

Quarterly Economic Update

Economic Development Horowhenua

From the Economic Development Manager



Welcome to the June 2018 edition of Horowhenua's Quarterly Economic Update (QEU), this issue will focus on economic data for the year to March 2018.

Horowhenua started off on a strong footing in 2018, with GDP growing 4.8% over the year and rapidly approaching the \$900 million mark.

This growth is a reflection of the general uptick in activity across the District. Strong retail sales; business owners investing in their businesses; decreasing social welfare recipients due to the improving job market are all indicators of a solid economy, ready to tackle the rest of 2018.

Despite this, we're not quite hitting those pre-GFC figures on a number of fronts such as consents, house sales and unemployment numbers. Whether it's land supply, work-ready labour, or other key factors that can hinder progress, we need to address them before "the well" metaphorically runs dry.

Best regards,

Shanon

We want to evolve this resource to best meet your needs, and as such have included an electronic mechanism for you to provide feedback. We invite your comments by clicking [here](#).

As always, if there is something we can help you with, please do get in touch.

Gemma Reilly

Economic Development Support Officer
e. gemmar@horowhenua.govt.nz
p. +64 6 366 0999

For other important matters contact:

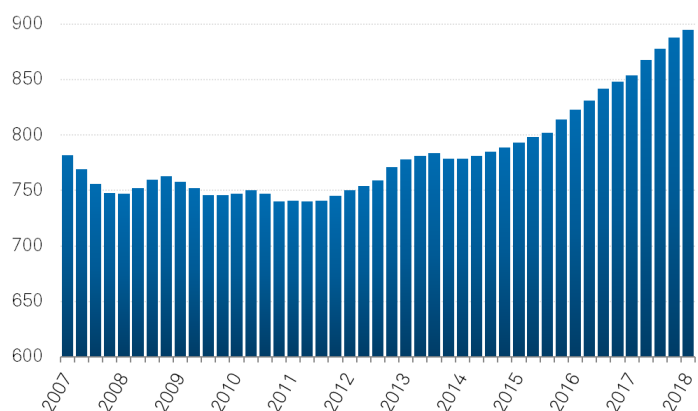
Shanon Grainger

Economic Development Manager
e. shanong@horowhenua.govt.nz
m. +64 27 687 3921

Trend Summary

Gross Domestic Product

Annual level, Horowhenua District



Source; Infometrics

Highlights

Positive economic indicator changes over the past year are summarised below. The main body of the report provides further detail on the changes:

- 2018 started on a high-note with Horowhenua's economy expanding by 4.8% to \$895 million for the year to March 2018, compared to a national increase of 2.7% and a regional increase of 3.5%.
- Annual jobseeker benefit numbers continued on a downward trend, decreasing by -3.9% over the year. Overall, benefit numbers decreased by -3.5%, driven a strong reduction in those receiving Sole Parent support, which fell by -10.7%
- The district's retail sector remained buoyant with electronic card sales increasing by 12% for the year.

Lowlights

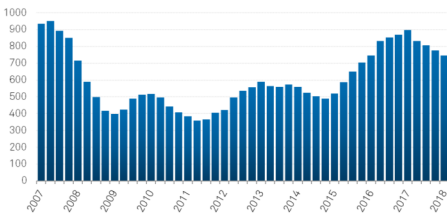
Negative trends include an unemployment rate of 7.3% for the year. The district experienced a fall in its unemployment rate between 2015 and mid-2017, but there has been a small upturn over the past three quarters.

The value of non-residential consents for the year to March came to \$12 million, which is the same level of activity experienced in the previous period.

The Property Market

House Sales

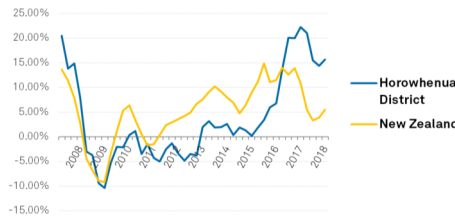
Annual Number, Horowhenua District



Source; RIEENZ via Infometrics

House Price Growth

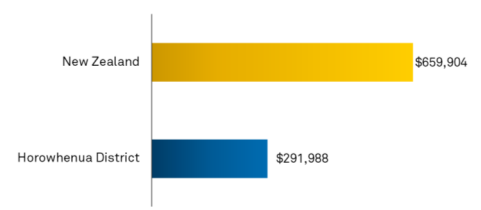
Annual % change



Source; QV via Infometrics

Average Current House Value

Average for 12 months to March 2018



Source; QV via Infometrics

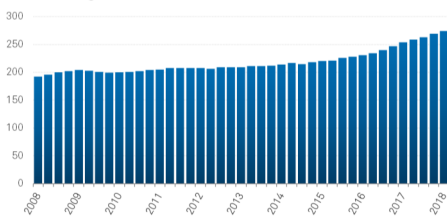
In the March quarter, house price inflation in Horowhenua was the fourth fastest in the country, with prices extending by 16.3%. This coincides with a fall in houses available in the market, having an upward pressure on prices.

House sales for the year totalled 746, a drop of 150 (-16.7%) when compared to the previous year. This fall was typical across most of the nation, but quarterly values tell a different story with many districts such as Kapiti experiencing an uptick in sales (11%), while Horowhenua continues to see a fall (-13%) this is despite Kapiti and Horowhenua's close proximity, decreased travel times due to improved infrastructure, and house prices being significantly higher in Kapiti (\$556,894 vs. \$308,273—quarterly values).

Rental Market Analysis

Mean Rents

Annual average, Horowhenua District



Source; MBIE

Pressure in the property market continues to increase rents. With annual average weekly rents hitting a new high of \$274 per week.

This equates to a 7.9% increase, meaning renters are now paying, on average, an extra \$20 per week than they were in the previous year.

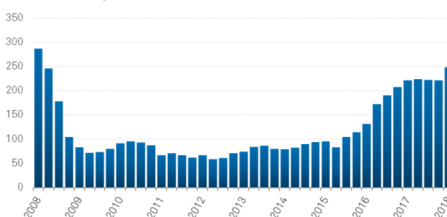
Despite this, Infometrics recorded rental affordability improving slightly in the March quarter due to increased estimated annual earnings.

Rising rents are also affecting the rest of the country. In April, average rents for properties outside of the main metropolitan areas (Auckland, Wellington and Christchurch) broke the \$400 per week mark for the first time, according to Trademe Property.

Residential Consent Activity

Residential Consents

Annual number, Horowhenua District



Source; Stats NZ via Infometrics

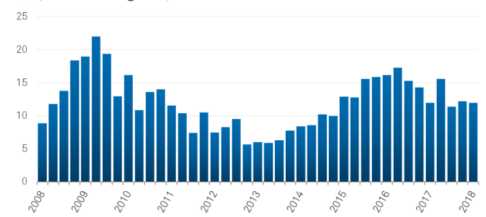
New residential consent numbers grew by 3.6% over the year to March 2018. 229 new homes were consented for the year, valued at \$75.2 million, up from \$64.5 million in the previous year.

Nationally, consent numbers grew by 2.5%, with particularly sharp growth occurring in the month of March. New dwelling consents grew by 15% in March, the highest monthly level since June 2004. This was driven by consents on attached dwellings such as town houses and apartments. Most of these consents occurred in Wellington and Auckland, where smart approaches to limited land and housing supply are required to keep up with sustained demand.

Non-residential Consent Activity

Non-residential Consents

\$m, annual running total, Horowhenua District



Source; Stats NZ via Infometrics

Non-residential consent growth remained stagnant at -0.03%, with an annual value of \$12 million.

While the pipeline for 2018 continues to look promising with a number a large-scale projects kicking off this year, continued land supply for future, sustained growth remains a concern.

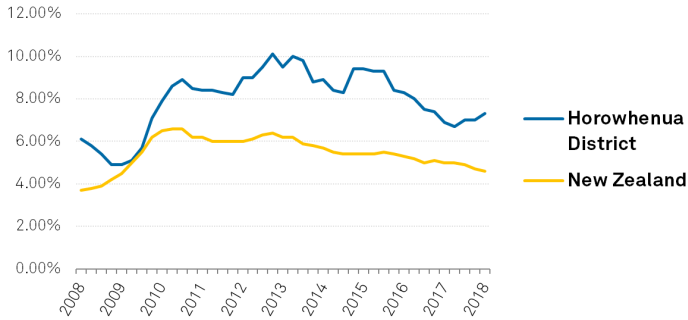
By comparison the value of consents in New Zealand increased by 2.6% over the same period. Consents during the March quarter were above forecast, but annual growth was slower than expected due to a sluggish period at the end of 2017. This was particularly felt in Christchurch and Wellington City where annual values fell by -7.4% and -45.7% respectively.

The Labour Market

Unemployment

Unemployment Rate

Average annual rate



Source; Infometrics

The start of 2018 saw a slight increase in the unemployment rate from 7% in the December 2017 quarter to 7.3% in the March quarter.

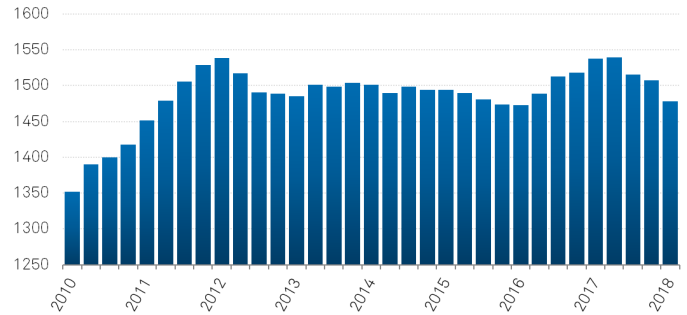
Unfortunately, this is also an increase on the March 2017 figure of 6.9%, and a divergence from the national trend where the rate has gradually declined since 2012, and currently sits at 4.6%

Avoiding a return to the 10-year high of 10.1% requires a number of interventions. Including building resilience in the business community, and improving the work-readiness of people facing both recent and systemic unemployment.

Jobseeker Support

Jobseekers

Annual average, Horowhenua District



Source; Stats NZ via Infometrics

The annual average number of Jobseeker recipients decreased by -3.9% for the year to March. This compares to a national decrease of -0.5%, and a regional decrease of -1.3%.

An average of 1,478 people received the Jobseeker benefit over the year, this is 60 less than the March 2017 average, and below the 8-year average of 1,495.

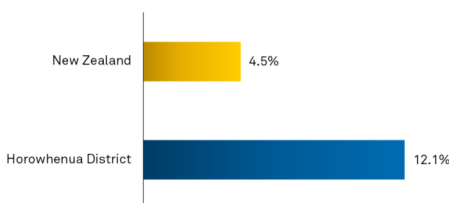
Overall benefit numbers also decreased by -3.9% for the year to March, driven by a strong reduction in Sole Parent support recipients numbers which fell by -10.7% or 69 people.

Other Economic Indicators

Retail Sales

Growth in Retail Sales

Annual average % change Mar 17 - Mar 18



Source; Marketview via Infometrics

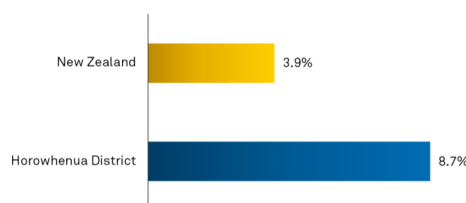
Electronic retail card spending increased by 12.1% over the year to March 2018, with spending for the quarter reaching \$79.6 million, continuing the trend from the last half of 2017. This compares to national growth of 4.5% and regional growth of 6.7%.

Elevated spending indicates sustained confidence locally, which is also reflected in the strong growth of car and commercial vehicle sales.

Guest Nights

Guest Nights

Annual average % change Mar 17 - Mar 18



Source; Statistics via Infometrics

Guest night numbers remained elevated in the first quarter of 2018, increasing by 8.7% over the year to March.

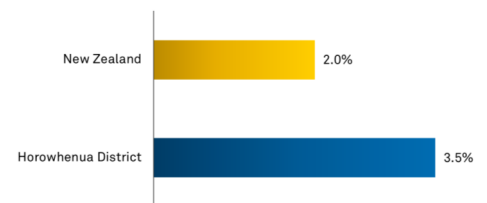
Visitors stayed a total of 91,169 nights during the year to March 2018, up 7,285 nights when compared to the previous year, and exceeding the 10-year average of 72,888 nights.

Outlook for accommodation owners should remain positive in 2018 due to a number of large scale projects such as the Whirokino Trestle replacement requiring outside contractors.

Traffic Flow

Annual Change in Traffic Flows

Annual average % change Mar 17 - Mar 18



Source; NZTA via Infometrics

Traffic flows increased by 3.5% over the year to March 2018. This compares to 2.0% growth nationally and 4.2% growth regionally.

Car and commercial vehicle registrations increased significantly, growing by 15% and 27% respectively.

Farmers and tradespeople primarily drive commercial vehicle sales, so the increase reflects positive activity in both sectors.

Summary Economic Indicators

Indicator (Annual average % change)	Horowhenua District	Wellington Region	Manawatu-Whanganui Region	New Zealand
Gross Domestic Product	↑ 4.8%	↑ 2.7%	↑ 3.5%	↑ 2.7%
Traffic flow	↑ 3.5%	↑ 4.2%	↑ 4.2%	↑ 2.0%
Residential consents	↑ 3.6%	↑ 23.2%	↑ 13%	↑ 2.5%
Non-residential consents	↓ -0.03%	↓ -29.5%	↑ 35%	↑ 2.6%
House prices*	↑ 16%	↑ 5.6%	↑ 11%	↑ 9.5%
House sales	↓ -17%	↓ -9.8%	↓ -10%	↓ -15%
Guest nights	↑ 8.7%	↑ 2.0%	↑ 3.3%	↑ 3.9%
Retail trade	↑ 12%	↑ 4.9%	↑ 6.7%	↑ 4.5%
Car registrations	↑ 15%	↑ 2.6%	↑ 10%	↑ 4.4%
Commercial vehicle registrations	↑ 27%	↑ 23%	↑ 26%	↑ 13%
Jobseeker Support recipients	↓ -3.9%	↓ -1.9%	↓ -1.3%	↓ -0.5%
Tourism Expenditure	↑ 18%	↑ 6.4%	↑ 5.6%	↑ 9.3%

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

Source: Infometrics

Resources

This update along with other publications can be viewed in the *Business* section of our website at:

<http://www.horowhenua.govt.nz/Business>

Your feedback is invited, and can be provided at <https://www.surveymonkey.com/r/VRCYRL5>.

Websites of interest:

Statistics New Zealand - <http://www.stats.govt.nz>

Ministry of Business, Innovation & Employment - <http://www.mbie.govt.nz>

Infometrics - <http://www.infometrics.co.nz/>

Disclaimer

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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) 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 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 are 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) is 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 has 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 is 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 is 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.

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).