

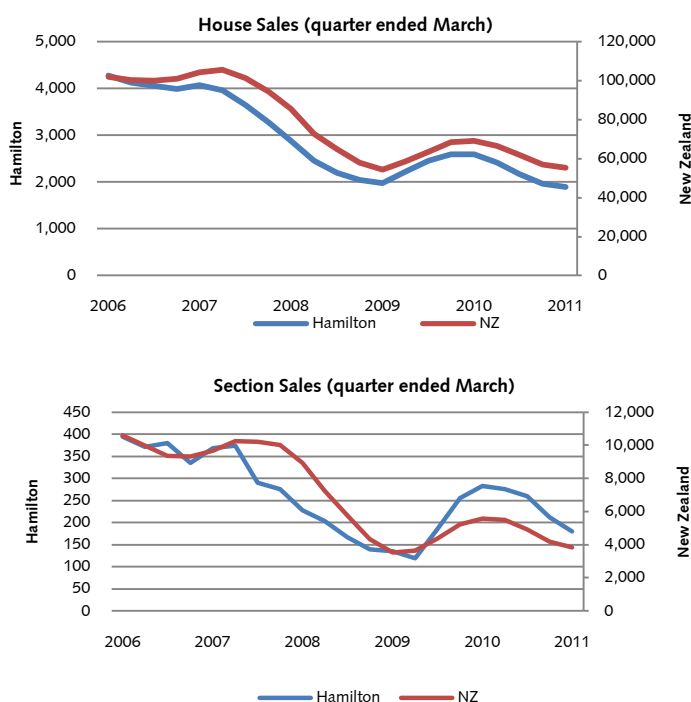
# ECONOMIC UPDATE FOR HAMILTON

This publication reports on a selection of key economic indicators that have the potential to impact on Council's business. It provides an analysis of the current trends occurring in Hamilton and the impact they may have on Council services and facilities.

The information is sourced mainly from Statistics New Zealand, Infometrics, and the Real Estate Institute of New Zealand (REINZ).

## BUILDING AND HOUSING ACTIVITY

### 1. HOUSE AND SECTION SALES - HAMILTON



Source: Real Estate Institute of New Zealand

#### What does this Indicator show?

- House and section sales are leading indicators of building consent activity. House sales provide an indication of demand for housing. Section sales show how quickly land is being purchased, usually with the intention of building residential dwellings.
- The trends in house and section sales indicate the trend in building consents likely to occur 3 to 6 months in the future.

#### What does this mean for Hamilton and HCC?

- The decrease in both house and section sales indicates that building consents for new houses is likely to follow suit and decline over the next few months.
- For the quarter ended March 2011 a total of 1,898 houses and 180 sections were sold in Hamilton.

#### House sales

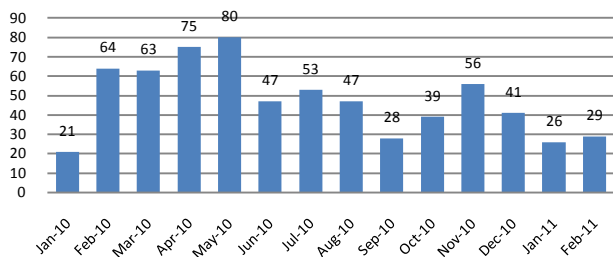
- In Hamilton, the number of houses sold decreased by 3.5% between the quarters ended December 2010 (1,966) and March 2011 (1,898).
- There was a 26.7% decrease between the March 2010 quarter (2,591) and March 2011 quarter (1,898).

#### Section Sales

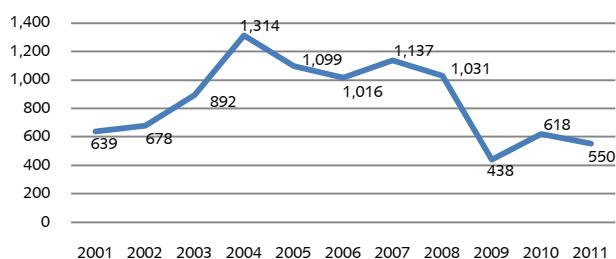
- Section sales in Hamilton decreased 15.1% between the December 2010 quarter (212) and the March 2011 quarter (180).
- There was a 36.4% decrease between the March 2010 quarter (283) and March 2011 quarter (180)

## 2. BUILDING CONSENTS - HAMILTON

Residential Building Consents per Month

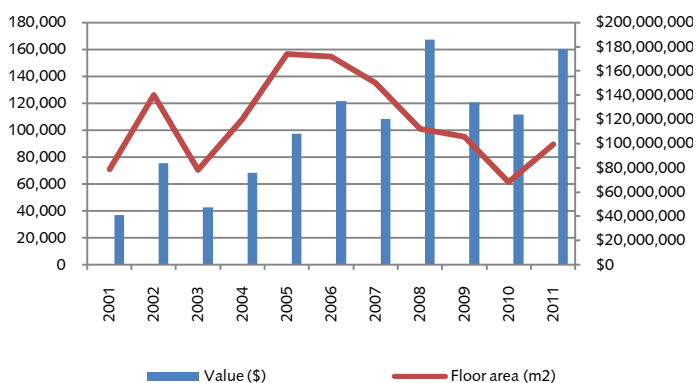


Residential Building Consents (year ended March)



Source: Statistics New Zealand

Value and Floor Area of Non-Residential Buildings in Hamilton (year ended March)



Source: Statistics New Zealand

### What does this Indicator show?

- Indicates the level of housing and non-residential building activity occurring within the city.

### What does this mean for Hamilton and HCC?

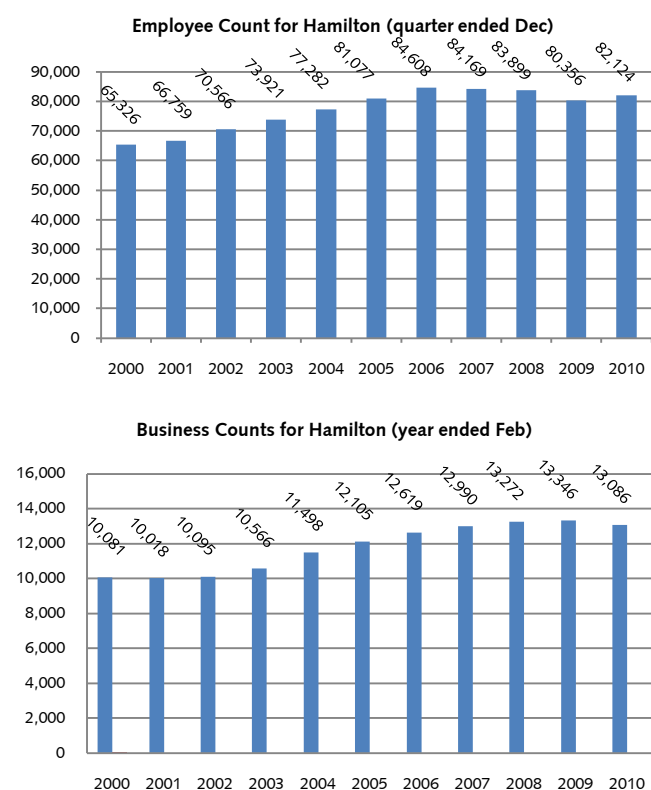
- Building consents issued for new houses have declined in the past year, in line with the general slowing of house and section sales outlined in Indicator 1 above.
- The total number of residential building consents for new houses issued for the year ended March 2011 was 550, down 68 or 11% on the year ended March 2010.

### Non-residential buildings

- The value of consents issued for the year ended March 2011 for non-residential buildings was \$177,992,286 (a 43.2% increase over the \$124,276,141 recorded for the year ended March 2010).
- The floor area of these buildings was 89,663m<sup>2</sup> for the year ended March 2011, an increase of 46.4% over the 61,262m<sup>2</sup> recorded for the year ended March 2010. The 2011 year reverses the declining trend in non-residential floorspace between 2005 and 2010.
- Commercial construction in Hamilton appears to be relatively buoyant as evidenced by the recent application for a \$42 million project at Waikato Hospital (streamlining services for older people) that is anticipated to create up to 100 construction jobs.

## WORKFORCE AND POPULATION

### 3. NUMBER OF BUSINESSES AND EMPLOYEES



Source: Statistics New Zealand and Infometrics

#### What does this indicator show?

- Employment data is measured quarterly using data from Infometrics. Business data is measured from Statistics New Zealand Annual Business Demography Survey.

#### Employment:

- Hamilton had a total of 82,124 people employed in the December 2010 quarter.
- Between 2009 and 2010 (December quarters) Hamilton recorded a net loss of 325 jobs from the 'health and community services' sector. However, there was a net gain of 262 jobs the 'manufacturing' sector.

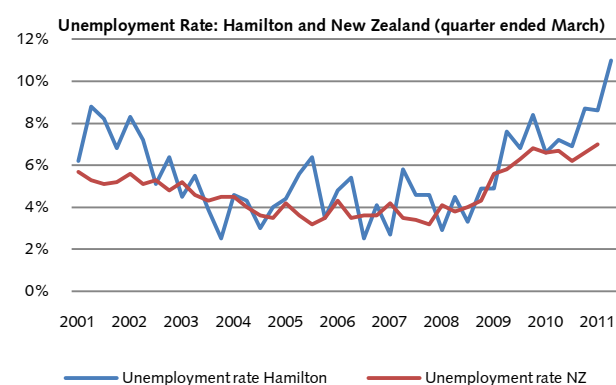
#### Business

- Hamilton had a total of 13,086 businesses at February 2010.
- The number of businesses in Hamilton decreased by 1.95% between February 2009 (13,346) and February 2010 (13,086).
- In this same period there was a net decrease of 137 businesses in the 'construction' sector, while the 'financial and insurance services' sector recorded the biggest net gain with 28 businesses.

#### What does this mean for Hamilton and HCC?

- The number of jobs available affects migration to the city and therefore growth. It also affects residents' income, which in turn affects their ability to spend (including their ability to pay rates as well as paying for various Council services).

### 4. UNEMPLOYMENT RATE



Source: Statistics New Zealand

#### What does this indicator show?

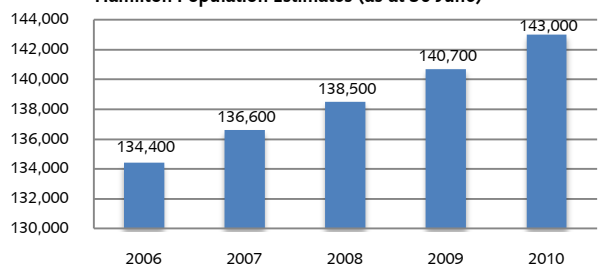
- The unemployment rate is the number of people unemployed expressed as a percentage of the total labour force.
- The number of people unemployed in Hamilton in the March 2011 quarter was estimated at 8,100 or 11% (compared to 4,700; 7.2% unemployed for the March 2010 quarter).
- The number of residents receiving the unemployment benefit stood at 2,394 for the quarter ended March 2011, compared with 2,517 for the quarter ended March 2010 (a 4.9% decrease).

#### What does this mean for Hamilton and HCC?

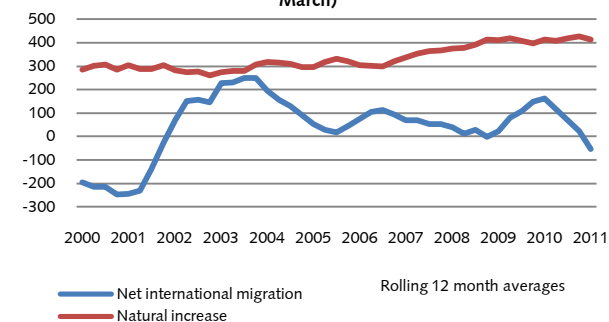
- The increase in the unemployment rate reflects the job losses shown in Indicator 3 above, and also shows that people who have lost their jobs have not left Hamilton, but have opted to remain in Hamilton to look for work or receive the unemployment benefit.
- These people may continue to use Council's discretionary services (e.g. libraries, pools), although their ability to pay for such services will be diminished.

## 5. POPULATION AND MIGRATION

Hamilton Population Estimates (as at 30 June)



Hamilton Migration and Natural Increase (quarter ended March)



Source: Statistics New Zealand and Infometrics

### What does this Indicator show?

- This indicator shows intercensal population estimates (at 30 June) from Statistics New Zealand since the 2006 Census.
- Hamilton's population was estimated at 143,000 at June 2010, an increase of 2,300 (or 1.6%) on the previous year.
- Between July 2010 and March 2011 Hamilton recorded a natural population increase (births minus deaths) of 1,240 and a total net international migration decrease of 90.

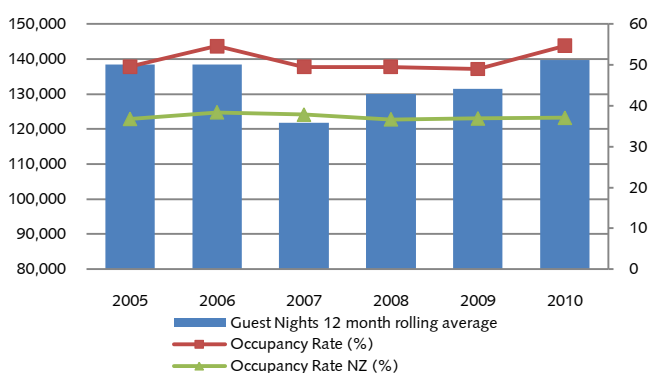
### What does this mean for Hamilton and HCC?

- The population increase between 2009 and 2010 (2,300) is relatively consistent with the increase that Council has anticipated through the detailed population projections used as a basis for Future Proof (2,600).
- The rate at which a population grows can place pressure on existing Council infrastructure and services, as well as requiring new infrastructure and services.

## OTHER INDICATORS

### 6. ACCOMMODATION OCCUPANCY RATE

Occupancy rate: Hamilton and New Zealand (year ended December)



Source: Statistics New Zealand

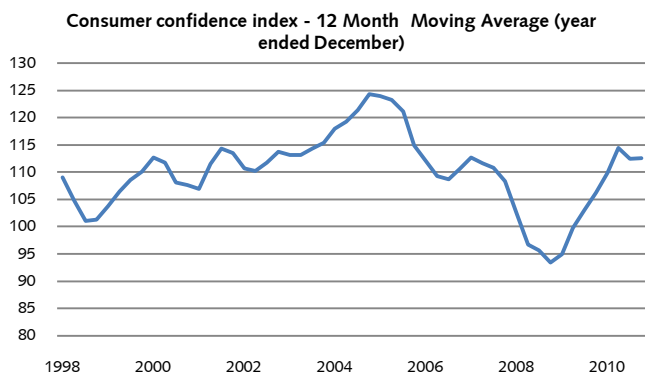
### What does this Indicator show?

- Guest nights at commercial accommodation allows us to see if there are any major fluctuations.

### What does this mean for Hamilton and HCC?

- The number of nights spent in Hamilton's commercial accommodation totalled 139,669 for the quarter ended December 2010, up 6.2% on the previous year's figure of 131,492.
- Hamilton is fortunate in that it is not affected to the same extent by seasonal variations as many other places; therefore the occupancy rate remains relatively consistent throughout the year.

## 7. CONSUMER CONFIDENCE — WAIKATO



Source: Infometrics

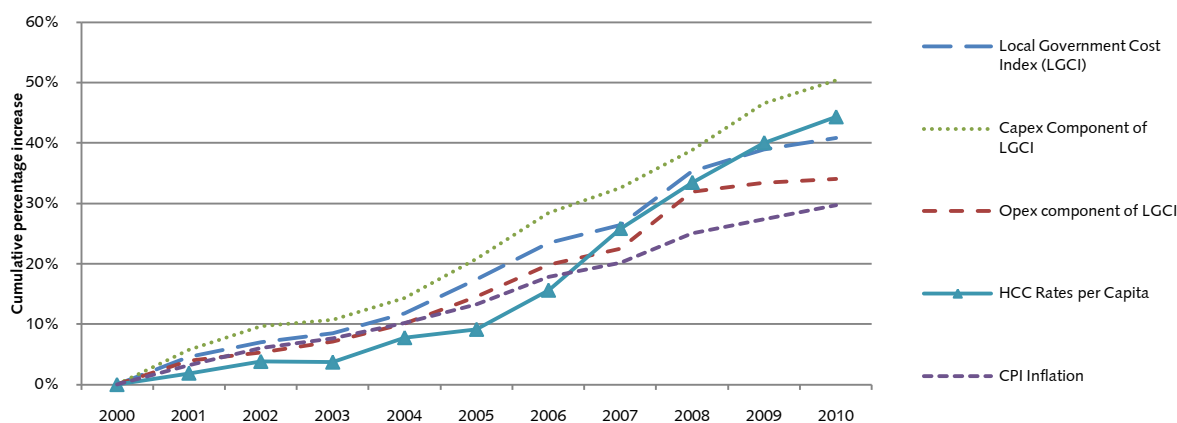
### What does this Indicator show?

- This is an indicator of how the market perceives the economic climate and how confident consumers are about the next 12 months.
- An index number over 100 indicates that there are more optimists than pessimists, while a number under 100 indicates that pessimists outnumber optimists.

### What does this mean for Hamilton and HCC?

- When consumer confidence is up, people tend to spend more. As the Waikato's consumer confidence is relatively low (109.6 in December 2010), people may be inclined to spend less in Hamilton. However, this is up 0.7% from the December 2009 figure of 108.8.

## 8. CPI, LOCAL GOVERNMENT COST INDEX AND HCC RATES PER CAPITA



Source: Infometrics, HCC and BERL

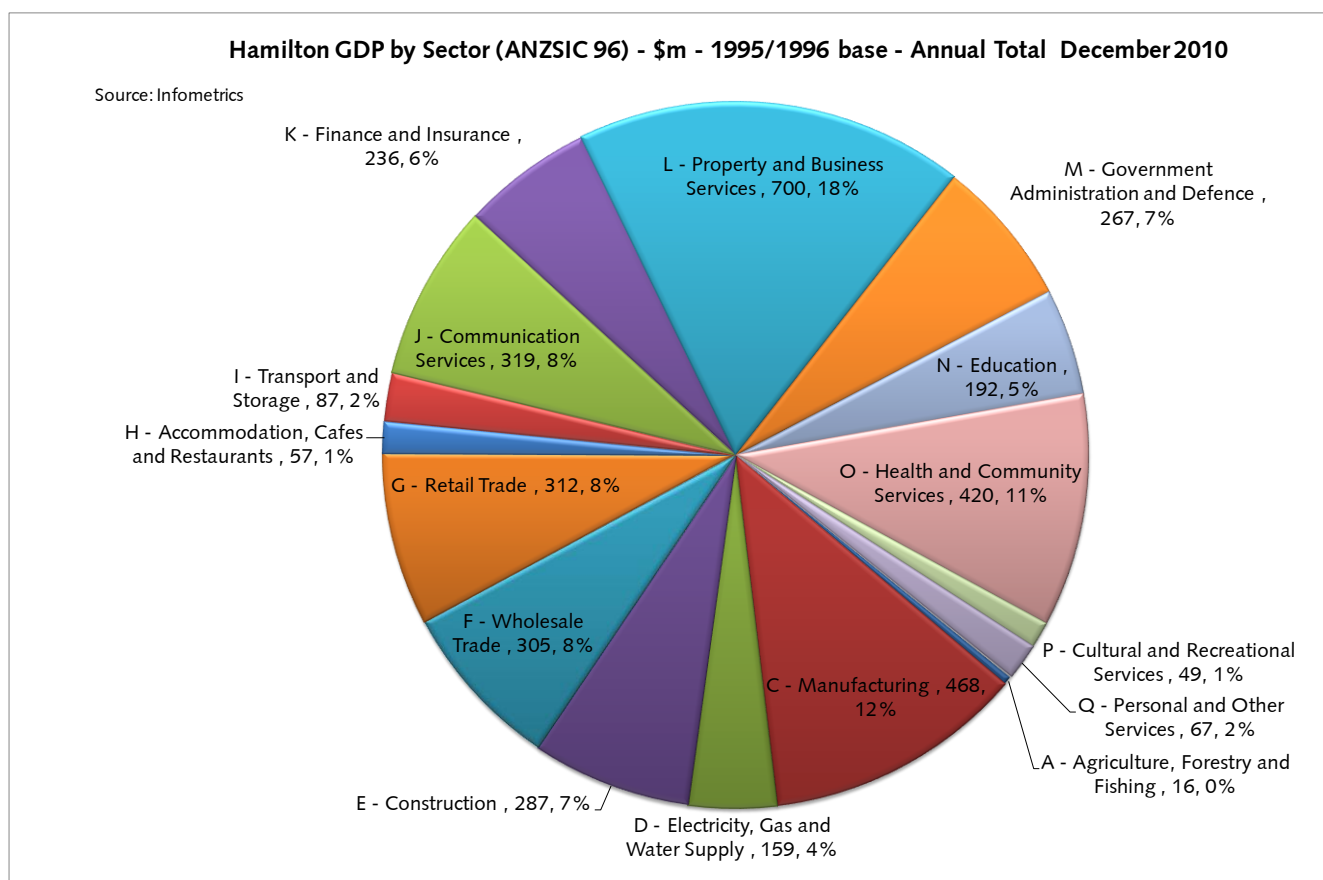
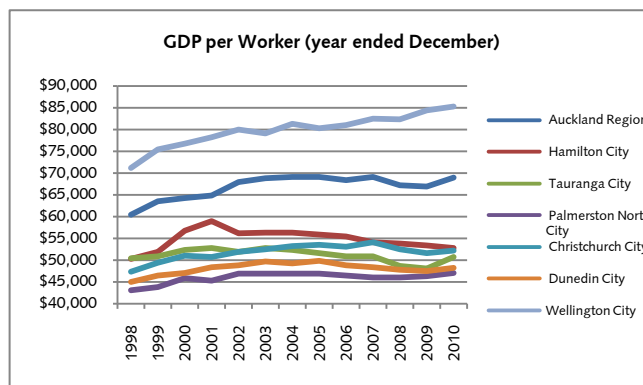
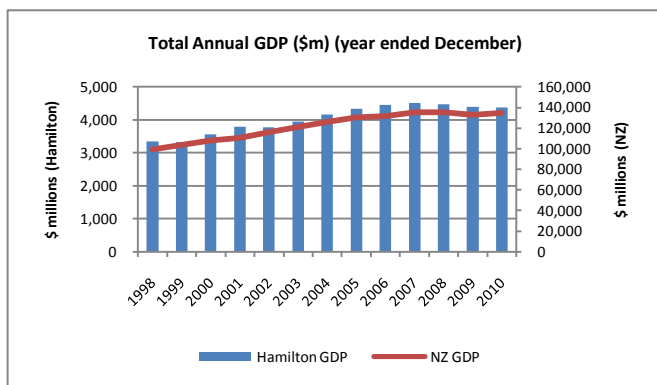
### What does this Indicator show?

- The Local Government Cost Index (LGCI) indicates changes in the major costs faced by local government in New Zealand.
- The Consumer Price Index (CPI) is used to measure the changes in the price of goods and services purchased by New Zealand households. It is an indicator of the relative value of the dollar at any point in time.

### What does this mean for Hamilton and HCC?

- The graph shows that Council's rates per capita increases were for many years less than the local government cost index. Due to growth and development pressures, a relatively high proportion of Council's costs have been focused on capital expenditure (capex).

## 9. GROSS DOMESTIC PRODUCT (GDP) FOR HAMILTON



### What does this Indicator show?

- Gross Domestic Product (GDP) is an indicator of overall economic performance. It is the value of goods and services produced within a particular country, city or region. If goods are manufactured elsewhere but sold within the city only the retailer's gross profit margin contributes to GDP. If goods are manufactured within the city but transported by a local company to be sold elsewhere, the wholesale and transport costs contribute to its GDP.

### What does this mean for Hamilton and HCC?

- The graphs show that there has been a decline in Hamilton's GDP since 2007 and that this has continued even with the slight improvement in national GDP over the last 12 months. For the year ended December 2010, Hamilton's total GDP was \$4,371.8 million, a decrease of 3.2% from the \$4,514.4 million recorded for the year ended December 2007. This situation is reflected in the current negative employment and migration indicators, but it is forecast to improve by the middle of next year.
- GDP for Auckland and Wellington is high due to their large finance sectors and significant numbers of high income employees in other sectors. While Hamilton's GDP per worker is significantly lower than Auckland and Wellington, it is still higher than for the other main cities in New Zealand.