

### Overview of Horowhenua District

Infometrics' provisional estimates of GDP show that Horowhenua's economy expanded by 3.9% over the 12 months to September. Economic growth is broad-based across most indicators of spending and investment. Although non-residential building consents have come off peak levels, the pipeline of work underway remains elevated.

Economic growth is being held up by an expanding population and higher levels of investment in housing, which have helped offset ongoing struggles in the dairy sector. Other parts of the primary sector have also had healthier returns. Against this backdrop, there has been a 5.4% lift in traffic flows in Horowhenua, above the 4.8% growth seen nationally.

Recent data from Statistics New Zealand shows that Horowhenua's population is estimated to have grown by 1.6% over the June year, compared to average population growth of just 0.2%pa since 2000. This population expansion has helped underpin growth in retail sales and vehicle registrations, as well as put upward pressure on house prices and residential building consents.

People have been attracted to Horowhenua by relatively affordable housing, as well as improving transport linkages south to the Wellington Region. Job prospects in neighbouring Manawatu are also looking good, with ANZ data on job ads showing there were 17% more advertised roles in Manawatu during September than a year ago. Nevertheless, a slight increase to the number of people receiving Jobseeker Support shows there is a group of vulnerable people at the bottom that are not able to take advantage of some of these employment opportunities.

Horowhenua's primary sector has faced a mixed bag over the past year. Although horticulture, forestry, and beef farmers have had healthy returns, dairy farmers have continued to struggle. But the outlook has brightened over recent weeks as dairy prices have rallied and dairy farmers are expected to break even this season for the first time in three years. Even so, heavy rainfall during spring, coupled with low sunshine hours, have undermined pasture growth and could limit agricultural production volumes over the tail end of spring.

Indicator	Horowhenua District	Manawatu-Wanganui Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 3.9%	↑ 2.1%	↑ 3.2%
Traffic flow	↑ 5.4%	↑ 5.7%	↑ 4.8%
Residential consents	↑ 83%	↑ 57%	↑ 14%
Non-residential consents	↓ -2.2%	↓ -23%	↑ 6.8%
House prices*	↑ 14%	↑ 11%	↑ 11%
House sales	↑ 30%	↑ 25%	↑ 5.0%
Guest nights	↑ 5.4%	↑ 1.1%	↑ 6.2%
Retail trade	↑ 2.6%	↑ 1.7%	↑ 2.7%
Car registrations	↑ 9.3%	↑ 5.0%	↑ 3.2%
Commercial vehicle registrations	↑ 23%	↑ 7.4%	↑ 10%
Jobseeker Support recipients	↑ 2.2%	↑ 1.1%	↓ -0.04%
<i>Level</i>			
Unemployment rate	7.5%	5.8%	5.0%
International net migration	115	1,152	69,947

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

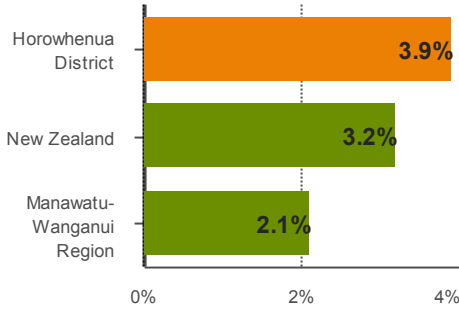
### Overview of national economy

Recent data has shown that most parts of the New Zealand economy are in healthy shape, which is flowing through into better job prospects in most sectors for skilled and unskilled positions alike. All indicators of spending and investment behaviour that we follow were in expansionary territory during the September quarter, including building consents, retail spending, vehicle registrations, and guest nights. Strong population growth from record migration is also adding to demand, which along with soaring international visitor numbers and a general upturn in business activity, has rapidly pushed up traffic flows. With business and consumer confidence at an elevated level, investment holding up, tourism continuing to expand, and dairy prices recovering, the outlook for summer is good.

# Gross domestic product

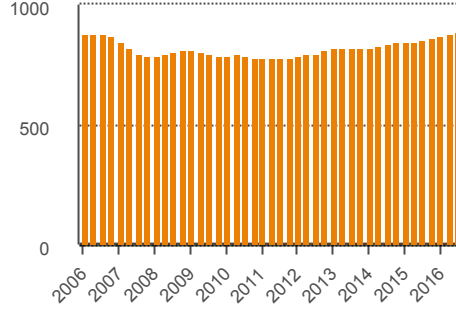
## Gross domestic product growth

Annual average % change Sep 15 - Sep 16



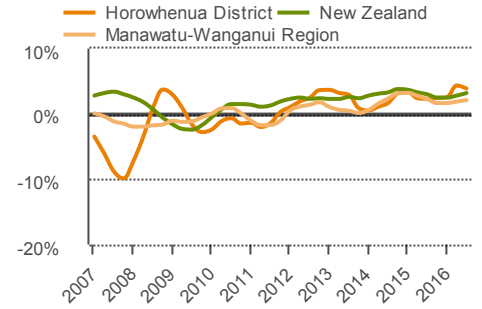
## Gross domestic product (\$m)

Annual level, Horowhenua District



## Gross domestic product growth

Annual average % change



## Highlights for Horowhenua District

- GDP in Horowhenua District was up 3.9% for the year to September 2016 compared to a year earlier. Growth was higher than in New Zealand (3.2%) and higher than in Manawatu-Wanganui Region (2.1%).
- GDP was \$891 million in Horowhenua District for the year to September 2016 (2010 prices).
- Annual GDP growth in Horowhenua District peaked at 4.3% in the year to June 2016.

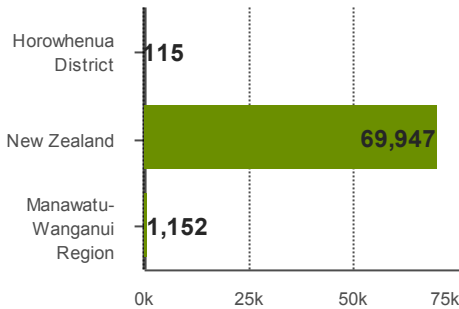
## National overview

We provisionally estimate that real GDP grew by 3.2% over the 12 months to September. Underpinning this rapid growth was a sharp increase in consumption, due to surging tourism activity, elevated net migration, and better job prospects. An expansion in construction activity is also adding to investment, while goods exports remain very high, despite dairy production being more subdued. Service exports are also booming, in part because of the tourism sector, but also because of healthy growth in earnings from business, software, and financial services. These observations are supported by NZIER's Quarterly Survey of Business Opinion, which showed that business activity during the September quarter expanded strongly, while there has also been a lift in business confidence.

# International net migration

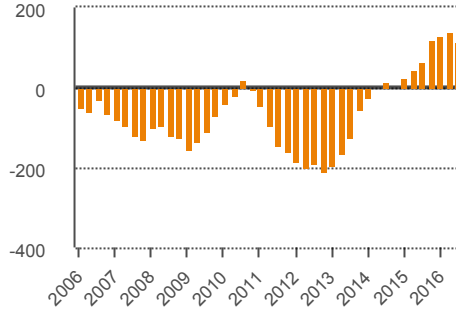
## Net migration

Number of persons, year to September 2016



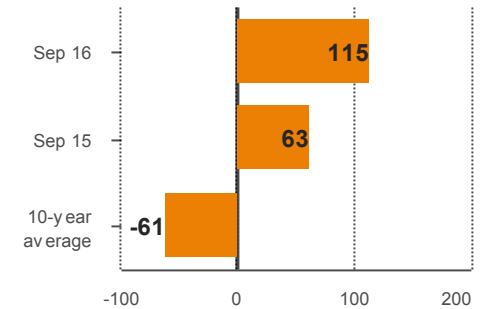
## Net migration

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 115 persons in the year to September 2016. This compares with a gain of 63 a year ago, and a ten year average of 61 (loss).
- New Zealand's annual net migration increased to 69,947 from 61,232 a year ago.

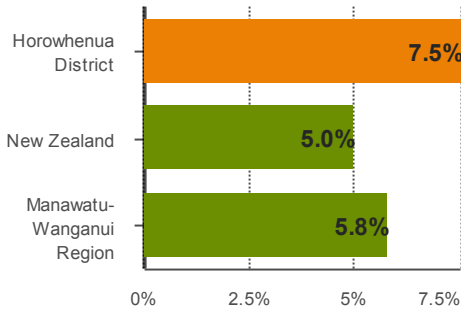
## National overview

International net migration over the 12 months to September was at a record level of almost 70,000 people. The bulk of the increase to the level of net migration was due to people arriving on work visas, followed by resident visa arrivals, and returning New Zealanders. Strong demand for New Zealand resident visas has led the government to tighten requirements by raising the number of points for eligibility, reducing the number of places available in the capped family categories, and temporarily removing the parent visa option. At first glance, the lift in work visa arrivals is heartening given the dearth in spare capacity in key sectors of the economy. For construction and services industries, finding labour this year has been at its most difficult since 2004 and 2008 respectively. However, when we break arrivals down by occupation, we find that the net inflow of construction workers has stagnated at around 2,500 people per annum so far for 2016.

# Unemployment rate

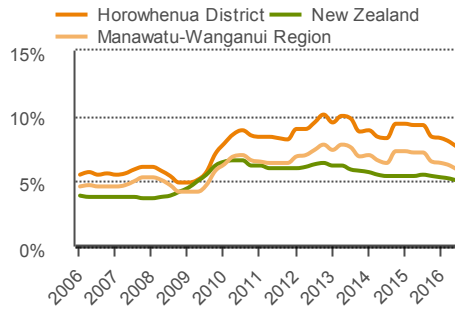
## Unemployment rate

Average annual rate, year to September 2016



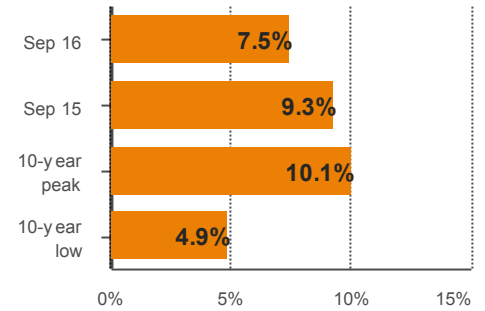
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Horowhenua District



## Highlights for Horowhenua District

- The annual average unemployment rate in Horowhenua District was 7.5% in September 2016, down from 9.3% a year earlier.
- The unemployment rate in Horowhenua District was higher than in New Zealand, where the unemployment rate averaged 5.0% over the year to September 2016.
- Over the last ten years the unemployment rate reached a peak of 10.1% in December 2012;

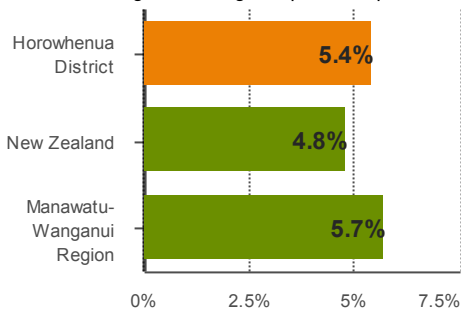
## National overview

The unemployment rate fell to 4.9% in the September quarter, the lowest it has been since late 2008. This fall, coupled with a solid quarterly increase in employment of 1.4%pa, reflects the strength of underlying economic conditions. However, it is also evident that capacity is becoming stretched in the construction and tourism industries. Labour cost pressures are still weak as a whole, but industries that have directly benefited from the rapid growth in tourism and construction saw their wages increase well past the national average. Looking forward, the unemployment rate is expected to remain fairly steady, although we see a risk that accelerating economic growth drives unemployment lower. Labour market pressures will continue to become more critical for industries experiencing high demand growth.

# Traffic flow

## Annual change in traffic flows

Annual average % change Sep 15 - Sep 16



## Highlights for Horowhenua District

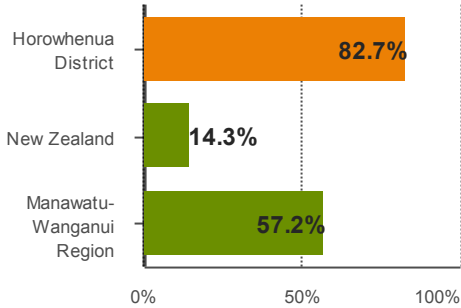
- Traffic flows in Horowhenua District increased by 5.4% over the year to September 2016. This compares with an increase of 4.8% in New Zealand.

## National overview

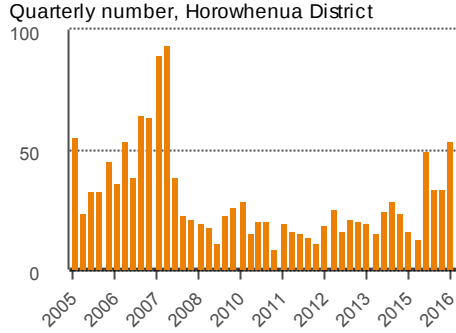
Growth in traffic flows remained high during the winter months. Infometrics calculations from NZTA traffic monitoring of state highways shows that traffic flows nationally over the 12 months to September were up 4.8% from a year ago. This growth is consistent with high levels of business and consumption activity from other indicators, as well as an expanding population and booming tourism sector. The fact that petrol prices remained relatively low over recent months has also supported increased vehicle movements. Traffic flows are expected to continue growing at a healthy rate over the coming months.

# Residential consents

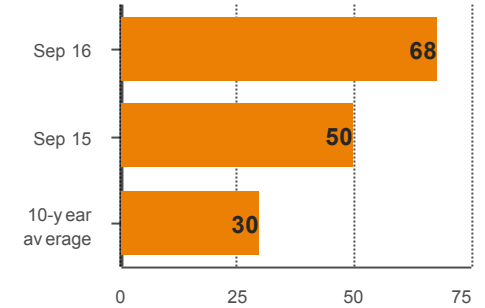
**Growth in no. of new dwelling consents**  
Annual average % change Sep 15 - Sep 16



**Residential consents**



**Number of new dwelling consents**  
Quarterly number, Horowhenua District



## Highlights for Horowhenua District

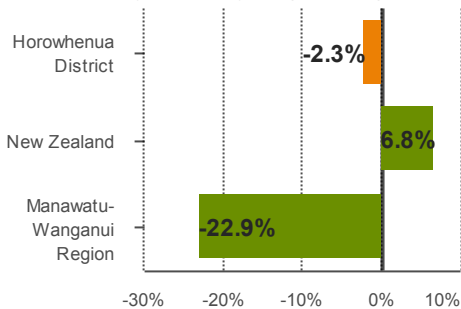
- A total of 68 new residential building consents were issued in Horowhenua District in the September 2016 quarter, compared with 50 in the same quarter last year.
- On an annual basis the number of consents in Horowhenua District increased by 83% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 14% over the same period.

## National overview

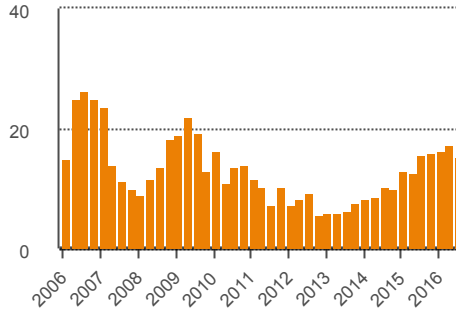
The number of residential building consents over the 12 months to September was up 14% from a year earlier. Consent numbers were up in all but five of New Zealand's 16 regions, but the pace of growth has slowed over the past year. This slowdown was most prominent in Auckland's halo regions, reflecting the rapid growth experienced mid-last year. We expect this slower growth in residential consents to continue over the year ahead. Labour capacity constraints are an increasingly critical issue in Auckland and other parts of the upper North Island, while macro-prudential intervention by the Reserve Bank weakening demand for existing housing will also flow through into softer growth in construction activity.

# Non-residential consents

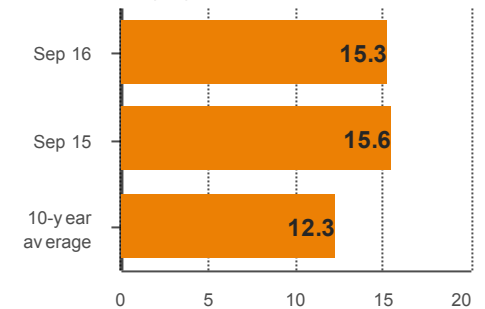
**Growth in value of consents**  
Annual average % change Sep 15 - Sep 16



**Non-residential consents, Horowhenua D**  
\$, 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 \$15 million were issued in Horowhenua District during the year to September 2016.
- The value of consents decreased by -2.2% over the year to September 2016. By comparison the value of consents in New Zealand increased by 6.8% over the same period.
- Over the last 10 years, consents in Horowhenua District reached a peak of \$24 million in the year to March 2007.

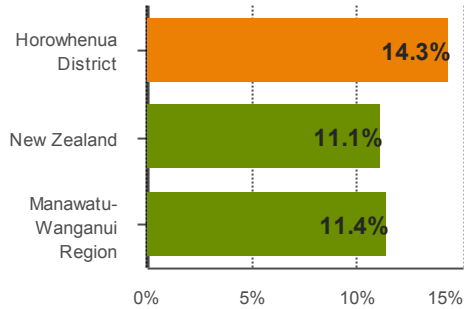
## National overview

Low interest rates, a solid economic performance, and a lack of returns on offer from other investment alternatives have continued to drive up non-residential property prices. This demand has spurred significant development of new commercial buildings and offices. Refurbishment of lower-grade office space will become increasingly important again over the next few years as tenants shift to newer premises, particularly in Auckland, Hamilton, and Wellington. Solid domestic demand conditions will also help keep industrial work at a relatively high level, with continued growth in demand for warehouse and distribution facilities. Strong population growth, a buoyant housing market, and rapid increases in tourist numbers have helped propel growth in retail spending, and are reigniting development plans in Auckland, Wellington, Christchurch, and Queenstown. Education building work will be pushed up in parts of the country experiencing strong population growth, as well as large university construction projects in Christchurch and Dunedin.

# House prices

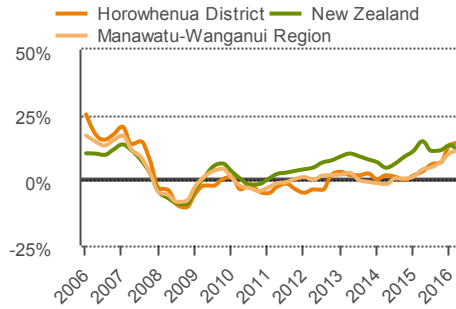
## Annual change in house prices

Annual % change Sep 15 - Sep 16



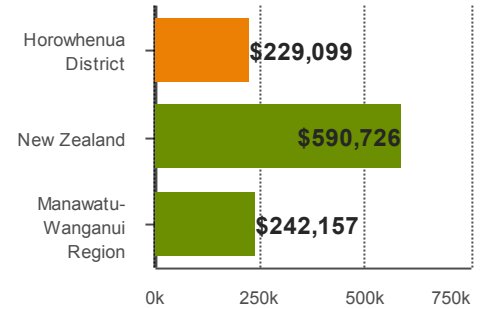
## House price growth

Annual % change



## Average current house value

Average for 12 months to Sep 2016



## Highlights for Horowhenua District

- The average current house value in Horowhenua District was up 14% in September 2016 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 11%.
- The average current house value was \$229,099 in Horowhenua District over the September 2016 year. This compares with \$590,726 in New Zealand.

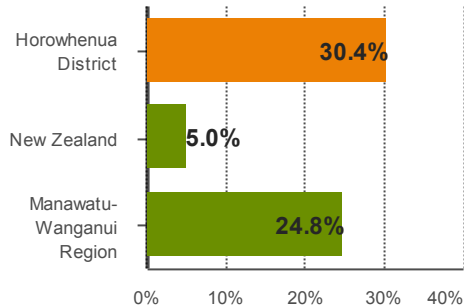
## National overview

House prices in September were up 11% from a year earlier, compared to the 13% growth recorded over the year to June. Data that has come out since for October indicates that the rate of house price growth is showing some early signs of cooling as a result of the latest loan-to-value restrictions implemented by the Reserve Bank which is taking some of the heat out of demand. We expect to see these restrictions further slow the rate of house price inflation, knocking 4-5 percentage points off price growth over the next 9-12 months. There is even a risk that annual house price inflation could turn negative during 2017, depending on whether debt-to-income ratios are introduced in the first half of next year and the tightness of the restrictions. Nevertheless, any falls would be modest given the persistent housing undersupply problems in Auckland.

# House sales

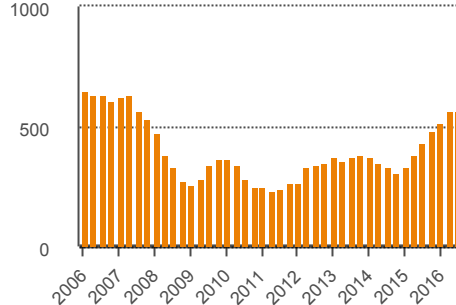
## Annual change in house sales

Annual average % change Sep 15 - Sep 16



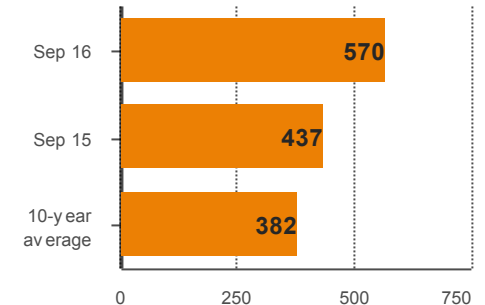
## House sales

Annual number, Horowhenua District



## House sales

Annual number, Horowhenua District



## Highlights for Horowhenua District

- House sales in Horowhenua District in the year to September 2016 increased by 30% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 5.0%.
- A total of 570 houses were sold in Horowhenua District in the 12 months ended September 2016. This compares with the ten year average of 382.

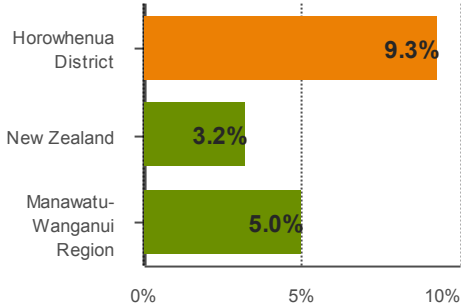
## National overview

House sales nationally began to pull back heavily during September, with falls particularly apparent in Auckland, Waikato, and Bay of Plenty. Many other regions are also showing signs of losing momentum in sales volumes. Tighter lending restrictions for low-equity borrowers (owner-occupiers with less than a 20% deposit) and investors with less than a 40% deposit are starting to show through, while unaffordability is also subduing demand in some places. Anecdotal evidence points to some banks already reaching their limit of 10% high LVR loans for owner-occupiers. Nevertheless, there were some regions not showing any sign of slowing down just yet, including Southland, Manawatu, and Central Otago Lakes. Debt-to-income ratios, which are likely to be introduced during 2017, will constrain credit for other potential buyers and put further downward pressure on house sales.

# Car registrations

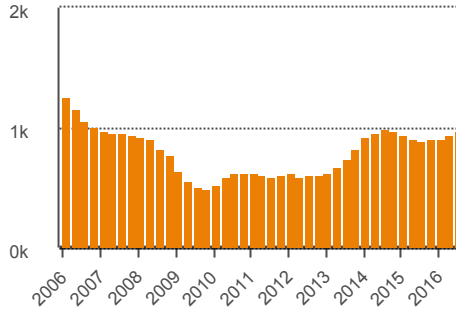
## Car registrations

Annual average % change Sep 15 - Sep 16



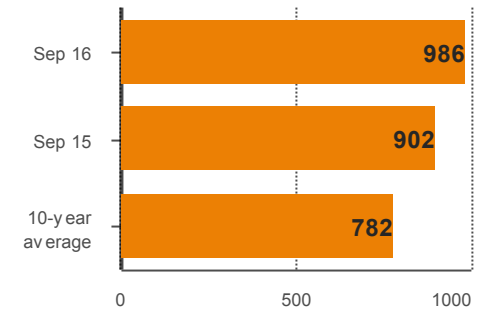
## Car registrations

Annual number, Horowhenua District



## Car registrations

Annual number, Horowhenua District



## Highlights for Horowhenua District

- The number of cars registered in Horowhenua District increased by 9.3% in the year to September 2016 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 3.2%.
- A total of 986 cars were registered in Horowhenua District in the year to September 2016. This compares with the ten year average of 782.

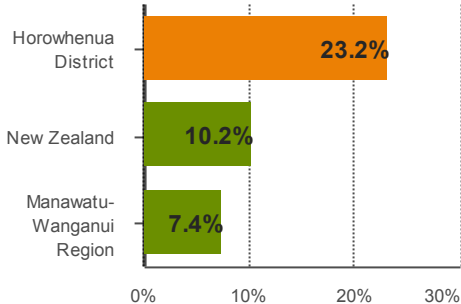
## National overview

Car registrations over the past 12 months rose a further 3.2% to another record level. Overall demand for vehicles has continued to increase with strong population growth, improving employment conditions, and cheap petrol prices boosting household numbers and car ownership rates. New car prices have also been favourable, with prices plummeting 3.2% over the June 2016 quarter. Robust growth in new car sales is expected to continue in the months ahead, due to strengthening household demand. Used car sales are also anticipated to grow, but at a slightly slower pace as a further depreciation in the New Zealand dollar exchange rate with the yen expected to put used car prices under more upward pressure over the year ahead.

# Commercial vehicle registrations

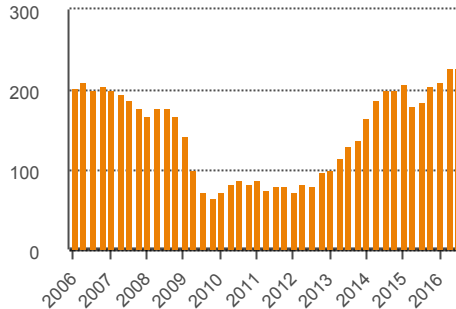
## Commercial vehicle registrations

Annual average % change Sep 15 - Sep 16



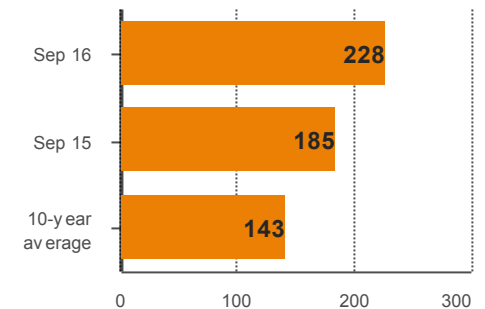
## Commercial vehicle registrations

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 23% in the year to September 2016 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 10%.
- A total of 228 commercial vehicles were registered in Horowhenua District in the year to September 2016. This is higher than the ten year annual average of 143.

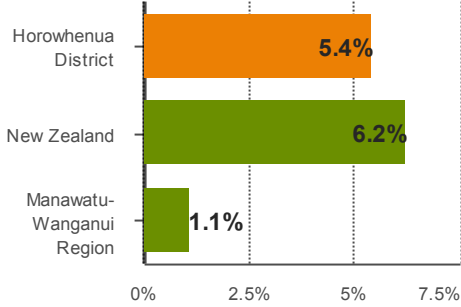
## National overview

Commercial vehicle sales continued their upward march, with registrations over the 12 months to September totalling 54,430, up 10% from a year earlier. Even so, despite sales growing in total, there were uneven conditions between different weight categories. Truck sales in the September quarter were buoyant in terms of light trucks, but were still declining for heavy vehicles. We anticipate continued strong growth in light truck sales on the back of a booming construction sector, while recovering export volumes and strong construction activity are beginning to arrest the fall in demand for heavy vehicles. Prices for light commercial vehicles have remained surprisingly subdued, despite upward pressure on prices from the weaker exchange rate during 2015. Nevertheless, we caution that dealers may not be in a position to absorb any further depreciation of the New Zealand dollar.

# Guest nights

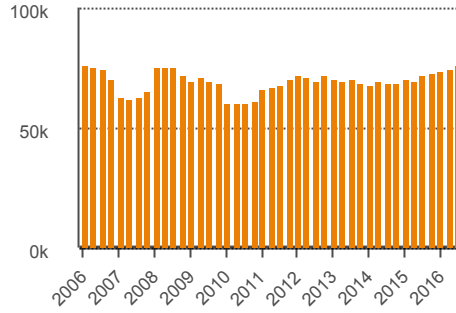
## Guest nights

Annual average % change Sep 15 - Sep 16



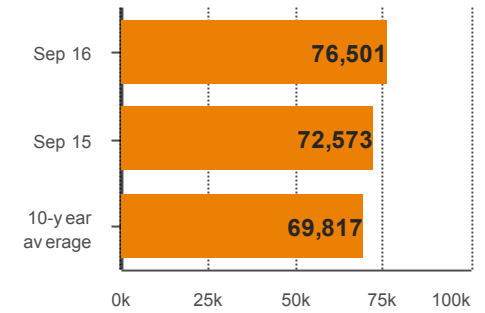
## Guest nights

Annual number, Horowhenua District



## Guest nights

Annual number, Horowhenua District



## Highlights for Horowhenua District

- Total guest nights in Horowhenua District increased by 5.4% in the year to September 2016. This compares with an increase of 6.2% in New Zealand.
- Visitors stayed a total of 76,501 nights in Horowhenua District during the year to September 2016, which was up from 72,573 a year ago.

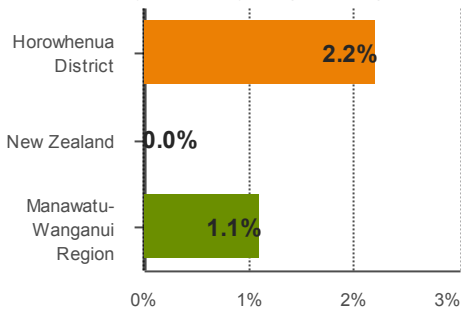
## National overview

Guest nights over the 12 months to September were up 6.2% from a year earlier, with guest night by international visitors growing particularly strongly. This increase in guest nights is also reflected by higher spending by visitors on most items, apart from fuel which was pulled down by lower petrol prices. On a seasonally adjusted basis, the highest ever number of visitor arrivals to New Zealand for any given month on record was recorded in September. Arrivals from the US were up a particularly rapid 36% during the September quarter from a year earlier, with visitor numbers from Australia, the UK, and much of Asia also posting solid gains. Growth in arrivals from China slowed during winter, but are expected to pick up in the December quarter, in part due to a week-long Chinese national holiday in October.

# Jobseekers

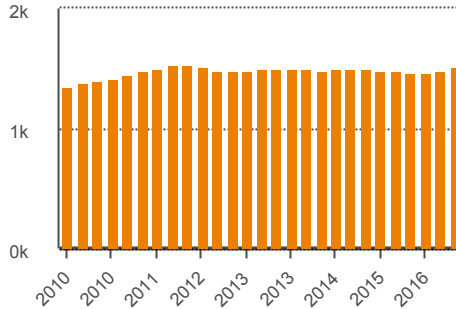
## Annual change in Jobseekers

Annual average % change Sep 15 - Sep 16



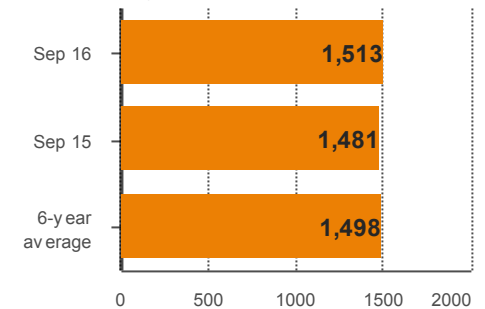
## Jobseekers

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 2016 increased by 2.2% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients decreased by 0.04%.
- An average of 1,513 people were receiving a Jobseeker Support benefit in Horowhenua District in the 12 months ended September 2016. This compares with an average of 1,498 since the start of the series in 2010.

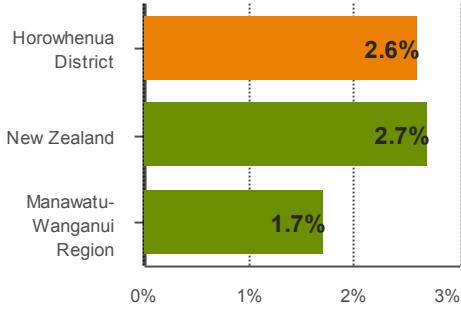
## National overview

Strong employment growth during winter saw the number of people receiving Jobseeker Support flatten off. A big factor in employment growth during the September quarter was part-time employment, which rose 4.0% (seasonally adjusted) for the quarter, its fastest rate since March 2011. In comparison, growth in full-time employment over the same period was a sluggish 0.3%. With the last couple of quarters for full-time employment having been strong, along with a generally buoyant economy, these figures suggest that firms are finding it harder to get full-time employees and are instead hiring more part-time workers. This trend bodes well for people trying to get their foot in the door, particularly in industries supporting tourism and construction that are desperate for workers at all skill levels.

# Retail trade

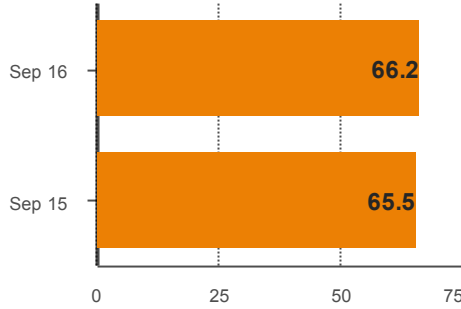
## Growth in retail sales

Annual average % change Sep 15 - Sep 16



## Retail sales

Quarterly value (\$m), Horowhenua District



## Highlights for Horowhenua District

- Electronic card retail spending in Horowhenua District, as measured by Marketview, increased by 2.6% over the year to September 2016 compared to the previous year. This compares with an increase of 2.7% in New Zealand.

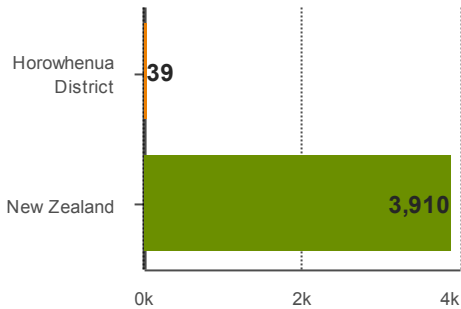
## National overview

The retail sector enjoyed strong growth through the winter months, with data from Marketview showing that electronic card spending on retail purchases over the twelve months to September was up 2.7% from a year earlier. We anticipate that retail spending growth will remain elevated over the months ahead. Supporting this growth will be rising levels of international visitor spend, strong population growth, and healthy labour market conditions. These good job prospects, coupled with improved consumer confidence and the lagged effects of falling interest rates over the past year will also push up retail spending in per capita terms.

# Total dairy payout

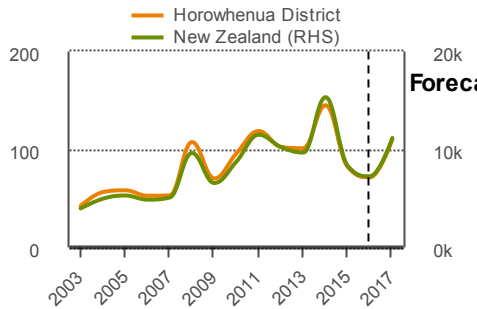
## Total dairy payout

Change (\$m) between 2015/16 and 2016/17 season



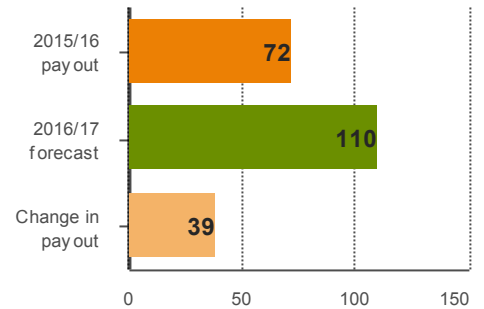
## Total dairy payout

\$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 2015/16 season is estimated to have been approximately \$71.6m.
- Horowhenua District's dairy payout for the 2016/17 season is expected to be approximately \$110m, \$38.6m 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 \$7,262m in the 2015/16 season, and is expected to be \$3,910m higher in the 2016/17 season.

## National overview

Recent sharp upward movements to prices at dairy auctions will put upward pressure on farmgate milk price forecasts. If prices remain at or around current levels then a payout closer to \$6/kgms is on the cards for the 2016/2017 dairy season, compared to a payout of \$3.90/kgms last season. A payout of this level would mean that most farmers are above their average breakeven point for the first time since the 2013/14 dairy season. DairyNZ estimates that the average dairy farmer needs \$5.05/kgms to breakeven. A key driver of recent upward movements to prices has been lower milk production in New Zealand during spring, which Fonterra anticipates will continue throughout the dairy season. Lower milk production in Europe and an easing of production growth in the US are also contributing to the recent upside to prices in dairy markets.



# 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.

## 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)