

For Quarter Ending June 2021

Executive Summary

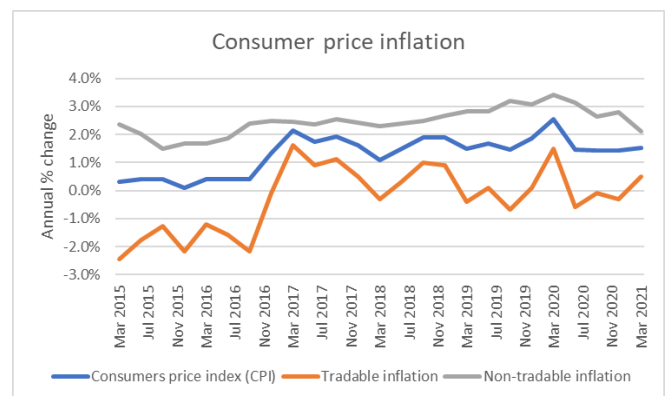
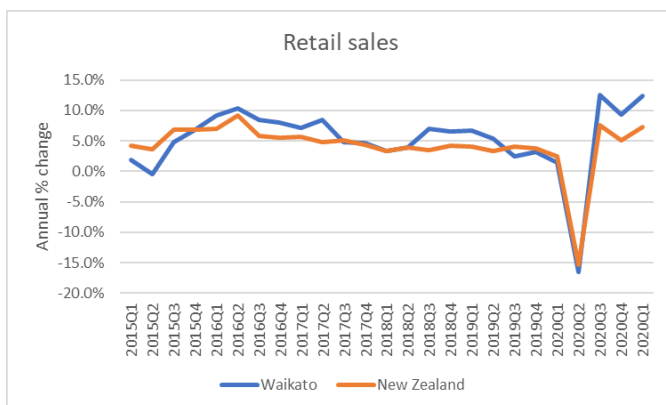
As the New Zealand economy continues its recovery from the Covid-recession, the Waikato region does likewise. After falling in the December 2020 quarter, GDP bounced back in the March quarter, with the construction and retail and wholesale trade sectors leading the way. On the other hand, some sectors that are relatively important in the Waikato region – the utilities sector (electricity and gas) and mining – saw significant falls in activity in the quarter.

Some commentators have interpreted the March quarter bounce as a sign that the economy is heating up, that inflation is around the corner, and that the Reserve Bank will need to start raising interest rates earlier than previously thought. To date there is little sign in the data of widespread price pressures, with Consumer Price Index inflation remaining in the lower half of the Reserve Bank’s target range of 1-3 percent.

Inflation in the ‘tradeable’ sector (i.e. that part of the economy exposed to international competition) has moved into positive territory for the first time since before last year’s lockdown. In contrast *non-tradeable* inflation (i.e. in that part of the economy not involved in exporting or competing with imports) has slowed somewhat. Nevertheless, the Reserve Bank sets monetary policy based on expected, not current, inflation, so will be watching developments closely.

Te Waka in partnership with Waikato Regional Council will continue to monitor progress quarterly. For any enquiries please contact blair.keenan@waikatoregion.govt.nz.

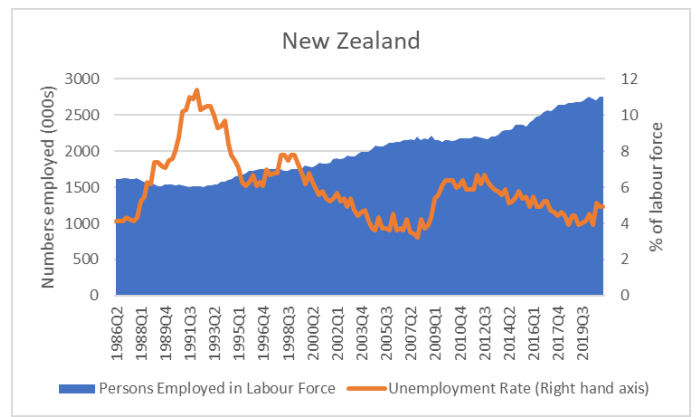
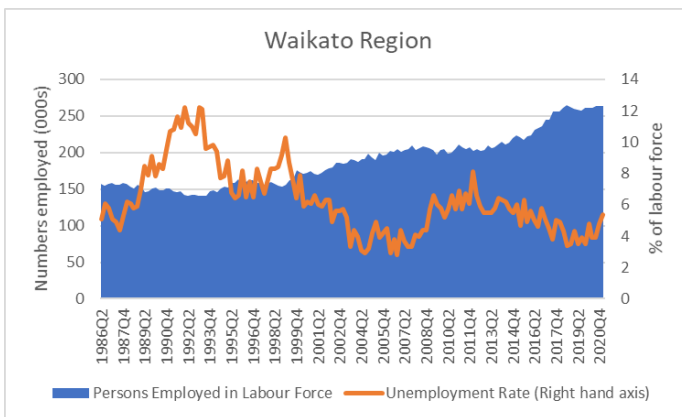
Total consumer spending



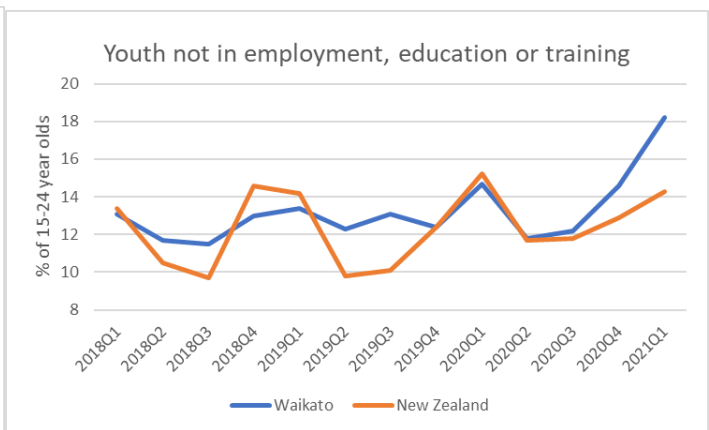
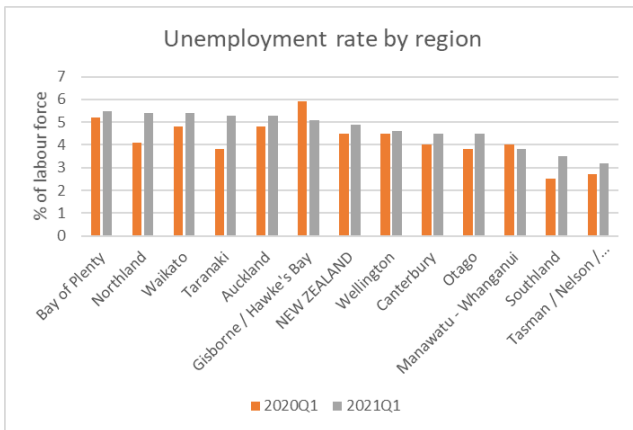
Source: www.stats.govt.nz

Waikato Labour Market

Employment in the Waikato region remained stable in the March quarter, although increases in the working age population and the labour force participation rate meant that the unemployment rate rose from 4.8 to 5.4 percent.



The Waikato region now has one of the highest unemployment rates in New Zealand, with only Bay of Plenty and Northland at the same or higher levels. While these rates are still relatively low, one concerning aspect is the rise in the youth NEET rate (i.e. 15-24 year olds not in employment, education or training).

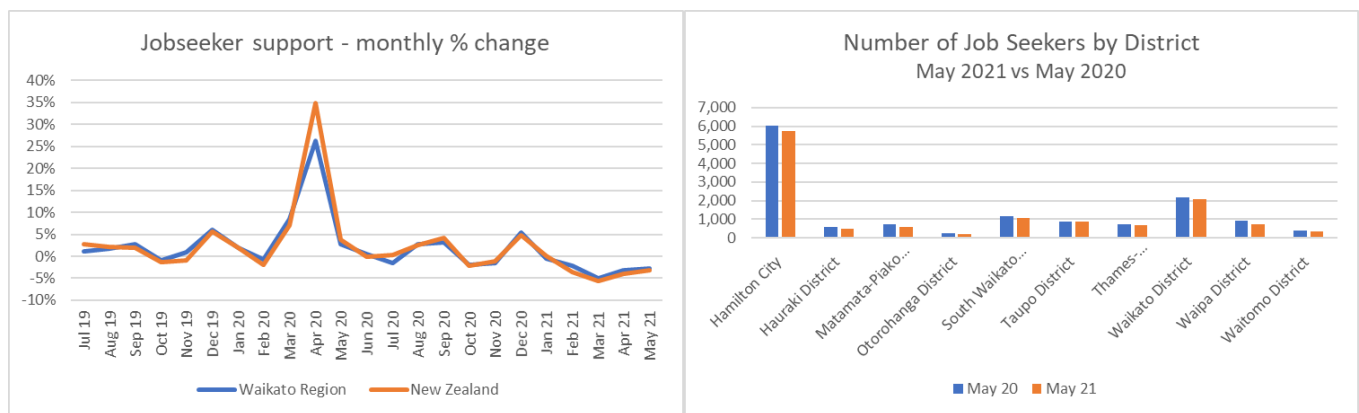


Source: www.stats.govt.nz

Support

Jobseeker Support

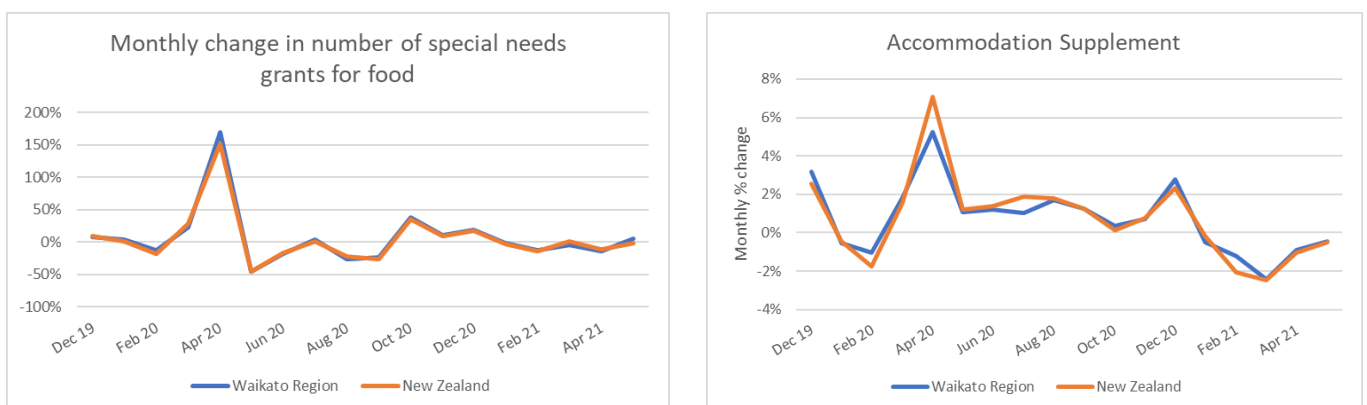
Despite the rise in unemployment in the March quarter, numbers on Jobseeker support in the region have been declining across the region since January, and are now at their lowest level since March 2020, before the country went into lockdown.



Source: www.msd.govt.nz

Hardship

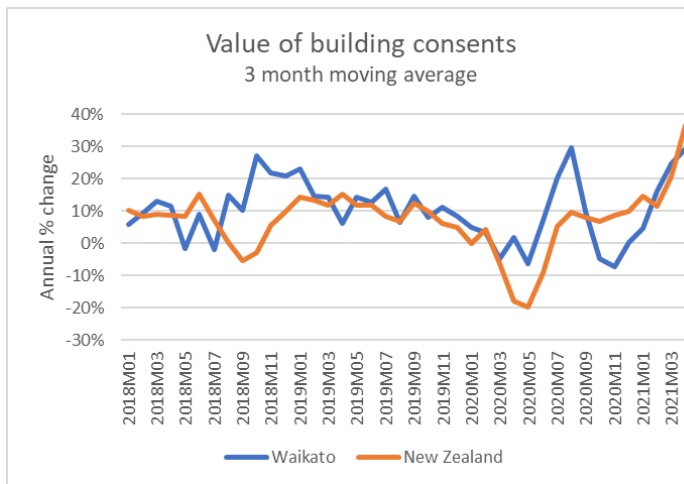
Similarly support via special needs grants for food and the Accommodation Supplement have declined significantly since the beginning of the year. The cost of housing (ownership and rental) remains an issue for many, however, and the effectiveness of recent central government policy changes remains to be seen. REINZ data shows that house prices in the region in the three months to May 2021 are up by about a quarter on the same period in 2020.



Source: www.msd.govt.nz

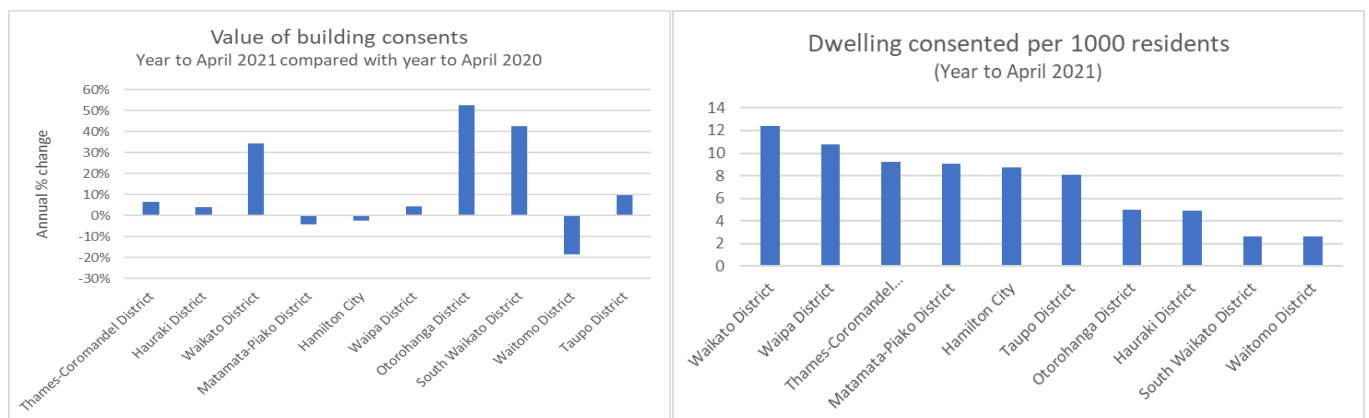
Building Consents

While Covid led to a pause in 2020, the incentives of higher house prices and efforts from councils have seen the value of building consents rise over January-April 2021.



Source: www.stats.govt.nz

Several districts have seen particularly strong increases in the value of building consents – notably Waikato, South Waikato and Ōtorohanga (although the small size of the latter may mean it is affected by a small number of high-value consents). Waitomo District saw a significant reduction in the value of consents compared with a year ago (although, like Ōtorohanga, this may be partly due to its small size). After taking account of population and the value of consents, the Waikato District saw the highest level of consenting, while Ōtorohanga and South Waikato saw a lower level.

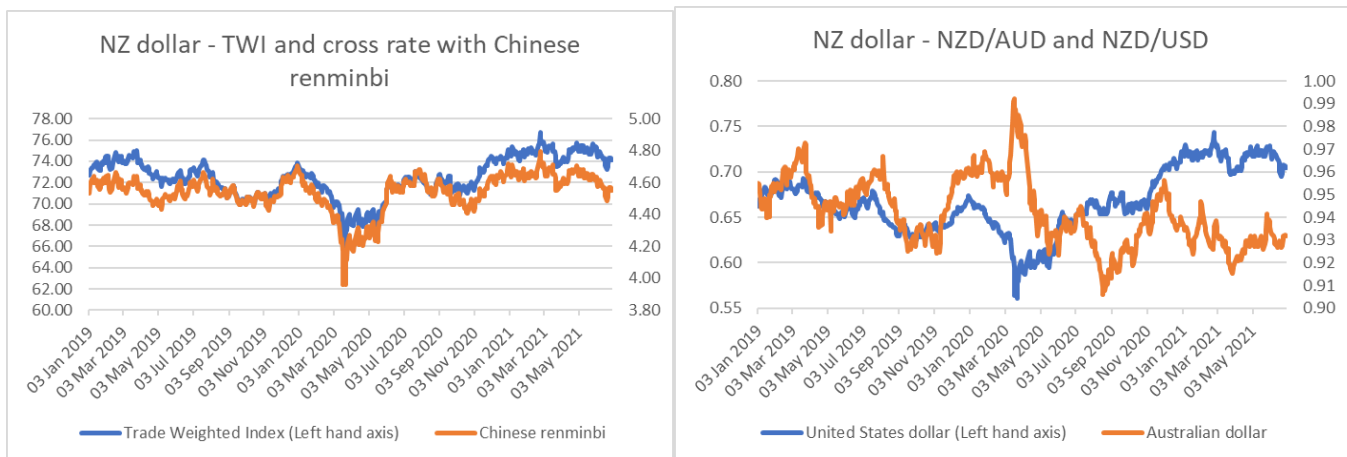


Source: www.stats.govt.nz

Financial Indicators

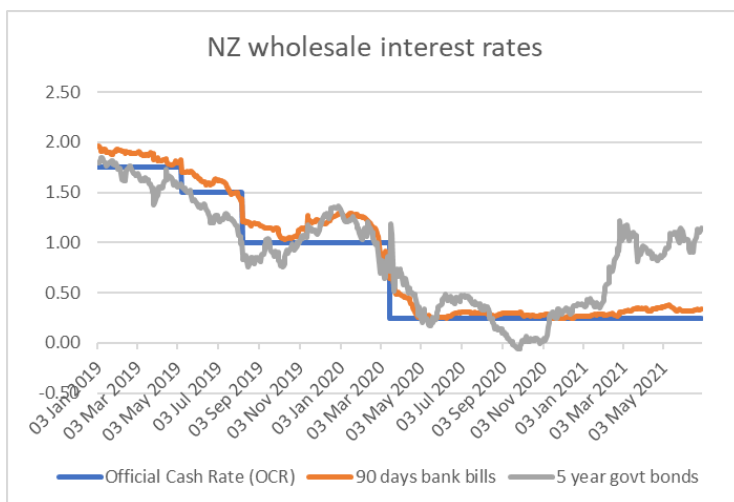
Exchange rates

The New Zealand dollar remains at relatively high levels compared to the last few years on a trade-weighted basis, and is much higher than over recent lows seen over the March-May period in 2020. Against our main trading partners, the NZ dollar is strong against the Chinese renminbi and US dollar, and has traded in a range for several months now.



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

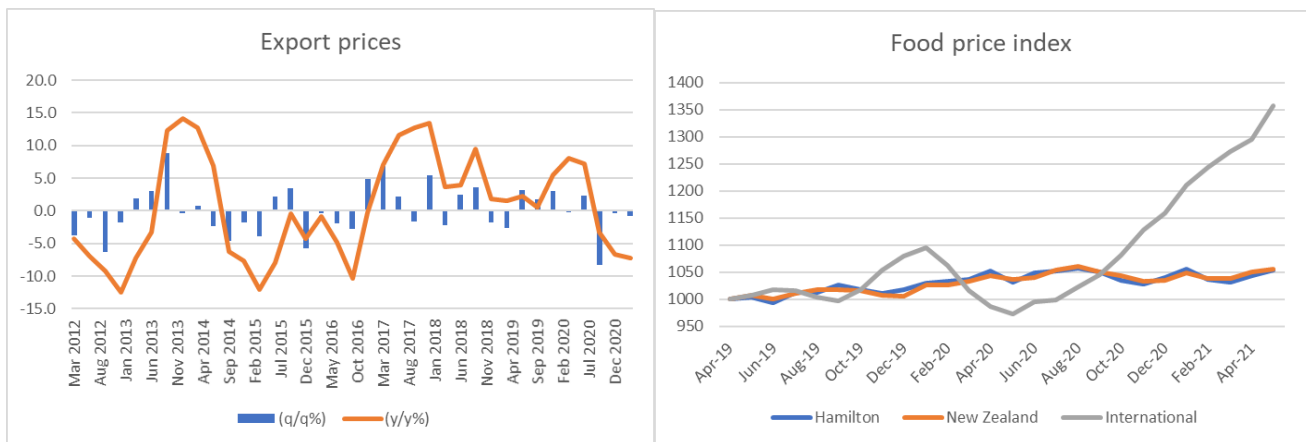
Despite concerns about future inflation, the Reserve Bank of New Zealand has kept the Official Cash Rate unchanged at 0.25 percent. Since stepping up to higher levels in February, bond rates have also remained fairly steady.



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

Merchandise exports

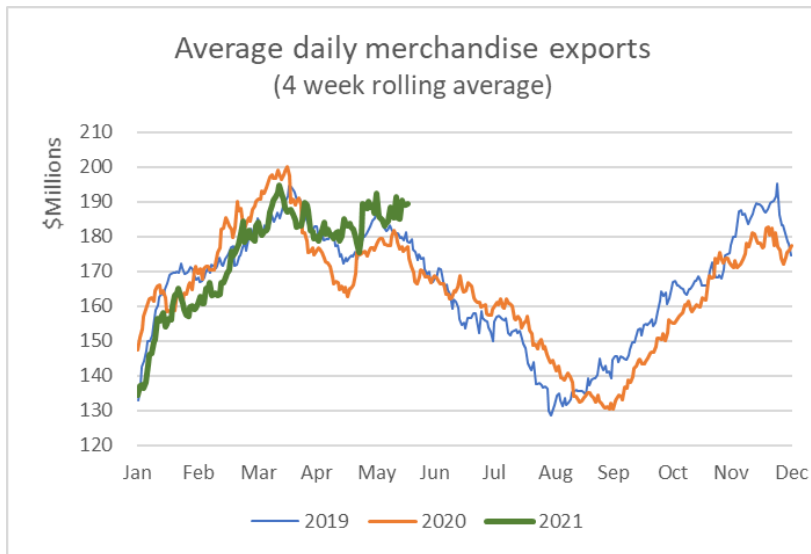
New Zealand’s overall export prices have fallen for four out of the last five quarters, with the result that prices in the March 2021 quarter were seven percent lower than a year earlier. This is despite the fact that, according to the UN Food and Agriculture Organisation, food prices have been rising steadily since mid-2020. These rising prices have not flowed through into a general rise in food prices in New Zealand.



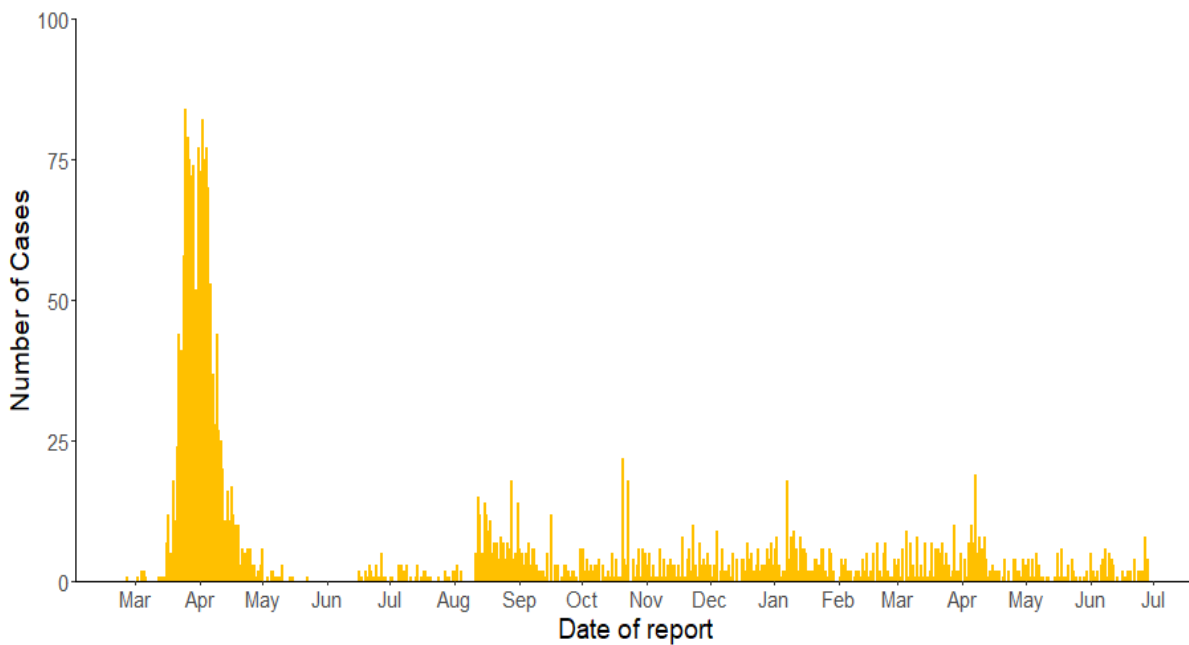
Source: www.stats.govt.nz

Food Price Index

The weaker export prices also do not seem to have affected the overall value of New Zealand’s merchandise exports, which have been relatively strong through the month of June.



As the recent suspension of the travel bubble with Australia illustrates, economic recovery continues to rely on keeping the Covid virus at bay. Domestic confidence, economic activity and international trade all depend on successfully preventing and containing further outbreaks.



Source: [Ministry of Health](#)