

### Overview of Hamilton City

Hamilton's economy continued to enjoy strong growth during the closing stages of 2015, with Infometrics' provisional estimate of GDP showing growth of 3.6% over the year to December 2015. The City's economy has benefited from a sharp uplift in real estate and construction activity into both residential and commercial developments. These factors, coupled with strong population and consumption growth, have outweighed drag from ongoing weakness in dairy returns in rural parts of Waikato.

House prices in Hamilton grew a rapid 24% during 2015. A key factor driving up prices has been the spill-over effects of strong underlying demand and high prices in Auckland, which have pushed homebuyers and investors into seeking opportunities in surrounding regions. Furthermore, increasing numbers of industrial businesses springing up in southern parts of Auckland, and ongoing improvements to the Waikato Expressway, mean that long distance commutes have become more viable.

Against a backdrop of rising property prices, there was a 55% lift in residential building consent numbers during 2015, a trend which continued into January and is expected to persist over the coming quarters. The non-residential building sector is also benefiting from rising population and business activity levels, with the value of non-residential building consents enjoying their strongest December quarter in five years.

Card spending data from Marketview highlights that Hamilton City's retailers enjoyed good sales growth in 2015, with the value of retail trade sitting 4.3% higher than a year earlier. Car and commercial vehicle registration numbers are also still expanding.

Although we expect healthy economic expansion to continue in Hamilton over the coming quarters, some businesses in the City will still struggle. A third consecutive season of low dairy prices will dampen returns for wholesalers, manufacturers, and professional service firms with significant exposures to the dairy sector.

Indicator	Hamilton City	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 3.6%	↑ 2.7%	↑ 2.4%
Traffic flow	↑ 2.1%	↑ 6.1%	↑ 4.5%
Residential consents	↑ 54%	↑ 27%	↑ 9.8%
Non-residential consents	↑ 24%	↑ 5.7%	↑ 16%
House prices*	↑ 24%	↑ 19%	↑ 12%
House sales	↑ 57%	↑ 53%	↑ 21%
Guest nights	↑ 6.1%	↑ 6.2%	↑ 4.7%
Retail trade	↑ 4.3%	↑ NaN	↑ 2.6%
Car registrations	↑ 9.4%	↑ 5.5%	↑ 7.7%
Commercial vehicle registrations	↑ 2.1%	↑ 1.3%	↑ 5.3%
Job Seekers	↑ 3.9%	↑ 3.6%	↓ -2.5%
<i>Level</i>			
Unemployment rate	7.1%	5.7%	5.8%
International net migration	1,494	2,622	64,926

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

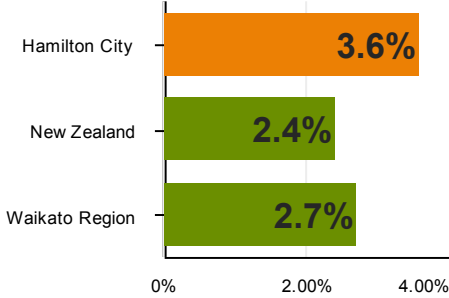
### Overview of national economy

The New Zealand economy is expected to expand 2.8% over 2016, with strong growth in construction boosting economic activity towards the end of the year. Both business and consumer confidence picked up in the final quarter of 2015 and the lack of severe drought this summer has helped limit pessimism in the agricultural sector. Service exports continued to perform strongly in late 2015, with growth in tourist arrivals accelerating and international student numbers soaring. High levels of net migration have boosted New Zealand's population in the past year. With a larger consumer base (from both tourism and net migration) putting a floor under spending, and building activity set to climb, the New Zealand economy is expected to grow faster as 2016 progresses.

# Gross domestic product

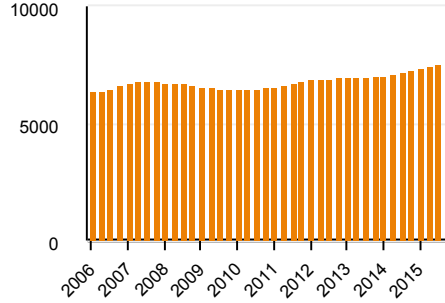
## Gross domestic product growth

Annual average % change Dec 14 - Dec 15



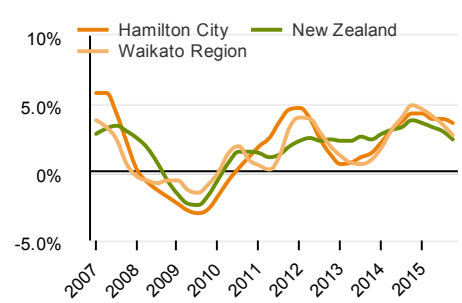
## Gross domestic product (\$m)

Annual level, Hamilton City



## Gross domestic product growth

Annual average % change



## Highlights for Hamilton City

- GDP in Hamilton City was up 3.6% for the year to December 2015 compared to a year earlier. Growth was higher than in New Zealand (2.4%) and higher than in Waikato Region (2.7%).
- GDP was \$7,633 million in Hamilton City for the year to December 2015 (2010 prices).
- Annual GDP growth in Hamilton City peaked at 5.8% in the year to March 2007.

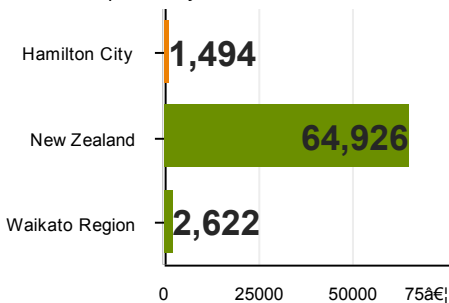
## National overview

Economic growth in New Zealand for the year to December was 2.4% according to Infometrics' provisional estimates, the slowest rate in two years. The drop-off in growth reflects declines in business and consumer confidence during 2014/15, and growth rates for household spending and business investment have tailed off over the last 18 months. Strong population growth implies that per-capita growth rates are particularly weak. Construction activity and services exports remain two of the strongest parts of the economy. Some improvement in confidence levels towards the end of 2015 has made us more confident that GDP growth will hold at about 2.5%pa throughout 2016, despite some uncertainty about the outlook for the global economy emanating from China.

# International net migration

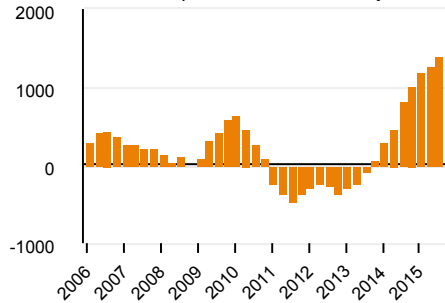
## Net migration

Number of persons, year to December 2015



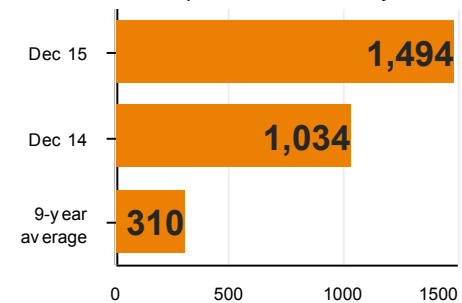
## Net migration

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 1,494 persons in the year to December 2015. This compares with a gain of 1,034 a year ago, and a ten year average of 317 (gain).
- New Zealand's annual net migration increased to 64,926 from 50,920 a year ago.

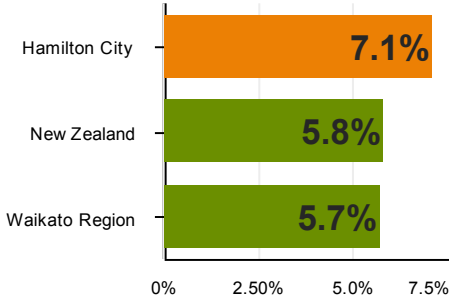
## National overview

The 2015 year finished with a net migration inflow of 64,926 people into New Zealand – a net 22% increase when compared to 2014. In the December 2015 quarter, arrivals were up 9.1% from a year earlier, with people arriving on student and work visas up 23% and 15% respectively. There were also fewer people leaving New Zealand. In the December 2015 quarter, departures were down 3.9% from a year earlier, with 5.6% fewer people leaving for Australia over the period. With New Zealand's labour market continuing to outperform Australia's in 2016, and no end in sight for the surge in Asian demand for international study, net migration looks set to remain highly elevated for the foreseeable future.

# Unemployment rate

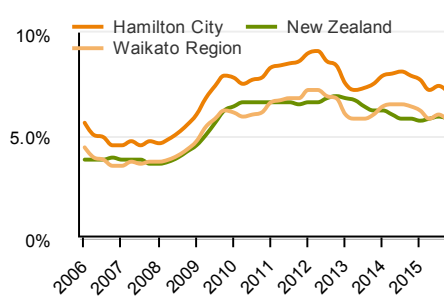
## Unemployment rate

Average annual rate, year to December 2015



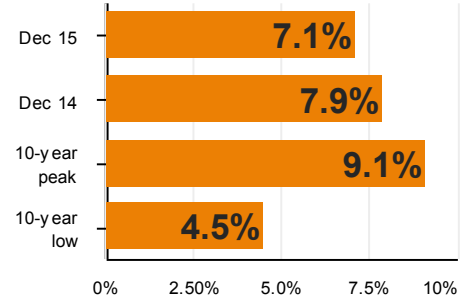
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Hamilton City



## Highlights for Hamilton City

- The annual average unemployment rate in Hamilton City was 7.1% in December 2015, down from 7.9% 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 December 2015.
- Over the last ten years the unemployment rate reached a peak of 9.1% in June 2012;

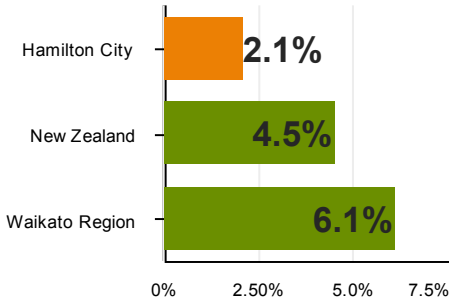
## National overview

The unemployment rate shot down to 5.3% in the December quarter – its lowest level since March 2009. Although we believe this figure overstates the strength in the labour market, it also confirms that the September result of 6.0% exaggerated any weakness. With export prices falling and global uncertainty rising, further declines in the unemployment rate are unlikely during 2016. But a stronger domestic economy will keep a lid on unemployment, even as high net migration expands the domestic labour force.

## Traffic flow

### Annual change in traffic flows

Annual average % change Dec 14 - Dec 15



## Highlights for Hamilton City

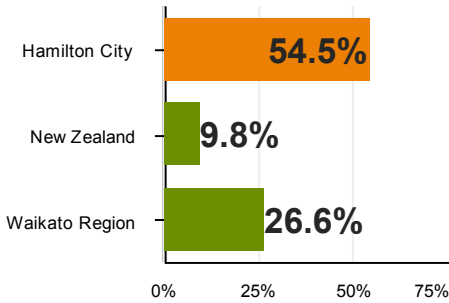
- Traffic flows in Hamilton City increased by 2.1% over the year to December 2015. This compares with an increase of 4.5% in New Zealand.

## National overview

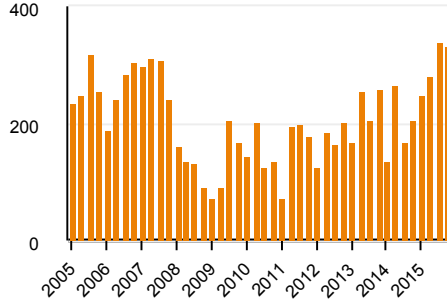
Nationwide traffic flows were up 4.5% in 2015 from a year earlier, with activity in the upper North Island rocketing ahead. Strong growth in tourism numbers boosted traffic flows in some regions and we expect this trend to continue as visitor arrival numbers climb further in 2016. Lower petrol prices have also encouraged more discretionary car travel in many areas, while moderate economic growth is leading to further movements of people and resources.

# Residential consents

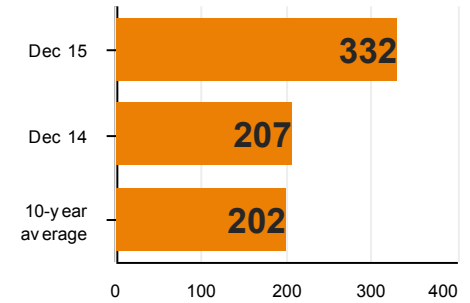
**Growth in no. of new dwelling consents**  
Annual average % change Dec 14 - Dec 15



**Residential consents**  
Quarterly number, Hamilton City



**Number of new dwelling consents**  
Quarterly number, Hamilton City



## Highlights for Hamilton City

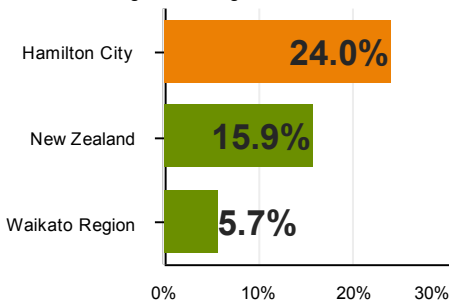
- A total of 332 new residential building consents were issued in Hamilton City in the December 2015 quarter, compared with 207 in the same quarter last year.
- On an annual basis the number of consents in Hamilton City increased by 54% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 9.8% over the same period.

## National overview

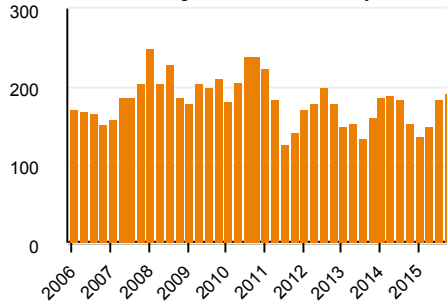
The number of new dwelling consents held steady between the September and December quarters, and activity was up 14% from a year earlier. Much of the growth was concentrated in the upper North Island, with Bay of Plenty recording a 71% lift from the December 2014 quarter and Waikato a 54% rise. Manawatu-Wanganui (56%pa) and Wellington (46%pa) also recorded substantial increases, but consent numbers in Canterbury fell 24%, as residential rebuilding in Christchurch has peaked. Densification in Auckland has contributed to a 55% rise in apartment consent numbers over the last year, and with strong net migration and ambitious growth targets under the Auckland Housing Accord, dwelling consent numbers are expected to continue rising throughout 2016 and much of 2017.

# Non-residential consents

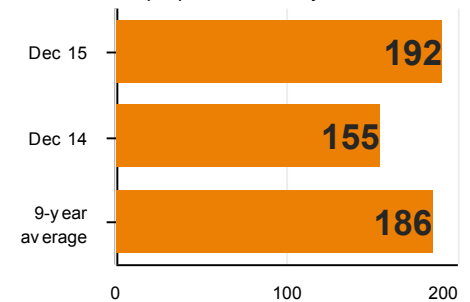
**Growth in value of consents**  
Annual average % change Dec 14 - Dec 15



**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 \$192 million were issued in Hamilton City during the year to December 2015.
- The value of consents increased by 24% over the year to December 2015. 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 \$249 million in the year to March 2008.

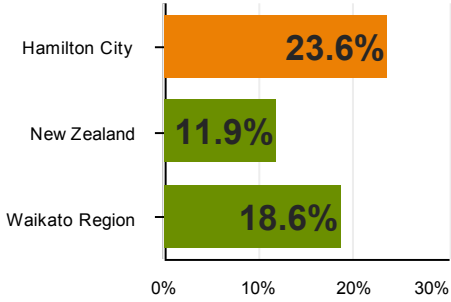
## National overview

The value of non-residential consents totalled \$1.57bn in the December quarter, up 29% from December 2014. After adjusting for building cost inflation, this quarterly result was the second-strongest on record (data goes back to 1979), bettered only by the September 2015 quarter, which was 11% higher. The annual lift in activity in Auckland alone was \$320m (or 94%), and was bigger than the nationwide increase of \$251m. Activity in Canterbury was down \$31m (8.7%), although there is still a significant amount of non-residential rebuilding work in Christchurch to come. Further growth in non-residential consents is expected in the near-term, although the timing of consents for major projects, particularly in Canterbury, remains difficult to gauge.

# House prices

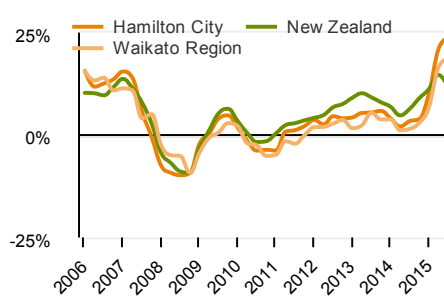
## Annual change in house prices

Annual average % change Dec 14 - Dec 15



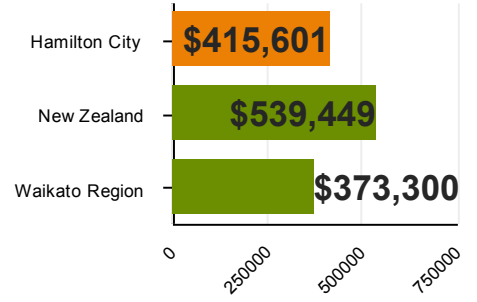
## House price growth

Annual % change



## Average current house value

Average for 12 months to Dec 2015



## Highlights for Hamilton City

- The Average current house value in Hamilton City was up 24% in December 2015 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 12%.
- The Average current house value was \$415,601 in Hamilton City in the December 2015 quarter. This compares with \$539,449 in New Zealand.

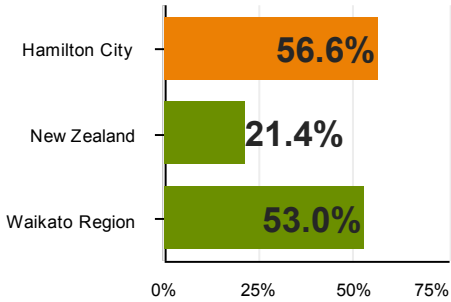
## National overview

Nationwide house price growth eased from 15% to 12%pa in the December quarter, mainly driven by a slowdown in price growth in Auckland from 25% to 17%pa. Price growth in many other parts of the country is strengthening as mortgage rates fall to multi-decade lows, and loan-to-value restrictions have been relaxed by the Reserve Bank. Many of the strongest performers continue to be located around Auckland, including the Waikato District, Hamilton, and Tauranga, which all have house price inflation running at 23-25%pa (a 10-11 year high). A further cooling of Auckland's house price growth is forecast this year, but this slowdown is likely to mask stronger buyer demand, leading to stronger house price growth, in other parts of the country.

# House sales

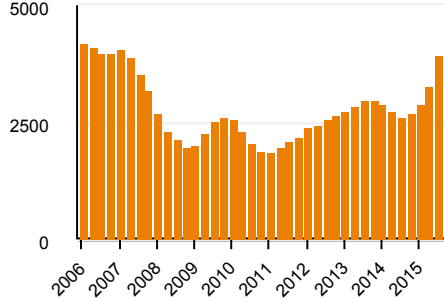
## Annual change in house sales

Annual average % change Dec 14 - Dec 15



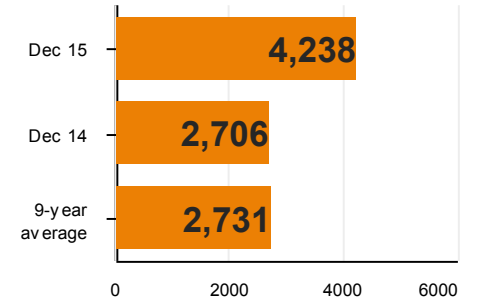
## House sales

Annual number, Hamilton City



## House sales

Annual number, Hamilton City



## Highlights for Hamilton City

- House sales in Hamilton City in the year to December 2015 increased by 57% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 21%.
- A total of 4,238 houses were sold in Hamilton City in the 12 months ended December 2015. This compares with the ten year average of 2,858.

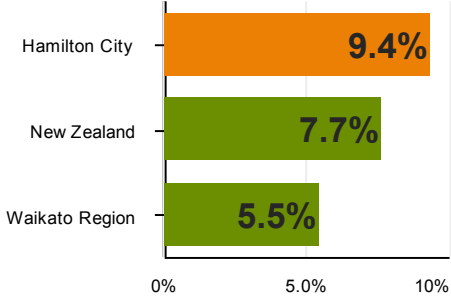
## National overview

House sales in the December quarter were down 6.9% from September (seasonally adjusted), although volumes were still up 10% from a year earlier. Sales in Auckland were a whopping 22% lower than in the September quarter, with investor demand in the region hit by new capital gains regulations and tighter loan-to-value restrictions imposed by the Reserve Bank. In terms of annual growth, Northland, Waikato, and the Bay of Plenty continued to lead the way, with rises of 52%, 34%, and 46% respectively. Throughout the rest of this year, sales activity nationwide is expected to continue increasing, although sales volumes in Auckland will be limited in the near-term by the recent regulatory changes.

# Car registrations

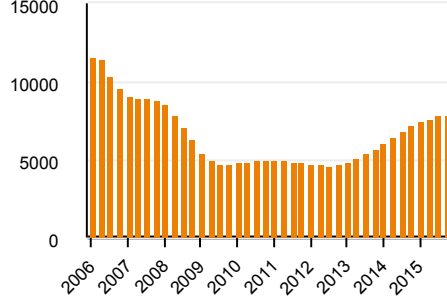
## Car registrations

Annual average % change Dec 14 - Dec 15



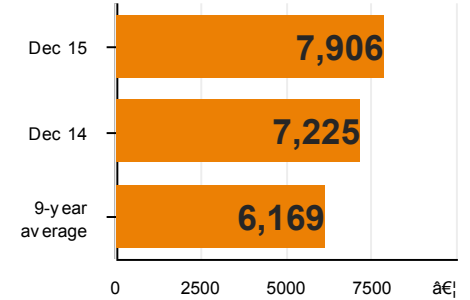
## Car registrations

Annual number, Hamilton City



## Car registrations

Annual number, Hamilton City



## Highlights for Hamilton City

- The number of cars registered in Hamilton City increased by 9.4% in the year to December 2015 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 7.7%.
- A total of 7,906 cars were registered in Hamilton City in the year to December 2015. This compares with the ten year average of 6,514.

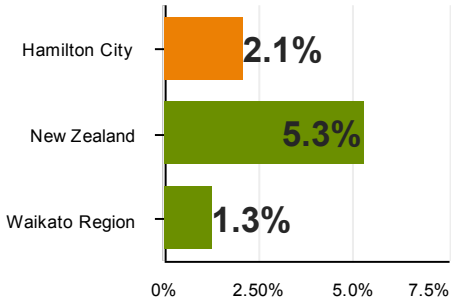
## National overview

Total car sales continued to climb in the December quarter, as strong population growth, improving household confidence, and another drop in prices continued to hold up car demand. Used car sales edged up 0.7% from the December 2014 quarter and new car sales rose 1.1% over the same period. Indicators of household confidence held up relatively well over the final three months of 2015. According to our seasonal adjustment of the ANZ-Roy Morgan consumer confidence index, household confidence rebounded 5.8% over the December quarter. This boost to confidence, alongside high net migration, low fuel costs, and an outlook for a stronger domestic economy will help keep car sales elevated over the 2016 year.

# Commercial vehicle registrations

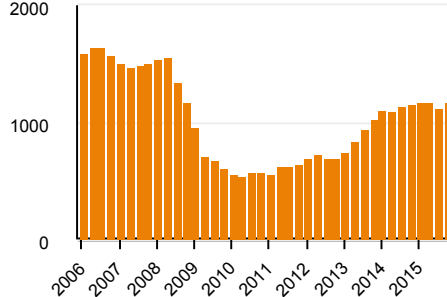
## Commercial vehicle registrations

Annual average % change Dec 14 - Dec 15



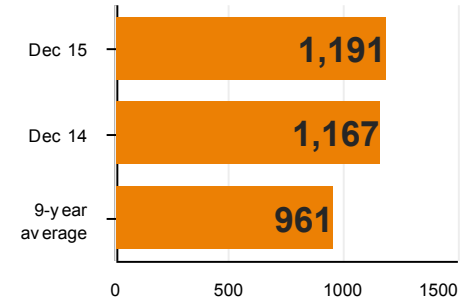
## Commercial vehicle registrations

Annual number, Hamilton City



## Commercial vehicle registrations

Annual number, Hamilton City



## Highlights for Hamilton City

- The number of commercial vehicles registered in Hamilton City increased by 2.1% in the year to December 2015 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 5.3%.
- A total of 1,191 commercial vehicles were registered in Hamilton City in the year to December 2015. This is higher than the ten year annual average of 1,024.

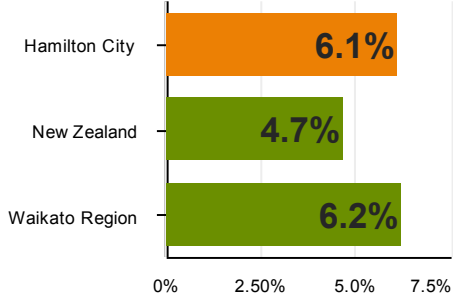
## National overview

Medium and light commercial vehicle sales finished 2015 on a high note with December quarter registrations up 30% and 14% respectively from a year earlier. In contrast, first-time registrations for very heavy trucks continued to cool from their mid-2015 highs and were 3.9% lower than a year earlier. Accelerating construction activity is expected to boost light commercial sales through 2016, but firms have likely already replaced most of their heavy vehicle stock in 2014 and early 2015, when prices were still falling. Although economic conditions are improving, given a steady outlook for the exchange rate and with current sales levels sitting on the high side of replacement demand, we expect both new medium and new very heavy commercial soften over 2016.

# Guest nights

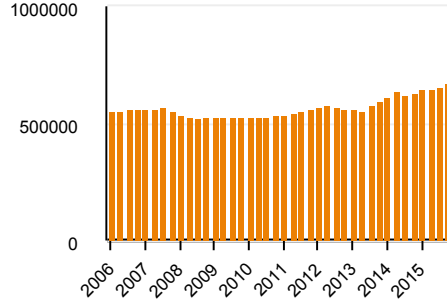
## Guest nights

Annual average % change Dec 14 - Dec 15



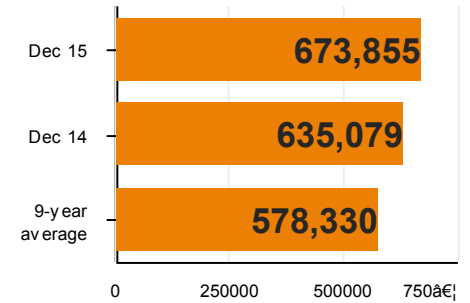
## Guest nights

Annual number, Hamilton City



## Guest nights

Annual number, Hamilton City



## Highlights for Hamilton City

- Total guest nights in Hamilton City increased by 6.1% in the year to December 2015. This compares with an increase of 4.7% in New Zealand.
- Visitors stayed a total of 673,855 nights in Hamilton City during the year to December 2015, which was up from 635,079 a year ago.

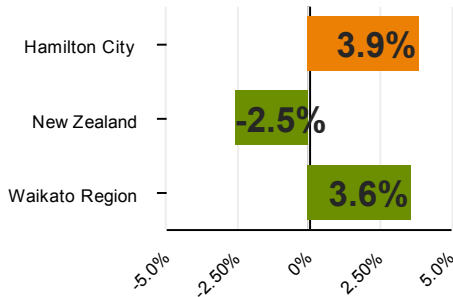
## National overview

In the year to December, guest nights were up 4.7% from a year earlier as both domestic and international tourism continued expanding. In the December quarter, international visitor arrivals to New Zealand were up 12% from a year earlier. Chinese tourists continue to be the main growth component in international tourism, with arrivals up 45% from the December 2014 quarter. Visitors from Australia rose by 6.1% from a year earlier. Weak labour market conditions in Australia have helped drive this lift in Aussie tourists, as New Zealand is an affordable option for travel closer to home.

# Jobseekers

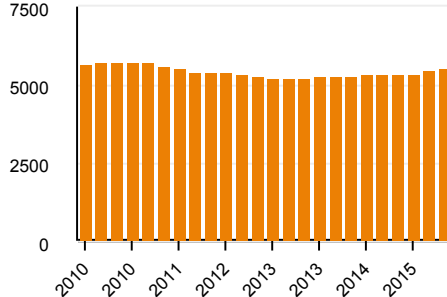
## Annual change in Jobseekers

Annual average % change Dec 14 - Dec 15



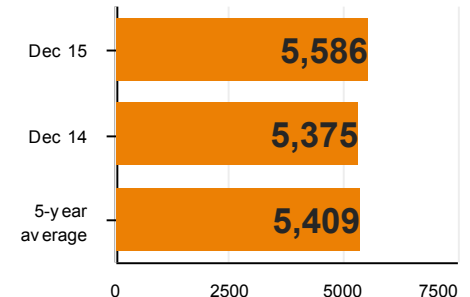
## Jobseekers

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 December 2015 increased by 3.9% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseekers decreased by 2.5%.
- An average of 5,586 people were receiving a Job Seeker Support benefit in Hamilton City in the 12 months ended December 2015. This compares with an average of 5,409 since the start of the series in 2010.

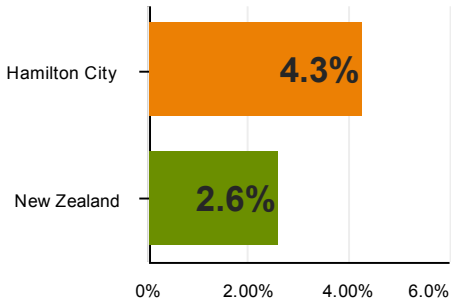
## National overview

Over the year to December the number of Jobseeker Recipients nationwide fell by an average of 2.5%. The sharpest drop in jobseeker numbers occurred in Auckland, where numbers fell 7.9% from a year earlier. At the other end of the spectrum, the number of jobseekers in Marlborough rose 9.2%, while in Taranaki they rose 9.0% over the period. At a national level, the outlook for the labour market has improved slightly, with a stronger domestic economy pushing up employment growth.

# Retail trade

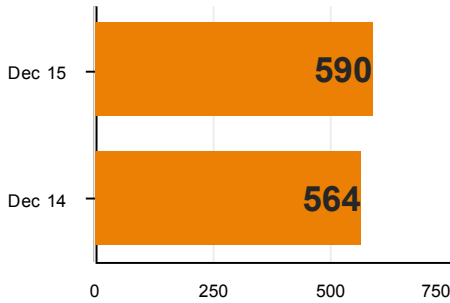
## Growth in retail sales

Annual average % change Dec 14 - Dec 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 4.3% over the year to December 2015 compared to the previous year. This compares with an increase of 2.6% in New Zealand.

## National overview

December quarter retail sales were up 2.5% from a year earlier, according to data from MarketView, but sales growth has been much stronger in regions experiencing high volumes of tourism or services activity. Statistics NZ's retail trade survey shows that the volume of spending was up 5.3% over the same period. With strong net migration inflows and surging tourist arrivals boosting customer numbers, falling petrol prices making consumers feel wealthier, and retail price growth staying low, there is scope for the volume of retail sales to keep rising robustly through 2016.

# Total dairy payout

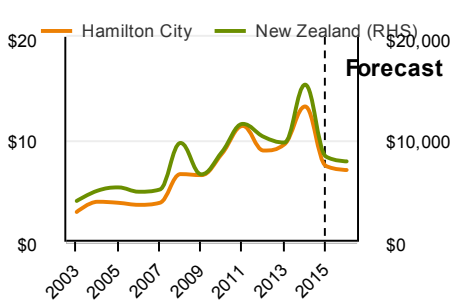
## Total dairy payout

Change (\$m) between 2015 and 2016 seasons



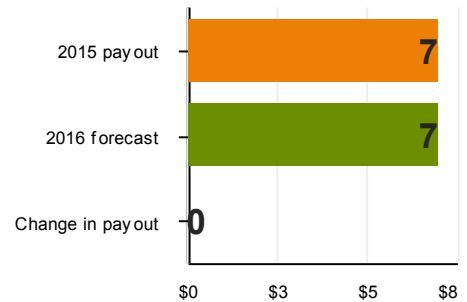
## Total dairy payout

\$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 2015 season is estimated to have been approximately \$7.40m.
- Hamilton City's dairy payout for the current season is expected to be approximately \$7.00m, \$0.40m similar to last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$8,316m in the 2015 season, but is expected to be \$473m lower than in the 2016 season.

## National overview

Fonterra slashed its dairy payout from \$4.60/kgms to \$4.15/kgms in January due to further declines in dairy auction prices since October. Unexpectedly high rainfall in January, helped steady dairy production in the summer, allaying fears of a sharp drought-fuelled drop in output. However, dairy production in the first eight months of the season was still down 2.2% from the previous year, according to the Dairy Companies Association of New Zealand.



# 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)