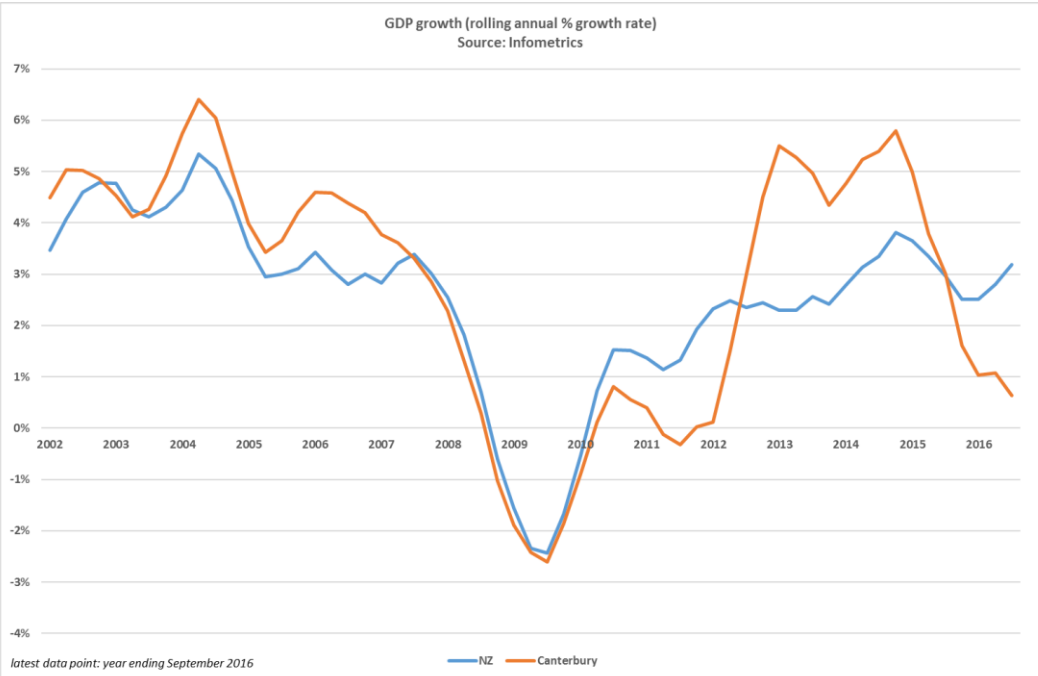
CANTERBURY REGIONAL ECONOMIC DEVELOPMENT STRATEGY

ECONOMIC INDICATORS REPORT

February-2017

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

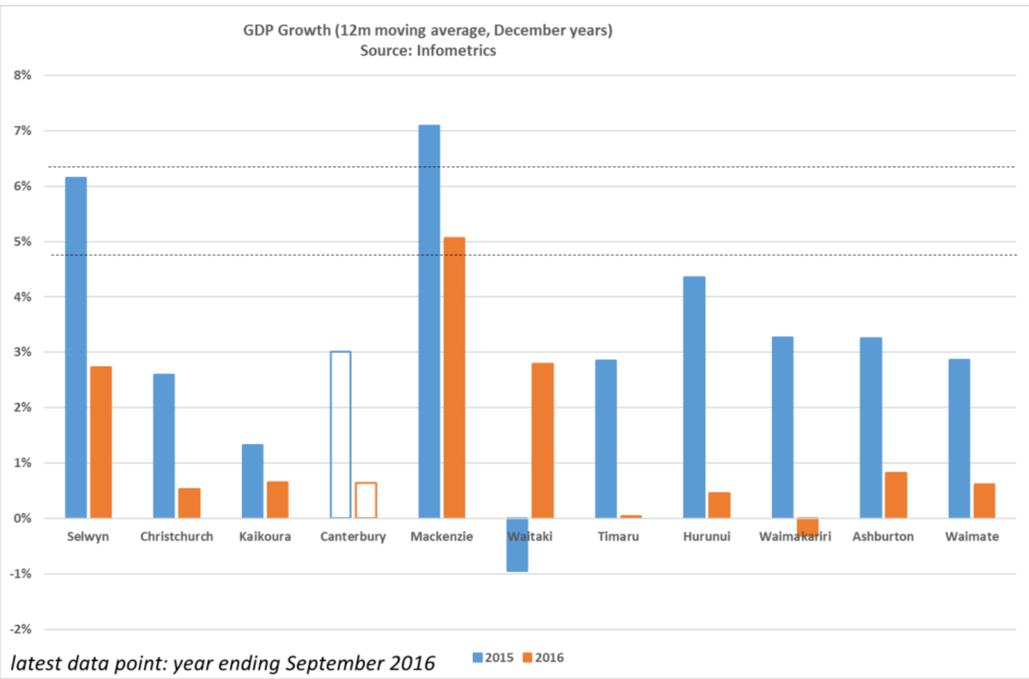


Canterbury's GDP growth has been significantly higher than New Zealand's since the earthquakes, reflecting the rapid expansion of rebuild activity.

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.

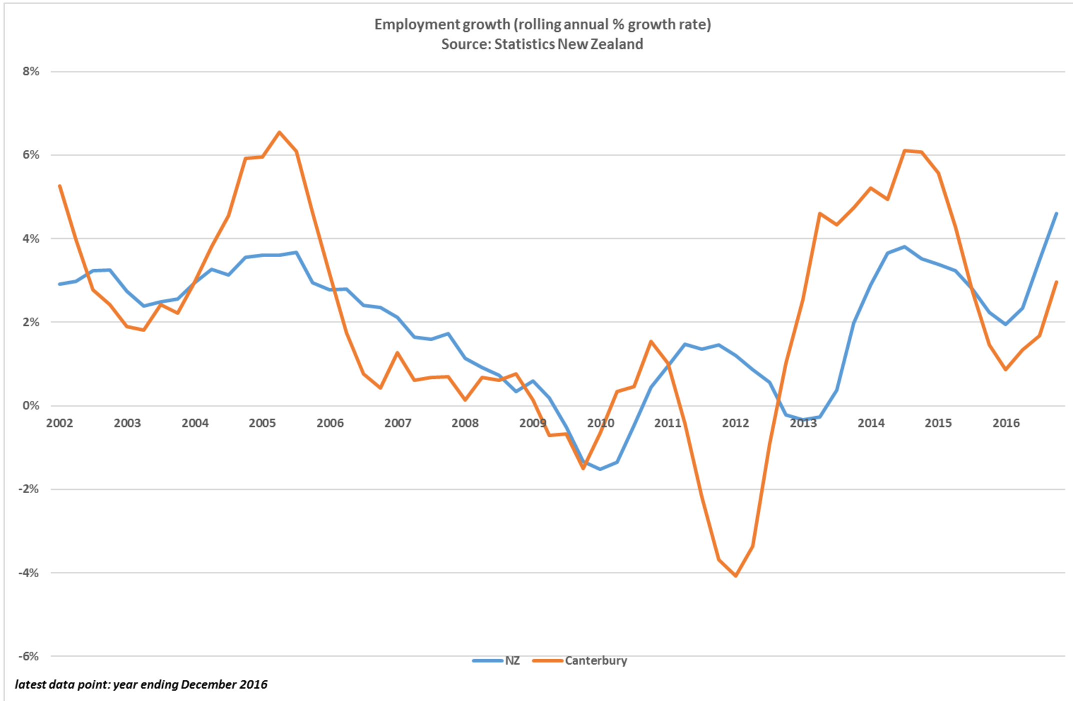
Yet the *level* of activity in Canterbury is set to stay elevated for at least another two years, or in other words this will remain a busy economy.

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

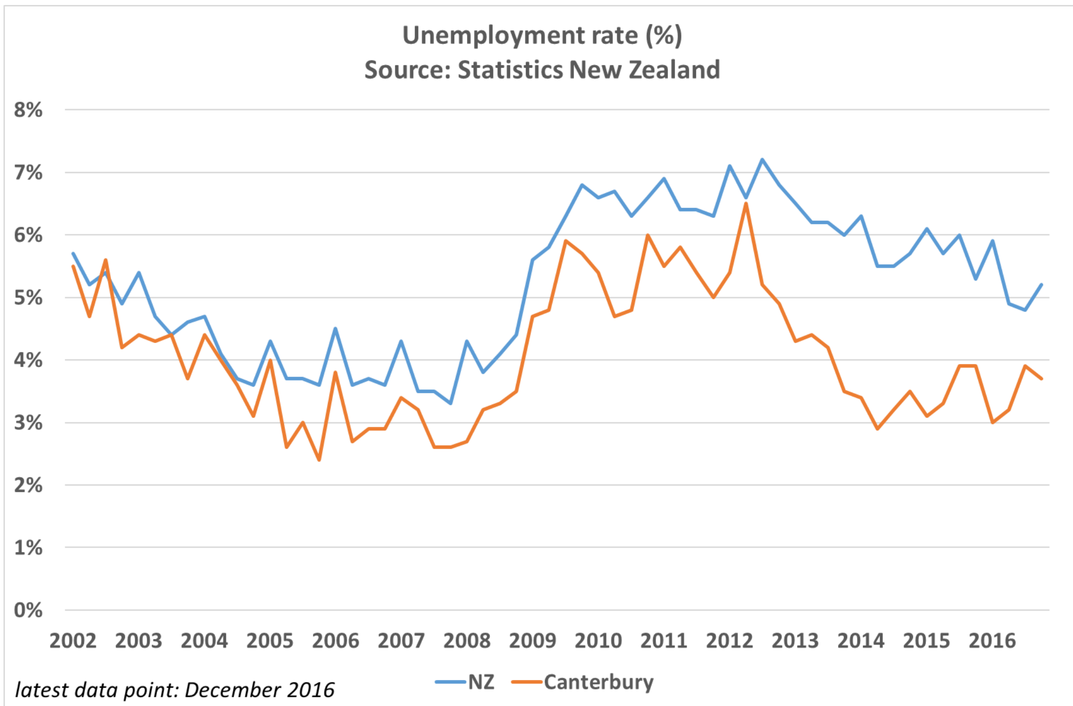
Growth in the year to September 2016 was positive in all districts except for Waimakariri. The easing rebuild appears to be supressing growth in Christchurch and Canterbury; meanwhile strong tourism growth is supporting Mackenzie District in particular. Selwyn and Waitaki Districts are growing particularly strongly, near the New Zealand average of 3.2%.



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.

Even though employment growth is below the national average, it is still very strong, especially in comparison to GDP growth.

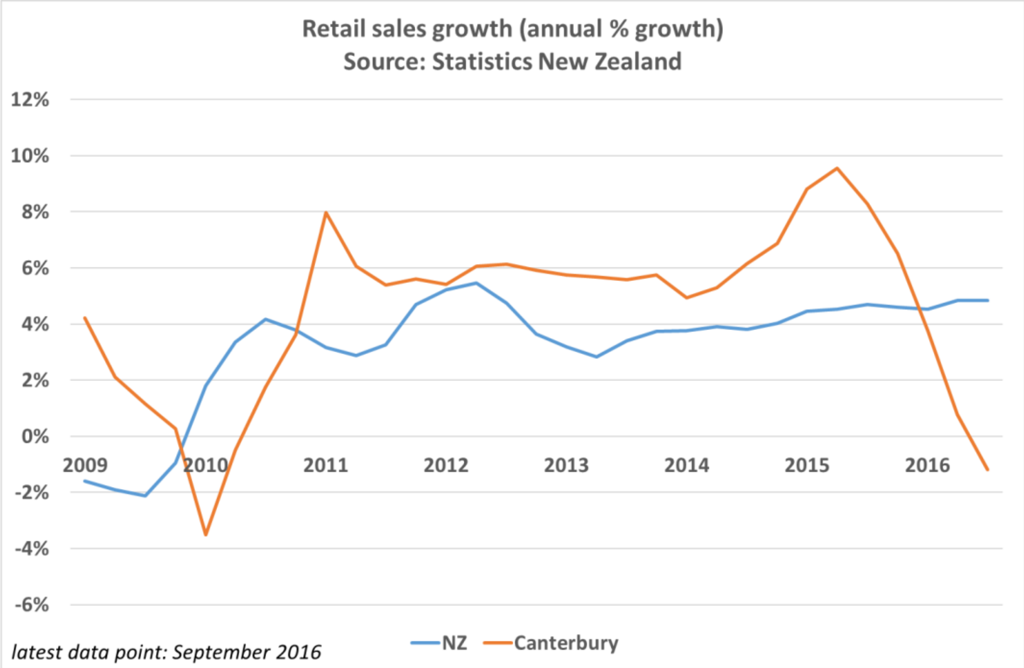


The mirror image of strong employment growth in Canterbury is of course a low unemployment rate.

From 2012 onwards Canterbury's unemployment rate diverged away from the national average and currently sits at 3.7% - well below the national average of 5.2%.

As the rebuild eases, it is probable that the unemployment rate will converge with the national average. But it's starting from such a low level that it would take fairly big and sustained rises before this became a prominent issue.

Regional Vision (continued)

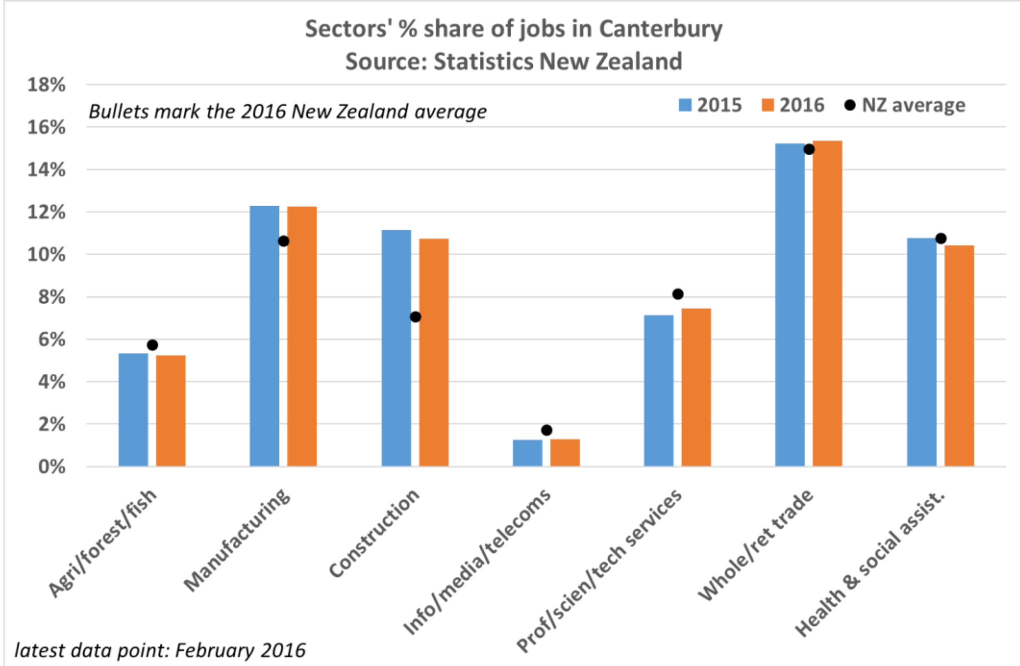


Retail sales in Canterbury have been easing for the past year, with the growth rate turning negative in the past quarter.

The period of high growth after 2010 may have been driven by migrants forming new households, retail sales of building products and general economic confidence resulting from strong business and employment opportunities.

In the year to September, the value of retail sales in the region declined by 1.2%, compared to growth of 4.8% nationally.

Work-stream 4 – Value added production



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.

Refer to Appendix 2 for MBIE's projection of construction-related employment in Greater Christchurch.

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

The secretariat is working with the NZ Transport Agency's Freight Strategy Manager to develop appropriate indicators. This will be assisted by national freight indicators research that NZTA is currently commissioning.

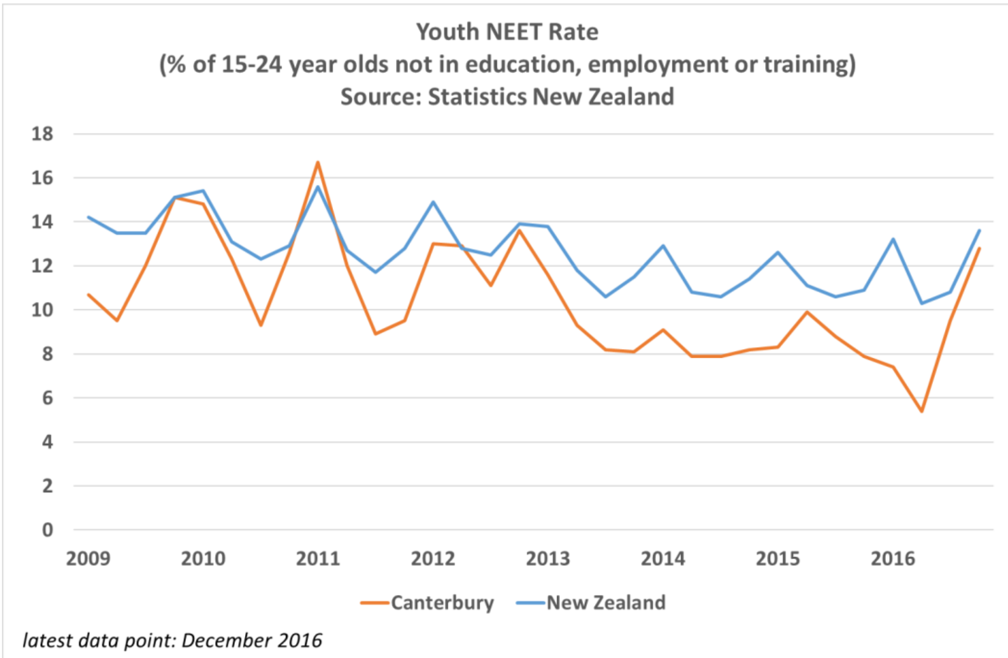
Work-stream 2 – Digital connectivity: extension and uptake of broadband in rural areas

Canterbury Maps has prepared updated maps of mobile and broadband coverage from publicly available information. This does not yet, however, reflect the completion of Spark NZ's 4G upgrade across all of Canterbury. The secretariat is working with Canterbury Maps and retail service providers (Spark, Vodafone, 2 Degrees) to map coverage accurately (and specifically any remaining gaps in coverage), as a basis for further advocacy and work with Crown Fibre Holdings Ltd and the telecommunications sector.

Work-stream 3 – Freshwater management and irrigation infrastructure

Refer to Appendix 1: CREDS indicators for freshwater management and irrigation infrastructure

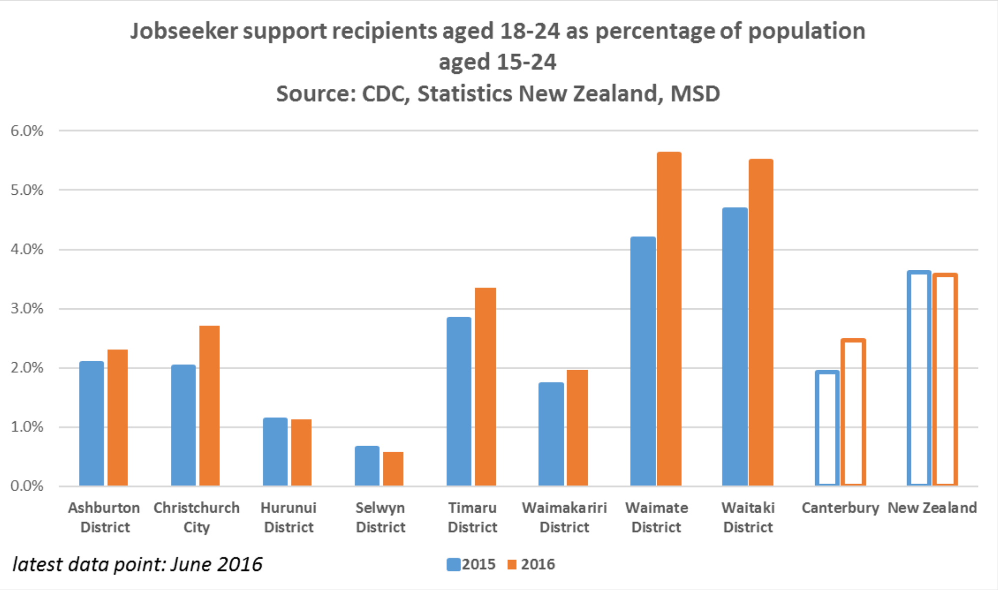
Work-stream 5 – Education and training for a skilled workforce



Strong demand for unskilled workers in the rebuild pushed the youth not in employment, education or training (NEET) rate well below the national average. However, as the rebuild eases, employment opportunities will also ease and the NEET rate will converge with the national rate. Canterbury's current NEET rate is 12.8%, just below the national average of 13.6%.

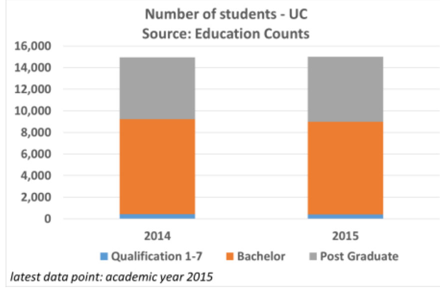
The NEET rate is a composite number drawn from a number of data sources. It should be seen as indicative rather than an absolutely accurate measure of youth not in education, employment or training.

Work-stream 5 (continued)

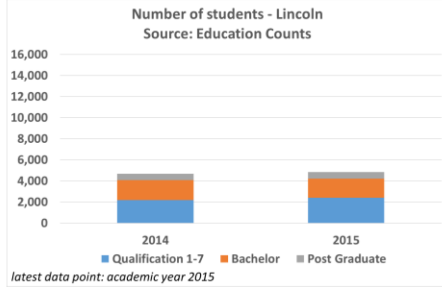


Canterbury has a lower proportion of young jobseeker support recipients than the national average. However, this proportion has increased rapidly in the past year, which largely reflects a rapid increase in Christchurch. Waimate and Waitaki Districts feature the highest proportion of young Jobseeker support recipients in the region.

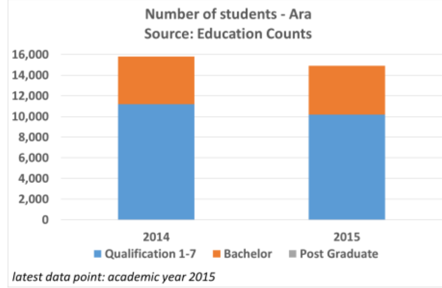
This indicator is based on the number of jobseeker support recipients (work ready and health or disability) aged 18-24 in the June quarter, divided by the estimated resident population aged 15-24 in the year to June. Kaikoura and Mackenzie figures are suppressed to maintain confidentiality.



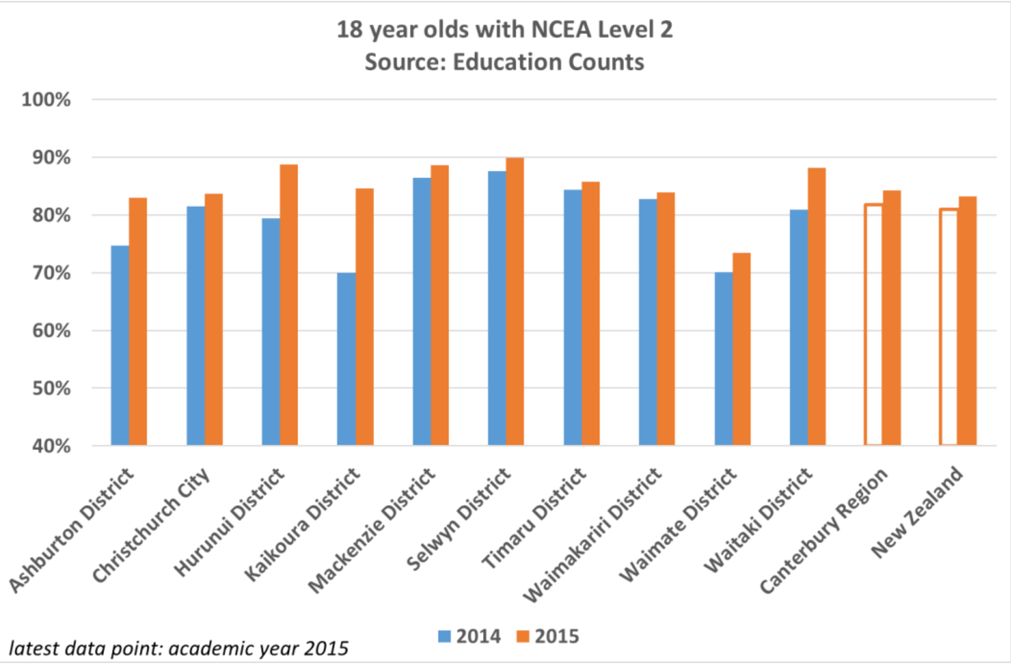
Enrolments at Canterbury University have stabilised following significant post-earthquake decline in enrolments, with an increase in post-graduate students driving the overall increase.



Enrolments at Lincoln University have increased modestly in the past year. However, this was led by a recovery in Level 1-7 qualifications, the majority of which are delivered at its Southland campus, Telford.



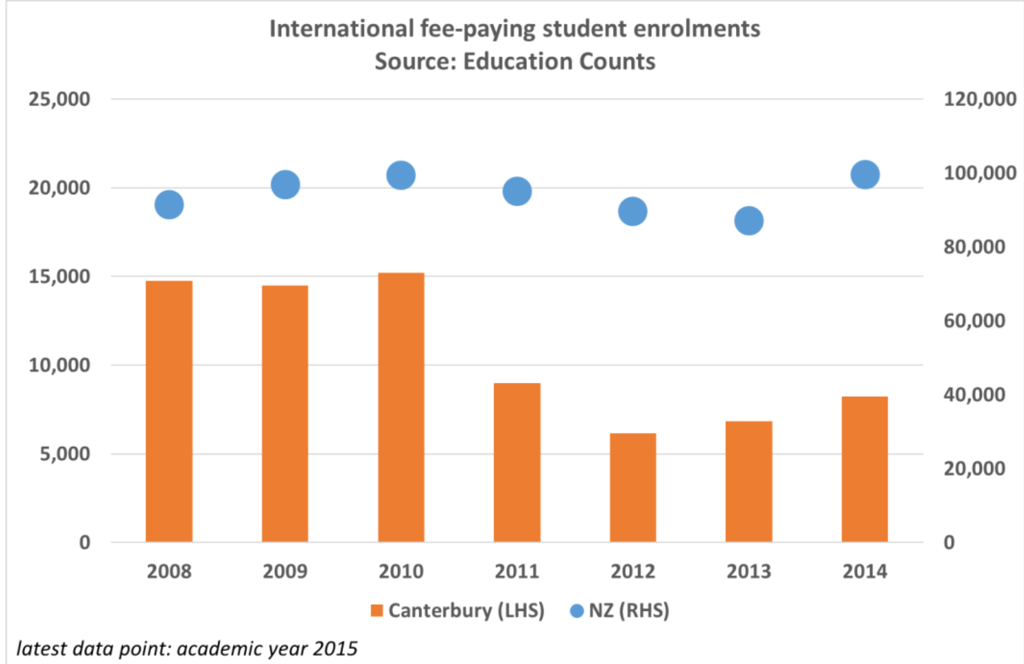
Aoraki and CPIT have merged to form Ara. Enrolments at Ara have fallen over the past year, primarily caused by a drop in Level 2 certificate enrolments. This drop was apparent at both constituent institutes.



Canterbury is slightly ahead of the national proportion of 18 year olds with NCEA Level 2, although the gap has narrowed between 2014 and 2015.

Within Canterbury, the proportion of 18 year olds with NCEA level 2 is higher in Hurunui, Mackenzie, Selwyn and Waitaki.

The greatest improvements between 2014 and 2015 have been recorded in Ashburton, Kaikoura, Hurunui and Waitaki. Waimate is the only area with achievement below the national average.

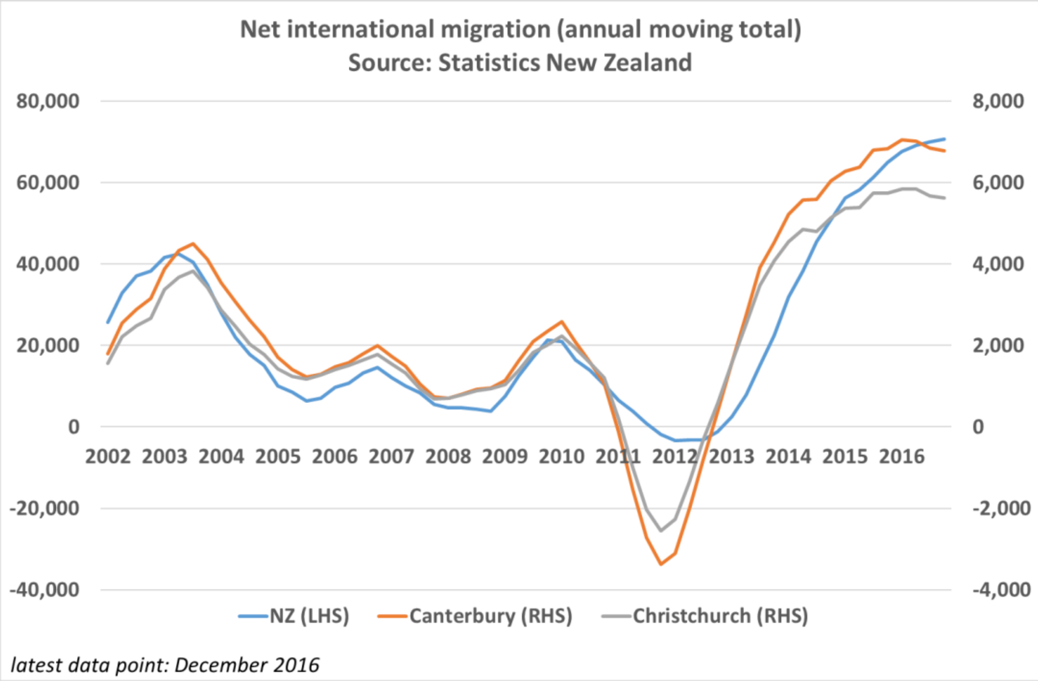


International student numbers in Canterbury unsurprisingly took a hit immediately after the earthquakes.

But international student enrolments are now growing strongly.

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.

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

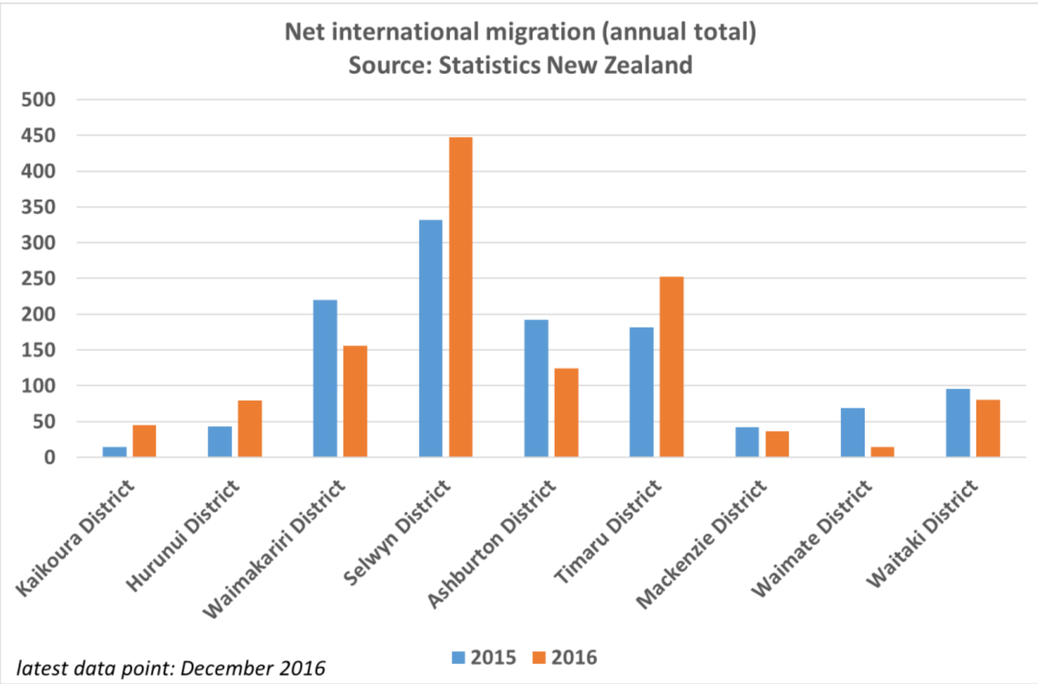


Net international migration to Canterbury has been a crucial element of the rebuild effort. Recent inflows have still been very high.

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

Over the long term it seems likely that global competition for people/skills will only intensify.

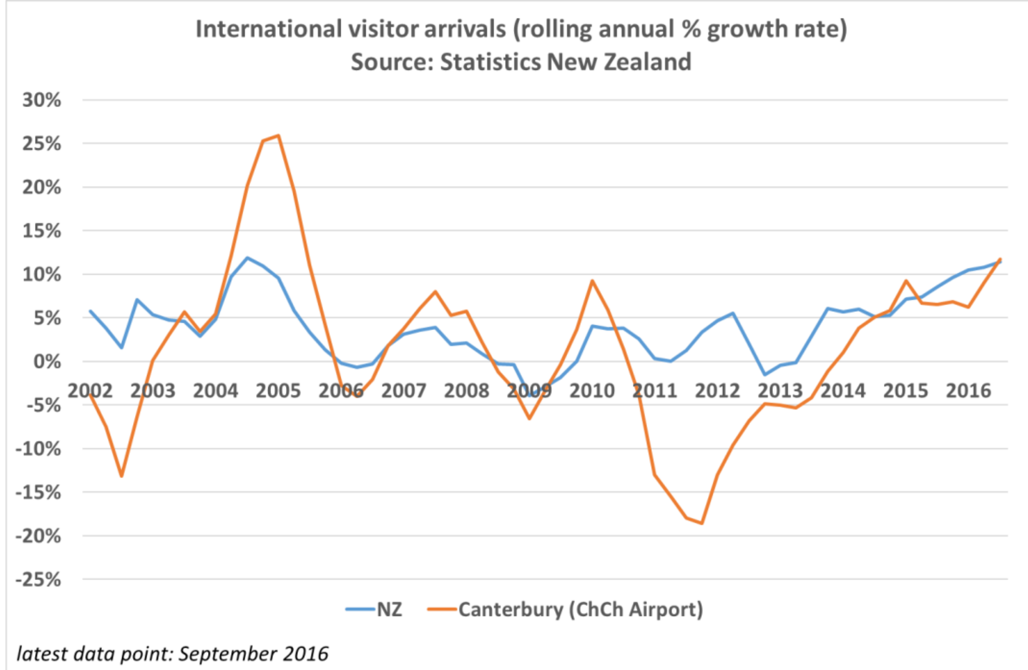
This makes people attraction a crucial focus for regional economic development in Canterbury.



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.

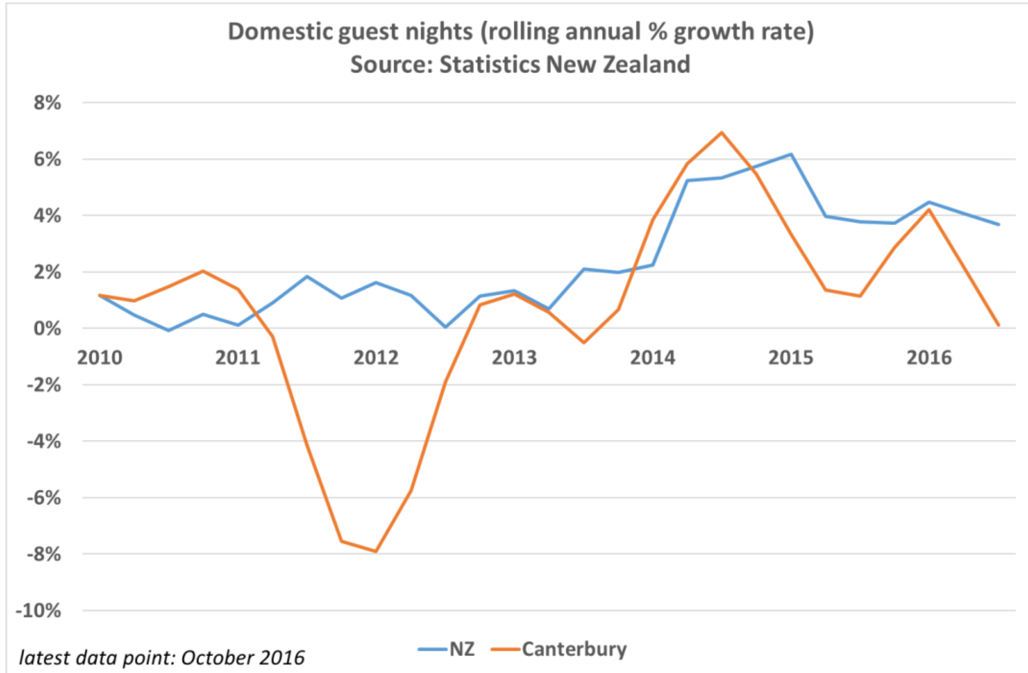
Work-stream 7 – Regional visitor strategy



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 been variable, but broadly consistent with the New Zealand growth rate.

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.



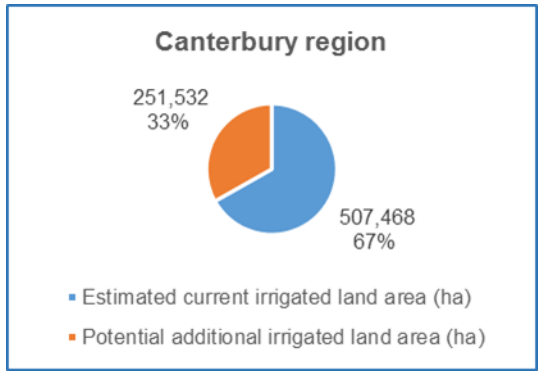
Growth in domestic guest nights across New Zealand has eased throughout 2016, with Canterbury disproportionately affected.

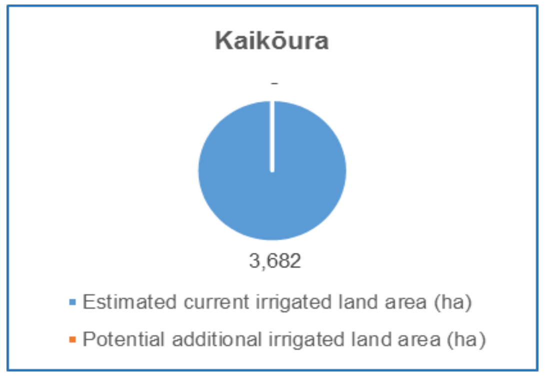
Nonetheless, total guest nights have still risen by 5%, driven by very strong growth in international guest nights of 12%.

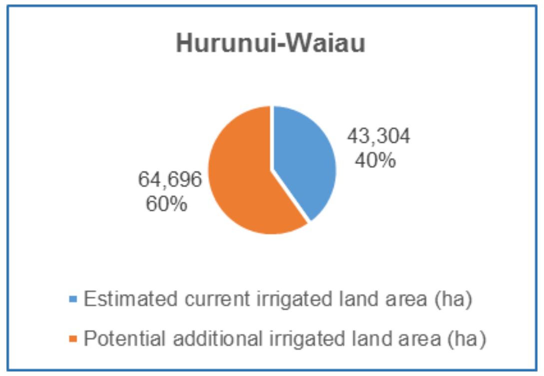
It's encouraging that accommodation capacity in Canterbury is improving and this should provide the ability for visitor numbers to continue to improve.

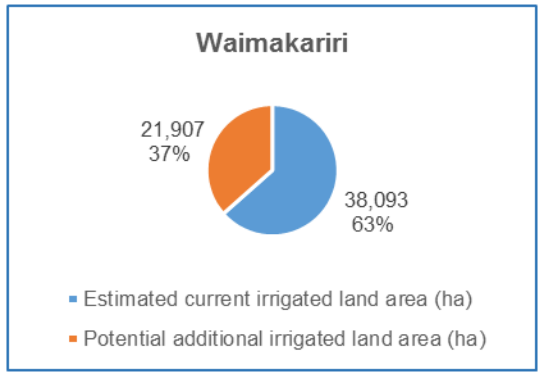
Appendix 1: CREDS indicators for freshwater management and irrigation infrastructure

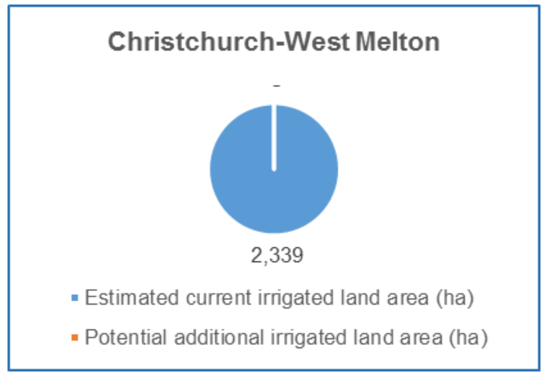
Estimated current and indicative potential irrigated land area

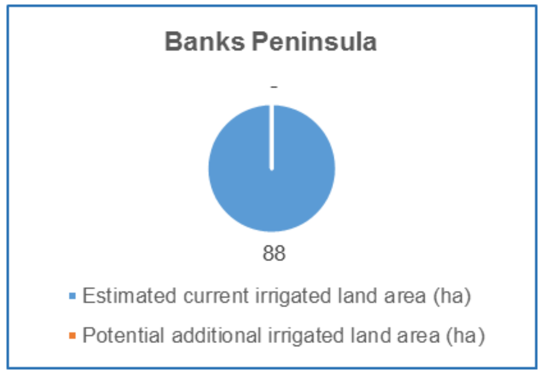


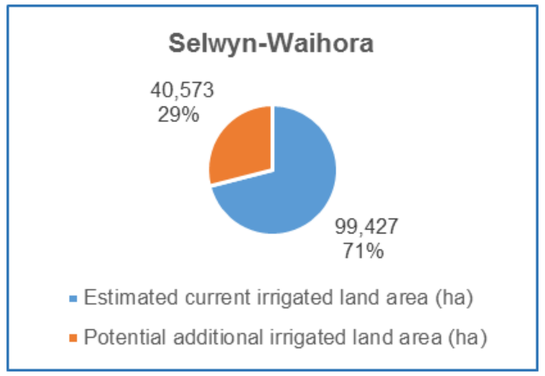


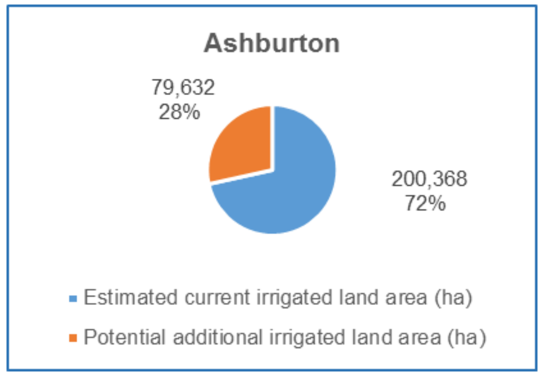


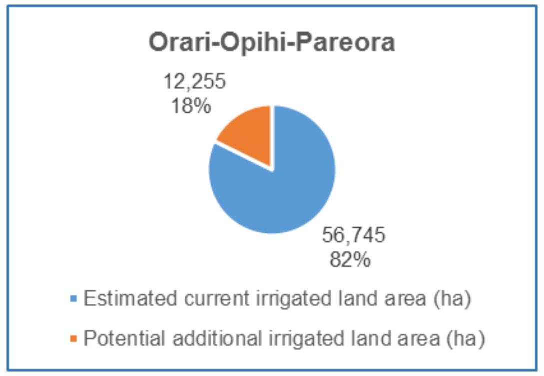


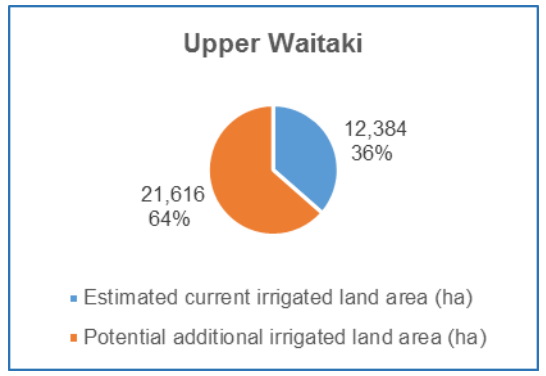


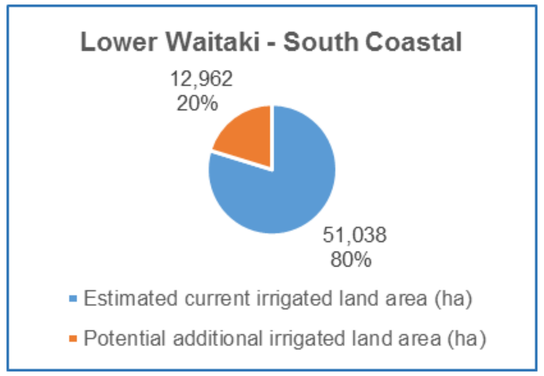






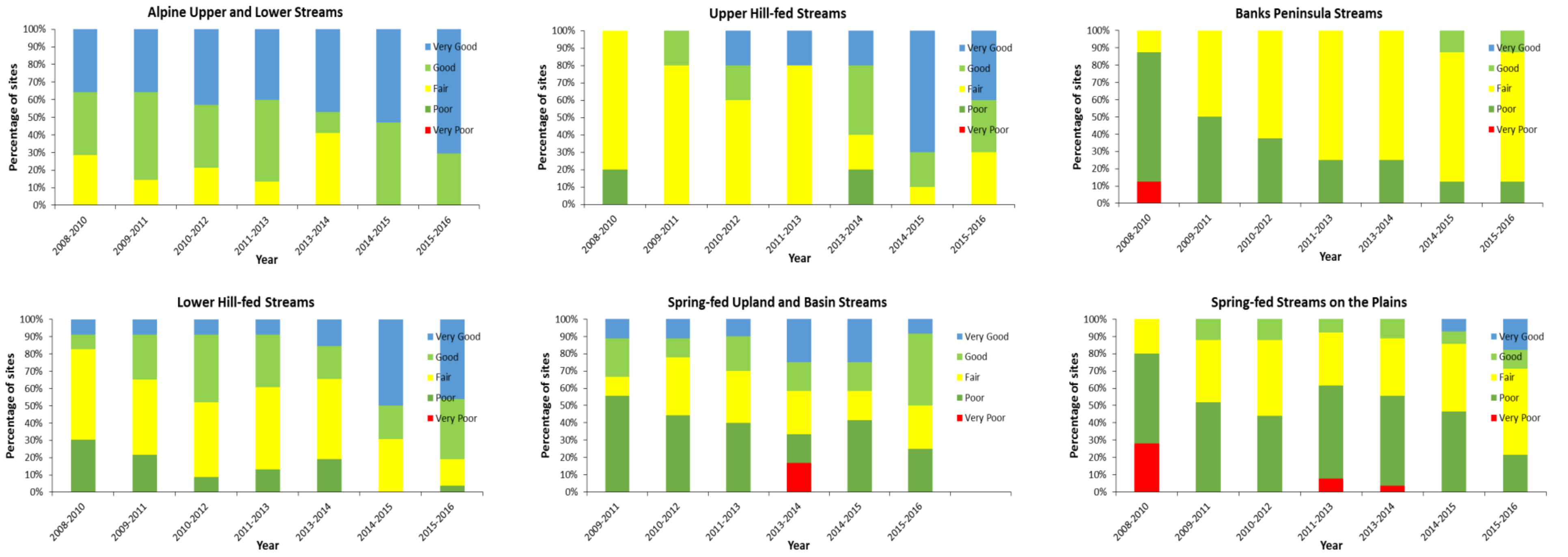






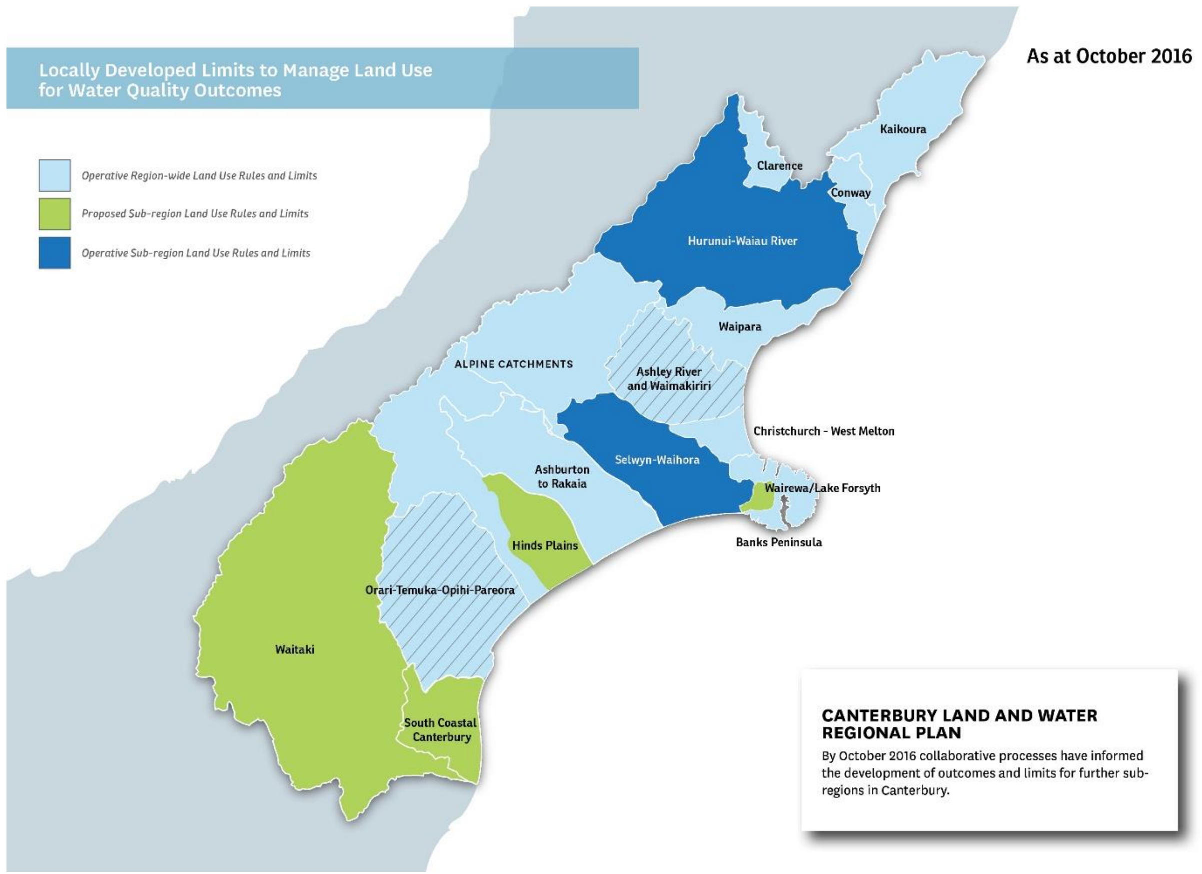
1. Current irrigated land area (hectares) as estimated by detailed irrigated area mapping prepared for Environment Canterbury by Aqualinc, July 2016.
2. Indicative potential irrigated land area (hectares) as reported in the CWMS Targets Report 2015. This is based only on known infrastructure development. As noted in the CWMS Targets Report 2010, the target for irrigated area and reliability will be refined on an ongoing basis through:
   - refining of financial viability and funding mechanisms
   - the regional and zone implementation programmes
   - more definite location-specific knowledge on the potential for efficiency improvements
   - testing of infrastructure proposals against fundamental CWMS principles
   - setting of environmental limits.

Water Quality Index: Canterbury rivers and streams



1. A Water Quality Index is used to summarise physical and chemical water quality for river and stream sites in Canterbury.
2. Water quality in the high country
   - Water quality in the high country is variable among river types, predominantly influenced by sediment inputs and associated contaminants.
   - Hill-fed streams may be hampered by the variable quality of inflowing spring-fed tributaries or fluxes of contaminant sources during high flows.
   - Alpine and hill-sourced rivers are generally less impacted by contamination sources due a large volume of flow originating from high up in the catchment.
3. Water quality in lowland areas
   - Water quality in lowland areas is typically poorer than in high-country areas. In general this is because of the greater intensity of land use in the warmer, flat low country.
   - An additional factor is the accumulation of contaminants in groundwater, which re-emerge in lowland streams.
   - Spring-fed streams tend to meander through farms, and are susceptible to both localised and diffuse contaminant sources. These streams show the greatest variation in water quality.

Progress on limits to manage land use for water quality outcomes



Limits on the loss of nutrients from farmland across Canterbury became operative in 2015 (Land and Water Regional Plan). The region-wide rules and limits 'hold the line' until freshwater outcomes and limits are agreed locally through collaboration with zone committees and communities under the Canterbury Water Management Strategy.

By October 2016, locally informed freshwater outcomes and limits were operative or notified in six sub-regions. As at October 2016:

- the light blue colour shows where the all-of-region land and water plan is operative
- the dark blue colour shows where sub-regional plans are operative
- the green colour shows where sub-regional plans have been notified
- hatched areas indicate where sub-regional rules and limits are currently being developed in consultation with zone committees and communities – Land & Water Regional Plan generic rules and limits apply in the interim.

Note that in some catchments with significant pollution problems (eg Selwyn-Te Waihora and Hinds), rules and limits on nitrogen loss are stricter in sub-regional plans than in the regional plan.

Appendix 2: Greater Christchurch construction-related employment projections

Source: MBIE