

Kawerau District Economic Profile and Trends Report June 2009

1.0 Introduction

This report provides a brief analysis of the current economic situation and profile within the Kawerau district, trends over the past five years and the medium-term economic outlook. The base information for the analysis is sourced from a range of economic agencies including Statistics New Zealand, Infometrics economic consultancy in Wellington, the New Zealand Institute of Economic Research also based in Wellington, trading bank analyses and local organisations within the district. Growth comparisons with the wider Bay of Plenty region and the country as a whole are included in the analysis, where appropriate.

2.0 Trend Summary

- Kawerau district has recorded fluctuating annual rates of economic growth over the past decade. Over the March 2009 year, the overall annual rate of growth was -2.1%; however, this followed the almost 6% figure for the March 2008 year, which was the third highest annual growth rate for the district over the past decade.
- A number of the main local economic indicators for the district have fallen sharply over the past year, as is the case for many parts of the country. However, this was from a peak level of economic activity in 2007/2008. Total new building activity fell 86% and house sales 65%. Employment +0.8% and actual retail sales (for the whole EBOP sub-region) +3.4%, increased during the year. Unemployment benefit numbers increased 34% during the year.
- The production base of the district is dominated by its major forestry products processing industries and related specialised engineering/manufacturing enterprises. Together, these account for over 60% of total district GDP. The ongoing economic performance of these industries will critically influence the overall performance of the local economy. The performance of the district economy also hinges importantly on exploiting its other resources and advantages, such as continuing to grow its outdoor events portfolio, energy resources, specialised engineering skills for export to the rest of New Zealand and overseas, and value-added business activity (such as processing waste from the major processing industries).

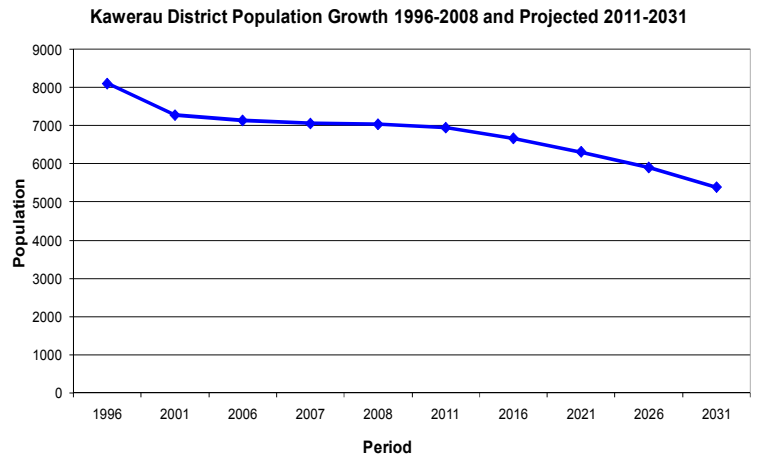
3.0 Key Kawerau District Economic Indicator Levels as at March 2009

<i>Population:</i>	7,050
<i>Household/Dwellings:</i>	2,674
<i>Nominal Gross Domestic Product (GDP):</i>	\$304 million
<i>Annual Economic Growth</i>	-2.1%
<i>Employment:</i>	2,274
<i>Annual Employment Growth:</i>	0.8%
<i>Unemployment:</i>	370
<i>Unemployment Rate (%):</i>	14.0

4.0 Population

Figure 1:

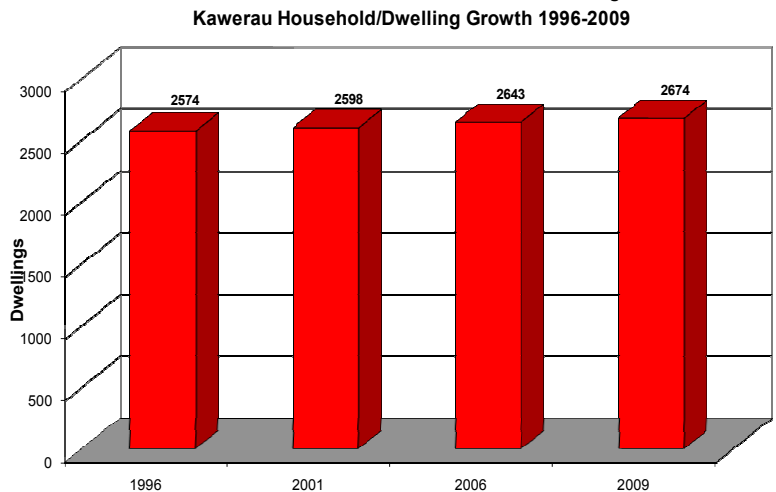
Kawerau district's population currently stands at an estimated 7,050 and has fallen slightly by 100 or -1.4% since the 2006 Census year. This compares to the full Eastern Bay of Plenty area -0.7%, total Bay of Plenty region +1.7% and +2.5% nationally. The district's population growth track since the 2006 Census shows that this indicator has been growing close to the Statistics NZ Medium growth projection. This projection indicates that the district's population is anticipated to fall to 6,960 by Year 2011. Since the 2006 Census, the district has recorded a natural population increase net gain of 190 (282 births and 192 deaths). However, there has been an overall net population migration loss of -290, comprising an internal migration loss of -78 and an external/overseas migration loss of -212.



5.0 Household/Dwellings

Figure 2:

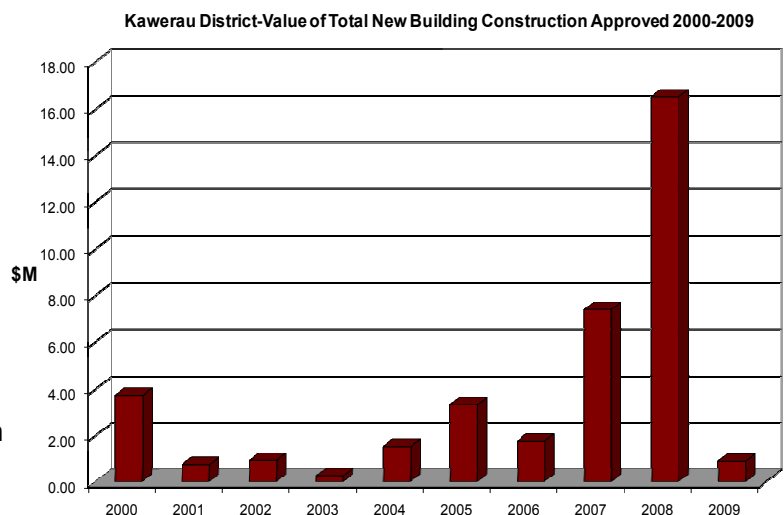
The total number of houses in Kawerau district in April this year stood at an estimated 2,674. This represents an increase of 31 or 1.2% from the 2006 Census result. Latest Statistics NZ projections indicate further household change in the district, in the range -13% (Medium projection) to +4% (High projection) over 2006-2021. The current household growth path appears to be tracking closer to the High projection, than the Medium one. The total Bay of Plenty region household growth projection for the period is 24% and the national projection 20%.



6.0 New Building

Figure 3:

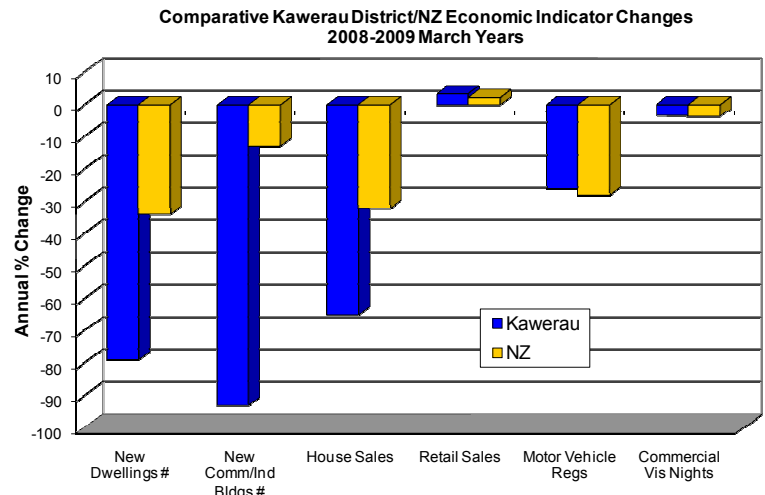
Over the period since the 2006 Census, a total of some 31 new dwellings have received building consent in Kawerau district, worth a combined value of \$4.4M. The number and value of new dwellings approved during the March 2009 year was down significantly on the peak levels of the previous two years. Total new commercial/industrial building work approved also fell sharply in both volume and value terms over the period, from the peak of the previous two years. The factories/industrial sector accounting for most of the new building work over the two years. Figure 3 indicates the total annual amounts of new building activity in the district over the past decade.



7.0 Other Economic Indicators

Kawerau district house sales for the March 2009 year were 65% down on the previous March year. Annual sales volumes have been falling since 2005. House prices fell 9% over the March 2009 year, compared to -9% in Tauranga, -11% in Rotorua and -9% nationally. Actual retail sales for the Eastern Bay of Plenty sub-region increased 3.4% for the March 2009 year, compared to 0.4% for the full Bay of Plenty region and 2.2% nationally. New motor vehicle registrations in the whole region fell 26% over the year, compared to the 28% fall nationally. Electricity consumption in the total Bay of Plenty region over the March 2009 year was 1.9% down on the previous year.

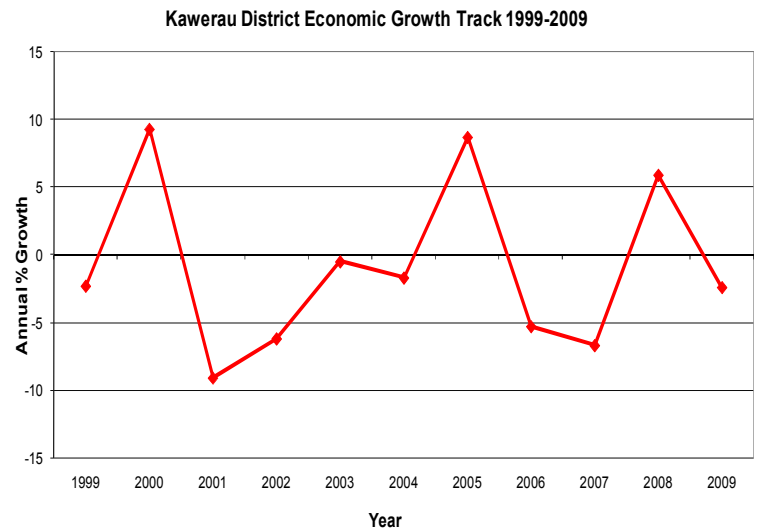
Figure 4:



8.0 Economic Growth

Figure 5 indicates the longer-term trend in real terms economic/GDP growth in Kawerau district, since 1998. The base growth data is sourced from Infometrics economic consultancy in Wellington. Economic growth in the district has fluctuated considerably over the period, peaking in 2000 and again in 2005 and to a lesser extent in 2008. Over the March 2009 year, economic growth in the district was negative (-2.1%). The growth rate for the Eastern Bay of Plenty sub-region over the same year was +0.3%, total Bay of Plenty region +0.5% but nationally -0.9%. The NZ Institute of Economic Research is currently forecasting average annual growth in the full Bay of Plenty region of 2% for the next five years, compared to 0.9% for the last five-year period and the national medium-term economic growth forecast of 1.7%. Economic growth in Kawerau district over the balance of this year at least is expected to continue to be subdued overall.

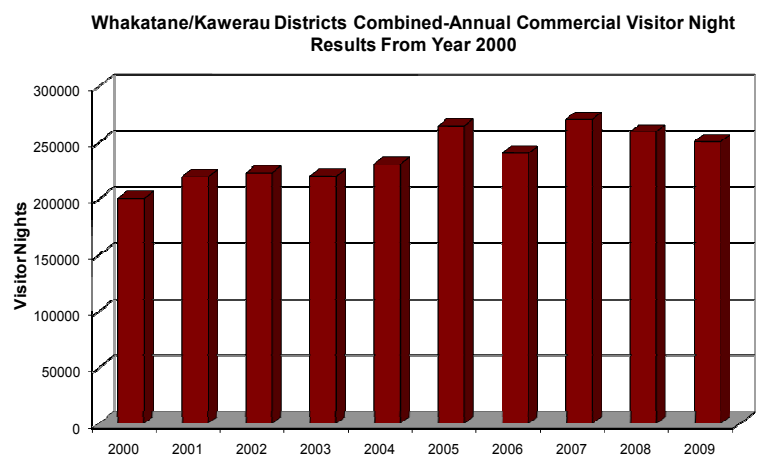
Figure 5:



9.0 Visitor/Tourism Numbers

Visitor arrival numbers into the Whakatane/Kawerau districts staying in commercial accommodation totalled 111,740 over the March 2009 year, down 3,579 or 3.1% on the previous year. The comparative national change was a 2.4% decline. The number of arrivals has fallen by 6.8% since the 2007 peak for the past decade. The number of nights spent in the combined area by visitors staying in commercial accommodation totalled approx 250,295 for the March 2009 year, down 3.5% on the previous year. Visitor nights have fallen by 7.3% since 2007 and 0.5% nationally.

Figure 6:



10.0 Results Comparison

Table 1 provides an indication of the comparative local economic indicator changes over the past year for the Kawerau district, Eastern Bay of Plenty sub-region, total Bay of Plenty region and New Zealand, for the listed indicators.

Table 1: Eastern Bay of Plenty Area Comparative Local Economic Indicator Changes March 2009 Year vs March 2008 Year

Area	% Change 2007/08 – 2008/09 March Years						
	Economic Indicators						
	Total New Buildings	House Sales	Retail Sales	Vehicle Registrations	Comm Visitor Nights	Employment	Unemployment Benefit Numbers
Kawerau District	-86.2	-65.0	-	-	-3.5 ¹	+0.8 ²	+33.5
Eastern Bay of Plenty Sub-Region	-33.9	-42.4	+3.4	-	-10.6	+0.8 ²	+20.8
Bay of Plenty Region	-36.4	-45.2	+0.4	-21.9	-13.5	+0.8 ²	+65.1
New Zealand	-25.8	-38.9	+1.5	-21.1	-3.8	+0.9	+95.2

Notes: 1. Kawerau/Whakatane combined

2. The results for the Kawerau and EBOP areas are the same as for the full Bay of Plenty region, as they are based on the region's total employment figure.

11.0 Industry Growth

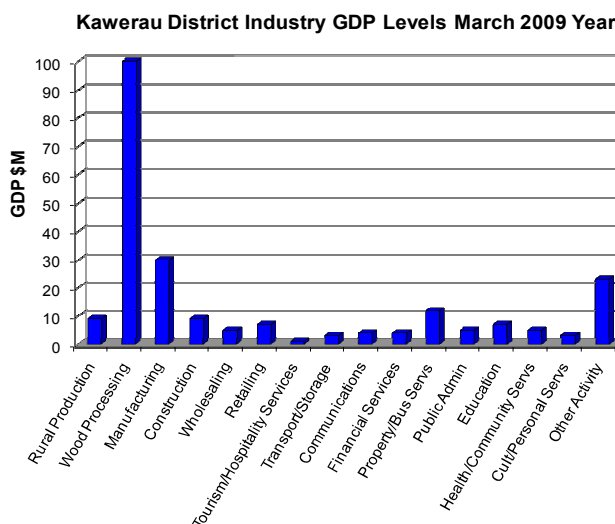
Figure 7:

Real GDP growth for the main Kawerau industry sectors over the last five years has been highest for machinery and equipment manufacturing, retailing, property/business services and health services. The district's largest industries in GDP terms, as indicated in Figure 7, are wood processing, machinery and equipment engineering/manufacturing, construction, retailing and wholesaling, property/business services and education services. Table 2 below presents the GDP figures behind the graph (Source: Infometrics, Wgtn)

Table 2: Kawerau District Industry GDP Results for Year Ending March 2009 (In Constant 1995/96 Prices)

Industry	Real GDP (\$M)
Rural Production	9.0
Processing (Wood)	100.0
Manufacturing (Machinery and Equipment)	29.0
Construction	9.0
Retailing/Wholesaling	12.0
Accom/Transport/Communications	8.0
Business Services	16.0
Government/Public Administration	5.0
Education	7.0
Health	5.0
Cultural/Personal Services	3.0
Other ¹	23.0
TOTAL	226.0

Note: 1. Includes utility services, owner-occupied dwellings (imputed rental) and unallocated GDP activity.

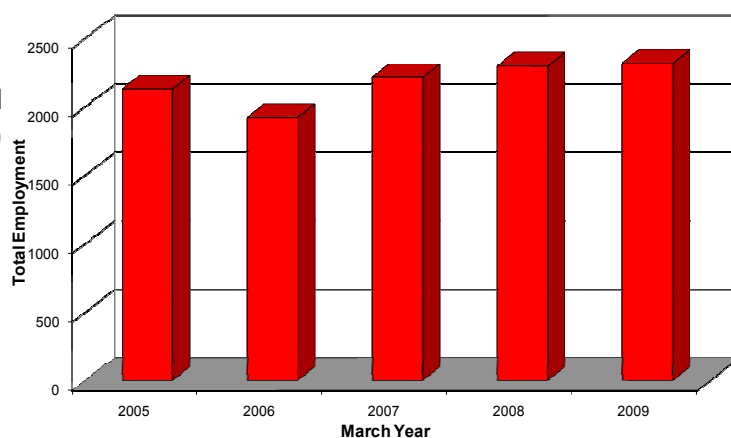


12.0 Employment

Figure 8:

Total employment in Kawerau district for the March 2009 year was up 0.8% on the previous March year, slightly below the national results. Employment in the district in March this year was up 4.2% on March 2008. At the same time though, unemployment was up 70 or 23%, and 24% on an annualised basis. In March 2009, the district rate of unemployment stood at 14%, compared to 12% in March 2008 and the March 2009 national unemployment rate of 5.6%. The number of people receiving the unemployment benefit in the district in March 2009 stood at 211, compared to 158 in March 2008, that is, an increase of 34%. The leading employing industries in the district are timber milling, pulp and paper processing, machinery and equipment manufacturing and repair, construction, retailing, education and aged care services. Over the past five years, employment has grown most numerically in the district for the forestry support, log sawmilling, machinery/equipment manufacturing and repair, construction, labour supply services, pre-school education, secondary school education and aged care services. Noticeable employment declines include the pulp/paper, supermarket and primary school activities.

Estimated Kawerau District HLFS Surveyed Employment Trend Since 2005



13.0 National Economic Outlook

Each quarter, the NZ Institute of Economic Research produces updated Consensus Forecasts for shorter-term economic activity in New Zealand. The forecasts are a consensus or average of the views of the different main economic forecasting agencies. The latest March 2009 forecasts are for weak GDP and consumption growth over the year ahead; solid Government spending growth over the next few years (including major infrastructural spending brought forward to help counter the recession); negative new construction growth; decline in business investment over the year ahead; lower inflation; further exchange rate depreciation; lower interest rates; employment decline and increased unemployment; and lower private sector wage growth.

Table 3: NZIER Consensus Forecasts March 2009

Indicator	March Years		
	2008/09	2009/10	2010/11
GDP	-0.9	-0.6	2.7
Private Consumption	-0.4	0.1	1.4
Govt Spending	3.4	3.7	3.4
Residential Investment	-22.8	-15.1	7.9
Other Investment	-2.8	-9.5	4.4
NZ TWI Exchange Rate	60.5	51.9	55.9
90 Day Bank Bill Rate	6.7	3.0	4.1
Employment	0.8	-1.7	1.0
Private Sector Wages	5.0	3.1	2.3

Note: All figures in the table other than for the TWI and 90-Day Bank Bill rate refer to the 'annual average % change' in the relevant indicators.