



PALMERSTON NORTH CITY COUNCIL

AGENDA
ECONOMIC DEVELOPMENT
COMMITTEE
MINOR ITEM

9AM, MONDAY 12 MARCH 2018
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH



MEMBERSHIP

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Leonie Hapeta (Deputy Chairperson)
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Palmerston North City Council

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ECONOMIC DEVELOPMENT COMMITTEE MEETING

12 March 2018

MINOR ITEM

Consideration of the item is subject to Section 46A(7A) of the Local Government Official Information and Meetings Act 1987.

At the commencement of the meeting the Chairperson will advise that this is a minor matter relating to the the general business of the Council and that the item be received noting that no other action will be able to be taken apart from receiving the report or referring the item to a later meeting for consideration.

9. **Summary Report on the December 2017 Manawatū Quarterly Economic Monitor, Residential Housing Building Consents, Major Developments and Quarterly Retail Report for January 2018**

Page 5

Memorandum, dated 28 February 2018 from the Economic Policy Advisor, Peter Crawford and the Chief Executive, CEDA, Linda Stewart.

MEMORANDUM

TO: Economic Development Committee

MEETING DATE: 12 March 2018

TITLE: Summary Report on the December 2017 Manawatū Quarterly Economic Monitor, Residential Housing Building Consents, Major Developments and Quarterly Retail Report for January 2018

DATE: 28 February 2018

AUTHOR/S: Peter Crawford, Economic Policy Advisor, City Future
Linda Stewart, Chief Executive, CEDA

RECOMMENDATION(S) TO COUNCIL

1. That the December 2017 Manawatu Quarterly Economic Monitor, Residential Building Consents, Major Developments and Quarterly Retail Report is received
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1. OVERVIEW

- 1.1 This memorandum presents a summary of:
 - 1.1.1 the key themes in the latest Manawatū Quarterly Economic Monitor for the December 2017 quarter,
 - 1.1.2 the results of the requested review of statistics on new residential housing and ring-fencing relocatable houses that are not for the city
 - 1.1.3 the outlook for major construction projects in the region; and
 - 1.1.4 the latest CEDA retail report for the three months ended January 2018.
- 1.2 The latest Manawatū Quarterly Economic Monitor report indicates weaker GDP growth in the region in the year ended December 2017 due to slower economic growth in the December quarter and weaker employment growth. There was a slowing in growth in the construction sector, with an increase of just 2% in the number of new residential dwellings in the quarter, the weakest quarterly growth rate since June 2015. There was also a small decline in domestic tourism spending in the quarter. An error in Statistics New Zealand annual employment data for Palmerston North is likely to be a more significant factor in revised growth estimates

for 2017. Ezibuy employee counts have been lost from the employee count data for the city, and the data for 2017 will not be revised until 2018 employment data is published in October 2018.

- 1.3 A significant improvement in the rate of growth in economic activity is expected over the next 12 months due to stronger population growth, increased building activity, jobs being transferred into the region (such as Fairfax, AgResearch and Ernest Adams) and continuing strength in primary sector incomes.
- 1.4 Net overseas migration in the region increased by 12% in the year to December, a much stronger trend compared with the national decline of 1%, a good indication of continuing improvement in economic prospects in the region. There was a 6% decline of the number of people leaving the region to move overseas in the year to December 2017, with the 975 people who left on a long-term or permanent basis the lowest annual number in the series that began in 1990. The number of people leaving from New Zealand increased by 9% in the year to December.
- 1.5 There has been a significant gain in net overseas migration in the region for people aged under 40 years. There were 782 people aged between 0 and 39 years who left on a long-term or permanent basis in 2017 compared with the 10-year average of 1,159 people, while there were 1,434 arrivals compared with the 10-year average of 1,316 people. This resulted in a net gain of 652 people aged between 0 and 39 years compared with a 10-year average gain of 241 people.

2. MANAWATŪ QUARTERLY ECONOMIC MONITOR – DECEMBER 2017

- 2.1 Estimated annual gross domestic product (GDP) growth in the Manawātū region was 2.2% in the year ended December 2017, compared with an increase of 2.4% in the year to September 2017 (the previous estimate was an increase of 2.9%). New Zealand GDP is estimated to have increased by 2.8% in the year to December 2017, a weakening from the 2.9% increase in the year to September.
 - a. Palmerston North GDP increased by 1.7%,
 - b. Manawātū District GDP increased by 4.3%.
- 2.2 Electronic card retail spending in the Manawātū region in the December quarter was \$358 million, an increase of 5.1% from the December 2016 quarter, while national growth was 4.6%. Statistics New Zealand estimates that retail prices increased by 0.8% in the year to December 2017.
 - a. Annual electronic card retail spending in the region for the year ended December 2017 was \$1,282 million, an increase of 4.3% from 2016. This compares with an increase of 4.1% for New Zealand.

- 2.3 Commercial accommodation guest nights in the Manawatū region increased by 4.7% in the December 2017 quarter from the December 2016 quarter, while national guest nights increased by 4.3%. A change in the timing of the national secondary schools basketball tournament in Palmerston North from 26 September – 1 October in 2016 to 2 – 7 October in 2017 is a factor contributing to the increase in guest nights in the December quarter.
- a. Annual commercial guest nights in the Manawatū region were 470,038 in the year ended December 2017, an increase of 2.5% from the previous year. This compares with an increase of 2.5% for New Zealand.
- 2.4 The total value of building consents issued in the region in the December quarter was \$71 million, compared with \$62 million in the December 2016 quarter, an increase of 14%. National consent values increased by 6%.
- a. Building consents to the value of \$277 million were issued in the region in the year to December 2017, an increase of 20% from the previous year. National consent values increased by 8% over the same period.
- b. Consents for 119 new residential dwellings were issued in the region in the December 2017 quarter, compared with 117 in the December 2016 quarter, an increase of 2%. National consents increased by 3%. *This data differs from the numbers published in the Infometrics report due to adjustments made for consents issued for Presidential Homes.*
- c. Consents for 526 new residential dwellings were issued in the region in the year ended December 2017, compared with 413 in the previous year, an increase of 27%. National consents increased by 4%.
- d. Non-residential consents to the value of \$89 million were issued in the region during the year to December 2017, an increase of 6% from the previous year. National consents increased by 8% over the same period.
- 2.5 Car registrations in the region increased by 19.1% in the year ended December 2017 (national registrations increased by 8.0%) while the number of commercial vehicles registered increased by 23% (compared to a national increase of 16%).
- 2.6 It is estimated the annual average unemployment rate in the Manawatū region in the year ended December 2017 was 5.0%, which was slightly above the unemployment rate of 4.7% for New Zealand.
- 2.7 The number of people in the region registered for the MSD Job Seekers benefit increased by 1.0% in December 2017 from December 2016, while the number in New Zealand declined by 1.0%. The MSD benefit numbers reported in the Infometrics report are based on the average of the last four quarters.

- 2.8 Traffic flows in the Manawatū region in the year to December 2017 increased by 4.9% from 2016, while there was an increase of 1.6% for New Zealand.
- 2.9 The Manawatū region experienced a net gain of 799 people from overseas migration in the year ended December 2017, compared with a net gain of 712 people in the year to December 2016. The average annual gain in the region over the last 10 years was 280 people.
- 2.10 Tourism spending in the Manawatū region in the December quarter was \$121 million, an increase of 0.9% from the December 2016 quarter. Total tourism spending in New Zealand increased by 11.7%.
- a. Total visitor spending in the region was \$447 million in the year ended December 2017, increasing by 1.0% from the previous year (6.9% increase for New Zealand).
 - b. Domestic visitor spending in the region was \$380 million in the year ended December 2017, declining by 0.1% from the previous year (4.8% increase for New Zealand). The weakness in domestic visitor spending was due to declines in spending from Auckland (7.4% decline) and Taranaki (8.0% decline).
 - c. International visitor spending in the region was \$68 million in the year ended December 2017, increasing by 8.0% from the previous year (8.9% increase for New Zealand). Countries contributing the most to the increase in spending in the region were China, the USA and the rest of Europe (excluding Germany and the United Kingdom).
- 2.11 A copy of the report is attached as Appendix 1.

3. REVIEW OF STATISTICS FOR NEW RESIDENTIAL HOUSING

- 3.1 A discrepancy was identified in December 2017 between the number of new dwelling consents included in the file submitted to Statistics New Zealand for October 2017 and the official numbers published by Statistics New Zealand for the number of new dwelling consents approved in Palmerston North. Contact was made with Statistics New Zealand and it identified that five consents had been incorrectly classified as residential additions and alterations instead of as new dwellings. Statistics New Zealand subsequently reviewed all consents lodged for Residential Homes since January 2016 and found 12 consents that had been classified as residential additions and alterations and two which had been classified as non-residential consents. With over 30,000 new dwelling consents approved nationally during 2017, the department has advised it will not revise the official data but has put in place processes to check the consents being received for relocatable houses. Checking of the data being supplied to Statistics New Zealand has also identified a

few issues with the information supplied by Council and further checks will be made before the file is submitted.

- 3.2 The other information requested at the 11 December Economic Development Committee was the number of relocatable homes that were being transported to other territorial authorities. Information supplied by Presidential Homes shows that code compliance certificates (CCC) have not been issued for one-third of the new dwellings consented since January 2016, due to work not starting on the construction of the new dwelling consented. Where a CCC has been issued, the company was not able to supply destination details for nine dwellings but has provided details for 58 dwellings. This data shows that 15 dwellings were relocated to a site in Palmerston North while 43 were relocated to other local authorities throughout the lower half of the North Island.
- 3.3 The company advised that at the time of lodging consents, it does not always know where the house will be relocated to. When it does know the address for where the house will be relocated to, it is now including this data with the consent application. We will survey the company on a quarterly basis to seek updated data on the destination of houses which have been completed. A similar process will need to be initiated with Kynoch Construction, which has also begun the construction of relocatable houses.

4. MAJOR DEVELOPMENTS

- 4.1 Major development and construction projects announced recently for Palmerston North and the Manawātū region amount to at least \$2.5 - \$3.0 billion of construction activity over the period to 2030. Some projects are still waiting for final approval, the largest including the Manawātū Gorge, Councils' 2018-28 10-year plans and the MidCentral DHB investment plan. There are several projects under development where estimates have not been put on the final value of the project, such as the Countdown supermarket. There is also an increasing number of smaller projects under development.
- 4.2 New capital projects and renewals in the Palmerston North City Council and Manawātū District Council proposed 2018-28 10-year plans have been included for the first time in the schedule. The Palmerston North plan proposes that \$125 million (18%) of the capital budget of \$687 million will be funded externally. The Manawātū District plan proposed capital expenditure is \$190 million, primarily on roading and water supply, wastewater and stormwater projects.
- 4.3 A list of projects is attached as Appendix 2.




5. MANAWATŪ REGION QUARTERLY RETAIL REPORT FOR JANUARY 2018

- 5.1 The latest CEDA quarterly retail report for the three months ended January 2018 shows a slowing in the rate of retail growth in the Manawatū region from 5.7% in the three months ended October 2017 to 4.6% in the three months ended January 2018. Growth in spending locally by local residents improved from 5.3% in the three months ended October 2017 to 6.7% in the three months ended February 2018.
- 5.2 There was a small decline in domestic visitor spending in the region in the latest period but that followed strong growth in spending in the same period last year. In the three months to January 2017 there was a 20.3% increase from the Wellington region (partly due to the impact of the Kaikoura earthquake), a 17.3% increase from Auckland (in response to the lift in passenger numbers from Jetstar) and a 12.5% increase from the Hawkes Bay.
- 5.3 Visitor spending from the rest of the Horizons region declined by 1.3% in the three months ended January 2018. Food retailing across the Horizons region (excluding Horowhenua) rose by 4.9% in the three months ended January but increased by just 2.5% in Palmerston North. This is likely to be due to higher rates of population growth in other councils in the region compared with Palmerston North, but does also suggest that more supermarket purchases are being made locally and less non-resident purchases are being made at City food retailers.
- 5.4 Retail precinct data shows a slowing in the rate of growth in Broadway and weak growth in the rest of Palmerston North CBD. The rate of growth in spending has increased in Manawatū District, with a 7.2% increase in Feilding in the three months to January.
- 5.5 A copy of the report is attached as Appendix 3.

6. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No

ATTACHMENTS

1. Manawatū Quarterly Economic Monitor December 2017 quarter [↓](#) 
2. Major Construction Projects 2018 - 2030 [↓](#) 
3. Quarterly Manawatū Region Retail Report (January 2018) [↓](#) 

Peter Crawford
Economic Policy Advisor

Linda Stewart
Chief Executive, CEDA



Quarterly Economic Monitor

Manawatu December 2017

Overview of Manawatu

Manawatu's economy remained in good shape in 2017. Household spending indicators were particularly strong, while business activity also expanded. Infometrics' provisional estimate of GDP showed growth of 2.2%pa in the December 2017 year – the fourth consecutive year of 2%pa+ growth. Traffic flows in Manawatu climbed 4.9% in 2017.

Households' willingness to spend is particularly apparent in building consents data. The number of new dwelling consents in 2017 rose 25% to their highest annual level in a decade. Consumer spending is also climbing, with Marketview data showing the value of retail purchases rose 4.3% in the December 2017 year. Car registrations increased 19% to total 5,575 across 2017.

International net migration added 799 people to Manawatu's population in 2017. Strong migration flows are not surprising when one considers that Manawatu's unemployment rate averaged 5.0% in 2017, compared to a peak of above 7% in 2013. Data from ANZ showed that jobs ads in the broader Manawatu-Whanganui region rose 14% in the three months to January.

Infometrics' recently released economic profile shows that there were an additional 905 jobs in Manawatu in the March 2017 year. This growth was driven primarily by gains in construction (274 jobs), wholesale trade (142), other services (114), professional services (93), rental services (75), and health care and social assistance (48).

Business confidence to spend and invest was also seen in other indicators. Commercial vehicle registrations increased by 23% in the December 2017 year to a record level. The value of non-residential building consents climbed 6.4% over the same period and several other big projects are scheduled to get underway in 2018.

There are changes to the outlook for civil construction under the new government. Given the new government's aversion to public-private partnerships and its change in transport infrastructure priorities there is a risk that the Ōtaki to north of Levin section of the Wellington Northern Corridor fails to go ahead. Of course, projects already underway, such as Transmission Gully are not under threat. The government has recently reaffirmed its commitment to replacing the Manawatu Gorge Rd, with an announcement due in March.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↑ 2.2%	↑ 2.8%
Traffic flow	↑ 4.9%	↑ 1.6%
Residential consents	↑ 25%	↑ 3.4%
Non-residential consents	↑ 6.4%	↑ 8.0%
House prices*	↑ 8.7%	↑ 3.9%
House sales	↓ -6.4%	↓ -17%
Guest nights	↑ 2.5%	↑ 2.5%
Retail trade	↑ 4.3%	↑ 4.3%
Car registrations	↑ 19%	↑ 8.0%
Commercial vehicle registrations	↑ 23%	↑ 16%
Jobseeker Support recipients	↑ 1.8%	↑ 0.06%
Tourism expenditure	↑ 1.0%	↑ 6.4%
<i>Level</i>		
Unemployment rate	5.0%	4.7%
International net migration	799	70,017

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

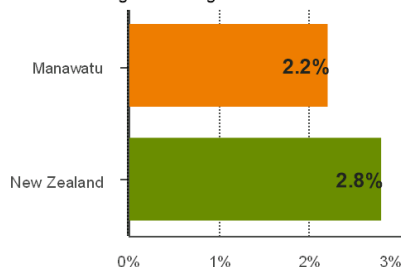
Overview of national economy

Economic growth, after having grown at rates exceeding 3.0%pa for much of the past three years, is expected to ease slightly to closer to 2.5%pa this year. Labour capacity constraints in the residential construction sector, changes in central government's infrastructure priorities, and slightly disappointing dairy prices will all keep a lid on growth this year. More subdued growth in business investment is likely in the wake of lower levels of business confidence. Despite the Reserve Bank keeping a lid on the Official Cash Rate, finance costs are still likely to push higher during 2018, due to recent rises in international money and bond market yields.

Gross domestic product

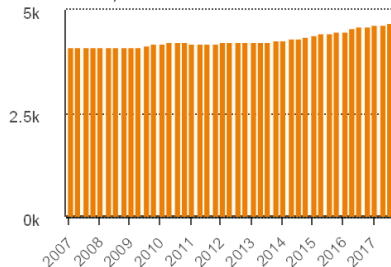
Gross domestic product growth

Annual average % change Dec 16 - Dec 17



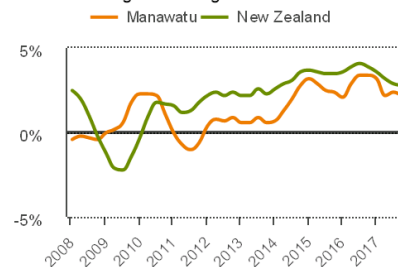
Gross domestic product (\$m)

Annual level, Manawatu



Gross domestic product growth

Annual average % change



Highlights for Manawatu

- GDP in Manawatu was up 2.2% for the year to December 2017 compared to a year earlier. Growth was lower than in New Zealand (2.8%).
- GDP was \$4,745 million in Manawatu for the year to December 2017 (2010 prices).
- Annual GDP growth in Manawatu peaked at 3.4% in the year to September 2016.

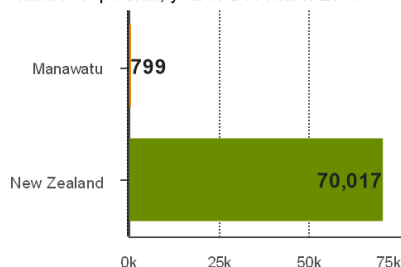
National overview

Headline economic activity appeared to lose some momentum in the December 2017 quarter, with business confidence falling and some construction indicators highlighting supply constraints. We provisionally estimate that GDP grew by 2.8% over the December year, down from 3.6%pa growth in the beginning of the year. But we are wary of reading too much into the drop, given that the uncertainty associated with elections usually weighs on confidence temporarily, so some rebound is possible in coming months. Furthermore, own-activity indicators from the surveys have not fallen as far as headline confidence. This divergence suggests that respondents are more worried about the broader economic outlook, a concept that is arguably hazier than understanding trading conditions for their own businesses.

International net migration

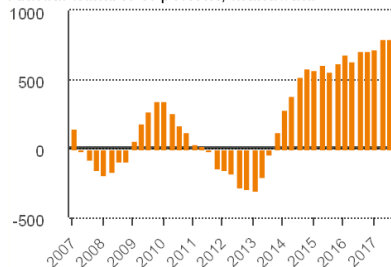
Net migration

Number of persons, year to December 2017



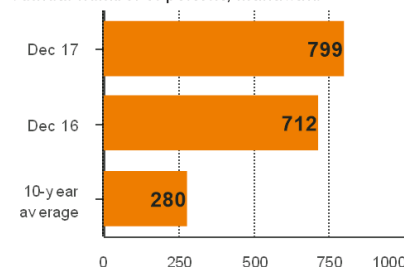
Net migration

Annual number of persons, Manawatu



Net migration

Annual number of persons, Manawatu



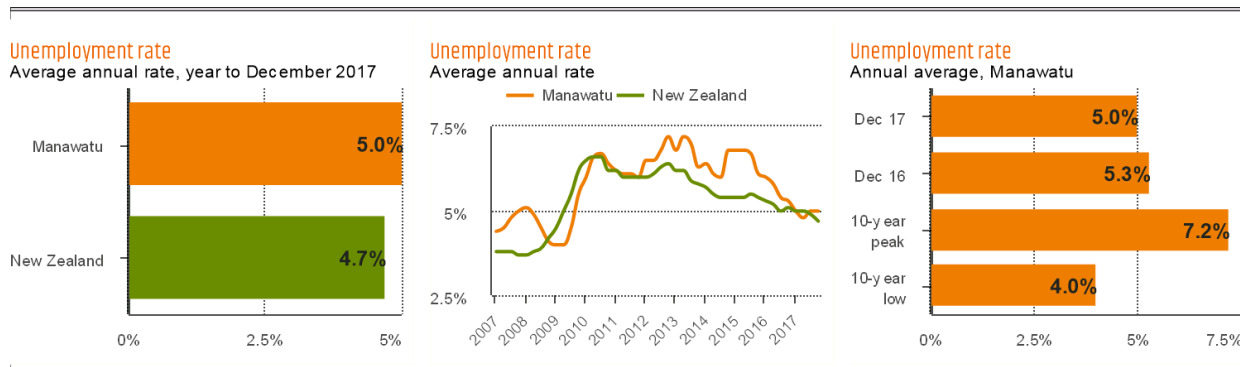
Highlights for Manawatu

- Manawatu experienced a permanent and long-term net migration gain of 799 persons in the year to December 2017. This compares with a gain of 712 a year ago, and a ten year average of 280 (gain).
- New Zealand's annual net migration decreased to 70,017 from 70,588 a year ago.

National overview

Slowing annual arrivals pulled net migration down to 70,017 in December, compared to the 70,588 level seen in December 2016. Residence visa arrivals continued to tumble in the December quarter, down 17% from a year earlier, making up the largest component of arrivals. Work visa growth has also pared back to 3.4%pa in the December quarter, after double-digit growth from mid-2016 to mid-2017. Student visa numbers fell again slightly in the December quarter, down 1.6% from a year earlier. The December quarter saw a net inflow of 10 New Zealand arrivals, compared to a 3,650 outflow in February 2012, reiterating the importance of returning ex-pats in the overall immigration picture.

Unemployment rate



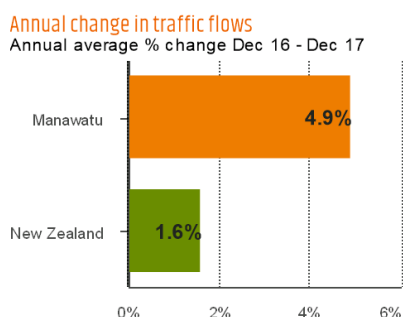
Highlights for Manawatu

- The annual average unemployment rate in Manawatu was 5.0% in December 2017, down from 5.3% a year earlier.
- The unemployment rate in Manawatu was higher than in New Zealand, where the unemployment rate averaged 4.7% over the year to December 2017.
- Over the last ten years the unemployment rate reached a peak of 7.2% in December 2012;

National overview

The unemployment rate fell to a nine-year low of 4.5% in the December quarter and averaged 4.7% over the 2017 calendar year. Underpinning this dip in unemployment was the combined effect of fewer people participating in the labour market and even more people finding employment. Reassuringly, employment growth was driven entirely by more people entering full-time jobs – an indication of business expansion and an optimistic outlook. Overall, data for the December quarter was a continuation of trends we saw over the rest of 2017 – the labour market is tightening, but we are still waiting for widespread wage growth.

Traffic flow



Highlights for Manawatu

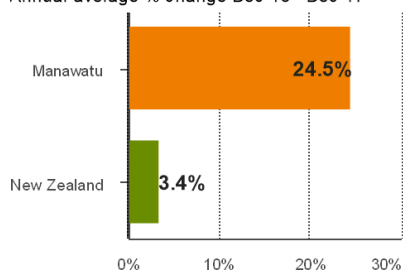
- Traffic flows in Manawatu increased by 4.9% over the year to December 2017. This compares with an increase of 1.6% in New Zealand.

National overview

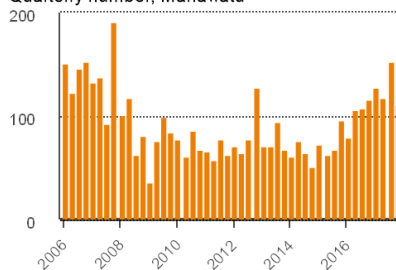
Traffic flows in 2017 were 1.6 % higher than their 2016 level. Earthquake disruptions continued to push up flows on the alternate route through Tasman and Hurunui. Traffic flows in Kaikoura are beginning to show significant recovery following the reopening of SH1. Vehicle running costs are likely to creep higher in 2018. A lift in world crude oil prices drove a swift rebound in fuel prices early this year, leading us to revise up our near-term outlook for both petrol and diesel prices. Auckland motorists can expect a 10c/l regional fuel tax by mid-2018.

Residential consents

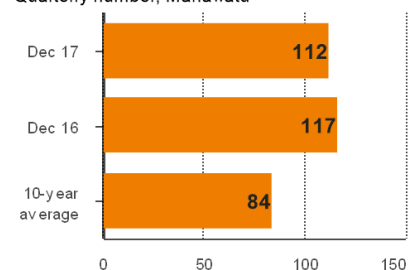
Growth in no. of new dwelling consents
Annual average % change Dec 16 - Dec 17



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

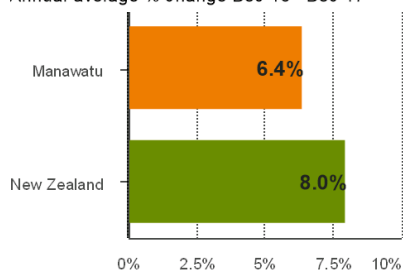
- A total of 112 new residential building consents were issued in Manawatu in the December 2017 quarter, compared with 117 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 25% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 3.4% over the same period.

National overview

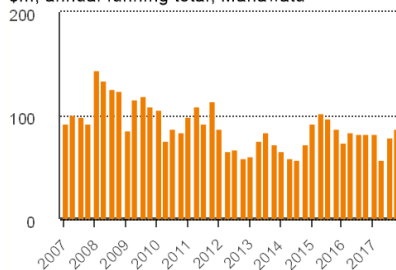
House consents nationally were up 3.4% across 2017, with consents in the December quarter sitting just 2.5% above their 2016 level. Many regions saw declines in the December quarter, but consents for new dwellings in Auckland rose by 20%pa in the December quarter. Although much of the Auckland gain was due to apartment building consents, there was also a substantial lift in consents for new houses. We expect Auckland to be a key driver of growth in residential consents nationally over the next 12 months. However, labour capacity constraints will continue to limit growth over this period. Higher residential building costs are also a constraint on construction.

Non-residential consents

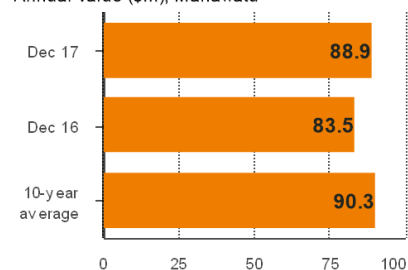
Growth in value of consents
Annual average % change Dec 16 - Dec 17



Non-residential consents, Manawatu
\$m, annual running total, Manawatu



Value of non-residential consents
Annual value (\$m), Manawatu



Highlights for Manawatu

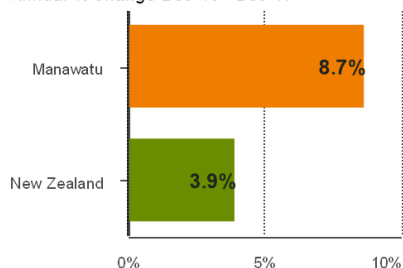
- Non-residential building consents to the value of \$89 million were issued in Manawatu during the year to December 2017.
- The value of consents increased by 6.4% over the year to December 2017. By comparison the value of consents in New Zealand increased by 8.0% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$145 million in the year to March 2008.

National overview

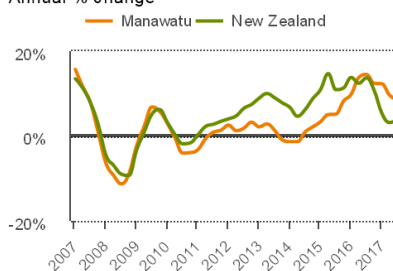
The value of non-residential building consents grew 8.0% in 2017, following growth of 19% in 2016. Despite growth having weakened in the December quarter, we still expect non-residential building consents to climb over the coming year. The recent uptick in farm building consents is expected to continue on the back of stronger export volumes, while increases in retail and factory building will drive the bulk of consent growth in 2018. In contrast, offices, education, storage, and social building work are all predicted to pull back from their highs.

House prices

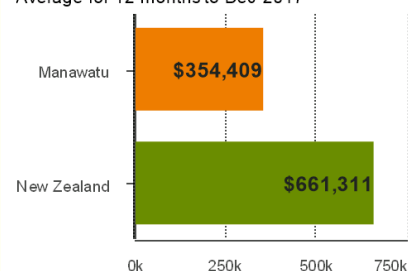
Annual change in house prices
Annual % change Dec 16 - Dec 17



House price growth
Annual % change



Average current house value
Average for 12 months to Dec 2017



Highlights for Manawatu

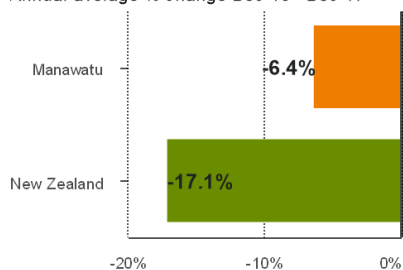
- The average current house value in Manawatu was up 8.7% in December 2017 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 3.9%.
- The average current house value was \$354,409 in Manawatu over the December 2017 year. This compares with \$661,311 in New Zealand.

National overview

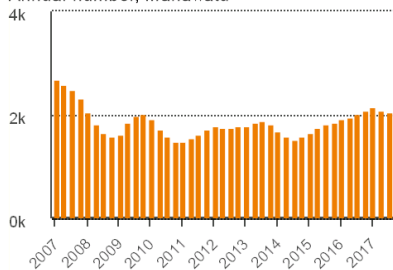
House prices ended the year on a more stable footing, to be 3.9% higher in December than a year ago. Auckland's house price inflation edged up to 0.9%pa in the December quarter, moving away from the decline we saw in mid-2017. Outside Auckland the housing market is more buoyant, with annual house price inflation slightly more positive compared to previous months. But we think the general softening trend of 2017 will continue to creep across the country over the year ahead. Infometrics forecasts a 3.5%pa decline in house prices nationally in 2018.

House sales

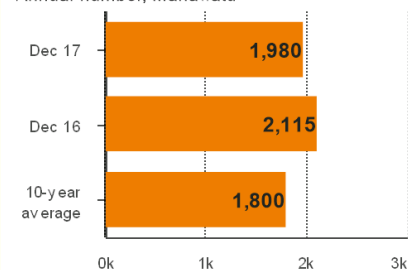
Annual change in house sales
Annual average % change Dec 16 - Dec 17



House sales
Annual number, Manawatu



House sales
Annual number, Manawatu



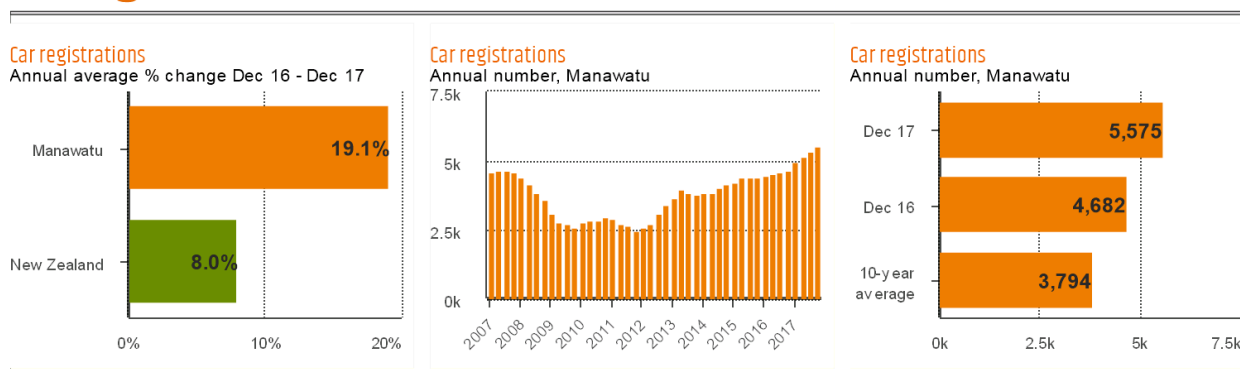
Highlights for Manawatu

- House sales in Manawatu in the year to December 2017 decreased by 6.4% compared with the previous year. Growth outperformed relative to New Zealand, where sales decreased by 17%.
- A total of 1,980 houses were sold in Manawatu in the 12 months ended December 2017. This compares with the ten year average of 1,800.

National overview

House sales volumes declined 17% across the December 2017 year. There is likely to be a smaller decline in house sales for 2018 due to the earlier-than-expected relaxation of the loan-to-value restrictions (LVRs), which kicked in on January 1. The government's move to ban foreign buyers could also see some purchases brought forward. Even so, upside to housing demand will remain constrained due to high prices and affordability problems in many parts of the country, particularly for first-home buyers. Investor demand will stay relatively weak due to a lack of expected capital gains and the continuation of tougher LVR rules than those faced by owner-occupiers.

Car registrations



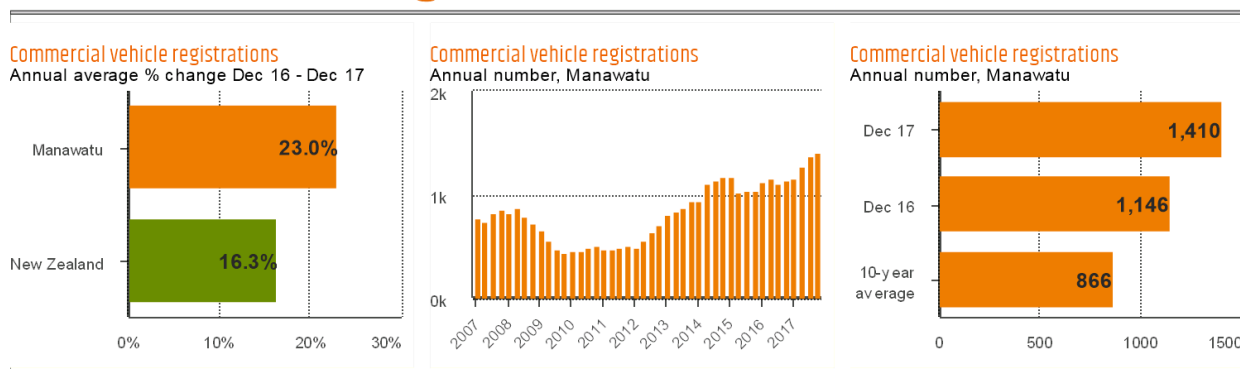
Highlights for Manawatu

- The number of cars registered in Manawatu increased by 19% in the year to December 2017 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales increased by 8.0%.
- A total of 5,575 cars were registered in Manawatu in the year to December 2017. This compares with the ten year average of 3,794.

National overview

Car sales were up 8.0% in 2017, with first-time registrations of used imports soaring 11%, while new car sales were still up 5.8%. Moderating household confidence is likely to draw more individuals towards buying used vehicles in preference to (more expensive) new cars, which will help keep used car sales tracking upwards. New car sales growth has been driven primarily by small car sales. Sales of small new cars lifted 14%pa in the December 2017 quarter from the December 2016 quarter. Increasing engine efficiency has swung in the favour of cars with smaller engine sizes and we expect this trend to continue.

Commercial vehicle registrations



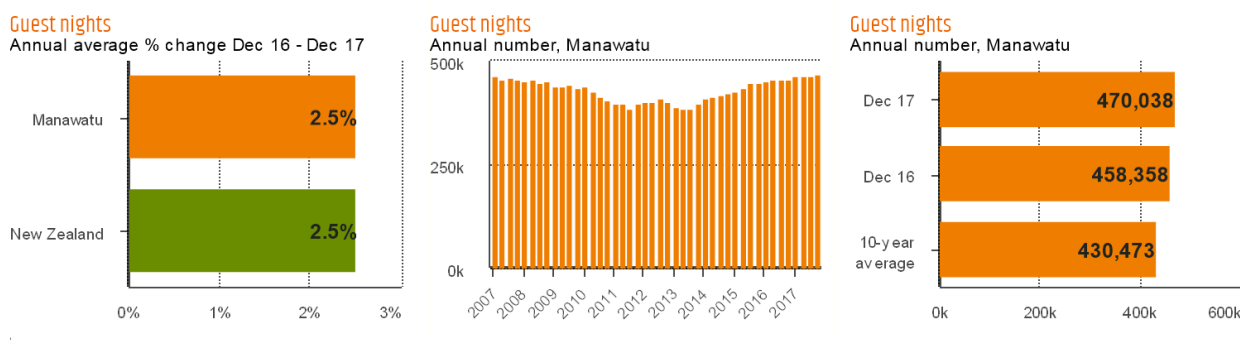
Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu increased by 23% in the year to December 2017 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales increased by 16%.
- A total of 1,410 commercial vehicles were registered in Manawatu in the year to December 2017. This is higher than the ten year annual average of 866.

National overview

Commercial vehicles sales rose strongly in 2017 to sit 16% higher than their 2016 level. Sales growth was spread across all weight classes. Light commercial sales exceeded 2016 levels with a month to spare. Heavy commercial vehicle sales rebounded from 2016's decline, to levels 12% above their 2015 peak. Sales growth in 2018 is likely to be more subdued, as business confidence has moderated. But there are still some upside risks to sales if the recent strengthening of the New Zealand dollar significantly dampens prices for expensive heavy transport equipment imports.

Guest nights



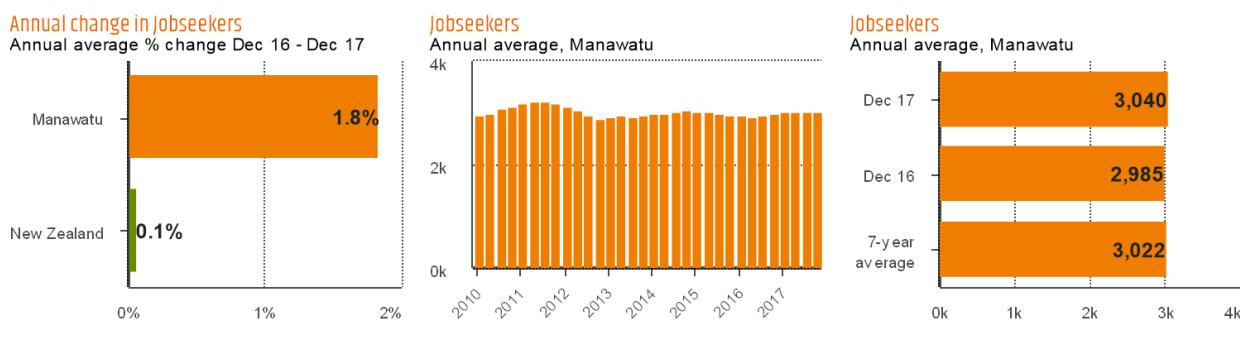
Highlights for Manawatu

- Total guest nights in Manawatu increased by 2.5% in the year to December 2017. This compares with an increase of 2.5% in New Zealand.
- Visitors stayed a total of 470,038 nights in Manawatu during the year to December 2017, which was up from 458,358 a year ago.

National overview

Guest nights rose 2.5% to a record 39.5m over the December 2017 year. Guest nights by domestic visitors increased 0.8% to 22.2m over the period, while international visitor guest nights climbed 4.8% to 17.2m. Occupancy in commercial accommodation (excluding holiday parks) averaged a record 62.8% in 2017, compared with a ten-year average of 53.6%. Domestic guest nights have been boosted by better labour market conditions and ongoing competition in domestic aviation between Jetstar and Air New Zealand. International visitor arrivals to New Zealand continued to grow strongly in 2017, rising 6.7% in the December year to a record 3.7 million. We expect annual growth to cool over the coming year, owing to a combination of capacity constraints and a general softening in arrivals growth from China.

Jobseekers



Highlights for Manawatu

- Working age Jobseeker Support recipients in Manawatu in the year to December 2017 increased by 1.8% compared with the previous year. Growth was higher relative to New Zealand, where the number of Jobseeker Support recipients increased by 0.06%.
- An average of 3,040 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended December 2017. This compares with an average of 3,022 since the start of the series in 2010.

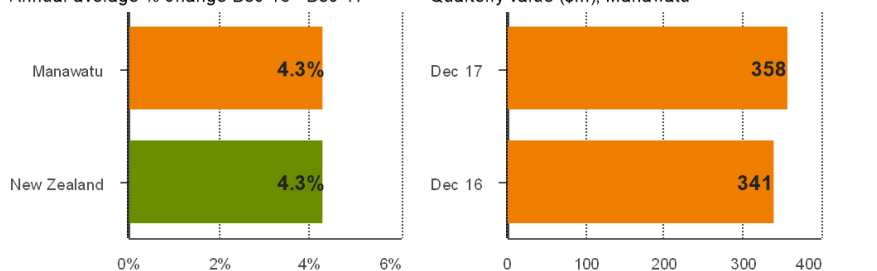
National overview

The average number of Jobseeker Support recipients was flat over the December 2017 year (up 0.1%). Looking out over the next year, we expect the lift in the minimum wage to drive wage growth at the lower end of the spectrum. The tightening labour market will also support wage growth across industries more broadly. Record net migration has boosted the size of the workforce over the last couple of years. But as the number of new migrant workers falls, the pool of potential job candidates will shrink and firms will find it harder to fill jobs. The trick will be matching domestic candidates not presently in work with jobs that are available – transitions that might require some upskilling.

Retail trade

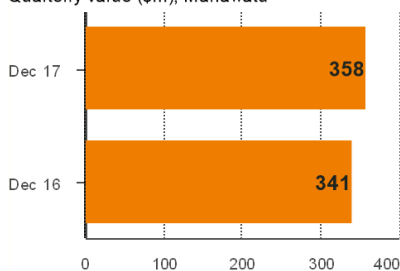
Growth in retail sales

Annual average % change Dec 16 - Dec 17



Retail sales

Quarterly value (\$m), Manawatu



Highlights for Manawatu

- Electronic card retail spending in Manawatu, as measured by Marketview, increased by 4.3% over the year to December 2017 compared to the previous year. This compares with an increase of 4.3% in New Zealand.

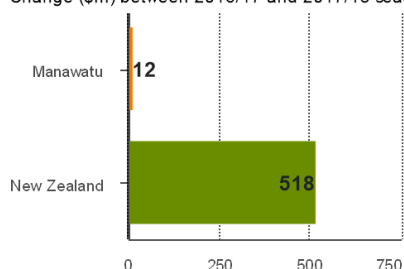
National overview

Electronic card spending on retail purchases was buoyant over the closing stages of 2017. Data from Marketview showed that spending in the December quarter was up 4.9% from a year earlier, taking growth across the December year to 4.3%. Recent softness in consumer confidence and an expected easing of immigration pose downside risks to spending growth in 2018. Nevertheless, these risks will be offset by better job prospects and more money for lower income households due to Labour's Families Package and the \$50/week increase in the student allowance and loan entitlements.

Total dairy payout

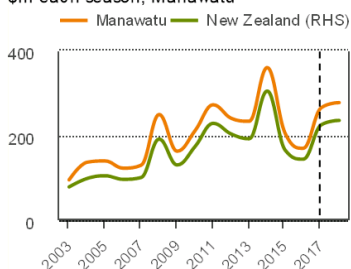
Total dairy payout

Change (\$m) between 2016/17 and 2017/18 season



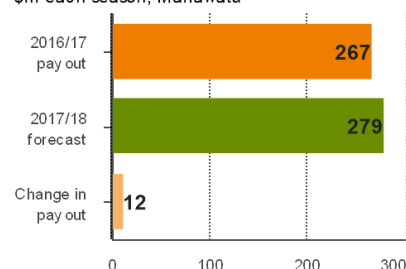
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



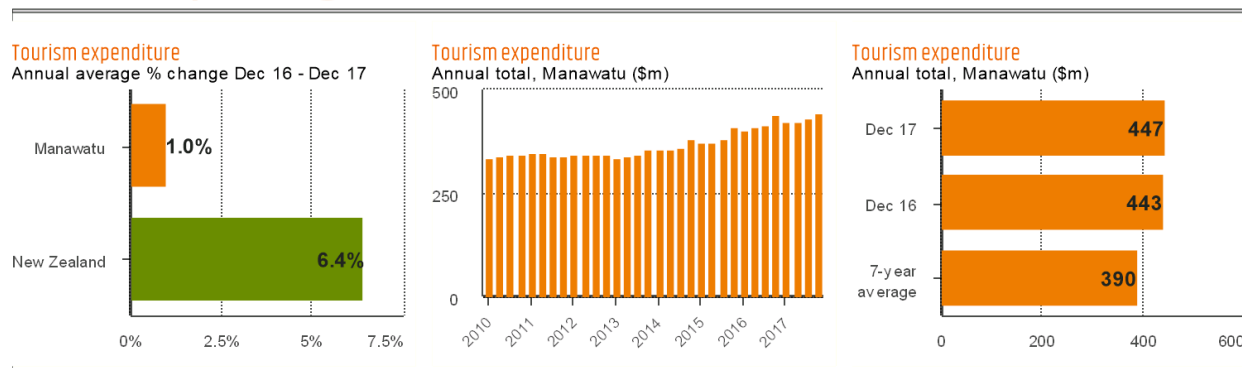
Highlights for Manawatu

- Manawatu's total dairy payout for the 2016/17 season is estimated to have been approximately \$267m.
- Manawatu's dairy payout for the 2017/18 season is expected to be approximately \$279m, \$12.2m 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 \$11,328m in the 2016/17 season, and is expected to be \$518m higher in the 2017/18 season.

National overview

Dairy prices at Fonterra's Global Dairy Trade auctions eased during the December quarter, but have risen sharply so far in 2018 as markets worry about lower milk production following drought conditions. December milk production was 4.5% below December 2016 levels. Markets will be watching anxiously to see whether recent rains lead to some recovery in production volumes in late summer, or if production continues to be curtailed. Providing auction prices hold up at current levels over the next few auctions, then Fonterra's farmgate milk price forecast of \$6.40/kgms appears to be well-supported.

Tourism Spending



Highlights for Manawatu

- Total tourism expenditure in Manawatu increased by 1.0% in the year to December 2017. This compares with an increase of 6.4% in New Zealand.
- Total tourism expenditure was approximately \$447m in Manawatu during the year to December 2017, which was up from \$443m a year ago.

National overview

Total visitor spend was a record \$27.7bn in the December 2017 year, up from \$26.0bn in 2016. Spending by domestic visitors rose from \$15.7bn to \$16.5bn over the same period, while spending by domestic visitors climbed from \$10.3bn to \$11.2bn. Regional spending growth was most rapid in Tasman, West Coast, and Taranaki. There were also rapid pockets of growth in the central South Island, central North Island, Wairarapa and the Catlins. Spending is expected to continue growing in the March quarter, but the pace of growth is likely to be more subdued as the stronger New Zealand dollar means travellers' budgets won't stretch quite as far.

Technical notes

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.

Net migration

Net migration is the difference between the number of arrivals and departures of permanent and long-term migrants. Data is sourced from International Travel and Migration statistics from Statistics New Zealand.

Unemployment

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

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.

Retail Sales

The retail 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.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey. A guest night is equivalent to one guest spending one night at an establishment. For example, a motel with 15 guests spending two nights would report that they had provided 30 guest nights.

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.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

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.

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.

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.

Data presented for the September 2013 quarter onwards is provided by the Ministry of Social Development (MSD). Data prior to September 2013 are Infometrics estimates based on re-grouping pre-July 2013 benefit categories to be consistent with the post-July 2013 benefit categories. The pre-July 2013 benefit categories used to estimate the number of Jobseekers Support recipients are: Unemployment Benefit and Unemployment Benefit Hardship; Unemployment Benefit Training and Unemployment Benefit Hardship Training; Sickness Benefit and Sickness Benefit Hardship; Domestic Purposes Benefit - Sole Parent (if youngest child is 14 or over); Women Alone and Widow's Benefit (without children or with children 14 or over)

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.

Appendix 2

Major construction and development projects in Palmerston North and the Manawatū region

Summary

Major development and construction projects announced recently for Palmerston North and the Manawatū region amount to at least \$2.5 - \$3.0 billion of construction activity over the period to 2030. Some projects are still waiting for final approval, the largest being the replacement for the Manawatū Gorge, the MidCentral DHB investment plan, KiwiBuild and Councils' 2018-28 10-year plans. There are several projects under development where values have not been put on the final value of the project, such as the Countdown supermarket.

New capital projects and renewals in the Palmerston North City Council and Manawatū District Council proposed 2018-28 10-year plans have been included for the first time in the schedule. The proposed Palmerston North plan proposes that \$125 million (18%) of the capital budget of \$687 million will be funded externally. The Manawatū District plan proposed capital expenditure is \$190 million, primarily on roading and water supply, wastewater and stormwater projects.

Key projects identified in the region are:

1. \$397 million at Linton and Ohakea Defence Regeneration Plan 2016 – 2030 (\$176 million over 2016 – 2021)
2. \$282 million MidCentral DHB draft investment plan (2016 – 2025)
3. \$184 million Massey University Capital Plan (2016 – 2025). Construction projects in progress
4. \$150 million Powerco (Manawatū and Taranaki) - \$60 million over next 5-7 years on growth and security projects, \$90 million renewal programme over five years
5. Redevelopment of the Hokowhitu Campus – 130 housing lots over three stages, with an estimated value of \$90 - \$135 million - resource consent application awaiting decision by commissioners
6. \$110 million Totara Road Wastewater Treatment Plant - Consent Renewal Upgrade. Construction scheduled for 2024/25 to 2026/27
7. \$58 million Te Manawa Upgrade - Option A. Construction scheduled for 2023/24 to 2027/28
8. \$47.5 million urban growth projects to cater for increased residential and non-residential growth in the City. Projects planned throughout the 10-year plan
9. \$41 million wastewater, stormwater and water supply renewal and growth projects in Manawatū District 2018-28 10-year plan

10. \$40 million BUPA retirement village, Napier Road – construction has started and a second revised building consent has been lodged with Council
11. \$39 million Food HQ – consents lodged in July 2017, work started in 2018
12. \$29.1 million City Centre Streetscape upgrade. Projects planned throughout the 10-year plan
13. \$24.5 million Arena Master Plan. Construction scheduled for 2018/19 to 2022/23.
14. \$20 million Westmount School and place of worship – construction in progress
15. 69 lot residential development in Ashhurst – resource consent received
16. KiwiBuild - prior to the election the government committed to building 149 houses in Palmerston North as part of its commitment to build 100,000 houses nationally
17. Toyota parts distribution centre expansion – building consent lodged
18. Countdown Supermarket – resource consent approved
19. \$8.9 million - AgResearch Grasslands - demolition and replacement of PC2 containment glasshouses and partial refurbishment of Lionel Corkill building – resource consent sought
20. Massey School of Aviation Facility (\$4.3 million consent received and construction started) and accommodation – development proposal, funding to be confirmed
21. Pedestrian/cycle bridge and path to Linton - \$10 million, construction started
22. Major regional roading investment:
 - a. Whirokino Trestle and Manawatu River Bridge contract is \$70 million. While this is just outside the Manawātū region, local businesses may be involved in this project. Work started mid-2017 and is expected to be completed in 2-3 years
 - b. Palmerston North rural ring road - the initial stage will improve two sections of State Highway 3, between Kairanga and Bunnythorpe, and Napier Rd, from Keith St to Whakarongo. Construction was expected to begin in early 2018. Total project estimated to be around \$200 million
 - c. Manawātū Gorge Road replacement – four possible routes have been identified - \$350-\$550 million
 - d. Manawātū District Council 10-year plan - \$95 million
23. Increased milk processing capacity at the newly rezoned Fonterra site at Longburn. No indication of possible timing or a commitment to invest.

24. Multiple consents already received and expected for earthquake strengthening and refurbishment of buildings for schools, the Plaza, All Saints and other commercial buildings in the City.

Background Information for Key Projects

Defence Regeneration Plan 2016 – 2030 - Linton indicative five year programme

Drinking Water Network (<\$3 million)
 Multi-purpose Unit Facilities (<\$10 million)
 (Ammo) Hanger and Offices (<\$5 million)
 Ammunitions Storage Facility (<\$5 million)
 Logistics Warehouse (<\$15 million)
 Camp Workshop (<\$20 million)
 Camp Centre Multi-purpose Building (<\$25 million)
 Vehicle Shelters (<\$1 million)

Ohakea indicative five year programme

Hangar Fire Suppression Deluge Tank (<\$3M)
 Hazardous Waste Storage Facility (<\$1M)
 Refuelling Section Facility (<\$1M)
 Temporary Multi-Purpose Office Accommodation (<\$3M)
 Covered Tanker Park (<\$3M)
 Taxiway Replacement (<\$20M)
 Air Terminal Freight Loading Area (<\$1M)
 Aircraft Safe Arming Area (<\$3M)
 Additional Taxiway Apron Entry/Exit Point (<\$3M)
 Warehouse (<\$10M)
 General Equipment Workshop (<\$5M)
 Flight Rations Store (<\$3M)
 Base Chapel Relocation (<\$1M)
 Base Multi-purpose Administration Building (<\$20M)
 Physiotherapy and Medical Facilities (<\$15M)

MidCentral DHB Draft Investment Plan

The Indicative Business Case for the Palmerston North Hospital Campus redevelopment will be further developed into a full business case over the next 12 months

Buildings & Plant	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Capital Landscape											
Indicative Business Case Hot Floor	500	2,000	1,000	13,830	21,100	33,760	27,430	7,380	0	0	107,000
Provisional Strategic Rebuilds, Reliving & Future Ward Blocks	3,080	9,400	11,500	1,000	1,000	2,000	2,500	3,500	21,000	36,000	90,980
Major Known Issues-Mental Health	500	4,500	0	0	0	0	0	0	0	0	5,000
Mental Health-Contingency	0	15,000	0	0	0	0	0	0	0	0	15,000
Infrastructure Refresh/Seismic	12,666	10,920	8,000	6,850	6,700	5,050	2,920	6,720	1,795	2,395	64,016
Total	16,746	41,820	20,500	21,680	28,800	40,810	32,850	17,600	22,795	38,395	281,996

¹ 'Hot Floor' building¹

Massey University Capital Plan

\$184 million over the next ten years. The projects which have been identified are:

Walter Dyer Hall \$4.4 million consented in November 2016

Refectory \$9 million

Remainder of vet upgrade and expansion \$50 million

College of Sciences \$11 million

Building rationalisation from the Hokowhitu Campus \$18 million

Social Sciences Tower upgrade

Whare Kai \$650,000

Palmerston North City Council Draft 10-year Plan (current dollar values)

\$m	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
City Centre Streetscape Upgrade	2.9	4.1	3.3	3.9	2.6	2.6	2.9	4.3	2.0	0.5	29.1
Urban Growth	3.3	8.6	7.2	4.0	5.8	3.0	6.7	4.2	2.6	2.2	47.5
Arena Masterplan	6.0	5.6	4.7	6.5	1.7	0.0	0.0	0.0	0.0	0.0	24.5
Major roading network upgrades	1.5	5.6	6.2	3.0	2.2	0.8	1.2	0.0	0.0	0.0	20.5
Social Housing	3.9	1.1	0.5	2.4	2.7	0.7	0.7	0.7	0.3	0.0	13.0
Seismic Strengthening	0.0	1.4	3.7	1.8	2.0	0.0	2.6	0.6	1.7	0.0	13.8
628-Totara Road Wastewater Treatment Plant	0.0	0.0	0.0	0.0	0.0	20.0	40.0	30.0	20.0	0.0	110.0
1460-Te Manawa Upgrade - Option A	0.0	0.0	0.0	0.0	0.6	1.7	1.7	11.6	17.4	24.9	58.0
1518-Central Library Upgrade	0.8	3.5	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5
He Ara Kotahi Bridge and Pathway	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.2
Remaining capital new	13.5	19.5	21.9	17.9	12.1	13.0	6.0	6.4	5.8	5.0	121.1
Renewals	23.7	20.7	22.3	22.9	23.2	22.0	23.0	26.6	22.3	25.0	231.7
TOTAL	\$65.8	\$70.1	\$73.1	\$62.4	\$52.8	\$63.8	\$84.9	\$84.3	\$72.2	\$57.6	\$686.9
of which funded externally	13.3	9.0	7.9	11.8	6.9	8.8	6.2	15.3	19.2	26.6	125.0
% funded externally	20%	13%	11%	19%	13%	14%	7%	18%	27%	46%	18%

¹ MidCentral DHB propose to build a "Hot Floor" of theatres, procedure rooms, a critical care unit (CCU), cardiology interventional services, Sterile Support Unit (SSU), Emergency Department (ED), emergency radiology, and telephony within a new facility that meets seismic compliance.



MANAWATU REGION QUARTERLY REPORT

For Period Ending January 2018

Central Economic Development Agency

Prepared for

Central Economic Development Agency

Date

February 2018

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JANUARY 2018 QUARTER



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DATA SOURCE

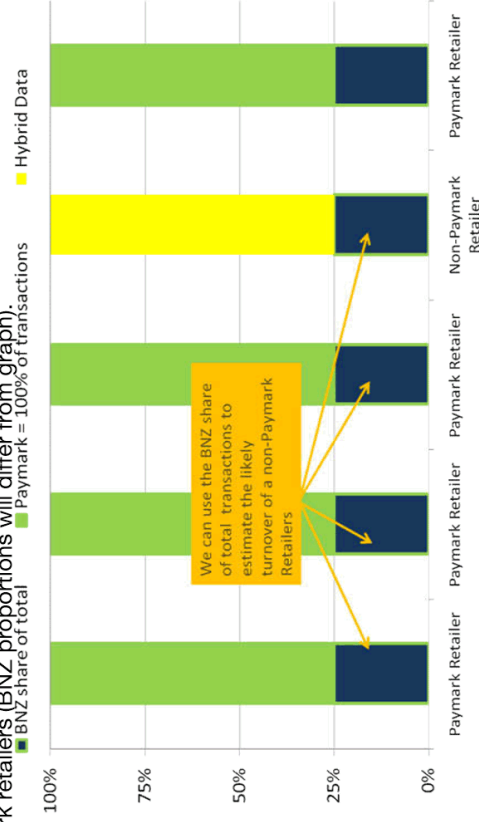


The data included in this report represents the total value of electronic card retail transactions. For a frame of reference, Statistics NZ report just under 70% of total retail is paid with an electronic card (ECT publication and Retail Trade Survey). The rest is comprised of cash, hire-purchase and any other less-frequent method of payment. The data (referred to as Hybrid Data on the graph below) combines our two primary data sets in order to capture the complete quantity of retail spending.

The first of these is the Bank of New Zealand cardholder base. This set is based on the eftpos, debit and credit card transactions made by BNZ cardholders. BNZ has around a 20% share of the cards market, so on average BNZ Marketview accounts for one in five retail transactions. (As at July 1 2015, there were over 650,000 active BNZ cardholders).

The second is the Paymark merchant database. New Zealand has two eftpos networks. The largest of these is run by Paymark, a joint venture owned by ASB, BNZ, (formerly) the National Bank and Westpac. Approximately 75% of New Zealand retailers use the Paymark network. This data set provides a complete view of all eftpos, debit and credit card transactions made at merchants on the Paymark network, both from New Zealanders and international visitors. (As at July 1 2015, there were over 40,000 active merchants on the Paymark network).

For retailers which are not on Paymark network, there is no transactional data available from on the Paymark database. To fill this data gap we weight the BNZ cardholder spending at non-Paymark merchants. The weightings would be based on BNZ's share of the Paymark transactions. The underlying assumption would be that the BNZ cardholders would make up a similar share of spending at Paymark and non-Paymark merchants. The graph below illustrates how our Hybrid Data is used to account for spend at non-Paymark retailers (BNZ proportions will differ from graph).



RETAIL OVERVIEW

FOR PERIOD ENDING JANUARY 2018 QUARTER

QUARTERLY ACTIVITY

Changes over same time last year

SPENDING	TRANSACTIONS
\$351,650,066	8,098,037
<div><div></div><div>4.6%</div></div>	<div><div></div><div>6.6%</div></div>
Spending in your area grew by 4.6% over the same time last year. Transactions in your area grew by 6.6%. NZ spending grew by 5.0%, and transactions by 6.3%	

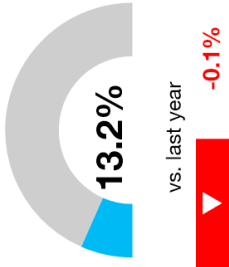
CARDHOLDER ORIGIN

	CARDHOLDER CONTRIBUTION	VALUE SPENT IN YOUR REGION	CHANGE (VS. SAME QUARTER LAST YEAR)
LOCALS	71.5%	\$251.58 mn	6.7%
REST OF HORIZONS	12.8%	\$45.02 mn	-1.3%
REST OF NZ CARDHOLDERS	14.6%	\$51.49 mn	0.2%
INTERNATIONAL CARDHOLDERS	1.0%	\$3.56 mn	1.6%

MANAWATU REGION | QUARTERLY REPORT

MARKET SHARE

Your Share vs Key Competitors



Market share is your share of spending in the market (yourself and key competitors).

Your key competitors are based on areas you have chosen, in this case Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato territorial authorities

FASTEST GROWING STORETYPES

Based on Spending

IN YOUR REGION
vs. last year
15.2%

Fuel

Fuel in your area had the largest growth amongst storetypes, up 15.2%.

IN COMPETITOR LOCATIONS
vs. last year
13.0%

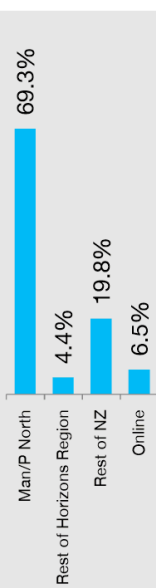
Fuel

Fuel had the largest growth in Key Competitor locations, up 13.0%.

LOYALTY AND OUTFLOW

Destination of Locals' Spending

Manawatu / Palmerston North residents conducted 69.3% of their retail spending in Man/P North and 4.4% in the Rest of Horizons Region. They spent 6.5% online.



WHERE ARE THE RETAIL HOTSPOTS?

How does this affect planning? Is it happening where we want it to happen?



TOP PERFORMING LOCATIONS

Based on percentage change in spending from same period last year

FOR ALL CARDHOLDERS
REST OF MANAWATU
INTERNATIONAL CARDHOLDERS
FEILDING



** Map insert in Appendix

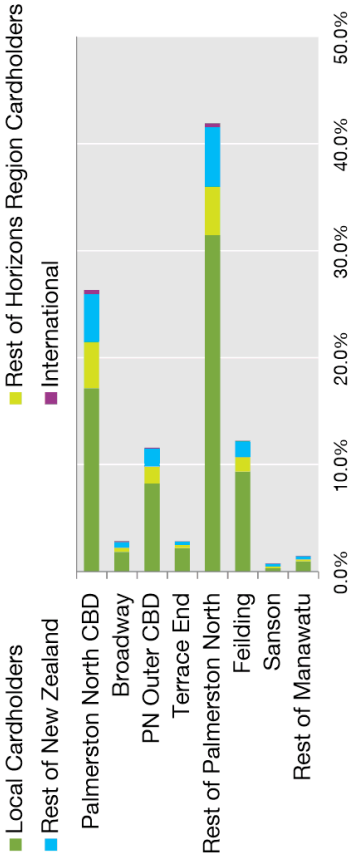
CHANGE IN SPENDING

Change in spending over same period last year

RANK	LOCATION	VALUE OF SPENDING	CHANGE IN SPENDING
1	Rest of Manawatu	\$5,231,351	40.8%
2	Feilding	\$43,057,639	7.2%
3	Sanson	\$2,721,767	6.6%
4	Rest of Palmerston North	\$147,379,235	6.2%
5	Broadway	\$10,032,132	4.9%
6	Terrace End	\$9,927,177	3.4%
7	Palmerston North CBD	\$92,569,316	1.4%
8	PN Outer CBD	\$40,731,450	0.4%
TOTAL		\$351,650,066	4.6%

DISTRIBUTION OF SPENDING

Split by cardholder location



WHO IS SPENDING AT OUR RETAILERS?

Is this changing? How appealing are we to visitors/ tourists?

SPENDING BY CARDHOLDER LOCATION

Change in spending over same period last year



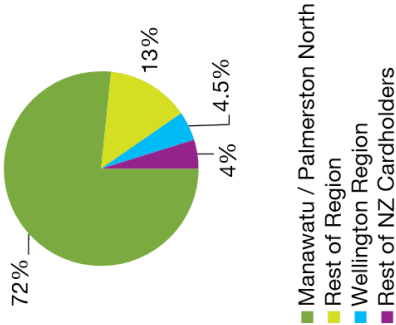
CARDHOLDER AREA	VALUE SPENT	CHANGE ON SAME QUARTER LAST YEAR
MANAWATU / PALMERSTON NORTH	\$251.58 mn	<div></div> 6.7%
REST OF REGION	\$45.02 mn	<div></div> -1.3%
WELLINGTON REGION	\$15.91 mn	<div></div> 0.8%
REST OF NZ CARDHOLDERS	\$15.78 mn	<div></div> -1.7%
AUCKLAND REGION	\$10.70 mn	<div></div> 3.1%
HAWKE'S BAY REGION	\$5.31 mn	<div></div> 2.9%
WAIKATO REGION	\$3.78 mn	<div></div> -5.1%
INTERNATIONAL	\$3.56 mn	<div></div> 1.6%

International cardholder spending within New Zealand is up 11.2% over the same period last year, and transactions are up 17.3%. Regions are chosen based on top spenders in Manawatu/Palmerston North for the quarter.



DISTRIBUTION OF CARDHOLDERS

Including international cardholders



FASTEST GROWING CONSUMER GROUP

Based on spending change from the same period last year



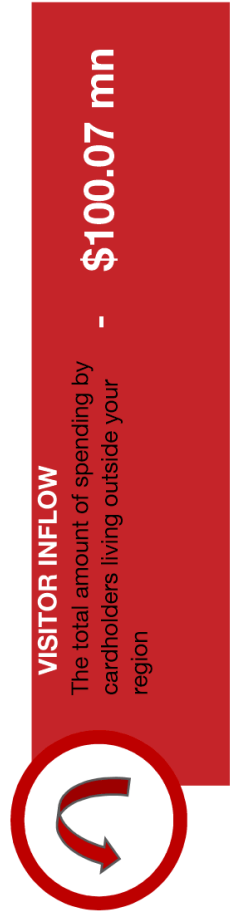
WHAT DOES OUR RETAIL CASHFLOW LOOK LIKE?

How much are we leaking to other areas?



OVERVIEW OF INFLOW AND OUTFLOW TO/FROM MANAWATU / PALMERSTON THE BREAKDOWN

Non-locals include international cardholders

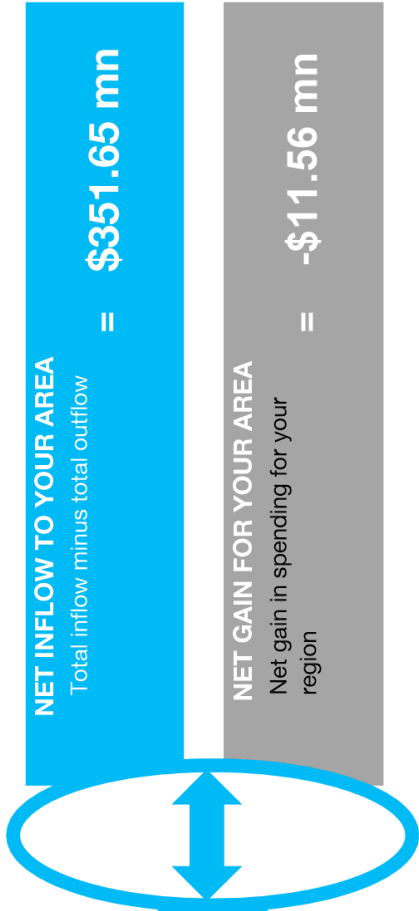


ORIGIN OF INFLOW BY CARDHOLDER LOCATION

Breakdown of spending in your council



What's spent outside your region



CARDHOLDER LOCATION	YOUR REGION	ELSEWHERE IN NZ
Manawatu / Palmerston North	\$251.58 mn	\$88.01 mn
Rest of Region	\$45.02 mn	\$318.60 mn
Wellington Region	\$15.91 mn	\$1,750.46 mn
Rest of NZ Cardholders	\$15.78 mn	\$5,905.52 mn
Auckland Region	\$10.70 mn	\$5,574.99 mn
Hawke's Bay Region	\$5.31 mn	\$525.38 mn
Waikato Region	\$3.78 mn	\$1,357.39 mn
International	\$3.56 mn	\$732.04 mn
TOTAL	\$351.65 mn	\$16,252.39 mn

HOW ARE OUR RETAILERS PERFORMING?

Are we keeping pace? Are our retailers maximising the available opportunities?



RETAIL CATEGORY CHANGE IN SPENDING AND PERFORMANCE

Spending change over same period last year

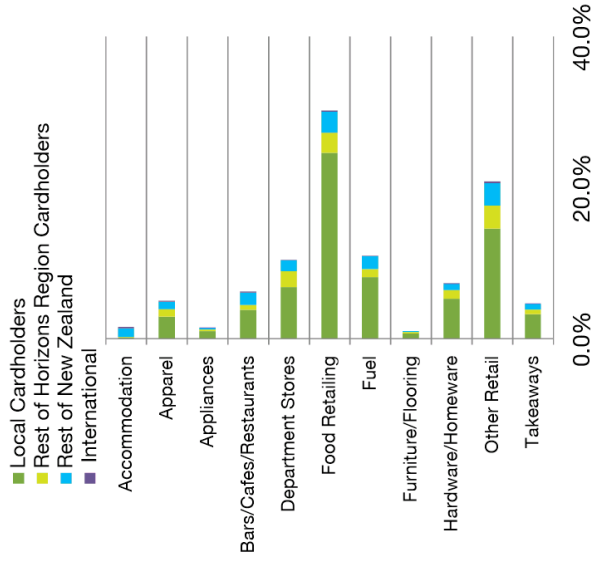
RETAIL CATEGORY	\$ SPEND	YOUR RESULT		YOU VS. COMPETITOR GROUP	
				RANK	CHANGE ON LAST
ACCOMMODATION	\$5.51 mn	▲	4.9%	3	1
APPAREL	\$17.76 mn	▲	2.0%	2	3
APPLIANCES	\$5.22 mn	▼	-29.8%	5	0
BARS/CAFES/RES TAURANTS	\$22.05 mn	▲	4.7%	5	-2
DEPARTMENT STORES	\$36.70 mn	▲	3.2%	1	0
FOOD RETAILING	\$106.40 mn	▲	3.3%	5	-1
FUEL	\$38.70 mn	▲	15.2%	2	2
FURNITURE/FLOORING	\$3.67 mn	▼	-10.2%	3	1
HARDWARE/HOME WARE	\$25.85 mn	▲	12.4%	1	3
OTHER RETAIL	\$73.35 mn	▲	3.4%	4	-2
TAKEAWAYS	\$16.45 mn	▲	11.3%	4	1

The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato, and based on similar and/or neighbouring regions.

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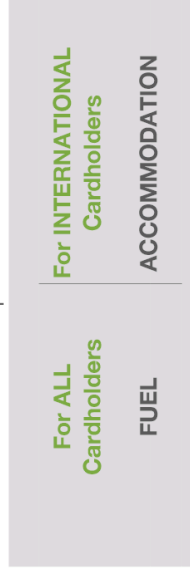
ORIGIN OF CARDHOLDERS

Including international cardholders



FASTEST GROWING CATEGORIES

Domestic/ International split



DOES OUR LOCAL RETAIL MEET THE NEEDS OF CUSTOMERS?

Have we got gaps? Where should be target development?

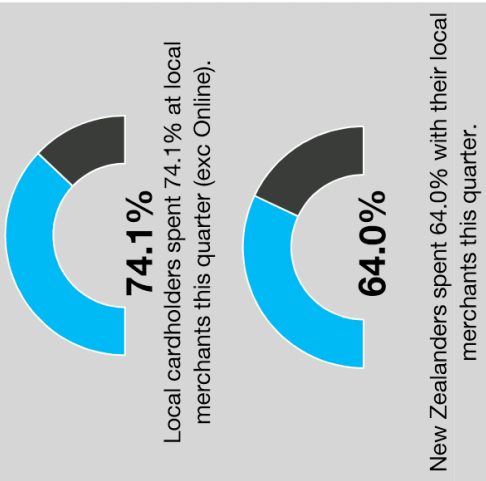


PROPORTION OF LOCAL CARDHOLDER'S SPENDING THAT GOES TO LOCAL MERCHANTS

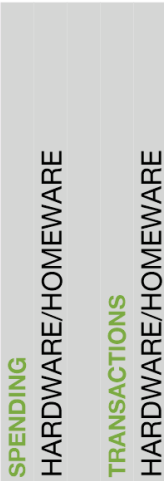
High percentages presume that local cardholders are happy with local options



OVERALL LOYALTY



MOST LOYAL CATEGORY



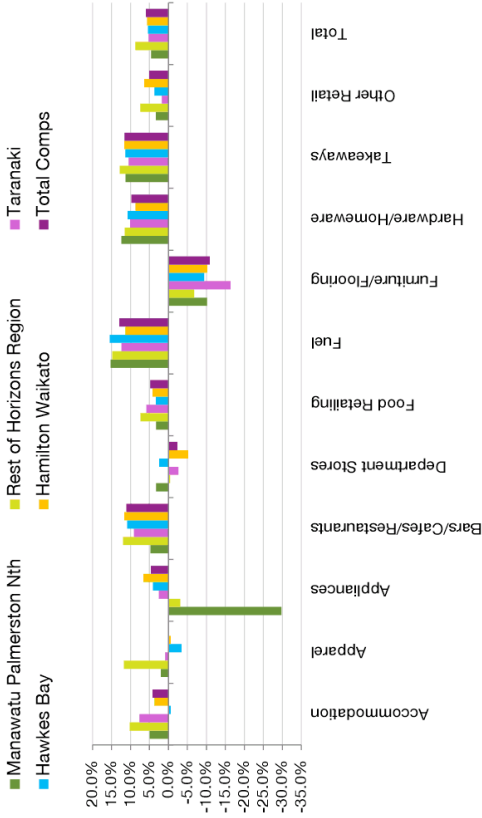
HOW DO WE COMPARE TO COMPETITORS?

Is your local offering sufficient? How to you compare against competitors?



CHANGE IN SPENDING BY RETAIL CATEGORY

Over Same Period last year

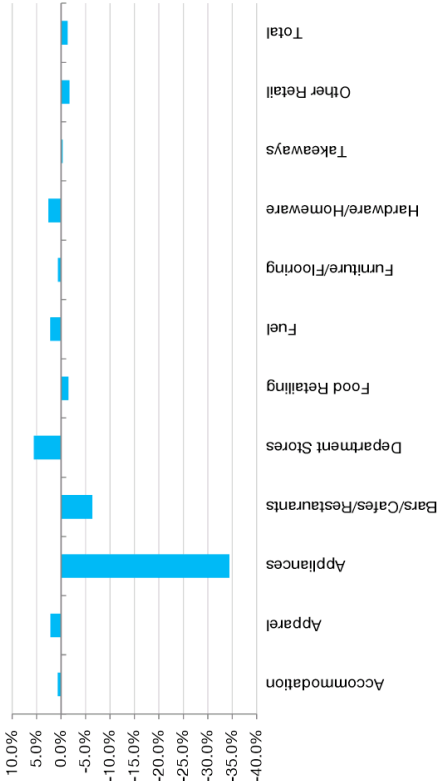


BEST COMPARED TO AVERAGE PEER

Based on change in spending this year over same time last year

DEPARTMENT STORES

MANAWATU / PALMERSTON NORTH CHANGE COMPARED TO PEER GROUP AVERAGE



WORST COMPARED TO AVERAGE PEER

Based on change in spending this year over same time last year

APPLIANCES

The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato, and based on similar and/or neighbouring regions.

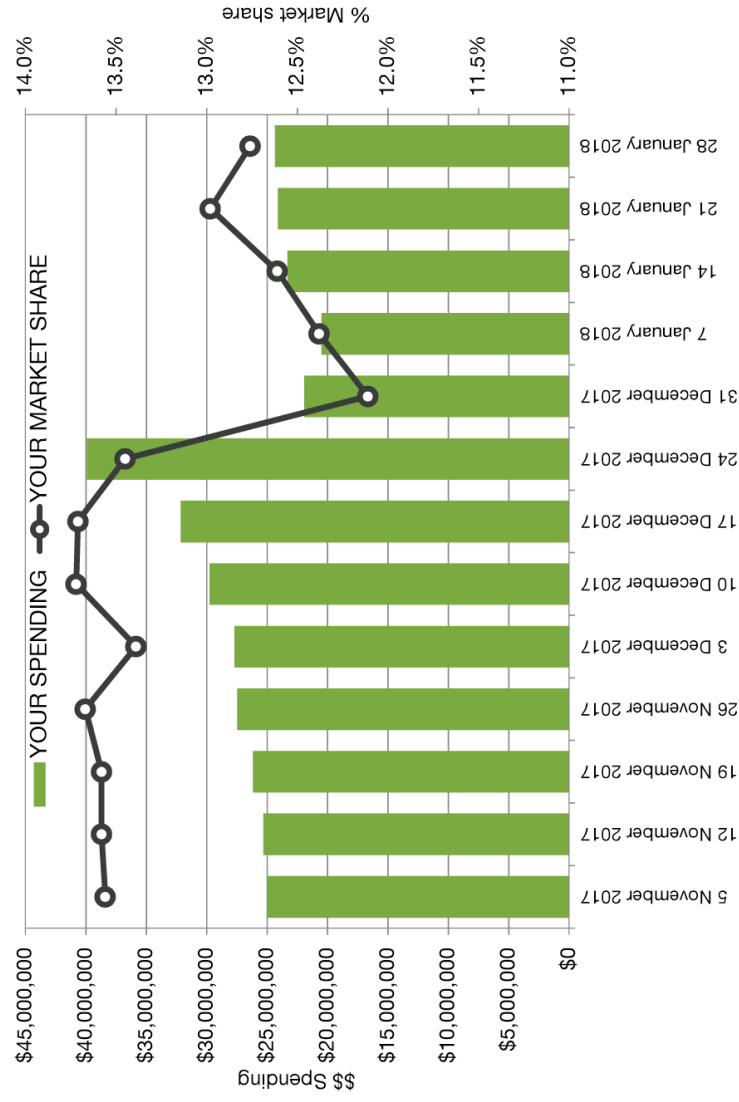
HOW HAS RETAIL ACTIVITY VARIED BY WEEK?

How does this affect planning? Has any event stimulated activity?



SPENDING DONE IN MANAWATU / PALMERSTON NORTH AND SHARE OF THE MARKET

By Week Ending:



BEST PERFORMERS

YOUR HIGHEST TOTAL WEEKLY SPEND

Week ending

24 December 2017

YOUR HIGHEST WEEKLY MARKET SHARE

Week ending

10 December 2017

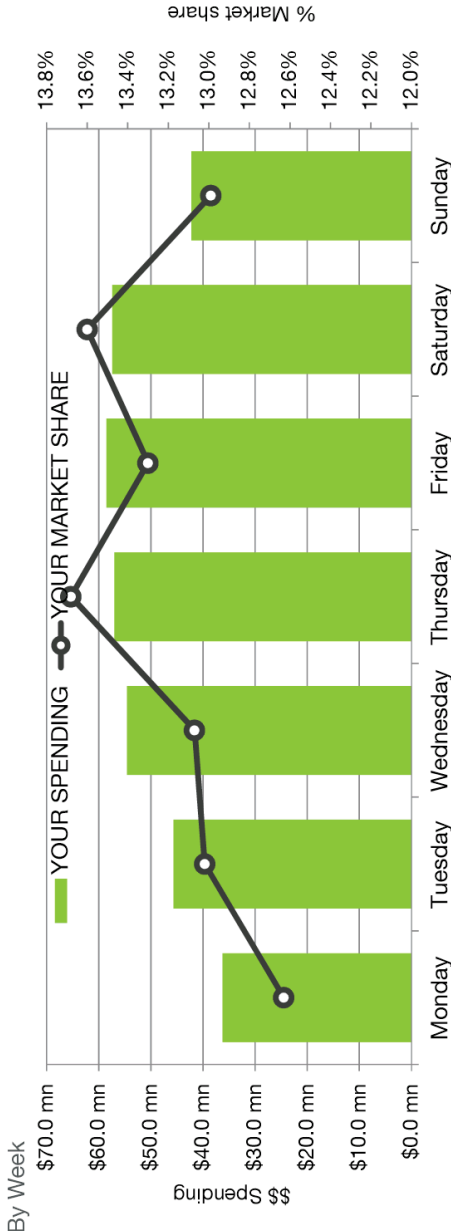
Total market is based on spending at yourself and competitors. The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato, and based on similar and/or neighbouring regions.

WHEN ARE OUR RETAILERS BUSIEST?

Are we managing council resources effectively to match these busy periods?



SPENDING DONE IN MANAWATU / PALMERSTON NORTH AND SHARE OF THE MARKET



DISTRIBUTION OF SPENDING AT MERCHANTS IN YOUR REGION - BY TIME OF DAY

The darker the box, the higher the proportion of spending

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY	Avg. for Period
Midnight - 4am	0.3%	0.2%	0.2%	0.3%	0.3%	0.7%	1.2%	0.4%
4am - 8am	2.8%	3.0%	3.1%	3.2%	2.8%	1.7%	1.5%	2.6%
8am - Midday	26.4%	26.7%	25.4%	25.9%	25.5%	30.9%	27.7%	26.9%
Midday - 4pm	37.8%	37.5%	36.3%	36.2%	37.6%	39.3%	41.7%	38.0%
4pm - 8pm	27.0%	26.8%	28.4%	27.8%	26.9%	21.2%	23.1%	25.9%
8pm - Midnight	5.6%	5.7%	6.5%	6.6%	7.0%	6.2%	4.7%	6.1%
Avg. for Day	10.8%	13.2%	15.7%	15.7%	16.5%	15.8%	12.2%	100.0%

YOUR BEST PERFORMERS

DAY OF THE WEEK WITH MOST SPENDING

Friday

DAY OF THE WEEK WITH HIGHEST MARKET SHARE

Thursday

TIME PERIOD WITH HIGHEST PROPORTION OF SPENDING

Midday - 4pm

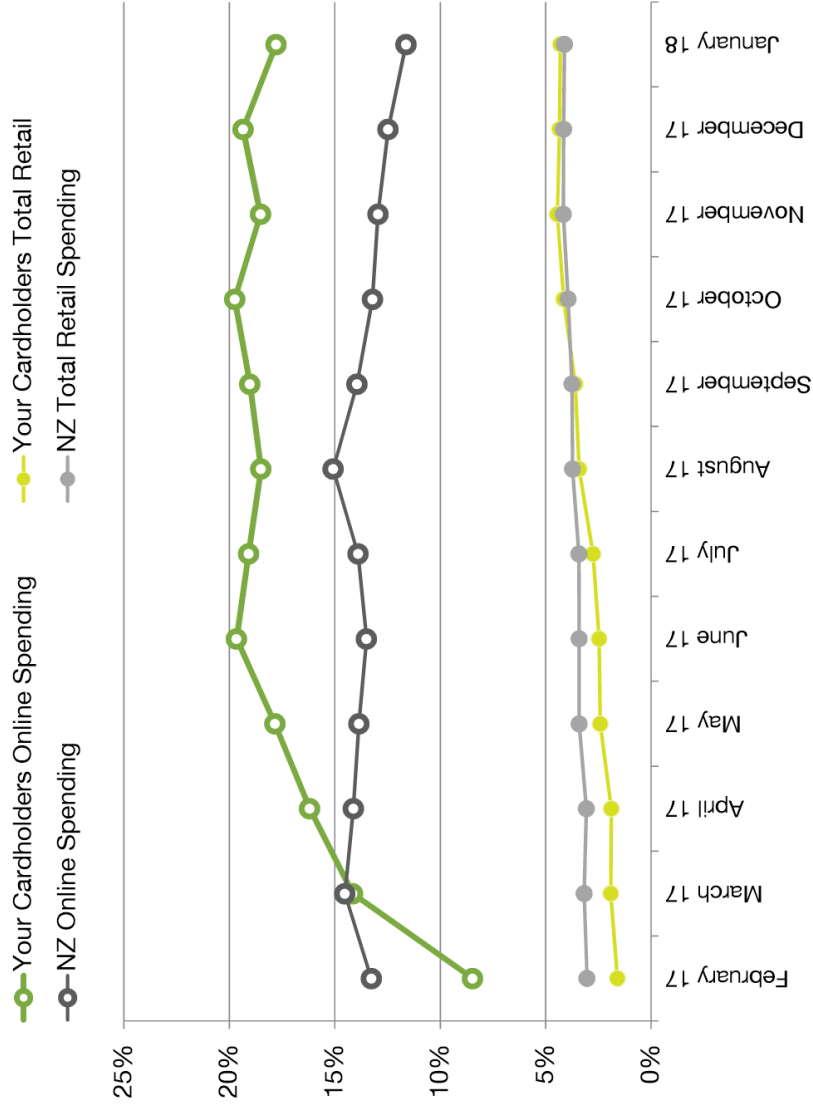
HOW MUCH ARE LOCALS SPENDING ONLINE?

Is your local offering sufficient? What does this mean for property prices?

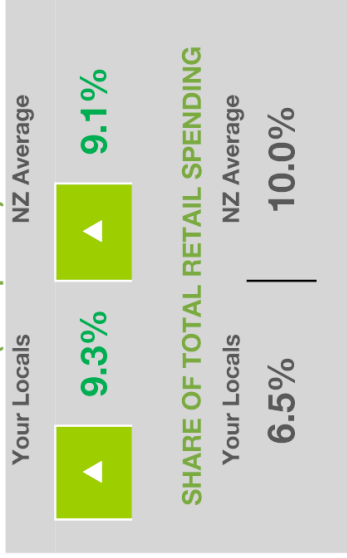


CHANGE IN ONLINE SPENDING VS TOTAL NZ TRENDS

Rolling 12 months change in spending



GROWTH IN ONLINE SPENDING (this quarter)



% SPENT ON OVERSEAS WEBSITES (this quarter)



FASTEST GROWING ONLINE CATEGORY (for local cardholders)



Fuel may be the highest category as consumers pay fuel cards through credit card

APPENDIX

STORETYPE DEFINITIONS- BASED ON ANZSIC CATEGORIES

Accommodation:	Accommodation
Apparel:	Clothing Retail, Foodwear Retail
Appliances:	Domestic Appliances
Bars/Cafes/Restaurants:	Cafes and Restaurants, Pubs Taverns and Bars
Department Stores:	Department Stores
Food Retailing:	Bread and Cake Retailing, Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, Specialised Food Retailing, Supermarket and Grocery Stores
Fuel:	Automotive Fuel Retailing
Furniture/Flooring:	Floor Covering Retailing, Furniture Retailing
Hardware/Homeware:	Domestic Hardware and Houseware Retailing, Building Supplies
Other Retail:	Antique and Used Goods, Automotive Electrical Services, Automotive Repair and Service, Clubs (Hospitality), Fabric and Other Soft Good Retailing, Flower Retailing, Funeral Directors, Crematoria, and Cemeteries, Garden Equipment Retailing, Gardening Services, Hairdressing and Beauty Salons, Household Equipment Repair, Laundries and Drycleaners, Liquor Retailing, Marine Equipment, Newspaper, Books and Stationery, Personal and Household Goods, Personal Services, Pharmaceutical, Cosmetic and Toiletry Retailing, Photographic Equipment, Photographic Film Processing, Photographic Studios, Recorded Music Retailing, Retailing nec, Smash Repairs, Sport and Camping Equipment, Toy and Game Retailing, Travel Agency, Tyre Retailing, Video Hire Outlets, Watch and Jewellery Retailing
Takeaways:	Takeaways

APPENDIX

Map Insert for Palmerston North breakdown. The map is indicative and the boundaries may vary, due to street/meshblock split. Broadway is inline with council definitions.

