

Overview of Manawatu

Manawatu continues to enjoy a strong economic performance on the back of buoyant consumer spending and a healthy primary sector. However, a dip in population growth at the back end of 2018 may signal weaker economic growth is ahead.

Infometrics' provisional GDP growth estimate for the region was 3.2% in the December 2018 year next to a national average of 2.7%. Growth in electronic card spending on retail purchases in the region accelerated to 5.4% in the December 2018 year compared with 4.5% nationally - the third consecutive quarter that consumer spending growth in the region has been above the national average.

Both lamb and beef prices remained high in the December quarter, the forestry sector is in a strong position and Manawatu dairy farmers received a payout of \$289m in 2018, well up on \$267m in 2017. The payout in 2019 is expected to soften to \$271m.

We have recently begun using enrolments at primary health providers as a timely proxy for population growth. In the December 2018 year population growth in the region fell to 1.2%, well down on 2.6% growth in the December 2017 year.

House price inflation refuses to weaken, bucking the national trend. House prices in the region grew 10% in the December 2018 year compared with just 2.3% growth nationally. Building consents in the region were also very strong in 2018 which should keep the region's construction sector busy going into 2019. Residential consents grew a whopping 31% in the December 2018 year compared with 6.1% growth nationally. Non-residential consents in the region grew 77% in the December 2018 year to reach an unprecedented \$157m.

The region's unemployment rate averaged 5.4% in the December 2018 year, compared with 4.3% nationally.

Indicator	Manawatu		New Zealand	
<i>Annual average % change</i>				
Gross domestic product	↑	3.2%	↑	2.7%
Traffic flow	↑	1.6%	↑	2.7%
Health Enrolments	↑	1.2%	↑	1.9%
Consumer spending	↑	5.4%	↑	4.5%
Residential consents	↑	31%	↑	6.1%
Non-residential consents	↑	77%	↑	9.0%
House prices*	↑	10%	↑	2.3%
House sales	↑	3.7%	↑	3.1%
Guest nights	↑	3.8%	↑	2.3%
Tourism expenditure	↑	4.2%	↑	4.3%
Car registrations	↓	-3.2%	↓	-6.7%
Commercial vehicle registrations	↑	14%	↑	1.6%
Jobseeker Support recipients	↑	6.2%	↑	4.8%
Level				
Unemployment rate		5.4%		4.3%

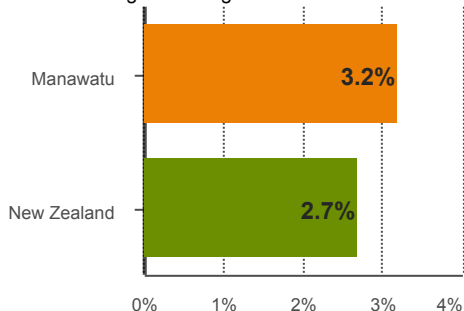
* Annual percentage change (latest quarter compared to a year earlier)

Overview of national economy

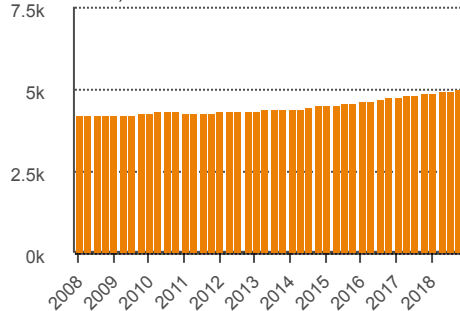
Throughout 2018, business confidence indicators suggested the New Zealand economy was going to crash and burn. But although growth slowed slightly, there were no other signs we were staring down the barrel of a full-blown recession. Looking to 2019, New Zealand's domestic economy remains in a similar position to 12 months ago: prospects of middling growth, somewhat hampered by capacity constraints and a tight labour market, and with some of the biggest potential shifts being driven by government policies (such as migration or the housing market). In contrast to this largely unchanged domestic picture, many question marks have appeared during the last year over the international economic environment.

Gross domestic product (provisional)

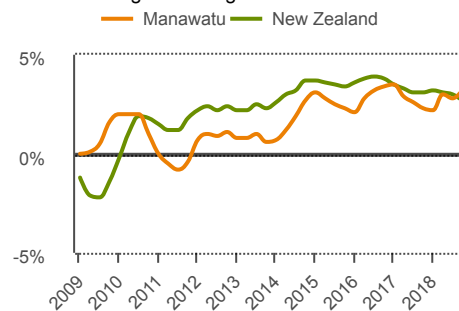
Gross domestic product growth (provisional)
Annual average % change Dec 17 - Dec 18



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



Gross domestic product growth (provisional)
Annual average % change



Highlights for Manawatu

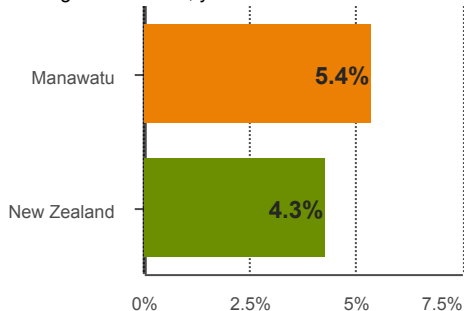
- GDP (provisional) in Manawatu was up 3.2% for the year to December 2018 compared to a year earlier. Growth was higher than in New Zealand (2.7%).
- GDP (provisional) was \$5,011 million in Manawatu for the year to December 2018 (2010 prices).
- Annual GDP growth in Manawatu peaked at 3.5% in the year to March 2017.

National overview

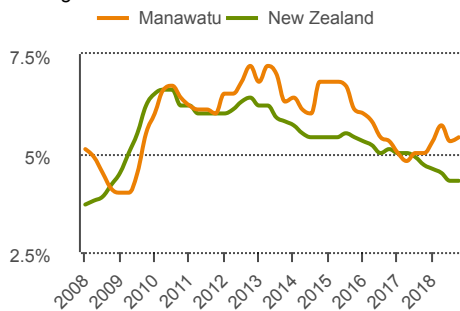
Infometrics provisionally estimates that the New Zealand economy expanded by 2.7% in 2018. Economic activity has slipped below the 3%pa+ levels that have prevailed over much of the past five years. Key detractors have been lower business investment, weaker construction and slower population growth. Nevertheless, export returns to date have remained relatively strong. We anticipate that economic activity will hold close to current levels in 2019, but remain wary of the US-China trade war, more cautious Chinese consumers, and the flow-on effects from Australia's struggling housing market.

Unemployment rate

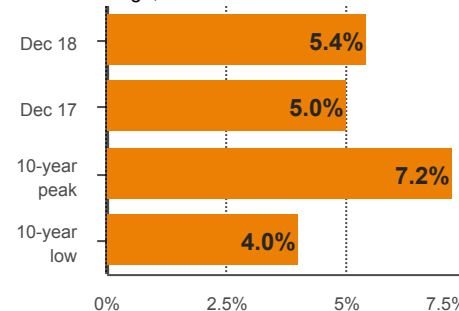
Unemployment rate
Average annual rate, year to December 2018



Unemployment rate
Average annual rate



Unemployment rate
Annual average, Manawatu



Highlights for Manawatu

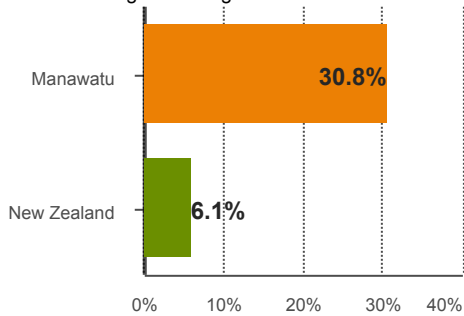
- The annual average unemployment rate in Manawatu was 5.4% in December 2018, up from 5.0% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.3% over the year to December 2018.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

National overview

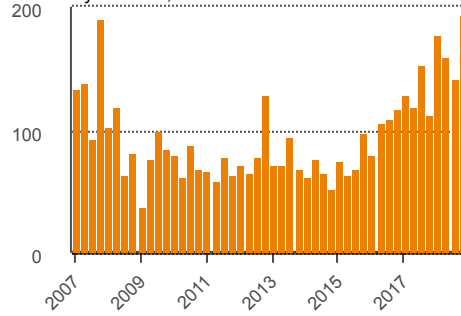
Although the unemployment rate ticked up slightly in December, the labour market continues to remain at its tightest since the Global Financial Crisis. We expect unemployment to remain low over the next few years at just above 4%, with the tight labour market conditions continuing. Wage growth is expected to increase from current levels of just below 2%pa as firms are forced to pay more to attract and retain staff.

Residential consents

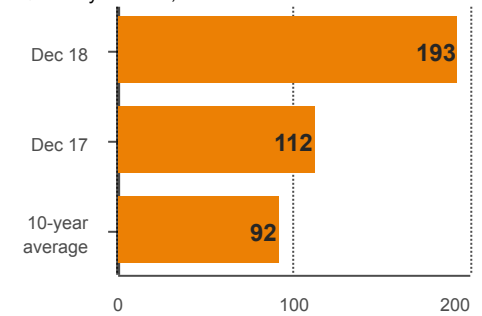
Growth in no. of new dwelling consents
Annual average % change Dec 17 - Dec 18



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

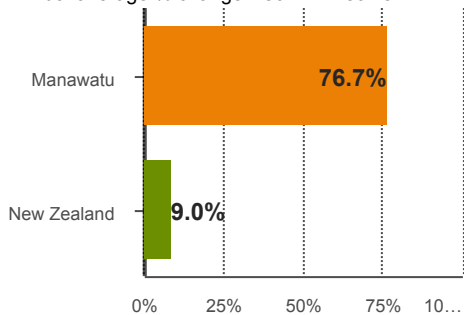
- A total of 193 new residential building consents were issued in Manawatu in the December 2018 quarter, compared with 112 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 31% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 6.1% over the same period.

National overview

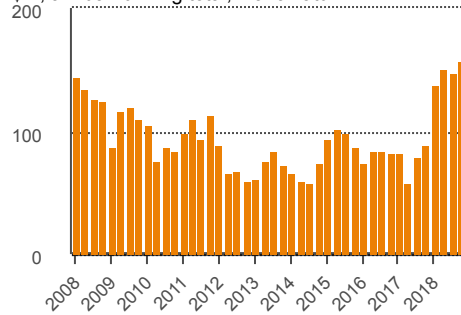
Residential building consents had a mixed final quarter of 2018, but the annual total of new dwelling consents still pushed to its highest level since 2004. Residential consents in Auckland were back in the black in December after heavily contracting in November, even so growth was still tempered by strong capacity constraints in the region. While December showed more life than November, capacity constraints remain a major issue going into the new year, with a tight labour market and constraints on land and financing placing downward pressure on residential construction going forward. Townhouse construction remains a key growth driver, particularly in Auckland, Waikato and Wellington over recent months.

Non-residential consents

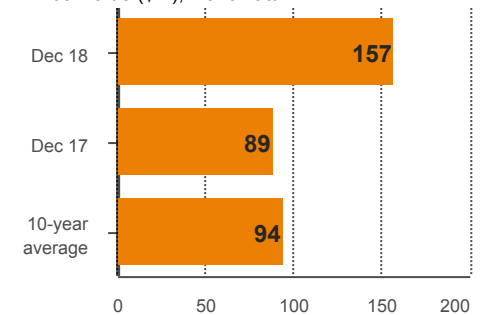
Growth in value of consents
Annual average % change Dec 17 - Dec 18



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



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



Highlights for Manawatu

- Non-residential building consents to the value of \$157 million were issued in Manawatu during the year to December 2018.
- The value of consents increased by 77% over the year to December 2018. By comparison the value of consents in New Zealand increased by 9.0% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$157 million in the year to December 2018.

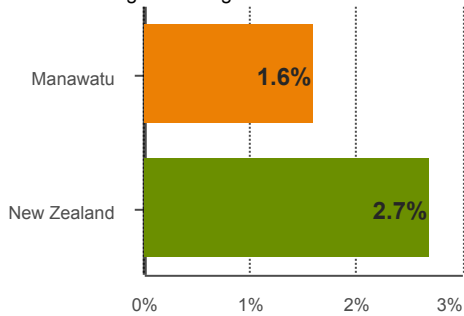
National overview

Total non-residential consent values rose 9.0%pa in the December 2018 year, driven by an 11% rise in new consent values and assisted by 2.0%pa growth in alterations and additions. But overall non-residential consent growth still remains softer than our forecasts, with continued capacity constraints a barrier to further expansion. Office building remains a poor performer, and our expectations are for office construction to be weaker than we previously expected throughout the next five years as demand for more space in Auckland and Christchurch softens.

Traffic flow

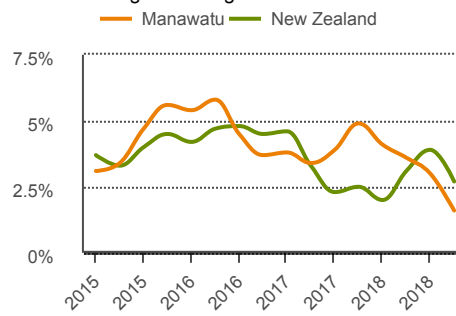
Annual change in traffic flows

Annual average % change Dec 17 - Dec 18



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu increased by 1.6% over the year to December 2018. This compares with an increase of 2.7% in New Zealand.

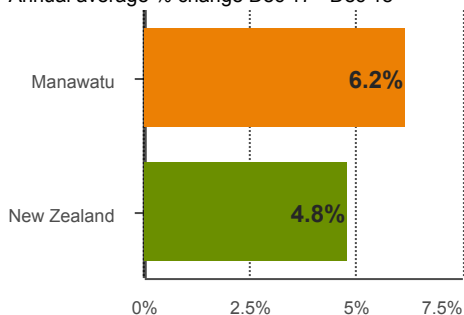
National overview

Traffic flows increased 2.7% in the December 2018 year, following 2.5% growth the previous year. The volume of traffic continues to grow most rapidly in key visitor hotspots, as well as in Marlborough and Kaikoura as traffic normalises following earthquake disruptions through 2017. Of the urban areas, traffic is growing most rapidly in Tauranga, followed by the Hutt Valley and New Plymouth. Traffic flows in Auckland were up just 0.6% in 2018, as public transport use surged 5.4% to record levels.

Jobseekers

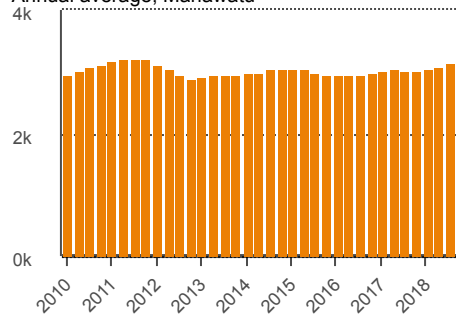
Annual change in Jobseekers

Annual average % change Dec 17 - Dec 18



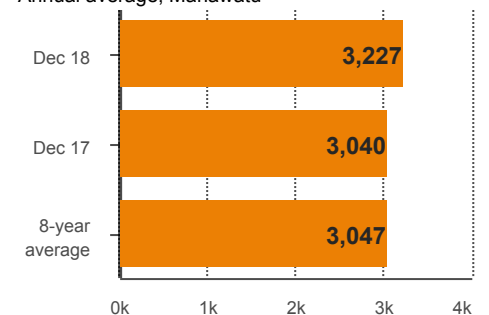
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

- Working age Jobseeker Support recipients in Manawatu in the year to December 2018 increased by 6.2% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 4.8%.
- An average of 3,227 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended December 2018. This compares with an average of 3,047 since the start of the series in 2010.

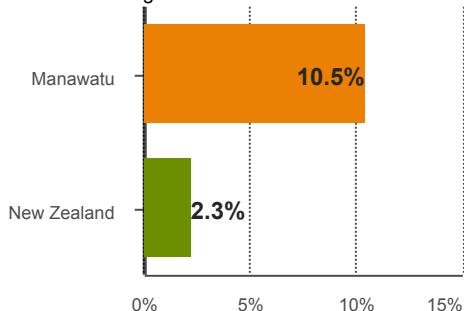
National overview

The average number of Jobseeker Support recipients climbed 4.8% in 2018 to its highest level in more than four years. Employment growth in the December quarter was at its slowest since 2013, coming in at 0.9%pa after averaging over 3% over the last six years. Impending increases to minimum wages will provide some support to those already in employment, but could put pressure on staffing numbers for some employers.

House prices

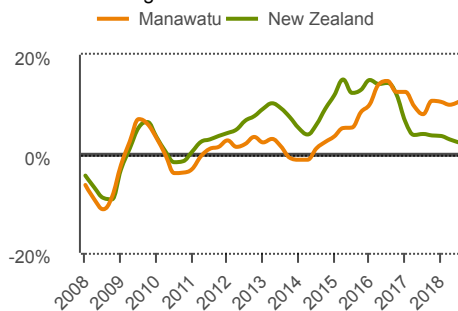
Annual change in house prices

Annual % change Dec 17 - Dec 18



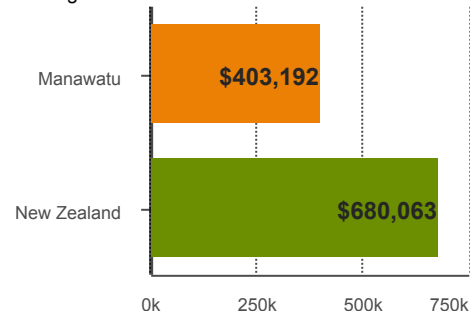
House price growth

Annual % change



Average current house value

Average for 12 months to Dec 2018



Highlights for Manawatu

- The average current house value in Manawatu was up 10% in December 2018 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 2.3%.
- The average current house value was \$403,192 in Manawatu over the December 2018 year. This compares with \$680,063 in New Zealand.

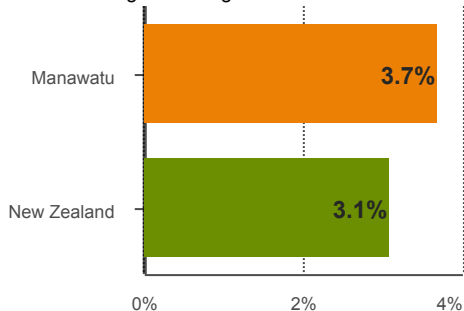
National overview

House prices across NZ are maintaining a two-track race: Auckland prices dropped 1.4%pa in December 2018, while NZ prices (excluding Auckland) rose close to 8.0%pa. It seems that the housing markets outside of Auckland are still in catch-up mode, even as Auckland prices are pulling back from their peak. But we continue to expect house prices to fall nationally over the next year, as greater supply in the regions pushes prices down, and sellers re-evaluate their asking prices in an attempt to achieve a sale. Housing affordability remains an issue for many buyers, with high house prices and anecdotal evidence that mortgage lenders are focusing more on purchasers' ability to service their loans, in anticipation of lending rates rising in 2020.

House sales

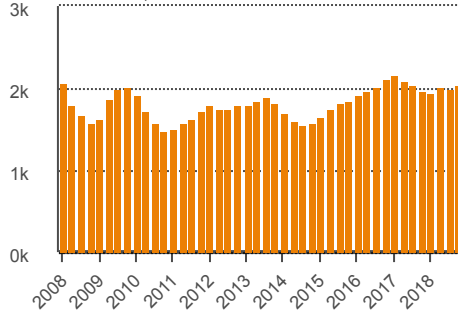
Annual change in house sales

Annual average % change Dec 17 - Dec 18



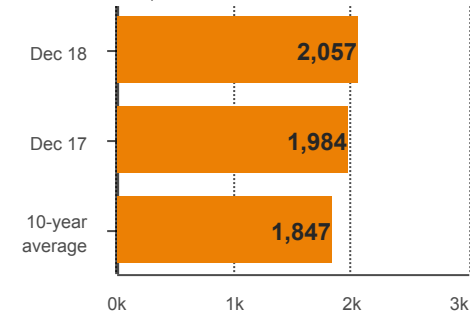
House sales

Annual number, Manawatu



House sales

Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to December 2018 increased by 3.7% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 3.1%.
- A total of 2,057 houses were sold in Manawatu in the 12 months ended December 2018. This compares with the ten year average of 1,847.

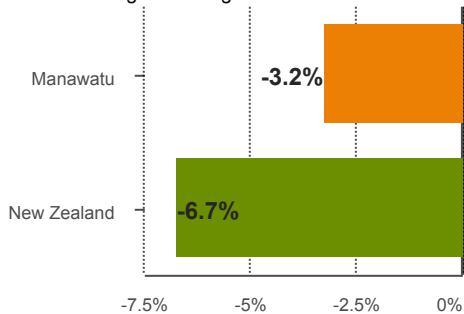
National overview

House sales grew 3.1% in 2018, after having been in decline for much of the past two years. Government policy changes, extending the bright-line test for capital gains and banning foreign buyers, have hit sales. However, another change in policy – reduced loan-to-value ratio restrictions – is expected to breathe some life back into sales this year. Nevertheless, any sales growth will be modest as vendors don't appear to be willing to lower their asking prices to meet what the market will pay.

Car registrations

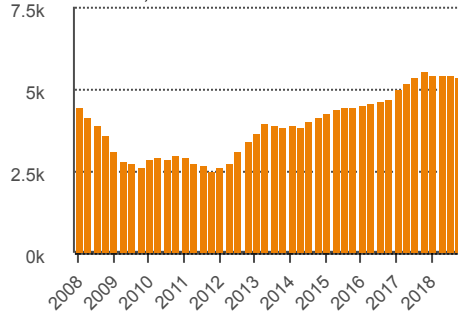
Car registrations

Annual average % change Dec 17 - Dec 18



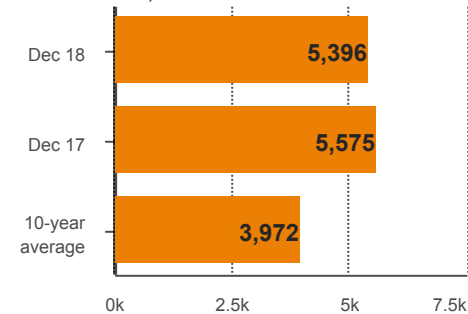
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu decreased by -3.2% in the year to December 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -6.7%.
- A total of 5,396 cars were registered in Manawatu in the year to December 2018. This compares with the ten year average of 3,972.

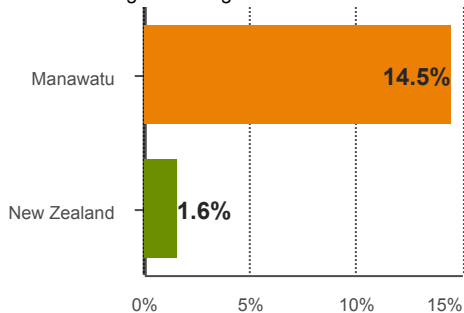
National overview

Car sales fell 6.7% in 2018 to their lowest levels since 2016. Used large car sales fell steeply for much of 2018 while falls in the sale of used small cars have started to accelerate downwards only in the past couple of months. This downward trend followed a rise in the sale of used small cars in the middle of the year. The direction of new car sales in 2018 has been harder to pin down with sales growing in some months and falling in others. We expect softer economic conditions to continue to stifle sales but it will be interesting to see how different market segments fare. Sales will probably continue to fall overall, but cash-strapped consumers might shift their preferences from new to used cars, and from large to small cars.

Commercial vehicle registrations

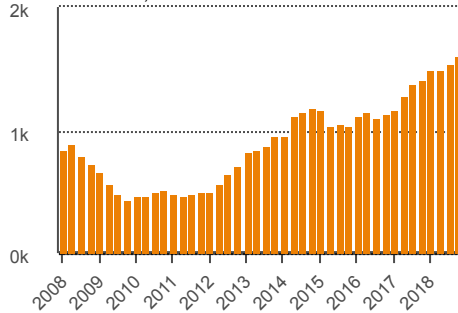
Commercial vehicle registrations

Annual average % change Dec 17 - Dec 18



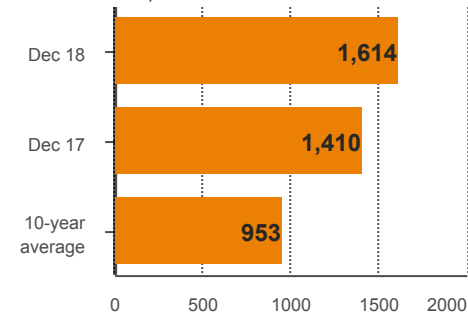
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 14% in the year to December 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 1.6%.
- A total of 1,614 commercial vehicles were registered in Manawatu in the year to December 2018. This is higher than the ten year annual average of 953.

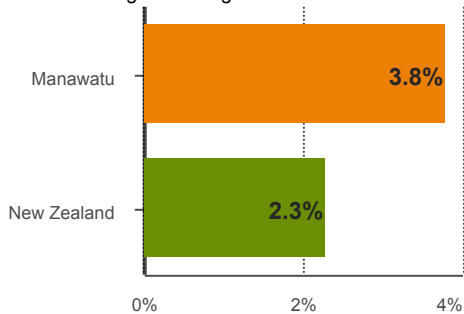
National overview

Commercial vehicle sales were up just 1.6% in 2018 – their slowest growth since 2009. The emerging signs of weakness are most prevalent with heavier vehicles. With softer economic conditions expected in 2019, things could get worse before they get better. Growth in light commercial vehicle (i.e. ute) sales firmed somewhat in the final quarter of 2018. The fortunes of both the agricultural and constructions sectors will dictate the direction of ute sales in 2019.

Guest nights

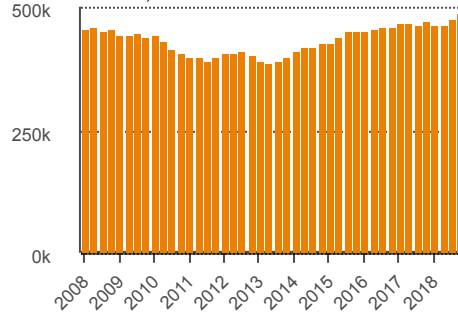
Guest nights

Annual average % change Dec 17 - Dec 18



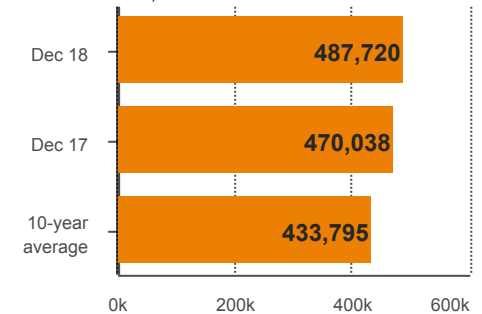
Guest nights

Annual number, Manawatu



Guest nights

Annual number, Manawatu



Highlights for Manawatu

- Total guest nights in Manawatu increased by 3.8% in the year to December 2018. This compares with an increase of 2.3% in New Zealand.
- Visitors stayed a total of 487,720 nights in Manawatu during the year to December 2018, which was up from 470,038 a year ago.

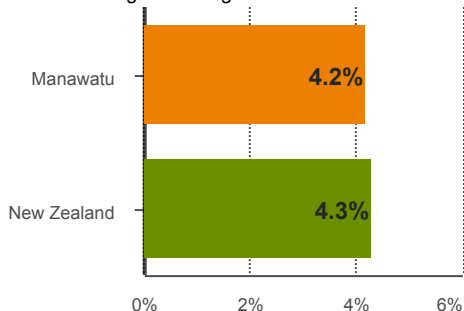
National overview

Guest nights increased 2.3% over the December 2018 year, with guest nights by domestic visitors rising 2.5%, while international visitor guest nights climbed 2.0%. Domestic guest nights over the coming quarters are likely to be underpinned by stronger wage growth and near full-employment pushing up willingness for recreational travel. Looking at international guest nights, softer growth is anticipated. Arrivals from some of our largest Asian markets fell over the final quarter of 2018. Reports of strained diplomatic relations between China and New Zealand over the last couple of weeks present real concerns about future tourist numbers from China, given the country's contributions to tourism's growth over previous years alongside the fact that increases in Chinese arrivals were already slowing. An outlook of more difficult global economic conditions is also likely to undermine growth from current positive contributors such as the US and the UK.

Tourism Spending

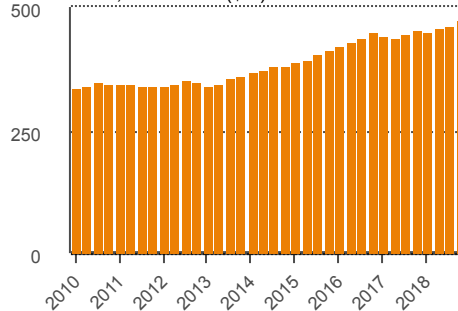
Tourism expenditure

Annual average % change Dec 17 - Dec 18



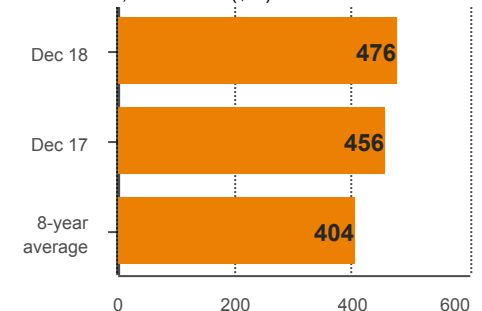
Tourism expenditure

Annual total, Manawatu (\$m)



Tourism expenditure

Annual total, Manawatu (\$m)



Highlights for Manawatu

- Total tourism expenditure in Manawatu increased by 4.2% in the year to December 2018. This compares with an increase of 4.3% in New Zealand.
- Total tourism expenditure was approximately \$476m in Manawatu during the year to December 2018, which was up from \$456m a year ago.

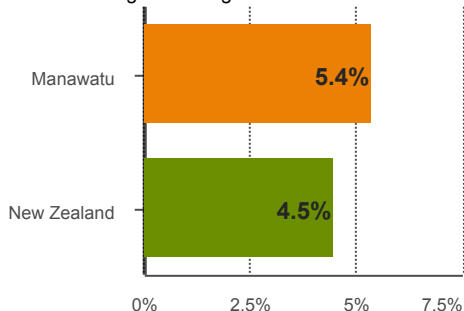
National overview

Spending by international visitors to New Zealand rose from \$11.1bn in 2017 to \$11.6bn in 2018, with domestic visitor spending climbing from \$16.7bn to \$17.4bn over the same period. Although strong job prospects will continue to underpin domestic visitor spending for the time being, there are signs of slowing growth in international visitor arrivals. Capacity pressures in the tourism sector, weaker growth in visitor numbers for China, and downside risks to the global economy will present challenges for tourism-related spending throughout the next two years.

Consumer Spending

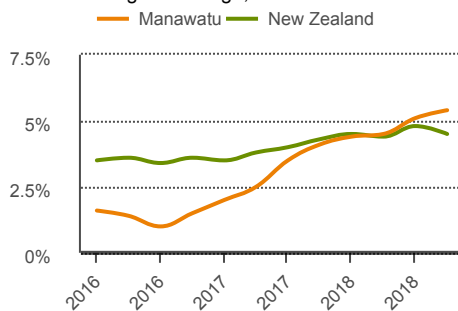
Growth in consumer spending

Annual average % change Dec 17 - Dec 18



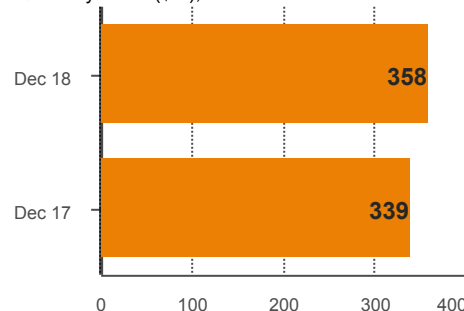
Consumer spending (\$m)

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 5.4% over the year to December 2018 compared to the previous year. This compares with an increase of 4.5% in New Zealand.

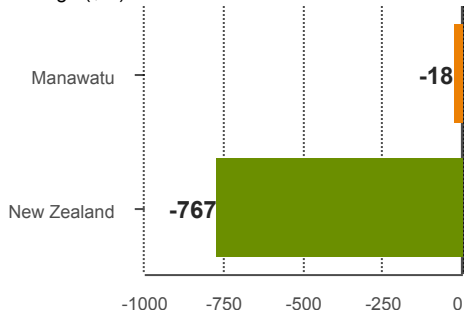
National overview

Data from Marketview shows that spending by consumers on electronic cards climbed 4.5% in the December 2018 year, down from peak growth of 4.8% in the September 2018 year. Growth in private consumption has softened as households reined in their spending. More sluggish growth in spending is expected to continue into 2019, which doesn't bode well for economic growth, given that private consumption represents more than 60% of total GDP. In recent years, strong population growth has provided a foundation for increased consumer spending, but population growth slowed in 2018 and growth is forecast to slow further in 2019.

Total dairy payout

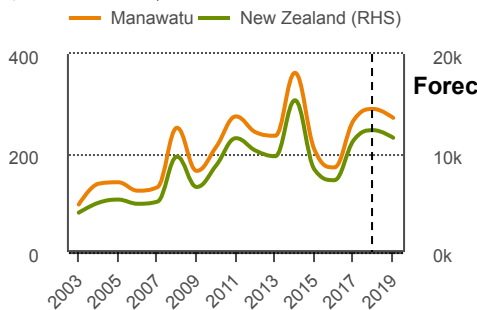
Total dairy payout

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



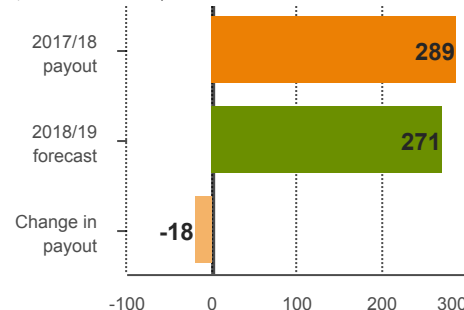
Total dairy payout

\$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 \$271m, \$18.0m 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 \$767m lower in the 2018/19 season.

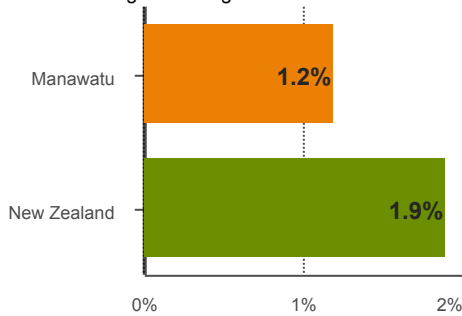
National overview

Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.30-\$6.60/kgms, a level that is in line with pricing at recent dairy auctions. Recent dairy auction results have generally been positive, and Fonterra's forecast appears well-supported by the pricing at these recent auctions. 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, lingering concerns regarding Mycoplasma bovis and recent wobbles for other agricultural export prices will continue to weigh on farmers' willingness to make major purchases.

Health Enrolments

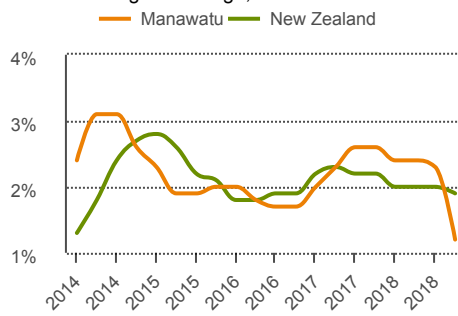
Annual change in Health enrolments

Annual average % change Dec 17 - Dec 18



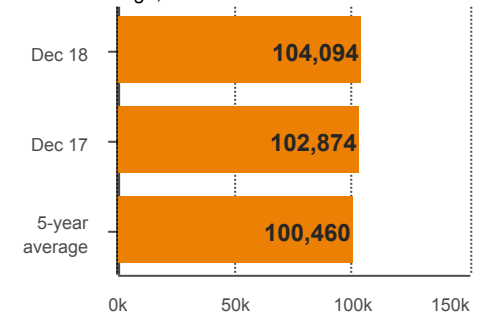
Health enrolments

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 2018 increased by 1.2% compared with the previous year. Growth was lower relative to New Zealand, where the number of enrolments increased by 1.9%.
- An average of 104,094 people were enrolled with primary healthcare providers in Manawatu in the 12 months ended December 2018. This compares with an average of 100,460 since the start of the series in 2013.

National overview

In the December 2018 year, average health enrolments growth was 1.9% across New Zealand. This growth rate compares to Statistics New Zealand's estimated population growth rate of 1.7% over the same period. From this quarter onwards, we will begin using enrolments at primary health providers (i.e. GPs) as a proxy for population growth in regions. Primary health enrolments capture changes resulting from both natural increase and migration flows. We had previously used net international migration as our quarterly population growth proxy, but the recent removal of departure cards at airports has muddled the timely availability of reliable net international migration data for New Zealand's regions.

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.

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.

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. The data provided is only for those people whose addresses are able to be accurately recorded by the Ministry of Health.