

### Overview of Taupo District

Infometrics' provisional GDP growth estimate for Taupo District saw economic growth accelerate to 4.4% in the September 2018 year. The District is strong on almost all indicators. Electronic card spending on retail purchases grew 6.1% in the September 2018 year, next to 4.8% nationally. This increase was supported by 6.4% growth in tourist expenditure in the September 2018 year and 4.6% growth in guest nights. The New Zealand dollar's significant depreciation over the past six months will boost the budgets of visitors to New Zealand this summer season.

Dairy farmers are expected to remain in the black this year. Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.25-\$6.50/kgms, well above Dairy NZ's estimate of the breakeven point for the average dairy farmer of \$5.50/kgms. Infometrics estimates that the payout for Taupo dairy farmers in the 2017/18 season was \$314m, not too far off the standout \$349m in 2014 and well up on last year's \$289m.

The forestry sector remains in a strong position. Export earnings from forestry have moved higher, with a lower NZD a contributing factor. Export volumes also remain high on sustained international demand.

With money flowing into the local economy, local firms are willing to invest. Commercial vehicle registrations rose 2.7% in the September 2018 year, slightly ahead of 2.3% growth nationally. Non-residential consents were up 26%, on a par with the Waikato region and well ahead of 4.9% growth nationally.

The District's unemployment rate edged down further to an average of 3.4% in the September 2018 year, well below both the Waikato regional and national averages of 4.3%.

The housing market remains relatively flat with sales edging down 0.3% in the September 2018 year and well down on the recent peak in activity two years ago. Despite the fall in Taupo house sales, house price inflation rose again, up 12% in the September 2018 year compared with 8.4% nationally. If residential consents in Taupo remain subdued, this could support continued price inflation. Residential consents rose for the first time in four quarters but were still down 3.1% in the September 2018 year.

Indicator	Taupo District	Waikato Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 4.4%	↑ 3.5%	↑ 2.9%
Traffic flow	↑ 6.5%	↑ 3.3%	↑ 3.9%
Residential consents	↓ -3.1%	↓ -2.2%	↑ 5.4%
Non-residential consents	↑ 26%	↑ 28%	↑ 4.9%
House prices*	↑ 12%	↑ 6.2%	↑ 8.4%
House sales	↓ -0.3%	↓ -1.4%	↓ -0.6%
Guest nights	↑ 4.6%	↑ 2.4%	↑ 2.7%
Retail trade	↑ 6.1%	↑ 6.1%	↑ 4.8%
Car registrations	↑ 20%	↑ 3.0%	↓ -1.7%
Commercial vehicle registrations	↑ 2.7%	↑ 5.7%	↑ 2.3%
Jobseeker Support recipients	↓ -0.2%	↑ 4.5%	↑ 2.2%
Tourism expenditure	↑ 6.4%	↑ 7.3%	↑ 8.2%
<i>Level</i>			
Unemployment rate	3.4%	4.3%	4.3%
International net migration	124	2,897	62,735

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

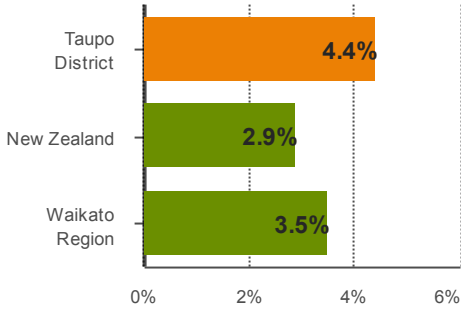
### Overview of national economy

We've revised up our forecasts of economic growth. It's not a big change – our growth projection for the year to June 2019 has lifted from 2.7% to 2.9%. But it's an upward revision and so is at odds with the air of despair being generated by negative business and consumer confidence surveys. Better economic growth in the near term is largely about government spending. Aside from government spending, the other major upward revision is the export outlook. Export prices are at their highest level since 2014 in NZ dollar terms.

# Gross domestic product

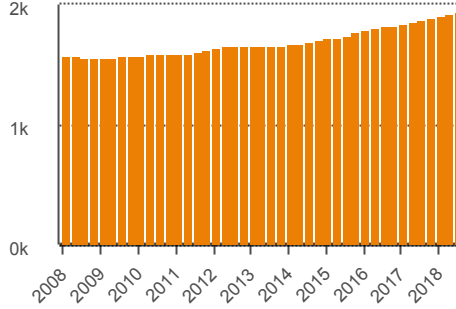
## Gross domestic product growth

Annual average % change Sep 17 - Sep 18



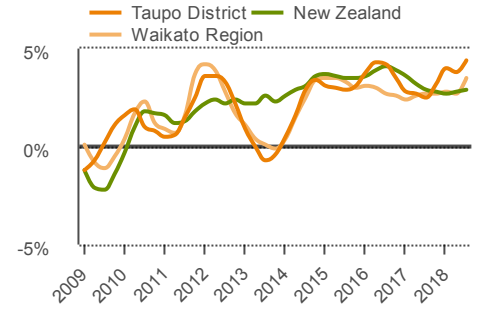
## Gross domestic product (\$m)

Annual level, Taupo District



## Gross domestic product growth

Annual average % change



## Highlights for Taupo District

- GDP in Taupo District was up 4.4% for the year to September 2018 compared to a year earlier. Growth was higher than in New Zealand (2.9%) and higher than in Waikato Region (3.5%).
- GDP was \$1,958 million in Taupo District for the year to September 2018 (2010 prices).
- Annual GDP growth in Taupo District peaked at 4.4% in the year to September 2018.

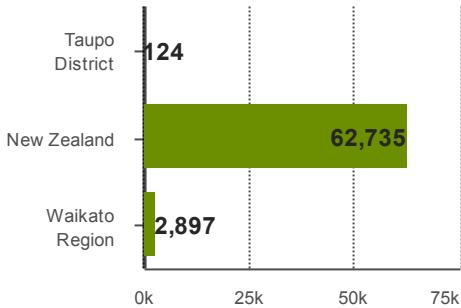
## National overview

Infometrics provisionally estimates that GDP grew by 2.9% over the September 2018 year, the same as the rate of growth recorded the previous year. Although weak business confidence has grabbed the headlines, businesses have been surprisingly bullish in their hiring and investment behaviour against a backdrop of strong production across most industries. Businesses have been wary to raise prices over recent years, but with cost pressures beginning to squeeze profitability, pricing intentions have begun to push up.

# International net migration

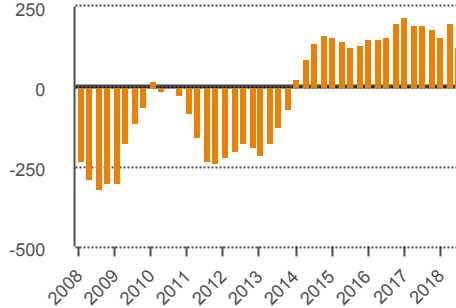
## Net migration

Number of persons, year to September 2018



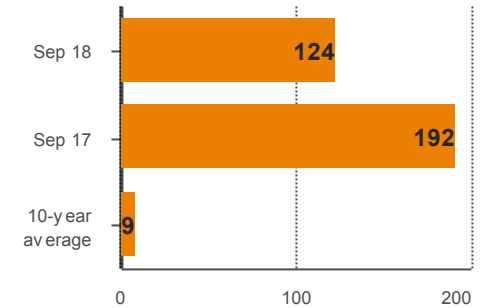
## Net migration

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 124 persons in the year to September 2018. This compares with a gain of 192 a year ago, and a ten year average of 9 (gain).
- New Zealand's annual net migration decreased to 62,735 from 70,983 a year ago.

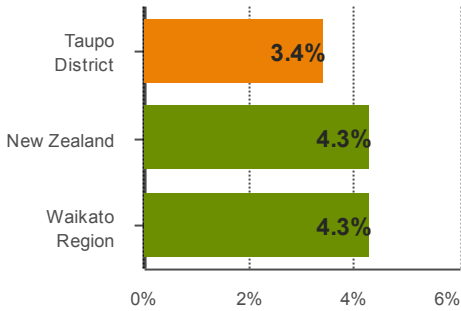
## National overview

Annual net migration slipped again to a new three-year low of 62,733 in the 12 months to September 2018. Rising departures had the biggest impact, up 9.3% on the previous year, while arrivals fell 2.0%. Non-New Zealand citizens were responsible for most of the rise in departures. Annual net outflows to Australia have increased again to 1,575 and are now at their highest level since mid-2015. This is despite New Zealand's unemployment rate being lower than Australia's. Net migration will continue on its downward trajectory in 2019 and 2020, the key question being when, and at what level, it will bottom out.

# Unemployment rate

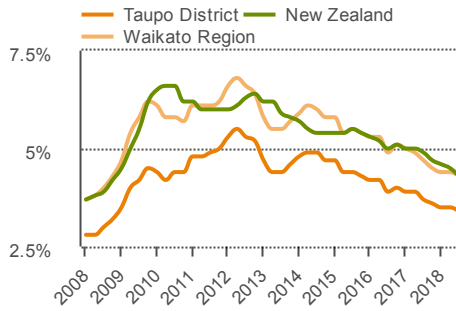
## Unemployment rate

Average annual rate, year to September 2018



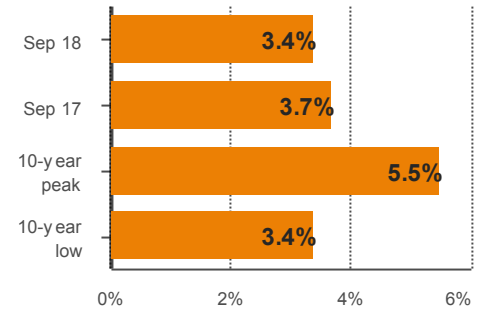
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Taupo District



## Highlights for Taupo District

- The annual average unemployment rate in Taupo District was 3.4% in September 2018, down from 3.7% a year earlier.
- The unemployment rate in Taupo District was lower than in New Zealand, where the unemployment rate averaged 4.3% over the year to September 2018.
- Over the last ten years the unemployment rate reached a peak of 5.5% in June 2012;

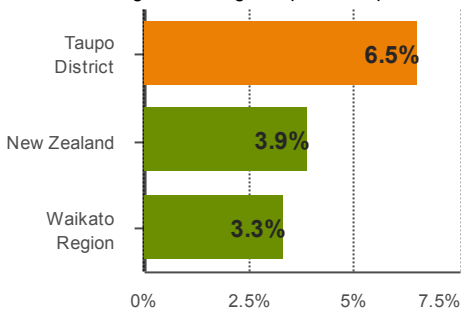
## National overview

The unemployment rate fell below 4% in the September quarter for the first time since 2008. Over the past year, the unemployment rate has averaged 4.3%, compared to 4.9% the previous year. The strong labour market is putting pressure on private sector wages. However, overall wage inflation is being stymied by subdued growth in public sector wages. In September, private sector ordinary time hourly earnings grew 3.6% on a year ago – the fourth consecutive quarter that it's been above 3.0%. In contrast, September's public sector ordinary time hourly earnings were up just 1.6% on a year ago. Overall, ordinary time hourly earnings grew 2.3% from a year ago, and labour costs were up 1.8%. With the wage settlement for nurses yet to appear in wage packets and the wage settlement for teachers still to be negotiated, we are expecting an uptick in public sector wages in the coming year.

# Traffic flow

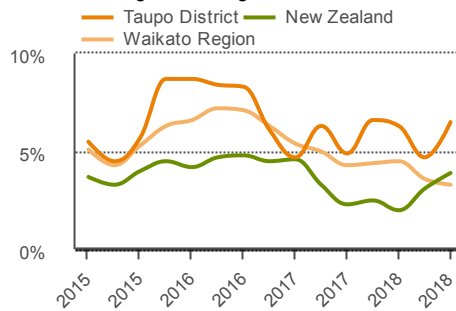
## Annual change in traffic flows

Annual average % change Sep 17 - Sep 18



## Traffic volume growth

Annual average % change



## Highlights for Taupo District

- Traffic flows in Taupo District increased by 6.5% over the year to September 2018. This compares with an increase of 3.9% in New Zealand.

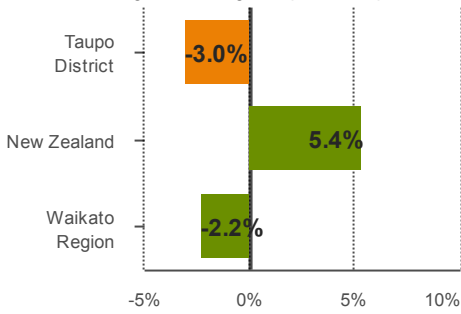
## National overview

Traffic flows in the September 2018 year rose 3.9% from the previous year. Traffic flows in the North Island are growing most rapidly in Taranaki, Bay of Plenty, Wellington and Northland. In the South Island growth is strongest in Marlborough, while Otago and Canterbury are also growing above the national average. Higher fuel prices are likely to moderate the pace of growth over the summer season, but this trend will be offset somewhat by better employment prospects boosting household incomes.

# Residential consents

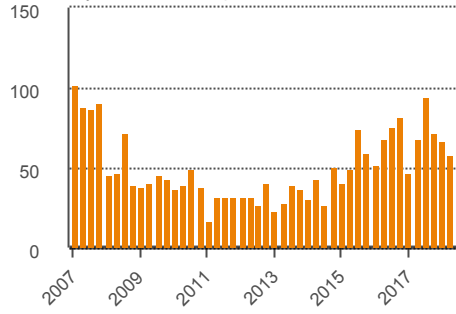
## Growth in no. of new dwelling consents

Annual average % change Sep 17 - Sep 18



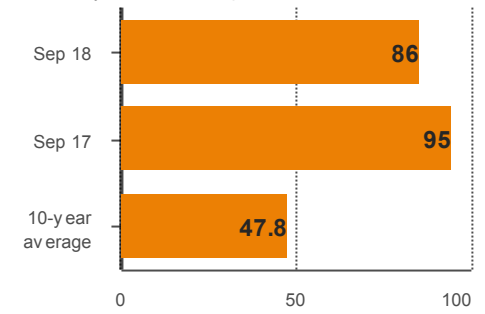
## Residential consents

Quarterly number, Taupo District



## Number of new dwelling consents

Quarterly number, Taupo District



## Highlights for Taupo District

- A total of 86 new residential building consents were issued in Taupo District in the September 2018 quarter, compared with 95 in the same quarter last year.
- On an annual basis the number of consents in Taupo District decreased by 3.1% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 5.4% over the same period.

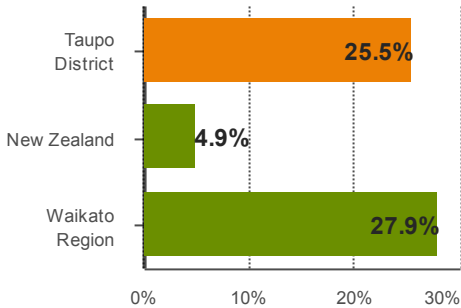
## National overview

Growth in new dwelling consents slowed during the middle of 2018 and we expect consent growth to slow further over the next few quarters. Slowing house price inflation and signs of an oversupply in some regions set to limit new residential construction. Further growth in activity in Auckland will be limited by constraints across a range of factors, including labour, land, finance, and infrastructure. Nevertheless, the pre-existing undersupply of housing in Auckland will ensure consent numbers in the region hold at a high level, thereby limiting the total fall in nationwide activity. The government's KiwiBuild programme might also put something of a floor under activity over the next three years, with the crown's financial backing assisting some developments to go ahead even as market conditions become more difficult for developers.

# Non-residential consents

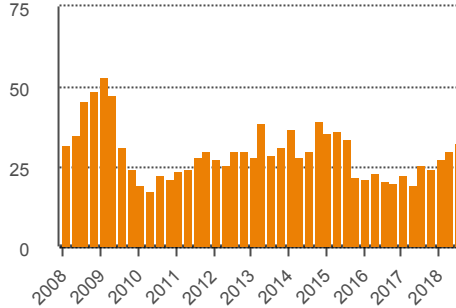
## Growth in value of consents

Annual average % change Sep 17 - Sep 18



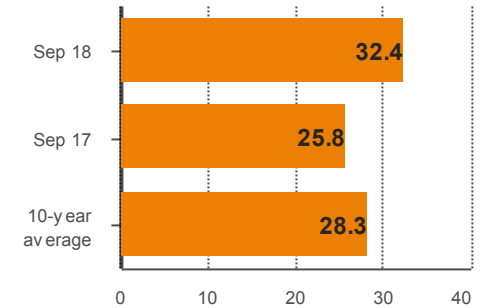
## Non-residential consents, Taupo District

\$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 \$32 million were issued in Taupo District during the year to September 2018.
- The value of consents increased by 26% over the year to September 2018. By comparison the value of consents in New Zealand increased by 4.9% 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.

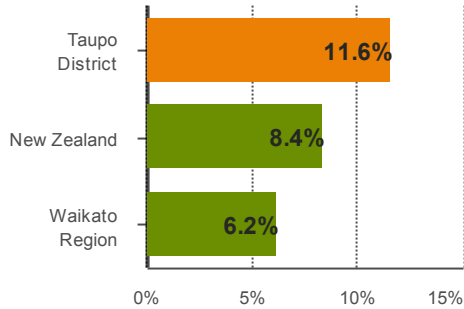
## National overview

The value of non-residential building consents in the September 2018 quarter was 8.6% below its level from a year earlier, holding growth over the 12 months to September to just 4.9%pa. With capacity constraints causing cost blowouts and delays, we're not surprised by the limited growth in new non-residential consents. We think that Ebert Construction's liquidation may pose a constraint to new non-residential consents coming through around the country, particularly in Auckland. With Ebert dropping out of the game and Fletcher Building and Hawkins limiting their exposure, developers will likely encounter more difficulty getting construction firms to take on large projects.

# House prices

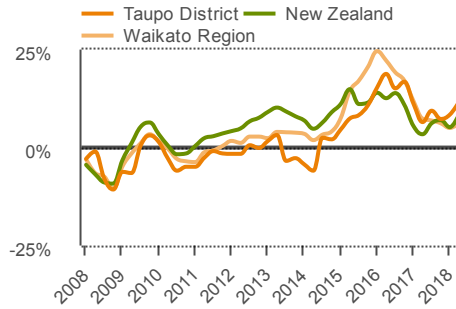
## Annual change in house prices

Annual % change Sep 17 - Sep 18



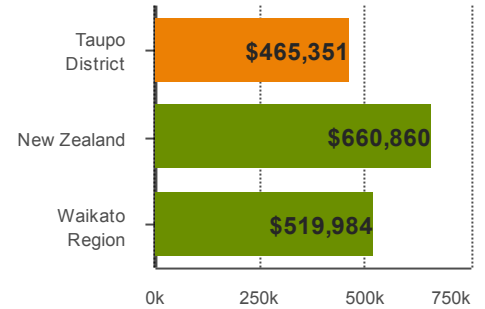
## House price growth

Annual % change



## Average current house value

Average for 12 months to Sep 2018



## Highlights for Taupo District

- The average current house value in Taupo District was up 12% in September 2018 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 8.4%.
- The average current house value was \$465,351 in Taupo District over the September 2018 year. This compares with \$660,860 in New Zealand.

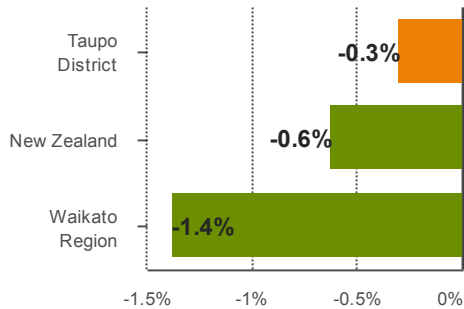
## National overview

House prices showed greater signs of life in September, with prices across the country up 8.3% from the year before. Prices in Auckland rose slightly in September, inching up 1.1% from September 2017, while price growth outside of Auckland was stronger, particularly in the lower North Island. House prices outside Auckland are going through the final stages of a “catch-up” phase, as the final waves of Auckland’s housing boom ripple throughout the rest of the country. Even with a solid outlook for economic growth, we expect house price inflation in provincial areas to cool throughout the next year as buyer demand softens in response to higher house-price-to-income ratios, slowing population growth, and tighter government regulations on investors. At a nationwide level, house prices are forecast to fall up to 5.0% during 2019 and 2020 as strong residential construction activity sees any shortages of housing rectified in most areas outside Auckland.

# House sales

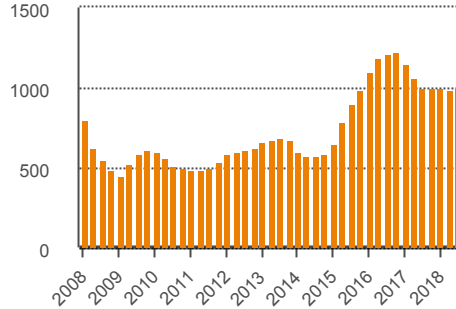
## Annual change in house sales

Annual average % change Sep 17 - Sep 18



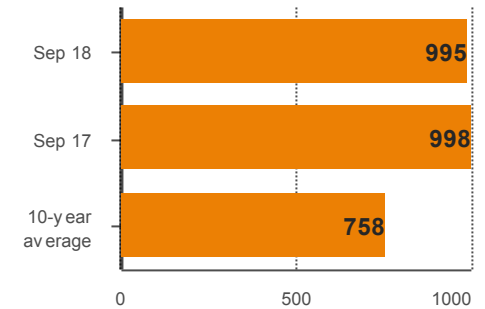
## House sales

Annual number, Taupo District



## House sales

Annual number, Taupo District



## Highlights for Taupo District

- House sales in Taupo District in the year to September 2018 decreased by 0.3% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 0.6%.
- A total of 995 houses were sold in Taupo District in the 12 months ended September 2018. This compares with the ten year average of 758.

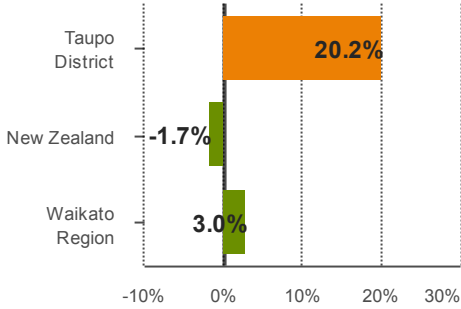
## National overview

House sales in the September year were down 0.6% from a year earlier. The government’s extension of the bright-line test for capital gains on investment properties to five years, alongside restrictions on foreign buyers implemented at the end of August, will result in renewed downward pressure on house sales volumes in the near term. Recent downward revisions to fixed mortgage rates are likely to see house sales begin rising again in 2019.

# Car registrations

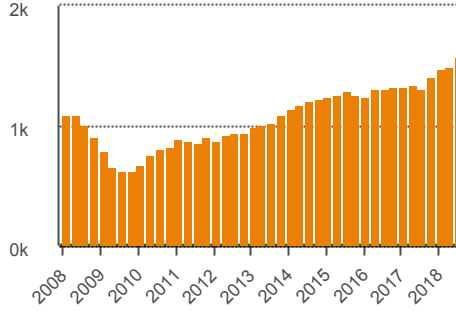
## Car registrations

Annual average % change Sep 17 - Sep 18



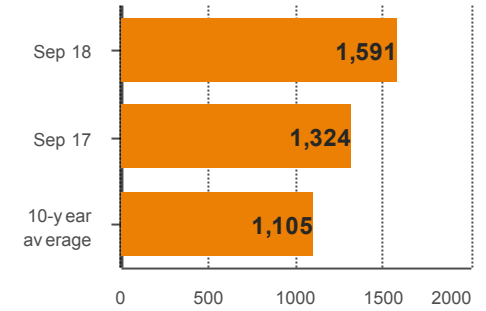
## Car registrations

Annual number, Taupo District



## Car registrations

Annual number, Taupo District



## Highlights for Taupo District

- The number of cars registered in Taupo District increased by 20% in the year to September 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -1.7%.
- A total of 1,591 cars were registered in Taupo District in the year to September 2018. This compares with the ten year average of 1,105.

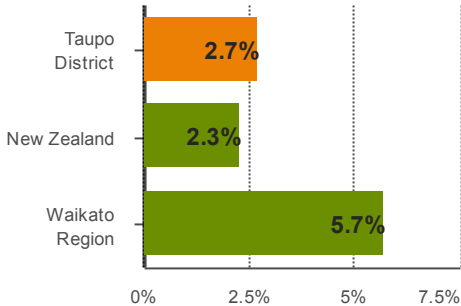
## National overview

Car sales eased 1.7% over the September 2018 year. Lacklustre household confidence and the slowdown in processing cars due to stinkbugs continued to weigh on the used car category, capping off a less rosy view of the car market. New car sales over the September year were also held down by fewer rental car sales entering the fleet, as visitor arrivals growth has slowed. Improving employment prospects will slow the downward slide in car sales over the coming months, with higher fuel prices pushing demand towards smaller vehicles.

# Commercial vehicle registrations

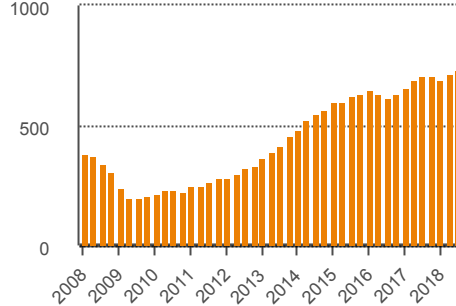
## Commercial vehicle registrations

Annual average % change Sep 17 - Sep 18



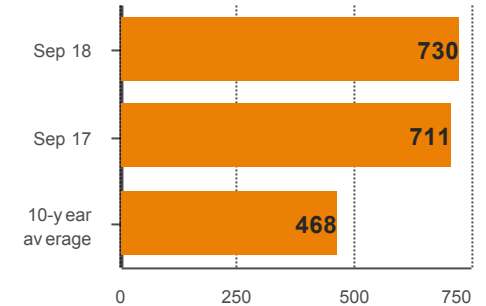
## Commercial vehicle registrations

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 2.7% in the year to September 2018 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 2.3%.
- A total of 730 commercial vehicles were registered in Taupo District in the year to September 2018. This is higher than the ten year annual average of 468.

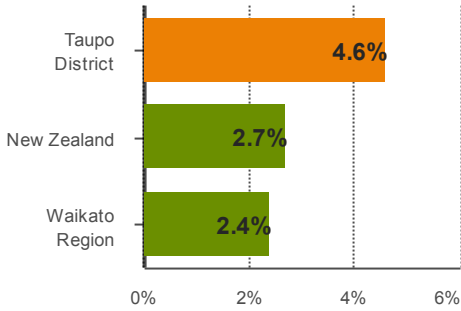
## National overview

Commercial vehicle sales rose 2.3% over the September 2018 year. High export volumes have helped keep a floor under heavy commercial vehicle sales. Underpinning export growth are a favourable exchange rate and strong export commodity prices. Light commercial vehicle sales showed some weakness in September, but data from October has shown them bouncing back to their highest October figure since records began in 1989!

# Guest nights

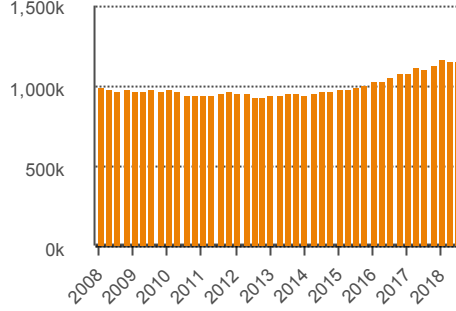
## Guest nights

Annual average % change Sep 17 - Sep 18



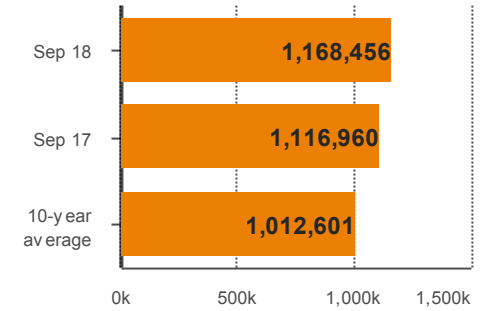
## Guest nights

Annual number, Taupo District



## Guest nights

Annual number, Taupo District



## Highlights for Taupo District

- Total guest nights in Taupo District increased by 4.6% in the year to September 2018. This compares with an increase of 2.7% in New Zealand.
- Visitors stayed a total of 1,168,456 nights in Taupo District during the year to September 2018, which was up from 1,116,960 a year ago.

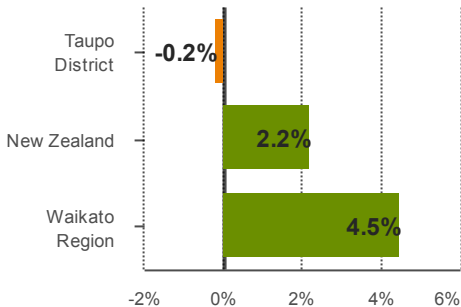
## National overview

The number of guest nights in commercial accommodation in the September 2018 year were a record 40.1m, up 2.7% from a year earlier. Although international visitor guest nights over the period were 3.3% higher than a year ago, a weak result during July means that their annual running total is slightly below its June year level (17.5m vs 17.6m). Domestic guest nights over the September year climbed 2.1% to 22.5m. Visitor arrivals to New Zealand are expected to rise moderately over the coming months, but there are still some downside risks posed by recent downward revisions to global economic growth. A 10%+ increase in petrol prices over the past year may limit the willingness of New Zealanders to take weekend getaways over the coming months.

# Jobseekers

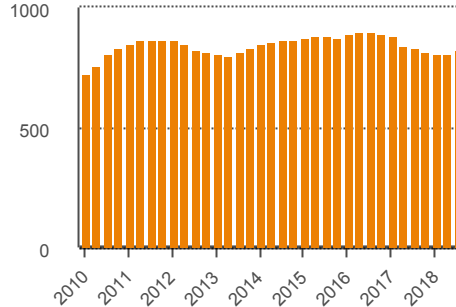
## Annual change in Jobseekers

Annual average % change Sep 17 - Sep 18



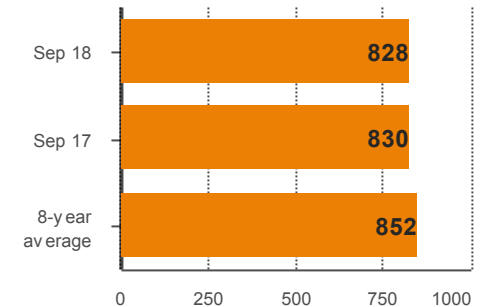
## Jobseekers

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 September 2018 decreased by 0.2% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 2.2%.
- An average of 829 people were receiving a Jobseeker Support benefit in Taupo District in the 12 months ended September 2018. This compares with an average of 852 since the start of the series in 2010.

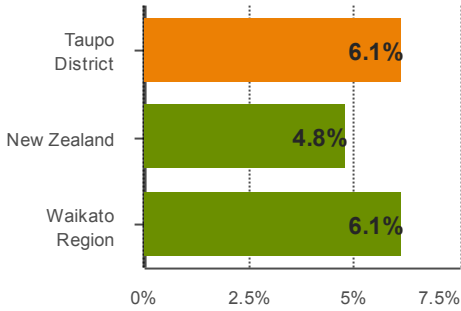
## National overview

There has been a surprise increase in the average number of people receiving Jobseeker Support over recent quarters, despite strong growth in employment demand. Part-time employment grew rapidly during the September quarter, owing to a large increase in the size of 15-24 age bracket participating in the workforce, while full-time employment growth is also still growing at a healthy rate.

# Retail trade

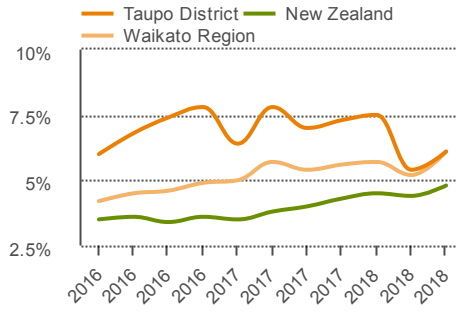
## Growth in retail sales

Annual average % change Sep 17 - Sep 18



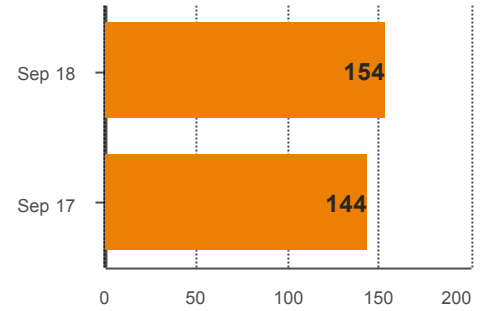
## Retail sales (\$m)

Annual average % change, Taupo District



## Retail sales

Quarterly value (\$m), Taupo District



## Highlights for Taupo District

- Electronic card retail spending in Taupo District, as measured by Marketview, increased by 6.1% over the year to September 2018 compared to the previous year. This compares with an increase of 4.8% in New Zealand.

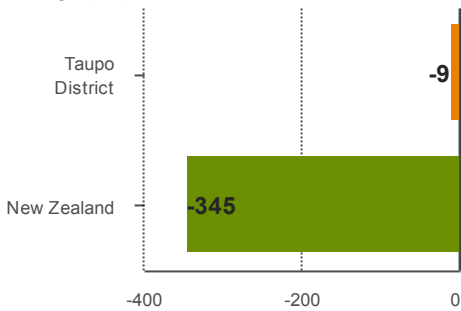
## National overview

Electronic card data from Marketview shows that retail spending climbed 4.8% over the September 2018 year, up from 4.4%pa growth in June. In keeping with many other indicators, spending growth was most rapid in the provinces, with Northland, Gisborne, Hawke's Bay, Manawatu-Whanganui, Marlborough, West Coast, and Otago leading the way. Spending growth was more sluggish in the main urban areas. Auckland, Canterbury, and Wellington all lagged the national average.

# Total dairy payout

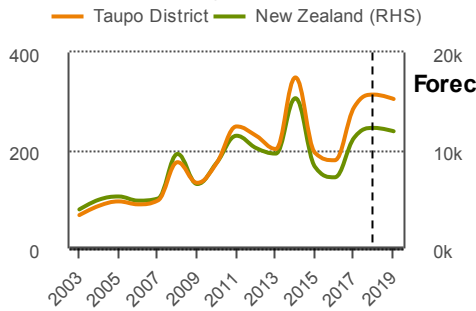
## Total dairy payout

Change (\$m) between 2017/18 and 2018/19 season



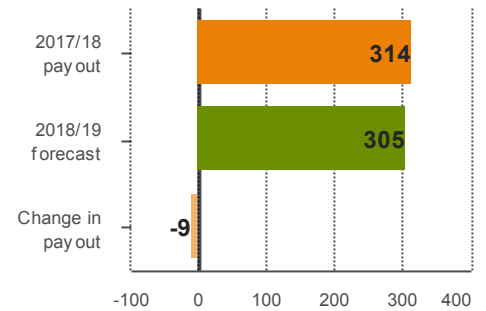
## Total dairy payout

\$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 2017/18 season is estimated to have been approximately \$314m.
- Taupo District's dairy payout for the 2018/19 season is expected to be approximately \$305m, \$8.81m 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 \$12,304m in the 2017/18 season, and is expected to be \$345m lower in the 2018/19 season.

## National overview

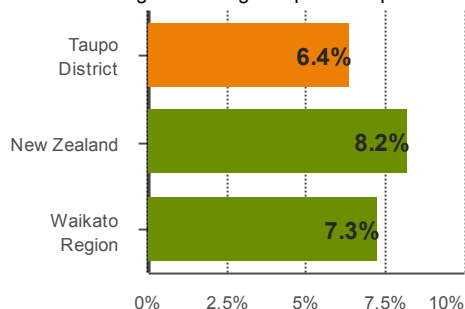
Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.25-\$6.50/kgms, a level that is in line with pricing at recent dairy auctions. If the payout ends the season in the midpoint of this band, and milk production grows by 2%, then the total dairy payout will be approximately \$12.0bn, compared to \$12.3bn the previous year. At these levels, dairy farmers remain in the black, with Dairy NZ's estimates of the breakeven point for the average dairy farmer sitting at \$5.50/kgms. Nevertheless, recent falls to dairy auction prices and lingering concerns regarding Mycoplasma bovis will continue to weigh on farmers' willingness to make major purchases.



# Tourism Spending

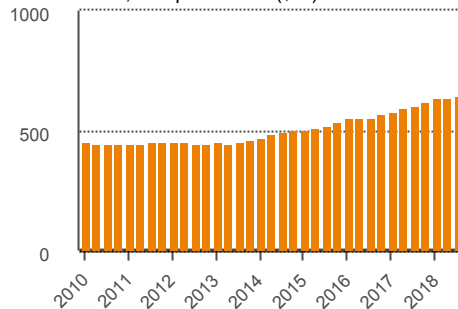
## Tourism expenditure

Annual average % change Sep 17 - Sep 18



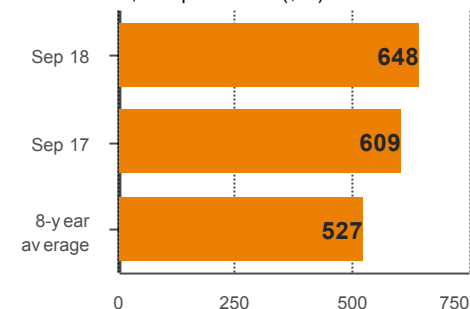
## Tourism expenditure

Annual total, Taupo District (\$m)



## Tourism expenditure

Annual total, Taupo District (\$m)



## Highlights for Taupo District

- Total tourism expenditure in Taupo District increased by 6.4% in the year to September 2018. This compares with an increase of 8.2% in New Zealand.
- Total tourism expenditure was approximately \$648m in Taupo District during the year to September 2018, which was up from \$609m a year ago.

## National overview

Visitor spending in the September year totalled \$29.1bn, up from \$26.9bn a year earlier. Growth was split by both international and domestic visitors. Domestic visitor spending was the key contributor to growth, up \$1.2bn to \$17.3bn, while international visitor spending rose \$1.0bn to \$11.8bn. Although higher fuel prices were one contributor to this growth, all other categories of spending on hospitality, accommodation, retail, activities, and transport rose significantly. The New Zealand dollar's significant depreciation over the past six months will boost budgets of visitors to New Zealand this summer season.

# 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.