

# Kawerau District Economic Profile and Trends Report December 2009

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## 1.0 Introduction

This report provides a brief analysis of the current economic situation and profile within the Kawerau district, trends over the past year and the medium-term economic outlook. The base data 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 reports 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.

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## 2.0 Trend Summary

- This summary highlights the significant economic indicator changes that have occurred in Kawerau district since the March quarter earlier this year, when the last economic monitoring report was prepared. The detailed analysis in this report indicates the economic changes that have occurred in the district over the past year and beyond.
- The positive local economic indicator changes over the April-September period this year, compared to the same period in 2008, were the reduction in net external population migration loss from -42 last year to -30 this year, 32% increase in house sales and 18% increase in commercial accommodation visitor guest-nights.
- The negative economic indicator changes were the reduction in total new building work consented -50%, 5% fall in nominal retail spending and significant increase in the number of people receiving the unemployment benefit.
- Comparing the April-September 2009 period with the preceding two-quarters period October 2008-March 2009, economic indicators that improved over the interval included new building activity and house sales. Indicators that worsened included net external migration of population, actual retail sales, the number of unemployment beneficiaries and commercial accommodation sector visitor night-stays. It should be noted though that some of these changes (e.g. tourism activity) reflect significant seasonal influences.
- Over the year ending June 2009, the total population of the district fell an estimated 50 or -0.7%. At the same time, the total number of businesses in the area increased by 1.1%, whilst total industry employment increased by 3.9%. The annualised district rate of unemployment stood at 12.2% in September 2009.
- Total district GDP (Gross Domestic Product) fell in real inflation adjusted terms by 6% over the year ending June 2009, compared to the 1.8% decline nationally. On an industry basis, growth was strongest over the year for health/community services, property and business services, finance and insurance services, and the Government sector.

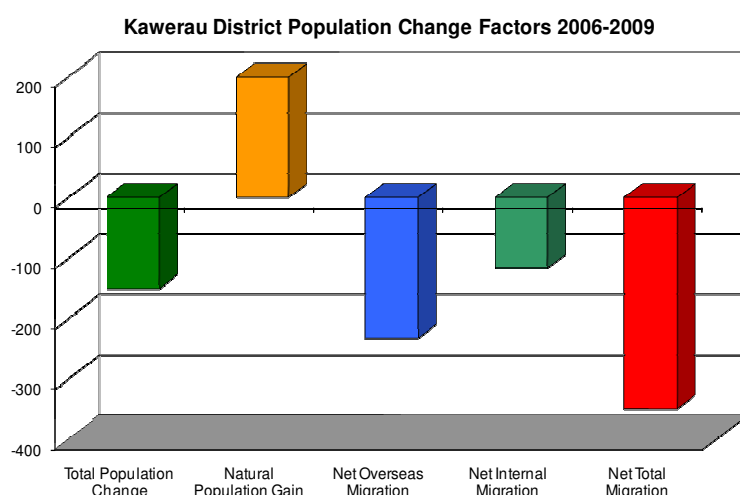
### 3.0 Key Kawerau District Economic Indicator Levels as at September 2009

Population:	7,050
Household/Dwellings:	2,675
Nominal Gross Domestic Product (GDP):	\$284 million
Annual Economic Growth	-6.6%
Annual Employment:	2,751
Annual Employment Growth:	3.9%
Annual Unemployment:	381
Annual Unemployment Rate (%):	12.2

### 4.0 Population

Figure 1:

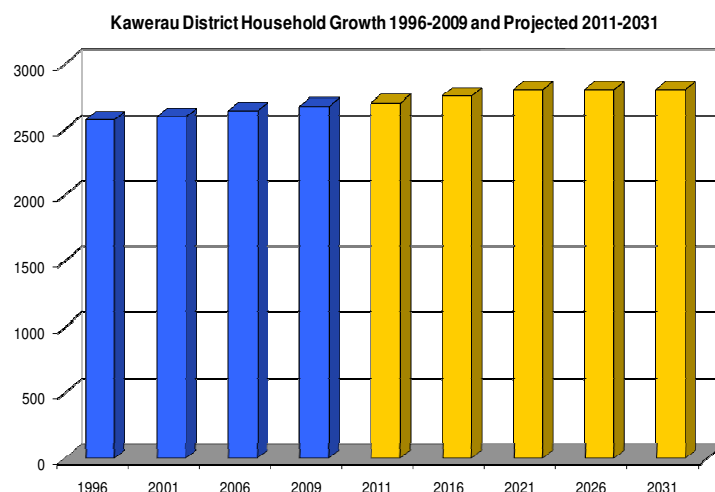
Kawerau district's population currently stands at an estimated 7,050 and has fallen by 150 or -2.1% since the 2006 Census year. This compares to +3.1% nationally. The district's population growth track since the 2006 Census shows that this indicator has been growing midway between the Statistics NZ Low and Medium growth projection. This projection indicates that the district's population growth rate is anticipated to fall to about 6,500 by Year 2016. During the 2006-2009 period, natural population increase (births minus deaths) in the district totalled 199. Total net migration for the district was therefore in the order of a -349 loss. This comprised a net external (overseas) migration loss of -232 and a net internal (domestic) migration loss of -117. **Figure 1** indicates the total changes over the last three years in the main population growth factors for the district, together with the change in the total population of the area.



### 5.0 Household/Dwellings

Figure 2:

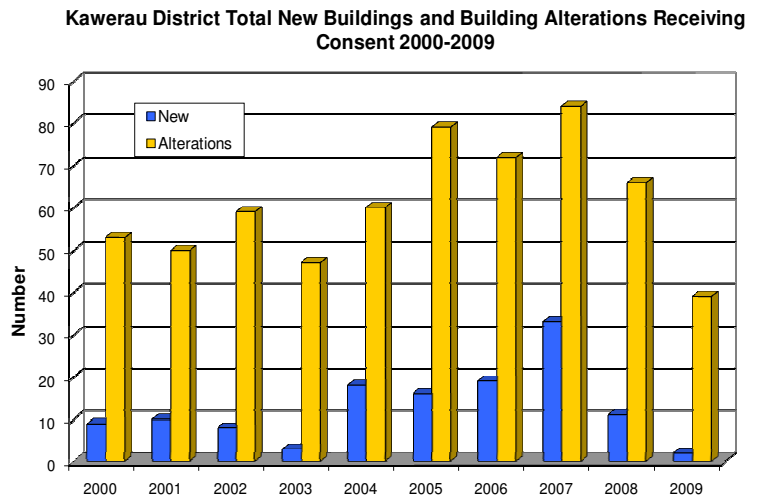
The total number of houses in Kawerau district in September this year stood at an estimated 2,675. This represents an increase of 32 or 1.2% from the 2006 Census result. Latest Statistics NZ projections indicate an approximate 5% further increase in household/dwelling numbers in the district over the 2006-2016 period. This compares to the total Bay of Plenty region projection of +37% and the national projection of +34%. The number of 'couple without children' families in the district is projected to remain stable over the projection period, two-parent families to fall by -22% and one-parent families to remain unchanged. The number of family based households is also projected to remain unchanged, with single-parent households however increasing numerically by 17%.



## 6.0 New Building

Over the period since the 2006 Census, a total of some 32 new dwellings have received building consent in Kawerau district, worth a combined value of \$5M. The number of new dwellings approved during the September 2009 year totalled just 1, compared to 7 for the previous year. Total housing alterations for the latest year were 32, compared to 58 for the year ending September 2008. The value of these alterations was \$0.63 million and \$0.9 million respectively. Total new commercial/industrial building work approved for the September 2009 year was 1 premise, compared to 4 in the previous year. The total amount of new building activity in the district fell approximately 80% over the year and the total value of this activity also substantially. Total new building and all other developments requiring consent fell 65% in volume terms over the past year and by almost two times in value terms. Total building alterations fell 41% in volume terms over the year September 2009 year, with the combined value of these alterations falling 33%.

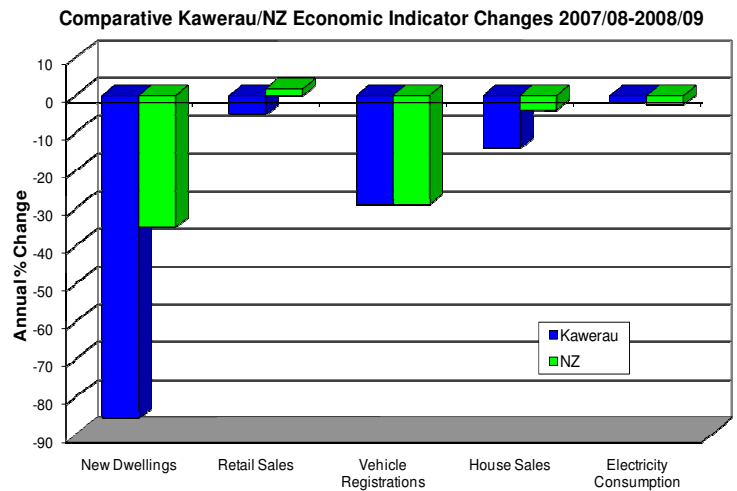
Figure 3:



## 7.0 Other Economic Indicators

Kawerau district house sales for the September 2009 year totalled 69 and were down 14% on the previous September year. Sales have been falling since 2007, overall by 43%. House prices stabilised over the September 2009 year, compared to -2% in Whakatane, -1% in Tauranga and Rotorua, and the marginal increase in prices nationally. Actual retail sales for the district fell 5.1% for the Sept 2009 year, compared to -1.2% for the full Bay of Plenty region and +1.9% nationally. New motor vehicle registrations in the whole region fell -29% over the year, the same as the national fall. Electricity consumption in the district fell 2% over the year, compared to +0.7% for the total Bay of Plenty region and the 2.4% fall nationally.

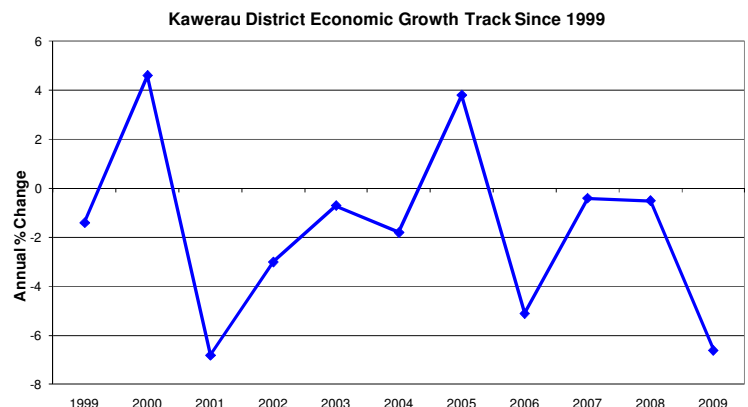
Figure 4:



## 8.0 Economic Growth

Figure 5 indicates the longer-term trend in real terms economic/GDP growth in Kawerau district, since 1999. The base growth data is sourced from Infometrics economic consultancy in Wellington. Annual economic growth in the district has fluctuated noticeably over the period but has been negative since 2006. Economic growth in the district over the latest June 2009 year was recorded at -6.6%, compared to minus 0.3% for the full Eastern Bay of Plenty sub-region and also the total Bay of Plenty region, and nationally -1.8%. The NZ Institute of Economic Research is currently forecasting

Figure 5:

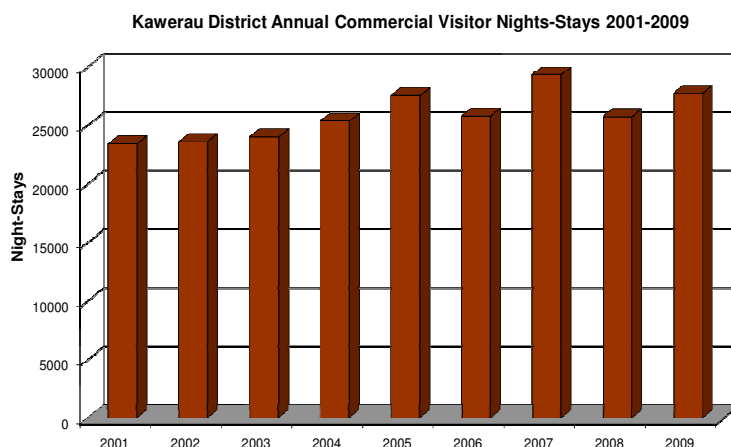


average annual growth in the full Bay of Plenty region of 1.7% for the next five years, compared to 0.6% for the last five-year period.

## 9.0 Visitor/Tourism Numbers

Figure 6:

The number of visitor arrivals into Kawerau district for the September 2009 year (at 12,734) staying in commercial accommodation was up almost 9% on the previous September year. The number of nights spent in the district by visitors staying in such accommodation totalled approximately 27,800 for the 2009 year, up almost 8% on the previous year. The visitor average length of stay for the latest year was 2.2 nights, the same result as for the previous year. The Ministry of Tourism is forecasting total over-night visit numbers to the Bay of Plenty RTO region to increase by 3.6% over 2009-2015, with domestic numbers increasing by 2.1% and overseas numbers by 15.8%. The Ministry's forecasts for visitor-nights for the period are domestic 2.4%, international 13.8% and total market 5.7%. New tourism sector development possibilities for the future in Kawerau district include the running of a major annual events portfolio and the proposed Waterwheel Heritage Park.



## 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 June/Sept 2009 Year vs June/Sept 2008 Year**

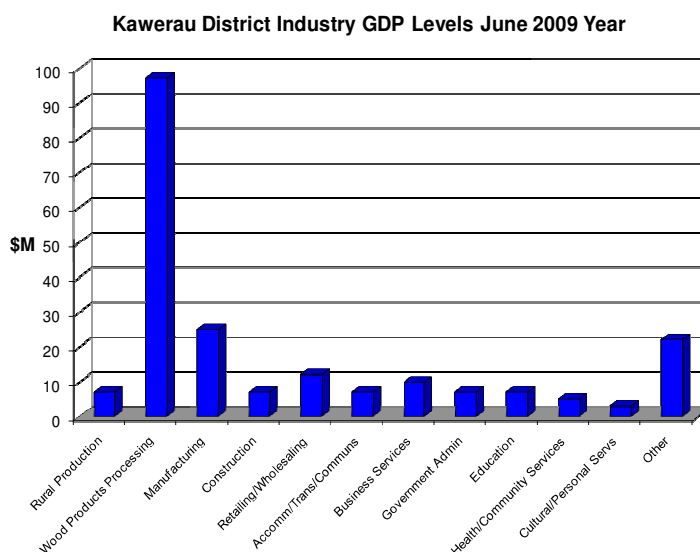
Area	% Change 2007/08 – 2008/09 June/Sept Years						
	<i>Economic Indicators</i>						
	Total New Buildings	House Sales	Retail Sales	Vehicle Registrations	Comm Visitor Nights	Employment	Unemployment Benefit Numbers
<i>Kawerau District</i>	-81.8	-13.8	-5.1	-	+7.7	+3.9	+42.0
<i>Eastern Bay of Plenty Sub-Region</i>	-31.0	-14.8	-3.5	-	-0.1	+2.0	+39.8
<i>Bay of Plenty Region</i>	-35.8	1.2	-0.9	-29.0	-13.5	+3.9	+99.0
<i>New Zealand</i>	-31.2	3.8	+1.7	-29.2	-5.3	-0.3	+116.5

The district has performed better than the EBOP region as a whole over the past year, in respect of house sales (a lesser decline), tourism and employment. It has performed better than the full Bay of Plenty region and the country as a whole in respect of the tourism and employment indicators.

## 11.0 Industry Growth

Figure 7:

Real GDP growth for Kawerau industry sectors over the last year has been highest for health/community services, property/business services, finance and insurance services and the public sector. Negative GDP growth has occurred most for the tourism/hospitality services, processing and manufacturing, primary production and construction industries. The district's largest industries in GDP terms, as indicated in **Figure 7**, are wood products processing, manufacturing, retailing/wholesaling and business services. The main employing production/processing industries in the district are pulp/paper/paperboard manufacturing, machinery/equipment manufacturing, and log sawmilling and timber dressing. Since Year 2000, employment in these industries has changed overall by -35%, +65% and -36% respectively.



Positive industry developments and possibilities for the future in the district include the following:

- Significant growth in log exports; a significant number of new forests are coming on stream in the future
- Granting of new resource consents to the district's key industries (Carter Holt Harvey Tasman and Norske Skog Tasman) for 25-year terms, for discharge of effluent and waste
- Continuing work by the EBOP regional development agency on the possibility of developing a logistics and transportation hub in the district
- The hub could possibly be co-located along with a range of other activities (e.g. further wood processing, pack houses, coolstores, bio-refining) within a new industrial park complex in the district
- Additional geothermal energy generation
- Further expansion of the local engineering cluster.

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

Industry	Real GDP (\$M)
Rural Production	7.0
Wood Products Processing	97.0
Manufacturing (Machinery and Equipment)	25.0
Construction	7.0
Retailing/Wholesaling	12.0
Accom/Transport/Communications	7.0
Business Services	10.0
Government/Public Administration	7.0
Education	7.0
Health/Community Services	5.0
Cultural/Personal Services	3.0
Other <sup>1</sup>	22.0
<b>TOTAL</b>	<b>209</b>

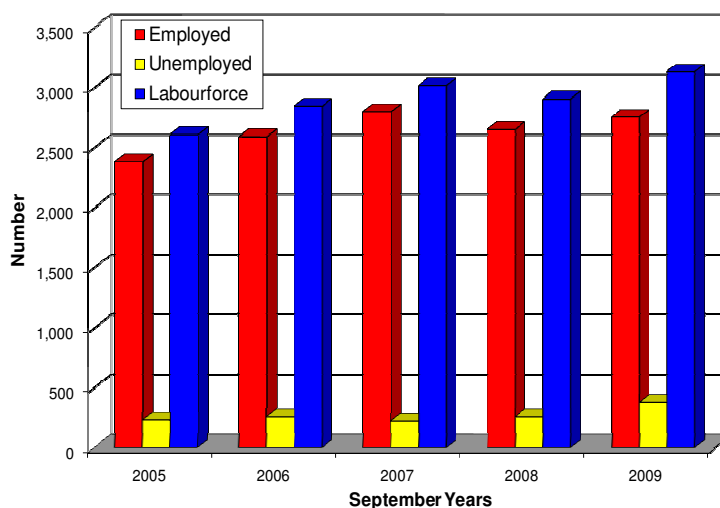
**Note:** 1. Includes utility services, owner-occupied dwellings (imputed rental) and unallocated GDP activity.

## 12.0 Employment

Figure 8:

Total employment in Kawerau district for the September 2009 year was up 3.9% on the previous September year, compared to 2% at the total EBOP sub-region level, 3.9% at the full Bay of Plenty regional level and -0.3% nationally. Surveyed unemployment was up 237 or 92% on a September 2009 quarter versus September 2008 quarter basis, and 131 or 52% on an annualised basis. In September 2009, the district rate of unemployment stood at 12.2%, compared to 6.3% nationally. The number of people receiving the unemployment benefit in the district in September 2009 stood at 293, compared to 177 in September 2008, that is, an increase of 66%.

**Kawerau District HLFS Employment Results 2005-2009**



### 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 in the country. The latest September 2009 forecasts are for negative GDP and consumption growth over the current March year, followed by a return to positive growth from Year 2010/11; fairly solid Government spending growth over the next few years (including major infrastructural spending brought forward to help counter the recession); significant new residential construction decline this year; falling business investment in 2009/10; some inflation this year; at best, relative exchange rate stability over the next three years; increasing interest rates; employment decline and increased unemployment over the year ahead; and lower private sector wage growth.

Table 3: NZIER Consensus Forecasts September 2009

Indicator	March Years		
	2009/10	2010/11	2011/12
GDP	-1.3	2.7	3.4
Private Consumption	-0.6	1.6	1.8
Govt Spending	2.9	2.2	2.0
Residential Investment	-16.9	17.9	15.9
Other Investment	-14.7	3.9	8.2
NZ TWI Exchange Rate	60.1	60.4	60.5
90 Day Bank Bill Rate	2.8	3.9	5.4
Employment	-1.8	0.8	2.2
Private Sector Wages	2.7	1.7	2.2

**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.