

Report 17.130
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Committee Finance, Risk and Assurance Committee
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Economic update 2016

1. Purpose

To provide an update on the region's economic performance for 2016 based on Infometrics database and reports. This information provides a basis to assess potential implications for the Council and its forward work programme.

2. Background

The Committee is provided with an annual economic update around this time of the year. Infometrics data is used for regional performance indicators and this report takes a Wellington Region focus. Territorial authority level information is also included where relevant.

The national economy is undergoing a period of strong growth that is forecast to continue out to 2020, although inflationary pressures are emerging. Such growth is attributed to factors including high net migration, construction activity and tourism numbers, from which Wellington has also benefited. Auckland continues as the engine room of growth.

The table below is designed to provide a snapshot for 2016 of the levels of growth experienced. Some explanatory notes are provided where relevant. Wellington's growth figures are in the context of a buoyant national economy so comparisons can be made.

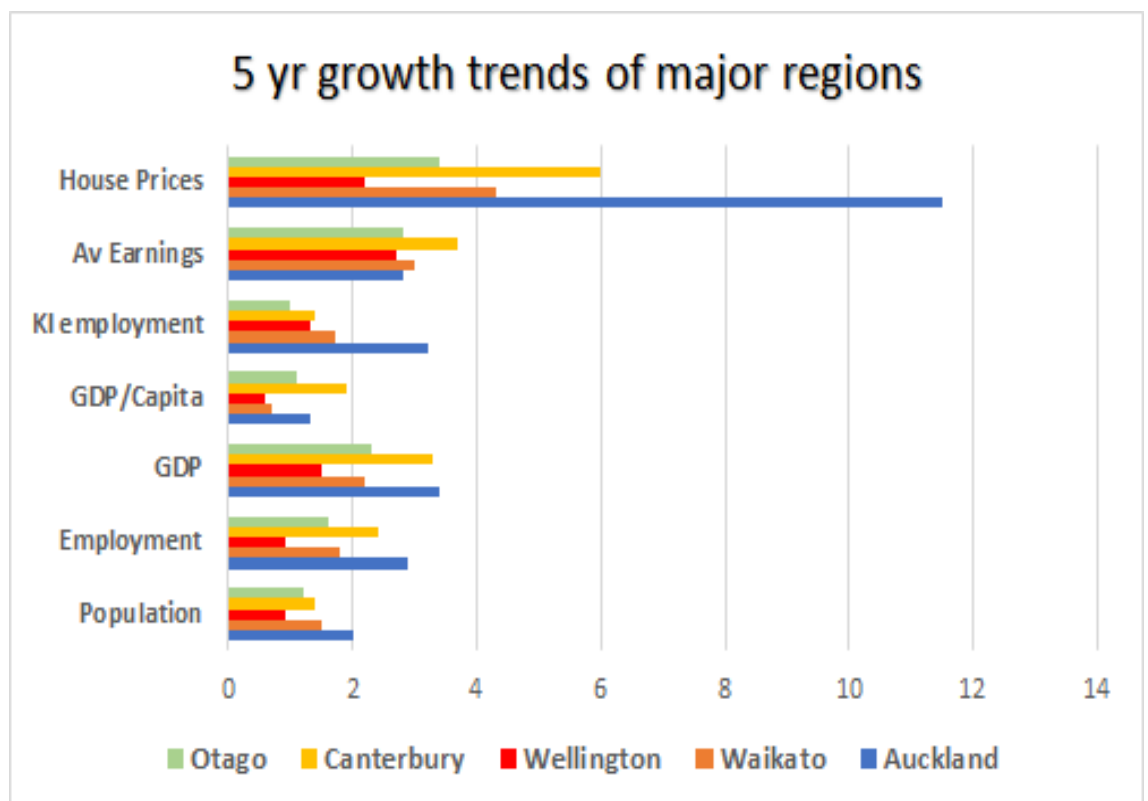
| GROWTH INDICATOR 2016 | Region | NZ |
|--|--------|-----|
| Population (% growth) | 1.6 | 2.1 |
| Population growth is largely attributed to high net migration over the last two years. In 2016 this was 5,100 for the region. By contrast for the last 10 years per annum growth was lower at 0.8% and largely the result of births. | | |
| Gross Domestic Product (% growth) | 1.5 | 2.5 |
| Growth was most evident in Finance, Central Government, Professional | | |

| | | |
|---|------|--------|
| Scientific Technical Services (PSTS), and property related services. The 2016 growth rate mirrors that for the period 2011-2016. | | |
| Exports (% growth) | 10.1 | 4.1 |
| Growth here has lifted exports to 19.4% share of GDP, the highest level in the last decade. This is still lower than the national average of around 30%. The largest exporters were meat, food manufacturing, metal and machinery manufacturing, PSTS and tourism as evidenced in transport and accommodation industries. | | |
| Productivity (% growth) | 0.42 | - 0.23 |
| Productivity (GDP/person employed) by sector is higher across the board for Wellington with the exception of the Primary Sector. This translates to higher average wages for example. It also means Wellington starts from a higher base than the NZ average so a 2016 growth result greater than for New Zealand is encouraging. | | |
| Employment (% growth) | 1.2 | 2.7 |
| The job creators were in the Central Government, Banking, Health and Computer Systems Designs sectors. Regional job numbers are around 274,000 of which 159,000 are in Wellington City. Beneficiary numbers have continued to decline slowly since 2012. | | |
| Skills (% growth in Knowledge Intensive [KI] Employment) | 1.1 | 2.1 |
| Highest growth occupations were Health Professionals, Design Engineering and Science Professionals, Office Managers and Programme Administrators and construction labourers. As a percentage of the total KI Employment in the region, Central Government Administration is the largest followed by Health, Computer Systems Design and Related Services, and Management Advice and Other Consultancy. | | |
| House Values (% growth) | 5.9 | 12.2 |
| Although house values have increased significantly, Wellington remains more affordable relative to the national growth figures. | | |
| Tourism | | |
| Share of total GDP | 3 | 3.7 |
| GDP % growth | 0.3 | 3.1 |
| Employment % growth | 0 | 3.7 |
| Tourism as a share of regional GDP peaked at 3.3% in 2011 when the NZ figure was 3.8. It accounts for 6.6% of total employment in the Wellington economy compared to 8% for New Zealand. | | |

Trends and Regional Comparators

While the Wellington Region's performance and growth in 2016 has been positive, it was still in the context of a buoyant national economy. When comparing growth trends for the last five years across the major regions of New Zealand, it is apparent that Wellington (red bar on the graph below) is generally tracking behind the other major centres.

This same regional performance pattern is evident when looking at all 16 regions. Wellington's relative position has largely declined since 2014 for standard indicators including, employment, GDP, GDP/capita growth and high skills growth rates.



This situation suggests there will be greater growth pressures in other parts of the country and therefore national resources directed accordingly.

Sub regional performance 2016

Wellington City is the commercial centre of the region. It had the highest growth rate of house values and was 0.4% and 0.5% higher than the regional average for population and GDP growth respectively. In absolute numbers terms these have the greatest impact.

The Hutt Valley has emerged from a period of poor population and employment growth which can be attributed to a transition from a manufacturing base to a more diverse economy and lifestyle housing options. While growth rates in 2016 were generally lower than the regional average, there is an upward trend.

Off the back of a buoyant primary and export sector, the Wairarapa has experienced good growth. Most notable are increases in exports and skill levels.

In the Kapiti-Porirua catchment, Porirua is notable with above average growth in house values, population and export growth. Kapiti continues as a significant growth area although productivity and population growth rates did drop off a little.

A 2 page summary report *Wellington Region at a Glance* is also attached (**Attachment 1**).

3. Comment

One emerging factor in the last 12 months that may impact on the performance of Wellington City and the wider region is the impact of the Kaikoura earthquake from November 2016.

The earthquake has had widespread impacts, most notably the demolition of several commercial buildings in the CBD, and significant disruption to the operations of CentrePort. Beyond these immediate impacts, there is a continuing programme of assessment of buildings, which is likely to result in further demolitions – in the interim a number of government departments, local government entities and businesses are disrupted from relocation. A possible consequence is that some investment in the region is perceived as being a higher risk and some existing businesses/government entities move out of the region.

The region has placed great emphasis on building greater resiliency for infrastructure and the built environment, business continuity and community preparedness. There is a continuing programme of investment in infrastructure upgrades.

In terms of the wider approach to building resilience there are a number of significant programmes. The Wellington City Council has prepared a Resilience Strategy, as part of the international 100 resilient cities programme. Wellington Lifelines, supported by GWRC, is developing a programme business case on improving the resilience of the region's network utilities, and a joint coordination group, the Wellington Region Resilience Coordination Group (WRRCoG), has been formed with central government and local government to accelerate the deployment of capability to coordinate and monitor programmes of interventions to improve regional resilience.

These programmes are all aimed at strengthening the resilience of the Wellington Region and building a foundation upon which businesses can be confident to continue to invest.

4. The decision-making process and significance

No decision is being sought in this report.

4.1 Engagement

Engagement on the matters contained in this report aligns with the level of significance. In accordance with the significance and engagement policy, no engagement on the matters for decision is required.

5. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

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Attachment 1: Wellington Region at a Glance