

Overview of Hamilton City

The Hamilton economy enjoyed strong growth through the September 2015 year, with Infometrics' provisional estimate of GDP showing 3.2% growth from the September 2014 year.

Strong population growth in Hamilton City has helped boost domestic demand in the urban area, with annual growth in retail spending in September almost double the national average and car purchases climbing 9.5% over the same period.

The influx of people has put upward pressure on Hamilton City's housing market, with September quarter house sales doubling from a year ago and house price inflation at its highest since 2007. Changes to loan-to-value restrictions by the Reserve Bank in November are expected to put further pressure on the local property market as Auckland investors seek opportunities in familiar areas outside of the more restricted Auckland zone. A loosening of LVR limits outside Auckland, including in Hamilton, will potentially add more fuel to this investment boom.

Fortunately the consenting process in the area has been relatively quick to respond, with twice as many new dwelling consents issued in the September quarter, when compared to September last year.

Putting the residential property market aside, there are some downside risks to the Hamilton economy over the coming quarters. With El Niño conditions set to continue over the next three months and dairy prices renege on the recovery that looked to be appearing between August and October, the outlook for the agricultural and food manufacturing sector remains bleak. Providers of related goods and services are also likely to feel the pinch as food producers become more cautious in their spending.

Nevertheless, Hamilton City is likely to fare better than the neighbouring provincial areas due to its larger service sector, which will benefit from ongoing population growth. A key component of the strong population growth in the past year has been a surge in the number of students, providing a boost to Hamilton's education and training sector (as well as related services). Although growth in job seeker numbers continued to increase in September, this pace is well behind that of population growth in the area over the past year.

Indicator	Hamilton City	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 3.2%	↑ 2.4%	↑ 2.8%
Traffic flow	↑ 1.8%	↑ 5.2%	↑ 4.0%
Residential consents	↑ 29%	↑ 11%	↑ 8.5%
Non-residential consents	↓ -0.05%	↓ -1.4%	↑ 15%
House prices*	↑ 15%	↑ 12%	↑ 13%
House sales	↑ 51%	↑ 49%	↑ 21%
Guest nights	↑ 5.2%	↑ 5.7%	↑ 5.2%
Retail trade*	↑ 5.4%		↑ 2.8%
Car registrations	↑ 14%	↑ 9.1%	↑ 12%
Commercial vehicle registrations	↓ -1.2%	↑ 1.5%	↑ 7.3%
Job Seekers	↑ 1.8%	↑ 1.7%	↓ -3.2%
<i>Level</i>			
Unemployment rate	7.4%	6.0%	5.8%
International net migration	1,401	2,410	61,232

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

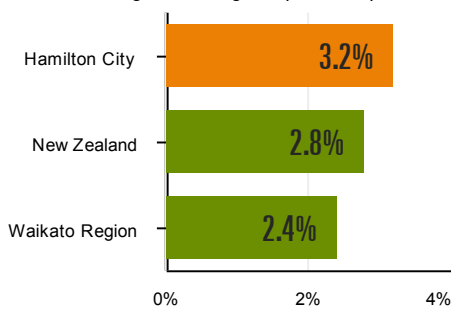
Overview of national economy

New Zealand's economic growth is set to dip below 2.0%pa within the next year, as low dairy prices, dry weather conditions this summer, and uncertainty about growth prospects in China take their toll. Business confidence remains subdued, and firms will have little appetite for new investment, especially given the lift in plant and machinery costs due to the lower exchange rate. Nevertheless, this substantial drop in the New Zealand dollar is now helping exporters and firms competing with imported product, and service exports will perform particularly well over the next year. Construction work will also be a bright spot for the economy, with growth in activity in Auckland more than making up for the wind-down of residential rebuilding activity in Canterbury.

Gross domestic product

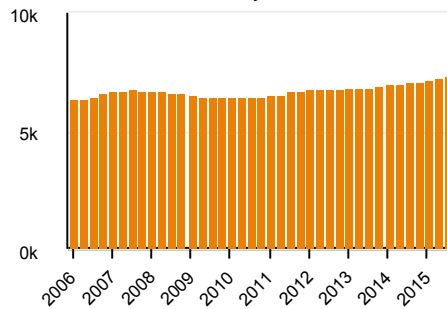
Gross domestic product growth

Annual average % change Sep 14 - Sep 15



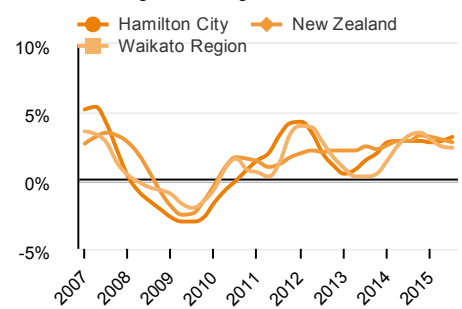
Gross domestic product (\$m)

Annual level, Hamilton City



Gross domestic product growth

Annual average % change



Highlights for Hamilton City

- GDP in Hamilton City was up 3.2% for the year to September 2015 compared to a year earlier. Growth was higher than in New Zealand (2.8%) and higher than in Waikato Region (2.4%).
- GDP was \$7,321 million in Hamilton City for the year to September 2015 (2010 prices).
- Annual GDP growth in Hamilton City peaked at 5.4% in the year to June 2007.

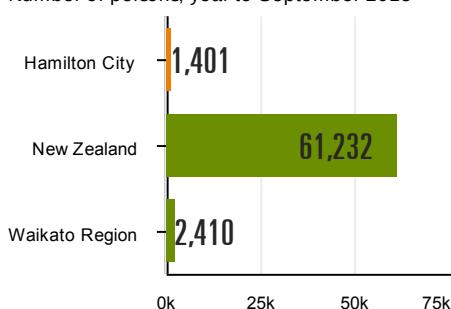
National overview

Economic activity rose 2.8% over the year ended in September, according to Infometrics' provisional estimates. However, recent growth has been supported by rapid population growth due to the surge in net migration. In per-capita terms, economic activity rose an estimated 0.8% in the September year – below its 20-year average of 1.5%pa. Even with population growth holding up, the drop in dairy prices, falling job security, and weak consumer sentiment will see household spending pull back. Non-building investment will fare even more poorly than consumption, as weakening profitability, potential drought, and rising capital costs weaken business confidence. We expect economic growth to slow throughout 2016, despite the bright spots provided by construction and tourism.

International net migration

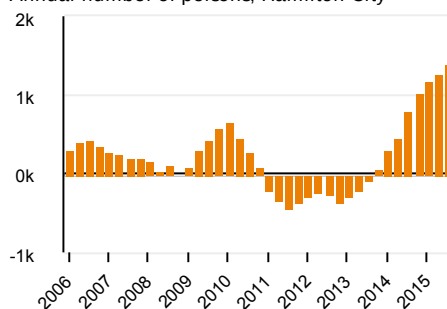
Net migration

Number of persons, year to September 2015



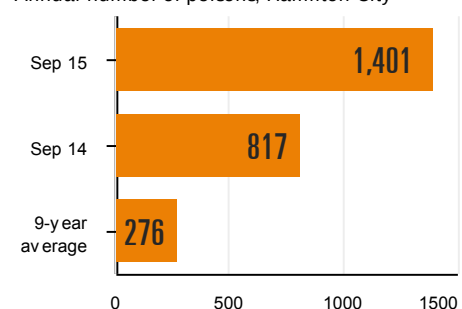
Net migration

Annual number of persons, Hamilton City



Net migration

Annual number of persons, Hamilton City



Highlights for Hamilton City

- Hamilton City experienced a permanent and long-term net migration gain of 1,401 persons in the year to September 2015. This compares with a gain of 817 a year ago, and a ten year average of 293 (gain).
- New Zealand's annual net migration increased to 61,232 from 45,412 a year ago.

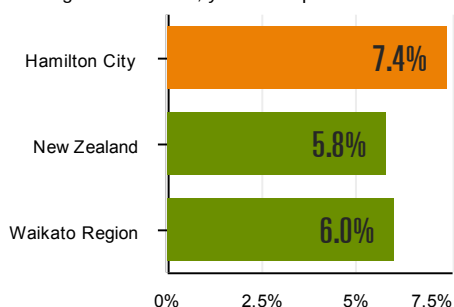
National overview

Annual net migration rose to 61,234 in September, with the September quarter showing the largest net inflow of permanent migrants to New Zealand on record (seasonally adjusted). Over the September quarter, arrivals on student visas accounted for 37% of the increase in arrivals compared to a year earlier, while arrivals on work visas accounted for a further third. Arrivals of students from India, China, and the Philippines more than explain the overall lift in student arrivals in the September quarter. The trend of rising arrivals on work and student visas is expected to continue throughout 2016. But the relative improvement of the Australian labour market will see departure numbers increase drawing back the flow of net migration through the coming year.

Unemployment rate

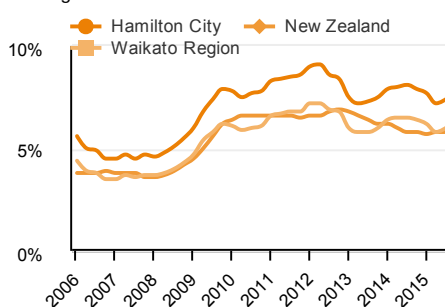
Unemployment rate

Average annual rate, year to September 2015



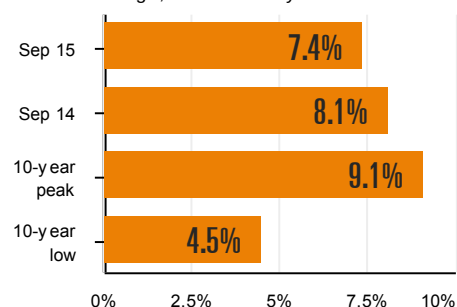
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Hamilton City



Highlights for Hamilton City

- The annual average unemployment rate in Hamilton City was 7.4% in September 2015, down from 8.1% a year earlier.
- The unemployment rate in Hamilton City was higher than in New Zealand, where the unemployment rate averaged 5.8% over the year to September 2015.
- Over the last ten years the unemployment rate reached a peak of 9.1% in June 2012;

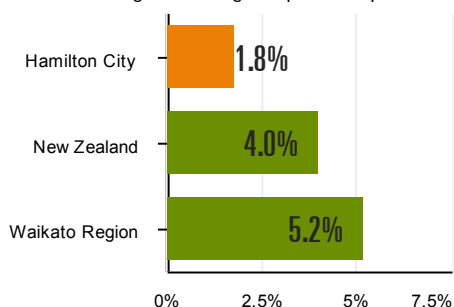
National overview

The unemployment rate ticked up to 6.0% in the September quarter (seasonally adjusted), with employment dropping 0.4% over the quarter. Waning business confidence in the face of weak dairy prices, the near certainty of a drought this summer, and weaker global demand, have led firms to cut back on their excess labour capacity in recent months. We expect the unemployment rate to remain above 6.0% throughout 2016, as growth in consumer spending eases and as export returns get knocked back by the likely drought this summer.

Traffic flow

Annual change in traffic flows

Annual average % change Sep 14 - Sep 15



Highlights for Hamilton City

- Traffic flows in Hamilton City increased by 1.8% over the year to September 2015. This compares with an increase of 4.0% in New Zealand.

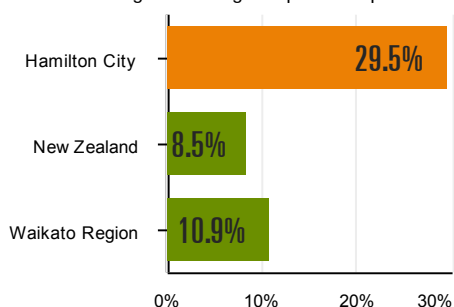
National overview

Nationwide traffic flows were up 4.0% over the year to September, with stronger flows recorded in and around key tourist destinations. The biggest lift in traffic flows was in the Taupo district (up 9.3%), closely followed by Kaikoura with traffic up 9.2%. There was a broad lift in traffic flows throughout Northland and the coastal Bay of Plenty and Coromandel areas, alongside pockets of strength in the typical tourist destinations such as Queenstown and Westland. In the year to September tourist numbers rose 8.5%, and with greater flight connectivity and improving incomes in key source countries such as China, tourism-related traffic is likely to increase at a similar pace over coming quarters.

Residential consents

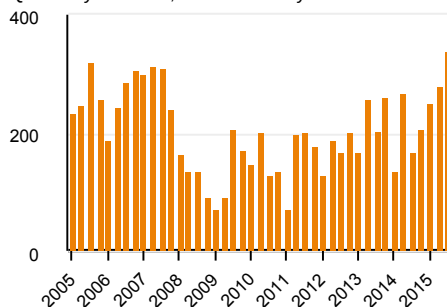
Growth in no. of new dwelling consents

Annual average % change Sep 14 - Sep 15



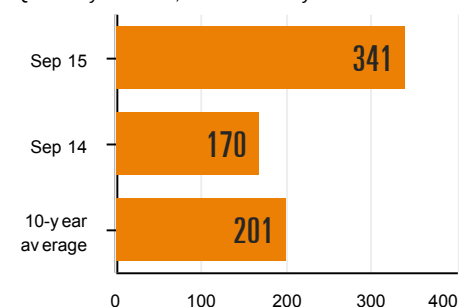
Residential consents

Quarterly number, Hamilton City



Number of new dwelling consents

Quarterly number, Hamilton City



Highlights for Hamilton City

- A total of 341 new residential building consents were issued in Hamilton City in the September 2015 quarter, compared with 170 in the same quarter last year.
- On an annual basis the number of consents in Hamilton City increased by 29% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 8.5% over the same period.

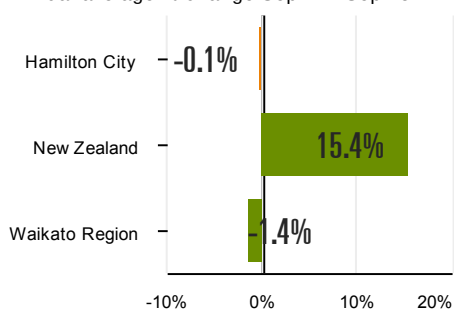
National overview

The number of new dwelling consents rose 11% in the September quarter to sit 16% higher than a year earlier. Consent growth really took off in the upper North Island during the September quarter, with activity in both Northland and Waikato up 49% from last year, while Bay of Plenty and Auckland recorded 34% and 20% growth respectively. Although annual consent numbers for Canterbury are below their peak level at the end of 2014, September quarter consents were still 2.5% higher than a year earlier. With activity in the upper North Island set to rise and consents holding at high levels in Canterbury, national consents are expected to climb further over the year ahead.

Non-residential consents

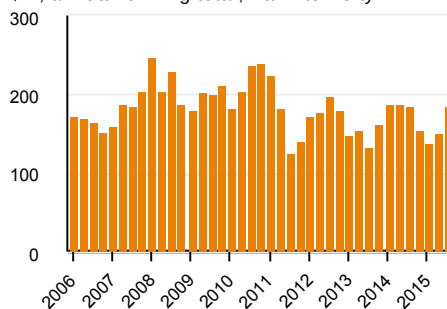
Growth in value of consents

Annual average % change Sep 14 - Sep 15



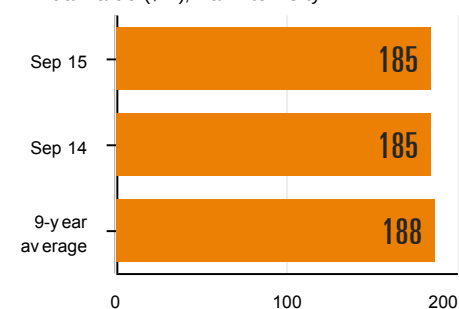
Non-residential consents, Hamilton City

\$m, annual running total, Hamilton City



Value of non-residential consents

Annual value (\$m), Hamilton City



Highlights for Hamilton City

- Non-residential building consents to the value of \$185 million were issued in Hamilton City during the year to September 2015.
- The value of consents decreased by -0.05% over the year to September 2015. By comparison the value of consents in New Zealand increased by 15% over the same period.
- Over the last 10 years, consents in Hamilton City reached a peak of \$249 million in the year to March 2008.

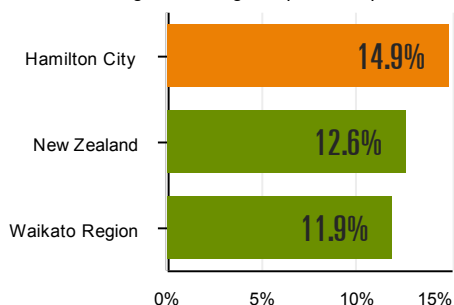
National overview

The value of non-residential building consents in the September quarter was \$1.7bn and 17% higher than the June quarter (seasonally adjusted). Education building was one of the strongest performers, posting two consecutive record-high months in August and September. The value of industrial building was also at a record high in September, with the volume of consents in the quarter at its highest since 1982). Commercial building for the quarter fell slightly short of expectations, but the volume of commercial consents was still the highest for any quarter since December 1988.

House prices

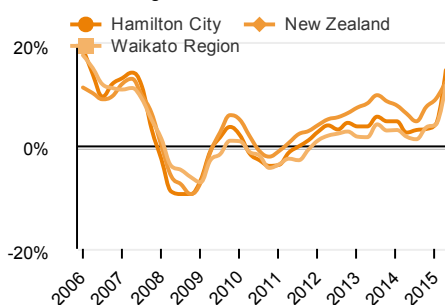
Annual change in house prices

Annual average % change Sep 14 - Sep 15



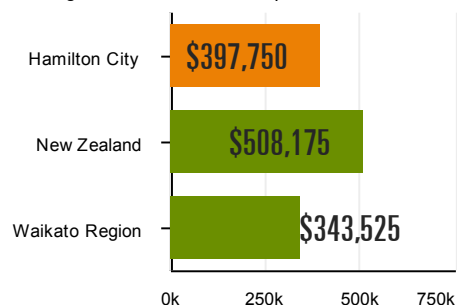
House price growth

Annual % change



Median house price

Average for 12 months to Sep 2015



Highlights for Hamilton City

- The median house price in Hamilton City was up 15% in September 2015 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 13%.
- The median house price was \$397,750 in Hamilton City in the September 2015 quarter. This compares with \$508,175 in New Zealand.

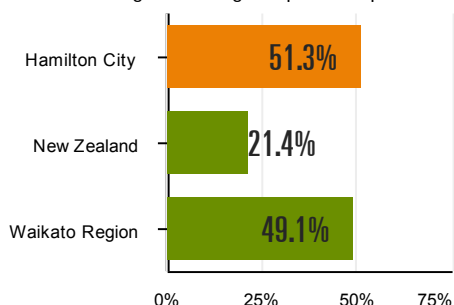
National overview

House price inflation stood at 13%pa in the September quarter with prices continuing their vertiginous climb in Auckland. Strengthening housing demand in regions neighbouring Auckland has seen house prices climb in key areas nearby such as Hamilton (15%pa), Tauranga (11%pa), the Waikato district (11%pa), and Kaipara (7.8%pa). The introduction of tighter loan-to-value restrictions for residential property investors in Auckland, alongside a loosening of the limit for elsewhere in the country, is likely to further drive up housing demand in the regions neighbouring Auckland. However, house price inflation in Auckland will be curtailed by these restrictions and national house price growth will slow as a result.

House sales

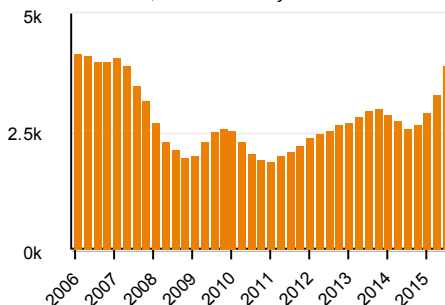
Annual change in house sales

Annual average % change Sep 14 - Sep 15



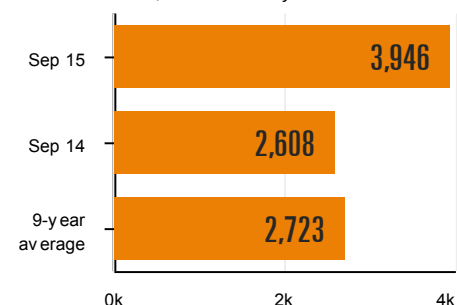
House sales

Annual number, Hamilton City



House sales

Annual number, Hamilton City



Highlights for Hamilton City

- House sales in Hamilton City in the year to September 2015 increased by 51% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 21%.
- A total of 3,946 houses were sold in Hamilton City in the 12 months ended September 2015. This compares with the ten year average of 2,851.

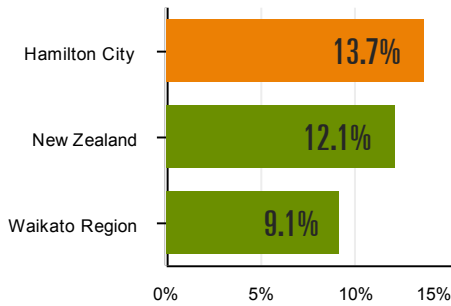
National overview

Despite sales levels reaching an eight-year high in the June quarter, house sales kicked it up another notch during September, with sales climbing a further 12% over the quarter (seasonally adjusted). This sharp acceleration in house sales was evident both within and outside of the Auckland region. It is likely that home buyers brought forward their purchases to avoid the new bright-line capital gains tax rule which took effect in October. Even with tighter loan-to-value limits for Auckland investors being implemented in November, strong population growth and underlying momentum in the market suggest house sales will remain elevated over the year ahead.

Car registrations

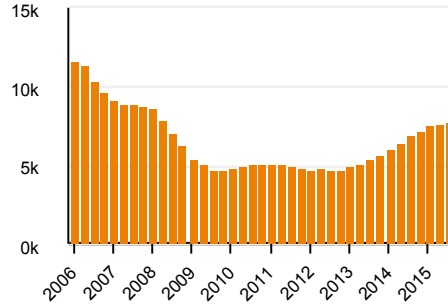
Car registrations

Annual average % change Sep 14 - Sep 15



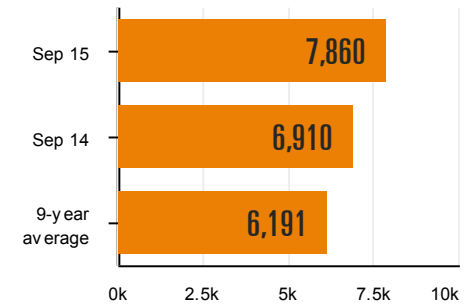
Car registrations

Annual number, Hamilton City



Car registrations

Annual number, Hamilton City



Highlights for Hamilton City

- The number of cars registered in Hamilton City increased by 14% in the year to September 2015 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 12%.
- A total of 7,860 cars were registered in Hamilton City in the year to September 2015. This compares with the ten year average of 6,612.

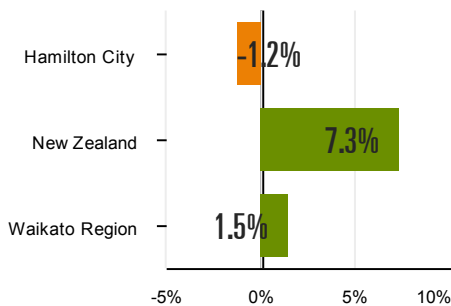
National overview

Car sales in the September quarter were up 7.8% from their 2014 level. This growth was relatively evenly spread across sales of new cars and first-time sales of used imports, up 5.9% and 9.1% respectively. Even so, these rates have slowed considerably from a year ago, when annual growth was regularly in double-digits. Sales are also sitting around 10% above Infometrics' calculations of longer-term replacement demand, which is driven by fundamental factors such as household formation, ownership rates, and vehicle scrap rates. With these factors in mind, and given that business investment and consumer spending intentions have softened, we believe that the peak in car sales is near.

Commercial vehicle registrations

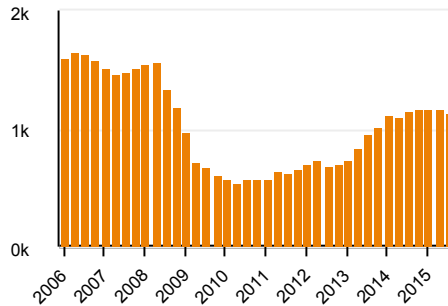
Commercial vehicle registrations

Annual average % change Sep 14 - Sep 15



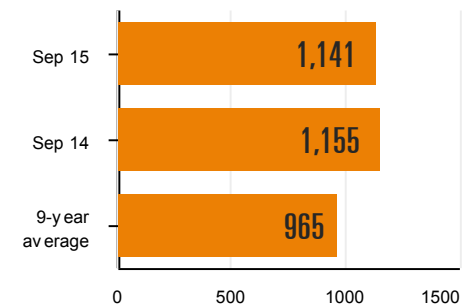
Commercial vehicle registrations

Annual number, Hamilton City



Commercial vehicle registrations

Annual number, Hamilton City



Highlights for Hamilton City

- The number of commercial vehicles registered in Hamilton City decreased by -1.2% in the year to September 2015 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 7.3%.
- A total of 1,141 commercial vehicles were registered in Hamilton City in the year to September 2015. This is higher than the ten year annual average of 1,033.

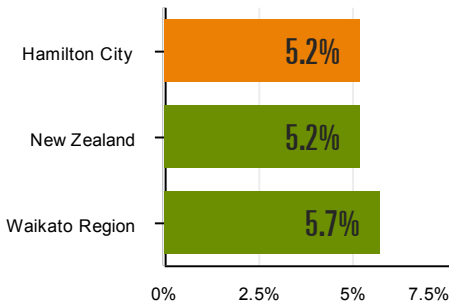
National overview

Commercial vehicle sales continued to come off the boil in the September quarter, with heavy truck sales down heavily from a year ago. Given the weak outlook for dairy production, export volumes are expected to fall in the near-term. Coupled with import growth stalling due to a weaker exchange rate, the drop in exports is likely to see growth in freight volumes ease over the year ahead. With little incentive for firms to enhance capacity for high-volume transport, we expect very heavy truck sales to continue to decline, and for medium truck sales to follow suit in 2016.

Guest nights

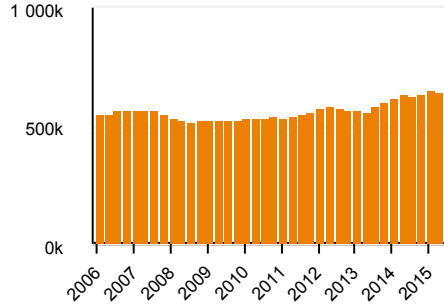
Guest nights

Annual average % change Sep 14 - Sep 15



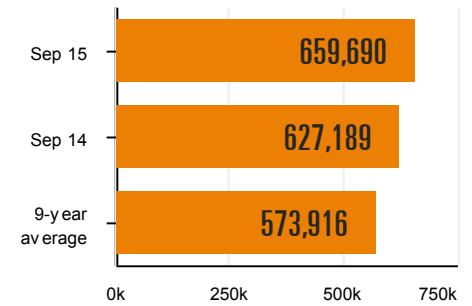
Guest nights

Annual number, Hamilton City



Guest nights

Annual number, Hamilton City



Highlights for Hamilton City

- Total guest nights in Hamilton City increased by 5.2% in the year to September 2015. This compares with an increase of 5.2% in New Zealand.
- Visitors stayed a total of 659,690 nights in Hamilton City during the year to September 2015, which was up from 627,189 a year ago.

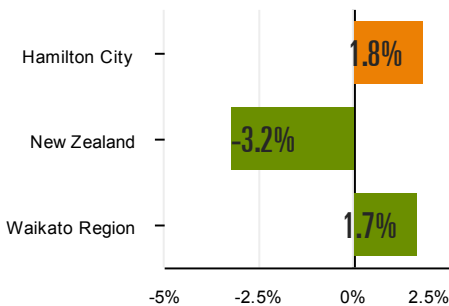
National overview

Guest nights in the September quarter were 4.5% higher than a year earlier as tourist numbers continued to climb. This lift in guest nights was broad-based across regions, with only guest nights in Gisborne falling (down 16%) from a year earlier. The biggest absolute increases in guest nights took place in Otago, Waikato, and Canterbury regions, with guest nights climbing between 45,000 and 56,000 from September 2014. Increased flight connectivity and capacity between New Zealand and China, rising incomes in Asia, and improving economic growth in the likes of the US point towards continued growth in tourism throughout summer.

Jobseekers

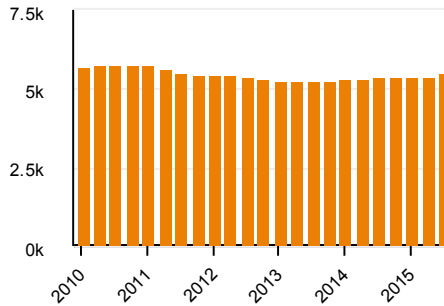
Annual change in Jobseekers

Annual average % change Sep 14 - Sep 15



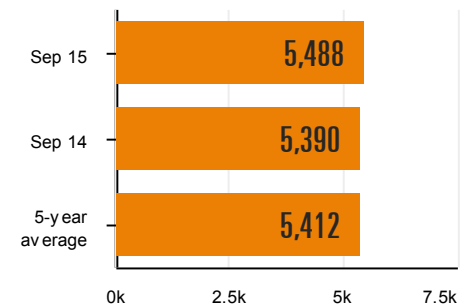
Jobseekers

Annual average, Hamilton City



Jobseekers

Annual average, Hamilton City



Highlights for Hamilton City

- Working age Jobseeker Support recipients in Hamilton City in the year to September 2015 increased by 1.8% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseekers decreased by 3.2%.
- An average of 5,489 people were receiving a Job Seeker Support benefit in Hamilton City in the 12 months ended September 2015. This compares with an average of 5,412 since the start of the series in 2010.

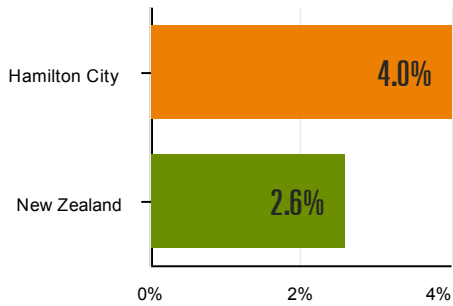
National overview

The number of people registering for jobseeker support continued to decline in the September quarter, bringing the year-end number of registered jobseekers down 3.2% from a year earlier. New Zealand's labour force has expanded by 2.8% over the year ending September, with record-high net migration boosting the labour supply. However, strong demand for skilled labour has absorbed most of the increase in worker availability over the period. Looking ahead, we expect the surge in net migration and growth in demand for labour to cool. Although these factors have an offsetting effect, the mismatch of skills desired by employers compared with the skills on offer from available workers will keep unemployment up and limit the decline in jobseeker numbers over the next 1-2 years.

Retail trade

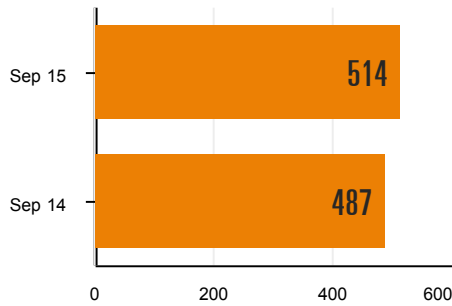
Growth in retail sales

Annual average % change Sep 14 - Sep 15



Retail sales

Quarterly value (\$m), Hamilton City



Highlights for Hamilton City

- Electronic card retail spending in Hamilton City, as measured by Marketview, increased by 4.0% over the year to September 2015 compared to the previous year. This compares with an increase of 2.6% in New Zealand.

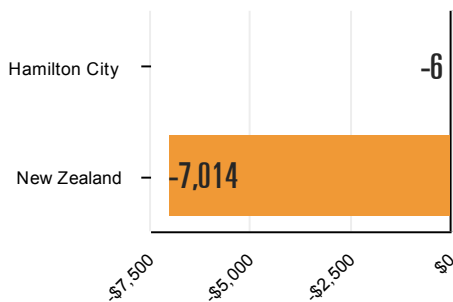
National overview

The value of retail spending in the September quarter was up 2.8% from a year earlier, according to Marketview data. Statistics NZ's retail trade survey shows that the volume of spending was up 5.7% over the same period. Although sales activity was solid in the September quarter, the weakening labour market and economic conditions will see growth in consumer demand cool in the coming quarters. Nevertheless, very strong population growth – it is currently sitting at a 40-year high of 2.0%pa – will mask this slowdown in demand growth in the near term, with more consumers (both new residents and more tourists) keeping the total spend up.

Total dairy payout

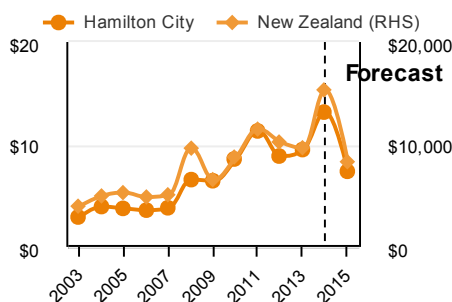
Total dairy payout

Change (\$m) between 2014 and 2015 seasons



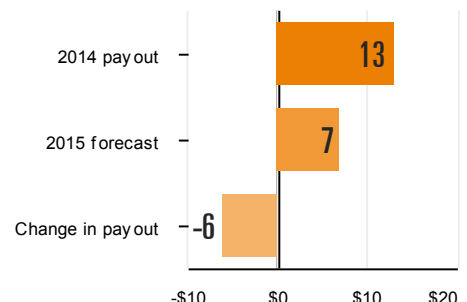
Total dairy payout

\$m each season, Hamilton City



Total dairy payout

\$m each season, Hamilton City



Highlights for Hamilton City

- Hamilton City's total dairy payout for the 2014 season is estimated to have been approximately \$13.2m.
- Hamilton City's dairy payout for the current season is expected to be approximately \$7.38m, \$5.78m 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 \$15,330m in the 2014 season, but is expected to be \$7,014m lower than in the 2015 season.

National overview

The national dairy payout fell 46% in the 2014/15 milking season, with dairy prices plummeting on world markets. Despite modest gains in dairy prices between August and October, GlobalDairyTrade's auction data shows that dairy prices had given up almost half this gain by early December, and Infometrics expects Fonterra's payout to hold below \$5/kgms for the 2015/16 season. This summer's El Niño will mean farmers face drier pastures during the middle of the season, limiting grass growth, particularly in the eastern parts of the country. With dairy prices still relatively low, farmers are likely to keep extra feed purchases to a minimum, foregoing extra production to limit costs. Low prices and a lack of production growth will limit the overall dairy payout for 2015/16.

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.

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 prices

House price levels (dollar value) are sourced from QVNZ. We report on the average of the median sale prices for the past 12 months. The percentage growth in house prices is also sourced from Quotable Value. The indicator measures the change in the average prices of sales entered into QV's system in the three month period compared with the same period of the previous year.

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)