

Inflation battle to stunt growth in 2023

Waipa District Council

Brad Olsen (Principal Economist)

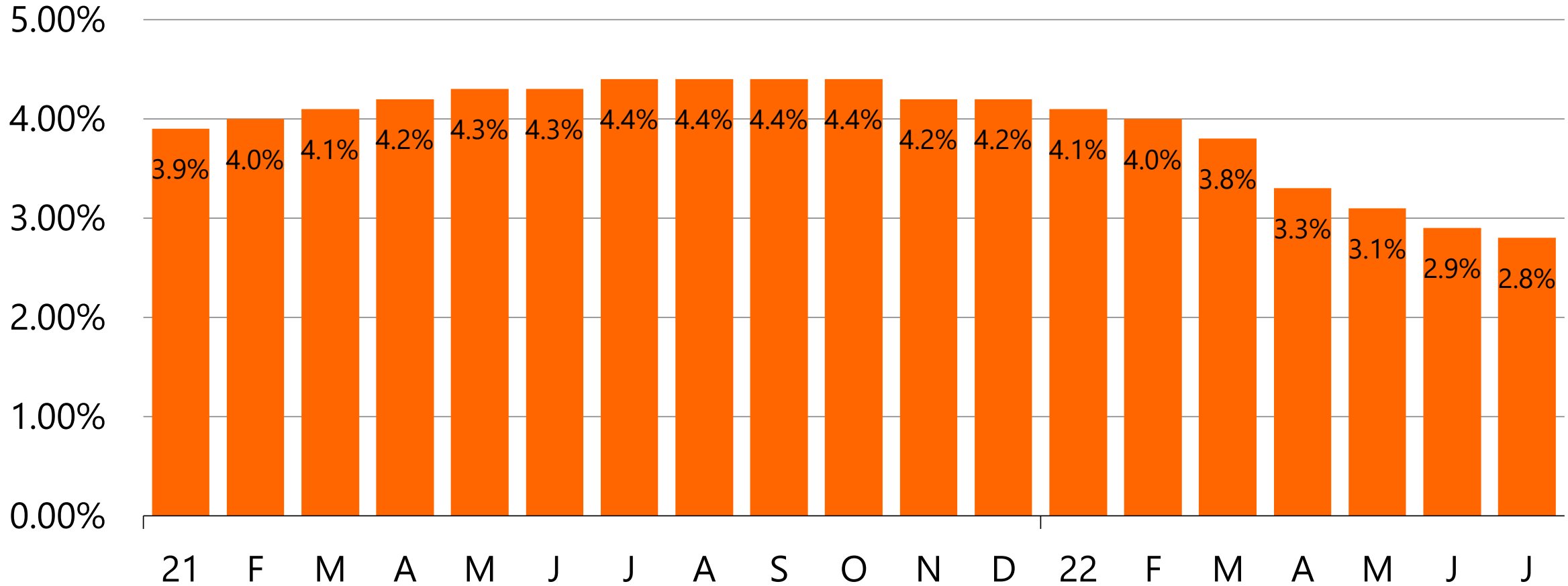
8 November 2022

Global economy turning

Consensus growth expectations downgraded

Global growth, annual % change, forecasts over time for 2022

2022 Growth

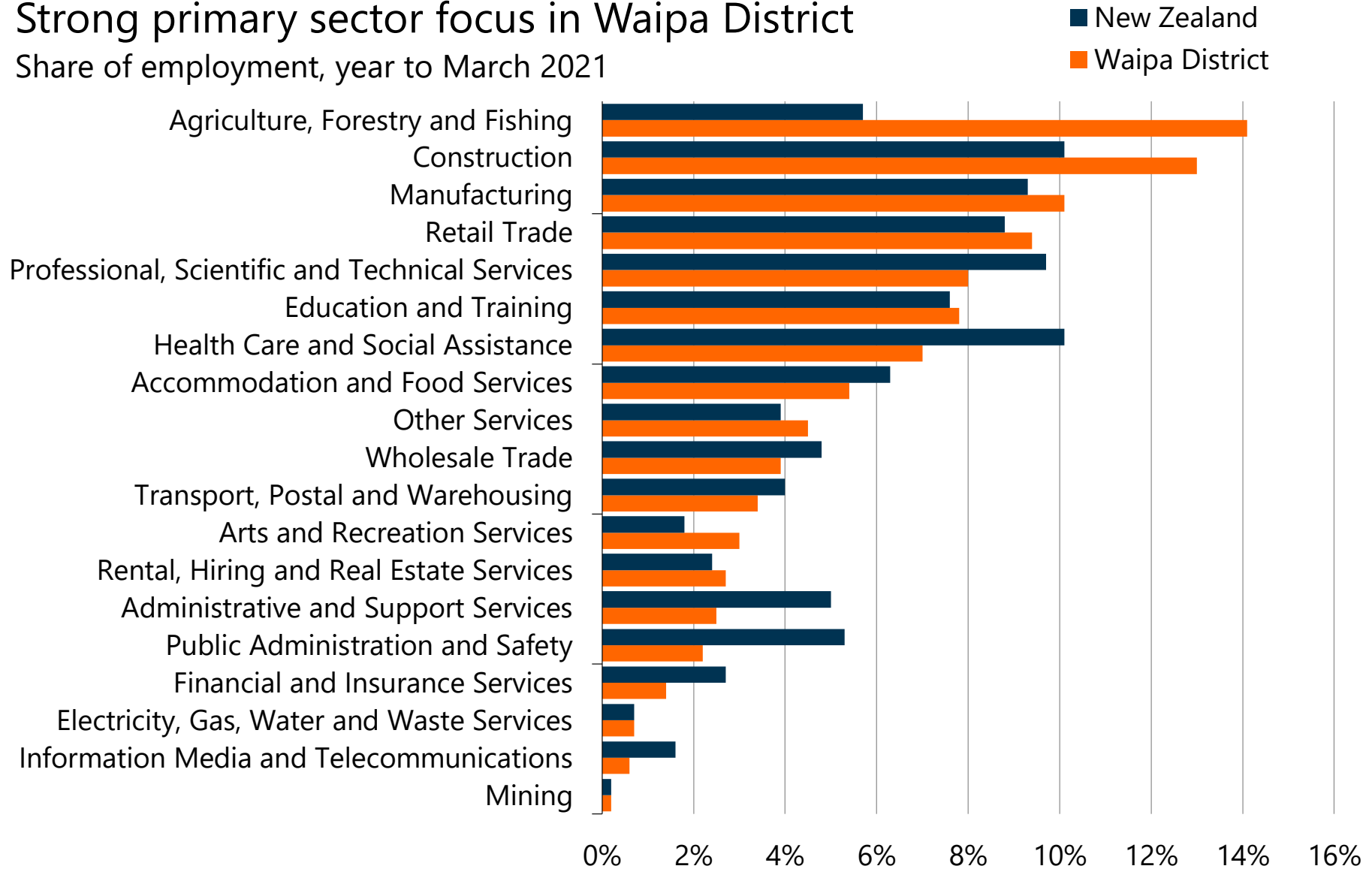


Solid local foundations and momentum in Waipa

Strong foundations

Strong primary sector focus in Waipa District

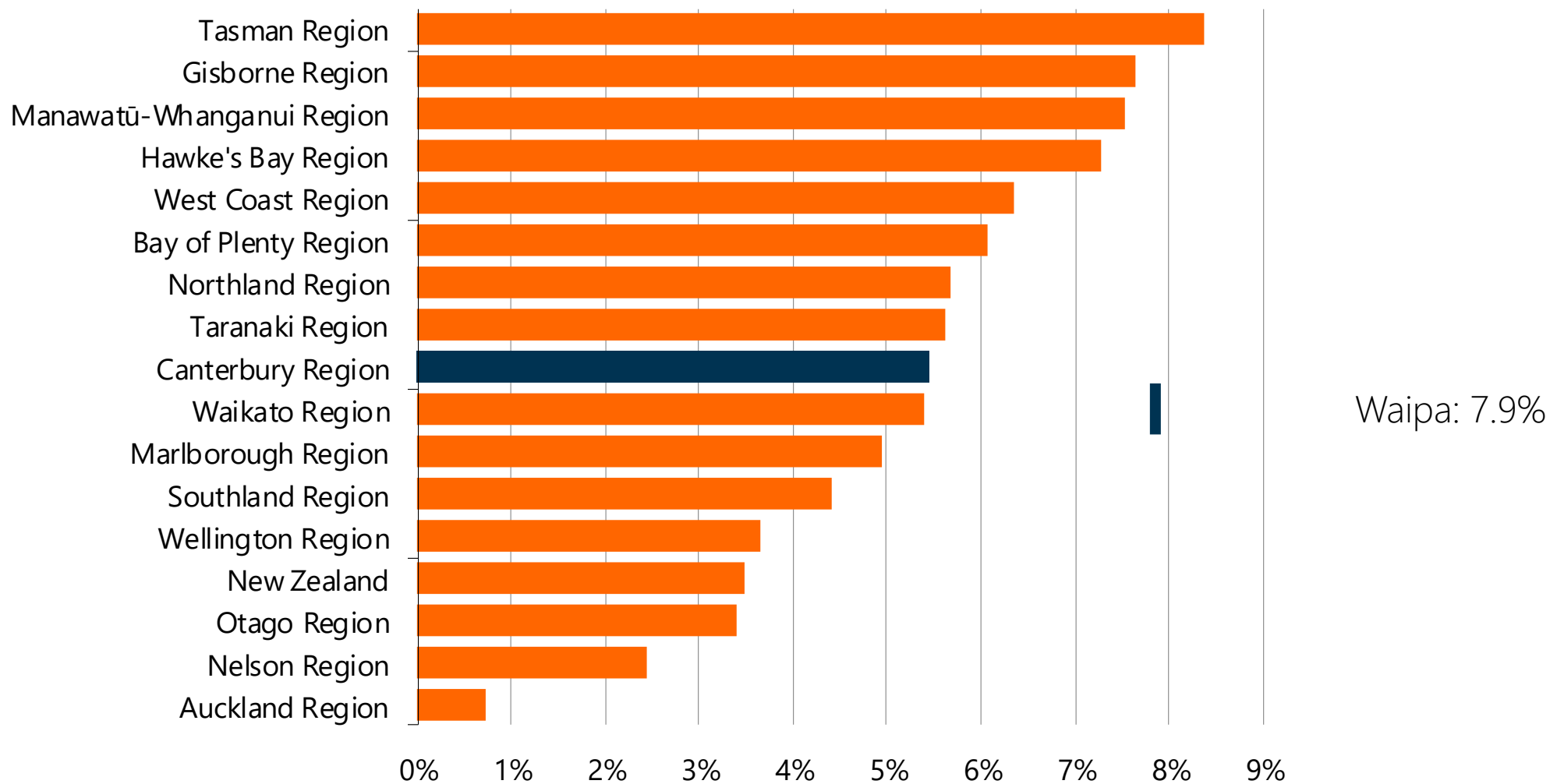
Share of employment, year to March 2021



Strong regional economies

Generally strong economic outcomes in the regions

Annual GDP estimates, year to June 2022 vs year to March 2020



Strong local momentum

Indicator	Waipa District	Waikato Region	New Zealand
Annual Average % change			
Gross domestic product (provisional)	2.4 % ▲	0.9 % ▲	0.9 % ▲
Traffic flow	-17.1 % ▼	-13.8 % ▼	-10.4 % ▼
Consumer spending	3.7 % ▲	1.1 % ▲	0.0 % ▶
Employment (place of residence)	3.4 % ▲	3.9 % ▲	3.2 % ▲
Jobseeker Support recipients	-14.3 % ▼	-8.7 % ▼	-9.7 % ▼
Tourism expenditure	-1.5 % ▼	-6.7 % ▼	-6.6 % ▼
Guest nights	-14.1 % ▼	-19.4 % ▼	-19.0 % ▼
Health enrolments	0.7 % ▲	0.9 % ▲	0.5 % ▲
Residential consents	31.0 % ▲	9.4 % ▲	14.4 % ▲
Non-residential consents	46.6 % ▲	1.0 % ▲	15.8 % ▲
House values *	13.4 % ▲	14.6 % ▲	9.6 % ▲
House sales	-24.5 % ▼	-29.5 % ▼	-26.0 % ▼
Car registrations	-11.4 % ▼	-4.7 % ▼	5.0 % ▲
Commercial vehicle registrations	4.2 % ▲	4.5 % ▲	6.9 % ▲
Level			
Unemployment rate	2.3 %	3.5 %	3.3 %

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

Still spending momentum

Spending holding up locally

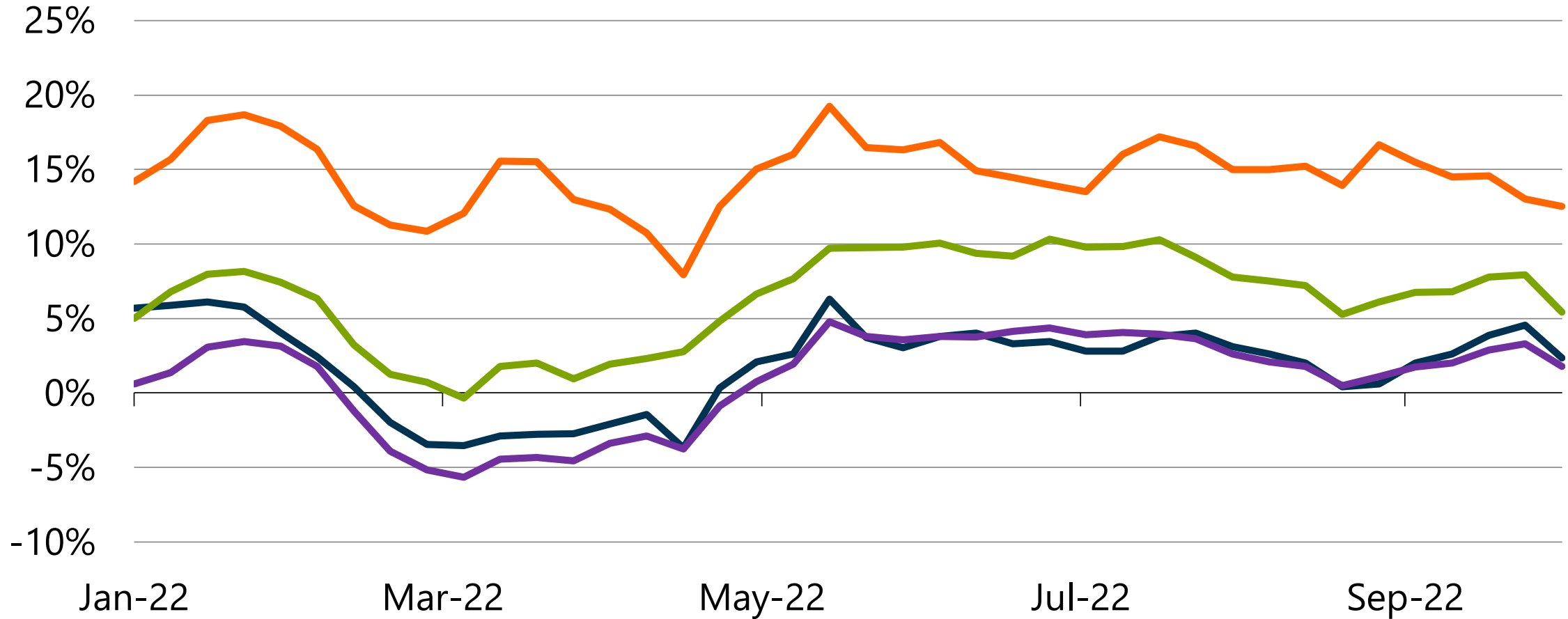
Card spending, 4wma % change from 2019

Waipa District

Hamilton City

Waikato

NZ

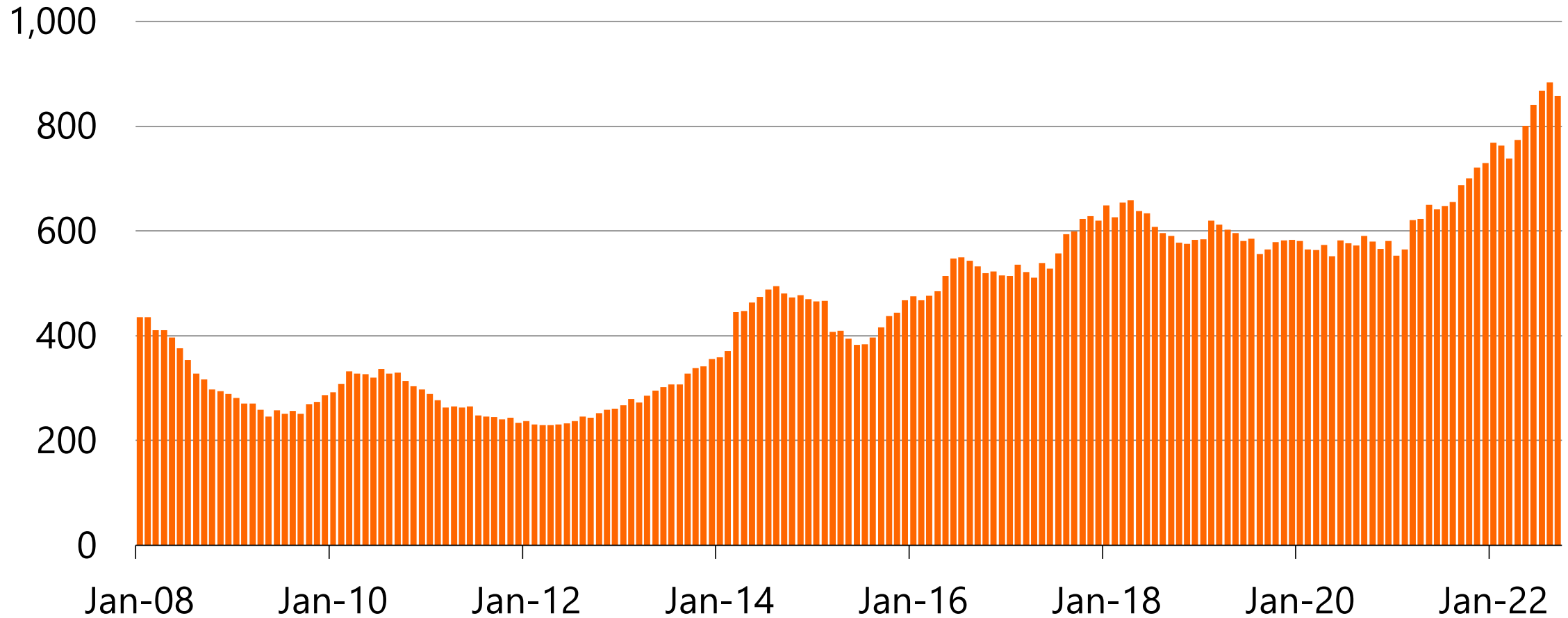


• Hard work underway to build •

Rising house construction in Waipa

Annual running total, residential consents

■ Waipa

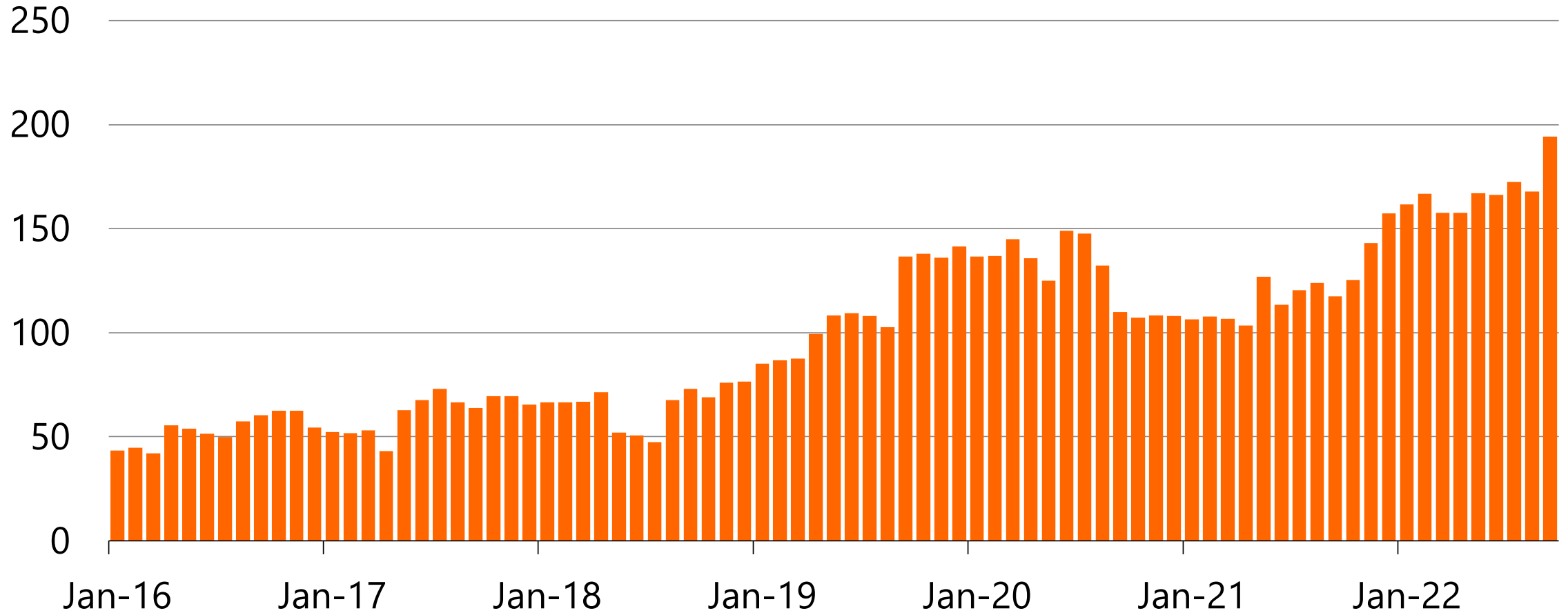


• Hard work underway to build •

Even more local investment

\$m, annual running totals, non-res consent values

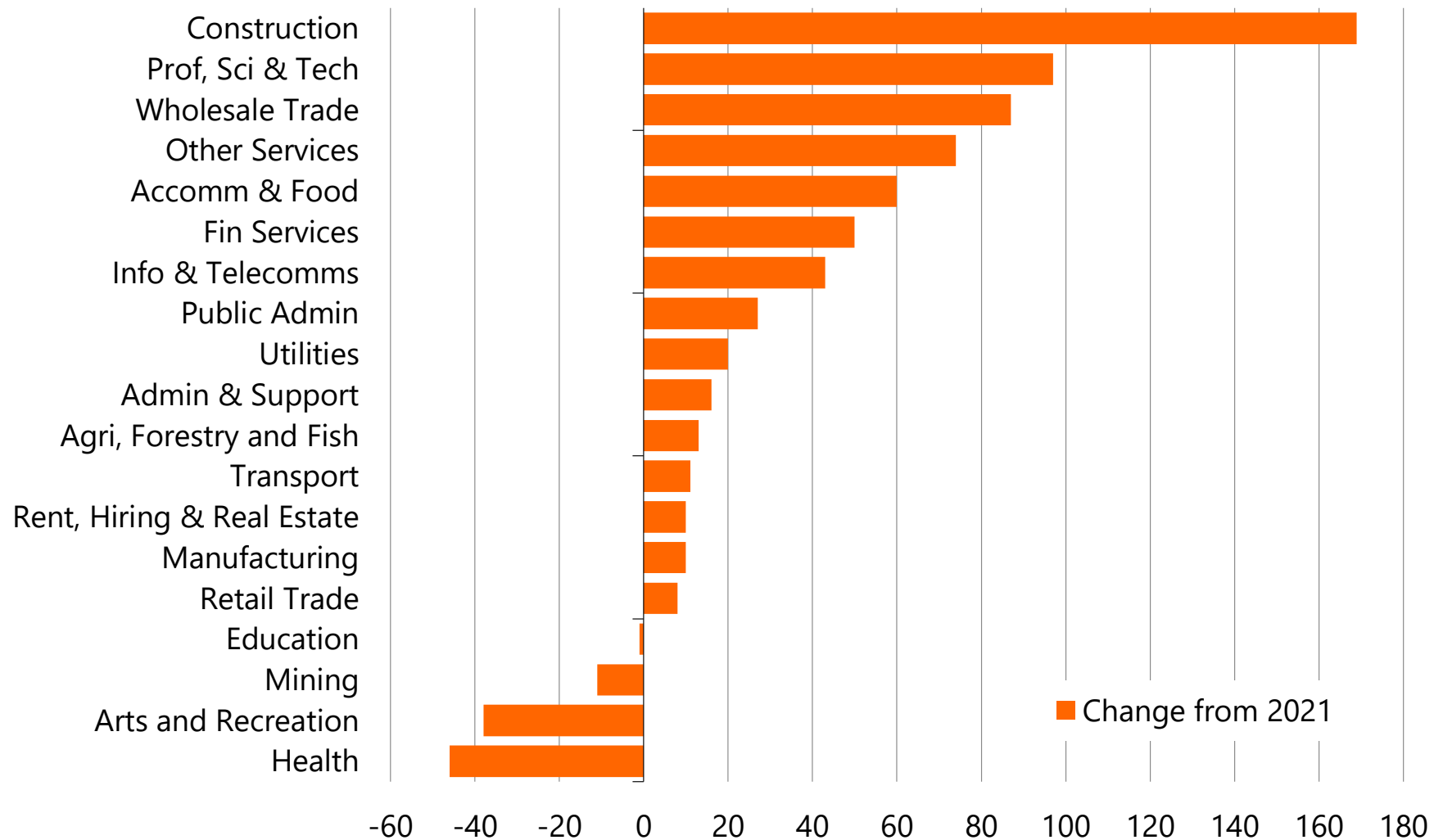
■ Waipa



Key jobs drivers

Some sectors are performing better than others

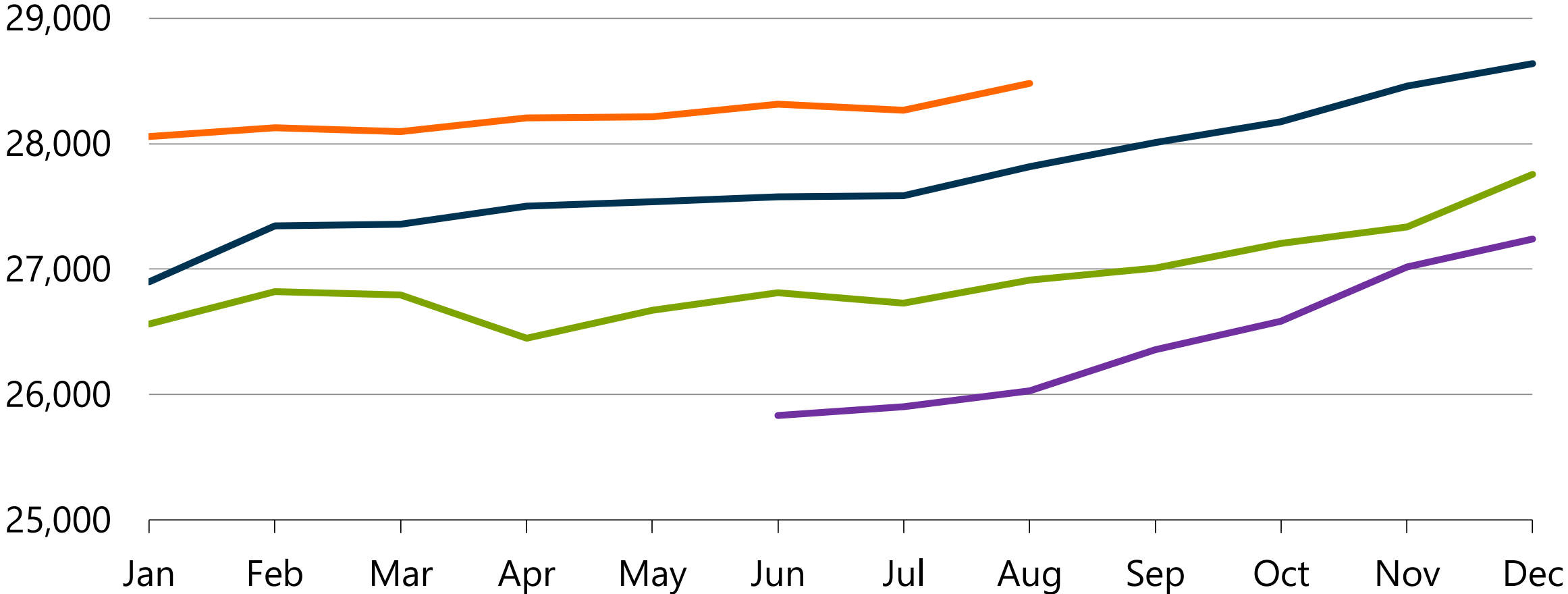
Filled jobs by industry, September 2022, Waipa (residential location)



Job limits

Jobs growth constrained in 2022

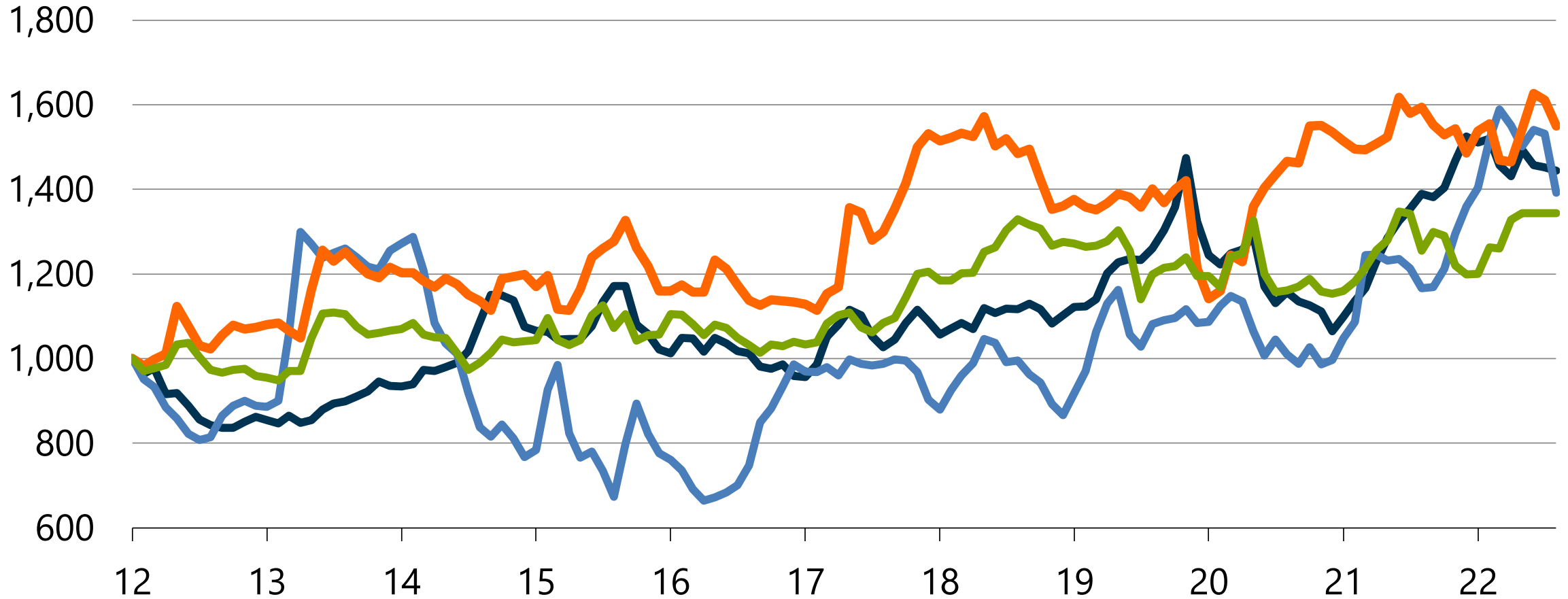
Filled jobs, by residential address, Waipa District



Solid export prices

Export prices remain high

ANZ NZ commodity price index, Jan-12 = 1,000

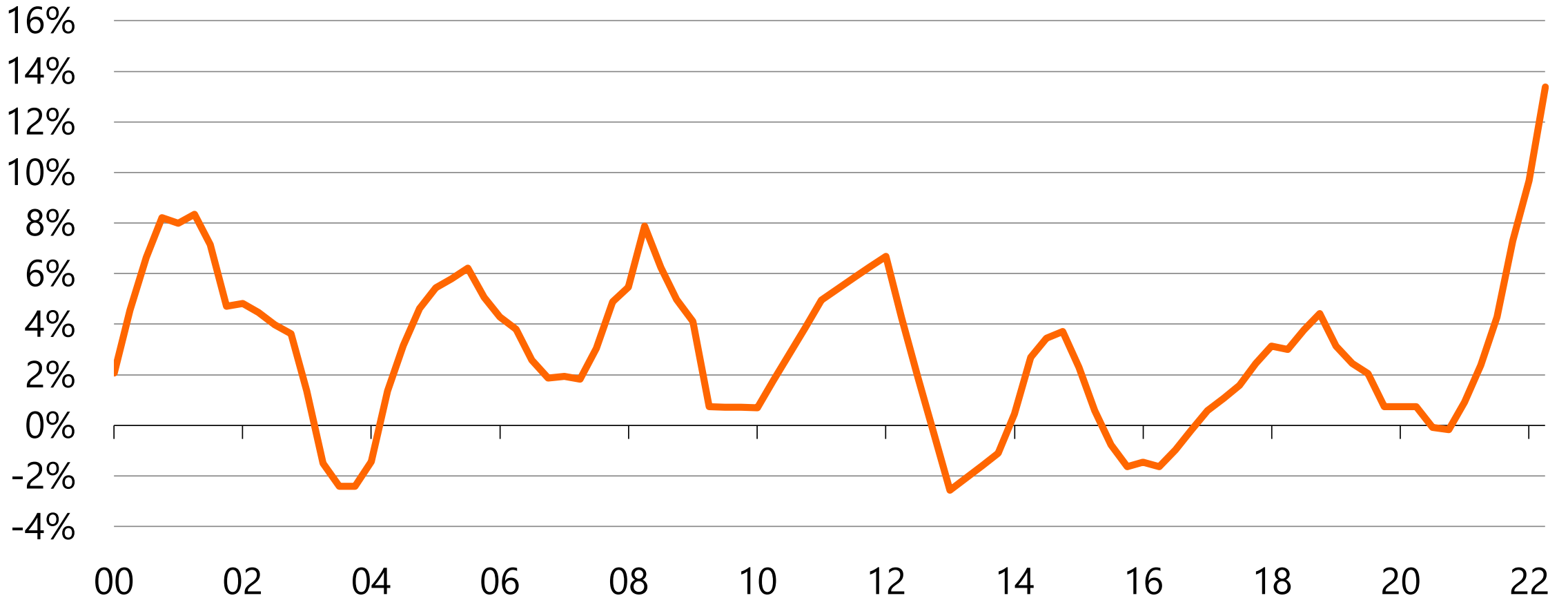


Cost pressures build

Farm expenses soar 13.4%pa

Farm expense price index, all farms, all inputs

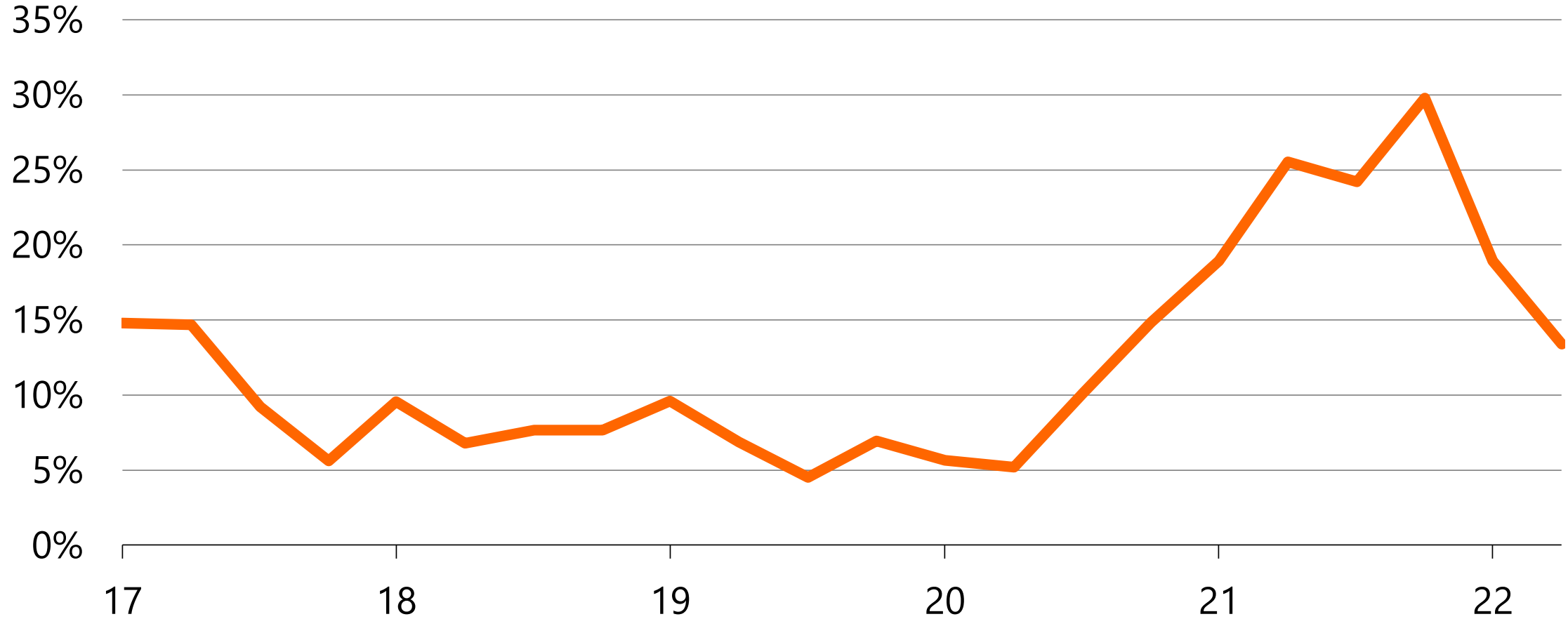
Annual % change



Housing market turns

House price gains start to reverse

House values, annual % change

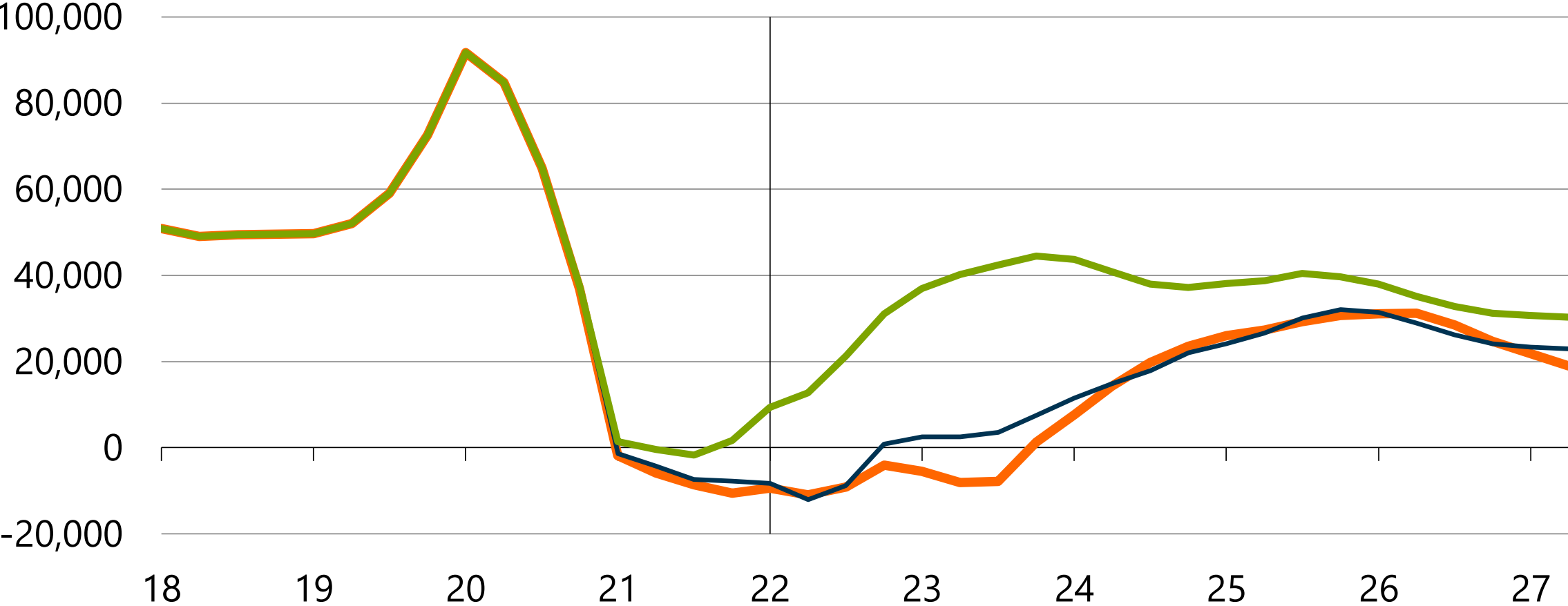


**Limited labour market
will cost more**

Brain drain begins

Brain drain limits labour market options

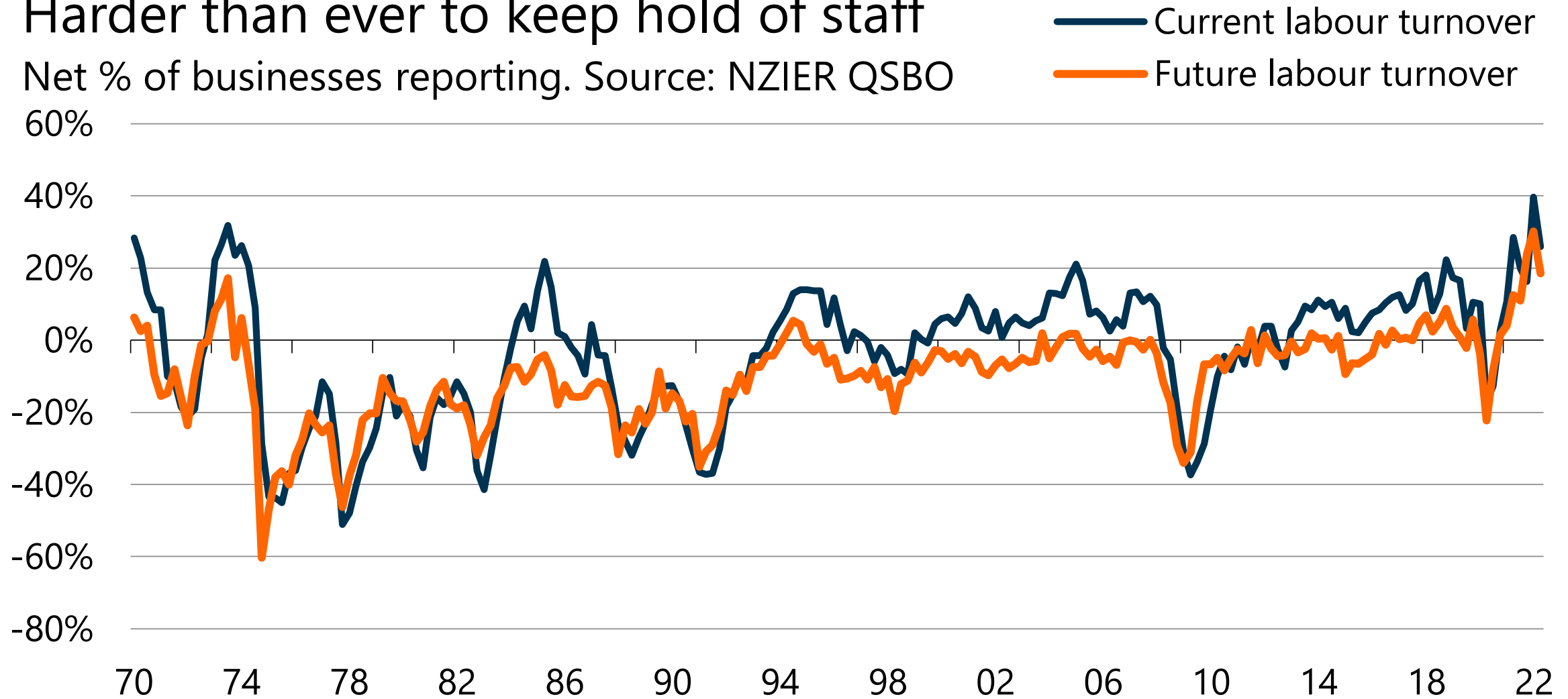
Annual net migration



Poaching rises, and so will wages

Harder than ever to keep hold of staff

Net % of businesses reporting. Source: NZIER QSBO

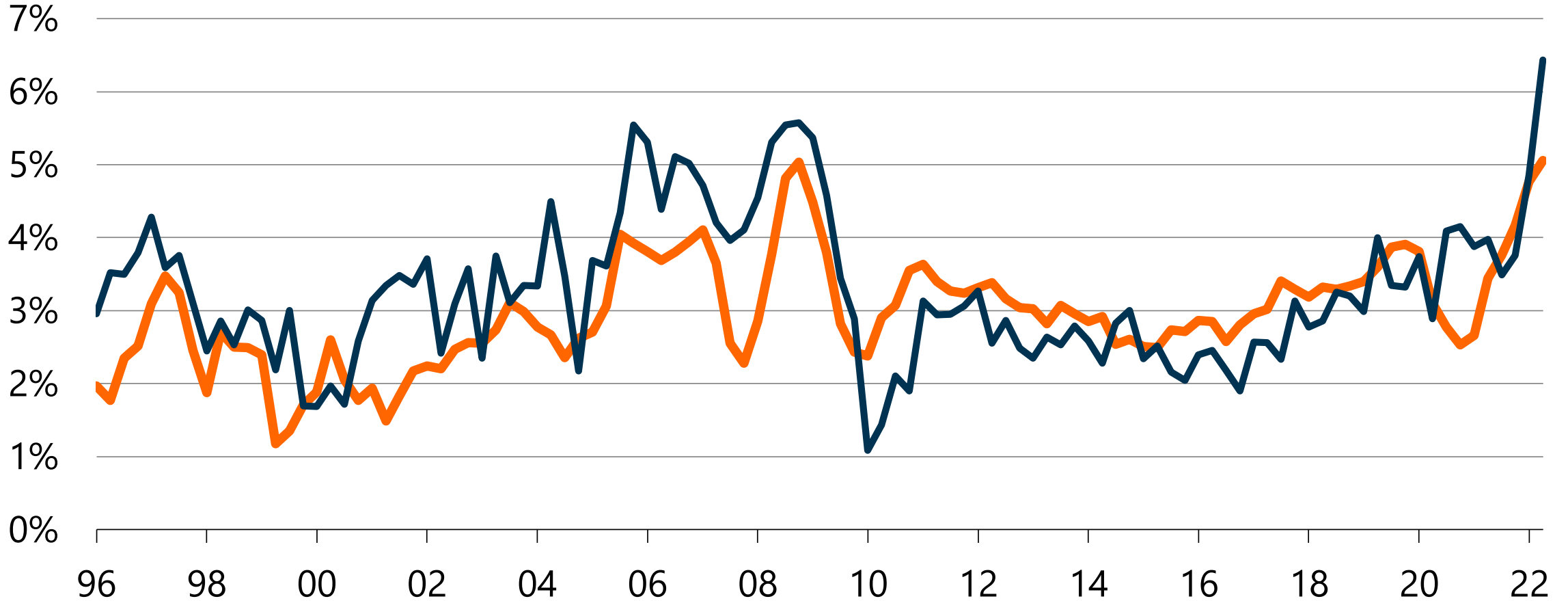


Wage pressures building

Wage growth accelerates further

Annual % change, various wage and cost indices

— LCI analytical unadjusted
— Average wages



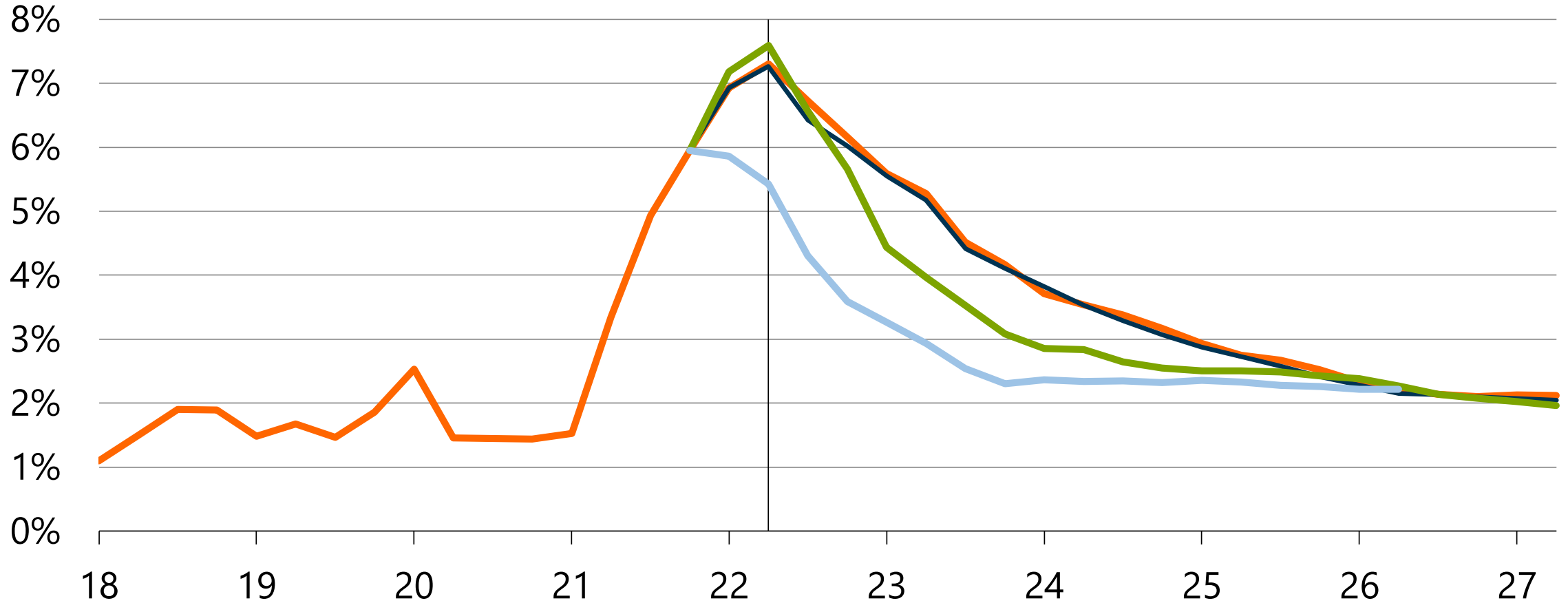
Inflation rampages through household budgets

Prices are still rising

Inflation will stay higher for longer

Inflation forecast comparison, annual rates

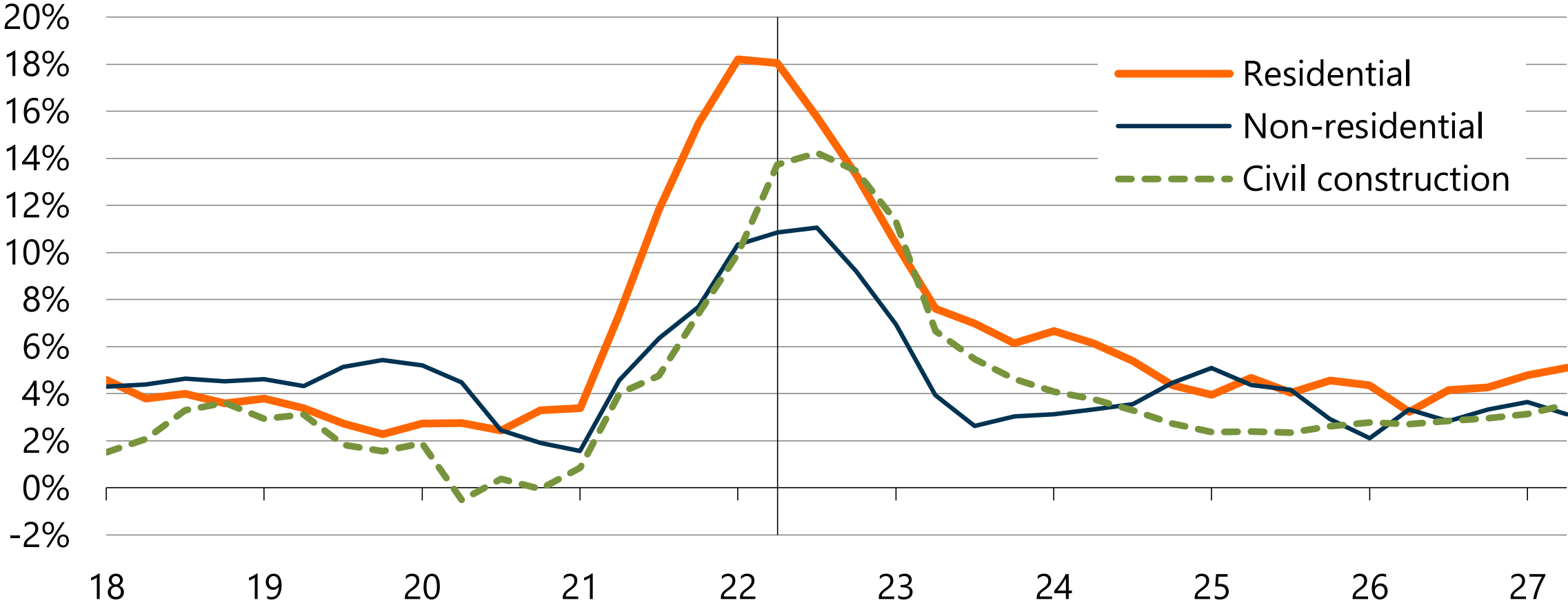
- Oct 22 forecast
- Jul 22 forecast
- Apr 22 forecast
- Feb 22 forecast



Costs are rising

Cost growth to slow as residential activity pulls back

Construction costs, annual % changes

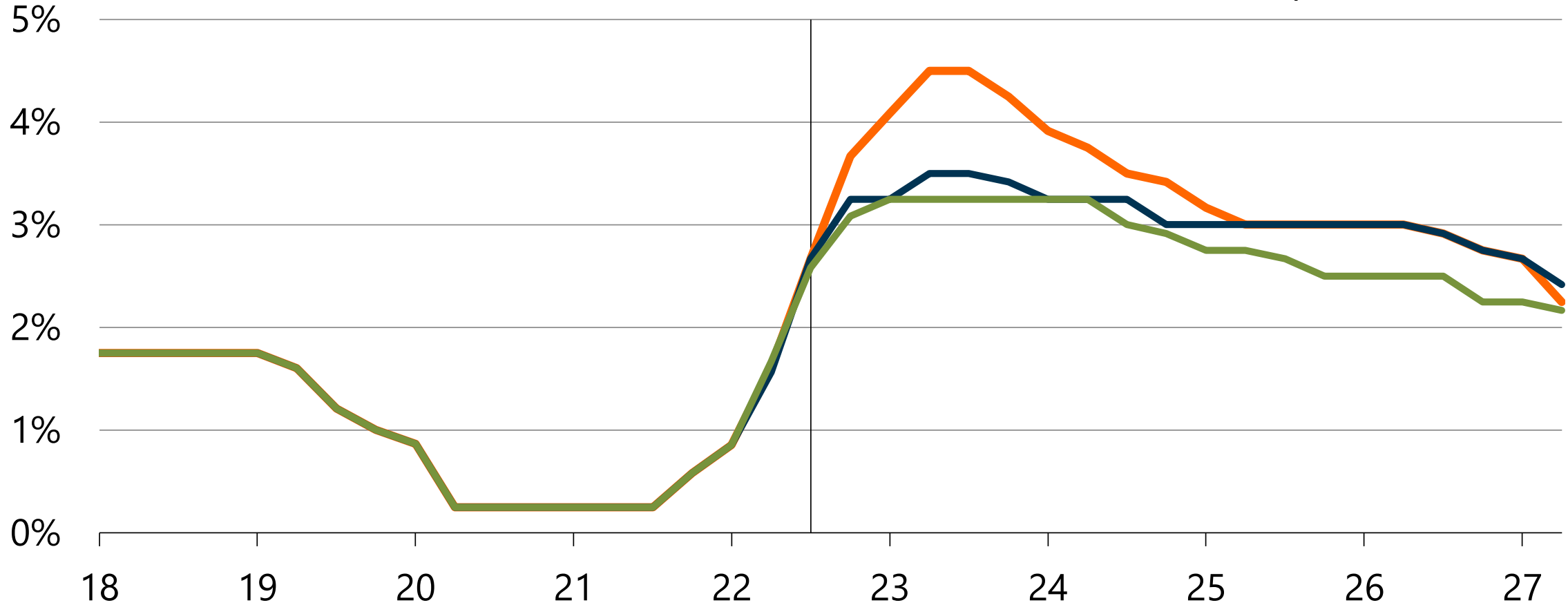


**Uncomfortable and unpopular
action needed from RBNZ**

More rises by RBNZ

How many more rate hikes will be enough?

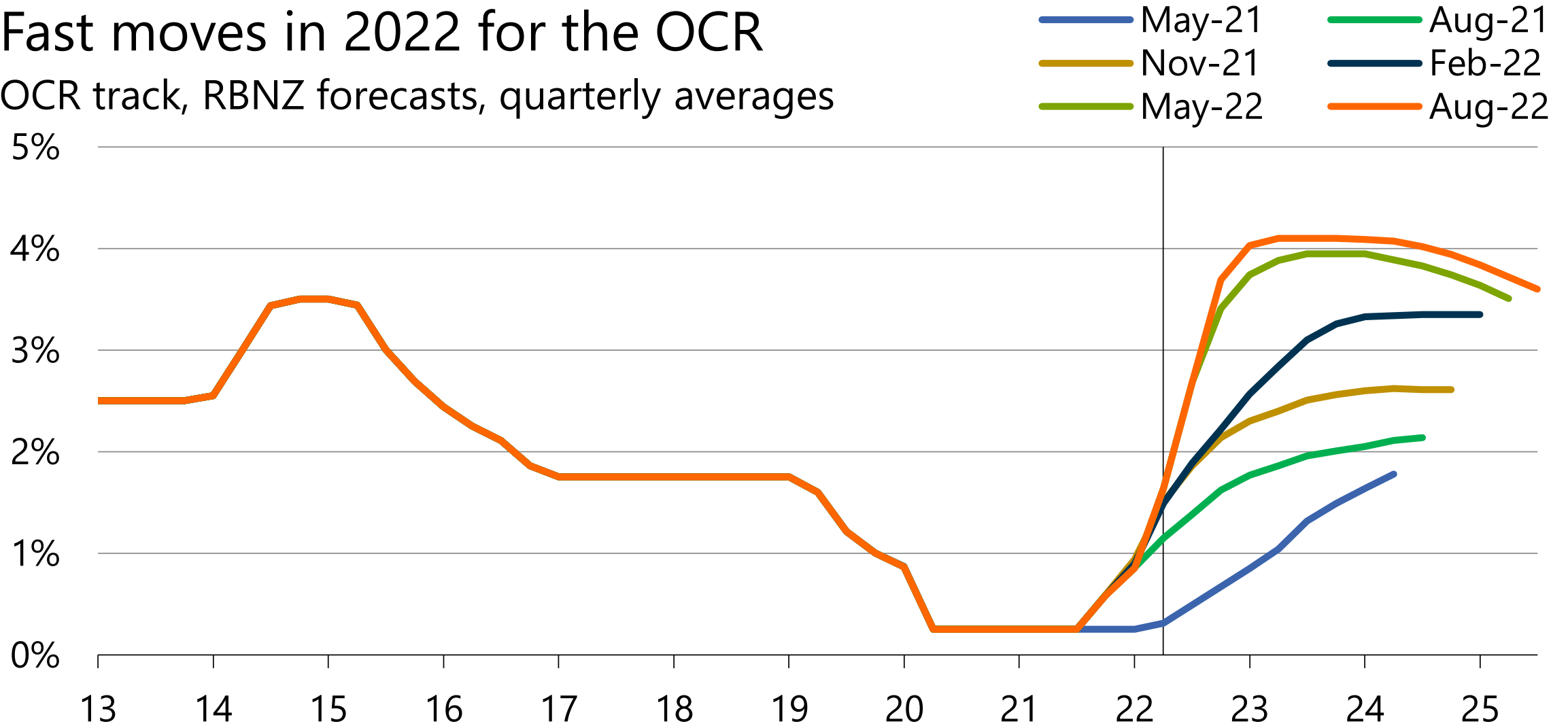
Official cash rate forecast comparison, quarterly averages



Raising more for longer

Fast moves in 2022 for the OCR

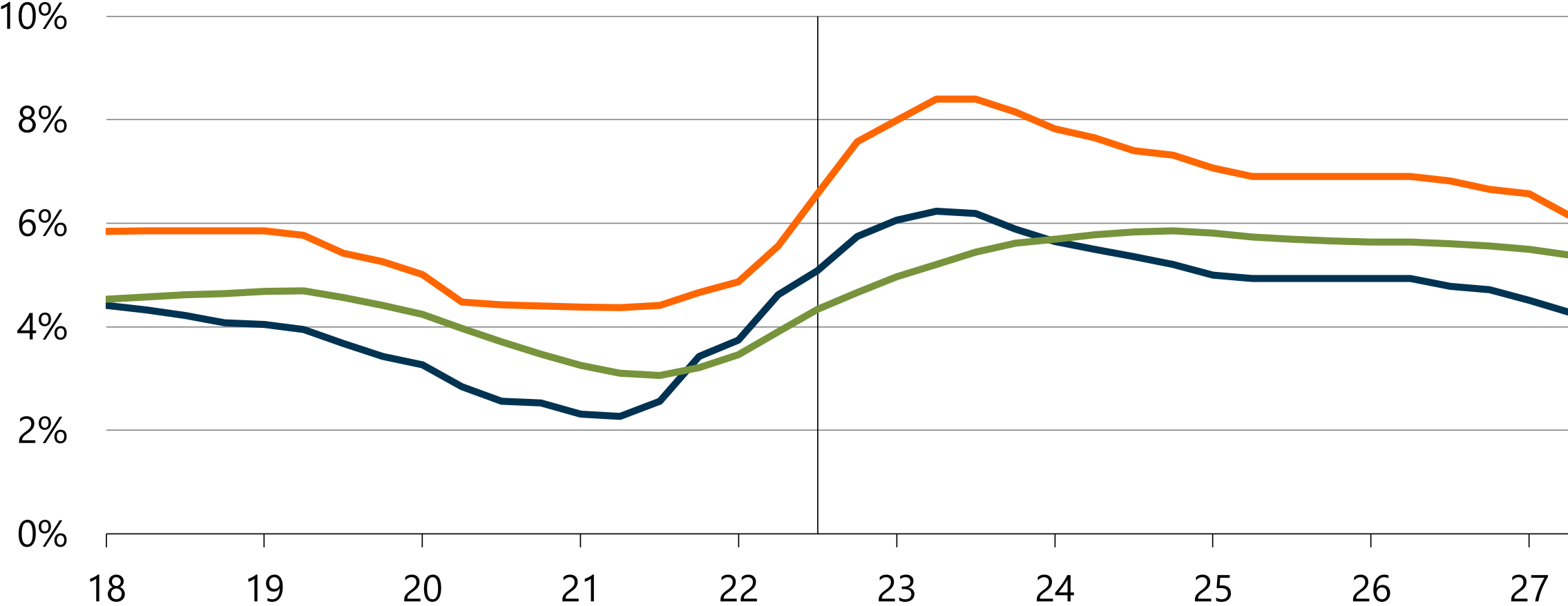
OCR track, RBNZ forecasts, quarterly averages



Rising interest rate

Persistent inflation demands more rates rises

Mortgage rates, quarterly averages





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