

Quarterly Economic Update

Economic Development Horowhenua

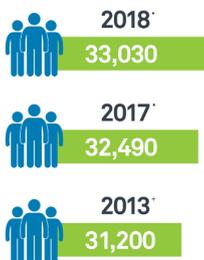
Kia ora, and welcome to the December 2018 edition of Horowhenua's Quarterly Economic Update (QEU), this issue will focus on economic data for the year to December 2018.

Horowhenua's economy finished 2018 on a high note, with GDP growing by 6.9% or \$15 million between July and September, making it the 7th fastest growing economy in New Zealand for the September quarter. Over the year the GDP grew by 4.4%, to \$917 million.

This growth was on the back of strong performing dairy and construction sectors. Fonterra's forecasted price for farmgate milk currently sits at \$6.25-\$6.50/kgms, well above Dairy NZ's breakeven point for the average farmer. This coupled with better weather conditions compared to last year means most dairy farmers can expect to remain in the black for the 2018/2019 season.

The unemployment rate and Jobseeker beneficiary numbers both fell. These, along with a strong performing retail sector are positive results for the district.

Horowhenua Population



Statistic's New Zealand released their subnational population estimates for the year to June 2018. Horowhenua's population is estimated to have grown by 1.7% or 540 people, and 111 new international migrants moved to the district over the year to September. Population growth for the past two years has exceeded forecasted projections.

As you wind down for the year, take pride in the contributions you have made to our district over 2018. As residents, business owners, and community leaders, it is your collective passion, hard work and resilience that pushes Horowhenua to reach its fullest potential.

I wish you all a safe and happy holiday season, bring on 2019!

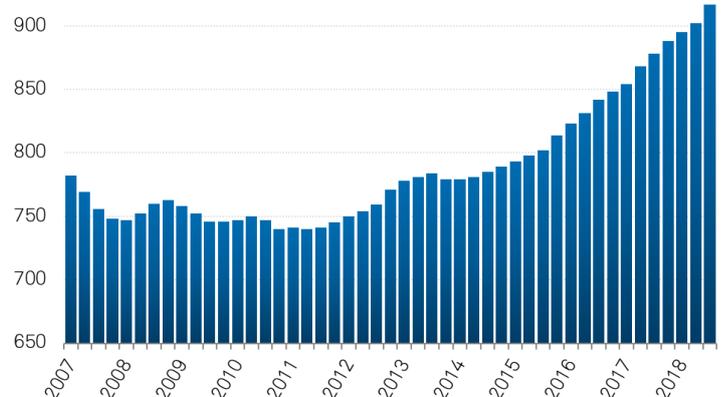
Best regards,

Shanon

Trend Summary

Gross Domestic Product

Annual level, Horowhenua District



Source; Infometrics

Highlights

- GDP performed well, growing by 4.4% over the year to September 2018, due to a strong performing dairy sector and continued growth in retail spending.
- Annual jobseeker benefit numbers continued on a downward trend, decreasing by -2.8% over the year. This was coupled with a decrease in the unemployment rate to 7.4%, after a period of increases in the previous three quarters.
- Commercial vehicle registrations hit record highs, growing by 32% over the year, thanks to farmers and construction workers investing in new vehicles.

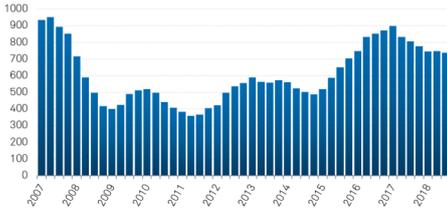
Lowlights

- Non-residential consents continue to fall, with a number of large scale projects kicking off later than expected.
- Guest nights fell by -6.3% after a period of buoyant growth last year. This may be due to workers from outside Horowhenua finding more permanent accommodation solutions.

The Property Market

House Sales

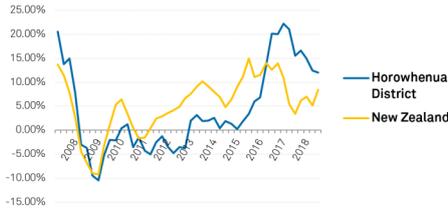
Annual Number, Horowhenua District



Source; RIEENZ via Infometrics

House Price Growth

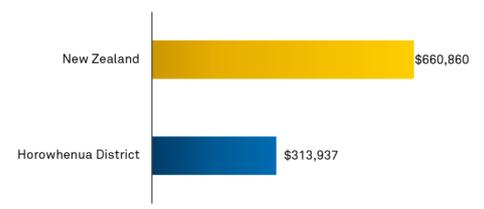
Annual % change



Source; QV via Infometrics

Average Current House Value

Average for 12 months to September 2018



Source; QV via Infometrics

Over the year to September 2018, house price growth in Horowhenua was the fifth fastest in the country, with prices increasing by 12%. House sales continued to fall, suggesting continued lack of supply, but pressure in the market have appeared to cool slightly compared to the previous year.

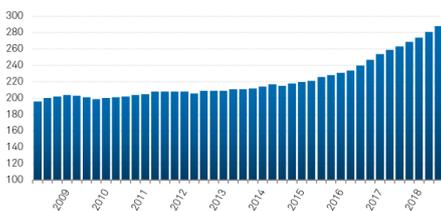
House sales for the year totalled 738, a drop of 66 (-8.2%) when compared to the previous year. House prices remained buoyant in Horowhenua and across much of a country, despite a lull in growth which started towards the end of 2017.

House prices outside of Auckland are now in their final few months of a “catch-up” phase with Auckland. Infometrics warned house prices are forecasted to fall by up to 5% nationally as market begins to rectify itself.

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 \$288 per week.

This equates to a 9.5% increase, meaning renters are now paying, on average, an extra \$25 per week than they were in the previous year.

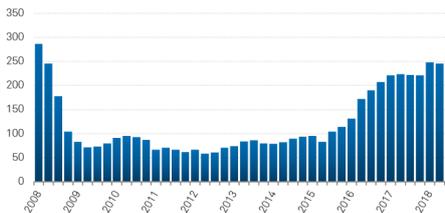
Trademe Property warned that the Summer rental rush has struck early to the south of Horowhenua, with the median weekly rent increasing to \$495 (for the year to October 2018) for the Wellington Region.

Housing pressures in the south may drive more people north, further affecting rental price inflation in Horowhenua.

Residential Consent Activity

Residential Consents

Annual number, Horowhenua District



Source; Stats NZ via Infometrics

New residential consent numbers grew by 16% over the year to September 2018. 258 new homes were consented for the year, valued at \$82 million, up from \$71.1 million in the previous year.

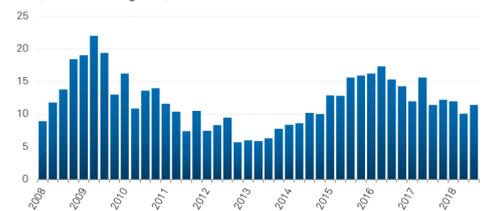
Construction activity in Horowhenua can be expected to remain busy while demand is high, but activity will be limited by other constraints such as land and labour supply.

Nationally, new consent number growth slowed to 5.4%, mostly due to a quell in activity in the middle of 2018. Over the next few quarters, new residential construction will be limited due to oversupply of housing in some regions, while constraint factors such as labour, land and finance will affect growth in busy areas such as Auckland.

Non-residential Consent Activity

Non-residential Consents

\$m, annual running total, Horowhenua District



Source; Stats NZ via Infometrics

Non-residential consent value growth remained stagnant at -0.06%, with an annual value of \$11.4 million. This compares to a 10-year average of 12% growth.

A number of projects that were set to take off early this year have been delayed meaning the projected boost in values that were expected earlier in the year will not be realised until 2019.

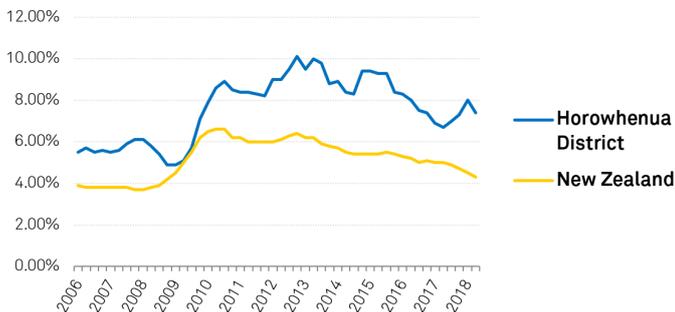
By comparison the value of consents in New Zealand increased by 4.9% over the same period. Capacity constraints are causing cost blowouts and projects delays, particularly in Auckland. Economists warn that developers may have difficulty getting construction firms to sign up to large projects.

The Labour Market

Unemployment

Unemployment Rate

Average annual rate



Source; Infometrics

After several quarters of increases, the unemployment rate fell slightly to 7.4% in the year to September 2018. Despite this, it was still up from 7% a year earlier.

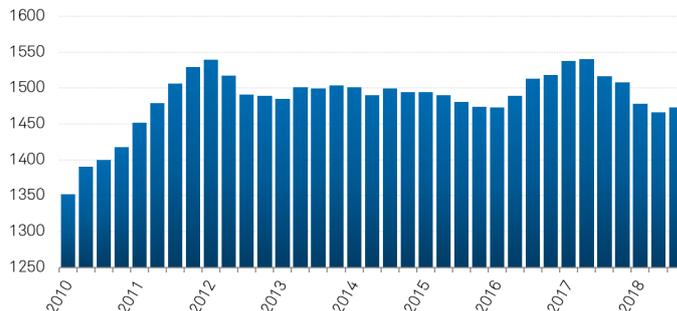
Interventions are still required to avoid a return to the 10-year high of 10.1%. This requires building resilience in the business community, and improving the work-readiness of people facing both recent and systemic unemployment.

Nationally, the unemployment rate fell below 4% in the September quarter for the first time since 2008. Over the past year, the unemployment rate has averaged 4.3%, compared to 4.9% in the previous year.

Jobseeker Support

Jobseekers

Annual average, Horowhenua District



Source; Stats NZ via Infometrics

The annual average number of Jobseeker recipients decreased by -2.8% for the year to September 2018. This compares to a national increase of 2.2%, and a regional increase of 0.3%.

An average of 1,473 people received the Jobseeker benefit over the year, this is 43 less than the September 2017 average, and below the 8-year average of 1,497.

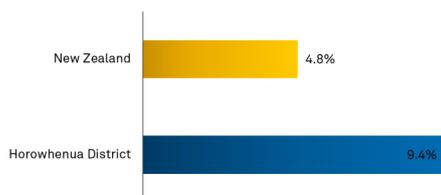
Overall benefit numbers also decreased by -2.7% for the year to September. Along with the decrease in those receiving Jobseeker support, Sole Parent beneficiary numbers also fell by -6.3%, and Support Living beneficiary numbers fell by -0.03%.

Other Economic Indicators

Retail Sales

Retail Sales

Annual average % change Sep 2017 - Sep 2018



Source; Marketview via Infometrics

Electronic retail card spending increased by 9.4% over the year to September 2018, with spending for the quarter reaching \$82.1 million, off the back of accelerated growth over the past couple of years. This compares to national growth of 4.8% and regional growth of 6.5%.

While growth in retail card spending has cooled slightly, consumer confidence appears to remain buoyant, which is also reflected in the strong growth of car and commercial vehicle registrations.

Guest Nights

Guest Nights

Annual average % change Sep 2017 - Sep 2018



Source; Statistics via Infometrics

Guest night numbers have continued to decrease, falling by -6.3% over the year to September 2018.

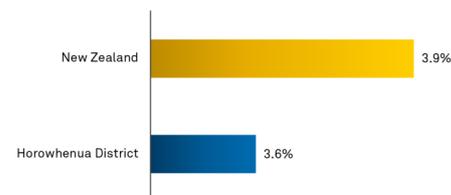
Visitors stayed a total of 87,486 nights during the year to, down 5,874 nights when compared to a year earlier. Despite this, the 10-year average of 73,986 was exceeded.

Nationally the number of guests nights recorded a record of 40.1 million, up 2.7% a year earlier.

Traffic Flow

Annual Change in Traffic Flows

Annual average % change Sep 17 - Sep 18



Source; NZTA via Infometrics

Traffic flows increased by 3.6% over the year to September 2018. This compares to 3.9% growth nationally and 3.8% growth regionally.

Car registrations grew by 4%, while commercial vehicle registrations grew by 32% over the same period.

The farming and construction sectors are the primary contributors towards the growth in commercial vehicle registrations.

Summary Economic Indicators

Indicator (Annual average % change)	Horowhenua District	Wellington Region	Manawatu-Whanganui Region	New Zealand
Gross Domestic Product	↑ 4.4%	↑ 2.6%	↑ 3.8%	↑ 2.9%
Traffic flow	↑ 3.6%	↑ 4.4%	↑ 3.6%	↑ 3.9%
Residential consents	↑ 16%	↑ 13%	↑ 13%	↑ 5.4%
Non-residential consents	↓ -0.06%	↓ -23%	↑ 36%	↑ 4.9%
House prices*	↑ 12%	↑ 8.5%	↑ 14%	↑ 8.4%
House sales	↓ -8.2%	↓ -2.2%	↓ -0.6%	↓ -0.6%
Guest nights	↓ -6.3%	↑ 2.1%	↑ 3.8%	↑ 2.7%
Retail trade	↑ 9.4%	↑ 4.9%	↑ 6.5%	↑ 4.8%
Car registrations	↑ 4.0%	↑ 5.8%	↑ 1.3%	↓ -1.7%
Commercial vehicle registrations	↑ 32%	↑ 8.3%	↑ 16%	↑ 2.3%
Jobseeker Support recipients	↓ -2.8%	↑ 2.7%	↑ 0.3%	↑ 2.2%
Tourism Expenditure	↑ 12%	↑ 7%	↑ 7.2%	↑ 8.2%

*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/>

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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).