

Sector Dashboard

Agribusiness	163.6m GDP	13.2% of total GDP	HW 3.0%	MW/WG 3.0%	NZ 3.3%
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- The export pricing has been holding high, particularly for beef and dairy.
- Staff recruitment continues to be a pressure. Relaxations in the RSE worker scheme kicked in which has helped. There was a lot of initial nervousness but things appear to have worked out well.
- As the country moved to the Traffic Light System, many in the agricultural sector indicated they had concerns around how they would operate in that setting. While Horowhenua primary industry business suffered, they were hit less hard than NZ as a whole and the rest of M-W

Manufacturing	108.9m GDP	8.8% of total GDP	HW 1.0%	MW/WG 1.1%	NZ -1.7%
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- Demand continues to be high on the district's manufacturers with many indicating they were at capacity.
- Overall, the manufacturing sector seem to be going through a significant growth phase, with many investing in additional machinery / equipment and some investing in bigger / additional premises.
- There is certainly indication that there is a shortage of skilled workers.

Construction	93.3m GDP	7.6% of total GDP	HW -3.8%	MW/WG -0.2%	NZ -2.9%
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- Across the board, the construction sector indicate they have a solid pipeline of work and have a high level of confidence moving in to 2022.
- Material price increases (up to 30% in some cases) and continuing supply chain delays are the main concerns at present.

Retail	88.2m GDP	7.1% of total GDP	HW 7.2%	MW/WG 4.5%	NZ 4.3%
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- The retail sector indicated optimism around the end-of-year Christmas period.
- Initially, there was a lot of confusion around the Traffic Light System and how teams were meant to manage Vaccine Passes etc. This was particularly evident in the hospitality sector.
- Supply chain issues were kicking in before the end of the year, forcing some retailers to stock up, or signal significant delivery delays to customers.

Healthcare	80.7m GDP	6.5% of total GDP	HW 1.8%	MW/WG 2.8%	NZ 3.2%
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- There have been signals in the market of significant upcoming investment into the sector across the country, and for Manawatu-Whanganui more generally, but this is slow to reach Horowhenua.
- Towards the end of the year, staffing concerns did not seem to be as prevalent as they were early-mid 2021.

Education	54.4m GDP	4.4% of total GDP	HW 0.0%	MW/WG -2.9%	NZ -3.5%
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- The education sector remained confident despite the earlier impact of COVID. Better than across NZ and M-W
- The tertiary sector also remained confident, despite education reforms going on in the background.

Looking forward

While the economy remains in a relatively strong position, there is definitely a lot of uncertainty in the first quarter of 2022.

The introduction of the COVID-19 Protection Framework and the emergence of Omicron in the community has meant that most businesses have had to put measures in place to keep staff safe and maintain production.

Whilst there is no doubt that the high street is quieter, feedback from the businesses we have spoken to is that the demand has not dropped off, with many businesses still working to capacity, particularly in the manufacturing and construction space.

New Zealand's agricultural and construction industries continue to perform well but pressures continue to mount on the supply chain. COVID, again, is the main contributing factor. But, the situation in Ukraine is also impacting global fuel prices and adding to business costs and delays.

The recent announcement from government to start opening borders may yet serve as a double-edged sword. The tourism industry will certainly benefit, however, there is a real risk that Horowhenua businesses may lose good staff overseas, adding more pressure to the labour market.

Inflation, interest rate increases and rising costs (including fuel) have led to unprecedented modern Government intervention. In Horowhenua, weekly rent costs are increasing but average household income is not.

While there are certainly plenty of unknowns in the coming months, it can easily be misinterpreted as all being doom and gloom. There are a lot of positives to report on too!

After months of delays, Transmission Gully is due to open before the end of the first quarter. The new road brings with it inwards investment and visitor attraction opportunities for the district and wider region.

Overview

As at the end of December 2021 Horowhenua's economy remained in a strong position, with provisional estimates that the district's GDP grew 5.6% in the period ending December 2021. Consumer spending bounced back strongly following the Level 4 lockdown in the September 2021 quarter. Consumer spending rose 11% in the December 2021 year. More information about this pattern is in the Consumer Spend section of this report.

High agricultural export prices, helped by a weak NZ Dollar, has certainly benefitted the local economy. The forecast dairy payout of \$169m for the 2021/22 season is \$26m higher than the previous season's payout. Although higher agricultural input prices will be eating into dairy farmers' profits.

The vibrant economy is creating jobs and drawing more people into work. Horowhenua's unemployment rate fell to 4.3% for the period ending December 2021 and the number of Jobseeker Support recipients fell 1.1% in the December 2021 year as employment of Horowhenua residents rose by 4.3%.

Residential consents dropped in the period ending December 2021 but the 2021 year ended up 33% up on 2020. Non-residential consents also rose by 18% in 2021.

A 15% fall in house sales in the period ending December 2021 was driven, in part, by tighter lending restrictions. However, strong demand for housing continues fuelling house price inflation in Horowhenua. House values rose 36% in the period ending December 2021 quarter, the third straight quarter that house price inflation has been north of 30%. More on what is anticipated in future periods is set out in the Housing section of this report.

Key Performance Indicators

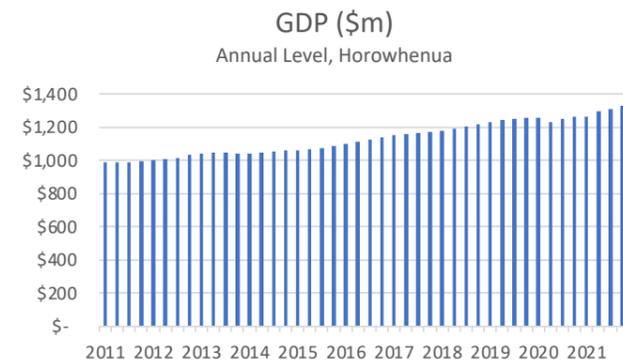
Annual Average % change	Horowhenua	Manawatu/Whanganui	New Zealand
GDP (provisional)	5.6% ▲	7.6% ▲	5.5% ▲
Traffic Flow	7.3% ▲	7.4% ▲	3.5% ▲
Consumer Spending**	10.9% ▲	8.8% ▲	5.0% ▲
Employment (Place of residence)	4.3% ▲	24.4% ▲	1.7% ▲
Jobseeker Support Recipients	-1.1% ▼	-3.0% ▼	1.9% ▲
Tourism Expenditure**	15.4% ▲	12.5% ▲	3.9% ▲
Health Enrolments	1.0% ▲	0.7% ▲	0.9% ▲
Residential consents	32.5% ▲	26.1% ▲	24.0% ▲
Non-residential consents	17.6% ▲	13.3% ▲	16.2% ▲
House Values *	36.3% ▲	28.5% ▲	27.3% ▲
House sales	-14.9% ▼	-7.7% ▼	3.5% ▲
Car registrations	14.3% ▲	19.9% ▲	20.2% ▲
Commercial vehicle registrations	-3.5% ▼	14.8% ▲	25.5% ▲

* Annual percentage change (latest quarter compared to same quarter a year earlier) ** Note: these figures include spend from cards registered in other regions. This includes people staying in social housing.

This Economic Dashboard signals how various areas of the economy are performing. The dashboard is updated quarterly based on Infometrics data but including a looking forward section with more current commentary of local observations and insights, and analysis from a range of economic commentators. The data presented in this dashboard is current as at 31 December and reflects figures from the year up to the end of that quarter.

GDP

Provisional GDP growth in Horowhenua of 5.6% was slightly higher than in New Zealand (5.5%). There has been significant variations across the regions as the country got to grips with the new COVID Alert Levels. That said, Horowhenua's economy has remained strong throughout the pandemic.



0.4%
of national total

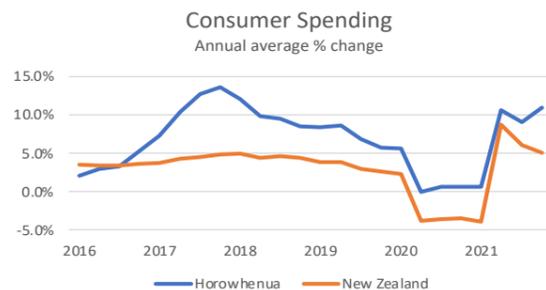
\$1.33 Billion
Provisional GDP for year to Dec 2021

Consumer Spend

Horowhenua has seen a 10.9% increase in consumer spending in the December 2021 quarter, compared with the same period in 2020. Overall, consumer spend in the district has performed well for the last 5 years. While COVID has obviously had an impact, Horowhenua has performed consistently better than the national average.

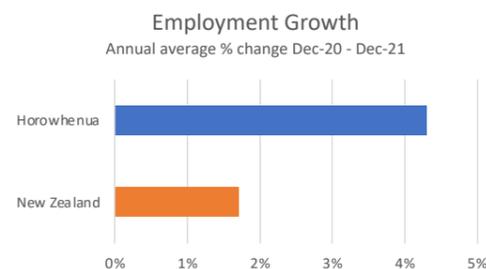
\$108M
Quarterly Spend Horowhenua

Annual % Change Dec 20 - Dec 21
10.9%



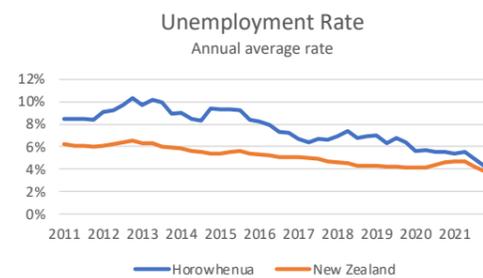
Employment

Horowhenua's growing population has directly contributed to a healthy level of employment in the district. There has been a 4.3% increase of residents in employment over the year to December 2021, significantly above the national rate of 1.7%. The largest rise in these numbers being due to the strong activity in the Construction sector. With jobseeker support numbers dropping in recent quarters, it's not a surprise that Horowhenua's unemployment rate for the quarter was down to 4.3% compared with 5.5% 12 months earlier.



13,202
Horowhenua residents in employment

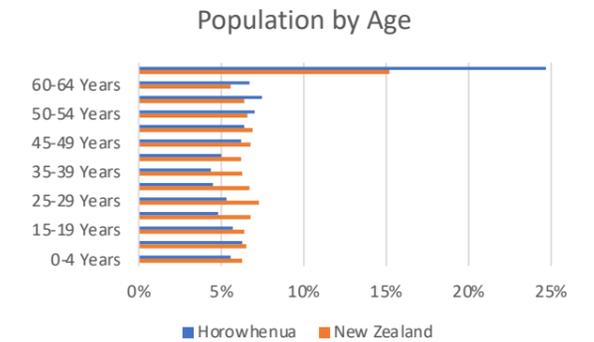
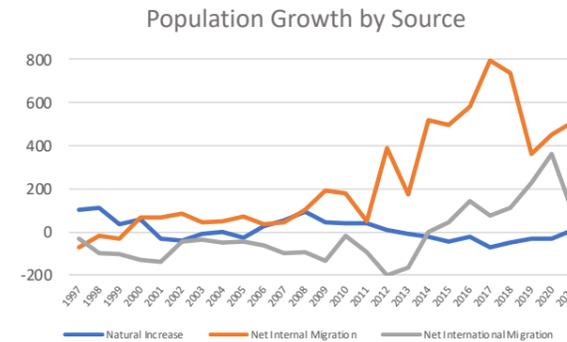
4.3%
Unemployment rate Q4 2021



Population

Horowhenua's population has grown by 1.7% in 2021 vs the national growth of 0.6%. For obvious reasons, the international migration figure is down from a high point of 360 in 2020. However, internal migration has continued to rise since 2019 and reached 510 in 2021. With recent population growth estimates released by WellingtonNZ, and key projects such as Transmission Gully nearing completion, we can expect this figure to grow significantly over the next 10-20 years.

It is certainly worth highlighting the fact that the district has an aging population and has the highest percentage of people over 65 of the Manawatu-Whanganui districts. We also have the lowest percentage of people of working age '15-65' and children up to 14 years old.



36,500 ▲
Resident Population 2021

+1.7% ▲
Horowhenua Population 20-21

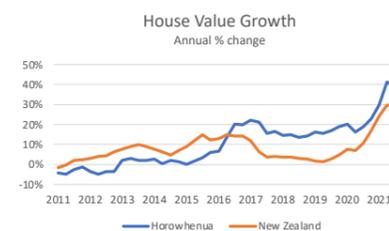
+0.6% ▲
National Population 20-21

Housing

Driven by low interest rates and demand outstripping supply, house prices continue to rise. The December 2021 quarter was the third straight quarter that saw house prices increase by over 30% – indications are that this is slowing driven by stricter lending criteria.

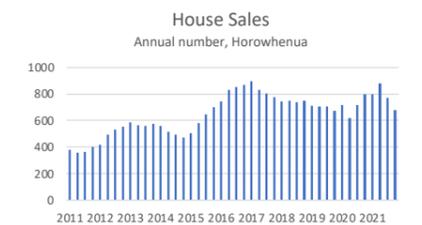
Sales for the December 2021 quarter were down to 679, slightly below the 10 year average (685) and significantly lower than the same quarter in 2020 (798). Increasing interest rates, inflation and other cpi increases (especially fuel) are likely to see continued slowing in sales, and also a slowing and flattening of house price increases.

The looking forward section sets out some of the factors that are driving a slow down in the housing market (and the economy more generally).



\$664,337
Average house price in Horowhenua (Dec 21)

Annual % change in house value Dec 20 - Dec 21
36.3%



Rental

This section outlines the affordability of rent in Horowhenua District and for the country as a whole by comparing average annualised rent with estimates of average annualised household income. Household incomes are a better measure for rental affordability than individual incomes as it reflects the true ability of a household to afford rent. We present an annual ratio of average rent to average household incomes. A higher ratio, therefore, suggests that average rent cost a greater multiple of typical incomes, which indicates lower rental affordability.

Renting in Horowhenua is less affordable than in the rest of New Zealand (as a whole) in the year to December 2021 with 27% of average household income spent on rent. This has continued a trend started in 2018.

