

# Quarterly Economic Update

## Economic Development Horowhenua

### From the Economic Development Manager



Welcome to the March 2018 edition of Horowhenua's Quarterly Economic Update (QEU), this issue will focus on economic data for the year to December 2017.

Our district placed in the top 10 for economic growth, with GDP expanding by 4.7% for the year, compared to 2.8% nationally.

The strong economy had wide-reaching positive effects across the district. Mean earnings and job opportunities grew for those in the workforce and businesses improved their underlying profitability while expanding.

Horowhenua also outperformed New Zealand as a whole across a wide range of social economic indicators, reflecting the uptick in activity experienced in 2016.

Looking ahead, solid economic growth can be expected throughout 2018. Despite this, we must remain vigilant and effectively manage challenges that may dampen growth. These include some uncertainties regarding the O2NL expressway project, as well as low levels of land supply available to enable new residential house builds in the district.

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.*

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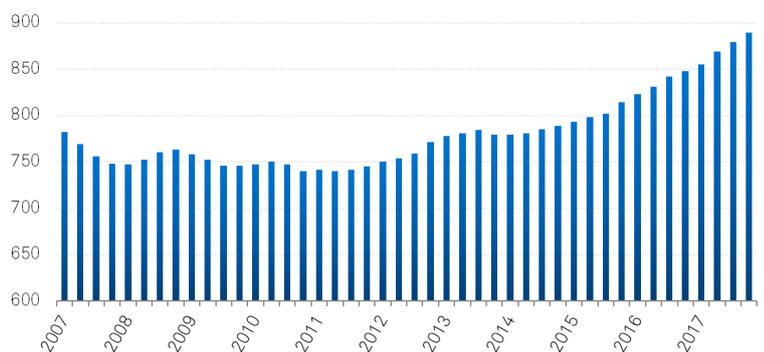
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### Trend Summary

#### 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:

- Horowhenua's economy continued to move from strength to strength over 2017, expanding by 4.7% over the year to December.
- Annual Jobseeker benefit numbers decreased (-0.7%) for the first time in several quarters. Social interventions for long term beneficiaries will be required to shift numbers much further.
- The retail sector remained busy, expanding by 13% over the year. A large proportion of this growth can be attributed to visitors to the district, with both domestic and international visitors spending significantly more on retail, fuel, and food rather than on recreational tourist activities.

#### Lowlights

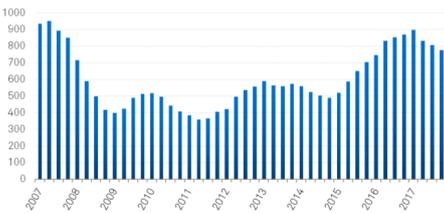
**Negative** trends included a stagnant unemployment rate of 7% despite national levels decreasing to 4.5%. Regardless, job opportunities are expected to grow over this year as local businesses expand and new businesses relocate to the district.

Non-residential consent numbers continued to decrease (-14.5%) off the back of a busy 2015/2016. While we can expect an uptick in activity in the middle half of 2018, investment will be expedited by a community that welcomes and encourages new activity and investment.

# The Property Market

## House Sales

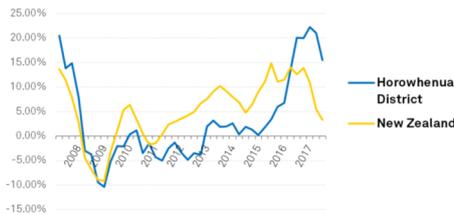
Annual Number, Horowhenua District



Source; RIEENZ via Infometrics

## House Price Growth

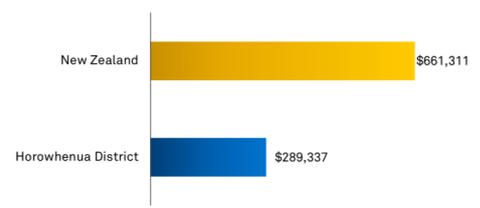
Annual % change



Source; QV via Infometrics

## Average Current House Value

Average for 12 months to December 2017



Source; QV via Infometrics

Horowhenua's housing market remains buoyant but has slowed from the highs experienced in 2016 and the first three quarters of 2017. This is consistent with activity experienced across most of the country.

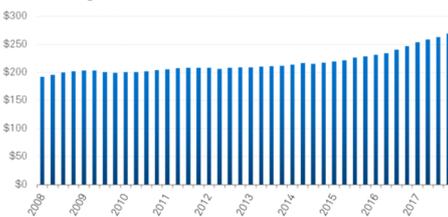
Demand for housing remained strong with 776 houses being sold over the year to December 2017. This has cooled slightly from the 870 houses sold in the previous year, resulting in an overall decrease in sales volumes of -10.8%.

House prices continued to increase significantly over the year, albeit at a slower rate. The average house value in Horowhenua grew by 14% to \$289,337. Comparatively, house values across New Zealand increased by a more modest 3.9%, coming in at \$661,311, which was heavily influenced by a deceleration in the Auckland market over the latter half of 2017.

## Rental Market Analysis

### Mean Rents

Annual average, Horowhenua District



Source; MBIE

The upward pressure on rents continued over the December quarter, bringing average rental prices for the year up to \$269 per week.

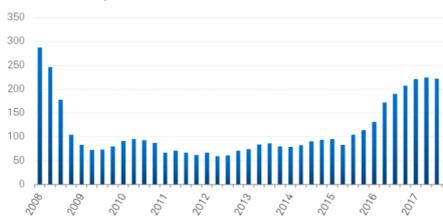
This equates to a 8.9% increase, meaning renters are now paying, on average, an extra \$22 per week. This is placing pressure on low-income households.

Rising rent prices are being experienced across New Zealand, with median asking rents hitting a record-high of \$470 per week in January, due to a lack of supply and high demand, according to Trade Me. This is particularly evident in Wellington where renters are continually looking further afield for affordable rental homes.

## Residential Consent Activity

### Residential Consents

Annual number, Horowhenua District



Source; Stats NZ via Infometrics

New residential consent numbers grew by 6.8% over the year to December 2017. 221 new homes were consented for the year, valued at \$71.7 million, up from \$58 million in the previous year.

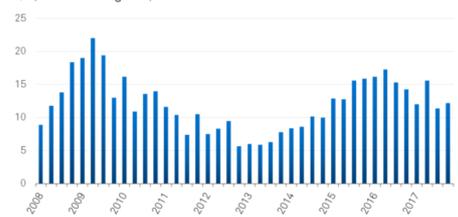
Despite this, the last quarter of 2017 was slower compared to the previous two quarters, hinting that land supply constraints may be beginning to take hold. In the March and June quarters consent values were in excess of \$20 million, compared to a more modest \$15.3 million in the December quarter.

Other areas in New Zealand also had a slow December quarter, with many regions reporting a decline in residential consent numbers. Auckland was an exception, where consent numbers grew by 20% over the quarter, and are expected to be a key driver of growth for consent numbers over the next 12 months.

## Non-residential Consent Activity

### Non-residential Consents

\$m, annual running total, Horowhenua District



Source; Stats NZ via Infometrics

Non-residential consents continued to remain low, with values reducing by -14.5% over the year. \$12.2 million worth of non-residential consents were issued in the year to December 2017, compared to \$14.3 million in the previous quarter.

As previously mentioned, this current sluggish period is expected to be temporary as a number of new commercial ventures and expansions are set to start towards the middle half of this year.

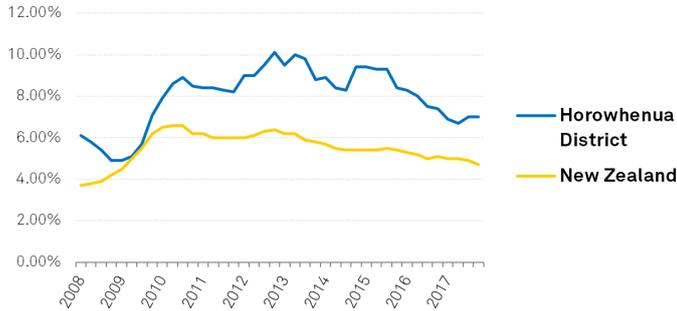
Nationally, non-residential consent values rose by 8%, driven by increases in retail and factory building. Values are expected to increase throughout 2018.

# The Labour Market

## Unemployment

### Unemployment Rate

Average annual rate



Source; Infometrics

The unemployment rate remained unchanged at 7% for the year to December 2017. Nationally, the unemployment rate fell to a nine-year low of 4.5% in the December quarter, averaging 4.7% for the 2017 calendar year.

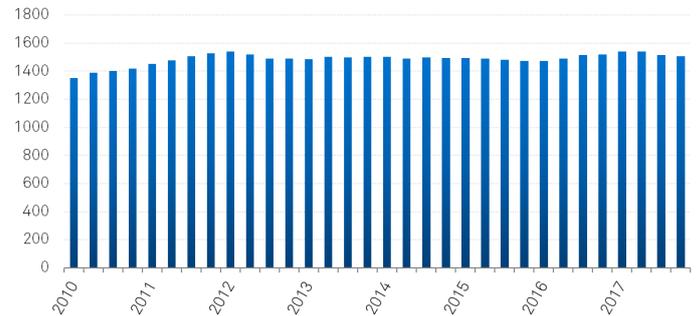
Despite the lack of movement in Horowhenua's unemployment rate, the general trend over the past two years has been downwards, with the December 2016 rate recording 7.4%.

Growth in the job market has also been positive, with filled jobs numbers increasing by 2.0% in the year to March 2017. Job opportunities for those ready and willing to work are expected to remain elevated due to buoyant construction and retail sectors.

## Jobseeker Support

### Jobseekers

Annual average, Horowhenua District



Source; Stats NZ via Infometrics

The annual average number of Jobseeker recipients decreased by -0.7% for the year to December 2017. This compares to a national increase of 0.06%, and a regional increase of 0.01%.

An average of 1,508 people were receiving the Jobseekers benefit over the year, 10 people less than the previous period.

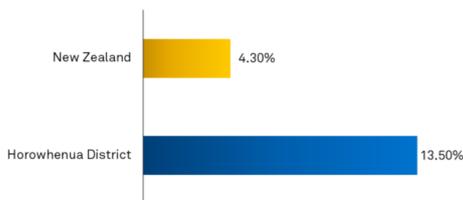
Jobseeker beneficiary numbers increased over 2010 and have remained around the 1500 mark for the past 6 years, despite overall beneficiary numbers decreasing, and job opportunities increasing. Reducing this number in any significant way will require social interventions with long-term recipients to tackle systemic and often intergenerational challenges.

## Other Economic Indicators

### Retail Sales

#### Growth in Retail Sales

Annual average % change Dec 16 - Dec 17



Source; Marketview via Infometrics

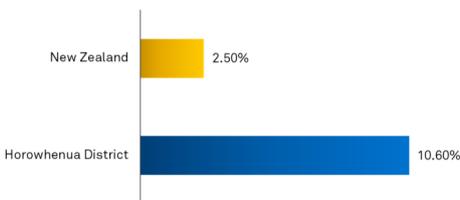
Retail activity did not slow down in the last quarter of 2017, with the electronic retail card spend increasing by an impressive 13.5% for the year, totalling \$88.1 million, up \$9.3 million on the previous year.

Improving job prospects locally and nationally, and more money for low income families due to Labour's Families Package should see retail spending remain elevated, despite slightly softening consumer confidence.

### Guest Nights

#### Guest Nights

Annual average % change Dec 16 - Dec 17



Source; Statistics via Infometrics

Guest night numbers remained elevated in the final quarter of 2017, with annual numbers growing by 10.6% for the year.

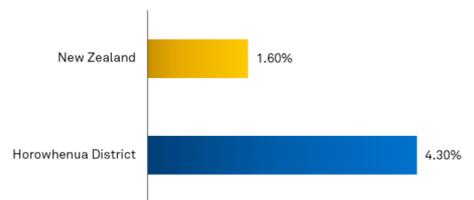
Visitors stayed a total of 91,088 nights during the year to December 2017, up almost 8,697 nights when compared to the previous year.

Guest night growth is set to remain high with strong demand for external contractors required to support building growth opportunities in 2018.

### Traffic Flow

#### Annual Change in Traffic Flows

Annual average % change Dec 16 - Dec 17



Source; NZTA via Infometrics

Traffic flows increased by 4.3% over the year to December 2017. Regional growth was also strong, with traffic flows increasing by 4.5%.

Car registrations also increased 17.7%, with 1,175 new vehicles being registered in the district. Nationally, car sales grew by 8.0%, influenced by a demand for small used imports, likely as a result of increasing petrol prices and moderating consumer confidence.

# Summary Economic Indicators

Indicator (Annual average % change)	Horowhenua District	Wellington Region	Manawatu-Whanganui Region	New Zealand
Gross Domestic Product	↑ 4.7%	↑ 2.2%	↑ 2.8%	↑ 2.8%
Traffic flow	↑ 4.3%	↑ 3.9%	↑ 4.5%	↑ 1.6%
Residential consents	↑ 6.8%	↑ 15.2%	↑ 18%	↑ 3.4%
Non-residential consents	↓ -14%	↓ -13.4%	↑ 5.1%	↑ 8.0%
House prices*	↑ 14%	↑ 7.0%	↑ 12%	↑ 3.9%
House sales	↓ -11%	↓ -12.7%	↓ -6.6%	↓ -17%
Guest nights	↑ 11%	↑ 0.9%	↑ 5.3%	↑ 2.5%
Retail trade	↑ 13%	↑ 4.6%	↑ 6.5%	↑ 4.3%
Car registrations	↑ 18%	↑ 8.7%	↑ 18%	↑ 8.0%
Commercial vehicle registrations	↑ 26%	↑ 22%	↑ 22%	↑ 16%
Jobseeker Support recipients	↓ -0.7%	↓ -2.4%	↑ 0.01%	↑ 0.06%
Tourism Expenditure	↑ 20%	↑ 3.5%	↑ 5.8%	↑ 6.4%

\*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 [here](#).

### 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).