. But apart from this cooling, business confidence, employment, and investment intentions have been above average over the past few months, according to the ANZ Business Outlook survey. With underlying confidence remaining high, and economic activity still expected to accelerate in 2018 we anticipate that new car sales will pick up again over the next year.

Commercial vehicle registrations

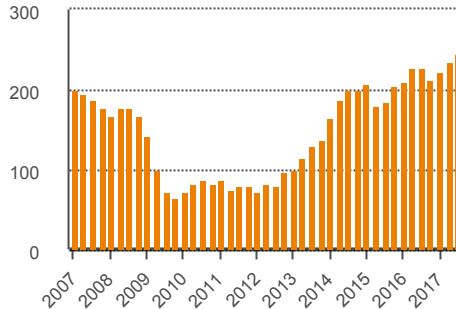
Commercial vehicle registrations

Annual average % change Sep 16 - Sep 17



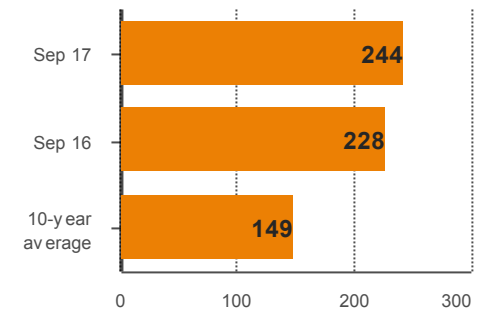
Commercial vehicle registrations

Annual number, Horowhenua District



Commercial vehicle registrations

Annual number, Horowhenua District



Highlights for Horowhenua District

- The number of commercial vehicles registered in Horowhenua District increased by 7.0% in the year to September 2017 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 19%.
- A total of 244 commercial vehicles were registered in Horowhenua District in the year to September 2017. This is higher than the ten year annual average of 149.

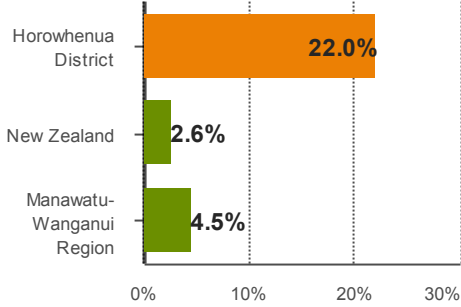
National overview

Commercial vehicle sales rose 19% over the September year. Scratching beneath the surface shows that sales of heavy trucks are exceeding expectations, while sales growth for light commercials has slowed. Activity in the construction sector has cooled this year, and difficulty getting staff in the industry poses risks either way for light commercial vehicle dealers. Construction firms might use a company vehicle as an incentive to attract new staff. However, it is debatable how effective this strategy will be at boosting employment given that the pool of skilled workers not already in work is small. Increasing prices for wood and dairy exports have translated into a quick recovery in heavy truck sales. Further growth in the export sector will help maintain consistent heavy truck sales growth over the year ahead.

Guest nights

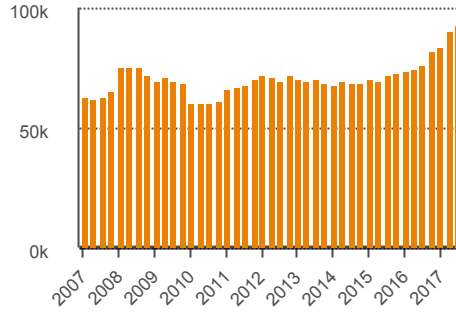
Guest nights

Annual average % change Sep 16 - Sep 17



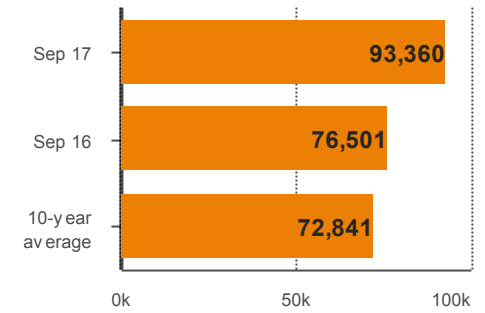
Guest nights

Annual number, Horowhenua District



Guest nights

Annual number, Horowhenua District



Highlights for Horowhenua District

- Total guest nights in Horowhenua District increased by 22% in the year to September 2017. This compares with an increase of 2.6% in New Zealand.
- Visitors stayed a total of 93,360 nights in Horowhenua District during the year to September 2017, which was up from 76,501 a year ago.

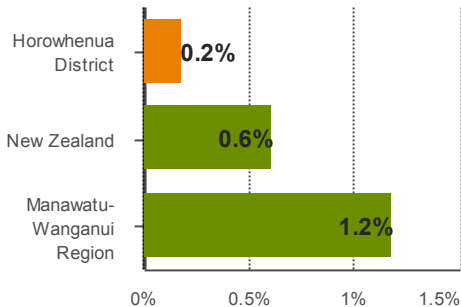
National overview

Commercial guest nights over the September year were up 2.6% from a year earlier. This growth was driven by international visitors (up 6.3%), with domestic visitor guest nights levelling off (down 0.1%). Year-end growth in visitor arrivals in September is the lowest it has been since October 2015. Although we expect some headwinds ahead for the industry, there were pockets of promising growth from China and other parts of Asia in September. Capacity issues during the peak summer season is an ongoing challenge faced by the industry, as is maintaining New Zealand's "clean green" image. Higher petrol prices may limit the number of New Zealanders spontaneously heading off in the car on weekend getaways, despite ongoing improvements to job prospects.

Jobseekers

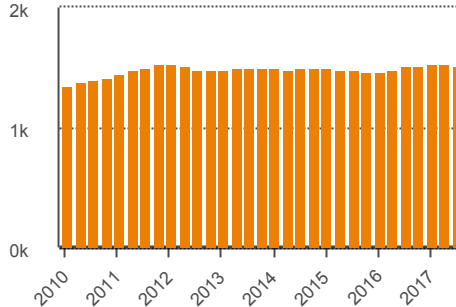
Annual change in Jobseekers

Annual average % change Sep 16 - Sep 17



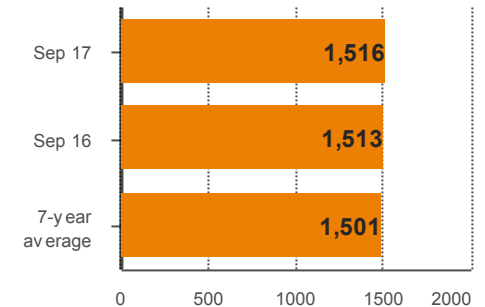
Jobseekers

Annual average, Horowhenua District



Jobseekers

Annual average, Horowhenua District



Highlights for Horowhenua District

- Working age Jobseeker Support recipients in Horowhenua District in the year to September 2017 increased by 0.2% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 0.6%.
- An average of 1,516 people were receiving a Jobseeker Support benefit in Horowhenua District in the 12 months ended September 2017. This compares with an average of 1,501 since the start of the series in 2010.

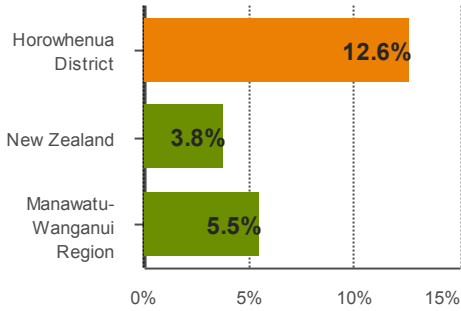
National overview

The average number of Jobseeker Support recipients was up slightly (0.6%) over the September year. Labour market statistics show that employment levels rose 2.2% over the September quarter, more than making up for a 0.1% fall in June (seasonally adjusted). This rebound confirms that the weakness in June was just an anomaly. Both part-time and full-time employment rose over the quarter, suggesting firms are feeling confident enough about the future to continue expanding. The new government's plan to increase the minimum wage will add to wage inflation over the next three years. Higher minimum wages will help those on minimum wages that are already in employment. But the additional cost burden from increases to minimum wages could also dampen some employers' hiring intentions.

Retail trade

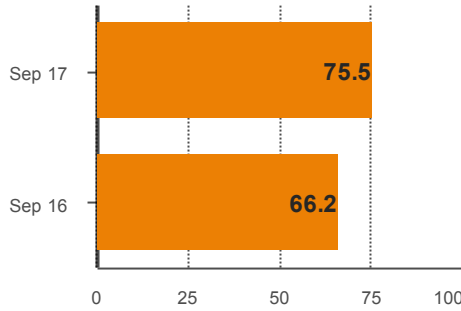
Growth in retail sales

Annual average % change Sep 16 - Sep 17



Retail sales

Quarterly value (\$m), Horowhenua District



Highlights for Horowhenua District

- Electronic card retail spending in Horowhenua District, as measured by Marketview, increased by 13% over the year to September 2017 compared to the previous year. This compares with an increase of 3.8% in New Zealand.

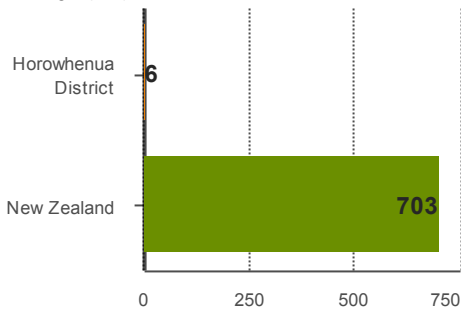
National overview

Retail data from Marketview showed that electronic card spending on retail purchases rose 3.8% over the September year. Data from Statistics New Zealand shows that growth in electronic card spending is being dominated by spending on consumable items, with durable goods spending having slowed. In the September quarter, spending on consumables was up 6.2% from a year earlier according to Statistics New Zealand.

Total dairy payout

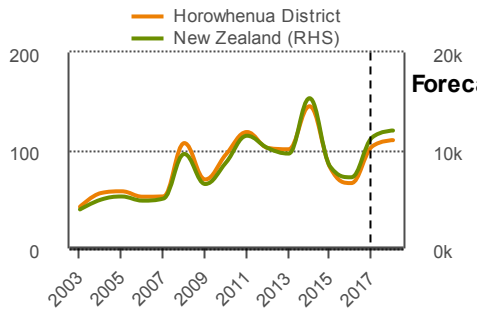
Total dairy payout

Change (\$m) between 2016/17 and 2017/18 seas



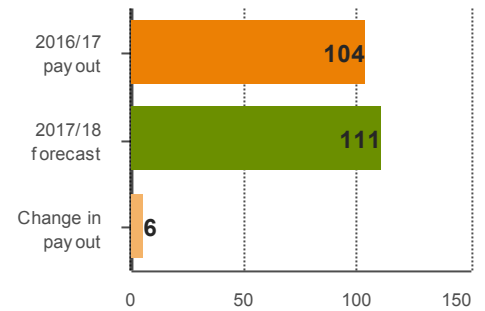
Total dairy payout

\$m each season, Horowhenua District



Total dairy payout

\$m each season, Horowhenua District



Highlights for Horowhenua District

- Horowhenua District's total dairy payout for the 2016/17 season is estimated to have been approximately \$104m.
- Horowhenua District's dairy payout for the 2017/18 season is expected to be approximately \$111m, \$6.46m higher than last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$11,328m in the 2016/17 season, and is expected to be \$703m higher in the 2017/18 season.

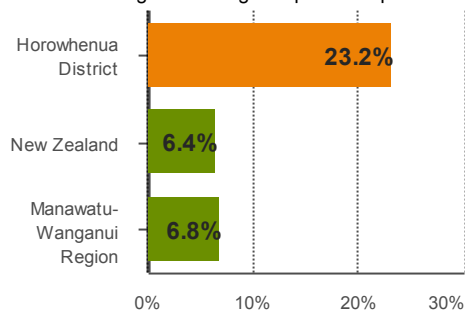
National overview

Milk powder prices eased in September, but both butter and cheese saw strong lifts. Given this volatility most economists are forecasting a farmgate milk price for the current season of \$6.25-\$6.50/kgms for the current season, compared to Fonterra's forecast of \$6.75/kgms. A milk price of \$6.50/kgms will equate to an extra \$703m in dairy farmers compared to the 2016/17 season. Production is likely to rise slightly this season, weather permitting, but new government environmental policies will limit further growth over the longer term.

Tourism Spending

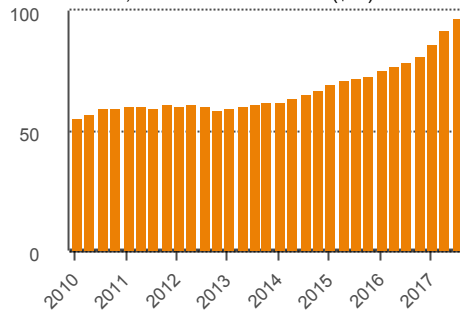
Tourism expenditure

Annual average % change Sep 16 - Sep 17



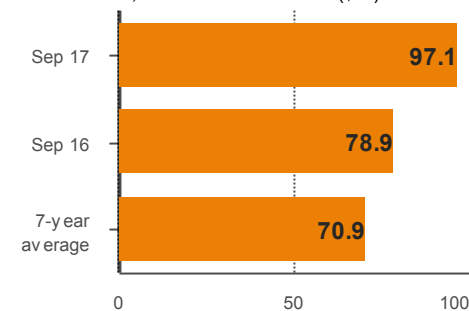
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Annual total, Horowhenua District (\$m)



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Highlights for Horowhenua District

- Total tourism expenditure in Horowhenua District increased by 23% in the year to September 2017. This compares with an increase of 6.4% in New Zealand.
- Total tourism expenditure was approximately \$97m in Horowhenua District during the year to September 2017, which was up from \$79m a year ago.

National overview

Tourism spending climbed 6.4% over the September year to a record \$27.3bn. Spending by international visitors rose \$1.1bn to a total of \$11.8bn, while domestic visitor spending increased \$512m to \$15.5bn. Spending growth has been broad-based throughout the country, apart from earthquake disruptions subduing spending in Marlborough and Kaikoura through winter. Recent falls in the New Zealand dollar (NZD) are likely to push up spending by international visitors across the country over coming months. A weaker NZD makes New Zealand relatively cheaper in foreign currency terms and so allows visitors to spend more once they are here.

Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on earnings data from LEED. GDP growth in recent quarters is based on a model which uses the various partial economic indicators presented in this report as inputs. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year.

Net migration

Net migration is the difference between the number of arrivals and departures of permanent and long-term migrants. Data is sourced from International Travel and Migration statistics from Statistics New Zealand.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of Jobseekers at TA level are used to break down regional unemployment rates to TA level. To reduce volatility the unemployment rate is presented as an average for the last four quarters.

Traffic flow

Traffic flow growth rates are calculated from the number of vehicles passing approximately 110 sites monitored by New Zealand Transport Agency. Each of the sites has been mapped to a territorial authority.

Retail Sales

The retail spending data is sourced from Marketview. It measures total electronic card spending using spending through the Paymark network and adding to it an estimate of non-Paymark network spending using the pattern of BNZ card holder spending at non-Paymark retailers. For further breakdown of the data by storetype and other variables contact Marketview.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey. A guest night is equivalent to one guest spending one night at an establishment. For example, a motel with 15 guests spending two nights would report that they had provided 30 guest nights.

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House values

House value (dollar value) are sourced from QVNZ. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. It is not an average or median sales price, as both of those figures only measure what happens to have sold in the period. These average current values are affected by the underlying value of houses (including those not on the market) and are quality adjusted based on the growth in each house's price between sales.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority. Sales are based on new registrations which include the first time registration of new vehicles and used vehicles imported from overseas.

Dairy

Dairy data has been sourced from the "New Zealand Dairy Statistics", a publication co-owned by DairyNZ and LIC, as well as calculations made by Infometrics. The data accords to dairy seasons, which run from June to May. Total dairy payouts in each territorial authority have been calculated by Infometrics by utilising milk solids production in conjunction with Fonterra's farmgate milk price (excluding dividends) from the dairy season in question. For the current season, Infometrics calculates a payout forecast using our own expectation of the farmgate milk price and the assumption that milk solids production continues running at the same level from the previous season.

Jobseekers Support

In July 2013 the New Zealand's welfare system changed to better recognise and support people's work potential. As part of this the Jobseekers Support benefit was introduced. This benefit is for people who can usually look or prepare for work but also includes people who can only work part-time or can't work at the moment, for example, because they have a health condition, injury or disability.

Data presented for the September 2013 quarter onwards is provided by the Ministry of Social Development (MSD). Data prior to September 2013 are Infometrics estimates based on re-grouping pre-July 2013 benefit categories to be consistent with the post-July 2013 benefit categories. The pre-July 2013 benefit categories used to estimate the number of Jobseekers Support recipients are: Unemployment Benefit and Unemployment Benefit Hardship; Unemployment Benefit Training and Unemployment Benefit Hardship Training; Sickness Benefit and Sickness Benefit Hardship; Domestic Purposes Benefit - Sole Parent (if youngest child is 14 or over); Women Alone and Widow's Benefit (without children or with children 14 or over)

Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.