

### Overview of Hamilton City

Hamilton City's economy continued to grow at a healthy pace through the middle stages of 2014, with our provisional estimate of GDP showing the City's economy grew by 2.7% over the year to June. These higher levels of economic activity are pushing up traffic flows across Hamilton (up 5.1%), as increasing demand for goods and services necessitates more movement of people and resources.

With business confidence levels remaining elevated and job prospects improving, the outlook for Hamilton City remains healthy. Although the lower dairy payout will take the shine off some neighbouring district's economies, Hamilton City's larger exposure to the service sector means that significant contagion from the dairy sector is unlikely unless low dairy prices persist beyond the current season.

House prices in Hamilton City continue to rise at a moderate pace, up 2.7% over the year to September. But rising property prices do not appear to be flowing through into the rental market at present, with average rents in the September quarter sitting a mere 1.0% above their 2013 level.

Rising confidence to spend by households is evident in the retail sector. According to retail sales data from Marketview, the value of retail sales in Hamilton City during the September quarter was up 4.5% on a year earlier. Vehicle demand remains elevated, with both car and commercial vehicle registrations growing at above 20%pa.

Guest nights in Hamilton continue to soar, while MBIE's regional tourism indicators show that domestic and international spending growth averaged 4.0%pa and 8.8%pa respectively in the September quarter from a year earlier.

Indicator	Hamilton City	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 2.7%	↑ 2.7%	↑ 2.7%
Traffic flow	↑ 5.1%	↑ 4.4%	↑ 2.6%
Residential consents	↓ -0.2%	↑ 13%	↑ 22%
Non-residential consents	↑ 37%	↑ 20%	↑ 16%
House prices*	↑ 2.7%	↑ 2.2%	↑ 6.4%
House sales	↓ -12.6%	↓ -10.0%	↓ -9.4%
Guest nights	↑ 7.2%	↑ 4.3%	↑ 5.0%
Retail trade*	↑ 4.5%		↑ 3.6%
Car registrations	↑ 26%	↑ 27%	↑ 21%
Commercial vehicle registrations	↑ 21%	↑ 27%	↑ 26%
<i>Level</i>			
Unemployment rate	↑ 8.1%	↑ 6.6%	↓ 5.8%
International net migration	↑ 817	↑ 1,386	↑ 45,412

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

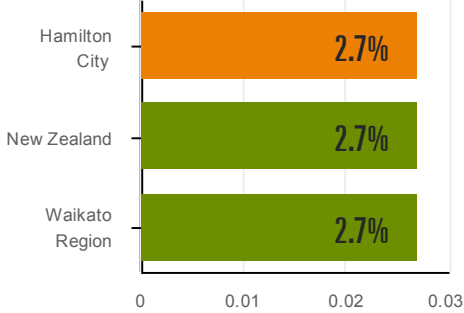
### Overview of national economy

If you've gone to the fridge and taken a swig of milk from the bottle lately, you will have noticed it's got lumps in it – which is hardly surprising when you look at the “best before” date. Prospects for the dairy payout and GDP growth looked pretty tasty back in February, but things have soured markedly throughout the course of this year. The lid will be kept on economic growth in many provincial areas due to the dairy sector's struggles, although soaring meat prices will mitigate the negative effects in some regions. Even though elsewhere in the kitchen we have construction activity and inbound migration coming to the boil, we have still revised down our economic growth forecasts over the coming year. Recent data also shows that inflationary pressures have been kept on ice so far. In this environment, fewer interest rate rises are on the menu over the next couple of years.

# Gross domestic product

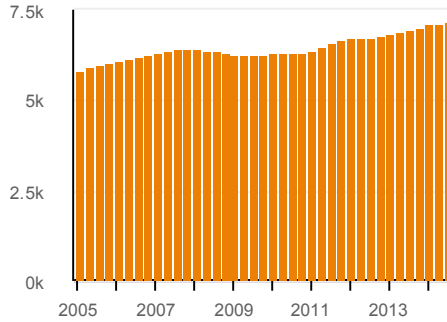
## Gross domestic product growth

Annual average % change Sep 13 - Sep 14



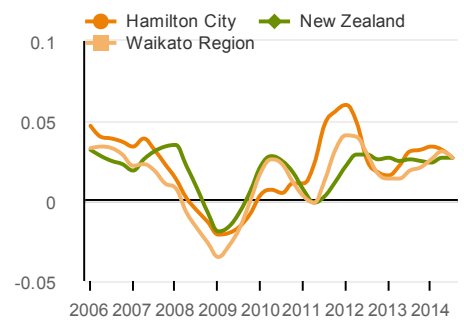
## Gross domestic product (\$m)

Annual level, Hamilton



## Gross domestic product growth

Annual average % change



## Highlights for Hamilton City

- GDP in Hamilton was up 2.7% for the year to September 2014 compared to a year earlier. Growth was lower than in New Zealand (2.7%) and lower than in Waikato Region (2.7%).
- GDP was \$7,156 million in Hamilton for the year to September 2014 (2010 prices).
- Annual GDP growth in Hamilton City peaked at 6.0% in the year to March 2012.

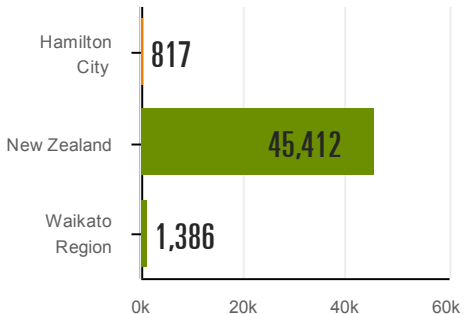
## National overview

The New Zealand economy continued to strengthen through the middle stages of the year, with GDP over the year to September estimated to have grown by 2.7% from a year earlier. The economy was boosted by a combination of rising construction activity, increasing demand for services, and a sharp lift in net migration. At the same time, primary sector production and business investment have remained elevated. Although a reduction to farm incomes from the steep decline in dairy prices is expected to contain any further acceleration to GDP growth over the coming quarters, economic growth is still expected to be close to 3.0%pa throughout 2015.

# International net migration

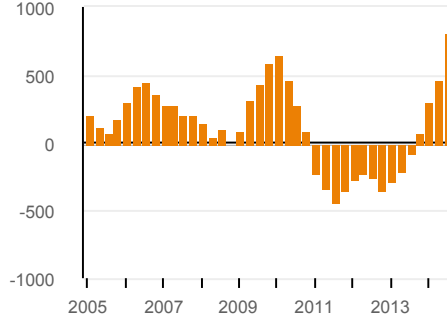
## Net migration

Number of persons, year to September 2014



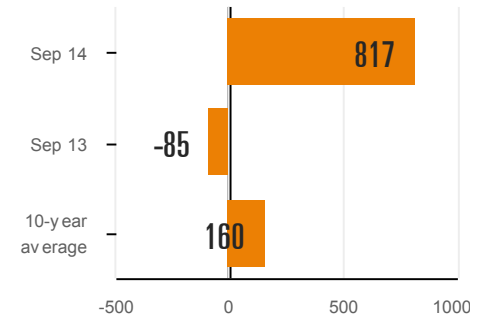
## Net migration

Annual number of persons, Hamilton



## Net migration

Annual number of persons, Hamilton



## Highlights for Hamilton City

- Hamilton City experienced a permanent and long-term net migration gain of 817 persons in the year to September 2014. This compares with a loss of 85 a year ago, and a ten year average of 160 (gain).
- New Zealand's annual net migration increased to 45,412 from 15,178 a year ago.

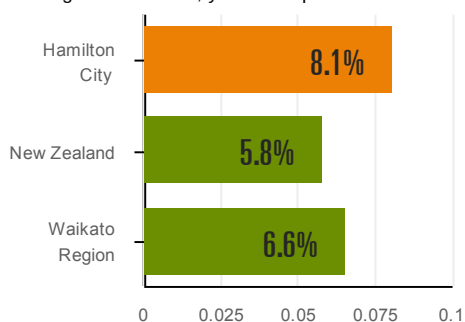
## National overview

There was a net inflow of 13,960 permanent arrivals in the September quarter, the largest quarterly inflow on record (going back to 1982). Although migrants on work visas and non-visa arrivals were significant contributors to this result, the biggest factor driving up net migration inflows during the quarter has been a massive lift in student arrivals. It is likely that the surge in student arrivals is due to new rules allowing foreign students to work up to 20 hours per week during term, and full time in holiday breaks. We expect annual net inbound migration to peak at above 50,000pa by the start of 2015 and to gradually moderate thereafter.

# Unemployment rate

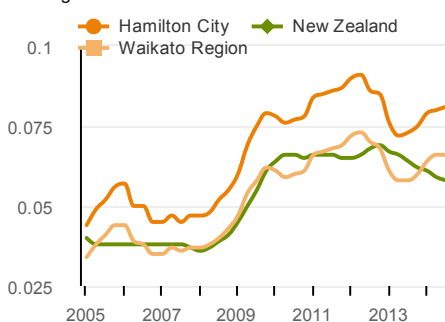
## Unemployment rate

Average annual rate, year to September 2014



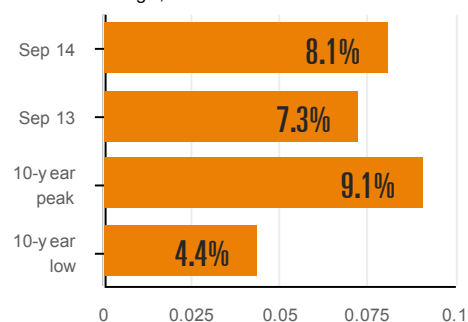
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Hamilton



## Highlights for Hamilton City

- The annual average unemployment rate in Hamilton City was 8.1% in September 2014, up from 7.3% 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 2014.
- Over the last ten years the unemployment rate reached a peak of 9.1% in June 2012;

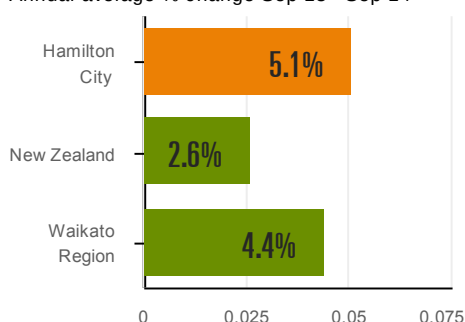
## National overview

Surging employment demand pushed down the unemployment rate to an average of 5.8% over the year to September, down from 6.2% on average the previous year. However, despite these rising employment levels, there remains very little pressure on labour costs at this stage. The labour cost index (LCI) rose by just 1.6% in the year to September, the smallest annual lift since early 2010. An absence of public sector wage increases is largely behind the weak LCI result, with public sector labour costs rising by just 1.0% over the year to September – the slowest rate of increase in 20 years. Looking at labour costs by industry shows that the only pockets of cost pressures are in the mining, construction, transport, real estate, and minerals and metal manufacturing sectors.

# Traffic flow

## Annual change in traffic flows

Annual average % change Sep 13 - Sep 14



## Highlights for Hamilton City

- Traffic flows in Hamilton City increased by 5.1% over the year to September 2014. This compares with an increase of 2.6% in New Zealand.

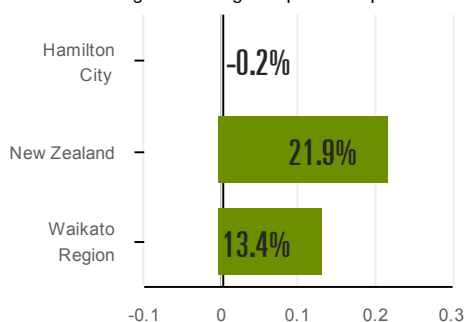
## National overview

Traffic flows in New Zealand over the year to September grew a healthy 2.6% from a year earlier. This growth was relatively broad-based, with all regions recording positive growth in traffic activity. The fastest growth remains in Canterbury, while Marlborough, West Coast, Waikato, Northland, and Southland also grew at a healthy clip. Traffic flows in Auckland are growing more moderately as utilisation of the city's public transport system takes off. Over the year to September, public transport patronage in Auckland rose by 7.6% compared to a year earlier. Nationally, we expect traffic flows to continue growing at a moderate pace throughout final stages of 2014, as rising levels of employment, primary production, and investment (particularly in the construction sector) necessitate more vehicle movements.

# Residential consents

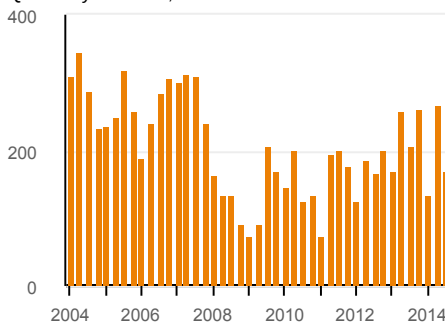
## Growth in no. of new dwelling consents

Annual average % change Sep 13 - Sep 14



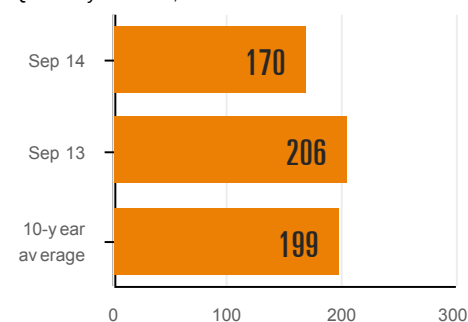
## Residential consents

Quarterly number, Hamilton



## Number of new dwelling consents

Quarterly number, Hamilton



## Highlights for Hamilton City

- A total of 170 new residential building consents were issued in Hamilton City in the September 2014 quarter, compared with 206 in the same quarter last year.
- On an annual basis the number of consents in Hamilton City decreased by 0.2% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 22% over the same period.

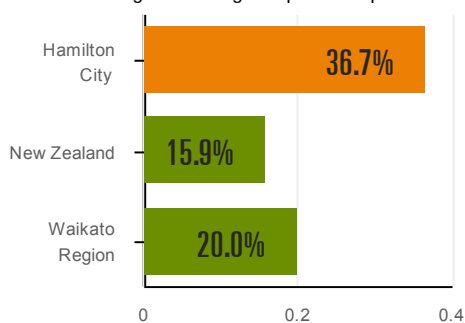
## National overview

Apartment consents are likely to remain a more significant feature in Auckland dwelling consent numbers over the coming years as the housing shortage necessitates cheaper and more compact living options. Further significant growth in consent numbers in Canterbury is unlikely, but consents should remain elevated until 2016 compared with pre-quake levels. Consent numbers in parts of provincial New Zealand have plateaued as a weaker outlook for dairy and forestry prices knocks confidence to invest.

# Non-residential consents

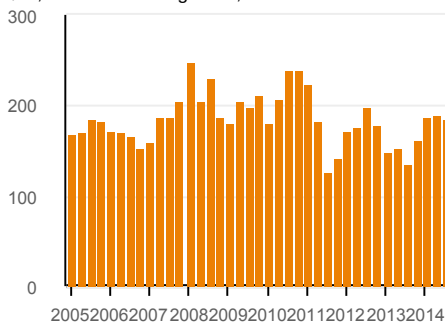
## Growth in value of consents

Annual average % change Sep 13 - Sep 14



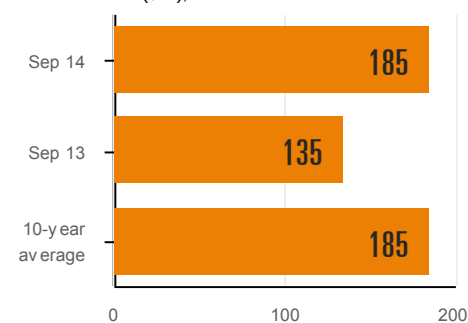
## Non-residential consents, Hamilton

\$m, annual running total, Hamilton



## Value of non-residential consents

Annual value (\$m), Hamilton



## Highlights for Hamilton City

- Non-residential building consents to the value of \$185 million were issued in Hamilton City during the year to September 2014.
- The value of consents increased by 37% over the year to September 2014. By comparison the value of consents in New Zealand increased by 16% over the same period.
- Over the last 10 years, consents in Hamilton City reached a peak of \$248 million in the year to March 2008.

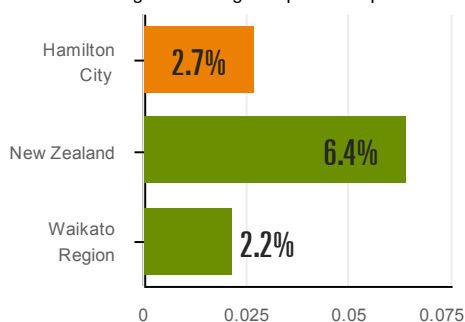
## National overview

September completed a massive quarter for non-residential building, with the value of consents in the quarter up 28% from a year earlier. Activity in September was boosted by a single large consent, worth \$99m, as part of the University of Auckland's development of its Newmarket campus. But even without this project, the value of consents during the month would still have been up 11% from September 2013. With the exception of rebuilding activity in Canterbury, growth in non-residential consents across the rest of the country is likely to moderate over the coming quarters as softening business confidence and lower commodity prices take their toll.

# House prices

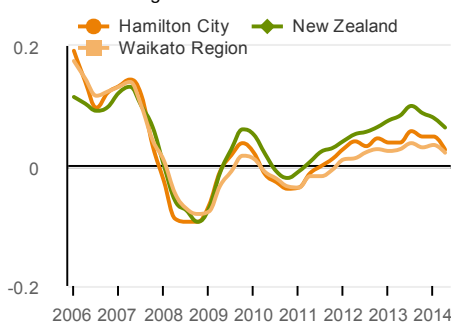
## Annual change in house prices

Annual average % change Sep 13 - Sep 14



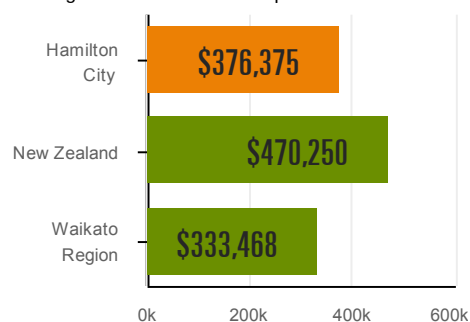
## House price growth

Annual % change



## Median house price

Average for 12 months to Sep 2014



## Highlights for Hamilton City

- The median house price in Hamilton City was up 2.7% in September 2014 compared with a year earlier. Growth underperformed relative to New Zealand, where prices increased by 6.4%.
- The median house price was \$376,375 in Hamilton City in the September 2014 quarter. This compares with \$470,250 in New Zealand.

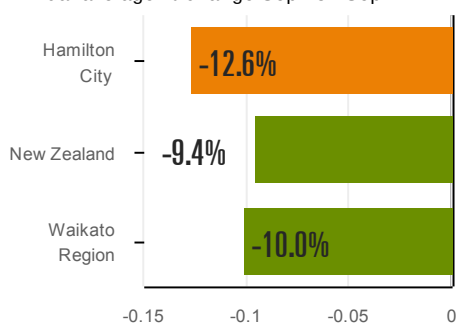
## National overview

House prices edged up another 0.2% in September, with annual house price growth easing to its slowest rate in 19 months (6.4%). However, house price inflation in Auckland continues to run ahead of the rest of the country. During the September quarter, prices in Auckland rose by 1.8%, compared to a lift of about 0.7% around the rest of the country (not seasonally adjusted). House prices around the rest of the country, particularly in provincial areas, will remain under pressure as buyers take a cautious approach in the face of falling dairy prices and less certain economic growth prospects.

# House sales

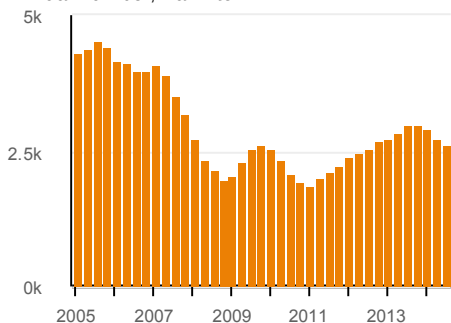
## Annual change in house sales

Annual average % change Sep 13 - Sep 14



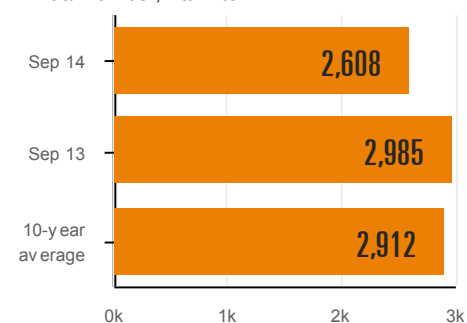
## House sales

Annual number, Hamilton



## House sales

Annual number, Hamilton



## Highlights for Hamilton City

- House sales in Hamilton City in the year to September 2014 decreased by 13% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 9.4%.
- A total of 2,608 houses were sold in Hamilton City in the 12 months ended September 2014. This compares with the ten year average of 2,912.

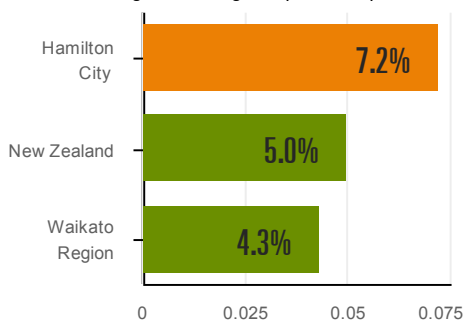
## National overview

September quarter sales were lower than a year earlier for regions across the board. When compared to 2013, sales dropped by 19% in each of the Auckland, Taranaki, and Southland regions over the September quarter — the fastest decline in sales for any region. Canterbury and Central Otago had the least negative growth among New Zealand regions, with sales sitting just 3.7% and 2.5% respectively lower than a year ago (and achieving some of the more rapid rates of growth the past three months). Despite the current plateau, we expect house sales to pick up shortly. Continued strong net migration, improved job prospects, and competitive interest rates on new mortgages, will help boost this recovery. We expect house sales to climb 17% over year to September 2015.

# Guest nights

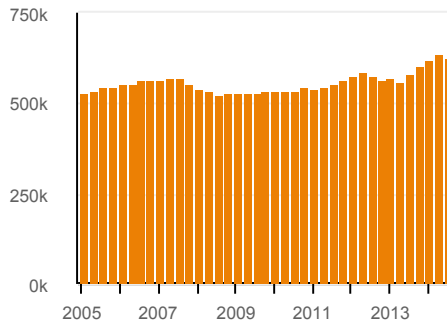
## Guest nights

Annual average % change Sep 13 - Sep 14



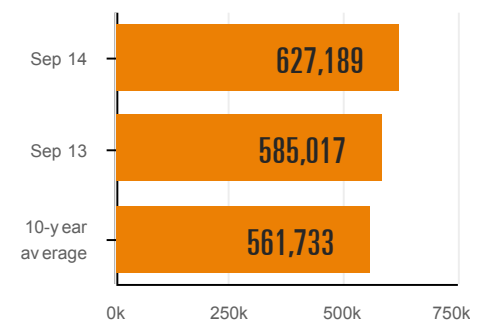
## Guest nights

Annual number, Hamilton



## Guest nights

Annual number, Hamilton



## Highlights for Hamilton City

- Total guest nights in Hamilton City increased by 7.2% in the year to September 2014. This compares with an increase of 5.0% in New Zealand.
- Visitors stayed a total of 627,189 nights in Hamilton City during the year to September 2014, which was up from 585,017 a year ago.

## National overview

Guest nights rose 5.0% over the year to September from their 2013 level. This growth has been broad-based across both international and domestic visitor guest nights (up 5.3% and 4.6% respectively). The biggest contributors to overseas visitor arrivals in the September quarter were Australia, Japan, China, the US, India, Taiwan, Hong Kong, France, and Germany. With a sharp depreciation of the New Zealand dollar since the end of the quarter boosting foreign visitors' potential purchasing power, we anticipate that international visitor arrivals will grow robustly moving into 2015. New Zealanders' willingness to spend on domestic travel is also on the up, as rising employment levels boost households' ability to spend on discretionary items. MBIE's regional tourism indicators show the value of spending by domestic travelers in September was 12% above its September 2013 level.

# Retail trade

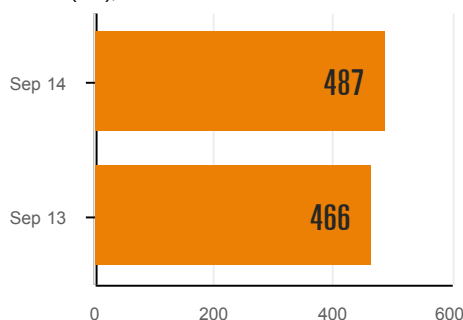
## Growth in retail sales

Annual % change Sep 13 - Sep 14



## Retail sales

Value (\$m), Hamilton



## Highlights for Hamilton City

- Electronic card retail spending in Hamilton City, as measured by Marketview, increased by 4.5% in the September 2014 quarter compared to the same quarter in 2013. This compares with an increase of 3.6% in New Zealand.

The switch to Marketview data has provided a more accurate basis for the measurement of retail sales at a Hamilton City level but the current reporting configuration does not provide data at a regional level.

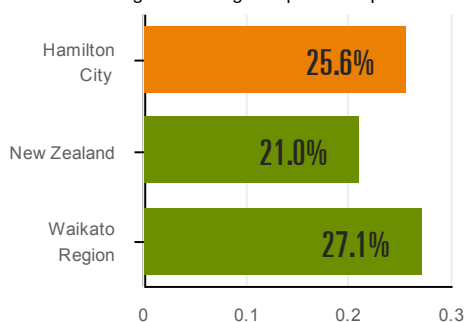
## National overview

Data from Marketview shows that the value of retail sales in New Zealand during the September quarter was 3.6% higher than a year earlier. Decomposing the retail market at a national level using Statistics New Zealand's Retail Trade Survey indicates that sales growth continues to be driven by a rising spend on food and beverage services, but was also boosted by higher supermarket and grocery store sales over the September quarter. The volume of furniture, floor coverings, houseware, and textile sales also rose strongly during the quarter. Despite this recent strength, growth in retail sales volumes is likely to be more subdued over the year ahead. Factors impinging the volume of retail goods and services sold will be a moderation of household income growth, as lower export returns cool employment growth, and a rise in imported consumer good prices as the New Zealand dollar depreciates.

# Car registrations

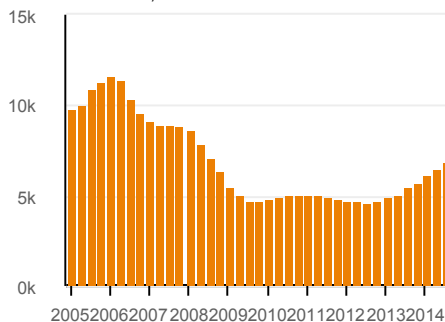
## Car registrations

Annual average % change Sep 13 - Sep 14



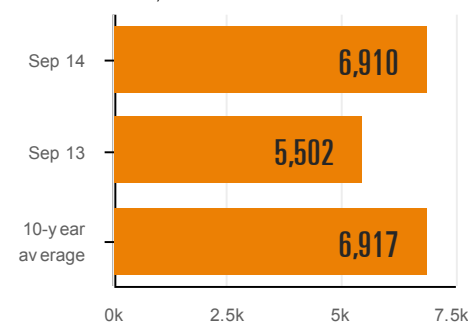
## Car registrations

Annual number, Hamilton



## Car registrations

Annual number, Hamilton



## Highlights for Hamilton City

- The number of cars registered in Hamilton City increased by 26% in the year to September 2014 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 21%.
- A total of 6,910 cars were registered in Hamilton City in the year to September 2014. This compares with the ten year average of 6,917.

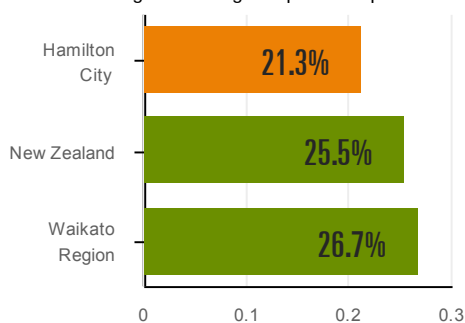
## National overview

Car registrations were up a whopping 31% in September from a year earlier, driven by surging sales of used imports, while growth in demand for new cars also accelerated. The 57,020 passenger cars sold in the September quarter was the highest sales total for a September quarter since 2005. Car demand has been boosted by rapidly improving labour market conditions at the same time as exceptional strength in the New Zealand dollar has been pushing down the price of cars.

# Commercial vehicle registrations

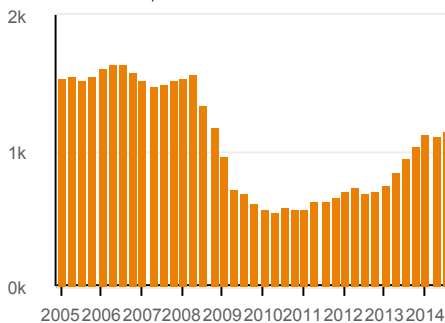
## Commercial vehicle registrations

Annual average % change Sep 13 - Sep 14



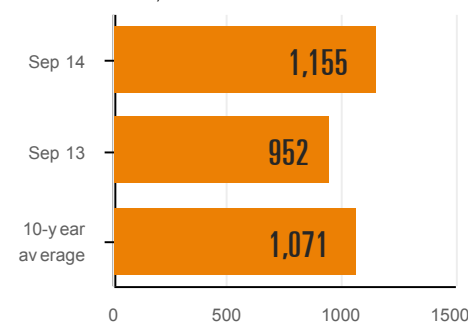
## Commercial vehicle registrations

Annual number, Hamilton



## Commercial vehicle registrations

Annual number, Hamilton



## Highlights for Hamilton City

- The number of commercial vehicles registered in Hamilton City increased by 21% in the year to September 2014 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 26%.
- A total of 1,155 commercial vehicles were registered in Hamilton City in the year to September 2014. This is higher than the ten year annual average of 1,071.

## National overview

Commercial vehicle demand picked up in the September quarter, as exceptional strength in the New Zealand dollar during much of the quarter kept truck prices at bay. Statistics New Zealand's Capital Goods Price index shows that heavy commercial prices (>3,500kg) fell 3.8% over the year to June and ongoing strength in the currency is likely to have maintained this downward price pressure in September. These favourable prices, coupled with rising domestic economic activity, outweighed a weaker outlook for dairy and forestry export returns. However, vehicle sales look set to come off the boil in 2015, as a depreciating New Zealand dollar puts upward pressure on truck prices, at the same time as export returns wane.

# 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 job seekers 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.