

For Month Ending November 2020

Executive Summary

As the year comes to an end, the latest statistics on the Waikato and New Zealand economy provide a stronger picture than many would have predicted during the lockdown period of COVID-19.

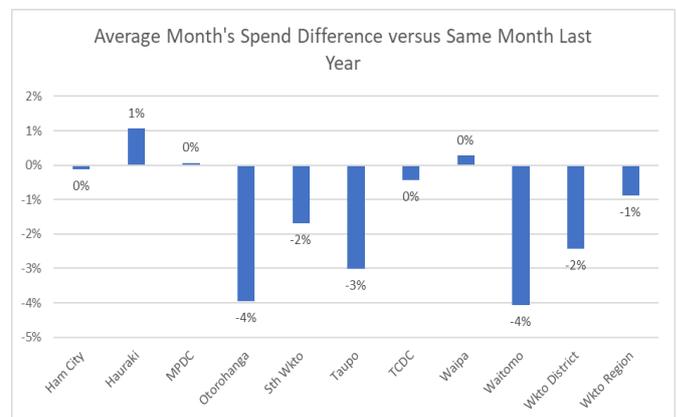
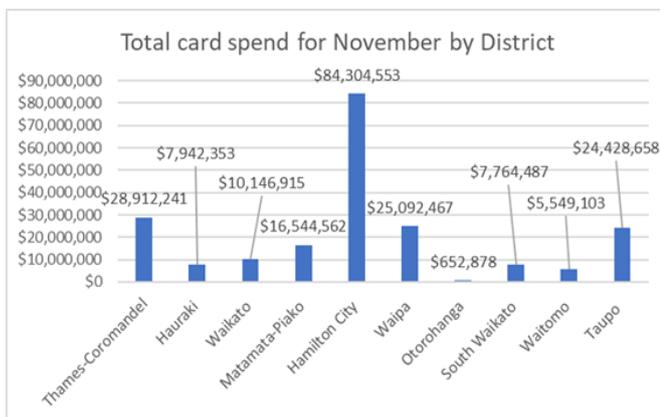
Reassuring signs of stability in recent indicators for the Waikato region including continuation of spending, increasing jobs advertised, solid export performances and year on year unemployment figures show the Waikato economy as performing better Relative to what we expected or were warned to expect.

A note of caution, while we head into the Christmas period somewhat optimistic we must remain cautiously optimistic as the remainder of the world grapples to bring the COVID-19 virus under control and the timeframes for uncertainties and our borders re-open will see us head into 2021 with an uncertain outlook.

Thank you to all those who have taken an interest in the Radar since its inception, have a safe Christmas break and we note that in 2021 the first Radar will be published at the close of the March quarter (first week of April) as we move to a Quarterly publication.

Te Waka in partnership with Waikato Regional Council will continue to monitor progress monthly for any enquires please contact michelle.hollands@tewaka.nz

Total consumer spending

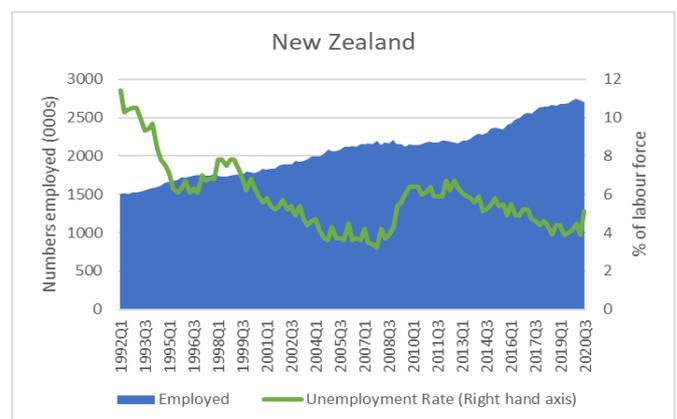
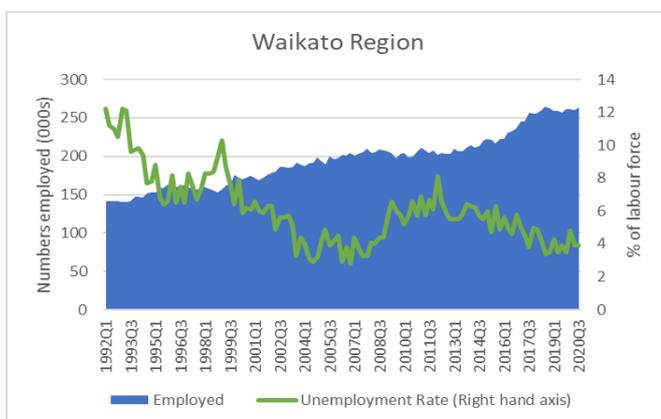
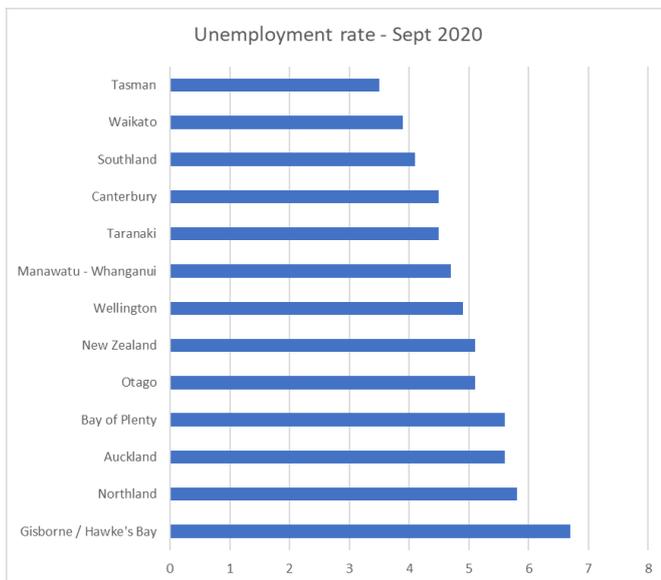


Source: Marketview Data

Total consumer spending was down across the region for the month of November. Largest differences occurred in Otorohanga and Waitomo with both districts spending via paymark electronic payments -4% versus last year. Hauraki District was the only District to record an increase versus last year with a small 1% increase.

Waikato Labour Market

As highlighted in last month’s Radar, the unemployment rate in the Waikato Region remained below 4 percent in the September quarter (while rising to 5.1 percent for New Zealand as a whole). This month we present a longer time series of this data. It shows that, despite the record drop-in recorded activity in the June quarter, unemployment remains well below levels reached in previous recessions – notably those of the 1990s and the post-Global Financial Crisis period. In large part, this is due to the government’s wage subsidy and schemes to support businesses. But it may also reflect that unemployment often lags the wider economy and we should not be surprised to see it increase in the coming quarters.



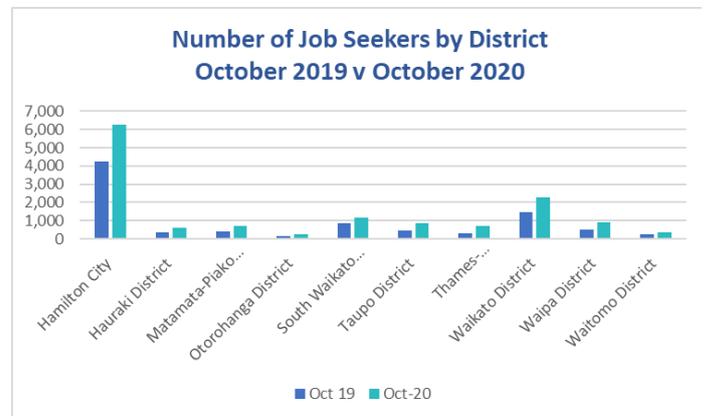
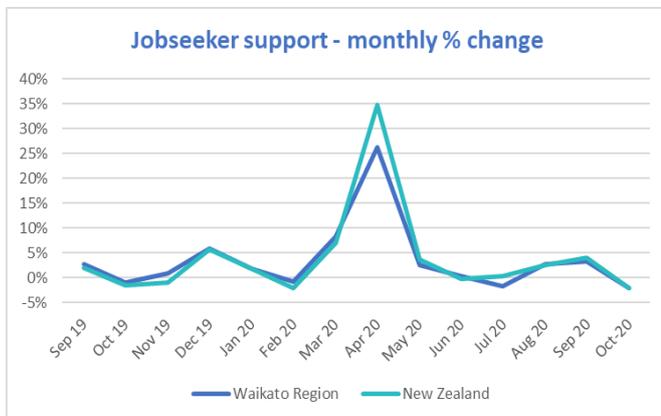
Source: www.msd.govt.nz

Support

Jobseeker Support

Numbers of individuals receiving job seeker support declined in October both nationally and in the Waikato. Waikato statistics are consistently tracking close to national trends.

Comparative to the same time last year individuals receiving job seeker support are up.

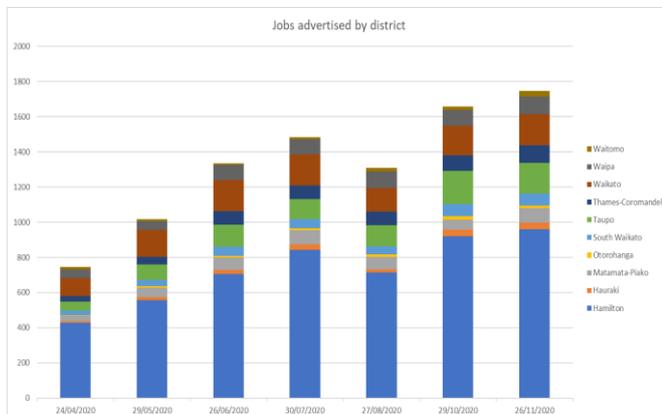


Source: www.msd.govt.nz

Job Ads

Hauraki, Otorohanga, Thames, Waipa and Waitomo Districts have all more than doubled the number of jobs advertised on Trade me since May 2020.

As a result of tracking we are unable to compare these numbers to the same time last year or to fully understand the type of role advertised.

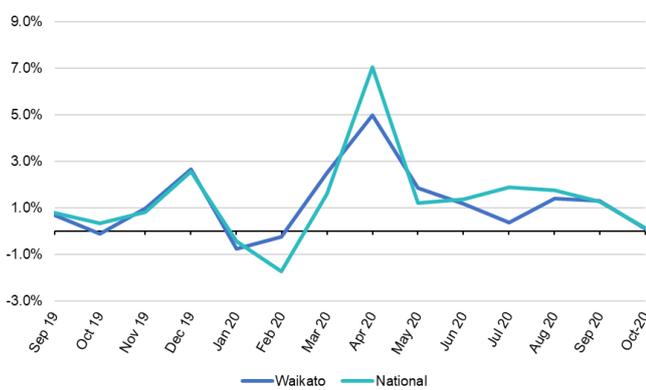


Source: www.trademe.co.nz

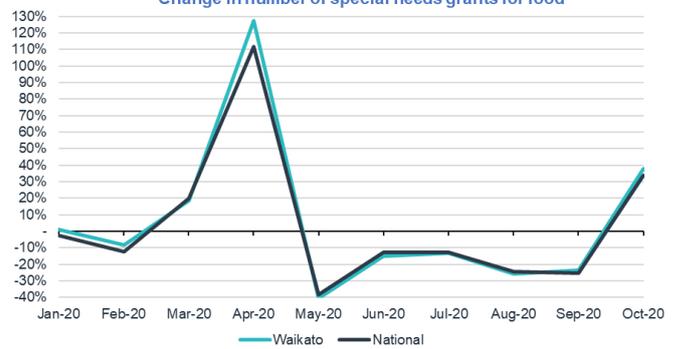
Hardship

Provision of accommodation supplements has shown a slow decrease since October however the provision of special needs food grants has continued increase since September. With the Christmas period ahead seasonal trends could well show a continued increase in this provision over the upcoming months.

Accommodation supplement



Change in number of special needs grants for food



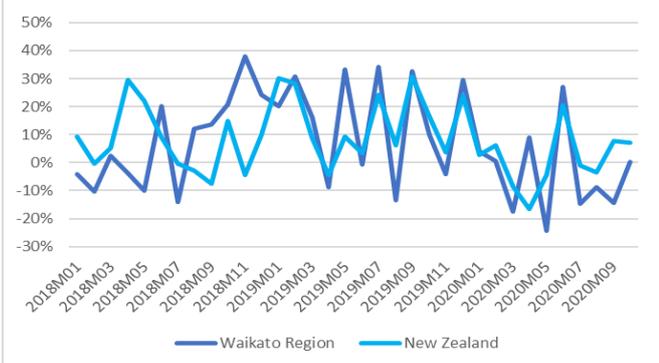
Source: www.msd.govt.nz

Building Consents

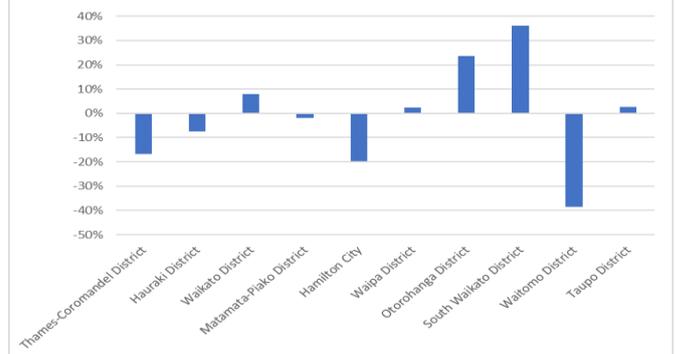
Residential building consents have been down significantly on last year for much of 2020. In the first 10 months of 2020, consents were 6 percent lower than the same period in 2019. There are some signs of activity in the region, with consents in October at the same level as a year ago.

Over the past six months, Otorohanga and South Waikato have seen the largest percentage increases (24 and 36 percent respectively), although this largely reflects the relatively small numbers of consents in these districts. Waikato District recorded the largest increase in the number of residential consents (38) compared to the same period a year ago, although in percentage terms this was only 8 percent. Consents in Hamilton City remain well below a year ago, down 20 percent or nearly 200 consents.

Number of residential building consents



New residential building consents
Last 6 months compared to same period a year ago



Source: www.stats.govt.nz

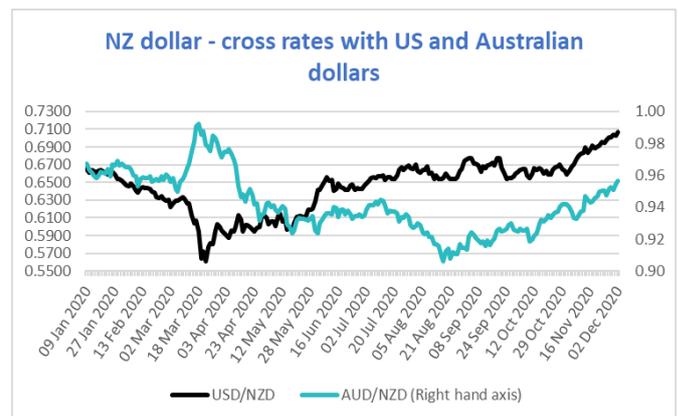
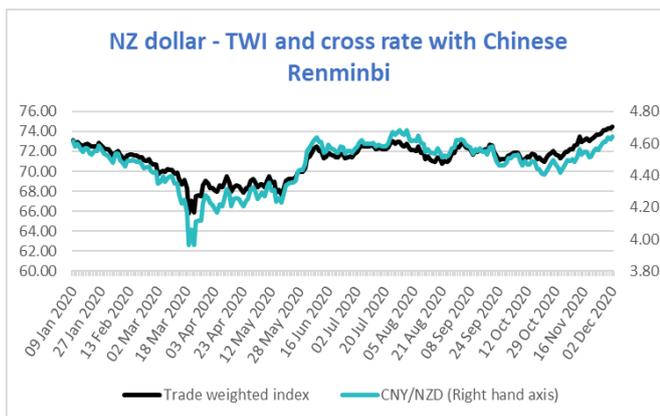
Financial Indicators

Exchange rates

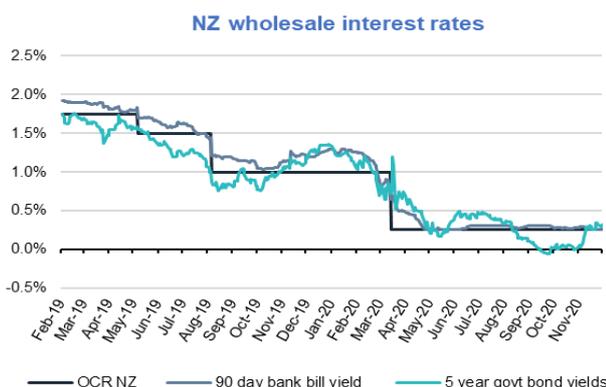
After trading in a narrow range for some months, the NZ dollar exchange rate has broken higher, and now sits at its highest level on a trade-weighted basis since March 2019. This reflects an appreciating NZ dollar against all of the major cross-rates.

Merchandise exports

New Zealand's exports continue to perform well relative to previous years. While merchandise export value lagged 2019 over September-October – this may have partly been a timing issue, with the seasonal pick up in exports occurring slightly later. Average daily exports over November are largely on a par with 2019 levels.



Financial Indicators, sources: <https://www.rbnz.govt.nz>

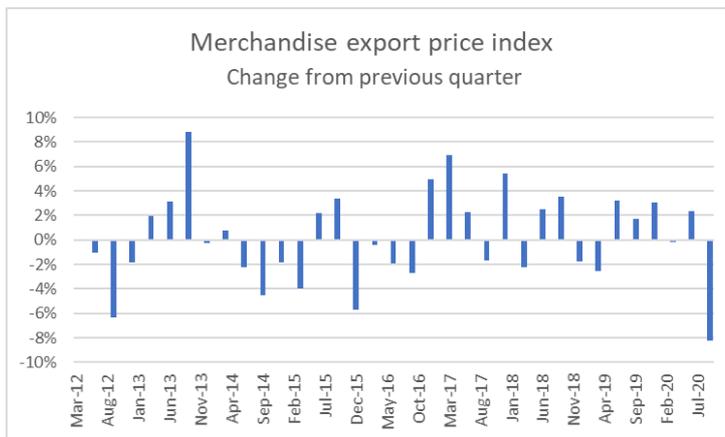
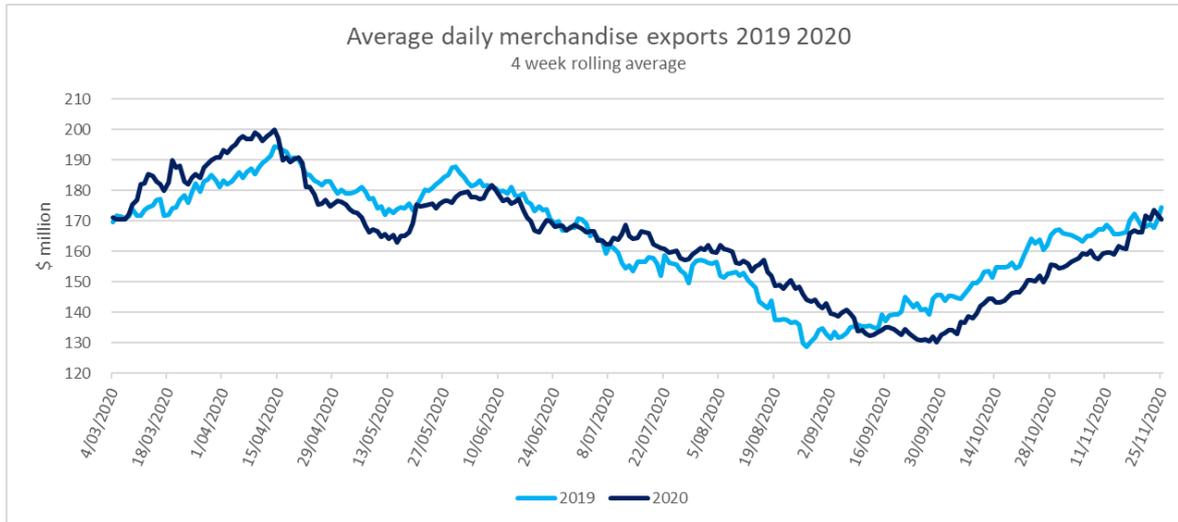


Wholesale interest rates

Wholesale interest rates remain low. Bank bill yields remain anchored to the Official Cash Rate of 0.25 percent. The 5-year bond rate has risen from around zero and now also sits around 0.25 percent. Several commentators have argued that negative wholesale rates are now looking unlikely given the stronger-than-expected performance of the economy. But while the economy has bounced back from lockdown lows, there remain considerable risks heading into 2021, and monetary policy still has a job to do.

Terms of trade

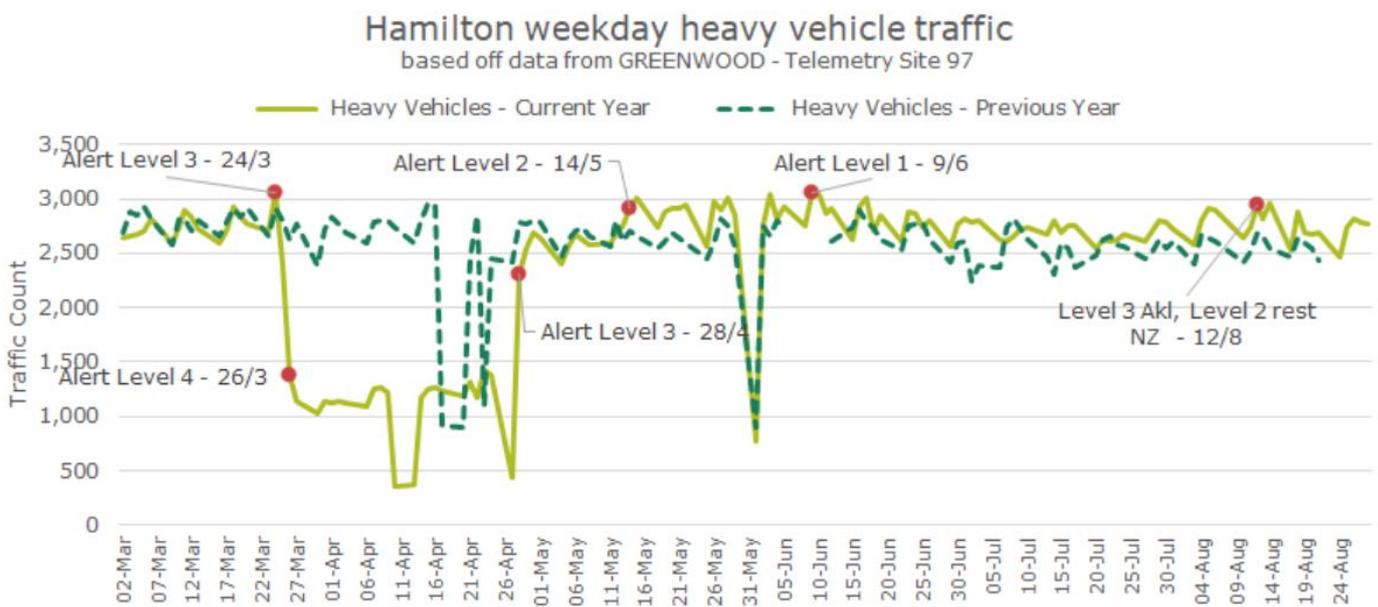
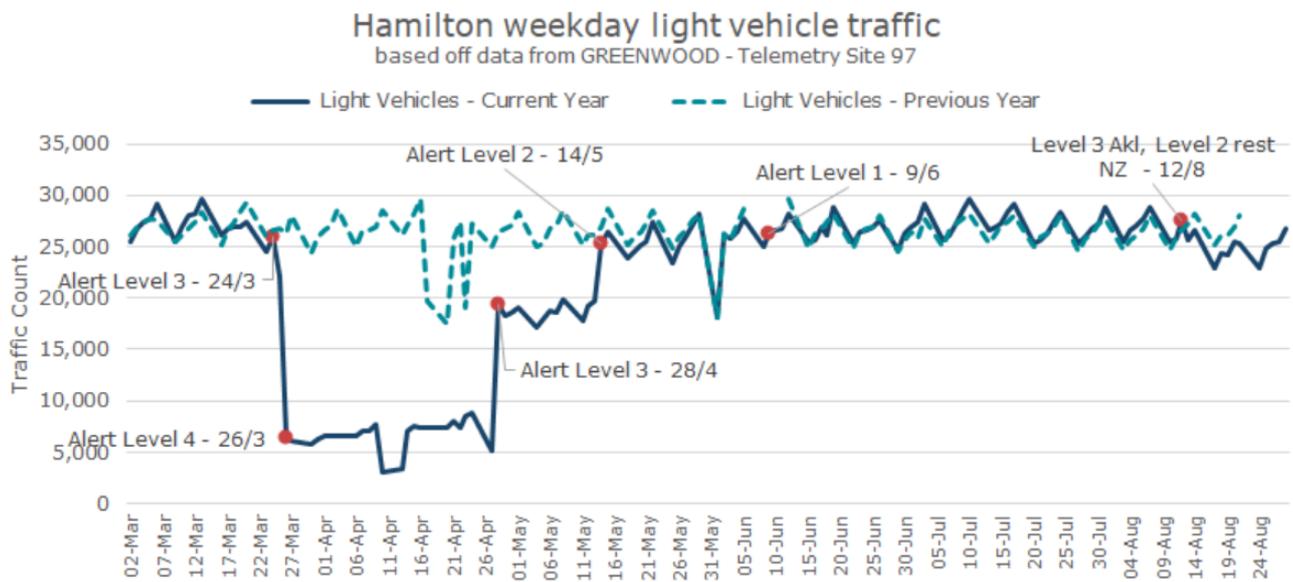
The other driver of export softness over the September quarter was a deterioration in our terms of trade. Notably, export prices fell sharply – including for some of the key dairy and meat exports for the Waikato. While last week's Global Dairy Trade auction prices were encouraging, with a weak world economy, lower export prices remain a risk – and one which may be made worse by ongoing strength in the New Zealand dollar.



Financial Indicators, sources: <https://www.rbnz.govt.nz>

Weekday vehicle traffic

NZTA provides the following annotated traffic data for light (less than 5.5m vehicles) and heavy (over 11m vehicles) traffic in the main NZ cities. At the time of publication Hamilton traffic cannot currently be compared to last year due to an outage at the site during the same period last year. When compared to last week there is a 2.5% increase in light traffic and a 0.7% increase for heavy traffic.

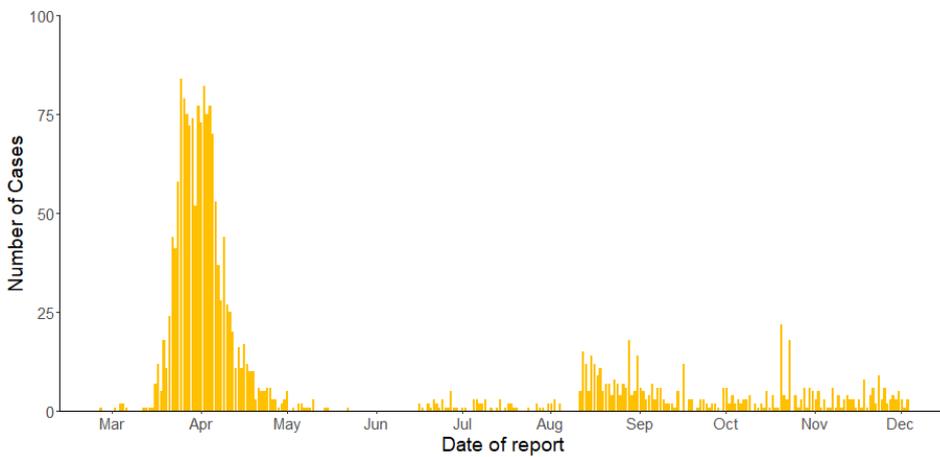


Source: www.nzta.govt.nz

COVID-19 as at 26 October 2020

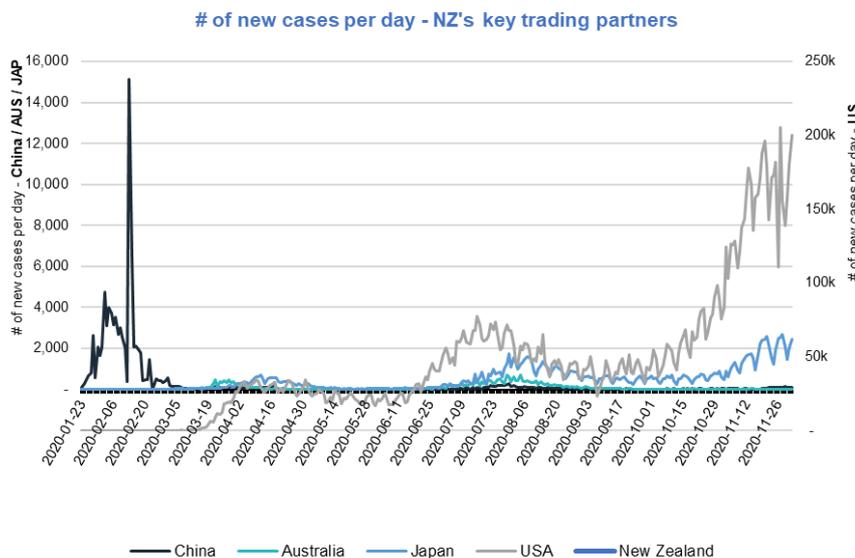
The Waikato DHB has 194 confirmed and probable cases as at 3 December 2020. No active cases, 192 recovered, and two deceased.

The chart below illustrates the daily cases in New Zealand. Since August there has a steady but relatively small stream of new cases per day the majority of which continue to be from international arrivals in managed isolation.



Source: www.health.govt.nz

The chart below summarises the COVID-19 situation for NZ’s key trading partners, by number of new cases per day. While China, Australia and New Zealand have flattened their curves both the US and Japan still have a consistent number of new cases daily.



Source: www.health.govt.nz, www.ourworldindata.org and www.ecdc.europa.eu