

Overview of Wellington City

The Wellington City economy continues to recover at a moderate pace, with economic activity rising by 1.7% over the year to March. With Bill English's recent Budget confirming that the government is odds on to return to surplus over the coming year, confidence to spend and invest in the region will continue building throughout 2014.

Conditions in Wellington's labour market are also improving. We estimate that the City's unemployment rate averaged 6.4% over the March year, down from above 7% a year earlier. Improving job prospects are encouraging more migration to Wellington, with net migration over the March year totalling more than 1,000 people, compared with a trough of just over 250 people two years ago.

Residential building consents grew an exceptional 49% over the year to March, pushed up by a large number of apartment consents in the December quarter. Non-residential building activity has also risen to a four year high. House prices in the city are creeping up, rising 3.0% over the year to March - the first time in four years that house price growth has exceeded 3.0%pa for two consecutive quarters.

Retail trade data shows that retail sales in Wellington grew at 3.9% in the March year - slightly above national growth of 3.7%.

Indicator	Wellington City	Wellington	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 1.7%	↑ 1.7%	↑ 2.5%
Traffic flow	↑ 0.8%	↑ 0.3%	↑ 1.7%
Residential consents	↑ 49.2%	↑ 37.8%	↑ 28.6%
Non-residential consents	↑ 44.6%	↑ 35.0%	↑ 11.4%
House prices	↑ 3.0%	↑ 2.4%	↑ 8.8%
House sales	↓ -4.5%	↓ -1.7%	↑ 2.8%
Guest nights	↑ 2.4%	↑ 2.3%	↑ 4.2%
Retail trade	↑ 3.9%	↑ 2.1%	↑ 3.7%
Car registrations	↑ 11.4%	↑ 13.6%	↑ 20.0%
Commercial vehicle registrations	↑ 18.5%	↑ 28.6%	↑ 27.7%
<i>Level</i>			
Unemployment rate (annual average)	↑ 6.4%	↑ 6.0%	↑ 6.0%
International net migration	↑ 1,070	↑ 552	↑ 31,910

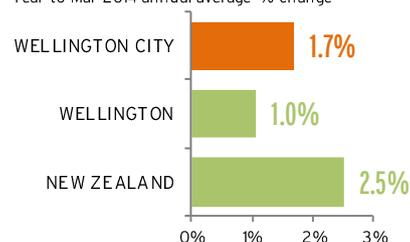
Overview of national economy

The New Zealand economy entered 2014 with a hiss and a roar, buoyed by strong export returns, steady increases to household spending, and rising construction activity. Furthermore, surveys of business confidence show that the majority of firms expect their own activity levels to continue rising over the coming year. In this environment, it is not surprising to see that employment, investment, and pricing intentions are also running high. Net migration inflows have surged over recent quarters, as labour market conditions in New Zealand improve rapidly relative to labour markets in Australia, Asia, and parts of Europe. The Reserve Bank has begun to tighten policy by raising the official cash rate in an effort to ensure that inflation expectations remain anchored at close to the Bank's target of 2%pa.

Gross domestic product

Gross domestic product growth

Year to Mar 2014 annual average % change



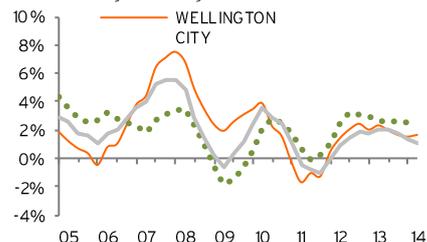
Gross domestic product

Annual GDP, \$m 95/96 prices



Economic growth

Annual average % change to Mar 14



Highlights for Wellington City

- GDP in Wellington City increased by 1.7% in the year to March 2014. Growth was lower than in New Zealand (2.5%) and higher than in Wellington (1.0%).
- GDP was \$17,613 million in Wellington City during the year to March 2014 (2010 prices).
- Annual GDP growth in Wellington City peaked at 7.5% in the year to December 2007.

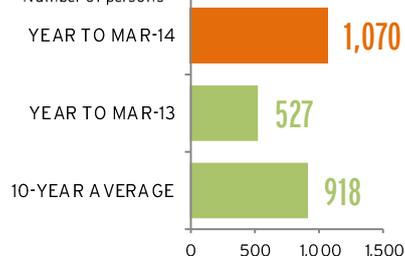
National overview

Economic activity continued to strengthen in the early stages of 2014, with GDP over the year to March rising an estimated 2.5% above its level from a year earlier. The economic upturn is becoming increasingly broad-based. Primary sector and construction activity levels are surging, while activity levels in the manufacturing, service, retail, and wholesale trade sectors are also strengthening. With the production outlook and returns looking up for most parts of the primary sector, building consent numbers continuing to climb higher, and business and household confidence rising, we expect economic growth to push past 4.0%pa in 2014.

International migration

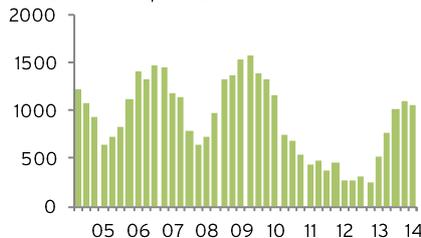
Net migration

Number of persons



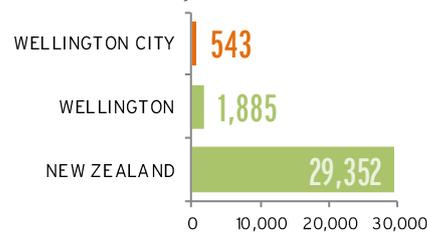
Net migration

Annual number of persons



Annual change in net migration

Absolute annual change Mar 13 - Mar 14



Highlights for Wellington City

- Wellington City experienced permanent and long-term net migration of 1,070 persons during the year to March 2014. This compares with 527 a year ago and a 10-year average of 918.
- At the national level annual net migration increased to 31,910 from 2,558 a year ago.

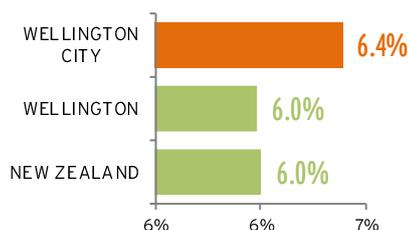
National overview

A net migration gain of 3,850 in March (seasonally adjusted) was the second highest month on record, exceeded only by February 2003. Arrivals from both Australia and Asia continue to rise, while the number of New Zealanders migrating to Australia is still plummeting. These migration trends are no surprise given the rapidly improving labour market in New Zealand, at a time when job prospects in Australia and some parts of Asia are subdued. The number of people migrating from continental Europe is also soaring, with arrivals from France and Germany both sitting at record levels.

Unemployment

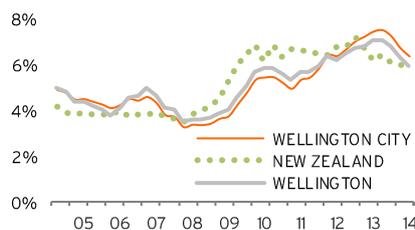
Unemployment rate

Annual average rate, March 2014 quarter



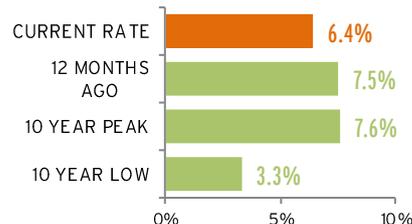
Unemployment rate

Average annual rate, 10 years to Mar 14



Unemployment rate

Average annual rate



Highlights for Wellington City

- The annual average unemployment rate in Wellington City was 6.4% in March 2014 down from 7.5% twelve months prior.
- The rate in Wellington City was higher than in the national economy (6.0%) in March 2014.
- The unemployment rate peaked at 7.6% in June 2013.

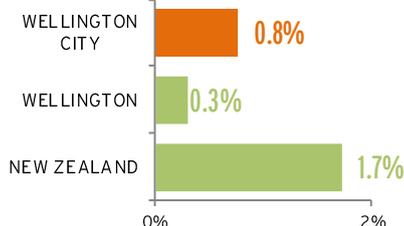
National overview

Although the unemployment rate held steady at 6.0%, employment surged ahead in the March quarter, rising by a seasonally adjusted 0.9%. Behind this divergence was a 0.6% (seasonally adjusted) lift in the labour force participation rate. Combining an expanding labour force with higher employment levels, the seasonally adjusted employment rate (the proportion of the working age population that is employed) increased from 64.8% in December to 65.1% in March - the highest rate since December 2008. We expect this trend of improving labour market conditions to continue over the coming quarters.

Traffic flows

Annual change in traffic flows

Annual % change Mar 13 - Mar 14



Highlights for Wellington City

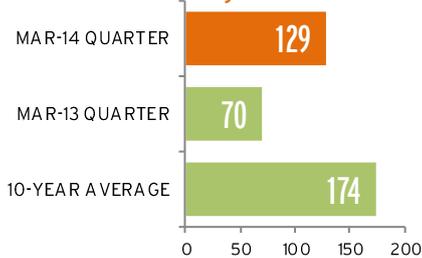
- During the year to March 2014 traffic flows in Wellington City increased by 0.8%. This compares with an increase of 1.7% in the national economy.

National overview

Our traffic flows index shows that traffic activity has continued rising at a moderate pace so far during 2014, with traffic activity in the March quarter rising 2.5% from a year earlier. Heavy traffic flows were particularly strong, rising 5.0% in the quarter from a year earlier. These rising traffic flows are consistent with strengthening economic activity, particularly in the construction and primary sectors. Growth in traffic activity remains strongest in Canterbury and Southland, while activity is growing moderately in Northland and Waikato. Traffic flows in Wellington City have returned to growth as the city's recovery becomes entrenched.

Residential consents

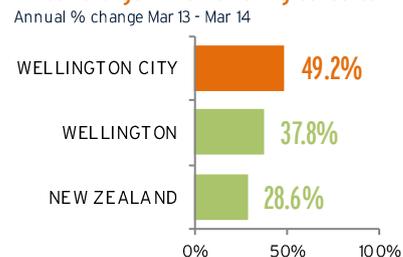
Number of new dwelling consents



Number of new dwelling consents



Annual change in new dwelling consents



Highlights for Wellington City

- A total of 129 new residential building consents were issued in Wellington City during the March 2014 quarter, compared with 70 in the same quarter last year.
- On an annual basis the number of consents in Wellington City increased by 49.2% compared with the same 12-month period a year ago. The number of consents in the national economy increased by 28.6% over the same period.

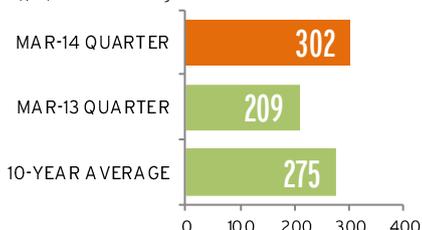
National overview

In the March quarter, non-apartment consent approvals were higher in 12 out of 16 regions when compared to a year earlier. Otago experienced the strongest rate of consent growth, with consent numbers up by 42% in the period. This result was closely followed by Northland (up 37%) and Canterbury (up 33%). The annual consent total in Canterbury has reached a record high of 5,886 as the rebuild continues. In Auckland, non-apartment consents were 20% higher in the March quarter than in March 2013. Further growth in residential building consent numbers across much of the country is expected throughout the coming quarters.

Non-residential consents

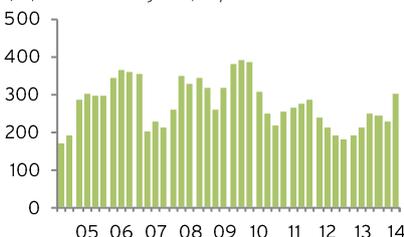
Non-residential consents

(\$m) annual running total



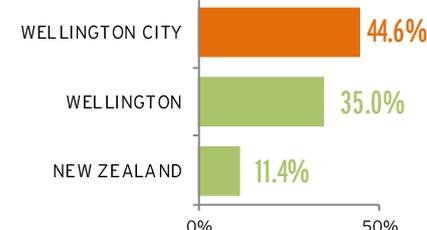
Non residential consents

\$m, annual running total, 10 years to Mar 14



Non-residential consents

Annual change Mar 13 - Mar 14



Highlights for Wellington City

- Non-residential building consents to the value of \$302 million were issued in Wellington City during the year to March 2014.
- The value of consents increased by 44.6% over the year to March 2014. By comparison the value of consents in the national economy increased by 11.4% over the same period.
- Over the past 10 years consents peaked at \$393 million in the year to September 2009.

National overview

The value of non-residential building consents in the March quarter was up 23% from a year earlier, underpinned by a 119% jump in office building consents. The other big contributions were retail building (up 53%) and industrial building (48%). As a result, total private sector consents in the March quarter were up 54% from a year earlier. Private sector projects made up 78% of consents over the last 12 months, the highest proportion since 2007. Rebuilding work in the Christchurch CBD, high business confidence and strong economic growth will facilitate further growth in non-residential consents over the coming quarters.

House prices

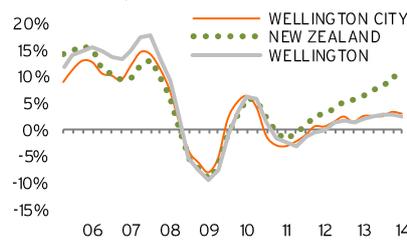
Median house prices

\$, current prices



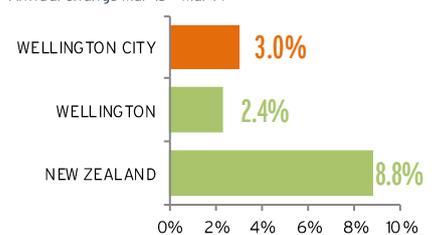
Change in average house prices

Annual % change, 10 years to Mar 14



Annual change in house prices

Annual change Mar 13 - Mar 14



Highlights for Wellington City

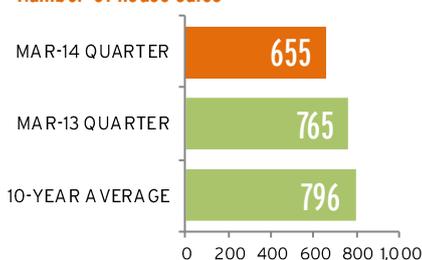
- The average house price in Wellington City increased by 3% in the year to March 2014 compared with the previous 12 months.
- Wellington City's annual average house price was \$511,000 in the year to March 2014, which was higher than the average for the Wellington region (\$403,000), and higher than for New Zealand (\$406,000).

National overview

The slowdown in house price inflation continued into March, with annual price growth easing to a six-month low of 8.8%. In seasonally adjusted terms, prices were unchanged in March compared with February, which was the weakest monthly result since April 2012. The drop-off in house sales activity since the loan-to-value restrictions were introduced by the Reserve Bank in October last year appears to be having a definite flow-on effect to house price inflation. House price growth is likely to slow further as the LVR restrictions and rising interest rates limit buyer demand.

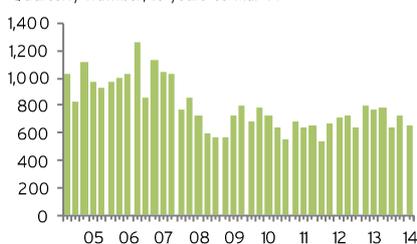
House sales

Number of house sales



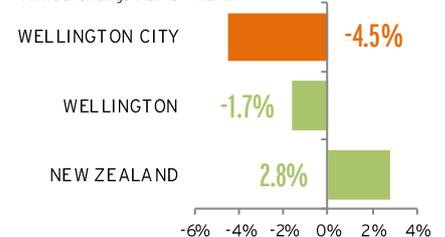
Number of house sales

Quarterly number, 10 years to Mar 14



Annual change in house sales

Annual change Mar 13 - Mar 14



Highlights for Wellington City

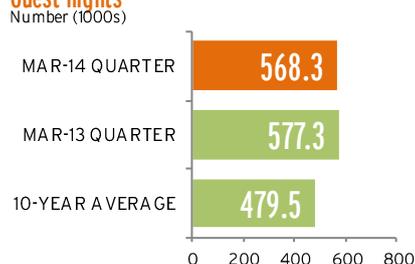
- House sales in Wellington City in the year to March 2014 decreased by 4.5% compared with the previous year. Growth was lower than in New Zealand (2.8%).
- A total of 655 houses were sold in Wellington City during the March 2014 quarter. Over the past ten years an average of 796 houses were sold each quarter.

National overview

Seasonally adjusted house sales fell by 1.3% in March to reach their lowest level in 18 months. Encompassing over one third of the nationwide housing market, house sales in Auckland were down by 9.6%pa from March 2013 and now sit 16% lower than their July 2013 peak. Despite the rebuild, Canterbury house sales have also softened in recent months. Only Southland and Central Otago Lakes recorded more house sales in March than a year earlier. Weakness in the housing market is expected to persist this year with interest rates on the rise and as loan-to-value restrictions continue to constrain lending.

Guest nights

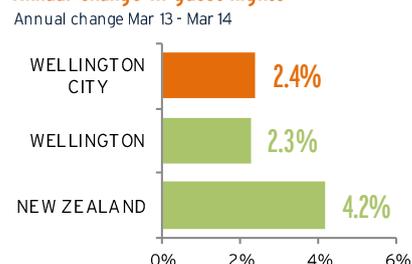
Guest nights



Number of guest nights



Annual change in guest nights



Highlights for Wellington City

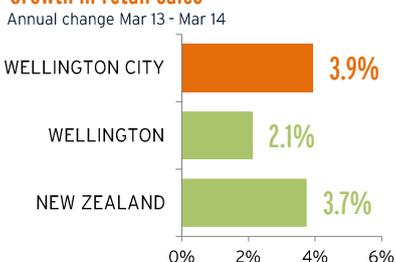
- Total guest nights in Wellington City increased by 2.4% during the year to March 2014 compared with the previous 12 months. The change in Wellington City was higher than in the Wellington region (2.3%) and lower than in the country as a whole (4.2%).
- Visitors stayed 568,300 guest nights in Wellington City during the March 2014 quarter. This accounted for 72.4% of total guest nights in the Wellington region, and 5.1% of the national total.

National overview

Growth in guest nights over the year to March accelerated to 4.2% from a year earlier, as the guest nights by international visitors (up 7.1%) soared, while domestic guest nights (up 2.3%) continued to rise at a moderate pace. Arrivals from China are growing strongly, despite changes to travel regulations in China having outlawed the sale of low-cost shopping tours. The recovery in visitor arrivals from Europe is continuing to strengthen, as economic conditions in the region slowly stabilise. New Zealanders are also becoming increasingly willing to spend on travel and hospitality, as confidence regarding the labour market outlook improves.

Retail sales

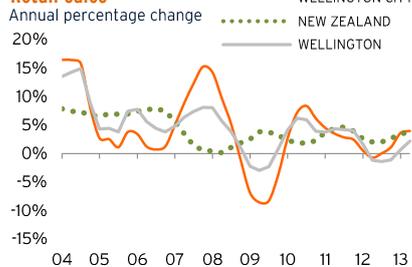
Growth in retail sales



Retail sales



Retail sales



Highlights for Wellington City

- In the year to March 2014 annual retail spending in Wellington City increased by 3.9% compared to the previous 12 months. Its growth was higher than in the Wellington region (2.1%) and higher than in New Zealand (3.7%).
- Core retail sales measured \$2,988 million in Wellington City during the year to March 2014.

National overview

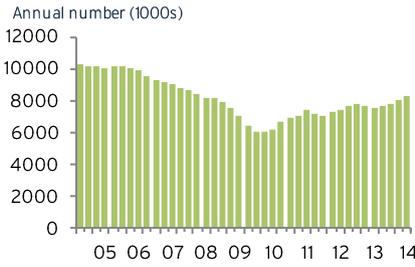
Retail sales volumes in the March quarter were up by 3.4% from a year earlier. Compared with December, the electrical and electronic goods sector was the strongest performer in the March quarter, while accommodation and hospitality sales also rose. However, spending on durable goods fell as loan-to-value restrictions squeezed spending related to new home purchases. Although falling house sales are likely to continue to limit durable good spending in the June quarter, retail sales activity is expected to rise more broadly later in the year as household confidence remains high and employment continues to pick up.

Cars

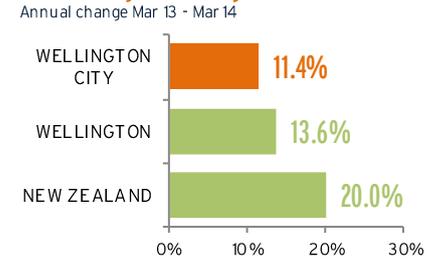
Car registrations



Car registrations



Annual change in car registrations



Highlights for Wellington City

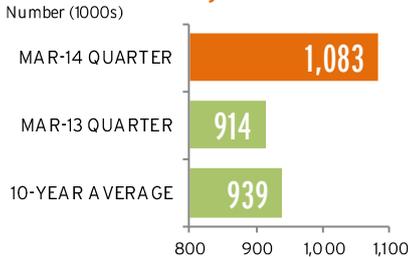
- The number of cars registered in Wellington City increased by 11.4% in the year to March 2014 compared with the previous 12 months. Growth was lower than in the Wellington region (13.6%) and lower than in New Zealand (20.0%).
- A total of 2,302 cars were registered in Wellington City in the March 2014 quarter. This compares with a 10-year average of 2,022.

National overview

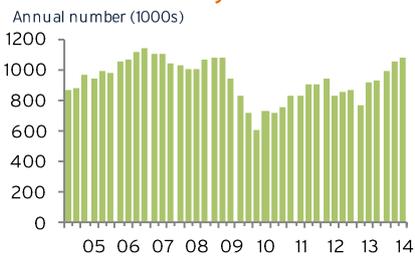
Car sales growth was particularly rapid for imported used cars, with first-time registrations of these vehicles in the March quarter rising 32% from a year earlier. Used import prices have been particularly favourable, as the New Zealand dollar rose 11% against the yen over the year to March. Furthermore, the pool of affordable vehicles that comply with new emissions standards continues to grow. New car sales are also riding high, with sales in the March quarter sitting 14% above their March 2013 quarter level. Sales volumes were at their highest level for a March quarter since 1984.

Commercial vehicles

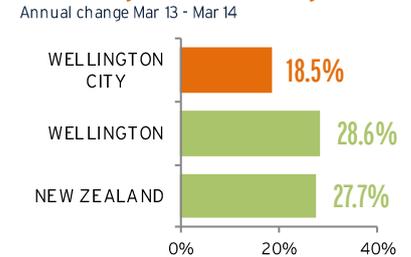
Commercial vehicle registrations



Commercial vehicle registrations



Annual change in commercial registrations



Highlights for Wellington City

- The number of commercial vehicles registered in Wellington City increased by 18.5% in the year to March 2014 compared with the previous 12 months. Growth was lower than in the Wellington region (28.6%) and lower than in New Zealand (27.7%).
- A total of 1,083 commercial vehicles were registered in Wellington City in the March 2014 quarter. This compares with a 10-year average of 939.

National overview

The commercial vehicle market picked up momentum in the March quarter, with sales volumes across all weight classes soaring. Demand is being fuelled by rising building activity, as well as farmers and rural contractors becoming more willing to spend due to increases to most primary sector commodity prices over recent quarters. The elevated New Zealand dollar is also keeping heavy vehicle prices subdued, while the increasingly broad-based nature of the economic upturn will further push up demand for road transport. We expect commercial vehicle sales to continue painting a picture of strength over the coming quarters.

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 beneficiaries

The number of unemployment beneficiaries is sourced from Ministry of Social Development (MSD).

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of job seekers 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

Retail sales are sourced from Statistics New Zealand's Retail Trade Survey. The estimates are core retail sales ie they exclude automotive. The Retail Trade Survey sample was changed in April 2010 which caused a break in the regional series. We have removed the break using econometric time series software, however this decreases the reliability of the data.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey.

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 REINZ. The levels are based on median sale prices for the month when the sale and purchase becomes unconditional. We present an average for the last 12 months. REINZ publish house prices and number of sales for about 170 jurisdictions which are a mixture of suburbs, territorial authorities and regions. Infometrics have mapped each suburb to a territorial authority and estimated the average price for each territorial authority using the number of sales as weights. The *percentage growth* in house prices are 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.

Electricity Consumption

Electricity consumption data are sourced from the Electricity Commission. Data is published by approximately 220 grid exit points (GXPs). Each GXP has been mapped to a TA.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority.