

Overview of Horowhenua District

Horowhenua's economy grew by 2.3% over the March 2016 year, according to Infometrics' provisional estimate of GDP. Most indicators of spending and investment are expanding, despite ongoing struggles in the dairy sector weighing on farmers' willingness to spend.

Investment in non-residential buildings in Horowhenua continues to show strong growth. The costs of these investments and the operating costs thereafter in Horowhenua are favourable compared to many neighbouring districts. When one also considers that improving roading infrastructure in the region will ensure that Horowhenua enjoys better logistical connections south to Wellington, it is easy to see why businesses are showing more willingness to invest in the district.

The population in Horowhenua has shown signs of growth recently, with net international migration continuing to rise. Healthy labour market conditions mean that job creation has been sufficient to absorb this increase in the workforce, as evident by a slight decline in the number of Jobseeker Support recipients and Horowhenua's unemployment rate over the past year.

With businesses investing and the labour market having improved, activity in Horowhenua's real estate market is also rising. The allure of affordable housing, at a time when interest rates are at a low level, has seen house sales in Horowhenua increase more than 50% over the past year. There is also evidence that homebuilding is rising. Retail spending on electronic cards in Horowhenua climbed 2.6% over the year to March, according to data from Marketview.

But there remain some challenges for Horowhenua's primary sector, with dairy farmers staring down the barrel of a third consecutive season of losses. Fonterra's opening forecast for the 2016/17 season was only \$4.25/kgms, compared to Dairy NZ's breakeven estimate for farmers of \$5.25/kgms.

Indicator	Horowhenua District	Manawatu-Wanganui Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 2.3%	↑ 1.6%	↑ 2.3%
Traffic flow	↑ 4.4%	↑ 4.9%	↑ 4.2%
Residential consents	↑ 38%	↑ 15%	↑ 11%
Non-residential consents	↑ 25%	↓ -43%	↑ 10%
House prices*	↑ 3.5%	↑ 5.8%	↑ 9.7%
House sales	↑ 53%	↑ 24%	↑ 19%
Guest nights	↑ 4.7%	↑ 5.8%	↑ 5.7%
Retail trade	↑ 2.6%	↑ 3.0%	↑ 2.8%
Car registrations	↓ -2.7%	↑ 3.6%	↑ 4.9%
Commercial vehicle registrations	↑ 1.4%	↑ 0.09%	↑ 4.2%
Jobseeker Support recipients	↓ -1.4%	↓ -0.8%	↓ -1.4%
<i>Level</i>			
Unemployment rate	9.2%	7.1%	5.7%
International net migration	130	1,114	67,619

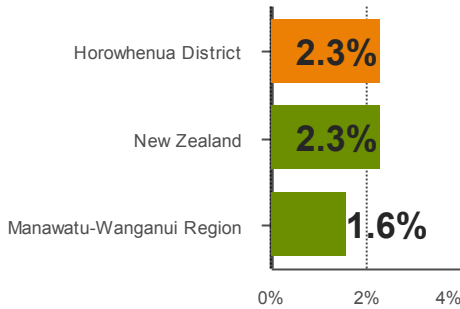
* Annual percentage change (latest quarter compared to a year earlier)

Overview of national economy

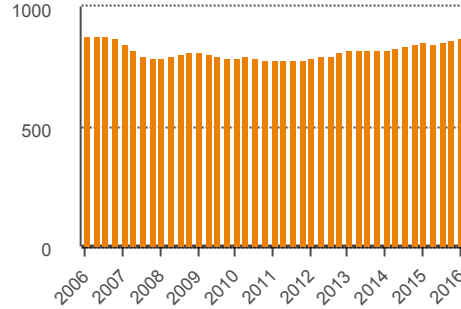
The sharp lift in employment in the March quarter highlighted that economic growth in the New Zealand economy continues to perform well. But at the same time, wage growth remains subdued, as a result of a significant lift in the size of the labour force (due to high net migration) and low inflation expectations. Taken on its own, stronger employment demand would ordinarily suggest that there is less need for the Reserve Bank to cut interest rates further. However, after balancing this consideration against the risk that inflation risks are still skewed to the downside, we see grounds for the Reserve Bank to still err on the side of caution and cut the OCR by 25 basis points in June. This move would help see interest rates on mortgages and business credit lines remain at a low level.

Gross domestic product

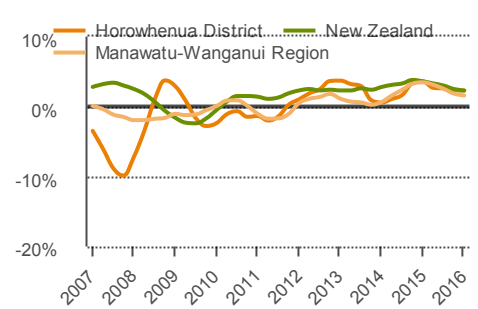
Gross domestic product growth
Annual average % change Mar 15 - Mar 16



Gross domestic product (\$m)
Annual level, Horowhenua District



Gross domestic product growth
Annual average % change



Highlights for Horowhenua District

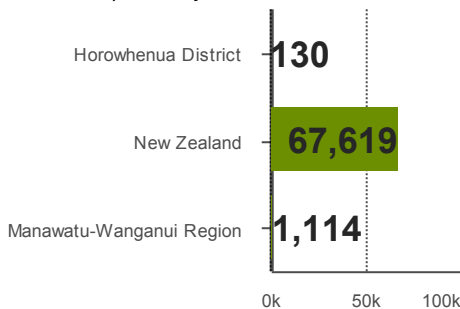
- GDP in Horowhenua District was up 2.3% for the year to March 2016 compared to a year earlier. Growth was the same as in New Zealand (2.3%) and higher than in Manawatu-Wanganui Region (1.6%).
- GDP was \$875 million in Horowhenua District for the year to March 2016 (2010 prices).
- Annual GDP growth in Horowhenua District peaked at 3.7% in the year to December 2008.

National overview

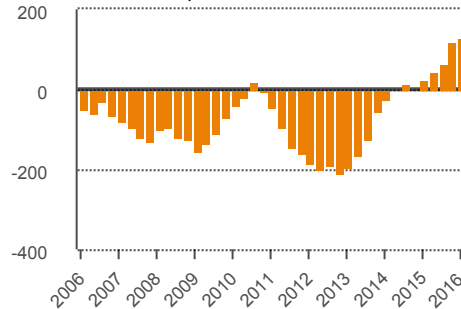
The New Zealand economy has performed surprisingly well over the early stages of 2016, despite downward drag from the dairy sector. A number of factors have helped prop up overall economic growth, including: a better performance from most other primary sector exporters and rising activity in the construction sector. There has also been strong growth in consumption demand, as a result of high net migration, record levels of international visitors to New Zealand, and increased employment demand. Higher consumer demand has added to an already buoyant service sector where firms are generally upbeat about their future and hiring intentions. We anticipate this dynamic will continue, which, when coupled with further lifts to construction activity, will continue underpinning GDP growth over the coming quarters.

International net migration

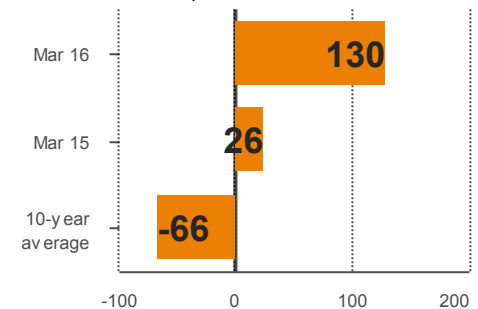
Net migration
Number of persons, year to March 2016



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 130 persons in the year to March 2016. This compares with a gain of 26 a year ago, and a ten year average of 66 (loss).
- New Zealand's annual net migration increased to 67,619 from 56,272 a year ago.

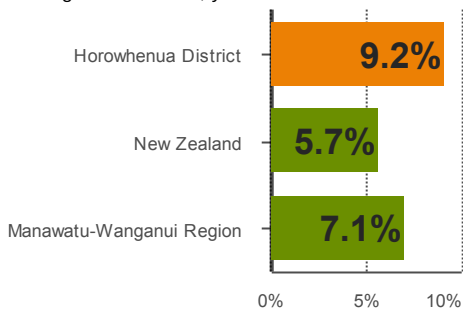
National overview

The seasonally adjusted net inflow of migrants in March was the smallest since June last year, driven down by a lower flow of student arrivals, particularly from India. Nevertheless, despite declines in student arrivals, favourable labour market conditions in New Zealand (relative to Australia) continue to draw people to our shores for work purposes and discourage New Zealand residents from leaving. The slide in departure numbers is broad-based across destination countries, with fewer people moving to parts of the Pacific (including Australia), Asia, and Europe. Against this backdrop, we anticipate that the net inflow of people to New Zealand is likely to remain at an elevated level for the time being, albeit slightly below its seasonally adjusted November peak.

Unemployment rate

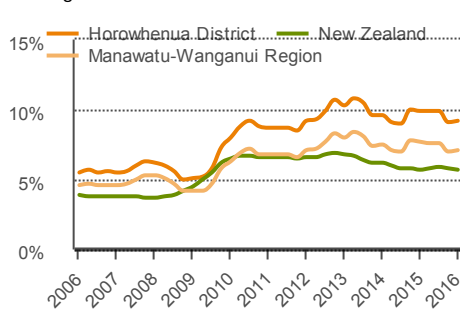
Unemployment rate

Average annual rate, year to March 2016



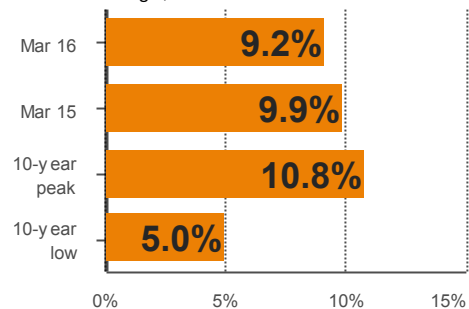
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Horowhenua District



Highlights for Horowhenua District

- The annual average unemployment rate in Horowhenua District was 9.2% in March 2016, down from 9.9% 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 March 2016.
- Over the last ten years the unemployment rate reached a peak of 10.8% in June 2013;

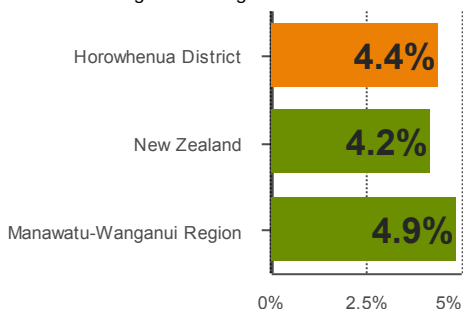
National overview

Although total employment in March recorded its strongest quarterly growth since 2013, employment growth over the past year has still lagged the increase in the working age population. A rebound in the participation rate from its surprisingly low December level meant that the unemployment rate lifted from 5.4% to 5.7% over the March quarter, a figure that we believe more accurately reflects the true state of the labour market than the high September or low December published unemployment rates. Construction is a hotspot with a 12% lift in hours worked over the last year, while a range of service sectors involved with tourism, real estate, education, and healthcare are all recording annual growth of between 4.0% and 7.0% in hours worked.

Traffic flow

Annual change in traffic flows

Annual average % change Mar 15 - Mar 16



Highlights for Horowhenua District

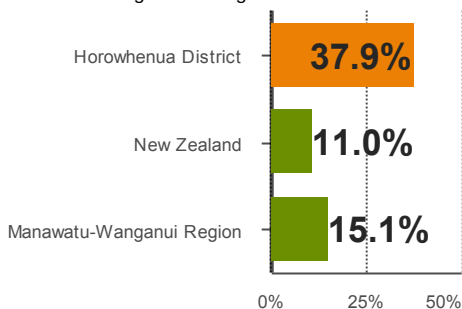
- Traffic flows in Horowhenua District increased by 4.4% over the year to March 2016. This compares with an increase of 4.2% in New Zealand.

National overview

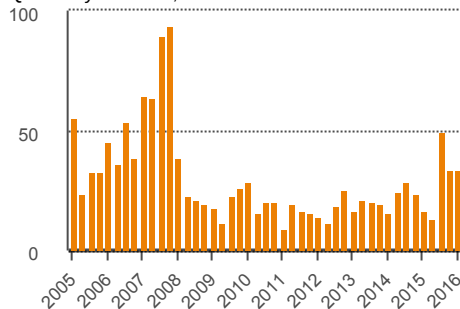
Growth in traffic flows has picked up over the early stages of 2016, with growth evident in most parts of New Zealand. Not only have relatively low petrol prices encouraged households to get out and explore, but this trend has also been supported by increasing employment levels. Another factor at play has been a significant increase to the size of the vehicle fleet, as car ownership rates have risen and migration has pushed up household formation. The surge in overseas visitor arrivals is also evident in the data, with areas that are tourism hotspots among those showing the highest growth in traffic flows.

Residential consents

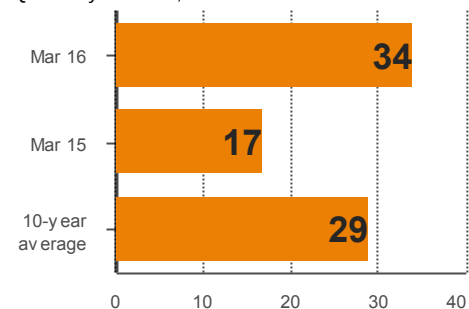
Growth in no. of new dwelling consents
Annual average % change Mar 15 - Mar 16



Residential consents
Quarterly number, Horowhenua District



Number of new dwelling consents
Quarterly number, Horowhenua District



Highlights for Horowhenua District

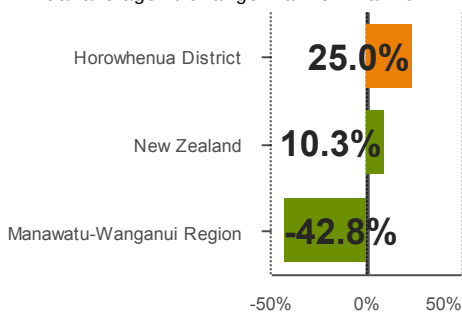
- A total of 34 new residential building consents were issued in Horowhenua District in the March 2016 quarter, compared with 17 in the same quarter last year.
- On an annual basis the number of consents in Horowhenua District increased by 38% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 11% over the same period.

National overview

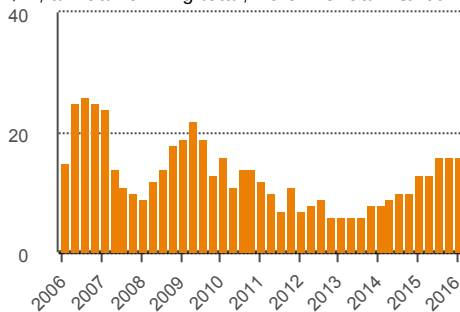
A relatively weak March for residential building consents rounded out a mixed quarter for the residential construction sector. Although a strong February month ensured total consent numbers in the March quarter were still up 11% from a year ago, this lift lagged our forecast of 18% growth. The key theme that has emerged over recent months is that homebuilding activity is strongest in places with elevated migration, while areas with struggling export sectors are experiencing more subdued numbers of residential building consents. Looking towards the future, our most recent building forecasts had pencilled in growth in consent numbers accelerating to 20%pa by the end of the year, but we see an increasing risk of growth continuing to lag this expectation.

Non-residential consents

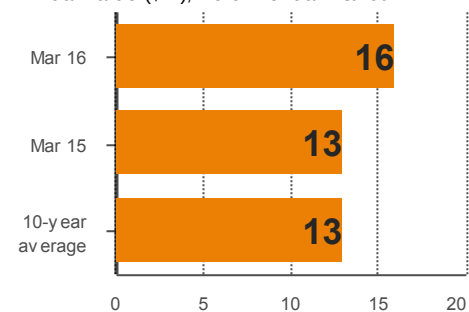
Growth in value of consents
Annual average % change Mar 15 - Mar 16



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 \$16 million were issued in Horowhenua District during the year to March 2016.
- The value of consents increased by 25% over the year to March 2016. By comparison the value of consents in New Zealand increased by 10% 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.

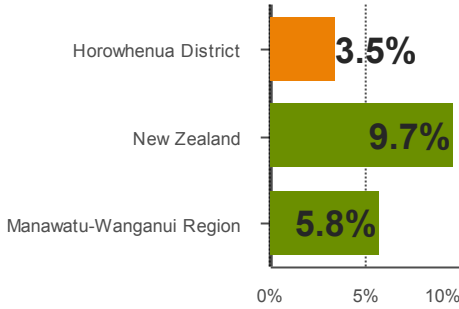
National overview

Having reached a 21-month low in February, it didn't take much for the seasonally adjusted value of consents to pick up in March. However, with the March number being the second weakest monthly result in almost a year, the value of non-residential building consents during the quarter were still below expectations across all non-residential building categories. We continue to anticipate that the value of non-residential building consents will drop-off during the middle of 2016, with the weakness in commercial building consents in Canterbury a key downside risk.

House prices

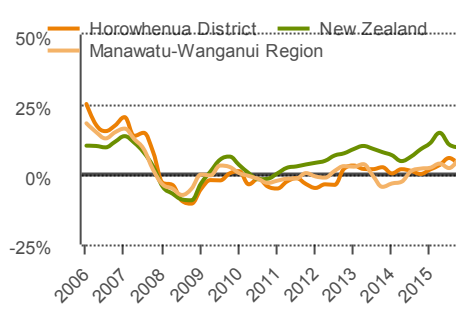
Annual change in house prices

Annual % change Mar 15 - Mar 16



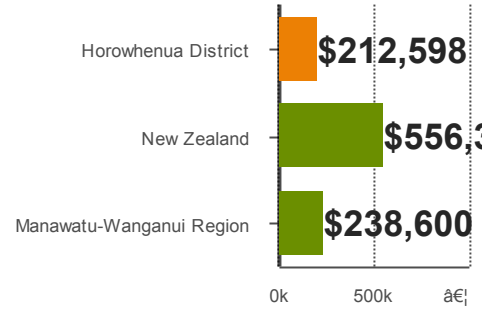
House price growth

Annual % change



Average current house value

Average for 12 months to Mar 2016



Highlights for Horowhenua District

- The average current house value in Horowhenua District was up 3.5% in March 2016 compared with a year earlier. Growth underperformed relative to New Zealand, where prices increased by 9.7%.
- The average current house value was \$212,598 in Horowhenua District over the March 2016 year. This compares with \$556,300 in New Zealand.

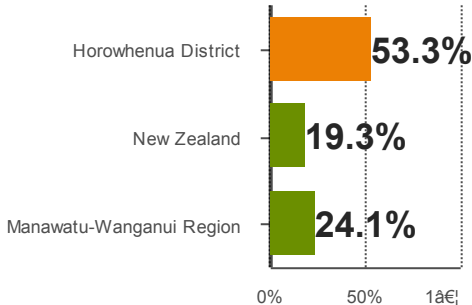
National overview

House price inflation was sitting at 9.7%pa in March. With house prices having accelerated on a monthly basis since January, there is mounting evidence to suggest that Auckland's house price inflation slowdown following a tightening of lending restrictions to investors will be short-lived. Nevertheless, the biggest movers in terms of house prices at present are other territorial authorities in the upper North Island. With their close proximity to Auckland, but being outside of the "Auckland investor zone", Waikato District, Hamilton City, Tauranga City, and Western Bay of Plenty District are experiencing strong house price inflation that is approaching the peak rates reached in Auckland last year! House price growth in is also racing ahead in other parts of the country, most notably Queenstown-Lakes, Wellington, Dunedin, and Nelson.

House sales

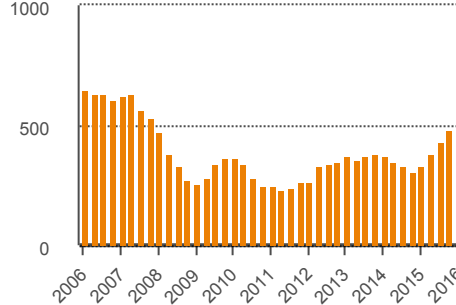
Annual change in house sales

Annual average % change Mar 15 - Mar 16



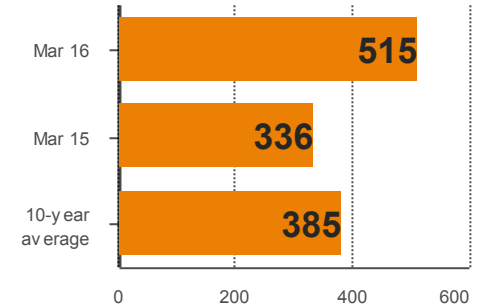
House sales

Annual number, Horowhenua District



House sales

Annual number, Horowhenua District



Highlights for Horowhenua District

- House sales in Horowhenua District in the year to March 2016 increased by 53% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 19%.
- A total of 515 houses were sold in Horowhenua District in the 12 months ended March 2016. This compares with the ten year average of 385.

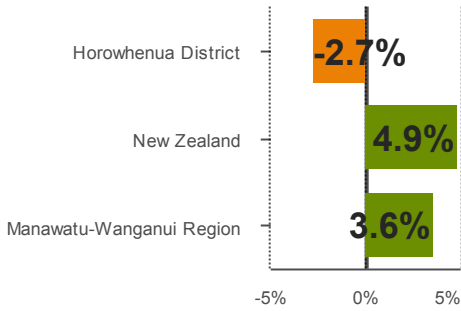
National overview

House sales over the year to March were up 19% from a year ago, with most places outside of Auckland experiencing a pick-up in real estate activity. Data from the Reserve Bank shows that high-LVR lending (ie to borrowers with a deposit of less than 20%) made up 8.5% of all new mortgage lending in February – its highest level in 16 months. The proportion of total new lending to investors also rebounded to a five-month high of 34%. Our interpretation of these numbers is that the easing in loan-to-value restrictions is boosting buyer demand for property outside Auckland. We expect further increases in house sales activity over coming months, especially given that net migration is still increasing and mortgage rates remain under downward pressure.

Car registrations

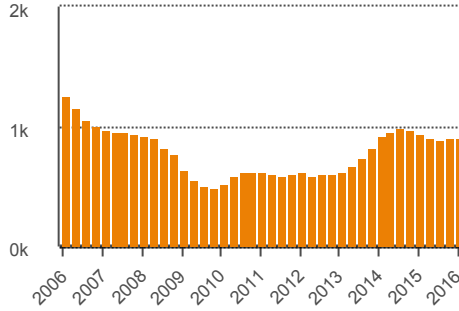
Car registrations

Annual average % change Mar 15 - Mar 16



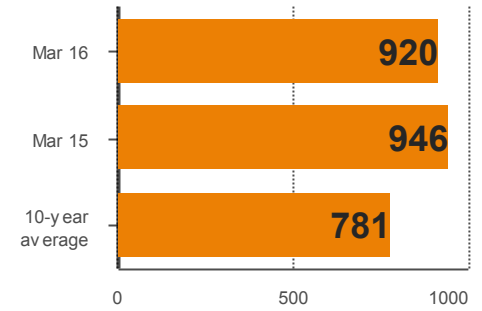
Car registrations

Annual number, Horowhenua District



Car registrations

Annual number, Horowhenua District



Highlights for Horowhenua District

- The number of cars registered in Horowhenua District decreased by -2.7% in the year to March 2016 compared with the previous 12 months. Growth was lower than in New Zealand, where car sales increased by 4.9%.
- A total of 920 cars were registered in Horowhenua District in the year to March 2016. This compares with the ten year average of 781.

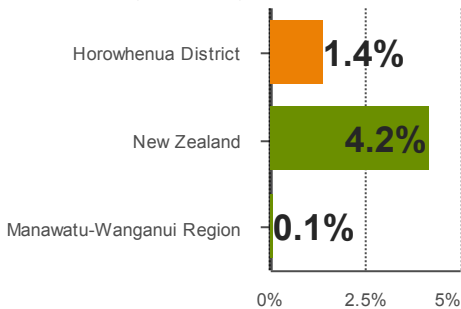
National overview

Approximately 240,000 cars entered the New Zealand car fleet over the 12 months to March. In a recent client article, we showed how fundamental demand factors will continue supporting total car registrations at these levels over the coming year. The key upshot of the article is that car buying is finding fundamental support from higher levels of household formation, as a result of elevated international net migration, as well as from an increase in scrapping of older cars. With migration showing no signs of waning yet, and a glut of older cars from the mid-1990s still in the fleet, we see support for car demand to remain at close to 240,000pa until the end of 2017.

Commercial vehicle registrations

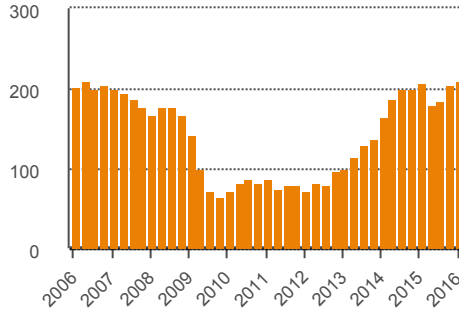
Commercial vehicle registrations

Annual average % change Mar 15 - Mar 16



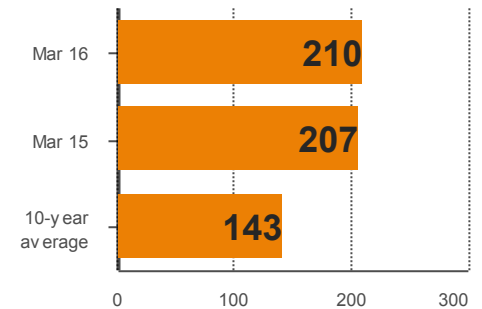
Commercial vehicle registrations

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 1.4% in the year to March 2016 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 4.2%.
- A total of 210 commercial vehicles were registered in Horowhenua District in the year to March 2016. This is higher than the ten year annual average of 143.

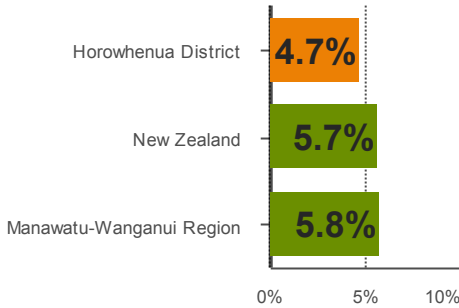
National overview

Another bumper month of sales rounded out a strong first quarter of 2016 for light commercial vehicle sales. Ongoing growth in building activity, as well as robust returns in most non-dairying parts of the primary sector, are continuing to support demand for utes. The fact that interest rates have pushed lower this year has also ensured that loan servicing costs remain affordable. But in contrast to light commercial vehicles, sales of very heavy trucks are easing. Transport operators and firms that run heavy trucks are showing a reluctance to continue their fleet upgrades at present. Reasons for this reluctance include lower levels of mining and forestry harvest activity, as well as expectations that low dairy prices have weakened the outlook for milk production in future seasons.

Guest nights

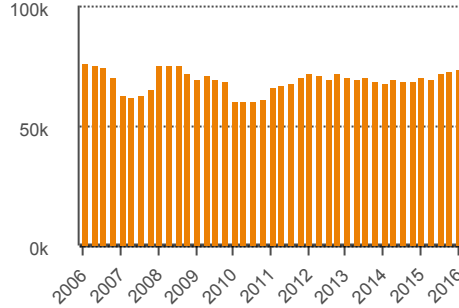
Guest nights

Annual average % change Mar 15 - Mar 16



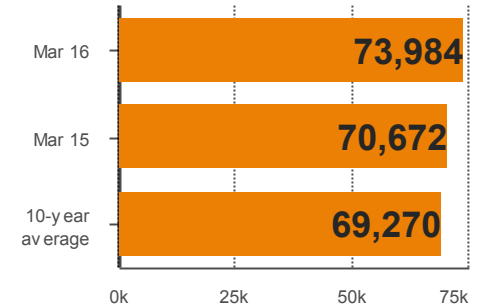
Guest nights

Annual number, Horowhenua District



Guest nights

Annual number, Horowhenua District



Highlights for Horowhenua District

- Total guest nights in Horowhenua District increased by 4.7% in the year to March 2016. This compares with an increase of 5.7% in New Zealand.
- Visitors stayed a total of 73,984 nights in Horowhenua District during the year to March 2016, which was up from 70,672 a year ago.

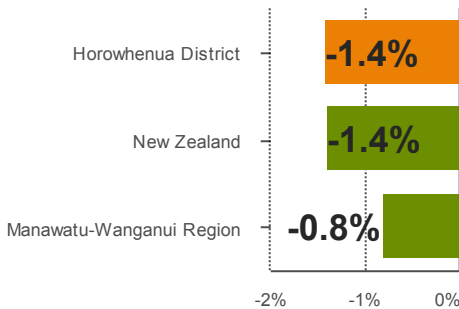
National overview

Guest nights over the year to March 2016 were up 5.8% from a year earlier, with guest nights by international visitors growing by 7.5%, while domestic guest nights rose 4.5%. Domestic guest nights are being pushed up by strong population growth and higher levels of employment, while sharp increases to international visitor numbers to New Zealand are propelling international guest nights to a higher level. Nevertheless, we are of the view that commercial accommodation data is currently not reflecting the true scale of the upturn in guest nights through New Zealand, with private accommodation through peer-to-peer providers growing at a more rapid rate. Recent Infometrics' analysis on the subject, showed guest nights through one provider, Airbnb, doubled over the past year.

Jobseekers

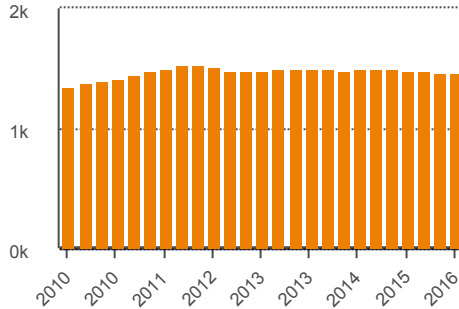
Annual change in Jobseekers

Annual average % change Mar 15 - Mar 16



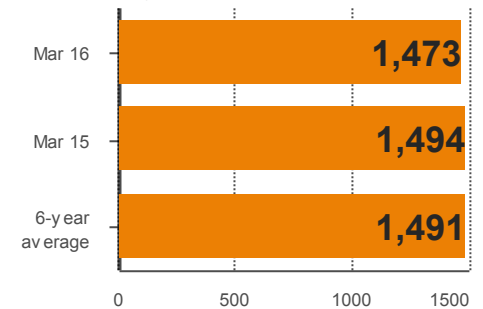
Jobseekers

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 March 2016 decreased by 1.4% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients decreased by 1.4%.
- An average of 1,473 people were receiving a Jobseeker Support benefit in Horowhenua District in the 12 months ended March 2016. This compares with an average of 1,491 since the start of the series in 2010.

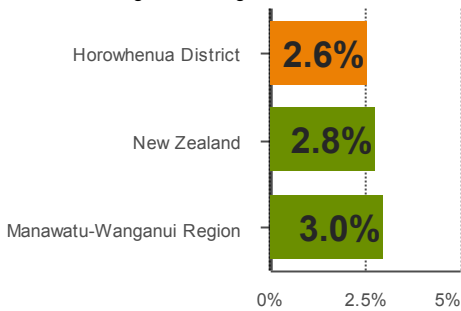
National overview

Over the year to March, the number of Jobseeker Support recipients nationwide fell by an average of 1.4%. Lower numbers of people receiving Jobseeker Support is consistent with robust growth in employment demand and hours worked in a range of industries, particularly in the construction and service sectors. With moderate growth in employment anticipated throughout 2016, there is likely to be further downward pressure to the number of people receiving Jobseeker Support over the coming quarters.

Retail trade

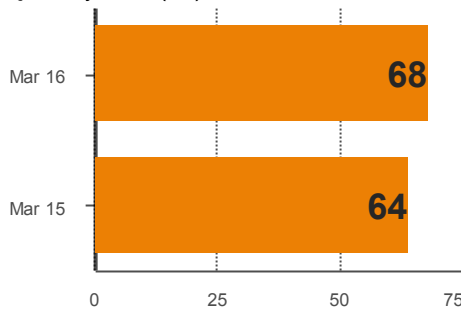
Growth in retail sales

Annual average % change Mar 15 - Mar 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 March 2016 compared to the previous year. This compares with an increase of 2.8% in New Zealand.

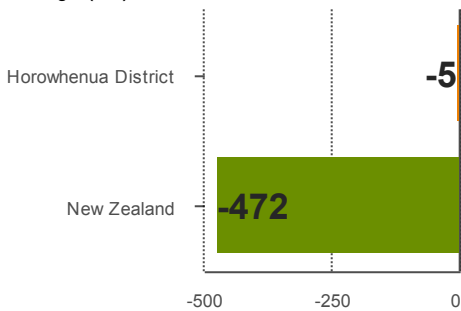
National overview

The total value of electronic card spending on retail purchases in the March 2016 quarter was up 3.6% from a year earlier, according to data from Marketview, taking growth over the past twelve months to 2.8%. Compared to March 2015, there were an extra 123,536 visitors in New Zealand during the March quarter, which added to the net population increase of 20,589 people through international migration over the quarter. This boost to the customer base has continued to drive up spending in many key retail categories. Statistics New Zealand's Retail Trade Survey shows that some of the biggest upward movers in the March quarter were spending on clothing and footwear, food and beverage services, accommodation, and electronic goods. Strong growth in internet retailing continues to push up non-store based retail sales.

Total dairy payout

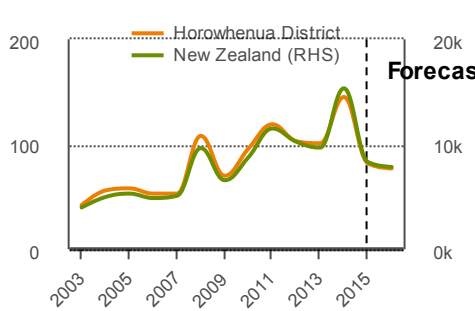
Total dairy payout

Change (\$m) between 2014/15 and 2015/16 seas



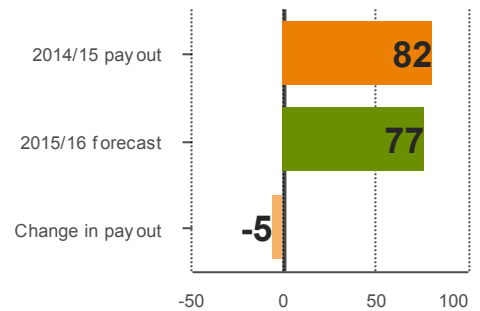
Total dairy payout

\$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 2014/15 season is estimated to have been approximately \$82.0m.
- Horowhenua District's dairy payout for the 2015/16 season is expected to be approximately \$77.3m, \$4.70m 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 \$8,316m in the 2014/15 season, but is expected to be \$473m lower than in the 2015/16 season.

National overview

In early March, Fonterra updated its payout forecast for the 2015/16 season to \$3.90/kgms, down from its previous forecast of \$4.15/kgms. Since March, there has been some limited stabilisation to dairy prices in Fonterra's fortnightly auctions and for forward contracts on financial markets. Nevertheless, given how little of the season remains and the fact that the New Zealand dollar has also pushed higher, we do not see any room for a final payout excluding dividends of any greater than \$4.10/kgms this season. In terms of the prognosis for the 2016/17 season, the payout is unlikely to push materially higher until there are signs that supply growth from European and North American competitors is beginning to ease off.

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)