# Kawerau District Economic Monitor to September Quarter 2011

## 1.0 Introduction

This report provides an analysis and assessment of the current economic situation within the Kawerau district, trends over the past year and the economic outlook for the year ahead. The base information for the analysis is sourced from a range of economic agencies including Statistics New Zealand, the New Zealand Institute of Economic Research in Wellington, bank reports and other organisations. The actual monitoring period covered by the analysis in the report is the year ending September quarter 2011. **Appendix 1** contains individual economic indicator results for the district, for the last six years.

## 2.0 Report Summary

There have been some positive economic trends in the Kawerau district during the past year, including:

- Overall economic growth in excess of 1% with employment growing at a slightly faster rate.
- Significant natural population gain from births in excess of deaths.
- Increased new houses and dwelling alterations consented.
- Increased retail sales.
- Significant fall in the number of residents receiving the unemployment benefit and in the district rate of unemployment.
- Noticeable employment growth over the past year in the district's forestry/ logging, fabricated metal products and machinery/ equipment manufacturing industries.

Downside changes over the past year include:

- Continuing significant level of net internal and external population migration loss.
- Significant falls in consented total new residential building activity and total building alterations.
- Fall in house sales and visitor activity levels.
- Reduced employment in wood and paper product manufacturing, schooling and some personal and household servicing industries.

## 3.0 Key Kawerau District Economic Indicator Levels as at September 2011

| | |
|---|---|
| *Population*: | 6,940 |
| *Est Households/Dwellings*: | 2,680 |
| *Nominal Annual GDP:* | $326.3 million |
| *Annual Economic Growth* | 1.1% |
| *Annualised Employment*: | 3,235 |
| *Annual Employment Change*: | 1.5% |
| *Unemployment:* | 320 |
| *Est Unemployment Rate (%):* | 9.0 |

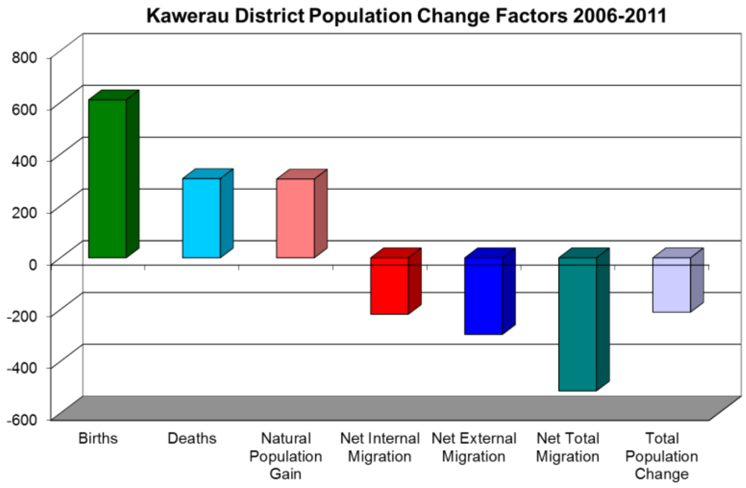
## 4.0 Population

The Kawerau district's population currently stands at an estimated 6,940, down 210 on the 2006 Census year level. The district's population fell by 50 or 0.7% over the last year according to Statistics NZ figures, compared to the nil change at the EBOP region level.

Over the past five years, natural population increase (births minus deaths) in the district totalled 304. Given the overall population fall during the period of 210, total net migration for the area was therefore in the order of -514. This comprised a net external (overseas) migration loss of -296 and a net internal (domestic) migration loss of -218. **Figure 1** illustrates these changes.

The fastest growing regional populations in New Zealand since 2006 have been, in order, Auckland, Canterbury, Waikato, Marlborough, Bay of Plenty, Wellington and Otago. The slowest growing have been Manawatu-Wanganui, Southland, Gisborne, Hawke's Bay and Taranaki. Population growth has been strongest during the past year in Auckland, Tasman, Nelson and Otago; and slowest in Canterbury, Gisborne, Hawke's Bay and Manawatu-Wanganui. Auckland has accounted for over half of the total population gain in NZ since 2006.

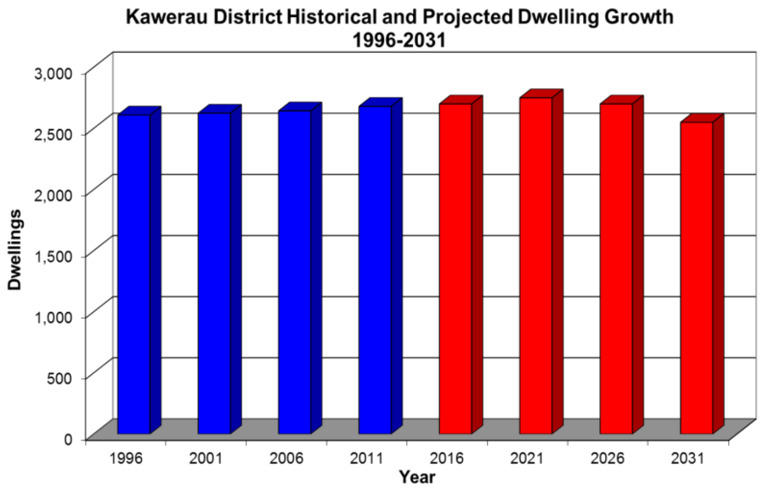
**Figure 1:**




## 5.0 Households/Dwellings

The total stock of households/dwellings in Kawerau district currently stands at an estimated 2,680, compared to 2,643 in mid 2006. Thus, the period since then has seen a 37 or 1.4% increase in the number of district households or dwellings. Latest Statistics NZ projections indicate a 3.7% further increase in household/dwelling numbers in the district over the 2011-2031 period, under the Statistics NZ halfway Medium- High growth projection.

**Figure 2:**



## 6.0 New Building Activity

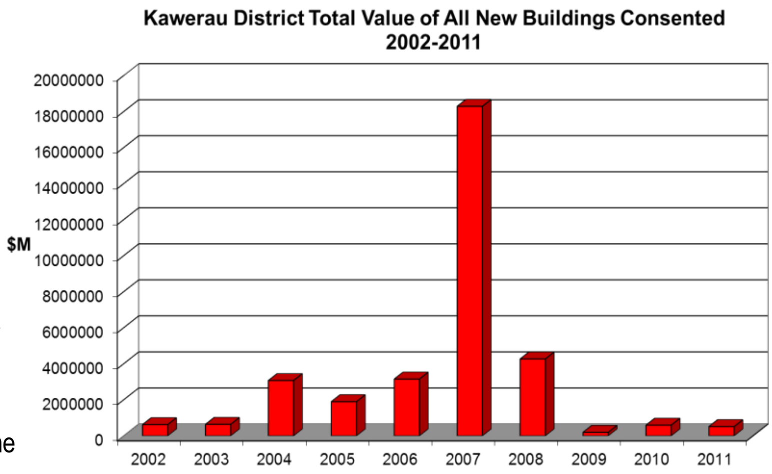
Over the year ended September 2011, four new dwellings received building consent in the district, worth a combined value of $0.51M. The number of new dwellings approved during the year was double the previous year, whilst their combined value was up 31%. Total housing alterations consented rose 14% in volume terms and 85% in value terms.

Only one small new commercial/industrial building was approved in the district during the latest year, compared to two the previous year. No new rural buildings have been approved in the district over the past two years. One other non-residential new building was consented to in the district over the past year.

Thus, a total of five new buildings were consented to in the district over the September 2011 year, compared to six in the previous year, with the respective total values of the buildings being approximately $0.6 million in 2009/10 and $0.5 million in 2010/11.

The number of non-residential building alterations receiving consent during the latest September year was recorded at 5 (worth $0.54 million), compared to 14 ($0.9 million) for the September 2010 year.

**Figure 3:**




## 7.0 Other Economic Indicators

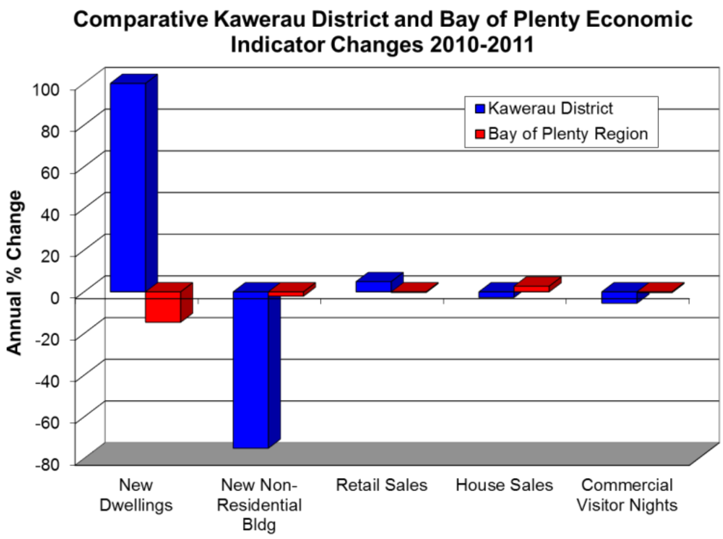
As mentioned in the previous section, total new dwellings consented in the Kawerau district during the latest year were double the number for the previous year. This compares to the full EBOP region fall of 50.5%.

Total house sales fell 3.1% over the September 2011 year. The latest AMP Home Mortgage Affordability survey undertaken in September this year indicates that housing affordability in the wider Waikato/Bay of Plenty area has improved by 11% over the past year, compared to the 8.4% gain nationally.

Kawerau core retail sales (excl automotive retail sales) rose an estimated 4.9% over the year ending September 2011, compared to the 5.3% decline for the full EBOP region.

According to the results of the September 2011 Westpac McDermott Miller Consumer Confidence Survey, consumers in the Bay of Plenty region are currently fairly optimistic overall about shorter-term economic conditions, as are most regions in New Zealand. Consumer confidence in the region was 3.6% up on the September quarter in 2010, compared to the national fall of 2.1%.

**Figure 4:**



## 8.0 Overall Economic Growth

**Figure 5** indicates the longer-term trend in real terms economic/GDP growth in the full EBOP region, since 2002. The base growth data is sourced from NZIER economic consultancy in Wellington.

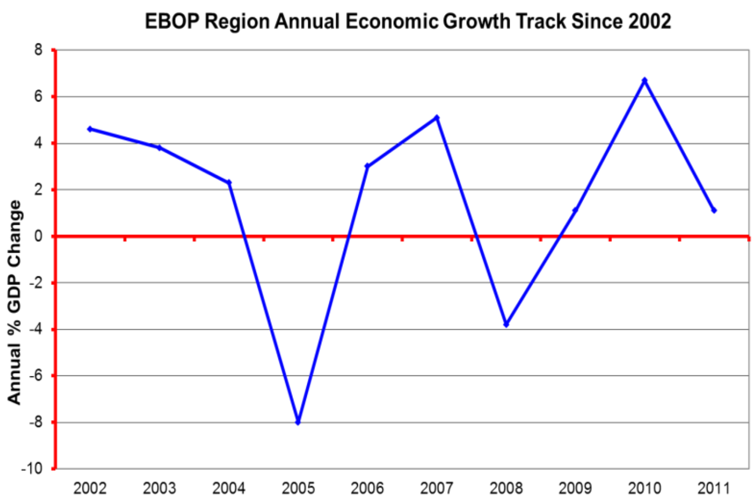
As the graph shows, annual economic growth in the region has fluctuated markedly over the period. However, growth has generally been positive, with negative annual growth only being recorded in 2004/05 and 2007/08. The peak growth result for the period was the 6.7% result in 2009/10.

Growth for the latest September year was an estimated 1.1%, compared to the above figure for the previous year. The national growth result was 1.5%.

The National bank's latest regional economic review indicates that the leading annual growth regions in NZ over the September 2011 year were, in order, Auckland, the West Coast, Gisborne and Hawke's Bay. The negative growth regions were Northland, Taranaki and Manawatu-Wanganui.

Over the coming year, the NZ Institute of Economic Research is forecasting a 2.8% fall in economic activity in the wider Bay of Plenty region, followed though by 2.4% growth for 2012/13 and 2.1% for 2013/14. No growth forecasts are available for the EBOP region.

**Figure 5:**



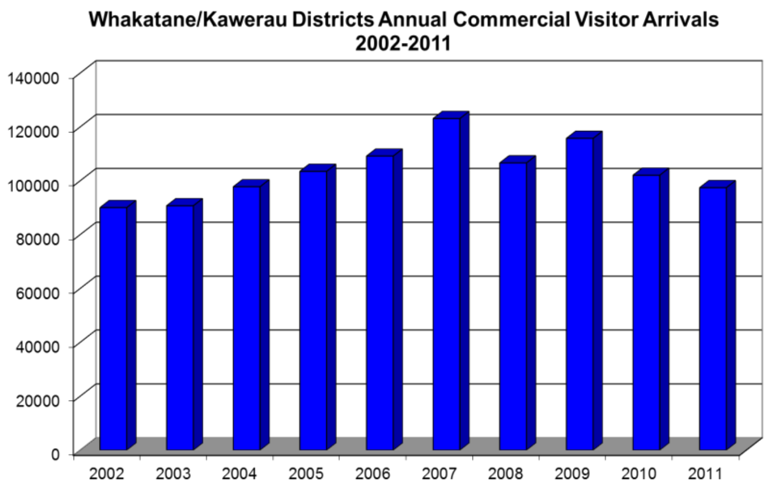

## 9.0 Visitor/Tourism Numbers

Total visitor arrival numbers into the combined Whakatane/ Kawerau area staying in commercial accommodation totalled 97,461 for the latest September year, down 4.5% from the previous year's figure. The annual number of arrivals has fallen steadily and overall by about 21% since 2006/07.

The number of nights spent in the area by visitors staying in commercial accommodation totalled approximately 212,683 for the September 2011 year, down 5.5% on the previous September year. Visitor nights spent in the area have fallen by 23% since 2006/07.

Recently provided Ministry of Tourism data indicates a total annual direct visitor spend figure in 2010 for the Bay of Plenty regional tourism organisation area of $474 million or 3.3% of the national total. This is an increase of 9.2% on the Year 2005 'low' figure for the past five years, of $434 million. The EBOP share of the total direct visitor spend last year in the full Bay of Plenty region, is currently estimated

**Figure 6a:**

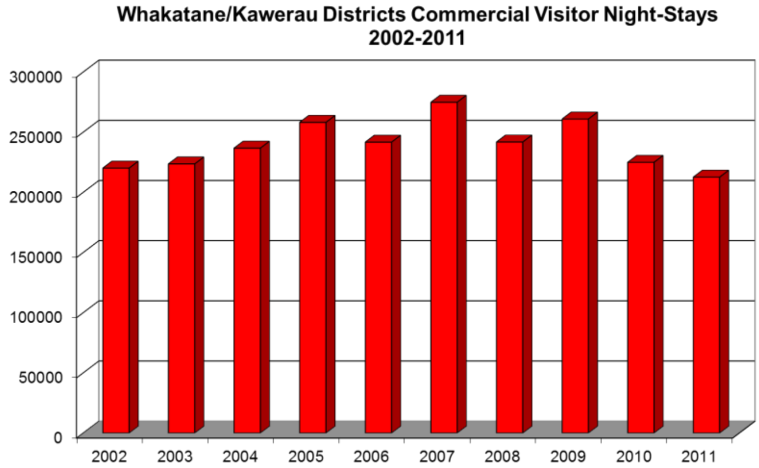


at about $95 million, of which the Whakatane/ Kawerau share is estimated at approximately $70 million on the basis of the combined area's share of total visitor nights for the full EBOP region.

Last year, domestic visitors accounted for 69% of total night-stays in the full Bay of Plenty tourism region and overseas visitors the balance of 31%. Over the 2005-2010 period, the total NZ domestic visitor market for the region declined by 2%, whilst the total overseas visitor market grew by 5.3%. The region's largest domestic markets are Auckland, Waikato and Wellington, whilst its largest international markets are the UK and Australia.

The average commercial accommodation 'length of stay' of all visitors to the Whakatane/Kawerau district over the latest year was 2.18 nights, compared to 2.20 nights last year and 2.23 nights in 2006/07.

Figure 6b:




## 10.0 Results Comparison

**Table 1** indicates the comparative local economic indicator changes during the 2011 September year for Kawerau district, the wider EBOP area and NZ as a whole, for the listed indicators. The unemployment benefit figures refer to the change between the September quarters of 2010 and 2011.

Kawerau out-performed the EBOP region as a whole over the year only in respect of population growth, new housing consented and commercial visitor nights. The district out-performed the country as a whole only in respect of new housing consented.

**Table 1: Comparative Kawerau District Economic Indicator Changes 2010 Year vs 2011 September Years**

| Area | % Change 2010 – 2011 September Years | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Economic Indicators* | | | | | | |
| | Population | New Housing Consented | New Non-Residential Buildings Consented | House Sales | Commercial Visitor Nights | Employ-ment | Unemploy-ment Benefit Numbers |
| ***Kawerau District*** | -0.7 | 100.0 | -75.0 | -3.1 | -5.5 | +1.5 | -14.2 |
| ***EBOP Region*** | 0.0 | -50.5 | 0.0 | -2.7 | -7.2 | +2.7 | -31.1 |
| ***New Zealand*** | +0.9 | -16.9 | -5.3 | -2.8 | -0.9 | +1.6 | -14.7 |

## 11.0 Industry Growth

The table to the right shows current annual nominal terms GDP levels for the different EBOP broad industry sectors (this information is not available for the individual local authority districts within the EBOP area).

The region's largest industries in GDP terms are, in order, non-food processing and manufacturing; rural production; health, education, community services; business services and retailing and hospitality services.

Real GDP growth for EBOP industry sectors over the past decade has been highest for energy/ construction; business services, Government administration; and health, education and community services.

Growth over the period of major economic downturn since 2007 has been strongest for food processing, commercial/ business services and transport/communications (**see Figure 7**). Negative growth has been most pronounced for energy and construction services as a group.

Over the past year, growth in the region was highest for energy/ construction services as a group, health and community services, rural production and non-food processing and manufacturing. Economic decline occurred most for retailing/hospitality services, transport/storage services and business services.

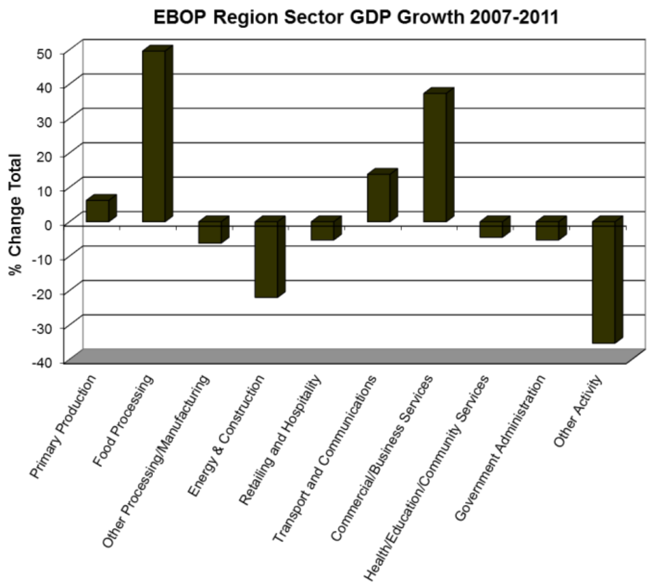
Statistics NZ business information indicates that over the past year, noticeable industry employment growth in the region occurred in the rural production sector, transport and storage services, administrative and support services, Government administration, and health care and social assistance services.

**Table 2:**

| Industry | Nominal GDP ($M) | % of Total |
|---|---|---|
| Rural production | 185.0 | 15.3 |
| Food Processing | 17.0 | 1.4 |
| Other Processing/ Manufacturing | 188.0 | 15.6 |
| Energy/Water/Construction | 81.0 | 6.7 |
| Retailing/Wholesaling/Hospitality | 131.0 | 10.9 |
| Transport/Storage/Communications | 58.0 | 4.8 |
| Commercial/Business Services | 161.0 | 13.3 |
| Health/Education/Community Servs | 168.0 | 13.9 |
| Public Sector Administration | 39.0 | 3.2 |
| Other Industries | 35.0 | 2.9 |
| Other[1] | 143.0 | 11.9 |
| **TOTAL** | **1,205.0** | **-** |

***Note***: 1. Includes owner-occupied dwellings (imputed rental).

**Figure 7:**




## 12.0 Employment

Total employment in the Kawerau district in 2010/2011 was up 1.5% on the previous year and stood at an annualised 3,235 in September this year.

The table to the right indicates current industry employment levels in the district. The leading employing industries in the area are currently non-food processing and manufacturing; health, education and community services; retailing and hospitality services; and energy/construction services. Processing and manufacturing account for 50% of total industry employment in the district.

At a more detailed level, the significant employing activities in the district include logging, sawmilling, paper/paperboard

**Table 3:**

| Industry | Total Employment | % of Total |
|---|---|---|
| Rural production | 56 | 1.7 |
| Food Processing | 7 | 0.2 |
| Other Processing/ Manufacturing | 1,610 | 49.8 |
| Energy/Water/Construction | 247 | 7.6 |
| Retailing/Wholesaling/Hospitality | 315 | 9.7 |
| Transport/Storage/Communications | 77 | 2.4 |
| Commercial/Business Services | 122 | 3.8 |
| Health/Education/Community Servs | 595 | 18.4 |
| Public Sector Administration | 101 | 3.1 |
| Other Industries | 537 | 3.3 |
| **TOTAL** | **3,235** | **-** |

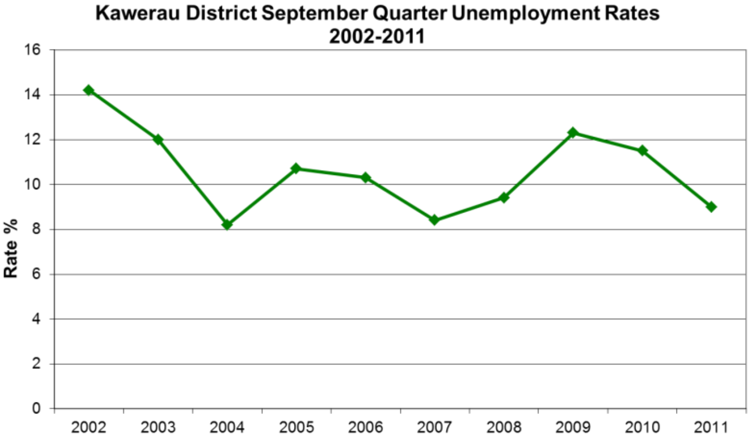
manufacturing, metal coating and finishing, machinery/ equipment manufacturing, supermarket retailing, education, aged care services, and machinery and equipment repairing.

The NZ Institute of Economic Research is forecasting a small fall in employment in the wider EBOP region over the coming year, due to a forecast softening of international economic conditions arising from continuing global economic uncertainty (e.g. the current European financial crisis). However, the annual level of employment in the region is expected to pick up from later next year and increase overall by 2.6% over the ensuing two years.

In September this year, the rate of unemployment in the district was an estimated 9%, compared to the national rate of 6.4%. At the same time, total unemployment in the area stood at 320.

The number of people receiving the unemployment benefit in the Kawerau district in September this year stood at 284, compared to 331 a year ago. This represents a decrease of 14.2% over the year. The total number of working-age income-tested beneficiaries stood at 1,193 in September 2011, compared to 1,242 a year earlier. This represents a fall of -3.9% over the year.

**Figure 8:**




## 13.0 National Economic Outlook

Each quarter, the NZ Institute of Economic Research produces updated Consensus Forecasts for shorter-term economic activity at the national level. The forecasts are a consensus or average of the views of the different main economic forecasting agencies in NZ. The latest September 2011 forecasts are for:

- Noticeable GDP and consumption growth over the next three years.
- Reducing Government spending growth over the next few years.
- Negative construction sector growth this year but a sharp rebound over the next two years.
- Significant and improving business investment growth.
- Relative exchange rate stability over the next two years.
- Increasing interest rates over the forecast period.
- Some employment growth over the next two years.
- Increasing private sector wage growth.

**Table 4: NZIER Consensus Forecasts September 2011**

| Indicator | March Years | | |
|---|---|---|---|
| | 2011/12 | 2012/13 | 2013/14 |
| GDP | 2.6 | 3.7 | 2.9 |
| Private Consumption | 2.0 | 2.3 | 2.6 |
| Govt Spending | 2.5 | 0.5 | 0.3 |
| Residential Investment | -5.6 | 39.8 | 9.8 |
| Other Investment | 8.3 | 10.2 | 6.4 |
| NZ TWI Exchange Rate | 71.1 | 71.1 | 68.8 |
| 90 Day Bank Bill Rate | 3.0 | 4.1 | 4.8 |
| Employment | 1.7 | 2.5 | 1.7 |
| Private Sector Wages | 3.2 | 3.5 | 3.8 |

**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.

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APPENDIX 1

## Annual Kawerau District Economic Indicator Results
## Last Six September Years

| INDICATOR | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| ***Population June Qtr*** | 7,150 | 7,070 | 7,050 | 7,010 | 6,990 | 6,940 |
| ***Households/Dwellings*** | 2,643 | 2,656 | 2,663 | 2664 | 2,666 | 2,670 |
| ***Est. GDP ($M)*** | 217.8 | 219.8 | 209.9 | 203.9 | 228.9 | 236.9 |
| ***New Dwellings Consented*** | 13 | 15 | 7 | 1 | 2 | 4 |
| ***New Commercial/Industrial Buildings Consented*** | 6 | 16 | 4 | 1 | 2 | 1 |
| ***New Farm Buildings Consented*** | 0 | 1 | 0 | 0 | 0 | 0 |
| ***Total Building Alterations*** | 72 | 84 | 66 | 39 | 51 | 47 |
| ***House Sales*** | 112 | 121 | 80 | 69 | 64 | 62 |
| ***Retail Sales ($M)*** | 41 | 45 | 46 | 44 | 41 | 43 |
| ***New Motor Vehicle Registrations*** | 176 | 128 | 122 | 61 | 79 | 83 |
| ***Total Commercial Visitor Arrivals Whakatane/Kawerau*** | 106,952 | 119,091 | 114,769 | 111,395 | 108,167 | 96,880 |
| ***Total Commercial Visitor Nights*** | 238,803 | 268,405 | 257,960 | 249,420 | 237,495 | 210,995 |
| ***Total Employment Sept Qtr*** | 3,226 | 3,154 | 3,247 | 3,019 | 3,179 | 3,160 |
| ***Total Unemployment Sept Qtr*** | 370 | 289 | 337 | 423 | 413 | 313 |
| ***Number of People on Unemployment Benefit Sept Qtr*** | 252 | 157 | 177 | 293 | 331 | 284 |
| ***Unemployment Rate (%) Sept Qtr*** | 10.3 | 8.4 | 9.4 | 12.3 | 11.5 | 9.0 |