

BERL Rankings Report 2013

BERL Regional Rankings Series

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Background

Author(s): Dr Ganesh Nana, Fiona Stokes, & Hugh Dixon

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1 Introduction

The *BERL Regional Rankings Series*, and the accompanying reports, provide a comparative measure of the economic performance of New Zealand's 20 cities, 66 local authorities, and 14 regions. The overall rankings of each city, district and region provides information that:

- Local authorities and regions can use to monitor their performance relative to their peers, and identify areas of interest.
- Businesses can use to identify areas of growth and decline.
- The Government can use to inform national economic policies, and identify where activity is occurring.

Economic growth is important for all New Zealanders. Economic growth provides us with the opportunity to increase our standard of living through improvements in income, education, health, and the environment. Higher living standards also positively impact on our social and cultural well-being.

The regional rankings series illustrates at a high-level how cities, local authorities, and regions compare relative to each other. To target regional economic development activity and put in place effective interventions, however, a more detailed level of analysis is required. This type of analysis would consider absolute values and the quantum of change across economic indicators, rather than comparative differences.

1.1 Key performance indicators

The economic indicators that are examined include population, employment, Gross Domestic Product (GDP), and business units. Together, these economic indicators are termed key performance indicators. They are calculated in the short and medium-term, which are one and five year snapshots respectively.

The Relative Openness Index is used to measure the trade integration of the 14 regional economies. This measure focuses on the export and import of goods and services from and to a region, and whether a regional economy is balanced or leaning towards more export-focused sectors.

1.2 BERL Regional Database

The economic indicators used in the regional rankings series are taken from the BERL Regional Database. This database contains economic indicators at a local authority level broken down by industry sector.¹ The database is built from publicly available data from Statistics New Zealand including the NZ Business Demography statistics, the Household Labour Force Survey, the National Accounts, and the sub-national Population Estimates. The data is for the March 2013 year.

The BERL Regional database is used by BERL to support businesses, councils and economic development organisations throughout New Zealand. The focus of much of this regional economic development work is in identifying change in economic activity, and measuring the performance of regions.

¹ Indicators include population, employment, GDP, Businesses – number and size. These can be used to identify further measures including GDP per Capita, Labour Productivity, and location quotients. Data can be broken down into industry groupings at the ANZSIC 2006 4-digit level (506 industries).

1.2.1 Influences on the 2013 rankings

The BERL Regional Rankings Series compares the relative performance of sub-national geographic areas. However, it is useful to assess their performance within the context of the national and global economy.

Major factors influencing the 2013 regional rankings results have been:

- Large increases in the amount of GDP generated by the primary industry.
- Employment growth or decline in the manufacturing industry.

Large increases in the amount of GDP generated by the primary industry were due to improved commodity prices and production levels in the year to March 2013. However, the warm, dry conditions experienced at the beginning of 2013 have impacted substantially on the primary and manufacturing industries.

The Ministry of Primary Industries (MPI) in their situation and outlook for the primary industries 2013 noted that, in the short term, farmers would carefully manage their livestock to ensure they maintained condition leading into calving and lambing, and work through pasture recovery issues. However, poor stock condition has impacted on the number and weight of livestock for slaughter throughout 2013, which in turn has impacted on export (manufacturing) sales volumes, and sheep and beef farmers' incomes. These changes are expected to show through in *The BERL Regional Rankings Series 2014*.

1.2.2 Database revisions

In 2012, revisions were made to the BERL Regional Database to remove the distortion to GDP from the ownership of owner-occupied dwellings. This resulted in less variation in GDP year-on-year, particularly for small districts where a slight shift in employment in property services (the broader grouping within which ownership of owner-occupied dwellings sits) often resulted in significant changes in GDP. In 2013, we have again reviewed and removed the distortion to GDP from the ownership of owner-occupied dwellings.

1.3 Caveats

The BERL Regional Rankings Series and the accompanying reports are a desk-based exercise. Where possible, BERL has verified the underlying data and where appropriate, overridden the data based on our general knowledge and understanding of an area or region. However, BERL has not verified all changes in economic activity in an area or region nor have we identified why the changes have occurred.

1.4 Format of the report

This report is one of four reports in a series entitled, *The BERL Regional Rankings Series*. This report is organised into four chapters, with an explanation of the terms used and how the indicators are used to rank each city, district and region. The next three chapters discuss the rankings of the three geographic groupings – city, local authority, and regional council. Chapter 5 discusses the macro-economic environment that these rankings have occurred within, with commentary on national and international influences.

2 Cities

A well-functioning city is important for economic growth, and cultural, environmental and social well-being. Cities provide a concentration of population, economic activity and infrastructure. This concentration improves access to markets and customers, deepens the labour market, and encourages innovation and technology transfer through clustering.

Twenty cities are included in our rankings. These cities differ from the 'official' definition of cities in New Zealand. Statistics New Zealand defines a city as a type of territorial authority area. Territorial authority areas are administrative in nature and governed by their own council, and their boundaries are defined by law. A city is defined as an area with a population of at least 50,000 people that has a mostly urban character and is a major centre of activity within a region. Here, we have focused on what we consider the 20 largest settlements in New Zealand.

Table 2.1 City rankings, 2013

BERL City Rankings	rank		
	2013	2012	
New Plymouth District	1	1	→
Auckland City	2	3	↑1
Timaru District	3	2	↓1
Palmerston North City	4	18	↑14
Wellington City	5	4	↓1
Porirua City	6	11	↑5
Nelson City	7	8	↑1
Christchurch City	8	19	↑11
Hamilton City	9	5	↓4
Gisborne District	10	10	→
Tauranga City	11	6	↓5
Whangarei District	12	13	↑1
Hastings District	13	12	↓1
Marlborough District	14	7	↓7
Lower Hutt City	15	16	↑1
Rotorua District	16	17	↑1
Dunedin City	17	15	↓2
Napier City	18	14	↓4
Invercargill City	19	9	↓10
Upper Hutt City	20	20	→

source: BERL Regional Database 2013

2.1 The 2013 rankings

In 2013, seven out of the top 10 ranking cities were in the North Island, with New Plymouth remaining in the top spot for the second year in a row. Auckland and Timaru maintained their top three rankings in 2013, but swapped places.

Palmerston North entered the top five cities rankings in 2013. This move up 14 places was due to strong GDP growth in the food product manufacturing and wholesale and distribution sectors. Wellington City slipped a place this year from fourth to fifth, but held tight to a place in the top five cities rankings.

Resident population, employment and GDP growth year-on-year assisted Porirua City and Christchurch City to move into the top 10 cities rankings. Hamilton City dropped four places in the rankings in 2013 due to a decline in employment and GDP. Gisborne, in turn, held tightly to its top 10 spot with food product manufacturing, forestry and logging, and the agriculture sectors all increasing their contribution to GDP.

3 Local authorities

Regional, city and district councils are all local authorities. Local authorities were formed in 1989 when a review was undertaken by the Local Government Commission on the roles, responsibilities, powers and accountabilities of local government. At this time, approximately 700 councils and special purpose bodies were amalgamated to create local authorities. There is huge variation in the size, scale and activity of local authorities, which can have an impact on their role and responsibilities, and economic performance.

A territorial authority is a city or district council. There are 67 territorial authorities in New Zealand, including 12 cities, 53 districts, Auckland Council, and Chatham Islands territory. Each territorial authority is tasked with encouraging the four well-beings of their community – economic, social, cultural and environmental.

3.1 The 2013 rankings

In 2013, eight out of the top 10 local authorities were in the South Island, with the Selwyn District remaining in the top spot for the second year in a row. The Ashburton District maintained its top three ranking but slipped to third place ranking while the Waimakariri and Hurunui Districts gained placing's within the rankings with employment and population growth in 2013.

There were three new entrants in the top 10. This year, the South Wairarapa District joined the top 10, with an increase in the rankings of 36 places. This was driven by strong employment growth. The other new entrants were the Central Otago and Carterton Districts, which both experienced population and employment growth throughout 2013.

The Waikato and Mackenzie Districts both moved out of the top 10 rankings. The Waikato District was the biggest moving, decreasing to be ranked in the mid-30s. A decrease in employment in the food product manufacturing sector impacted on this District in 2013.

The Christchurch re-build continues to impact on the rankings, with ongoing population growth in districts surrounding Christchurch City. Whether this continues depends on the re-build, and whether changes are permanent or temporary. Overall, Christchurch City improved its rank in 2013, up 26 places from 58 to 32 in 2013.

Table 3.1 Local authority rankings, 2013

BERL Local Authority Rankings	RANK				RANK		
	2013	2012			2013	2012	
Selwyn District	1	1	→	Gore District	34	11	↓23
Waimakariri District	2	3	↑1	Gisborne District	35	41	↑6
Ashburton District	3	2	↓1	Waikato District	36	8	↓28
South Wairarapa District	4	40	↑36	Tararua District	37	37	→
Hurunui District	5	6	↑1	Tauranga City	38	32	↓6
Queenstown-Lakes District	6	4	↓2	Hauraki District	39	7	↓32
Buller District	7	9	↑2	Whangarei District	40	45	↑5
Central Otago District	8	13	↑5	Rangitikei District	41	49	↑8
Waimate District	9	5	↓4	Hastings District	42	45	↑3
Carterton District	10	12	↑2	Horowhenua District	43	62	↑19
Mackenzie District	11	10	↓1	Stratford District	44	21	↓23
Tasman District	12	25	↑13	Western Bay of Plenty District	45	46	↑1
New Plymouth District	13	17	↑4	Taupo District	46	33	↓13
Auckland	14	20	↑6	Marlborough District	47	36	↓11
Timaru District	15	18	↑3	Masterton District	48	27	↓21
Matamata-Piako District	16	30	↑14	Lower Hutt City	49	53	↑4
Southland District	17	14	↓3	Waitomo District	50	52	↑2
Palmerston North City	18	55	↑37	Rotorua District	51	54	↑3
Clutha District	19	26	↑7	Dunedin City	52	51	↓1
Waipa District	20	16	↓4	South Waikato District	53	34	↓19
Westland District	21	47	↑26	Wairoa District	54	65	↑11
Otorohanga District	22	24	↑2	Napier City	55	48	↓7
Waitaki District	23	15	↓8	Wanganui District	56	64	↑8
Wellington City	24	23	↓1	Invercargill City	57	39	↓18
Kaipara District	25	28	↑3	Kaikoura District	58	60	↑2
Porirua City	26	42	↑16	Kapiti Coast District	59	56	↓3
Whakatane District	27	35	↑8	Grey District	60	44	↓16
Central Hawke's Bay District	28	19	↓9	Far North District	61	61	→
South Taranaki District	29	31	↑2	Thames-Coromandel District	62	57	↓5
Nelson City	30	38	↑8	Upper Hutt City	63	63	→
Opotiki District	31	50	↑19	Manawatu District	64	22	↓42
Christchurch City	32	58	↑26	Ruapehu District	65	66	↑1
Hamilton City	33	29	↓4	Kawerau District	66	59	↓7

source: BERL Regional Database 2013

4 Regions

Regional councils cover every territorial authority in New Zealand, with the exception of the Chatham Islands territory. The boundaries of regions conform to water catchments; however, in their establishment consideration was also given to factors such as natural resource management, land use planning, and environmental matters.

4.1 The 2013 rankings

In 2013, the top 10 regional councils were evenly spread between the North and the South Island, with the Auckland Council remaining in the top spot for the second year in a row. The Canterbury Regional Council moved up six rankings to place second in 2013, while the Taranaki Regional Council shifted down one place to sit in the top three rankings.

The Northland Regional Council was the only new entrant into the top 10 regional rankings in 2013. This region moved up three places, from 13th to 10th, due to population, employment and GDP growth between 2012 and 2013. Southland in contrast moved eight places to fall from a third place ranking in 2012. This decline in rankings was due to population and employment decline in the Southland Region, and a decrease in the number of businesses.

The West Coast, Otago, Wellington and the Gisborne region saw small changes year-on-year in terms of rankings, with changing fortunes in terms of resident population and employment. The Nelson/Tasman/Marlborough region had strong GDP growth, and employment grew by just over one percent per annum. The resident population of this region also grew by 0.4 percent, which is lower than the medium term average of the region of 0.7 percent per annum.

Table 4.1 Regional authority rankings, 2013

BERL Region Rankings	Rank		
	2013	2012	
Auckland	1	1	→
Canterbury Regional Council	2	8	↑6
Taranaki Regional Council	3	2	↓1
Nelson/Tasman/Marlborough	4	9	↑5
West Coast Regional Council	5	6	↑1
Otago Regional Council	6	5	↓1
Gisborne Regional Council	7	10	↑3
Waikato Regional Council	8	4	↓4
Wellington Regional Council	9	7	↓2
Northland Regional Council	10	13	↑3
Southland Regional Council	11	3	↓8
Bay of Plenty Regional Council	12	11	↓1
Hawke's Bay Regional Council	13	12	↓1
Manawatu-Wanganui Regional Council	14	14	→

source: BERL Regional Database 2013

5 Economic context

5.1 National

Longer term growth in the agricultural sector will depend on the dairy sector, which accounts for more than a quarter of our total exports. The expectation is that export earnings from dairy will rise from NZ\$12.9 billion this year, to NZ\$17.7 billion by 2017.

A growing demand for New Zealand dairy products from Chinese consumers is pushing milk solid prices to historically high levels. However, this growth may fall sharply with a change in consumer preferences and/or demand, and a fall in commodity prices. New Zealand commodity prices and the export sector more generally, are already affected by the high New Zealand dollar, which is currently sitting at around US\$ 0.82. In addition, the trade weighted index is sitting at around 76 percent. .

The real effects of the drought in the first half of 2013 will be reflected in the 2014 earnings from agriculture, and in turn our regional rankings. The drought led to a faster slaughter schedule as farmers shed their stock, this means a drop in stock numbers will be felt throughout 2014-15. This is an issue given our high external debt, parts of the rural sector being highly indebted, and households continuing to have a high debt-to-income ratio.

High external debt and current account deficit also makes the New Zealand economy very vulnerable to any changes in international financial markets. Since the Global Financial Crisis (GFC), private sector saving has increased and investment has declined. This has been partly offset by a reduction in public sector saving and some increased government spending. Overall, the Government remains committed to returning to surplus by 2014/15. This should reduce its overall domestic and offshore borrowing requirements.

Looking ahead, the Reserve Bank of New Zealand (RBNZ) argues that the main risk to financial stability in New Zealand is growing imbalances in the housing market. Building construction in the Auckland Region has been low for a number of years due to land use restrictions, while the housing stock in Canterbury has been depleted through the 2010 and 2011 earthquakes. These factors have led to a constrained supply. Low mortgage rates, an easing in bank lending standards, and more recently an increase in net inward migration, have in turn all increased the demand for housing.

To restrain the demand for housing, the RBNZ has responded by requiring banks to hold more capital against high loan-to-value ratio (LVR) housing loans, and restricting the proportion of new high LVR housing loans.

LVR may limit the number of first home buyers and investors, as these people usually require home loans of more than 80 percent of the property's value, but it is too early to determine the influence of this intervention on behaviour. Further, this intervention will only restrain growth in housing credit in the short to medium-term. There still needs to be an intervention that addresses supply issues.

Table 5.1 Key Performance Indicators, New Zealand

Key Performance Indicators	2013	5-yr ave	10-yr ave
	%pa		
Resident population grow th	0.8	0.6	0.9
GDP grow th	2.7	0.4	2.1
GDP per capita grow th	1.8	0.8	1.2
Employment Grow th (FTEs)	0.2	0.3	1.5
Labour productivity grow th	2.7	0.5	0.7
Business units grow th	0.7	-0.2	1.8
Business size grow th	-0.5	0.6	-0.3

source: BERL Regional Database 2013

Employment growth for the year ending March 2013 was 0.2 percent which is similar to the five year average of 0.3 percent but well below the long term average of 1.5 percent. Unemployment is currently sitting around 6.2 percent (September 2013 quarter). In March 2013, where this data relates to, the unemployment rate was higher at 6.5 percent.

GDP growth was 2.7 percent for the year ending March 2013. This is higher than the medium and long-term average. **Error! Reference source not found.** illustrates on a map GDP growth nationally in the year ending March 2013, while **Error! Reference source not found.** illustrates those areas that had GDP growth higher and lower than the medium-term average. This growth was driven by an increase in output from the primary and associated manufacturing sectors.

Population growth was 0.8 percent for the year ending March 2013. Population growth has averaged 0.6 percent per annum over the last five years and 0.9 percent over the last 10. In 2012 and 2013, outward migration was higher than inward migration. The majority of outward migration was to Australia. However, latest data indicates that this tide is turning and that net inward migration is growing as more New Zealanders return from Australia, and greater numbers of people choose to live in New Zealand.

5.2 International

As a small island nation that relies heavily on trade, New Zealand is vulnerable to the situation and prospects of its trading partners, and the broader global economy. The world economy underperformed across almost all regions in 2013 due to the lingering effects of the GFC, and the challenges many countries continue to face in regards to monetary and fiscal policy action.

The United Nations *World Economic Situation and Prospects 2014* argues that the global economy is expected to grow 3.0 percent in 2014, and 3.3 percent in 2015. This compares with an estimated growth of 2.1 percent throughout 2013. This forecast is based on the Euro area emerging from recession, the economies of the United States and the United Kingdom strengthening, and ongoing growth in developing economies such as India and China.

The risks to this forecast include the US Federal Reserve exiting from their quantitative easing programmes, and the potential impact this may have globally on long-term interest rates, and the flow of capital in and out of equity markets. In the Euro area, risks remain about the fragility of the banking system and the real economy.

Unemployment remains at historically high levels, and the subsequent political unrest this may cause in some countries remains a concern.

Unemployment in Greece and Spain, for example, is approximately 27 percent and youth unemployment is twice this rate. There is also ongoing uncertainty as to how much of this unemployment is structural as opposed to cyclical unemployment.

International trade has been sluggish in 2012 and 2013, and the ratio between the growth of world trade and the growth of global outputs has been low. However, this pattern varies between developed and developing economies. The demand for imports is low in developed economies, for example, as they are experiencing a downturn in consumer spending and confidence.

Appendix A What are the economic indicators?

Each indicator reflects the economic performance of a geographic area. In particular, they reflect the attractiveness of a place to live (population), its ability to sustain its population (GDP, business units and employment), and the size of non-population based activity (Relative Openness Index).

Table 5.2: Definition of economic indicators

Economic indicator	Definition
Resident population	The resident population is the number of people living within a designated area. These areas are based on the boundaries of Statistics New Zealand Census Area Units.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) measures the total value contributed to the economy by the activities of all businesses and organisations within a defined area. In theory, it is equal to the value of the output of businesses (i.e. sales and turnover) less the purchases of goods and services from other businesses. In practise, GDP is akin to the sum of wages, salaries, profits and operating surplus arising from all economic activity within a defined area.
Business unit	A business unit is a single unit operating in one, or predominantly one, kind of economic activity from a single physical location.
Full-Time Equivalent (FTE)	Full-Time Equivalent (FTE) employment measures the number of people in employment for 30 hours or more per week. Two people who are employed part-time are measured as one full-time person.
Relative Openness Index	<p>The BERL Relative Openness Index reflects the composition of economic activity in a city, district or region. It measures the proportion of GDP that is accounted for in an area by sectors that are open to competition from abroad, compared to that proportion nationally.</p> <p>Sectors in the index include all of the primary industry and manufacturing sectors, accommodation, transport, communications, and business services.</p> <p>A higher rank on this measure indicates an area where the economy is more orientated towards internationally competitive activities, relative to other areas with a domestic market focus.</p>

Each indicator reflects the economic performance of a geographic area. In particular, they reflect the attractiveness of a place to live (population), its ability to sustain its population (GDP, business units and employment), and the size of non-population based activity (Relative Openness Index)



