

Overview of Manawatu

Infometrics' provisional estimate of GDP shows the Manawatu economy grew by 3.5% in the June 2018 year, well above the national average 2.7%. Manawatu District led the way with 4.1% growth. Palmerston North City grew by 3.4%.

The region continues to benefit from strong farmgate milk prices. At current levels farmers are on track for their third consecutive profitable season. Prices softened during the June quarter because of softer demand from China. In response, Fonterra revised down its 2018/19 farmgate milk price forecast from \$7.00/kgms to \$6.70/kgms, but this is still 70% higher than the disastrous 2015/16 season. Future spending growth could be tempered by high debt levels and concerns about Mycoplasma bovis.

Builders also have plenty of work ahead with non-residential consents up a whopping 155%, residential consents up 27% and several infrastructure projects in the pipeline such as the Manawatu Gorge SH3 route replacement.

The strong primary and construction sectors are underpinning consumer spending. Electronic card spending on retail purchases have grown 4.5% in the June 2018 year and car registrations are up 4.3%. Tourism expenditure in the region has grown by 4.1% in the June 2018 year despite a slight fall in guest nights.

The 1.4% growth in the average number of people receiving Jobseeker Support in the June 2018 year is a little disappointing, while Infometrics' estimate of the region's unemployment rate of 5.7% is a strong result given that recent population growth has increased the supply of labour.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↑ 3.5%	↑ 2.7%
Traffic flow	↑ 3.6%	↑ 3.1%
Residential consents	↑ 27%	↑ 7.9%
Non-residential consents	↑ 155%	↑ 10%
House prices*	↑ 12%	↑ 4.9%
House sales	↓ -3.5%	↓ -7.0%
Guest nights	↓ -0.4%	↑ 2.4%
Retail trade	↑ 4.5%	↑ 4.4%
Car registrations	↑ 4.3%	↑ 1.1%
Commercial vehicle registrations	↑ 17%	↑ 5.4%
Jobseeker Support recipients	↑ 1.4%	↑ 0.05%
Tourism expenditure	↑ 4.1%	↑ 8.5%
<i>Level</i>		
Unemployment rate	5.7%	4.5%
International net migration	747	64,996

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

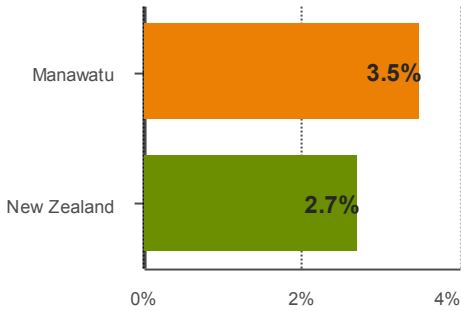
Overview of national economy

Most of the New Zealand economy's momentum over the next 18 months will come from provincial areas, thanks to strong export incomes. Low business confidence suggests that domestically focused firms are already reluctant to invest or hire. Households are also becoming more cautious about their spending in the face of higher fuel prices and the slowing housing market. The New Zealand economy needs the continuation of good export conditions to maintain a solid growth performance.

Gross domestic product

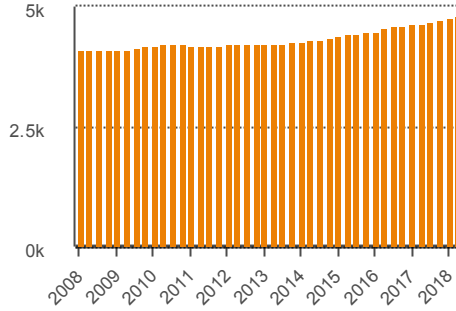
Gross domestic product growth

Annual average % change Jun 17 - Jun 18



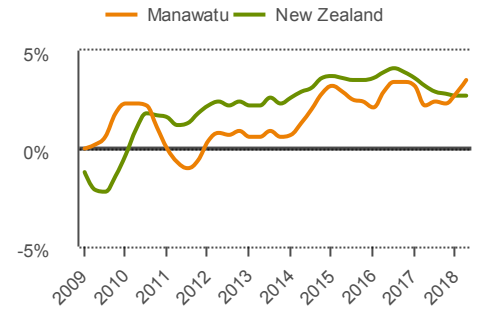
Gross domestic product (\$m)

Annual level, Manawatu



Gross domestic product growth

Annual average % change



Highlights for Manawatu

- GDP in Manawatu was up 3.5% for the year to June 2018 compared to a year earlier. Growth was higher than in New Zealand (2.7%).
- GDP was \$4,838 million in Manawatu for the year to June 2018 (2010 prices).
- Annual GDP growth in Manawatu peaked at 3.5% in the year to June 2018.

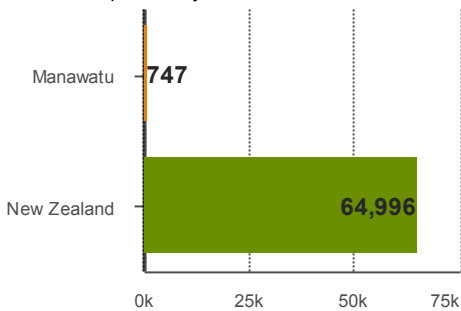
National overview

For the first time since our regional GDP data series began in 2001, the largest urban areas are growing more slowly than the nationwide average. The Wellington, Auckland, and Canterbury regions are now among the slowest-growing areas in the country. We are now seeing the pay-offs from the recovery in dairy prices since the second half of 2016 and the strength in most other export commodity prices coming through in the performance of provincial economies. Buoyant export incomes are boosting spending activity in the provinces, backed up by population growth that has been well above average. The reasons for the slowdown in the urban areas is a little hard to pin down. Aside from labour resourcing issues, both business and consumer confidence have deteriorated, which has held back investment and spending decisions in urban areas.

International net migration

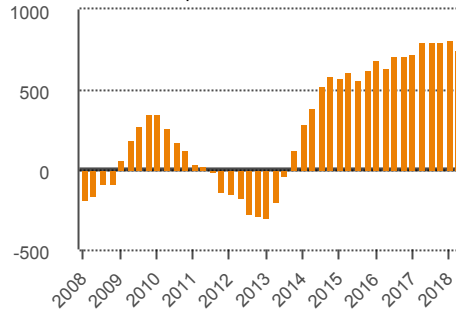
Net migration

Number of persons, year to June 2018



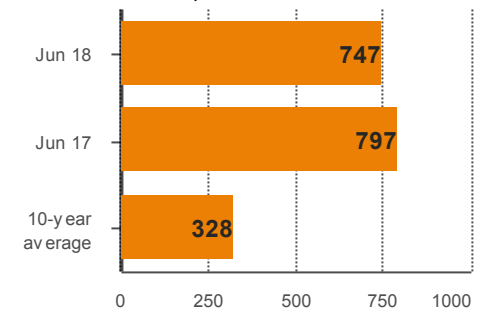
Net migration

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 747 persons in the year to June 2018. This compares with a gain of 797 a year ago, and a ten year average of 328 (gain).
- New Zealand's annual net migration decreased to 64,996 from 72,297 a year ago.

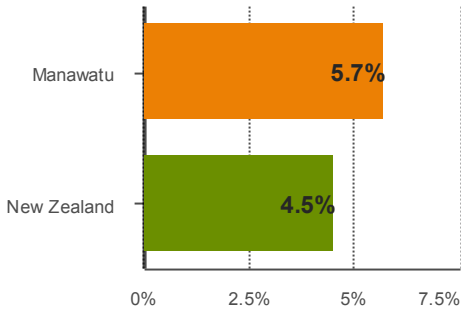
National overview

Annual net migration slipped to 64,995 people in June – its lowest level since January 2016. Arrivals fell 1.7% over the month and departures continued to climb, up 0.9% from May (seasonally adjusted). With government policy angled at limiting the number of people that can stay in the country long-term, we expect departures to remain the largest contributor to net migration tracking downwards over the next few years. Our most recent forecasts estimate that annual net migration levels will drop below 50,000 by the middle of next year.

Unemployment rate

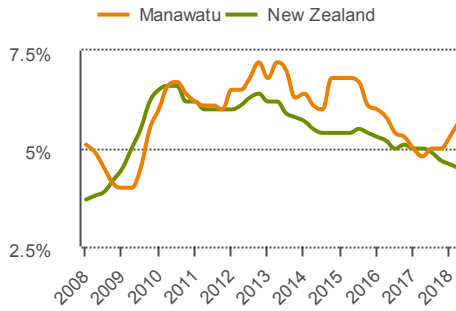
Unemployment rate

Average annual rate, year to June 2018



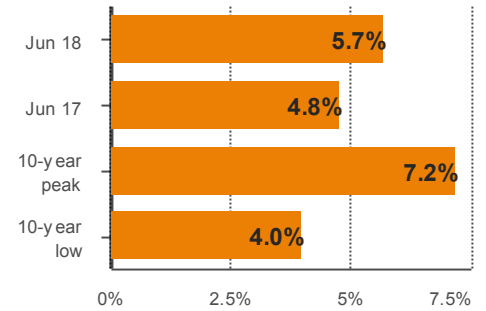
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Manawatu



Highlights for Manawatu

- The annual average unemployment rate in Manawatu was 5.7% in June 2018, up from 4.8% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.5% over the year to June 2018.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

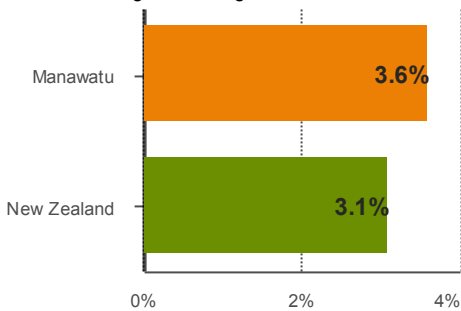
National overview

The unemployment rate was 4.5% in June, up slightly from the 9½ year low of 4.4% reached in March (seasonally adjusted). We are unconcerned by this slight uptick and, given continued strong growth in employment, expect the unemployment rate to hold at around 4.4% for at least the next year. Shortages of both skilled and unskilled workers continue to act as a restraint on economic growth. Wage inflation has picked up in recent quarters and could generate more widespread price pressures during the next couple of years. Labour's watered-down changes to migration policy hint at a realisation that foreign workers will continue to play a key role in meeting labour shortages. Rising labour costs and skill shortages will also encourage firms to accelerate their investment in labour-saving technology.

Traffic flow

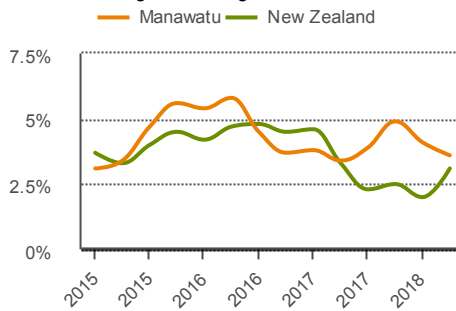
Annual change in traffic flows

Annual average % change Jun 17 - Jun 18



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu increased by 3.6% over the year to June 2018. This compares with an increase of 3.1% in New Zealand.

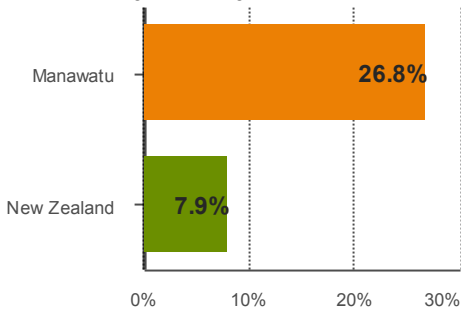
National overview

Traffic flows in the June 2018 year rose 3.1% from the previous year. Vehicle movements are growing most rapidly in Taranaki, Marlborough, and Otago. Of the major urban areas, Tauranga and Christchurch are leading the way, with Hamilton and Dunedin close behind. Traffic flows in Wellington City are rising moderately, with traffic growing more rapidly in other parts of Wellington Region. Growth in traffic flows in Auckland has slowed since late 2017, consistent with other economic indicators.

Residential consents

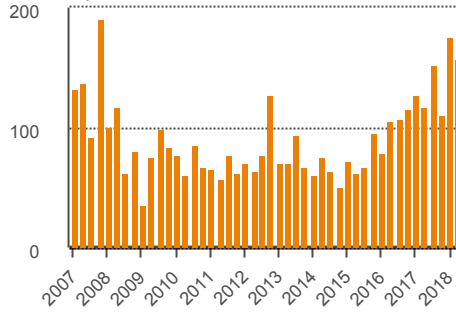
Growth in no. of new dwelling consents

Annual average % change Jun 17 - Jun 18



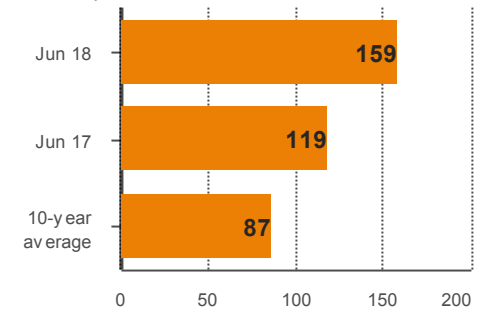
Residential consents

Quarterly number, Manawatu



Number of new dwelling consents

Quarterly number, Manawatu



Highlights for Manawatu

- A total of 159 new residential building consents were issued in Manawatu in the June 2018 quarter, compared with 119 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 27% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 7.9% over the same period.

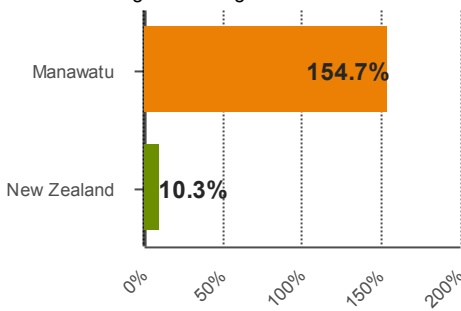
National overview

The number of residential dwelling consents over the June 2018 year was up 7.9% from a year earlier. Most of the recent growth in consents has been driven by attached dwelling types, such as townhouses and apartments, a trend that we anticipate will continue throughout 2018. Annual consents for townhouses and apartments are expected to climb another 9.4% and 19% respectively by the end of 2018. Most of the current growth in townhouse and apartment buildings is being driven by Auckland.

Non-residential consents

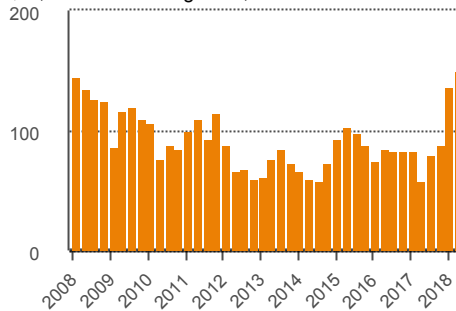
Growth in value of consents

Annual average % change Jun 17 - Jun 18



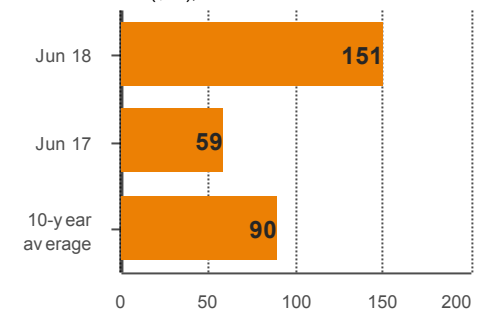
Non-residential consents, Manawatu

\$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 \$151 million were issued in Manawatu during the year to June 2018.
- The value of consents increased by 155% over the year to June 2018. By comparison the value of consents in New Zealand increased by 10% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$151 million in the year to June 2018.

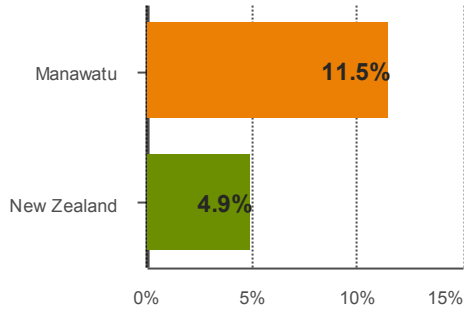
National overview

The value of non-residential building consents rose 10% over the June 2018 year. Nevertheless, recent growth has been slower than we had anticipated. Overall non-residential consents for the June quarter were 3.7% below our forecast. Most of this shortfall was due to softness in education consents, which came in 15% under expectations. Shops, hospitals, factories, and farms were also 6-10% below forecast. Counterbalancing these areas of weakness were stronger-than-expected results for warehouses, offices, and accommodation. The continued concentration of building work in Auckland points towards ongoing capacity pressures for construction in the region and the potential for ongoing delays between the consent and completion of activity.

House prices

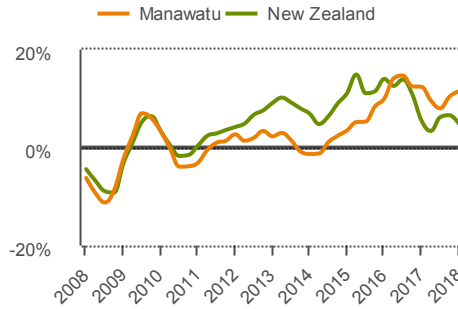
Annual change in house prices

Annual % change Jun 17 - Jun 18



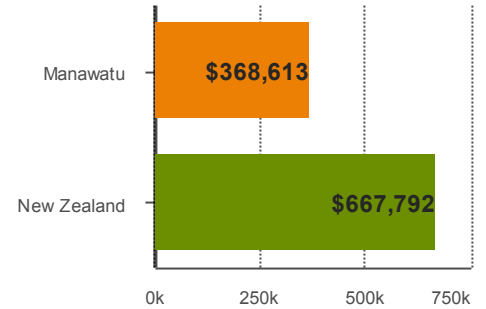
House price growth

Annual % change



Average current house value

Average for 12 months to Jun 2018



Highlights for Manawatu

- The average current house value in Manawatu was up 12% in June 2018 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 4.9%.
- The average current house value was \$368,613 in Manawatu over the June 2018 year. This compares with \$667,792 in New Zealand.

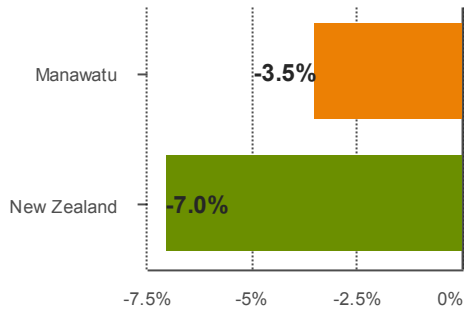
National overview

Because of the constrained supply of houses for sale, prices increased 4.9% year on year across New Zealand. There was even faster price growth, of 6.7%pa, recorded outside Auckland. Regional New Zealand led the way with Otago up 12%, Hawke's Bay up 9.8% and Manawatu-Whanganui up 9.4%. Both Taranaki and Wellington are following close behind these three trailblazers, with both regions recording 8.6% house price growth. House prices in Auckland and Canterbury are flat, rising just 1.3% and 1.4% respectively over the year.

House sales

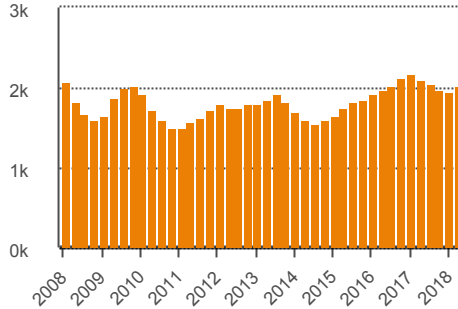
Annual change in house sales

Annual average % change Jun 17 - Jun 18



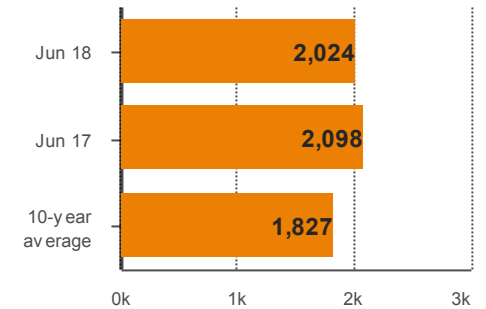
House sales

Annual number, Manawatu



House sales

Annual number, Manawatu



Highlights for Manawatu

- House sales in Manawatu in the year to June 2018 decreased by 3.5% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 7.0%.
- A total of 2,024 houses were sold in Manawatu in the 12 months ended June 2018. This compares with the ten year average of 1,827.

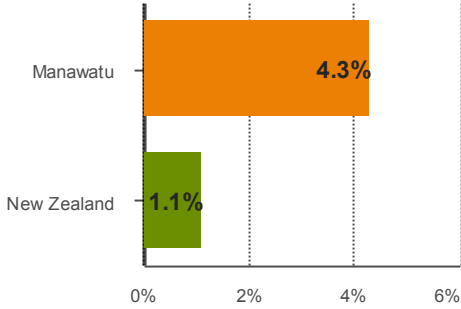
National overview

House sales in the June year were down 7.0% from a year earlier, with sales in the June month alone falling 1.6%. The lower sales volumes tie in with lower listings, with REINZ reporting that the stock of houses for sale has dropped by 3.8% compared to June 2017. Data from Barfoot & Thompson confirms the drop in available houses in Auckland, with the company's listings for June 0.7% lower than in June 2017.

Car registrations

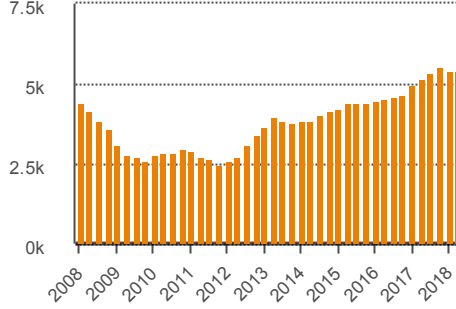
Car registrations

Annual average % change Jun 17 - Jun 18



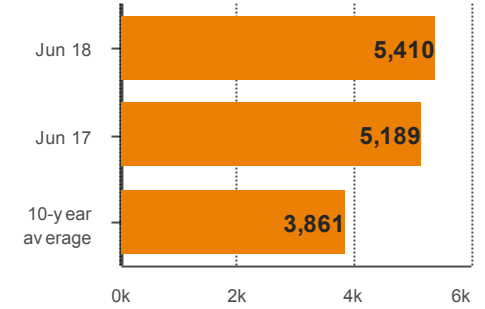
Car registrations

Annual number, Manawatu



Car registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of cars registered in Manawatu increased by 4.3% in the year to June 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 1.1%.
- A total of 5,410 cars were registered in Manawatu in the year to June 2018. This compares with the ten year average of 3,861.

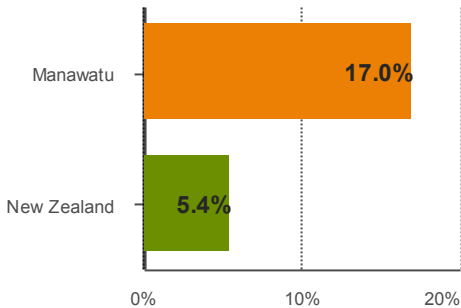
National overview

Although car sales over the June year were still up 1.1% from a year earlier, sales during the June quarter fell 4.8% below their 2017 level. Higher fuel prices, and the expectation of more to come, may be weighing on purchasing decisions. Wider pessimism about the state of the economy going forward is also hitting car sales. Looking ahead, lower confidence in the economy will continue to cause many consumers to pause and take stock of their situations before deciding on new purchases. We expect this pessimistic outlook, alongside higher fuel prices and the expectation of future excise increases to come, to maintain downwards pressure on used car sales.

Commercial vehicle registrations

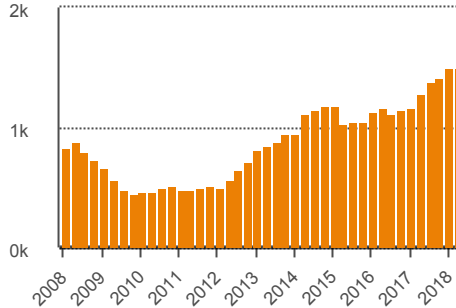
Commercial vehicle registrations

Annual average % change Jun 17 - Jun 18



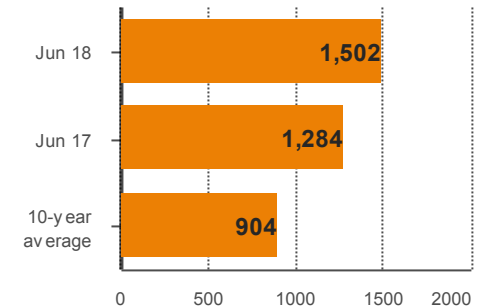
Commercial vehicle registrations

Annual number, Manawatu



Commercial vehicle registrations

Annual number, Manawatu



Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 17% in the year to June 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 5.4%.
- A total of 1,502 commercial vehicles were registered in Manawatu in the year to June 2018. This is higher than the ten year annual average of 904.

National overview

Commercial vehicle registrations have lost significant momentum over recent months. Although sales over the past 12 months have climbed 5.4%, sales in the June quarter slipped 3.0%. Looking ahead, our outlook for all commercial vehicle segments is has softened over recent months. The looming peak in construction sector activity is a key factor dampening our forecasts for light commercial vehicles, but a solid agricultural sector will help keep a floor under demand. The strength of agriculture and exports will also help support medium and heavy truck demand, but sales of both vehicle types are still expected to ease as the broader economy runs at a slower pace than it has been.

Guest nights

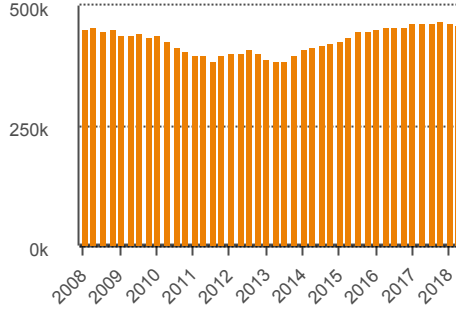
Guest nights

Annual average % change Jun 17 - Jun 18



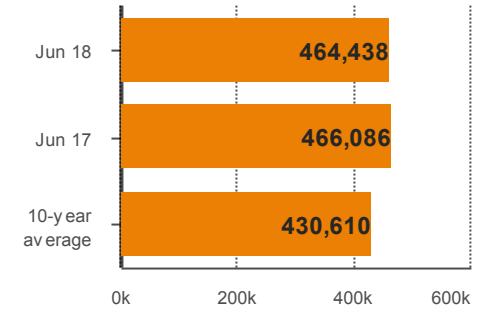
Guest nights

Annual number, Manawatu



Guest nights

Annual number, Manawatu



Highlights for Manawatu

- Total guest nights in Manawatu decreased by 0.4% in the year to June 2018. This compares with an increase of 2.4% in New Zealand.
- Visitors stayed a total of 464,438 nights in Manawatu during the year to June 2018, which was down from 466,086 a year ago.

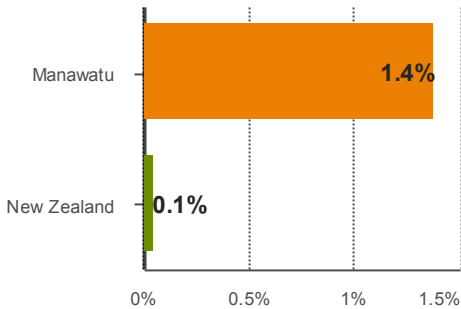
National overview

The number of guest nights in commercial accommodation rose 2.4% in the June 2018 year to a record 39.9m. Growth was driven by international visitor guest nights, which increased 3.8% to 17.6m, while domestic guest nights climbed 1.3% to 22.3m. Our latest tourism forecasts expect 7.9%pa growth in international arrivals over the second half of this year. Recent softness in the New Zealand dollar is likely to aid further growth in tourism activity. Guest nights by domestic visitors are likely to continue growing over the coming months as wage earnings increase, but growth could yet be tempered by higher petrol prices and lower consumer confidence.

Jobseekers

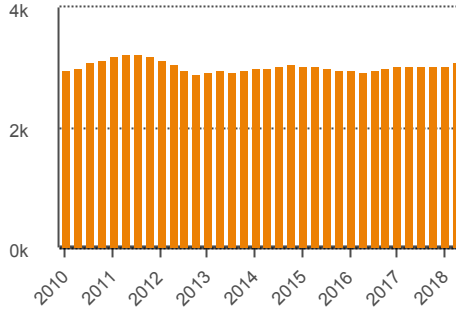
Annual change in Jobseekers

Annual average % change Jun 17 - Jun 18



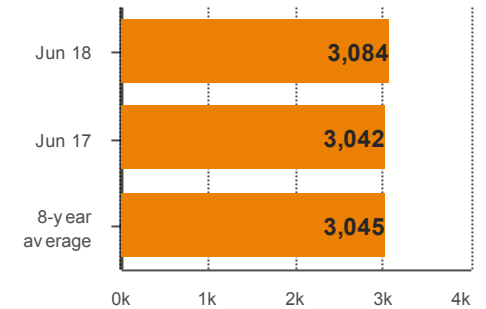
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

- Working age Jobseeker Support recipients in Manawatu in the year to June 2018 increased by 1.4% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 0.05%.
- An average of 3,085 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended June 2018. This compares with an average of 3,045 since the start of the series in 2010.

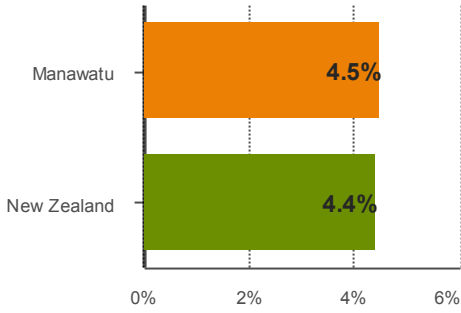
National overview

The average number of people receiving Jobseeker Support tipped up 0.1% over the June year, with the deterioration occurring during the June quarter. At this stage we remain unconcerned about this slight uptick. But will keep a watchful eye on the number of Jobseeker Support recipients as the effects of higher minimum wages begin to flow through into employment decisions, at a time when business confidence has waned. Private sector labour costs in June were up 2.1% from a year earlier, compared to the 1.9%pa growth rate seen in previous quarters. This pick-up in labour costs was driven by the lift in the adult minimum wage from \$15.75/hr to \$16.50/hr in April this year.

Retail trade

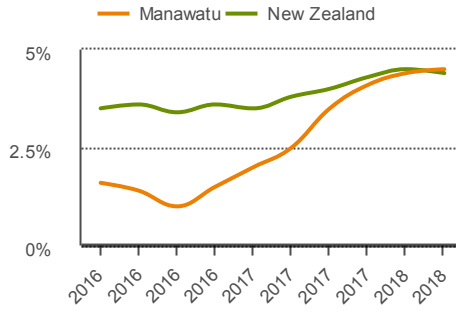
Growth in retail sales

Annual average % change Jun 17 - Jun 18



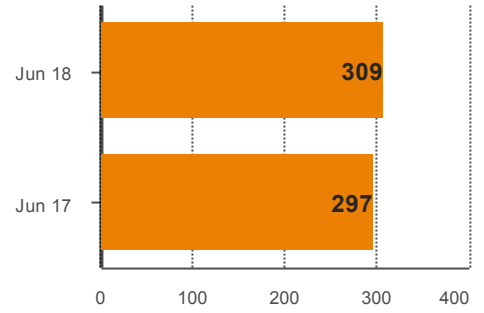
Retail sales (\$m)

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 4.5% over the year to June 2018 compared to the previous year. This compares with an increase of 4.4% in New Zealand.

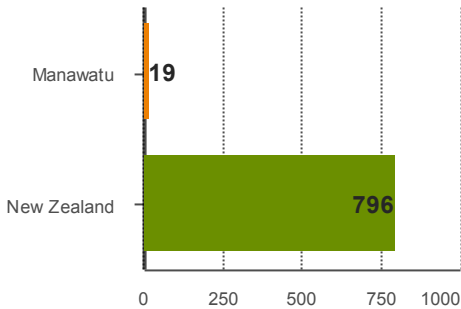
National overview

Growth in electronic card spending on retail purchases slowed slightly over recent months. Data from Marketview showed that spending in the June quarter was up 4.0% from a year earlier, compared to 4.9%pa growth in the March 2018 quarter. Spending across the June year was still up 4.4% from a year earlier. As with most other indicators, retail spending is growing more rapidly in provincial areas, with spending growth in the major cities generally sitting lower. Retail spending in Auckland climbed 2.9% over the June year, while spending growth in Wellington City and Christchurch was 3.1% and 2.2% respectively.

Total dairy payout

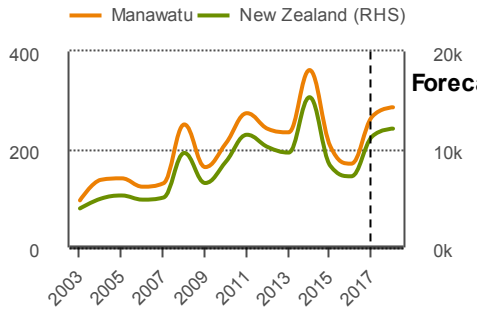
Total dairy payout

Change (\$m) between 2016/17 and 2017/18 season



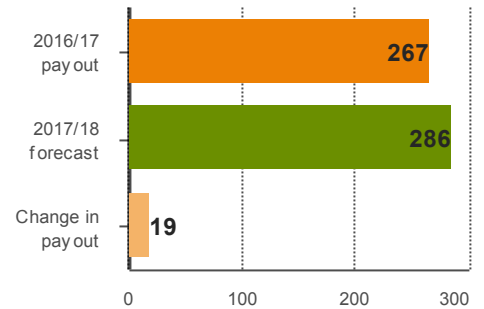
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2016/17 season is estimated to have been approximately \$267m.
- Manawatu's dairy payout for the 2017/18 season is expected to be approximately \$286m, \$18.8m higher than last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$11,328m in the 2016/17 season, and is expected to be \$796m higher in the 2017/18 season.

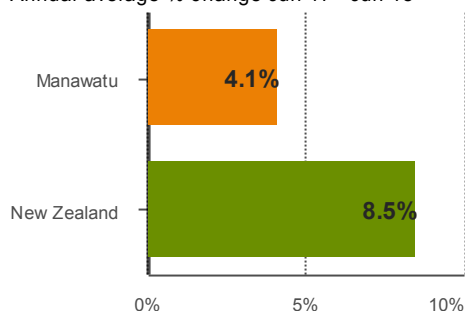
National overview

Fonterra recently announced a revised farmgate milk price forecast of \$6.70/kgms for the 2018/19 dairy season, virtually the same as the \$6.75/kgms payout from the 2017/18 season just finished. Recent downward pressure in dairy auction prices is likely to be due to a weaker Chinese yuan having constrained Chinese buying power. Although dairy farmers remain profitable at current price levels, farmers are likely to be relatively conservative with any increases to spending over the coming months. Not only are farmers' carrying high debt levels, but the Mycoplasma bovis has also caused significant uncertainty.

Tourism Spending

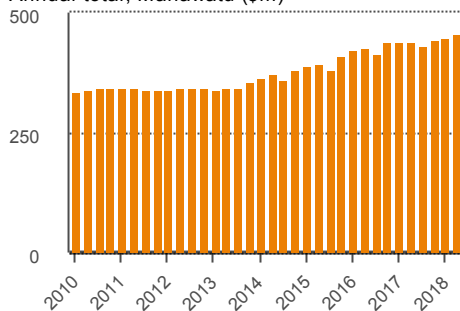
Tourism expenditure

Annual average % change Jun 17 - Jun 18



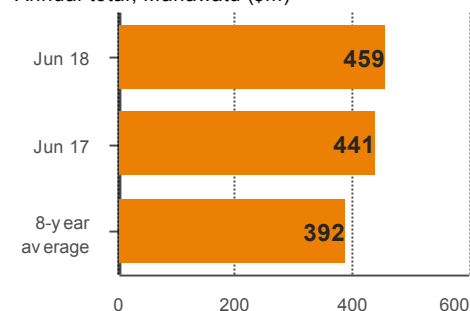
Tourism expenditure

Annual total, Manawatu (\$m)



Tourism expenditure

Annual total, Manawatu (\$m)



Highlights for Manawatu

- Total tourism expenditure in Manawatu increased by 4.1% in the year to June 2018. This compares with an increase of 8.5% in New Zealand.
- Total tourism expenditure was approximately \$459m in Manawatu during the year to June 2018, which was up from \$441m a year ago.

National overview

Visitor spending in the June year totalled \$28.8bn, up from \$26.5bn a year earlier. Growth was split by both international and domestic visitors. Spending by international visitors rose \$1.2bn to \$11.7bn, while domestic visitor spending increased \$1.1bn to \$17.0bn. International spending growth has been supported by more visitors to New Zealand from across Asia, North America and Europe. Domestic visitor spending growth was the fastest since MBIE's visitor spending series began in 2009, reflecting increasing spending on leisure as job prospects improve.

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.