



Rodney Business and Economy 2002

Summary

Rodney District's economy grew steadily over the year ended December 2001, following a lacklustre start to the new millennium.

Over the last year, it is estimated that:

- Agricultural production and farm profitability have kept on improving.
- Steady population growth, and the promise of significantly more immigrants, started to put life back into a sedentary housing market, and generally began to boost demand for goods and services.
- Tourism earnings have held up reasonably well because a focus on the domestic tourism market insulated Rodney from the scare that terrorist attacks in the United States gave to international travellers.

The present situation contrasts sharply with that prevailing in 2000. In the first year of the new millennium:

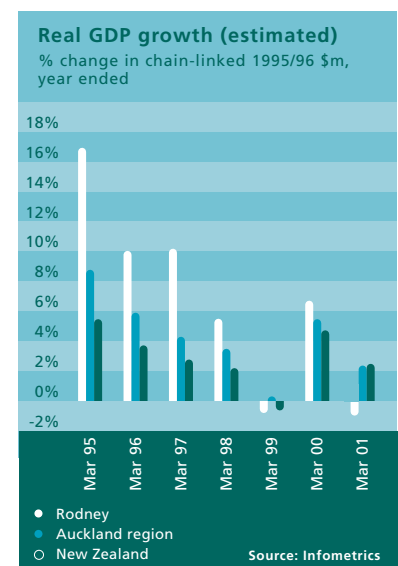
- A decline in net immigration and rising interest rates contributed to property market downturn.
- The building of the Albany to Puhoi motorway ground to a halt before the second stage got properly under way.
- Weather problems limited increases in agricultural production, although it was nevertheless a good year for farmers.

The relatively poor performance over 2000 and into the beginning of 2001 is reflected in Figure 1.

Over the next year, we expect Rodney's economic growth to be faster than New Zealand's, and that of the Auckland Region:

- Population growth, which was an important cause of expansion through the mid-1990s, is on the increase, and will stimulate activity in housing-related industries.
- Agricultural production will be maintained at approximately current levels.

However, the fact that Rodney's economy is now medium-sized rather than small, means that in spite of these factors, the pace of growth will be more sedate than it was in the mid-1990s. As economies mature, on average, they don't expand as fast.



The people

POPULATION

There were 76,200 people living in Rodney when the last census was conducted in March 2001. The population grew 15% between the 1996 and 2001 censuses, almost twice as fast as the Auckland Region's and four times as fast as New Zealand's.

Population growth did slow noticeably from 1997. Nationally, migration went from a net gain of 35,000 in 1997 to a net loss of 10,000 in 2001, and this had a negative effect.

The situation is now changing, however, and the number of immigrants is growing again while emigration is slowing.

Rodney's growth is strongly influenced by migration. The slower rates of growth over the last four years are not expected to persist far into the current year. Population growth over the next year should be about half as much again as it was in 2001.

Rodney has a lower proportion of working age residents than the

New Zealand average. While families with younger children and the retired find Rodney an attractive environment in which to live, many younger adults leave the region to find work, undertake tertiary study, or travel.

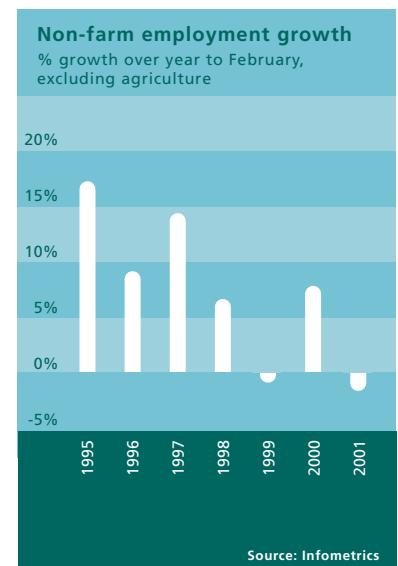
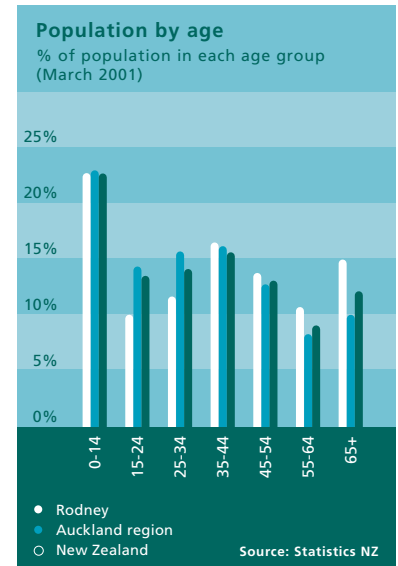
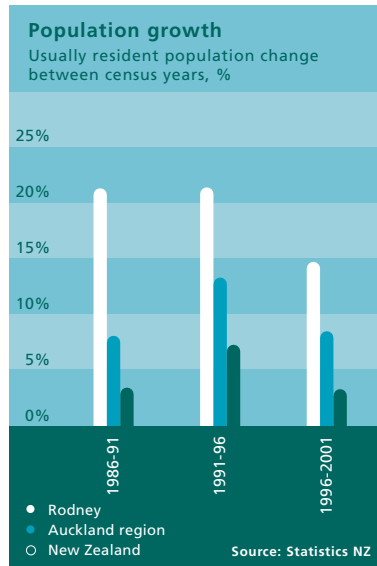
One implication of fewer working residents is a lower per-capita income. While the average Rodney resident earning an income does not earn significantly less than income-earners in other areas, the high proportion of non-working residents is one reason for gross domestic product *per head* being only around 65% of the national average.

EMPLOYMENT

Rodney businesses employed approximately 22,200 people at the beginning of 2001, and steady economic growth over the last year means that has probably increased.

Unemployment figures provide the only official evidence of job growth in Rodney since February 2001. The number of Rodney residents registered as unemployed with the Department of Social Development's Orewa, Helensville and Warkworth offices has fallen 13% over the last year, despite a growing population.

Up until the beginning of 2001, the local market for jobs (excluding farm jobs) had been shrinking. Cutbacks in the construction and real estate industries were the main reason.



The businesses

The biggest contributor to economic production and employment in Rodney is the service sector (health, education, business services). This makes it an important sector. However, this is the case in most regions. The major industries which characterise the Rodney economy, those which make it different from other regions', are:

- Agriculture and forestry
- Real estate services
- Construction
- Wood and metal product manufacturing

It is prospects for these industries which are likely to determine whether production in Rodney grows faster or more slowly than in other parts of the country.

There are also some industries which, while not yet large, are characteristic of the Rodney economy and may one day be mainstays of growth:

- Boat building
- Wine making
- Tourism and leisure services

Rodney employment, February 2001

% of total employment in each industry*

	Rodney	Auckland Region	New Zealand
Agriculture/Forestry	11.8%	1.4%	7.0%
Property services	7.7%	5.0%	4.4%
Construction	9.4%	3.6%	3.6%
Wood manufacturing	2.8%	1.1%	2.2%
Metal manufacturing	3.1%	2.3%	1.7%
Other	65.2%	86.5%	81.1%

* Infometrics estimates

AGRICULTURE/FORESTRY

Pastoral farming

2001 was a good year for dairy, sheep and beef farmers in the region. There were high world prices for milk and meat products and good weather conditions.

Dairy farm revenue and profits roughly doubled over the year and are forecast to hold up (if not continue growing) over the rest of the current season. Farmers are spending healthily on capital equipment, maintenance and fertiliser, which will help to keep production high over the medium term. A trend towards fewer, larger dairy farms is continuing, reflecting the productivity gains to be had by running larger herds.

Meanwhile, sheep and beef farmers had their best financial outcome in many years, helped along by good weather for both pasture and stock condition. Too much rain in late-2000 caused pugging damage in some areas, but the weather improved in 2001. Financial results are expected to continue improving this year. Conversion to dairy farms is an ongoing trend in the northern North Island, reducing sheep and beef numbers.

Horticulture

It was a reasonable season for grape growers in Rodney in 2001. Weather conditions leading into the year were too wet, reducing yields. However, sale prices rose because of a nation-wide shortage of fruit, providing compensation. National supplies were affected by particularly unfavourable climatic conditions in major growing areas of Gisborne and the Hawkes Bay.

Meanwhile, flower growers had a difficult season. A weak Japanese market (Japan's economy is afflicted with deflation and bad debt) depressed flower prices. Profit margins were lower for a majority of species in the 2000/01 season.

Vegetable growers had a mixed season. Weather caused some problems with supply and the resulting variability of availability threw prices around a lot. In general, potato and onion prices were well up on 2000 levels, if still a bit lower than in 1999. Profit margins for some greens were cut, however.

Forestry

Rodney's plantation forests contained 10,720m³ of wood in April 2001, only 0.5% more than in April 2000.

The slow rate of increase does not reflect a lack of new planting. The average age of trees has fallen, indicating that there is plenty of replacement planting going on as older trees are harvested.

Nevertheless, planted forest area is increasing in Rodney more slowly than in other regions. The high returns to be had from residential subdivisions and dairy farming may be reducing the supply of land available for forestry.

At a national level, log harvest volumes are predicted to spiral upward over the next five years. Undoubtedly, there will be some increase in cutting as large and numerous plantations mature. However, official forecasts have been criticised for ignoring the high cost of harvesting some trees. Some growers are finding that the inaccessibility of their stands is resulting in high payments to harvesters, leading to a net loss on their investment. The slow rate of expansion in the area of planted forest in Rodney reflects the wariness of growers to undertake ventures on marginal land in such an environment.

Prices for logs, whether exported or sold on the domestic market, have been more or less steady over the last year. However, a decline in shipping costs for exports has helped increase effective returns for some growers – these shipping costs make up a significant proportion of the total cost of a log landed at a foreign port.

CONSTRUCTION AND PROPERTY SERVICES

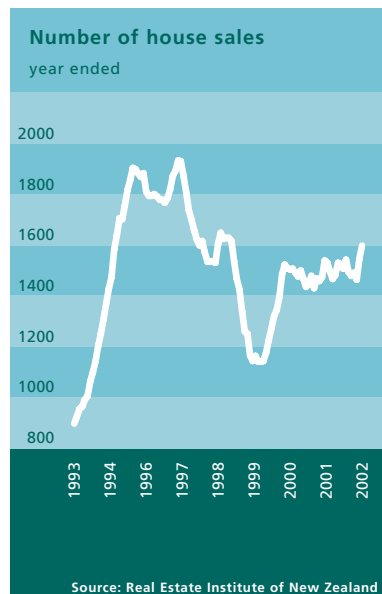
Overall construction activity and the real estate market have showed signs of a revival following a subdued performance over most of last year.

This is important for the Rodney economy. The construction and property services not only directly account for around a fifth of total production in the region, but they also create "upstream" demand for products from the manufacturing industry. Nationally, these two industries account for less than 10% of gross domestic product, showing their relative intensity in Rodney.

The Rodney housing market, having been difficult to rouse, is now starting to benefit from rising household incomes and more population growth. The number of house sales hardly grew at all over 2001, but has lifted in 2002. At last report, it was around 1,600 houses a year and growing. This is still around 300 less than the 1996 peak, but that was a period of unusually high house trading activity.

The pattern of new house building broadly mirrors that of house sales – some weakness about a year ago and a recent recovery, though still a timid one at this stage. With increasing demand for houses pushing up prices, investors will enter the market in greater numbers soon.

Meanwhile, non-residential building activity peaked in mid-2000, dropped off some 20% and was "depressed" for more than a year. As in the residential sector, there has been a recent resurgence. Shop building has been scarce, with no consents for large projects for more than a year. But there have been some larger consents (over \$1 million) for office buildings, and there are more factories and



warehouses being built this year too. Farm building is becoming more popular too, which tallies with anecdotal evidence of farmers having more money to invest following good financial results.

The stalling of the Alport to Puhoi motorway project, the second stage of which has not progressed beyond preparation, reduced the amount of non-building construction work in 2001. And with priority being given to other roading projects in the region, local road-building activity is unlikely to recover over the next year.

MANUFACTURING – WOOD AND METAL PRODUCTS

Production in Rodney's manufacturing industry is closely linked to construction. As such, the pause in property market growth over much of 2001 limited growth in output for many businesses.

However, employment and production in the metal products industry increased strongly over 2000 and the first part of 2001, thanks to the presence of saw-blade exporter Iazard-Irwin International. Iazard-Irwin, which employs more than 300 people, accounts for more than 10% of employment in the local manufacturing industry, and around 10% of national employment in the "hand tool and general hardware manufacturing" industry. Because of its export focus, it is relatively insulated from movements in the local construction industry.

A general recovery in activity for construction-related manufacturers is expected this year, in tandem with the increase in building activity.

OTHER INDUSTRIES OF NOTE

The tourism industry, which contributes to sales in the retail trade, transport and accommodation industries, has been relatively healthy in Rodney over the last year. Patronage at local accommodation providers has risen since September 2001, in spite of the downturn in international tourist numbers caused by terrorist attacks on the United States and global economic decline. A focus on the domestic market insulated Rodney from the worsening international situation.

Currently, accommodation bookings are rising strongly. Fewer New Zealanders are travelling overseas, despite higher incomes and a greater willingness to spend money in general. The suggestion is that New Zealanders are favouring domestic travel, perhaps because of security concerns.

Accommodation occupancy rates, while on the way up, remain low by national standards in Rodney. This is probably just a reflection of the prevailing accommodation types – camping grounds and caravan parks – which generally have lower occupancy rates than hotels and motels.



Outlook for this year:

Rodney's economic growth over the next year will exceed the Auckland Region's, and New Zealand's.

Higher population growth, and the resulting stimulus to property and construction sectors will be a key driver of economic expansion.

In turn, a better performing construction sector will help many wood and metal product manufacturers, as well as suppliers of other raw materials (such as cement),

Farmers and forest growers are likely to hold their ground rather than continue to surge ahead over the next year, but the primary production sector will at least not act as a drag on growth.

While economic growth will improve from last year's level, Rodney cannot expect the sort of expansion enjoyed over the mid-1990s. At that time, the local economy was growing off a much smaller base, and national economic growth, net migration and export volume growth were even higher than they are now.

Rodney District in figures							
Indicator	Period	Level			Annual % change		
		Rodney	Auck Region	NZ	Rodney	Auck Region	NZ
Real Gross Domestic Product ¹	year end Mar-01	\$1,400m	\$35,659m	\$104,896m	-0.9%	2.3%	2.7%
Population (Usually Resident) ²	as at Mar-01	76,200	1,58,891	3,737,277	14.6%	8.4%	3.3%
Employment ³	year end Mar-01	18,880	498,710	1,426,190	-1.3%	-0.7%	0.1%
No. receiving unemployment benefit ⁴	as at Dec-01	1,397	45,999	165,085	-13.3%	-3.8%	-8.4%
New House Starts	year end Jan-02	782	8,196	20,730	-3.7%	8.2%	4.2%
Non-residential construction	year end Jan-02	\$33m	\$960m	\$2,619m	8.0%	6.9%	10.6%
House Prices ⁵	as at Dec-01	\$230,646	\$246,400	\$174,958	1.1%	3.9%	18%
House Sales ⁶	year end Jan-02	1,591	25,964	78,122	6.9%	22.9%	20.0%
Guest nights purchased	year end Jan-02	277,632	4,659,518	27,250,432	4.8%	6.9%	5.6%

Source: Statistics NZ unless noted

¹ Infometrics estimate ² Growth between March 1996 and March 2001 Censuses ³ Full time equivalent employment, excluding agriculture
⁴ Comparisons across time should be treated with caution ⁵ Real Estate Institute of New Zealand, year ended average of monthly median price
⁶ Real Estate Institute of New Zealand

Also available on the Rodney District Council website at www.rodney.govt.nz

Note: The source for all historical data in this publication is from Statistics NZ unless otherwise stated. The source for estimates of GDP data and full-time equivalent employment is Infometrics.

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