

Manukau City



The New Zealand economy technically moved out of recession in the June quarter after five quarters of negative growth. However, unemployment is climbing rapidly, and much of the international economy remains soft. The New Zealand economy will remain sluggish over the next

year, although a better than anticipated performance by the Australian and Chinese economies poses some upside for New Zealand economic performance over the next 12 months – by providing demand for our export products.

Manukau City Overview

Manukau City remained deep in recession in the year to June 2009 and underperformed Auckland Region and the country as a whole according to most of the monitored indicators. Its wholesale trade, transport and communication industries performed particularly poorly dragging GDP down by 2.3% compared with the previous year. Although employment grew slightly (0.6%) it was unable to match the growth in the

workforce and the number of registered unemployed job seekers jumped by 72% and unemployment rose to 7.9% in the June quarter from 5.8% in the same quarter in 2008. The construction sector has been hammered with building consents plummeting. Rapidly falling house sales and guest nights and a poor retail performance complete a bleak picture.

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

Indicator (annual average % change)	Manukau City	Auckland	New Zealand
GDP	↓ -2.3%	↓ -1.9%	↓ -1.8%
Employment	↑ 0.6%	↑ 0.6%	↓ -0.5%
Job Seekers*	↓ -72.2%	↓ -107.7%	↓ -85.8%
Unemployment rate* (% point change)	↓ -2.2%	↓ -2.1%	↓ -2.0%
Retail Sales	↓ -4.5%	↑ 0.8%	↑ 1.7%
Residential Consents	↓ -54.3%	↓ -44.1%	↓ -39.1%
Non-residential Consents	↓ -34.5%	↑ 11.3%	↑ 7.6%
Electricity consumption	↑ 1.6%	↓ -0.5%	↓ -2.5%
House Sales	↓ -15.4%	↓ -11.9%	↓ -12.2%
Guest Nights	↓ -7.4%	↓ -4.3%	↓ -3.6%

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 pulled out of recession during the June quarter, with activity up 0.1% on March (seasonally adjusted). A series of one-off factors helped to boost June GDP: a cold winter which increased value added in the electricity industry, Maari oil field now running at full capacity, and an increase in business and property services on the back of rising house sales.

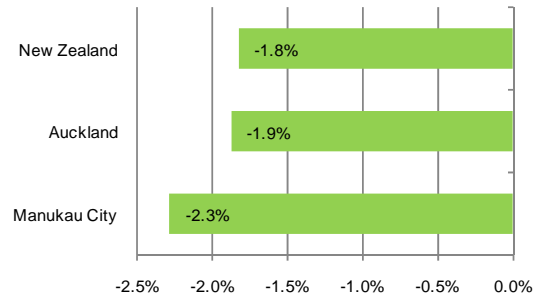
Growth in gross domestic product is expected to remain anaemic during the next 12 months. Government spending (specifically government investment) will be one of the main positive contributors to growth in the near term as private activity stays soft. However, rising unemployment will ensure that consumer spending continues to moderate. Furthermore, construction activity will continue to remain weak, as any pick up in residential construction will be met with a decrease in activity in non-residential building.

Manukau City

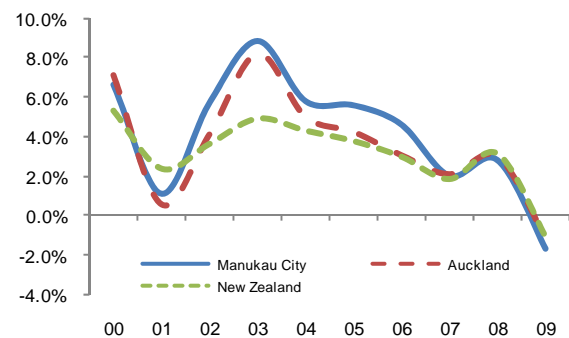
Gross domestic product measured \$2,367 million in Manukau City during the June 2009 quarter. This accounted for 19.3% of GDP in the Auckland region, and 7.3% of national GDP during the quarter. In the year to June 2009 GDP in Manukau City decreased by 2.3% compared to the previous 12 months. Its growth was lower than in the Auckland region (-1.9%) and lower than in New Zealand (-1.8%). 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 June 2009 (annual av. % change)



Gross Domestic Product
Annual average % change



Employment

National economy

Nationally, employment levels have fallen 1.8% in the first six months of 2009 (seasonally adjusted), and are down 0.8% on June 2008 levels. The strongest contributor to the drop in employment was the wholesale trade industry, where employment levels slumped 4.5% from December 2008. Hours worked have slumped even more sharply, down 3.5% on June 2008. We expect

employment growth to remain weak as employers look to increase the hours of their underutilised employees before hiring new staff.

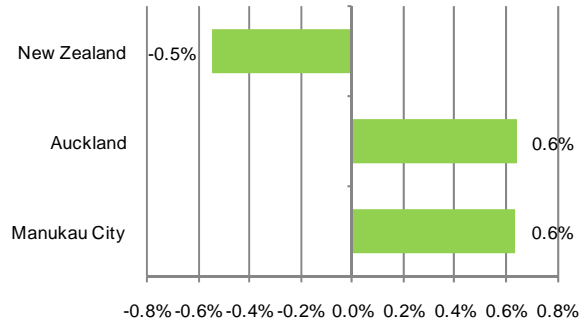
Manukau City

Approximately 139,700 people were employed in Manukau City during the June 2009 quarter. This accounted for 19.6% of employment in the Auckland region, and 6.6% of national

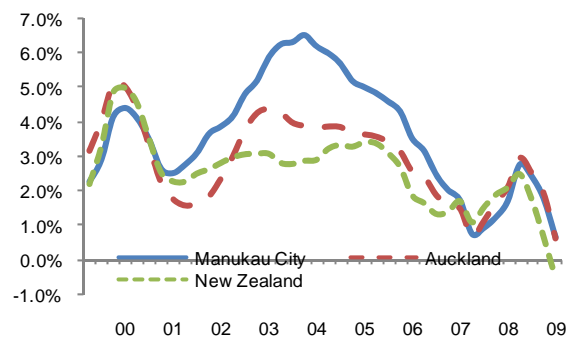
employment during the quarter. In the year to June 2009 employment in Manukau City increased by 0.6% compared to the previous 12 months. Its growth was lower than in the Auckland region (0.6%) and higher than in New Zealand (-0.5%). Employment growth peaked in the year to March 2004 during which it measured 6.5%.

Further details of the structure of employment in Manukau City and analysis of the industries that have contributed most to employment growth over the past five years are provided in Appendix A.

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



Employment
Annual average % change



job seekers

National economy

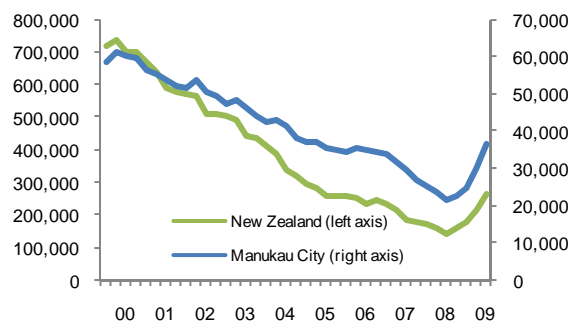
The number of registered unemployed job seekers in New Zealand nearly doubled in the June quarter compared with a year ago. This follows a lift in the unemployment rate to 6.0% which is the highest level since September 2000. We expect the number of registered job seekers to continue climbing as the unemployment rate heads towards 7% as cautious businesses avoid taking on new staff.

Manukau City

A total of 12,200 job seekers were registered with Work and Income in Manukau City during the June 2009 quarter. The number was up from 7,086 twelve months earlier, an increase of 72.2%. The

number of job seekers peaked at 20,401 in the March 2000 quarter.

Registered unemployed job seekers



unemployment

National economy

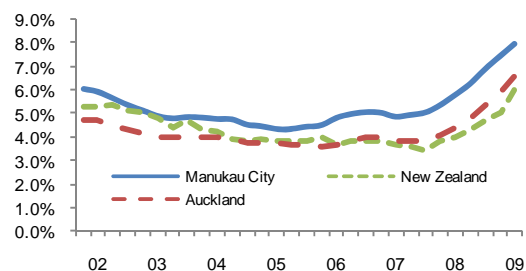
Unemployment increased sharply in June, reaching 6%. Unemployment has been rising steadily over the entire duration of the recession, and is well up on its December 2007 low of 3.4%. Even with the New Zealand economy starting to find its feet, we expect the labour market to weaken further over the next year, as the large amount of spare capacity and rising working-age migrant inflows ensure that the number of people looking for work increases more quickly than the number of available jobs.

Manukau City

The unemployment rateⁱ in Manukau City measured 7.9% in the June 2009 quarter, up from 5.8% twelve months prior. The rate in Manukau

City was considerably higher than in Auckland region (6.6%) and higher than in the national economy (6.0%).

Unemployment rate
%, trend series



retail sales

National economy

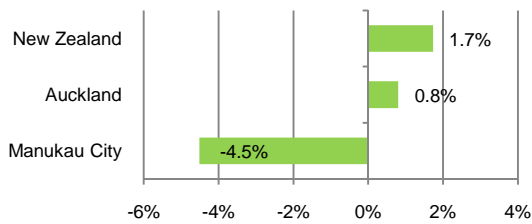
The volume of national retail sales rose 0.4% in the June quarter as durable good spending rose for the first time since September 2007 (up 0.8%). However, the volume of sales is still well down on June 2008 levels (down 4.0%). With New Zealand coming out of recession, and general consumer confidence returning, we expect a rebound in durable good sales to lead an increase in total retail sales from the end of 2009. Among durable good types we expect furniture and motor vehicle retailing to record the sharpest increases – given that households cut back heavily on spending in these sectors during the recession.

Manukau City

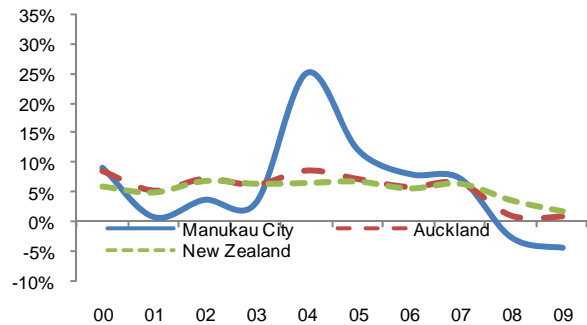
Core retail sales measured \$758 million in Manukau City during the June 2009 quarter. This accounted for 19.5% of retail sales in the Auckland region, and 6.4% of national retail sales during the quarter. In the year to June 2009 annual retail spending in Manukau City decreased by 4.5% compared to the previous 12 months. Its growth

was lower than in the Auckland region (0.8%) and lower than in New Zealand (1.7%). Annual retail spending in Manukau City peaked in the year to December 2007 during which \$3,323 million was spent. Spending in the current year was 7.6% lower than during the peak.

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



Retail sales
Annual average % change



accommodation

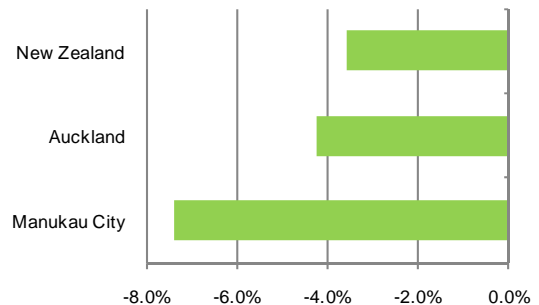
National economy

A good ski season and wide scale advertising in Australia helped to hold up tourist number in recent months. Combined with an increasing number of New Zealander's holidaying at home this saw May total guest nights reach its highest level since May 2008 (seasonally adjusted). Although guest nights fell slightly in June, they remain at a relatively high level. With arrivals from Australia expected to taper off, and arrival numbers from Asia falling sharply, national guest nights will weaken once again.

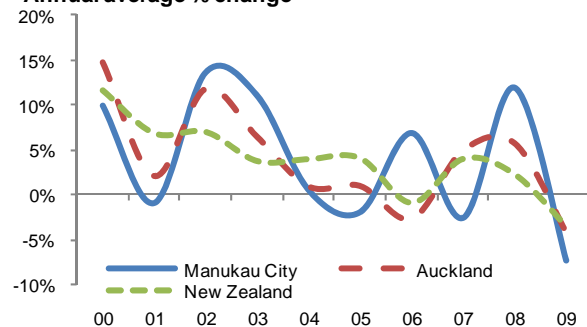
Manukau City

Visitors spent 735,100 guest nights in Manukau City during the year to June 2009. This accounted for 13% 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 June 2009 decreased by 7.4% compared with the previous twelve months. Growth in Manukau City was lower than in the Auckland region (-4.3%) and lower than in the country as a whole (-3.6%).

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



Guest nights
Annual average % change



house sales

National economy

House sales have recovered rapidly in recent months, with sales volumes in the June quarter up 41% on a year earlier. The recovery in positive sentiment in the housing market has seen house

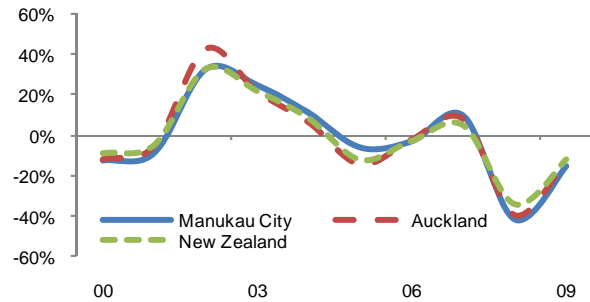
prices recover, with the June median house price reaching its highest level since May 2008 (seasonally adjusted). With mortgage rates at historically low levels and the New Zealand economy remaining fragile, we expect house sales

to peter out as listing levels remain low. This will put upward pressure on house prices, which we expect to increase by 24% over the next three years.

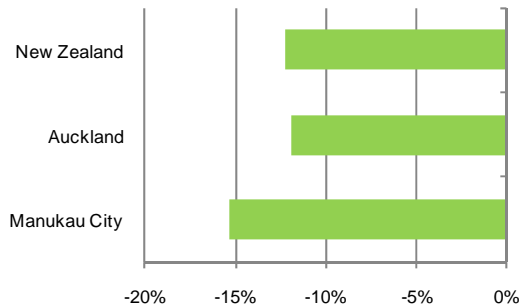
Manukau City

A total of 1,250 houses were sold in Manukau City during the June 2009 quarter. This accounted for 20.7% of the total house sales in the Auckland region, and 6.7% of the total national house sales during the quarter. Annual house sales in Manukau City decreased by 15.4% compared with the previous 12 months. Its growth was lower than in both the Auckland region (-11.9%) and in New Zealand (-12.2%) as a whole. House sales in Manukau City peaked in September 2003 during which time 2,187 houses were sold.

House Sales
Annual average % change



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



residential building

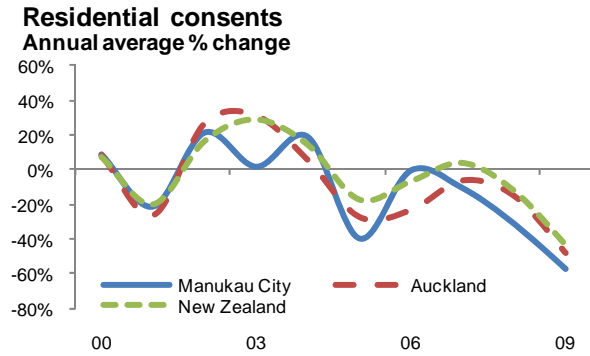
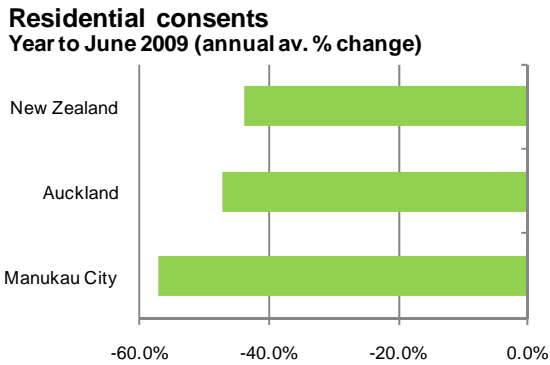
National economy

Annual residential consent numbers (excluding apartments) have fallen rapidly over the past year, down 41% on their June 2008 level. The collapse of a number of finance companies combined with the recent credit crisis lead to a severe tightening in credit conditions for builders, leading to a sharp reduction in activity. Although an improvement in housing prices will drive a lift in residential building activity over the next 12 months, continuing difficulties accessing credit will keep building activity at a historically low level.

Manukau City

A total of 98 new residential building consents were issued in Manukau City during the June 2009

quarter. The number of consents in Manukau City during the year to June 2009 decreased by 54.3% compared with the same period a year ago. Its growth was lower than in both the Auckland region (-44.1%) and the country as a whole (-39.1%). Consents in Manukau City accounted for 10.4% of the total number of consents in the Auckland region, and 2.9% of the national number of residential building consents during the quarter. Residential consents in Manukau City peaked in the year to June 2004 during which 2,869 residential building consents were issued. During the current year 489 residential building consents were issued which was, 83% less than in the year to June 2004.



non-residential building

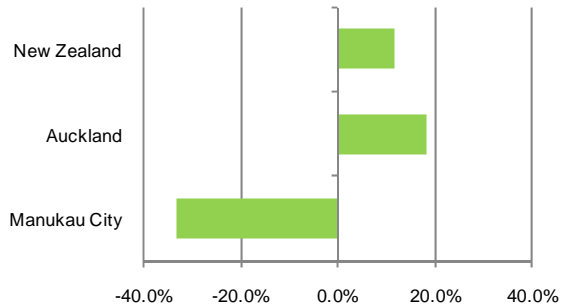
National economy

Non-residential building activity has held up exceedingly well in the face of slowing economic activity, rising 7.6% on its June 2008 level. The strong performance by non-residential construction was the result of rising government investment, up 25%. However, private sector activity is showing signs of cooling sharply. Weak private sector building intentions, a slowdown in public sector building activity, and the difficulty with securing finance for large projects will ensure that non-residential building activity cools significantly in the next twelve months.

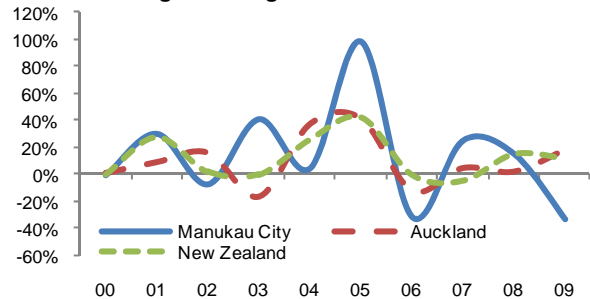
Manukau City

Non-residential building consents to the value of \$50. million were issued in Manukau City during the June 2009 quarter. The value of consents during the year to June 2009 decreased by 34.5% compared with the same period the previous year. Its growth was lower than in the Auckland region (11.3%) and lower than in New Zealand (7.6%). 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 34.5% lower than during the peak.

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



Non-residential consents
Annual average % change



electricity consumption

National economy

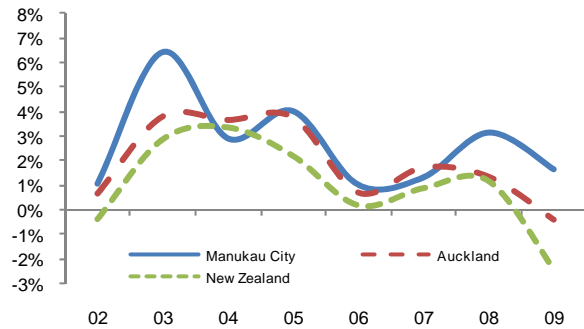
Total electricity consumption in New Zealand declined by 2.5% in the year to June 2009 as a consequence of falling industrial production.

Industry accounts for about two thirds of electricity consumption in New Zealand.

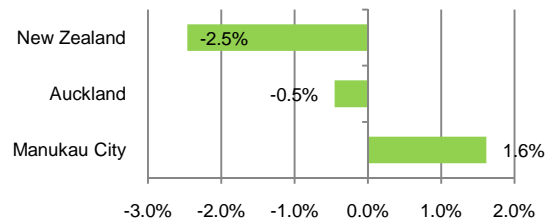
Manukau City

In the year to June 2009 electricity consumption in Manukau City increased by 1.6% compared to the previous 12 months. Its growth was higher than in the Auckland region (-0.5%) and higher than in New Zealand (-2.5%). Manukau City accounted for 15.3% of electricity consumption in the Auckland region, and 3.9% of national consumption during the quarter.

Electricity consumption
Annual average % change



Electricity consumption
Year to June 2009 (annual av. % 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 June 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 June 2009

Rank	Industry	GDP	% of total GDP
1	Manufacturing	2056	21.8%
2	Transport and Storage	1242	13.2%
3	Property and Business Services	1115	11.8%
4	Wholesale Trade	1007	10.7%
5	Retail Trade	598	6.3%
6	Communication Services	551	5.8%
7	Health and Community Services	417	4.4%
8	Education	339	3.6%
9	Finance and Insurance	294	3.1%
10	Construction	258	2.7%
11	Government Administration and Defence	226	2.4%
12	Personal and Other Services	126	1.3%
13	Accommodation, Cafes and Restaurants	107	1.1%
14	Cultural and Recreational Services	92	1.0%
15	Electricity, Gas and Water Supply	50	0.5%
16	Agriculture, Forestry and Fishing	21	0.2%
17	Mining	5	0.1%
	Owner occupied dwellings	584	6.2%
	Not Elsewhere Included	345	3.7%
	Total	9432	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 June 2004 and June 2009, contributing 0.6% of the total 2.2% growth in GDP. The industry grew by 4.4% per annum over the five year period. The second largest contributor to growth was Wholesale Trade (0.3% point contribution to growth) followed by Property and Business

Services (0.3%). The fastest growing industries over the five year period were Personal and Other Services (4.5%pa), Transport and Storage (4.4%pa) and Communication Services (3.8%pa). The largest detractor from growth was Agriculture, Forestry and Fishing which declined by -10.7% per annum between June 2004 and June 2009..

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

Rank	Industry	GDP (\$m)		Change Jun 04 to Jun 09		% point contribution to growth
		Jun 04	Jun 09	Absolute (\$m)	Annual average %	
1	Transport and Storage	1001	1242	241	4.4%	0.6%
2	Wholesale Trade	867	1007	139	3.0%	0.3%
3	Property and Business Services	985	1115	130	2.5%	0.3%
4	Communication Services	457	551	95	3.8%	0.2%
5	Retail Trade	517	598	81	3.0%	0.2%
6	Health and Community Services	351	417	66	3.5%	0.1%
7	Manufacturing	2015	2056	41	0.4%	0.1%
8	Finance and Insurance	255	294	39	2.9%	0.1%
9	Government Administration and Defence	191	226	35	3.4%	0.1%
10	Personal and Other Services	101	126	25	4.5%	0.1%
11	Education	319	339	20	1.2%	0.0%
12	Construction	247	258	12	0.9%	0.0%
13	Accommodation, Cafes and Restaurants	96	107	10	2.1%	0.0%
14	Cultural and Recreational Services	92	92	0	0.0%	0.0%
15	Mining	12	5	-6	-13.8%	0.0%
16	Electricity, Gas and Water Supply	57	50	-7	-2.7%	0.0%
17	Agriculture, Forestry and Fishing	37	21	-16	-10.7%	0.0%
	Not Elsewhere Included	869	928	60	1.3%	0.1%
	Total	8468	9432	964	2.2%	2.2%

Structure of employment

Manufacturing was the largest employer in Manukau City in the year to June 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 June 2009

Rank	Industry	Employment	% of total
1	Manufacturing	24,130	17.1%
2	Property and Business Services	19,970	14.1%
3	Retail Trade	17,620	12.5%
4	Transport and Storage	15,580	11.0%
5	Education	12,340	8.7%
6	Wholesale Trade	12,290	8.7%
7	Health and Community Services	11,690	8.3%
8	Construction	8,330	5.9%
9	Accommodation, Cafes and Restaurants	5,240	3.7%
10	Personal and Other Services	4,460	3.2%
11	Government Administration and Defence	2,720	1.9%
12	Cultural and Recreational Services	2,370	1.7%
13	Communication Services	1,850	1.3%
14	Finance and Insurance	1,730	1.2%
15	Agriculture, Forestry and Fishing	690	0.5%
16	Electricity, Gas and Water Supply	480	0.3%
17	Mining	30	0.0%
	Total	141,520	100.0%

Source: Infometrics and Statistics New Zealand

Employment creating industries

Transport and Storage created the largest number of jobs in Manukau City between June 2004 and June 2009, contributing 4,260 of the total 16,420 total jobs created. Employment in the industry grew by 6.6% per annum over the five year period. The second largest contributor to growth was Health and Community Services (2670 new jobs) followed by Property and Business Services

(2540 new jobs). The fastest growing industries over the five year period were Transport and Storage (6.6%pa), Finance and Insurance (5.4%pa) and Health and Community Services (5.3%pa). The largest detractor from employment growth was Manufacturing which shed 1780 jobs between June 2004 and June 2009.

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

Rank	Industry	Persons employed		Change Jun 04 to Jun 09		% point contribution to growth
		Jun 04	Jun 09	Number	Annual average %	
1	Transport and Storage	11,320	15,580	4,260	6.6%	0.7%
2	Health and Community Services	9,020	11,690	2,670	5.3%	0.4%
3	Property and Business Services	17,430	19,970	2,540	2.8%	0.4%
4	Education	9,890	12,340	2,450	4.5%	0.4%
5	Retail Trade	15,870	17,620	1,750	2.1%	0.3%
6	Construction	7,090	8,330	1,240	3.3%	0.2%
7	Wholesale Trade	11,240	12,290	1,050	1.8%	0.2%
8	Personal and Other Services	3,770	4,460	690	3.4%	0.1%
9	Finance and Insurance	1,330	1,730	400	5.4%	0.1%
10	Accommodation, Cafes and Restaurants	4,850	5,240	390	1.6%	0.1%
11	Government Administration and Defence	2,410	2,720	310	2.4%	0.0%
12	Cultural and Recreational Services	2,110	2,370	260	2.4%	0.0%
13	Communication Services	1,690	1,850	160	1.8%	0.0%
14	Electricity, Gas and Water Supply	360	480	120	5.9%	0.0%
15	Agriculture, Forestry and Fishing	730	690	-40	-1.1%	0.0%
16	Mining	80	30	-50	-17.8%	0.0%
17	Manufacturing	25,910	24,130	-1,780	-1.4%	-0.3%
	Total	125,100	141,520	16,420	2.5%	2.5%

ⁱ Regional unemployment rates from the HLFS are highly volatile. Econometric software has been used to remove volatility and extract the trend. The trend removes seasonality and irregular fluctuations.