



economics

Report to:

**2010 REGIONAL PROFILE FOR THE
HAWKE'S BAY REGION**

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Regional Profile for the Hawke's Bay Region

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1 Summary

This report assesses the composition and performance of the Hawke's Bay region, which is defined by this report as consisting the Napier City, Hastings, and Central Hawke's Bay districts. All figures are calculated for the year ending March 2010.

Economic Performance

In the short-term (2010), the Hawke's Bay performed below the New Zealand average in all key performance indicators. The Hawke's Bay had an increase in resident population (0.9%) and labour productivity growth (1%), but had large declines of 2.4% in Gross Domestic Product (GDP) and 2.6% in employment.

In the medium-term (2005-2010), the Hawke's Bay performed better than the New Zealand average in four of the seven key performance indicators. These are GDP per capita (0%), employment (1.1%), business units (1.1%) and business size (0.1%) growth.

Composition for 2010

Out of the seven sectors which comprise the Hawke's Bay, the majority of employment was in the Retail and Distribution sector, with 22.3%. However, when looking into the 53 industries which make up the seven sectors, the majority of employment came from the Agricultural (11.7%), Business Services (8.6%) and Education (7%) industries.

The Business Services sector generated the largest amount of GDP (\$1.3 billion), comprising 31% of the region's GDP. This sector also has the largest amount of business units, accounting for 36.8% of all business units in the Hawke's Bay.

The share of the seven sectors in terms of business units that make-up the Hawke's Bay's economy are similar to the New Zealand aggregate. However, the Hawke's Bay has a greater amount of business units (19.5%) in the Primary sector, than the New Zealand average of 15.1%, with New Zealand comprising more business units in the Retail and Distribution sector.

Industry with the largest employment in 2010

Most jobs in the Hawke's Bay are in the Agriculture industry, employing 7,714 people (11.7% of jobs in the Hawke's Bay). The second largest industry for employment is Business Services which accounts for 5,655 people or 8.6% of jobs.

Fastest growing industry in employment and GDP for 2010

In 2010, the Water Supply, Sewerage and Drainage Industry had both the fastest growth in employment of 93.6% and fastest growth in GDP of 120.2%. However, the Water Supply, Sewerage and Drainage industry comprises a small component of the Hawke's Bay economy. When looking at industries which comprise a larger proportion of the Hawke's Bay's economy, the Forestry and Logging, and Sport and Recreation industries had the fastest growth in GDP and employment.

Fastest growing industry in employment and GDP for 2005-2010

Consistent with the short-term, the majority of employment and GDP growth over the last five years has been in the Water Supply, Sewerage and Drainage Industry with growth of 30.1% in employment and 28.6% in GDP. However, the Water Supply, Sewerage and Drainage industry comprises a small component of the Hawke's Bay economy. When looking at the industries which represent a larger proportion of the Hawke's Bay's economy, the Storage and Community Services industries had the fastest GDP and employment growth over the past five years.

2 Economic Performance

This section looks into the economic performance and growth of the Hawke's Bay region over 2010 (short-term) and over the past five years (medium term) using BERL's Key Performance Indicators.

BERL's key performance indicators are: resident population growth, real value added (Gross Domestic Product - GDP) growth, GDP per capita, employment growth, labour productivity growth, business unit growth, and business size growth.

The performance indicators are also provided for New Zealand to indicate how the Hawke's Bay is performing in terms of the national average.

The economic performance for both the Hawke's Bay and New Zealand are assessed over the short and medium-term. The short-term performance reflects one-off changes in the economy, and the medium-term performance reflects changes in an economy that are of a more permanent nature (general direction the economy is heading in).

2.1 Short-term performance – 2010

The Key Performance Indicators for the Hawke's Bay and New Zealand are presented in table 2.1 below.

Table 2.1. Key Performance Indicators for 2010

Key Performance Indicators	%pa for 2010 year	
	Hawke's Bay region	New Zealand
Resident population growth	0.9	1.2
Real Value Added (GDP) growth	-1.5	-0.4
GDP per capita growth	-2.4	-1.6
Employment growth	-2.6	-1.7
Labour productivity growth	1.0	1.1
Business units growth	-1.5	-1.3
Business size growth	-1.1	-0.3

Source: BERL, Statistics NZ

Overall the Hawke's Bay region has performed below the national average for all key performance indicators.

Over 2010, the Hawke's Bay region had an increase in resident population growth of 0.9%, and an increase in labour productivity growth of 1%. The growth in the Hawke's Bay, although below the national average, is consistent with growth experienced nationally in resident population and labour productivity of 1.2% and 1.1% respectively.

Unfortunately, in 2010 there were declines in GDP, GDP per capita, employment, business unit and business size. However, the declines experienced in the Hawke's Bay were also experienced nationally, with the Hawke's Bay being harder hit in real value added (GDP) and employment. GDP was 1.1% worse than the national average, while employment was 0.9% worse than the national average.

2.2 Medium-term performance – 2005-2010

The Key Performance Indicators for the Hawke's Bay from 2005 to 2010 are presented in table 2.2 below.

Table 2.2. Key Performance Indicators for 2005-2010

Key Performance Indicators	%pa for 2005 - 2010	
	Hawke's Bay region	New Zealand
Resident population growth	0.6	1.1
Real Value Added (GDP) growth	0.6	1.0
GDP per capita growth	0.0	-0.1
Employment growth	1.1	0.9
Productivity growth	-0.6	0.0
Business units growth	1.1	0.9
Business size growth	0.1	-0.4

Source: BERL, Statistics NZ

Despite the weak performance in 2010 for both the Hawke's Bay and New Zealand, the medium term performance indicators are looking slightly more positive.

Over the past five years, the Hawke's Bay region has generally been performing slightly better than the New Zealand average.

In particular, the Hawke's Bay region appears to be performing stronger than New Zealand in GDP per capita, employment, business units, and business size growth.

On average there has been no growth in GDP per capita, which is comparably better than the New Zealand average decline of 0.1%.

Despite the large employment decline in the Hawke's Bay in 2010 (decline of 2.6%), employment in the Hawke's Bay over the medium-term is looking good, with employment growth of 1.1%, 0.2% above the New Zealand average.

There has also been an expansion in the number of businesses starting up in the Hawke's Bay with business unit growth of 1.1% per annum, 0.2% above the New Zealand average of 0.9%. Most business unit growth is coming from the Business Services Sector.

Business size growth is 0.1% which is heading in the right direction, especially when compared to the New Zealand's average decline of 0.4%. This growth is predominantly coming from the Primary (6% growth) and Recreational Services sectors (4% growth).

One area of concern is labour productivity growth which is average -0.6% over the last five years. Although New Zealand did not have any productivity growth, a negative figure is concerning as this means it takes more units of inputs e.g. labour to produce the same level of goods and services. This is only one measure of productivity and the level of productivity can be attributed to many inputs such as capital, land and other resources.

3 Composition

This section measures the Hawke's Bay region's industry make-up and size in terms of employment, GDP and number of business units for the 2010 year. The composition of the Hawke's Bay region is then compared to that of New Zealand at aggregate levels.

For comparison reasons, the industries have been aggregated into the following sectors: Primary, Manufacturing, Construction, Retail and Distribution, Business Services, Recreation Services and Social Services.

3.1 Sector composition of region by employment, GDP and business units

Table 3.1 and 3.2 below shows a summary of the sectors that represent the Hawke's Bay's and New Zealand's economies in terms of FTE, GDP and business units.

Table 3.1. Summary Sector Composition of the Hawke's Bay Region for 2010

Sectors (2010)	FTEs		GDP (2010\$m)		Business units	
		%		%		%
Primary	11,681	18.2%	630	15.1%	3,353	19.5%
Manufacturing	8,742	13.7%	709	16.9%	854	5.0%
Construction	4,633	7.2%	183	4.4%	1,508	8.8%
Retail and Distribution	14,308	22.3%	707	16.9%	3,047	17.7%
Business Services	8,428	13.2%	1,301	31.1%	6,316	36.8%
Recreation Services	4,033	6.3%	124	3.0%	932	5.4%
Social Services	12,203	19.1%	531	12.7%	1,162	6.8%
Totals	64,029	100.0%	4,186	100.0%	17,172	100.0%

Table 3.2. Summary Sector Composition of New Zealand for 2010

Sectors (2010)	FTEs		GDP (2010\$m)		Business units	
		%		%		%
Primary	151,021	8.2%	10,036	7.6%	76,563	15.1%
Manufacturing	217,237	11.8%	16,710	12.6%	23,630	4.7%
Construction	137,948	7.5%	5,487	4.1%	48,511	9.6%
Retail and Distribution	478,451	26.1%	25,559	19.3%	96,905	19.2%
Business Services	346,602	18.9%	51,895	39.1%	195,593	38.7%
Recreation Services	120,917	6.6%	4,185	3.2%	33,138	6.6%
Social Services	383,531	20.9%	18,795	14.2%	31,345	6.2%
Totals	1,835,706	100.0%	132,667	100.0%	505,685	100.0%

Employment

The majority of employment in the Hawke's Bay is in the Retail and Distribution (22.3%), Social Services (19.1%) and Primary (18.2%) sectors.

For 2010, Retailing and Distribution was the largest sector of employment with 14,308 people (22.3%). This sector comprises mainly of people working in Food Retailing, Personal and Household Good Retailing, and Accommodation, Cafes and Restaurants industries.

Social Services was the second highest contributor to employment in the Hawke's Bay in 2010, with over 12,203 people. Jobs in the Social Services sector were mainly in Education and Health Services industries such as hospitals, medical and dental services, and community care services.

The Primary sector has the third largest employment with 11,681 people, the major source of employment being Agriculture and Services to Agriculture industries. Agriculture encompasses the Hawke's Bay's major activities such as sheep farming, horticulture, and viticulture.

The lowest employment was in the Recreation Services sector with just 6.3%. This sector encompasses activities such as amusement parks (e.g. Splash Planet), shows, horse racing and sport grounds.

Gross Domestic Product

Business Services is by far the largest contributor to Hawke's Bay's GDP, with Business Services valued at \$1.3 billion. Business Services entails Property Operators and Developers, Real Estate Agents, Machinery and Equipment Hiring, and Scientific Research industries.

Figure 3.1 Hawke's Bay Employment

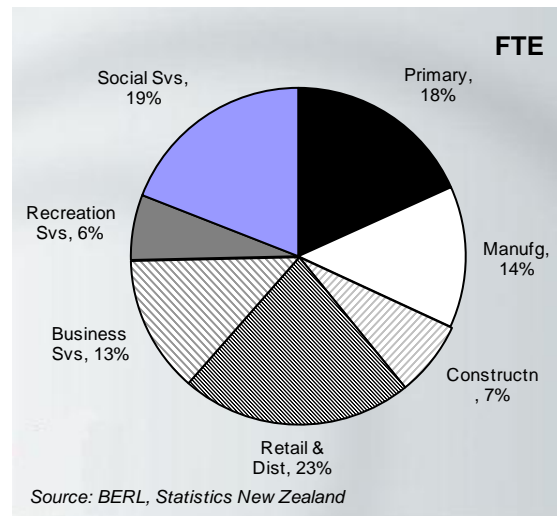
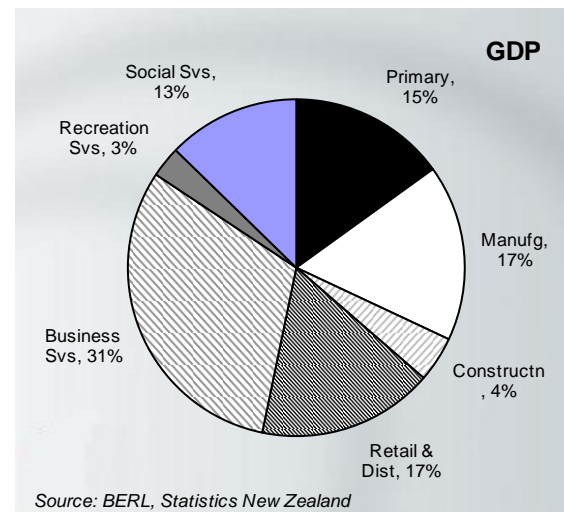


Figure 3.2 Hawke's Bay GDP



The next closest sectors are Manufacturing and Retail and Distribution earning a little over \$700 million.

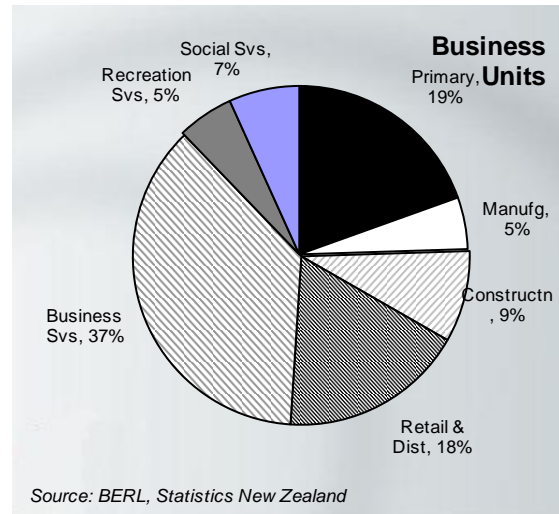
Unsurprisingly, the Recreation sector which has the lowest employment also has the lowest GDP contribution.

Business Units

Business Services has the majority of business units in the Hawke's Bay with 6,316 units. This is almost double the next closest sector of Primary with 3,353 business units (19.5%).

The lowest amount of business units comes from the Manufacturing sector, at just 854 units, which is understandable given the size and scale of manufacturing operations and investment.

Figure 3.3 Hawke's Bay Business Units



3.2 Ten Largest industries by employment

Section 3.1 grouped the industries that make up the Hawke's Bay economy into seven sectors. To get a better understanding of where the jobs for 2010 were in the Hawke's Bay and New Zealand, this section looks at the top ten industries for employment for both the Hawke's Bay (Table 3.3) and New Zealand (Table 3.4).

Table 3.3. Ten largest industries by employment for the Hawke's Bay Region

Rank by FTE size	Industry	Employment (FTEs)	
		2010	% of total
1	Agriculture	7,714	11.7
2	Business Services	5,655	8.6
3	Education	4,590	7.0
4	Food, Beverage and Tobacco	4,272	6.5
5	Health Services	3,783	5.8
6	Services to Agriculture; Hunting and Trapping	3,858	5.9
7	Food Retailing	2,895	4.4
8	Construction Trade Services	2,829	4.3
9	Community Services	2,528	3.8
10	Personal and Household Good Retailing	2,678	4.1

Source: BERL, Statistics NZ

Agriculture is the main industry for employment in the Hawke's Bay, employing 7,714 people, which reflects the large labour force needed for horticultural and viticulture operations. The second highest industry for employment is Business Services with 5,655 people, followed closely by Education with 4,590 people.

The table below presents the ten largest industries for employment in New Zealand.

Table 3.4. Ten largest industries by employment for New Zealand

Rank by FTE size	Industry	Employment (FTEs)	
		2010	% of total
1	Business Services	229,968	12.3
2	Education	129,445	6.9
3	Health Services	117,601	6.3
4	Agriculture	113,046	6.1
5	Personal and Household Good Retailing	89,097	4.8
6	Accommodation, Cafes and Restaurants	84,872	4.5
7	Construction Trade Services	84,322	4.5
8	Food Retailing	69,216	3.7
9	Food, Beverage and Tobacco	66,052	3.5
10	Government Administration	60,862	3.3

Source: BERL, Statistics NZ

In New Zealand, the majority of people, 229,968 or 12.3%, are employed in Business Services. The next highest industry, Education, employs almost 50% less than Business Services, employing 129,445 people.

When comparing the top ten industries for the Hawke's Bay and New Zealand, eight of the industries are the same. The Hawke's Bay differs from New Zealand, in that it has high employment in Services to Agriculture (5.9%) and Community Services (3.8%).

New Zealand's employment differs in that it mainly comes from the Accommodation, Cafes and Restaurant industry (4.5%), and Government Administration industry (3.3%). Employment in these industries reflects New Zealand's dependence on tourist oriented activities, and its large public service.

4 Top 10 fastest growing industries

This section looks more closely at the Hawke's Bay region's industries. Earlier, industries were looked at in seven aggregated sectors. However this section disaggregates these sectors into 53 industries. The following analysis looks at the ten fastest growing industries by employment and GDP in 2010 (short-term) and over 2005-2010 (medium-term).

4.1 Fastest growing industries by employment – 2010

Table 4.1 below lists the fastest growing employment industries for 2010.

Table 4.1. Ten fastest growing industries by employment - 2010

Rank by FTE growth	Industry	Employment (FTEs)		
		2009	2010	% growth
1	Water Supply, Sewerage and Drainage Services	34	65	93.6
2	Motion Picture, Radio and Television Services	98	116	17.7
3	Sport and Recreation	897	1,034	15.3
4	Forestry and Logging	391	448	14.8
5	Services to Transport	501	573	14.3
6	Finance	610	662	8.5
7	Other Services	1,743	1,837	5.4
8	Community Services	2,528	2,636	4.3
9	Other Mining	60	63	3.7
10	Health Services	3,783	3,858	2.0

Source: BERL, Statistics NZ

In 2010, the industry with the largest growth in employment was the Water Supply, Sewerage and Drainage Services industry with a staggering 93.6%. The next highest industry was the Motion Picture, Radio and Television Services with only 17.7% employment growth. Although these industries have the highest growth, they are small industries for employment in the Hawke's Bay. Therefore, their growth appears high when expressed in percentage change terms.

When looking at the larger industries in the Hawke's Bay, Sport and Recreation, and Forestry and Logging had the fastest employment growth in 2010.

4.2 Fastest growing industries by GDP - 2010

Table 4.2 below, lists the industries where GDP has grown the fastest in the year to March 2010.

Table 4.2. Ten fastest growing industries by GDP - 2010

Rank by GDP growth	Industry	GDP (2010\$m)		
		2009	2010	% growth
1	Water Supply, Sewerage and Drainage Services	5	11	120.2
2	Forestry and Logging	126	154	21.7
3	Finance	192	221	15.0
4	Motion Picture, Radio and Television Services	12	14	13.0
5	Sport and Recreation	54	61	12.9
6	Business Services	392	440	12.4
7	Services to Transport	81	90	10.8
8	Petroleum, Coal, Chemical & Assoc Prod Mfg	33	36	7.9
9	Other Mining	17	18	6.6
10	Personal Services	41	42	3.8

Source: BERL, Statistics NZ

The Water Supply, Sewerage and Drainage Services industry not only topped the fastest growing industry for employment, but also topped the fastest growing industry in GDP for 2010. The Water Supply, Sewerage and Drainage Services industry has more than doubled GDP over the past year, with growth of 120.2%. By being the fastest growing in employment and GDP, this indicates that this is an emerging industry for the region. However, it must be stressed that this industry's growth appears high when expressed as a percentage change, with its overall contribution to GDP only being \$11 million (0.3% of total GDP).

Another small industry with high growth was the Motion Picture, Radio and Television Services industry with GDP growth of 13%.

In terms of large GDP producing industries, the Forestry and Logging industry had the fastest GDP growth of 21.7% followed by the Finance industry, with GDP growth of 15%.

In terms of the fastest growing industries for GDP and employment in 2010, the smaller industries of Water Supply, Sewerage and Drainage services and Motion Picture, Radio and Television Services had the highest GDP and employment growth. As for the larger industries, Forestry and Logging and Sport and Recreation had the fastest GDP and employment growth for 2010.

4.3 Fastest growing industries by employment – 2005-2010

Table 4.3 below lists the fastest growing employment industries over the past five years.

Table 4.3. Ten fastest growing industries by employment – 2005-2010

Rank by FTE growth	Industry	Employment (FTEs)		
		2005	2010	%pa growth
1	Water Supply, Sewerage and Drainage Services	18	65	30.1
2	Other Transport	17	45	21.1
3	Storage	240	444	13.2
4	Community Services	1,499	2,636	12.0
5	Electricity and Gas Supply	146	253	11.6
6	Other Services	1,261	1,837	7.8
7	Air and Space Transport	85	122	7.6
8	Sport and Recreation	722	1,034	7.5
9	Insurance	48	68	7.2
10	Business Services	4,472	5,618	4.7

Source: BERL, Statistics NZ

Over the past five years, employment had the fastest growth in the Water Supply, Sewerage and Drainage Services and the Other Transport industries, with 30.1% and 21.1% average growth. However, these industries are not large employers in the Hawke's Bay.

Focussing on the growth in larger industries, Storage and Community Services recorded the fastest employment growth in the Hawke's Bay over the past five years.

It is interesting to note that the Business Services sector has four industries with high employment growth. These industries include Water Supply, Sewerage and Drainage Services, Electricity and Gas Supply, Insurance, and of course Business Services.

4.4 Fastest growing industries by GDP – 2005-2010

Table 4.4 below, lists the industries where GDP has grown the fastest over the past five years.

Table 4.4. Ten fastest growing industries by GDP – 2005-2010

Rank by GDP growth	Industry	GDP (2010\$m)		
		2005	2010	%pa growth
1	Water Supply, Sewerage and Drainage Services	3	11	28.6
2	Community Services	48	79	10.8
3	Storage	17	27	9.9
4	Electricity and Gas Supply	89	141	9.8
5	Forestry and Logging	105	154	7.8
6	Insurance	13	18	7.8
7	Finance	155	221	7.4
8	Business Services	312	440	7.2
9	Other Mining	13	18	6.9
10	Air and Space Transport	14	18	5.0

Source: BERL, Statistics NZ

Over the past five years, the Water Supply, Sewerage and Drainage Services industry has the highest GDP growth, with an average growth of 28.6% per annum. Again, this industry is small, so although growth appears large, it has a small contribution to the Hawke's Bay's economy.

Focussing on the larger industries in the Hawke's Bay, the Community Services and Storage industries had the fastest GDP growth over 2005 to 2010, with average GDP growth of 10.8% and 9.9% respectively.

For the period 2005-2010, the Water Supply, Sewerage and Drainage Services is the fastest growing industry for both employment and GDP. The high importance of the Water Supply, Sewerage and Drainage Services sector is likely a reflection of the region's dependence on water supply or irrigation to the horticultural or viticulture sector (the Primary sector).

For the period 2005-2010, the larger industries of Storage and Community Services have performed strong, recording the fastest GDP and employment growth over the past five years.

5 Terminology

Year

Numbers are for the twelve months to March of 2010.

Value Added (or Gross Domestic Product)

Value added measures the total value contributed by the activities of all businesses and organisations in the region. In theory it is equal to the value of the output of business (ie sales or turnover) less its purchases from other businesses of goods and services used in production (that latter are sometimes termed *intermediate inputs*).

In practice *value added* is akin to the sum of wages, salaries, profits and operating surplus arising from all economic activity in the industry and/or region. The total value added for a region is equivalent to its contribution to *national* Gross Domestic Product (GDP).

Employment (FTEs)

Measured as the number of employed persons - but in terms of full-time equivalents (FTEs), such that *two part-time* employed persons is counted as *one full-time* person.

Business units and size

This provides the number of business operating units within the TLA. Business size is defined as the average number of FTEs for each operating unit and indicates whether businesses in the TLA are on average growing or shrinking.

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