

Overview of Manawatu

Manawatu's economy expanded at a healthy rate through the early stages of 2017. The majority of spending and investment indicators that we follow were in expansionary territory, with particular strength showing through in the residential construction sector.

Infometrics' provisional estimate of GDP showed that Manawatu's economy expanded by 2.4% over the March 2017 year, compared to 1.2% growth the previous year. Growth is most rapid in Manawatu District, with GDP rising by an estimated 3.5% over the March 2017 year, as the outlook for dairy sector returns has brightened. Palmerston North's economy grew by a healthy 2.1% over the same period.

The rally in dairy prices over recent months has confirmed that the 2016/17 farmgate milk price will be \$6.15/kgms (before dividends) compared to \$3.90/kgms last season. At the same time, good pasture conditions through summer and into autumn shored up milk production. As a result, the total dairy payout looks set to climb by almost \$100m compared to last season.

Housing demand in Manawatu remains elevated, with prices climbing 13% over the March year. These higher prices continue to renew interest in homebuilding, with the 129 new dwelling consents issued in the March quarter representing the largest number of consents in a March quarter since 2007. Builders doing work on commercial construction also have a strong pipeline of work. The challenge for the building sector is finding enough skilled workers, as construction skill shortages are being reported throughout the lower North Island.

Manawatu's housing market is being driven up in part by stronger population growth. Statistics New Zealand estimates show Manawatu's total population climbed by 1,300 people over the June 2016 year, while more recent data on net international migration shows that the district gained a net 729 migrants over the March 2017 year. Reports of strong school roll growth and the number of people receiving New Zealand Superannuation provide further evidence of continued population growth in the area.

Indicator	Manawatu		New Zealand	
Annual average % change				
Gross domestic product	↑	2.4%	↑	2.9%
Traffic flow	↑	3.6%	↑	4.6%
Residential consents	↑	49%	↑	10%
Non-residential consents	↑	12%	↑	11%
House prices*	↑	13%	↑	12%
House sales	↑	15%	↓	-4.5%
Guest nights	↑	3.4%	↑	3.2%
Retail trade	↑	1.9%	↑	2.9%
Car registrations	↑	11%	↑	8.2%
Commercial vehicle registrations	↑	4.3%	↑	17%
Jobseeker Support recipients	↑	2.4%	↑	1.0%
Level				
Unemployment rate		5.0%		5.0%
International net migration		729		71,924

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

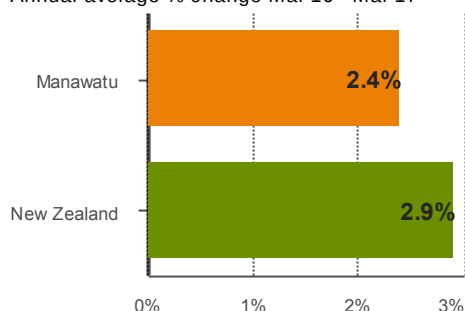
Overview of national economy

The housing market and residential construction activity have been weaker than expected over recent months, as were export volumes in late 2016. Economic growth is expected to ease slightly over the next couple of quarters, before a recovery in activity across each of these areas lifts growth back 3.0%pa during 2018. Capacity pressures in the economy will be mitigated by persistently strong net migration and relatively high labour force participation. However, per-capita growth will be weaker than its historic average, reflecting high household debt levels, a correction in property prices, and households remaining relatively cautious with spending.

Gross domestic product

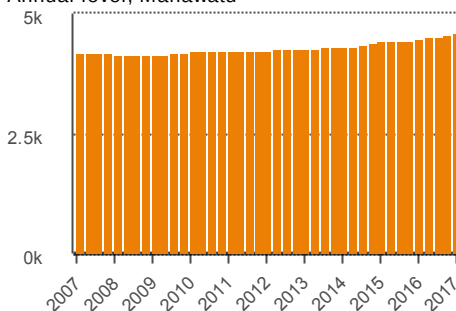
Gross domestic product growth

Annual average % change Mar 16 - Mar 17



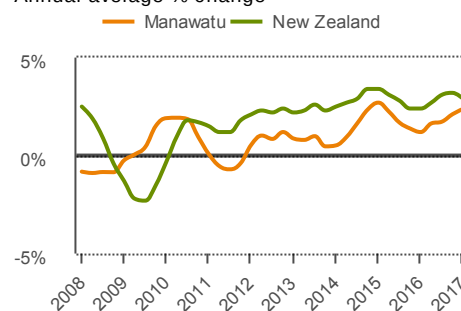
Gross domestic product (\$m)

Annual level, Manawatu



Gross domestic product growth

Annual average % change



Highlights for Manawatu

- GDP in Manawatu was up 2.4% for the year to March 2017 compared to a year earlier. Growth was lower than in New Zealand (2.9%).
- GDP was \$4,606 million in Manawatu for the year to March 2017 (2010 prices).
- Annual GDP growth in Manawatu peaked at 2.7% in the year to March 2015.

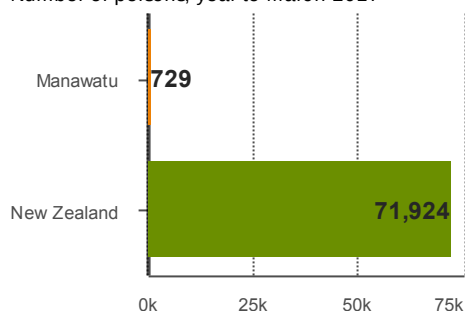
National overview

Infometrics' provisional estimate of GDP shows growth of 2.9% over the year to March 2017, down from 3.2%pa growth over the December 2016 year. Business and consumer confidence has cooled since June last year, indicating lower rates of spending activity. At the same time, there has also been more sluggish growth in construction activity as a shortage of construction skills and slightly weaker housing demand has temporarily slowed the sector's upward trajectory. Nevertheless, a more material disruption to underlying economic growth is unlikely at present as the economy is still being supported by accommodative monetary policy and strong population growth, at a time when prices for many of New Zealand's key export commodities have risen over recent months.

International net migration

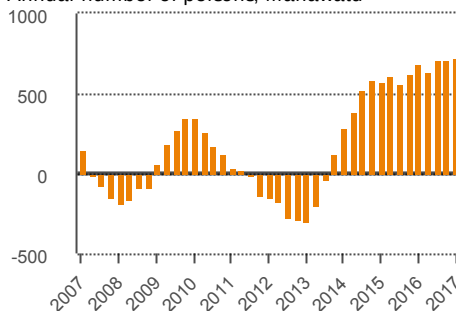
Net migration

Number of persons, year to March 2017



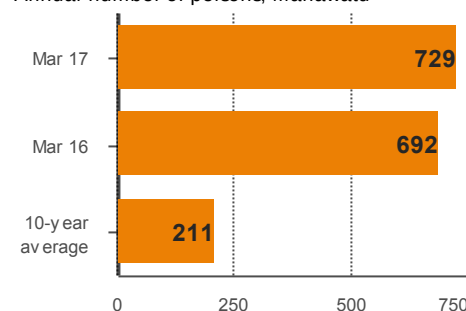
Net migration

Annual number of persons, Manawatu



Net migration

Annual number of persons, Manawatu



Highlights for Manawatu

- Manawatu experienced a permanent and long-term net migration gain of 729 persons in the year to March 2017. This compares with a gain of 692 a year ago, and a ten year average of 211 (gain).
- New Zealand's annual net migration increased to 71,924 from 67,616 a year ago.

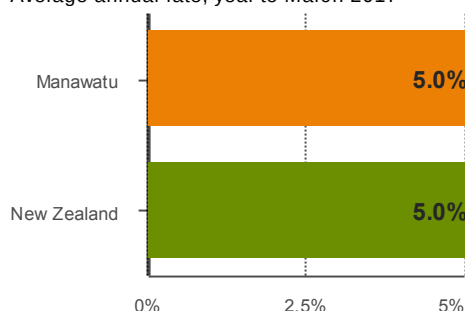
National overview

Annual net migration ran up ahead of our expectations for the March quarter, owing to a sharp 6.7% drop in departure numbers during the month of March (seasonally adjusted). Over the year to March 2017, an additional 71,932 people were added to New Zealand's population. These high levels of net migration are boosting aggregate demand and putting a strain on capacity in New Zealand, but their labour contribution is also needed to alleviate these capacity issues, meaning that New Zealand is in a bit of a bind regarding immigration policy. The biggest driver of growth in net migration during the past year was the continued increase in people arriving on work visas. Work visa arrivals accounted for almost two thirds of the lift in total arrivals in the March 2017 year. Low numbers of New Zealanders leaving the country have also exacerbated net migration levels.

Unemployment rate

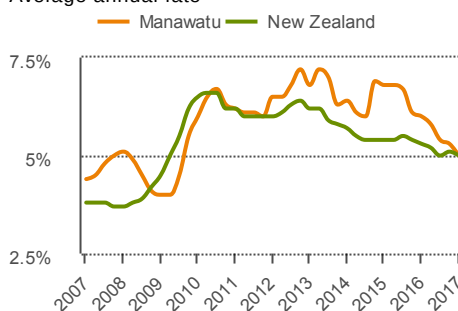
Unemployment rate

Average annual rate, year to March 2017



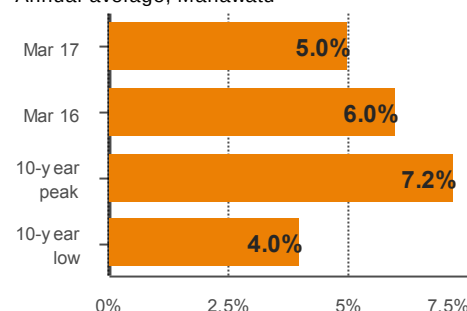
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Manawatu



Highlights for Manawatu

- The annual average unemployment rate in Manawatu was 5.0% in March 2017, down from 6.0% a year earlier.
- The unemployment rate in Manawatu was lower than in New Zealand, where the unemployment rate averaged 5.0% over the year to March 2017.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

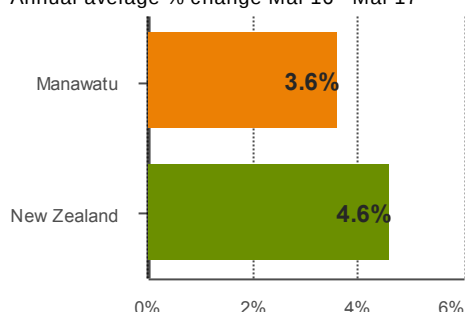
National overview

The March 2017 quarter unemployment rate was in line with our expectations, falling back to 4.9% (seasonally adjusted), taking the average unemployment rate for the March year to 5.0%. The level of employment in the March quarter rose an additional 1.2% (seasonally adjusted). However, the number of hours worked fell 0.6% over the quarter as the growth in employment was mostly driven by a lift in part-time employment. Employment rose most rapidly in the construction and accommodation and food services sectors, while there were declines in employment, in the information media and telecommunications, education and training, transport, postal, and warehousing, finance and insurance, and real estate services sectors.

Traffic flow

Annual change in traffic flows

Annual average % change Mar 16 - Mar 17



Highlights for Manawatu

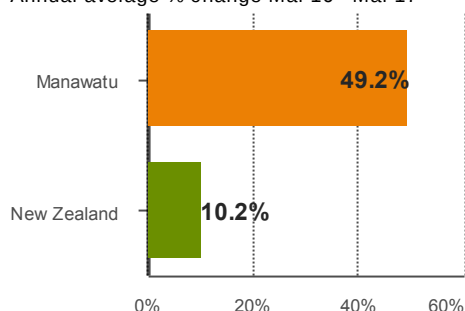
- Traffic flows in Manawatu increased by 3.6% over the year to March 2017. This compares with an increase of 4.6% in New Zealand.

National overview

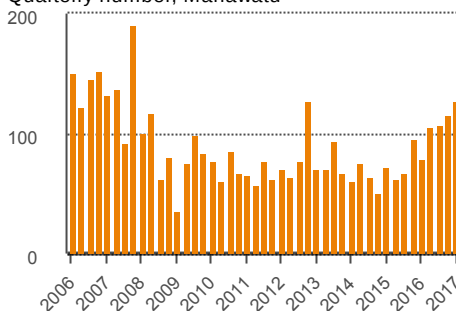
Traffic flows along the State Highway network climbed 4.6% over the March 2017 year. Growth in traffic flows is most rapid in areas that have seen sharp population growth, as well as visitor hotspots in provincial settings. The shift towards online retailing has also contributed to increased traffic flows through increases in courier activity. Traffic flows in the South Island continue to be disrupted by the closure of SH1 north of Kaikoura. For example, traffic flows in Hurunui District during the March 2017 quarter were double their 2016 level. We anticipate that traffic flows, notwithstanding earthquake disruptions, will continue rising strongly through the country over the coming months, pushed up by ongoing population growth and rising freight demand.

Residential consents

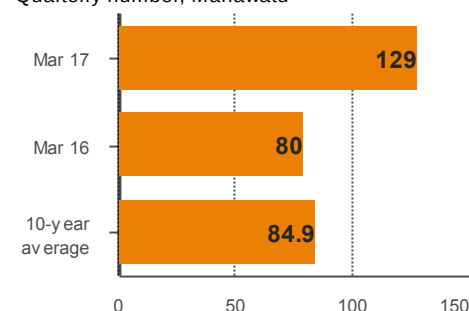
Growth in no. of new dwelling consents
Annual average % change Mar 16 - Mar 17



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

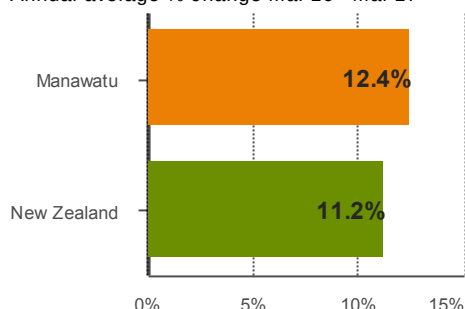
- A total of 129 new residential building consents were issued in Manawatu in the March 2017 quarter, compared with 80 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 49% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 10% over the same period.

National overview

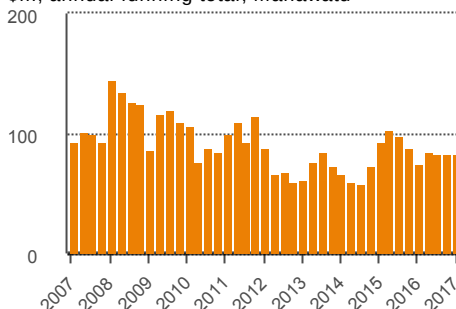
In the March quarter, the number of new dwelling consents was up 10% from a year earlier. A big part of this lift was an increase in consents in Auckland, with an additional 200 consents coming through by way of apartments. But consents are still falling in Canterbury, and haven't changed much from levels last year in Waikato, Gisborne, Bay of Plenty, Hawke's Bay, Taranaki, Nelson, Marlborough, Tasman, West Coast, and Southland (when comparing March quarters). Given this weakness, at a time when financing constraints have dampened sales activity, further falls in consent numbers can't be ruled out over the coming months. However, any weakness is likely to be limited in both extent and duration, as consent growth is still tethered to the relentless lift in net migration.

Non-residential consents

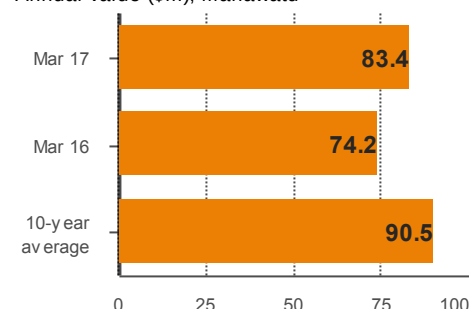
Growth in value of consents
Annual average % change Mar 16 - Mar 17



Non-residential consents, Manawatu
\$, annual running total, Manawatu



Value of non-residential consents
Annual value (\$m), Manawatu



Highlights for Manawatu

- Non-residential building consents to the value of \$83 million were issued in Manawatu during the year to March 2017.
- The value of consents increased by 12% over the year to March 2017. By comparison the value of consents in New Zealand increased by 11% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$145 million in the year to March 2008.

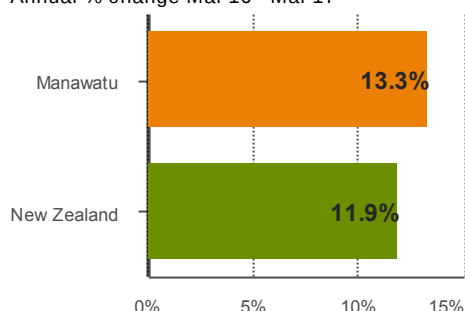
National overview

In the March quarter, accommodation buildings consents more than doubled from a year earlier. Hotels, motels and other short-term accommodation increased six-fold over the same period, with almost all accounted for in Auckland. The rise in accommodation consents reflect the continued boom of the tourism industry, and we expect to see continued growth over the next year. Other categories which saw strong annual growth in the March quarter were hospitals and nursing homes (up 72%pa), shops and restaurants (up 61%pa), and factories and industrial building (up 41%pa.). Looking forward over the rest of 2017, we are expecting a temporary lull in Auckland which will pull down the overall national number, even as consents in many other regions continue to rise.

House prices

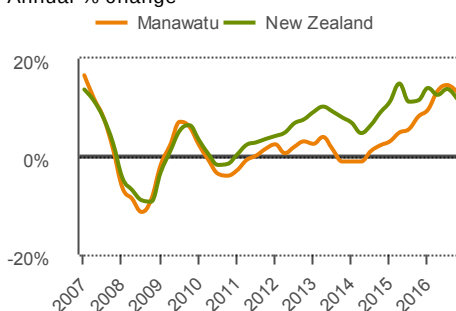
Annual change in house prices

Annual % change Mar 16 - Mar 17



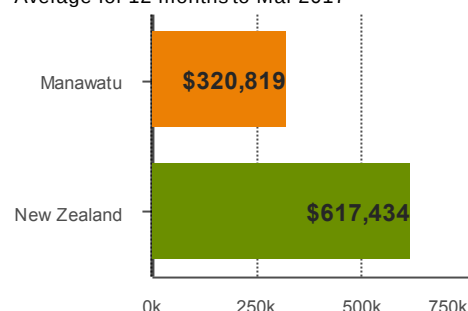
House price growth

Annual % change



Average current house value

Average for 12 months to Mar 2017



Highlights for Manawatu

- The average current house value in Manawatu was up 13% in March 2017 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 12%.
- The average current house value was \$320,819 in Manawatu over the March 2017 year. This compares with \$617,434 in New Zealand.

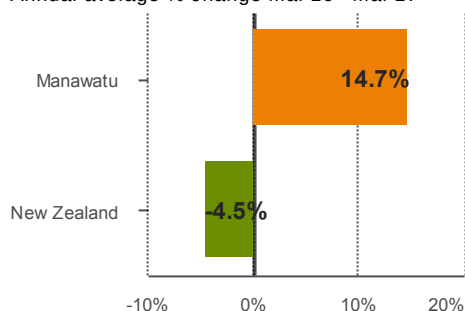
National overview

House price growth in March eased back to 12%pa from 14%pa December. Last October's loan-to-value restrictions (LVRs) are still affecting the Auckland housing market, particularly in less expensive areas. The effects of the slowing Auckland market continue to filter through into the surrounding regions, but growth remains strong in areas that were slower to accelerate. Price growth in the Wellington urban area is still rapid and there is particular strength in areas further out from the city centre. At a national level, we expect house price inflation to soften over coming months, as mortgage rates edge upwards and the LVRs continue to bite in to demand.

House sales

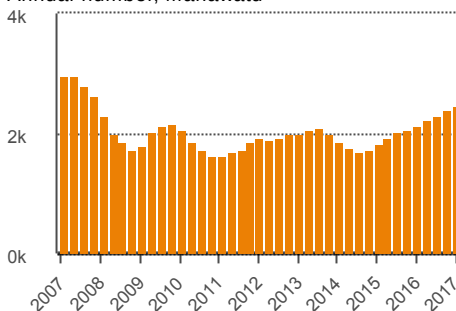
Annual change in house sales

Annual average % change Mar 16 - Mar 17



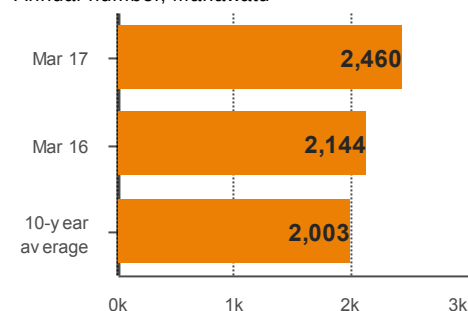
House sales

Annual number, Manawatu



House sales

Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to March 2017 increased by 15% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 4.5%.
- A total of 2,460 houses were sold in Manawatu in the 12 months ended March 2017. This compares with the ten year average of 2,003.

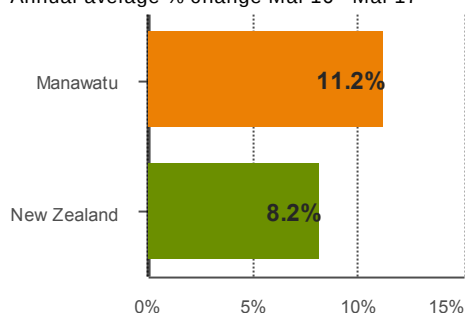
National overview

House sales during the March 2017 quarter were down 13% from a year earlier, taking sales over the past year to 4.5% below the previous 12-month period. In the March quarter, only two regions experienced higher sales levels than last year. Sales in Manawatu-Whanganui and Taranaki were both up 12% over the period. House sales in the Auckland halo regions are still falling on a quarterly basis. In Wellington and the South Island, sales levels aren't quite falling to the same degree as up north, but they are still declining. We expect sales activity to keep tracking downwards over the months ahead as credit conditions have tightened and softer house price growth could dampen buyer demand in the near-term. However, this demand slowdown can only be temporary given current rates of population growth.

Car registrations

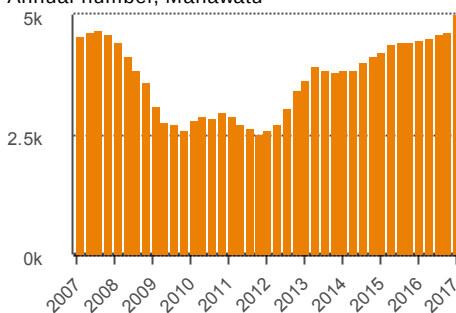
Car registrations

Annual average % change Mar 16 - Mar 17



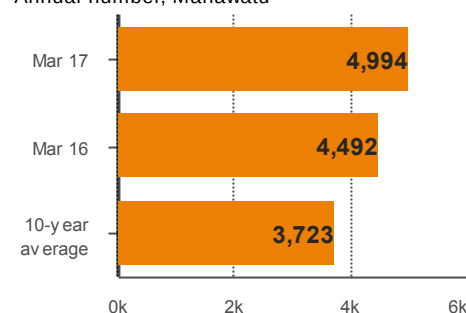
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu increased by 11% in the year to March 2017 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 8.2%.
- A total of 4,994 cars were registered in Manawatu in the year to March 2017. This compares with the ten year average of 3,723.

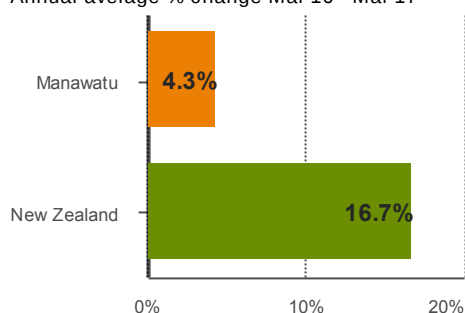
National overview

Underlying drivers of demand are still very strong, implying that both new and used car sales remain on an upward track for 2017. According to the ANZ-Roy Morgan consumer confidence survey, a net 35% of households think it's good time to buy major household items despite higher long-term interest rates. Private buyers have been a strong driver of growth in new vehicle sales over the past year, largely because there are significantly more people in the country. Annual net migration hit another record high and will keep pushing up overall vehicle demand in coming months.

Commercial vehicle registrations

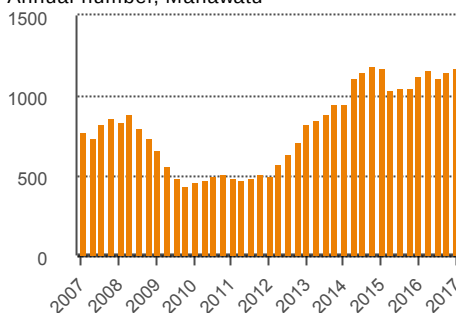
Commercial vehicle registrations

Annual average % change Mar 16 - Mar 17



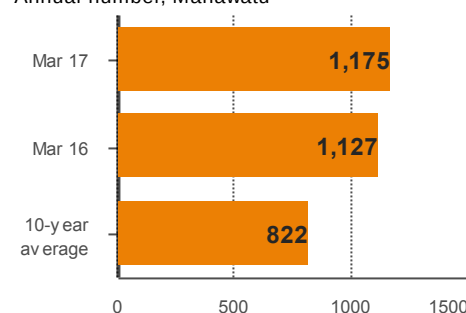
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 4.3% in the year to March 2017 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 17%.
- A total of 1,175 commercial vehicles were registered in Manawatu in the year to March 2017. This is higher than the ten year annual average of 822.

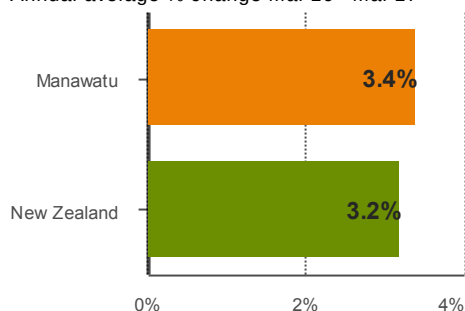
National overview

Commercial vehicles sales rose 17% over the 12 months to March 2017, with growth broad-based across all weight classes of commercial vehicles and trucks. Although sales of light commercials have been strong for some time, this fresh momentum in heavy commercial vehicles is a positive surprise, especially given the weakness of export volumes in the December quarter. The positive outlook for the New Zealand economy will drive up sales of light commercial vehicles during 2017. Demand for medium and very heavy commercial vehicles has proved stronger than anticipated, but there are downside risks to truck sales if any weakness in the New Zealand dollar pushes up prices for these large and expensive vehicles.

Guest nights

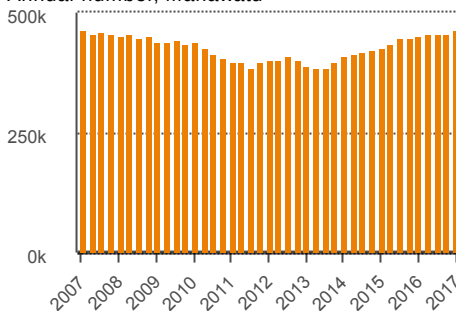
Guest nights

Annual average % change Mar 16 - Mar 17



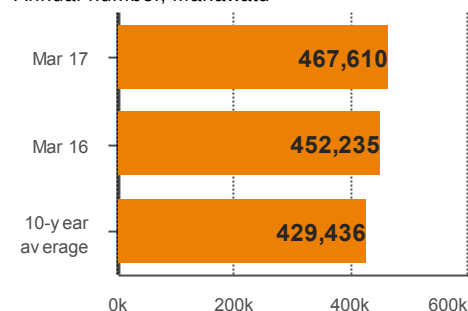
Guest nights

Annual number, Manawatu



Guest nights

Annual number, Manawatu



Highlights for Manawatu

- Total guest nights in Manawatu increased by 3.4% in the year to March 2017. This compares with an increase of 3.2% in New Zealand.
- Visitors stayed a total of 467,610 nights in Manawatu during the year to March 2017, which was up from 452,235 a year ago.

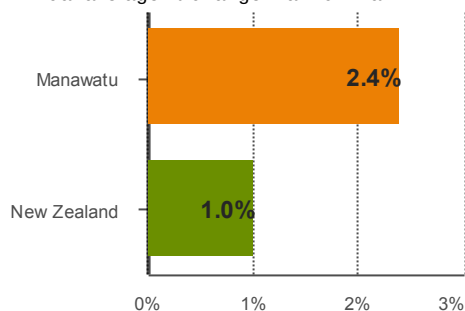
National overview

Total guest nights over the 12 months to March were up 3.2% on a year earlier, with guest nights by international visitors climbing 8.7%, while guest nights by domestic visitors slipped 0.7%. It is likely that growth in international visitor guest nights will slow over the coming months, as signs of more sluggish growth in the number of visitors arriving in New Zealand from a range of key source markets have emerged. Nevertheless, an expected softening of the New Zealand dollar against the Australian and US currencies during the second half of 2017 will help see overseas visitors' budgets stretch further. Any weakening to the New Zealand dollar would also encourage New Zealanders to holiday more in their own backyard.

Jobseekers

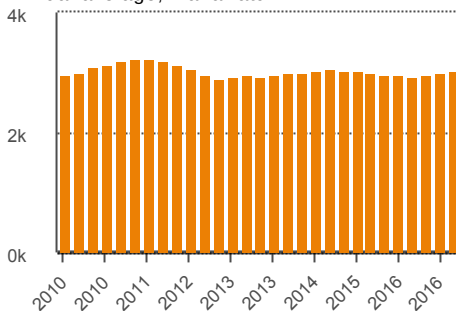
Annual change in Jobseekers

Annual average % change Mar 16 - Mar 17



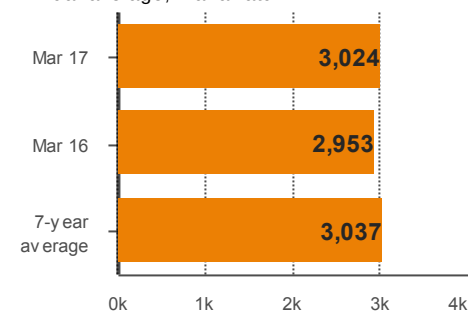
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

- Working age Jobseeker Support recipients in Manawatu in the year to March 2017 increased by 2.4% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 1.0%.
- An average of 3,024 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended March 2017. This compares with an average of 3,037 since the start of the series in 2010.

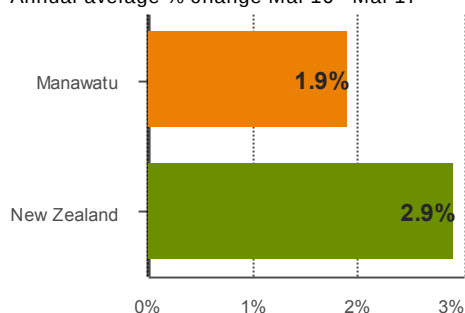
National overview

The number of people receiving Jobseeker Support averaged 120,989 over the 12 months to March 2017, taking the average number of Jobseeker Support recipients over that period to 1.0% above its level from a year earlier. Although employment demand conditions have been strong overall throughout the economy, there are still vulnerabilities for those at the bottom. The April increase in the minimum wage from \$15.25 to \$15.75 per hour will put further pressure on wages in industries with high proportions of low-waged workers. Furthermore, apart from construction and tourism and hospitality, evidence from wage growth data suggests that increases to employment demand is most apparent at higher skill levels within industries.

Retail trade

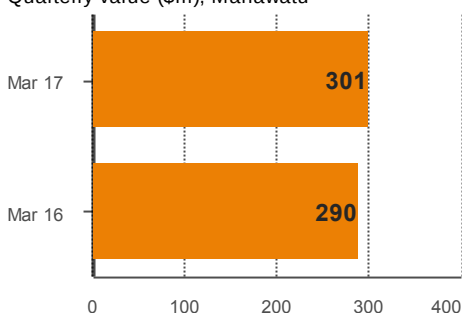
Growth in retail sales

Annual average % change Mar 16 - Mar 17



Retail sales

Quarterly value (\$m), Manawatu



Highlights for Manawatu

- Electronic card retail spending in Manawatu, as measured by Marketview, increased by 1.9% over the year to March 2017 compared to the previous year. This compares with an increase of 2.9% in New Zealand.

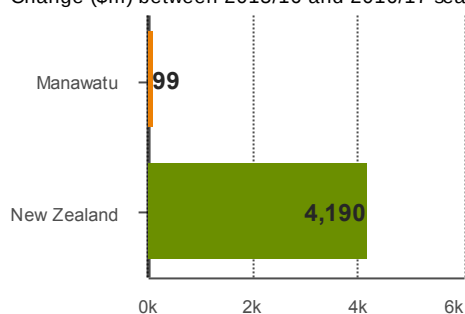
National overview

Retail spending continued to grow at a healthy rate over summer. Data from Marketview shows that electronic card spending on retail purchases over the March 2017 quarter was up 3.7% from a year ago, taking total spending growth over the past 12 months to 2.9%. Statistics New Zealand's Retail Trade Survey showed that motor vehicle retailing and motor vehicle services spending were particularly strong in volume terms during the March quarter, as were food and beverage services, as well as electronic goods retailing. We anticipate that strong population growth and high levels of tourism activity will keep retail spending growing at a healthy rate over the coming quarters, even if per capita retail spending growth is sluggish.

Total dairy payout

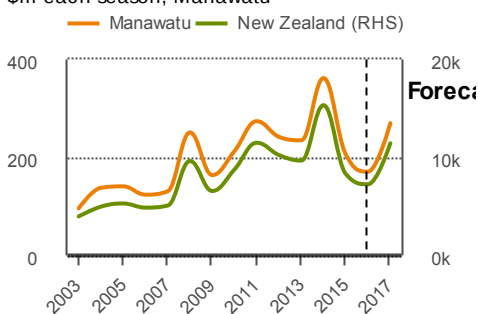
Total dairy payout

Change (\$m) between 2015/16 and 2016/17 season



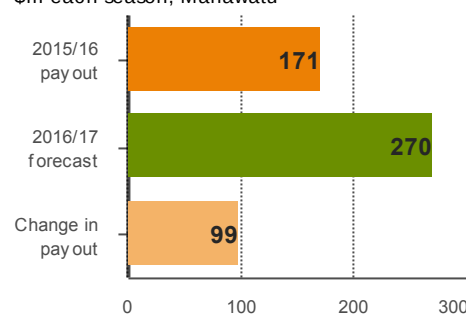
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2015/16 season is estimated to have been approximately \$171m.
- Manawatu's dairy payout for the 2016/17 season is expected to be approximately \$270m, \$98.8m higher 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 \$7,261m in the 2015/16 season, and is expected to be \$4,190m higher in the 2016/17 season.

National overview

Dairy farmers have broken even in the 2016/17 dairy season for the first time since the record 2013/14 season. With dairy farmers set receive a farmgate milk price of \$6.15/kgms, the dairy payout for the season will be \$4.2bn above its 2015/16 level. Furthermore, Fonterra farmers should also anticipate a strong dividend of 40c on top of that payout. Milk production around much of the country was weak during spring, but surged later in the season due to a good autumn, even after factoring in severe weather events that cut short the season in some places. As a result, falls in production over the season will be smaller than some dairy commentators had originally been forecasting.

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. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year.

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 values

House value (dollar value) are 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 happens to have 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 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)