

Overview of Kapiti Coast District

The Kapiti Coast district economy capped off a subdued 2018 with Infometrics' provisionally estimating GDP growth of 1.7% in the December 2018 year, compared with 2.7% nationally and 2.3% across the Wellington region.

There are some notable bright spots, such as consumer spending. Electronic card spending on retail purchases grew 4.4% in the December 2018 year, close to both the national average of 4.5% and the regional average of 4.2%, but well up on the 3% growth rates that the district saw in 2016 and 2017.

Car registrations in the district fell 7.4% in the December 2018 year and commercial vehicle registrations rose just 0.5%. However, both series are at high levels, albeit down from their 2017 peaks.

The local tourism sector also remained strong in 2018. Tourists spent an unprecedented 185,068 nights in the region in 2018. Although tourism spending in the district fell slightly (0.6%) in the December 2018 year, the longer-term trend in tourist spending is firmly upward.

House prices in the district rose 4.3% in the December 2018 year, matching the national average of 4.3%. Residential consents in the district are holding up at moderate levels, despite falling 5.9% in the December 2018 year. Non-residential consents are a bigger concern. They weakened considerably in the district throughout 2018, falling 58% in the December 2018 year.

We have recently begun using enrolments at primary health providers as a timely proxy for population growth. The data suggests population growth of 1.2% in the December 2018 year.

At 4.1% in the December 2018 year, the district's unemployment rate remained below the national average of 4.3% and the regional average of 4.4%.

Indicator	Kapiti Coast District	Wellington Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 1.7%	↑ 2.3%	↑ 2.7%
Traffic flow	↑ 1.3%	↑ 3.1%	↑ 2.7%
Health Enrolments	↑ 1.2%	↑ 1.6%	↑ 1.9%
Consumer spending	↑ 4.4%	↑ 4.2%	↑ 4.5%
Residential consents	↓ -5.9%	↑ 19%	↑ 6.1%
Non-residential consents	↓ -58%	↓ -13%	↑ 9.0%
House prices*	↑ 4.3%	↑ 9.8%	↑ 2.3%
House sales	↑ 9.1%	↓ -1.7%	↑ 3.1%
Guest nights	↑ 3.6%	↑ 1.9%	↑ 2.3%
Tourism expenditure	↓ -0.6%	↑ 4.6%	↑ 4.3%
Car registrations	↓ -7.4%	↓ -4.4%	↓ -6.7%
Commercial vehicle registrations	↑ 0.5%	↑ 8.8%	↑ 1.6%
Jobseeker Support recipients	↑ 0.7%	↑ 4.4%	↑ 4.8%
<i>Level</i>			
Unemployment rate	4.1%	4.6%	4.3%

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

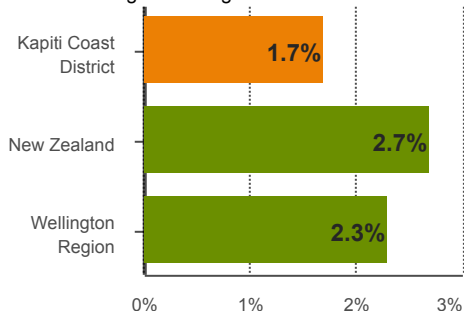
Overview of national economy

Throughout 2018, business confidence indicators suggested the New Zealand economy was going to crash and burn. But although growth slowed slightly, there were no other signs we were staring down the barrel of a full-blown recession. Looking to 2019, New Zealand's domestic economy remains in a similar position to 12 months ago: prospects of middling growth, somewhat hampered by capacity constraints and a tight labour market, and with some of the biggest potential shifts being driven by government policies (such as migration or the housing market). In contrast to this largely unchanged domestic picture, many question marks have appeared during the last year over the international economic environment.

Gross domestic product (provisional)

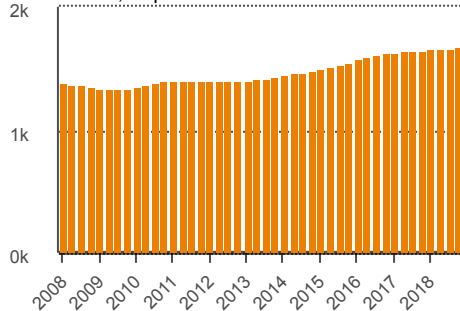
Gross domestic product growth (provisional)

Annual average % change Dec 17 - Dec 18



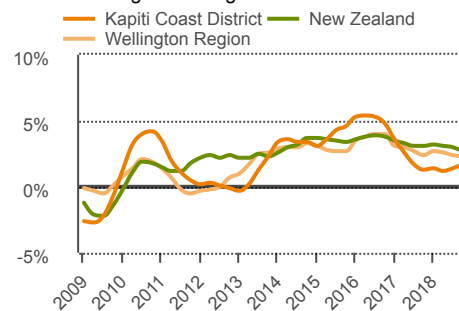
Gross domestic product (provisional, \$m)

Annual level, Kapiti Coast District



Gross domestic product growth (provisional)

Annual average % change



Highlights for Kapiti Coast District

- GDP (provisional) in Kapiti Coast District was up 1.7% for the year to December 2018 compared to a year earlier. Growth was lower than in New Zealand (2.7%) and lower than in Wellington Region (2.3%).
- GDP (provisional) was \$1,674 million in Kapiti Coast District for the year to December 2018 (2010 prices).
- Annual GDP growth in Kapiti Coast District peaked at 5.4% in the year to June 2016.

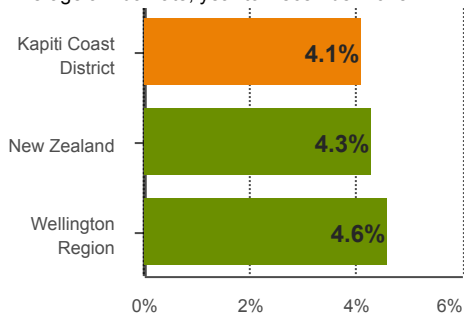
National overview

Infometrics provisionally estimates that the New Zealand economy expanded by 2.7% in 2018. Economic activity has slipped below the 3%pa+ levels that have prevailed over much of the past five years. Key detractors have been lower business investment, weaker construction and slower population growth. Nevertheless, export returns to date have remained relatively strong. We anticipate that economic activity will hold close to current levels in 2019, but remain wary of the US-China trade war, more cautious Chinese consumers, and the flow-on effects from Australia's struggling housing market.

Unemployment rate

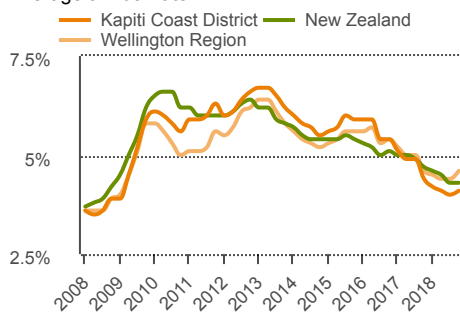
Unemployment rate

Average annual rate, year to December 2018



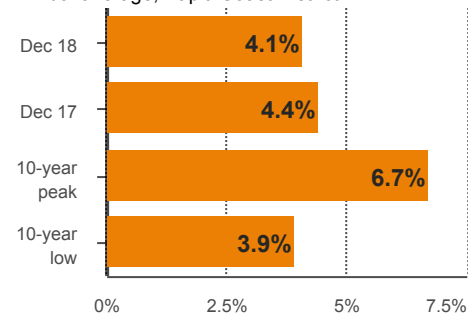
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Kapiti Coast District



Highlights for Kapiti Coast District

- The annual average unemployment rate in Kapiti Coast District was 4.1% in December 2018, down from 4.4% a year earlier.
- The unemployment rate in Kapiti Coast District was lower than in New Zealand, where the unemployment rate averaged 4.3% over the year to December 2018.
- Over the last ten years the unemployment rate reached a peak of 6.7% in March 2013;

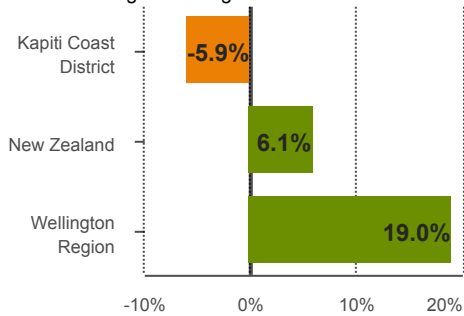
National overview

Although the unemployment rate ticked up slightly in December, the labour market continues to remain at its tightest since the Global Financial Crisis. We expect unemployment to remain low over the next few years at just above 4%, with the tight labour market conditions continuing. Wage growth is expected to increase from current levels of just below 2%pa as firms are forced to pay more to attract and retain staff.

Residential consents

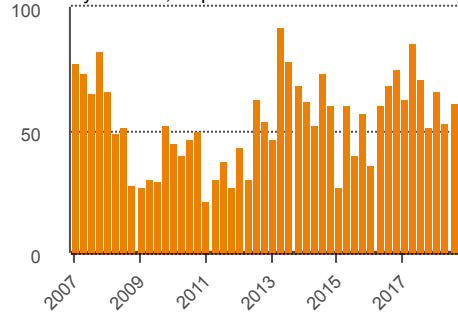
Growth in no. of new dwelling consents

Annual average % change Dec 17 - Dec 18



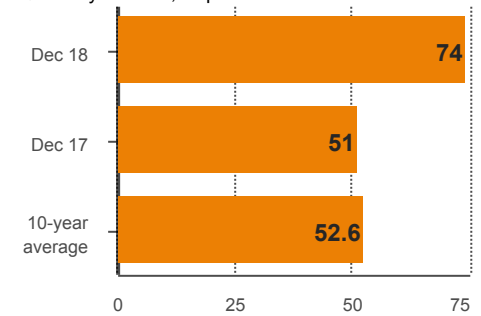
Residential consents

Quarterly number, Kapiti Coast District



Number of new dwelling consents

Quarterly number, Kapiti Coast District



Highlights for Kapiti Coast District

- A total of 74 new residential building consents were issued in Kapiti Coast District in the December 2018 quarter, compared with 51 in the same quarter last year.
- On an annual basis the number of consents in Kapiti Coast District decreased by 5.9% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 6.1% over the same period.

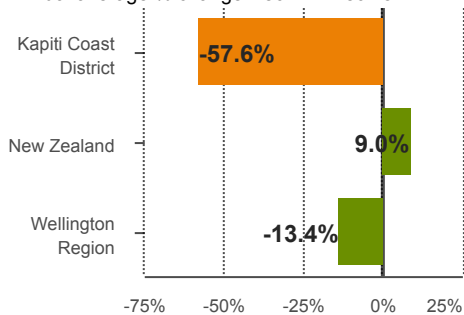
National overview

Residential building consents had a mixed final quarter of 2018, but the annual total of new dwelling consents still pushed to its highest level since 2004. Residential consents in Auckland were back in the black in December after heavily contracting in November, even so growth was still tempered by strong capacity constraints in the region. While December showed more life than November, capacity constraints remain a major issue going into the new year, with a tight labour market and constraints on land and financing placing downward pressure on residential construction going forward. Townhouse construction remains a key growth driver, particularly in Auckland, Waikato and Wellington over recent months.

Non-residential consents

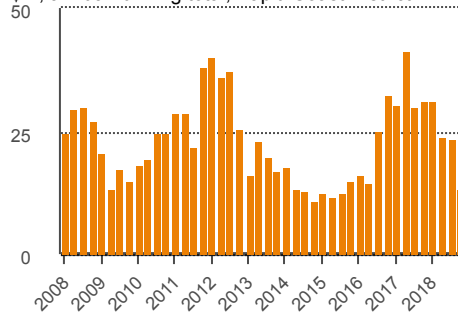
Growth in value of consents

Annual average % change Dec 17 - Dec 18



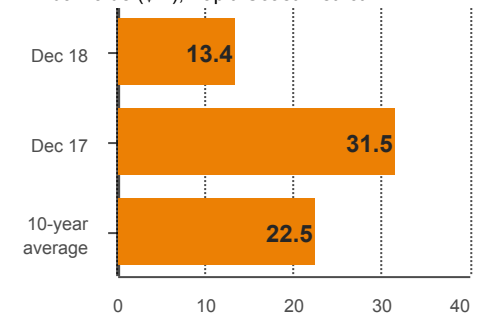
Non-residential consents, Kapiti Coast District

\$m, annual running total, Kapiti Coast District



Value of non-residential consents

Annual value (\$m), Kapiti Coast District



Highlights for Kapiti Coast District

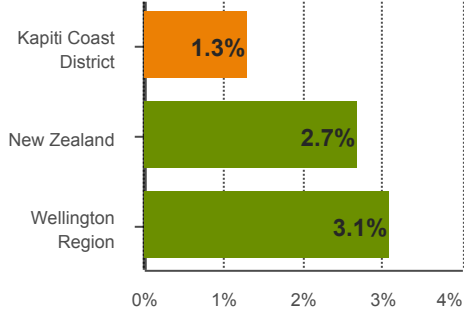
- Non-residential building consents to the value of \$13 million were issued in Kapiti Coast District during the year to December 2018.
- The value of consents decreased by -58% over the year to December 2018. By comparison the value of consents in New Zealand increased by 9.0% over the same period.
- Over the last 10 years, consents in Kapiti Coast District reached a peak of \$41 million in the year to June 2017.

National overview

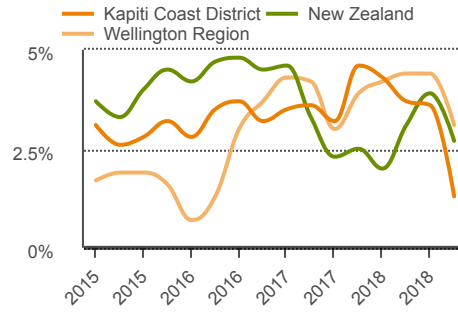
Total non-residential consent values rose 9.0%pa in the December 2018 year, driven by an 11% rise in new consent values and assisted by 2.0%pa growth in alterations and additions. But overall non-residential consent growth still remains softer than our forecasts, with continued capacity constraints a barrier to further expansion. Office building remains a poor performer, and our expectations are for office construction to be weaker than we previously expected throughout the next five years as demand for more space in Auckland and Christchurch softens.

Traffic flow

Annual change in traffic flows
Annual average % change Dec 17 - Dec 18



Traffic volume growth
Annual average % change



Highlights for Kapiti Coast District

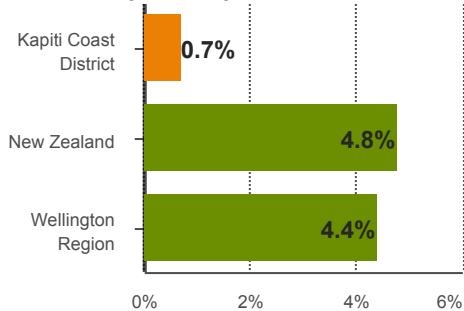
- Traffic flows in Kapiti Coast District increased by 1.3% over the year to December 2018. This compares with an increase of 2.7% in New Zealand.

National overview

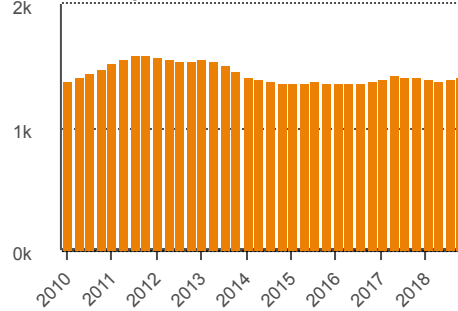
Traffic flows increased 2.7% in the December 2018 year, following 2.5% growth the previous year. The volume of traffic continues to grow most rapidly in key visitor hotspots, as well as in Marlborough and Kaikoura as traffic normalises following earthquake disruptions through 2017. Of the urban areas, traffic is growing most rapidly in Tauranga, followed by the Hutt Valley and New Plymouth. Traffic flows in Auckland were up just 0.6% in 2018, as public transport use surged 5.4% to record levels.

Jobseekers

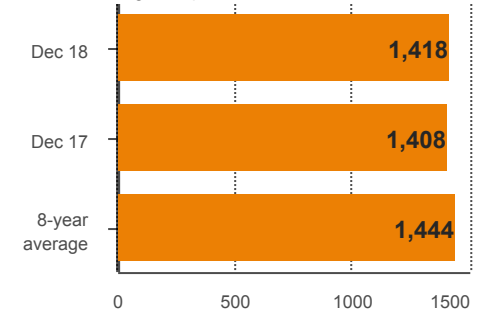
Annual change in Jobseekers
Annual average % change Dec 17 - Dec 18



Jobseekers
Annual average, Kapiti Coast District



Jobseekers
Annual average, Kapiti Coast District



Highlights for Kapiti Coast District

- Working age Jobseeker Support recipients in Kapiti Coast District in the year to December 2018 increased by 0.7% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 4.8%.
- An average of 1,418 people were receiving a Jobseeker Support benefit in Kapiti Coast District in the 12 months ended December 2018. This compares with an average of 1,444 since the start of the series in 2010.

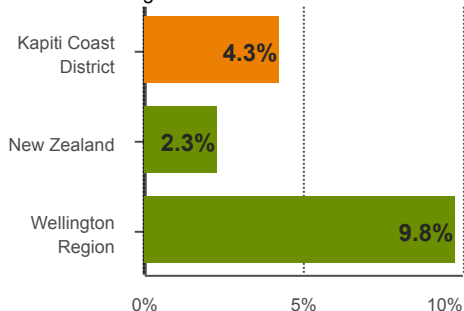
National overview

The average number of Jobseeker Support recipients climbed 4.8% in 2018 to its highest level in more than four years. Employment growth in the December quarter was at its slowest since 2013, coming in at 0.9%pa after averaging over 3% over the last six years. Impending increases to minimum wages will provide some support to those already in employment, but could put pressure on staffing numbers for some employers.

House prices

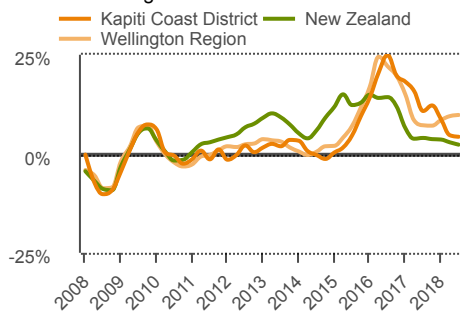
Annual change in house prices

Annual % change Dec 17 - Dec 18



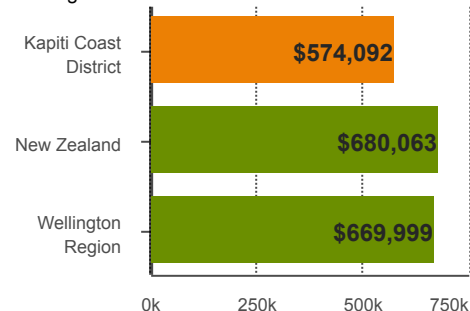
House price growth

Annual % change



Average current house value

Average for 12 months to Dec 2018



Highlights for Kapiti Coast District

- The average current house value in Kapiti Coast District was up 4.3% in December 2018 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 2.3%.
- The average current house value was \$574,092 in Kapiti Coast District over the December 2018 year. This compares with \$680,063 in New Zealand.

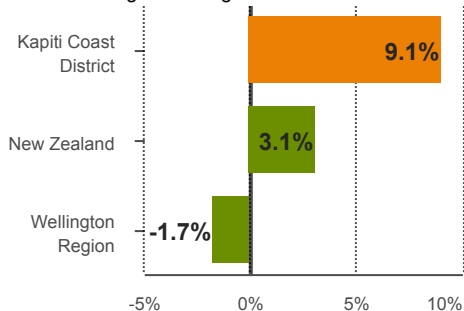
National overview

House prices across NZ are maintaining a two-track race: Auckland prices dropped 1.4%pa in December 2018, while NZ prices (excluding Auckland) rose close to 8.0%pa. It seems that the housing markets outside of Auckland are still in catch-up mode, even as Auckland prices are pulling back from their peak. But we continue to expect house prices to fall nationally over the next year, as greater supply in the regions pushes prices down, and sellers re-evaluate their asking prices in an attempt to achieve a sale. Housing affordability remains an issue for many buyers, with high house prices and anecdotal evidence that mortgage lenders are focusing more on purchasers' ability to service their loans, in anticipation of lending rates rising in 2020.

House sales

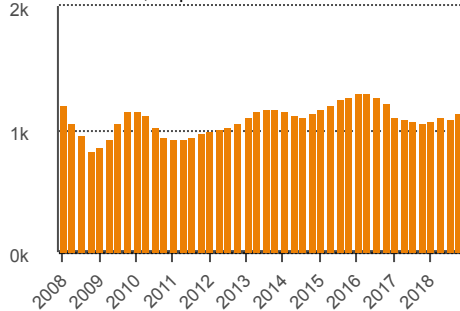
Annual change in house sales

Annual average % change Dec 17 - Dec 18



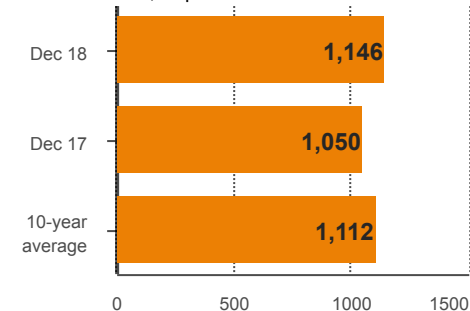
House sales

Annual number, Kapiti Coast District



House sales

Annual number, Kapiti Coast District



Highlights for Kapiti Coast District

- House sales in Kapiti Coast District in the year to December 2018 increased by 9.1% compared with the previous year. Growth outperformed relative to New Zealand, where sales increased by 3.1%.
- A total of 1,146 houses were sold in Kapiti Coast District in the 12 months ended December 2018. This compares with the ten year average of 1,112.

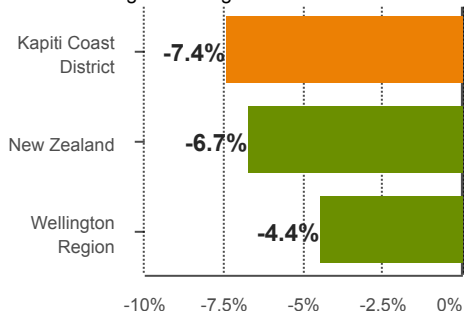
National overview

House sales grew 3.1% in 2018, after having been in decline for much of the past two years. Government policy changes, extending the bright-line test for capital gains and banning foreign buyers, have hit sales. However, another change in policy – reduced loan-to-value ratio restrictions – is expected to breathe some life back into sales this year. Nevertheless, any sales growth will be modest as vendors don't appear to be willing to lower their asking prices to meet what the market will pay.

Car registrations

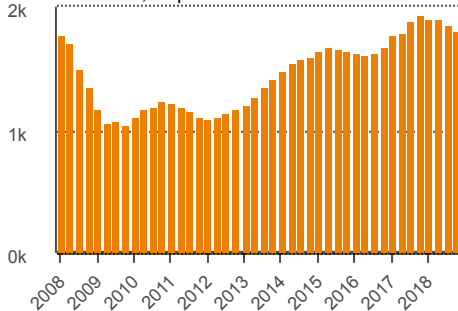
Car registrations

Annual average % change Dec 17 - Dec 18



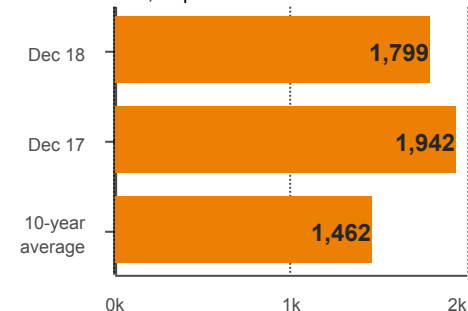
Car registrations

Annual number, Kapiti Coast District



Car registrations

Annual number, Kapiti Coast District



Highlights for Kapiti Coast District

- The number of cars registered in Kapiti Coast District decreased by -7.4% in the year to December 2018 compared with the previous 12 months. Growth was lower than in New Zealand, where car sales decreased by -6.7%.
- A total of 1,799 cars were registered in Kapiti Coast District in the year to December 2018. This compares with the ten year average of 1,462.

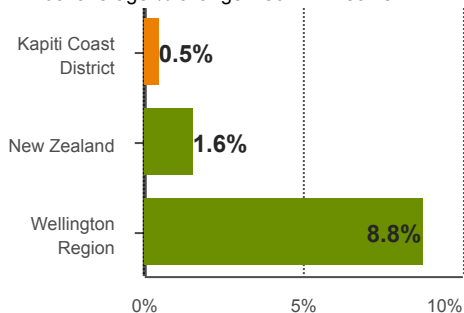
National overview

Car sales fell 6.7% in 2018 to their lowest levels since 2016. Used large car sales fell steeply for much of 2018 while falls in the sale of used small cars have started to accelerate downwards only in the past couple of months. This downward trend followed a rise in the sale of used small cars in the middle of the year. The direction of new car sales in 2018 has been harder to pin down with sales growing in some months and falling in others. We expect softer economic conditions to continue to stifle sales but it will be interesting to see how different market segments fare. Sales will probably continue to fall overall, but cash-strapped consumers might shift their preferences from new to used cars, and from large to small cars.

Commercial vehicle registrations

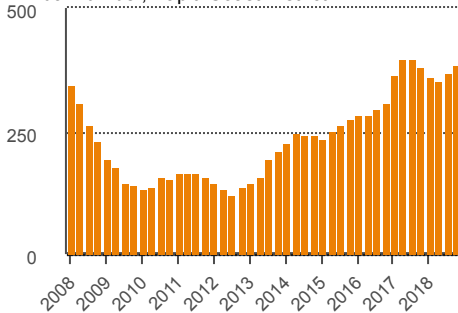
Commercial vehicle registrations

Annual average % change Dec 17 - Dec 18



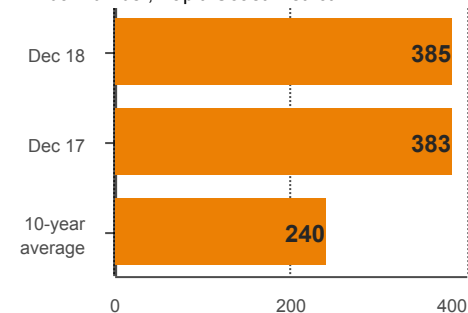
Commercial vehicle registrations

Annual number, Kapiti Coast District



Commercial vehicle registrations

Annual number, Kapiti Coast District



Highlights for Kapiti Coast District

- The number of commercial vehicles registered in Kapiti Coast District increased by 0.5% in the year to December 2018 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales increased by 1.6%.
- A total of 385 commercial vehicles were registered in Kapiti Coast District in the year to December 2018. This is higher than the ten year annual average of 240.

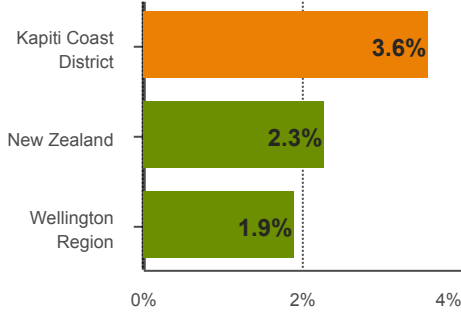
National overview

Commercial vehicle sales were up just 1.6% in 2018 – their slowest growth since 2009. The emerging signs of weakness are most prevalent with heavier vehicles. With softer economic conditions expected in 2019, things could get worse before they get better. Growth in light commercial vehicle (i.e. ute) sales firmed somewhat in the final quarter of 2018. The fortunes of both the agricultural and constructions sectors will dictate the direction of ute sales in 2019.

Guest nights

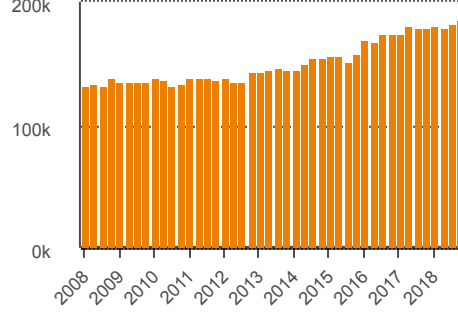
Guest nights

Annual average % change Dec 17 - Dec 18



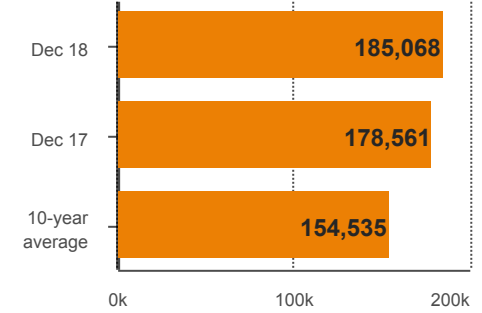
Guest nights

Annual number, Kapiti Coast District



Guest nights

Annual number, Kapiti Coast District



Highlights for Kapiti Coast District

- Total guest nights in Kapiti Coast District increased by 3.6% in the year to December 2018. This compares with an increase of 2.3% in New Zealand.
- Visitors stayed a total of 185,068 nights in Kapiti Coast District during the year to December 2018, which was up from 178,561 a year ago.

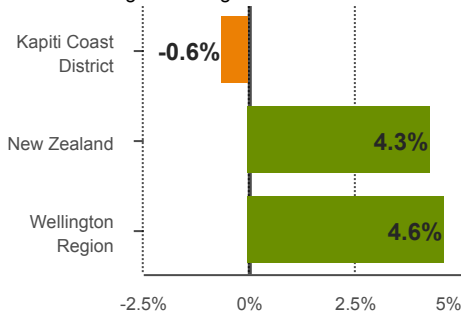
National overview

Guest nights increased 2.3% over the December 2018 year, with guest nights by domestic visitors rising 2.5%, while international visitor guest nights climbed 2.0%. Domestic guest nights over the coming quarters are likely to be underpinned by stronger wage growth and near full-employment pushing up willingness for recreational travel. Looking at international guest nights, softer growth is anticipated. Arrivals from some of our largest Asian markets fell over the final quarter of 2018. Reports of strained diplomatic relations between China and New Zealand over the last couple of weeks present real concerns about future tourist numbers from China, given the country's contributions to tourism's growth over previous years alongside the fact that increases in Chinese arrivals were already slowing. An outlook of more difficult global economic conditions is also likely to undermine growth from current positive contributors such as the US and the UK.

Tourism Spending

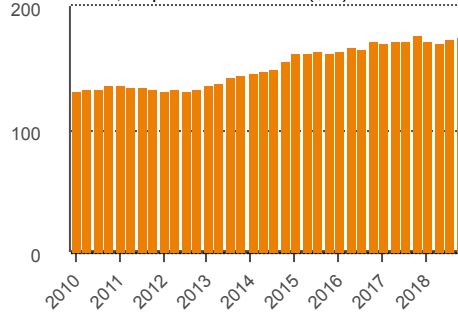
Tourism expenditure

Annual average % change Dec 17 - Dec 18



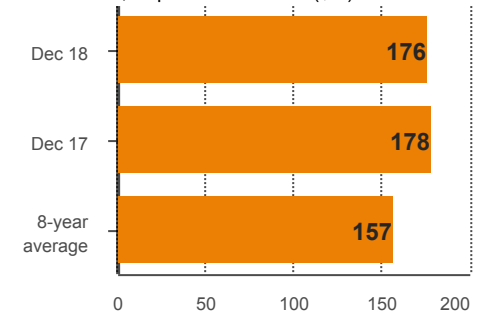
Tourism expenditure

Annual total, Kapiti Coast District (\$m)



Tourism expenditure

Annual total, Kapiti Coast District (\$m)



Highlights for Kapiti Coast District

- Total tourism expenditure in Kapiti Coast District decreased by 0.6% in the year to December 2018. This compares with an increase of 4.3% in New Zealand.
- Total tourism expenditure was approximately \$176m in Kapiti Coast District during the year to December 2018, which was down from \$178m a year ago.

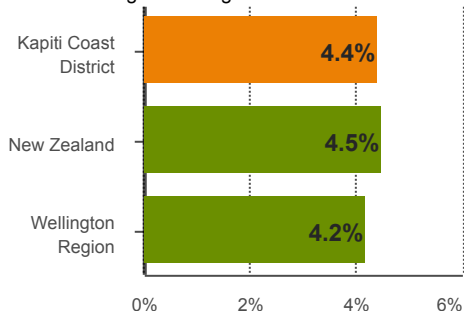
National overview

Spending by international visitors to New Zealand rose from \$11.1bn in 2017 to \$11.6bn in 2018, with domestic visitor spending climbing from \$16.7bn to \$17.4bn over the same period. Although strong job prospects will continue to underpin domestic visitor spending for the time being, there are signs of slowing growth in international visitor arrivals. Capacity pressures in the tourism sector, weaker growth in visitor numbers for China, and downside risks to the global economy will present challenges for tourism-related spending throughout the next two years.

Consumer Spending

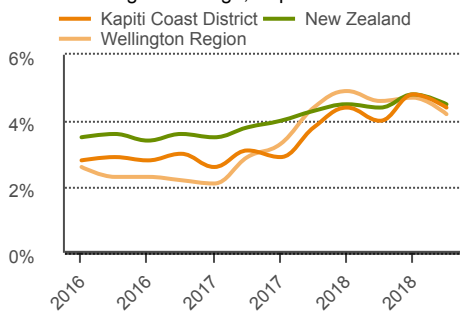
Growth in consumer spending

Annual average % change Dec 17 - Dec 18



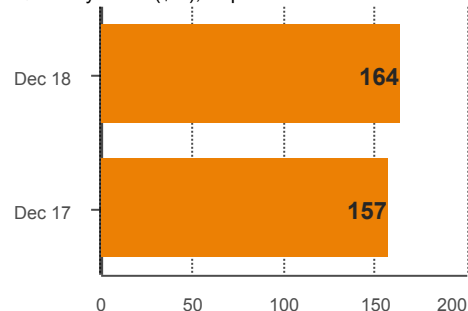
Consumer spending (\$m)

Annual average % change, Kapiti Coast District



Consumer spending

Quarterly value (\$m), Kapiti Coast District



Highlights for Kapiti Coast District

- Electronic card consumer spending in Kapiti Coast District, as measured by Marketview, increased by 4.4% over the year to December 2018 compared to the previous year. This compares with an increase of 4.5% in New Zealand.

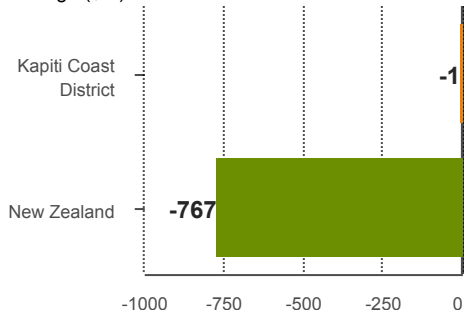
National overview

Data from Marketview shows that spending by consumers on electronic cards climbed 4.5% in the December 2018 year, down from peak growth of 4.8% in the September 2018 year. Growth in private consumption has softened as households reined in their spending. More sluggish growth in spending is expected to continue into 2019, which doesn't bode well for economic growth, given that private consumption represents more than 60% of total GDP. In recent years, strong population growth has provided a foundation for increased consumer spending, but population growth slowed in 2018 and growth is forecast to slow further in 2019.

Total dairy payout

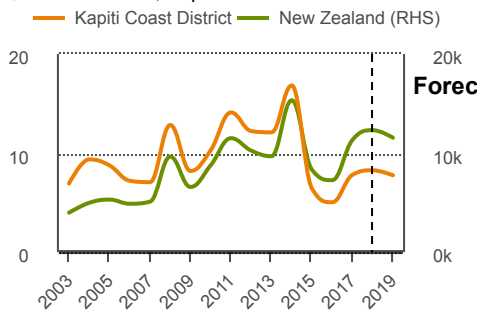
Total dairy payout

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



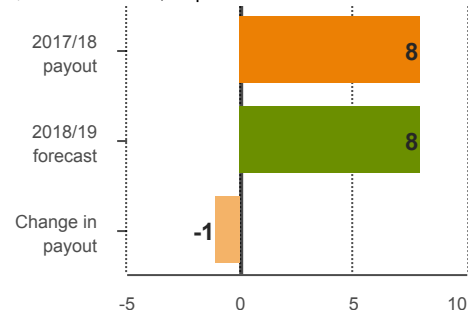
Total dairy payout

\$m each season, Kapiti Coast District



Total dairy payout

\$m each season, Kapiti Coast District



Highlights for Kapiti Coast District

- Kapiti Coast District's total dairy payout for the 2017/18 season is estimated to have been approximately \$8.26m.
- Kapiti Coast District's dairy payout for the 2018/19 season is expected to be approximately \$7.75m, \$0.51m similar to last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$12,308m in the 2017/18 season, and is expected to be \$767m lower in the 2018/19 season.

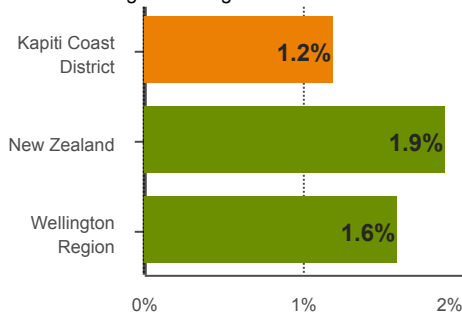
National overview

Fonterra's farmgate milk price forecast for the 2018/19 dairy season is currently \$6.30-\$6.60/kgms, a level that is in line with pricing at recent dairy auctions. Recent dairy auction results have generally been positive, and Fonterra's forecast appears well-supported by the pricing at these recent auctions. At these levels, dairy farmers remain in the black, with Dairy NZ's estimates of the breakeven point for the average dairy farmer sitting at \$5.50/kgms. Nevertheless, lingering concerns regarding Mycoplasma bovis and recent wobbles for other agricultural export prices will continue to weigh on farmers' willingness to make major purchases.

Health Enrolments

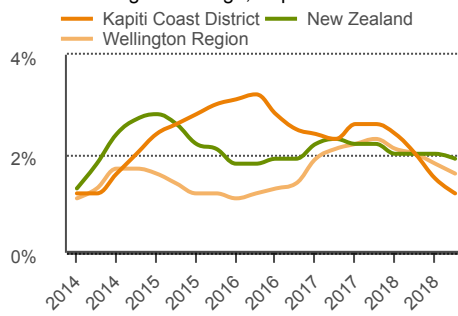
Annual change in Health enrolments

Annual average % change Dec 17 - Dec 18



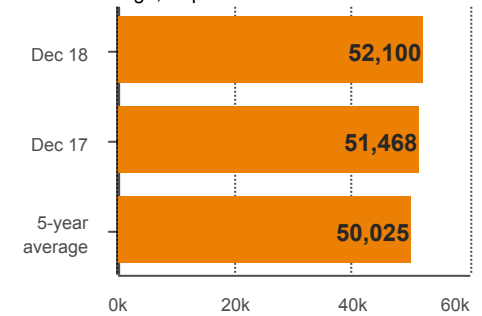
Health enrolments

Annual average % change, Kapiti Coast District



Health enrolments

Annual average, Kapiti Coast District



Highlights for Kapiti Coast District

- The number of people enrolled with a primary health organisation in Kapiti Coast District in the year to December 2018 increased by 1.2% compared with the previous year. Growth was lower relative to New Zealand, where the number of enrolments increased by 1.9%.
- An average of 52,100 people were enrolled with primary healthcare providers in Kapiti Coast District in the 12 months ended December 2018. This compares with an average of 50,025 since the start of the series in 2013.

National overview

In the December 2018 year, average health enrolments growth was 1.9% across New Zealand. This growth rate compares to Statistics New Zealand's estimated population growth rate of 1.7% over the same period. From this quarter onwards, we will begin using enrolments at primary health providers (i.e. GPs) as a proxy for population growth in regions. Primary health enrolments capture changes resulting from both natural increase and migration flows. We had previously used net international migration as our quarterly population growth proxy, but the recent removal of departure cards at airports has muddied the timely availability of reliable net international migration data for New Zealand's regions.

Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on earnings data from LEED. GDP growth in recent quarters is based on a model which uses the various partial economic indicators presented in this report as inputs. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year.

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.

Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House values

House value (dollar value) are sourced from QVNZ. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. It is not an average or median sales price, as both of those figures only measure what happens to have sold in the period. These average current values are affected by the underlying value of houses (including those not on the market) and are quality adjusted based on the growth in each house's price between sales.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority. Sales are based on new registrations which include the first time registration of new vehicles and used vehicles imported from overseas.

Dairy

Dairy data has been sourced from the "New Zealand Dairy Statistics", a publication co-owned by DairyNZ and LIC, as well as calculations made by Infometrics. The data accords to dairy seasons, which run from June to May. Total dairy payouts in each territorial authority have been calculated by Infometrics by utilising milk solids production in conjunction with Fonterra's farmgate milk price (excluding dividends) from the dairy season in question. For the current season, Infometrics calculates a payout forecast using our own expectation of the farmgate milk price and the assumption that milk solids production continues running at the same level from the previous season.

Jobseekers Support

In July 2013 the New Zealand's welfare system changed to better recognise and support people's work potential. As part of this the Jobseekers Support benefit was introduced. This benefit is for people who can usually look or prepare for work but also includes people who can only work part-time or can't work at the moment, for example, because they have a health condition, injury or disability.

Data presented for the September 2013 quarter onwards is provided by the Ministry of Social Development (MSD). Data prior to September 2013 are Infometrics estimates based on re-grouping pre-July 2013 benefit categories to be consistent with the post-July 2013 benefit categories. The pre-July 2013 benefit categories used to estimate the number of Jobseekers Support recipients are: Unemployment Benefit and Unemployment Benefit Hardship; Unemployment Benefit Training and Unemployment Benefit Hardship Training; Sickness Benefit and Sickness Benefit Hardship; Domestic Purposes Benefit - Sole Parent (if youngest child is 14 or over); Women Alone and Widow's Benefit (without children or with children 14 or over)

Health Enrolments

Health enrolments are sourced from the Ministry of Health. They record the number of people in each area who are enrolled with a Primary Health Organisation (PHO). Enrolment is voluntary, but most New Zealanders enrol at a general practice for health reasons and for the benefits of enrolment, such as cheaper doctors' visits and reduced costs of prescription medicines. The data provided is only for those people whose addresses are able to be accurately recorded by the Ministry of Health.