BNZ Weekly Overview

23 February 2017

ISSN 2463-4328

Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

Population Growth

This week Statistics New Zealand released revised population growth projections for our regions and local authority areas. These are not forecasts as such, just mathematical extrapolations generated by looking at trends in an area's age profile, death and birth rates, internal migration, and international migration. In the August 18 Weekly Overview of last year we listed these projections and have on many occasions invited people interested in investing in regional residential property markets to refer to these numbers when considering whether the low prices of an area represent a bargain or simply reflect the dynamic of weak population growth or in fact population shrinkage.

Starting at the regional council level here are the latest population growth projections and what they were the last time this exercise was done in 2015.

	2013-43 change	**%**	**Old projections 2013-43**	**%**	**CHANGE**
Auckland	833,000	55.8	736,100	49.3	96,900
Canterbury	204,400	36.3	166,300	29.5	38,100
Waikato	137,500	32.4	92,800	21.9	44,700
Bay of Plenty	73,400	26.2	49,000	17.5	24,400
Otago	47,300	22.7	31,000	14.8	16,300
Northland	32,000	19.4	18,200	11.1	13,800
Nelson	9,300	19.1	7,200	14.8	2,100
Wellington	84,600	17.4	61,700	12.7	22,900
Taranaki	17,200	15.1	16,600	14.6	600
Tasman	7,000	14.3	5,200	10.7	1,800
Hawkes Bay	12,800	8.1	6,000	3.8	6,800
Manawatu-Wanganui	16,400	7.1	3,500	1.5	12,900
Gisborne	2,900	6.2	600	1.3	2,300
Marlborough	2,500	5.6	2,000	4.5	500
Southland	3,000	3.1	800	0.8	2,200
West Coast	-2,400	-7.3	200	0.6	-2,600
NZ	**1,481,000**	**33.3**	**1,196,900**	**26.9**	**284,100**

What we see is that percentage-wise Auckland is projected to have the greatest growth in population from 2013 to 2043 of 55.8% or 833,000. This will account for 56% of the country's projected population growth and mean come 2043 Auckland will account for 39.3% of all people in NZ from 34% in 2013. This five percentage point gain over three decades seems a tad light considering over the 52 year period from 1961 to 2013 Auckland went from 21% to 34% of the population.

These projections use the assumption that after a net annual migration gain averaging 51,000 from 2013-2018 the average will settle at 15,000. This is an increase from the previous assumption of 12,000 but still looks a tad low. Under an alternative scenario assuming a migration gain which averages close to 25,000 (not clear from data so far loaded by Statistics NZ) then Auckland's population grows 1,114,000 by 2018. On average in the past 20 years the NZ net annual migration flow has averaged 16,000.

Given the positive growth outlook for NZ, low probability of a new minerals boom in Australia, various shades of existential woe in Europe, yet a probable tightening of migrant entry criteria here, planners would be wise to bias their forecasts of things like housing demand and infrastructure pressures for Auckland toward the higher growth scenario.

Now lets look at the projections at the local authority level. This is useful because it is toward more far flung regions that many investors are looking for property investments. But it pays to keep an eye on population growth scenarios because history tells us that at this stage of the housing cycle people tend to get over-optimistic regarding regional growth, invariably over-estimating the number of people who will leave Auckland.

Waitemata	95,400	117.3%
Upper Harbour	64,600	113.7
Selwyn	52,800	113.1
Queenstown-Lakes	27,700	93.3
Rodney	50,700	88.5
Franklin	55,900	81.8
Papakura	37,900	78.6
Maungakiekie-Tamaki	48,600	65.9
Hibiscus and Bays	57,900	61.6
Whau	45,900	59.8
Waimakariri	30,800	58.9
Henderson-Massey	66,200	58.3
Auckland	833,000	55.8
Waikato	35,200	52.9
Tauranga city	59,700	49.8
Hamilton city	74,600	49.7
Howick	66,600	49.3
Puketapapa	27,300	48.5
Orakei	36,300	43.4
Mangere-Otahuhu	31,300	41.6
Otara-Papatoetoe	32,200	40.1
Albert-Eden	38,100	38.1
Waipa	17,200	35.3
Waiheke	3,020	35.0
NZ	**1,481,000**	**33.3**
Devonport-Takapuna	18,400	31.5
Ashburton	9,600	29.7
Christchurch city	102,400	28.7
Waitakere Ranges	14,500	28.6
Whangarei district	23,600	28.2
Kaipatiki	24,100	27.7
Central Otago	5,100	27.6
Western Bay of Plenty	12,400	27.3
Wellington city	52,900	26.8
Kaipara district	4,700	22.9
Manawatu	6,300	22.1
New Plymouth	17,000	22.0
Hurunui	2,550	21.3
Palmerston North city	17,200	20.6
Manurewa	17,800	20.5
Nelson city	9,300	19.1
Kapiti Coast	8,700	17.2
Mackenzie	,730	17.0
Upper Hutt city	6,800	16.5
Carterton	1,250	14.7
Tasman	7,000	14.3
Otorohanga	1,260	13.1
Porirua city	6,800	12.7
Great Barrier	120	12.6
Waitaki	2,700	12.6
Hastings	9,600	12.5
Matamata-Piako	4,100	12.5
Taupo	4,200	12.1
South Wairarapa	1,050	10.7
Timaru	4,800	10.6
Dunedin city	13,000	10.5
Napier city	5,800	9.7
Waimate	730	9.3
Hauraki	1,700	9.1
Masterton	1,500	6.2
Gisborne	2,900	6.2
Rotorua	4,200	6.1
Far North district	3,600	5.9
Southland	1,700	5.6
Marlborough	2,500	5.6
Lower Hutt city	5,500	5.4
Invercargill city	2,300	4.3
Thames-Coromandel	1,100	4.0
Chatham Islands	20	3.3
Whakatane	900	2.6
Stratford	210	2.3
Horowhenua	300	1.0
South Taranaki	-100	-0.4
Westland	-70	-0.8
Whanganui	-1,000	-2.3
Kaikoura	-130	-3.6
Central Hawke's Bay	-550	-4.2
Clutha	-750	-4.3
Waitomo	-580	-6.2
South Waikato	-1,500	-6.5
Rangitikei	-1,000	-6.9
Gore	-950	-7.7
Grey	-1,100	-8.0
Buller	-1,150	-10.8
Tararua	-2,100	-12.0
Kawerau	-1,470	-22.1
Wairoa	-1,990	-24.0
Opotiki	-2,110	-24.0
Ruapehu	-3,470	-27.9

There are 17 local authority areas around New Zealand where population is projected to shrink, led by Ruapehu at 28% then Opotiki at 24%. For some of these 17 areas population may not decline if net migration is at the high end of possible scenarios. Note that before the latest upgrade the projections made in 2015 showed 26 local authority areas projected to lose population.

Personally I would boost projected population growth for the areas north of Wellington as development of the Wellington Northern Corridor greatly raises the potential for businesses to shift up the coast – especially should Wellington suffer another shake. I'd also bias a bit more generally toward strong city growth versus more country-linked areas given the way the technological revolution we are living through is encouraging city living.

Internal Migration

In the section just above we noted our belief that people tend to overestimate population flows out of Auckland to the rest of the country. For your guide we republish here the Statistics NZ spreadsheet showing net migration flows for each NZ region between censuses running from 1981 to 2013.

Points to note, some parts of the country suffer ongoing losses of folk elsewhere – Gisborne, Hawkes Bay, Taranaki, Manawatu-Wanganui, West Coast and Southland. Some enjoy ongoing gains – Northland, Bay of Plenty, Tasman. The rest are mixed.

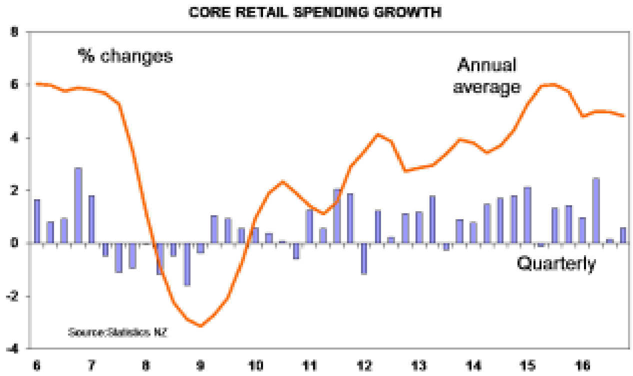
	1981	**1986**	**1911**	**1996**	**2001**	**2006**	**2013**
Northland	1,695	5,379	321	222	117	2,499	315
Auckland	19,662	11,730	5,505	5,811	-1,983	-18,069	-4,650
Waikato	-2,505	-2,838	1,737	-264	1,503	6,117	6,117
Bay of Plenty	7,662	6,867	8,724	9,078	9,654	6,708	2,010
Gisborne	-1,641	-1,908	-3,363	-1,485	-2,814	-1,497	-732
Hawke's Bay	-165	-1,986	-3,294	-2,838	-2,205	-825	-1,173
Taranaki	-2,520	-570	-3,183	-4,182	-3,906	-2,400	-246
Manawatu-Wang.	-3,198	-1,083	-930	-3,690	-6,558	-2,877	-1,872
Wellington	-9,366	-7,365	-6,501	-7,173	1,848	-27	513
Tasman	696	825	963	1,983	2,787	1,872	1,317
Nelson	915	444	852	639	84	-1,752	63
Marlborough	135	633	984	1,323	585	444	-717
West Coast	-1,290	-654	-1,851	-567	-2,244	-387	-327
Canterbury	-1,734	-2,880	5,508	5,580	8,778	8,226	-4,056
Otago	-4,101	-993	-237	1,302	996	4,710	4,695
Southland	-4,146	-5,520	-5,100	-5,670	-5,796	-2,580	-1,215
Area Outside Region	-90	-81	-135	-75	-849	-153	-39

Much has been made of Auckland changing from net gains to losses. But there was a big drop in that net loss between 2006 and 2013 – only 4,650 compared with 18,069 between 2001 and 2006.

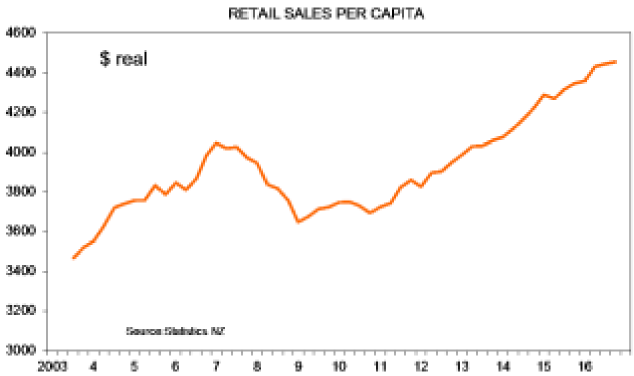
http://www.stats.govt.nz/browse_for_stats/population/Migration/internal-migration/tables.aspx

Strong Retail Spending Growth

Last Friday we learnt that during the December quarter retail spending in New Zealand after adjusting for inflation and seasonal factors grew by 0.6% excluding fuel and motor vehicles. Full year growth was a health 4.8%. This is a volume measure so it is strong, but one might counter that with the population growing near 2% this strength is not too surprising.



In that case we can look at the volume of spending per capita. This measure does not have fuel and motor vehicles stripped out but it shows growth of 0.2% in the quarter and 2.8% for the full year. Per capita spending has risen 10% from three years ago and 12% from the end of 2007.



People are out there spending money and it is not just loads more tourists driving the growth. If we look at an estimate of spending on durable goods, which locals tend to buy when confident about the future, we see growth of 1.9% for the December quarter, 9.1% for the full year, and near 30% growth from three years ago.

In a nutshell you and I are doing a lot more spending – yet retailers keep falling over. These failures reflect less any weakness in consumer spending and likely more the effects of structural shifts in how and where we shop.

If I Were A Borrower What Would I Do?

Nothing new. Rates are expected to creep higher but the pace is very hard to predict with huge uncertainty regarding the pace of monetary policy tightening in the United States and the pass-through of escalating construction costs in NZ into generalised goods and services prices.

If I Were An Investor ...I'd see a BNZ Private Banker

The text at this link explains why I do not include a section discussing what I would do if I were an investor.
http://tonyalexander.co.nz/regular-publications/bnz-weekly-overview/if-i-were-an-investor/

The Weekly Overview is written by Tony Alexander, Chief Economist at the Bank of New Zealand. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night please sign up at www.tonyalexander.co.nz
To change your address or unsubscribe please click the link at the bottom of your email. Tony.alexander@bnz.co.nz