

CANTERBURY REGIONAL ECONOMIC DEVELOPMENT STRATEGY

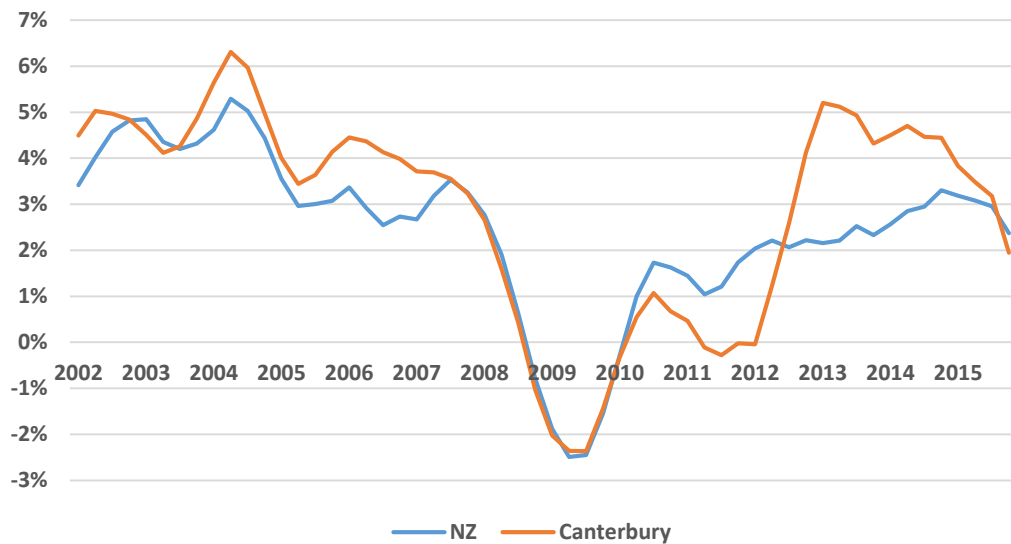
Regional Vision

A region making the most of its natural advantages to build a strong innovative economy with resilient, connected communities and a better quality of life for all

ECONOMIC INDICATORS REPORT

June-2016

GDP growth (rolling annual % growth rate)
Source: Infometrics



latest data point: year ending December 2015

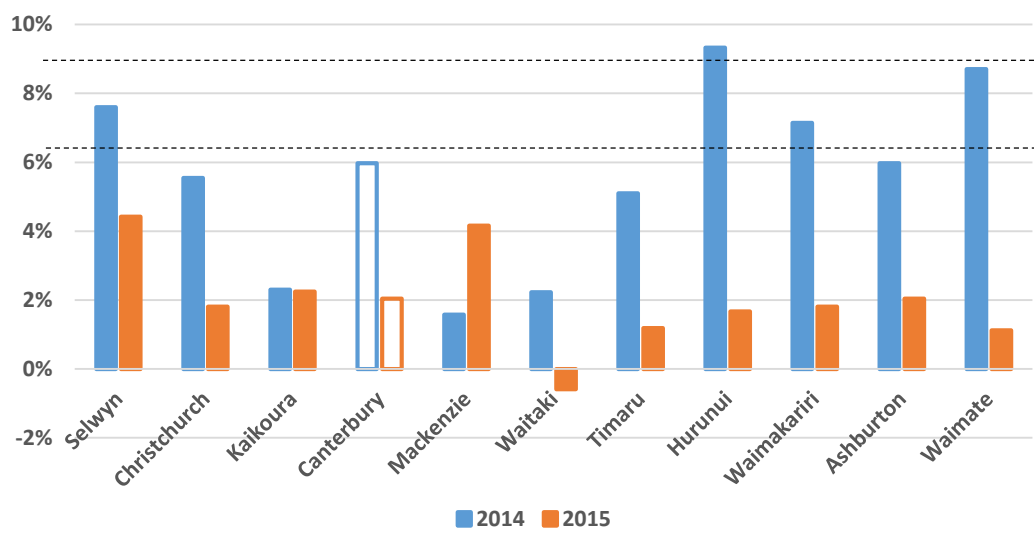
Canterbury's GDP growth has been significantly higher than New Zealand's since the earthquakes, reflecting the rapid expansion of rebuild activity.

Of course, that rebuild activity has now reached a high and steady plateau, helping to explain why the growth rate of overall GDP in the Canterbury region has now dipped below the New Zealand growth rate.

Yet the *level* of activity in Canterbury is set to stay elevated for at least another two years, or in other words this will remain a busy economy.

And even after the rebuild has ended, other underlying or core parts of the economy, such as manufacturing and agribusiness, are well placed to take the baton.

GDP Growth (12m moving average, December years)
Source: Infometrics

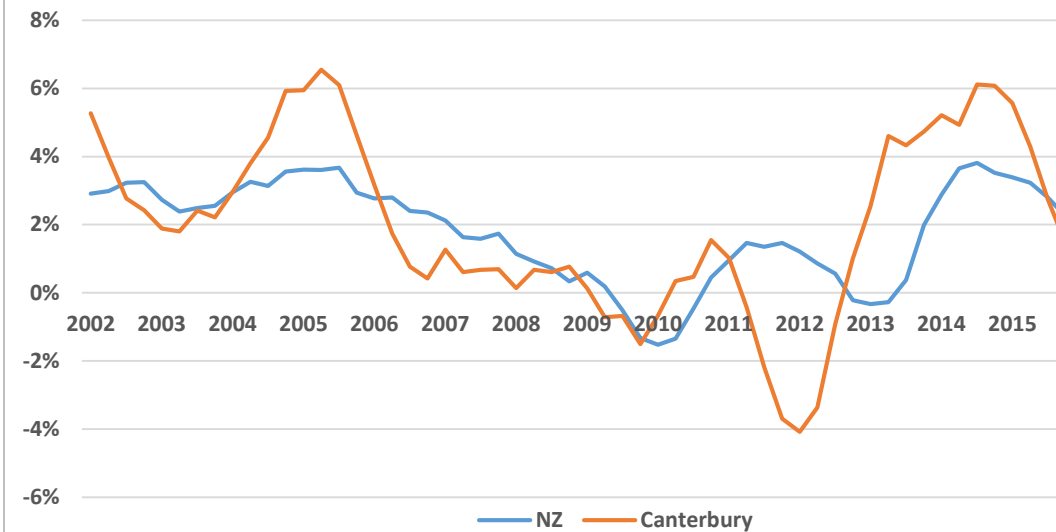


latest data point: year ending December 2015

GDP growth across Canterbury's districts varies significantly. This in part reflects the volatility inherent in small economies – one-off events can have a significant impact.

Growth remains positive in all districts except for Waitaki. The variability in growth rates appears to reflect the impact of the North Canterbury drought and falling dairy prices in 2014/15 combined with strong tourism growth in districts such as Kaikoura and Mackenzie.

Employment growth (rolling annual % growth rate)
Source: Statistics New Zealand



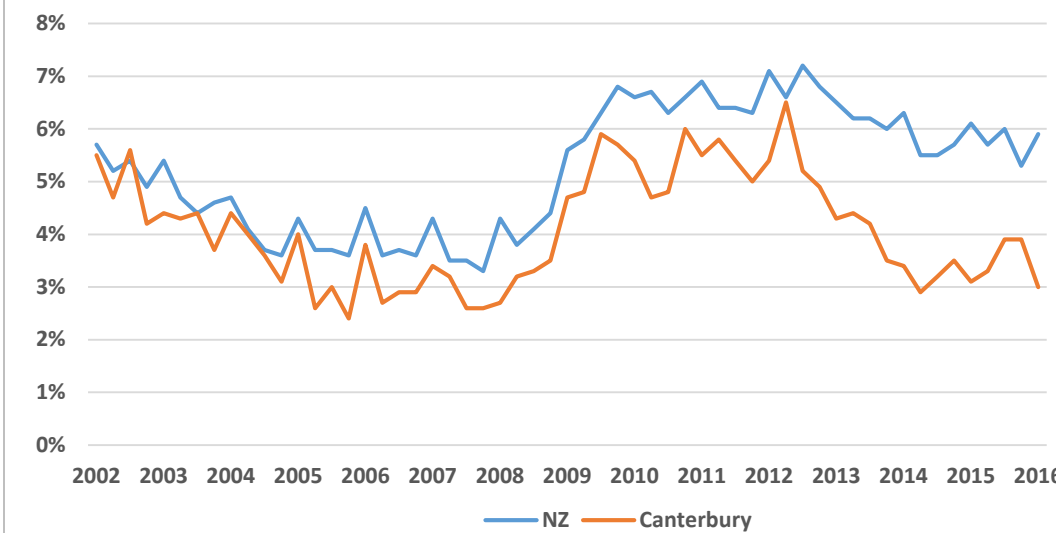
latest data point: year ending December 2015

In tune with the picture for the wider economy, employment growth in Canterbury has also consistently outperformed New Zealand as a whole in the past 3-4 years.

It was inevitable, however, that as employment in the region rapidly scaled up to meet the rebuild needs the same pace of growth could not be sustained forever. We are currently seeing this slowdown.

However, it seems pretty unlikely that we will see employment *fall* anytime soon.

Unemployment rate (%)
Source: Statistics New Zealand



latest data point: March 2016

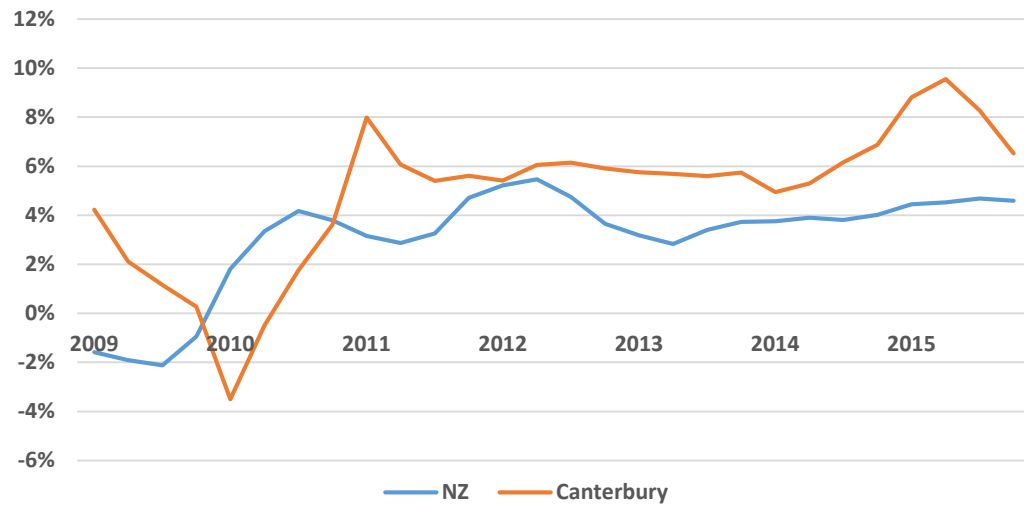
The mirror image of strong employment growth in Canterbury is of course a low unemployment rate.

From 2012 onwards Canterbury's unemployment rate diverged away from the national average and currently sits at 3% - almost 3 percentage points below the national figure of 5.9%.

Over the next few years the unemployment rate may well edge higher. But it's starting from such a low level so it would take fairly big and sustained rises before this became a prominent issue.

Regional Vision (continued)

Retail sales growth (annual % growth)
Source: Statistics New Zealand



latest data point: December 2015

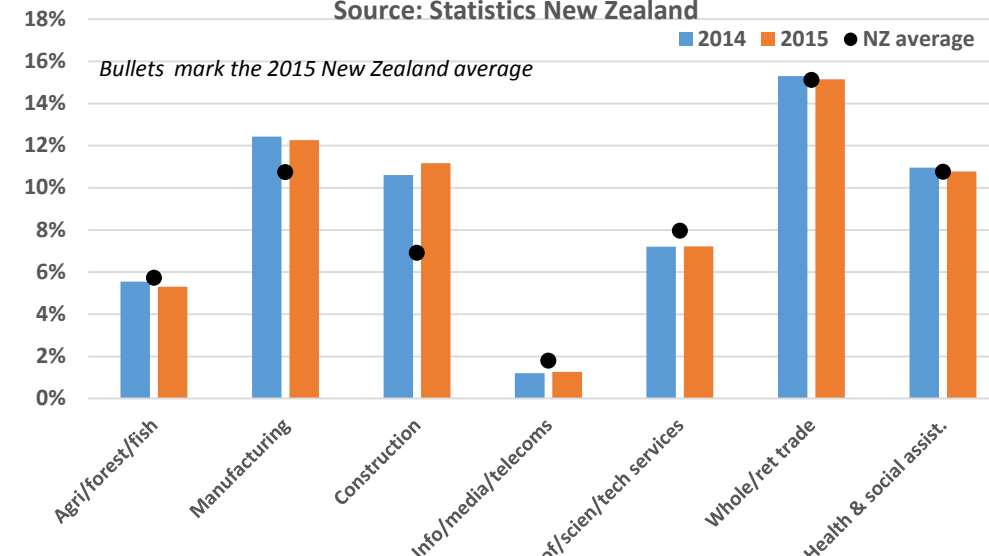
Reflecting the influx of new people to the region in recent years, as well as the fact that most people are in work, the performance of the retail sector in Canterbury remains strong.

In the year to December, the value of retail sales in the region slowed to 6.5%, although still 41% stronger than the figure for New Zealand as a whole of 4.6%.

The prospects for the sector also look good. After all, the region's labour market should remain solid. And of course the low exchange rate will support inbound tourism to the region, and hence the value of spending by visitors.

Work-stream 4 – Value added production

Sectors' % share of jobs in Canterbury
Source: Statistics New Zealand



latest data point: December 2015

Canterbury has a higher proportion of its workforce involved in manufacturing and construction than New Zealand overall.

Canterbury has a lower proportion of its workforce participating in ICT, media and telecommunications and professional, scientific and technical services than New Zealand overall.

However over the next few years this sector mix of jobs seems likely to make a natural change. As the rebuild slowly eases back, some of those construction workers will transition into other sectors and the new supply of office and commercial space will allow for growth in services industries.

Work-stream 1 – Integrated regional transport planning and infrastructure investment

Measures under investigation

Work-stream 2 – Digital connectivity: extension and uptake of broadband in rural areas

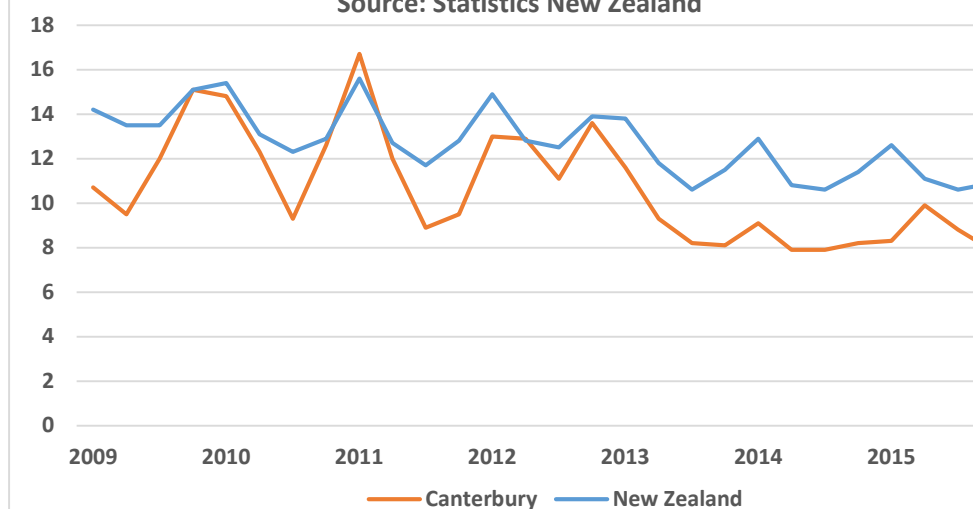
Measures under investigation

Work-stream 3 – Freshwater management and irrigation infrastructure

Monitored via the Canterbury Water Management Strategy Targets Report (every two years) – latest report 2015 is available at <http://ecan.govt.nz/GET-INVOLVED/CANTERBURYWATER/TARGETS/Pages/targets-progress-report-2015.aspx>

Work-stream 5 – Education and training for a skilled workforce

Youth NEET Rate
(% of 15-24 year olds not in education, employment or training)
Source: Statistics New Zealand

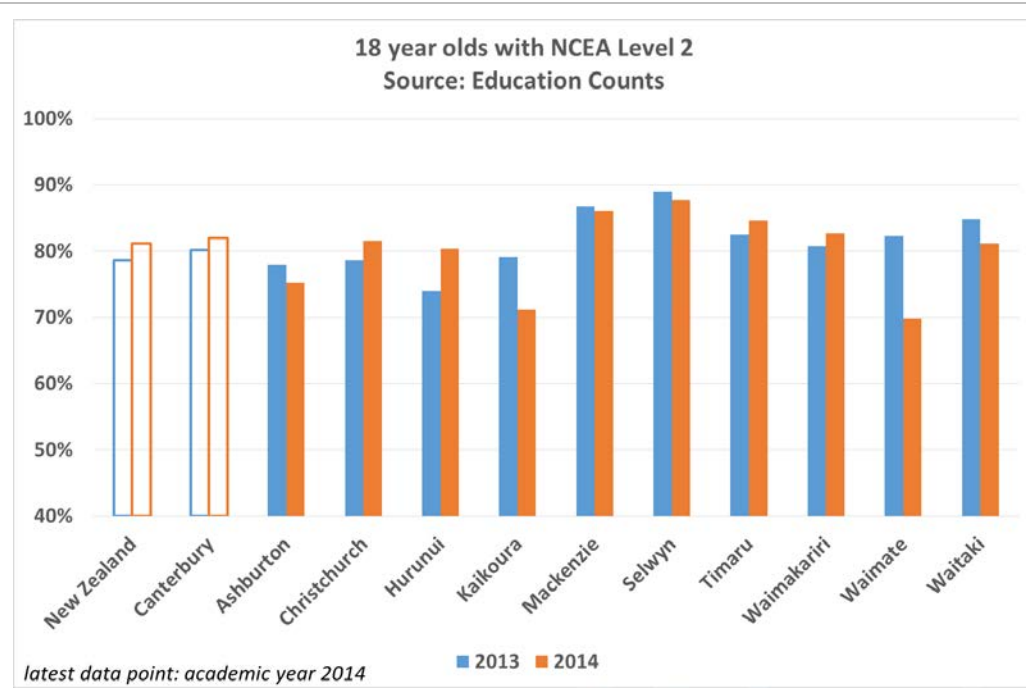


latest data point: December 2015

The proportion of Canterbury's youth not in education, employment or training has stayed fairly consistently below the New Zealand rate since the earthquakes, reflecting more work opportunities in Canterbury associated with the rebuild. The difference has widened over the past 6 months from an average of 1.2 percentage points early in 2015 to 3% points, consistent with recent decrease in Canterbury unemployment.

The NEET rate is a composite number drawn from a number of data sources. It should be seen as indicative rather than an absolutely accurate measure of youth not in education, employment or training.

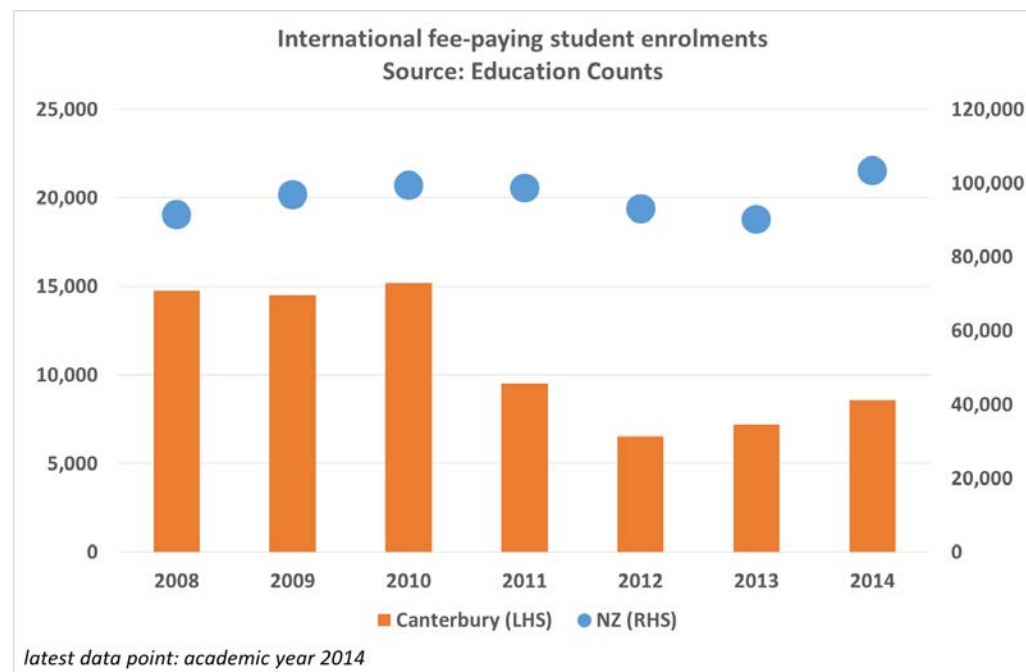
Work-stream 5 (continued)



Canterbury is slightly ahead of the national proportion of 18 year olds with NCEA Level 2, with a similar growth between 2013 and 2014.

Within Canterbury, the proportion of 18 year olds with NCEA level 2 is higher in Mackenzie and Selwyn and Timaru than in New Zealand overall while the proportion is lower in Waimate, Kaikoura and Ashburton.

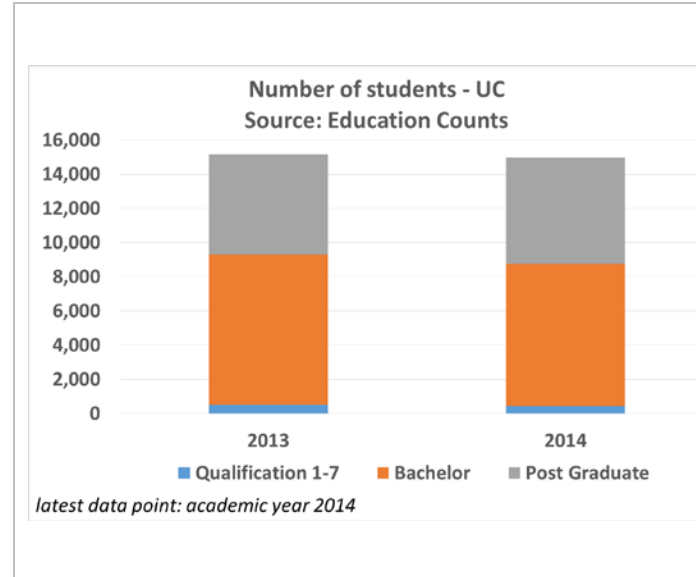
Between 2013 and 2014, the proportion of 18 year olds achieving NCEA level 2 has grown by more in Hurunui and Christchurch than in Canterbury and New Zealand overall while Waitaki, Waimate, Kaikoura and Ashburton have experienced a fall in the proportion of 18 year olds with NCEA level 2.



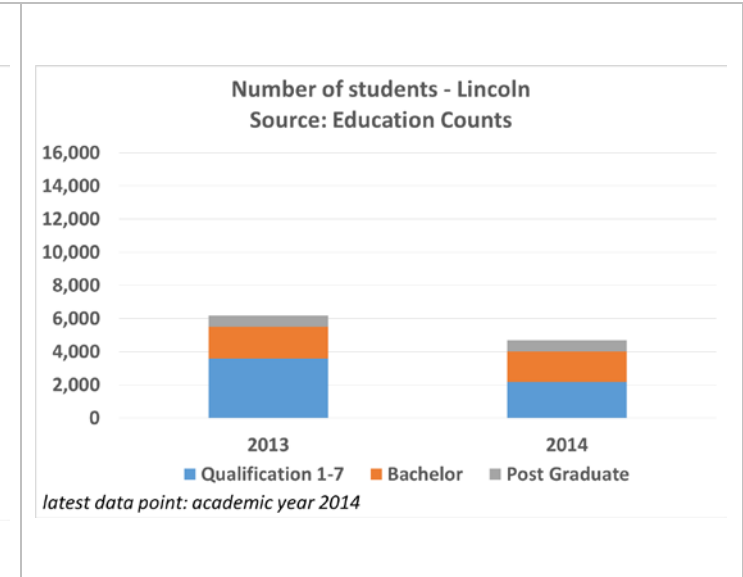
International student numbers in Canterbury unsurprisingly took a hit immediately after the earthquakes.

But international students are now starting to return to the region and, although there is still a long way to go to return to past levels, at least the growth in enrolments has exceeded the New Zealand-wide figure in the past two years.

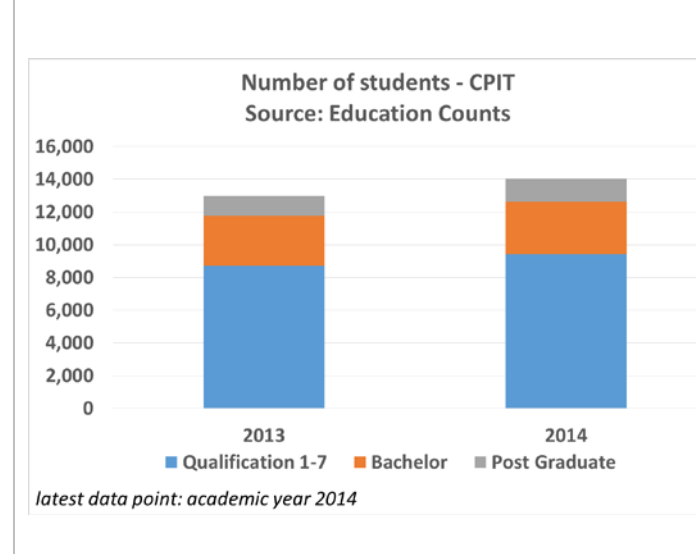
A renewed official focus on the sector, for example the International Education Strategy (commissioned by CDC and Education NZ), should see these international student numbers continue to grow long term.



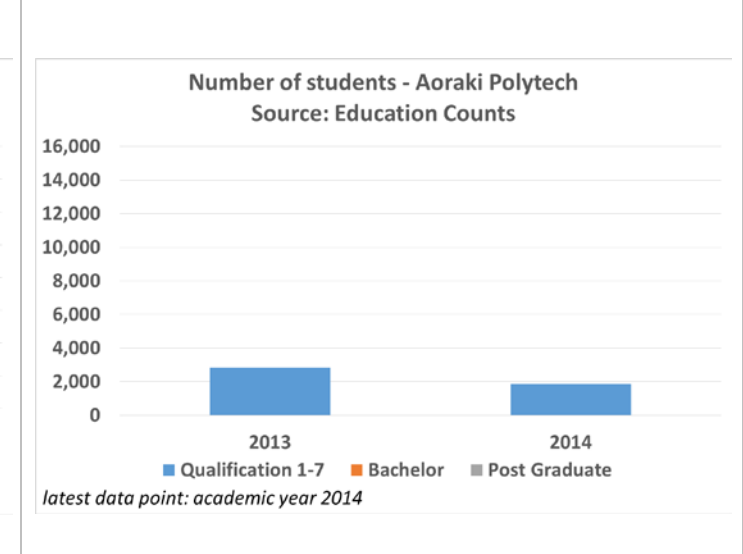
Enrolments at Canterbury University have stabilised following significant post-earthquake decline in enrolments reflecting the disproportionate impact of the earthquakes on the university.



After rapid growth in enrolments post-earthquake, Lincoln has experienced a small decline in student numbers over the past year primarily due to a fall in students enrolled in qualifications 1-7.

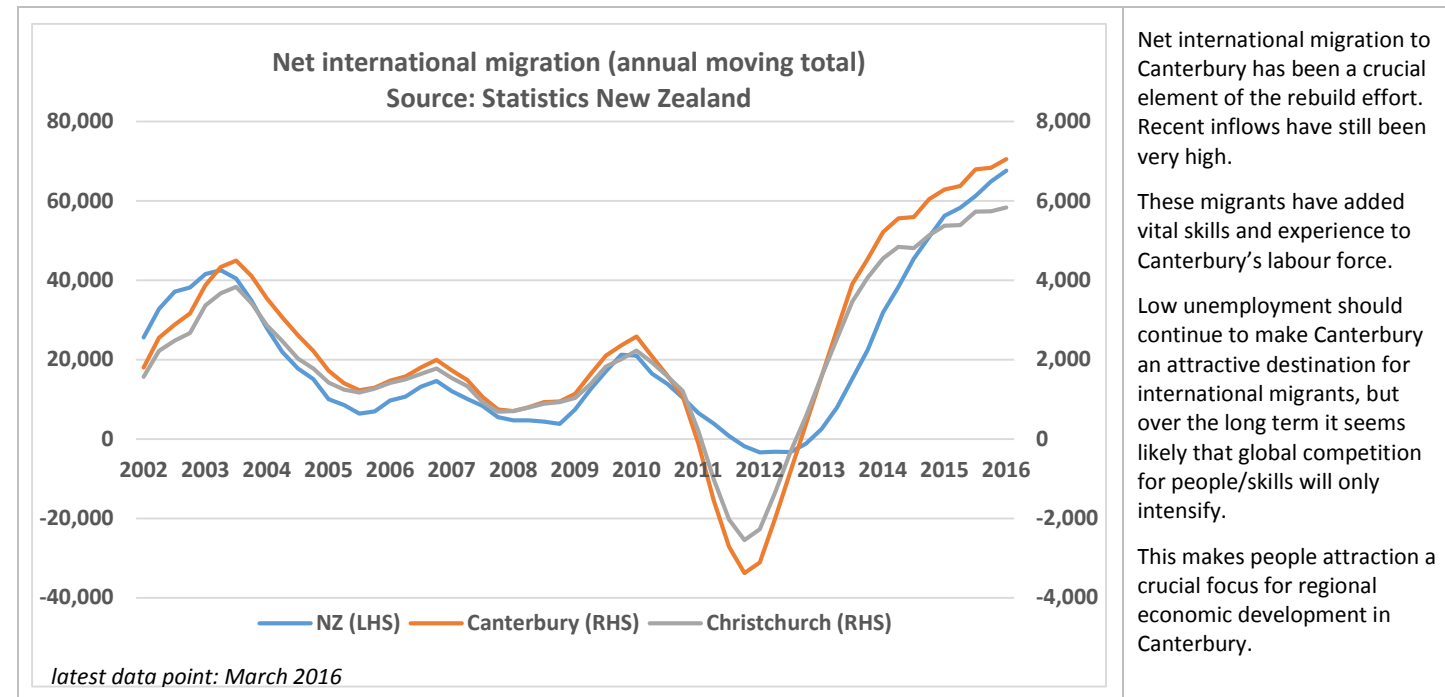


Enrolments at CPIT have returned to close to pre-earthquake levels. There has also been growth in Bachelor level qualifications and a fall in Certificate 1-4 levels qualifications.



Student enrolments at Aoraki Polytech continue to fall year on year from an average of around 9,000 pre earthquake to 1,850 in 2014.

Work-stream 6 – Newcomer and migrant settlement (skilled workforce, cohesive communities)

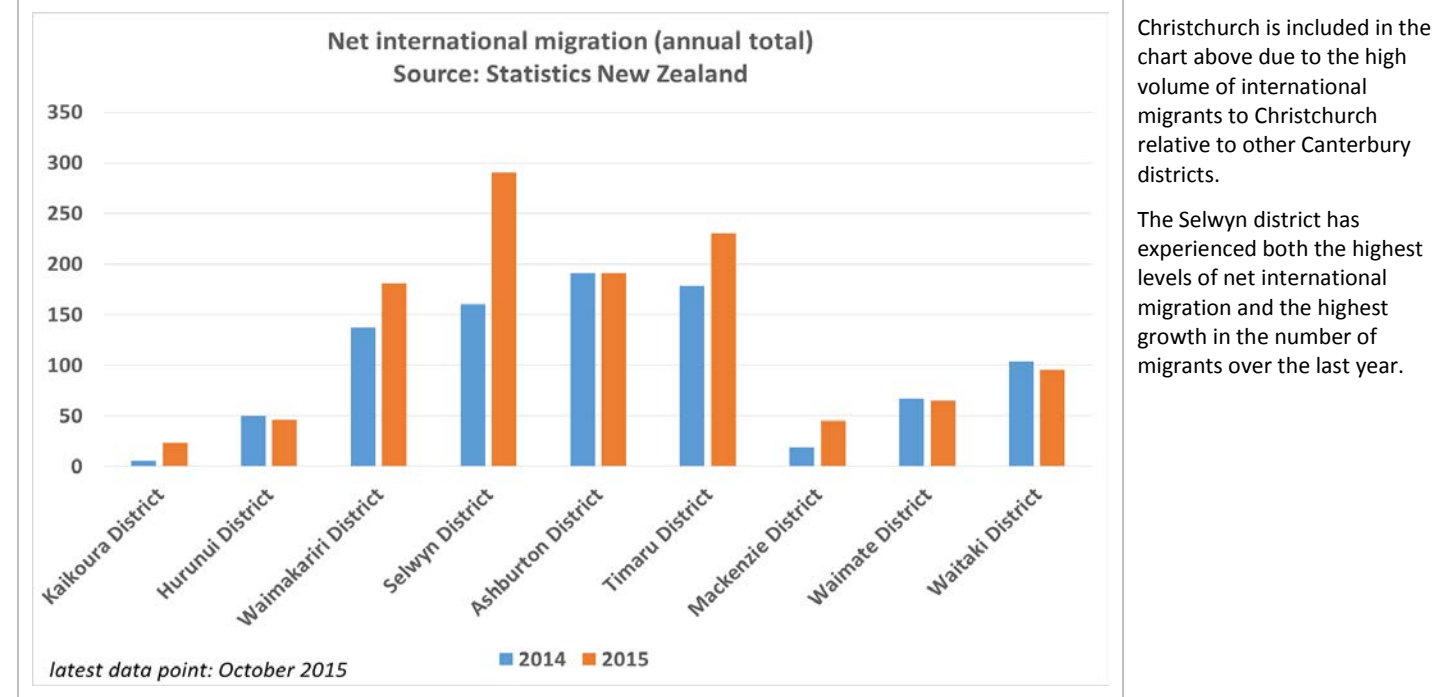


Net international migration to Canterbury has been a crucial element of the rebuild effort. Recent inflows have still been very high.

These migrants have added vital skills and experience to Canterbury’s labour force.

Low unemployment should continue to make Canterbury an attractive destination for international migrants, but over the long term it seems likely that global competition for people/skills will only intensify.

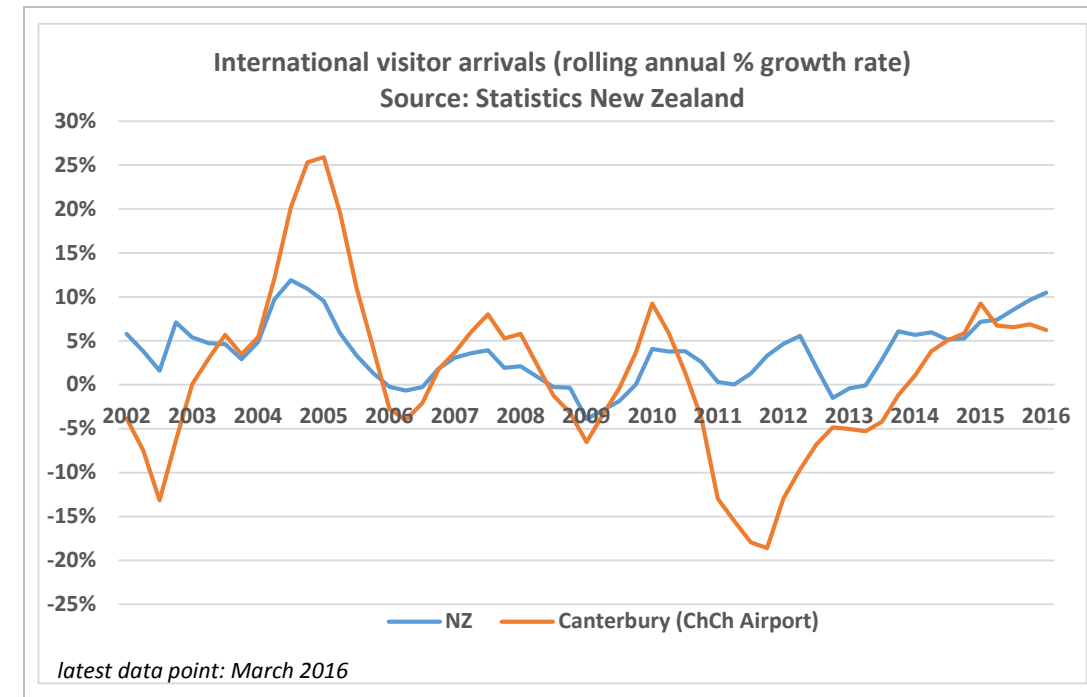
This makes people attraction a crucial focus for regional economic development in Canterbury.



Christchurch is included in the chart above due to the high volume of international migrants to Christchurch relative to other Canterbury districts.

The Selwyn district has experienced both the highest levels of net international migration and the highest growth in the number of migrants over the last year.

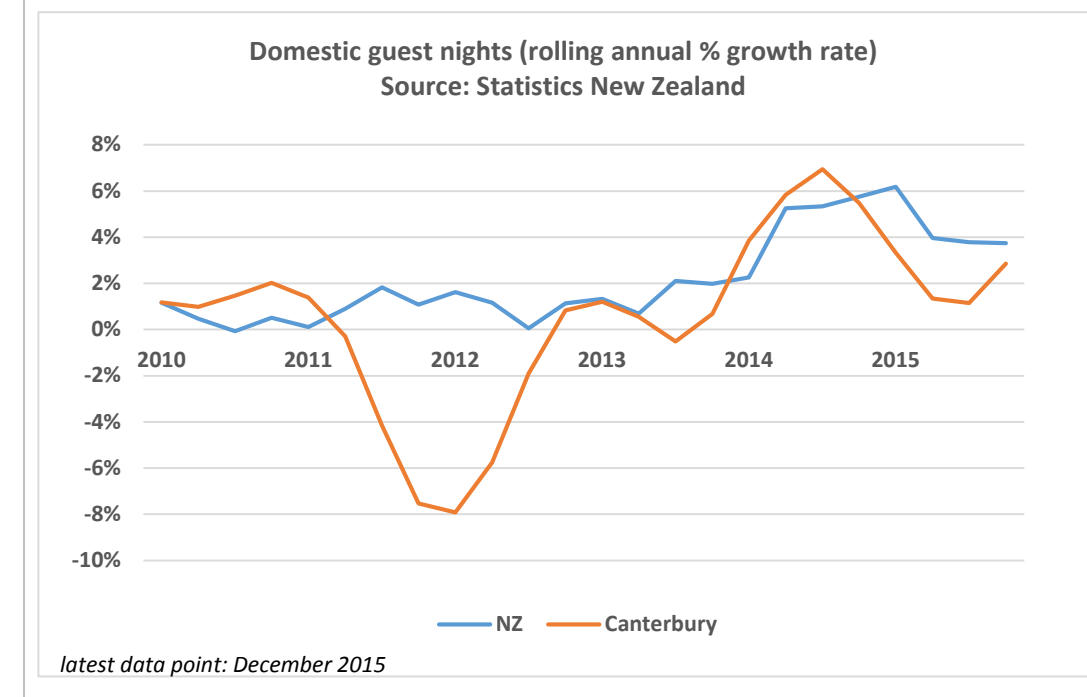
Work-stream 7 – Regional visitor strategy



Again the earthquakes had a serious adverse effect on inbound tourism to the Canterbury region. But the green shoots of a recovery are now firmly in view.

Growth in international visitor arrivals to the region has recently slowed somewhat when compared to the rate for New Zealand as a whole but hospitality/accommodation providers are busy.

The lower exchange rate should underpin further growth in inbound tourism to the region, as will the scope for the release of pent-up demand (i.e. people who wanted to visit Canterbury but postponed their trip due to the earthquakes) to get back to where activity was prior to the earthquakes.



After a rapid decline in domestic guest nights in Canterbury over 2011 and 2012, a recovery is also well in train here too.

Of course, the region faces strong competition for domestic visitors from other popular hotspots around the country.

But it’s encouraging that accommodation capacity in Canterbury is improving and this should provide the ability for visitor numbers to continue to improve.