

### Overview of Horowhenua District

Infometrics' provisional estimate of GDP shows economic growth of 1.2% in Horowhenua over the year to June. Indicators of spending and investment behaviour are mixed, with construction activity indicators showing some growth, retail spending flattening off and vehicle registrations coming off the boil. Against this backdrop, unemployment in Horowhenua has risen slightly over recent months.

It is going to be a sluggish season for dairy farmers and businesses heavily reliant on the sector. The extremely low farmgate milk price this season will see dairy farmers trim production targets and cut back on non-essential expenditure. Data from Marketview shows that spending on retail purchases in Horowhenua over the year to June was up just 1.6%, compared with 2.8% growth nationally.

Nevertheless, we are cautiously optimistic that dairy prices will show signs of meaningful stabilisation over the final months of 2015 as global supply and demand find a better balance. We aren't anticipating prices to ascend rapidly, but even a gradual steadying of the ship will be welcome news to provincial New Zealand.

Outside of the dairy sector, there are other parts of Horowhenua's primary sector that have a brighter outlook. Meat and horticulture exporters are enjoying better conditions, as a result of the lower New Zealand dollar and healthy pricing in export markets.

Recent improvements to regional air connectivity from nearby Palmerston North airport are good news for businesses in the area. The increasing number of services at lower prices will make business travel more efficient and could help firms attract and retain staff from outside of the area.

Indicator	Horowhenua District	Manawatu-Wanganui Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 1.2%	↑ 2.2%	↑ 3.1%
Traffic flow	↑ 4.0%	↑ 3.8%	↑ 3.3%
Residential consents	↑ 1.2%	↓ -8.7%	↑ 7.9%
Non-residential consents	↑ 50%	↑ 54%	↑ 17%
House prices*	↑ 0.3%	↑ 2.2%	↑ 9.3%
House sales	↑ 8.8%	↑ 9.4%	↑ 8.3%
Guest nights	↓ -0.3%	↑ 4.4%	↑ 5.3%
Retail trade*	↑ 0.2%		↑ 2.3%
Car registrations	↓ -5.0%	↑ 12%	↑ 15%
Commercial vehicle registrations	↓ -3.7%	↑ 2.2%	↑ 13%
Job Seekers	↑ 0.03%	↑ 0.3%	↓ -3.4%
<i>Level</i>			
Unemployment rate	9.9%	7.7%	5.7%
International net migration	47	797	58,256

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

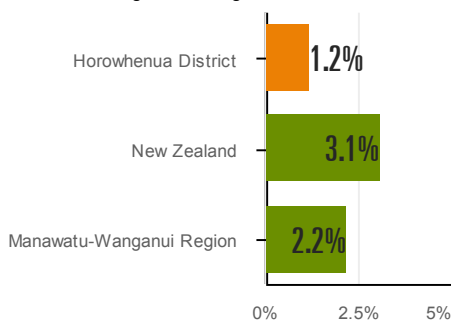
### Overview of national economy

With dairy prices having fallen below their 2009 trough, business confidence, particularly in provincial areas, is falling. According to ANZ's July business outlook survey, general business confidence fell in June for the first time since March 2011. At best, New Zealand faces a two-speed economy over the next 18-24 months, with much of the country risking a recession while Auckland rumbles on and is only modestly affected. However, there is a mounting threat that, even with all the positives Auckland has going for it, Auckland will be dragged down by the dairy drop-off as well. Given these concerns, we expect the Reserve Bank to cut the official cash rate further in the coming months back to 2.50% by October.

# Gross domestic product

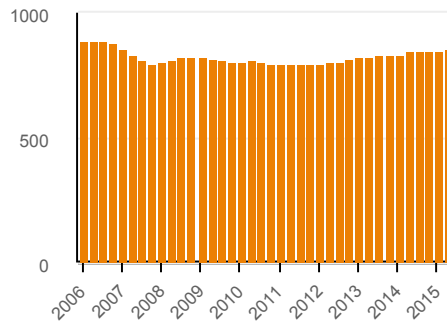
## Gross domestic product growth

Annual average % change Jun 14 - Jun 15



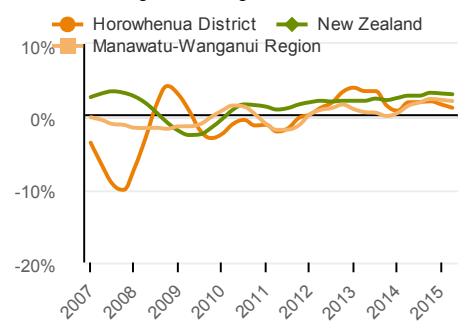
## Gross domestic product (\$m)

Annual level, Horowhenua District



## Gross domestic product growth

Annual average % change



## Highlights for Horowhenua District

- GDP in Horowhenua District was up 1.2% for the year to June 2015 compared to a year earlier. Growth was lower than in New Zealand (3.1%) and lower than in Manawatu-Wanganui Region (2.2%).
- GDP was \$859 million in Horowhenua District for the year to June 2015 (2010 prices).
- Annual GDP growth in Horowhenua District peaked at 4.2% in the year to December 2008.

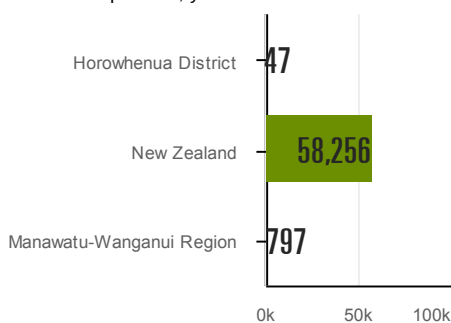
## National overview

Our provisional estimate of GDP showed that economic growth over the year to June came in at 3.1%pa. Residential construction activity is still rising, and surging net migration and service sector demand are also pushing up economic activity, but there has been a clear cooling of demand across parts of the primary sector and for business investment. Provincial centres are likely to struggle over the coming quarters until dairy prices recover, while cities' larger exposures to the service sector will mean that any slowdown in urban economic activity happens with more of a lag. The silver lining is that the weaker New Zealand dollar is good news for exporters of goods and services which are still commanding healthy world prices such as wine, fruit, beef, lamb, and tourism.

# International net migration

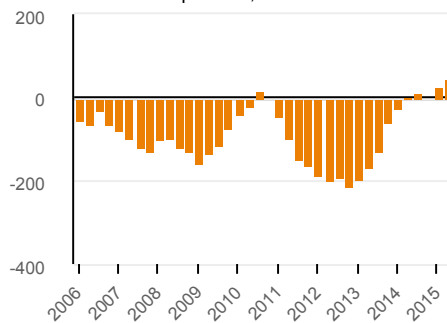
## Net migration

Number of persons, year to June 2015



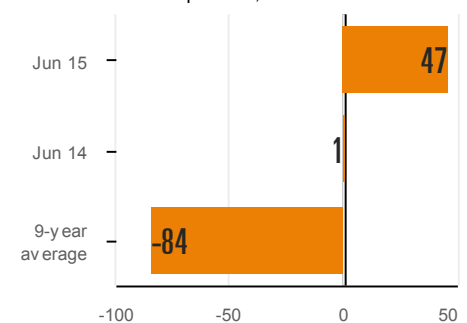
## Net migration

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 47 persons in the year to June 2015. This compares with a gain of 1 a year ago, and a ten year average of 82 (loss).
- New Zealand's annual net migration increased to 58,259 from 38,334 a year ago.

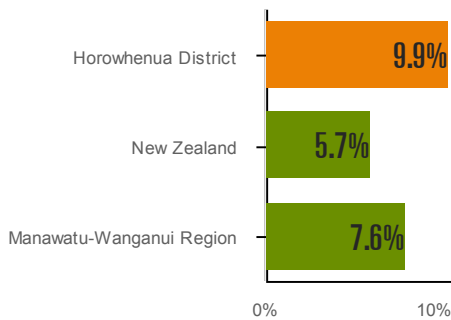
## National overview

Annual net migration reached 58,259 people in June, breaking the record for the 11th consecutive month. Although migration appears to be near its peak, we still expect the level of net migration to remain above 50,000 people through until the start of 2016. It is surprising that overall arrivals from Asia are continuing to grow at a considerable pace despite evidence that student arrivals are plateauing. In the June quarter, arrivals from Asia were 13% higher than a year earlier. The number of people crossing the Tasman in the year to June was 8.4% higher than a year earlier — the slowest pace of growth since December 2012. Nevertheless, June was the third consecutive month where there had been a seasonally adjusted net gain of migrants from Australia as the Australian unemployment rate still sits at 6.0%.

# Unemployment rate

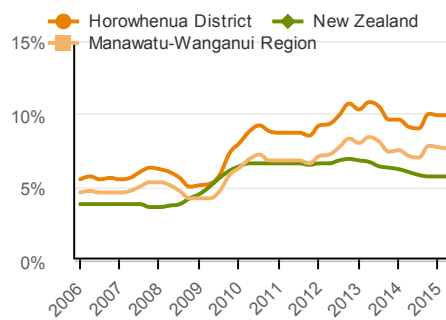
## Unemployment rate

Average annual rate, year to June 2015



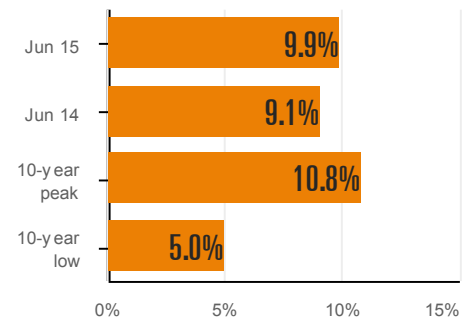
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Horowhenua District



## Highlights for Horowhenua District

- The annual average unemployment rate in Horowhenua District was 9.9% in June 2015, up from 9.1% a year earlier.
- The unemployment rate in Horowhenua District was higher than in New Zealand, where the unemployment rate averaged 5.7% over the year to June 2015.
- Over the last ten years the unemployment rate reached a peak of 10.8% in June 2013;

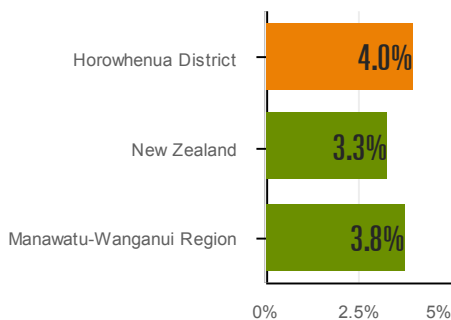
## National overview

The unemployment rate inched up to 5.9% in June (seasonally adjusted). Coupled with quarterly employment growth of 0.3%, the June labour market results were weaker than we had expected. In the June year, Auckland accounted for 44% of the lift in employment nationally. In Canterbury, employment growth eased to 4.3%pa (from 6.1% growth in December last year). Both these results are indicative of economic growth drivers transitioning away from dairy and the Christchurch rebuild to an Auckland-centric economy. Although the level of employment will remain elevated, waning confidence and a less optimistic outlook for business activity indicate that growth in employment will ease over the year ahead.

# Traffic flow

## Annual change in traffic flows

Annual average % change Jun 14 - Jun 15



## Highlights for Horowhenua District

- Traffic flows in Horowhenua District increased by 4.0% over the year to June 2015. This compares with an increase of 3.3% in New Zealand.

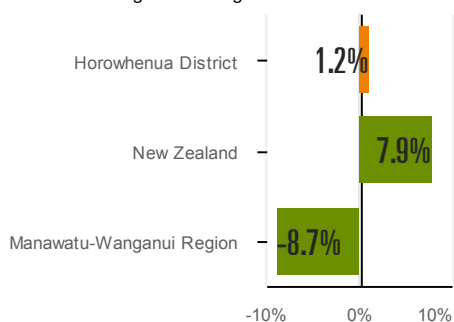
## National overview

Growth in traffic flows in New Zealand has slowed over recent months, but flows were still up a healthy 3.3% over the year to June. Traffic flows are most rapid in places on the tourist trail, such as parts of Northland, Waikato, and Bay of Plenty, as well as the West Coast and Queenstown in the south. Most provincial centres are also showing robust growth in traffic flows, but growth is likely to ease as lower dairy prices constrain milk production and business activity. Major urban areas have seen a continuation of modest growth in traffic flows, with the exception of Christchurch City and Tauranga where traffic flows are growing more swiftly.

# Residential consents

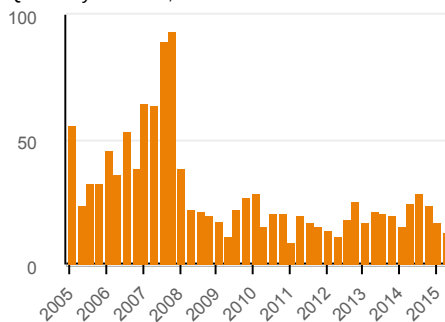
## Growth in no. of new dwelling consents

Annual average % change Jun 14 - Jun 15



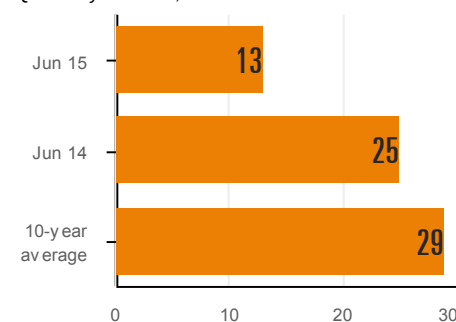
## Residential consents

Quarterly number, Horowhenua District



## Number of new dwelling consents

Quarterly number, Horowhenua District



## Highlights for Horowhenua District

- A total of 13 new residential building consents were issued in Horowhenua District in the June 2015 quarter, compared with 25 in the same quarter last year.
- On an annual basis the number of consents in Horowhenua District increased by 1.2% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 7.9% over the same period.

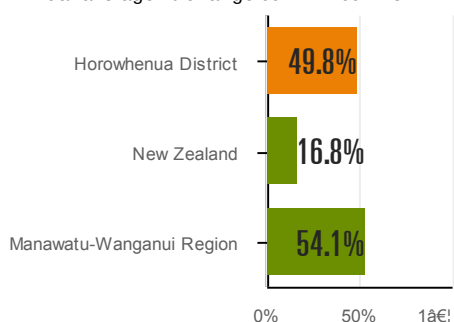
## National overview

In the June quarter, total dwelling consents in Auckland were 20% higher than a year earlier. A few other regions seeing building consents lift in the same period were Auckland's entourage: Northland (up 21%), Bay of Plenty (up 20%), and Waikato with consents (up 1.5%) over the period. Patchy improvements in consent numbers also took place in Taranaki, Otago, and Tasman regions. Despite its recovery over the month, June quarter consents in Canterbury were 15% lower than a year earlier. Looking ahead, we expect the number of consents coming through for Christchurch to ease, and although activity in Auckland will provide some offset, the national total will still slide over the year ahead as economic growth slows.

# Non-residential consents

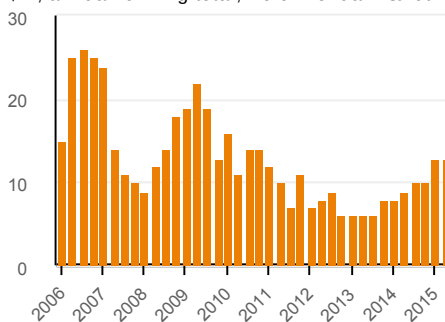
## Growth in value of consents

Annual average % change Jun 14 - Jun 15



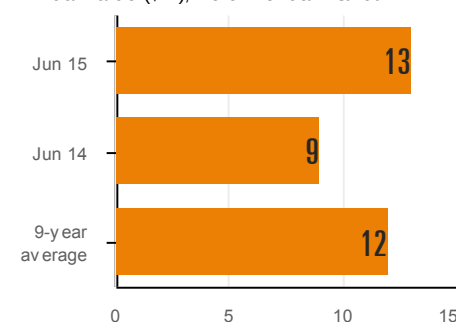
## Non-residential consents, Horowhenua District

\$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 \$13 million were issued in Horowhenua District during the year to June 2015.
- The value of consents increased by 50% over the year to June 2015. By comparison the value of consents in New Zealand increased by 17% over the same period.
- Over the last 10 years, consents in Horowhenua District reached a peak of \$26 million in the year to September 2006.

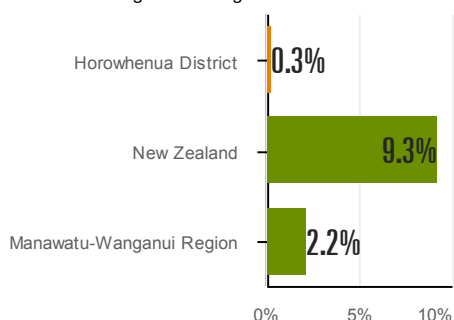
## National overview

Non-residential building in June maintained its high levels of the previous two months, with the value of consents virtually unchanged from the April and May results. The rise of non-residential building activity outside Auckland and Canterbury has continued, with some of the biggest contributions to growth coming from Hamilton and Tauranga, where there were significant jumps in consents across a wide range of building types. Notably, the value of consents in Canterbury over the last three months was lower than a year ago for the first time since late 2013. Our forecasts predict a softening in non-residential consents over the second half of this year. With prospects for economic growth weakening, dragging down business confidence and investment intentions, we remain comfortable with this less positive outlook for construction.

# House prices

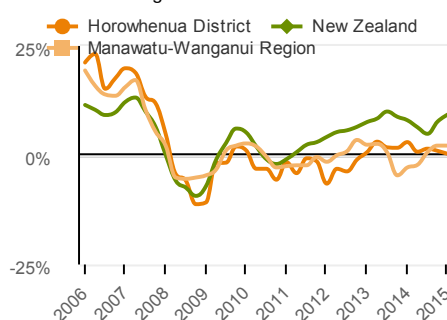
## Annual change in house prices

Annual average % change Jun 14 - Jun 15



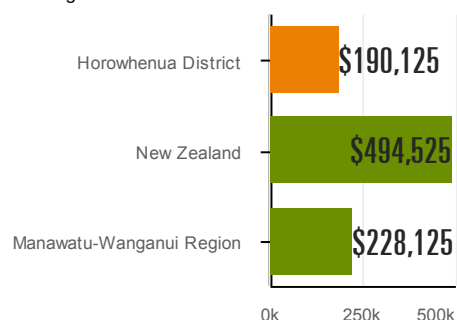
## House price growth

Annual % change



## Median house price

Average for 12 months to Jun 2015



## Highlights for Horowhenua District

- The median house price in Horowhenua District was up 0.3% in June 2015 compared with a year earlier. Growth underperformed relative to New Zealand, where prices increased by 9.3%.
- The median house price was \$190,125 in Horowhenua District in the June 2015 quarter. This compares with \$494,525 in New Zealand.

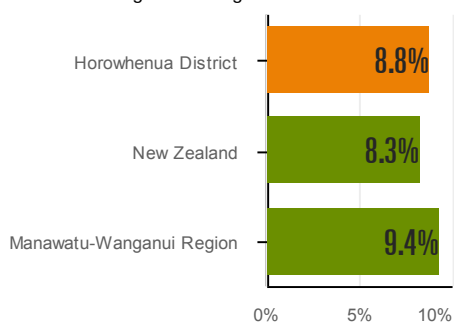
## National overview

Nationwide house price inflation lifted from 9.0% to 9.3%pa in June. Annual house price inflation in the Auckland region is at an 11-year high of 17%pa, and there are clear signs that the demand in Auckland is continuing to spread out into Waikato and Bay of Plenty. Hauraki, the Waikato district, Western Bay of Plenty, and Tauranga are four areas where house price growth is strengthening. However, if we exclude Auckland from the numbers, we estimate that house price inflation around the rest of the country eased slightly from 4.5% to 4.4%pa in June. Prices are weakening around the East Cape area of the North Island, Nelson/Marlborough, much of Southland, and parts of Canterbury. Trends in Canterbury reflect the improving housing supply situation in Christchurch, with slowing price growth in the city rippling through into surrounding areas.

# House sales

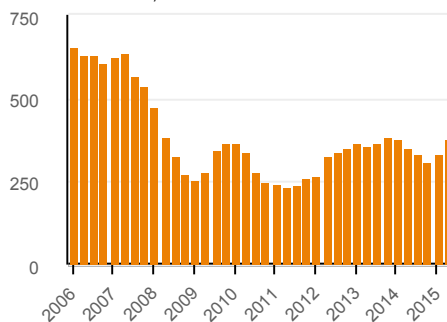
## Annual change in house sales

Annual average % change Jun 14 - Jun 15



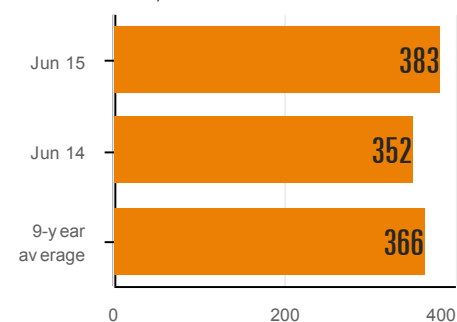
## House sales

Annual number, Horowhenua District



## House sales

Annual number, Horowhenua District



## Highlights for Horowhenua District

- House sales in Horowhenua District in the year to June 2015 increased by 8.8% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 8.3%.
- A total of 383 houses were sold in Horowhenua District in the 12 months ended June 2015. This compares with the ten year average of 366.

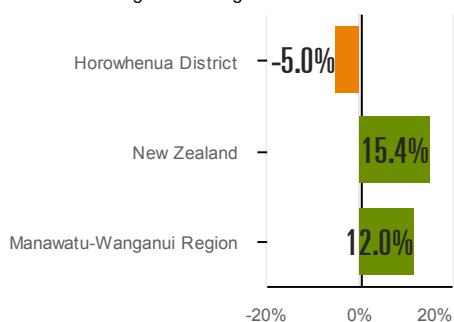
## National overview

Three-month annual growth in house sales for the June quarter was at 26%, the fastest rate of increase in over three years, while the quarterly sales total has not been bettered since 2007. High prices in Auckland are forcing buyers to look for property in surrounding regions, while falling mortgage rates are also boosting activity across the rest of the country. Growth in Auckland sales volumes is running at 23%pa, while sales volumes in Northland and Waikato/Bay of Plenty/Gisborne in the June quarter were up around 50% from a year earlier. Although tighter restrictions for lending to Auckland property investors are likely to lead to softer demand for housing in the city later this year, the easing of loan-to-value requirements outside Auckland will boost demand in other parts of the country.

# Car registrations

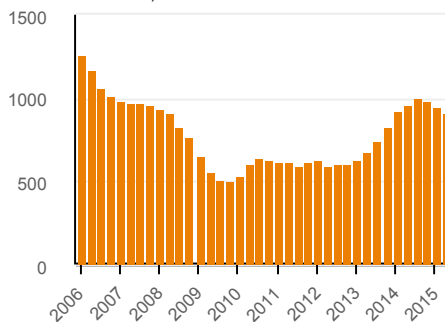
## Car registrations

Annual average % change Jun 14 - Jun 15



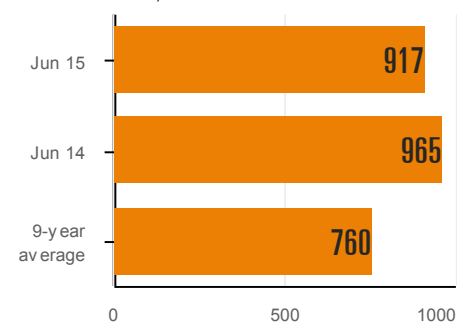
## Car registrations

Annual number, Horowhenua District



## Car registrations

Annual number, Horowhenua District



## Highlights for Horowhenua District

- The number of cars registered in Horowhenua District decreased by -5.0% in the year to June 2015 compared with the previous 12 months. Growth was lower than in New Zealand, where car sales increased by 15%.
- A total of 917 cars were registered in Horowhenua District in the year to June 2015. This compares with the ten year average of 801.

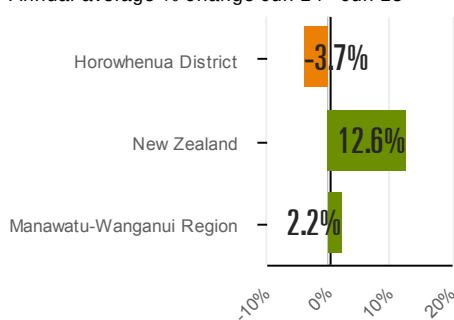
## National overview

Car sales remained surprising strong in the June quarter. Downward pressure on interest rates, elevated net migration inflows, and higher employment levels have continued to support car buying activity over recent months. Nevertheless, with the economic outlook deteriorating, we maintain our view that sales will peak within the next few months. This easing of demand will be reinforced by the sharp depreciation of the New Zealand dollar, which will push up the cost of importing vehicles and limit car dealers' willingness to offer discounts on list prices.

# Commercial vehicle registrations

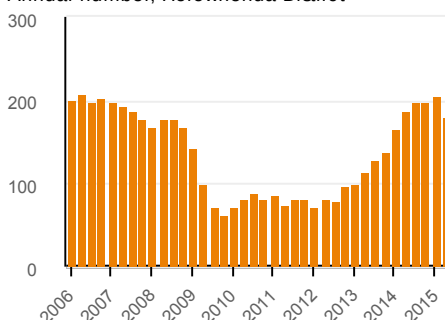
## Commercial vehicle registrations

Annual average % change Jun 14 - Jun 15



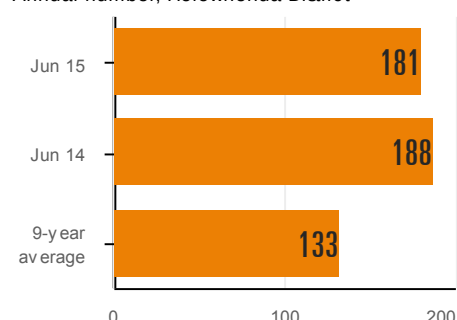
## Commercial vehicle registrations

Annual number, Horowhenua District



## Commercial vehicle registrations

Annual number, Horowhenua District



## Highlights for Horowhenua District

- The number of commercial vehicles registered in Horowhenua District decreased by -3.7% in the year to June 2015 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 13%.
- A total of 181 commercial vehicles were registered in Horowhenua District in the year to June 2015. This is higher than the ten year annual average of 141.

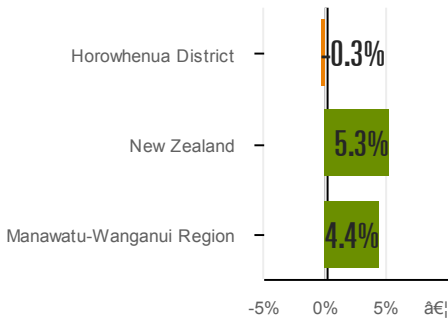
## National overview

Commercial vehicle sales growth eased considerably in the June quarter and has since turned negative across most vehicle classes that we follow. We expect this downward pressure to intensify over the coming months, as transport operators digest a weaker outlook for the dairy and forestry sectors, at a time when a lower New Zealand dollar has significantly pushed up the cost of importing large trucks. Business confidence surveys are also showing that there has been a general downward shift in investment intentions among businesses across the board for the year ahead. Our most recent forecasts showed modest declines in truck sales in the second half of the year, but there is a growing risk of steeper declines.

# Guest nights

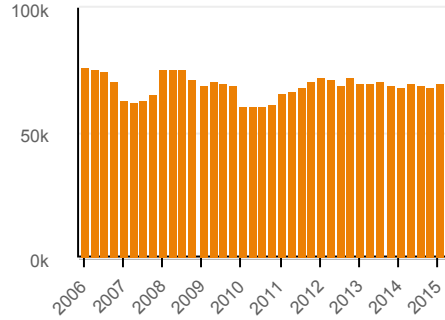
## Guest nights

Annual average % change Jun 14 - Jun 15



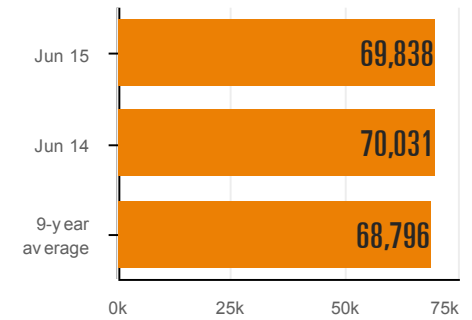
## Guest nights

Annual number, Horowhenua District



## Guest nights

Annual number, Horowhenua District



## Highlights for Horowhenua District

- Total guest nights in Horowhenua District decreased by 0.3% in the year to June 2015. This compares with an increase of 5.3% in New Zealand.
- Visitors stayed a total of 69,838 nights in Horowhenua District during the year to June 2015, which was down from 70,031 a year ago.

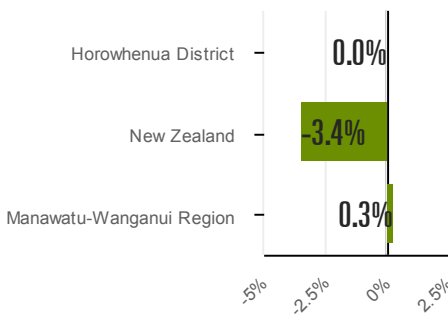
## National overview

Guest nights over the year to June 2015 were up 5.3% on a year earlier, with guest nights by international visitors rising by 7.4% and those by domestic visitors increasing by 4.0%. Although growth in domestic guest nights is likely to slow as New Zealanders adjust their spending behaviour to reflect a weaker economic outlook, the plunge in the New Zealand dollar, which has eased more than 25% against the US dollar since July 2014, looks set to further propel the growth in visitor arrivals from most major source countries over the coming months. This boost in visitors' purchasing power will also be accompanied by new direct air connections to Asia, Latin America, and the US coming on line in the second half of year. Tourism is likely to overtake dairy as New Zealand's biggest export earner by the September quarter.

# Jobseekers

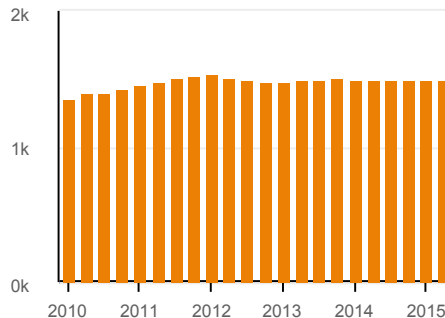
## Annual change in Jobseekers

Annual average % change Jun 14 - Jun 15



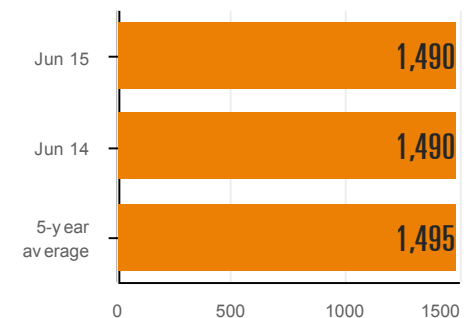
## Jobseekers

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 June 2015 increased by 0.03% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseekers decreased by 3.4%.
- An average of 1,490 people were receiving a Job Seeker Support benefit in Horowhenua District in the 12 months ended June 2015. This compares with an average of 1,495 since the start of the series in 2010.

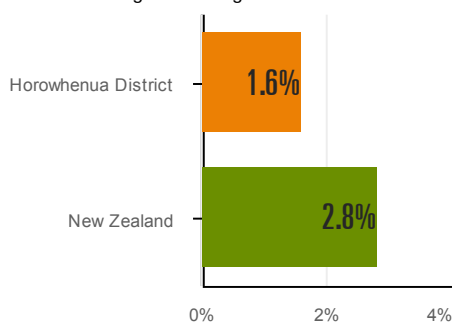
## National overview

Job seeker beneficiaries eased further in the June quarter, despite more sluggish growth in demand for labour. The number of people on job seek benefits in the June 2015 quarter was 2.5% below its level from a year earlier. Although there is likely to be enough momentum in the labour market to continuing pushing down the number of people on job seeker benefits in the second half of the year, there is a risk that beneficiary numbers push higher again in 2016 if firms' hiring intentions don't improve.

# Retail trade

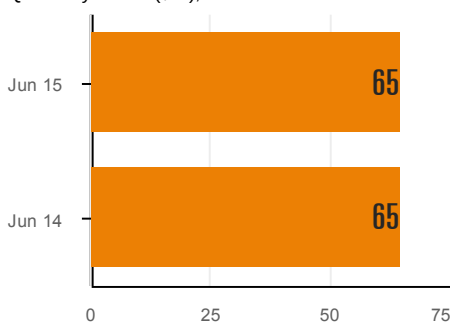
## Growth in retail sales

Annual average % change Jun 14 - Jun 15



## Retail sales

Quarterly value (\$m), Horowhenua District



## Highlights for Horowhenua District

- Electronic card retail spending in Horowhenua District, as measured by Marketview, increased by 0.2% in the June 2015 quarter compared to the same quarter in 2013. This compares with an increase of 2.3% in New Zealand.

The switch to Marketview data has provided a more accurate basis for the measurement of retail sales at a Horowhenua District level but the current reporting configuration does not provide data at a regional level.

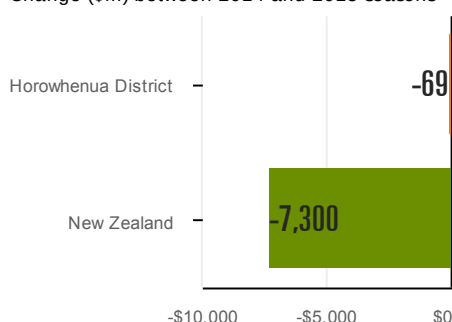
## National overview

The value of retail spending in the June 2015 quarter was up 2.3% from a year earlier, according to data from Marketview. Statistics New Zealand data shows that total retail sales volumes were up 5.9% over the same period. Although sales growth appears robust at first brush, growth has cooled markedly since the March quarter. With the outlook for economic growth deteriorating, a lower dollar pushing up prices, and consumer confidences sinking lower, we expect overall retail sales volume growth to become more subdued over the rest of 2015. But even so, rising levels of international visitors to New Zealand will still ensure spending on accommodation and food and beverage services is healthier.

# Total dairy payout

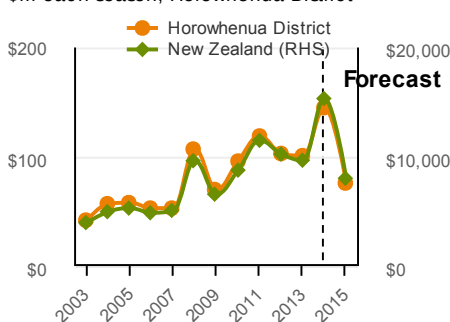
## Total dairy payout

Change (\$m) between 2014 and 2015 seasons



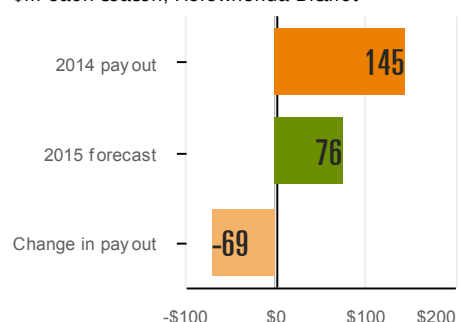
## Total dairy payout

\$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 2014 season is estimated to have been approximately \$145m.
- Horowhenua District's dairy payout for the current season is expected to be approximately \$76.0m, \$69.1m lower 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 \$15,330m in the 2014 season, but is expected to be \$7,300m lower than in the 2015 season.

## National overview

Last season's drop in the dairy payout from \$8.40/kgms to \$4.40/kgms effectively sucked \$7.3bn of income out of the New Zealand economy. At this stage, we anticipate that Fonterra's farmgate milk price will finish the 2015/16 season at \$3.75/kgms. The squeeze on cash flow and working capital, and associated run-up in debt from this second consecutive low payout season, will be sorely felt throughout regional New Zealand. Farmers will be losing significant amounts of money, with most estimates of the average break-even point between \$5.00/kgms and \$5.75/kgms. In this environment, trading conditions for agricultural servicing firms and other businesses in provincial areas will be difficult, there will be an increase in forced sales of farms, and rural land prices are likely to fall.



# 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 prices

House price levels (dollar value) are sourced from QVNZ. We report on the average of the median sale prices for the past 12 months. The percentage growth in house prices is also sourced from Quotable Value. The indicator measures the change in the average prices of sales entered into QV's system in the three month period compared with the same period of the previous year.

## 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)