

Overview of Manawatu

Manawātū Region continues its solid economic performance on the back of steady population growth, a growing tourism sector and strong consumer spending. Infometrics' provisional GDP estimate for the region grew 2.6% in the June 2019 year reflecting national average growth of 2.5%.

Health enrolments in the region, a good proxy for population growth, grew 3.2%pa, which is well above national average growth of 1.8%. Electronic card spending on retail purchases in the region edged up to 5.1% in the June year, once again out-pacing national growth of 4.0%. Spending by tourists in the region continues its upward trajectory, growing 3.2% in the June 2019 year. This is supported by guest nights which grew 8.2% in the June 2019 year and are currently at historically high levels.

Population growth and economic prosperity are fuelling house price inflation. Prices in the region grew 11.7% in the June 2019 year and have now been growing at, or close to, 10% since 2016. House sales declined slightly in the June 2019 year but remain at historically high levels. Residential consents have been particularly strong in the past two years to accommodate the growing population. In the June 2019 year residential consents in the region grew 3.5%. Non-residential consents fell 22% but this is to be expected following particularly strong non-residential consent values in 2018.

The region's unemployment rate fell to 4.9% for the June 2019 year. The number of Jobseeker Support recipients has been trending upwards for the past year, growing 8.7% in the June 2019 year. With central government funding additional WINZ front-line staff, and reports of a greater focus being put on supporting benefit recipients into work, we are hoping to see the number of Jobseeker Support recipients start to fall in the coming year.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↑ 2.6%	↑ 2.5%
Traffic flow	↑ 1.7%	↑ 1.5%
Health Enrolments	↑ 3.2%	↑ 1.8%
Consumer spending	↑ 5.1%	↑ 4.0%
Residential consents	↑ 3.5%	↑ 5.8%
Non-residential consents	↓ -22.1%	↑ 7.9%
House prices*	↑ 11.7%	↑ 1.4%
House sales	↓ -0.6%	↓ -0.9%
Guest nights	↑ 8.2%	↑ 1.3%
Tourism expenditure	↑ 3.2%	↑ 3.2%
Car registrations	↓ -2.4%	↓ -8.6%
Commercial vehicle registrations	↑ 19.8%	↑ 0.3%
Jobseeker Support recipients	↑ 8.7%	↑ 9.6%
<i>Level</i>		
Unemployment rate	4.9%	4.1%

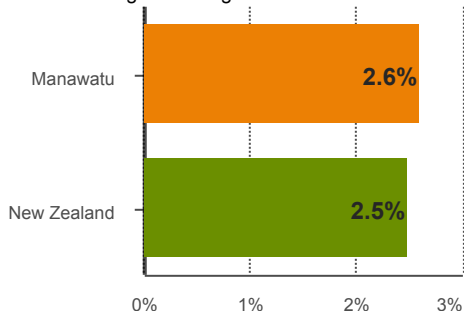
* Annual percentage change (latest quarter compared to a year earlier)

Overview of national economy

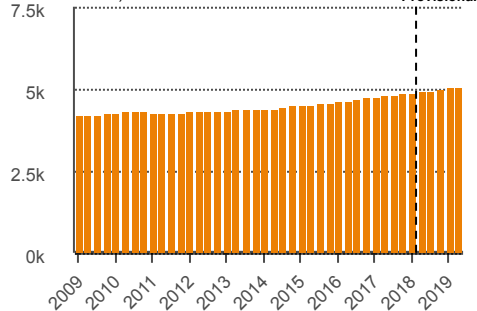
The New Zealand economy continues to perform well, but concerns are growing about the future, with a long, slow, slowdown expected over the next few years. The Reserve Bank's aggressive cut to the official cash rate (OCR) to 1.00% reflects a deteriorating economic outlook as both business and government investment remains poor, inflation remains low, and the employment outlook softens. With slowing population growth expected to eventuate before the end of the year, the focus turns to consumer spending and whether it can prop up economic growth, or if it too succumbs to global and domestic uncertainty.

Gross domestic product (provisional)

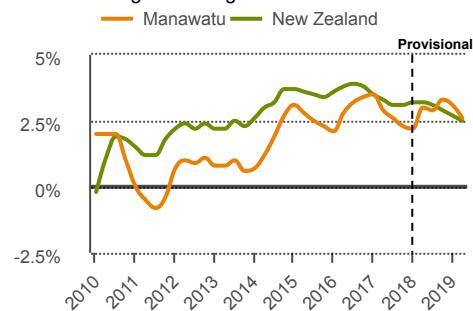
Gross domestic product growth (provisional)
Annual average % change Jun 18 - Jun 19



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



Gross domestic product growth (provisional)
Annual average % change



Highlights for Manawatu

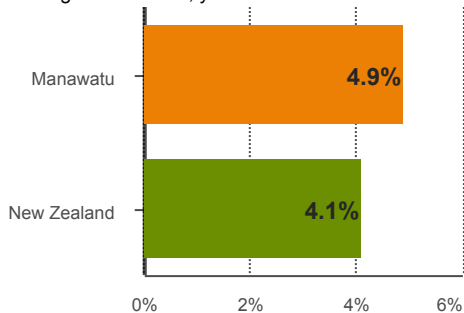
- GDP (provisional) in Manawatu was up 2.6% for the year to June 2019 compared to a year earlier. Growth was higher than in New Zealand (2.5%).
- GDP (provisional) was \$5,071 million in Manawatu for the year to June 2019 (2010 prices).
- Annual GDP growth in Manawatu peaked at 3.5% in the year to March 2017.

National overview

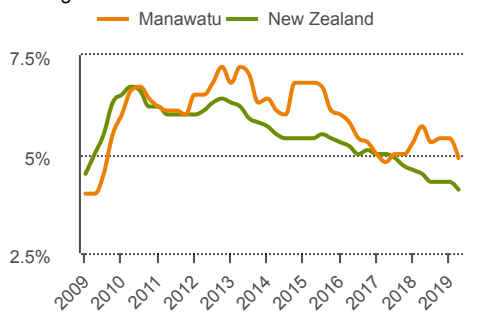
Provisional estimates from Infometrics show economic growth was steady in June, with the economy expanding by 2.5%pa over the 12 months to June 2019, although the future looks less positive. Growth expectations continue to soften as businesses and consumers show signs of lower spending and investment as global and domestic concerns increase. Increasingly sour global headlines highlight trade tensions in North America, Asia, and Europe, with global demand expected to soften, hitting New Zealand exports. Domestically, weak business investment remains of concern for future growth prospects, and government spending and investment remains slow to progress, with capital investment \$0.9b below forecast for the 11 months to May 2019.

Unemployment rate

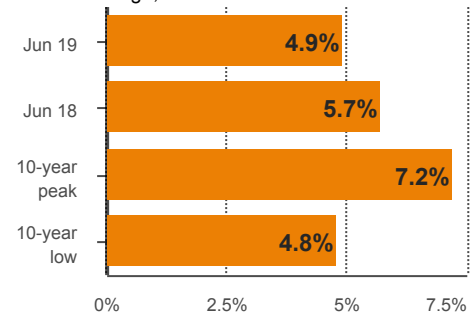
Unemployment rate
Average annual rate, year to June 2019



Unemployment rate
Average annual rate



Unemployment rate
Annual average, Manawatu



Highlights for Manawatu

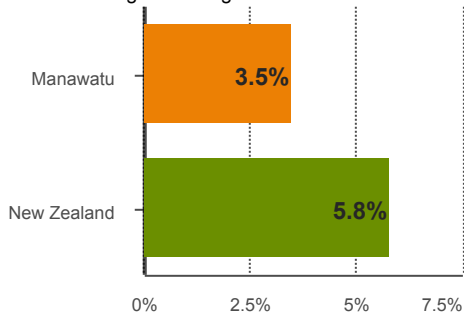
- The annual average unemployment rate in Manawatu was 4.9% in June 2019, down from 5.7% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.1% over the year to June 2019.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

National overview

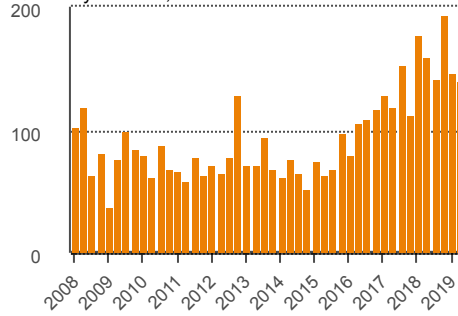
The unemployment rate dropped again in June, taking the annual average rate to 4.1% – the lowest since the GFC. The labour market remains tight, with competition for workers expected to remain strong over the next year. Employment growth was faster than expected in the June quarter as part-time employment recovered some of its losses from the previous six months. Labour cost inflation reached 2.1%pa, the fastest growth rate since December 2011 as a tighter labour market gives employees more bargaining power and the effects of the April 1 minimum wage increase showed through in lower-skilled wage growth.

Residential consents

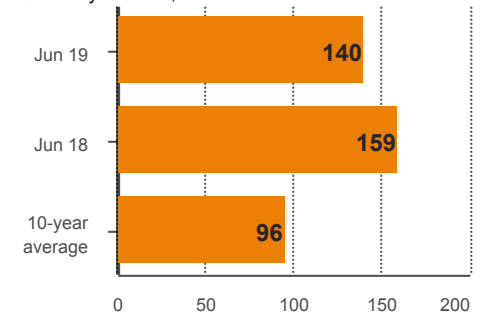
Growth in no. of new dwelling consents
Annual average % change Jun 18 - Jun 19



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

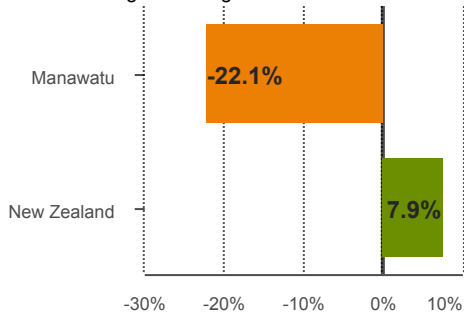
- A total of 140 new residential building consents were issued in Manawatu in the June 2019 quarter, compared with 159 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 3.5% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 5.8% over the same period.

National overview

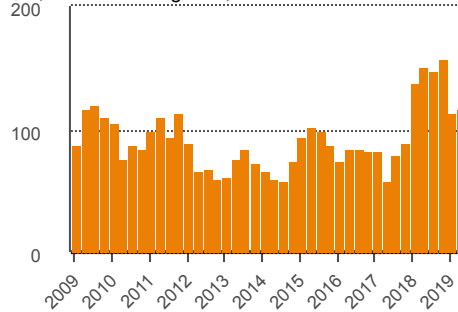
Residential building consents inched higher in the year to June 2019, up 5.8% to reach 34,700. Consents continue to grow on the back of strong housing demand and buoyant housing market (outside of Auckland). However, as the industry approaches capacity constraints across the country, the rate of growth is easing, down from a peak of 24.1% in the year to June 2014. Growth in standalone dwellings is minimal, with multi-unit dwellings leading the charge.

Non-residential consents

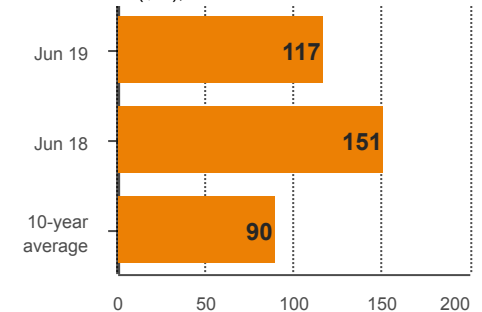
Growth in value of consents
Annual average % change Jun 18 - Jun 19



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 \$117 million were issued in Manawatu during the year to June 2019.
- The value of consents decreased by -22.1% over the year to June 2019. By comparison the value of consents in New Zealand increased by 7.9% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$157 million in the year to December 2018.

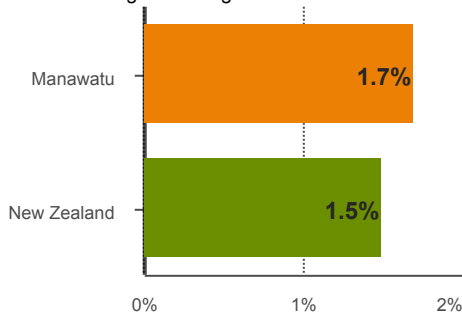
National overview

Non-residential consents grew strongly in the year to June 2019, up 7.9% to \$7.4 billion. However, further strong growth seems unlikely. Weak business confidence and low investment intentions are sapping strength from private sector consents, and we predict that declines in private sector work will be the dominant trend in overall activity during 2020 and 2021. Putting demand aside, the subsector has done well to grow its capacity to date, but growth beyond this seems unlikely.

Traffic flow

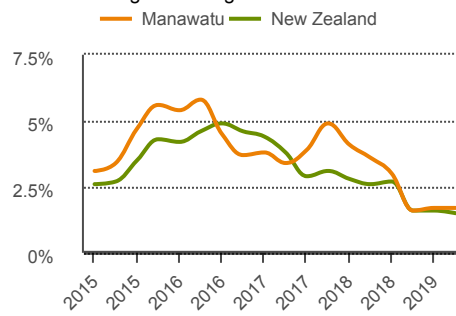
Annual change in traffic flows

Annual average % change Jun 18 - Jun 19



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu increased by 1.7% over the year to June 2019. This compares with an increase of 1.5% in New Zealand.

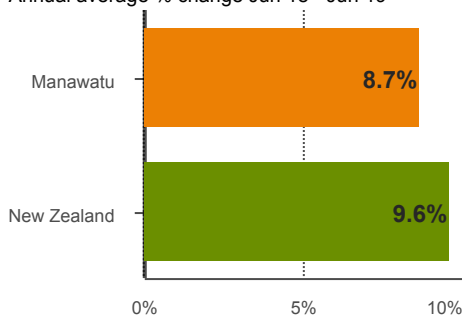
National overview

The growth in vehicle volumes on New Zealand's roads continue to soften, with traffic growth slowing back to 1.5%pa over the 12 months to June 2019. Slowing growth in vehicle activity on the roads highlights softer general activity in the economy, consistent with our expectations for slower economic growth. Gisborne saw strong growth over the past year, up 4.4%pa, while growth in traffic flows in Auckland remained constant at 0.8%pa. Traffic flows are also being held back by higher fuel prices, which have increased over 10c/l on average in the June 2019 quarter compared to March, due to oil supply concerns in the Middle East.

Jobseekers

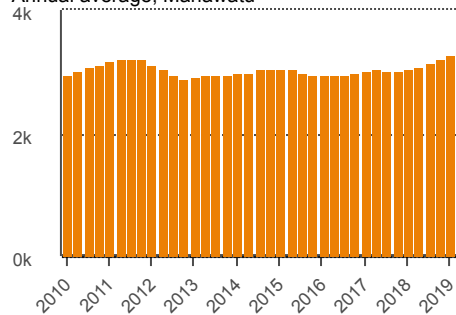
Annual change in Jobseekers

Annual average % change Jun 18 - Jun 19



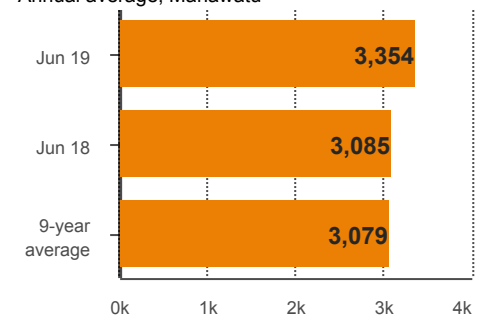
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

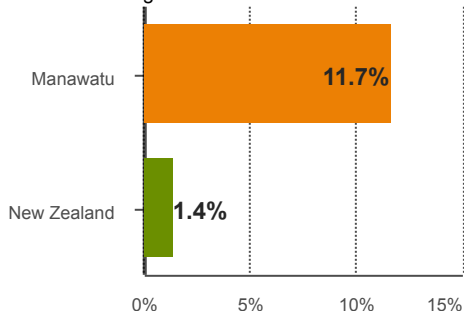
- Working age Jobseeker Support recipients in Manawatu in the year to June 2019 increased by 8.7% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 9.6%.
- An average of 3,354 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended June 2019. This compares with an average of 3,079 since the start of the series in 2010.

National overview

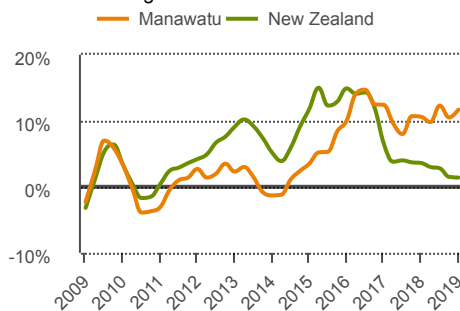
The number of Jobseeker Support recipients continues to increase, up 9.6%pa over the 12 months to June 2019. Strong growth in Jobseeker Support recipients is in stark contrast to the declining unemployment rate, which fell to 4.1% (annual average) in the June quarter. Government policy remains part of the reason for this divergence, with less stringent welfare policies increasing the number of people accessing Jobseeker Support. Part of the growth may also be attributed to more people not being actively engaging in the job market, or who are not work-ready, but are able to access support, with the number of people not in the labour force rising 3.8%pa in the June quarter.

House prices

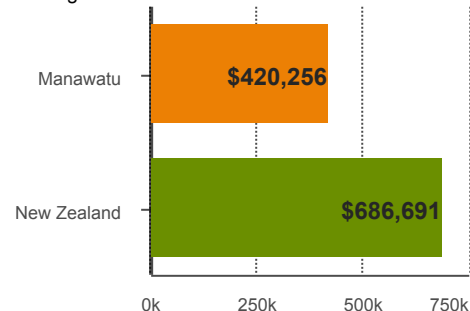
Annual change in house prices
Annual % change Jun 18 - Jun 19



House price growth
Annual % change



Average current house value
Average for 12 months to Jun 2019



Highlights for Manawatu

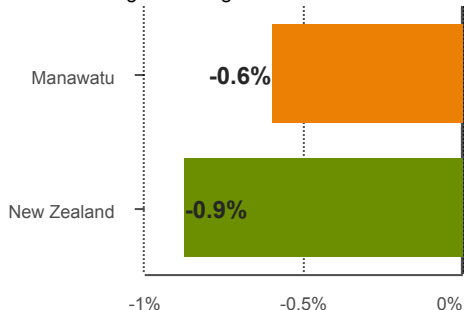
- The average current house value in Manawatu was up 11.7% in June 2019 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 1.4%.
- The average current house value was \$420,256 in Manawatu over the June 2019 year. This compares with \$686,691 in New Zealand.

National overview

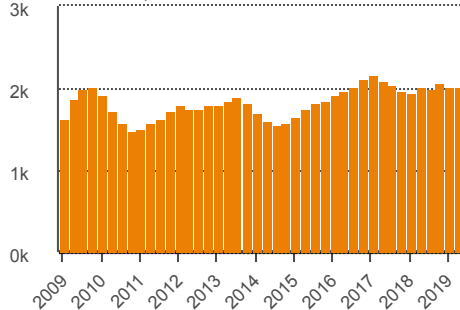
The dichotomy between the housing market in Auckland and the rest of the country continues. In the year to June 2019, values grew 1.4% nationally, but this was dragged down by a negative result in the supercity. Growth was solid across the rest of the country, with many regions into double-digit growth territory. Demand for housing seems to be constrained by its relative unaffordability, hence we haven't seen a dramatic effect from the abandonment of the plans for a capital gains tax and reduction in interest rates.

House sales

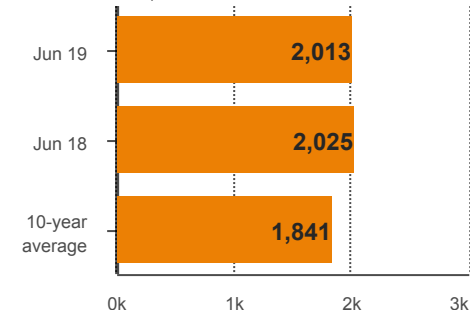
Annual change in house sales
Annual average % change Jun 18 - Jun 19



House sales
Annual number, Manawatu



House sales
Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to June 2019 decreased by 0.6% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 0.9%.
- A total of 2,013 houses were sold in Manawatu in the 12 months ended June 2019. This compares with the ten year average of 1,841.

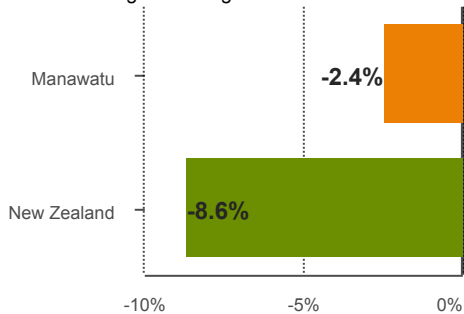
National overview

The number of houses sold has started to ease across the country, down by 0.9% nationally in the year to June 2019. Sales were down in most regions, with only weak growth in the remainder. Property investors have been discouraged by policy changes, such as the extended bright-line test, foreign buyer ban, healthy homes standards and ringfencing of rental losses. The abandonment of plans for a capital gains tax doesn't seem to have affected demand. For current and potential owner occupiers, continued unaffordability limits their participation in the market. Interest rate cuts earlier in the year don't seem to have affected sales, so we aren't holding our breath for an upswing after the August official cash rate cut.

Car registrations

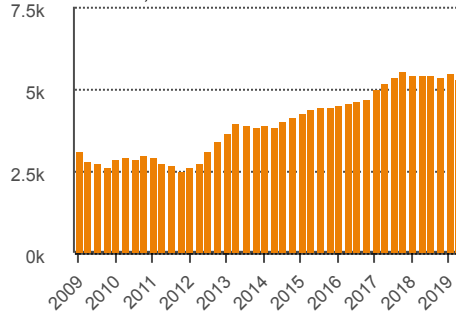
Car registrations

Annual average % change Jun 18 - Jun 19



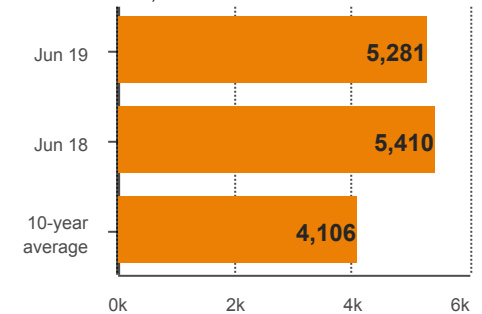
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu decreased by -2.4% in the year to June 2019 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -8.6%.
- A total of 5,281 cars were registered in Manawatu in the year to June 2019. This compares with the ten year average of 4,106.

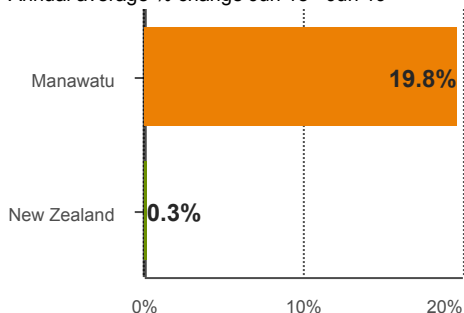
National overview

The decline in car registrations accelerated in the year to June 2019, down 8.6%. Used car registrations, especially for large used cars, are falling faster than new car registrations. Weak consumer confidence, softening employment prospects, and higher fuel prices are all combining to make consumers more cautious about making big purchases.

Commercial vehicle registrations

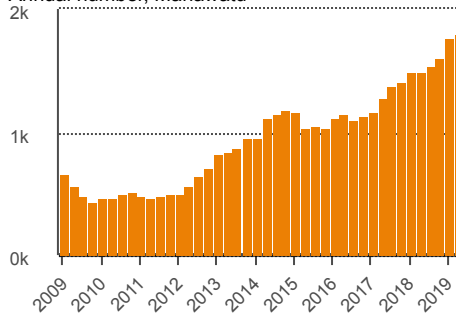
Commercial vehicle registrations

Annual average % change Jun 18 - Jun 19



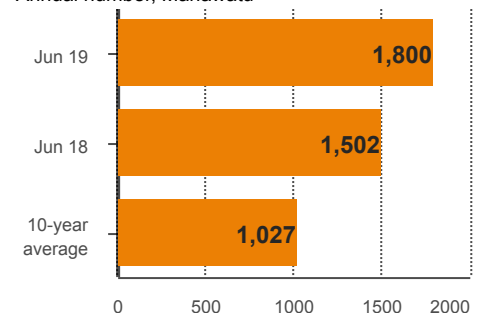
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 19.8% in the year to June 2019 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 0.3%.
- A total of 1,800 commercial vehicles were registered in Manawatu in the year to June 2019. This is higher than the ten year annual average of 1,027.

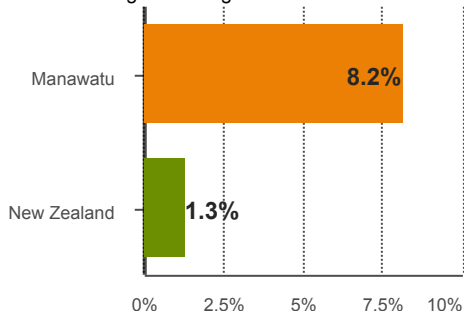
National overview

Commercial vehicle registrations edged up 0.3% in the year to June 2019. Registrations are at historically high levels and the strong domestic construction industry is maintaining demand for the movement of aggregates, timber and other construction products. However, poor business confidence and investment intentions continue to sap momentum out of the commercial vehicle market amid rising cost pressures and concern about export prospects in a weakening global economy beset by fears of a trade war.

Guest nights

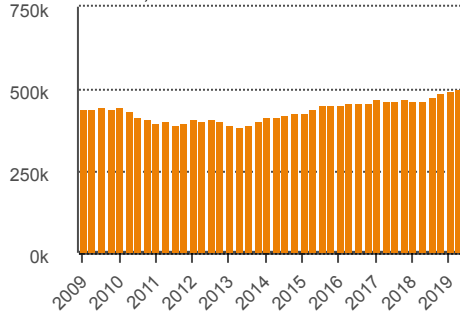
Guest nights

Annual average % change Jun 18 - Jun 19



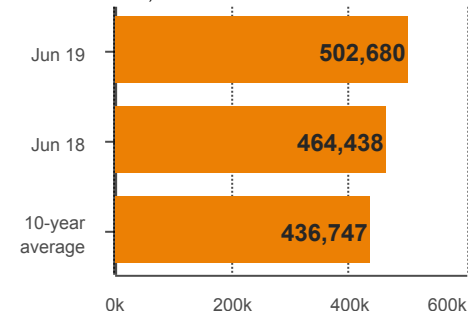
Guest nights

Annual number, Manawatu



Guest nights

Annual number, Manawatu



Highlights for Manawatu

- Total guest nights in Manawatu increased by 8.2% in the year to June 2019. This compares with an increase of 1.3% in New Zealand.
- Visitors stayed a total of 502,680 nights in Manawatu during the year to June 2019, which was up from 464,438 a year ago.

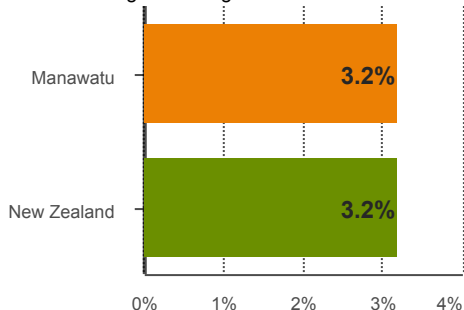
National overview

Guest nights have recovered some of their momentum, growing 1.3% over the 12 months to June 2019. Domestic guest nights remain strong, rising 4.0%. This growth is a little out of step with this year's weaker consumer confidence and consumer spending, and lukewarm domestic visitor spending growth, and suggests that Kiwis are still willing to go on vacation, albeit with tighter budgets. In contrast, international guest nights fell 2.1% over the 12 months to June 2019, the second consecutive period of negative growth since April 2013. A key driver of this fall in international guest nights was a decline in Chinese tourist arrivals of 6.2%pa in the 12 months to June 2019.

Tourism Spending

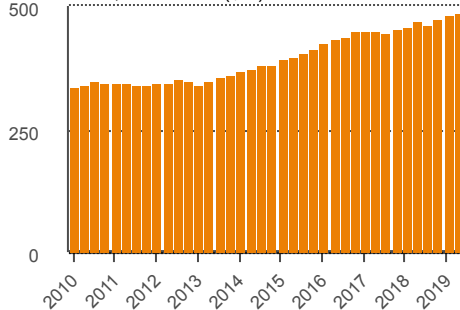
Tourism expenditure

Annual average % change Jun 18 - Jun 19



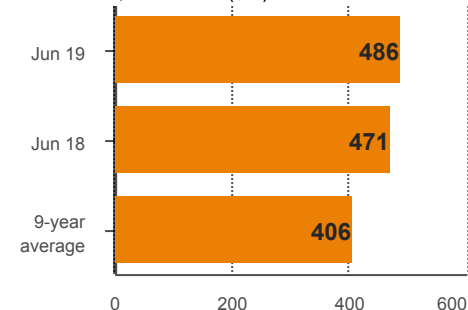
Tourism expenditure

Annual total, Manawatu (\$m)



Tourism expenditure

Annual total, Manawatu (\$m)



Highlights for Manawatu

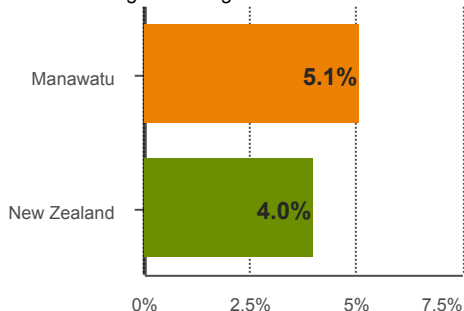
- Total tourism expenditure in Manawatu increased by 3.2% in the year to June 2019. This compares with an increase of 3.2% in New Zealand.
- Total tourism expenditure was approximately \$486m in Manawatu during the year to June 2019, which was up from \$471m a year ago.

National overview

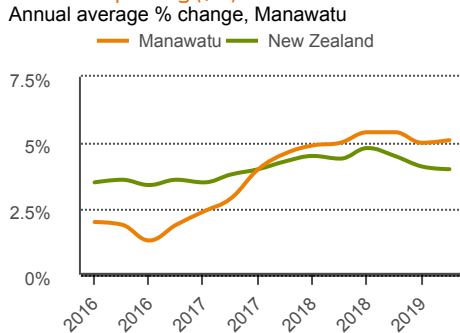
Visitor spending rose 3.2% in the June 2019 year, continuing 2019's tepid performance. Domestic visitor spending grew 2.3%, reflecting weak domestic consumer spending amid the prospect of a slowing domestic economy. International visitor spending rose 4.6%, led by 5.2% growth in spending by Australian tourists – our biggest market – and a 14% rise in spending by tourists from the US. Falling Chinese tourist arrivals continues to flow through to declines in spending by Chinese tourists, which fell 1.1% in the June 2019 year.

Consumer Spending

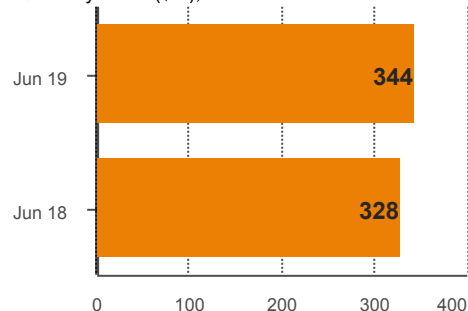
Growth in consumer spending
Annual average % change Jun 18 - Jun 19



Consumer spending (\$m)
Annual average % change, Manawatu



Consumer spending
Quarterly value (\$m), Manawatu



Highlights for Manawatu

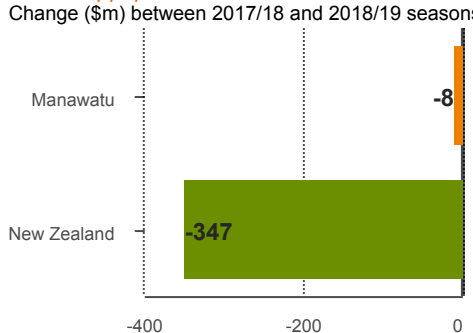
- Electronic card consumer spending in Manawatu, as measured by Marketview, increased by 5.1% over the year to June 2019 compared to the previous year. This compares with an increase of 4.0% in New Zealand.

National overview

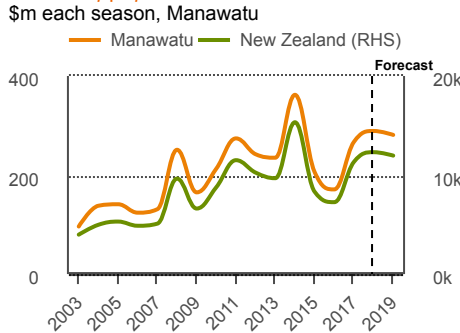
Consumers are continuing to increase their spending, but the underlying trend in growth appears to be softening. A slight easing in retail spending growth is not particularly concerning and had been expected as population growth is a key driver, and this has been slowing too. Spending growth is likely to continue easing as households keep a closer eye on their spending in the light of a softening economic outlook. Further easing of consumer spending is likely to weigh heavily on the outlook for GDP growth.

Total dairy payout

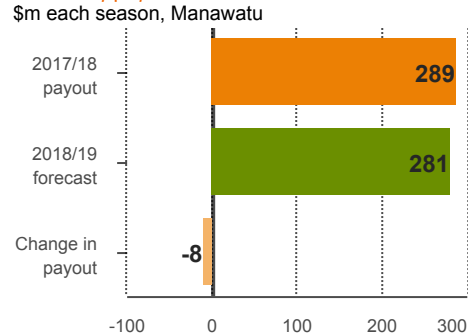
Total dairy payout
Change (\$m) between 2017/18 and 2018/19 seasons



Total dairy payout
\$m each season, Manawatu



Total dairy payout
\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2017/18 season is estimated to have been approximately \$289m.
- Manawatu's dairy payout for the 2018/19 season is expected to be approximately \$281m, \$8.16m lower 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 \$12,308m in the 2017/18 season, and is expected to be \$347m lower in the 2018/19 season.

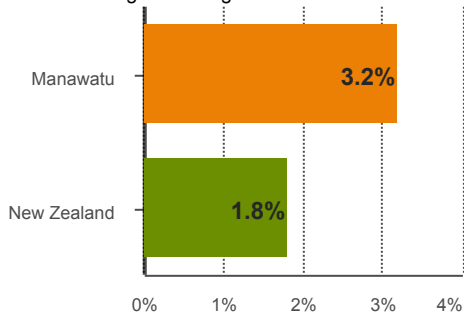
National overview

Guidance for the farmgate milk price remains unchanged from our last update, with Fonterra forecasting a pay-out between \$6.30-\$6.40/kgms. The final pay-out will be announced in September, but Fonterra has recently announced a \$590-\$675m loss for the financial year and will pay no dividend due to the poor outlook for some investments. Recent GlobalDairyTrade auctions, and analyst's forecasts, highlight that the farmgate milk price is currently expected to be closer to the top end of the \$6.25-\$7.25/kgms forecast pay-out for the 19/20 season. Although milk production volumes ended the 18/19 season up 2.2%pa we don't expect the same growth to be repeated in the current season.

Health Enrolments

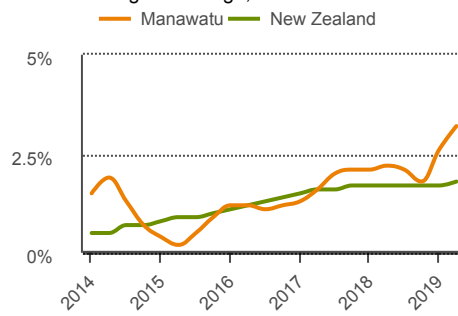
Annual change in Health enrolments

Annual average % change Jun 18 - Jun 19



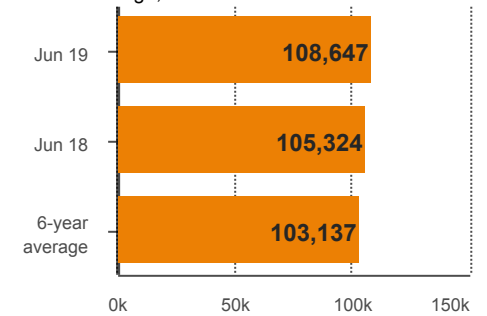
Health enrolments

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 June 2019 increased by 3.2% compared with the previous year. Growth was higher relative to New Zealand, where the number of enrolments increased by 1.8%.
- An average of 108,647 people were enrolled with primary healthcare providers in Manawatu in the 12 months ended June 2019. This compares with an average of 103,137 since the start of the series in 2013.

National overview

The number of health enrolments grew 1.8%pa over the 12 months to June 2019. Over the same period, the estimated national population grew by 1.6%pa according to Statistics New Zealand. The population continues to grow at a steady pace, with an increase of 83,000 people enrolled at a primary health organisation over the 12-month period. Higher population growth highlights the potential for more economic development, with more resources needed to provide goods and services for additional people. In the absence of quarterly insights to changes in local populations, health enrolments provide an accessible and easily understood metric for evaluating where the population is heading.

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.

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.

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.

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.

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.

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)

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.