

Overview of Manawatu

Manawatu is enjoying unprecedented economic growth supported by a strong primary sector, solid consumer spending and population growth. Infometrics provisionally estimates that GDP grew 3.4% in the September 2018 year, well ahead of 2.9% growth nationally.

Both lamb and beef prices remained high in the September quarter, the forestry sector is in a strong position and dairy farmers are expected to remain in the black this year. Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.25-\$6.50/kgms, above Dairy NZ's estimates of the breakeven point for the average dairy farmer, which currently sits at \$5.50/kgms. Infometrics estimates that the region's dairy farmers received a \$290m payout for the 2017/18 season, an 8.6% increase on last year.

The strong primary sector and rising levels of construction activity are taking commercial vehicle registrations to unprecedented highs, growing 12% in the September 2018 year, ahead of the 2.3% national average. Electronic card spending on retail purchases grew 5.1% in the September 2018 year, compared with the national average of 4.8%. Tourism expenditure grew 4.3%, slightly below 8.2% nationally. Commercial guest nights in the region grew 2.4% to 476,000 in the September 2018 year.

House sales fell slightly in the September 2018 year. They are high by the standards of the past 8 years, but a little off their peak of last year. It is the same story for net international migration which remains strong but is starting to taper off and should take some of the heat out of the housing market.

House price inflation rose again in the September 2018 year. House prices grew 12% following a period of softening growth. However, residential consents remain high which should help moderate price growth going into 2019.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↑ 3.4%	↑ 2.9%
Traffic flow	↑ 3.0%	↑ 3.9%
Residential consents	↑ 14%	↑ 5.4%
Non-residential consents	↑ 85%	↑ 4.9%
House prices*	↑ 12%	↑ 8.4%
House sales	↓ -1.5%	↓ -0.6%
Guest nights	↑ 2.4%	↑ 2.7%
Retail trade	↑ 5.1%	↑ 4.8%
Car registrations	↑ 1.0%	↓ -1.7%
Commercial vehicle registrations	↑ 12%	↑ 2.3%
Jobseeker Support recipients	↑ 4.5%	↑ 2.2%
Tourism expenditure	↑ 4.3%	↑ 8.2%

<i>Level</i>		
Unemployment rate	5.3%	4.3%
International net migration	724	62,735

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

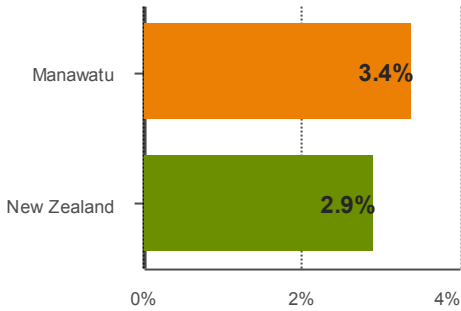
Overview of national economy

We've revised up our forecasts of economic growth. It's not a big change – our growth projection for the year to June 2019 has lifted from 2.7% to 2.9%. But it's an upward revision and so is at odds with the air of despair being generated by negative business and consumer confidence surveys. Better economic growth in the near term is largely about government spending. Aside from government spending, the other major upward revision is the export outlook. Export prices are at their highest level since 2014 in NZ dollar terms.

Gross domestic product

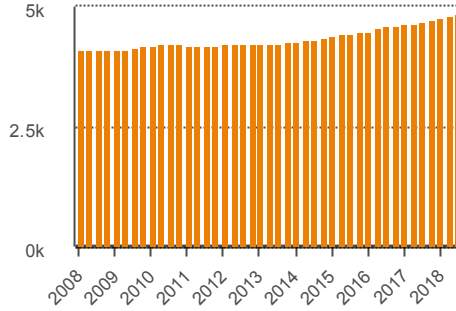
Gross domestic product growth

Annual average % change Sep 17 - Sep 18



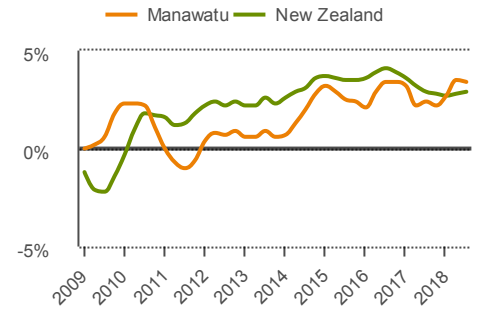
Gross domestic product (\$m)

Annual level, Manawatu



Gross domestic product growth

Annual average % change



Highlights for Manawatu

- GDP in Manawatu was up 3.4% for the year to September 2018 compared to a year earlier. Growth was higher than in New Zealand (2.9%).
- GDP was \$4,888 million in Manawatu for the year to September 2018 (2010 prices).
- Annual GDP growth in Manawatu peaked at 3.5% in the year to June 2018.

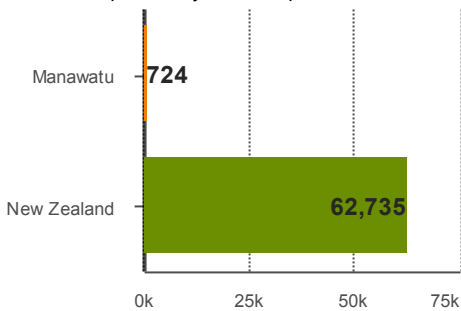
National overview

Infometrics provisionally estimates that GDP grew by 2.9% over the September 2018 year, the same as the rate of growth recorded the previous year. Although weak business confidence has grabbed the headlines, businesses have been surprisingly bullish in their hiring and investment behaviour against a backdrop of strong production across most industries. Businesses have been wary to raise prices over recent years, but with cost pressures beginning to squeeze profitability, pricing intentions have begun to push up.

International net migration

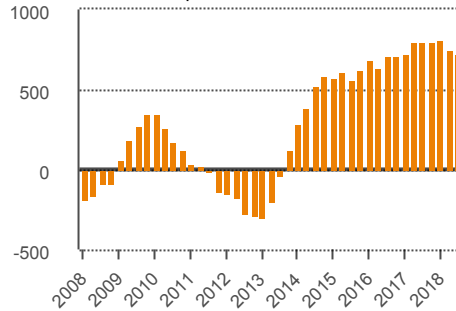
Net migration

Number of persons, year to September 2018



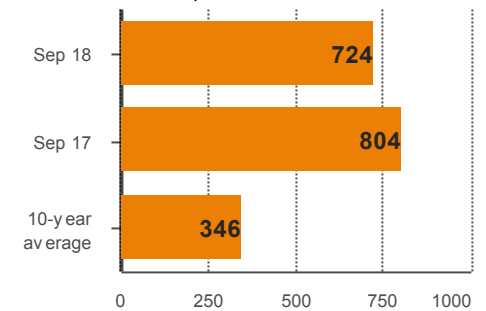
Net migration

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 724 persons in the year to September 2018. This compares with a gain of 804 a year ago, and a ten year average of 346 (gain).
- New Zealand's annual net migration decreased to 62,735 from 70,983 a year ago.

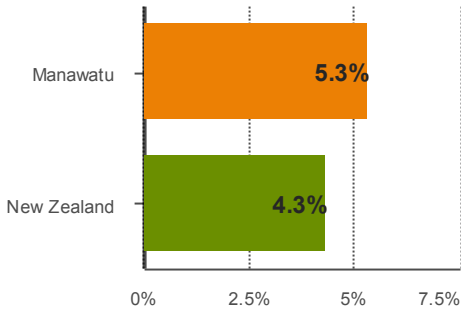
National overview

Annual net migration slipped again to a new three-year low of 62,733 in the 12 months to September 2018. Rising departures had the biggest impact, up 9.3% on the previous year, while arrivals fell 2.0%. Non-New Zealand citizens were responsible for most of the rise in departures. Annual net outflows to Australia have increased again to 1,575 and are now at their highest level since mid-2015. This is despite New Zealand's unemployment rate being lower than Australia's. Net migration will continue on its downward trajectory in 2019 and 2020, the key question being when, and at what level, it will bottom out.

Unemployment rate

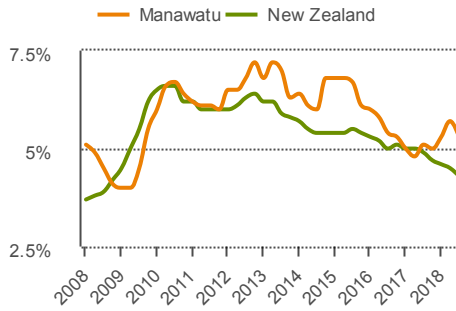
Unemployment rate

Average annual rate, year to September 2018



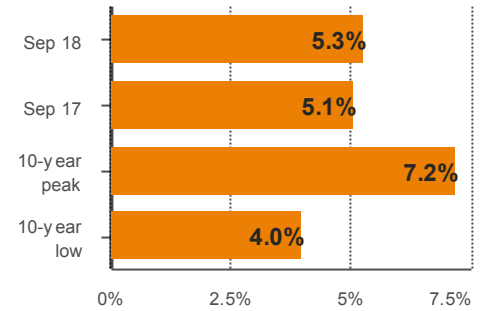
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Manawatu



Highlights for Manawatu

- The annual average unemployment rate in Manawatu was 5.3% in September 2018, up from 5.1% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.3% over the year to September 2018.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

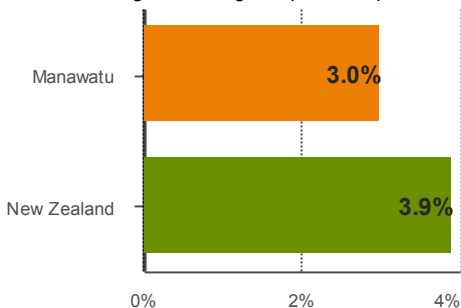
National overview

The unemployment rate fell below 4% in the September quarter for the first time since 2008. Over the past year, the unemployment rate has averaged 4.3%, compared to 4.9% the previous year. The strong labour market is putting pressure on private sector wages. However, overall wage inflation is being stymied by subdued growth in public sector wages. In September, private sector ordinary time hourly earnings grew 3.6% on a year ago – the fourth consecutive quarter that it's been above 3.0%. In contrast, September's public sector ordinary time hourly earnings were up just 1.6% on a year ago. Overall, ordinary time hourly earnings grew 2.3% from a year ago, and labour costs were up 1.8%. With the wage settlement for nurses yet to appear in wage packets and the wage settlement for teachers still to be negotiated, we are expecting an uptick in public sector wages in the coming year.

Traffic flow

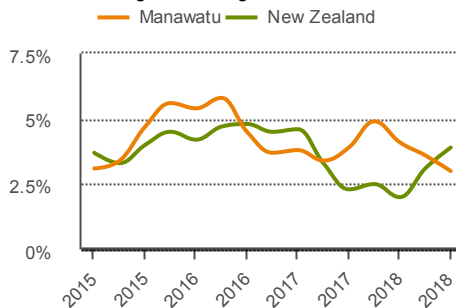
Annual change in traffic flows

Annual average % change Sep 17 - Sep 18



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu increased by 3.0% over the year to September 2018. This compares with an increase of 3.9% in New Zealand.

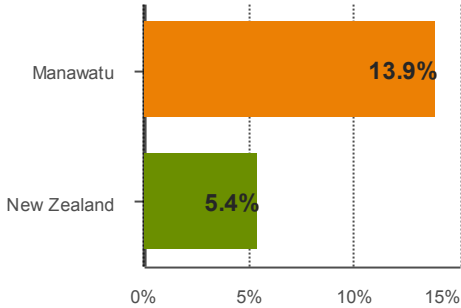
National overview

Traffic flows in the September 2018 year rose 3.9% from the previous year. Traffic flows in the North Island are growing most rapidly in Taranaki, Bay of Plenty, Wellington and Northland. In the South Island growth is strongest in Marlborough, while Otago and Canterbury are also growing above the national average. Higher fuel prices are likely to moderate the pace of growth over the summer season, but this trend will be offset somewhat by better employment prospects boosting household incomes.

Residential consents

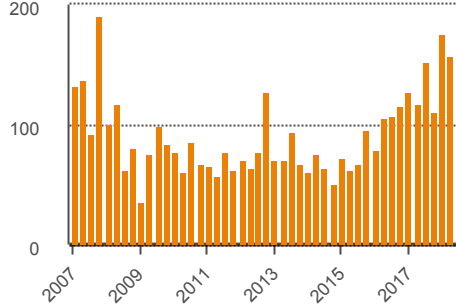
Growth in no. of new dwelling consents

Annual average % change Sep 17 - Sep 18



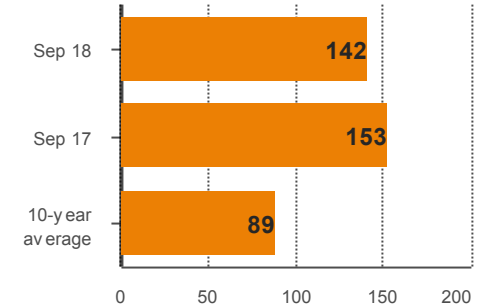
Residential consents

Quarterly number, Manawatu



Number of new dwelling consents

Quarterly number, Manawatu



Highlights for Manawatu

- A total of 142 new residential building consents were issued in Manawatu in the September 2018 quarter, compared with 153 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 14% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 5.4% over the same period.

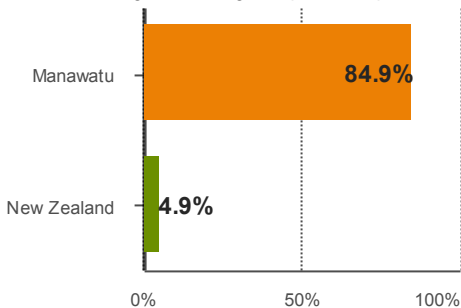
National overview

Growth in new dwelling consents slowed during the middle of 2018 and we expect consent growth to slow further over the next few quarters. Slowing house price inflation and signs of an oversupply in some regions set to limit new residential construction. Further growth in activity in Auckland will be limited by constraints across a range of factors, including labour, land, finance, and infrastructure. Nevertheless, the pre-existing undersupply of housing in Auckland will ensure consent numbers in the region hold at a high level, thereby limiting the total fall in nationwide activity. The government's KiwiBuild programme might also put something of a floor under activity over the next three years, with the crown's financial backing assisting some developments to go ahead even as market conditions become more difficult for developers.

Non-residential consents

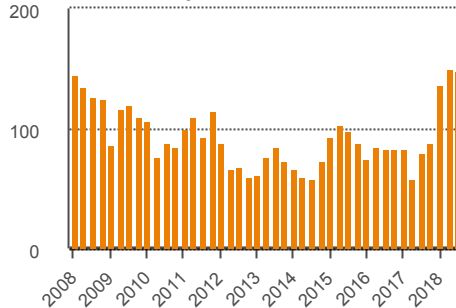
Growth in value of consents

Annual average % change Sep 17 - Sep 18



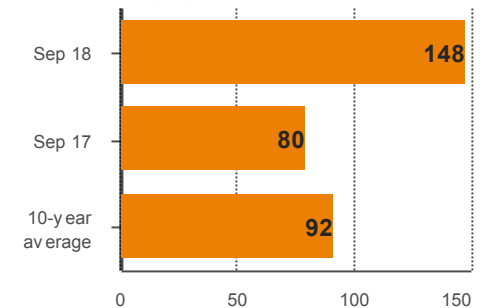
Non-residential consents, Manawatu

\$m, annual running total, Manawatu



Value of non-residential consents

Annual value (\$m), Manawatu



Highlights for Manawatu

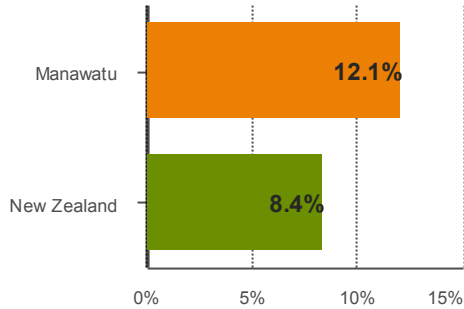
- Non-residential building consents to the value of \$148 million were issued in Manawatu during the year to September 2018.
- The value of consents increased by 85% over the year to September 2018. By comparison the value of consents in New Zealand increased by 4.9% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$151 million in the year to June 2018.

National overview

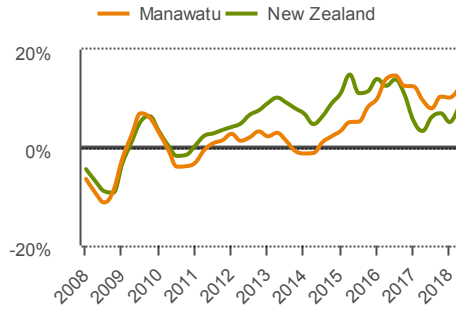
The value of non-residential building consents in the September 2018 quarter was 8.6% below its level from a year earlier, holding growth over the 12 months to September to just 4.9%pa. With capacity constraints causing cost blowouts and delays, we're not surprised by the limited growth in new non-residential consents. We think that Ebert Construction's liquidation may pose a constraint to new non-residential consents coming through around the country, particularly in Auckland. With Ebert dropping out of the game and Fletcher Building and Hawkins limiting their exposure, developers will likely encounter more difficulty getting construction firms to take on large projects.

House prices

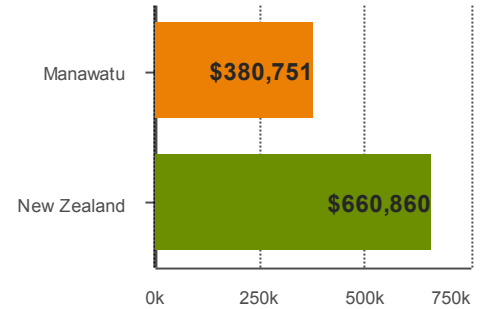
Annual change in house prices
Annual % change Sep 17 - Sep 18



House price growth
Annual % change



Average current house value
Average for 12 months to Sep 2018



Highlights for Manawatu

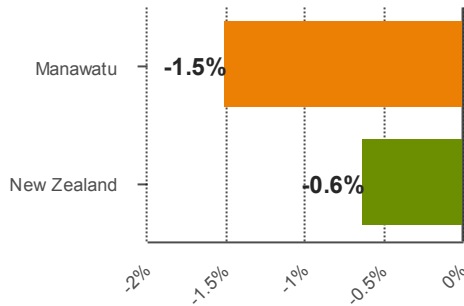
- The average current house value in Manawatu was up 12% in September 2018 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 8.4%.
- The average current house value was \$380,751 in Manawatu over the September 2018 year. This compares with \$660,860 in New Zealand.

National overview

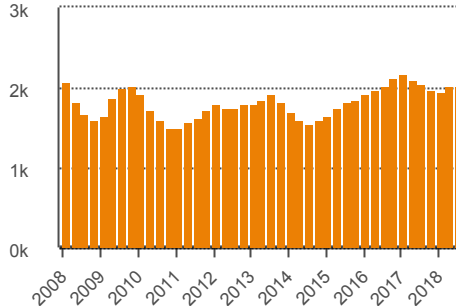
House prices showed greater signs of life in September, with prices across the country up 8.3% from the year before. Prices in Auckland rose slightly in September, inching up 1.1% from September 2017, while price growth outside of Auckland was stronger, particularly in the lower North Island. House prices outside Auckland are going through the final stages of a “catch-up” phase, as the final waves of Auckland’s housing boom ripple throughout the rest of the country. Even with a solid outlook for economic growth, we expect house price inflation in provincial areas to cool throughout the next year as buyer demand softens in response to higher house-price-to-income ratios, slowing population growth, and tighter government regulations on investors. At a nationwide level, house prices are forecast to fall up to 5.0% during 2019 and 2020 as strong residential construction activity sees any shortages of housing rectified in most areas outside Auckland.

House sales

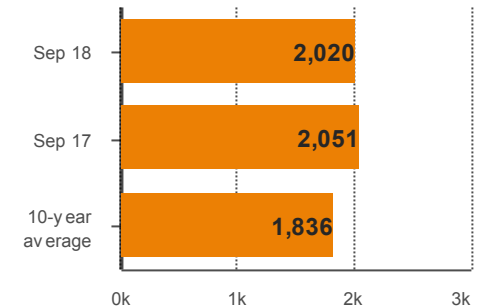
Annual change in house sales
Annual average % change Sep 17 - Sep 18



House sales
Annual number, Manawatu



House sales
Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to September 2018 decreased by 1.5% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 0.6%.
- A total of 2,020 houses were sold in Manawatu in the 12 months ended September 2018. This compares with the ten year average of 1,836.

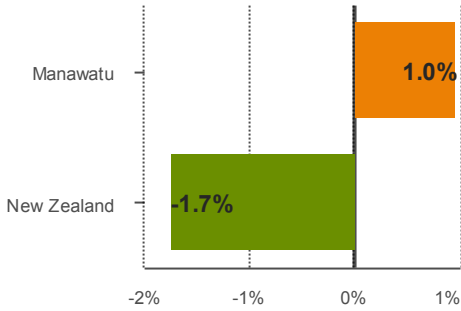
National overview

House sales in the September year were down 0.6% from a year earlier. The government’s extension of the bright-line test for capital gains on investment properties to five years, alongside restrictions on foreign buyers implemented at the end of August, will result in renewed downward pressure on house sales volumes in the near term. Recent downward revisions to fixed mortgage rates are likely to see house sales begin rising again in 2019.

Car registrations

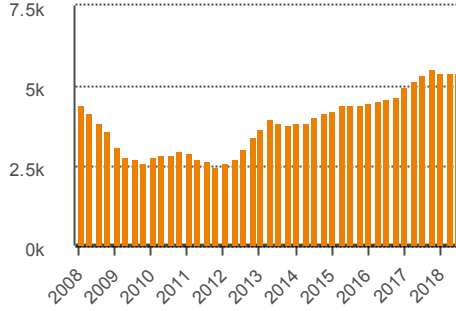
Car registrations

Annual average % change Sep 17 - Sep 18



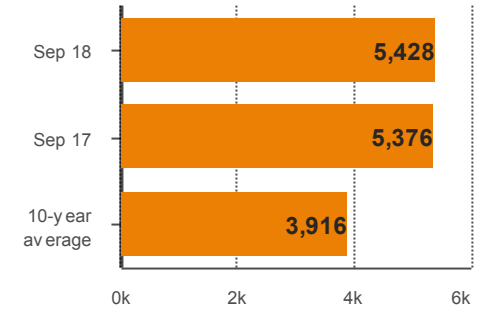
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu increased by 1.0% in the year to September 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -1.7%.
- A total of 5,428 cars were registered in Manawatu in the year to September 2018. This compares with the ten year average of 3,916.

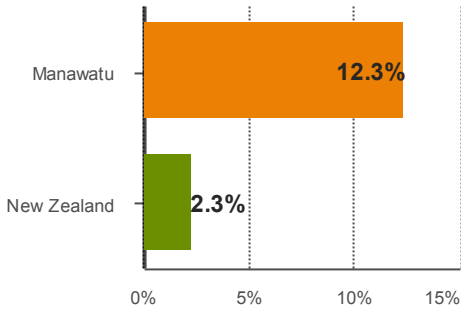
National overview

Car sales eased 1.7% over the September 2018 year. Lacklustre household confidence and the slowdown in processing cars due to stinkbugs continued to weigh on the used car category, capping off a less rosy view of the car market. New car sales over the September year were also held down by fewer rental car sales entering the fleet, as visitor arrivals growth has slowed. Improving employment prospects will slow the downward slide in car sales over the coming months, with higher fuel prices pushing demand towards smaller vehicles.

Commercial vehicle registrations

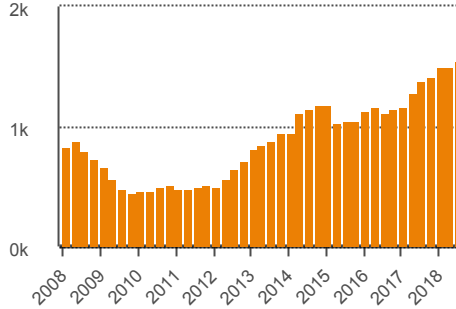
Commercial vehicle registrations

Annual average % change Sep 17 - Sep 18



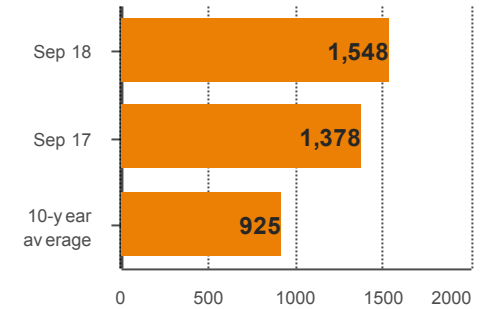
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 12% in the year to September 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 2.3%.
- A total of 1,548 commercial vehicles were registered in Manawatu in the year to September 2018. This is higher than the ten year annual average of 925.

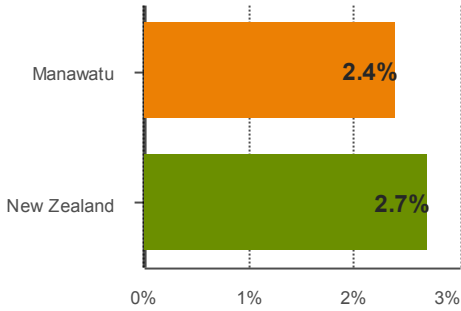
National overview

Commercial vehicle sales rose 2.3% over the September 2018 year. High export volumes have helped keep a floor under heavy commercial vehicle sales. Underpinning export growth are a favourable exchange rate and strong export commodity prices. Light commercial vehicle sales showed some weakness in September, but data from October has shown them bouncing back to their highest October figure since records began in 1989!

Guest nights

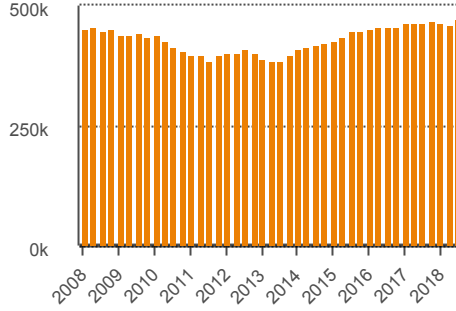
Guest nights

Annual average % change Sep 17 - Sep 18



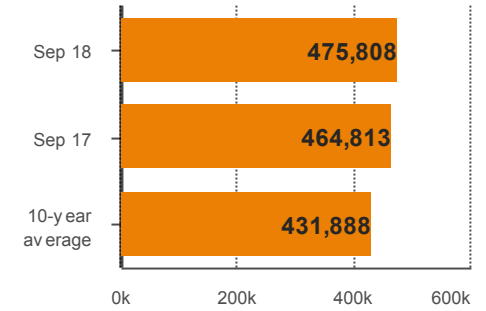
Guest nights

Annual number, Manawatu



Guest nights

Annual number, Manawatu



Highlights for Manawatu

- Total guest nights in Manawatu increased by 2.4% in the year to September 2018. This compares with an increase of 2.7% in New Zealand.
- Visitors stayed a total of 475,808 nights in Manawatu during the year to September 2018, which was up from 464,813 a year ago.

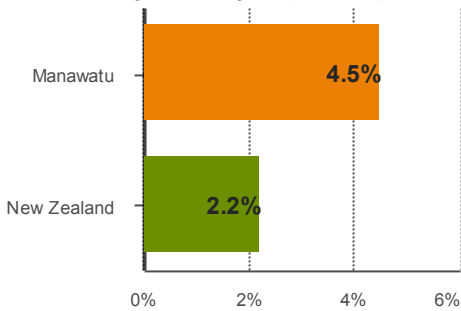
National overview

The number of guest nights in commercial accommodation in the September 2018 year were a record 40.1m, up 2.7% from a year earlier. Although international visitor guest nights over the period were 3.3% higher than a year ago, a weak result during July means that their annual running total is slightly below its June year level (17.5m vs 17.6m). Domestic guest nights over the September year climbed 2.1% to 22.5m. Visitor arrivals to New Zealand are expected to rise moderately over the coming months, but there are still some downside risks posed by recent downward revisions to global economic growth. A 10%+ increase in petrol prices over the past year may limit the willingness of New Zealanders to take weekend getaways over the coming months.

Jobseekers

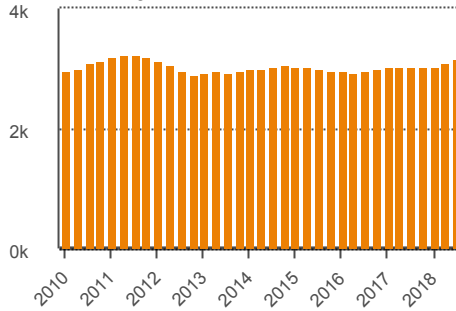
Annual change in Jobseekers

Annual average % change Sep 17 - Sep 18



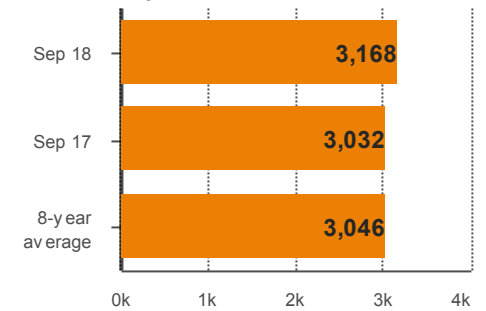
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

- Working age Jobseeker Support recipients in Manawatu in the year to September 2018 increased by 4.5% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 2.2%.
- An average of 3,168 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended September 2018. This compares with an average of 3,046 since the start of the series in 2010.

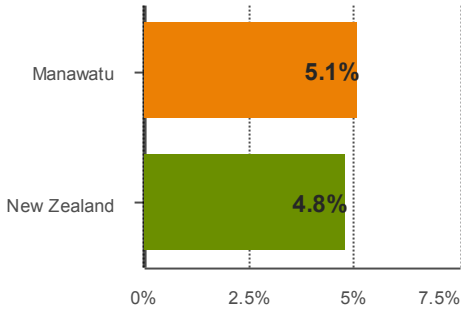
National overview

There has been a surprise increase in the average number of people receiving Jobseeker Support over recent quarters, despite strong growth in employment demand. Part-time employment grew rapidly during the September quarter, owing to a large increase in the size of 15-24 age bracket participating in the workforce, while full-time employment growth is also still growing at a healthy rate.

Retail trade

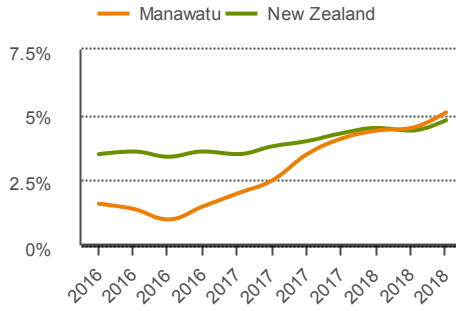
Growth in retail sales

Annual average % change Sep 17 - Sep 18



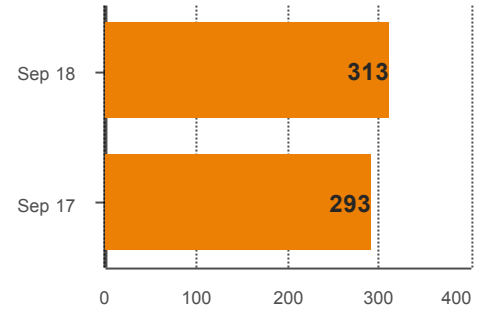
Retail sales (\$m)

Annual average % change, Manawatu



Retail sales

Quarterly value (\$m), Manawatu



Highlights for Manawatu

- Electronic card retail spending in Manawatu, as measured by Marketview, increased by 5.1% over the year to September 2018 compared to the previous year. This compares with an increase of 4.8% in New Zealand.

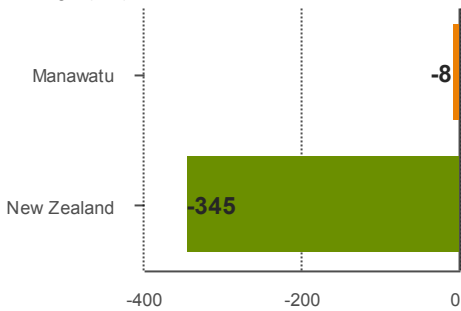
National overview

Electronic card data from Marketview shows that retail spending climbed 4.8% over the September 2018 year, up from 4.4%pa growth in June. In keeping with many other indicators, spending growth was most rapid in the provinces, with Northland, Gisborne, Hawke's Bay, Manawatu-Whanganui, Marlborough, West Coast, and Otago leading the way. Spending growth was more sluggish in the main urban areas. Auckland, Canterbury, and Wellington all lagged the national average.

Total dairy payout

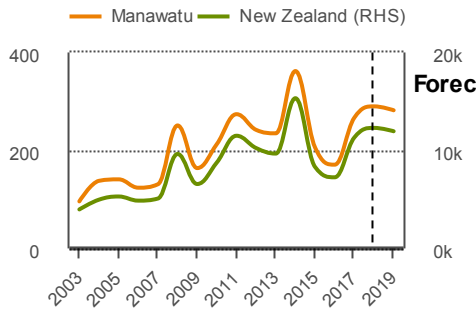
Total dairy payout

Change (\$m) between 2017/18 and 2018/19 season



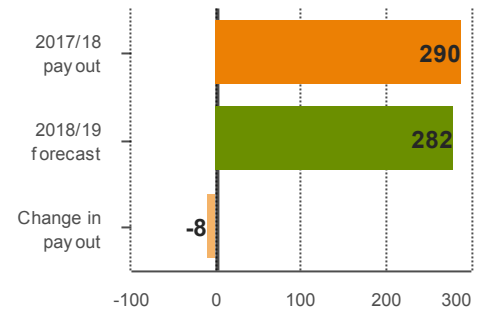
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2017/18 season is estimated to have been approximately \$290m.
- Manawatu's dairy payout for the 2018/19 season is expected to be approximately \$282m, \$8.13m 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 \$12,304m in the 2017/18 season, and is expected to be \$345m lower in the 2018/19 season.

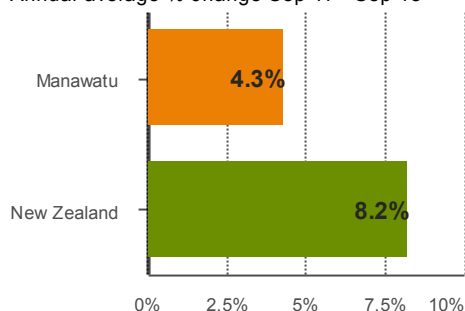
National overview

Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.25-\$6.50/kgms, a level that is in line with pricing at recent dairy auctions. If the payout ends the season in the midpoint of this band, and milk production grows by 2%, then the total dairy payout will be approximately \$12.0bn, compared to \$12.3bn the previous year. At these levels, dairy farmers remain in the black, with Dairy NZ's estimates of the breakeven point for the average dairy farmer sitting at \$5.50/kgms. Nevertheless, recent falls to dairy auction prices and lingering concerns regarding Mycoplasma bovis will continue to weigh on farmers' willingness to make major purchases.

Tourism Spending

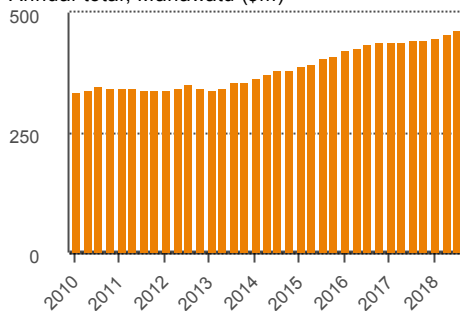
Tourism expenditure

Annual average % change Sep 17 - Sep 18



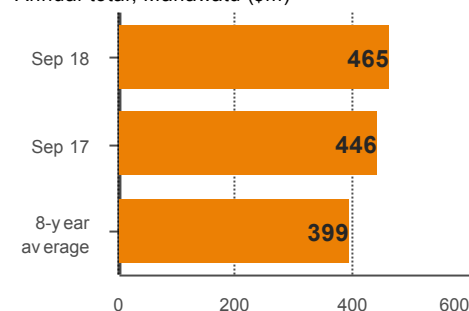
Tourism expenditure

Annual total, Manawatu (\$m)



Tourism expenditure

Annual total, Manawatu (\$m)



Highlights for Manawatu

- Total tourism expenditure in Manawatu increased by 4.3% in the year to September 2018. This compares with an increase of 8.2% in New Zealand.
- Total tourism expenditure was approximately \$465m in Manawatu during the year to September 2018, which was up from \$446m a year ago.

National overview

Visitor spending in the September year totalled \$29.1bn, up from \$26.9bn a year earlier. Growth was split by both international and domestic visitors. Domestic visitor spending was the key contributor to growth, up \$1.2bn to \$17.3bn, while international visitor spending rose \$1.0bn to \$11.8bn. Although higher fuel prices were one contributor to this growth, all other categories of spending on hospitality, accommodation, retail, activities, and transport rose significantly. The New Zealand dollar's significant depreciation over the past six months will boost budgets of visitors to New Zealand this summer season.

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)

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.