



economics

Report to:

Nature Coast Enterprise

**ECONOMIC UPDATE OF
THE NATURE COAST – SEPTEMBER 2011**

Prepared by

Hugh Dixon

Jason Leung-Wai

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1 Summary

This economic update was prepared by BERL for Nature Coast Enterprise. It covers the Nature Coast area, which is the combined area of the Kapiti Coast and Horowhenua districts.

It is the third of four quarterly updates for 2011 that show changes in the economy of the Nature Coast area and its two component districts, Horowhenua and Kapiti Coast. In addition to summarising the more recent national context, the report includes data up to and including September 2011 that examines four aspects of the local economy – labour market, spending, investment and migration.

After recovering in 2010 the realisation that the effects of the Global Financial Crisis (GFC) are still filtering through the global economy, growth in the New Zealand economy has eased again. Generally the Kapiti Coast and Horowhenua Districts economies have followed this national trend in terms of spending, investment and migration over the last few years. Due to the smaller size of the Kapiti Coast and Horowhenua districts economies, the effect of the struggling national economy is felt more strongly.

For example, the Kapiti Coast and Horowhenua districts are experiencing a rise in unemployment beneficiaries, whereas nationally unemployment beneficiary numbers are falling. The Horowhenua District had an absolute increase of 55 beneficiaries (7.4 percent) over the last year. The Kapiti Coast District increased by 86 beneficiaries (11.6 percent) over the last year. For New Zealand there was a decrease in the number of beneficiaries (down 14.7 percent).

The housing market in the Nature Coast area is sluggish, which is consistent with the performance of the overall New Zealand housing market. The latest month has seen the annual number of sales continue to fall back in the Kapiti Coast District, after peaking in February 2010. The median number of days to sell increased by 34 percent, and the average sale price fell by 1.5 percent. In the Horowhenua District, all three housing sector indicators (sales, price, and days to sell) have also declined over the past year. The number of house sales was down 13.8 percent, the average price for a house was down 3.2 percent and the median number of days to sell was up 31.1 percent.

This downward trend was also present for new vehicle registrations in both the Horowhenua District and Kapiti Coast District. Both showed a slight fall over the previous year, with registrations down 4.7 percent and 1.7 percent, respectively. Again, this is in line with results seen for New Zealand overall.

The total floor area of residential consents was down (27.7 percent) in the latest year for the Nature Coast area. This decline is higher than the national level, which was down 20.9 percent from September 2010. Floor area in the Kapiti Coast and Horowhenua Districts decreased by 8,000 square meters and 5,000 square meters respectively.

The total floor area of non-residential consents, like that of residential consents, has fallen for the Nature Coast area, over the previous year. However, this 42.1 percent drop occurred at the same time as non-residential floor area nationally rose 1.2 percent for the September 2011 year. Both Horowhenua and Kapiti Coast districts recorded falls in non-residential floor area in the September 2011 year, but it was the Kapiti Coast district that saw the largest decrease of 11,000 square meters of floor area consented over the last year.

There is a decline in net migration in the Nature Coast area. In the year to September 2011, 1,116 people left Nature Coast, up strongly from 785 who left the previous year. With only 695 people moving to the Nature Coast area, there was a net loss of 421 people. This is quite a reversal from September 2010 when there was a net gain of 23 people from migration. In the year to September 2011, Kapiti Coast District has seen departures increase by 33.9 percent and arrivals fall by 16.8 percent. The Horowhenua district has seen a similar increase in departures (up 61.4 percent) and decline in arrivals (down 7.9 percent) over the previous year.

In New Zealand, annual employment growth for the year to September 2011 was 24,400, this increase come mainly from the health care and social assistance; and the education and training sectors. Net external migration, while still positive, has eased to just 773 for the September 2011 year, as significantly more people move to Australia to take advantage of the stronger economy and other benefits of living there. The construction sector continues to struggle, while the manufacturing sector has started to show signs of growth. All of these indicators suggest that the road to growth for New Zealand may be a long and slow affair.

2 Labour market

This section looks at changes at a local level in the number of unemployment beneficiaries. This provides an indicator of the health of the labour market.

2.1 Annual beneficiary numbers

Unemployment beneficiary data is available from 2001 for the Horowhenua and Kapiti Coast Districts, as well for the combined Nature Coast area and New Zealand. Table 2.1 shows the change in unemployment beneficiaries in the September 2011 quarter compared with the same quarter historically.

Table 2.1 Annual unemployment beneficiaries by office, 2001 to 2011

Unemployment beneficiaries	Sep-01	Sep-09	Sep-10	Sep-11	% difference		
					Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Horowhenua	1,268	685	741	796	8.2	7.4	-37.2
Kapiti Coast	1,184	620	743	829	19.8	11.6	-30.0
Nature Coast	2,452	1,305	1,484	1,625	13.7	9.5	-33.7
New Zealand	124,720	60,660	65,281	55,661	7.6	-14.7	-55.4

Source: Ministry of Social Development (Sep year)

The Horowhenua District had an absolute increase of 55 beneficiaries (7.4 percent) over the last year. This annual increase is in line with the 8.2 percent increase seen between September 2009 and September 2010.

The Kapiti Coast District had an increase of 86 beneficiaries (11.6 percent) over the last year, which is less than the additional 123 beneficiaries (19.8 percent) seen the previous year.

For New Zealand, there was a decrease in the number of beneficiaries (down 14.7 percent), after a moderate rise in these figures in the year to September 2010 (up 7.6 percent). In contrast, both Horowhenua and Kapiti Coast Districts have continued to see an increase in beneficiaries compared to September 2010.

This result is out of line with the national picture and is a cause for concern, because it indicates that the labour markets in the Horowhenua and Kapiti Coast Districts are not as healthy as the New Zealand average.

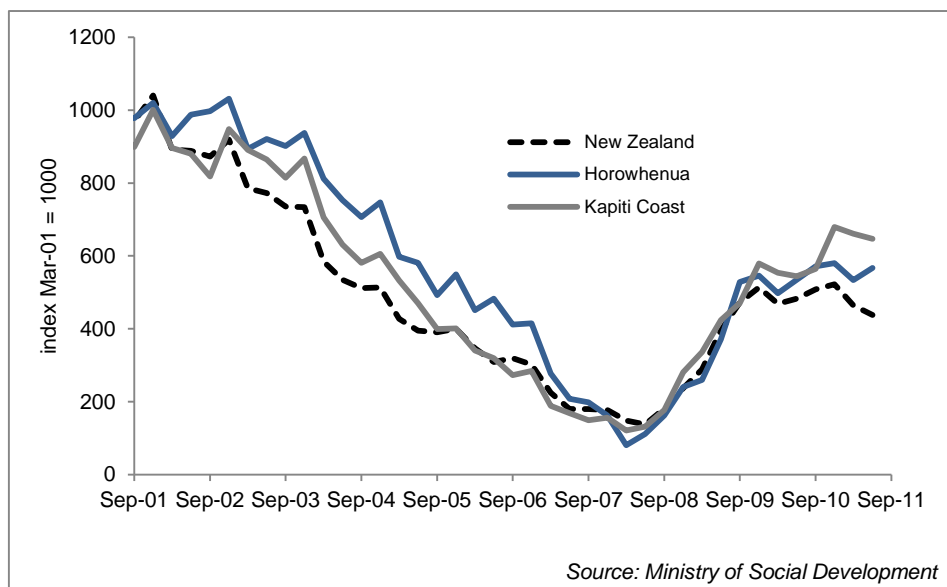
As of September 2011, there were 1,625 unemployment beneficiaries in the Nature Coast area. The number of beneficiaries increased by 9.5 percent in the September 2011 year, compared with a 13.7 percent increase in the year to September 2010. Despite the growing numbers of unemployment beneficiaries in the Nature Coast area, it is good to see the very

rapid increases in beneficiary number throughout 2008 and 2009 as a result of the last recession has finished and increases are now more moderate.

2.2 Quarterly beneficiary numbers

Figure 2.1 shows the quarterly change in the indexed number of unemployment benefit recipients for the Horowhenua and Kapiti Coast Districts compared with the trend across New Zealand. Here, we are looking at quarterly changes rather than looking at the annual change in the unemployment figures. This allows us to examine the changes that are occurring in unemployment beneficiary numbers over the last few quarters.

Figure 2.1 Unemployment beneficiaries, 2001 to 2011



The number of beneficiaries in the Horowhenua and Kapiti Coast districts has generally followed national trends closely over the last 10 years. The upward trend in Horowhenua and Kapiti Coast Districts that began in March 2008 therefore mirrored the national picture. This is until the December 2010 quarter, when the Kapiti Coast and Horowhenua continued to see beneficiary numbers increase, which pushed them both away from the national picture.

Unemployment beneficiaries in the Kapiti Coast District appear to have reached their peak in the December 2010 quarter. This indicates that Kapiti Coast District is seeing improved health in its labour market throughout 2011. While quarterly unemployment beneficiary numbers in recent quarters have been slowly declining for the Kapiti Coast, Horowhenua District has been experiencing a small upward surge in beneficiaries over the last two quarters, which indicates its labour market is still somewhat unstable.

This picture for the Kapiti Coast and Horowhenua Districts is quite different to New Zealand. After experiencing a small increase in unemployment beneficiaries to reach the peak in the December 2010 quarter, New Zealand has had three quarters of significant decreases in 2011, which has led to the annual September 2011 numbers being 14.7 percent lower than the annual September 2010 numbers.

3 Domestic spending and confidence

This section looks at consumer confidence by examining the health of two markets – new vehicle registrations, and housing. Trends in vehicle registrations and house purchases are good measures of consumer confidence, as these are the two largest purchases many people make.

3.1 Housing

Table 3.1 summarises changes in the Horowhenua and Kapiti Coast districts, the combined Nature Coast area and national housing markets over the last three years and the decade.

Table 3.1 Housing market summary, 12-month running averages, 2001 to 2011

Housing sector	Year ending				% difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
House sales							
Horowhenua	411	344	282	243	-18.0	-13.8	-40.9
Kapiti Coast	1,340	1,069	1,032	962	-3.5	-6.8	-28.2
Nature Coast	1,751	1,413	1,314	1,205	-7.0	-8.3	-31.2
New Zealand	70,454	65,575	59,969	58,377	-8.5	-2.7	-17.1
House prices							
Horowhenua	\$83,157	\$187,695	\$189,071	\$182,960	0.7	-3.2	120.0
Kapiti Coast	\$167,120	\$326,823	\$343,731	\$338,710	5.2	-1.5	102.7
Nature Coast	\$147,412	\$292,952	\$310,539	\$307,302	6.0	-1.0	108.5
New Zealand	\$173,367	\$337,937	\$353,556	\$353,749	4.6	0.1	104.0
Median days to sell							
Horowhenua	63	69	59	77	-14.7	31.1	21.7
Kapiti Coast	56	59	44	60	-24.8	34.0	7.1
Nature Coast	57	61	47	63	-22.8	32.8	9.9
New Zealand	54	43	39	43	-8.9	9.1	-19.8

Source: BERL, REINZ

The housing market nationally and within the Nature Coast area is currently showing signs of being sluggish over the year to September 2011. This is due in part to buyers in the national housing market, being well aware of the difficulties in the economy and the overinflated prices that were being paid. At the same time demand is now starting to build up again as new houses aren't being built. Somewhere along the line there is going to have to be a shift back to the supply side.

Adding to this is that sellers are looking to retain as much value in their houses as possible, which is reflected in the lower numbers of sales and the increasing length of time it is taking to sell a house throughout the country.

For the year to September 2011 the annual number of sales in the Kapiti Coast District is down 6.8 percent from September 2010. September 2010 was also the last month that annual sales on the Kapiti Coast were above 1000 houses. This downward movement over

the last year can also be seen in the Horowhenua District where house sales were down 13.8 percent compared to September 2010 and nationally where house sales were down 2.7 percent.

With the recent recession house sales bottomed out in the January 2009 year, at around 1,090 in the Nature Coast area. By September 2009 there were signs of recovery in house sales, which continued until January 2010. Since then, however, the number of house sales in the Nature Coast area has slowly fallen back to 2008 levels.

For the year to September 2011 the annual average sale price in the Kapiti Coast District is down 3.2 percent from September 2010. This downward movement over the last year can also be seen in the Horowhenua District where average house prices were down 1.5 percent compared to September 2010. Nationally the average sale price for a house was up when compared to September 2010, though this was by just 0.1 percent.

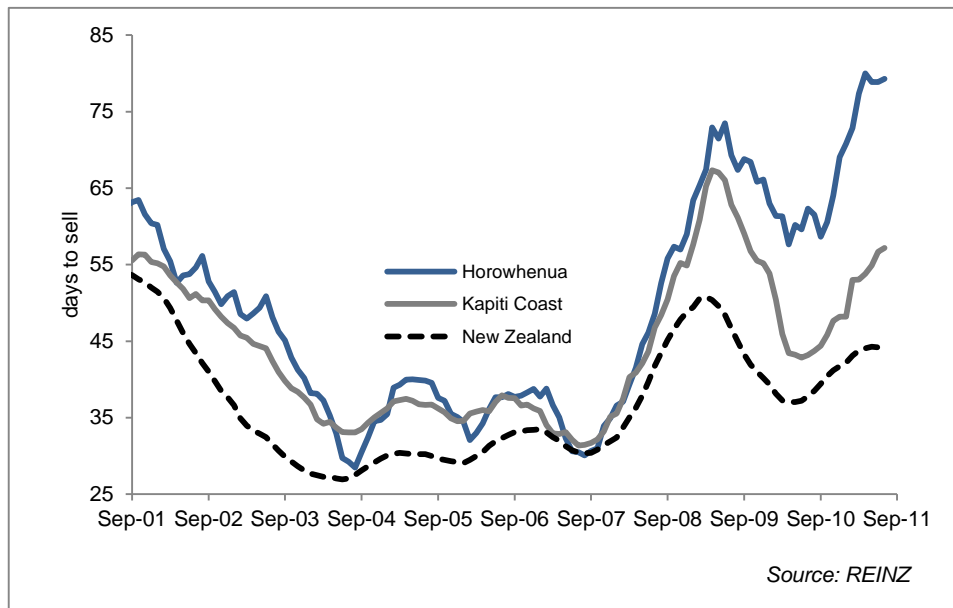
House prices in the Nature Coast area in September 2011 were down 1.0 percent compared with September 2010, this translates to a yearly average sale price about \$3,000 less than in September 2011. The decrease throughout the year can be linked to the declining sale prices in Kapiti Coast since January 2011, when they reached a peak average price of \$347,312.

The median length of time it takes to sell a house in the Nature Coast area has risen by 16 days over the last year, from 47 to 63 days. Given there are fewer houses being sold on the market (as owners look to wait out the downturn) it is likely that there are also fewer buyers active in the Nature Coast housing market. The Kapiti Coast District saw a rise of 16 days in the median length of time to sell, from 44 to 60 days, while the Horowhenua District with its smaller housing market saw a rise of 18 days, from 59 to 77 days.

Nationally the median number of days to sell has also increased. The median number of days has gone from 39 days in September 2010 to 43 days in September 2011.

Figure 3.1 shows the annual average days to sell in the Horowhenua District, Kapiti Coast District and New Zealand over the last 10 years.

Figure 3.1 Days to sell, 12-month running average, 2001 to 2011



With the slump in the housing market in 2008, the number of days to sell a property in Horowhenua and the Kapiti Coast reached then historical highs in mid-2009. Once these highs were reached, the median number of days to sell fell, before flattening off from April 2010 until November 2010. Since November 2010 the median number of days to sell a house has risen, and in the case of the Horowhenua district the median number of days hit a new historic high in April 2010 of 80 days. This leaves Horowhenua houses taking almost twice as long to sell as the national average.

Generally, it takes longer to sell a house in the Horowhenua and Kapiti Coast Districts compared to the New Zealand average. One reason for this may be the Horowhenua and Kapiti Coast Districts' smaller pools of potential buyers compared to the country's major urban centres, which skew the New Zealand figures downward.

3.2 Vehicle registrations

Table 3.2 shows the changes in annual vehicle registrations for the Horowhenua and Kapiti Coast districts, as well as the combined Nature Coast area and New Zealand over the last 10 years.

Table 3.2 Vehicle registrations, 2001 to 2011

	Year ending				% difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Horowhenua	673	472	574	547	21.6	-4.7	-18.7
Kapiti Coast	1,179	994	1,097	1,078	10.4	-1.7	-8.6
Nature Coast	1,852	1,466	1,671	1,625	14.0	-2.8	-12.3
New Zealand	176,903	125,238	145,754	146,918	16.4	0.8	-16.9

Source: NZTA

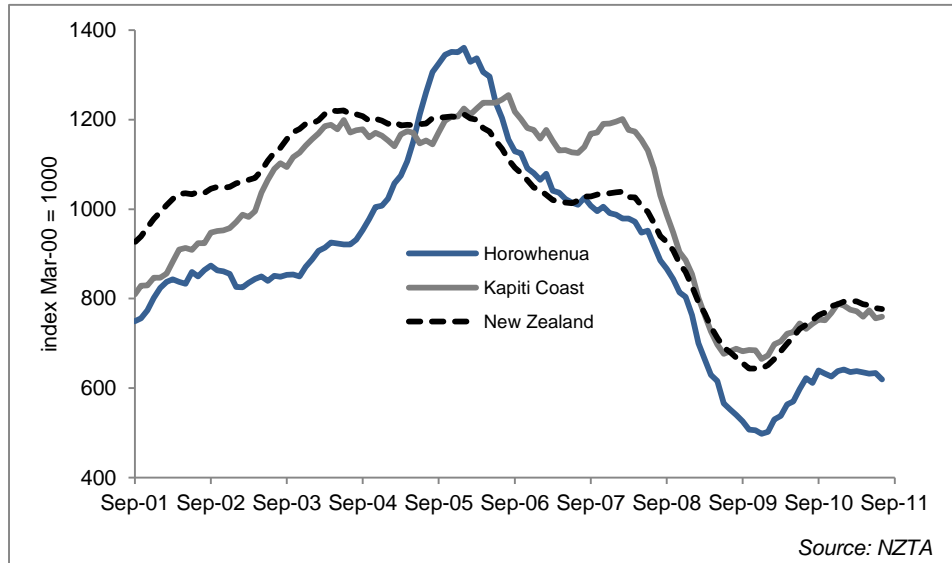
The Horowhenua District has shown the largest drop; with registrations down 4.7 percent over the previous year. This has come on the back of dropping registration numbers over the last few months. The Kapiti Coast District had a better result, with registrations down just 1.7 percent on September 2010, after a significant drop in the latest month's registration numbers. This recent period of decreases in registration numbers, following a short period of increases, could be the result of people thinking the recession was over and then realising that we were actually still in it.

1,625 new vehicles were registered in the Nature Coast area in the year to September 2011, which was down 2.8 percent on the previous year (2.8 percent). This small decrease in has come after a 14 percent increase in vehicle registrations for the previous year.

These changes are generally in line with national trends, which have also seen lower monthly vehicle registrations this 2011 calendar year, though nationally a small increase over the previous year has been maintained. These decreases in vehicle registrations are a signal that the Nature Coast and New Zealand economy is still struggling to grow, which given recent global economic events is not surprising.

Figure 3.2 shows the indexed change in annual new vehicle registrations for the Horowhenua District, Kapiti Coast District, and New Zealand between 2001 and 2011.

Figure 3.2 New vehicle registrations, 2001 to 2011



New vehicle registration trends in the Horowhenua and Kapiti Coast Districts tend to follow those seen nationally. New vehicle registrations for Horowhenua District, Kapiti Coast District and New Zealand all bottomed out in December 2009, increasing in all three areas through 2010. However, since December 2010 the number of new vehicle registrations in all three areas has been fairly flat. Given the current state of the New Zealand and global economy, it is likely this trend will continue for a while yet.

4 Infrastructure and investment

This section looks at infrastructure decisions being made on the Nature Coast as represented by investment in construction. This investment is at the household level (residential building consents), private business and government level (some non-residential and non-building construction).

A rise in consents is an indicator of business confidence.

Table 4.1 presents a range of annual construction indicators for Horowhenua and Kapiti Coast districts. Table 4.2 presents the same indicators for the Nature Coast area and New Zealand.

Where possible, the volume measure (floor area) is used to eliminate the skewing of the figures over time brought about by changes in price or average building size. Also where possible, the actual change in square meters is used. Because we are dealing with small numbers of consents, a relatively large project in terms of floor area is still only one consent and can be shown as a small percentage change.

Table 4.1 District consents summary, 12-month totals, 2001 to 2011

Consents	Year ending				%difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Residential							
Floor area ('000 sq. metres)							
Horowhenua	24	14	18	13	23.1	-24.5	-45.5
Kapiti Coast	85	26	42	30	58.8	-29.0	-64.9
Non-residential							
Floor area ('000 sq. metres)							
Horowhenua	11	22	16	12	-25.5	-25.0	8.2
Kapiti Coast	10	8	21	10	174.6	-55.0	-2.0
Non-building construction							
Value (\$m)							
Horowhenua	\$0.3	\$0.2	\$0.8	\$0.3	262.5	-64.7	-14.3
Kapiti Coast	\$0.7	\$5.0	\$1.6	\$1.8	-67.6	8.6	147.0

Source: BERL

Table 4.2 Regional consents summary, 12-month totals, 2001 to 2011

Consents	Year ending				% difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Residential							
Floor area ('000 sq. metres)							
Nature Coast	109	41	60	43	46.2	-27.7	-60.5
New Zealand	3,474	2,663	3,259	2,578	22.4	-20.9	-25.8
Non-residential							
Floor area ('000 sq. metres)							
Nature Coast	21	29	38	22	27.5	-42.1	3.4
New Zealand	2,855	2,779	2,205	2,232	-20.7	1.2	-21.8
Non-building construction							
Value (\$m)							
Nature Coast	\$1.0	\$5.3	\$2.4	\$2.1	-54.0	-15.3	96.8
New Zealand	\$162.1	\$465.9	\$451.7	\$355.9	-3.1	-21.2	119.6

Source: BERL

The total floor area of **residential** consents was down (27.7 percent) in the latest year for Nature Coast. This reflects the national trend that was down 20.9 percent from September 2010. The Kapiti Coast and Horowhenua Districts followed this general trend with a decrease of 8,000 square meters and 5,000 square meters of floor area in residential consents from the previous year, respectively.

After a couple of lean years, the residential construction sector on the Nature Coast was slowly beginning to recover, but recent data shows that the residential construction market is still struggling. The total floor area of consents issued for Nature Coast is still very low, with floor area under half of what it was in March 2001.

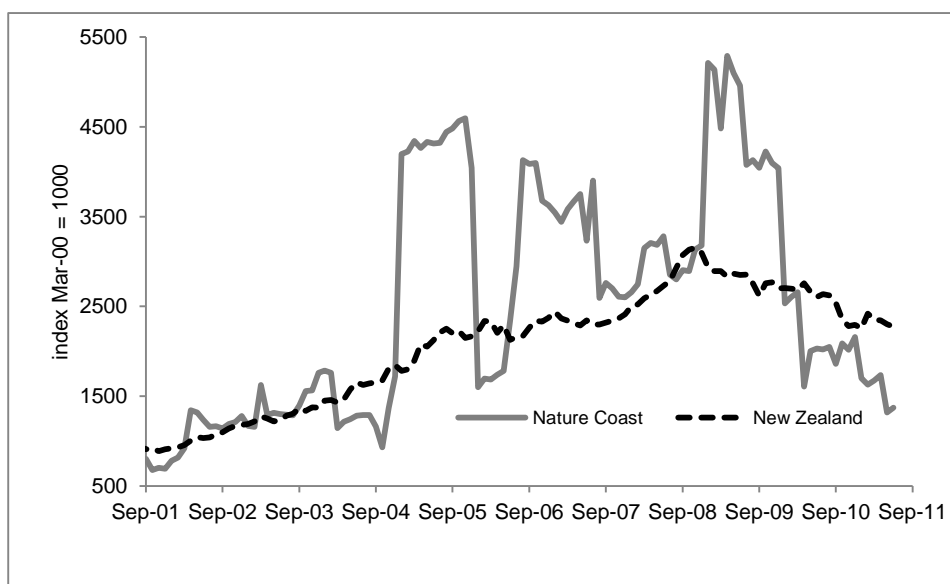
The total floor area of **non-residential** consents, like that of residential consents, has fallen for Nature Coast over the previous year. There was phenomenal growth in this sector through to 2008, but the recession saw the total floor area consented on the Nature Coast fall by over half by December 2009. Since December 2009, there had been a slow recovery in Nature Coast's non-residential consents through 2010 and into early 2011. Since April 2011 the floor area of Nature Coast's non-residential consents have been falling, with the Nature Coast being a smaller construction market, it is often the first to experience the effects of a lack of new capital investment.

September 2011 has seen a temporary halt to this recovery in the Nature Coast, with non-residential floor area consents down 16,000 square meters for the year. This occurred at the same time as non-residential floor area nationally rose 1.2 percent for the September 2011 year. Both Horowhenua and Kapiti Coast districts recorded falls in non-residential floor area in the September 2011 year, but it was the Kapiti Coast district that saw the largest decrease of 11,000 square meters (down 55 percent) of floor area consented over the last year.

Non-building construction does not have a volume measure, so we look at the value of work put in place (which implicitly includes price changes). There is a relatively small number of non-building construction projects approved on the Nature Coast each year (e.g. 39 in the September 2011 year) meaning that the figures are particularly susceptible to small fluctuations in the number of projects. The value of consents fell 15.3 percent in year to September 2011 for the Nature Coast area. This fall in value of annual non-building consents has come from the Horowhenua District falling \$0.5 million or 64.7 percent over the last year. The Kapiti Coast District on the other hand experienced a small increase in the value of non-building consents up \$0.2 million or 8.6 percent for the year to September 2011.

Figure 4.1 highlights the “lumpiness” of the value of non-building construction consents issued in the Nature Coast area, compared to nationally.

Figure 4.1 Non-building consents value growth, 2001 to 2011



Nationally the value of non-building consents grew fairly consistently up to November 2008. Since then the value of national non-building consents has been dropping away. In comparison, non-building consents in the Nature Coast also increased across the period from September 2001 through to April 2009, though this growth was highly influenced by single large projects, given the small size of its non-building construction sector. Since April 2009, like nationally, the value of non-building consents has been falling. Due to the small number of consents in the Nature Coast area, this fall has been much sharper than what has been seen at the national level.

5 External connections

This section examines the health of connections with the rest of the world by looking at external migration. It indicates whether the Nature Coast area is attracting new migrants which, in turn, is a measure of the perceived attractiveness/liveability of the area.

Table 5.1 shows the changes in **external** migration (migration from overseas) to and from the Horowhenua and Kapiti Coast districts, the combined Nature Coast area, and New Zealand over the last 10 years.

Table 5.1 External migration, 2001 to 2011

External migration	Year ending				% difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Horowhenua							
Arrivals	242	229	254	234	10.9	-7.9	-3.3
Departures	351	341	236	381	-30.8	61.4	8.5
Net migration	-109	-112	18	-147			
Kapiti Coast							
Arrivals	439	508	554	461	9.1	-16.8	5.0
Departures	659	532	549	735	3.2	33.9	11.5
Net migration	-220	-24	5	-274			
Nature Coast							
Arrivals	681	737	808	695	9.6	-14.0	2.1
Departures	1,010	873	785	1,116	-10.1	42.2	10.5
Net migration	-329	-136	23	-421			
New Zealand							
Arrivals	74,702	87,209	82,412	84,801	-5.5	2.9	13.5
Departures	76,393	70,166	68,498	84,028	-2.4	22.7	10.0
Net migration	-1,691	17,043	13,914	773			

Source: Statistics New Zealand and BERL

In the year to September 2011, 1,116 people left Nature Coast, up strongly from the 785 who left the previous year. This increase has come about due to the current global economic turmoil, which has seen more people leaving New Zealand for Australia, which has been one of the few Western countries experiencing strong growth over the last few years.

This increase in departures, combined with a slump of 14 percent in the number of arrivals for the year to September 2011, has contributed to one of the largest net outward flows in migration for the Nature Coast in recent times. This 14 percent decrease has seen arrivals from overseas go from 808 for the year to September 2010 to 695 for the year to September 2011.

Historically, external migration has seen a net outward flow from the Nature Coast area. Over the last decade, this was at its highest in March 2001 when there was a net outward flow of 450 people. This mark was almost reached again in year to September 2011, with 421 more people left the area for overseas, than arrived. Though this has been a sharp

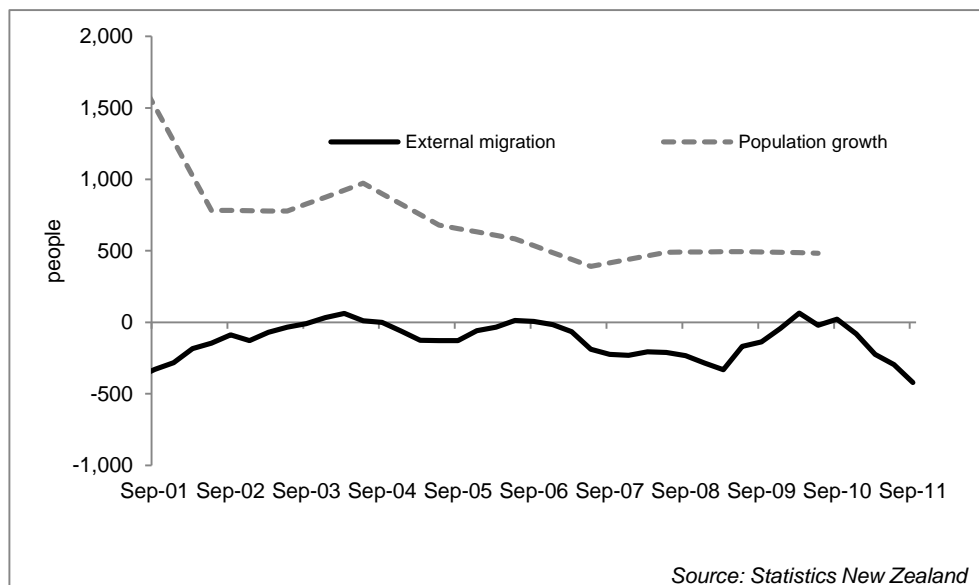
reversal from the year to September 2010 when the Nature Coast had a net inward flow of migration with 23 more people arriving than leaving, this is one of the few times in the past decade when the Nature Coast had positive external migration.

Kapiti Coast District has seen quite a reversal over the last year where a net inward migration of 5 has shifted to net outward migration of 274. In the latest year, departures were up 33.9 percent while arrivals were down by 16.8 percent. The Horowhenua district has seen a similar increase in departures (up 61.4 percent) and decline in arrivals (down 7.9 percent) over the previous year.

Similarly, at a national level, departures have rapidly increased over the last year with 15,530 more people leaving in September 2011 than in September 2010. At the same time arrivals were up only 2,389 on September 2010 numbers. This has seen net migration slump from a 13,914 gain in September 2010, to a gain of just 773 in September 2011.

Figure 5.1, shows net external migration and population growth in the Nature Coast area.¹

Figure 5.1 External migration and Nature Coast population growth, 2001 to 2011



External migration has almost always been negative, yet the population of Nature Coast continues to grow at a rate similar to that of New Zealand overall (at around one percent a year). This suggests that, while few external migrants move directly into the Nature Coast area, there is significant movement of people into the area from other regions within New Zealand.

¹ Note that population growth figures are not yet available beyond June 2010.

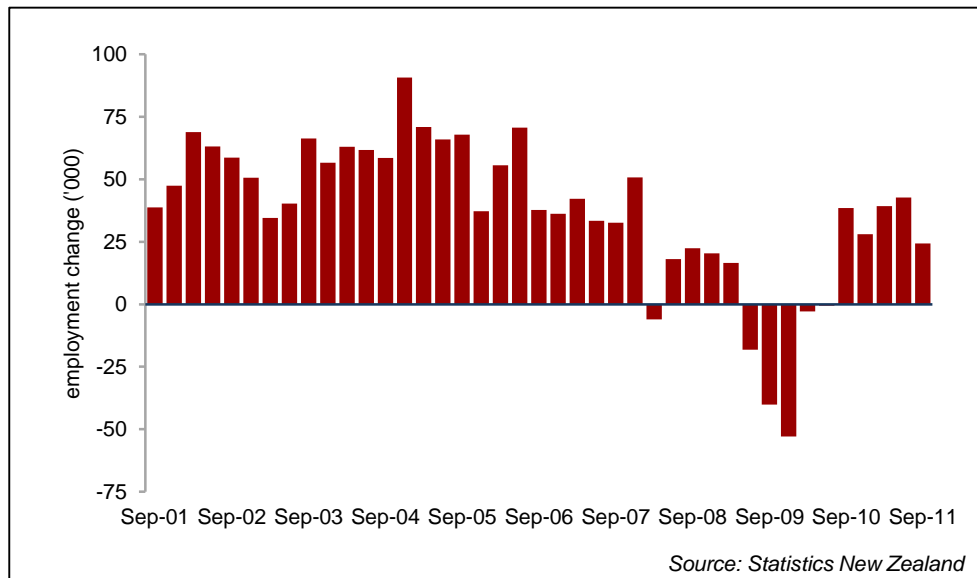
6 New Zealand context

This section discusses the current economic situation across New Zealand. It provides a background to the issues facing the New Zealand economy, against which the performance of the Nature Coast area can be compared.

6.1 Employment

New Zealand's employment growth over the first seven or eight years of the decade was replaced by several declines in 2009. The most recent (September 2011) employment figures show that there was an annual increase of 24,400 jobs, although this is down on the 42,700 jobs created in the year to June 2011.

Figure 6.1 National employment change, annual running total, 2001 to 2011



The health care and social assistance sector has seen the largest increase in employment during the year to September 2011 with an increase of 10,500. This significant yearly increase in employment was supported by strong increases in the education and training sector up 10,100 and the financial and insurance services sector increasing by 6,600. These increases were partly offset by falls in the annual employment figures for the retail trade and accommodation sector (down 9,600); and the agriculture, forestry and fishing sector (down 3,300).

The September 2011 quarter has seen the smallest annual increase since September 2010, when the annual change in employment became positive for the first time since the recession in 2008. For the last two quarters total employment has fallen in New Zealand, if

this trend continues into the December 2011 quarter, then the annual change in employment could become negative again.

6.2 Migration and tourism

6.2.1 Migration

The net inflow of migrants has eased considerably over the last few months, down to an annual rate of just 773 for the September 2011 year, compared with over 22,000 at the start of 2010. This easing has been due to an acceleration in the net outflow of people to Australia.

Table 6.1 shows the change in **external migration** (migration overseas) to and from New Zealand for a selected range of overseas countries and regions.

Table 6.1 External New Zealand Migration, 2001 to 2011

External migration	Year ending				% difference		
	Sep-01	Sep-09	Sep-10	Sep-11	Sep-09 to Sep-10	Sep-10 to Sep-11	Sep-01 to Sep-11
Australia							
Arrivals	11,489	14,260	15,726	14,678	10.3	-6.7	27.8
Departures	39,848	37,362	33,814	48,829	-9.5	44.4	22.5
Net migration	-28,359	-23,102	-18,088	-34,151			
United Kingdom							
Arrivals	15,317	17,941	15,141	14,859	-15.6	-1.9	-3.0
Departures	15,265	8,714	8,884	9,179	2.0	3.3	-39.9
Net migration	52	9,227	6,257	5,680			
United States of America							
Arrivals	2,588	3,592	3,517	3,600	-2.1	2.4	39.1
Departures	3,371	2,375	2,638	2,644	11.1	0.2	-21.6
Net migration	-783	1,217	879	956			
Asia							
Arrivals	26,795	26,452	25,649	27,042	-3.0	5.4	0.9
Departures	7,627	9,781	10,697	11,319	9.4	5.8	48.4
Net migration	19,168	16,671	14,952	15,723			
Total							
Arrivals	74,702	87,209	82,412	84,801	-5.5	2.9	13.5
Departures	76,393	70,166	68,498	84,028	-2.4	22.7	10.0
Net migration	-1,691	17,043	13,914	773			

Source: Statistics New Zealand and BERL

There has been a 44.4 percent increase in the number of migrants leaving New Zealand for Australia in the year to September 2011. This figure is now similar to what was seen in the year ending January 2009. There were 34,151 more people departing to Australia than arriving from it. This flow of people to Australia is understandable given Australia's comparatively strong economic performance compared to that of New Zealand.

New Zealand's main source of new immigrants is Asia, with a net migration of 15,723, though there is still a significant number still arriving from the United Kingdom with net migration standing at a gain for New Zealand of 5,680.

6.2.2 Tourism

The Rugby World Cup is now over and suppliers of services to the tourist market have finally received some relief from the slumped demand caused by the global recession, the earthquakes in Christchurch and Japan, and flooding in Australia.

The prospects for the sector in the short-term are very good, with visitor numbers and spending associated with the RWC already exceeding expectations. What will happen after the event is somewhat less certain; although, there is the potential for a strong summer season given the timing of the RWC. Many international visitors from China and other countries ambivalent towards rugby may have been crowded out of the present market. Hopefully most will opt for a later visit rather than none at all.

In the medium to long-term, the international visibility afforded to New Zealand by the RWC should help to lift visitor numbers, and the investment in infrastructure leading up to the event will also provide long-term benefits to the sector.

However, there are risks associated with the RWC and its aftermath, and while the timing of the event within the year is perhaps ideal, the timing overall is not. Recent international and domestic economic conditions, including the high NZ dollar, may have curtailed some of the potential gains to be made from the RWC. The event can also be as bad for our reputation as it is good. This is a particularly important consideration when capacity limits are reached and not managed well. The failure of planning and organisation in Auckland on the first night of the tournament is a case in point. Finally, there is the risk that the trends present in the tourism sector data for the first half of this year will resume once the Cup has been lifted. This data includes the number of international visitor arrivals for the year ended July 2011, average expenditure per visitor for the year ended June 2011, and sales of guest nights in commercial accommodation for the June quarter, each compared to the respective measure from 12 months prior.

Visitor numbers dipped slightly below 2.5 million for the year to July 2011, a decrease of 0.5 percent on the analogous figure to July 2010. Large falls in holiday tourist arrivals from Australia (down 9%), the UK (-15%), the USA (-5%) and Japan (-16%) were largely offset by rapid growth in the Chinese holiday segment (up 27%) and Australian VFR (Visiting Friends and Relatives arrivals, up 3.5%). The overall result for Australian visitors over the period was a fall of 1.2%. Similarly for the rest of our top five sources of international tourists, overall visitor arrivals broadly followed the pattern of holiday visitors.

6.3 Construction and manufacturing

6.3.1 Construction

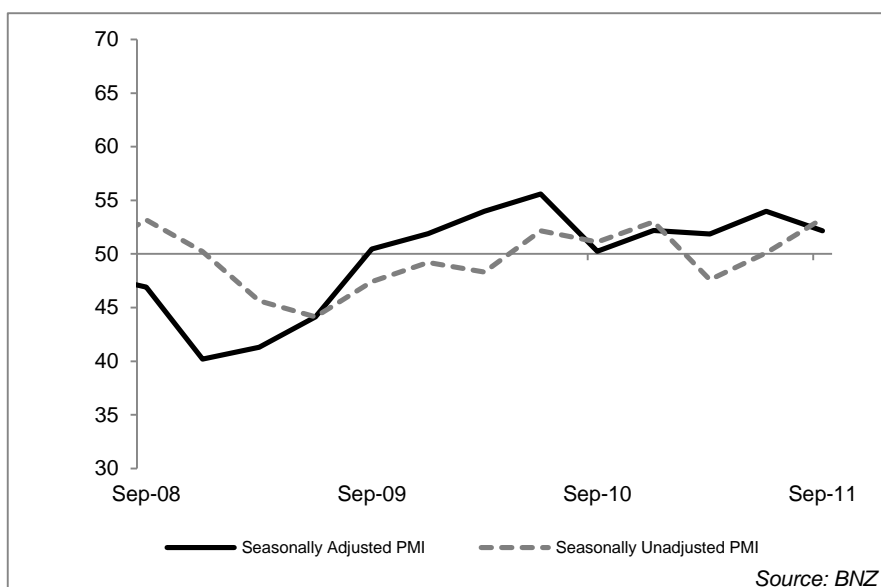
Latest numbers show residential consents have fallen in the year to September 2011 to just over 13,500. This shows that consents are back to the low levels seen in late 2009 and early 2010. This remains well below the 25,000 residential building consents considered to be the level necessary to meet population growth and demand. Given the earthquakes that have affected Christchurch and the Canterbury Region, and the rebuilding of damaged residential homes that now needs to take place, we are forecasting a return to an annual rate of 25,000 consents by the end of 2012.

As to non-residential building activity, the year to September 2011 recorded consents by floor area just 1.2 percent above those of the previous year. All this indicates that the construction industry is still struggling to grow nationally.

6.3.2 Manufacturing

The Performance of Manufacturing Index (PMI) measures manufacturing activity nationally, with the average seasonally unadjusted PMI for the three months to September 2011 increasing to 53.3 from 50.1 in the three months to June 2011. With the index now well above the 50 index mark (representing the divider between contraction and expansion in the manufacturing sector) the manufacturing sector has been expanding in the third quarter of 2011.

Figure 6.2 Performance of Manufacturing Index (PMI), 2008 to 2011



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