

WELLINGTON CITY QUARTERLY ECONOMIC MONITOR FOR MARCH 2014

1. Purpose of report

The purpose of this report is to introduce the results from the quarterly economic monitor for Wellington city for the period ending March 2014.

2. Executive summary

The results from the quarterly report indicate that the Wellington city economy continues to recover at a moderate pace across a broad range of industry sectors. The labour market continues to improve with better job prospects encouraging more migration to Wellington city.

Key highlights include:

GDP growth

GDP grew in Wellington city increased by 1.7% in the year to March 2014 compared to its level from a year earlier. GDP growth was higher than in the Wellington region (1%) but lower than in New Zealand (2.5%).

International net migration

Annual permanent and long-term net migration increased by 1,070 persons during the year to March 2014. This compares with 527 a year ago, and the 10-year average of 918. Nationally, annual net migration increased to 31,910 from 2,558 a year ago.

Unemployment Rate

Total annual average unemployment rate in Wellington city was 6.4% in March 2014 down from 7.5% for the same period in March 2013.

Traffic flows

Traffic flows in Wellington city increased by 0.8% during the year to March 2014. This compares with an increase of 0.3% in the Wellington region and a 1.7% increase in the national economy.

The rising traffic flows are consistent with strengthening economic activity, particularly in the construction sector. Traffic flows in Wellington city have returned to growth as the city's recovery becomes more entrenched.

Residential consents

Residential consents continue to grow strongly in Wellington city with a total of 129 new residential building consents issued during March 2014 quarter. On an annual basis, the number of residential consents has increased by 49.2% when compared to the same 12-month period a year ago.

Non-residential consents

Non-residential building consents continue to grow strongly in Wellington city with a total value of \$302 million issued in Wellington city during the year to March 2014.

On an annual basis the value of consents increased by 44.6% when compared to the same 12-month period a year ago. At a national level, the value of building consents increased by 11.4% over the same period.

House Prices

Median house prices in Wellington city increased by 3% in the year to March 2014 when compared to the same 12-month period a year ago. The annual average house price in Wellington city was \$511,000 in the year to March 2014. This was higher than the average house price for Wellington region (\$403,000), and higher than for New Zealand (\$406,000).

House price growth is likely to slow further as the Loan-to-Value restrictions and rising interest rates limit buyer demand.

House sales

House sales in Wellington city in the year to March 2014 decreased by 4.5% compared with the previous 12 months. House sales growth were higher in the Wellington region (-1.7%), and in New Zealand (2.8%).

A total of 655 houses were sold in Wellington city during the March 2014 quarter.

Guest nights

Total guest nights increased by 2.4% during the year to March 2014 compared with the previous 12 months. Guest night growth was higher than in the Wellington region (2.3%) but lower than in New Zealand (4.2%).

Visitors stayed 568,300 guest nights in Wellington city during the March 2014 quarter.

Retail sales

Annual retail spending in Wellington city increased by 3.9% during the year to March 2014 compared with the previous 12 months. Retail sales growth was higher than in the Wellington region (2.1%), and higher than in New Zealand (3.7%).

Car registrations

Car registrations in Wellington city increased by 11.4% during the year to March 2014 compared with the previous 12 months. Car registration growth was lower than in the Wellington region (13.6%), and lower than in New Zealand (20%).

Commercial vehicles

The number of commercial vehicles registered in Wellington city increased by 18.5% in the year to March 2014. Growth was lower than in the Wellington region at 28.6% and lower than in the national economy at 27.7% over the same period.

A total of 1,083 commercial vehicles were registered in Wellington city in the March 2014 quarter.

3. Recommendation

Officers recommend that the Economic Growth and Arts Committee.

- 1. Note that the results from the quarterly report are for the year ended March 2014.*

4. Background

This report is provided on a quarterly basis and provides an overview of economic activity in terms of context and recent history for Wellington city, Wellington region and the national economy.

The economic information is attached as Appendix 1 (the Infometrics Quarterly Economic Monitor for Wellington City for March 2014).

5. Conclusion

The results from the quarterly economic monitor provide a number of positive messages that the Wellington economy continues to recover at a moderate pace, across a broad range of industry sectors. Wellington city's labour market continues to improve with improving job prospects encouraging more migration to Wellington city.

Residential and non-residential building consent activity continues to experience strong rates of growth. Retail trade data indicates that retail sales in Wellington city are growing at slightly above the national rate.

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SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

Not applicable

2) LTP/Annual Plan reference and long term financial impact

Nil

3) Treaty of Waitangi considerations

There are no specific Treaty considerations.

4) Decision-making

No decision sought.

5) Consultation

Not applicable

6) Legal implications

Nil anticipated.

7) Consistency with existing policy

Not applicable.