

Overview of Manawatu

The Manawātū regional economy continues to perform well with Infometrics' provisional GDP estimate for the region growing 2.5% in the December 2019 year, and traffic volumes, a good indicator of economic activity, up 2.0%. Nationally, consumers remain relatively upbeat about the economy and this is reflected in electronic card spending on retail purchases in the Manawātū region increasing 3.3% in the December 2019 year.

Residential consents in the Manawātū region fell 7.6% in the December 2019 year but remain well above their 10-year average. Non-residential consents continued to fall, down 38% in the December 2019 year, following a particularly strong 2018. House sales in the region remain historically high at around 2,000 a year. House sales are being supported by a growing population with health enrolments (a proxy for population growth) up 4.4% in the December 2019 year. The busy housing market, combined with low interest rates and strong consumer confidence, means house price inflation in Manawātū region remains upbeat at 17% in December 2019, well ahead of 3.6% growth nationally.

Tourism spending in the region edged up 2.8% to \$491 million in the December 2019 year. It's likely to be a tough year ahead with the Corona virus expected to hit international visitor numbers, although domestic consumers remain relatively upbeat, and the virus could encourage more Kiwis to take their holidays closer to home.

The region's unemployment rate fell again to 4.8% for the December 2019 year, reflecting a fall in the national rate to 4.1%. However, the region's Jobseeker Support recipients continue to rise, growing 5.9% in the December 2019 year compared with 10.6% growth nationally. Our view is that the government's more lenient stance towards beneficiaries is encouraging more people to claim Jobseeker Support.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↑ 2.4%	↑ 2.3%
Traffic flow	↑ 2.0%	↑ 1.7%
Health Enrolments	↑ 4.4%	↑ 2.3%
Consumer spending	↑ 3.3%	↑ 3.3%
Residential consents	↓ -7.6%	↑ 13.8%
Non-residential consents	↓ -37.9%	↑ 5.2%
House prices*	↑ 17.0%	↑ 3.6%
House sales	↓ -3.3%	↓ -1.0%
Tourism expenditure	↑ 2.8%	↑ 3.5%
Car registrations	↓ -3.5%	↓ -8.6%
Commercial vehicle registrations	↑ 17.2%	↓ -6.9%
Jobseeker Support recipients	↑ 5.9%	↑ 10.6%
<i>Level</i>		
Unemployment rate	4.8%	4.1%

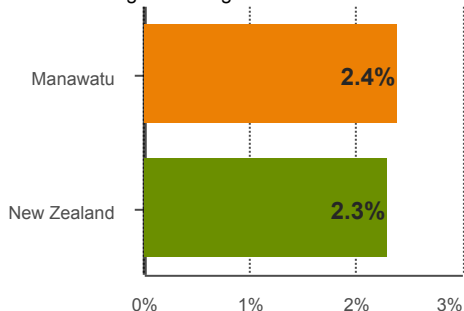
* Annual percentage change (latest quarter compared to a year earlier)

Overview of national economy

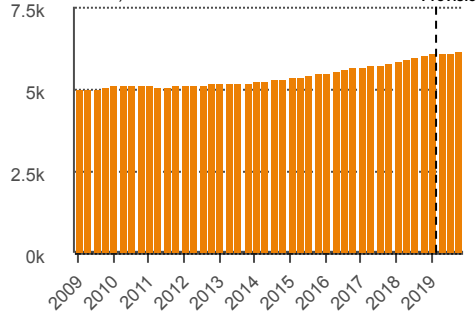
The economy looks to have turned a corner, at least temporarily, at the end of 2019. Although growth has slowed, some near-term indicators have shown an improvement. Traffic flows, tourism spending, and house prices have all shown renewed growth, and are set to provide a foundation for further growth in 2020. Government spending activity over the medium term also looks to support economic growth, but there remains little in the way of fundamental growth drivers over the next five years. With economic growth shifting down a gear in recent years, headline growth is likely to settle at a softer level. However, a significant risk to growth in 2020 is presented by the COVID-19 outbreak, which will restrain tourism and export activity, and could threaten consumer and business activity if the outbreak continues or spreads to New Zealand.

Gross domestic product (provisional)

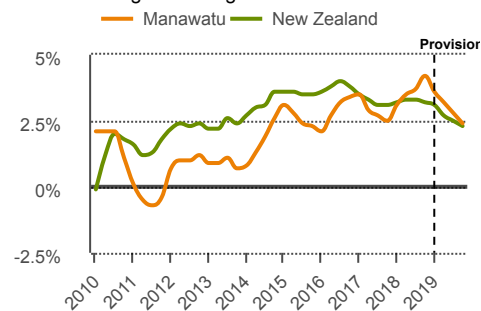
Gross domestic product growth (provisional)
Annual average % change Dec 18 - Dec 19



Gross domestic product (provisional, \$m)
Annual level, Manawatu



Gross domestic product growth (provisional)
Annual average % change



Highlights for Manawatu

- GDP (provisional) in Manawatu was up 2.4% for the year to December 2019 compared to a year earlier. Growth was higher than in New Zealand (2.3%).
- GDP (provisional) was \$6,172 million in Manawatu for the year to December 2019 (2010 prices).
- Annual GDP growth in Manawatu peaked at 4.2% in the year to December 2018.

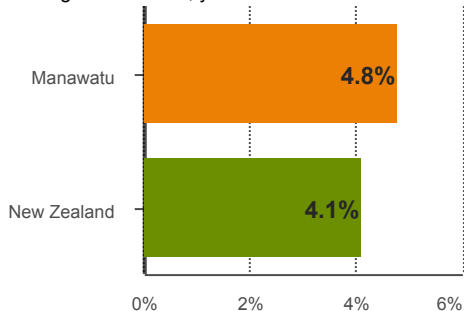
National overview

Economic growth continues to soften, with the latest provisional estimates from Infometrics showing an expansion of 2.3%pa over the 12 months to December 2019. Global trade conditions remain uncertain, and domestic investment continues to disappoint. However, improved business and consumer sentiment shows a more upbeat view of the economy, and sets the foundation for sustained growth, albeit at a slower pace, in 2020. Government spending remains slow to roll out, but recent infrastructure announcements should support further regional growth over the next few years.

Unemployment rate

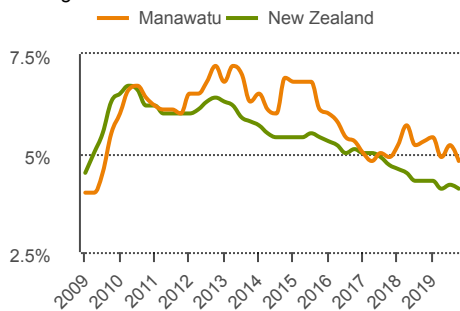
Unemployment rate

Average annual rate, year to December 2019



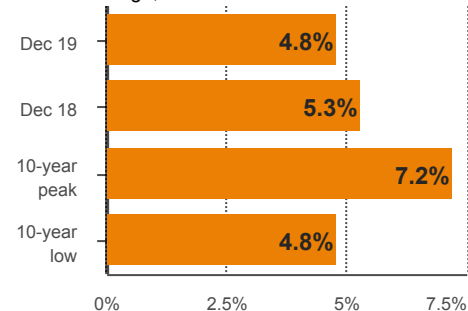
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Manawatu



Highlights for Manawatu

- The annual average unemployment rate in Manawatu was 4.8% in December 2019, down from 5.3% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.1% over the year to December 2019.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

National overview

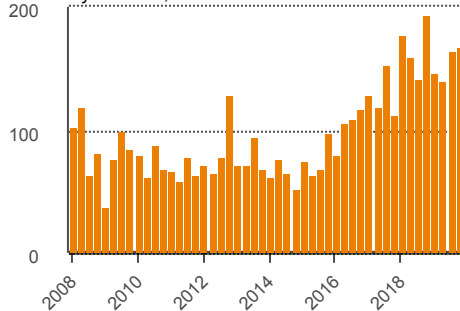
Unemployment remains low at an annual average rate of 4.1% for the December 2019 quarter. Labour market tightness persists with rising full-time employment and a slight easing in labour market participation ensuring that employers need to work hard to attract and retain staff.

Residential consents

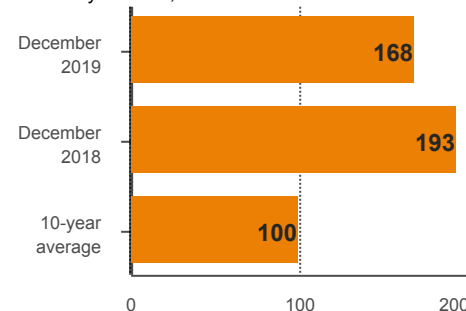
Growth in no. of new dwelling consents
Annual average % change Dec 18 - Dec 19



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

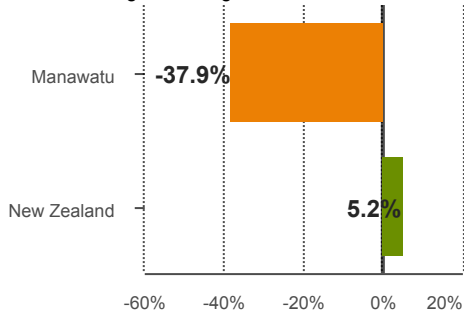
- A total of 168 new residential building consents were issued in Manawatu in the December 2019 quarter, compared with 193 in the same quarter last year.
- On an annual basis the number of consents in Manawatu decreased by 7.6% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 13.8% over the same period.

National overview

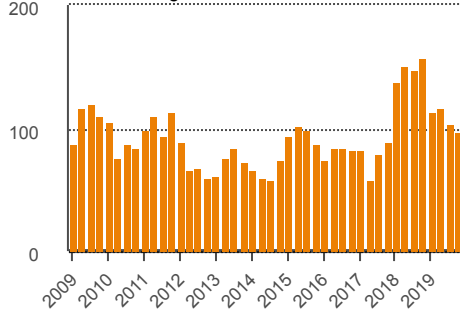
Residential building consents have continued to grow strongly, up 13.8% in the December 2019 year, taking annual consents to 37,500 – doubling over the past eight years. Housing growth, especially for high density dwellings, has been strongest in regions most desperate for more housing such as Auckland and Wellington. While this is a strong supply response to the national shortfall of approximately 30-40,000 dwellings, we are sceptical that construction activity will grow at the same pace as consented intentions, given the current constraints in construction sector capacity.

Non-residential consents

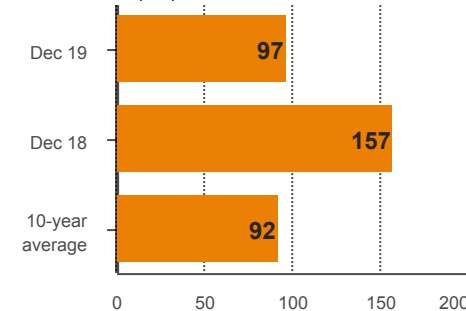
Growth in value of consents
Annual average % change Dec 18 - Dec 19



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



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



Highlights for Manawatu

- Non-residential building consents to the value of \$97 million were issued in Manawatu during the year to December 2019.
- The value of consents decreased by -37.9% over the year to December 2019. By comparison the value of consents in New Zealand increased by 5.2% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$157 million in the year to December 2018.

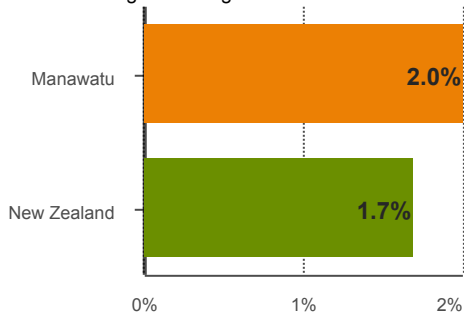
National overview

Non-residential building consents continue to track upwards, with values up by 5.2% in the year to December 2019. However, due to softer economic conditions and business investment generally, we expect private sector activity to continue easing into 2020. Public sector activity remains strong, and recently announced funding for education and hospital construction may help to sustain overall levels of activity.

Traffic flow

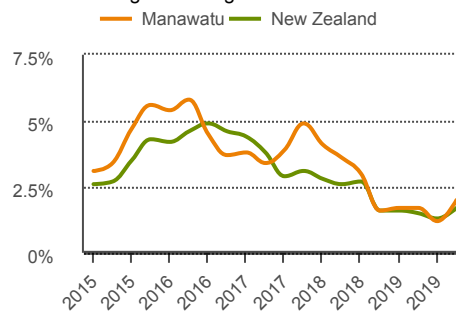
Annual change in traffic flows

Annual average % change Dec 18 - Dec 19



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu increased by 2.0% over the year to December 2019. This compares with an increase of 1.7% in New Zealand.

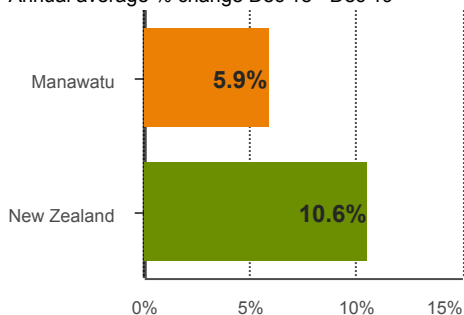
National overview

Transport activity showed some strength over the 12 months to December 2019, with traffic growth rising slightly to 1.7%pa. The revival in traffic flows reinforces a view of an economy that may be turning the corner, with more vehicle activity indicating both consumers and businesses are moving about – a good sign for economic growth. Activity on the east coast of the North Island spurred this uptick in traffic growth, with Gisborne, the Hawke’s Bay, and the Bay of Plenty leading the way.

Jobseekers

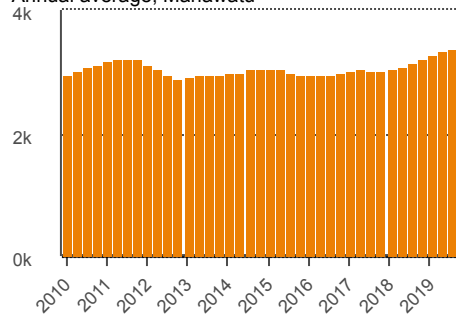
Annual change in Jobseekers

Annual average % change Dec 18 - Dec 19



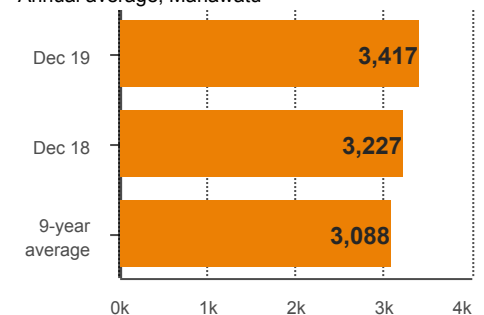
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

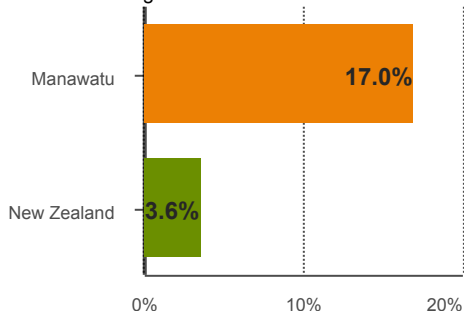
- Working age Jobseeker Support recipients in Manawatu in the year to December 2019 increased by 5.9% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 10.6%.
- An average of 3,417 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended December 2019. This compares with an average of 3,088 since the start of the series in 2010.

National overview

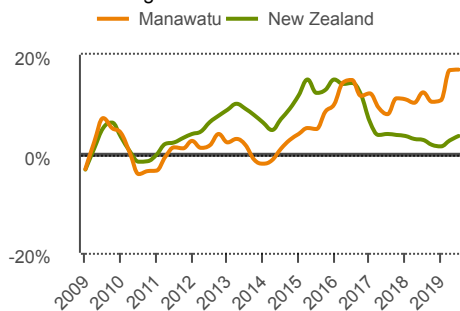
Benefit support levels continue to rise further, with the number of people receiving a Jobseeker Support benefit rising 10.6%pa on average over the year to December 2019. Jobseeker Support recipients have risen to 4.9% of the estimated working age population. The labour market remains tight, with sustained lower unemployment, but strong growth in those not participating in the labour force. It seems that the mismatch of skills that potential workers have, and that employers want, has seen an increase in people not being as active in seeking work.

House prices

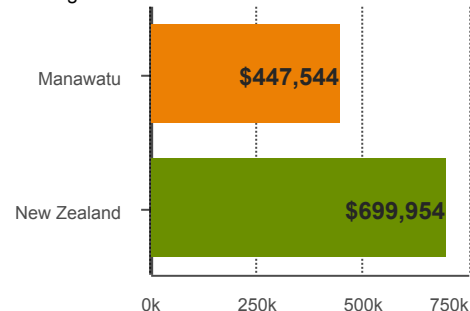
Annual change in house prices
Annual % change Dec 18 - Dec 19



House price growth
Annual % change



Average current house value
Average for 12 months to Dec 2019



Highlights for Manawatu

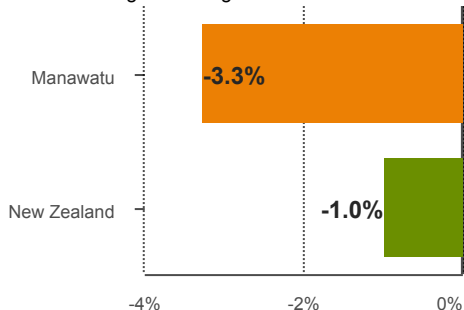
- The average current house value in Manawatu was up 17.0% in December 2019 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 3.6%.
- The average current house value was \$447,544 in Manawatu over the December 2019 year. This compares with \$699,954 in New Zealand.

National overview

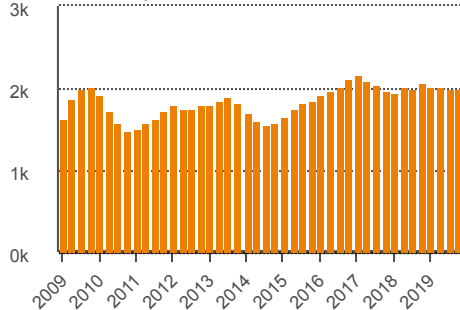
House price growth picked up in the year to December 2019, up 3.6% higher than the year before. While the rest of the country grew steadily throughout the year, Auckland's house price growth tipped back into positive territory in the final quarter, adding impetus to the national figure. While clouds of economic uncertainty hover over the business sector, low interest rates seem likely to spur on another strong year in the real estate market.

House sales

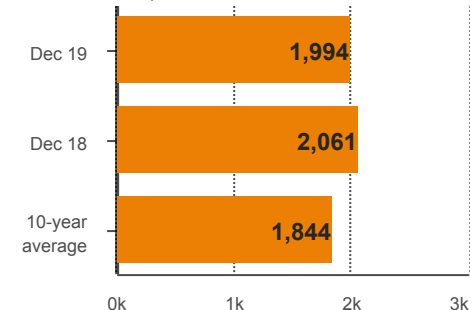
Annual change in house sales
Annual average % change Dec 18 - Dec 19



House sales
Annual number, Manawatu



House sales
Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to December 2019 decreased by 3.3% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 1.0%.
- A total of 1,994 houses were sold in Manawatu in the 12 months ended December 2019. This compares with the ten year average of 1,844.

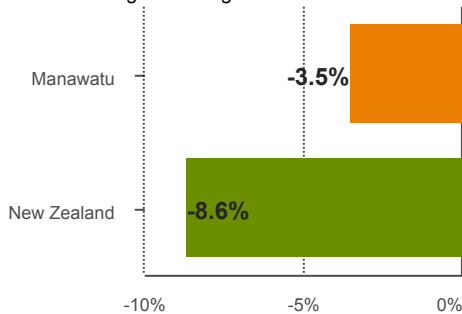
National overview

House sales across the country continue to ease, down by 1.0% in the year to December 2019. However, sales in the December quarter picked up, suggesting that market activity is heating up following reductions in interest rates.

Car registrations

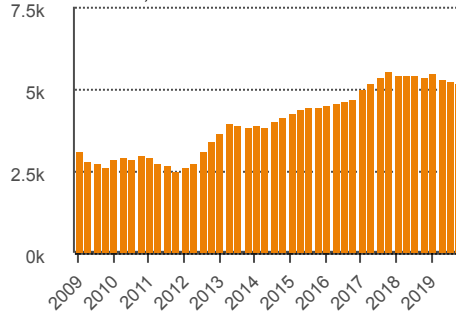
Car registrations

Annual average % change Dec 18 - Dec 19



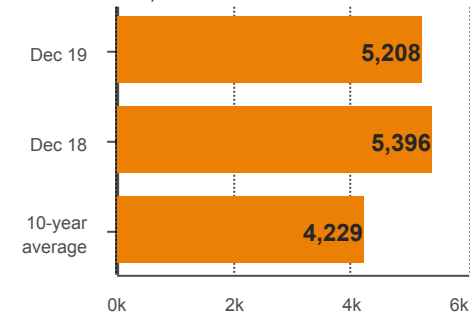
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu decreased by -3.5% in the year to December 2019 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -8.6%.
- A total of 5,208 cars were registered in Manawatu in the year to December 2019. This compares with the ten year average of 4,229.

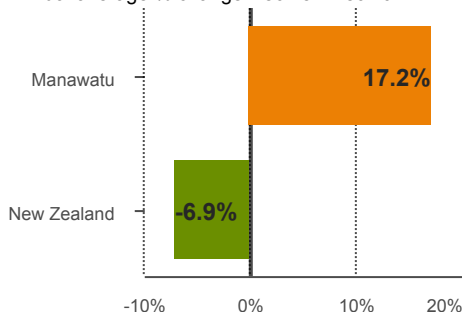
National overview

Car registrations in the year to December 2019 were down 8.6%, finishing the year with the weakest result since 2014. Used small car registrations have remained at roughly the same level for the past two years, new small car registrations saw a brief resurgence in late 2019, while large new and used cars are in sharp decline. These conflicting trends in small and large car registrations reflect a mixed economic environment with robust consumer confidence, rising wages and a resurgence in house price growth contrasting with subdued business confidence and softening employment prospects.

Commercial vehicle registrations

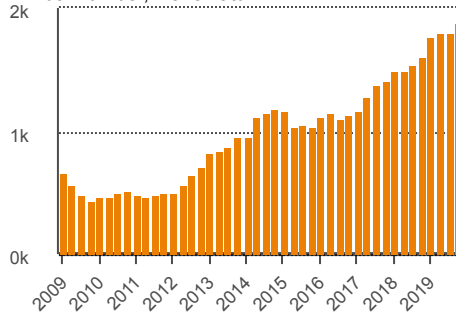
Commercial vehicle registrations

Annual average % change Dec 18 - Dec 19



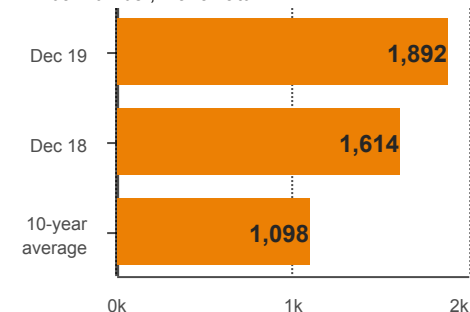
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 17.2% in the year to December 2019 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales decreased by -6.9%.
- A total of 1,892 commercial vehicles were registered in Manawatu in the year to December 2019. This is higher than the ten year annual average of 1,098.

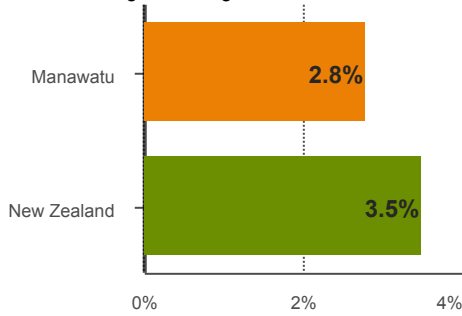
National overview

Commercial vehicle registrations fell 6.9% in the year to December 2019, driven mostly by a decline in light commercial vehicle registrations. Residential construction is maintaining demand for the movement of aggregates, timber and other construction products, and freight firms have benefitted from high commodity prices. However, concern about the domestic and global economic outlook continues to sap business confidence and, with construction activity expected to ease over the next few years, investment in commercial vehicles is an increasingly risky option.

Tourism Spending

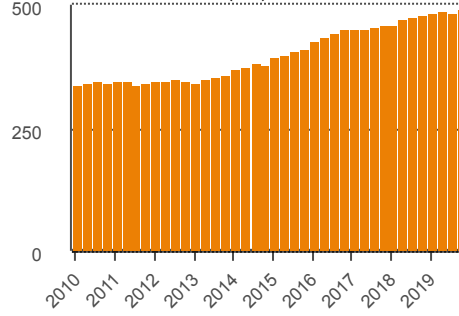
Tourism expenditure

Annual average % change Dec 18 - Dec 19



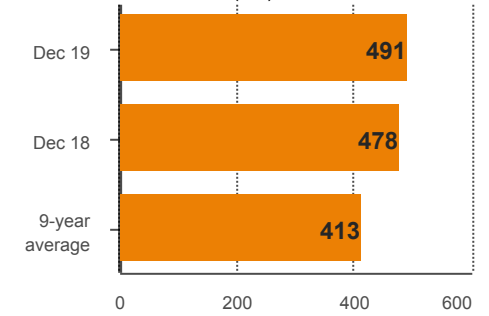
Tourism expenditure

Annual total, Manawatu (\$m)



Tourism expenditure

Annual total, Manawatu (\$m)



Highlights for Manawatu

- Total tourism expenditure in Manawatu increased by 2.8% in the year to December 2019. This compares with an increase of 3.5% in New Zealand.
- Total tourism expenditure was approximately \$491m in Manawatu during the year to December 2019, which was up from \$478m a year ago.

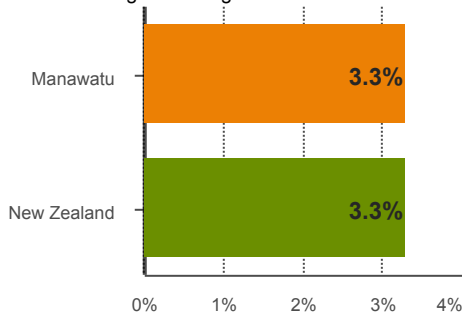
National overview

Tourism spending growth over the 12 months to December 2019 ticked up a touch, with spending rising 3.5%pa. Tourist spending on food and beverage purchases rose 6.4% over the period, while accommodation spending rose a measly 0.4%pa. This shift in spending growth is likely an indication of the rising importance of attracting domestic travellers as international tourist growth slow. Tourism activity generally over recent periods has been much softer than in previous years, with overseas arrivals growth slowing to 0.8%.

Consumer Spending

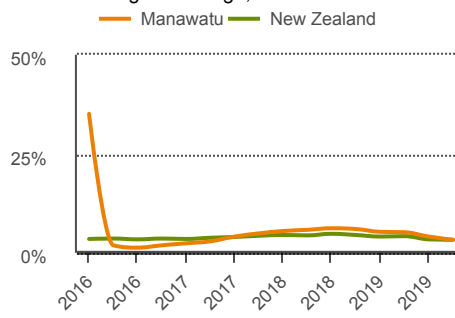
Growth in consumer spending

Annual average % change Dec 18 - Dec 19



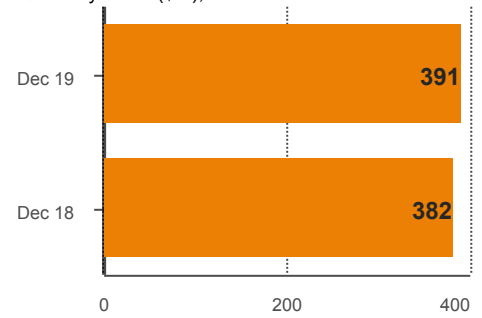
Consumer spending (\$m)

Annual average % change, Manawatu



Consumer spending

Quarterly value (\$m), Manawatu



Highlights for Manawatu

- Electronic card consumer spending in Manawatu, as measured by Marketview, increased by 3.3% over the year to December 2019 compared to the previous year. This compares with an increase of 3.3% in New Zealand.

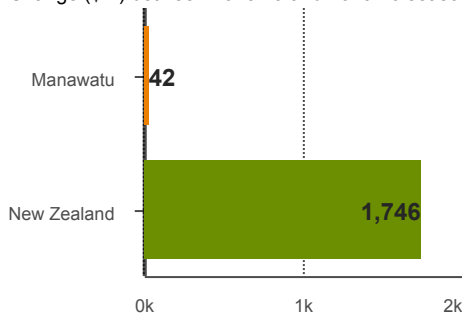
National overview

Consumer spending continues to grow steadily, however the rate of growth in 2019 proved weaker than in 2018. While good prospects for wage growth in the coming year should keep consumers perky, the prospect of a softer economic environment may weigh on their outlooks. Interest rate cuts will start to flow through to household budgets as they come to re-fix their mortgages, and may in turn flow through to increased spending.

Total dairy payout

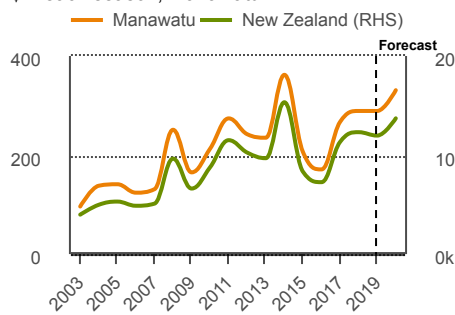
Total dairy payout

Change (\$m) between 2018/19 and 2019/20 seasons



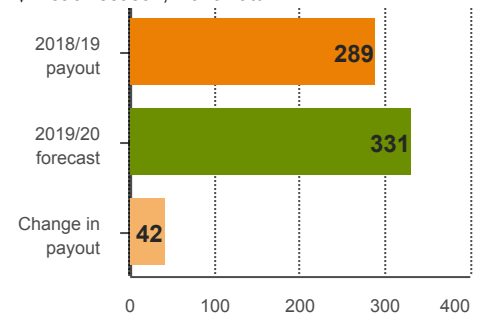
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2018/19 season is estimated to have been approximately \$289m.
- Manawatu's dairy payout for the 2019/20 season is expected to be approximately \$331m, \$42.2m 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 \$11,964m in the 2018/19 season, and is expected to be \$1,746m higher in the 2019/20 season.

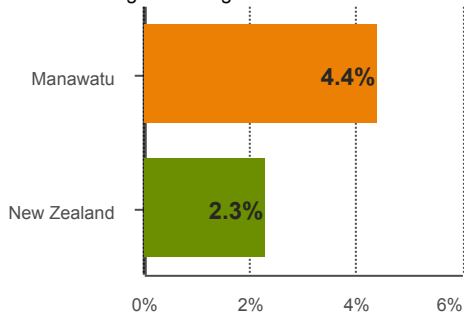
National overview

The dairy outlook improved further towards the end of 2019, with Fonterra raising the farmgate milk price midpoint from \$7.05 to \$7.30/kgms for the 2019/20 season. Analyst expectations and our own analysis support this price at present, with evidence of a constrained milk supply both domestically and internationally. Concerns over the COVID-19 outbreak may see a near-term softening in dairy prices, but with dry conditions persisting, milk volumes are expected to remain below last season's collections. The higher milk price is expected to boost the national pay-out by \$1.7b from the 2018/19 season.

Health Enrolments

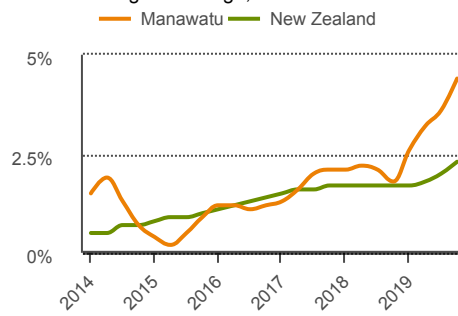
Annual change in Health enrolments

Annual average % change Dec 18 - Dec 19



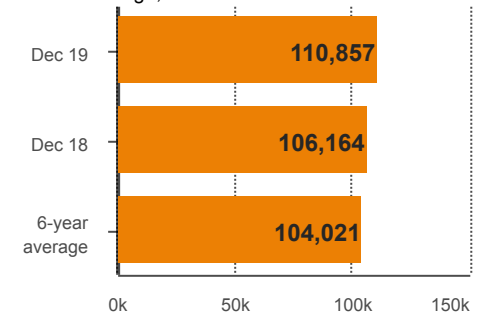
Health enrolments

Annual average % change, Manawatu



Health enrolments

Annual average, Manawatu



Highlights for Manawatu

- The number of people enrolled with a primary health organisation in Manawatu in the year to December 2019 increased by 4.4% compared with the previous year. Growth was higher relative to New Zealand, where the number of enrolments increased by 2.3%.
- An average of 110,857 people were enrolled with primary healthcare providers in Manawatu in the 12 months ended December 2019. This compares with an average of 104,021 since the start of the series in 2013.

National overview

Health enrolment growth towards the end of 2019 rose considerably, causing year-end growth in enrolments to speed up to 2.3%pa. Health enrolment growth has started to diverge from national population growth, which slowed back to 1.4%pa in December 2019. The sharp rise in enrolments in recent months is likely due in part to the measles outbreak, which will have seen more people enrol who hadn't previously done so. Although the divergence in enrolments and headline population estimates makes it difficult to track local population movements, this series still provides a useful and timely insight into those accessing health services in local areas.

Technical notes

Building Consents

Building consents data is sourced from Statistics New Zealand. The number of residential consents issued for new dwellings is the measure for residential consents. For non-residential consents, the measure is the value of both new buildings and alterations.

Consumer Spending

The consumer 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.

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.

Earnings

The earnings data comes from the quarterly Linked Employer Employee Data (LEED) published by Statistics New Zealand. LEED publishes the mean earnings of full quarter jobs for each quarter. Full quarter jobs may include full time and part time jobs. Earnings include overtime and lump sum payments. We sum the mean earnings for the four quarters making up the year to arrive at an estimate of average annual earnings. Infometrics projects average annual earnings to the current quarter using growth rates in industry earnings measured in the Labour Cost Index.

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. Gross domestic product is measured in 2019 dollar terms.

Health Enrolments

Health enrolments are sourced from the Ministry of Health. They record the number of people in each area who are enrolled with a Primary Health Organisation (PHO). Enrolment is voluntary, but most New Zealanders enrol at a general practice for health reasons and for the benefits of enrolment, such as cheaper doctors’ visits and reduced costs of prescription medicines. Changes to how the Ministry of Health recorded this data led to Infometrics revising our approach to health enrolment figures for the March 2019 Quarterly Economic Monitor onwards. Our new approach completely revises our timeseries of health enrolments, so care should be taken when comparing the March 2019 report with previously downloaded reports.

Previously, the data provided was only for those people whose addresses are able to be accurately recorded by the Ministry of Health. We have now switched to breaking down TA-level health enrolments based on trends in stated health enrolments by area, to ensure that the total number of enrolees published in the Monitor align with the national-level figures published by the Ministry of Health. A new system for classifying and recording health enrolment addresses from March 2019 onwards by the Ministry means significantly higher numbers of unallocated enrolees, resulting in the need to review our model.

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.

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.

Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.

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.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of Jobseekers are used to break down regional unemployment rates to TA levels. The TA level unemployment rates are benchmarked on census following the release of each census. To reduce volatility the unemployment rate is presented as an average for the last four quarters.

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.