

**For Quarter Ending March 2021**

**Executive Summary**

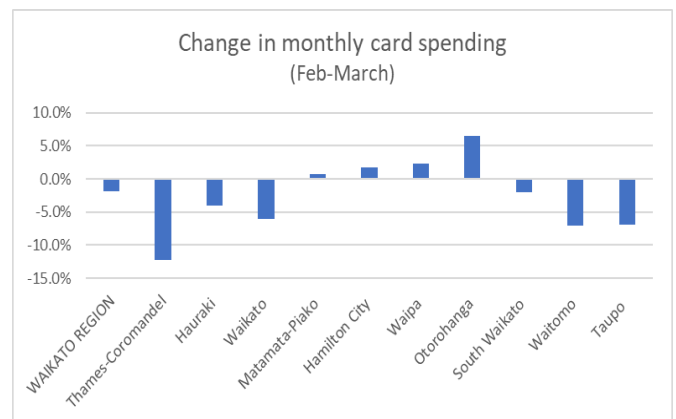
As we finish up the first quarter of 2021, the latest statistics on the Waikato and New Zealand economy continue to provide a stronger picture than many would have predicted during the lockdown period of COVID-19.

Despite some ups and downs, the continuation of retail spending, lower levels of unemployment, and building activity show the Waikato economy as performing better than we might have expected 6-12 months ago.

A note of caution, our recovery remains patchy and fragile – both across sectors and across parts of the region. Moreover, while we remain cautiously optimistic, much of the world continues to grapple to bring the COVID-19 virus under control and the state of the global economy means considerable uncertainty remains for the outlook.

Te Waka in partnership with Waikato Regional Council will continue to monitor progress quarterly for any enquires please contact [blair.keenan@waikatoregion.govt.nz](mailto:blair.keenan@waikatoregion.govt.nz)

**Total consumer spending**



Source: Statistics New Zealand, Marketview Data

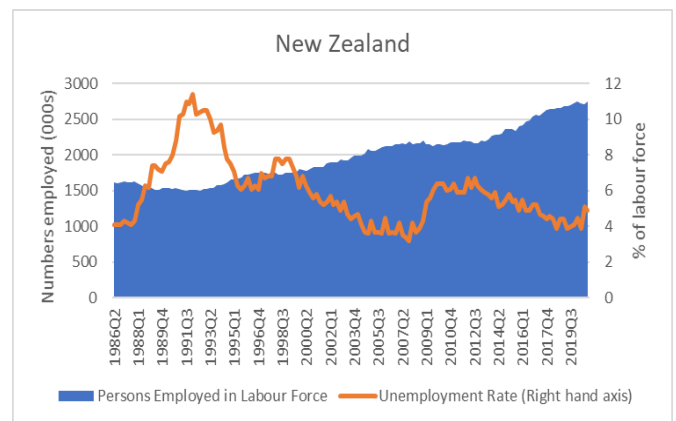
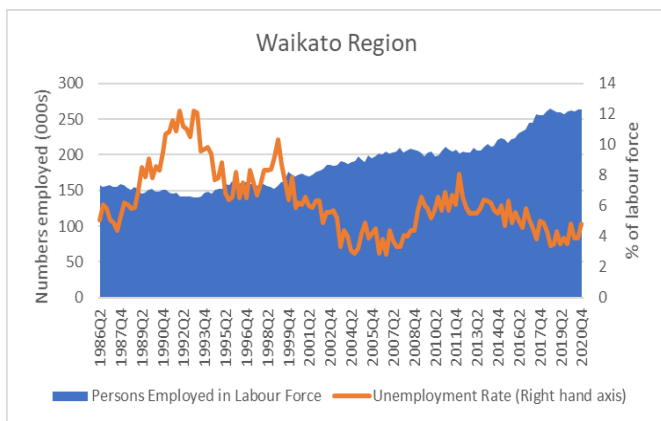
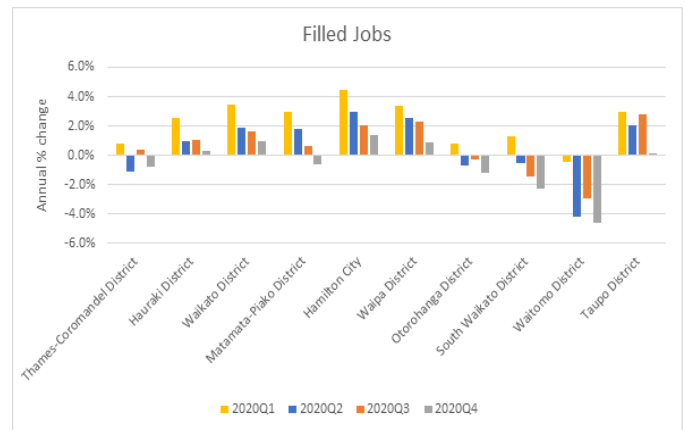
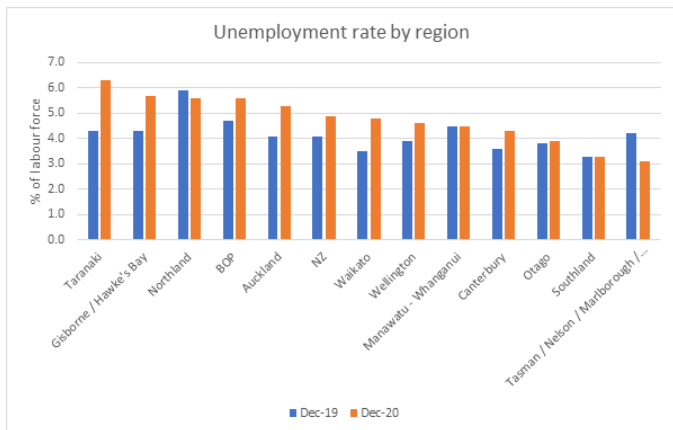
Total retail sales remained strong in the December 2020 quarter, up 10% on the same time a year earlier. Marketview data indicates that consumer spending in March was down 2% from the previous month. The falls seem consistent with the story of a struggling hospitality and tourism sector – spending in the ‘food, liquor and pharmacies’ category recorded the largest drop (5%), followed by ‘hospitality and accommodation’ (3%). Districts known for their tourism sectors (such as Thames-Coromandel and Taupō) were amongst the biggest falls in consumer spending in March.

**Waikato Labour Market**

By the end of 2020, Waikato’s unemployment rate had risen to 4.8%, from 3.5% in December 2019. The Waikato region moved from having the second lowest unemployment rate pre-Covid to the 7<sup>th</sup> lowest, although remains below the North Island rate of 5.2%.

Unemployment continues to remain well below levels reached in previous recessions – notably those of the 1990s (when it reached more than 12%) and the post-Global Financial Crisis period (when it peaked at 8.1%). We note with caution though, that unemployment is typically a lagging indicator of economic activity, and we may not have seen the worst of it. To date, at least, central government’s support through wage subsidies appear to have prevented the worst fears of mass unemployment being realised.

Statistics NZ data on ‘filled jobs’ shows labour market patterns have not been consistent across the region. The more densely populated part of the region around Hamilton, Waikato and Waipa districts (and also the Hauraki district) have seen increases in filled jobs, with the rest of the region has seen static or lower job numbers compared to a year ago.

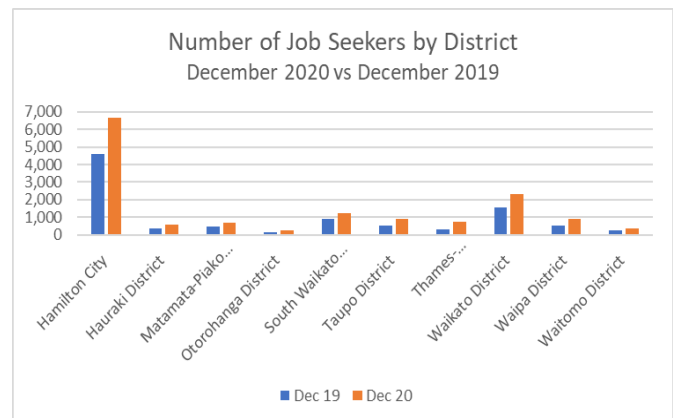
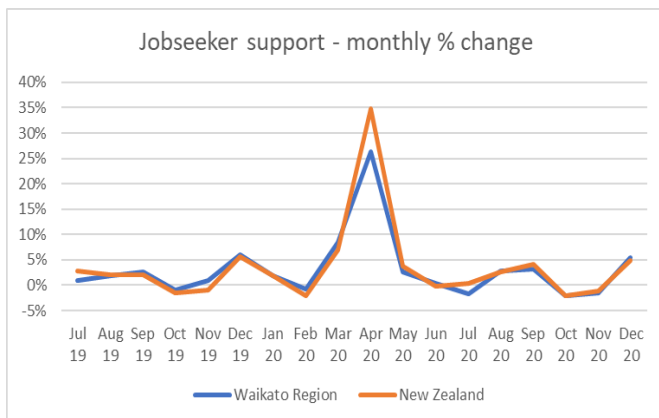


Source: [www.Stats.govt.nz](http://www.Stats.govt.nz)

## Support

### Jobseeker Support

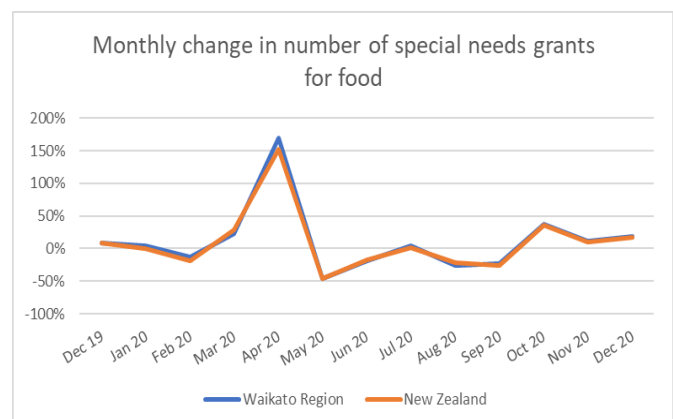
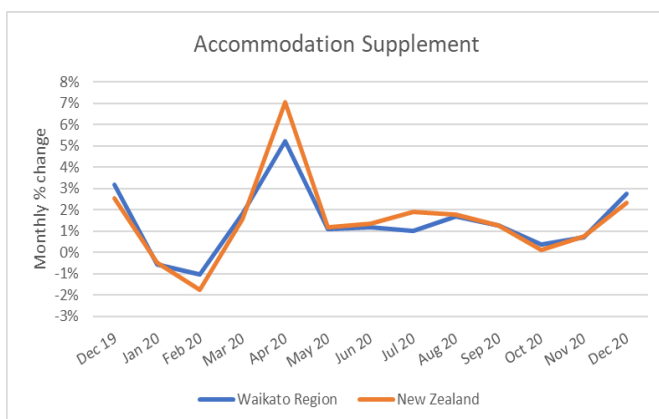
After falling slightly over October and November, the number of individuals receiving job seeker support ticked up by 5% in December both nationally and in the Waikato. Waikato statistics are consistently tracking close to national trends. After the spike over lockdown, job seeker support numbers at the end of 2020 were up by 52% in the Waikato region and 62% nationally compared to the end of 2019.



Source: [www.msd.govt.nz](http://www.msd.govt.nz)

### Hardship

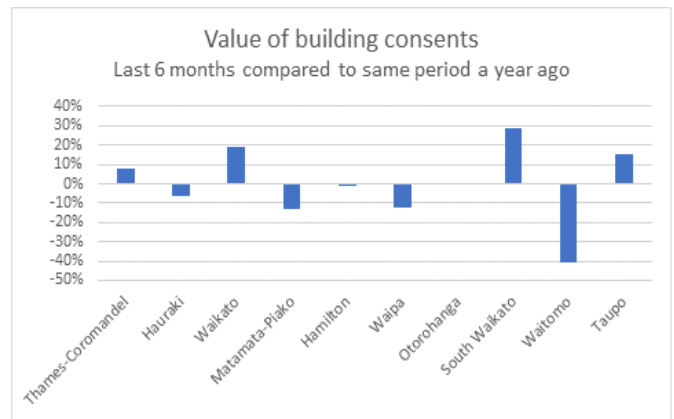
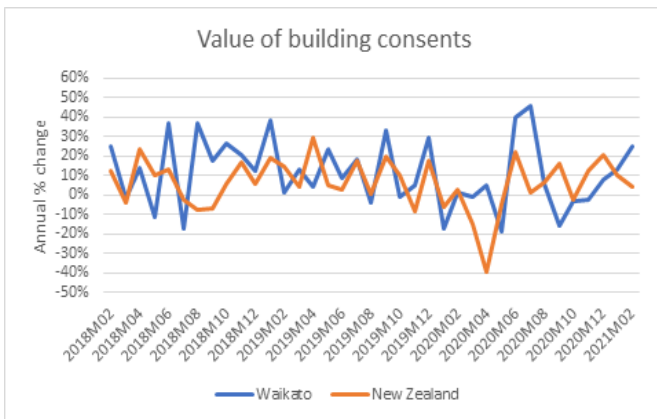
After reaching a low of around 8,800 in September, the number of special needs grants for food rose by 81 percent (to 15,900) in the Waikato region. This is 43% higher than a year ago, although it is less than half of the peak in April 2020. Accommodation supplement numbers also rose towards the end of 2020. Unlike jobseeker support and food grants, Accommodation supplement numbers have not declined in any period over the last year, continuing to rise month on month. On a percentage basis, Ōtorohanga and Waitomo Districts have seen the largest increases in Accommodation supplements.



Source: [www.msd.govt.nz](http://www.msd.govt.nz)

### Building Consents

The value of building consents accelerated over the last few months, and in February was 25% higher than a year ago. (Note this data refers to the value of building consents for all construction, not just residential buildings). Over the past six months, building consents were up significantly in South Waikato, Taupō, Waikato and Thames-Coromandel Districts. On the other hand, Waitomo, Matamata-Piako, Waipā and Hauraki all saw lower levels of consenting, while Hamilton and Ōtorohanga were steady. Note caution should be taken with interpreting these numbers, especially for small districts with a relatively small number of consents.

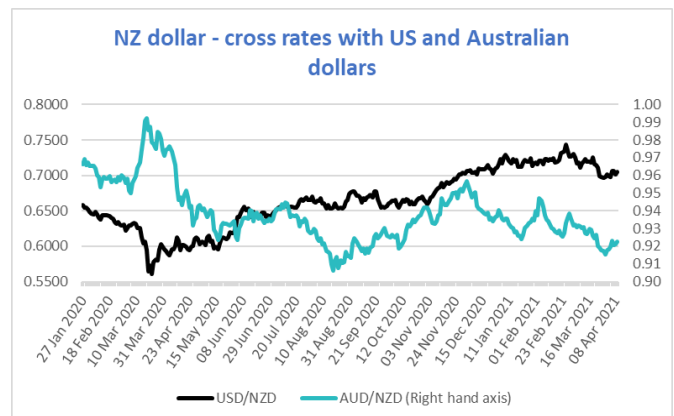
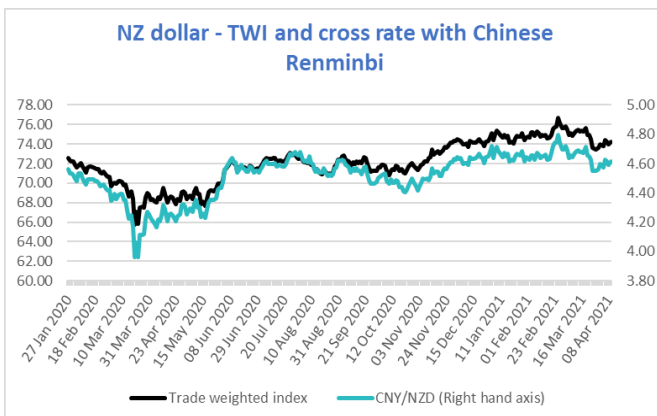


Source: [www.stats.govt.nz](http://www.stats.govt.nz)

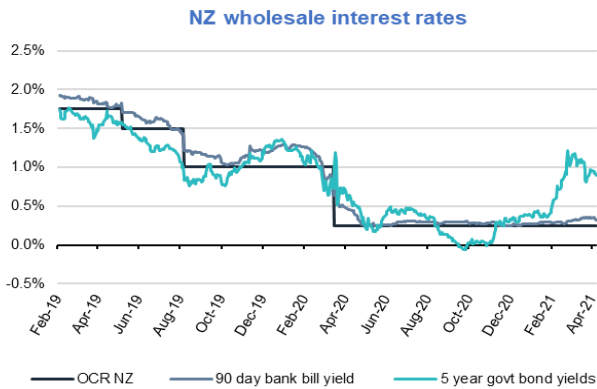
### Financial Indicators

#### Exchange rates

The NZ dollar has retreated slightly from the highs it reached in February, but remains at relatively high levels – particularly against the US dollar.



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



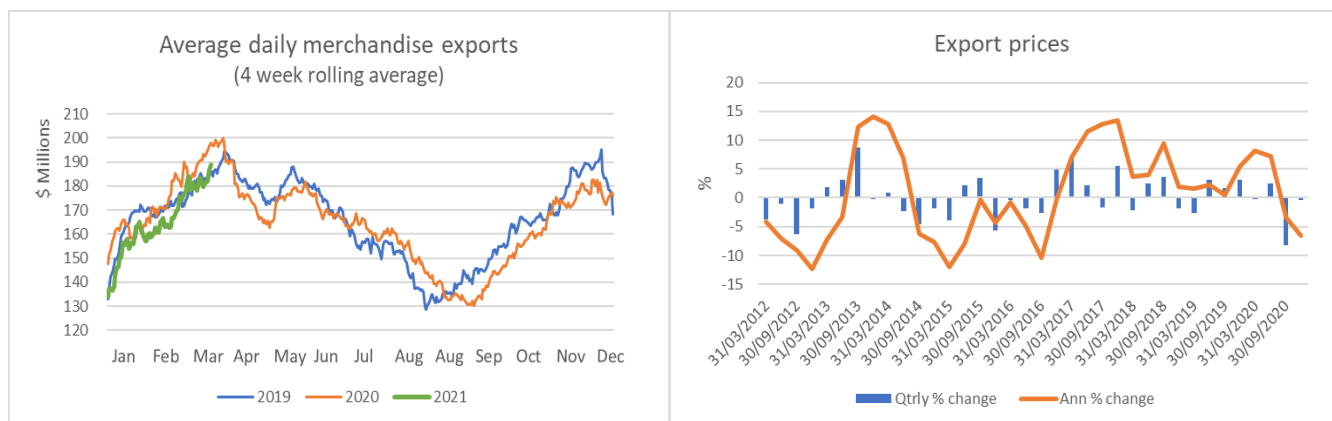
**Wholesale interest rates**

Wholesale interest rates remain low. Bank bill yields remain anchored to the Official Cash Rate of 0.25 percent, and there seems little prospect of the Reserve Bank. The 5-year bond rate has risen from around zero and now sits at levels similar to those immediately prior to lockdown arguably representing some tentative confidence in the medium term economic outlook.

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

**Merchandise exports**

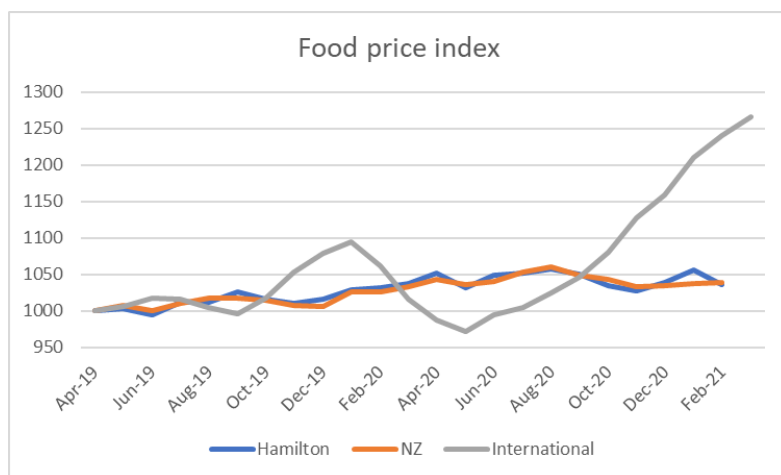
Overall, New Zealand’s exports continue to perform well under the circumstances. The increases export revenues over the last few months represents the normal pattern, which is now approaching its seasonal peak. While volumes have largely remained strong, there has been some weakness in prices for some commodities.



Trade statistics, sources: [Statistics New Zealand](https://www.stats.govt.nz)

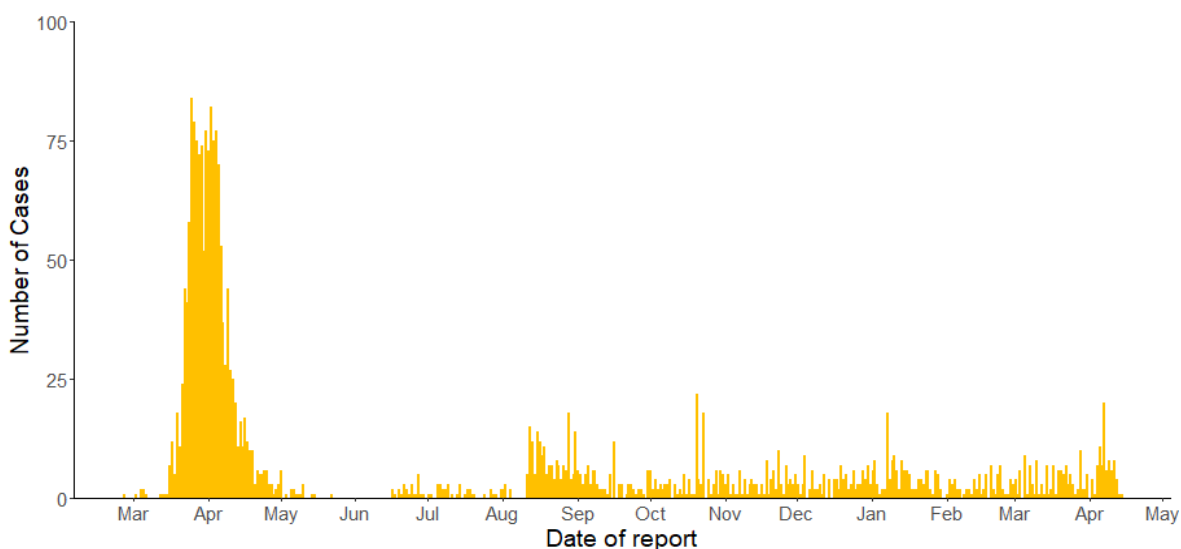
### Food Price Index

Domestically, food prices remain relatively stable. The Food and Agriculture Organisation index of food commodity prices has risen steadily over the last six months. This has been largely driven by products that do not represent significant exports for New Zealand (vegetable oils, cereals and sugar), although global dairy prices have also been relatively strong.



### 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: [Ministry of Health](#)