

Overview of Clutha District

Clutha District's economy reported a moderate March quarter, placing it in good stead as it entered the COVID-19 induced recession. Infometrics provisional estimates show that Clutha's GDP grew 1.4% in the year to March 2020, slightly below the national rate. Infometrics' modelling for Clutha shows that the district is expected to fare slightly better than the rest of New Zealand over the next year, due to its strong agricultural and food manufacturing base. Nationally, we are forecasting a decline in employment of 9.8% for the year to March 2021.

Strong population growth, as indicated by a 2.0% rise in health enrolments, provided a boost for consumer spending which grew 3.1%, in line with national growth of 3.0%. Similarly, car registrations followed the national trend, showing that consumer confidence in Clutha was at a similar level to the rest of the country.

A reduction in house sale volumes has shored up house values, with values up 19.8% while sales volumes fell 9.6% in the year to March 2020. This has flowed through to the construction sector, with a 10.0% rise in residential building consents issued. Non-residential building consents were very strong, with \$25.2m worth of consents issued in the year to March, well above the long-term average of \$15.3m. Many of these consents are for educational, industrial and farm buildings, so are likely to go ahead even in the deteriorating economic conditions of COVID-19.

Clutha's unemployment rate remained extremely low, at 2.8% compared to the national average of 4.1%. Jobseeker support recipients have grown slightly, but much slower than the national rate. Both measures are likely to deteriorate in future quarters due to COVID-19.

Indicator	Clutha District	Otago Region	New Zealand
<i>Annual average % change</i>			
Gross domestic product	↑ 1.4%	↑ 2.4%	↑ 1.7%
Traffic flow	↓ -1.0%	↓ -0.1%	↓ -0.2%
Health Enrolments	↑ 2.0%	↑ 5.3%	↑ 2.5%
Consumer spending	↑ 3.1%	↑ 3.3%	↑ 3.0%
Residential consents	↑ 10.0%	↑ 0.7%	↑ 9.0%
Non-residential consents	↑ 68.3%	↑ 48.5%	↓ -0.4%
House prices*	↑ 19.8%	↑ 5.1%	↑ 5.9%
House sales	↓ -9.6%	↓ -1.9%	↑ 2.0%
Tourism expenditure	↓ -2.7%	↓ -0.8%	↑ 1.4%
Car registrations	↓ -10.8%	↓ -2.2%	↓ -11.5%
Commercial vehicle registrations	↓ -15.5%	↓ -11.6%	↓ -12.8%
Jobseeker Support recipients	↑ 4.5%	↑ 4.2%	↑ 11.7%
<i>Level</i>			
Unemployment rate	2.8%	3.4%	4.1%

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

Overview of national economy

The COVID-19 pandemic has upended the economy and plunged New Zealand into the sharpest recession in living memory. The March quarter includes the full progression of the virus, from its origins in China and subsequent hit to New Zealand exports, through to border closures forcing lower tourism arrivals, before culminating in the lockdown of New Zealand under Alert Level 4. Our March 2020 Quarterly Economic Monitor only captures the initial economic effects of putting the New Zealand economy on life support. The June Monitor will better reflect activity changes. No sector of the economy will be spared, with the regional impacts dependant on the local economic structure – Infometrics is now forecasting the loss of 250,000 jobs nationally over the next year, followed by a long period of restructuring the economy.

Gross domestic product (provisional)

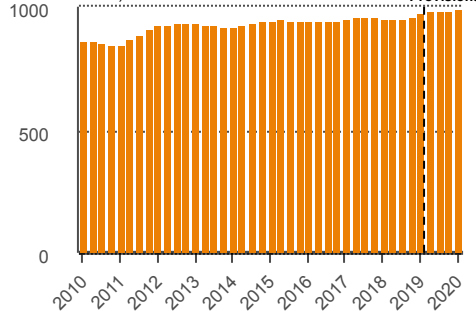
Gross domestic product growth (provisional)

Annual average % change Mar 19 - Mar 20



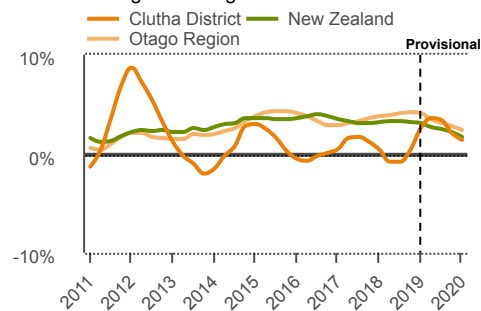
Gross domestic product (provisional, \$m)

Annual level, Clutha District



Gross domestic product growth (provisional)

Annual average % change



Highlights for Clutha District

- GDP (provisional) in Clutha District was up 1.4% for the year to March 2020 compared to a year earlier. Growth was lower than in New Zealand (1.7%) and lower than in Otago Region (2.4%).
- GDP (provisional) was \$990 million in Clutha District for the year to March 2020 (2019 prices).
- Annual GDP growth in Clutha District peaked at 8.7% in the year to March 2012.

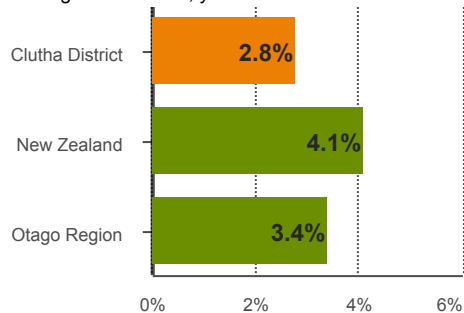
National overview

Economic activity dropped significantly in the March 2020 quarter, with lower tourism and trade activity over the first two months of the quarter combining with a collapse in activity at the end of March. Infometrics provisional estimates point towards a 0.6% contraction in activity from the December quarter, taking economic growth over the 12 months to March 2020 to 1.7%pa. Lower tourism activity, softer freight volumes, and empty construction sites were key drivers of the decline, with unsurprisingly stronger government administration activity keeping activity from dropping lower. With the Level 4 lockdown only captured in the last 6 days of March, estimates for June will be far more dire.

Unemployment rate

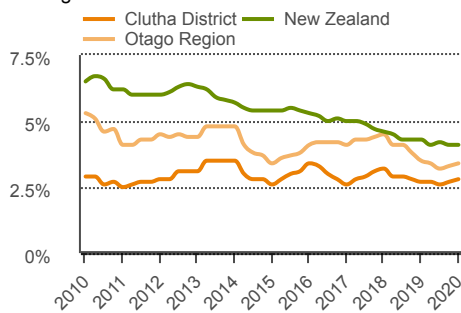
Unemployment rate

Average annual rate, year to March 2020



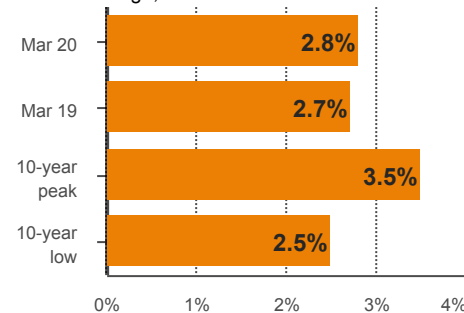
Unemployment rate

Average annual rate



Unemployment rate

Annual average, Clutha District



Highlights for Clutha District

- The annual average unemployment rate in Clutha District was 2.8% in March 2020, up from 2.7% a year earlier.
- The unemployment rate in Clutha District was lower than in New Zealand, where the unemployment rate averaged 4.1% over the year to March 2020.
- Over the last ten years the unemployment rate reached a peak of 3.5% in March 2014;

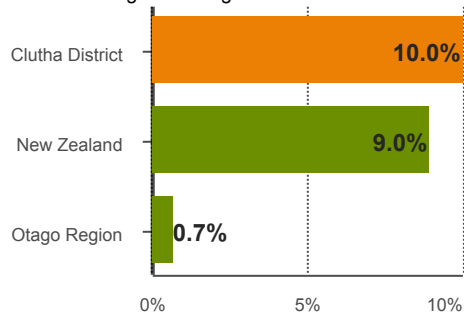
National overview

Unemployment remained low at an annual average rate of 4.1% for the March 2020 year. The March quarter saw rises in both full-time and part-time work compared with the same quarter a year earlier. However, labour market tightness is unlikely to persist. The COVID-19 pandemic and government's containment measures, such as closing New Zealand's borders and implementing an economic lockdown, will cause a sharp shock to New Zealand's short-term growth prospects. The coming recession will result in immediate job losses that will materialise in the June 2020 quarter results. With the knock-on effects of the lockdown reaching almost every sector of the economy, we are forecasting the unemployment rate to rise to 9.0% in the March 2021 year.

Residential consents

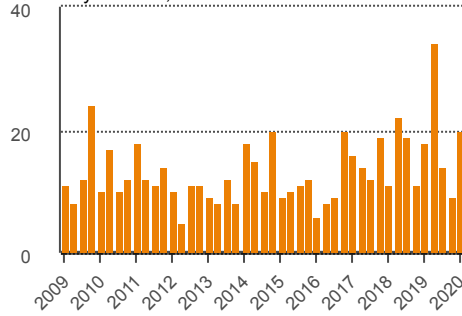
Growth in no. of new dwelling consents

Annual average % change Mar 19 - Mar 20



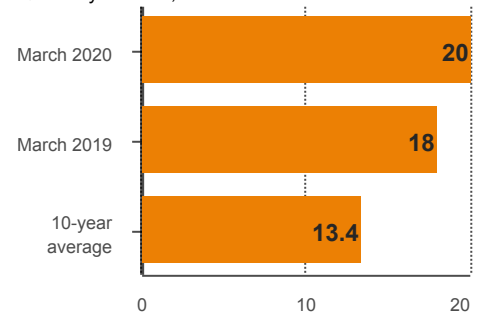
Residential consents

Quarterly number, Clutha District



Number of new dwelling consents

Quarterly number, Clutha District



Highlights for Clutha District

- A total of 20 new residential building consents were issued in Clutha District in the March 2020 quarter, compared with 18 in the same quarter last year.
- On an annual basis the number of consents in Clutha District increased by 10.0% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 9.0% over the same period.

National overview

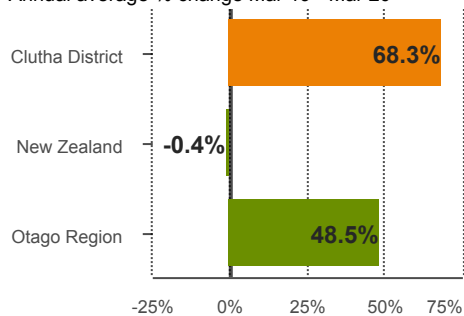
Residential building consents grew by 9.0% in the year to March 2020, and growth was starting to ease as consents reached a plateau level.

However, due to COVID-19 we expect extreme levels of uncertainty among both businesses and households to drive consents lower throughout the rest of 2020 and 2021. We also believe that some confidence effects are already apparent in data for the month of March.

Non-residential consents

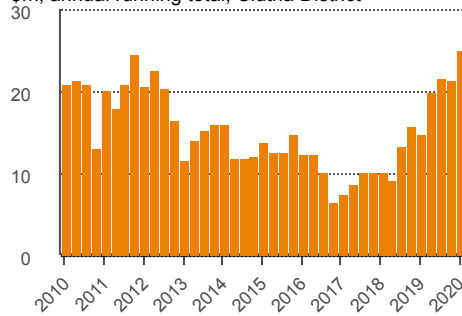
Growth in value of consents

Annual average % change Mar 19 - Mar 20



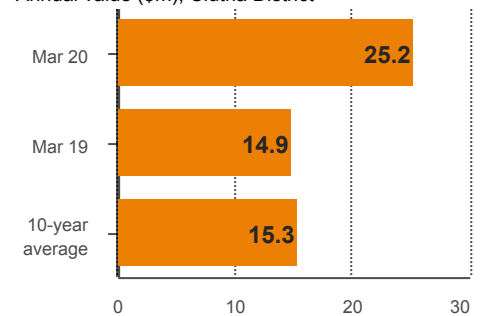
Non-residential consents, Clutha District

\$m, annual running total, Clutha District



Value of non-residential consents

Annual value (\$m), Clutha District



Highlights for Clutha District

- Non-residential building consents to the value of \$25 million were issued in Clutha District during the year to March 2020.
- The value of consents increased by 68.3% over the year to March 2020. By comparison the value of consents in New Zealand decreased by -0.4% over the same period.
- Over the last 10 years, consents in Clutha District reached a peak of \$25 million in the year to March 2020.

National overview

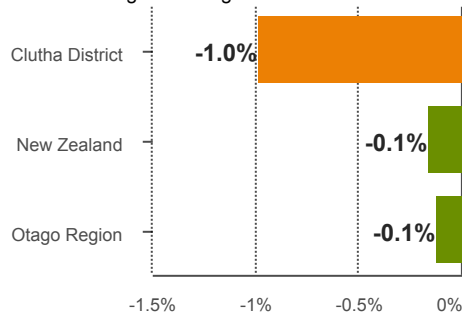
The value of non-residential consents notched back by 0.4% in the year to March 2020, driven down by a very soft result for the month of March. While COVID-19 will have some influence on March, this represents a broader slowing down of non-residential consents which has been in motion for some time.

With a weak economic outlook due to COVID-19, consents will fall further in future months. Furthermore, previously consented projects in badly hit sectors, such as retail and accommodation, may not proceed. Public sector activity remains strong, and recently announced funding for education and hospital construction may help to shore up overall levels of activity.

Traffic flow

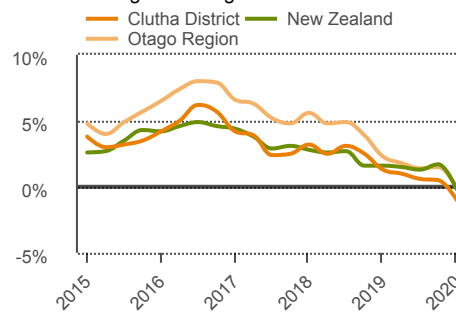
Annual change in traffic flows

Annual average % change Mar 19 - Mar 20



Traffic volume growth

Annual average % change



Highlights for Clutha District

- Traffic flows in Clutha District decreased by -1.0% over the year to March 2020. This compares with an decrease of -0.2% in New Zealand.

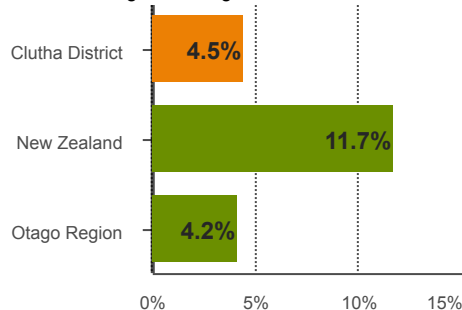
National overview

Transport activity declined by 0.1%pa over the 12 months to March 2020, reversing the slightly faster pace of traffic activity over the December 2019 year. Daily traffic flow analysis shows that transport activity across the country drifted lower throughout February, with lower tourism numbers combining with fewer freight movements. However, the immediate move to Level 3 on 23 March saw traffic volumes drop 15% from volumes on March 1. The Level 4 lockdown saw traffic flows on the last day of March at just a quarter (26%) of usual traffic levels. Heavy traffic flows held up better, operating at around 60% of normal levels on the last day of March. Lower consumption is set to keep traffic volumes subdued even as the economy reopens.

Jobseekers

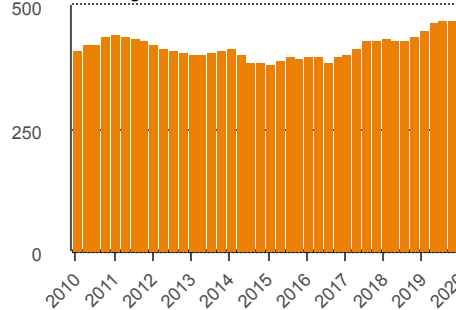
Annual change in Jobseekers

Annual average % change Mar 19 - Mar 20



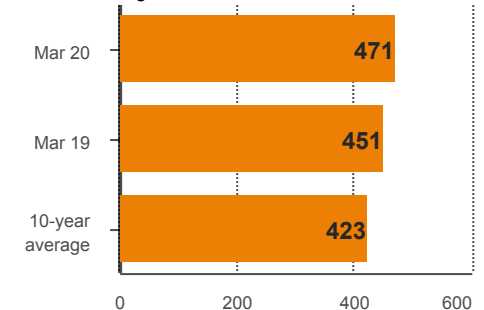
Jobseekers

Annual average, Clutha District



Jobseekers

Annual average, Clutha District



Highlights for Clutha District

- Working age Jobseeker Support recipients in Clutha District in the year to March 2020 increased by 4.5% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 11.7%.
- An average of 471 people were receiving a Jobseeker Support benefit in Clutha District in the 12 months ended March 2020. This compares with an average of 423 since the start of the series in 2010.

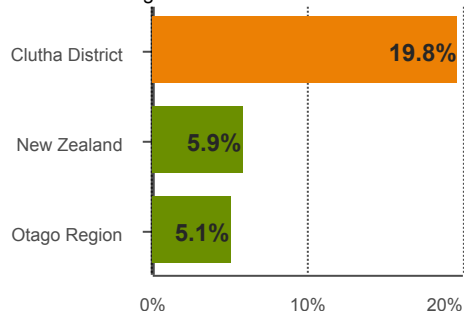
National overview

Job losses have already started to filter through to the economy, with the number of Jobseeker Support recipients increasing by around 4,300 at the end of March 2020 compared to the end of December 2019. Jobseeker numbers are now up nearly 12%pa on average over the 12 months to March 2020, and only capture the start of the rise of unemployment across the economy. Since the end of March, 35,000 additional people have been added to the Jobseeker Support benefit. Young people, who already had a higher unemployment rate, are bearing the brunt of job losses, with a 57% increase in Jobseeker Support Work Ready recipients aged under 30 in April compared to February, compared to a 35% rise in recipients aged 30-64.

House prices

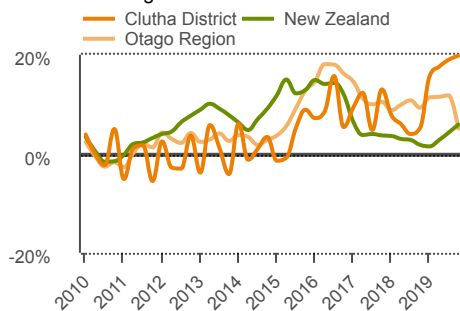
Annual change in house prices

Annual % change Mar 19 - Mar 20



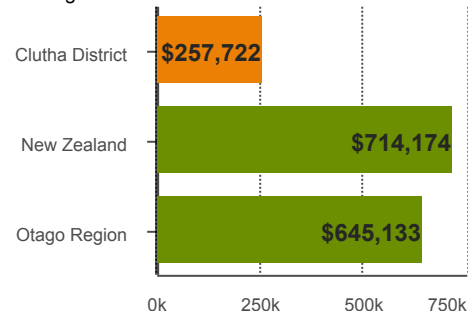
House price growth

Annual % change



Average current house value

Average for 12 months to Mar 2020



Highlights for Clutha District

- The average current house value in Clutha District was up 19.8% in March 2020 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 5.9%.
- The average current house value was \$257,722 in Clutha District over the March 2020 year. This compares with \$714,174 in New Zealand.

National overview

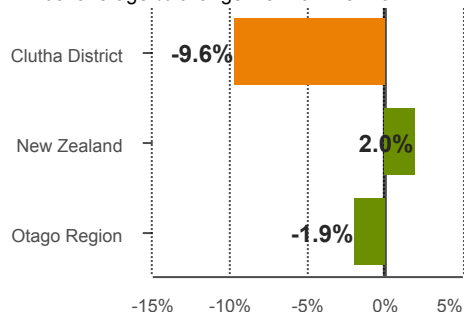
House prices were up by 9.3% across the country over the year to March 2020. All regions were up, with Auckland recording its fastest growth in three years (8.2%pa). House price growth was spurred on by successive cuts to interest rates throughout 2019.

House prices are forecast to fall significantly between now and the end of 2021, although declines in the near-term are likely to be kept in check by the government's mortgage holiday scheme that will limit the number of forced sales taking place.

House sales

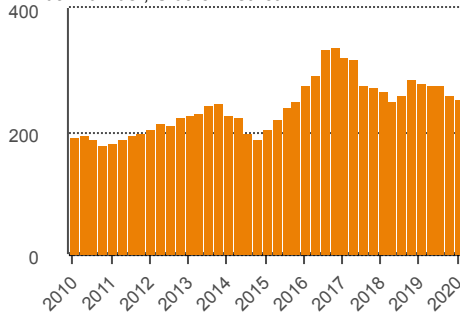
Annual change in house sales

Annual average % change Mar 19 - Mar 20



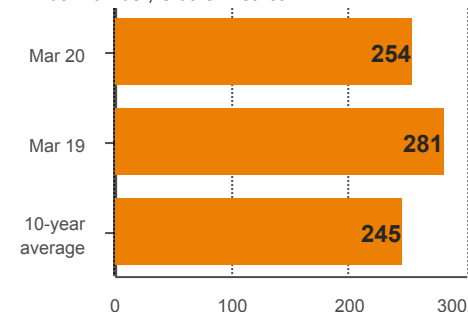
House sales

Annual number, Clutha District



House sales

Annual number, Clutha District



Highlights for Clutha District

- House sales in Clutha District in the year to March 2020 decreased by 9.6% compared with the previous year. Growth underperformed relative to New Zealand, where sales increased by 2.0%.
- A total of 254 houses were sold in Clutha District in the 12 months ended March 2020. This compares with the ten year average of 245.

National overview

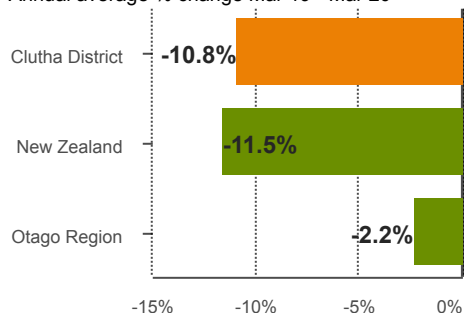
House sales across New Zealand fell by 12% in the year to March 2020. Sales picked up through the latter half of 2019 in response to cuts in interest rates, however this growth was unpicked by a soft month of March as the Level 4 lockdown began to bite.

We expect house sales to drop over the coming year, with limited numbers of buyers in the market due to the economic fallout from the COVID-19 pandemic. However, the forecast declines in house prices might entice some buyers into the market in the second half of 2021.

Car registrations

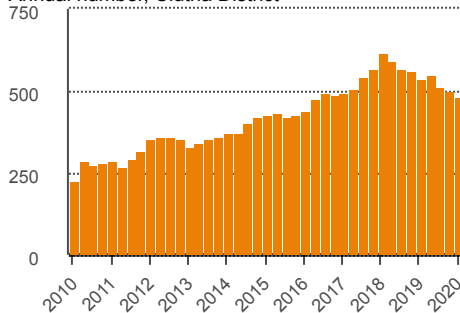
Car registrations

Annual average % change Mar 19 - Mar 20



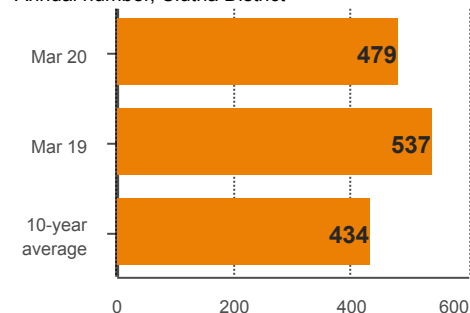
Car registrations

Annual number, Clutha District



Car registrations

Annual number, Clutha District



Highlights for Clutha District

- The number of cars registered in Clutha District decreased by -10.8% in the year to March 2020 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -11.5%.
- A total of 479 cars were registered in Clutha District in the year to March 2020. This compares with the ten year average of 434.

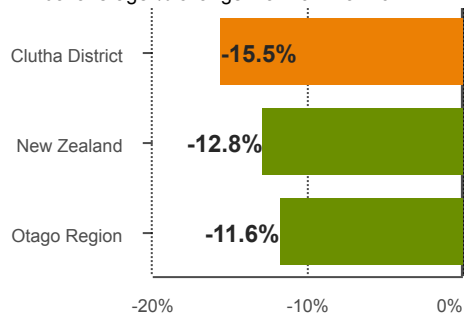
National overview

Car registrations continue to decline, falling 11.5% in the March 2020 year. The downturn in car registrations reflects a weakening economic tapestry of slowing population growth, softening employment growth and subdued consumer confidence. Trading restrictions under Alert Level 3 then Level 4 in late March didn't help either. The softening car market was reflected in falling registrations across both new and used cars and, within these two markets, across both large and small vehicles. The outlook for the car market is dire. Further trading restrictions in April and May will make for a difficult June quarter. With the economy expected to contract 8.0% in the March 2021 year, and unemployment set to hit 9.0% over the same period, consumers' will be unwilling to make major purchases for the foreseeable future.

Commercial vehicle registrations

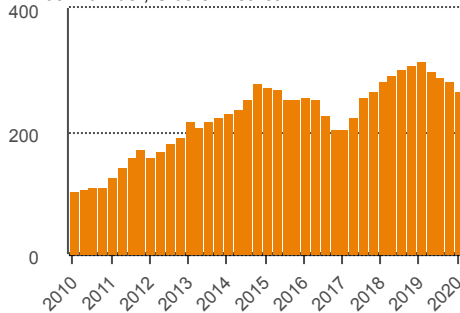
Commercial vehicle registrations

Annual average % change Mar 19 - Mar 20



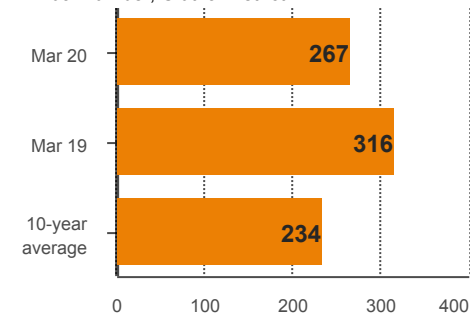
Commercial vehicle registrations

Annual number, Clutha District



Commercial vehicle registrations

Annual number, Clutha District



Highlights for Clutha District

- The number of commercial vehicles registered in Clutha District decreased by -15.5% in the year to March 2020 compared with the previous 12 months. Growth was lower than in New Zealand, where commercial vehicle sales decreased by -12.8%.
- A total of 267 commercial vehicles were registered in Clutha District in the year to March 2020. This is higher than the ten year annual average of 234.

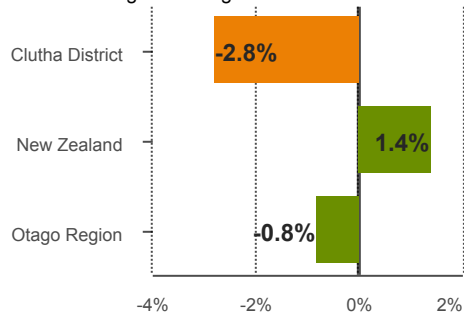
National overview

Commercial vehicle registrations continued to fall, dropping 13% in the March 2020 year as softening economic growth and weakening residential construction activity continued to sap businesses' willingness to invest in either light, medium or very heavy commercial vehicles. Looking forwards, with the economy coming almost to a standstill during Alert Levels 4 and 3, freight firms' profitability will be under pressure. Commercial vehicle registrations will decline further in the coming year as a forecast 8.0% contraction in the economy in the March 2021 year sends construction activity and consumer spending into freefall. Export volumes are also expected to come under stern downward pressure as the global economy enters recession.

Tourism Spending

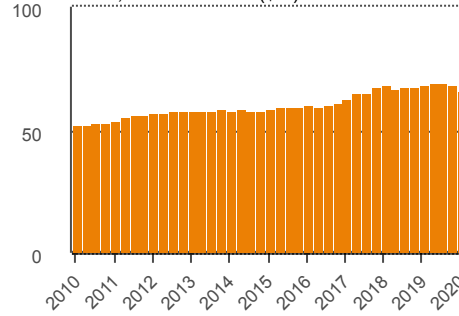
Tourism expenditure

Annual average % change Mar 19 - Mar 20



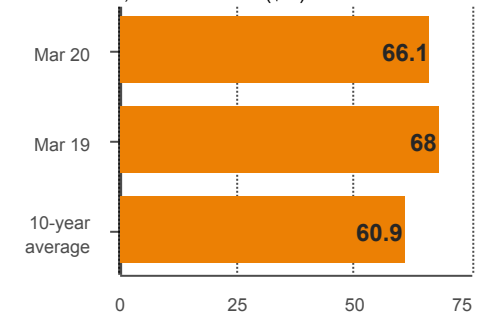
Tourism expenditure

Annual total, Clutha District (\$m)



Tourism expenditure

Annual total, Clutha District (\$m)



Highlights for Clutha District

- Total tourism expenditure in Clutha District decreased by 2.7% in the year to March 2020. This compares with an increase of 1.4% in New Zealand.
- Total tourism expenditure was approximately \$66m in Clutha District during the year to March 2020, which was down from \$68m a year ago.

National overview

Tourism spending growth over the 12 months to March 2020 dropped markedly, from above 3%pa over 2019 to just 1.4%pa over the March 2020 year. Spending in the March 2020 month alone was down 29% from last March. Tourist arrivals dropped 54%pa in the March quarter, with progressively more restrictive border controls throughout the quarter. Infometrics' working assumption is that the borders will remain closed until the end of the year, although an earlier opening of a trans-Tasman bubble provides some upside risk. Our forecasts currently expect a 91% drop in international tourism activity, and a 21% drop in domestic activity, as lower household incomes and other factors restrain travel.

Consumer Spending

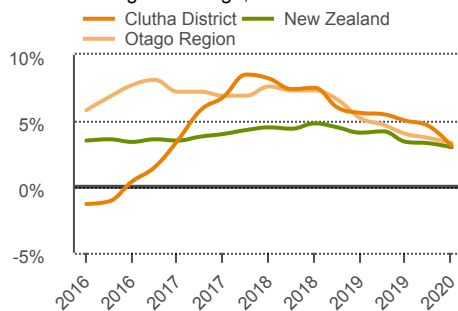
Growth in consumer spending

Annual average % change Mar 19 - Mar 20



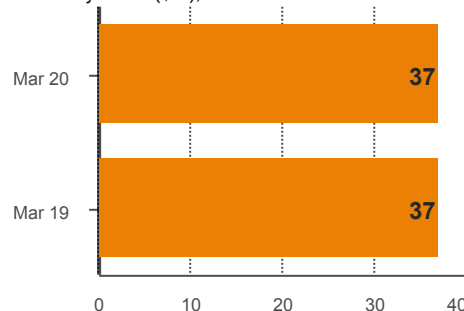
Consumer spending (\$m)

Annual average % change, Clutha District



Consumer spending

Quarterly value (\$m), Clutha District



Highlights for Clutha District

- Electronic card consumer spending in Clutha District, as measured by Marketview, increased by 3.1% over the year to March 2020 compared to the previous year. This compares with an increase of 3.0% in New Zealand.

National overview

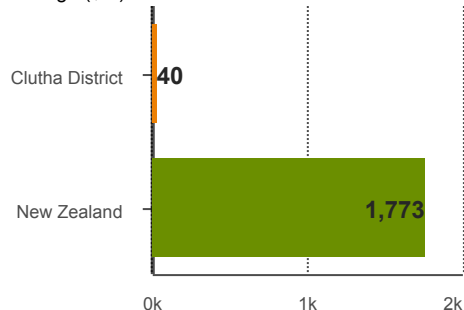
Consumer spending grew by a relatively modest 3.0% in the year to March 2020, with the rate of growth steadily easing since 2018. Spending in the March month was 4.5%pa lower after wild spending swings. Panic buying pushed spending levels up 24%pa on the day before Level 4 lockdown commenced, before quickly falling away over the rest of March, with spending down 63%pa.

Consumer spending will deteriorate substantially over the coming quarters, initially due to the lockdown period limiting consumers ability to spend, and subsequently due to a loss of consumer confidence as households face real or perceived concerns around job losses. With New Zealand's borders closed, the forecast decline in migration will reinforce this downward trend.

Total dairy payout

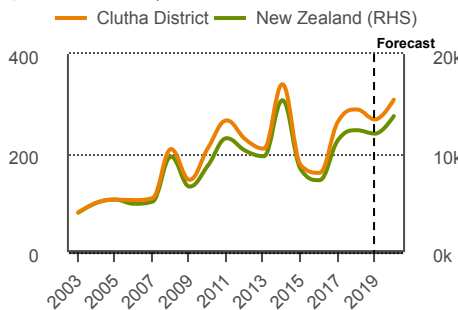
Total dairy payout

Change (\$m) between 2018/19 and 2019/20 seasons



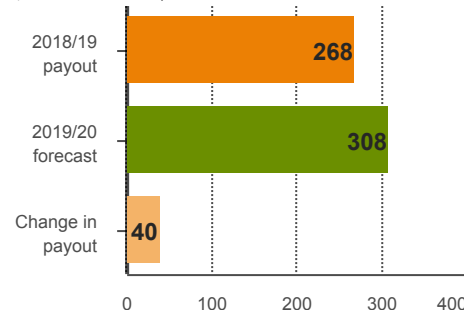
Total dairy payout

\$m each season, Clutha District



Total dairy payout

\$m each season, Clutha District



Highlights for Clutha District

- Clutha District's total dairy payout for the 2018/19 season is estimated to have been approximately \$268m.
- Clutha District's dairy payout for the 2019/20 season is expected to be approximately \$308m, \$39.8m higher than last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$11,964m in the 2018/19 season, and is expected to be \$1,773m higher in the 2019/20 season.

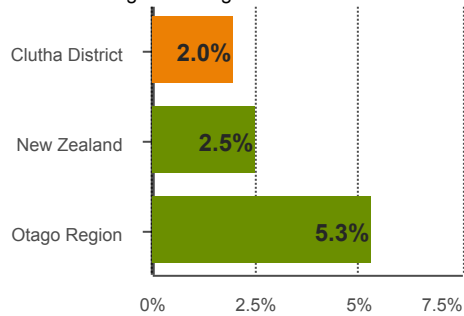
National overview

Expectations for the dairy sector have softened, with dual issues putting the primary sector under pressure. Drought conditions continue to present a substantial challenge for regional communities, with feed both less accessible and more expensive to access. The COVID-19 pandemic has also put dairy prices under pressure. Infometrics is still using the midpoint of Fonterra's \$7.00-\$7.60/kgms pay-out in our estimates, but our internal expectations point towards a pay-out at the lower end of this range, at around \$7.05/kgms. A decline from \$7.30/kgms to \$7.05/kgms would reduce the national pay-out by around \$470m. Our early estimate for the 2021 season is currently tracking at \$6.15/kgms, although there is significant uncertainty. Dairy prices have firmed in recent weeks as Asian demand rebounds, and dairy export values remain above 2019 levels.

Health Enrolments

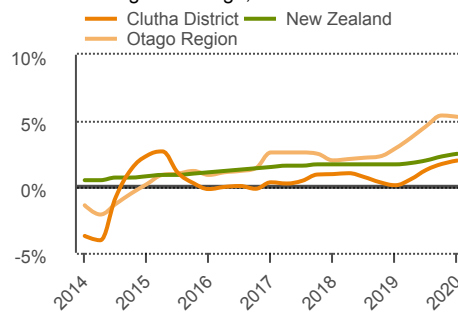
Annual change in Health enrolments

Annual average % change Mar 19 - Mar 20



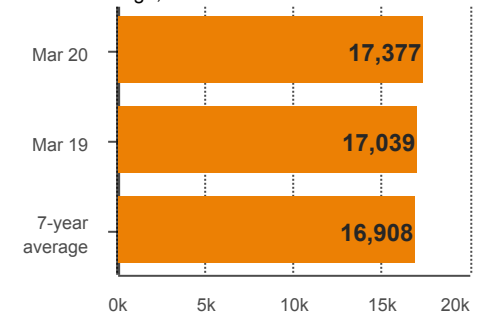
Health enrolments

Annual average % change, Clutha District



Health enrolments

Annual average, Clutha District



Highlights for Clutha District

- The number of people enrolled with a primary health organisation in Clutha District in the year to March 2020 increased by 2.0% compared with the previous year. Growth was lower relative to New Zealand, where the number of enrolments increased by 2.5%.
- An average of 17,377 people were enrolled with primary healthcare providers in Clutha District in the 12 months ended March 2020. This compares with an average of 16,908 since the start of the series in 2013.

National overview

Health enrolments continue to grow, with both a rise in the current population and a new health issue contributing to better coverage of the population. Growth in health enrolments advanced to 2.5%pa over the 12 months to March 2020, up from 2.3%pa in December. After slowing in recent quarters as net migration levels held steady, national population growth jumped to 2.0%pa, from a revised 1.7%pa in December. We expect that health enrolment could continue to rise in future quarters even if population growth slows in line with our expectations, with the current environment making it more likely for people to enrol for health services because of COVID-19 and ability to access cheaper healthcare if enrolled.

Technical notes

Building Consents

Building consents data is sourced from Statistics New Zealand. The number of residential consents issued for new dwellings is the measure for residential consents. For non-residential consents, the measure is the value of both new buildings and alterations.

Consumer Spending

The consumer 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.

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.

Earnings

The earnings data comes from the quarterly Linked Employer Employee Data (LEED) published by Statistics New Zealand. LEED publishes the mean earnings of full quarter jobs for each quarter. Full quarter jobs may include full time and part time jobs. Earnings include overtime and lump sum payments. We sum the mean earnings for the four quarters making up the year to arrive at an estimate of average annual earnings. Infometrics projects average annual earnings to the current quarter using growth rates in industry earnings measured in the Labour Cost Index.

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. Gross domestic product is measured in 2019 dollar terms.

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. Changes to how the Ministry of Health recorded this data led to Infometrics revising our approach to health enrolment figures for the March 2019 Quarterly Economic Monitor onwards. Our new approach completely revises our timeseries of health enrolments, so care should be taken when comparing the March 2019 report with previously downloaded reports.

Previously, the data provided was only for those people whose addresses are able to be accurately recorded by the Ministry of Health. We have now switched to breaking down TA-level health enrolments based on trends in stated health enrolments by area, to ensure that the total number of enrolees published in the Monitor align with the national-level figures published by the Ministry of Health. A new system for classifying and recording health enrolment addresses from March 2019 onwards by the Ministry means significantly higher numbers of unallocated enrolees, resulting in the need to review our model.

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.

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.

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.

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.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of Jobseekers are used to break down regional unemployment rates to TA levels. The TA level unemployment rates are benchmarked on census following the release of each census. To reduce volatility the unemployment rate is presented as an average for the last four quarters.

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.