

Manukau City



The New Zealand economy has continued to recover over the early months of 2010. However, risks to the short-term outlook persist due to problems in European debt markets and fragile domestic confidence. Despite these problems, we expect the

domestic recovery to consolidate over 2010 as international conditions improve and commodity prices hold up. Economic activity is expected to rise 3.7% in the year to March 2011, followed by a 4.0% increase in the year to March 2012.

Manukau Overview

The Manukau economy is struggling to pull out of recession. Economic output declined by 2.1% in the year to March 2010 compared with the previous 12 months. Poor performances by the manufacturing, trade, and transport industries were the major contributors to the decline.

The labour market weakened further over the year to March 2010 with employment declining by 1.8%, the number of registered job seekers increasing from about 10,000 to 15,700 and the unemployment rate reaching 7.7% from 7.4% in March 2009.

Prospects for the construction industry remain relatively weak. The number of residential consents in the year to March 2010 dropped to 558 from 599 in the previous 12 months. The value of non-residential consents fell by 34% to a level last seen in 2004.

On the positive side the housing market has bounced back strongly with house sales rising by 32% and prices by nearly 9%. This underpins a lift in consumer confidence, which is reflected in a healthy increase in retail sales.

Table 1. Regional growth indicators (year to March 2010 compared with previous 12 months)

Indicator (annual average % change)	Manukau City	Auckland	New Zealand
GDP	↓ -2.1%	↓ -0.5%	↓ -0.4%
Employment	↓ -1.7%	↓ -2.0%	↓ -1.8%
Job Seekers*	↓ -57%	↓ -66%	↓ -63%
Unemployment rate* (% point change)	↓ -0.3%	↓ -1.4%	↓ -0.9%
Retail Sales	↑ 7.8%	↑ 5.1%	↑ 2.3%
Residential Consents	↓ -6.8%	↓ -2.4%	↓ -5.3%
Non-residential Consents	↓ -34.2%	↓ -12.0%	↓ -5.1%
Electricity consumption	↑ 2.1%	↑ 1.0%	↑ 2.2%
House Sales	↑ 31.7%	↑ 35.8%	↑ 25.2%
House Prices	↑ 8.7%	↑ 8.7%	↑ 6.1%
Guest Nights	↑ 1.6%	↓ -1.7%	↑ 2.0%

Source: Infometrics and Statistics New Zealand

* An increase in the number of registered job seekers and the unemployment rate is shown as a negative.

Gross Domestic Product

National economy

In the March quarter, the New Zealand economy is expected to have continued pulling its way out of its mid-2009 hole, with economic activity estimated to be up 1.8% from its June 2009 low. Even so, this would imply that activity remains 1.7% below its December 2007 peak.

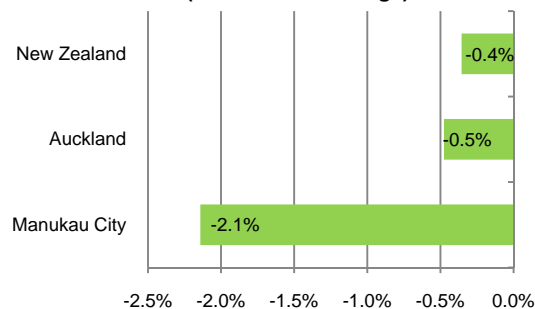
Through the middle of 2010, an increase in consumption activity (ahead of the upcoming rise in GST in October), a lift in manufacturing and construction, and a recovery in private investment, are all factors that will push up economic growth over 2010 – with annual activity in March 2011 up 3.7% from March 2010.

Manukau City

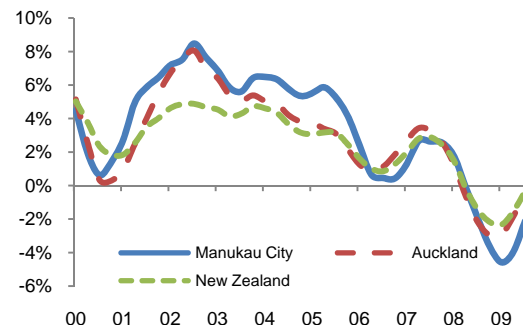
GDP in Manukau City decreased by 2.1% in the year to March 2010 compared to the previous 12 months. The area's decline was greater than in the Auckland region (-0.5%) and New Zealand (-0.4%). Annual GDP growth in Manukau City peaked at 8.5% in the year to March 2003. The level of GDP was \$9,117 million in Manukau City during the year to March 2010. This accounted for 18.9% of GDP in the Auckland region, and 6.9% of national GDP during the quarter.

Further details of the industry structure of the Manukau City economy and analysis of the industries that have contributed most to the growth of the economy are provided in Appendix A.

Gross Domestic Product
Year to Mar 2010 (annual av. % change)



Gross Domestic Product
Annual average % change



Employment

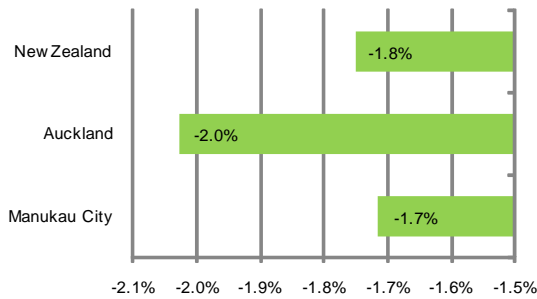
National economy

In the March quarter, employment rose 1.0% from December (seasonally adjusted) as a result of a combination of demand growth and wage restraint. Even following this sizeable increase, seasonally adjusted employment levels remain 1.4% lower than during their December 2008 peak. Hours worked has also shown signs of recovery, increasing 1.7% from December. As the economic recovery intensifies, demand for workers will climb helping to push up hours worked and, to a lesser degree, employment levels.

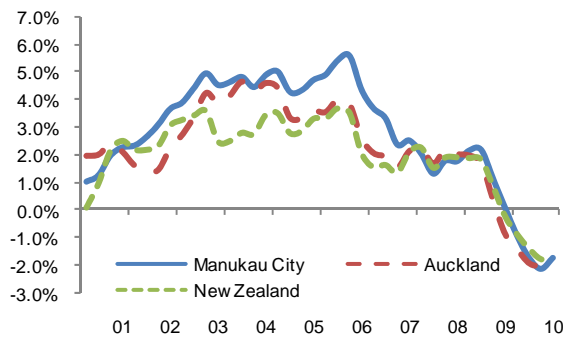
Manukau City

In the year to March 2010 employment in Manukau City decreased by 1.7% compared to the previous 12 months. Its decline was lower than in the Auckland region (-2%) and New Zealand (-1.8%). Approximately 133,500 people were employed in Manukau City during the March 2010 quarter. This accounted for 19.3% of employment in the Auckland region, and 6.2% of national employment for the quarter. Employment growth peaked at 5.6% in the year to December 2005.

Employment
Year to Mar 2010 (annual av. % change)



Employment
Annual average % change



Job seekers

National economy

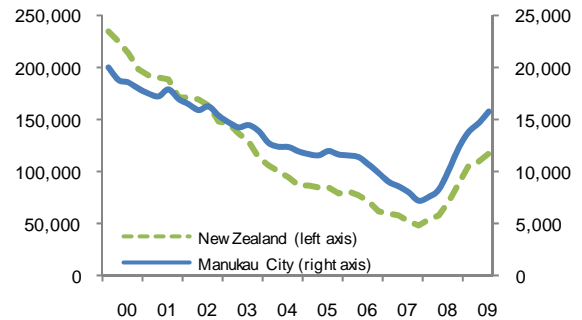
The number of unemployed job seekers registered at WINZ was above 116,000 in March, the second highest monthly level since March 2004. With the New Zealand economy improving, an increasing number of job opportunities will see job seeker claims decline over the next two years.

Manukau City

A total of 15,695 job seekers were registered with Work and Income in Manukau City during the March 2010 quarter. The number was up from 10,028 twelve months earlier, an increase of 57%.

Over the past ten years the number of job seekers peaked at 20,094 in the June 2000 quarter.

Registered unemployed job seekers



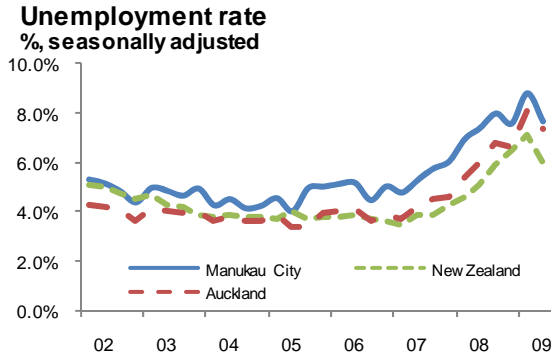
Unemployment

National economy

The unemployment rate dropped to 6.0% in March, well down on the 7.1% rate recorded in December. It appears that the December unemployment rate overstated the true degree of weakness in the labour market. With unemployment still above 5%, there is still considerable slack in the labour market. Unemployment is expected to stay elevated through 2010 as firms use up spare capacity to fill new orders. As a result, the labour market is not expected to reach 5% until the closing stages of 2011.

Manukau City

The seasonally adjusted unemployment rate in Manukau City was 7.7% in the March 2010 quarter, up from 7.4% twelve months prior. The unemployment rate peaked at 8.8% in the December 2009 quarter. The rate in Manukau City was higher than in Auckland region (7.4%) and higher than in the national economy (6.0%).



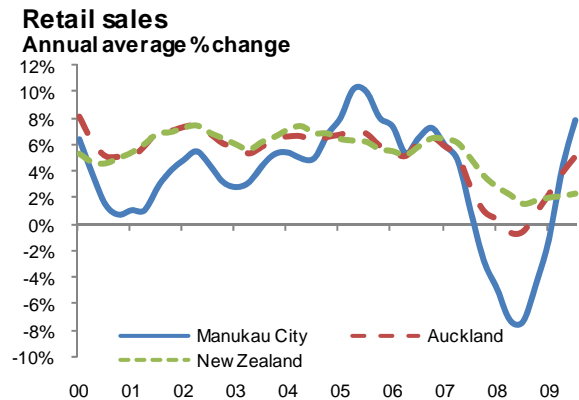
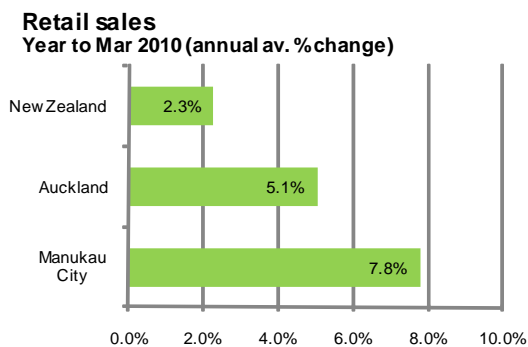
Retail sales

National economy

The volume of retail sales rose 0.2% in the March quarter, relative to December (seasonally adjusted). A strong lift in motor vehicle retailing was the main catalyst for this increase (up 4.2% from December), with non-automotive retail sales actually declining 0.5% during the quarter. Even with retail sales rising for the fourth consecutive quarter, they remain 5.4% below their March 2007 peak. With GST set to rise in October, we expect to see a near term increase in retail sales. However, underlying activity will remain soft.

Manukau City

Core retail sales measured \$793 million in Manukau City during the March 2010 quarter. This accounted for 20.1% of retail sales in the Auckland region, and 6.7% of national retail sales. In the year to March 2010 annual retail spending in Manukau City increased by 7.8% compared to the previous 12 months. Its growth was higher than in the Auckland region (5.1%) and higher than in New Zealand (2.3%). Annual retail spending in Manukau City peaked at \$3,323 million in the year to December 2007. Spending in the current year was 1.3% lower than at the peak.



Accommodation

National economy

Tourist arrival numbers in the March quarter rose 5.6% from a year earlier. Although this figure is slightly exaggerated by the early timing of Easter

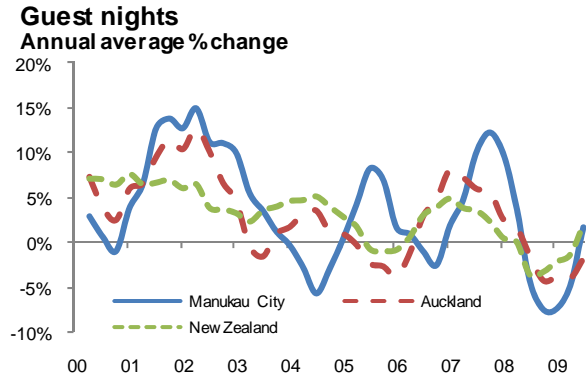
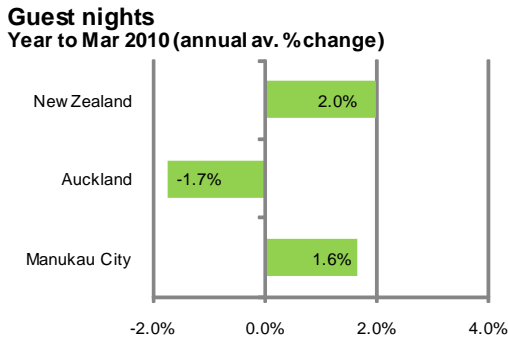
this year. Even though growth in domestic guest nights has slowed in recent months, with March quarter nights up only 0.8% from a year earlier, tourist activity seems to be on the rise. Total

guest nights are expected to pick up over 2010, as the global economic recovery drives an increase in New Zealand tourism.

Manukau City

Total guest nights in Manukau City increased by 1.6% during the year to March 2010 compared

with the previous twelve months. The change in Manukau City was higher than in the Auckland region (-1.7%) and lower than in the country as a whole (2%). Visitors stayed 754,200 guest nights in Manukau City during the year to March 2010. This accounted for 13.8% of total guest nights in the Auckland region, and 2.3% of the national total.



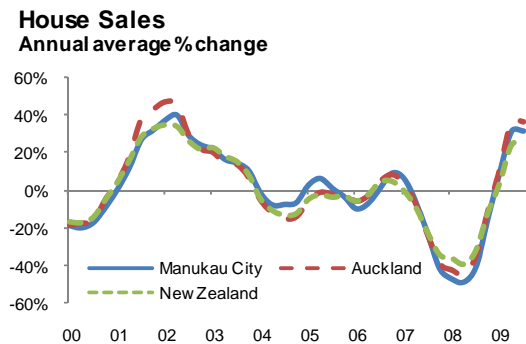
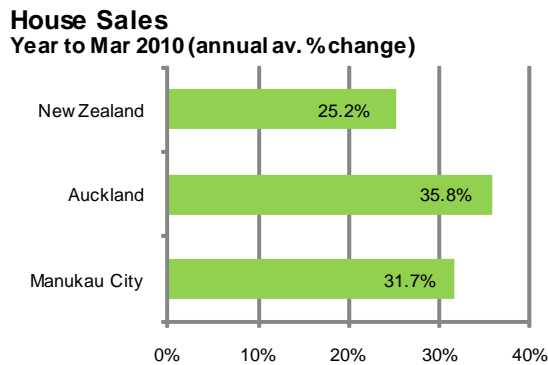
House sales

National economy

The number of house sales fell markedly in the March quarter, down 14% from December (seasonally adjusted), as investors became nervous about potential changes to the tax treatment of property. The sharp drop in sales over the past two quarters has erased the gains in activity over 2009, with seasonally adjusted sales at their lowest level since January 2009. With property now being treated relatively more strictly by the tax system, the number of sales is expected to remain at a low level over the next year.

Manukau City

Annual house sales in Manukau City increased by 31.7% compared with the previous 12 months. Growth was lower than in the Auckland region (35.8%) and higher than in New Zealand (25.2%). A total of 963 houses were sold in Manukau City during the March 2010 quarter. This accounted for 20.1% of the total house sales in the Auckland region, and 6.5% of the total national house sales during the quarter. House sales in Manukau City peaked in September 2003 when 2,187 houses were sold.



House prices

National economy

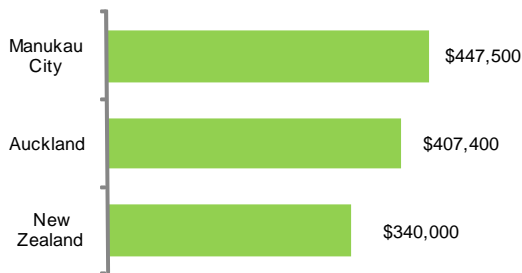
The median house price during the March quarter was 7.1% higher than in March 2009. However, house price growth appears to have peaked – with median house prices stalling in recent months. Impending interest rate hikes and higher taxation on property have started to have a negative impact on property prices. With net migration easing and the full implications of new tax policies becoming apparent, we expect house prices to remain virtually unchanged during the next two years. With significant shortages of property in some major centres (most notably Auckland), we

expect house prices in urban regions to outperform rural regions over the coming years.

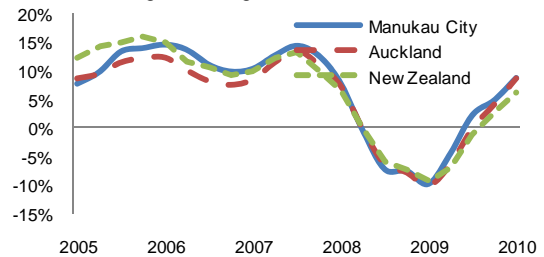
Manukau City

The average house price in Manukau City increased by 8.7% in the year to March 2010 compared with the previous twelve months. The growth in Manukau City was lower than in Auckland region (8.7%) and higher than for the country as a whole (6.1%). Manukau City's average house price was \$447,500 in the year to March 2010, which was higher than the average for the Auckland region (\$407,400) and higher than for New Zealand (\$340,000).

House prices, March 2010
Annual average



House prices
Annual average % change



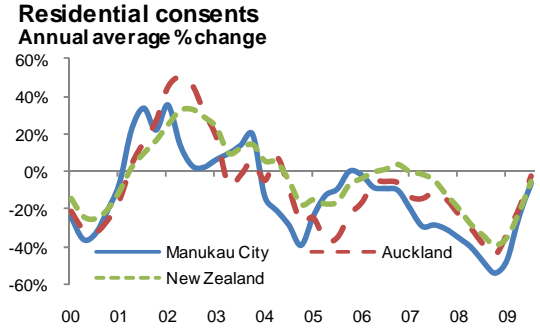
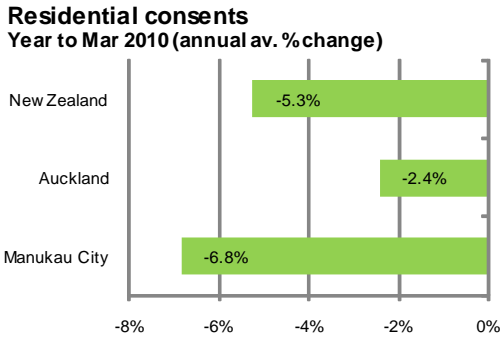
Residential building

National economy

Residential consent numbers (excluding apartments) rose slightly in the March quarter, up 2.4% from December. Activity is now at its highest level since July 2008, but remains a massive 34% down on its July 2007 peak. Apartment building remains weak, with apartments accounting for just 7.9% of total consents in the March 2010 year – the smallest proportion since June 1997. With property values flat lining, investor demand low, and uncertainty regarding the property market elevated, no return to the mid-2000s levels of residential building activity is expected anytime soon.

Manukau City

A total of 124 new residential building consents were issued in Manukau City during the March 2010 quarter. The number of consents in Manukau City decreased by 6.8% during the year to March 2010 compared with the same period a year ago. Growth was lower than for the Auckland region (-2.4%) and lower than in New Zealand (-5.3%). Consents in Manukau City accounted for 13.7% of the total number of consents in the Auckland region, and 3.2% of the national number of consents during the quarter.



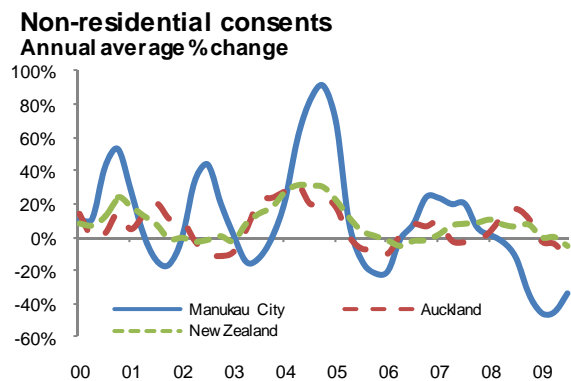
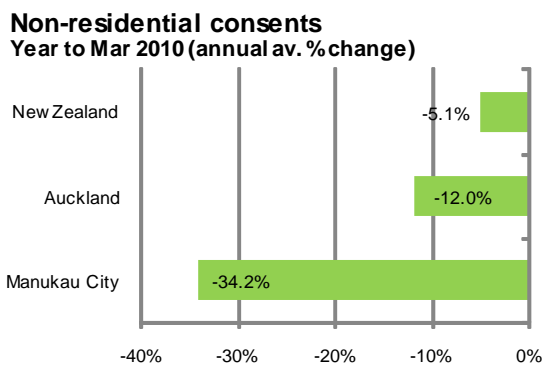
Non-residential building

National economy

Non-residential consent values continued to soften during the year to March, down 5.0% from a year earlier. Consents for new buildings fell 7.0%, while addition and alteration activity was up 0.2% during this time. A significant lift in public sector activity (up 34% from March 2009) helped to prevent a sharper decline in non-residential building, thus masking the sharp 18% drop in private sector activity. Public sector consent values have also begun to decline in recent months. With credit conditions tight and investment intentions soft, we expect non-residential building activity to remain weak through 2010.

Manukau City

Non-residential building consents to the value of \$88. million were issued in Manukau City during the March 2010 quarter. The value of consents decreased by 34.2% in the year to March 2010 compared with the same period the previous year. The decline was greater than in the Auckland region (-12%) and New Zealand (-5.1%). Non-residential building consents peaked in the year to June 2008 when consents to the value of \$502.3 million were issued. Consents in the current year were 42.6% lower than at the peak.



Electricity consumption

National economy

Total electricity consumption in New Zealand increased by 2.2% in the year to March 2009 due

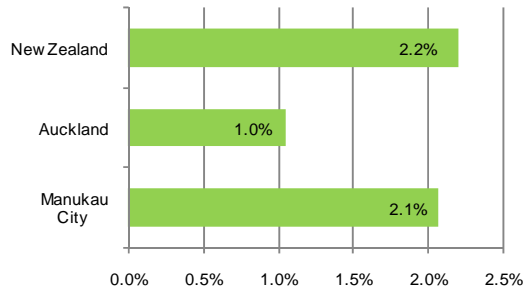
to a recovery in industrial production and commercial activity. Industry accounts for almost a half of electricity consumption in New Zealand.

Manukau City

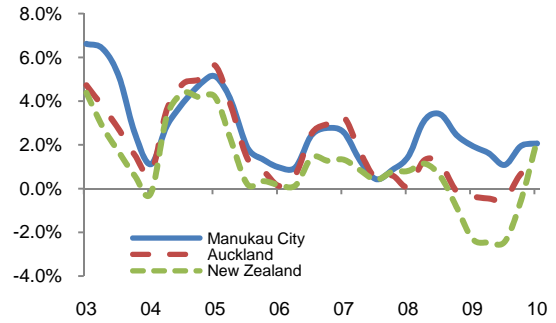
In the year to March 2010 electricity consumption in Manukau City increased by 2.1% compared to the previous 12 months. Its growth was higher than in the Auckland region (1%) and lower than

in New Zealand (2.2%). Manukau City accounted for 15.9% of electricity consumption in the Auckland region, and 3.8% of national consumption during the quarter.

Electricity consumption
Year to Mar 2010 (annual av. % change)



Electricity consumption
Annual average % change



Appendix A. Structure and growth of the Manukau City economy and labour market

Structure of the economy

Manufacturing was the largest industry in Manukau City in the year to March 2010, accounting for 19% of the territorial authority's economic output. Property and Business Services was the second

largest (13%) followed by Transport and Storage (13%). Together the three largest industries accounted for 45% of total GDP.

Table 2. GDP (\$m, 95/96 prices) by industry in Manukau City, year to March 2010

Rank	Industry	GDP	% of total GDP
1	Manufacturing	1762	19.3%
2	Property and Business Services	1178	12.9%
3	Transport and Storage	1164	12.8%
4	Wholesale Trade	931	10.2%
5	Retail Trade	599	6.6%
6	Communication Services	564	6.2%
7	Health and Community Services	471	5.2%
8	Education	343	3.8%
9	Finance and Insurance	331	3.6%
10	Government Administration and Defence	251	2.8%
11	Construction	213	2.3%
12	Personal and Other Services	125	1.4%
13	Accommodation, Cafes and Restaurants	104	1.1%
14	Cultural and Recreational Services	96	1.1%
15	Electricity, Gas and Water Supply	78	0.9%
16	Agriculture, Forestry and Fishing	26	0.3%
17	Mining	7	0.1%
	Owner occupied dwellings	645	7.1%
	Not Elsewhere Included	229	2.5%
	Total	9117	100.0%

Source: Infometrics and Statistics New Zealand

Growth industries

Property and Business Services was the largest contributor to growth in Manukau City's economy between March 2005 and March 2010, contributing 0.4% of the total 0.8% growth in GDP. The industry grew by 3.1% per annum over the five year period. The second largest contributor to growth was Health and Community Services (0.2% point contribution to growth) followed by

Communication Services (0.2%). The fastest growing industries over the five year period were Government Administration and Defence (5.6%pa), Health and Community Services (5.2%pa) and Communication Services (4.1%pa). The largest detractor from growth was Manufacturing which declined by -2.5% per annum between March 2005 and March 2010.

Table 3. Industries ranked by absolute growth in GDP, March 2005 to March 2010

Rank	Industry	GDP (\$m)		Change Mar 05 to Mar 10		% point contribution to growth
		Mar 05	Mar 10	Absolute (\$m)	Annual average %	
1	Property and Business Services	1012	1178	166	3.1%	0.4%
2	Health and Community Services	366	471	105	5.2%	0.2%
3	Communication Services	461	564	103	4.1%	0.2%
4	Transport and Storage	1094	1164	71	1.3%	0.2%
5	Government Administration and Defence	191	251	60	5.6%	0.1%
6	Finance and Insurance	279	331	51	3.4%	0.1%
7	Retail Trade	553	599	45	1.6%	0.1%
8	Wholesale Trade	905	931	26	0.6%	0.1%
9	Electricity, Gas and Water Supply	54	78	23	7.4%	0.1%
10	Personal and Other Services	110	125	15	2.6%	0.0%
11	Education	329	343	13	0.8%	0.0%
12	Cultural and Recreational Services	88	96	9	1.9%	0.0%
13	Accommodation, Cafes and Restaurants	101	104	3	0.7%	0.0%
14	Agriculture, Forestry and Fishing	31	26	-5	-3.2%	0.0%
15	Mining	13	7	-5	-10.4%	0.0%
16	Construction	257	213	-44	-3.7%	-0.1%
17	Manufacturing	2000	1762	-237	-2.5%	-0.5%
	Not Elsewhere Included	911	874	-37	-0.8%	-0.1%
	Total	8755	9117	362	0.8%	0.8%

Source: Infometrics and Statistics New Zealand

Structure of employment

Manufacturing was the largest employer in Manukau City in the year to March 2010, accounting for 19% of the territorial authority's employment. Property and Business Services was

the second largest (13%) followed by Retail Trade (11%). Together the three largest industries accounted for 43% of total employment.

Table 4. Employment by industry in Manukau City, year to March 2010

Rank	Industry	Employment	% of total
1	Manufacturing	25,100	18.5%
2	Property and Business Services	17,420	12.9%
3	Retail Trade	15,460	11.4%
4	Transport and Storage	14,330	10.6%
5	Wholesale Trade	11,960	8.8%
6	Health and Community Services	11,880	8.8%
7	Education	11,660	8.6%
8	Construction	7,990	5.9%
9	Accommodation, Cafes and Restaurants	5,010	3.7%
10	Personal and Other Services	4,840	3.6%
11	Government Administration and Defence	2,790	2.1%
12	Cultural and Recreational Services	2,230	1.6%
13	Finance and Insurance	1,860	1.4%
14	Communication Services	1,670	1.2%
15	Agriculture, Forestry and Fishing	980	0.7%
16	Electricity, Gas and Water Supply	260	0.2%
17	Mining	70	0.0%
	Total	135,510	100.0%

Source: Infometrics and Statistics New Zealand

Employment creating industries

Health and Community Services created the largest number of jobs in Manukau City between March 2005 and March 2010, contributing 2,420 of the total 9,080 total jobs created. Employment in the industry grew by 4.7% per annum over the five year period. The second largest contributor to growth was Transport and Storage (1570 new jobs) followed by Education (1400 new jobs). The

fastest growing industries over the five year period were Government Administration and Defence (5.3%pa), Health and Community Services (4.7%pa) and Personal and Other Services (4.5%pa). The largest detractor from employment growth was Manufacturing which shed 450 jobs between March 2005 and March 2010.

Table 5. Industries ranked by absolute employment growth, March 2005 to December 2009

Rank	Industry	Persons employed		Change Mar 05 to Mar 10		% point contribution to growth
		Mar 05	Mar 10	Number	Annual average %	
1	Health and Community Services	9,460	11,880	2,420	4.7%	0.4%
2	Transport and Storage	12,760	14,330	1,570	2.3%	0.2%
3	Education	10,260	11,660	1,400	2.6%	0.2%
4	Property and Business Services	16,200	17,420	1,220	1.5%	0.2%
5	Personal and Other Services	3,880	4,840	960	4.5%	0.2%
6	Wholesale Trade	11,100	11,960	860	1.5%	0.1%
7	Government Administration and Defence	2,160	2,790	630	5.3%	0.1%
8	Cultural and Recreational Services	1,840	2,230	390	3.9%	0.1%
9	Construction	7,690	7,990	300	0.8%	0.0%
10	Finance and Insurance	1,730	1,860	130	1.5%	0.0%
11	Electricity, Gas and Water Supply	170	260	90	8.9%	0.0%
12	Communication Services	1,680	1,670	-10	-0.1%	0.0%
13	Mining	90	70	-20	-4.9%	0.0%
14	Accommodation, Cafes and Restaurants	5,040	5,010	-30	-0.1%	0.0%
15	Agriculture, Forestry and Fishing	1,050	980	-70	-1.4%	0.0%
16	Retail Trade	15,770	15,460	-310	-0.4%	0.0%
17	Manufacturing	25,550	25,100	-450	-0.4%	-0.1%
	Total	126,430	135,510	9,080	1.4%	1.4%

Source: Infometrics and Statistics New Zealand

Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on the number of people employed, the intensity at which they worked (hours worked per employee) and their productivity (output per hour worked).

Employment

This indicator measures the number of jobs as measured by Infometrics' Regional Industry Employment Model (RIEM). The model draws heavily on Linked Employer Employee Data (LEED) Quarterly and LEED Annual series as well as Business Demography (BD). RIEM differs from BD in that it is a quarterly series (BD is annual) and it includes both employees and self employed whereas BD only includes employees.

Job Seekers

The number of registered unemployed job seekers is sourced from Ministry of Social Development (MSD). The data is presented by WINZ Service Centre. Each Service Centre has been mapped to a territorial authority by Infometrics. Where a service centre serves more than one TA the number of job seekers is split across TAs using TA level unemployment beneficiary data provided by MSD.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of job seekers at TA level are used to break down regional unemployment rates to TA level.

Retail Sales

Retail sales are sourced from Statistics New Zealand's Retail Trade Survey. The estimates are core retail sales ie they exclude automotive.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House prices

House price *levels* (dollar value) are sourced from REINZ. The levels are based on median sale prices for the month when the sale and purchase becomes unconditional. REINZ publish house prices and number of sales for about 170 jurisdictions which are a mixture of suburbs, territorial authorities and regions. Infometrics have mapped each suburb to a territorial authority and estimated the average price for each territorial authority using the number of sales as weights. The *percentage growth* in house prices are sourced from Quotable Value. The indicator measures the change in the average prices of sales entered into QV's system in the three month period compared with the same period of the previous year.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Electricity Consumption

Electricity consumption data is sourced from the Electricity Commission. Data is published by approximately 220 grid exit points (GXPs). Each GXP has been mapped to a TA.