

### Overview of Tauranga City

Infometrics' provisional estimate of GDP shows that Tauranga's economy grew by 3.6% over the year to March, backing up growth of 4.4% the previous year. Growth in economic activity is broad-based across most indicators of spending and investment. Commercial vehicle registrations climbed 24% over the year to March, while car registrations rose 23% over the same period. According to Marketview data, retail sales in the March quarter rose 5.2% from a year earlier.

Against strong growth in business activity, Tauranga's unemployment rate has fallen to just above 5%, compared with a peak of almost 7% following the economic recession of 2008/09. Improving job prospects are also evident in fewer people claiming jobseeker benefits, as well as the soaring level of inbound net migration into Tauranga.

With Tauranga boasting good job prospects and relatively affordable housing, there has been a sharp lift in the city's housing market. Over the year to March, house prices in Tauranga climbed 5.1%, while residential building consent numbers rose 16%. Consent numbers are likely to lift further over the coming year as increasingly unaffordable housing in Auckland and a tightening of eligibility criteria for investors seeking mortgage financing on Auckland properties pushes some homebuyers into neighbouring districts.

Tauranga should be relatively insulated from the effects of low dairy prices given that only 2.6% of Tauranga's GDP is directly generated by the primary sector. Furthermore, with primary sector export volumes expected to remain elevated, any indirect effects on Tauranga's important ports and logistics sector will be minimal. The health and service sectors are expected to continue experiencing strong growth, particularly given the relatively high proportions of Tauranga's population that are elderly or approaching retirement.

Indicator	Tauranga City	Bay of Plenty Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 3.6%	↑ 3.2%	↑ 3.2%
Traffic flow	↑ 4.0%	↑ 3.1%	↑ 3.7%
Residential consents	↑ 16%	↑ 13%	↑ 12%
Non-residential consents	↓ -5.4%	↑ 15%	↑ 19%
House prices*	↑ 5.1%	↑ 2.7%	↑ 7.7%
House sales	↑ 7.0%	↑ 7.3%	↓ -1.7%
Guest nights	↓ -1.9%	↑ 5.1%	↑ 6.1%
Retail trade*	↑ 5.2%		↑ 2.8%
Car registrations	↑ 23%	↑ 21%	↑ 19%
Commercial vehicle registrations	↑ 24%	↑ 18%	↑ 17%
Job Seekers	↓ -4.1%	↓ -1.8%	↓ -4.2%
<i>Level</i>			
Unemployment rate	5.4%	6.4%	5.7%
International net migration	660	1,417	56,272

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

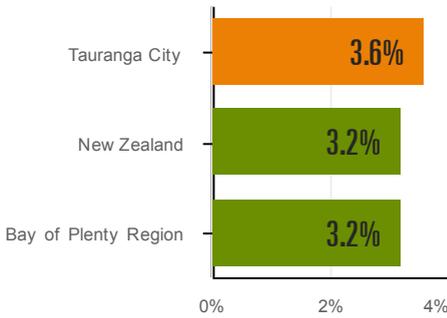
### Overview of national economy

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

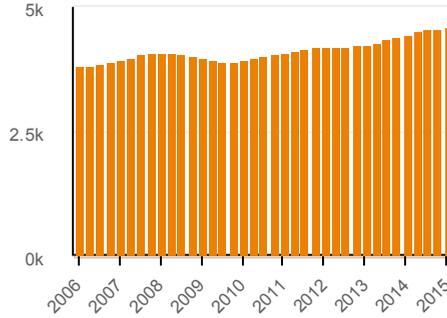
## Gross domestic product growth

Annual average % change Mar 14 - Mar 15



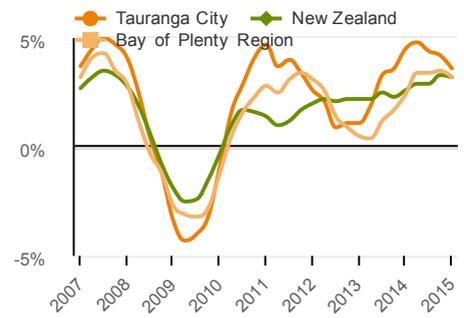
## Gross domestic product (\$m)

Annual level, Tauranga City



## Gross domestic product growth

Annual average % change



## Highlights for Tauranga City

- GDP in Tauranga City was up 3.6% for the year to March 2015 compared to a year earlier. Growth was higher than in New Zealand (3.2%) and higher than in Bay of Plenty Region (3.2%).
- GDP was \$4,623 million in Tauranga City for the year to March 2015 (2010 prices).
- Annual GDP growth in Tauranga City peaked at 5.0% in the year to September 2007.

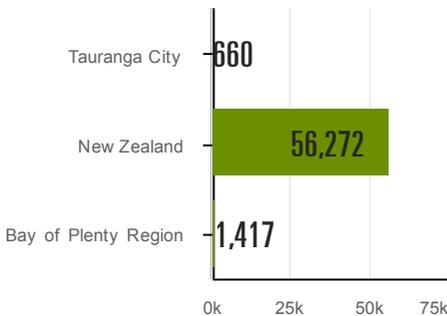
## National overview

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

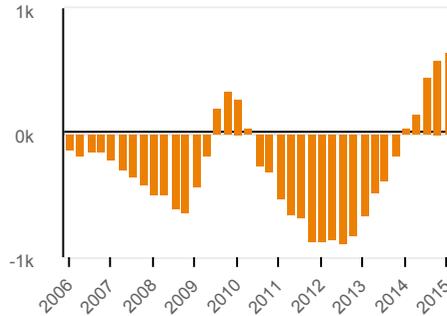
## Net migration

Number of persons, year to March 2015



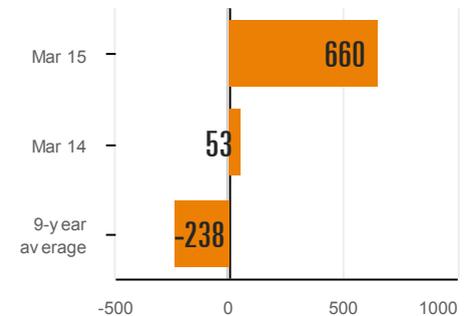
## Net migration

Annual number of persons, Tauranga City



## Net migration

Annual number of persons, Tauranga City



## Highlights for Tauranga City

- Tauranga City experienced a permanent and long-term net migration gain of 660 persons in the year to March 2015. This compares with a gain of 53 a year ago, and a ten year average of 227 (loss).
- 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

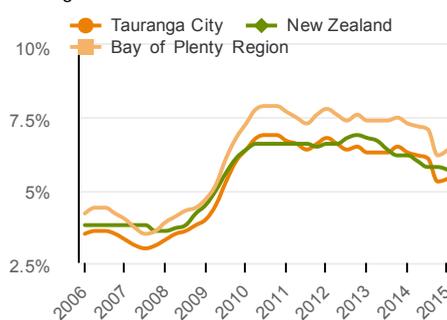
## Unemployment rate

Average annual rate, year to March 2015



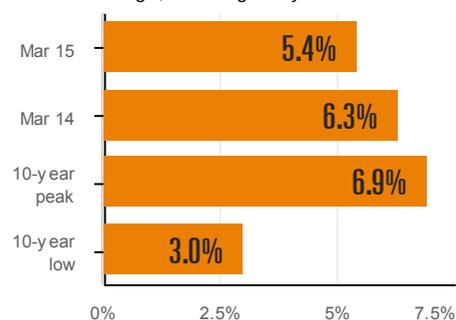
## Unemployment rate

Average annual rate



## Unemployment rate

Annual average, Tauranga City



## Highlights for Tauranga City

- The annual average unemployment rate in Tauranga City was 5.4% in March 2015, down from 6.3% a year earlier.
- The unemployment rate in Tauranga City was lower 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 6.9% in September 2010;

## 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 Tauranga City

- Traffic flows in Tauranga City increased by 4.0% 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

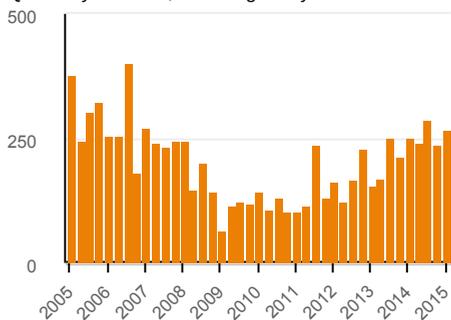
## Growth in no. of new dwelling consents

Annual average % change Mar 14 - Mar 15



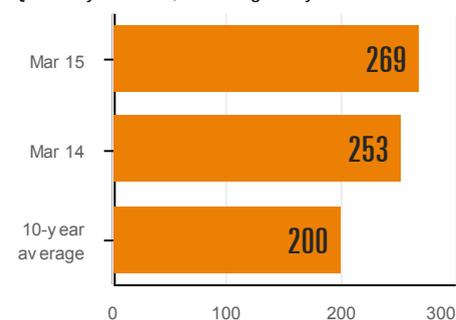
## Residential consents

Quarterly number, Tauranga City



## Number of new dwelling consents

Quarterly number, Tauranga City



## Highlights for Tauranga City

- A total of 269 new residential building consents were issued in Tauranga City in the March 2015 quarter, compared with 253 in the same quarter last year.
- On an annual basis the number of consents in Tauranga City increased by 16% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 12% over the same period.

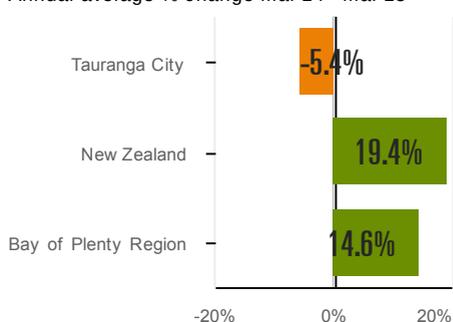
## National overview

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

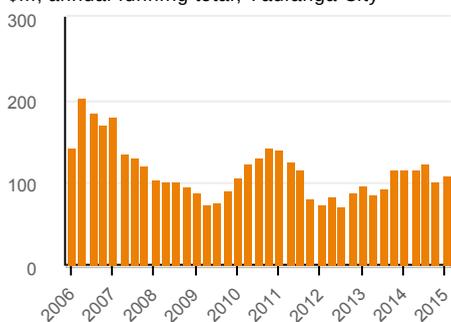
## Growth in value of consents

Annual average % change Mar 14 - Mar 15



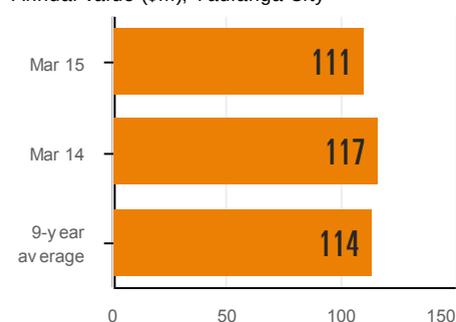
## Non-residential consents, Tauranga City

\$m, annual running total, Tauranga City



## Value of non-residential consents

Annual value (\$m), Tauranga City



## Highlights for Tauranga City

- Non-residential building consents to the value of \$111 million were issued in Tauranga City during the year to March 2015.
- The value of consents decreased by -5.4% 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 Tauranga City reached a peak of \$204 million in the year to June 2006.

## 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

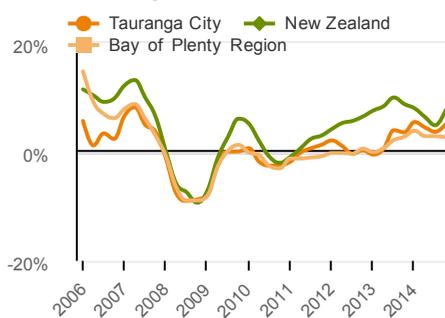
## Annual change in house prices

Annual average % change Mar 14 - Mar 15



## House price growth

Annual % change



## Median house price

Average for 12 months to Mar 2015



## Highlights for Tauranga City

- The median house price in Tauranga City was up 5.1% 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 \$403,500 in Tauranga 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

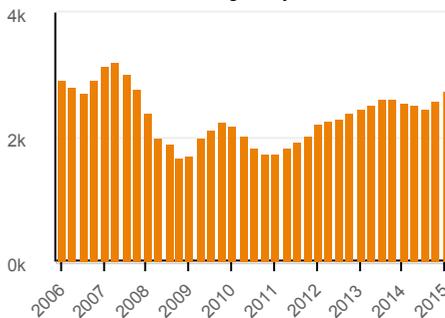
## Annual change in house sales

Annual average % change Mar 14 - Mar 15



## House sales

Annual number, Tauranga City



## House sales

Annual number, Tauranga City



## Highlights for Tauranga City

- House sales in Tauranga City in the year to March 2015 increased by 7.0% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 1.7%.
- A total of 2,746 houses were sold in Tauranga City in the 12 months ended March 2015. This compares with the ten year average of 2,413.

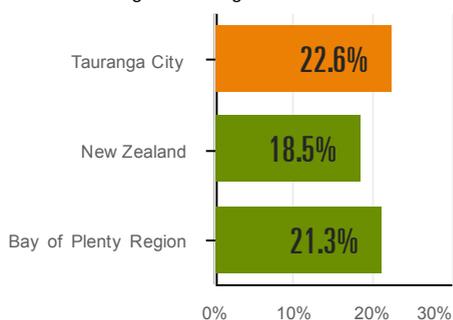
## National overview

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

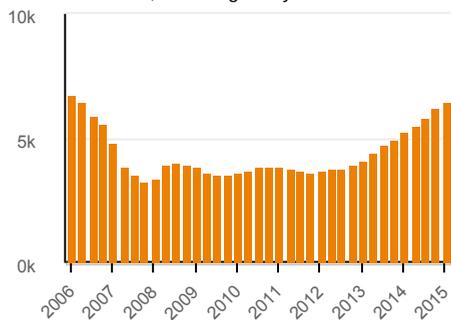
## Car registrations

Annual average % change Mar 14 - Mar 15



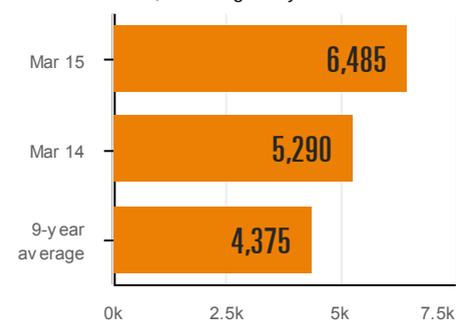
## Car registrations

Annual number, Tauranga City



## Car registrations

Annual number, Tauranga City



## Highlights for Tauranga City

- The number of cars registered in Tauranga 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 6,485 cars were registered in Tauranga City in the year to March 2015. This compares with the ten year average of 4,619.

## 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

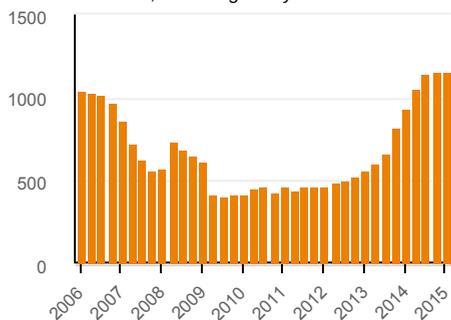
## Commercial vehicle registrations

Annual average % change Mar 14 - Mar 15



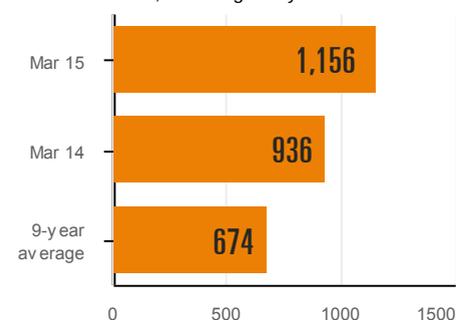
## Commercial vehicle registrations

Annual number, Tauranga City



## Commercial vehicle registrations

Annual number, Tauranga City



## Highlights for Tauranga City

- The number of commercial vehicles registered in Tauranga City increased by 24% in the year to March 2015 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 17%.
- A total of 1,156 commercial vehicles were registered in Tauranga City in the year to March 2015. This is higher than the ten year annual average of 710.

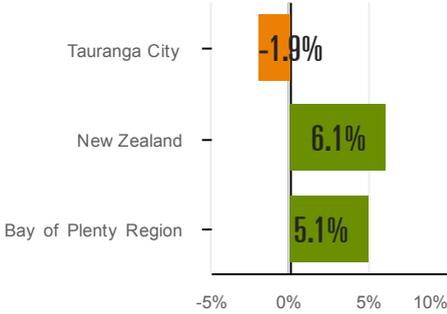
## National overview

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

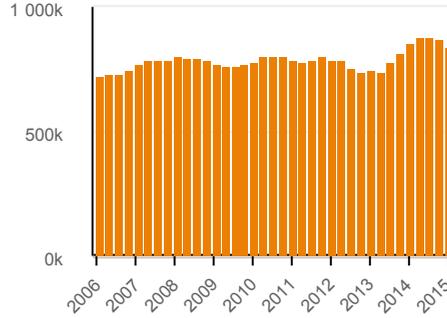
## Guest nights

Annual average % change Mar 14 - Mar 15



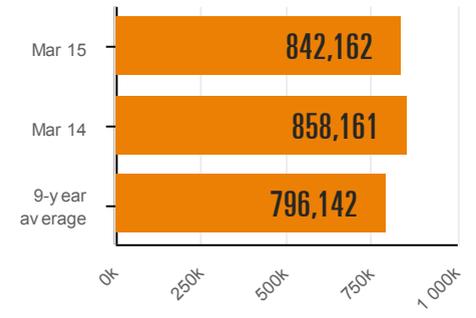
## Guest nights

Annual number, Tauranga City



## Guest nights

Annual number, Tauranga City



## Highlights for Tauranga City

- Total guest nights in Tauranga City decreased by 1.9% in the year to March 2015. This compares with an increase of 6.1% in New Zealand.
- Visitors stayed a total of 842,162 nights in Tauranga City during the year to March 2015, which was down from 858,161 a year ago.

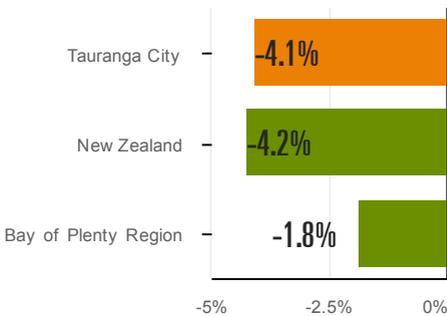
## National overview

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

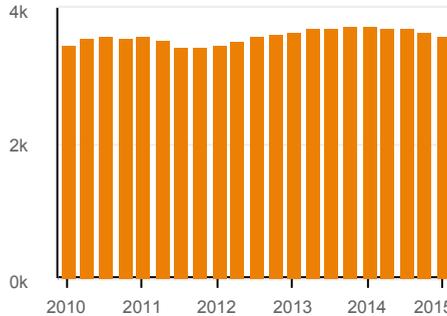
## Annual change in Jobseekers

Annual average % change Mar 14 - Mar 15



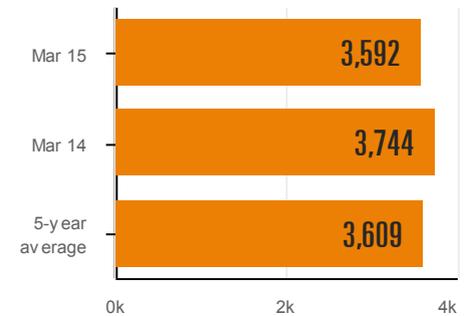
## Jobseekers

Annual average, Tauranga City



## Jobseekers

Annual average, Tauranga City



## Highlights for Tauranga City

- Working age Jobseeker Support recipients in Tauranga City in the year to March 2015 decreased by 4.1% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseekers decreased by 4.2%.
- An average of 3,592 people were receiving a Job Seeker Support benefit in Tauranga City in the 12 months ended March 2015. This compares with an average of 3,609 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

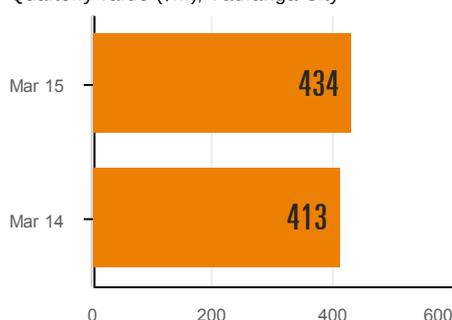
## Growth in retail sales

Annual % change Mar 14 - Mar 15



## Retail sales

Quarterly value (\$m), Tauranga City



## Highlights for Tauranga City

- Electronic card retail spending in Tauranga City, as measured by Marketview, increased by 5.2% 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 Tauranga 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

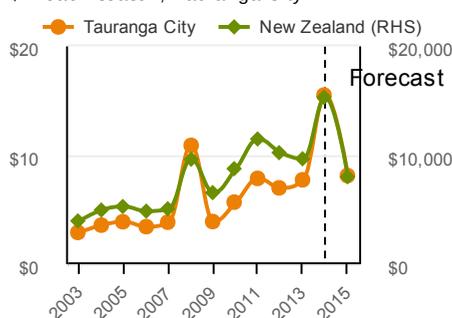
## Total dairy payout

Change (\$m) between 2014 and 2015 seasons



## Total dairy payout

\$m each season, Tauranga City



## Total dairy payout

\$m each season, Tauranga City



## Highlights for Tauranga City

- Tauranga City's total dairy payout for the 2014 season is estimated to have been approximately \$15.5m.
- Tauranga City's dairy payout for the current season is expected to be approximately \$8.14m, \$7.40m 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)