

This chapter discusses the economy and employment within the six largest cities and how these affect quality of life and wellbeing.

Why this is important...

Economic growth and development help underpin quality of life in urban communities. Economic growth and greater economic activity enhance prosperity in a city or region. 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. In our society, income is necessary to purchase good housing, many health services and other goods and services that contribute to wellbeing and quality of life.

Paid employment also serves an important social function. It gives a sense of purpose, self-worth and status, as well as providing a basis for interaction with other people. Employment contributes to people's sense of belonging and to feeling part of a community and society. Employment is a key factor especially for marginalised members of society, in improving their situation.

What's in this chapter?

- Occupational structure of the labour force
- Jobs by industry
- Unemployment
- Average hourly earnings
- Regional economic activity
- Food price index
- Retail sales expenditure

Impacts and relationships with other areas in this report

A number of factors affect employment levels and the type of jobs that people do. There is a key link between education and employment. Where a higher proportion of young people leave school without qualifications, this will increase the numbers of low-skilled workers in the local labour force. These people are more likely to be vulnerable to unemployment and to earn a lower income when they are employed.

Increasingly, qualifications and skills are a prerequisite for employment, particularly for secure, long-term and reasonably paid work. This is of particular concern where there is a younger population structure, as there is a higher level of registered unemployment among young people.

A skilled workforce contributes to a strong economy. Changes in the economy link to other areas such as housing affordability and purchasing power in relation to other goods and services. Those on low incomes in particular will be adversely affected if the food price index and the inflation rate increase significantly as their real income will be eroded.

Low household income is associated with poorer health outcomes and health risk factors.¹¹² Participation in paid employment also has a social function and contributes to people's sense of belonging and to community cohesion.

There is a clear pattern of association between unemployment and ethnicity, with Maori and Pacific Islands people being over-represented among the unemployed. This is an association reflected in other areas of disadvantage.



112 Ministry of Health. 2000. Social Inequalities in Health: New Zealand 1999.

Key points

In the year to March 1998, the Auckland, Wellington and Canterbury Regions (within which the six largest cities exist) accounted for 60% of the New Zealand economy, with the Auckland Region alone making up a third (34%).¹¹³

Local economies are affected by factors such as the international environment, domestic factors, the regulatory environment (as set by central government and by local authorities) and infrastructure issues, particularly roading and transport. Diversification and the development of business clusters is also important. The economy and the shape of the labour market are gradually changing.

The economies of the six large cities are diverse and this is reflected in their employment structure. The six cities have higher proportions of skilled, clerical and service workers than the rest of New Zealand. Average hourly earnings are higher in the cities (apart from Waitakere) than in the rest of New Zealand.

While unemployment rates have fallen, economic growth co-exists with persistent unemployment for some sectors of the population - particularly the less skilled and lower qualified. Education and training are essential if labour force skills are to match employer needs and 'skills gaps' are removed.

Occupational Structure of the Labour Force

What this is about...

The spread of occupations gives an indication of the skill base in the community. It is useful to look at the occupational structure of the labour force when looking at the development of local economies. A strong skill base in the labour force is becoming increasingly important in economic development. If there is a mismatch between the skills of the labour force and the needs of employers and business, employers may find it difficult to fill positions requiring particular skills, which may have a negative impact on business productivity and growth. For those parts of the community that lack the skills needed, unemployment is likely to increase, in turn reducing income and putting pressure on individual and family wellbeing.

This indicator shows the occupational structure of the labour force resident in each of the six largest cities.¹¹⁴ The labour force includes those aged 15 years and over, in full and part-time paid employment. The indicator reflects the skill set of people who live in an area rather than where they work. Many people, particularly in the Auckland Region, may work in a different local authority area to that in which they live.

What did we find ?

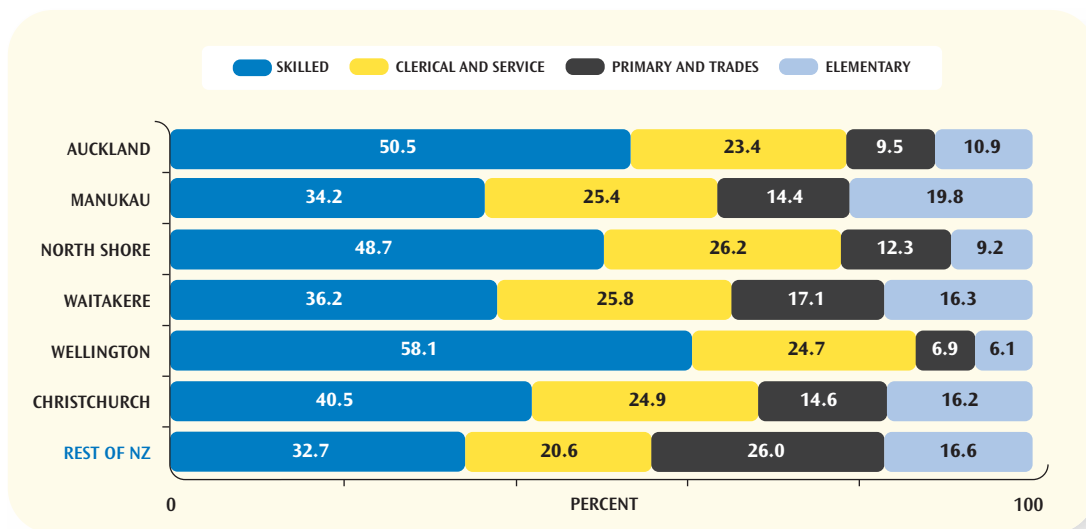
- Residents of the six largest cities are involved in a wide range of occupations.
- The large cities have a higher proportion of their labour forces working in skilled technical and professional occupations than the rest of New Zealand. Wellington City has the highest proportion of technical and professional workers, with 58.1% of full time employees falling into these categories, compared with 50.5% in Auckland, 48.7% in the North Shore, and 40.5% in Christchurch in 1996.

113 Auckland Regional Council. 1999. Auckland Region: Business and Economy 1999.

114 This indicator uses data from the 1996 Census. Categories are clustered as follows: **Elementary** - elementary, plant and machine operators and assemblers; **Primary and trades** - trades workers and agriculture and fisheries workers; **Clerical and service** - service and sales workers and clerks; **Skilled** - technicians, associate professionals, professionals, legislators, administrators and managers.

- Just over a third of the labour force of Waitakere (36.2%) and Manukau (34.2%) are in the technical and professional category. Similarly, 32.7% of the labour force in the rest of New Zealand are in this category.
- In the rest of New Zealand, 42.5% of the full time employed labour force is in elementary occupations, primary sector or trades. Only about one-fifth of the labour forces of Auckland and North Shore in 1996 were in these areas, and just 13.1% of Wellington. In Manukau, Waitakere and Christchurch these areas account for around a third of the labour force. Manukau had the highest proportion of those in elementary occupations at 19.8%, reflecting Manukau's manufacturing base and lower qualification levels in its population. Waitakere and Christchurch also have relatively higher levels of people with no qualifications. Those in part-time employment across the six cities and the rest of New Zealand are more likely to be working in the clerical and service sectors.

PERCENTAGE OF LABOUR FORCE EMPLOYED WITHIN OCCUPATIONAL CATEGORIES (FULL-TIME EMPLOYEES), BY CITY (1996)



Data Source: Statistics New Zealand

The Manukau and Waitakere economies in particular have been affected by the removal of tariffs, which has had a strong impact on the manufacturing sector. There is evidence that some manufacturers have increased productivity, with some growth in manufacturing sales. However, this is being achieved with less labour.¹¹⁵ This may mean that the labour force in Manukau and Waitakere Cities is more vulnerable to job losses as manufacturing declines and demand for low and semi-skilled workers decreases.

Higher skill and status occupations are usually more highly paid, and have greater long-term earning potential, than lower skill occupations. Wellington and Auckland Cities have a greater proportion of people in skilled occupations and also have a greater proportion of high-income earners.

Occupation, as an indicator of socio-economic status, also links to health. The Ministry of Health reports that there is “strong evidence that important risk factors for adverse health outcomes (such as smoking) show an occupational class gradient, with the highest exposure among those of the more disadvantaged (lower) occupational classes.”¹¹⁶

When the local skill base does not match employer needs, this may boost the number of people working outside their local area. It is estimated that around 40% of North Shore City residents commute to work outside their area, and in Waitakere around 60% of the workforce commutes to work outside Waitakere each day.¹¹⁷ Fewer Auckland City residents commute across the region, with over 70% working within the city.¹¹⁸ In the Auckland Region cross-city and cross-region commuting tends to be mostly by motor vehicle which contributes to greater traffic congestion, and pollution (refer page 91).

115 Manukau City Council. May 2000. State of Manukau Economic Environment. Report to Council

116 Ministry of Health. May 2000. Social Inequalities in Health: New Zealand 1999

117 Regional Growth Forum. 1998. Employment Location in the Auckland Region.

118 Auckland City Council data.

Jobs by Industry

What this is about...

The structure of an economy changes over time. Sectors grow and decline, affecting the numbers of jobs available and the financial significance of a sector in the overall economy. The different sectors require different skills and different numbers of people. The flexibility of local economies and the pace of structural change reflects ability to adapt to changes in the wider national and international economic and technological environment. While the number of workers is not itself an indicator of business productivity, it nevertheless does give some feel for the strength and activity in a sector. Growth in numbers employed is related to increasing economic activity.

This indicator presents data on the number of workers within industry sectors, in each of the six largest cities.¹¹⁹ While occupational structure relates to the occupations of the resident labour force, this indicator shows the structure of employment in a city, rather than where employees live. This indicator complements the indicator of occupational structure.

What did we find ?

- In 1999 there were 269,290 employees in Auckland City, 98,810 in Manukau City, 73,690 in North Shore City and 46,000 in Waitakere City. Wellington City had 117,250 and Christchurch City 154,060. Together, these make up nearly half (48.5%) of filled jobs in New Zealand (1,565,430).¹²⁰ The total workforce in all cities and New Zealand increased from 1995 to 1999.
- Auckland City is dominated by the service sectors, with the distribution, restaurant and accommodation sectors the largest employer in 1999 by proportion, at 27.1%.
- North Shore City is also service dominated, with distribution, restaurant and hotel sectors accounting for 32.2%, business and financial services 17.2%, and personal and social services 22.8%. Communications, while still a small sector, has grown rapidly in North Shore, up by 48.7% from 1995 to 1999, with total numbers employed rising from 2210 to 4310. A large factor in this is the move by Clear Communications to base itself on the North Shore.
- In Manukau, manufacturing remains one of the major employment sectors, employing 22,710 people in 1999. The service sectors have grown in the 1995 to 1999 period. Business and financial services grew particularly strongly, up by 27.5% in the period 1995 to 1999, but the total workforce numbers remain relatively low compared to other sectors, at 10,730. Transport and communications had a workforce of over 11,000 in 1999, but 84.5% of these were in transport. While services employment is growing, the traditional and lower skilled industries remain major employers, which is of some concern when looked at in conjunction with skills and income. Waitakere is also more dependent on the manufacturing, distribution and construction sectors, although as elsewhere numbers in manufacturing have shrunk.
- Within the Auckland Region, Auckland and North Shore Cities have economies more strongly oriented to the service sectors, while Manukau and Waitakere Cities are more dependent on a manufacturing, production and construction base.¹²¹ Manukau and Waitakere Cities have higher proportions of people with lower levels of educational qualifications in their populations. If other sectors of the economy grow - for example if the business and financial services sector in Manukau continues to grow - and the demand for new skills and higher levels of qualifications increases there may be a shortage of these skills within the local workforce. Manukau City also has a younger population structure, but a relatively high proportion of school leavers with no qualifications.

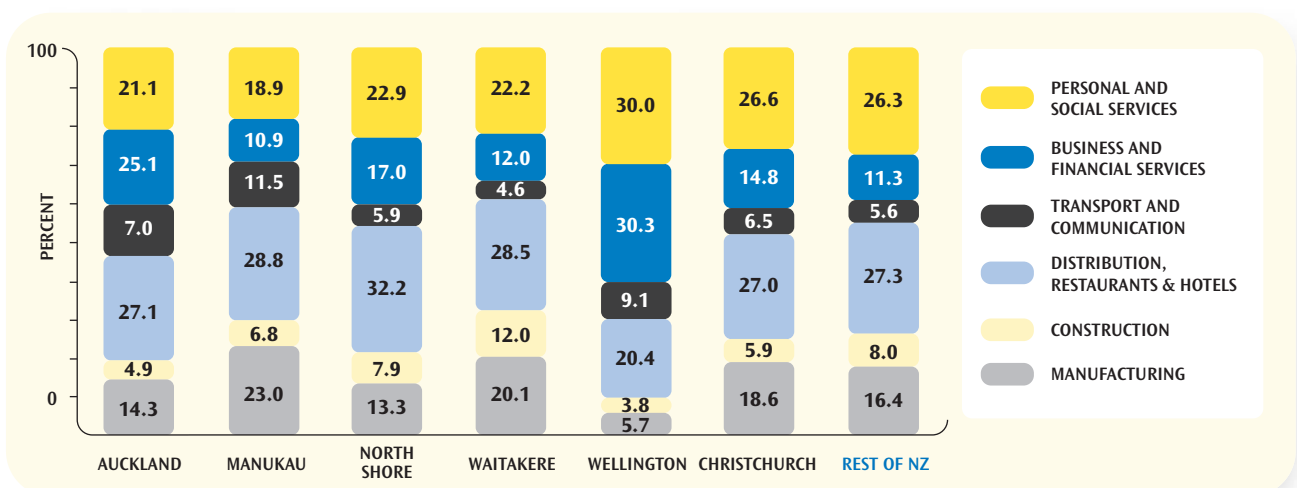
119 The data comes from Statistics New Zealand Business Frame.

120 Workforce figures equal the sum of full-time employees and working proprietors, plus the sum of part-time employees and working proprietors.

121 The nature of some manufacturing is changing, for instance the emergence of high-value marine manufacturing in Waitakere. Assessment of Regional Employment Barriers and Opportunities: Waitakere, prepared for the Maori Employment and Training Commission, 2000.

- Manufacturing is a significant employer in Christchurch, although it has declined slightly in the last five years, standing at 18.6% in 1999. Personal and social services and business and financial services have grown from 1995 to 1999, with a combined workforce of 63,730, up 9,780 since 1995.
- Employment patterns in Wellington are markedly different to those in the Auckland Region and Christchurch City. Manufacturing plays only a minor role, at less than 6%. The distribution sector is proportionally smaller than in the other cities, and Wellington is dominated by the service sector. Business and financial services accounts for 30.1% or 35,500 people, and personal and social services also provides for 30.0% (35,170 people). This correlates with the higher qualification levels and higher incomes in Wellington, and also reflects the important part that public sector work plays in Wellington.

PROPORTION OF LABOUR FORCE EMPLOYED WITHIN INDUSTRY SECTOR, BY CITY (1999)



Data Source: Statistics New Zealand
Graph does not add up to 100. 'Other' category not included.

CHANGES OVER TIME

- The total numbers employed across New Zealand increased between 1995 and 1999. Numbers of those employed have grown at a greater rate in the six large cities than in the rest of New Zealand.
- Growth has been strongest in the cities in the Auckland Region, reflecting the growth of the region and the strength and size of the regional economy.
- The number of manufacturing jobs declined between 1995 and 1999 in the six cities and the rest of New Zealand.
- As the economy has picked up the construction sector has grown, particularly in Auckland and Manukau Cities.

PERCENTAGE CHANGE IN WORKFORCE NUMBERS, BY CITY (1995 TO 1999)¹²²

	Auckland (%)	Manukau (%)	North Shore (%)	Waitakere (%)	Wellington (%)	Christchurch (%)	Rest of NZ (%)
Manufacturing	-13.2	-8.0	-10.3	-1.7	-22.0	-6.4	-6.1
Construction	24.4	26.9	16.6	19.6	18.4	4.5	11.1
Distribution, restaurants and accommodation	5.3	12.3	13.2	13.8	5.0	4.9	6.4
Transport and communication	8.6	10.2	48.7	18.3	24.1	5.3	5.8
Business and financial services	19.5	27.5	19.5	26.6	11.6	19.8	11.4
Personal and social services	14.4	19.1	15.2	8.0	4.4	10.4	7.8
Total	9.1	11.1	14.2	11.6	7.3	6.1	5.1

Data Source: Statistics New Zealand

Jobs by industry reflects the developing shape of local economies, and the workforce needs of employers.¹²³ It is important that the skills of the labour force are developed in line with, and in anticipation of, the changes in the skill requirements of the economy. A lack of skills in the local labour force may result in higher levels of unemployment and may also hinder local economic development. Relevant skills and qualifications are increasingly important. Lower levels of post-school qualifications among the population, as in Manukau, Waitakere and Christchurch, and higher numbers of school leavers without qualifications, as in Manukau, need addressing if a workforce skill levels are to be developed (see also page 64).

People in low-skill jobs tend to be more vulnerable to downturns or changes in the economy, to unemployment and to earn lower incomes when they are working, which can have flow-on effects in other areas such as health and housing. In the six largest cities many of those worst affected will be Maori or Pacific Islands people.

122 A negative percentage means that the workforce decreased over the period 1995 to 1999. Categories are clustered as follows:

- Distribution, restaurants and accommodation - wholesale trade, retail trade, accommodation, cafes and restaurants.
- Transport and communications - transport and storage, communications services.
- Business and financial services - finance and insurance, property and business services.
- Personal and social services - government, administration and defence, education, health and community services, cultural and recreational services, personal and other services

123 Economic diversification and use of approaches such as clustering can be an effective way of encouraging enterprise development.

Unemployment

What this is about...

Paid employment is the main factor determining income. Income affects ability to purchase goods and services and can therefore affect housing quality, health, education, and nutrition. Employment provides social contact and is also related to other aspects of wellbeing, and can affect the ability of people to participate in and have a sense of belonging to their community.

The official measure of unemployment in New Zealand defines the unemployed as:

- all persons in the working-age population who are without a paid job and are available for work, and
- who have actively sought work in the past four weeks, or
- who are starting a new job within four weeks.¹²⁴

This indicator presents data on both the unemployment rate by regions, and the registered unemployed.

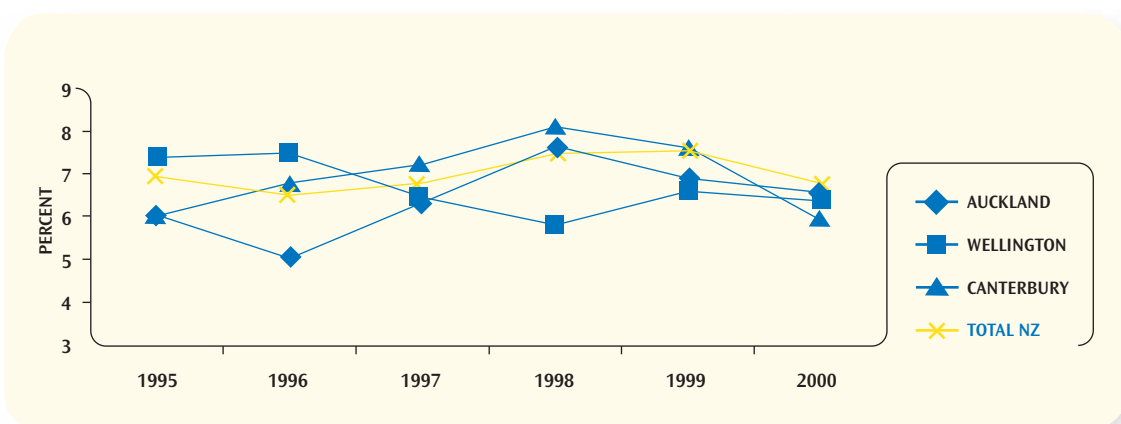
What did we find ?

UNEMPLOYMENT RATE

The unemployment rate is the number of unemployed people expressed as a percentage of the labour force.

- From 1996 to 1999, unemployment rates rose for New Zealand as a whole, from 6.9% to 7.5%. However, in March 2000 the rate had dropped back to 6.7%, reflecting a stronger economy and increasing employment levels. Throughout the period the Auckland Region has had lower unemployment than New Zealand as a whole, possibly due to its large and reasonably diverse economy.
- In comparison unemployment rates in Wellington Region stayed lower from 1997 to 2000, while rates increased in Canterbury in the late 1990s as the economy slowed, before dropping in 2000.¹²⁵
- Unemployment rates respond to changes in the economy. The New Zealand economy slowed in the wake of the Asian economic crisis but subsequently strengthened. The stronger economy is reflected in decreases in the unemployment rate. However, this is not evenly spread. For example, while Manukau's economy grew in 1999, the estimated unemployment rate for Manukau fell more slowly and remained above the regional rate.¹²⁶ This is related to the nature of the labour force in Manukau, with a greater proportion of low skilled and low qualified workers, and a younger population.

UNEMPLOYMENT RATE, BY REGION (1995 TO 2000 - MARCH QUARTER)



Data Source: Statistics New Zealand

124 Official unemployment is measured by Statistic New Zealand through the quarterly Household Labour Force Survey.

125 Levels of joblessness, which in addition to the officially unemployed includes those without jobs but not actively seeking work or not currently available for work, will be higher than the official unemployment rate. At a national level the officially unemployed made up 61% of the jobless in June 2000.

126 Manukau City Council. May & November 2000. Report on social conditions.

REGISTERED UNEMPLOYED

Registered unemployment is a count kept by the Department of Work and Income of those seeking work. While the count of registered unemployment is sensitive to administrative and policy changes, such as the widening of work test requirements, it provides an alternative way of looking at jobseekers.¹²⁷ The number of registered jobseekers has risen sharply across the six cities and New Zealand as a whole from 1998 to 2000. This is in large part due to administrative changes, which have extended work-test requirements to a wider range and greater number of beneficiaries than previously.

Registered unemployment tends to have large proportions in younger age groups. This pattern is relatively consistent across the six cities and in the rest of New Zealand. In March 2000 the proportion of registered jobseekers under the age of 25 was highest in Wellington (33% or 2625 people) and Christchurch Cities (32% or 6514 people).

In the last three years the pattern of duration has shifted, with an increase in the proportion of long-term unemployed (on the register for more than six months). While it is probable that some at least of this increase is due to the changes in policy that have extended work test requirements, it is often harder for the long-term unemployed to move back into employment.¹²⁸ Increasingly, qualifications and skills are a prerequisite for employment, particularly secure, long-term and reasonably paid work. There is also evidence that people who are unemployed for a time are at greater risk of becoming unemployed again within the next two years.¹²⁹

As the economy fluctuates and changes shape, some groups are likely to be more vulnerable to unemployment, particularly the unskilled, those without qualifications, and those working in areas where employment is declining. To counter this training and education to increase levels of skills relevant in the economy is needed. Continuing to raise education levels among young people is also important.

Paid employment is the main way to earn income, and income is an important factor in having access to a good quality of life. Access to good quality housing is primarily dependent on income. Income is also a factor both in maintaining a healthy lifestyle and in accessing health services. Research shows that unemployment has adverse effects on mental health and is associated with higher smoking rates.¹³⁰ Employment can also provide social contact with others which also contributes to psychological wellbeing and a sense of belonging.

There are clear patterns between unemployment rates and ethnicity, with higher proportions of Maori and Pacific Islands people being unemployed than other ethnic groups. For example, in March 1999 the rate of unemployment for Maori in the Auckland Region was 14.6%, as compared with a general rate of 6.9%. Registered unemployment figures show a similar pattern, with Maori and Pacific Islands people over-represented among registered jobseekers. This pattern of ethnic representation among statistics of disadvantage is repeated in other areas such as income levels, health and housing.

127 Historically this has tended to track in the same direction as the official unemployment rate, but through 1999 they have diverged, in large part reflecting policy and administrative changes.

128 Some of the increase in registered unemployment (both of numbers and duration) is due to changes in the work-testing requirements particularly for the Domestic Purposes Benefit. This means that more beneficiaries than previously are work-tested and therefore registered as unemployed.

129 Acheson, cited in Ministry of Health. 2000. *Social Inequalities in Health: New Zealand 1999*

130 Ministry of Health. 2000. *Social Inequalities in Health: New Zealand 1999*

Average Hourly Earnings

What this is about...

Average hourly earnings link to overall income levels, which is a key contributor to quality of life. Earning levels affect how much disposable income people have, and therefore how much they can spend on food and other retail goods, and on housing and services such as health care. Low household income is associated with poorer health outcomes and health risk factors.¹³¹ Wage growth is also an indicator of economic vitality and activity.

The indicator of average hourly earnings is the amount earned in dollars, averaged on an hourly basis.^{132 133}

What did we find ?

- From 1995 to 1999, the average hourly wage increased in New Zealand.
- In dollar terms, average hourly earnings are highest in Wellington, at \$21.26 in 1999 and lowest in Waitakere, at \$15.81 in 1999. Waitakere is the only one of the six largest cities in which the average hourly earning in dollars is less than that for the rest of New Zealand (\$16.34). This is in line with findings that Waitakere also has a high proportion of low-income earners - in 1996, 54% of the population aged over 15 years had a personal annual income of less than \$20,000 p.a.. This is likely to be related to the younger population structure and to a greater proportion of the population being in lower occupational groups. While Manukau similarly has a high proportion of low income earners, slightly more of its population is in the highest income bracket, which may be increasing the overall average hourly rate.
- While on average people earn more per hour in the large cities than in the rest of New Zealand, this is to an extent off-set by higher living costs in some areas in the cities, and particularly higher housing costs.

AVERAGE HOURLY EARNINGS, BY CITY (1995 TO 1999)

	1995 (\$)	1996 (\$)	1997 (\$)	1998 (\$)	1999 (\$)
Auckland	16.71	17.29	18.00	18.49	19.54
Manukau	15.42	15.94	16.63	17.17	17.69
North Shore	14.93	15.48	16.38	16.78	17.14
Waitakere	13.77	14.22	14.80	15.31	15.81
Wellington	18.73	19.47	20.53	20.90	21.26
Christchurch	14.70	15.16	15.85	16.34	16.83
Rest of NZ	14.56	14.94	15.56	15.96	16.34

Data Source: Statistics New Zealand

A clear gender gap remains in earnings. In all cities and across New Zealand average hourly earnings for women are below those of men. The labour force participation rate for women is significantly lower than for men, and women are more likely to have interrupted working lives due to child care, to be in part-time employment and tend to be concentrated into a narrower range of less well paid occupations.¹³⁴

In 1999, the gender gap in earnings ranged from 8.1% in Waitakere up to 24% in Wellington. However, in Waitakere both women and men earn less per hour on average than women in Wellington, reflecting lower overall income levels in Waitakere. Across New Zealand and in North Shore, Waitakere, and Christchurch Cities the gender gap has diminished during the period 1995 to 1999. However it has remained relatively static in Auckland, Manukau and Wellington Cities.

131 Ministry of Health. 2000. Social Inequalities in Health: New Zealand 1999

132 Data source for the indicator is Statistics New Zealand Quarterly Employment Survey.

133 As this indicator uses averages, it may hide wide disparities between very high and low amounts. For example, while Manukau City has a relatively high and increasing average hourly figure, there are significant discrepancies among high and low income earners in that city.

134 Ministry of Women's Affairs. Briefing for the Incoming Minister 1999. www.mwa.govt.nz. In 1996 just under half of all employed women in New Zealand worked as either clerical or sales and service workers. In September 1999, 37% of employed women worked part-time compared with 11% of employed men.

Regional Economic Activity

What this is about...

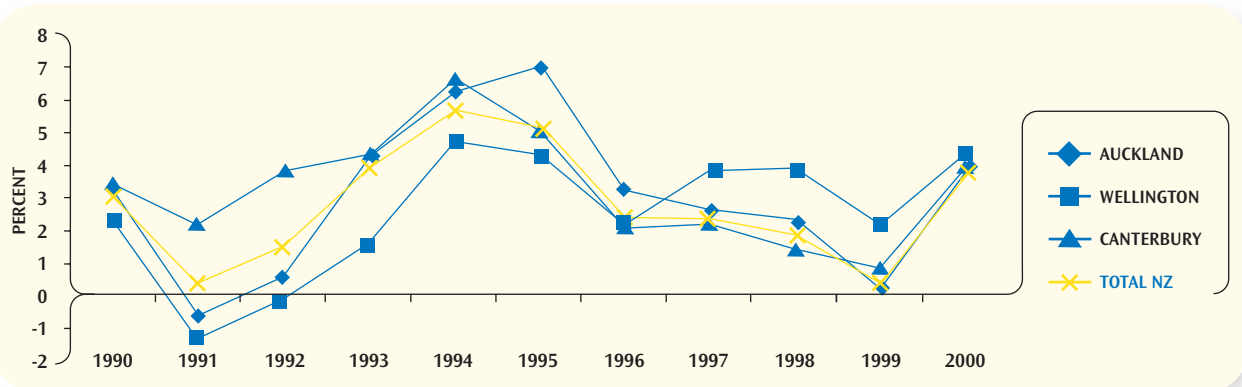
Economic activity generates regional growth and prosperity. High levels of activity contribute to business and enterprise development, and ongoing growth. Higher levels of economic activity contribute to employment levels and through this to income levels and quality of life.

This indicator discusses shifts in economic activity, which are measured through percentage changes in an index of regional economic activity.¹³⁵

What did we find ?

- Trends for Auckland, Wellington and Canterbury Regions have broadly followed the national pattern, but have fluctuated around the national rate. Constraining factors on growth have been rising interest rates, high levels of household debt and a flat housing market. Through the mid-1990s growth rates in Auckland and Canterbury Regions were higher than the national rate but have dropped back recently, while since 1997 the Wellington Region has grown more strongly.
- Regional economic activity grew at the highest rates in 1994 and 1995, declining in the late 1990s in the wake of the Asian economic crisis, but recovering in March 2000. Contributing to this were international factors such as strong economic growth in New Zealand's major trading partners and low exchange rates.¹³⁶ Unemployment has decreased as economic activity has strengthened. However, more recently the impact of rapid rises in oil prices and the decline in the value of the New Zealand dollar has contributed to a slow-down in economic activity.

ANNUAL AVERAGE GROWTH RATE IN ECONOMIC ACTIVITY, BY REGION (1990 TO 2000)



Data Source: National Bank of New Zealand

135 Compiled by the National Bank of New Zealand.
The overall regional index is based on other indicators of economic activity, including:

- Short term interest rates
- Exchange rate
- Commodity prices
- Retail sales
- Dwelling approvals
- Commercial building permits
- Employment
- Unemployment rate
- Private and commercial motor vehicle registrations.

136 Auckland Region Business and Economy, June 2000.

Food Price Index

What this is about...

Food is a basic item of household expenditure. Affordable food is important for nutrition and general health, and is particularly important for children. Food prices are affected by seasonal factors and by changes in the broader national economy as well as the international environment. Those on lower incomes are particularly vulnerable to changes in price. They have limited ability to adjust to increases in the price of food, as it tends to make up a significant proportion of household expenditure.

The food price index measures changes in food prices and includes four subgroups:

- Fruit and vegetables
- Meat, fish and poultry
- Grocery food, soft drink and confectionery
- Restaurant meals and ready-to-eat food.¹³⁷

What did we find ?

- For the years from December 1994 to December 1999 the food price index rose across New Zealand, reflecting some increase in food prices. Through this period inflation has remained low - within the Reserve Bank's target range of zero to 3%.¹³⁸
- Over the five years from 1994 to 1999, the greatest increase in the food price index has been in the Auckland Region, which has risen by 9.1% over the whole period, the same rate as for New Zealand as a whole. In comparison, the Wellington Region has seen a lower overall increase of 8.1% and Canterbury Region, 7.9%.
- For the year ending December 1999 annual percentage increases were markedly lower than in previous years, ranging from 0.2% in Canterbury to 1.4% in Wellington connected to the recovering economy.

CHANGES IN THE FOOD PRICE INDEX, BY REGION (1994 TO 1999)

	Auckland	Wellington	Canterbury	Total NZ
1994	916	931	930	918
1995	932	937	943	929
1996	952	953	959	942
1997	976	971	976	963
1998	998	996	1005	994
1999	1003	1010	1007	1005

Data Source: Statistics New Zealand

Price and income determine access to food and the cost of food varies regionally - basic family food costs are higher in Christchurch Region than in Auckland Region. Food costs in rural areas are often more expensive than in large urban areas. Prices are affected by factors including transportation and distribution costs, competition and economies of scale. These factors tend to work in favour of larger urban areas. Persistent high petrol prices will increase transport costs and are likely to be reflected in rising prices for food and other goods.

People on lower incomes, such as beneficiaries and those in lower-skill occupations, will tend to spend a greater proportion of their income on food. They may also try and economise on food when faced with high housing costs, utility bills and other costs, which are relatively fixed. Often the best value for money food in the short term tends to be high-fat foods. These foods provide more energy per gram of weight than lower-fat, healthier foods, which can make them an attractive option when shopping on a very restricted income.¹³⁹

137 The food price index is one of the nine groups that make up the Consumer Price Index (CPI) and is calculated at a regional level by Statistics New Zealand. The index was set at 1000 in June 1999.

138 The most recent CPI figures show inflation at its highest rate for years, at 3% for the year to September 2000. This reflects in large part increases in petrol and tobacco prices. Increases in oil prices and the weak New Zealand dollar will flow through into other areas of the economy over time.

139 NZ Network against Food Poverty. 1999. Hidden Hunger – Food and Low Income in New Zealand.

Retail Sales Expenditure

What this is about...

Changes in retail expenditure reflect the strength and liveliness of the local or regional economy. Locally spent dollars potentially contribute to more jobs for local residents and higher profits for local businesses. Retail spending indicates how well the regional economy is meeting the needs and wants of its residents. Increases in retail spending may also be linked to increased disposable income and higher levels of employment, although this is not a simple link.

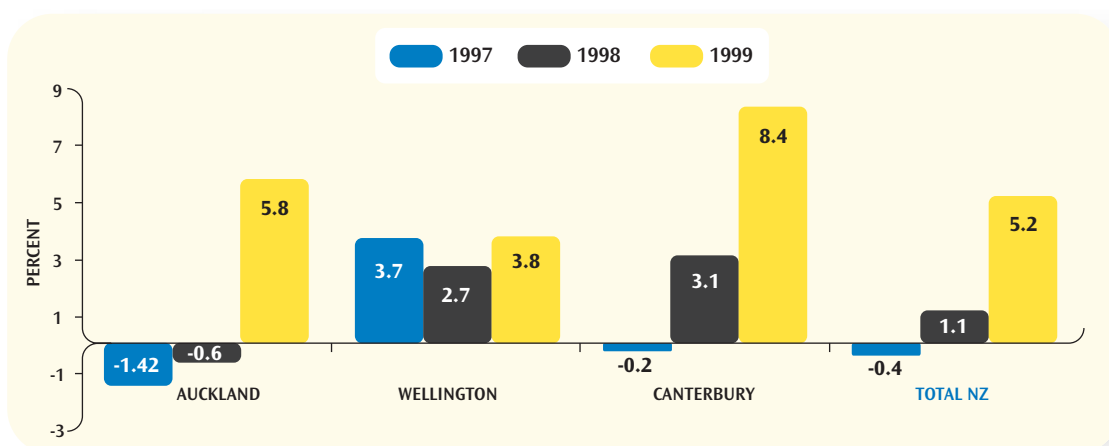
This indicator explores changes in retail sales expenditure by major sectors over time.¹⁴⁰

What did we find ?

Retail expenditure involves significant amounts of money. In the year ended December 1999, there was \$41 billion retail expenditure in New Zealand, of which \$13.4 billion was in the Auckland Region, \$5.1 billion in the Wellington Region, and \$5.5 billion in Canterbury Region.

- Overall retail spending fell slightly in the Auckland Region in 1997 and 1998, reducing by 1.4% and 0.6% respectively.
- The Canterbury Region and New Zealand as a whole were also relatively static in retail expenditure in 1997 and 1998, with expenditure reducing in Canterbury slightly in 1997 but growing by 3% in 1998.
- In New Zealand as a whole expenditure shrank by 0.4% in 1997 and grew by only 1.1% in 1998, reflecting a slower economy. In the year to December 1999, as economic activity grew, retail expenditure jumped substantially in Auckland (by 5.8%), in Canterbury (by 8.4%) and across New Zealand (by 5.2%). The large increase in Canterbury was driven primarily by significant increases in retail spending on clothing and drink.
- In contrast Wellington experienced relatively stable growth through this period, with 3.7% in 1997, 2.7% in 1998 and 3.8% in 1999. This is similar to the Wellington experience in the housing market, which was also relatively buoyant in this period.
- In the 1997 to 1999 period expenditure increased overall, in all regions. This reflects the growth in levels of economic activity in this period. It is also a period when unemployment was starting to decrease.

ANNUAL PERCENTAGE CHANGE IN RETAIL SALES, BY REGION (1997 TO 1999)



Data Source: Statistics New Zealand

140 The data source is the Statistics New Zealand Retail Trade Survey. The categories for retail sales are:

- Clothing – clothing and softgoods, footwear
- Drink – accommodation, clubs & pubs, liquor, cafes and restaurants, takeaways
- Food – food retailing
- Household – appliance, retailing, furniture and floor coverings, hardware
- Motor – automotive vehicle retailing
- Other – chemists, department stores, vehicle services, personal and household services, recreational goods

There were regional differences in expenditure patterns from 1997 to 1999, such as:

- Household expenditure increased over the period, except in the Auckland Region, where it shrank in 1997 and 1998, recovering slightly in 1999.
- Clothing expenditure grew strongly overall in Auckland, Wellington and Canterbury, but increased very little in New Zealand as a whole and actually decreased in the rest of New Zealand.
- Expenditure on drink, food and other (including department stores, services, and recreational goods) increased over the period in all the regions.
- Motor vehicle (retailing) dollar expenditure decreased substantially in Auckland, Canterbury and across New Zealand. While it also decreased in Wellington, the decrease was less dramatic. This decrease in dollar expenditure on vehicles is likely to have been affected by the removal of tariffs on imported vehicles. This has reduced the price of vehicles but not necessarily the number of vehicles bought.

ANNUAL PERCENTAGE CHANGE IN RETAIL EXPENDITURE, BY REGION (1997 TO 1999)

	Auckland Region (%)	Wellington Region (%)	Canterbury Region (%)	Rest of NZ (%)
CLOTHING				
1997	1.6	6.53	1.7	-5.9
1998	5.4	11.6	-3.2	-8.5
1999	7.5	10.3	17.6	-2.6
DRINK				
1997	1.4	9.9	-2.3	1.6
1998	0.8	0.8	4.4	3.4
1999	6.8	2.6	15.2	3.6
FOOD				
1997	4.3	6.8	8.8	3.9
1998	3.1	4.2	5.8	5.2
1999	6.9	5.2	5.4	4.1
HOUSEHOLD				
1997	-3.4	1.7	-7.4	2.9
1998	-10.1	6.2	2.5	3.5
1999	5.4	5.7	5.9	4.3
MOTOR VEHICLES				
1997	-14.6	-4.8	-13.5	-15.8
1998	-9.1	-3.1	3.8	-3.7
1999	-0.6	0.2	5.4	1.3
OTHER				
1997	3.0	3.1	4.0	2.3
1998	3.0	3.1	1.4	0.7
1999	7.8	3.3	8.3	6.2

Data Source: Statistics New Zealand

Where retail expenditure drops, less is spent and less is fed into the local economy. It also links to employment, income levels and economic growth. In general, retail expenditure will increase in times of economic growth. With the most recent changes, the weak New Zealand dollar and high oil prices, prices of imported goods and goods with imported components are likely to increase, and as transport costs increase these are likely to feed through to the final price of goods. This may see a slow-down in retail expenditure.