

Waitakere City Business and Economy 2002 Update

Executive summary

Waitakere City's economy expanded 1.7% over the year to March 2002, in contrast to a 3% decline in the preceding year.

Since March 2002, the City's economic growth rate has edged up to over 2% pa on the back of strengthening population growth and a more active real estate market. The number of people receiving an unemployment benefit in Waitakere City fell 5% over 2002 calendar year.

Manufacturing (boat building and wood and paper) and the service industries (film & television, business and property, education, health and personal services) have been the drivers of Waitakere's economic performance since March 2002.

Notwithstanding these improvements, economic growth in Waitakere has been slower than that in the Auckland region (4.6% since March 2002) largely due to factors outside the City's control. For example in Waitakere -

- ī The defence sector employees declined by 180 (13%) consequent to the restructuring of the air force.
- ī Some labour intensive industries relocated overseas.
- ī The recovery of the construction industry was slow despite rising house demand because of an excess supply of housing

in the City;

- ī The industries that are growing rapidly - tertiary education, wholesaling and business and property services - are still relatively small.

The pace of economic growth in Waitakere City is likely to consolidate around 2.25% over the 2003 calendar year. Faster economic growth will be constrained by a number of factors:

- ī population growth will slow in line with receding immigration flows;
- ī retail sales growth will be limited by on-going employment growth of 1-2%.
- ī soft global growth and competition from low-cost countries will constrain growth in manufacturing activity;
- ī house construction activity will pick up, but the overall growth in construction will be dampened by slower growth in non-residential building.

Emerging industries like boat building, film and television, and sport services will continue to expand and increase their contribution to the City's overall rate of economic growth over the long term.

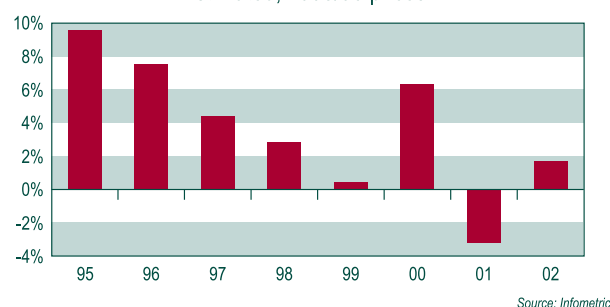
Waitakere City in Figures

Indicator	Period	Level			Annual % Change		
		Waitakere	Ak Region	NZ	Waitakere	Ak Region	NZ
Real Gross Domestic Product	year end Mar-02	\$2,802m ¹	\$37,270m ¹	\$108,467m ¹	1.7%	4.0%	3.3%
Population (usually resident)	as at Jun-02	180,700	1,251,400	3,938,800	2.6%	2.8%	1.5%
Employment (full-time equivalents)	as at Feb-02	41,200	511,200	1,467,910	1.2%	3.0%	3.5%
No. receiving unemployment benefits ⁴	as at Dec-02	2,383	30,996	109,514	-7.6%	-10.5%	-11.2%
New Dwelling consents	year end Jan-03	1,636	12,458	27,717	39.2%	52.7%	34.0
New non-residential construction	year end Jan-03	\$16m	\$574m	\$1510m	-49.6%	-12.6%	-9.4%
House Prices ²	as at Dec-02	\$227,044	\$314,214	\$207,818	7.9%	13.7%	10.4%
House Sales ³ (number)	year end Jan-03	4,428	36,856	103,225	47.9%	42.0%	32.1%
Guest nights purchased	year end Jan-03	53,630	5,228,136	28,964,924	-23.2%	12.2%	6.3%

Source: ¹Infometrics estimate ²Quotable Value NZ ³Real Estate Institute of New Zealand ⁴Quarterly average

Figure 1

Economic growth in Waitakere City Estimated, 1995/96 prices



Source: Infometrics

Figure 2

Population

Waitakere City's population grew 2.6% (to 180,700) over the year to June 2002. The rate of population growth has picked up in line with the Auckland region's (2.8%), reflecting an increase in immigrant arrivals.

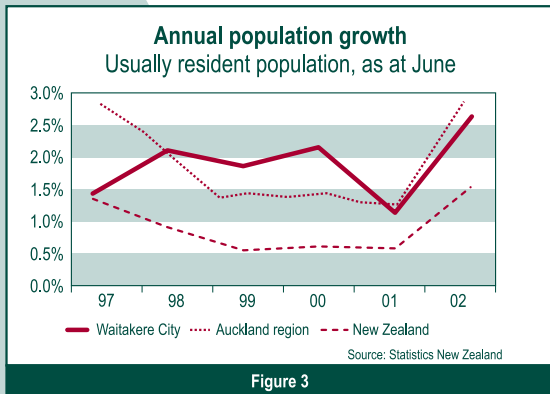


Figure 3

Population growth will slow in the City over 2003 because immigration policy has been steadily tightened since early 2002. Despite a large backlog of applications that are still to be assessed, immigrant arrival numbers will decline as 2003 progresses.

A quarter of Waitakere residents are children (aged less than 15 years), higher than the national average. According to Census 2001, the majority of Waitakere residents were European (72%), followed by Pacific Island people (15%), Maori (13%) and Asian (11%).

Occupations, skills and income

About 37% of Waitakere residents with jobs are employed as professionals, managers and administrators (same as the national average), compared with 43% in the Auckland region. About 15% are employed as clerks - office administrators, reception staff and the like, while sales and service workers represent 14% of the residents employed, slightly higher than in the Auckland region.

According to the 2001 Census, over a quarter (28.9%) of Waitakere residents aged over 15 years had a formal tertiary qualification. Conversely, 27.6% of residents had no school or tertiary qualifications.

Nearly one in five Waitakere residents spoke two languages and 3.6% spoke three or more languages. The most commonly spoken language after English was Samoan.

Census 2001 data showed that the median annual personal

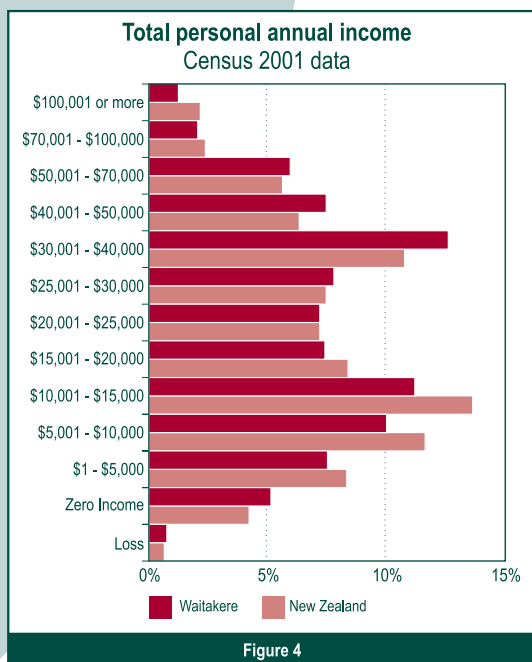


Figure 4

income (from all sources) in Waitakere City was \$20,800, which was above the national average of \$18,500. Waitakere residents' personal income is more evenly distributed than is the case for New Zealand - Waitakere has fewer (less than 4%) residents earning over \$70,000 pa. About 48% of the income earners fall within the annual income range of \$20,001-\$70,000, while roughly an equal proportion earn an annual income of \$20,000 and less.

The median household income in Waitakere City was \$46,426 per year in 2001 compared with \$48,997 in the Auckland region.

Employment and Unemployment

About 37% of the City's residents who are employed work locally. A larger proportion (49%) of the resident workers commute to other cities in the Auckland region for work. The employment status of Waitakere labour force is influenced largely by the growth of the regional economy. The local economy provided 41,200 full time equivalent jobs as at February 2002¹. This represented a net increase of 500 full-time equivalent jobs (or 1.2%) in the year to February 2002, in contrast to a decline in jobs the previous year.

Employment growth in Waitakere City was slower than national (3.0%) and Auckland regional (3.5%) growth. Solid manufacturing and business property services employment was partially offset by the job losses in construction, transport, central government and defence.

Since February 2002, employment growth has continued at 1-2% in Waitakere. The number of people receiving unemployment benefits has continued to fall by about 5% pa over 2002 (compared with 10% fall at national level).

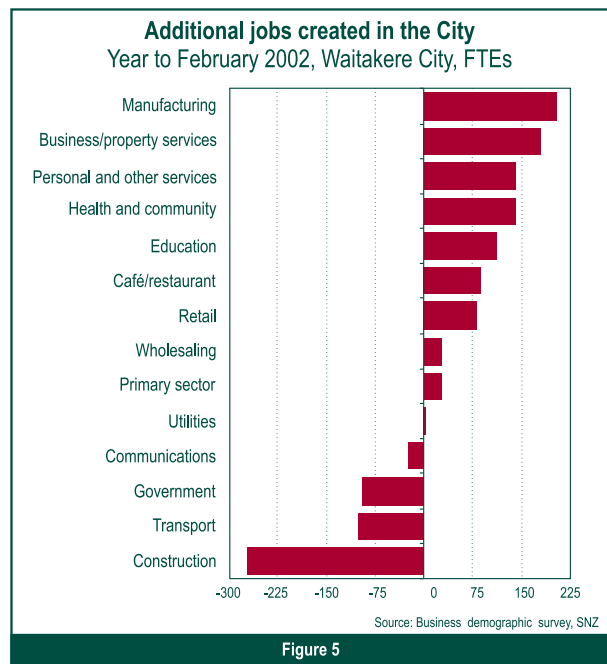


Figure 5

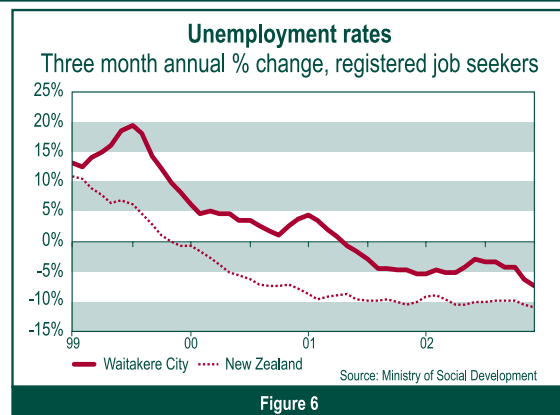


Figure 6

¹ This report is based on Business Demographic data supplied by Statistics New Zealand. The latest available data is for February 2002.

Economic structure

Output from Waitakere City accounted for 8% of the Auckland region's economy over the year to March 2002. As at June 2002, 18% of the Auckland region's population lived in Waitakere City.

Primary sector (agriculture, forestry, fishing and mining) account for 1% of the City's economy (same as for the Auckland region), compared to 12% for New Zealand excluding the Auckland region.

Waitakere City's secondary sector (manufacturing and construction) accounted for 27% of production over the year to March 2002. This is well above the national share (19%), which reflects the relatively large contribution of the primary sector to the national economy.

Tertiary sector (mostly services) provided 56% of production over the March 2002 year, compared to 60% nationally. Retail and business and property services are the City's largest tertiary industries.

Secondary sector

The manufacturing and construction sector accounts for a bigger share of Waitakere City's economy than is the case at an Auckland regional or national level. This sector has provided a little over one-third of the total FTEs (Full-Time Equivalents) in the city.

Manufacturing

Manufacturing is Waitakere's largest sector and accounted for 22% of FTE jobs as at February 2002. However, this sector has faded in relative importance in recent years - in 1994 it accounted for 26% of all jobs in the City. Manufacturing employment growth has been affected to some extent by the competition from Asia.

The manufacturing workforce grew 2% (or 205 FTEs) over the year to February 2002, which was in line with the Auckland regional average. However, there was a significant variation in job growth rate across this sector.

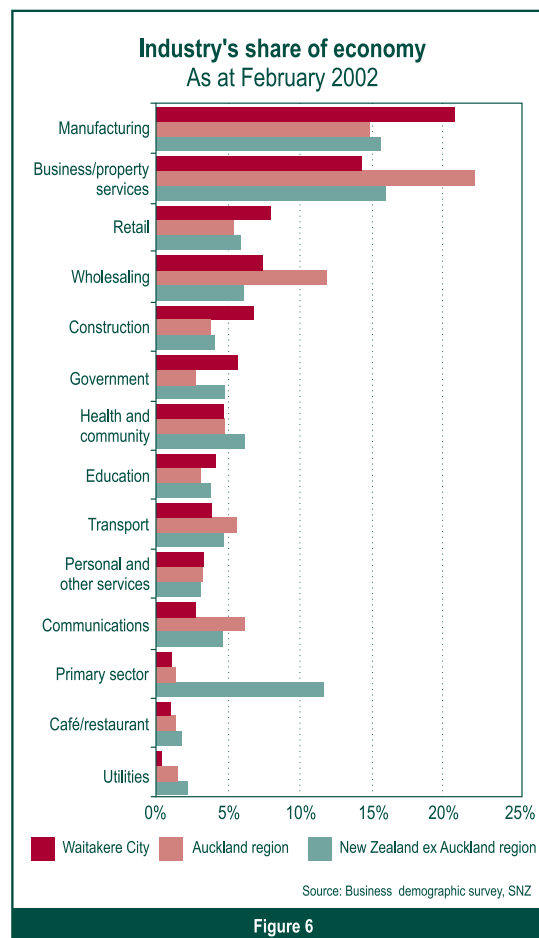


Figure 6

Waitakere City manufacturing employment growth

Fulltime equivalent employment as at February 2002

	Waitakere jobs	Share	Annual growth		
			Waitakere	Ak Reg	NZ ex Ak region
Machinery	2,130	24%	10%	6%	3%
Other	2,097	24%	4%	-2%	2%
Textile	1,258	14%	-9%	1%	0%
Chemical	1,247	14%	8%	4%	5%
Food and beverage	930	10%	3%	2%	7%
Metal products	743	8%	-5%	1%	7%
Printing	496	6%	-5%	2%	1%
Total	8,901	100%	2%	2%	4%

Source: Business demographic survey, SNZ

Figure 7

The boat and ship building industry has provided much of the growth in the City's manufacturing industry in recent years. During the year to February 2002, it recorded a 23% increase in employment (200 extra FTEs) and accounted for 52% of machinery and equipment sub-sector employees in Waitakere.

The growth of this industry has also contributed to the

expansion of other industries that supply various inputs and services. In the chemical manufacturing industry, heavy-duty plastic product manufacturers expanded their workforce by 40 FTEs. Some of this output is used by the boat building industry.

Industry New Zealand is funding an in-depth study of the

boat building industry that will be released around mid-2003. The loss of the America's Cup may take the gloss off the growth in this industry, but anecdotal evidence of strong forward bookings suggests job growth will continue.

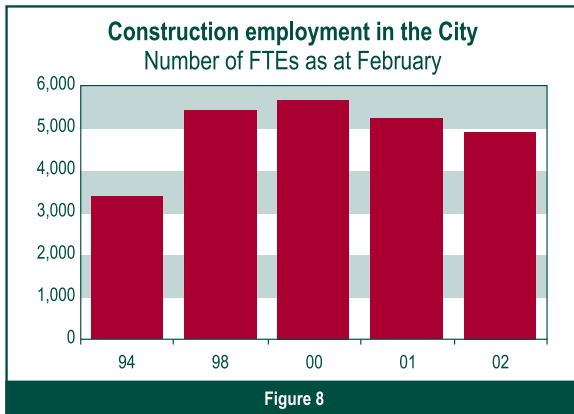
The employment growth in other manufacturing reflects mainly the wood and paper product industry (139). Just over 100 new timber-resawing jobs were created in the City, highlighting the 10% annual rate of growth in national forestry harvests. Paper, rigid plastic product, pharmaceutical and poultry processing industries are also recording strong employment growth.

A loss of 110 FTE clothing and 40 footwear manufacturing jobs explains the 9% drop in textile, clothing and footwear jobs. While the unfavourable overseas market conditions contributed to the job losses in the clothing industry, the relocation of a footwear manufacturer offshore led to the reduction in FTEs in that industry. Since February 2002, the major producer of clothing in Waitakere has expanded production and employment.

Manufacturers in Waitakere City will face tough operating conditions over 2003, suggesting job growth will be slow. The higher New Zealand dollar will crimp the profit margins of exporting firms, and competition from importers will rise. Slowing domestic demand growth will restrain sales growth. And competition from Asia will escalate, with low-cost manufacturing in China expanding rapidly.

Construction

Employment in the City's construction industry fell by 272 FTE jobs (or 5%) to 4930 FTEs during the year to February 2002. Over the second half of the 1990s construction employment grew rapidly in the City, but has been steadily contracting since hitting a peak of 5630 FTEs in 2000. Yet, it still accounts for nearly 12% of the total FTEs in the City.



Virtually all areas contributed to the decline in construction jobs, with the most jobs lost in site preparation (60), painting/decorating (60) and plumbing services (50). The decline in construction employment over the year to February 2002 is consistent with relatively low levels of house turnover and new house construction over 2001, and flat non-residential activity.

Since February 2002, the residential real estate market has become more active in the City, partly due to population growth. The number of house sales rose sharply (48%) over the year ended January 2003. This sales growth rate is well ahead of the national (32%) or Auckland regional (42%) average.

However, the excess housing supply created by the 1999-2000 building boom is restricting the house price inflation and the growth in house building in the city.

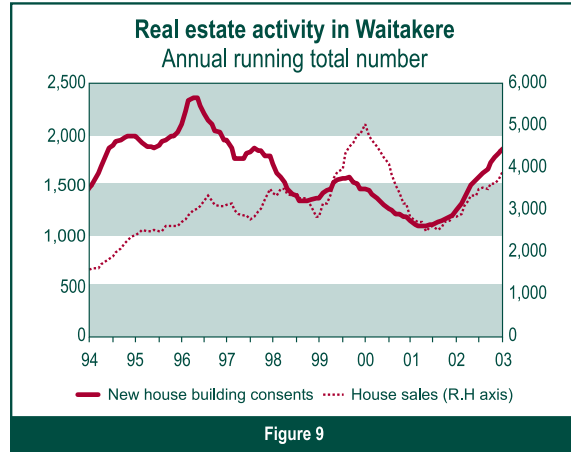


Figure 9

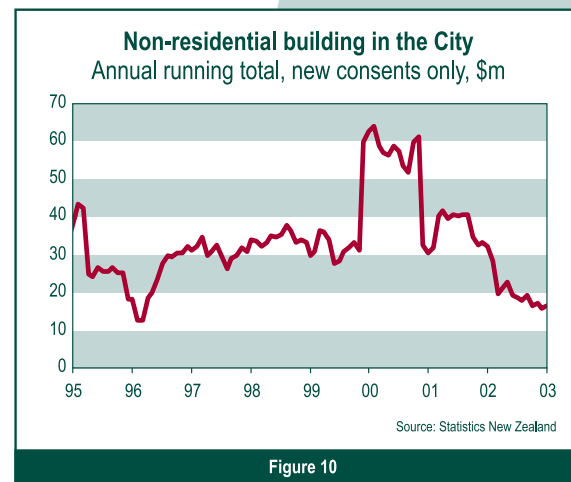


Figure 10

- The annual house price inflation was more reserved in Waitakere (8%) than the Auckland region (14%) or national (10%) in the December 2002 quarter.
- The growth in the number of new dwelling consents (39%) in the City is higher than the national rate (34%) but lower than the Auckland regional rate (53%).

Non-residential building activity slumped 50% over the year ended January 2003 in Waitakere City. This drop represented a \$16 m decline in the value of new non-residential building consents - mainly the education and factory buildings. The main area of strength in non-residential consents in the City was for warehouse construction, which increased in value by \$3m.

The outlook for construction activity was for steady employment growth over 2002/03. Rising residential construction activity will require more workers, but employment in the non-residential building will probably shrink.

Tertiary industries

Tertiary (or service) industries, accounting for two-third of employment in Waitakere City, recorded 2% rise in FTEs. Retail and business and property services are the largest employers in the City's tertiary industries.

Waitakere City tertiary sector employment growth Fulltime equivalent employment as at February 2002

	Waitakere jobs	Share	Annual growth		
			Waitakere	Ak Reg	NZ ex Ak region
Retail	6,689	25%	1%	4%	2%
Business/property	4,830	18%	4%	3%	5%
Education	3,080	11%	4%	7%	2%
Health/community	2,795	10%	5%	5%	5%
Personal and other	2,537	9%	6%	6%	4%
Wholesale	2,443	9%	1%	0%	1%
Government	2,000	7%	-5%	5%	4%
Transport	1,315	5%	-7%	2%	4%
Cafes and restaurants	1,142	4%	8%	4%	4%
Communications	400	1%	-6%	6%	0%
Total tertiary services	27,231	100%	2%	4%	3%

Source: Business demographic survey, SNZ

Figure 11

Retail employment growth edged 1% higher (82 FTE jobs) over the year to February 2002. Food shops provided 70 of the extra retail jobs over the year to February 2002, reflecting solid population growth. Food and automotive retailing accounted for 60% of retail jobs in Waitakere City.

Over 2002, retail sales growth in the City is likely to have been solid, but slower than the national average (8% pa). Fast population growth has been offset to some extent by weak employment growth in Waitakere² and a low level of tourist activity.

The outlook is for flat retail employment in the City over 2003. Household spending will be cramped by weak job growth. The low value of new retail building construction consents issued in the City is consistent with soft retail industry employment.

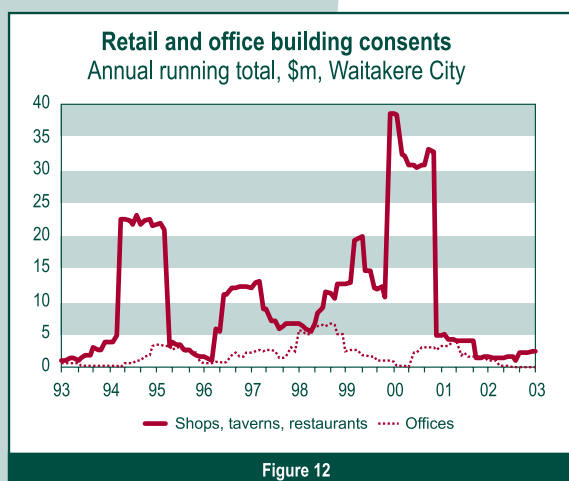


Figure 12

Business and property services employment grew by 179 FTE positions (or 4%) in Waitakere City over the year to February 2002. This represented slower job growth than occurred nationally in this industry (5%). The structure of Waitakere's business and property services industry is similar to the national average (figures are for Waitakere):

- ī Finance and insurance contributed 13% of FTE employees;
- ī Property services (20%);
- ī Business services (66%).

Despite being the smallest sub-industry, finance and insurance services contributed 95 of the extra jobs, reflecting 60 new bank jobs. Property services employment was flat over the year to February 2002, in line with real estate activity. Business services employment grew 2%, with the fastest growth among technical services.

The outlook for property and business services has brightened with the pick up in real estate activity. However, slow overall economic growth in the City will preclude a significant pickup in business services job numbers.

The City's **education** workforce expanded 4% over the year to February 2002. Like the rest of the Auckland region, pre-school (70 extra FTEs), primary school (50) and secondary school (40) job numbers increased strongly in the City. The share of the City's population aged under 15 (25%) is larger than the national average (23%) and is growing faster.

The City's tertiary education workforce was not expanding as fast as in other areas of the Auckland region, but there is considerable potential for future growth with the establishment of the UNITEC campus in Henderson in July 2001.

The fastest growing area of the tertiary industries was the **café and restaurant** industry (89 extra FTEs). Normally, tourists account for the bulk of retail sales in these businesses, and 8% employment growth is at odds with the 23% drop in the number of guest nights purchased over the year to January 2003 in the City. The change in life style in Waitakere residents, the doubling of tertiary student population in Henderson and the rising popularity of the City as a centre for leisure and sports are likely to be the drivers behind the increase in café and restaurant employment.

The growth in the tertiary industry employment was dampened by job losses in **government** (95 fewer FTE jobs) and **transport** (101 fewer FTEs) sectors.

- ī The number of defence employees dropped 180 (13%) in the City, which more than offset a gain in other areas of government employment. A restructuring of the airforce following the disbandment of the air-combat force is likely to have reduced defence employee numbers at Whenuapai.
- ī Of the 101 FTE jobs lost in the City's transport industry, short distance bus (40 FTES) and the road freight (20 FTES) sub-industries accounted for most of the contraction.

² Nearly half the number of resident workers commutes to other cities in Auckland region.

Emerging industries

The City's emerging industries that offer the most potential for growth over coming years remain boat building and film and television production.

Although it started as a niche industry, boat building is a fast growing manufacturing activity in Waitakere. Built on New Zealand's reputation for making high quality boats and sailing expertise, the direct contribution from this industry to local employment shot up from 0.9% of the total FTEs in the City in 1994 to 2.7% in 2002. Currently this industry provides well over 1000 direct FTE positions. In addition, a large number of indirect employment opportunities have been created in a range of ancillary industries that provide various inputs.

Direct employment in film and video production and distribution has grown from 34 in 1994 to 189 in 2002. Over the year to February 2002, 60 extra jobs were created in the

City. In addition, there will have been indirect employment and income generation through multiplier effects. Council has played a proactive role in attracting screen productions to the City. Over the five years to 2001, the number of residents whose main occupation was in the arts has doubled to 804.

The workforce of the City's sports ground/facility provision and services has increased from 120 in 1994 to 340 in 2002. Further expansion in this area could have flow on effects for the City's tourism industry.

Among the potential niche industries, winemaking and accommodation have faded in the City. FTE numbers fell from 160 and 100 in 1994 to 110 and 57 in 2002, respectively. As at February 2002 there were just 30 FTE jobs in the hotel/motel industry.

Outlook

Economic growth is likely to remain solid at 2.0-2.5% in Waitakere City over the 2003 calendar year. Population growth will slow, but will sustain continued economic growth in the City over the next year.

Growth in manufacturing activity will be constrained by a tough environment - firms that are not price takers will better survive the rise in the New Zealand dollar and competition from importers and Asian manufacturers. Growth in construction employment will be slow as non-residential construction activity will decline and the existing workforce can absorb any extra residential construction work.

Slow job creation will limit growth in retail sales turnover, although the strong housing market will ensure sales continue to expand.

The Council has recognised the economic potential of the City and taken a number of initiatives to play a catalytic role in

promoting a strong innovative economy in the long term. In addition to the development of infrastructure facilities and amenities that make Waitakere an attractive place to visit, live and work, the following key projects aim at promoting economic development directly and indirectly.

- Relocation of Council to Henderson to support the development of the town as the central business district of Waitakere;
- Council's investments in Corban Estate Arts Centre, Waitakere City Library development and West Wave Aquatic Centre;
- Development of Hobsonville Peninsula (including establishment of a marine precinct) and future development of the Massey North and Westgate area.
- Development of Henderson Vineyards Business Campus around Lincoln Road.

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