

Manukau City



With two successive quarters of positive economic growth the New Zealand economy is officially out of recession. But for most New Zealand businesses focused on the local economy this news is academic as domestic spending is still very weak. However, prospects are brightening quickly as households find a renewed willingness to

spend. Consumer confidence is being buoyed by a recovering housing market, improving job security as unemployment nears its peak, below-average interest rates, and steady petrol prices. The economy is heading for growth exceeding 3%pa by March 2011.

Manukau City Overview

Manukau City has been hit hard by a sharp fall in manufacturing output and GDP declined by 1.7% in the year to September 2009 compared with the previous 12 months. Although it is still deep in recession Manukau is recovering quicker than the economy as a whole. The labour market was weak with employment declining by 1.5%, the number of registered unemployed job seekers increasing by 84% and the unemployment rate reaching 7.7% from 6.1% in September 2008.

Prospects for the construction industry remain poor. The number of new residential consents in the year to September 2009 dropped to 470 from 897 in the previous 12 months. The total value of non-residential consents dropped by nearly half compared with a slight increase in the national economy. The positive news is that house sales have picked up and prices are back near their peak which will help lift consumer confidence.

Table 1. Regional growth indicators (year to September 2009 compared with previous 12 months)

Indicator (annual average % change)	Manukau City	Auckland	New Zealand
GDP	↓ -1.7%	↓ -1.4%	↓ -2.2%
Employment	↓ -1.5%	↓ -1.5%	↓ -0.6%
Job Seekers*	↓ -84.4%	↓ -120.5%	↓ -98.4%
Unemployment rate* (% point change)	↓ -1.6%	↓ -2.1%	↓ -2.2%
Retail Sales	↓ -1.1%	↑ 2.2%	↑ 2.0%
Residential Consents	↓ -47.6%	↓ -33.2%	↓ -35.2%
Non-residential Consents	↓ -46.0%	↓ -2.0%	↑ 0.1%
Electricity consumption	↑ 1.1%	↓ -0.5%	↓ -2.4%
House Sales	↑ 9.3%	↑ 10.3%	↑ 3.8%
Guest Nights	↓ -7.4%	↓ -3.9%	↓ -2.2%

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

The New Zealand economy registered its second successive quarter of positive growth in September following a 15-month recession. But after five quarters of contraction such weak growth indicates the economic recovery is struggling to gain traction. Some sectors of the economy remain in recession, with a shrinking manufacturing sector shaving more than 0.4 percentage points of national growth during the September quarter. The weak construction sector was another major detractor to economic growth during the September quarter.

Economic growth is expected to exceed 3%pa by March 2011, and then accelerate to above 4% by March 2012. Our heightened optimism about a speedy recovery is entirely a result of faster growth in domestic spending, and particularly household consumption. A renewed willingness by households to spend will be driven by a recovering housing market, unemployment having peaked, below-average interest rates, and steady petrol prices. Furthermore, the strong exchange rate will keep the cost of imported goods down, buoying up consumption spending in real terms.

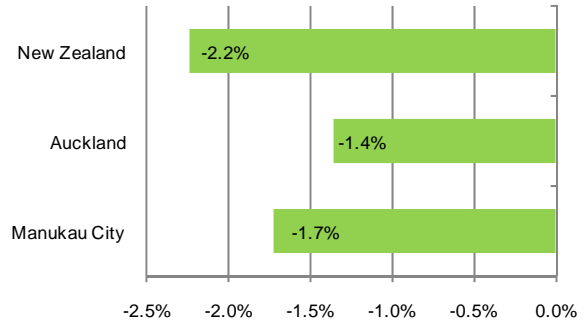
Manukau City

GDP in Manukau City decreased by 1.7% in the year to September 2009 compared to the previous 12 months. Its decline was greater than in the Auckland region (-1.4%) but lower than in New Zealand (-2.2%). Gross domestic product measured \$2,303 million in Manukau City during

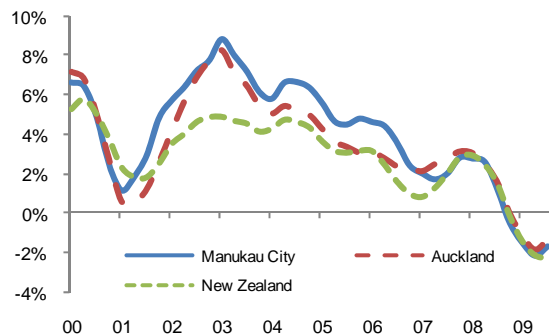
the September 2009 quarter. This accounted for 18.4% of GDP in the Auckland region, and 7% of national GDP during the quarter. GDP growth peaked in the year to March 2003 during which it measured 8.8%.

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 Sep 2009 (annual av. % change)



Gross Domestic Product
Annual average % change



Employment

National economy

Employment declined for the third consecutive quarter in September and is now 1.8% below its September 2008 level. The manufacturing industry was the primary contributor to this decline, accounting for two-thirds of the fall in employment. Hours worked have fallen even further, down 3.2% from September 2008. We

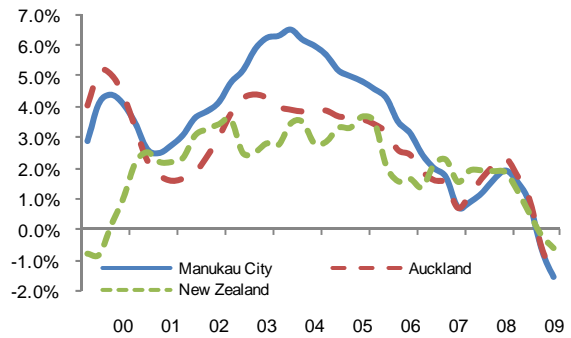
expect employment growth to remain low over the next 12 months, as firms' increase the hours of their currently underutilised staff before hiring new employees.

Manukau City

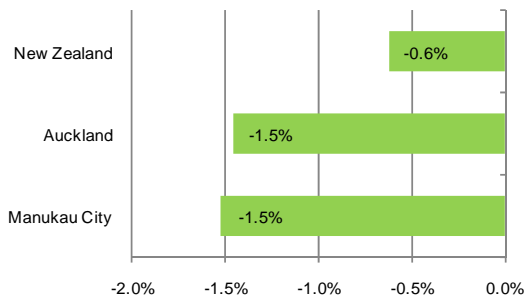
Approximately 136,000 people were employed in Manukau City during the September 2009 quarter. This accounted for 19.4% of employment in the

Auckland region, and 6.3% of national employment during the quarter. In the year to September 2009 employment in Manukau City decreased by 1.5% compared to the previous 12 months. Its decline was similar to that in the Auckland region (-1.5%) and higher than in New Zealand (-0.6%). Employment growth peaked in the year to March 2004 during which it measured 6.5%.

Employment Annual average % change



Employment Year to Sep 2009 (annual av. % change)



job seekers

National economy

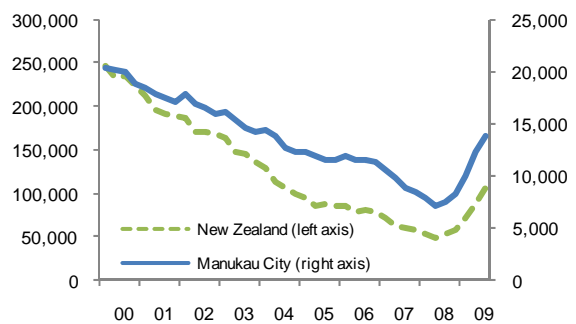
The number of unemployed job seekers registered at WINZ exceeded 100,000 in the September quarter, almost double the level measured in September 2008. We expect the number to continue climbing as the unemployment rate heads towards 7% as cautious businesses avoid taking on new staff.

Manukau City

A total of 13,734 job seekers were registered with Work and Income in Manukau City during the September 2009 quarter. The number was up

from 7,448 twelve months earlier, an increase of 84%. Over the past ten years the number of job seekers peaked at 20,401 in the March 2000 quarter.

Registered unemployed job seekers



unemployment

National economy

Unemployment increased to 6.5% in September, its highest level in a decade and well up on its low of 3.4% in December 2007. The unemployment rate is expected to increase further over the next six months, as employers will increase the number of hours current employees work instead of hiring

new staff. We expect the unemployment rate to peak at 6.7% by mid-2010 before gradually declining over the next two years.

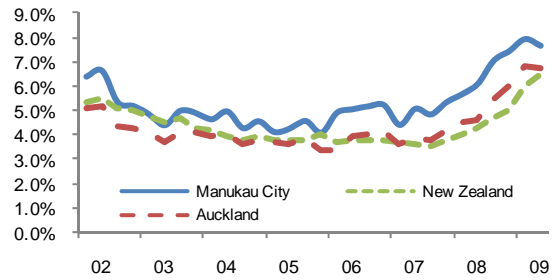
Manukau City

The seasonally adjusted unemployment rate in Manukau City measured 7.7% in the September 2009 quarter, up from 6.1% twelve months prior.

The unemployment rate peaked at 7.9% in the June 2009 quarter. The rate in Manukau City was higher than in Auckland region (6.8%) and higher

than in the national economy (6.5%).

**Unemployment rate
%, seasonally adjusted**



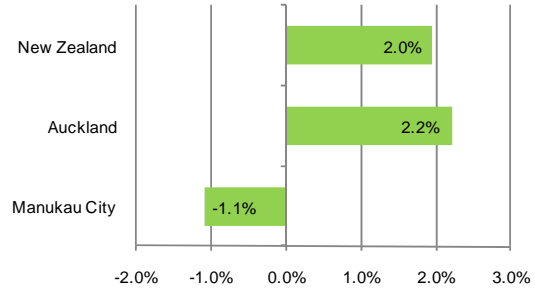
retail sales

National economy

The volume of national retail sales rose 0.1% in the September quarter on the back of a sharp lift in appliance sales (up 6.5% on June). Despite the increase the volume of sales remains 6.4% lower than its March 2007 peak. With house prices recovering, the labour market stabilising, and credit availability for consumer loans improving we expect to see a sharp recovery in consumer spending from the first quarter of 2010. Motor vehicle and furniture retailing are expected to record some of the most significant gains as households become more willing to spend on big ticket items.

\$3,323 million was spent. Spending in the current year was 6% lower than during the peak.

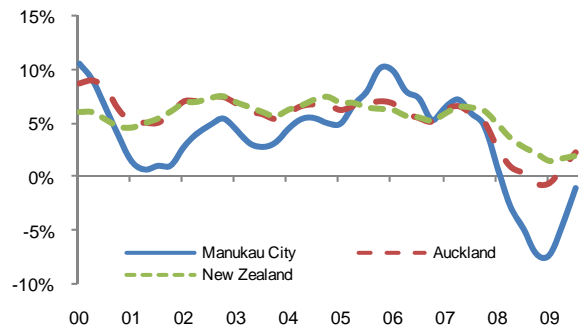
**Retail sales
Year to Sep 2009 (annual av. % change)**



Manukau City

Core retail sales measured \$791 million in Manukau City during the September 2009 quarter. This accounted for 19.6% of retail sales in the Auckland region, and 6.4% of national retail sales during the quarter. In the year to September 2009 annual retail spending in Manukau City decreased by 1.1% compared to the previous 12 months. Its growth was lower than in the Auckland region (2.2%) and lower than in New Zealand (2%). Annual retail spending in Manukau City peaked in the year to December 2007 during which

**Retail sales
Annual average % change**



accommodation

National economy

In the September quarter, elevated arrival numbers from Australia, combined with a rebound in Asian tourists in recent months (as concerns

about swine flu abated) has seen tourist arrival numbers rise 2.8% on a year earlier, the strongest rate of growth since March 2008. The pick up in tourist arrivals has helped to drive an increase in

total guest nights, up 2.1% on a year earlier. We expect total guest nights to climb over the next year as the global economy recovers. However, the high level of the exchange rate will limit the extent of any gains, by making New Zealand a less attractive tourist destination for both domestic and global travellers.

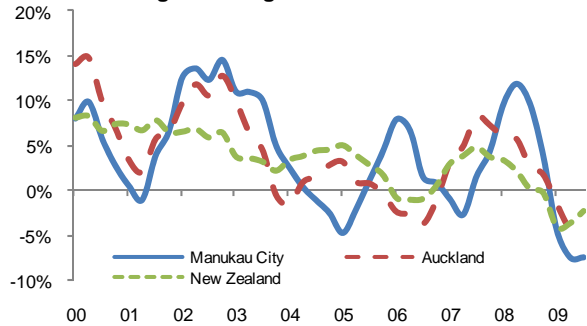
Manukau City

Visitors spent 730,875 guest nights in Manukau City during the year to September 2009. This accounted for 13.4% of total guest nights in the Auckland region, and 2.3% of the national total. Total guest nights in Manukau City during the year to September 2009 decreased by 7.4% compared with the previous twelve months. Growth in Manukau City was lower than in the Auckland region (-3.9%) and lower than in the country as a whole (-2.2%).

Guest nights
Year to Sep 2009 (annual av. % change)



Guest nights
Annual average % change



house sales

National economy

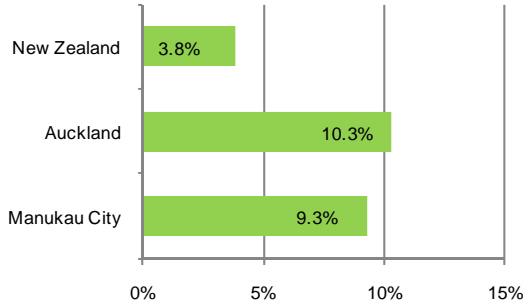
The rebound in house sales continued through the September quarter, with sales volumes up 39% from a year earlier. With positive sentiment returning to the housing market house prices have recovered, with the September REINZ stratified measure of house prices up 7.9% on its January 2009 low. House sales are expected to stabilise at current levels as home owners look to lock in the historically low mortgage rates of recent months. A low level of property listings, combined with the weak build rate, and high levels of net migration, will see annual house price growth move into double-digit figures early in 2010.

Manukau City

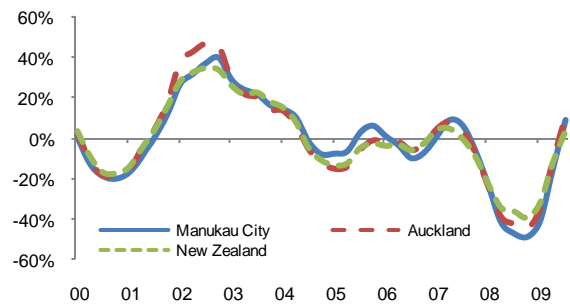
A total of 1,300 houses were sold in Manukau City during the September 2009 quarter. This accounted for 20.9% of the total house sales in the Auckland region, and 7.1% of the total national house sales during the quarter. Annual house sales in Manukau City increased by 9.3% compared with the previous 12 months. Its growth

was lower than in the Auckland region (10.3%) and higher than in New Zealand (3.8%). House sales in Manukau City peaked in September 2003 during which time 2,187 houses were sold.

House Sales
Year to Sep 2009 (annual av. % change)



House Sales
Annual average % change



residential building

National economy

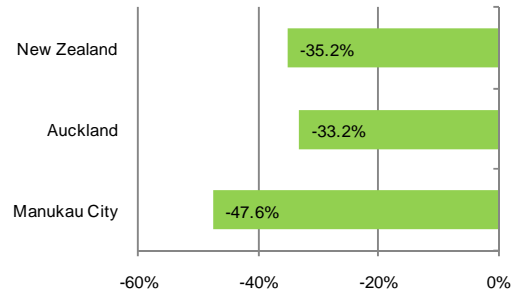
During the year to September, residential consent numbers (excluding apartments) declined 35% on their September 2008 level. Pessimistic sentiment in the housing market combined with a rapid deterioration in credit conditions for developers were the driving factors behind this decline. However, more recently building activity has begun to improve with consent numbers in the September month at their highest level since July 2008 (seasonally adjusted). With house prices climbing and credit availability improving residential building activity will pick up over the coming year.

Manukau City

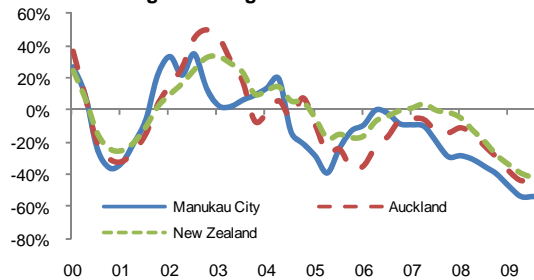
A total of 169 new residential building consents were issued in Manukau City during the September 2009 quarter. The number of consents in Manukau City during the year to September 2009 decreased by 47.6% compared with the same period a year ago. Its decline was greater than in the Auckland region (-33.2%) and New Zealand as a whole (-35.2%). Consents in Manukau City accounted for

18.4% of the total number of consents in the Auckland region, and 4.4% of the national number of residential building consents during the quarter.

Residential consents
Year to Sep 2009 (annual av. % change)



Residential consents
Annual average % change



non-residential building

National economy

Non-residential building growth has slowed markedly in recent months, with the value of consents during the year to September only up

0.1% on September 2008. However, underlying activity is even weaker than the headline number suggests, with private sector activity down 8.6% on a year earlier. With credit conditions still restrictive and an oversupply of commercial and

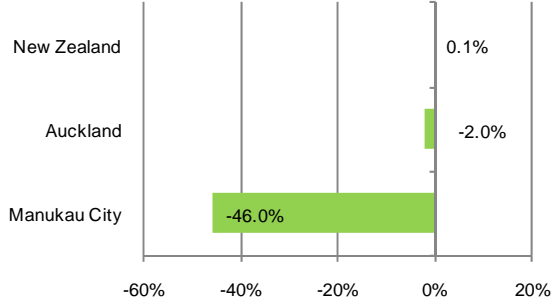
industrial property in some regions we expect non-residential building activity to pull back sharply during the next year.

period consents to the value of \$502.3 million were issued. Consents in the current year were 47% lower than during the peak.

Manukau City

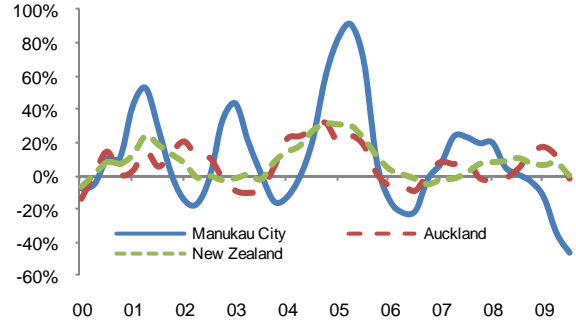
Non-residential building consents to the value of \$56. million were issued in Manukau City during the September 2009 quarter. The value of consents during the year to September 2009 decreased by 46% compared with the same period the previous year. Its growth was lower than in the Auckland region (-2%) and lower than in New Zealand (0.1%). Non-residential building consents peaked in the year to June 2008 during which period consents to the value of \$502.3 million were issued. Consents in the current year were 47% lower than during the peak.

Non-residential consents
Year to Sep 2009 (annual av. % change)



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Non-residential consents
Annual average % change



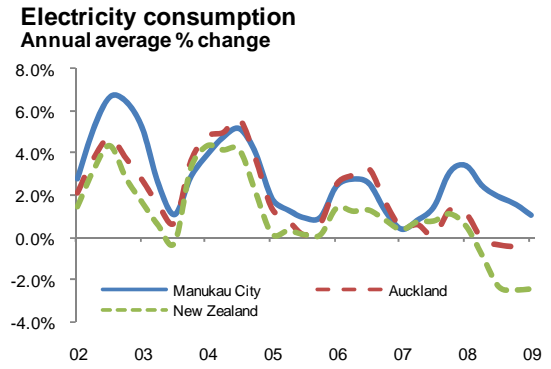
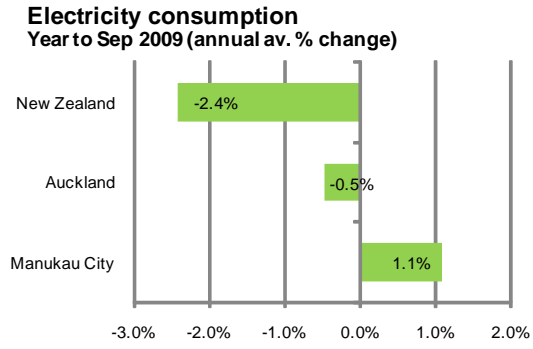
electricity consumption

National economy

Total electricity consumption in New Zealand declined by 2.4% in the year to March 2009 as a consequence of falling industrial production and commercial activity. Industry accounts for almost a half of electricity consumption in New Zealand.

Manukau City

In the year to September 2009 electricity consumption in Manukau City increased by 1.1% compared to the previous 12 months. Its growth was higher than in the Auckland region (-0.5%) and higher than in New Zealand (-2.4%). Manukau City accounted for 15.4% of electricity consumption in the Auckland region, and 3.9% of national consumption during the quarter.



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 September 2009, accounting for 22% of the territorial authority's economic output. Transport and Storage was the second largest

(13%) followed by Property and Business Services (12%). Together the three largest industries accounted for 47% of total GDP.

Table 2. GDP (\$m, 95/96 prices) by industry in Manukau City, year to September 2009

Rank	Industry	GDP	% of total GDP
1	Manufacturing	2040	21.7%
2	Transport and Storage	1238	13.1%
3	Property and Business Services	1117	11.9%
4	Wholesale Trade	1007	10.7%
5	Retail Trade	600	6.4%
6	Communication Services	544	5.8%
7	Health and Community Services	415	4.4%
8	Education	338	3.6%
9	Finance and Insurance	293	3.1%
10	Construction	265	2.8%
11	Government Administration and Defence	228	2.4%
12	Personal and Other Services	125	1.3%
13	Accommodation, Cafes and Restaurants	107	1.1%
14	Cultural and Recreational Services	91	1.0%
15	Electricity, Gas and Water Supply	50	0.5%
16	Agriculture, Forestry and Fishing	21	0.2%
17	Mining	6	0.1%
	Owner occupied dwellings	585	6.2%
	Not Elsewhere Included	347	3.7%
	Total	9418	100.0%

Source: Infometrics and Statistics New Zealand

Growth industries

Transport and Storage was the largest contributor to growth in Manukau City's economy between September 2004 and September 2009, contributing 0.5% of the total 1.9% growth in GDP. The industry grew by 3.8% per annum over the five year period. The second largest contributor to growth was Property and Business Services (0.3% point contribution to growth)

followed by Wholesale Trade (0.3%). The fastest growing industries over the five year period were Transport and Storage (3.8%pa), Government Administration and Defence (3.7%pa) and Communication Services (3.6%pa). The largest detractor from growth was Manufacturing which declined by -0.1% per annum between September 2004 and September 2009.

Table 3. Industries ranked by absolute growth in GDP, September 2004 to September 2009

Rank	Industry	GDP (\$m)		Change Sep 04 to Sep 09		% point contribution to growth
		Sep 04	Sep 09	Absolute (\$m)	Annual average %	
1	Transport and Storage	1027	1238	211	3.8%	0.5%
2	Property and Business Services	989	1117	128	2.5%	0.3%
3	Wholesale Trade	884	1007	123	2.6%	0.3%
4	Communication Services	456	544	88	3.6%	0.2%
5	Retail Trade	529	600	71	2.6%	0.2%
6	Health and Community Services	357	415	58	3.1%	0.1%
7	Government Administration and Defence	190	228	38	3.7%	0.1%
8	Finance and Insurance	264	293	29	2.1%	0.1%
9	Personal and Other Services	105	125	20	3.5%	0.0%
10	Construction	248	265	17	1.4%	0.0%
11	Education	323	338	15	0.9%	0.0%
12	Accommodation, Cafes and Restaurants	97	107	10	1.9%	0.0%
13	Cultural and Recreational Services	90	91	1	0.1%	0.0%
14	Mining	11	6	-5	-12.8%	0.0%
15	Electricity, Gas and Water Supply	56	50	-6	-2.1%	0.0%
16	Agriculture, Forestry and Fishing	33	21	-12	-8.9%	0.0%
17	Manufacturing	2055	2040	-15	-0.1%	0.0%
	Not Elsewhere Included	875	933	58	1.3%	0.1%
	Total	8588	9416	829	1.9%	1.9%

Source: Infometrics and Statistics New Zealand

Structure of employment

Manufacturing was the largest employer in Manukau City in the year to September 2009, accounting for 17% of the territorial authority's employment. Property and Business Services was

the second largest (14%) followed by Retail Trade (12%). Together the three largest industries accounted for 44% of total employment.

Table 4. Employment by industry in Manukau City, year to September 2009

Rank	Industry	Employment	% of total
1	Manufacturing	23,810	17.2%
2	Property and Business Services	19,580	14.1%
3	Retail Trade	16,930	12.2%
4	Transport and Storage	15,330	11.1%
5	Education	12,530	9.0%
6	Wholesale Trade	11,780	8.5%
7	Health and Community Services	11,020	7.9%
8	Construction	8,170	5.9%
9	Accommodation, Cafes and Restaurants	5,110	3.7%
10	Personal and Other Services	4,310	3.1%
11	Government Administration and Defence	2,860	2.1%
12	Cultural and Recreational Services	2,420	1.7%
13	Communication Services	1,840	1.3%
14	Finance and Insurance	1,750	1.3%
15	Agriculture, Forestry and Fishing	690	0.5%
16	Electricity, Gas and Water Supply	470	0.3%
17	Mining	40	0.0%
	Total	138,640	100.0%

Source: Infometrics and Statistics New Zealand

Employment creating industries

Transport and Storage created the largest number of jobs in Manukau City between September 2004 and September 2009, contributing 3,760 of the total 11,840 total jobs created. Employment in the industry grew by 5.8% per annum over the five year period. The second largest contributor to growth was Education (2460 new jobs) followed by Property and Business Services (2100 new

jobs). The fastest growing industries over the five year period were Transport and Storage (5.8%pa), Finance and Insurance (4.9%pa) and Education (4.5%pa). The largest detractor from employment growth was Manufacturing which shed 2350 jobs between September 2004 and September 2009.

Table 5. Industries ranked by absolute employment growth, September 2004 to June 2009

Rank	Industry	Persons employed		Change Sep 04 to Sep 09		% point contribution to growth
		Sep 04	Sep 09	Number	Annual average %	
1	Transport and Storage	11,570	15,330	3,760	5.8%	0.6%
2	Education	10,070	12,530	2,460	4.5%	0.4%
3	Property and Business Services	17,480	19,580	2,100	2.3%	0.3%
4	Health and Community Services	9,050	11,020	1,970	4.0%	0.3%
5	Retail Trade	16,060	16,930	870	1.1%	0.1%
6	Construction	7,340	8,170	830	2.2%	0.1%
7	Personal and Other Services	3,820	4,310	490	2.4%	0.1%
8	Government Administration and Defence	2,450	2,860	410	3.1%	0.1%
9	Wholesale Trade	11,400	11,780	380	0.7%	0.1%
10	Finance and Insurance	1,380	1,750	370	4.9%	0.1%
11	Accommodation, Cafes and Restaurants	4,870	5,110	240	1.0%	0.0%
12	Cultural and Recreational Services	2,200	2,420	220	1.9%	0.0%
13	Communication Services	1,740	1,840	100	1.1%	0.0%
14	Electricity, Gas and Water Supply	380	470	90	4.3%	0.0%
15	Agriculture, Forestry and Fishing	740	690	-50	-1.4%	0.0%
16	Mining	90	40	-50	-15.0%	0.0%
17	Manufacturing	26,160	23,810	-2,350	-1.9%	-0.4%
	Total	126,800	138,640	11,840	1.8%	1.8%

Source: Infometrics and Statistics New Zealand