

Quarterly Economic Update

Economic Development Horowhenua

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

The economy of Horowhenua is now worth more than \$900 million, and if current growth averages continue we will exceed \$1 billion in the not too distant future.

The first half of 2018 has been a mixed bag, and while GDP growth remained strong at 3.9%, it has softened from 4+% growth we have experienced over the over the past two years.

This cooling was reflected in a number of other economic indicators such as growth retail sales and traffic flows, which fell to more modest levels of 9.7% and 3.1% respectively.

Demand for Horowhenua property continued, with house prices rising by 15% over the year, three times the national average. House sales decreased by -9.8%. Residential consents received a boost in the June quarter due to higher levels of in-fill property development.

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

Best regards,

Shanon

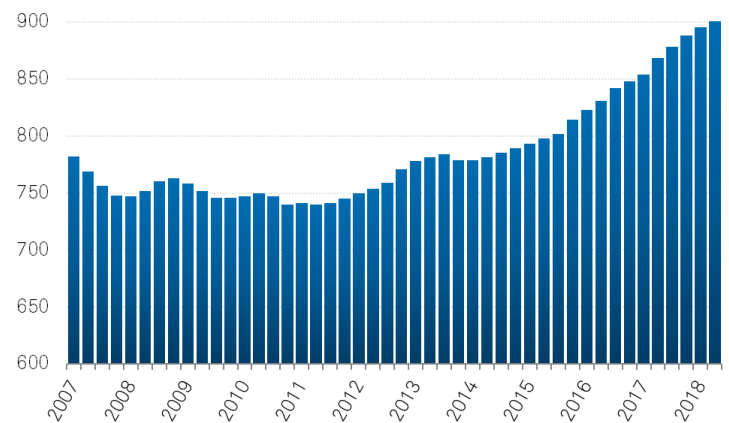


Shanon Grainger
Economic Development Manager
e. shanong@horowhenua.govt.nz
m. +64 27 687 3921

Trend Summary

Gross Domestic Product

Annual level, Horowhenua District



Source; Infometrics

Highlights

- GDP grew by 3.9% to \$901 million. This compares to 3.6% growth for Manawatu-Whanganui and 2.7% growth for New Zealand.
- Beneficiary numbers continued on a downward trend with Job Seeker numbers decreasing by -4.7% and overall beneficiary recipients decreasing by -3.8%.
- Over the past three year 336 international migrants moved to Horowhenua.

Lowlights

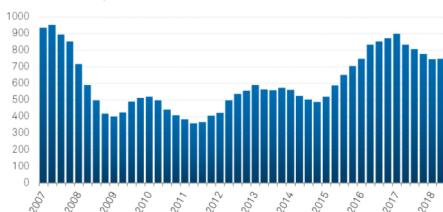
- The unemployment rate rose to 8% compared to 6.7% a year earlier. This is disappointing. We think this may be due to a higher number of unemployed young people as opposed to fewer jobs being offered.
- There has also been a large drop in the value of non-residential consents, which fell by -35.1% to \$10.1 million compared to the same period last year. This has been decreasing over the past two years, however if anticipated building activity occurs we expect this result to reverse in the coming year.

Economic indicator changes over the past year are summarised above. The main body of the report provides further details.

The Property Market

House Sales

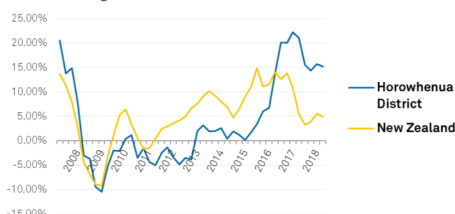
Annual Number, Horowhenua District



Source; RLENZ via Infometrics

House Price Growth

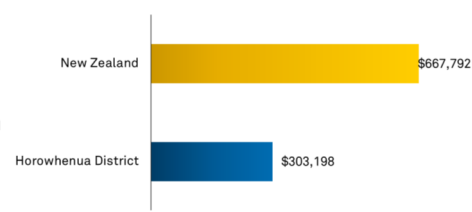
Annual % change



Source; QV via Infometrics

Average Current House Value

Average for 12 months to June 2018



Source; QV via Infometrics

Pressure remained in the property market. House sales decreased by -9.8% due in-part to fewer listings coming to market, while house values increased by 15%, reflecting continued demand for property in Horowhenua.

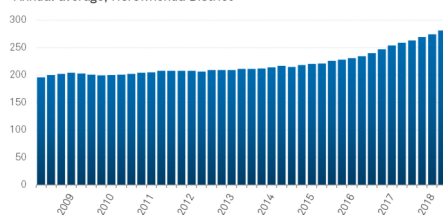
The average house value for the year exceeded \$300,000 for the first time, causing housing affordability to deteriorate to levels last observed at the peak 2006/2007 housing boom. These dynamics tend to negatively impact levels of home ownership over time.

The constrained supply of houses for sale was also felt nationally, with regional New Zealand being the driving force behind much of the inflation, while markets in Auckland and Canterbury remained stagnant.

Rental Market Analysis

Mean Rents

Annual average, Horowhenua District



Source; MBIE

House price inflation continues to influence rental costs, with rents averaging \$281 per week over the year to June 2018.

This equates to a 9.7% increase, with renters paying \$25 extra per week compared to the same period last year.

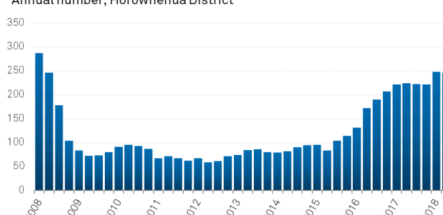
These increases were exacerbated due to supply for rentals not meeting demand. There were 2,300 active bonds on average over the year compared to 2,281 in the previous year, an increase of only 0.83%.

Despite this, rentals in Horowhenua were significantly cheaper than neighbouring areas to the south, such as Kapiti Coast (\$394 per week), making it an attractive option for those currently paying more elsewhere.

Residential Consent Activity

Residential Consents

Annual number, Horowhenua District



Source; Stats NZ via Infometrics

New residential consent numbers grew by 9.8% over the year to June 2018. 246 new homes were consented for the year, valued at \$78.2 million, up from \$69.4 million in the previous year. These figures were boosted due to a very busy May, with consents being granted for 46 new homes worth \$13.2 million.

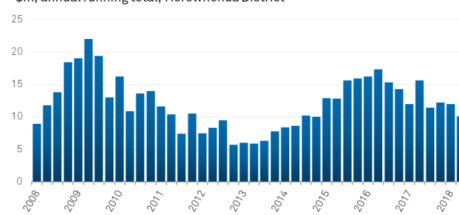
Land supply constraints continue to be an issue with the majority of development occurring via the in-fill/one-off subdivision of existing sections, rather than larger, multiple lot subdivisions.

Nationally, the demand for attached dwellings such as townhouses and apartments continued to drive growth, with new dwelling consents increasing by 7.9%.

Non-residential Consent Activity

Non-residential Consents

\$m, annual running total, Horowhenua District



Source; Stats NZ via Infometrics

The value of non-residential consents continued to fall, with only \$10.1 million worth of property being consented over the year; a -35.1% decrease compared to the previous period (\$15.6 million).

This is in sharp contrast to the region, where non-residential consent values increased by 58.5%. Most of this growth was driven by Palmerston North City, where consent values grew by 219% to \$128 million.

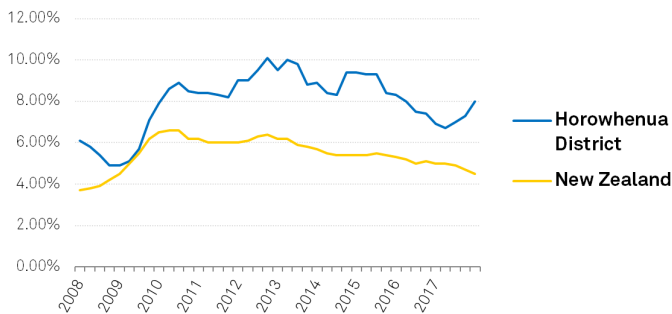
Nationally, the values of non-residential consents grew by a modest 10.3%, but still came below expectations.

The Labour Market

Unemployment

Unemployment Rate

Average annual rate



Source; Infometrics

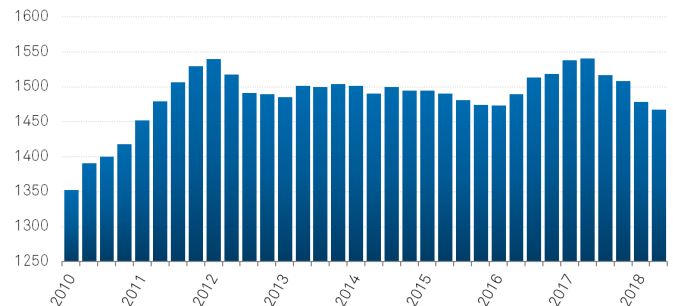
The unemployment rate continued to diverge from the national trend, rising to 8% over the year to June, compared to 6.7% a year earlier. While this increase is disappointing, it is not necessarily tied to job losses, but rather an increase in the district's working age (15-65 years) population.

Regardless of the reason behind the increase in the unemployment rate, we must remain vigilant in tackling the issues behind systemic unemployment, while building resilience amongst the district's most vulnerable workers. This will require widespread interventions and collaboration between government agencies, education providers, and industry to make a meaningful reduction in our unemployment rate.

Jobseeker Support

Jobseekers

Annual average, Horowhenua District



Source; Stats NZ via Infometrics

The annual average number of Jobseeker recipients decreased by -4.7% for the year to June. This compares to a national increase of 0.05%, and a regional decrease of -1.2%.

An average of 1,466 people received the Jobseeker benefit over the year, this is 73 less than the June 2017 average, and below the 8-year average of 1,496.

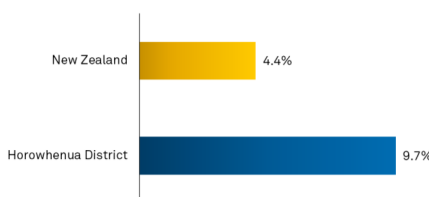
This continued downward trend appears to contradict the rising unemployment rate, but the decrease can be explained by Jobseeker recipients obtaining higher wages, particularly after the minimum wage increases, or gaining more work hours, thus reducing their entitlement for assistance via a main benefit.

Other Economic Indicators

Retail Sales

Retail Sales

Annual average % change Jun 2017 - Jun 2018



Source; Marketview via Infometrics

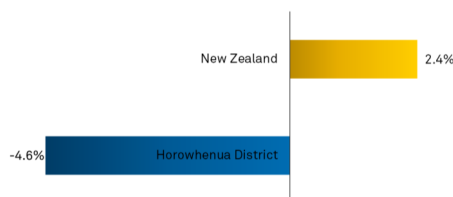
Electronic retail card spending remained elevated, increasing by 9.7% over the year to June 2018, with spending for the quarter reaching \$79.6 million. This is down a little from the 12% growth reported in the March quarter, but still exceeds the national growth rate of 4.5% and the regional growth rate 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 Jun 2017 - Jun 2018



Source; Statistics via Infometrics

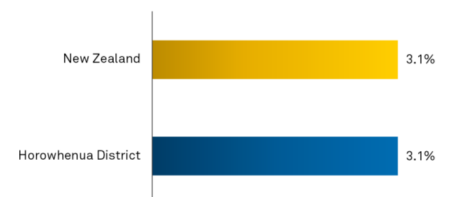
Guest night numbers reduced slightly over the year to June, after reaching record highs in 2017. Guest nights fell by -4.6% to a total of 86,998. Despite this, numbers still remain well above the 10-year average of 73,472 nights.

Accommodation owners can remain confident that guest numbers will remain elevated throughout the rest of 2018 while significant infrastructure projects such as the Whirokino Trestle continue to require significant input from external contractors.

Traffic Flow

Annual Change in Traffic Flows

Annual average % change Mar 17 - Mar 18



Source; NZTA via Infometrics

Traffic flows increased by 3.1% over the year to June 2018. The same amount of growth was experienced nationally, and regional traffic flows increased by 3.5%.

Car and commercial vehicle registrations continued to increase, growing by 5.4% and 31% respectively.

A well performing dairy sector and busy tradespeople have been the main drive behind the increase in commercial vehicle registrations.

Summary Economic Indicators

Indicator (Annual average % change)	Horowhenua District	Wellington Region	Manawatu-Whanganui Region	New Zealand
Gross Domestic Product	↑ 3.9%	↑ 2.5%	↑ 3.6%	↑ 2.7%
Traffic flow	↑ 3.1%	↑ 4.4%	↑ 3.5%	↑ 3.1%
Residential consents	↑ 9.8%	↑ 29%	↑ 17%	↑ 7.9%
Non-residential consents	↓ -35%	↓ -41%	↑ 58%	↑ 10%
House prices*	↑ 15%	↑ 7.2%	↑ 9.4%	↑ 4.9%
House sales	↓ -9.8%	↓ -8.1%	↓ -3.9%	↓ -7.0%
Guest nights	↓ -4.6%	↑ 1.8%	↑ 1.5%	↑ 2.4%
Retail trade	↑ 9.7%	↑ 4.6%	↑ 6.2%	↑ 4.4%
Car registrations	↑ 5.4%	↓ -4.1%	↑ 5.1%	↑ 1.1%
Commercial vehicle registrations	↑ 31%	↑ 29%	↑ 19%	↑ 5.4%
Jobseeker Support recipients	↓ -4.7%	↓ -2.2%	↓ -1.2%	↑ 0.05%
Tourism Expenditure	↑ 15%	↑ 6.4%	↑ 5.9%	↑ 8.5%

*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).

