

# Hawke's Bay Region

## Economic Monitor to March Quarter 2016

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### 1.0 Introduction

This report provides an analysis and assessment of the economic performance of the Hawke's Bay region over the past year, the current regional economic situation and the economic outlook for the area for the coming year. The base information for the analysis is sourced from a range of agencies including Statistics New Zealand, Infometrics Economic Consultants Wellington, banking organisations, Government departments and regional/ local sources. Growth comparisons with other regions and the country as a whole are included in the analysis where appropriate.

### 2.0 Trend summary

- *The Hawke's Bay economy is in 'a good space' at the present time. For the first time in a considerable period, virtually all partial indicators of economic activity growth are pointing in a positive direction. There appears to be a significant level of underlying business and consumer confidence. The true wealth-creating primary and manufacturing sectors in the region are doing well as are the industries servicing the needs of these sectors, including the key Port of Napier operation. This operation is also key to the growing success of the HB cruise tourism industry which is, in turn, part of the wider regional tourism sector which is also performing well on many fronts. Many of the region's other service industries, including tertiary education, construction, communications and business services are also making positive gains. This is all contributing to the more optimistic economic outlook for the region, certainly for the shorter-term and into the medium-term. Important economic challenges still facing the region are reducing the rate of unemployment which still remains significantly above the national average and ensuring that the regional benefits of the growth occurring are spread more equitably within the area.*
- **Positive** economic indicator changes over the past year are summarised below. The main body of the report provides further detail on the changes:
  - An estimated total population gain of 1,250 or 0.8%, including an overall net international migration gain for the second year in a row following a number of years of net migration loss. Further population growth is projected over the next five years.
  - Increased value of consented new residential, commercial-industrial and social/community building activity, as well as total building alterations.
  - Increased house sales, median selling prices, overall housing affordability and residential rentals.
  - Increased retail spending and new motor vehicle registrations.
  - An increase in commercial visitor arrivals and visitor night-stays in the region, average visitor 'length of stay' and total direct visitor spending.
  - Forecast increased kiwifruit, pipfruit, wine and forestry export returns at the national level over the 2016/17 year.
- The only **downside** economic growth indicator change for the latest year was the decline in the total value of consented new rural building activity in the region.
- Significant new economic, business and community developments which have been publicly referred to in the 'Hawke's Bay Today' newspaper over the past three months or so include:
  - **Primary Sector**- a 19% increase this year in the regional grape harvest; NZ's apple industry has again been voted the most competitive apple performer internationally; an increased pipfruit harvest coupled with growth across HB's forestry and viticultural sectors has seen some of the highest export volumes handled by the Port of Napier for the past decade. Pipfruit related container activity at the Port this year is up 4-6% on last year. Log volumes handled at the Port are forecast to increase from the current 1.1m tonnes to 2.4m tonnes by year 2025; launching of the new 'Great Things Grow Here' regional economic development and primary industries marketing brand; opening of the new Carfields 'state of the art' Primary Wool Head Office and woolstore facilities in Hastings; and the wine-making operation at the new \$100 million 'state of the art' Delegats winery in Hastings is now underway.

- **Manufacturing**- further construction and developmental work on the Wairoa based new Rocket Lab business; Napier based 'Goodtime Pies' is investing further in the expansion of its South Island pie-making plant; Otane based recreational/sports wood product manufacturer, 'Wood Mallets', has taken over the sole Australasian distribution of one of the largest Indian sports goods manufacturers; Lowe Corp is expanding its Hastings hide processing plant to allow for a 25% increase in production activity which will also result in increased employment opportunity for 40 people; and Hastings based packaging firm Orora has hired 40 new staff and invested significantly in new machinery.
  - **Communications**- 162% increase in rural broadband connections; Napier based NOW telecommunications company has recorded 40% turnover growth over the past three-year period; and refurbished new offices for NZME radio and print operations in Tennyson St, Napier.
  - **Recreation**- proposed \$10 million sports hub development at the Hastings Regional Sports Park; local roading and infrastructure firm Higgins is providing \$250,000 total sponsorship support to the Park for the next five-year period; the Napier City Council has helped to secure five international limited-over cricket matches at McLean Park, over the next two summers; Napier City Council has agreed on further \$1.3m Marine Parade redevelopment work, Napier 'Opossum World' site recently sold, to possibly be used for a new visitor accommodation outlet in the future; and \$1.5m upgrade of the Havelock North Domain.
  - **Business Services**- Havelock North originating national web-based babysitting and nanny recruitment agency, 'Rock My Baby', has recently indicated a tripling of its annual turnover; Hastings based wealth management company, Stewart Financial Group, has expanded its operation through the acquisition of a similar Wellington operation.
  - **Transport**- the second stage of an 18 month programme to upgrade car-parking and vehicle access at the HB Airport is underway. Passenger numbers using the Airport are forecast to continue to rise and reach 800,000 within a 15-year period. Numbers increased 13.5% in the second half of 2015. Total revenue for the latest 6-month period is up 3.6% on a year ago. Redevelopment of the airport terminal is also planned.
  - **Maori Development**- the Crown and representatives of Wairoa area hapu have recently signed a Treaty Settlement involving financial redress of \$100 million. Members of the Iwi involved will now be voting on the proposal.
  - **Tourism**- Napier's significantly revamped Conference Centre on the Marine Parade is due for opening in February 2017; extension of the mountain bike and walking track network between Havelock North and Te Mata Peak; Napier is to host the largest cruise ship to ever visit NZ later this year; and the number of cruise vessels visiting HB next season is expected to be up 20% on last season, with passenger numbers increasing by 30% to around the 95,500 mark.
  - **Education**- possible 300 increase in the number of international school and tertiary students studying in HB; 'Future COL' in Hastings is offering two zero-fees tertiary courses this year in hospitality service and computing; and total staffing at the Eastern Institute of Technology was recorded at 533 FTEs in 2015, compared with 522 in 2014. Total EFTS student numbers for the latest year were slightly down on the previous year. The total wage and salary bill for EIT was approximately \$35m last year, representing 61% of total operating costs. These numbers cover both the Hawke's Bay and Gisborne campuses.
  - **Residential Sector**-Hastings District Council has approved up to 140 new residential sections for development in the Parkvale area. The Council has also increased the amount of undeveloped industrial land from 100ha to 250ha.
- **Overall**, according to ANZ Bank figures, the Hawke's Bay economy grew in nominal terms by 3.5% over the year ended March 2016, compared to 2.4% for the previous year.
  - Total employment increased by 1,481 or 2%. Total unemployment increased by 410 or 7.9%. The annualised rate of unemployment rose from 6.4% to 6.8%. The comparative national rate year was 5.7%. The number of HB residents receiving the Government's Job Seeker Support Benefit fell 1.8% for the latest March 2016 year.
  - Latest NZ Institute of Economic Research Consensus Forecasts for the June 2016 quarter point to a current expectation in New Zealand of 2.7% real GDP growth nationally over the coming year (2016/17), compared to the 2.5% figure for the 2015/16 year.

### 3.0 Key Hawke's Bay Region annual economic indicator levels at March 2016

Estimated Population:	161,250
Projected Households:	63,080
Nominal Gross Domestic Product (GDP):	\$6.82 billion
ANZ Bank Economic Activity Growth (2015/16):	3.5%
Annual employment:	77,225
Annual employment change:	2%
Estimated unemployment:	5,610
Estimated unemployment rate (%):	6.8%

### 4.0 Population and Labour Force

Hawke's Bay's population currently stands at an estimated 161,250 and increased by 1,250 or 0.8% over the year to March 2016. The region's population is projected to increase further to around 163,300 in year 2020.

An important economic factor for the region is the trend in the formal working-age population, that is, the 15-64 age-group. This provides the primary workforce base for the area. **Figure 1a** indicates the long-term historical trend in this indicator. There has been an overall increase of 5,080 or 5.5% in the regional working-age population since the mid-1990s. However, there has been at the same time a small decline in this age-group population from 2013. Statistics NZ is currently projecting a 1,080 or 1.1% decline in the region's working-age population between 2013 and 2020, on the basis of the Medium or 'middle of the road' growth projection.

**Figure 1b** indicates the trend in the 65+ population age-group since 1996. Over the period, this demographic growth factor has continued to increase and overall by 10,700 or approximately 58%. Statistics New Zealand is projecting further population growth for this age-group over the 2016-2020 period of 4,000 or 14%. The projected growth rate for the following 20-year period is approximately 48%.

In-migration is a key source of population growth for both countries and regions. From a Hawke's Bay perspective, net in-migration from other parts of New Zealand and also from overseas is important. In the latter respect, it is noted for the purposes of this report that the year ended March 2016 saw a significant net overseas migration gain into Hawke's Bay of +550, only the second year since 2010 to record a positive result for this indicator. This figure also compares with the -1,031 net migration loss result recorded for the region just three years ago (2013). Year 2015 saw an overall net international migration gain for the region of 287.

Fig 1a: Hawke's Bay Working-Age Population Growth Since 1996

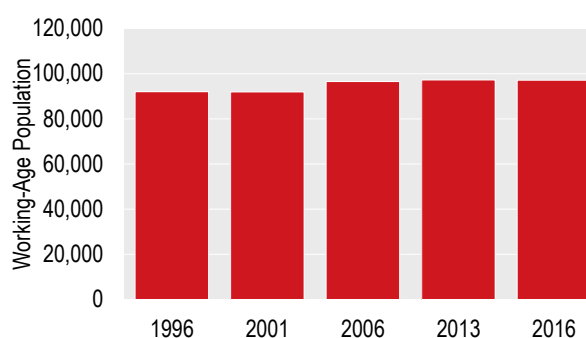
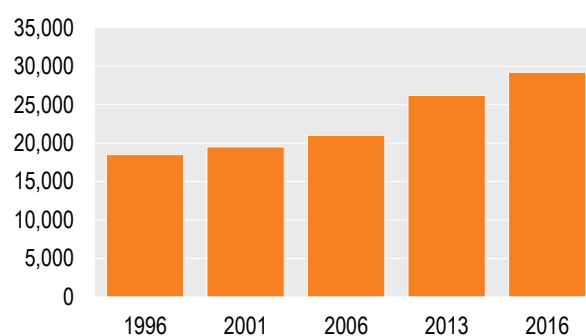


Fig 1b: Hawke's Bay Region 65+ Population Growth Since 1996



## 5.0 Households/dwellings

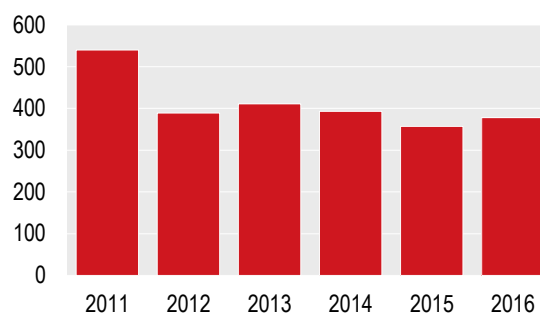
The total stock of households in Hawke's Bay in June this year is projected at 63,080.

The latest available Statistics New Zealand Medium household growth projections see the number of households in the region increasing by 1,840 or 2.9% between 2016 and 2020.

**Figure 2** indicates the trend in the number of consented new dwellings in the region, since 2011. The number fell sharply in 2012, increased in 2013, fell back again in 2014/2015 but recovered again by 5.9% over the latest year.

At the same time, the total annual value of new houses consented has fluctuated noticeably but rose 17.7% last year. The total value figure for the 2016 March year was approximately \$144 million. The value of housing alterations rose 24% last year.

**Fig 2: Hawke's Bay Region Volume of Consented New Residential Building 2011-2016**



## 6.0 Non Residential New building activity

**Figure 3a** indicates the annual trend in the volume of consented new commercial/ industrial building work in the region, since 2011. Building work has fluctuated somewhat over the period.

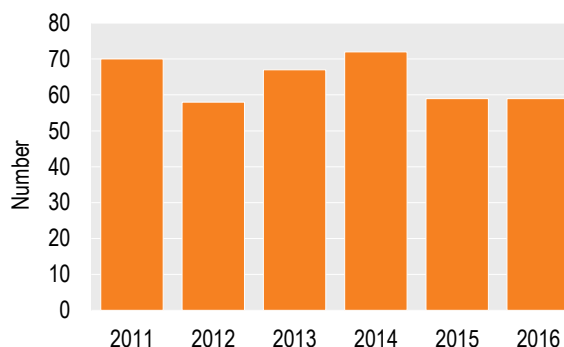
For the latest March year, the volume of new building work was at the same level as for the previous March year and for the 2011 March year. The volume of new building work for these three years was however significantly less than in the 2010, 2012 and 2013 March years. Meanwhile, the value of all the new commercial-industrial building work consented for the latest March year was up by 24.3% on the previous year, with increased building values occurring for the tourism/hospitality, office/administration and industrial building sectors.

**Figure 3b** indicates the trend over the 2011-2016 period in the value of consented new rural building. This indicator has fluctuated annually over the period but has recovered significantly overall during the last two years, although declining in the latest year by 23.1%. At the same time, the number of new farm buildings consented has risen overall by 40.3%.

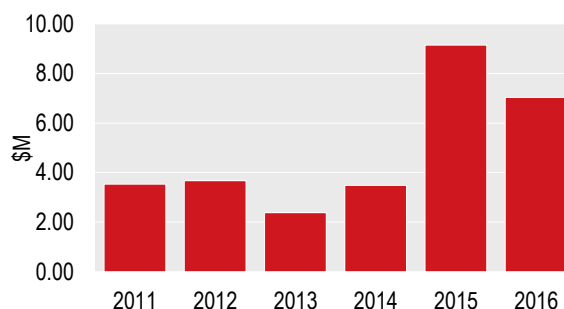
The total number of new buildings, other than residential, commercial/industrial and rural, consented in the region during the latest March year was up 66% on the previous year. The total value of the building work was up 36.2%, with only the education and social/community sectors recording a significant gain over the year.

All up, the total number of new buildings consented in the region during the latest year was recorded at 573 with a combined value of \$233 million. These results were up 8.1% and up 19% respectively on the previous year's results. The total number of consented building alterations was down 7.2% on the previous year with their total value however being up 12%. As indicated by **Figure 3c**, the annual value of all new building activity consented rose significantly in the March 2015 and 2016 years.

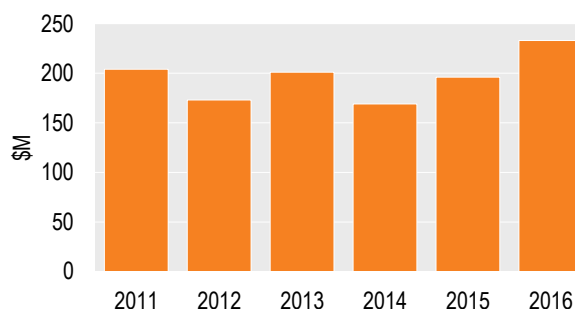
**Fig 3a: Hawke's Bay Region New Commercial-Industrial Building 2011-2016**



**Fig 3b: Hawke's Bay Region New Rural building 2011-2016**



**Fig 3c: Hawke's Bay Region Total Annual Value of All Consented New Buildings 2011-2016**



## 7.0 Other economic indicators

The changes indicated in this section are for the year ended March 2016.

**Figure 4a** shows some of the economic indicator changes for the region versus NZ as a whole, over the period. New dwellings consented rose 17.7% over the year in value terms and new commercial-industrial building 24.3%, compared to the national gains of 16.6% and 3.6% respectively.

Hawke's Bay house sales totalled approximately 3,054 for the March 2016 year, compared with 2,108 for the previous March year, that is, a gain of 45% this year. House sales have been increasing in the region since early 2015. The median house selling price in March 2016 was recorded at \$310,500, compared to \$275,000 in December 2014. House prices have been on a gradual rise in the Napier-Hastings area since around 2014, with prices however jumping up since mid-2015.

The latest Massey University Home Mortgage Affordability survey indicates that housing affordability in the Hawke's Bay region improved slightly by 1.4% during the year to March 2016, compared to the 9.2% national gain. The median weekly housing rental in Napier City in February this year was up 10.3% on the same month in 2015 whilst the Hastings result was a 3.4% gain.

Hawke's Bay commercial visitor-nights rose 9% over the latest year, compared to the 5.7% national gain. Total commercial visitor arrivals into the region increased by 6.4% compared to 6.8% nationally. The average visitor 'length of stay' in the region for the 2016 March year was 2.21 nights compared to 2.15 nights for the previous March year.

On the basis of historical trends in Hawke's Bay region shares of national retail industry employment and the application of these shares to total annual retail spend figures for the country as a whole, total Hawke's Bay retail spend is currently estimated at approximately \$2,640 million. Over the latest year, regional retail spend rose by 4.5%, the same growth rate as the national figure.

New motor vehicle registrations in Hawke's Bay totalled 4,787 for the year ending March 2016, compared to 4,575 for the previous March year. Thus, there was a gain of 4.6% over the year.

Fig 4a: Comparative Hawke's Bay Region and New Zealand Economic Indicator Changes 2015-2016

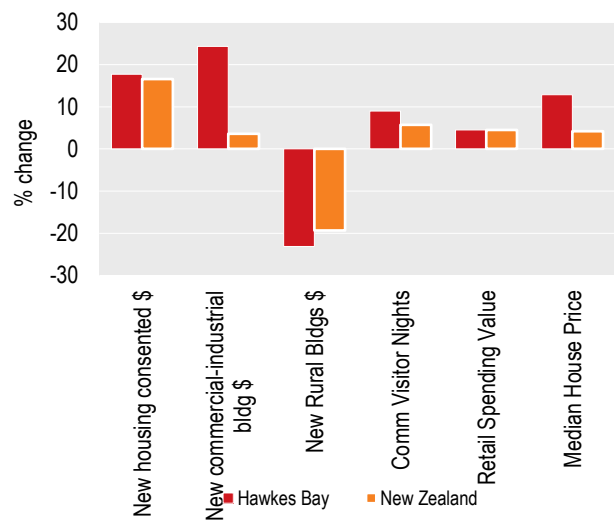


Fig 4b: Estimated Annual Hawke's Bay Retail Spend 2011-2016

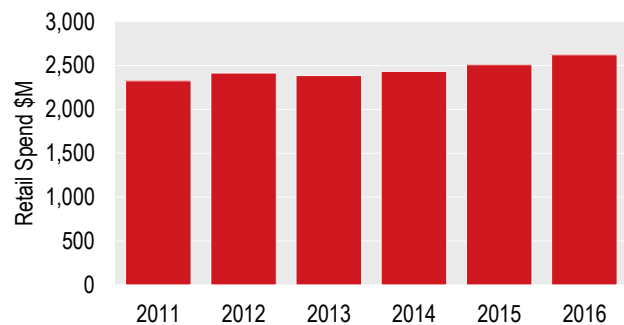
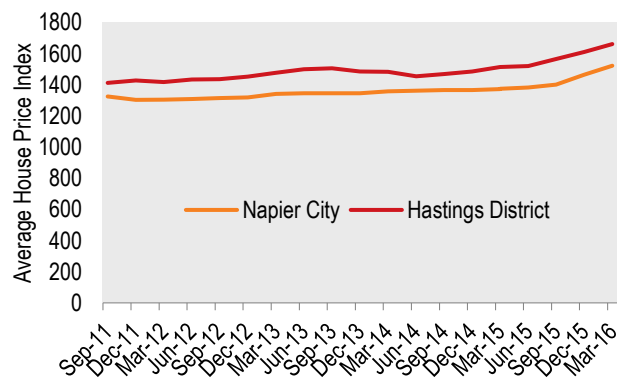


Fig 4c: Hawke's Bay Average House Price Trend 2011-2016



## 8.0 Overall economic activity

**Figure 5a** indicates the longer-term trend in annual economic growth in Hawke's Bay since 2000 and is based on Infometrics figures. Where the graph lines lie above the zero horizontal axis, this indicates positive economic growth and vice versa where the lines lie below this axis.

As shown, overall economic activity growth in the region has fluctuated considerably throughout the monitoring period. Looking at the period since 2000, the rate of growth was relatively strong over 2001-2006. Annual growth then weakened considerably over 2007-2008, followed by economic decline over 2009-2011. Positive growth was then recorded in 2012. The year ended March 2013 saw a return to (very limited) economic decline but since then economic growth in the region has strengthened considerably overall, reaching an annual 1.5% in 2015. Since 2007, economic growth in Hawke's Bay has been noticeably below the national trend.

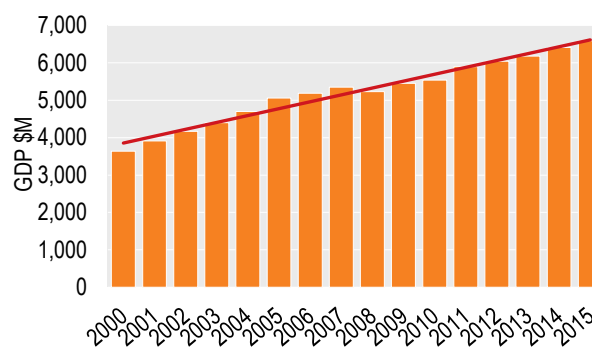
**Figure 5b** indicates the trend in nominal (current dollar terms) Hawke's Bay GDP, based on recently-released and updated Statistics NZ figures. GDP has increased by over 80% since Year 2000, compared to the more than doubling at the national level. Since the advent of the major international GFC financial and economic 'crisis' in 2008/2009, Hawke's Bay nominal GDP has risen by 21%, compared to 27% nationally. During 2014/15, Hawke's Bay GDP lifted by 2.8% in nominal terms, compared to 3.7% nationally. Last year, the region accounted for 2.7% of national GDP.

The ANZ Bank's nominal economic activity growth indicator, which is a different growth indicator from the Infometrics one, points to annual average growth of 3.5% for Hawke's Bay for the year ended March 2016, compared to 2.4% for the previous March year. It is noted that a real economic growth estimate for Hawke's Bay for the year ended March 2016 is not yet available.

Fig 5a: Hawke's Bay Real Economic Growth Track 2001-2015



Fig 5b: Total Hawke's Bay Nominal GDP 2000-2015

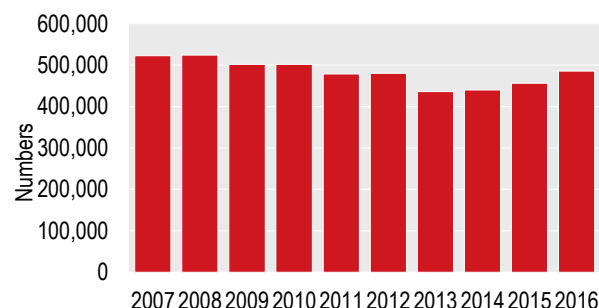


## 9.0 Visitor/tourism numbers

Visitor arrival numbers into the Hawke's Bay region staying in commercial accommodation (which accounts for an estimated 40% of all regional overnight visitors) totalled 485,197 for the 2016 March year, up 6.4% on the previous year. The number of nights spent in the area by visitors staying in commercial accommodation (representing only 25% of all annual regional night-stays; the rest relate to the VFR accommodation sector) totalled 1,069,969 for the year, up 88,259 nights or 9% on the previous March figure.

As **Figure 6a** indicates, the number of commercial visitors to the region was relatively stable over 2007-2008, then fell back until 2013 but has since increased overall noticeably. Arrival numbers for the latest year were still some 38,714 or 7% down on the 2008 peak level. As shown in **Figure 6b**, annual commercial accommodation visitor-nights spent in the region have followed a very similar trend to that for commercial visitor arrivals. However, the total of night-stays for the latest year was down only 2% on the 2008 peak year figure.

Fig 6a: Total Hawke's Bay Region commercial visitor arrival numbers 2007-2016



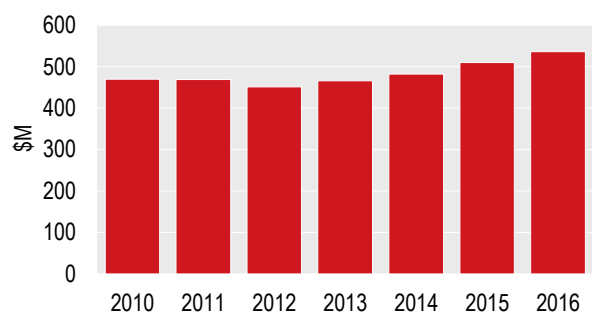
During the year ended March 2016, the 'average length of stay' of visitors to Napier staying in commercial accommodation increased from 2.15 nights to 2.21 nights. Over the period 2007-2012, this indicator was in the range 2.04 nights to 2.08 nights. However, since then, it has increased significantly, being around the 2.14/2.15 level over 2013-2015 and the 2.21 level for the latest year.

Central Government tourism figures indicate a total direct visitor spend in the region over the March 2016 year of \$536 million, comprising \$401 million or 75% for domestic visitors and \$135 million or 25% for international visitors. Total visitor spend in the region has been consistently increasing since 2013 and overall by 15% in nominal 'dollars of the day' terms. The HB visitor spending gain over the latest year was 5.1%. These spending figures are based on recorded electronic card transactions.

Fig 6b: Total Hawke's Bay Region commercial visitor nights 2007-2016



Fig 6c: Hawke's Bay Direct Visitor Spending 2010-2016



## 10.0 Results comparison

**Table 1** indicates the latest comparative annual local economic changes for the Hawke's Bay region as a whole, its constituent local authority districts and New Zealand for the listed indicators, for the March 2016 year. The indicators comprise population, value of consented new building, house prices and commercial accommodation visitor-nights.

All districts other than Wairoa recorded positive growth in population last year. Wairoa and Central HB recorded falls in the value of consented new dwellings over the latest year. All areas other than Wairoa District recorded an increase in the value of consented new industrial-commercial building during the period. Napier City was the only district to record increased new rural building activity. All districts recorded an increased value of consented new building alterations work. All parts of the region recorded increased residential property prices and commercial visitor-nights over the latest March year.

Table 1: Comparative Hawke's Bay Region TLA District and New Zealand Economic Indicator Changes 2016 vs 2015 March Years

Area	% Change 2015–2016 years						
	Population	\$ New Dwellings Consented	\$ New Commercial-Industrial Bldgs	\$ New Rural Buildings	\$ Total Building Alterations	Average Residential Property Prices	Commercial Visitor Nights
Napier City	0.7	33.7	41.3	163.4	16.7	10.8	10.8
Wairoa District	-0.2	-59.7	-	-77.0	25.1	5.0	9.4
Hastings District	0.6	20.9	42.4	-29.3	7.3	9.8	6.2
Central HB District	1.5	-38.4	11.0	-48.6	21.3	5.7	6.5
<b>HB Region</b>	<b>0.7</b>	<b>17.7</b>	<b>24.3</b>	<b>-23.1</b>	<b>12.0</b>	<b>-</b>	<b>9.0</b>
<b>New Zealand</b>	<b>1.9</b>	<b>16.6</b>	<b>3.6</b>	<b>-19.3</b>	<b>4.6</b>	<b>11.2</b>	<b>5.7</b>

## 11.0 Industry profile and growth

**Table 2** indicates estimated Hawke's Bay industry real inflation adjusted GDP levels for the 2015 year. The results are sourced from Infometrics. The total primary production sector accounts for, in round terms, 11% of total GDP in the region, secondary industry (processing-manufacturing, utility services and construction) 24%, commercial services 34%, public & community services 16% and other items (other industries, owner-occupied dwellings and GST) 15%.

**Figure 7a** further illustrates the current broad industry profile of the Hawke's Bay economy. The largest industries are, in order, business services; public (health, education and welfare) and community services, processing/manufacturing and rural production.

Real industry GDP growth last year was strongest in Hawke's Bay for, in order:

- Information media & telecommunications.
- Mining & Quarrying.
- Visitor accommodation & Food Services.
- Construction.
- Wholesaling.
- Public Administration.
- Primary production.

Forecast trends in the level of **national** export returns for Hawke's Bay's key pastoral farming industries for the year to June 2017 (versus the previous June 2016 year) are as indicated below. The base information for the identified trends is sourced primarily from the MPI June 2016 update report on the situation and outlook for the national primary sector:

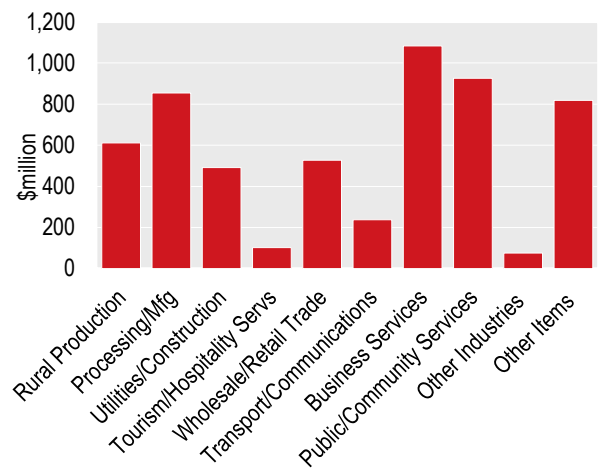
- Total meat and wool export returns down 8% in \$fob terms, driven mainly by a forecast fall in livestock prices and cattle slaughter numbers. Total sector returns are currently forecast to increase a little during the year to June 2018. After increasing slightly last year, overall East Coast sheep/beef farming profitability is forecast by the 'Beef and Lamb New Zealand' organisation to be down approximately 16% this year.
- Total horticultural sector export returns for New Zealand are currently forecast to be up 6% for the 2016/17 year due to the significantly improved performance of the kiwifruit, pipfruit and wine industries in particular, and exchange rate depreciation. Further growth in total returns in the order of 2% is forecast for the June 2018 year. Total wine export returns this coming year are forecast to be up 6.5% on last year. Pipfruit returns are forecast to be up 20% this year and a further 6% next year. Fresh/processed vegetable export returns are forecast to be up 6% this year and 2% for the coming year.
- Forestry export returns nationally are expected to be up around 8% for the year to June 2016, with further growth of around 11% forecast for the following year. This forecast trend is expected to be driven by log prices holding at higher values, increasing demand for sawn timber exports and increased market share in China for wood and pulp.

**Table 2: Hawke's Bay Region industry GDP Profile 2015**

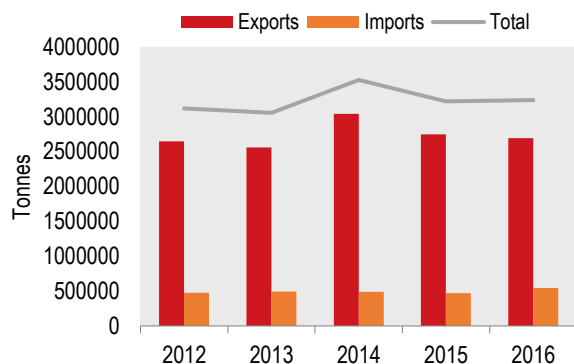
Industry	Nominal GDP (\$m)	% of total
Primary Production	611	10.7
Manufacturing	853	14.9
Utility Services	160	2.8
Construction	331	5.8
Accommodation & Food Services	102	1.8
Wholesale & Retail Trade	527	9.2
Transport & Storage	238	4.2
Business Services	1,083	18.9
Public & Community Services	925	16.2
Other <sup>1</sup>	887	15.5
<b>Total</b>	<b>5,717</b>	<b>-</b>

Note: 1 Owner-occupied dwellings (imputed rental), other industries and GST.

**Fig 7a: Hawke's Bay Industry GDP Profile 2015**



**Fig 7b: Port of Napier Annual International Trade Volumes Since 2012**





Total international trade volumes handled at the Port of Napier during the March 2016 calendar year, at approximately 3.24 million tonnes, were up slightly (0.6%) on the previous year. Export volumes fell 2.2% during the year whilst import volumes rose 16.2%. (See **Figure 7b**).

**Figure 7c** indicates the actual and underlying annualised international commodity price index trend in \$NZ for the period since 2005. The Index has fluctuated in a cyclical manner over the period within a generally increasing trend. The Index has more recently been falling steadily since early 2014.

**Figure 7d** indicates the trend in total HB primary production industries and related manufacturing sector GDP since 2000. The base data is provided by Statistics NZ. After falling sharply over 2005-2008, GDP for the sector recovered gradually over 2009-2010, increased significantly in 2011, increased further in 2012 and then stabilised in 2013. This is the latest period for which this information is available.

Fig 7c: ANZ Bank Commodity Price Index Trend \$NZ 2005-2016

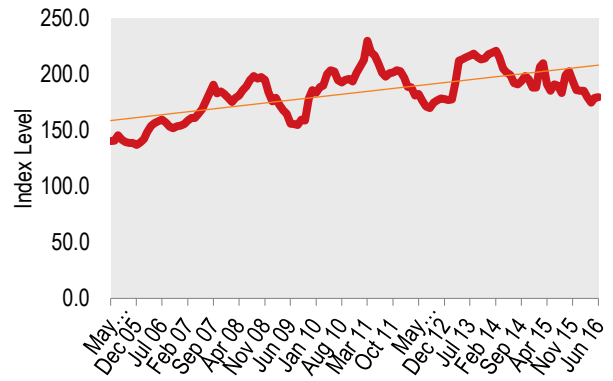
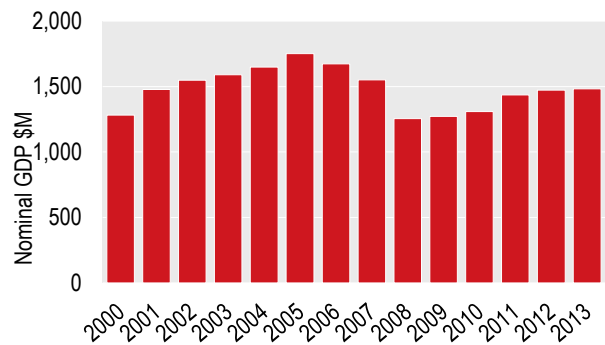


Fig 7d: Total Hawke's Bay Primary Production and Manufacturing Nominal GDP 2000-2013



## 12.0 Employment

Total employment in Hawke's Bay in March this year is estimated at an annualised 77,225 and was up 2% on the previous calendar year. Employment has increased overall by 2,735 or 3.7% since 2010. The trend since that year is indicated in **Figure 8a**. Employment in the region was relatively stable over 2010-2013, fell a little the following year but then increased again in both 2015 and 2016.

Statistics NZ's LEED (Linked Employer-Employee Database) dataset provides quarterly information on median earnings at the local/ regional level. Over the March 2015 year (the latest available information period for this indicator), total median earnings for continuing jobs in Hawke's Bay were recorded at \$45,140. The comparative national figure for the same period was \$49,700, 10% up on the regional earnings level. Over 2014 to 2015, total Hawke's Bay median earnings rose by 2.9%, compared to 3% at the national level.

In March this year, the annualised rate of unemployment in Hawke's Bay was recorded at 6.8%, compared to 5.7% nationally. At the same time, total unemployment in the region stood at an estimated 5,610, compared to 5,200 a year previously. The number of people receiving the job-seeker benefit in the Hawke's Bay region in March 2016 stood at 3,946, compared to 4,020 in March 2015; that is, a fall of 1.8% over the year.

The total number of Hawke's Bay working-age recipients of the different Government welfare benefits available was recorded at 11,818 in March this year, representing 4.2% of the national total. The March 2015 figure was 11,954.

Fig 8a: Annualised Hawke's Bay Region Employment Trend 2010-2016

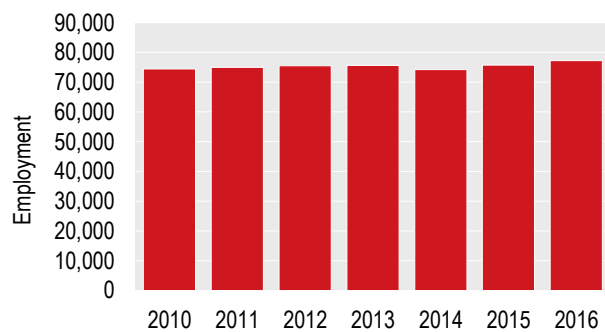
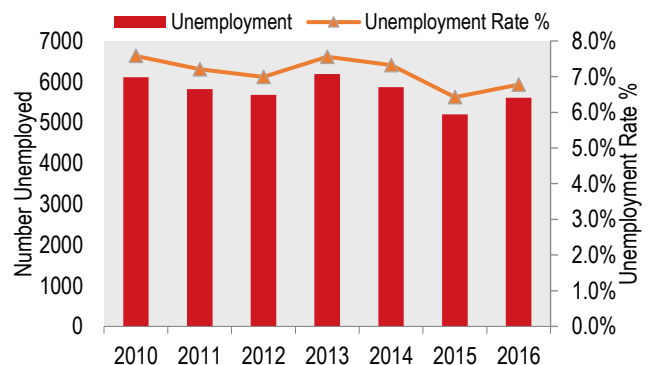


Fig 8b: Hawke's Bay Region Annualised Unemployment 2010-2016



## 13.0 National economic outlook

This final section provides an indication of the forecast national economic environment over the next three years, on the basis of trends in key economic indicators.

Each quarter, the NZ Institute of Economic Research produces updated Consensus Forecasts for shorter-term economic activity at the **national** level. The forecasts are a consensus or average of the views of a number of the different economic forecasting agencies. The latest June 2016 forecasts point to:

- Noticeably positive and increasing overall economic and consumption growth in New Zealand during the next two years.
- Positive but fluctuating Government spending growth over the period.
- Significant but fluctuating residential construction sector growth.
- Strengthening business investment growth.
- Overall exchange rate depreciation for the forecast period.
- Low and falling interest rates during the period.
- Stronger employment growth over the forecast period.
- Relatively stable private sector wage growth over the period.

Table 3: NZIER Consensus forecasts June 2016

Indicator	March years		
	2015/16	2016/17	2017/18
GDP	2.5	2.7	2.9
Private Consumption	2.6	3.0	2.9
Government Spending	2.2	1.3	1.5
Residential Investment	5.7	7.0	2.8
Other Investment	2.1	3.3	4.8
NZ TWI Exchange Rate	72.5	70.5	69.1
90 Day Bank Bill Rate	2.9	2.2	2.1
Employment	1.8	2.2	2.1
Private Sector Wages	2.6	2.3	2.4

Note: All figures in the table other than for the TWI and 90-Day Bank Bill rate refer to the 'annual average % change' in the relevant indicators.