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Committee: Wellington Regional Strategy

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Wellington Region Economic Update – May 2016

1. Purpose

To update the Committee on the region's economic performance.

2. Wellington Region Economic Update – May 2016

Economic data released in the last month points to the continued strengthening of the Wellington regional economy which is now outpacing the country as a whole on many measures.

Wellington job numbers are trending upwards according to the Household Labour Force Survey. **Employment** grew 1.7% in the year to March 2016 (on an annual average basis), the equivalent of 4,600 new jobs. The corresponding growth rate for New Zealand was 1.9%. 'Professional, Scientific and Technical Services' and 'Public Administration and Safety' were the sectors that recorded the most growth in Wellington. These are among the highest income sectors which bodes well for productivity and economic growth.

Wellington's unemployment rate at March 2016 was 6.1% up from 5.6% a year ago. Like New Zealand as a whole, Wellington is experiencing significant population growth, which explains rising unemployment and job growth at the same time.

Wellington's population grew 2,780 in last twelve months from **net migration** alone (i.e. from outside New Zealand). This is driven by an increase in new migrants and returning expats as well as a reduction in departures and is a record high, at least since 1990 when the series began. The net increase compares with 67,600 for New Zealand as a whole and 31,230 for Auckland which, as is well known, is driving the migration boom. It is significant that while New Zealand's net migration gain is slowing,

Wellington's growth looks to be continuing. Wellington's share of the national net gain is 4.1%. This is less than might be expected relative to population but has increased steadily since turning from a net outflow to an inflow just over two years ago.

Visitor numbers to Wellington are also growing strongly. The year to March 2016 recorded a 6.8% increase in commercial guest nights on the year before. This compares with a 5.7% increase for New Zealand as a whole. It is significant though that Wellington's commercial guest night growth is mainly driven by domestic visitors whereas the country's is driven by international visitors.

The pick-up in the Wellington **housing market** are further signs of growing confidence in Wellington. REINZ's median sales price for Wellington rose 9% in March 2016 compared to the year before. The New Zealand figure was 4.2% over the same period. More revealingly sales volumes rose 28% across the region over the year and the time taken to sell is only 24 days as properties are being snapped up after many years of lacklustre performance.

Retail sales figures to be released shortly will be revealing in this context. Wellington retail performance has been sluggish for the last four years which is hard to explain given growing confidence, strong population and visitor number growth. Recent job growth in the sector suggests it may be turning round.

3. The decision-making process and significance

No decision is being sought in this report.

3.1 Engagement

Engagement on this matter is unnecessary.

4. Recommendations

That the Committee:

- 1. Receives the report and **notes** the content of this report.*

Report prepared by:

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