

Overview of Hamilton City

Hamilton City's economy grew by a healthy 2.6% over the year to March, according to Infometrics' provisional estimate of GDP. This growth was relatively broad-based across most spending and investment indicators that we follow, while traffic flows in Hamilton rose 2.7% over the same period.

Data from Marketview shows that the value of retail sales in Hamilton in the March quarter were up 3.9% from a year earlier. Given that lower petrol prices held down the value of fuel purchases, this result suggests that underlying volume of sales across the retail sector was strong. With inbound net migration at an elevated level, and unemployment and the number of people on jobseeker benefits trending down, this increased willingness to spend comes as no surprise.

There were 250 residential building consents in Hamilton City during the March quarter, well up on the 136 consents in the March 2014 quarter. Although 62 of these consents were for retirement village units, the underlying trend in other residential dwelling types is strong. Consent numbers are likely to rise further over the coming year as increasingly unaffordable housing in Auckland and a tightening of eligibility criteria for investors pushes some homebuyers into neighbouring districts. Hamilton City is an appealing prospect due to its relatively affordable housing and strong track record of economic growth over recent years.

Nevertheless, there are some dark clouds on the horizon for the broader region's dairy sector. Dairy farmers will also keep a tight rein on discretionary expenditure as they try to manage their cash flows amid a second consecutive season of low farmgate milk prices. This situation will put a renewed focus on efficiency in the dairy sector, which could provide some opportunities for specialist consultants from the professional, scientific, and technical services sector.

Indicator	Hamilton City	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 2.6%	↑ 3.0%	↑ 3.2%
Traffic flow	↑ 2.7%	↑ 4.9%	↑ 3.7%
Residential consents	↑ 3.8%	↑ 2.3%	↑ 12%
Non-residential consents	↓ -26%	↓ -11%	↑ 19%
House prices*	↑ 3.4%	↑ 3.2%	↑ 7.7%
House sales	↑ 0.7%	↑ 3.2%	↓ -1.7%
Guest nights	↑ 5.2%	↑ 4.0%	↑ 6.1%
Retail trade*	↑ 3.9%		↑ 2.8%
Car registrations	↑ 23%	↑ 22%	↑ 19%
Commercial vehicle registrations	↑ 5.1%	↑ 14%	↑ 17%
Job Seekers	↑ 0.8%	↓ -0.6%	↓ -4.2%
<i>Level</i>			
Unemployment rate	7.7%	6.2%	5.7%
International net migration	1,194	2,160	56,272

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

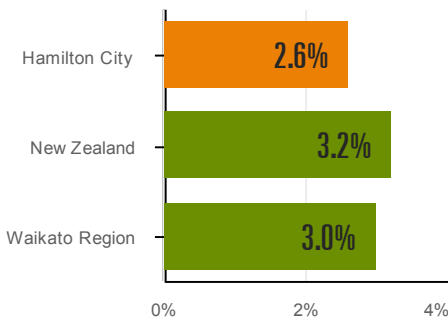
Overview of national economy

The March quarter highlighted ongoing strength in domestic demand and a persistent lack of inflationary pressures in the New Zealand economy. Against this backdrop, the Reserve Bank firmly closed the door to further interest rate hikes for the time being. A moderation to the interest rate outlook during the quarter, at a time when employment demand was strengthening and petrol prices had fallen, was a shot in the arm for consumers, as evident by the lift in retail sales. However, dark clouds remain on the horizon for the dairy sector and a second consecutive season of low dairy payouts is on the cards. Even so, with businesses still investing and consumers feeling comfortable about their financial positions, economic growth should hold above 3.0%pa over the coming quarters.

Gross domestic product

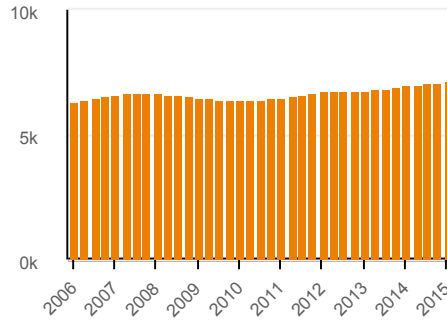
Gross domestic product growth

Annual average % change Mar 14 - Mar 15



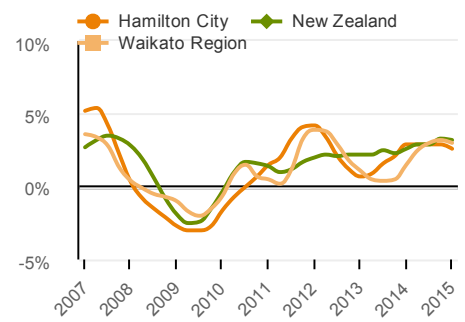
Gross domestic product (\$m)

Annual level, Hamilton City



Gross domestic product growth

Annual average % change



Highlights for Hamilton City

- GDP in Hamilton City was up 2.6% for the year to March 2015 compared to a year earlier. Growth was lower than in New Zealand (3.2%) and lower than in Waikato Region (3.0%).
- GDP was \$7,201 million in Hamilton City for the year to March 2015 (2010 prices).
- Annual GDP growth in Hamilton City peaked at 5.4% in the year to June 2007.

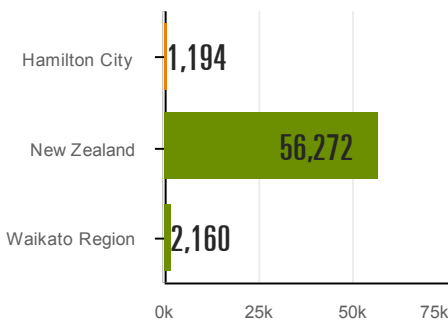
National overview

The New Zealand economy continued to grow at a healthy clip in the early stages of 2015, with our provisional estimate of GDP showing that economic growth held above 3%pa over the year to March. Although drought conditions and lower dairy prices kept a lid on things in some parts of the country, solid growth in consumption and investment kept momentum going overall. Several factors underpinned this uplift in demand, including: elevated net migration inflows, rising employment levels, falling petrol prices, and the low interest rate environment. A sharp uplift in overseas visitor arrivals has also boosted activity levels in the service sector, particularly among accommodation and hospitality providers.

International net migration

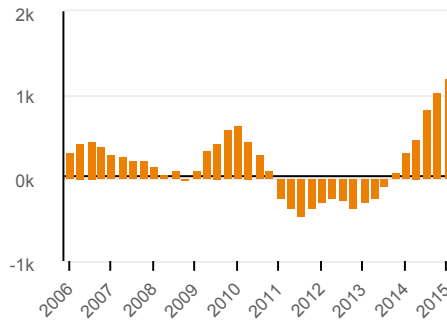
Net migration

Number of persons, year to March 2015



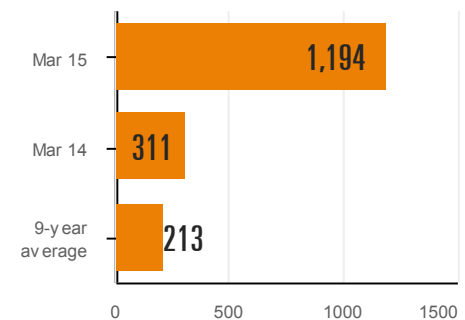
Net migration

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 1,194 persons in the year to March 2015. This compares with a gain of 311 a year ago, and a ten year average of 222 (gain).
- New Zealand's annual net migration increased to 56,272 from 31,910 a year ago.

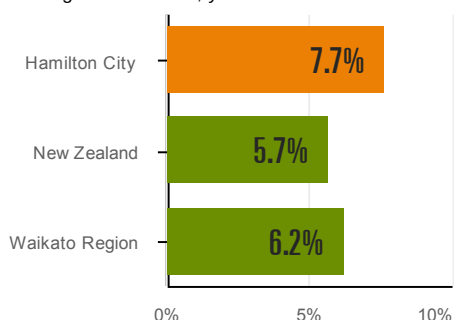
National overview

The net inflow of permanent migrants rose a seasonally adjusted 6.7% over the March quarter, taking annual net migration to 56,272. Nevertheless, signs are emerging that annual total net migration is starting to plateau, with a general trend of slowing arrivals growth and departure numbers picking back up again over recent months. Overall, we suspect annual net migration is close to its peak for this cycle. But although annual net migration is expected to ease in 2015, strong labour market conditions will see it remain above the historical average over the next two years.

Unemployment rate

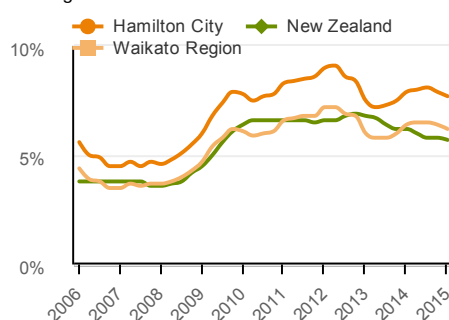
Unemployment rate

Average annual rate, year to March 2015



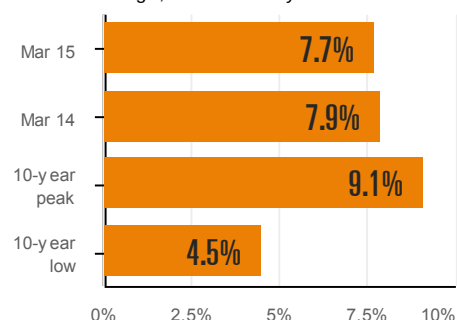
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Hamilton City



Highlights for Hamilton City

- The annual average unemployment rate in Hamilton City was 7.7% in March 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 5.7% over the year to March 2015.
- Over the last ten years the unemployment rate reached a peak of 9.1% in June 2012;

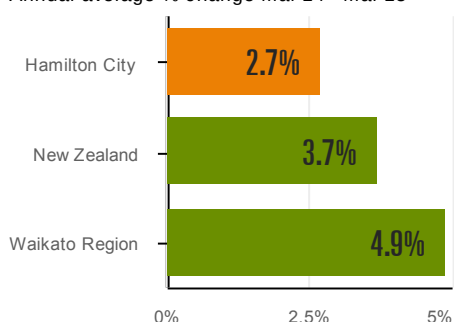
National overview

The unemployment rate held steady at 5.8% over the March quarter (seasonally adjusted) as labour force participation kept pace with the number of new hires. Strong labour demand meant that employment growth was more robust than expected over the March quarter. However, with economic growth expected to moderate and the employment rate at a record high, job growth is expected to slow over the year ahead. Although we expect job growth to remain positive, the persistence of the unemployment rate closer to 6% than 5% implies that capacity pressures are still not becoming a major issue for the economy. Coupled with an expected slowdown in GDP and employment growth over the year ahead, pressure on wage and labour costs is likely to remain relatively muted.

Traffic flow

Annual change in traffic flows

Annual average % change Mar 14 - Mar 15



Highlights for Hamilton City

- Traffic flows in Hamilton City increased by 2.7% over the year to March 2015. This compares with an increase of 3.7% in New Zealand.

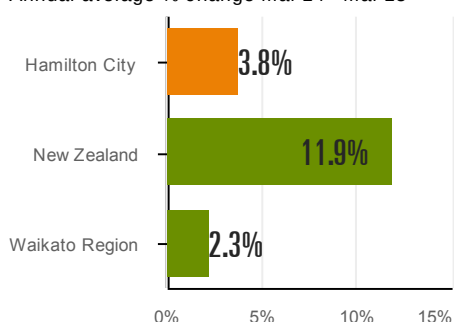
National overview

Traffic flows in New Zealand over the year to March grew a healthy 3.7% from a year earlier, up from growth of 2.8% over the year to December. Growth has been relatively broad-based across New Zealand, with traffic flows rising particularly strongly in small towns that are popular holiday destinations. A key driver of the growth in traffic flows in the March quarter was the sharp decline in petrol prices. These lower petrol prices, coupled with better employment conditions and a sunny summer, encouraged many households to go on road trips. Increasing numbers of international visitors and ongoing strength in business activity across a broad range of sectors also contributed to the lift in traffic flows.

Residential consents

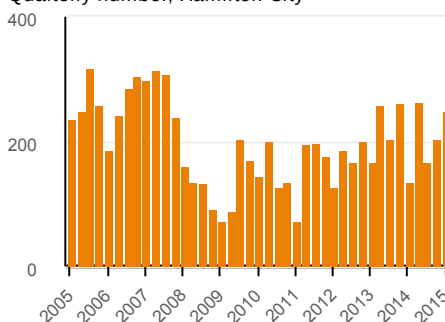
Growth in no. of new dwelling consents

Annual average % change Mar 14 - Mar 15



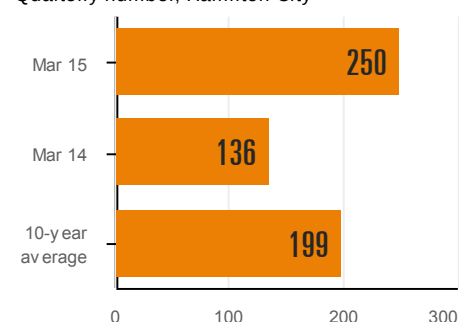
Residential consents

Quarterly number, Hamilton City



Number of new dwelling consents

Quarterly number, Hamilton City



Highlights for Hamilton City

- A total of 250 new residential building consents were issued in Hamilton City in the March 2015 quarter, compared with 136 in the same quarter last year.
- On an annual basis the number of consents in Hamilton City increased by 3.8% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 12% over the same period.

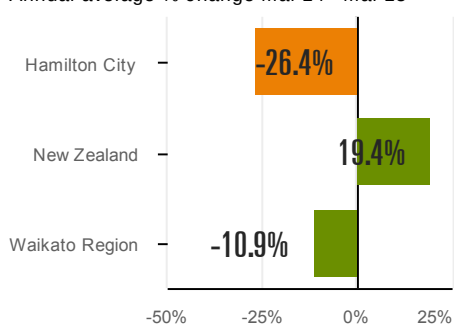
National overview

Even though consents for houses appear to be slowing, consents for attached dwelling types are rocketing ahead. As a result, total dwelling approvals in the March quarter were 5.9% higher than a year earlier. Total dwelling approvals soared in Auckland and Wellington (both up 21% from a year earlier). In the March quarter, total dwelling consents in Christchurch were 5.0% lower than a year earlier — falling for the first time since December 2011. The slowdown in rebuild-related residential building means that activity in Christchurch will continue to taper back over the year ahead. As the rebuild in Christchurch has been one of the biggest drivers of consent growth for houses over the past three years, the annual consent total for housing nationally is expected to ease throughout 2015.

Non-residential consents

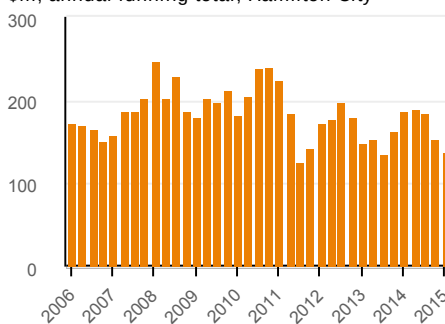
Growth in value of consents

Annual average % change Mar 14 - Mar 15



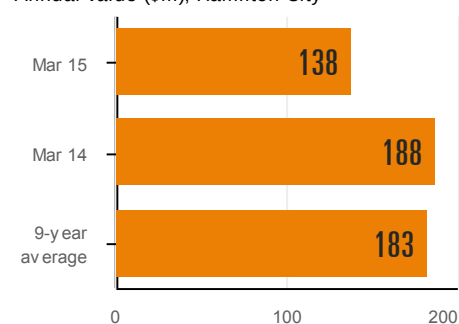
Non-residential consents, Hamilton City

\$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 \$138 million were issued in Hamilton City during the year to March 2015.
- The value of consents decreased by -26% over the year to March 2015. By comparison the value of consents in New Zealand increased by 19% 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.

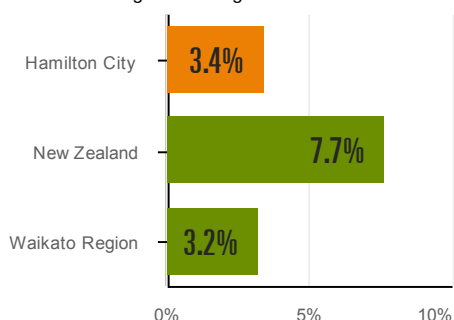
National overview

Total consents in the March quarter were \$306m, or 32%, higher than we had anticipated. Strength in social, cultural, and religious buildings, as well as storage buildings, pushed total miscellaneous consents \$175m above forecast. Shop and office consents held up better than expected, leaving total commercial consents \$128m higher than anticipated. Hospital consents were above forecast (by \$45m), but accommodation and factory building were both slightly weaker than expected. Given these strong start to the year for non-residential consents, work put in place is likely to outperform our expectations in the near term. We also note that building investment intentions in the most recent NZIER Quarterly Survey of Business Opinion were at their highest on record, which suggests that the current strength in the non-residential sector could be maintained for some time yet.

House prices

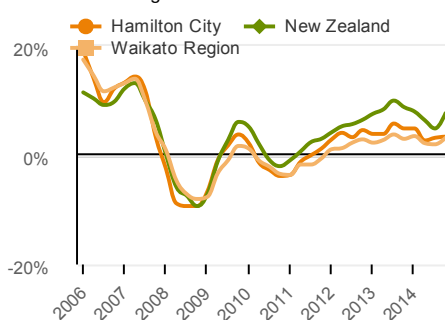
Annual change in house prices

Annual average % change Mar 14 - Mar 15



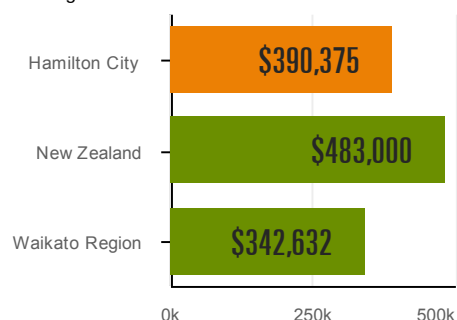
House price growth

Annual % change



Median house price

Average for 12 months to Mar 2015



Highlights for Hamilton City

- The median house price in Hamilton City was up 3.4% in March 2015 compared with a year earlier. Growth underperformed relative to New Zealand, where prices increased by 7.7%.
- The median house price was \$390,375 in Hamilton City in the March 2015 quarter. This compares with \$483,000 in New Zealand.

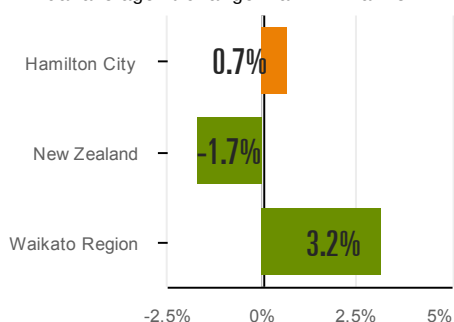
National overview

Nationwide house prices rose 5.7% over the year to March. The renewed pick-up in house prices continues to be driven by the Auckland market, where annual house price inflation is back up to 14% and looks likely to surpass its 2013 high within the next few months. Auckland's strength also appears to be spilling over into the northern areas of Waikato, with some parts of the region recently showing a pick-up in house price inflation. Although average house price inflation has lifted across the rest of the country, the story is nowhere near as positive, with other regions not facing the same undersupply issues as the Auckland market. We expect some lift in house price inflation outside Auckland over the next year, but it will be modest compared with the likely growth in the country's biggest city.

House sales

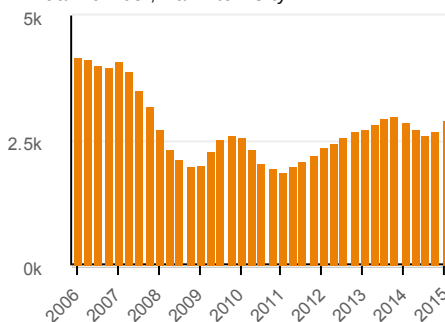
Annual change in house sales

Annual average % change Mar 14 - Mar 15



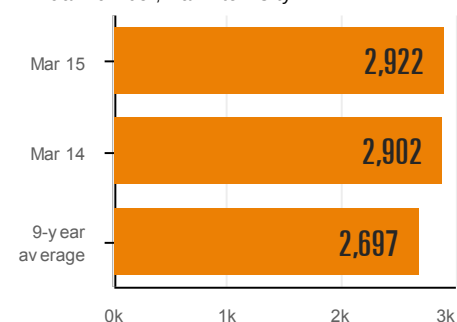
House sales

Annual number, Hamilton City



House sales

Annual number, Hamilton City



Highlights for Hamilton City

- House sales in Hamilton City in the year to March 2015 increased by 0.7% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 1.7%.
- A total of 2,922 houses were sold in Hamilton City in the 12 months ended March 2015. This compares with the ten year average of 2,846.

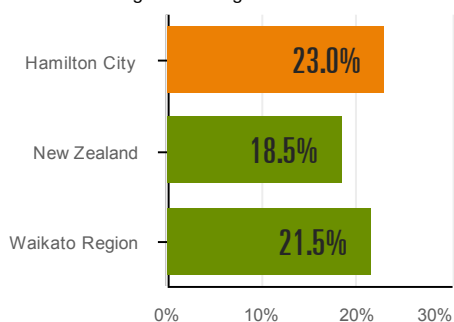
National overview

Surging house sales in Auckland, in addition to broad-based sales growth across other regions, has maintained the upwards trend in national house sales. Nevertheless, the slowdown in Canterbury sales was swifter than expected. With buyer competition in Auckland escalating, the incentive to sell via auction has increased. In Auckland, 48% of sales in March took place by auction. By comparison, the proportion of national sales by auction was 26% in March — sitting above 25% for the first time on record. The Reserve Bank will introduce lending restrictions for property investors in Auckland from October 1, but increase the proportion of low deposit mortgages available to home buyers around the rest of the country. We expect sales to climb until these restrictions take effect, but growth is likely to moderate in Auckland in the second half of this year.

Car registrations

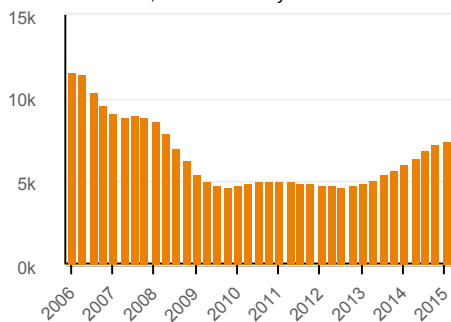
Car registrations

Annual average % change Mar 14 - Mar 15



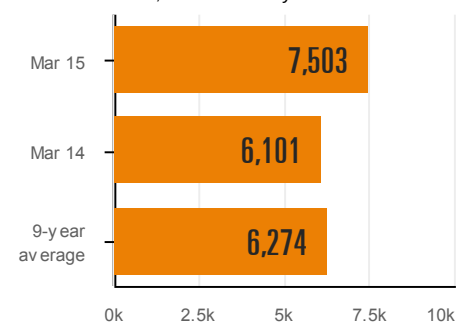
Car registrations

Annual number, Hamilton City



Car registrations

Annual number, Hamilton City



Highlights for Hamilton City

- The number of cars registered in Hamilton City increased by 23% in the year to March 2015 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 19%.
- A total of 7,503 cars were registered in Hamilton City in the year to March 2015. This compares with the ten year average of 6,811.

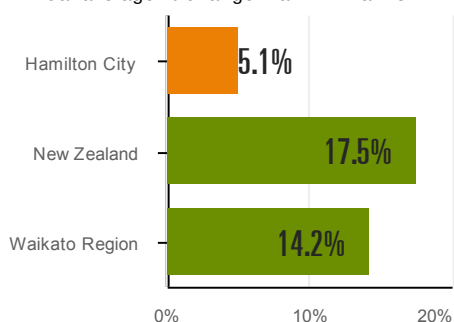
National overview

Another strong month for used car sales rounded out a strong March quarter for car dealers. Favourable financing conditions and car prices, at a time when job prospects have improved, are supporting this lift in sales activity. With petrol prices having sat well below their mid-2014 level during the quarter, demand for large cars (>1,600cc) was also strong. Recent momentum in car sales could persist over the coming months, particularly as rising house prices are boosting household net wealth, but sales are likely to begin tapering off later in the year. This tapering will be driven by a gradual easing of migration inflows (which reduces household formation rates) and an eventual appreciation of the yen (which will stem downward pressure on car prices). Furthermore, many households have already replaced aging vehicles during this economic cycle.

Commercial vehicle registrations

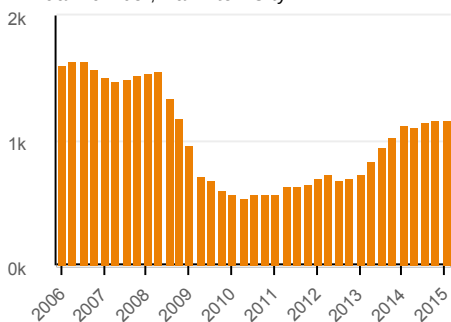
Commercial vehicle registrations

Annual average % change Mar 14 - Mar 15



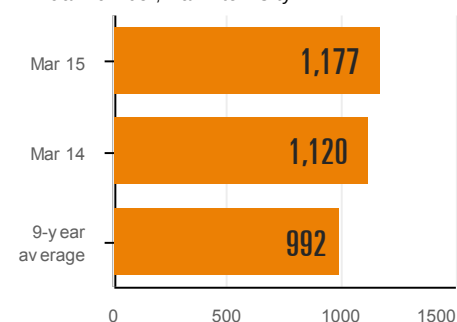
Commercial vehicle registrations

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 5.1% in the year to March 2015 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 17%.
- A total of 1,177 commercial vehicles were registered in Hamilton City in the year to March 2015. This is higher than the ten year annual average of 1,054.

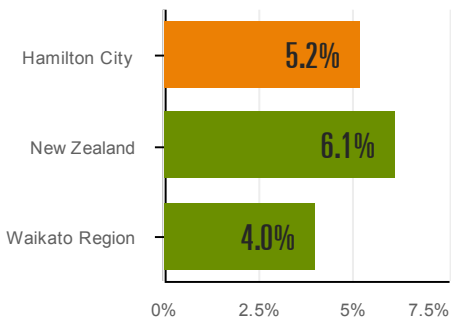
National overview

Commercial vehicle sales climbed at a moderate pace in the March quarter. A depreciation of the New Zealand dollar against the US dollar has stemmed downward price pressure for some types of commercial vehicles, but a healthy domestic economic outlook and low interest rate environment continue to underpin vehicle demand. Although current momentum is likely to persist in the near term, we continue to forecast that sales will taper off later in the year. We are expecting less replacement demand as catch-up investment from the lull after the Global Financial Crisis has already taken place. The potential for a subdued opening farmgate milk price forecast for the 2015/16 dairy season could also dampen confidence for those exposed to the agricultural sector.

Guest nights

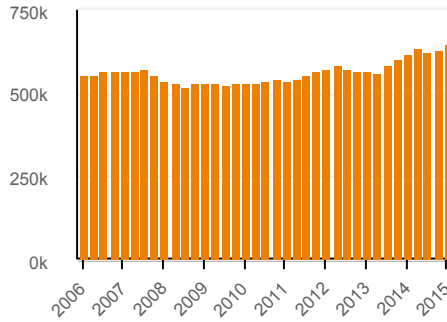
Guest nights

Annual average % change Mar 14 - Mar 15



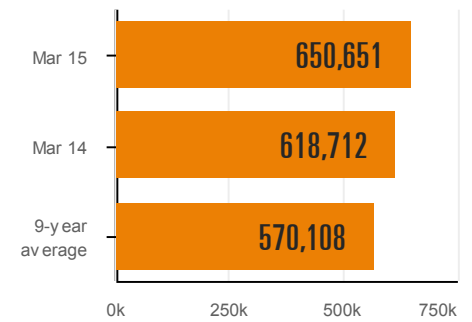
Guest nights

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 March 2015. This compares with an increase of 6.1% in New Zealand.
- Visitors stayed a total of 650,651 nights in Hamilton City during the year to March 2015, which was up from 618,712 a year ago.

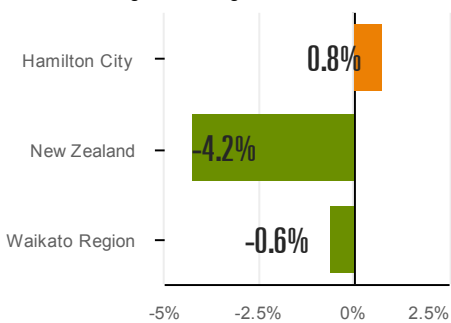
National overview

Guest nights over the year to March 2015 were up 6.3% on a year earlier, with guest nights by international visitors rising by 6.2% and those by domestic visitors increasing by 6.5%. Domestic guest nights forged ahead, as lower petrol prices and higher household incomes, led to more people heading away on holiday, while businesses also spent more on travel. International guest nights rose as international visitor arrivals to New Zealand in the March quarter pushed 11% above their 2014 level. Not only did the Cricket World Cup attract fans from cricket-playing nations, but arrivals from a range of other Asian and European nations also grew strongly. With sharp growth in the number of direct air connections likely to ensure international visitor numbers keep climbing above their 2014 levels and New Zealand households' financial positions improving, healthy growth in guest nights will continue over the coming quarters.

Jobseekers

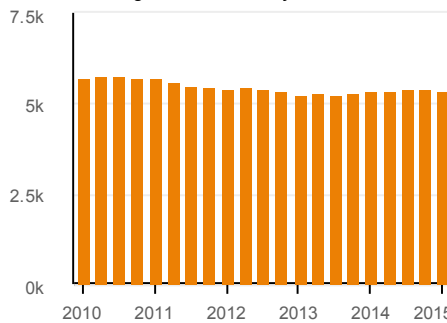
Annual change in Jobseekers

Annual average % change Mar 14 - Mar 15



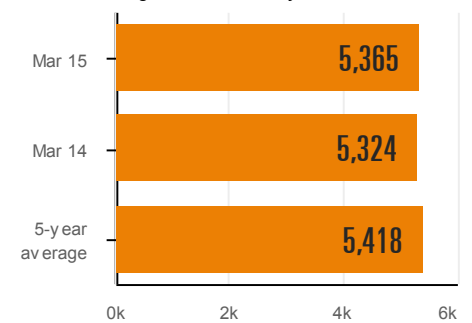
Jobseekers

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 March 2015 increased by 0.8% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseekers decreased by 4.2%.
- An average of 5,365 people were receiving a Job Seeker Support benefit in Hamilton City in the 12 months ended March 2015. This compares with an average of 5,418 since the start of the series in 2010.

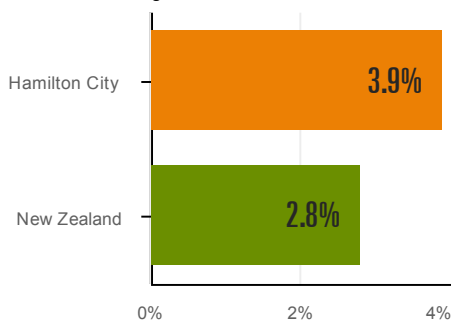
National overview

Job seeker beneficiaries continue to track down as job prospects brighten through most parts of New Zealand. The number of people on job seek benefits in the March 2015 quarter was 4.2% below its level from a year earlier and was at its lowest level for a March quarter since 2009. With job growth expected to remain positive over the year ahead, and business surveys showing that business optimism is holding up, the number of people receiving a job seeker benefit is likely to fall further over the coming quarters.

Retail trade

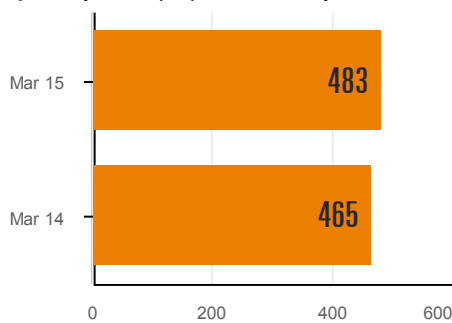
Growth in retail sales

Annual % change Mar 14 - Mar 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 3.9% in the March 2015 quarter compared to the same quarter in 2013. This compares with an increase of 2.8% 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.

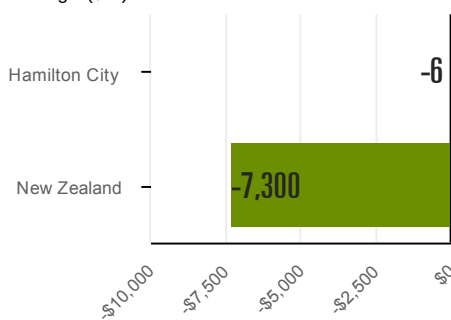
National overview

The value of retail spending in the March 2015 quarter was up 2.8% from a year earlier, according to Data from Marketview. Statistics New Zealand data shows that volumes rose an even swifter 7.5% over the same period as cheaper fuel prices freed up money to spend on a range of items. Sales volumes within the accommodation sector also rose dramatically over the March quarter to sit 16% higher than a year earlier — its fastest annual pace on record. The volume of electrical and electronic goods sales soared 8.9% over the March quarter, with part of this lift in electronics sales attributable to laptop and tablet purchases for school use. With fuel prices having risen again this quarter, the growth in retail sales volumes is expected to slow over the June quarter.

Total dairy payout

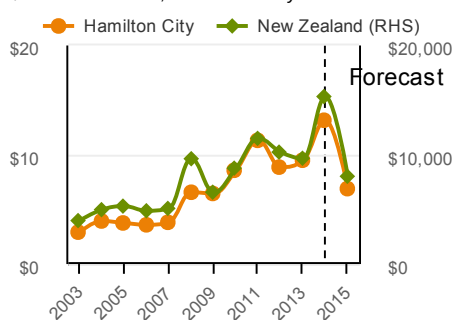
Total dairy payout

Change (\$m) between 2014 and 2015 seasons



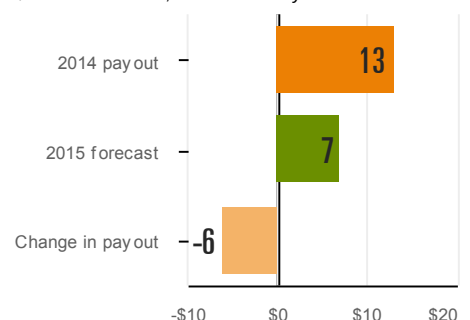
Total dairy payout

\$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 \$6.9m, \$6.27m 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 \$7,300m lower than in the 2015 season.

National overview

Dairy prices remain at a low level. These low prices led to Fonterra revising down its farmgate milk price forecast for the 2014/15 season to \$4.40/kgms, compared with a milk price of \$8.40/kgms in the 2013/14 season. With milk supply from the US, Europe, and Australia continuing to grow, at a time when there are lingering concerns regarding the pace of growth in demand from China, there is plentiful milk available for global trade at present. In this context, any recovery to dairy export prices over the coming months will be extremely subdued and farmers should prepare themselves for a second consecutive season of low milk prices. Farmers are likely to cut back discretionary expenditure, which will constrain activity for businesses and contractors who are exposed to the dairy sector.

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)