

Economic Monitor

September 2020

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Economic indicators for the Western Bay sub-region demonstrate a positive picture again for August.

While retail spend took a dip when Auckland went into L3 lockdown (one of our key tourism markets), we've generally seen our economy unaffected by the recent COVID-19 outbreak.

Heavy traffic flows have returned to February levels, consumer spending is consistent, advertised job numbers are up, consents are steady, and Tauranga City reached a record median house sale price in August due to high demand.

Employment outcomes, as far as we can see in MSD numbers, remain in a steady state – we will be watching the effect of the wage subsidy extension closely over the next couple of months.

In the longer term, keep an eye on what the lack of migration into New Zealand does to housing growth in this region. Despite media reports to the contrary, there is no flood of Kiwis moving back to the country. For an area that has experienced high population growth in recent years, largely due to migration from other New Zealand cities, the flow on effect of this change could lower housing demand over the 2-3 year timeframe.

This month, we explain some factors influencing our economy – business confidence, why the share market is proving popular, and what is actually happening in net migration. As always, your feedback is welcome.

Our Economic Monitor is focused on Tauranga City and Western Bay of Plenty District, combining data from economists, data we have locally, and information from local businesses. We also provide key national measures to round out the picture.

The information available within this monitor is given in good faith and intended to provide general information to Priority One stakeholders. The information is obtained from sources believed to be reliable and accurate at the date of preparation.



Migration

Since January 2020, governments have imposed international travel restrictions in multiple countries, due to the spread of COVID-19 around the world.

In March 2020, the New Zealand government introduced further measures to limit inbound travel. These combined restrictions have affected the number of flights to and from New Zealand.

Many visitors to New Zealand, travelling on a range of visa types, have been unable to depart.

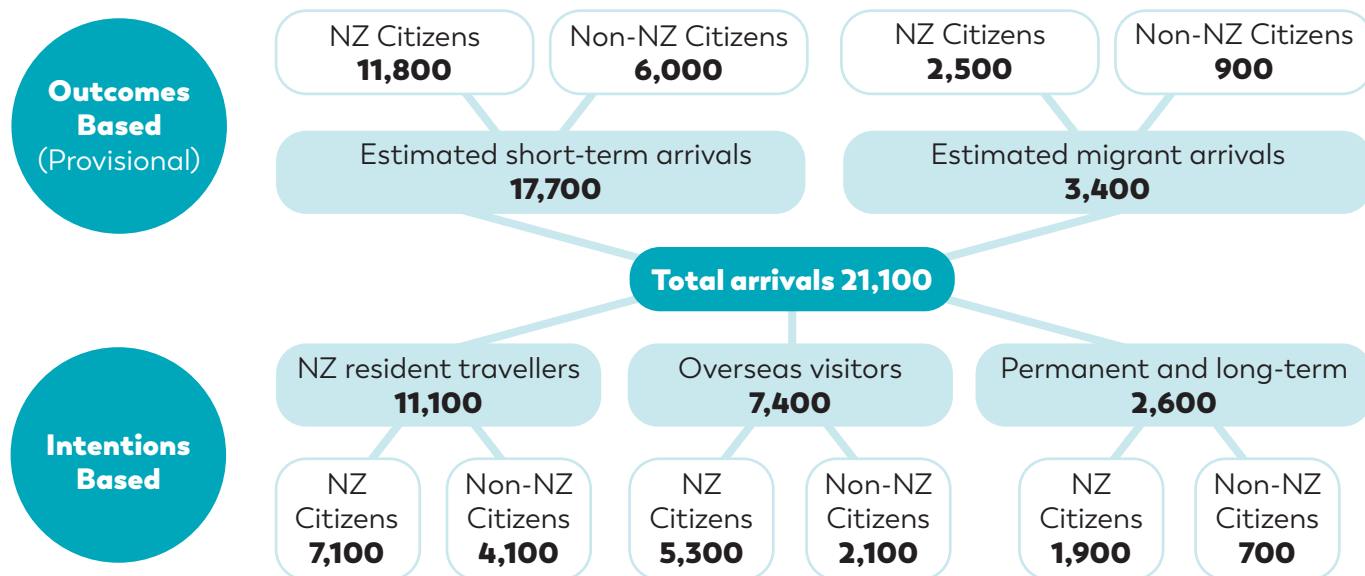
Estimates as at 31 July 2020 are 105,000-125,000 visitors in New Zealand.

Estimated migrant arrivals of New Zealand citizens was higher than usual up to March 2020, and migration estimates could be revised up or down depending on whether these people stay in New Zealand or head back overseas.

The travel of New Zealand residents has been curtailed, resulting in relatively fewer short-term and long-term (migrant) departures of New Zealand citizens in recent months compared to the same period a year ago.

Arrivals by passenger type

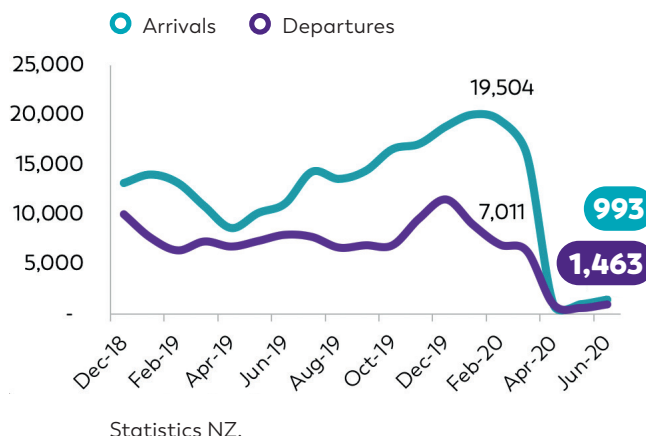
June 2020 quarter



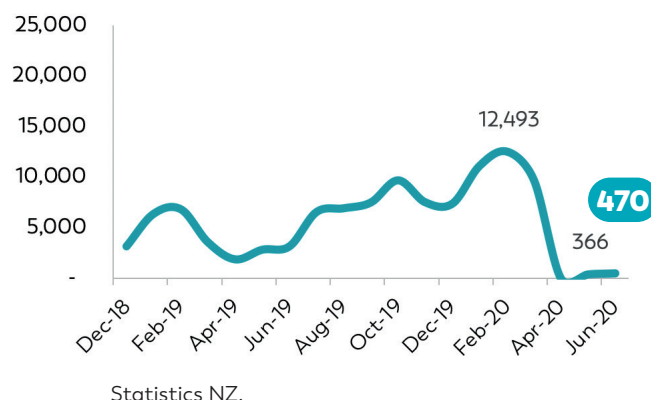
January and February saw peaks of around 20,000 arrivals, curtailed in March to 16,000 then falling off a cliff from April. The anecdotal 'brain gain' from returning Kiwis seems to not be the case after all.

For the June 2020 quarter, there were only 2,600 permanent and long-term arrivals out of a total of 21,000.

ESTIMATED MIGRATION TO AND FROM NEW ZEALAND



NET MIGRATION TO NEW ZEALAND





Business Confidence

- Many activity indicators are at their highest levels since February, but are still well down compared to pre-COVID days.
- Business confidence lifted 16 points to -26%, while own activity outlook lifted 8 points to -10%.

ANZ Business Outlook data for September saw a widespread improvement in the forward-looking activity indicators despite the re-emergence of COVID-19 in the community and the associated Alert Level 2/3 restrictions.

Remarkably, only a net 1% of firms expect to reduce investment (a 14-point lift) while a net 14% intend to reduce employment.

Profitability expectations were up 4 points, with expected costs higher, but pricing intentions are up by slightly more, and firms are less negative about how busy they expect to be.

For now, things appear to be firmly in the 'could be worse' basket.

Preliminary Survey Results September 2020

NET BALANCE PRELIMINARY	SEPTEMBER	AUGUST
Business confidence	-26.0	-41.8
Own activity outlook	-9.9	-17.5
Export intentions	-4.5	-20.0
Investment intentions	-1.2	-15.2
Cost expectations	36.8	34.5
Capacity utilisation	-1.2	-6.2
Employment intentions	-14.3	-23.6
Profit expectations	-28.7	-33.4
Pricing intentions	16.2	12.5
Ease of credit	-37.2	-43.0
Inflation expectations	1.36	1.36
Activity vs. same month one year ago	-21.1	-13.2
Employment vs. same month one year ago	-21.5	-24.8

Preliminary results for September cover the period from 1 September to midnight 7 September (254 respondents). These responses will be incorporated into the official ANZBO results to be released on 30 September.

[Read the full report here](#)

Xero Small Business Insights

July 2020

- Small businesses continued to steadily rebuild in July
- Small fall in revenue after earlier gains
- Employment figures remain varied across industries
- Manufacturing leads revenue recovery but yet to flow through to jobs
- Professional services lags in revenue results
- Spending confidence helping retail and hospitality
- Auckland likely to disrupt the early recovery process seen in recent months



[Read the full report here](#)

Xero Small Business Insights, 31 August 2020



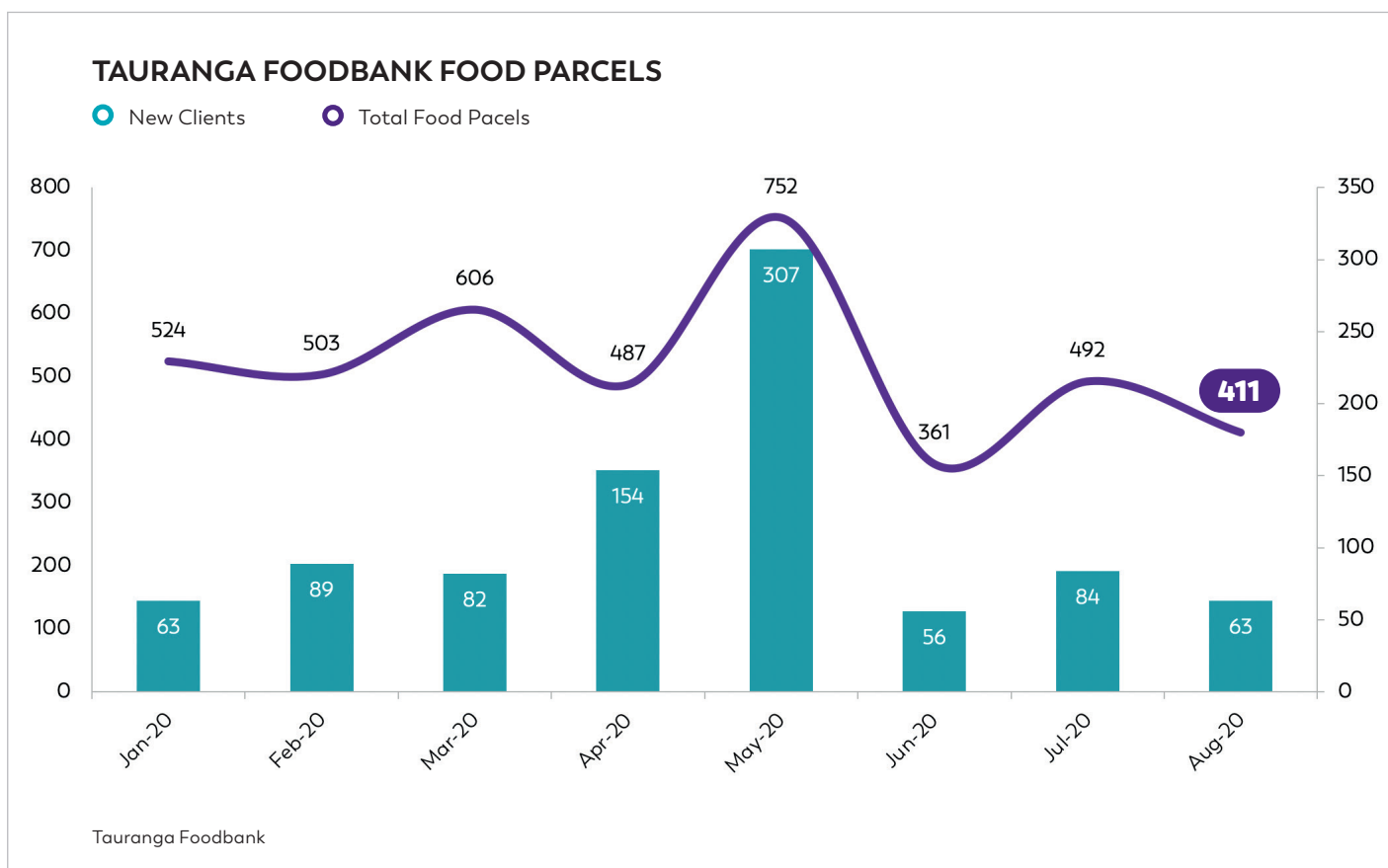
Social Indicators

Food Parcels

Last month, we shared food parcel numbers from the Tauranga Foodbank for the first time. In August there were 63 new clients and 411 food parcels issued – 81 less than in July.

The way statistics are reported will be changing as Tauranga Foodbank are focusing on providing more food in a food parcel, which will hopefully mean that people don't have to return as often.

This will affect the number of parcels issued, so Tauranga Foodbank will be reporting on how much food was given, and are yet to work out how to do this. Meantime it is pleasing to see food parcel need is relatively steady.



Social Housing

Housing wellbeing highlights people's ability to access and use suitable shelter, along with the extended benefits of satisfactory living conditions including privacy, safety, personal space, and space for a family. Adequate housing allows security of living in an area, with a reasonable cost for the provision of shelter.

Tauranga City and Western Bay of Plenty District house prices are rising far faster than incomes. Tauranga houses are estimated to cost more than 10 times the median household income, with the ratio being similar in Western Bay of Plenty – both above the national average of 9.

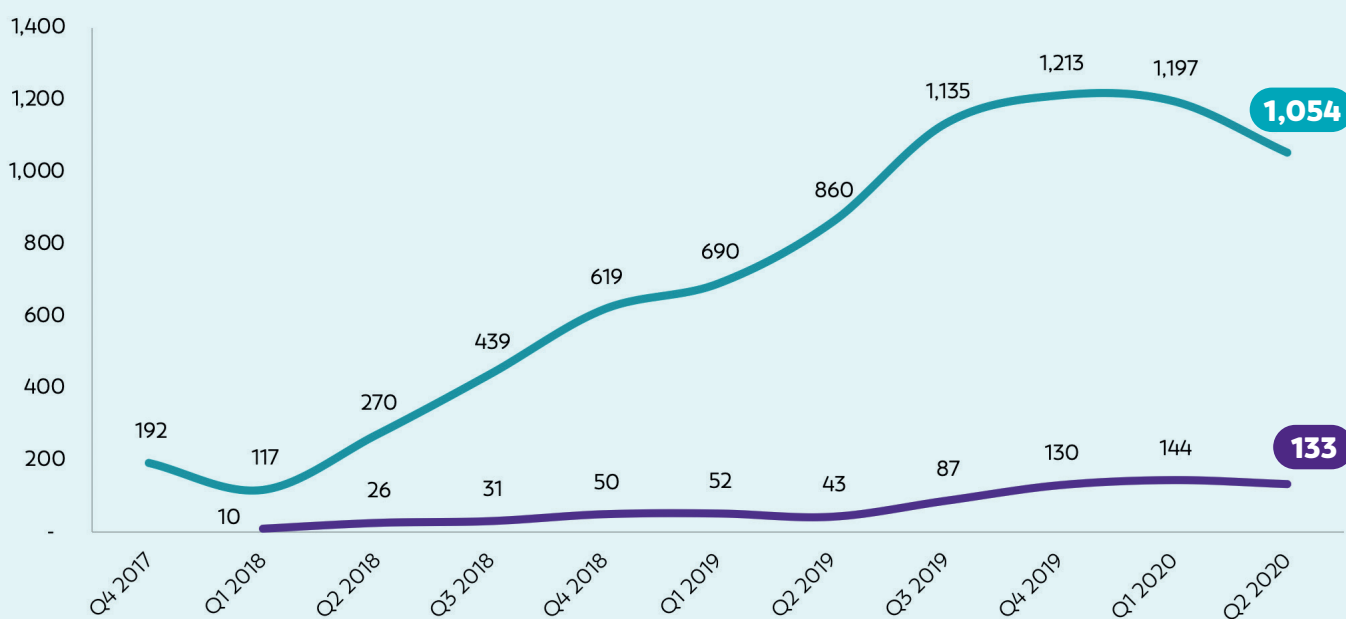
Tauranga City recorded the highest rental cost burden in 2018, with 34% of household income spent covering rents – the second highest rate in the country. Tauranga has held second place for rental costs relative to incomes since 2006. 7% of the population live in crowded housing.

Social housing figures for the Western Bay sub-region show growing demand without a corresponding increase in supply.

In the June quarter, Emergency Housing Grant numbers declined, yet the value per grant clearly increased. Total grants shot up from \$1.8m to \$2.8m for Tauranga City, and rose by \$90k to \$255,000 for Western Bay of Plenty District.

EMERGENCY HOUSING GRANTS NO.

● Tauranga City ● Western Bay of Plenty District



Ministry of Housing and Urban Development.

EMERGENCY HOUSING GRANTS \$.

● Tauranga City ● Western Bay of Plenty District



Ministry of Housing and Urban Development.

The number on the Housing Register is steadily increasing for Tauranga City, whereas the number of Public Housing Tenancies is relatively flat, showing supply is constrained.

NO. ON THE HOUSING REGISTER

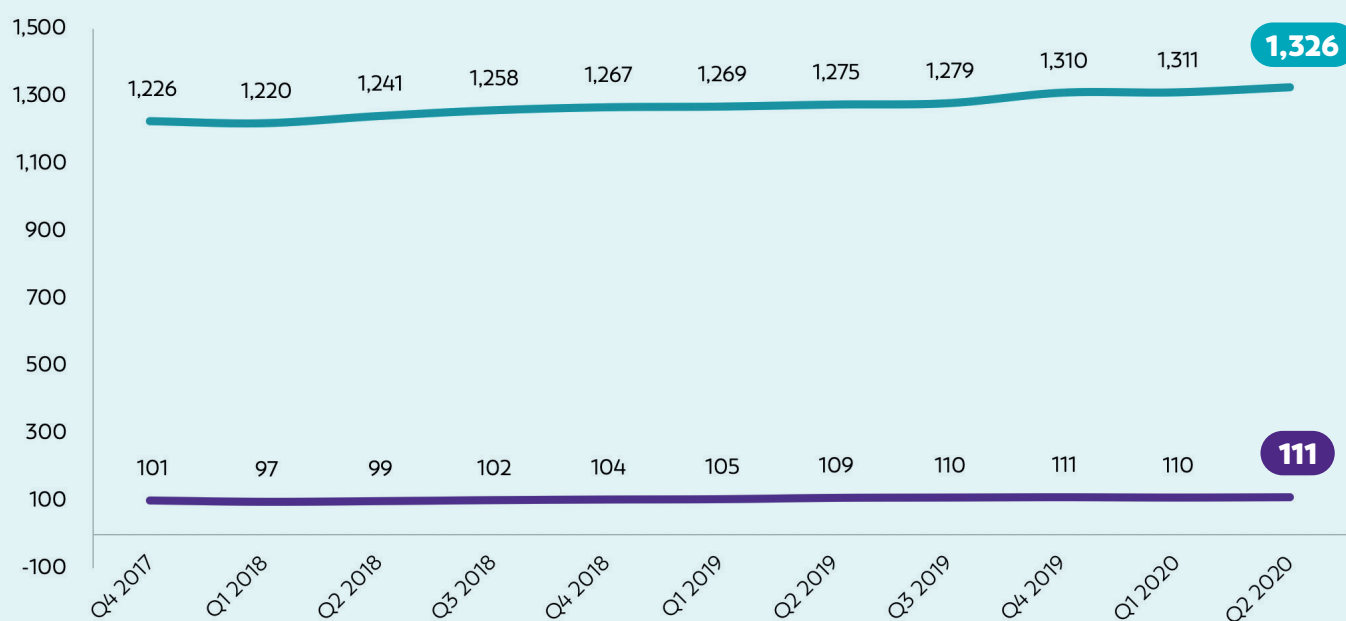
● Tauranga City ● Western Bay of Plenty District



Ministry of Housing and Urban Development.

PUBLIC HOUSING TENANCIES

● Tauranga City ● Western Bay of Plenty District



Ministry of Housing and Urban Development.



House Sales

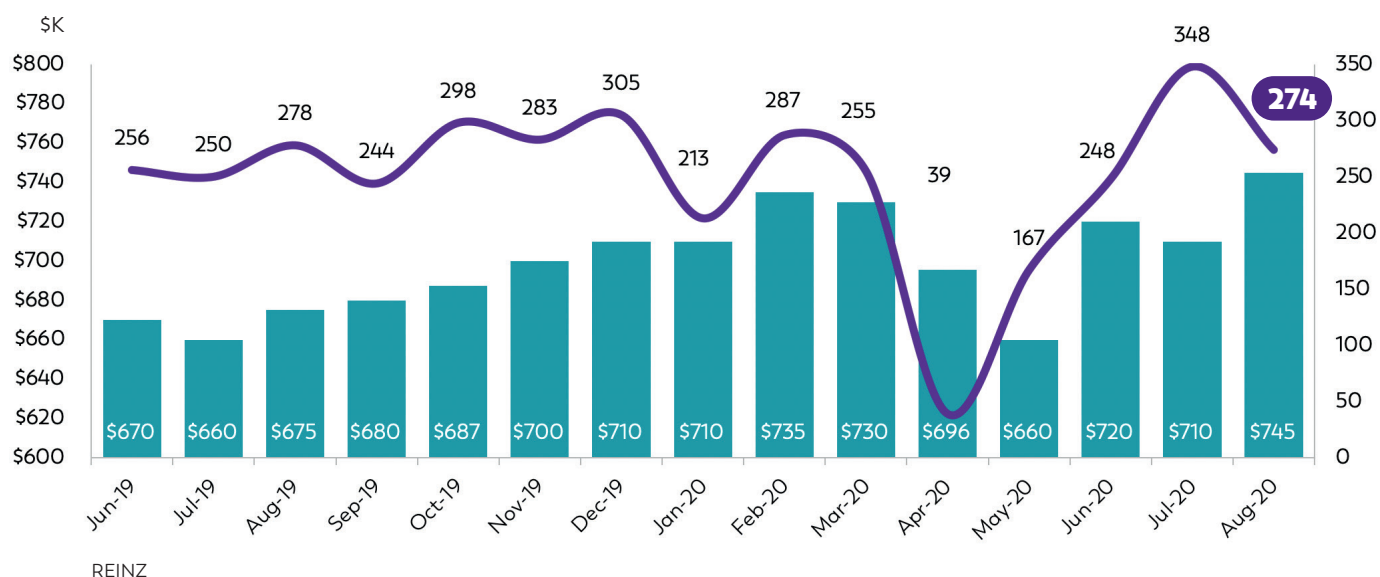
Median house prices across New Zealand increased by 16% in August to \$675,000, and every region in the country saw an annual increase in median house prices.

The combination of low interest rates, removal of LVRs, lack of listings, people's aspiration to have more space, catch up post lockdown and first time buyers' desire to get onto the market have all contributed to the uplift in prices.

In Tauranga City, the number of properties sold dropped to 274, yet achieved a record median price of \$745,000 showing the result of more people competing for less properties and driving prices up.

HOUSE SALES - TAURANGA CITY

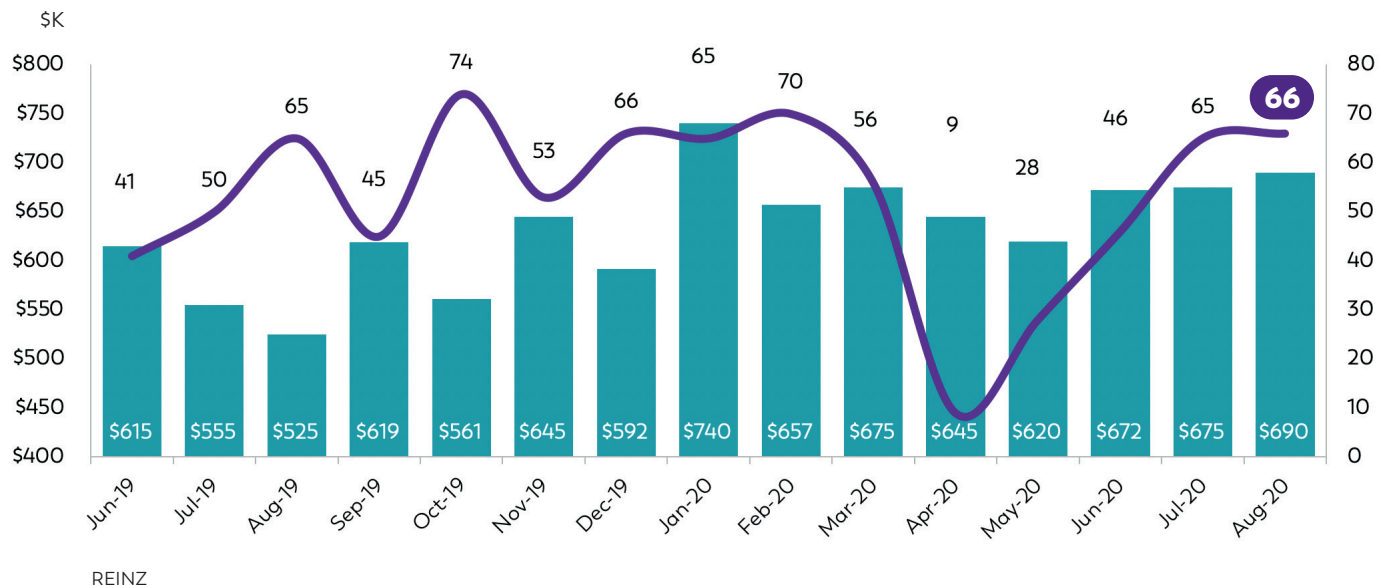
Median Price House Sales



Western Bay of Plenty District sales remained virtually the same, with 66 sales in August and a similar pattern of higher median price of \$690,000.

HOUSE SALES - WESTERN BAY OF PLENTY DISTRICT

Median Price House Sales



No one's being forced to sell

The stock of properties for sale nationwide is at a record low, suggesting many people are sitting tight and are currently not under pressure to sell.

The two drivers that are traditionally the biggest influences on the housing market have also helped stimulate demand:

- 1 Since the start of this year, one-year mortgage rates have plunged from 3.4% to 2.6%, piquing the interest of first-home buyers.
- 2 Investor demand also looks relatively solid, helped by the removal of the Reserve Bank's loan-to-value restrictions.

Even though banks are generally not lending to people who don't have a 20% deposit, this self-imposed limitation still represents more favourable borrowing conditions for investors, who had previously needed a 30% deposit until the end of April.

The lack of pressure also makes sense in the context of the mortgage holiday scheme, which has recently been extended through until March next year.

With the scheme effectively preventing mortgagee sales from needing to take place, potential buyers are competing over a small number of properties, which means that prices still seem to be getting pushed higher.

The strength of house sales suggests that prices could retain some upward momentum for a bit longer yet.

Infometrics, 3 September 2020



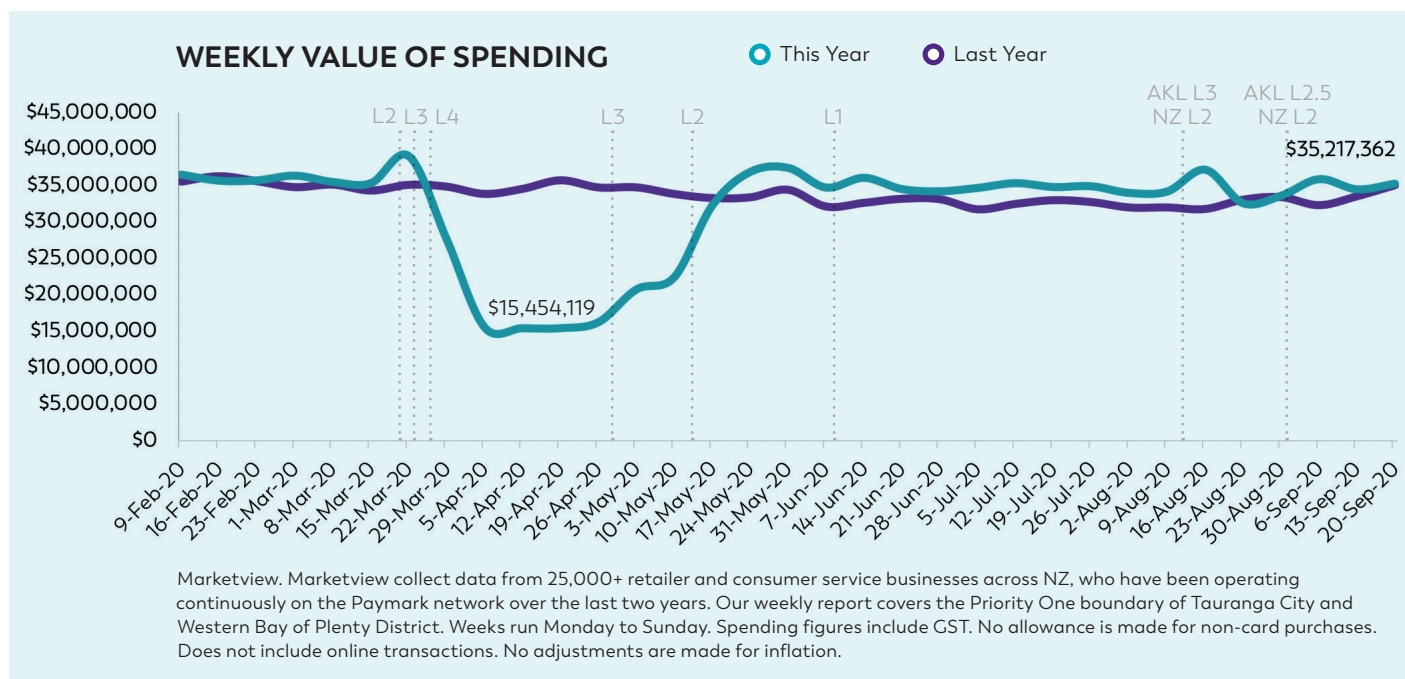
Retail Spend

Weekly Spend

Following Auckland's Alert Level 3 lockdown on 12 August, Food Liquor and Pharmacy increased due to a repeat of panic buying, which has since returned to earlier levels as the risk of widespread lockdowns has receded. Home and Recreation also increased for a short period.

For a large proportion of people, it appears their financial position is yet to be materially affected by COVID-19 – they are still being paid their income and feel comfortable about their job security.

Spending a greater amount of both work and leisure time at home has focused people's attention on their housing wants and needs. And with money to spare from overseas holidays that are currently not possible, housewares and DIY-related spending has benefited, along with domestic holiday spending and purchases of cars.



Online Spend

Just when the retail landscape was heading back to a state of relative normality, another wave of lockdown in Auckland reversed the recent trend.

New Zealand's online spending was up 27% compared to August last year, up 24% on July 2020, and up 14% for the August quarter.

It's no surprise that when most retail doors are closed in our largest city, that consumers will look online for their wants and needs.

All categories experienced a rise in spending. Leading the growth rates was Furniture Housewares and Hardware, with spending up 93% on August last year.

- 93%** Furniture, Housewares & Hardware
- 36%** Clothing, Footwear & Accessories
- 33%** Pharmacy, Cosmetics, Stationery, Antiques & Flowers
- 25%** Recreation, Toys, Games, Entertainment & Books
- 25%** Electrical & Electronic
- 20%** Groceries & Liquor
- 17%** Variety, Department & Other

Marketview



Employment

Jobseeker Support

Number of people on Jobseeker Support or receiving the COVID-19 Income Relief Payment (CIRP) has remained static for the Western Bay, with only 164 added in total for the month of August across both Tauranga City and Western Bay of Plenty District.

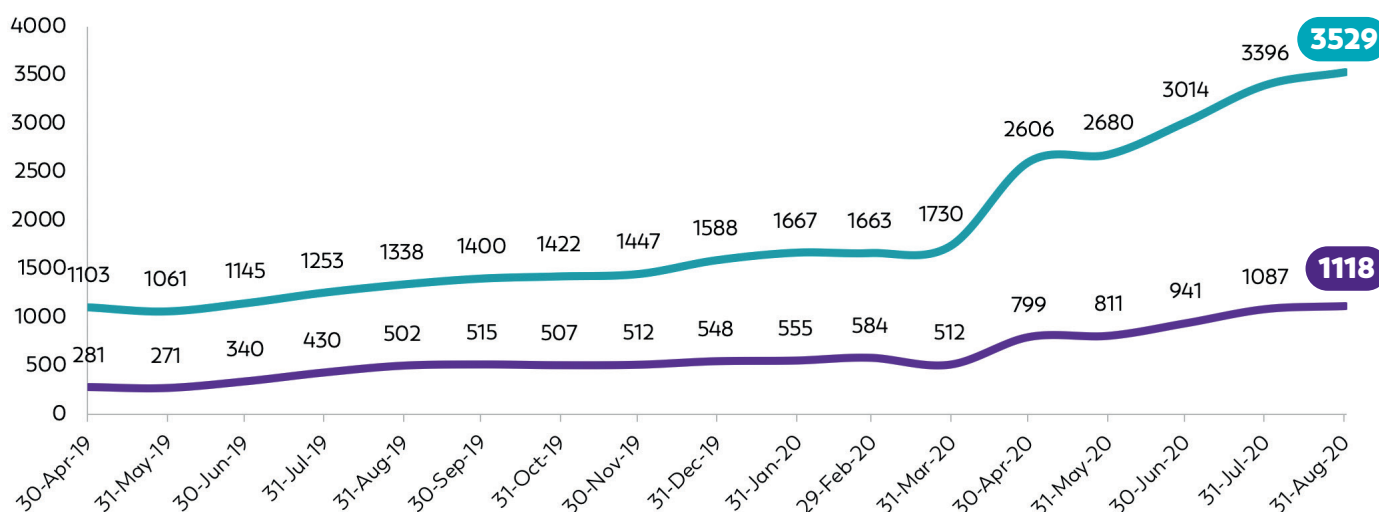
These numbers support our intel - we are still not hearing reports of widespread redundancies, and our economy appears to be performing well overall, meaning people are remaining in their jobs.

The labour market has yet to display the collapse in employment that was initially feared when COVID-19 struck.

**Total 4,647
Jobseekers
and CIRP**

JOBSEEKER SUPPORT + CIRP

● Tauranga City ● Western Bay of Plenty District



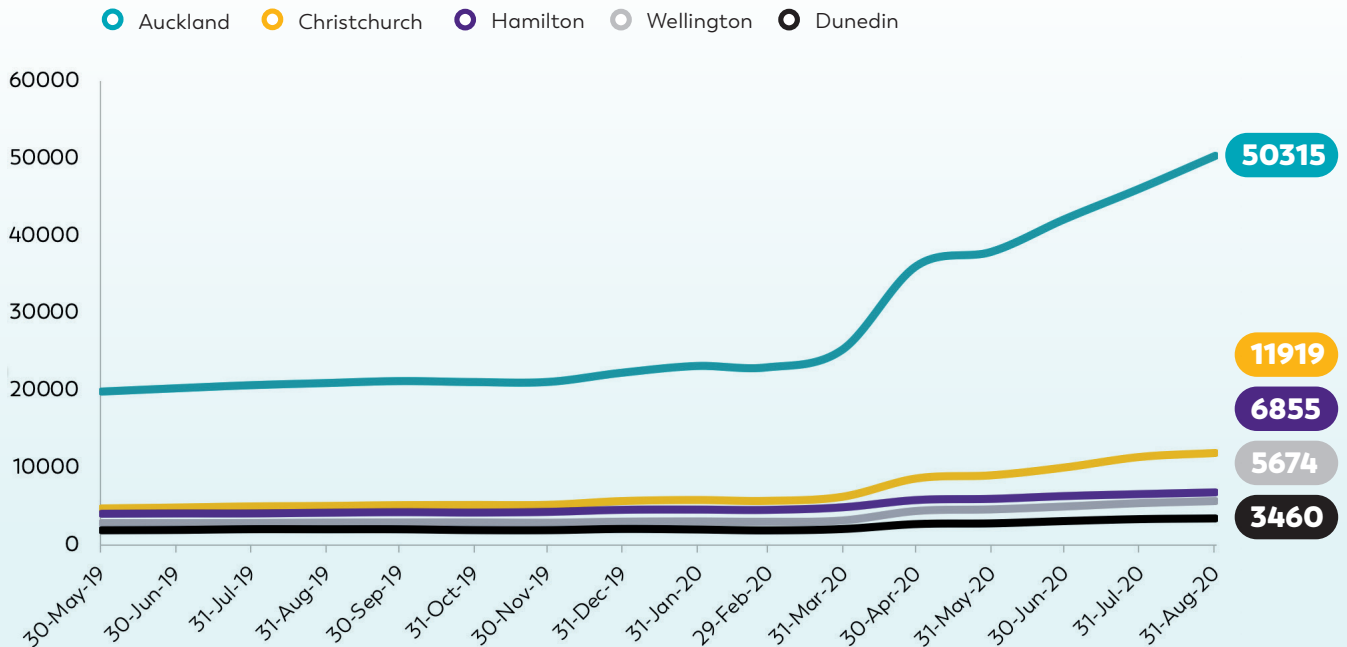
Ministry of Social Development, Monthly Benefits Update. Clients reported are working age 18-64 years.

Other Cities

Number of people on Jobseeker Support or receiving the the COVID-19 Income Relief Payment (CIRP) has reached over 50,000 for Auckland, showing a steady upward increase each month since May.

Other main centres are faring better, with Christchurch at almost 12,000, Hamilton almost 7,000, Wellington under 6,000, and Dunedin steady at 3,500.

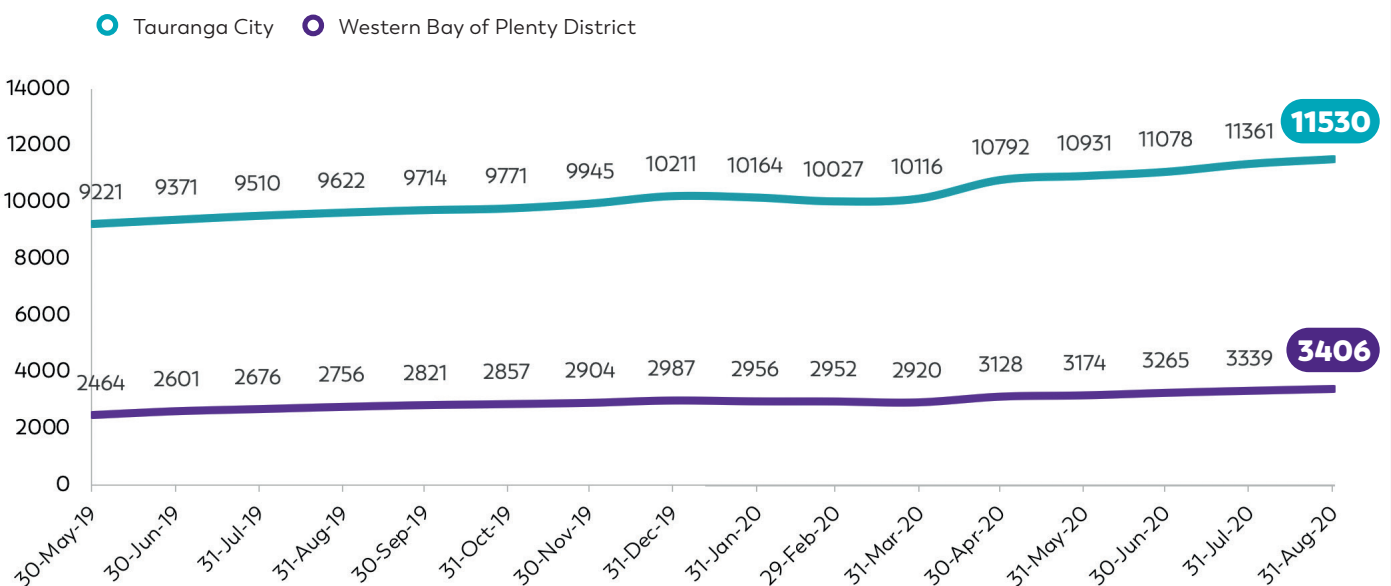
JOBSEEKER SUPPORT + CIRP - OTHER CITIES



Ministry of Social Development, Monthly Benefits Update. Clients reported are working age 18-64 years.

Accommodation Supplement

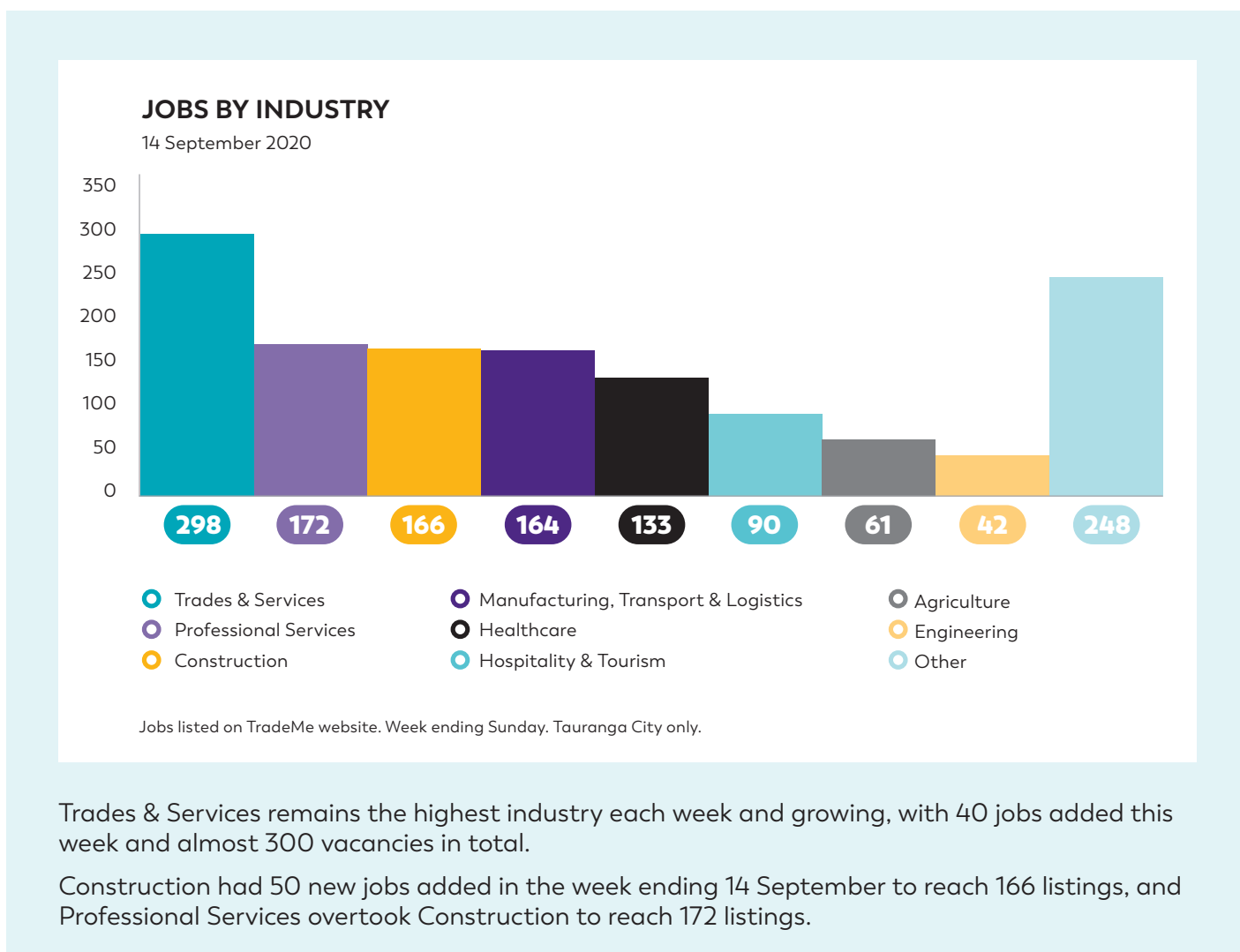
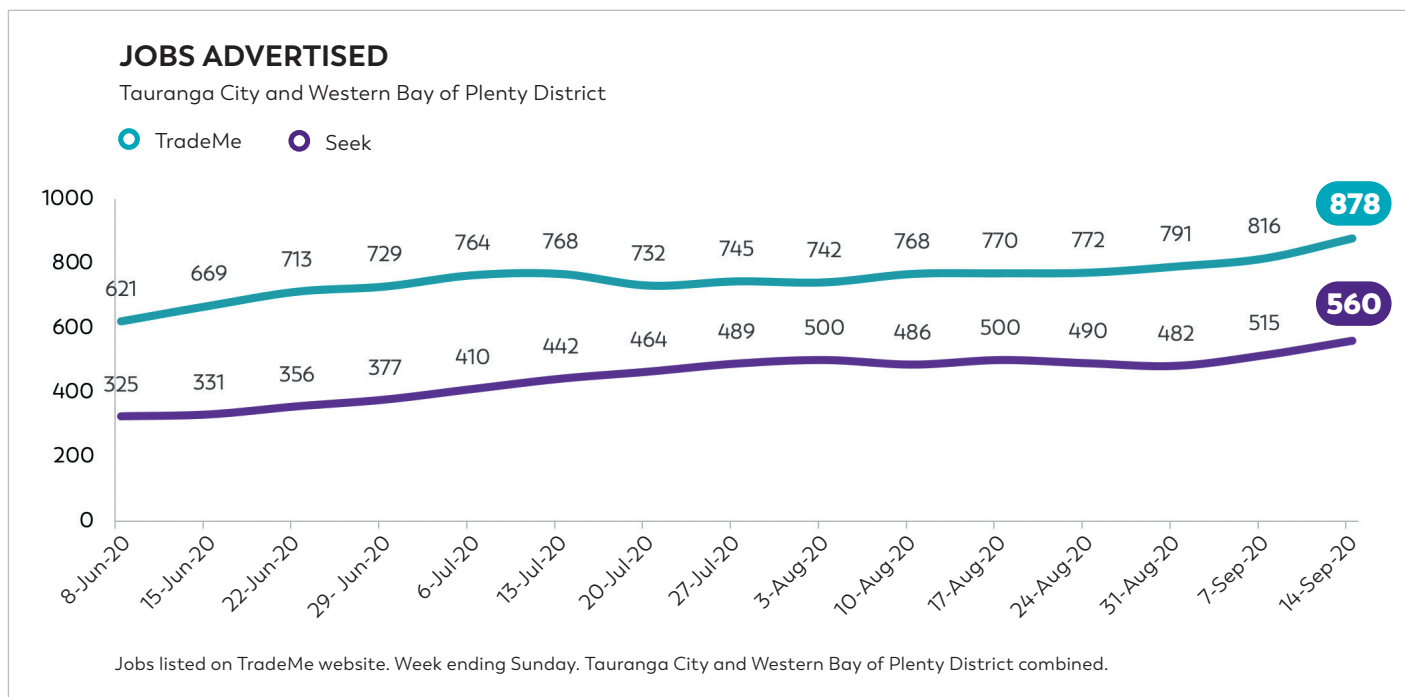
Accommodation Supplement numbers have increased by 169 for Tauranga City and 67 for Western Bay of Plenty District in August, only slightly higher than in July.



Ministry of Social Development, Monthly Benefits Update.

Advertised Jobs

After levelling off in August, advertised job numbers have increased again in September. 107 new jobs have been added in the week ending 14 September across the Western Bay.



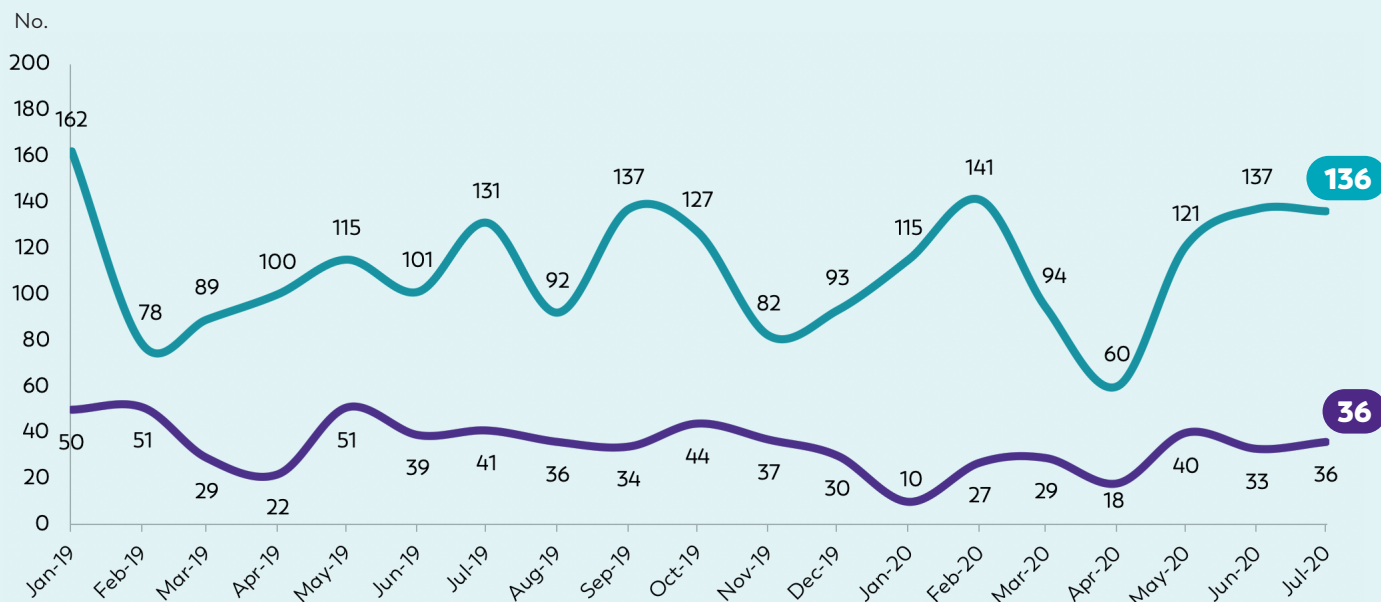


Consents

Residential Consents were steady for July for Tauranga City, with 136 consents issued worth \$49m. Western Bay of Plenty District residential consents rose slightly to 36 consents worth \$15m.

RESIDENTIAL BUILDING CONSENTS VOLUME

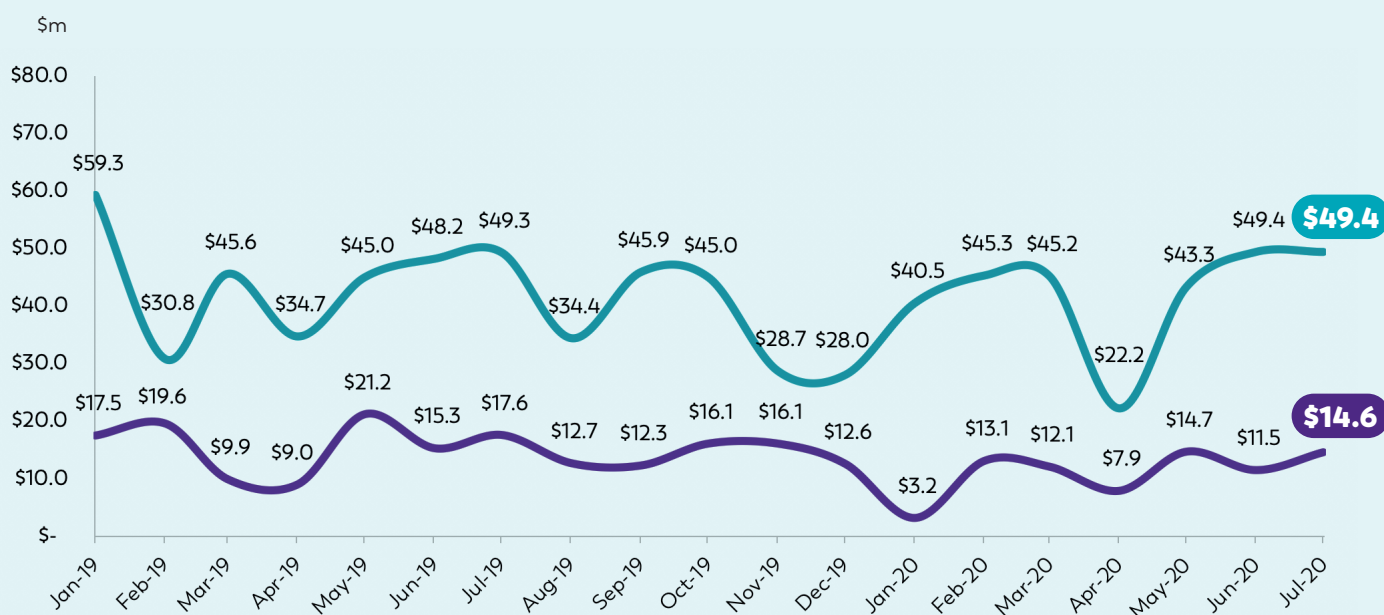
● Tauranga City ● Western Bay of Plenty District



Statistics NZ.

RESIDENTIAL BUILDING CONSENTS VALUE

● Tauranga City ● Western Bay of Plenty District



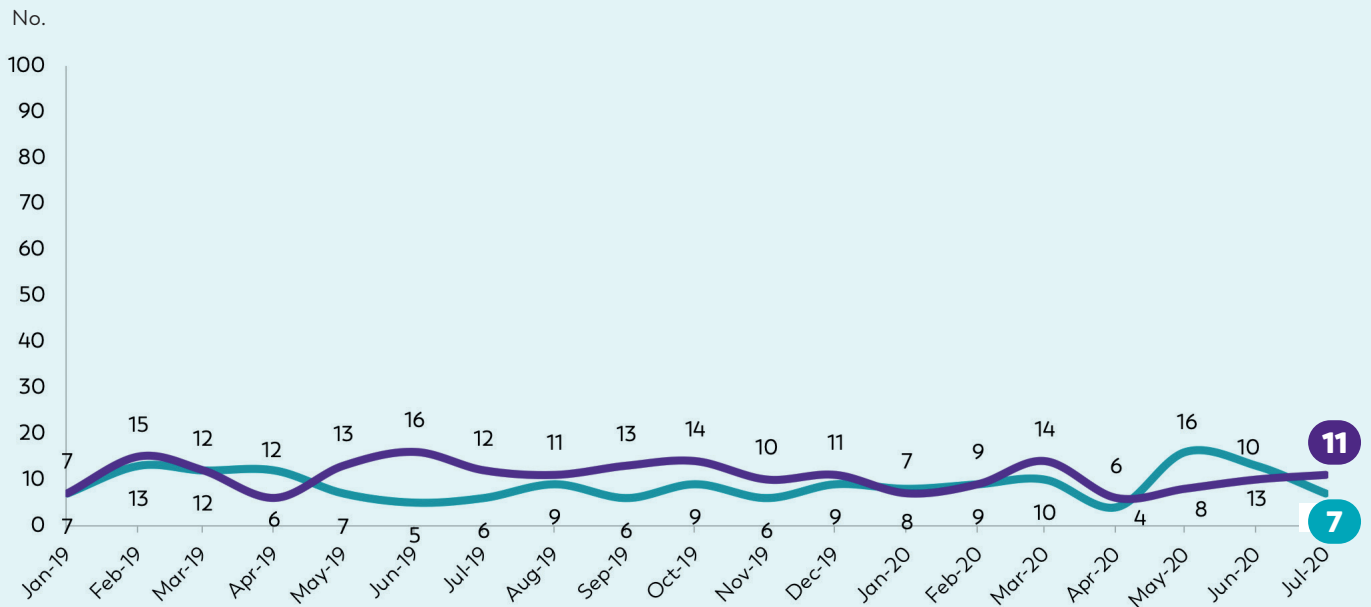
Statistics NZ.

Non-Residential Consents decreased slightly in July for both Tauranga City and Western Bay of Plenty District.

Tauranga City issued 7 non-residential consents worth \$18.2m, and Western Bay of Plenty District issued 11 consents worth only \$0.4m.

NON-RESIDENTIAL BUILDING CONSENTS VOLUME

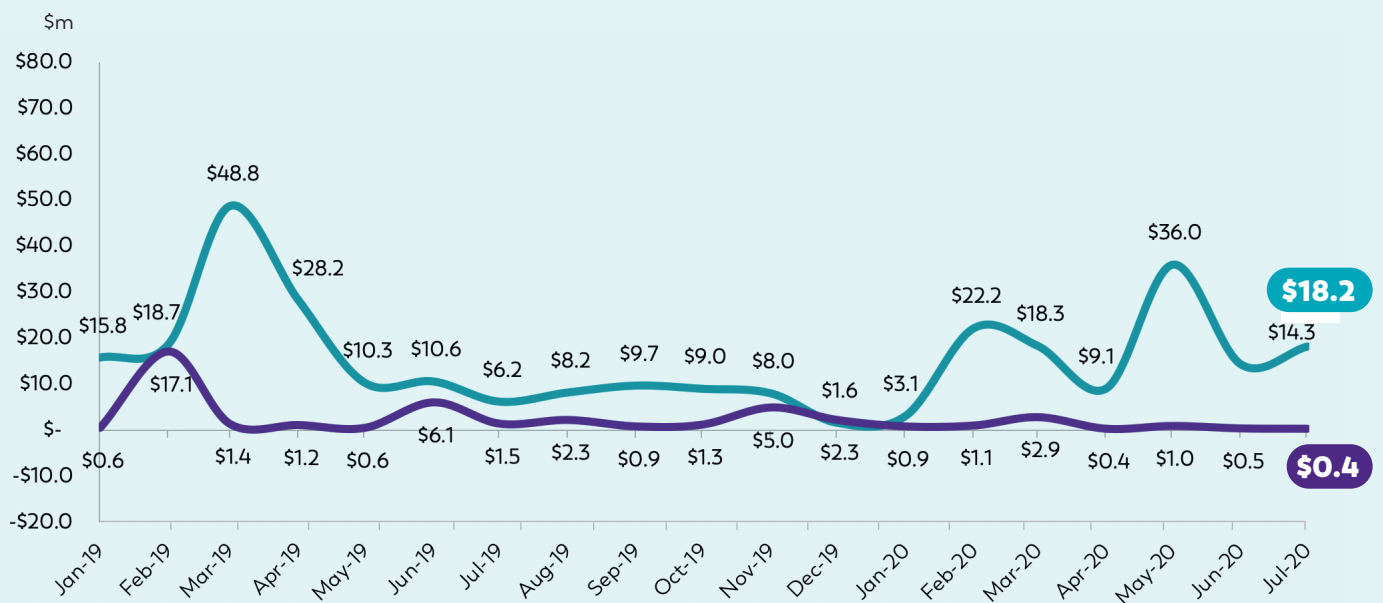
Tauranga City Western Bay of Plenty District



Statistics NZ.

NON-RESIDENTIAL BUILDING CONSENTS VALUE

Tauranga City Western Bay of Plenty District



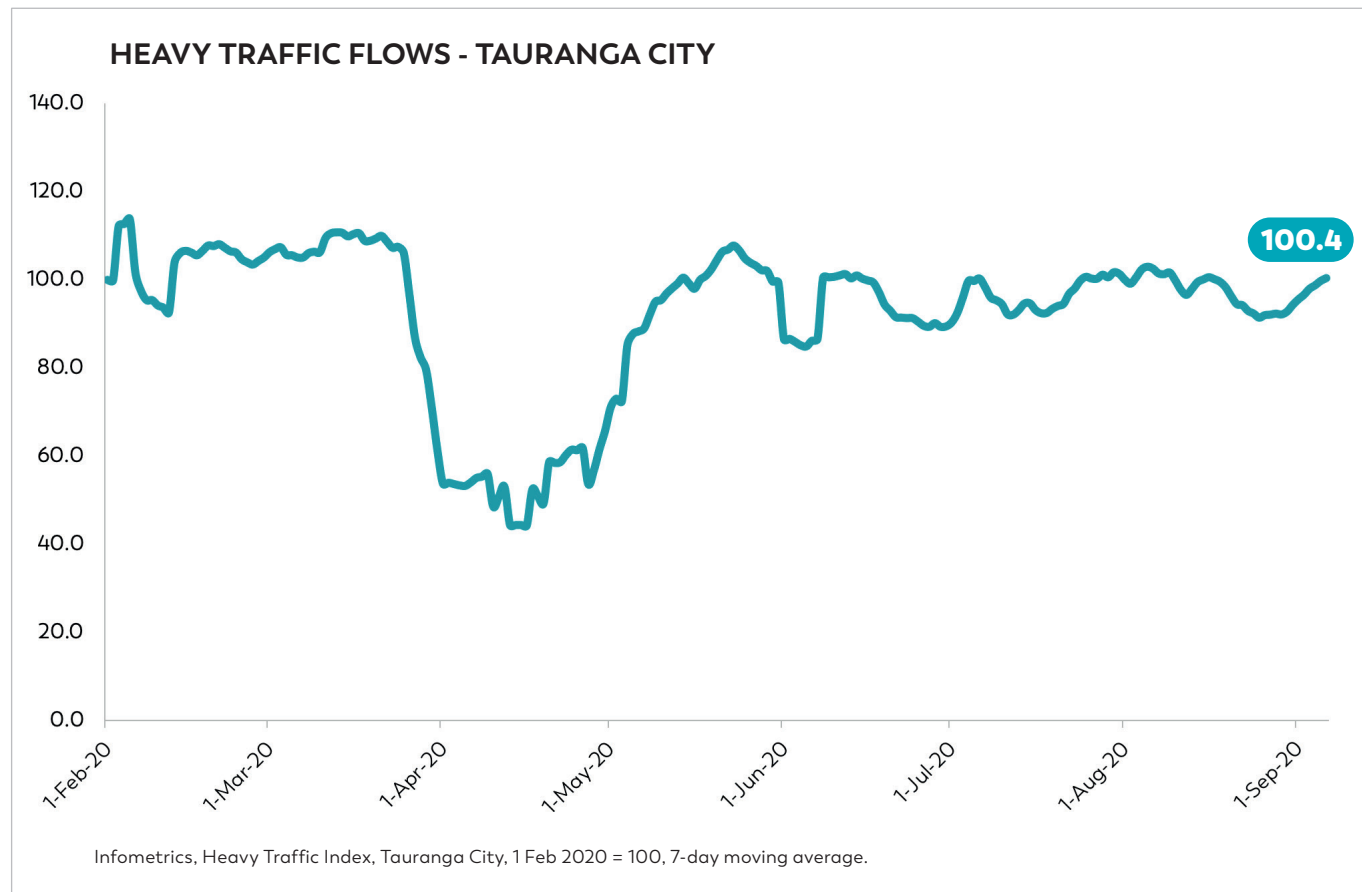
Statistics NZ.



Transport

Heavy Traffic

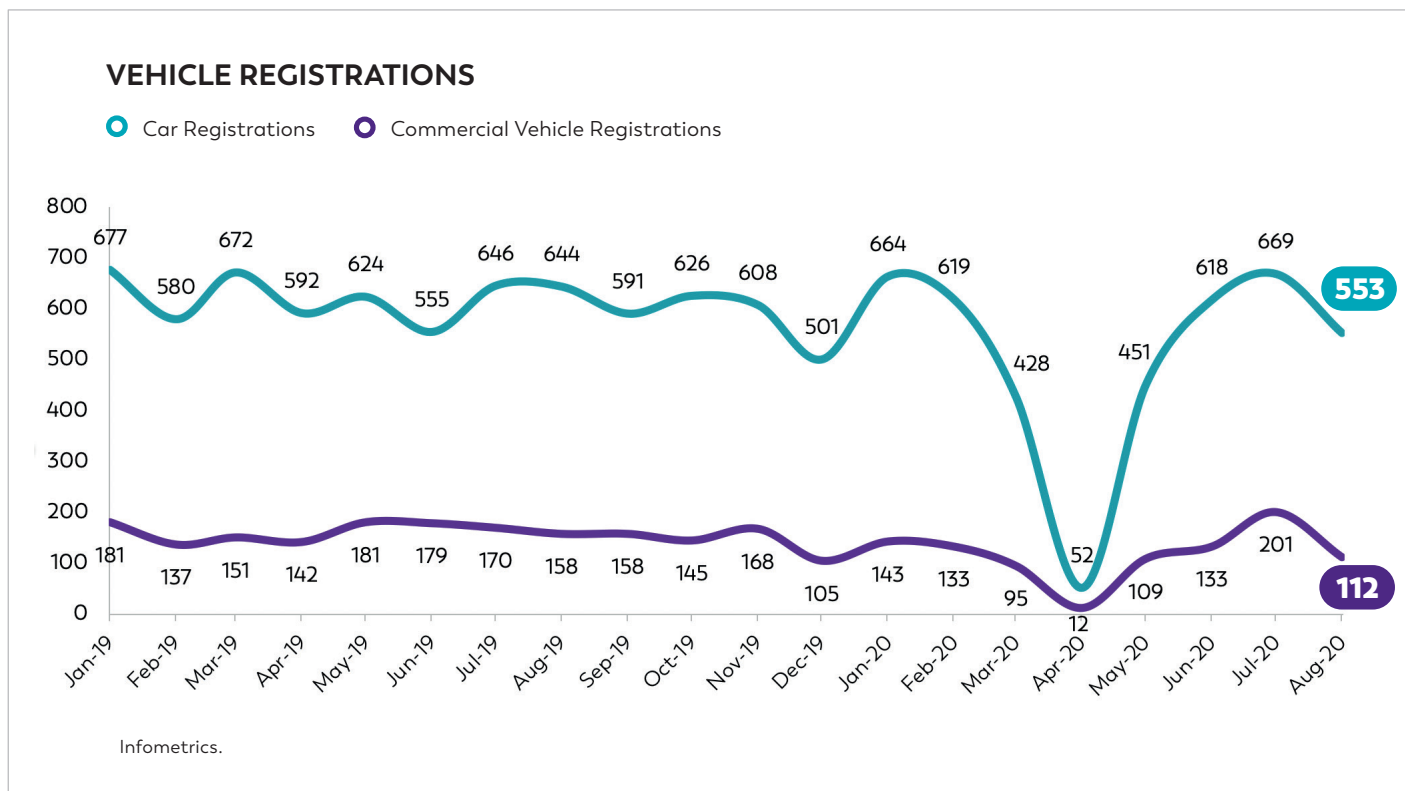
Since last month, and following another dip due to the Auckland lockdown, heavy traffic flows have recovered to just over 100% of pre COVID-19 levels.



Vehicle Registrations

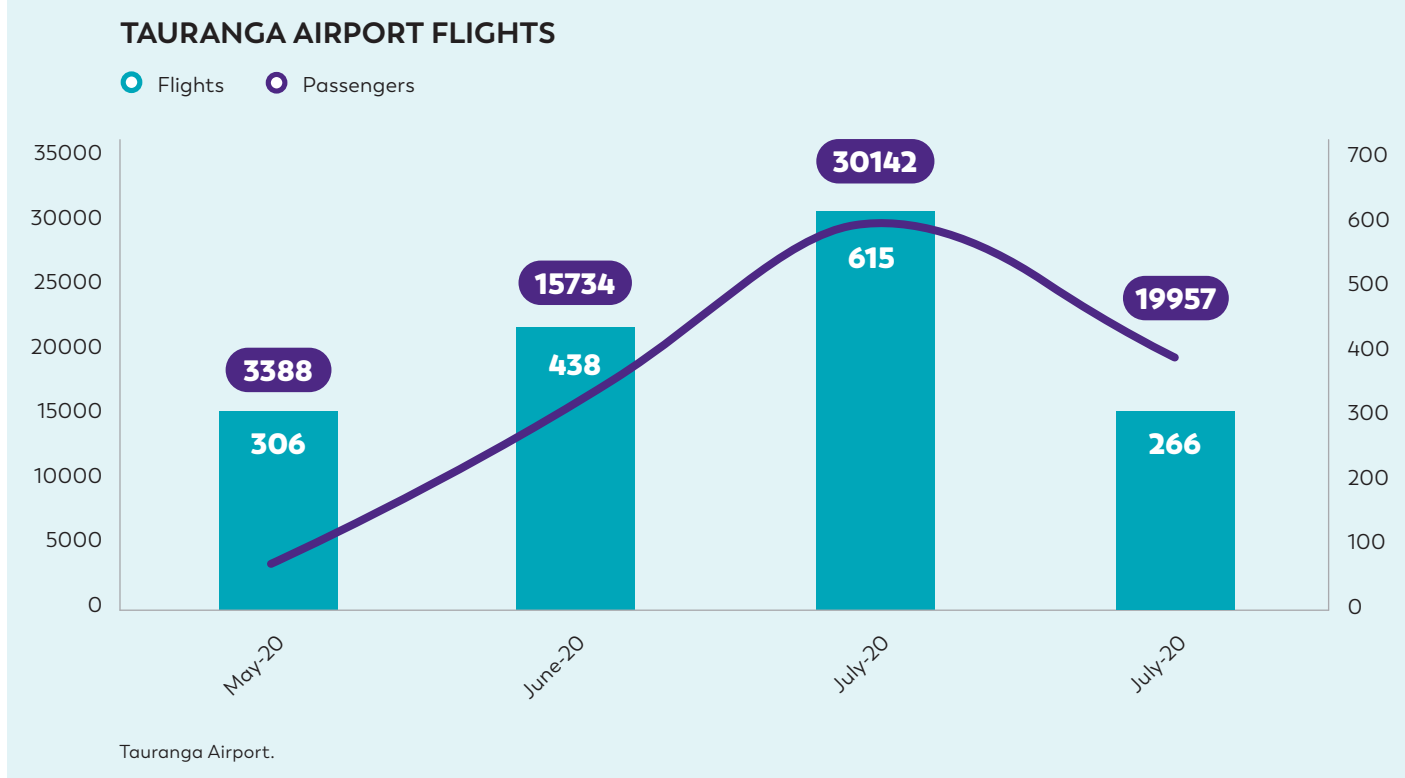
Commercial vehicle registrations for Tauranga City dipped in July to 553.

Car registrations followed a similar pattern, dropping to 112.



Airport Flights

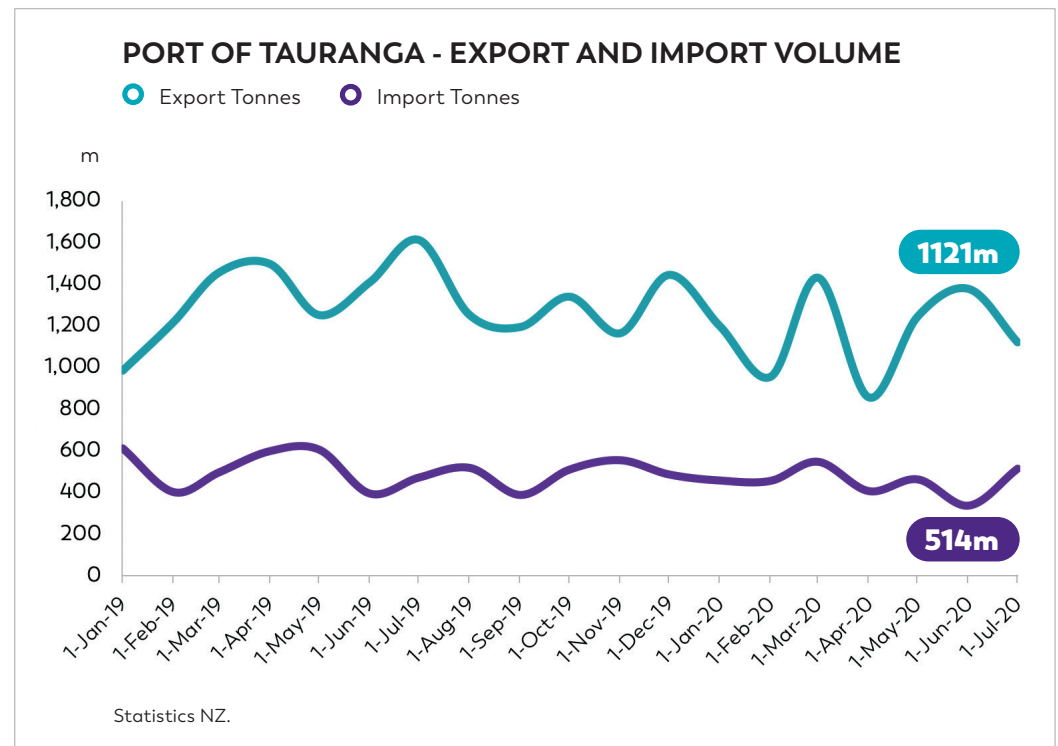
Due to the Auckland lockdown, Tauranga Airport operated at around 40% of the same month last year, with 266 flights carrying 19,957 passengers.



The Port of Tauranga is a vital link to the world for the Western Bay

Port Volumes

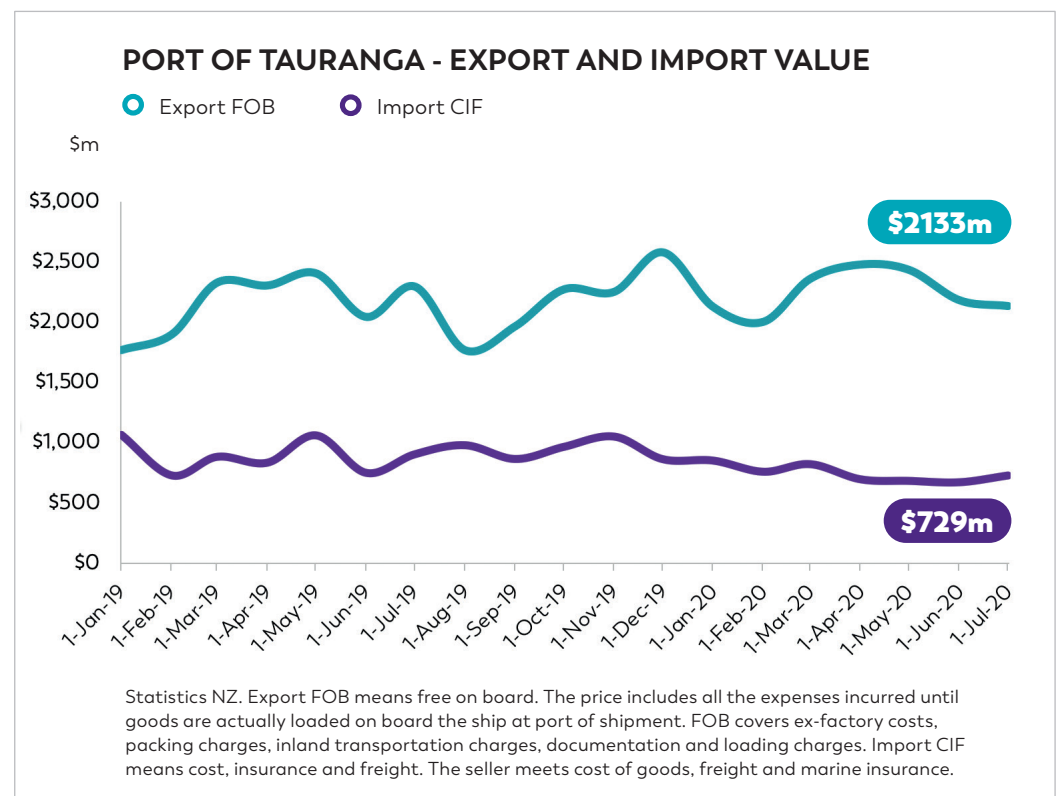
Port of Tauranga export volumes dropped in July to 1,121,000 tonnes. Import volumes rose to 514,000 tonnes.



Port Values

Export values remained steady at \$2,133m.

Import values have been flat since April, lifting slightly to \$729m for July.

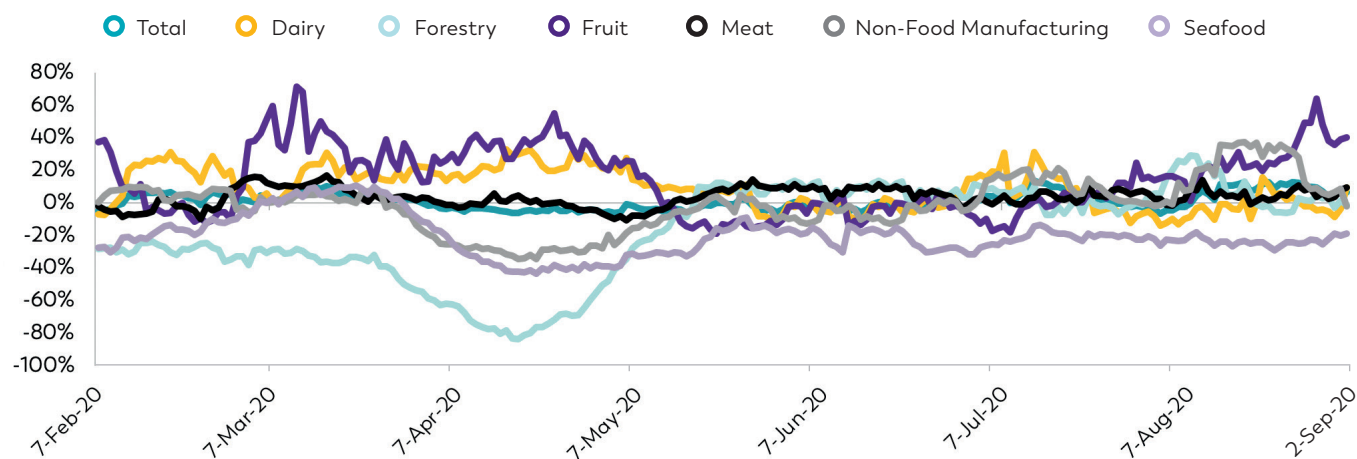




New Zealand Exports

In the last month, Fruit exports have rocketed up to be 60% up for the year, and Non-Food Manufacturing enjoyed an increase to be 40% up for the year, since returning to normal levels. Meat, Dairy and Forestry are at similar levels to last year, while Seafood continues to languish at 20% below last year due to reduced international restaurant demand.

NEW ZEALAND EXPORTS



Food Prices

The Food Price Index growth took a dive in May, before returning to 4.2% year-on-year since June.

Food prices are collected from about 650 outlets in the 15 surveyed urban areas. About 75 are supermarkets, 30 greengrocers, 30 fish shops, 30 butchers, 50 convenience stores, 120 restaurants, and more than 300 other suitable outlets.

FOOD PRICE INDEX - ANNUAL CHANGE



Price changes are measured by tracking the prices of individual food items that make up a representative food basket organised into five subgroups. Compared with August 2019:

- ↑ 19% Fruit and vegetables
- ↑ 0.3% Meat, poultry, and fish
- ↑ 1.6% Grocery food
- ↑ 1.1% Non-alcoholic beverages
- ↑ 3.8% Restaurant meals and ready-to-eat food

Statistics NZ.



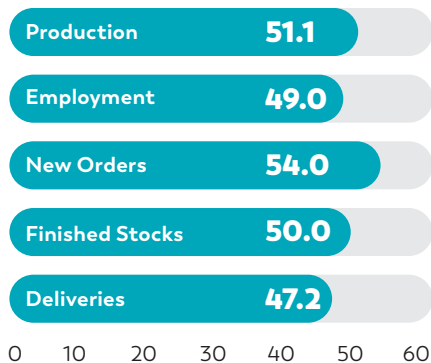
PMI

Expansion in New Zealand's manufacturing sector dropped during August, according to the latest national Performance of Manufacturing Index (PMI).

A PMI reading above 50.0 indicates that manufacturing is generally expanding, and below 50.0 that it is declining. The seasonally adjusted PMI for August was 50.7, down 8.3 points from July.

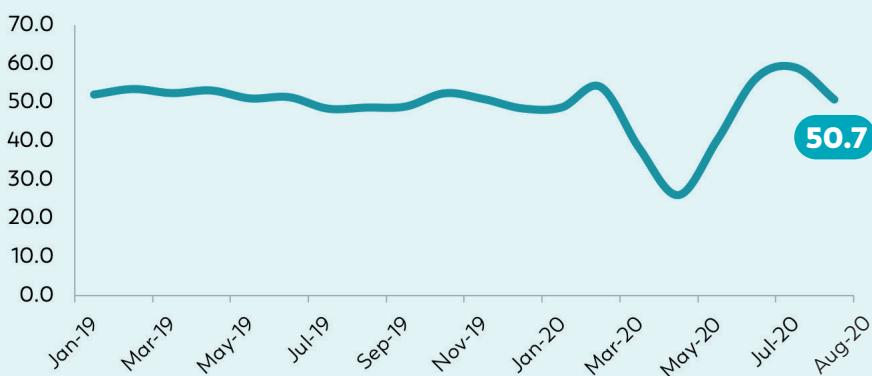
BNZ Senior Economist Doug Steel said, "An outcome above the 50 breakeven mark – indicating a modicum of growth occurred in the month – is arguably a commendable result given more than a third of the country moved into Alert Level 3 for more than half of the month."

MAIN INDICES



BusinessNZ

PMI - PERFORMANCE OF MANUFACTURING INDEX



PSI

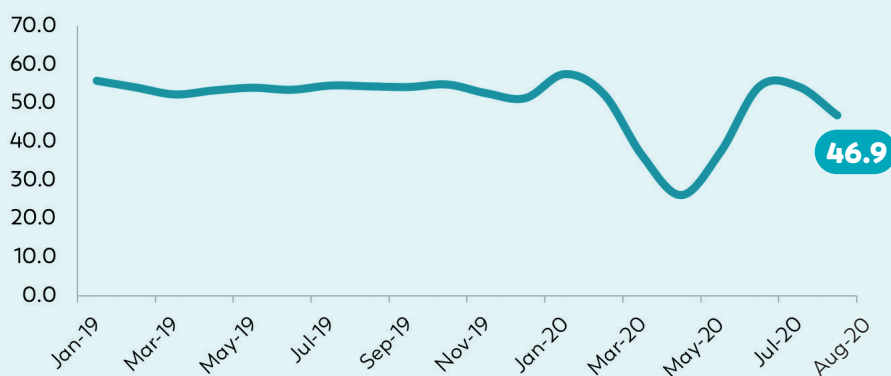
Activity in New Zealand's services sector returned to contraction mode for August, according to the latest national Performance of Services Index (PSI).

A PSI reading above 50.0 indicates that the service sector is generally expanding, and below 50.0 that it is declining. The PSI for August was 46.9, down 7.5 points from July.

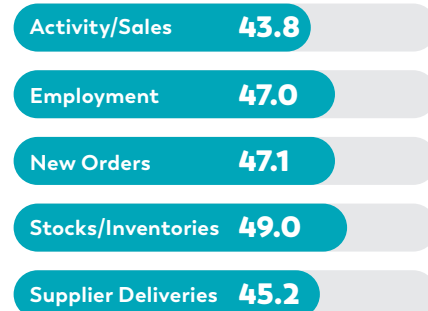
BusinessNZ chief executive Kirk Hope said that unlike its sister survey for the manufacturing sector, the PSI returned to negative territory on the back of the Alert Level 3 lockdown in the Auckland region.

"The lockdown was felt throughout the country, as no region managed to show expansion during August. Following previous patterns, a drop down to level 2 should reignite activity. Barring a further outbreak in a major region, we would hope the sector gets back into expansion for the last quarter of 2020."

PSI - PERFORMANCE OF SERVICES INDEX



MAIN INDICES



BusinessNZ



Stock Market

Everything this year is unprecedented, including the growth in the stock market

Major stock indices around the world are at all-time highs, with the NZX 50 just passing the March 2020 peak at the end of August.

The stock markets are now disconnected from reality, with bad news prompting the value of stocks to rise. If bad news is good for stocks, and good news is bad for stocks, are we reaching a point where stocks can only go up?

Need to store money somewhere

The response to COVID-19 certainly has contributed to the sentiment in the stock market. For large companies that dominate the large indices, there has been widespread government support, with access to very cheap debt, including refinancing at a lower rate.

The Reserve Bank is aware of this effect, and increasing the values of assets to stimulate spending is one of the intended outcomes of its monetary policy.

On the buyer end, investors have been turning to stocks and shares as the only way to store their wealth. Interest rates are now so low that it is below the target inflation rate of 2%, meaning every year saving in term deposits reduces your real wealth.

This can be very problematic for retirees looking for a stable return from their nest egg, first home buyers saving for their deposit, or investors wanting some low-risk returns in their portfolio. For individuals investing through their KiwiSaver, the biggest moves have been towards lower risk investments.

Stock markets are more accessible than ever

Stocks are among the most accessible places to store money. Investing in individual stocks or managed funds can now be done simply through banks, your KiwiSaver provider, or on an app on your phone through fractional investing platforms like Sharesies.

For people looking for somewhere to put their money, particularly for a few years, there are two options – lose money in a term deposit, or risk your money buying other assets.

One would expect in times like this people would look to hunker down to weather the storm. However, this period has seen unprecedented surges in the number of people joining the stock market, being facilitated by the recently developed accessibility.

As interest rates fall to zero, and monetary stimulus increases, we may be seeing the end of the era of banks facilitating savings, with a growing role in savings in the form of asset and stock purchases.

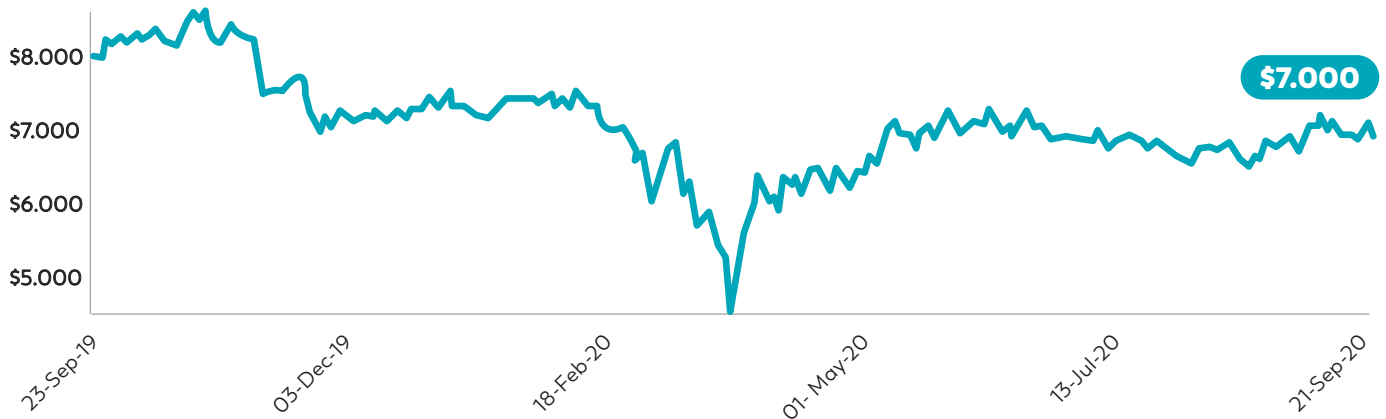
www.berl.co.nz/economic-insights/covid-19-global-issues-government-and-fiscal-policy-transport-energy-and



Share Prices

TRUSTPOWER

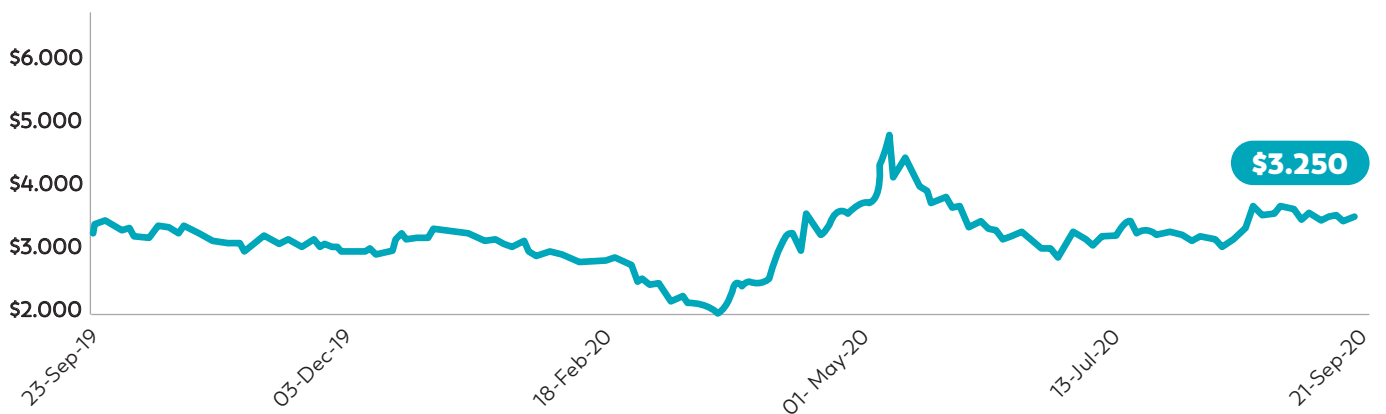
\$7.000 on Monday 21 September 2020.



nzx.com/instruments/TPW

COMVITA

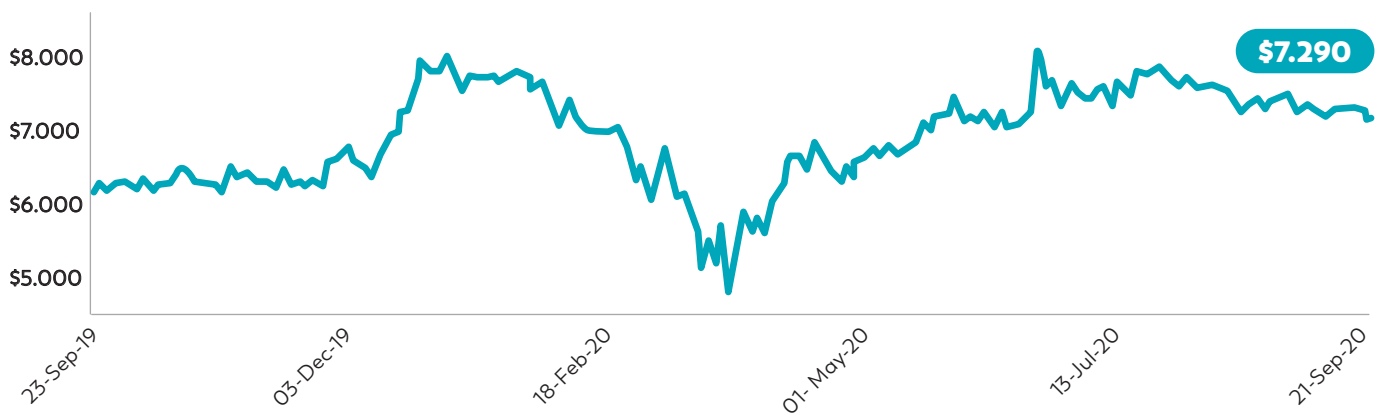
\$3.250 on Monday 21 September 2020.



nzx.com/instruments/CTV

PORT OF TAURANGA

\$7.290 on Monday 21 September 2020.



nzx.com/instruments/POT