

4 Economic Development

INTRODUCTION

This is the second of two chapters that investigate indicators of economic wellbeing in the eight largest cities. This chapter looks at measures of the broader economy.

WHY THIS IS IMPORTANT

Economic growth and development help underpin quality of life and enhance prosperity in urban communities. The strength of the economy and levels of employment are closely related. A local economy that is growing and developing contributes to employment opportunities, and participation in paid employment is the main factor determining adequate income.

WHAT'S IN THIS CHAPTER?

- Economic growth
- Employment
- Growth in the number of businesses
- Retail sales
- Residential and non-residential building consents
- Tourism

KEY POINTS

The eight cities account for between 55% and 60% of all economic output in New Zealand. In general, the economies of the eight largest cities have grown by 3.4% per annum over the four years to March 2002.

Rates of unemployment have declined - just under 40,000 additional jobs were generated across the eight cities over the two years ended February 2002. There was an increase in the number of filled jobs, and a 20.3% growth in the number of economically viable businesses between 1998 and 2002. North Shore recorded the highest growth rate in numbers of business enterprises over this period.

In the year ended March 2002, the eight cities accounted for \$24.1 billion out of New Zealand's total of \$47.1 billion in retail expenditure (51%). The highest proportion of retail spending occurs in Auckland.

The four Auckland cities, Hamilton, Wellington and Christchurch are hubs of economic growth attracting migrants for work, especially in the business and financial industries and service sectors. These sectors tend to pay more, leading to higher incomes. Migration and population growth are central to many of the positive indicators of economic development.

New residential buildings across the eight cities represent half of all building consents issued in New Zealand, with Auckland, Manukau and Christchurch recording most of the activity. Overall population growth and higher levels of employment in the eight largest cities continue to attract people to live in these urban areas.

LINKS

Levels of employment and economic growth, along with personal and household income and expenditure, are closely linked with people's ability to secure a good quality of life for themselves and their families. This includes their ability to purchase adequate housing, health care and education.

As the economy fluctuates, some groups are more likely to be vulnerable to unemployment - particularly the unskilled, those without qualifications and those living in areas of declining employment. Qualifications and skills are a prerequisite for secure and sustainable paid employment. A skilled workforce contributes to a strong economy.

PEOPLE

KNOWLEDGE AND SKILLS

ECONOMIC STANDARD OF LIVING

ECONOMIC DEVELOPMENT

HOUSING

HEALTH

NATURAL ENVIRONMENT

BUILT ENVIRONMENT

SAFETY

SOCIAL CONNECTEDNESS

CIVIL AND POLITICAL RIGHTS

Economic growth

- Estimated Gross Domestic Product (GDP) in the eight cities grew by 3.4% per annum on average over the four years to March 2002, compared to the rest of New Zealand at 2.3%.
- The eight cities have generally experienced faster population growth, therefore the difference in per capita income growth will be much smaller.
- The eight cities account for between 55% and 60% of all economic output in New Zealand.

WHAT THIS IS ABOUT

Economic growth is a widely accepted measure of how well an economy (region or city) is performing. Faster economic growth generally translates into higher economic welfare - people have more purchasing power. Gross Domestic Product (GDP) is a convenient way of capturing in one number all the partial indicators of economic performance, for example more jobs, houses, tourists, etc.

GDP data for the eight cities shows how each city's economy has grown since 1998. The data are based on regional GDP estimates by Infometrics Wellington, which are derived from detailed employment data by region and industry and also from rates of productivity growth by industry.

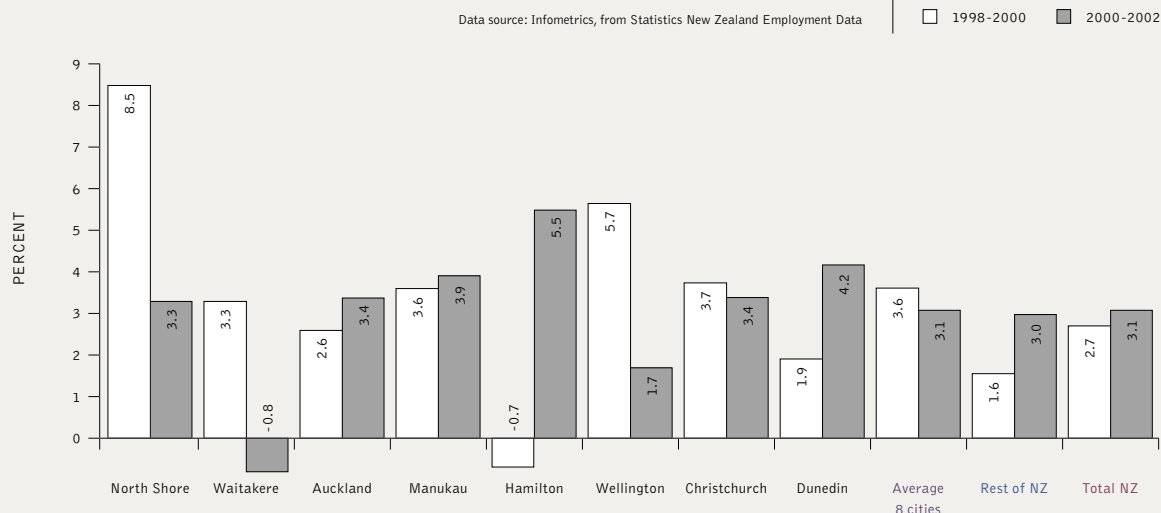
WHAT DID WE FIND?

Gross Domestic Product (GDP)

Over the four years ended March 2002, the eight cities grew by an average of 3.4% per annum, as measured by estimated GDP for each city. This was half a percentage point faster per annum than overall New Zealand economic growth. From 2000 to 2002, GDP in the rest of New Zealand grew at roughly the same pace as the eight largest cities on average.

North Shore saw the greatest economic growth over the four years. It had an average growth of nearly 6% per annum, although the bulk of this occurred over the period 1998 to 2000. For cities in the Auckland region, economic performance over the four years to March 2002 is not quite so large once population growth is taken into account. GDP for the Auckland region is estimated to have increased by 3.4% per annum between 1998 and 2002, while the region's population increased 1.9% per annum over the same period-implying 1.5% per capita GDP growth per annum. This compares with 1.9% per annum per capita growth for New Zealand as a whole over the same period.

ANNUAL AVERAGE PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT, ESTIMATES 1995/96 PRICES (1998 TO 2002)



Economic growth

Continued...



Wellington and Christchurch enjoyed relatively strong rates of economic growth over the period, but neither experienced particularly fast population growth, implying that the majority of the growth translated into higher per capita incomes.

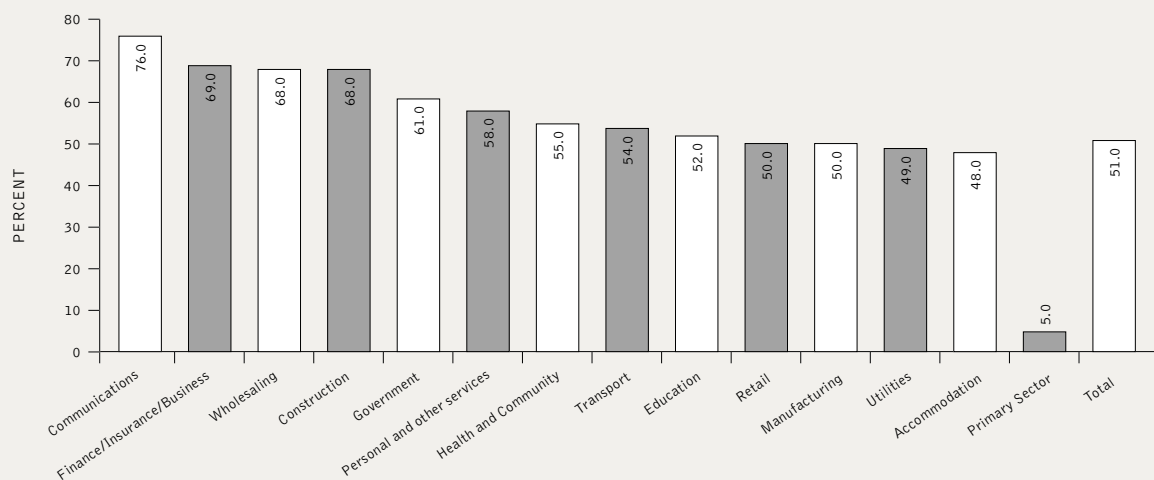
The economic significance of the eight cities

The eight cities account for between 55% and 60% of all economic output in New Zealand. By their very nature cities are concentrations of economic activity, especially where scale and quality is important. For instance, people are drawn to the major cities to shop because there is a broader range of goods, quality and prices. Banks, retailers distributors, manufacturers and entertainment tend to be concentrated in the major cities because the labour and customer markets are bigger. In turn these activities attract people and businesses to locate in cities.

As the graph below shows, the eight cities account for around 70% of total national employment in the finance/ insurance/business services; wholesale; construction; and communications sectors. Personal services and government also account for a relatively high proportion of total national employment.

SHARE OF TOTAL NATIONAL EMPLOYMENT (BY FTE), TOTAL EIGHT CITIES (FEBRUARY 2002)

Data source: Statistics New Zealand, Business Demographic Survey



Employment

- Just under 40,000 additional jobs were generated across the eight cities over the two years ended February 2002.
- Since March 1998, unemployment rates have generally dropped across the eight cities with the greatest decrease being in Manukau (down to 4.9% from 10.7%).

WHAT THIS IS ABOUT

Paid employment is a major factor determining personal income, which in turn determines the ability of households to purchase goods and services. It also affects health, housing, education, and crime outcomes. People often define themselves by employment status and thus employment is also related to the ability of people to participate and have a sense of belonging in their community.

Trends in employment and unemployment reflect the level of economic activity, demographic trends, skill levels, and social policies. They can also show pressures within the labour market. There are three measures indicating the state of the labour market:

- Employment - filled jobs
- Unemployment
- Registered job seekers.

WHAT DID WE FIND?

Employment - filled jobs

This measure shows the number of filled jobs as at February each year, broken down by industry.⁴⁰ The data source is Statistics New Zealand's Quarterly Employment Survey, which is a survey of enterprises with a turnover of \$40,000 or more per annum.⁴¹

In 2002, filled jobs in the eight cities accounted for over half (56.4%) of all employment in New Zealand. The four cities in the Auckland region accounted for just under a third of all employment.

NUMBER OF FILLED JOBS (FEBRUARY QUARTERS 2000 TO 2002)				
	2000	2001	2002	Change 2000 to 2002 %
North Shore	61,210	65,550	69,020	12.8
Waitakere	36,830	36,940	38,100	3.4
Auckland	249,080	251,610	257,100	3.2
Manukau	93,330	95,010	95,610	2.4
Hamilton	50,490	52,460	54,250	7.4
Wellington	113,940	116,700	118,890	4.3
Christchurch	147,150	158,150	153,860	4.6
Dunedin	44,320	45,830	47,220	6.5
Total 8 cities	796,350	822,250	834,050	4.7
Rest of NZ	614,650	623,420	643,670	4.7
Total NZ	1,411,000	1,445,670	1,477,720	4.7

Date source: Statistics New Zealand, Quarterly Employment Survey

⁴⁰ Filled jobs are calculated as the number of full-time and part-time employees plus working proprietors. Working proprietors in businesses with no employees are outside the scope of the survey and are not included in the estimate of filled jobs.

⁴¹ The survey population is all business locations belonging to economically significant enterprises in surveyed industries with employees. An economically significant enterprise is one which meets at least one of the following criteria: has greater than \$40,000 annual GST expenses or sales; has more than two full time paid employees; is in a GST exempt industry except residential property leasing and rental; is part of a group of enterprises; is a new GST registration that is compulsory, special or forced. A representative sample of 18,500 business locations is surveyed on a quarterly basis, and each February a larger sample of approximately 47,500 business locations is surveyed.

Employment

Continued...



Over the last two years (February 2000 to 2002) employment has risen equally as fast in the rest of New Zealand (4.7%) as in the eight cities taken as a whole. North Shore (12.8%), Hamilton (7.4%) and Dunedin (6.5%) have achieved faster employment growth compared to the other cities and the rest of New Zealand.

The personal and social services industry is the largest employer across the eight cities (28.5% of filled jobs in 2002), with the distribution and hospitality industry accounting for 25.9%. These numbers are consistent with the national distribution of employment by industry.

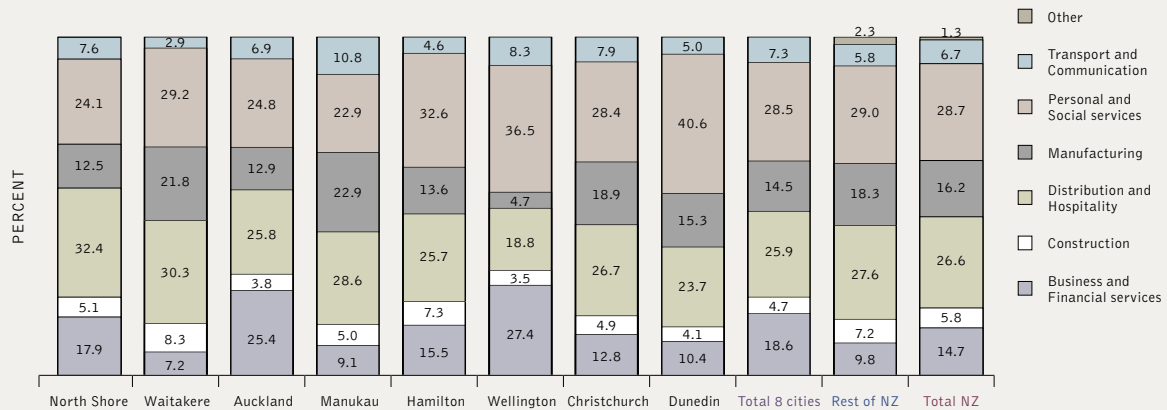
There is a greater proportion of people employed in the personal and social services industry in Dunedin and Wellington (40.6% and 36.5% respectively) than nationally (28.7%). One third (32.4%) of all filled jobs in North Shore are in the distribution and hospitality industry.

The business and financial services industry is relatively high in Wellington and Auckland, reflecting the concentration of banks, insurance and technology head offices in these two cities. People working in these businesses tend to be well remunerated and that underpins the relatively high average incomes in these centres.

Within the Auckland region, North Shore and Auckland cities tend to have service-based economies, while Manukau and Waitakere are more dependent on manufacturing and construction activities.

FILLED JOBS BY INDUSTRY (FEBRUARY QUARTER 2002)⁴²

Data source: Statistics New Zealand, Quarterly Employment Survey.



⁴² ANZSIC stands for Australian New Zealand Standard Industrial Classification Codes.

Standard one digit ANZSIC codes have been used here. These are:

- Business and financial services
- Construction - includes related services e.g. plumbing, electricians etc
- Distribution and hospitality - includes wholesale and retail trade, accommodation, cafes and restaurants
- Manufacturing
- Personal and social services - includes government administration, education, health and community services, cultural and recreational services.
- Transport and communications - all forms of transport, postal and telecommunications services.

Employment

Continued...

Unemployment

The official rate of unemployment is measured by Statistics New Zealand through the Household Labour Force Survey.⁴³ The unemployment rate is the number of unemployed people expressed as a percentage of the labour force.

In all but one city the rate of unemployment is lower now than it was five years ago. In some cases the decrease in the unemployment rate has been significant. The lower level of unemployment reflects strong economic growth between 1999 and 2002 as a result of a buoyant economy. This is likely to be attributable to increases in manufacturing for both the local economy and export markets, and growth in the retail and service sector to meet discretionary income and population-generated demand.

This trend was especially apparent in Manukau where the unemployment rate decreased from 10.7% to 4.9%. This is generally attributed to the high levels of economic growth due to manufacturing in Manukau over the past five years.

The rates for North Shore, Wellington, and Dunedin could be due to industrial and land use patterns, higher existing skill levels in North Shore and Wellington, and lower immigration, dominant industries, and investment patterns in Dunedin.

By the March quarter of 2002, four of the eight cities had lower unemployment rates than the rest of New Zealand.

UNEMPLOYMENT RATE (MARCH QUARTERS 1998 TO 2002)					
	1998	1999	2000	2001	2002
North Shore	4.5	3.9	3.9	4.0	4.4
Waitakere	6.1	8.1	5.3	5.2	4.4
Auckland	9.0	7.8	10.1	6.9	6.0
Manukau	10.7	8.7	4.5	4.9	4.9
Hamilton	9.2	11.4	9.0	8.8	7.2
Wellington	5.4	5.0	5.4	3.3	5.0
Christchurch	9.4	8.8	6.9	7.3	6.0
Dunedin	8.0	9.4	8.3	6.8	8.0
Rest of NZ	7.3	7.0	6.7	5.5	5.5
Total NZ	7.5	7.5	6.7	5.7	5.6

Data source: Statistics New Zealand, Household Labour Force Survey.
Caution must be taken when interpreting these results, as sample sizes at city level are small

There are considerable differences in unemployment rates by ethnicity. In the March 2002 quarter, the national unemployment rate for Europeans was 4.2% while rates for Maori were 10.8%, Pacific Islands people 9.7% and 'Other' ethnic groups 10.2%. This pattern appears to be replicated in the eight cities and for the rest of New Zealand, although sample errors make it difficult to draw generalisations. This may be linked to the younger age structures and higher proportions of people leaving school with no or limited qualifications in these populations.

⁴³ The Household Labour Force Survey is undertaken quarterly among 15,000 households and 30,000 individuals. This measure uses the International Labour Organisation definition of 'unemployed' that requires that individuals must have actively looked for work in the previous four weeks or have a job to start within four weeks. This measure is less sensitive to administrative or legislative changes than other measures such as registered jobseekers.

Employment

Continued...



Registered job seekers

This measure identifies the numbers of registered job seekers with Work and Income New Zealand (WINZ) at the March quarter.⁴⁴ While the count is sensitive to administrative and policy changes it provides an alternative method of looking at the numbers of people seeking work and may include those who are not counted in the official unemployment rate.

Registered job seekers in the eight cities account for nearly one half of all job seekers in New Zealand. At March 2002, there was a total of 85,530 job seekers in the eight cities, which made up 49.3% of the national total of 173,280.

The number of registered job seekers has increased at a faster rate in the eight cities than in the rest of New Zealand. Over the period 1997 to 2002, the numbers of job seekers in the eight cities increased 30.2% overall compared with 8.0% for the rest of New Zealand. People tend to migrate to the large urban areas from the rest of New Zealand and from overseas seeking work opportunities.

The number of registered job seekers steadily increased in seven of the eight cities over the period March 1997 to March 2000 but appears to have declined since then. These findings are in line with the lowering unemployment rates and increase in filled jobs in the eight cities.

NUMBER OF REGISTERED JOB SEEKERS (MARCH QUARTERS 1997 TO 2002)						
	1997	1998	1999	2000	2001	2002
North Shore	3,383	4,342	4,288	6,661	6,232	4,906
Auckland	18,156	21,403	21,604	23,625	20,451	19,710
Waitakere	4,533	5,886	6,340	9,861	9,646	8,477
Manukau	10,640	13,770	16,246	20,220	18,415	17,558
Hamilton	5,496	7,452	8,184	9,734	8,644	7,865
Wellington	6,460	7,131	7,019	7,973	7,019	6,939
Christchurch	14,076	17,262	18,496	20,209	17,457	15,254
Dunedin	5,155	5,935	6,416	7,324	5,756	4,821
Total 8 cities	67,899	83,181	88,593	105,607	93,620	85,530
Rest of NZ	84,811	105,628	109,389	127,070	105,981	87,750
Total NZ	152,710	188,809	197,982	232,677	199,601	173,280

Data source: Work and Income New Zealand

⁴⁴ The data is a count of people registered at each Work and Income New Zealand office, which may not necessarily be the city in which the person resides.

Growth in the number of businesses

- From 1998 to 2002, the overall growth rate of businesses among the eight cities was 20.3%, similar to the rate for the rest of New Zealand at 21.4%.
- Among the eight cities, the overall growth rate in numbers of business enterprises since 1998 has been highest in North Shore at 29.3%.

WHAT THIS IS ABOUT

Growth in the number of businesses is a leading indicator of current and future employment and economic activity. Vigorous business growth is a sign of a healthy local economy.

This indicator measures the number of economically significant enterprises that were in existence in February of each year. The data is taken from Statistics New Zealand's Business Frame Survey, which identifies an 'economically significant enterprise' as one that is GST registered and has a turnover of \$30,000 per annum or more.⁴⁵ The data presented here shows net growth in the number of business, i.e. business 'births' minus business 'deaths'.

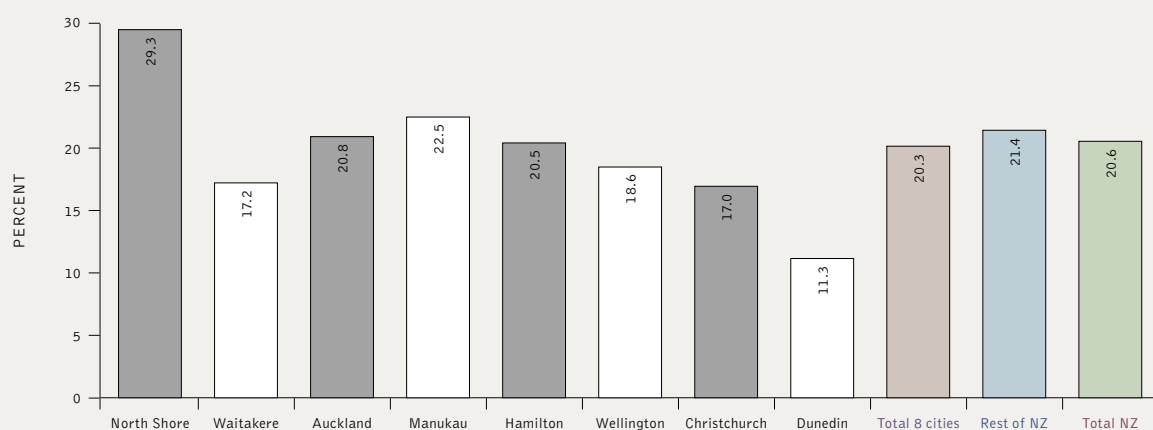
WHAT DID WE FIND?

From 1998 to 2002, the overall growth rate of businesses among the eight cities was 20.3%. This was similar to the rate for the rest of New Zealand (21.4%).

Among the eight cities, the overall growth rate in numbers of business enterprises since 1998 has been highest in North Shore at 29.3% - higher than the national growth rate over the same period. This is linked to growth of the Albany industrial and residential areas during that time. Although the growth rate has been relatively high in all four Auckland region cities, the actual numbers of enterprises was highest in Auckland City (48,559 in 2002). Dunedin had the slowest rate of new business growth between 1998 and 2002 (11.3%).

PERCENTAGE GROWTH IN NUMBERS OF ECONOMICALLY VIABLE BUSINESS ENTERPRISES (1998 TO 2002)

Data source: Statistics New Zealand, Business Frame Survey



⁴⁵ The data cannot indicate how viable the new businesses are - most business failures occur within two years of their start up.

Retail sales



- In the year ended March 2002, the eight cities contributed \$24.1 billion out of New Zealand's total of \$47.1 billion in retail expenditure (51%).
- The highest proportion of retail spending occurs in Auckland.

WHAT THIS IS ABOUT

Change in retail expenditure reflects the health of a local economy. Locally spent dollars potentially contribute to more jobs for local residents and higher profits for local businesses. Increases in retail spending may also be linked to increased disposable income and higher levels of employment.

This indicator shows the annual percentage change in retail expenditure from 1998 to 2002. The data are taken from the Retail Trade Survey published by Statistics New Zealand and are indicative only (due to small sample sizes within each region).⁴⁶

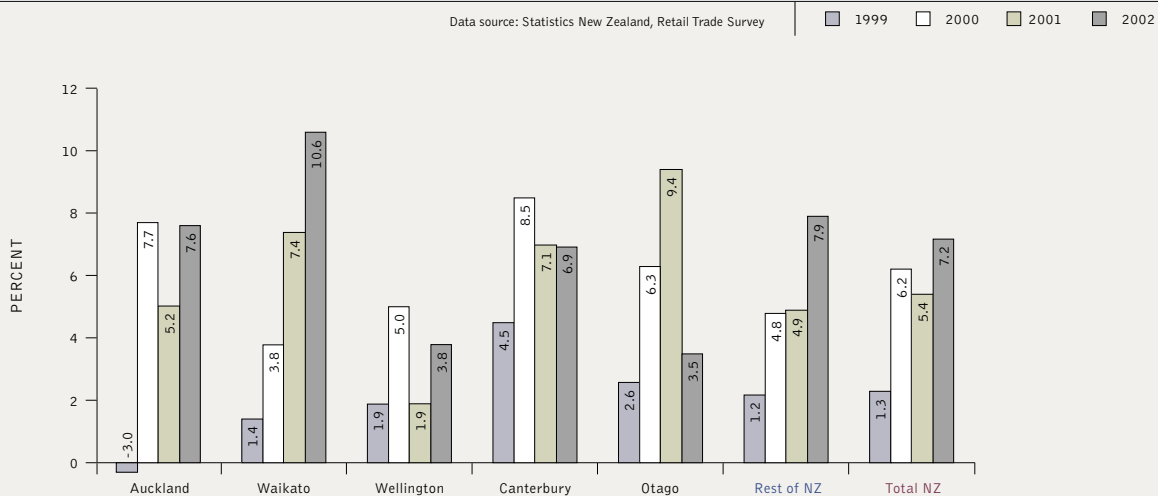
WHAT DID WE FIND?

Retail expenditure involves significant amounts of money. In the year ended March 2002, there was \$47.1 billion retail expenditure in New Zealand, of which \$24.1 billion was in the eight cities. Among the eight cities, the highest proportion of retail spending occurs in Auckland, with one quarter (\$6.4 billion) of the total eight city retail sales expenditure recorded to year ended March 2002.

The annual percentage changes in retail sales expenditure has fluctuated in all of New Zealand's main regions over the period 1999 to 2002. In New Zealand as a whole, retail expenditure increased substantially in the year ended March 2000 (6.2%). This pattern was observed in all regions and across the rest of New Zealand. The Auckland region experienced a decrease in retail sales in the year ended March 1999, probably as a result of the Asian economic downturn in mid 1998, but enjoyed an increase of 7.7% the following year.

In the 1999 to 2002 period, expenditure increased overall in all regions. This reflects general economic growth in this period. It is also a period when unemployment rates continued to decrease.

ANNUAL PERCENTAGE CHANGE IN RETAIL SALES, BY REGION (YEARS ENDED MARCH 1999 TO 2002)



⁴⁶ The survey has a sample of 4,000 enterprises with a turnover of \$30,000 or more, and is stratified according to store type and size at the national level.

Residential and non-residential building consents

- New residential buildings across the eight cities represent half of all consents issued in New Zealand.
- Since 1998, Auckland, Manukau and Christchurch have consistently had the highest numbers of residential consents issued.

WHAT THIS IS ABOUT

Building and construction activity is a significant early indicator of overall economic activity. The level of residential building reflects population growth, interest rates, house price inflation and household income growth. Non-residential building relates to government spending and business investment.

Building and construction activity can be measured as the number of consents for new buildings, the value of consents, or the value of work put in place. All provide some indication of the level of new building work, which in turn indicates a strong economy. Two measures are used here:

- Residential
- Non-residential.

WHAT DID WE FIND?

Residential

In the year ended March 2002, a total of 10,643 consents were issued for new residential buildings across the eight cities, representing half of all consents issued in New Zealand (49.9%). This proportion has been relatively constant for the previous five years.

Auckland, Manukau and Christchurch have consistently recorded the highest numbers of residential consents. This is directly linked to the absolute size, as well as the growth in these cities' populations.

The number of new residential consents in the four major cities in the Auckland region rose 20.9% over the year ended March 2002, compared with 6.1% for the rest of New Zealand. These cities accounted for over two thirds of all new consents in the eight cities that year. The strong growth reflects a big turnaround in net migration from late 2001.

NUMBER OF CONSENTS FOR NEW RESIDENTIAL BUILDINGS (YEARS ENDED MARCH 1998 TO 2002)					
	1998	1999	2000	2001	2002
North Shore	1,586	1,122	1,335	1,340	1,182
Waitakere	1,460	1,327	1,949	1,130	1,280
Auckland	2,918	2,170	3,393	1,863	2,554
Manukau	2,128	2,116	2,682	1,786	2,379
Hamilton	1,039	899	963	639	678
Wellington	1,332	1,179	1,190	1,043	962
Christchurch	2,220	1,790	1,990	1,341	1,397
Dunedin	187	134	219	182	211
Total 8 cities	12,870	10,737	13,721	9,324	10,643
Rest of NZ	12,713	10,030	12,137	10,046	10,659
Total NZ	25,583	20,767	25,858	19,370	21,302

Data source: Statistics New Zealand, Building consent data.

Residential and non-residential building consents

Continued...

Non-residential

The Auckland region accounts for around half the value of all non-residential consents. Given that the four Auckland cities account for around a third of national GDP this suggests that building and construction is a relatively important component of economic activity.

There has been little growth in the level of non-residential building activity in Auckland and Waikato over the last five years. In Wellington the value of consented commercial building work has fallen by around 25% since 1998. In contrast Christchurch and Dunedin (and surrounding areas) have experienced significant growth in activity.

Much of the growth in non-residential building activity has been concentrated in public sector buildings such as hospitals and educational institutions, and in factories and warehouses. The vast majority of such activity will have taken place in the major urban areas.

VALUE OF NON-RESIDENTIAL CONSENTS (\$ MILLION), BY REGION (1998 TO 2003)						
	1998 \$million	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m
Auckland	922	1,023	875	900	1,062	983
Waikato	193	197	175	185	262	196
Wellington	319	273	245	300	256	233
Canterbury	277	281	260	384	282	409
Otago	89	121	107	119	127	114

Data source: Statistics New Zealand Building consent data. Includes new buildings plus alterations and additions

PEOPLE

KNOWLEDGE
AND SKILLS

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POLITICAL RIGHTS

Tourism

- Tourism activity in the cities has grown at 8% per annum between 1998 and 2003, compared to 5% per annum in the rest of New Zealand.

WHAT THIS IS ABOUT

Tourists are an important source of demand for local businesses. They spend over \$5 billion a year in New Zealand in retail stores, restaurants, cafes, hotels, on rental cars, and so on.⁴⁷ Much of that spending is in the main cities where virtually all tourists enter and exit the regions.

The number of short-term visitor arrivals in New Zealand and the number of bed nights purchased by tourists (both domestic and foreign) indicate the growth in a significant component of domestic economic activity. The bed nights purchased data is from the Statistics New Zealand Accommodation Survey.

WHAT DID WE FIND?

Over the year ended March 2003, the eight cities accounted for 36% of total guest nights purchased, up from 33% in 1998. Tourism activity in the cities has grown at 8% per annum between 1998 and 2003, compared to 5% per annum in the rest of New Zealand.

The hub status of Auckland International Airport has helped boost guest nights in Auckland and North Shore by 10% per annum and 12% per annum respectively between 1998 and 2003. Also, a steady migration of businesses to the Auckland region has boosted business tourism to that region.

Over the year ended March 2003, the difference between growth in accommodation purchased in cities (8%) and in the rest of New Zealand (2%) has widened. Rationalisation of airline services after the United States terrorist attacks in 2001 and higher fuel prices saw flights to non-Auckland airports reduced. Also, Auckland's hosting of the America's Cup in 2002-03 boosted tourism, in part at the expense of other parts of New Zealand. An exception to this was Dunedin where additional international flights from Dunedin International Airport to Australia have resulted in a 33% increase in international visitor arrivals.

NUMBER OF GUEST NIGHTS PURCHASED (YEARS ENDED MARCH 1998 TO 2003)				
	1998	2000	2002	2003
North Shore	207,043	243,307	274,071	361,152
Waitakere	99,633	93,791	63,576	55,285
Auckland	2,357,564	2,935,272	3,413,808	3,730,557
Manukau	502,271	543,156	614,930	682,607
Hamilton	322,108	376,430	437,971	481,322
Wellington	992,903	1,196,322	1,338,988	1,419,508
Christchurch	2,104,536	2,346,626	2,707,869	2,872,639
Dunedin	573,319	628,528	741,833	777,468
Total eight cities	7,159,377	8,363,432	9,593,046	10,380,538
Rest of NZ	14,759,159	16,012,789	18,305,541	18,595,331
Total NZ	21,918,536	24,376,221	27,898,587	28,975,869

Data source: Statistics New Zealand Accommodation Survey.

⁴⁷ Statistics New Zealand; National accounts, private final consumption expenditure by non-residents in New Zealand; includes spending by foreign students studying in New Zealand.