

# Waitakere City Business and Economy 2002

## Summary

Waitakere City's economic performance was mixed over the course of 2000 and the early part of 2001. While some industries (e.g. plastic and rubber products manufacturing, and transport and storage) experienced expansion, the movement of defence, wine making and paper products facilities out of the region, and a

lack of new work in the important construction industry, had a large negative impact on the overall growth of the economy. As a result, the gross domestic product declined by approximately 3% during the year ended March 2001. (Estimated on the basis of business demographic data compiled by Statistics New Zealand.)

Since then there has been a slow but steady recovery in business activity. The construction industry has recovered, at least in the wider Auckland region, and this is translating into more jobs for Waitakere residents and improved earnings for businesses in the city.

Businesses in the other major industry in Waitakere, manufacturing, also saw their earnings rise over the second half of last year, buoyed by an exchange rate which made our exports cheaper for foreigners and imports more expensive for New Zealanders.

Activity is growing in some niche industries too - the boat building industry is intensifying particularly fast, for example.

Over the next year, migration will be the source of resurgent demand for housing (not to mention other services), and this will help to

consolidate and build on recent small gains in the local construction industry.

Meanwhile, manufacturers of all sorts will continue to benefit from a strengthening world economy and

the relatively weak New Zealand dollar. Even after a recent spurt of growth, the TWI is only 56.5 - a long way from the peak of 68.0 reached in 1996.

The exchange rate, however, cannot be relied upon to provide growth over the long term. In future, growth in manufacturing activity will be concentrated in those areas where companies can exploit niche markets or leverage intellectual property, rather than simply capitalise on low production costs.

Overall, economic growth is expected to bounce back in 2002, in line with a similar increase in the wider Auckland Region.

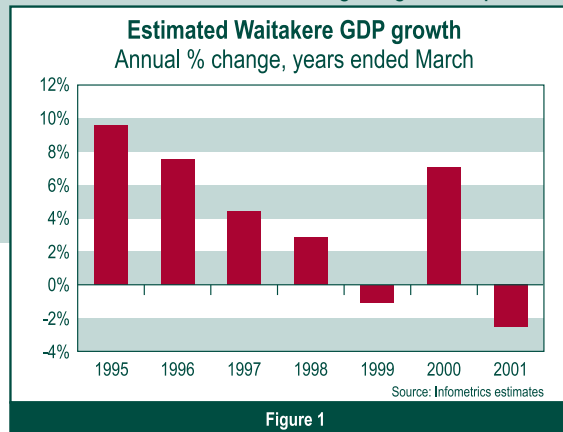


Figure 1

## The people

### Population

There were 168,750 people living in Waitakere at the time of the last Census in March 2001. Waitakere's residents make up 15% of the Auckland Region's population and 5% of New Zealand's.

Population growth in Waitakere over the last five years has been more than twice as fast as in the rest of the country, and about equal to population growth in the rest of the Auckland Region.

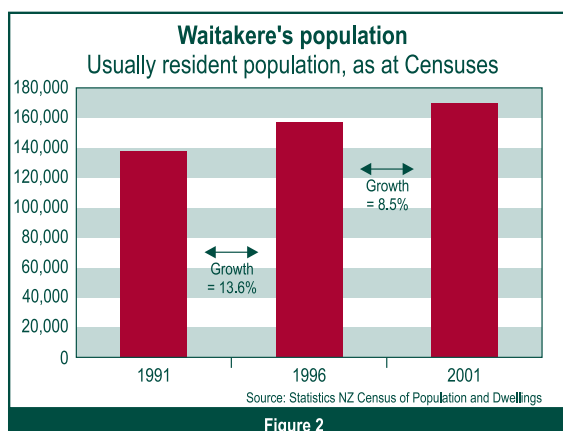


Figure 2

Population growth in all parts of the country slowed over the five years to March 2001 as immigration flows subsided. In the last few months, however, the number of immigrants has started to rise again, dramatically. Population growth over the next year is expected to be one-and-a-half times as fast as in 2001.

# The people continued

## Age Groups

A quarter of Waitakere residents are children (aged less than 15 years). This proportion is higher than the national average. One of the reasons Waitakere is a favoured location for families with younger children is that housing is more

affordable than in other parts of Auckland. The proximity of green areas - the Waitakere ranges - and lifestyle might also be motivations. The number of retired people in the city is low by national standards.

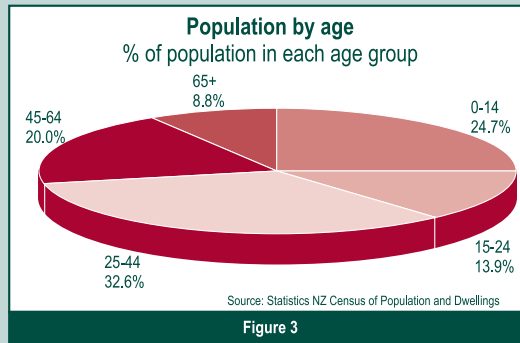


Figure 3

## Ethnic groups

Waitakere's residents are mostly European, although there are slightly higher proportions of Pacific peoples and Asians than the national average (using the meth-

odology adopted by Statistics New Zealand, people whose ethnicity is not identified are excluded from the calculations).

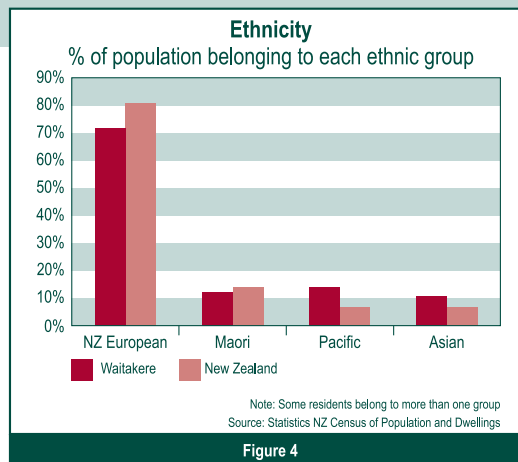


Figure 4

## Occupations, skills and income

At the time of the 2001 Census, nearly a sixth (16.3%) of Waitakere residents with jobs were employed as clerks - office administrators, reception staff and the like. This proportion was well above the national average. Waitakere also boxed above its weight when it came to the proportion of trades-people in the population. Waitakere is home to many construction-related businesses, and this provides some explanation for the prevalence of builders, plumbers, and electricians.

languages and 3.6% spoke three or more languages. The most commonly spoken language after English was Samoan.

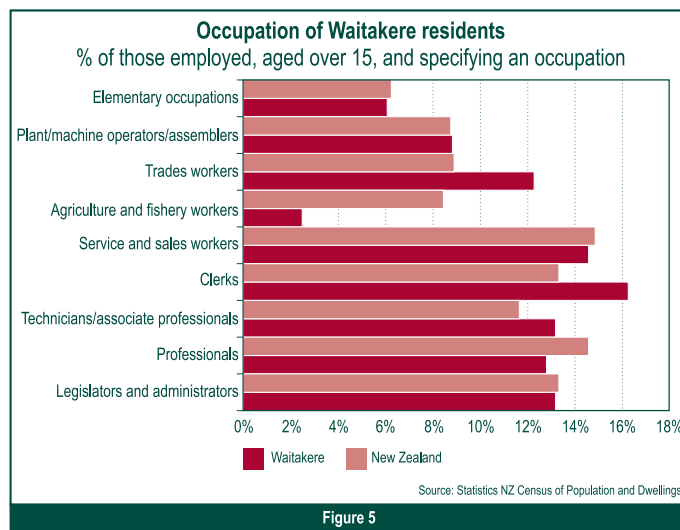


Figure 5

Also at the time of the 2001 Census, just over a quarter (28.9%) of Waitakere residents aged 15 years and over had a formal tertiary qualification. Only 27.6% of residents had no school or tertiary qualifications.

It is worth noting that the characteristics highlighted here refer to the people who live in Waitakere, rather than those who work in the city. Many Waitakere residents commute to Auckland City, and some people commute to Waitakere from neighbouring areas. The demographic characteristics of people who work for businesses located in Waitakere City will almost certainly differ from those presented here.

Nearly one in five (18.3%) Waitakere residents spoke two

The median annual income of people in Waitakere is \$20,800 - higher than the national median. Approximately 11% of the people aged 15 years and over have an annual income of more than \$50,000. The median household income is \$46,426 per year.

## Employment and unemployment

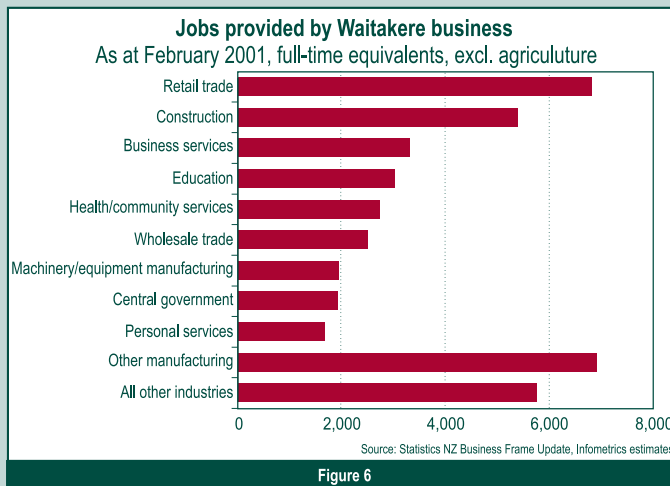
The 2001 Census recorded that 69.3% of Waitakere residents aged 15 years and over were in the labour force (in paid employment, or unemployed but actively seeking paid employment). Of this group, 8.3% were officially unemployed, slightly higher than the national average of 7.5%.

The 69.3% labour force participation rate is higher than the national average of 66.7% (using the methodology adopted by Statistics New Zealand, people whose labour force status is not identified are excluded from these calculations). A relatively small proportion of retirees in the Waitakere population is one reason for the higher rate - many older adults are neither in paid work, nor actively seeking such work.

Waitakere businesses provide enough jobs for roughly half of the city's residents. Other residents commute to jobs in neighbouring regions, or work for themselves on a small scale.

Nearly 66% of the full time equivalent employees (FTEs) work in the services sector, while the manufacturing and construction sectors employ 21% and 13% FTEs respectively. Within the

services sector, the industries which provide the most local jobs are retail trade (16%), wholesale trade (6%) and property and business services (10%).

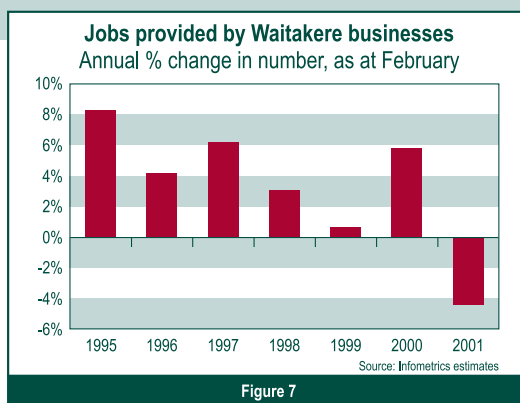


The number of locally provided jobs decreased over the year to February 2001 (see Figure 7). Job losses in the construction, wine manufacturing and paper products manufacturing industries and defence (the Hobsonville airbase) were largely responsible.

Since February 2001, there has been some recovery in the prospects for the construction industry, and this should help employment in that sector to return to a higher level. The job losses in wine manufacturing

and defence were "one-time" structural changes and employment in those activities should now stabilise.

That there has been some recovery in employment since February is reflected in the declining number of Waitakere residents who are claiming unemployment benefits. At the end of 2001, there were 7,490 people claiming unemployment benefits at Ministry of Social Development centres in Waitakere City (4.1% fewer than in December 2000).



## The economy

The economy can be seen as a collection of primary, secondary and tertiary industries. Primary industries (forestry, farming, mining) deal with the extraction and basic processing of raw materials. Secondary industries (manufacturing, construction) produce highly transformed goods, while tertiary industries deliver services.

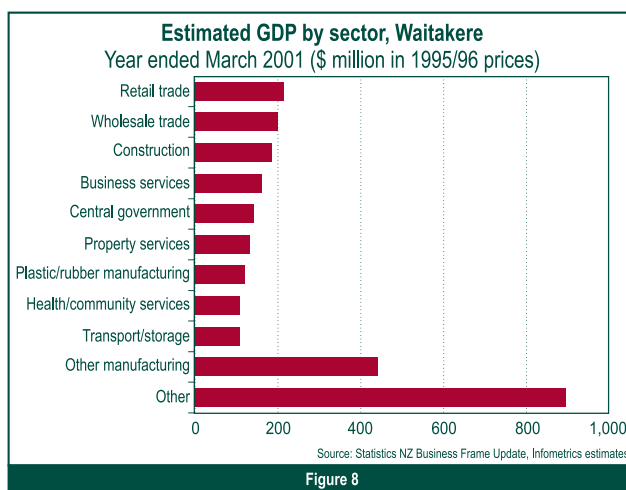
In New Zealand and other developed economies, the tertiary industries dominate. They provide the most jobs and generate the most income. Waitakere City is no exception to the rule - most jobs are provided by businesses delivering a service - but the city does have more developed secondary industries than many regions. Construction and manufacturing are prominent.

### Construction and property markets

The construction industry is a major source of jobs and GDP in Waitakere. The property services industry (real estate, property management), the fortunes of which are closely linked to construction activity, is also a significant contributor to GDP. Within the local construction industry, house building is the major source of work.

Last year was challenging for construction businesses focussed solely on the local market. Commercial building activity held its own, but the level of house building activity rose only a little following a mid-2001 slump, and

by year's end remained low compared to the historical average. A lack of population growth and fears of a global economic slowdown



were discouraging investment in housing. Even in recent months, as both population growth and investor confidence have rebounded, Waitakere's housing industry has been slower to recover than New Zealand's.

However, the reduction in construction activity within the Waitakere City boundaries in 2001 gives a worse impression of the health of local construction businesses than is warranted. In reality, construction activity take on business in neighbouring cities and districts as well as close to home, and construction business in the wider Auckland region held up slightly better than in Waitakere over 2001. More recently, there have been signs that more substantial growth will occur.

A wave of immigration and a reduction in the number of New Zealanders leaving the country followed terrorist attacks in the United States and a meltdown of the global "dot.com" sector. New Zealand, with its lesser dependence on the troubled "tech" industry and its safe reputation, is proving an attractive place to live and work. This has driven up demand for housing. Most immigrants

settle in the Auckland Region, at least initially, so the need for more houses has been most acute there.

Waitakere construction employment			
Full-time equivalent employment, as at February 2001			
	Number of employees	% of construction employment	% of total employment
House building	979	18.7%	2.4%
Plumbing	480	9.2%	1.2%
Painting and decorating	410	7.8%	1.0%
Electrical	400	7.6%	1.0%
Site preparation services	320	6.1%	0.8%
Non-house building	310	5.9%	0.8%
Non-building construction	300	5.7%	0.7%
Other construction	2,040	38.9%	5.0%
Total construction	5,239	100.0%	12.8%
Property services	964		2.4%
<b>Total (all industries excl. agriculture)</b>	<b>40,950</b>		<b>100.0%</b>

Source: Statistics NZ Business Frame Update

Figure 9

The stimulus from immigration will probably not remain at its current level for long - the Government has already moved (at the end of 2001) to make it more difficult for immigrants to get residence in New Zealand. Nevertheless it will buoy Waitakere construction businesses' bottom lines this year and continue to provide some impetus, though weaker, into 2003.

The commercial property sector's performance will be assisted over a two to five year timeframe by the

redevelopment of areas such as Lincoln Road, Henderson and parts of Hobsonville Peninsula. Over a longer time frame of five to ten years, important "greenfields" areas such as the corridor from Westgate to Hobsonville and the area around Westgate itself will be attractive to companies looking at design-build solutions that maximise their efficiency. Some competition for the sorts of businesses that would establish in these areas will come from South Auckland and parts of the North Shore.

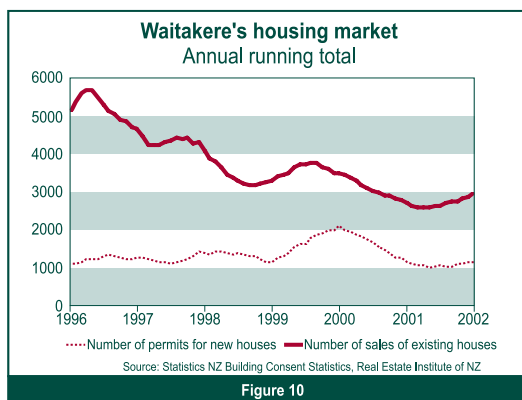


Figure 10

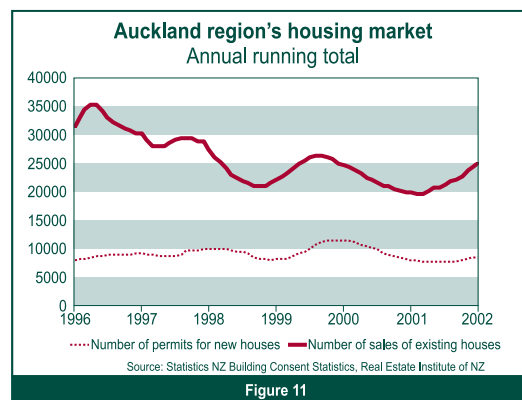


Figure 11

## Manufacturing

Waitakere's manufacturing industry is diverse, but the biggest contributors to employment and value added in the city are machinery and equipment manufacturing and chemical-related manufacturing (including plastics). Clothing and footwear manufacturing is also a major contributor to employment because it is labour intensive, though it is a less important source of value-added.

Over 2001, the sales of New Zealand manufacturers increased by 7.5%. In the two manufacturing industries which are most prominent in Waitakere - machinery/equipment and chemicals - sales growth was even more rapid. A weak New Zealand dollar has boosted returns for export manufacturers and lifted the price of imports which compete with goods local manufacturers sell on the domestic market. A lift in household spending and business investment - courtesy of low interest rates - has also assisted

companies selling into the domestic market.

For many manufacturing businesses sales figures do not tell the whole story. As sale prices have risen, so have raw material costs and wages. Nevertheless, profit growth has, on average, improved. Over the short term, the New Zealand dollar is forecast to remain at a level which promotes local manufacturing activity, particularly if world economic growth recovers (as it is expected to do). This will boost employment and incomes in Waitakere.

Underlying short-term cycles in exchange rates, however, is a downward trend in manufacturing's share of overall economic activity. While manufacturing output continues to grow, it does so at a slower rate than output from other sectors. This is due in part to a shift of the "mass-production" elements of manufacturing to low-wage economies in Asia. The parts of the business that remain

in New Zealand have an increased focus on product and process development, management and marketing.

This is particularly the case in the apparel and textiles industry, where New Zealand companies, without overseas factories, have found it difficult to compete with imported goods over the last decade. Some manufacturers, such as Cambridge Clothing, have done well by exploiting brand recognition and servicing customers in niches with specific requirements, but competing on price alone has become unrealistic for most firms. (Cambridge Clothing manufactures men's clothing in Waitakere under the Cambridge, Escena, Pierre Cardin and Dom Bagnato brands. The company has a significant market share in New Zealand and Australia.)

There will always be companies which perform exceptionally well and buck the trend to outsourcing labour-intensive production to operators in less developed countries. However, in the future they are more likely to be companies which produce specialised products for niche markets or have strong control over their intellectual property. Super-yacht building and wine making are some examples. Manufacturers of generic goods will, in general, face greater challenges.

For Waitakere, over the medium-term, the changing landscape of manufacturing is likely to manifest itself in increased activity in the business services industry. This will be a result of companies beginning to focus more on the research, managerial and marketing elements of their operations.

Waitakere manufacturing industry			
	Number of employees Feb-01	Estimated GDP Waitakere, 1995/96\$m Year ended March 2001	Sales growth in this industry New Zealand Year ended December 2001
Machinery and equipment manufacturing	1,931	104	10.0%
Textiles and Apparel Manufacturing	1,382	61	4.7%
Petroleum, chemical, plastics and rubber products	1,152	129	9.0%
Printing, publishing and recorded media	930	45	6.8%
Furniture and other manufacturing	903	28	6.1%
Food, Beverage and Tobacco manufacturing	897	79	12.2%
Metal products manufacturing	762	51	2.6%
Wood and paper products manufacturing	482	58	-5.9%
Non-metallic mineral products manufacturing	235	23	4.1%
Total manufacturing	8,674	575	7.5%
<b>Total (all industries excl. agriculture)</b>	<b>40,950</b>	<b>2750</b>	

Source: Statistics NZ Business Frame Update

Figure 12

### Niche industries

There are some industries which have strong associations with Waitakere City and help to differentiate it from other regions. Three such industrial clusters in Waitakere are **boat-building, winemaking and film production.**

**Boat-builders** received a huge boost from the America's Cup regatta held in Auckland. The regatta drew wealthy yachting enthusiasts to the region and helped to publicise the fledgling super-yacht building industry in this country. In 1998 Waitakere boat-builders employed 360 full-time equivalents, but by 2001 that number had more than doubled to 870 (Statistics New Zealand). This figure may not match with the FTE data from other sources because of the differences in the way industries are classified by Statistics New Zealand.

A melt-down in economic growth in the United States at the end of last year has not noticeably affected demand for the yachts built in Waitakere. The collapse of the "dot.com" boom has reduced the number of high-net-worth individuals and led to a general tightening of business spending (including salaries for senior management) and accounting practices, particularly in the United States. But the number of orders for super yachts remains buoyant. The next America's Cup regatta will help to keep the spotlight on local companies.

At the beginning of last year Waitakere **winemakers** employed the equivalent of 130 full-time workers. That was half the number employed in 1998. The departures of Corbans, Soljans Estate

Winery, and West Brook Winery were responsible for many of the lost jobs. It is planned to convert some of the land previously used for wine growing, in particular the land around Lincoln Road, to higher-yielding commercial and industrial developments.

Nationally, employment in the wine manufacturing industry has increased by more than a third over the past three years. The industry's prospects look bright as it makes a product which is both difficult to duplicate exactly and is sold mostly to wealthy markets.

The **film and video production** industry employed 139 people full-time in 2001, up from just 45 in 1998. This figure probably understates the contribution the industry makes to the local economy, as many of the people who work in film and television are employed on a casual basis or as contractors, and therefore are not captured in the official statistics. For instance, the "Hercules: the Legendary Journeys" and "Xena - Warrior Princess" series are estimated to have employed as many as 800 people in Waitakere. Those series have finished, but there is a steady flow of new projects coming from overseas to replace them.

New Zealand has attracted a number of major foreign film and television projects in recent years, the Lord of The Rings being the most well-known. Low operating costs by world standards and tax advantages have been two of the reasons New Zealand has been chosen by film companies. Waitakere's environment, and in particular the wilderness areas in the west, are a further drawcard.

## Prospects

Economic growth in Waitakere City is expected to continue to improve over the next year, building on the consolidation observed in the last half of 2001.

The major sources of new activity will be:

- More house construction and real estate activity, thanks to an immigration-driven increase in population growth in the Auckland region.
- Continued prosperity in the manufacturing industry, driven by the still-low value of the New Zealand dollar and recovering export markets.

To cope with the expected upturn in economic growth, new commercial developments are being planned in a number of areas in the City. These include the release of land in Lincoln Road and the planning for new development in Hobsonville Peninsula and the Massey North / Westgate area. As well as accommodating short-term growth, these developments will continue to provide opportunities for businesses to undertake “greenfields”

developments over the medium term.

While prospects are generally positive, Waitakere City still faces some challenges. Parts of the manufacturing industry are still particularly reliant on the exchange rate to deliver them competitive advantage. The exchange rate cannot necessarily be relied upon to remain stable.

While several sectors are at the forefront of efforts to break out of this dependence – boat-building is an obvious example – product differentiation and productivity improvements are critical for enhancing international competitiveness. Competing in markets for generic products on price alone will become increasingly difficult.

If the Waitakere manufacturing industry is to continue to keep pace with the rest of the economy, it is likely that the growth will come in the product development, management and marketing operations, rather than in the actual churning out of finished goods. Competition from low-wage countries will make the latter a difficult business, unless production processes are difficult to duplicate.

### Waitakere City in Figures

Indicator	Period	Waitakere	Ak Region	NZ	Annual % change		
					Waitakere	Ak Region	NZ
Real Gross Domestic Product	year end Mar-01	\$2,750m <sup>1</sup>	\$35,659m <sup>1</sup>	\$104,896m <sup>1</sup>	-2.6%	2.3%	2.7%
Population (Usually Resident)	as at Mar-01	168,750	1,158,891	3,737,277	1.7%	1.7%	0.6%
Employment <sup>5</sup>	year end Mar-01	40,950	498,710	1,426,190	-4.6%	-0.7%	0.1%
No. receiving unemployment benefit	as at Dec-01	7,490	45,999	165,085	-4.1% <sup>6</sup>	-3.8% <sup>6</sup>	-8.4% <sup>6</sup>
New House Starts	year end Jan-02	1,175	8,196	20,730	-0.8%	8.2%	4.2%
Non-residential construction	year end Jan-02	\$78m	\$960m	\$2,619m	75.3%	6.9%	10.6%
House Prices	as at Dec-01	\$195,701 <sup>3,4</sup>	\$246,400 <sup>3,4</sup>	\$174,958 <sup>3,4</sup>	2.6% <sup>2</sup>	2.9% <sup>2</sup>	2.5% <sup>2</sup>
House Sales <sup>3</sup>	year end Jan-02	1,591	25,964	78,122	9.5%	22.9%	20.0%
Guest nights purchased	year end Jan-02	69,795	4,659,518	27,250,432	-23.4%	6.9%	5.6%

Source: <sup>1</sup>Infometrics estimate <sup>2</sup>Quotable Value NZ <sup>3</sup>Real Estate Institute of New Zealand <sup>4</sup>Year ended average of monthly median price  
<sup>5</sup> Full time equivalent employment <sup>6</sup>Comparisons across time should be treated with caution <sup>7</sup>As at September 2001

Figure 13

## Contact details

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