

### Overview of Taupo District

Taupo's economy perked up at the end of last year and growth remains slightly above the national average. Infometrics' provisional estimate for GDP showed growth in the district of 3.1% in the December 2017 year, compared to the national average of 2.8%.

Taupo is looking healthy across a wide range of spending and investment indicators. For example, the levels of car and commercial vehicle sales are at record highs. But perhaps the standout data for the district this quarter relates to retail trade and tourism. Marketview data on electronic card transactions shows that retail spending in Taupo grew by 7.1% in the December 2017 year, much stronger than the national average of 4.3%.

Part of that retail sector buoyancy will have been driven by strong visitor activity to the district. Tourism expenditure was up by 9.4% in the December 2017 year, well above the national average rise of 6.4%. The 5.4% increase in commercial guest nights in the district was more than double the nationwide rise of 2.5%.

The Infometrics Regional Economic Profile further confirms the health of tourism in Taupo. Accommodation & food services (e.g. hospitality jobs) was the biggest creator of jobs in the March 2017 year, with 80. Dairy cattle farming was second, at 63. Strong job creation is reflected in a fall of 8.5% in the number of Jobseeker Support recipients in Taupo in the December 2017 year.

The property market and construction sector in Taupo seems to have entered a 'holding phase' in the past few quarters. Although house price growth is still pretty strong, house sales are easing down. Meanwhile, the number of residential building consents only recorded modest growth in 2017, while the value of non-residential consents is relatively low by past standards.

Looking ahead, with dairy, forestry, and tourism all performing pretty well, Taupo looks set to have another good year of economic growth in 2018.

Indicator	Taupo District	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 3.1%	↑ 2.7%	↑ 2.8%
Traffic flow	↑ 6.6%	↑ 4.4%	↑ 1.6%
Residential consents	↑ 1.8%	↓ -1.3%	↑ 3.4%
Non-residential consents	↑ 22%	↑ 32%	↑ 8.0%
House prices*	↑ 9.5%	↑ 9.2%	↑ 3.9%
House sales	↓ -19%	↓ -21%	↓ -17%
Guest nights	↑ 5.4%	↑ 3.8%	↑ 2.5%
Retail trade	↑ 7.1%	↑ 5.6%	↑ 4.3%
Car registrations	↑ 6.1%	↑ 8.6%	↑ 8.0%
Commercial vehicle registrations	↑ 12%	↑ 17%	↑ 16%
Jobseeker Support recipients	↓ -8.5%	↓ -0.3%	↑ 0.06%
Tourism expenditure	↑ 9.4%	↑ 6.3%	↑ 6.4%
<i>Level</i>			
Unemployment rate	3.6%	4.5%	4.7%
International net migration	181	3,230	70,017

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

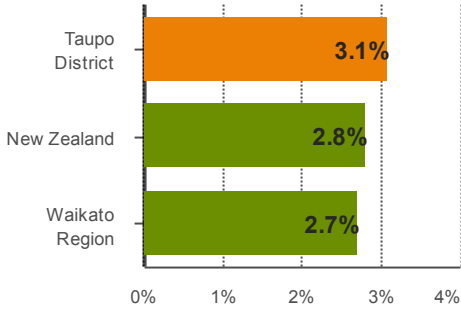
### Overview of national economy

Economic growth, after having grown at rates exceeding 3.0%pa for much of the past three years, is expected to ease slightly to closer to 2.5%pa this year. Labour capacity constraints in the residential construction sector, changes in central government's infrastructure priorities, and slightly disappointing dairy prices will all keep a lid on growth this year. More subdued growth in business investment is likely in the wake of lower levels of business confidence. Despite the Reserve Bank keeping a lid on the Official Cash Rate, finance costs are still likely to push higher during 2018, due to recent rises in international money and bond market yields.

# Gross domestic product

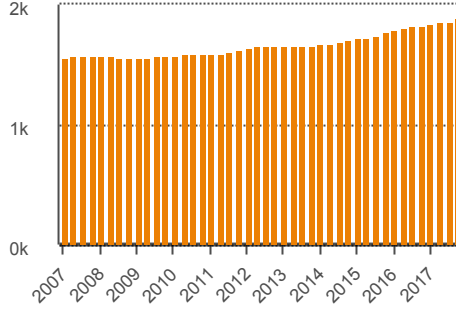
## Gross domestic product growth

Annual average % change Dec 16 - Dec 17



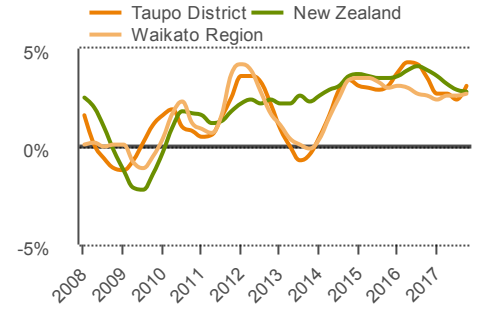
## Gross domestic product (\$m)

Annual level, Taupo District



## Gross domestic product growth

Annual average % change



## Highlights for Taupo District

- GDP in Taupo District was up 3.1% for the year to December 2017 compared to a year earlier. Growth was higher than in New Zealand (2.8%) and higher than in Waikato Region (2.7%).
- GDP was \$1,895 million in Taupo District for the year to December 2017 (2010 prices).
- Annual GDP growth in Taupo District peaked at 4.3% in the year to June 2016.

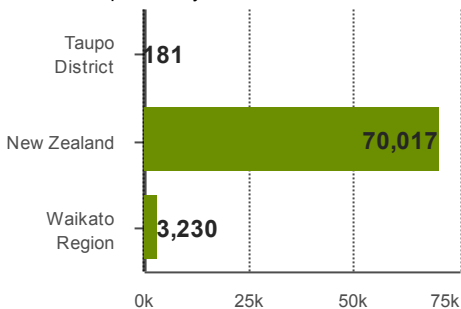
## National overview

Headline economic activity appeared to lose some momentum in the December 2017 quarter, with business confidence falling and some construction indicators highlighting supply constraints. We provisionally estimate that GDP grew by 2.8% over the December year, down from 3.6%pa growth in the beginning of the year. But we are wary of reading too much into the drop, given that the uncertainty associated with elections usually weighs on confidence temporarily, so some rebound is possible in coming months. Furthermore, own-activity indicators from the surveys have not fallen as far as headline confidence. This divergence suggests that respondents are more worried about the broader economic outlook, a concept that is arguably hazier than understanding trading conditions for their own businesses.

# International net migration

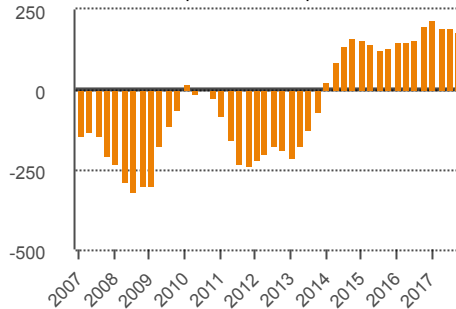
## Net migration

Number of persons, year to December 2017



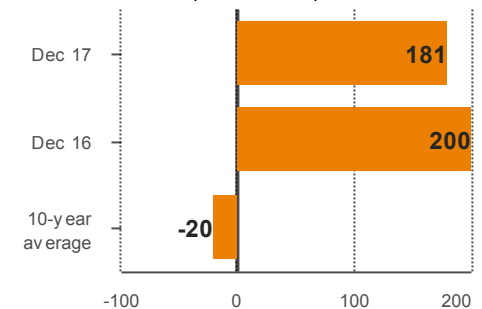
## Net migration

Annual number of persons, Taupo District



## Net migration

Annual number of persons, Taupo District



## Highlights for Taupo District

- Taupo District experienced a permanent and long-term net migration gain of 181 persons in the year to December 2017. This compares with a gain of 200 a year ago, and a ten year average of 20 (loss).
- New Zealand's annual net migration decreased to 70,017 from 70,580 a year ago.

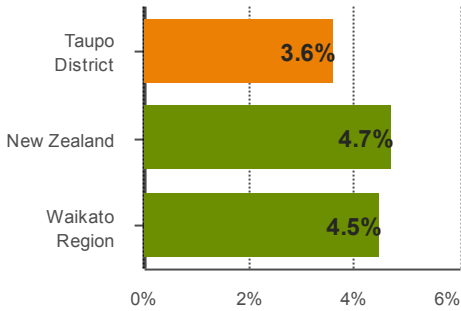
## National overview

Slowing annual arrivals pulled net migration down to 70,017 in December, compared to the 70,588 level seen in December 2016. Residence visa arrivals continued to tumble in the December quarter, down 17% from a year earlier, making up the largest component of arrivals. Work visa growth has also pared back to 3.4%pa in the December quarter, after double-digit growth from mid-2016 to mid-2017. Student visa numbers fell again slightly in the December quarter, down 1.6% from a year earlier. The December quarter saw a net inflow of 10 New Zealand arrivals, compared to a 3,650 outflow in February 2012, reiterating the importance of returning ex-pats in the overall immigration picture.

# Unemployment rate

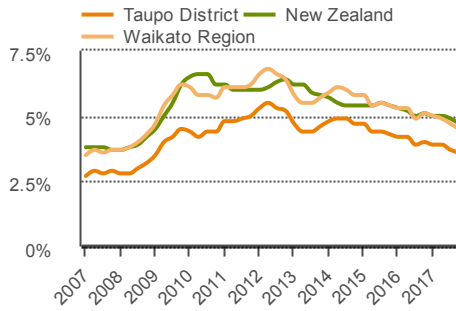
## Unemployment rate

Average annual rate, year to December 2017



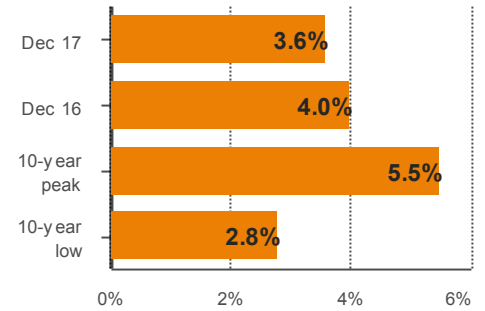
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Taupo District



## Highlights for Taupo District

- The annual average unemployment rate in Taupo District was 3.6% in December 2017, down from 4.0% a year earlier.
- The unemployment rate in Taupo District was lower than in New Zealand, where the unemployment rate averaged 4.7% over the year to December 2017.
- Over the last ten years the unemployment rate reached a peak of 5.5% in June 2012;

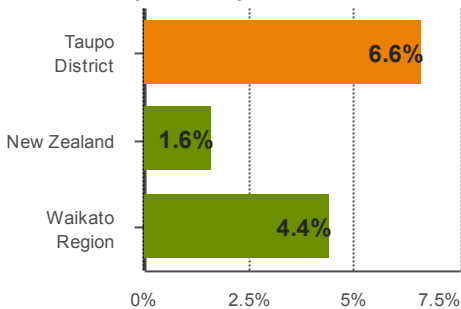
## National overview

The unemployment rate fell to a nine-year low of 4.5% in the December quarter and averaged 4.7% over the 2017 calendar year. Underpinning this dip in unemployment was the combined effect of fewer people participating in the labour market and even more people finding employment. Reassuringly, employment growth was driven entirely by more people entering full-time jobs – an indication of business expansion and an optimistic outlook. Overall, data for the December quarter was a continuation of trends we saw over the rest of 2017 – the labour market is tightening, but we are still waiting for widespread wage growth.

# Traffic flow

## Annual change in traffic flows

Annual average % change Dec 16 - Dec 17



## Highlights for Taupo District

- Traffic flows in Taupo District increased by 6.6% over the year to December 2017. This compares with an increase of 1.6% in New Zealand.

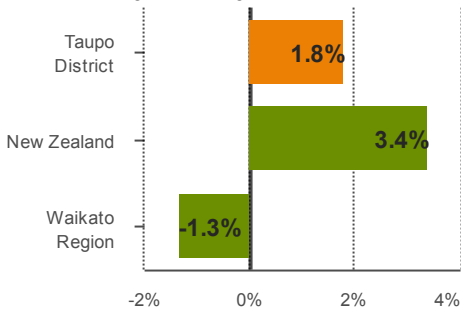
## National overview

Traffic flows in 2017 were 1.6 % higher than their 2016 level. Earthquake disruptions continued to push up flows on the alternate route through Tasman and Hurunui. Traffic flows in Kaikoura are beginning to show significant recovery following the reopening of SH1. Vehicle running costs are likely to creep higher in 2018. A lift in world crude oil prices drove a swift rebound in fuel prices early this year, leading us to revise up our near-term outlook for both petrol and diesel prices. Auckland motorists can expect a 10c/l regional fuel tax by mid-2018.

# Residential consents

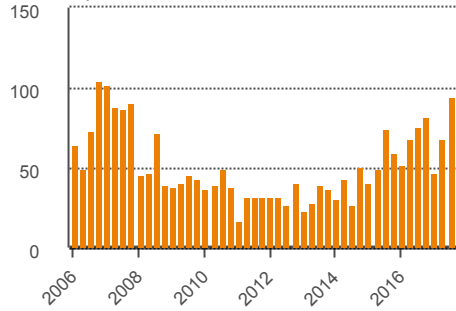
## Growth in no. of new dwelling consents

Annual average % change Dec 16 - Dec 17



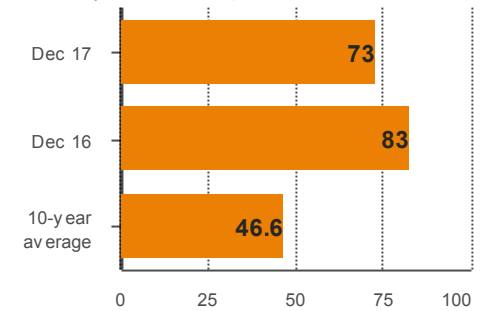
## Residential consents

Quarterly number, Taupo District



## Number of new dwelling consents

Quarterly number, Taupo District



## Highlights for Taupo District

- A total of 73 new residential building consents were issued in Taupo District in the December 2017 quarter, compared with 83 in the same quarter last year.
- On an annual basis the number of consents in Taupo District increased by 1.8% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 3.4% over the same period.

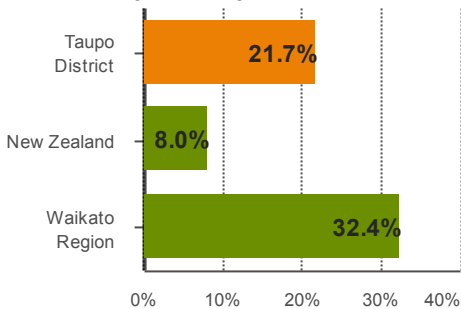
## National overview

House consents nationally were up 3.4% across 2017, with consents in the December quarter sitting just 2.5% above their 2016 level. Many regions saw declines in the December quarter, but consents for new dwellings in Auckland rose by 20%pa in the December quarter. Although much of the Auckland gain was due to apartment building consents, there was also a substantial lift in consents for new houses. We expect Auckland to be a key driver of growth in residential consents nationally over the next 12 months. However, labour capacity constraints will continue to limit growth over this period. Higher residential building costs are also a constraint on construction.

# Non-residential consents

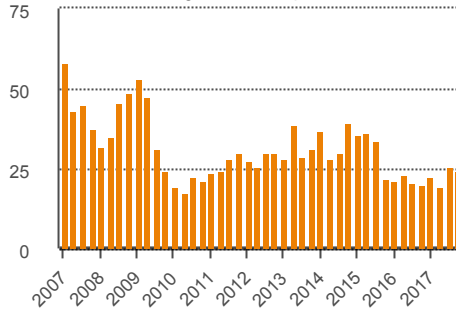
## Growth in value of consents

Annual average % change Dec 16 - Dec 17



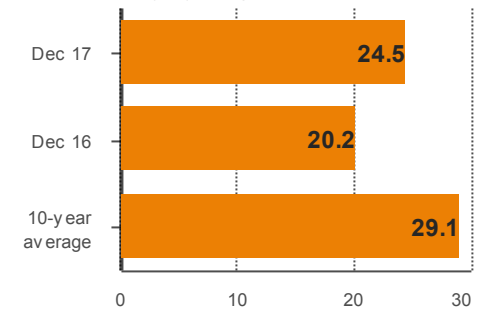
## Non-residential consents, Taupo District

\$m, annual running total, Taupo District



## Value of non-residential consents

Annual value (\$m), Taupo District



## Highlights for Taupo District

- Non-residential building consents to the value of \$25 million were issued in Taupo District during the year to December 2017.
- The value of consents increased by 22% over the year to December 2017. By comparison the value of consents in New Zealand increased by 8.0% over the same period.
- Over the last 10 years, consents in Taupo District reached a peak of \$53 million in the year to March 2009.

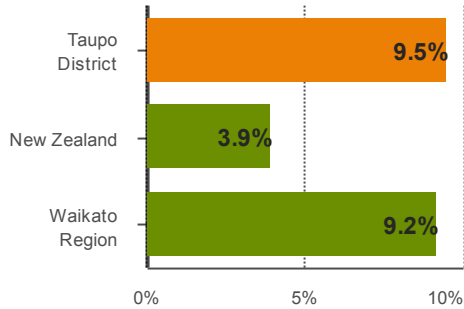
## National overview

The value of non-residential building consents grew 8.0% in 2017, following growth of 19% in 2016. Despite growth having weakened in the December quarter, we still expect non-residential building consents to climb over the coming year. The recent uptick in farm building consents is expected to continue on the back of stronger export volumes, while increases in retail and factory building will drive the bulk of consent growth in 2018. In contrast, offices, education, storage, and social building work are all predicted to pull back from their highs.

# House prices

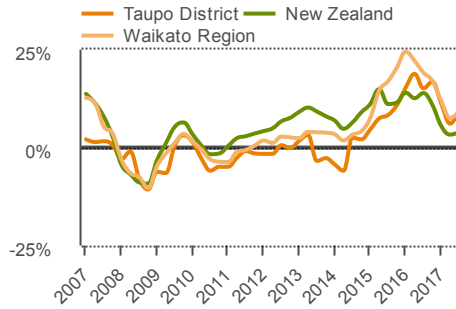
## Annual change in house prices

Annual % change Dec 16 - Dec 17



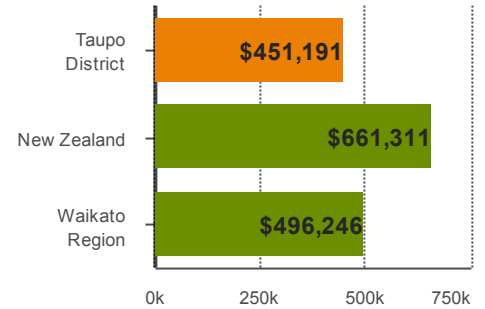
## House price growth

Annual % change



## Average current house value

Average for 12 months to Dec 2017



## Highlights for Taupo District

- The average current house value in Taupo District was up 9.5% in December 2017 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 3.9%.
- The average current house value was \$451,191 in Taupo District over the December 2017 year. This compares with \$661,311 in New Zealand.

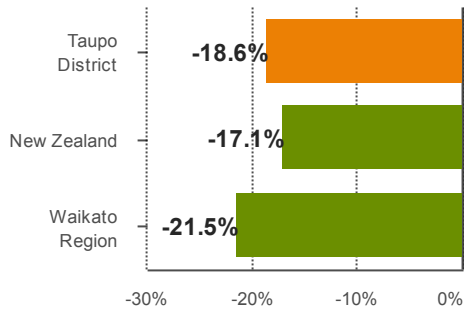
## National overview

House prices ended the year on a more stable footing, to be 3.9% higher in December than a year ago. Auckland's house price inflation edged up to 0.9%pa in the December quarter, moving away from the decline we saw in mid-2017. Outside Auckland the housing market is more buoyant, with annual house price inflation slightly more positive compared to previous months. But we think the general softening trend of 2017 will continue to creep across the country over the year ahead. Infometrics forecasts a 3.5%pa decline in house prices nationally in 2018.

# House sales

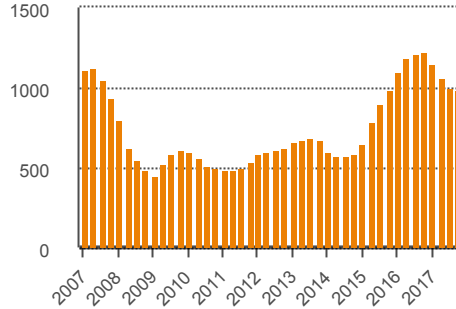
## Annual change in house sales

Annual average % change Dec 16 - Dec 17



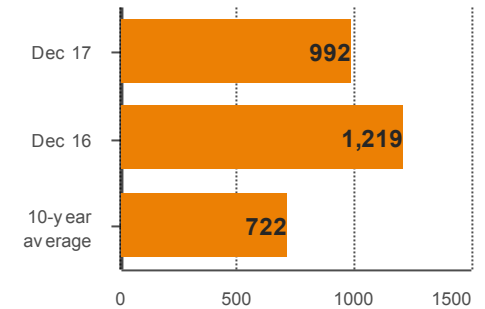
## House sales

Annual number, Taupo District



## House sales

Annual number, Taupo District



## Highlights for Taupo District

- House sales in Taupo District in the year to December 2017 decreased by 19% compared with the previous year. Growth underperformed relative to New Zealand, where sales decreased by 17%.
- A total of 992 houses were sold in Taupo District in the 12 months ended December 2017. This compares with the ten year average of 722.

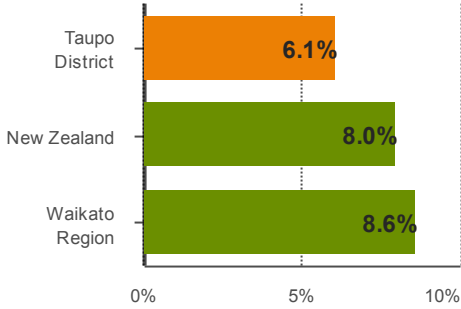
## National overview

House sales volumes declined 17% across the December 2017 year. There is likely to be a smaller decline in house sales for 2018 due to the earlier-than-expected relaxation of the loan-to-value restrictions (LVRs), which kicked in on January 1. The government's move to ban foreign buyers could also see some purchases brought forward. Even so, upside to housing demand will remain constrained due to high prices and affordability problems in many parts of the country, particularly for first-home buyers. Investor demand will stay relatively weak due to a lack of expected capital gains and the continuation of tougher LVR rules than those faced by owner-occupiers.

# Car registrations

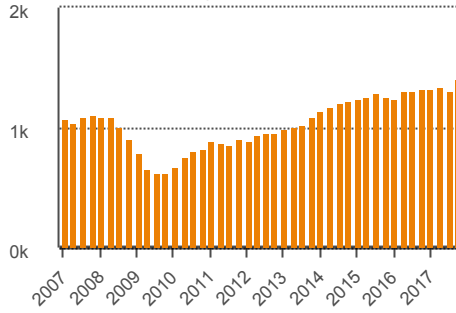
## Car registrations

Annual average % change Dec 16 - Dec 17



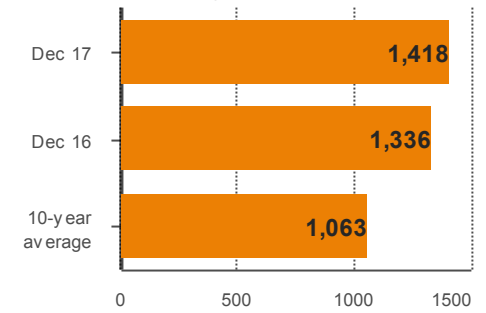
## Car registrations

Annual number, Taupo District



## Car registrations

Annual number, Taupo District



## Highlights for Taupo District

- The number of cars registered in Taupo District increased by 6.1% in the year to December 2017 compared with the previous 12 months. Growth was lower than in New Zealand, where car sales increased by 8.0%.
- A total of 1,418 cars were registered in Taupo District in the year to December 2017. This compares with the ten year average of 1,063.

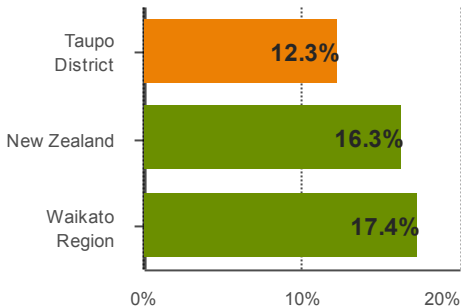
## National overview

Car sales were up 8.0% in 2017, with first-time registrations of used imports soaring 11%, while new car sales were still up 5.8%. Moderating household confidence is likely to draw more individuals towards buying used vehicles in preference to (more expensive) new cars, which will help keep used car sales tracking upwards. New car sales growth has been driven primarily by small car sales. Sales of small new cars lifted 14%pa in the December 2017 quarter from the December 2016 quarter. Increasing engine efficiency has swung in the favour of cars with smaller engine sizes and we expect this trend to continue.

# Commercial vehicle registrations

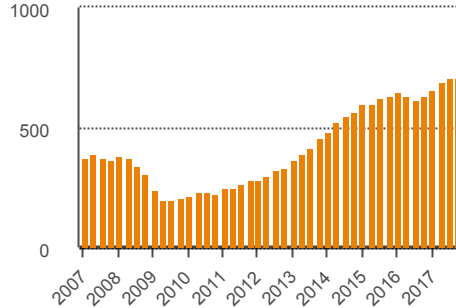
## Commercial vehicle registrations

Annual average % change Dec 16 - Dec 17



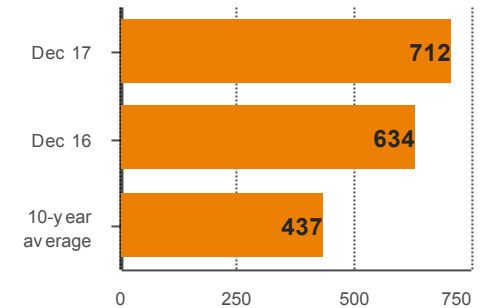
## Commercial vehicle registrations

Annual number, Taupo District



## Commercial vehicle registrations

Annual number, Taupo District



## Highlights for Taupo District

- The number of commercial vehicles registered in Taupo District increased by 12% in the year to December 2017 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 16%.
- A total of 712 commercial vehicles were registered in Taupo District in the year to December 2017. This is higher than the ten year annual average of 437.

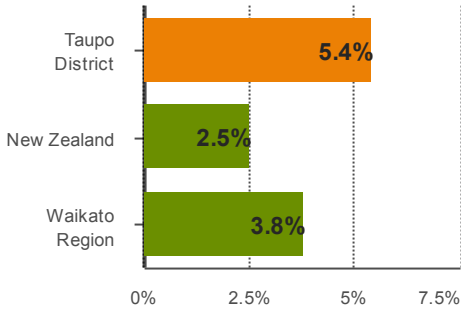
## National overview

Commercial vehicles sales rose strongly in 2017 to sit 16% higher than their 2016 level. Sales growth was spread across all weight classes. Light commercial sales exceeded 2016 levels with a month to spare. Heavy commercial vehicle sales rebounded from 2016's decline, to levels 12% above their 2015 peak. Sales growth in 2018 is likely to be more subdued, as business confidence has moderated. But there are still some upside risks to sales if the recent strengthening of the New Zealand dollar significantly dampens prices for expensive heavy transport equipment imports.

# Guest nights

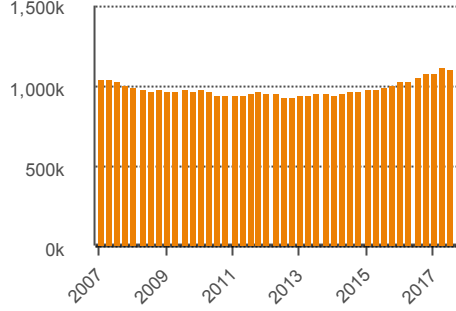
## Guest nights

Annual average % change Dec 16 - Dec 17



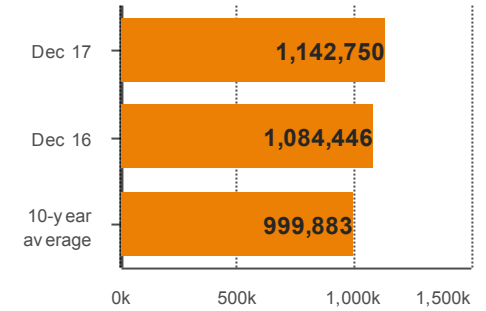
## Guest nights

Annual number, Taupo District



## Guest nights

Annual number, Taupo District



## Highlights for Taupo District

- Total guest nights in Taupo District increased by 5.4% in the year to December 2017. This compares with an increase of 2.5% in New Zealand.
- Visitors stayed a total of 1,142,750 nights in Taupo District during the year to December 2017, which was up from 1,084,446 a year ago.

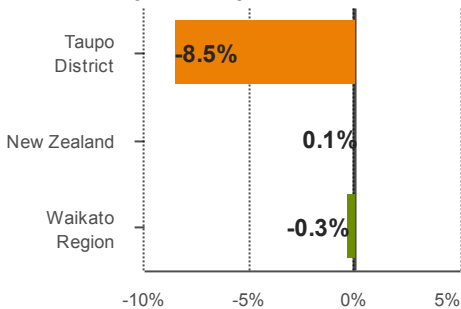
## National overview

Guest nights rose 2.5% to a record 39.5m over the December 2017 year. Guest nights by domestic visitors increased 0.8% to 22.2m over the period, while international visitor guest nights climbed 4.8% to 17.2m. Occupancy in commercial accommodation (excluding holiday parks) averaged a record 62.8% in 2017, compared with a ten-year average of 53.6%. Domestic guest nights have been boosted by better labour market conditions and ongoing competition in domestic aviation between Jetstar and Air New Zealand. International visitor arrivals to New Zealand continued to grow strongly in 2017, rising 6.7% in the December year to a record 3.7 million. We expect annual growth to cool over the coming year, owing to a combination of capacity constraints and a general softening in arrivals growth from China.

# Jobseekers

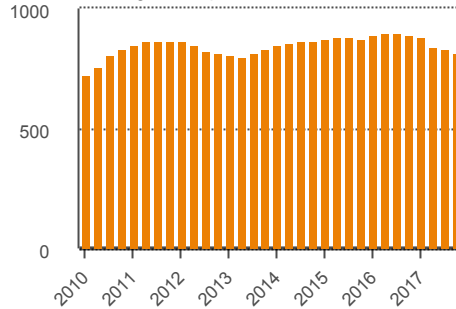
## Annual change in Jobseekers

Annual average % change Dec 16 - Dec 17



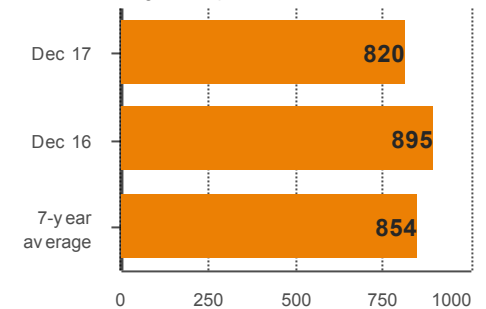
## Jobseekers

Annual average, Taupo District



## Jobseekers

Annual average, Taupo District



## Highlights for Taupo District

- Working age Jobseeker Support recipients in Taupo District in the year to December 2017 decreased by 8.5% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 0.06%.
- An average of 820 people were receiving a Jobseeker Support benefit in Taupo District in the 12 months ended December 2017. This compares with an average of 854 since the start of the series in 2010.

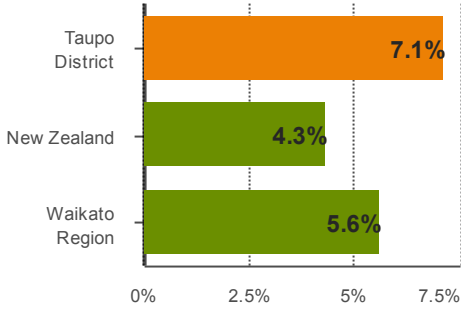
## National overview

The average number of Jobseeker Support recipients was flat over the December 2017 year (up 0.1%). Looking out over the next year, we expect the lift in the minimum wage to drive wage growth at the lower end of the spectrum. The tightening labour market will also support wage growth across industries more broadly. Record net migration has boosted the size of the workforce over the last couple of years. But as the number of new migrant workers falls, the pool of potential job candidates will shrink and firms will find it harder to fill jobs. The trick will be matching domestic candidates not presently in work with jobs that are available – transitions that might require some upskilling.

# Retail trade

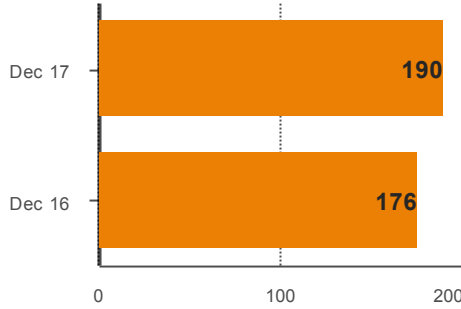
## Growth in retail sales

Annual average % change Dec 16 - Dec 17



## Retail sales

Quarterly value (\$m), Taupo District



## Highlights for Taupo District

- Electronic card retail spending in Taupo District, as measured by Marketview, increased by 7.1% over the year to December 2017 compared to the previous year. This compares with an increase of 4.3% in New Zealand.

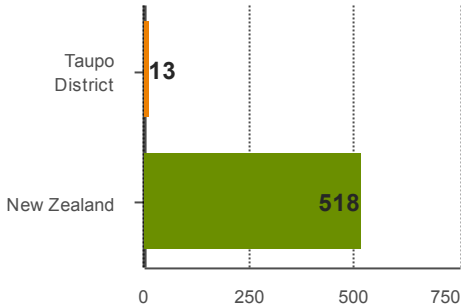
## National overview

Electronic card spending on retail purchases was buoyant over the closing stages of 2017. Data from Marketview showed that spending in the December quarter was up 4.9% from a year earlier, taking growth across the December year to 4.3%. Recent softness in consumer confidence and an expected easing of immigration pose downside risks to spending growth in 2018. Nevertheless, these risks will be offset by better job prospects and more money for lower income households due to Labour's Families Package and the \$50/week increase in the student allowance and loan entitlements.

# Total dairy payout

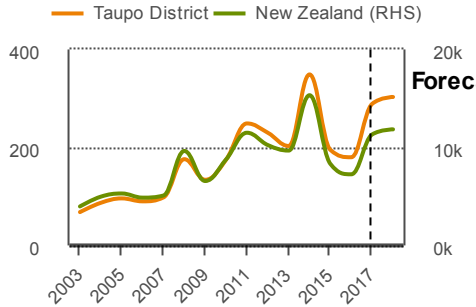
## Total dairy payout

Change (\$m) between 2016/17 and 2017/18 season



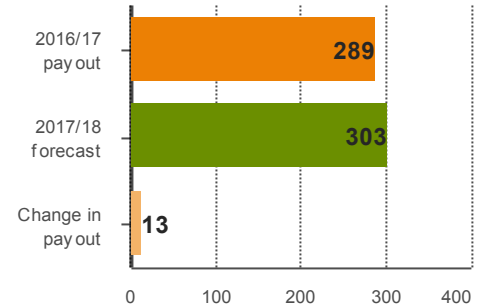
## Total dairy payout

\$m each season, Taupo District



## Total dairy payout

\$m each season, Taupo District



## Highlights for Taupo District

- Taupo District's total dairy payout for the 2016/17 season is estimated to have been approximately \$289m.
- Taupo District's dairy payout for the 2017/18 season is expected to be approximately \$303m, \$13.2m higher 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 \$11,328m in the 2016/17 season, and is expected to be \$518m higher in the 2017/18 season.

## National overview

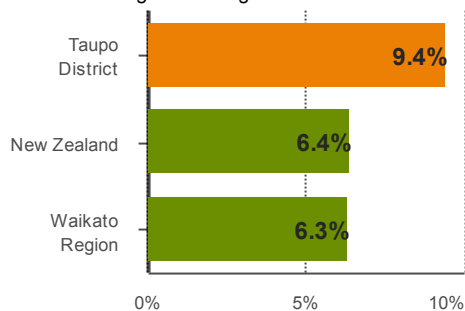
Dairy prices at Fonterra's Global Dairy Trade auctions eased during the December quarter, but have risen sharply so far in 2018 as markets worry about lower milk production following drought conditions. December milk production was 4.5% below December 2016 levels. Markets will be watching anxiously to see whether recent rains lead to some recovery in production volumes in late summer, or if production continues to be curtailed. Providing auction prices hold up at current levels over the next few auctions, then Fonterra's farmgate milk price forecast of \$6.40/kgms appears to be well-supported.



# Tourism Spending

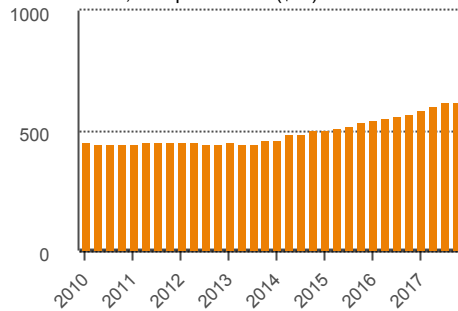
## Tourism expenditure

Annual average % change Dec 16 - Dec 17



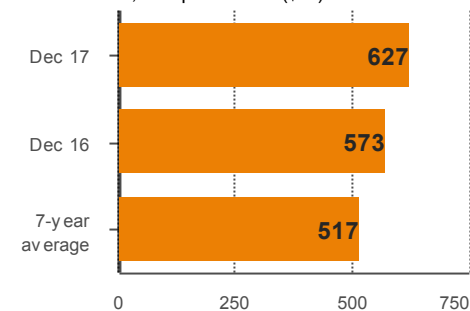
## Tourism expenditure

Annual total, Taupo District (\$m)



## Tourism expenditure

Annual total, Taupo District (\$m)



## Highlights for Taupo District

- Total tourism expenditure in Taupo District increased by 9.4% in the year to December 2017. This compares with an increase of 6.4% in New Zealand.
- Total tourism expenditure was approximately \$627m in Taupo District during the year to December 2017, which was up from \$573m a year ago.

## National overview

Total visitor spend was a record \$27.7bn in the December 2017 year, up from \$26.0bn in 2016. Spending by domestic visitors rose from \$15.7bn to \$16.5bn over the same period, while spending by international visitors climbed from \$10.3bn to \$11.2bn. Regional spending growth was most rapid in Tasman, West Coast, and Taranaki. There were also rapid pockets of growth in the central South Island, central North Island, Wairarapa and the Catlins. Spending is expected to continue growing in the March quarter, but the pace of growth is likely to be more subdued as the stronger New Zealand dollar means travellers' budgets won't stretch quite as far.

# 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. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year.

## 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 values

House value (dollar value) are sourced from QVNZ. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. It is not an average or median sales price, as both of those figures only measure what happens to have sold in the period. These average current values are affected by the underlying value of houses (including those not on the market) and are quality adjusted based on the growth in each house's price between sales.

## 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)

## Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.