Report to:

RED Trust

ECONOMIC PROFILE AND PROJECTIONS FOR THE RIVER REGION

(RANGITIKEI, WANGANUI, RUAPEHU)

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1 Executive Summary

This report provides an economic profile of the River Region[1] in 2007, its performance over the last 10 years, and projections of employment and GDP to 2026.

Profile and performance

The River Region has a population of around 70,300 people. The population has been in decline, from around 78,100 in 1996 to 70,900 in 2006[2], a one percent per annum fall. However, over the last census period, the decline has been significantly slower at around a half a percent per annum. This suggests that the population decline has been arrested.

In 2007, the River Region employed 27,360 Full-Time-Equivalents (FTEs) in 8,390 businesses; and generated $2.16 billion in GDP.

Agriculture-based industries drive the River Region economy, mainly sheep, beef, and dairy cattle farming. Manufacturing, largely food processing, accounts for 14.7 percent of employment in the district.

Economic growth in the River Region economy has been mainly positive. Over the last 10 years, employment and GDP have grown, but lower than the national average. In the latest period[3] there has been a noticeable increase in both employment and business units.

Industry analysis

Using the industry profile and performance in the River Region in this report, various regional strategies and LTCCPs, and discussions with the client, we have identified and analysed six industries that we consider are key drivers, in more detail. These industries are agriculture – mainly livestock; services to agriculture; food processing; machinery & equipment manufacturing; forestry & logging; freight; and tourism.

The analysis identifies the industries contribution to the region in terms of employment and exports as well as its relationship with other industries in the region.

In particular, the primary – livestock; services to agriculture, and the food processing sectors are significant contributors to the regional economy in terms of exports, GDP and

[1] The River Region includes the districts of Ruapehu, Rangitikei and Wanganui. Not an official title for the three districts, it has been used in this report to provide a name that was sufficiently distinct to avoid confusion in the analysis.

[2] Census counts.

[3] Year to March 2007.

employment. There are also direct linkages between the two and across other industries in the region. Understanding the inter-relationships of industries in the region will assist in the development of regionally targeted economic development strategies. In particular, we would focus on intermediate inputs and outputs, which would identify where more local production could go into the industry and more value could be added before the goods produced are exported out of the region.

We would note here that the methodology used is likely to under-represent the impact and the forecasts for the tourism sector. We suggest that the tourism indicators in this report form only a part of a full review of the tourism sector.

Projections

The report provides two scenario projections. The first is a neutral scenario, where industries in the region grow at the same rate as nationally. The second is a historical scenario, where industries in the region grow relative to how they have grown over the last five years.

Under a neutral scenario, the River Region can expect FTEs to increase by 7,848 between 2007 and 2026. This is a growth rate of 1.3 percent per annum over the 19 year period. The scenario suggests that employment growth will be spread across all industries, with the majority occurring in manufacturing, health & community services, property & business services, retail trade, and accommodation, cafes & restaurants. Tourism-related growth will also be relatively significant.

Under a historical scenario, the River Region can expect FTEs to increase by 2,326 between 2007 and 2026. This is a growth rate of 0.4 percent per annum over the 19 year period. Again, employment growth will be spread across all industries. Industries that contribute to employment growth again include the primary industry, construction, health & community services, and property & business services. The scenario suggests that there will be a decline in employment in accommodation, cafes & restaurants, and personal & other services.

Next steps

It is important to emphasise that this report does not provide a strategy for the region. The projections suggest possible outcomes based on two scenarios. The constraint on the scenarios is national growth by industry, which is also based on a scenario. There are obviously a number of other constraints (such as population growth) or factors (such as food prices or EDA interventions), which have not been considered in these scenarios.

What the report does do is provide a base understanding of the industries in the regional economy and two possible growth outcomes.

A task for the region is to decide whether it is comfortable with the forecast growth scenarios (if not lets determine a more sensible scenario aligned to the key industries and aspirations of the region) and then develop a plan to achieve, or address issues arising out of, the forecast growth scenario.

Economic Profile and Projections: River Region

Tables

Figures

2 Introduction

This report provides

- an economic profile of the River Region in 2007 and its performance over the last 10 years
- key industry analysis
- two scenarios of regional employment and GDP to 2026.

The economic profile and performance are derived from BERL's regional database, which covers a range of regional industry indicators back to 1994.

The economic profile covers a number of regional indicators including population, employment, GDP, and business units. Employment, GDP and number of business units are broken down by industry at the ANZSIC 1-digit level. [4]

The economic performance section measures the growth in the three River Region districts for seven economic indicators, and compares these with the Region as a whole, and to New Zealand. Performance is measured over the latest year (to March 2007) and over the last 10 years (1997 to 2007).

Key industry analysis provides a more in-depth look at six key driver industries in the region. The section starts by identifying the 10 largest industries (by employment) and the top 10 industries by location quotient (LQs)[5] at the ANZSIC 2-digit level. It then identifies six industries and provides an analysis that defines and describes the industry in terms of employment, GDP and business units, determines the multiplier effects, uses input-output analysis to identify regional linkages, imports and exports, and provides employment projections for that industry.

The regional scenarios are based on a national projection determined using a Computable General Equilibrium (CGE) model for New Zealand. The scenarios provide estimates of employment and GDP broken down by industry at the ANZSIC 1-digit level. There are two regional scenarios - business as usual and historical.

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[4] ANZSIC is the Australian and New Zealand Standard Industry Classification. BERL uses the 1996 ANZSIC definitions.

[5] A location quotient is a measure of employment in an industry relative to national employment in that industry. A location quotient higher than one suggests that that industry employs more in the region than it does nationally.

- The business as usual scenario assumes that industries in the region grow at the same rate as the industry nationally. This sets a benchmark of how an industry could perform in the region.

- The historical scenario assumes that industry in the region grows relative to how it has performed over the last five years. This scenario provides the most likely outcome of how industry employment will change over the forecast period as it is based on recent performance.

We stress that these regional scenarios are based on how industries in the region might change over time based on certain assumptions. By comparing and contrasting the two scenarios; and reviewing and considering the base assumptions; the region can look at how it might approach labour market issues in the context of industry and economic development.

This approach should be considered in light of the current profile of the region, its recent performance and competitive advantages, its resources and its approach to regional development.

Chapter 3 provides an economic profile of the River Region and an analysis of its performance over the last 10 years.

Chapter 4 identifies and analyses six key industries in the River Region. Industries were identified through a mix of interpreting the industry structure, review of existing regional strategies, and discussions with the client. The analysis is based on BERL's regional database and input-output tables supplied by Butcher and Partners.

Chapter 5 provides the River Region projections to 2026. Two scenarios are provided – a neutral scenario, where employment in the region grows at the same rate as nationally and an historical scenario, where industry employment in the region grows relative to national growth over the last five years.

In the historical analysis, the last five years has been used over the last 10 years as it reflects a more positive period in the River Region's history. As well it provides a more likely scenario of industry change in the region.

Profiles and projections for the individual TAs that make up the River Region are included in the appendices, along with an explanation of the CGE model and national projections.

3 Economic Profile and Performance

In 2007, the River Region employed 27,360 Full-Time-Equivalents (FTEs) in 8,390 businesses; and generated $2.16 billion in GDP.

Agriculture-based industries drive the River Region economy, mainly sheep, beef and dairy cattle farming. The primary sector accounts for 17.6 percent of employment, while manufacturing accounts for a further 14.7 percent of employment in the River Region.

Economic growth in the River Region economy has been mainly positive. Over the last 10 years, employment and GDP have grown, but lower than the national average. In the latest period[6] there has been a noticeable increase in both employment and business units.

3.1 Profile

Table 3.1 presents the employment, contribution to GDP and business units in the River Region in 2007 broken down by industry at the ANZSIC one-digit level.

Table 3.1. Economic summary, River Region, 2007

Sectors	FTEs	%	GDP ($2007m)	%	Business units	%
Primary	4,808	17.6%	340	*15.8%*	2575	*30.7%*
Manufacturing	4,022	*14.7%*	414	*19.2%*	335	*4.0%*
Electricity, Gas and Water Supply	103	*0.4%*	46	*2.1%*	15	*0.2%*
Construction	2,506	*9.2%*	130	*6.0%*	696	*8.3%*
Wholesale Trade	811	*3.0%*	83	*3.9%*	233	*2.8%*
Retail Trade	2,954	*10.8%*	150	*7.0%*	713	*8.5%*
Accommodation, Cafes and Restaurants	1,309	*4.8%*	41	*1.9%*	307	*3.7%*
Transport and Storage	672	*2.5%*	58	*2.7%*	179	*2.1%*
Communication Services	67	*0.2%*	26	*1.2%*	65	*0.8%*
Finance and Insurance	329	*1.2%*	62	*2.9%*	275	*3.3%*
Property Services	326	*1.2%*	234	*10.8%*	1,443	*17.2%*
Business Services	1,698	*6.2%*	106	*4.9%*	437	*5.2%*
Cultural and Recreational Services	563	*2.1%*	35	*1.6%*	218	*2.6%*
Personal Services	983	*3.6%*	35	*1.6%*	324	*3.9%*
Government Administration and Defence	1,586	*5.8%*	160	*7.4%*	56	*0.7%*
Education	2,137	*7.8%*	101	*4.7%*	216	*2.6%*
Health and Community Services	2,486	*9.1%*	140	*6.5%*	298	*3.6%*
Totals	27,361	***100.0%***	2,159	***100.0%***	8,385	***100.0%***

source:BERL Regional Database, Statistics NZ

The primary industry is the most significant industry in the Region, accounting for 17.6 percent of employment, 15.8 percent of GDP and over a third of all businesses. Over half of

[6] Year to March 2007.

employment within the primary industry was in sheep and beef cattle farming. Other services to agriculture, such as shearing services, were also important employers.

Manufacturing is a significant employer for the River Region. Meat processing employed around 1,100 FTEs in 2007. This is around one quarter of total employment within manufacturing. Other important manufacturing industries include wool, textile & leather manufacturing, machinery & equipment manufacturing, and animal food manufacturing. [7]

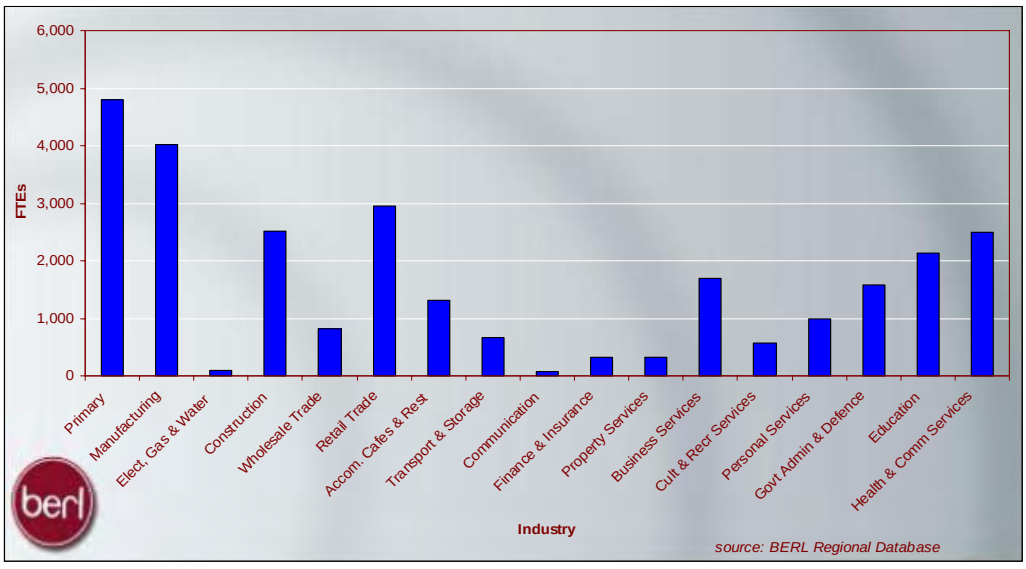
Retail trade, health, and construction are other industries that are significant employers in the River Region.

3.1.1 Employment

The primary industry is the largest employer in the Region. Over the last decade, employment in the industry has risen on average 1.1 percent per year. However, it has experienced a fall in the latest year, down 1.7 percent.

Figure 3.1 shows the industry distribution of employment in the River Region in 2007.

Figure 3.1. Employment (FTEs), River Region, 2007



The majority of employment is in the primary and manufacturing industries. There is also significant employment in retail trade, construction, and health & community services.

Table 3.2 provides information on employment by industry between 1997 and 2007 and compares total employment growth in the River Region to nationally.

[7] This detailed industry information is contained in the associated excel workbook.

Table 3.2. Employment (FTEs), River Region, 1997 to 2007

	Employment Number FTEs				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	4,581	4,573	4,893	4,808	7.0	-1.7	1.1
Manufacturing	4,021	4,068	3,986	4,022	-2.0	0.9	0.0
Electricity, Gas and Water Supply	166	155	90	103	-42.0	15.0	-4.6
Construction	1,440	2,305	2,386	2,506	3.5	5.0	5.7
Wholesale Trade	819	860	838	811	-2.6	-3.2	-0.1
Retail Trade	3,290	2,765	2,909	2,954	5.2	1.6	-1.1
Accommodation, Cafes and Restaurants	1,263	1,275	1,374	1,309	7.8	-4.7	0.4
Transport and Storage	691	728	711	672	-2.4	-5.5	-0.3
Communication Services	314	168	150	67	-10.3	-55.3	-14.3
Finance and Insurance	430	303	311	329	2.6	5.7	-2.7
Property Services	346	347	369	326	6.3	-11.5	-0.6
Business Services	1,269	1,521	1,659	1,698	9.1	2.3	3.0
Cultural and Recreational Services	367	567	595	563	5.1	-5.4	4.4
Personal Services	838	989	1,004	983	1.5	-2.1	1.6
Government Administration and Defence	2,173	1,683	1,446	1,586	-14.1	9.7	-3.1
Education	2,009	1,973	1,796	2,137	-9.0	19.0	0.6
Health and Community Services	2,207	2,536	2,444	2,486	-3.7	1.7	1.2
River Region	**26,224**	**26,817**	**26,962**	**27,361**	**0.5**	**1.5**	**0.4**
New Zealand	**1,450,586**	**1,751,280**	**1,808,605**	**1,845,434**	**3.3**	**2.0**	**2.4**

source:BERL Regional Database, Statistics NZ

Over the last 10 years, employment in the River Region averaged 0.4 percent per annum. It has grown slower than nationally, which averaged 2.4 percent per annum.

The primary industry in the River Region has bucked the national trend, and has averaged 1.1 percent growth per annum over the last 10 years.

Construction has seen a large increase in employment in the River Region, up 5.0 percent in 2007 and averaging 5.7 percent per annum over the last 10 years. The other large employer in the River Region, manufacturing, has seen no change in employment over the last decade.

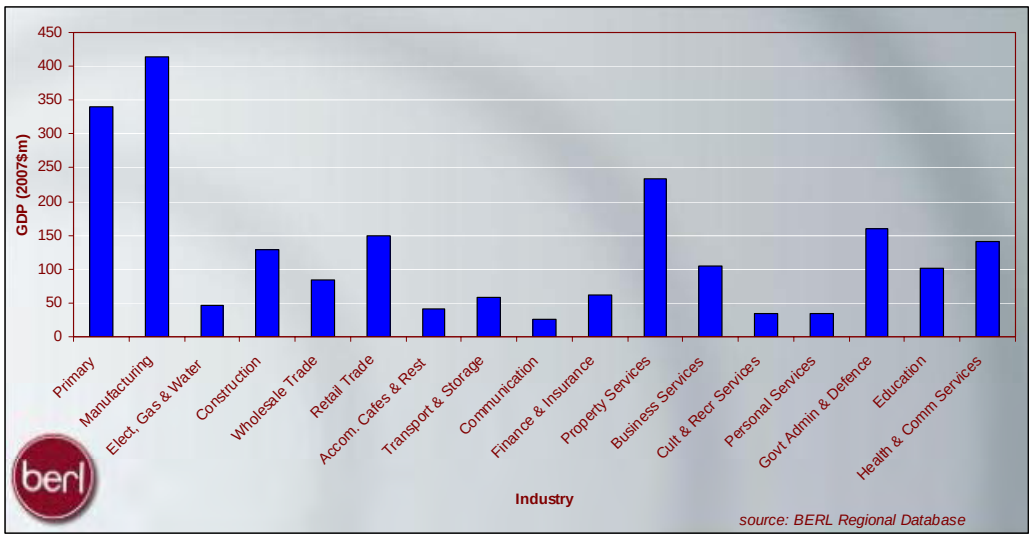
Other industries exhibiting strong growth over the last 10 years are cultural & recreational services (4.4 percent per annum) and business services (3.0 percent per annum).

3.1.2 GDP

The highest contributor to GDP in the River Region is the manufacturing industry, driven by meat processing, animal feed manufacturing, machinery & equipment manufacturing, and the textile & leather industries. Over the last 10 years, manufacturing GDP has risen 1.7 percent on average per year. Agriculture, the main employer in the region, is the second-highest contributor to GDP. Agriculture GDP rose, on average, 1.7 percent over the last 10 years. Property services, while not being a significant employer, was the third largest contributor to GDP in the region.

GDP in the River Region in 2007 is broken down by industry in Figure 3.2.

Figure 3.2. GDP, River Region, 2007



The graph clearly shows the importance of manufacturing and the primary industry to GDP in the River Region.[8]

Table 3.3 shows the change in GDP by industry in the River Region between 1997 and 2007.

[8] While property services shows up as the third largest contributor to GDP, its numbers are inflated due to the inclusion of the owner occupied dwellings sub-industry. By definition, this sub-industry is included in the GDP figures to reflect the rental value of owner-occupied property – but it does not employ people. Ownership of owner-occupied dwellings accounts for around 55 percent of the GDP of the property services industry.

Table 3.3. GDP, River Region, 1997 to 2007

	Value Added or GDP ($2007m)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	288	317	339	340	6.9	0.2	1.7
Manufacturing	350	402	402	414	-0.1	3.0	1.7
Electricity, Gas and Water Supply	45	73	39	46	-45.8	15.6	0.1
Construction	81	132	133	130	0.8	-2.4	4.8
Wholesale Trade	79	90	87	83	-3.1	-4.6	0.5
Retail Trade	135	138	145	150	5.1	3.9	1.1
Accommodation, Cafes and Restaurants	44	42	43	41	4.3	-6.5	-0.7
Transport and Storage	57	60	60	58	-0.9	-3.2	0.2
Communication Services	53	55	52	26	-5.9	-49.4	-6.8
Finance and Insurance	65	61	58	62	-4.5	5.8	-0.5
Property Services	244	238	243	234	2.1	-3.9	-0.4
Business Services	95	94	104	106	9.9	1.7	1.1
Cultural and Recreational Services	23	35	35	35	-0.8	-0.6	4.4
Personal Services	26	35	34	35	-2.5	3.0	2.9
Government Administration and Defence	176	171	142	160	-17.3	13.2	-0.9
Education	96	100	92	101	-7.7	9.2	0.5
Health and Community Services	121	138	137	140	-0.9	2.3	1.5
River Region	**1,977**	**2,182**	**2,145**	**2,159**	**-1.7**	**0.7**	**0.9**
New Zealand	**122,615**	**158,567**	**162,826**	**165,379**	**2.7**	**1.6**	**3.0**

source:BERL Regional Database, Statistics NZ

GDP in the River Region has grown by 0.9 percent per annum over the last 10 years. This is well below the 3.0 percent per annum achieved nationally.

A key reason for this has been the relatively slow GDP growth in the two key industries in the region – primary and manufacturing, which have averaged only 1.7 percent growth annually over the last 10 years. There has, however, been significant GDP growth in the construction and cultural & recreational services industries.

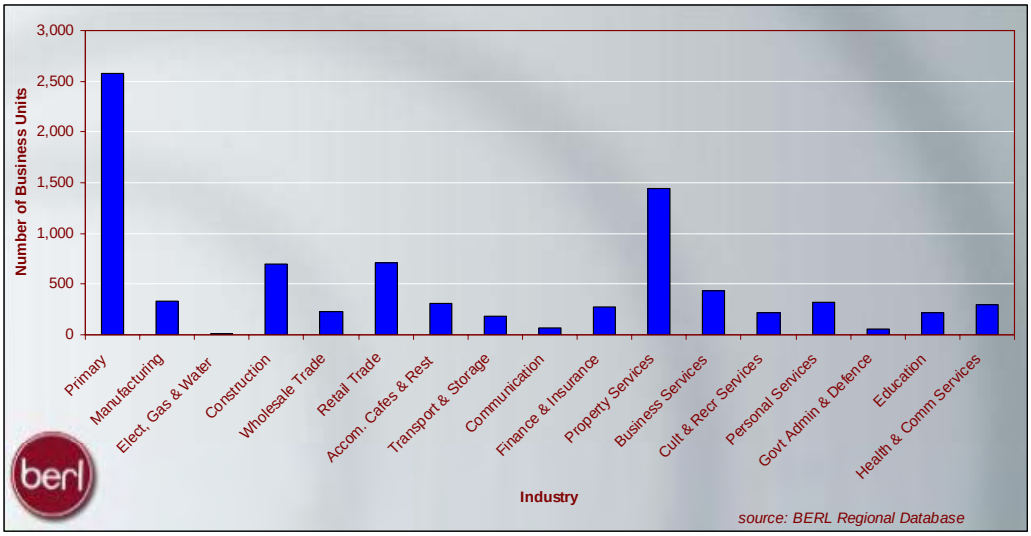
GDP has declined in a number of industries. We would note the decline in communication services, accommodation, cafes & restaurants, and government administration & defence. Interestingly, there has been a consistent decline in both property services and finance & insurance.

3.1.3 Business Units

The primary industry has by far the highest number of businesses in the region, over 2,500. However, this number has been dropping, with a fall of 1.3 percent in 2006 and 2.6 percent in 2007.

Figure 3.3 presents the number of business units in the River Region broken down by industry in 2007.

Figure 3.3. Business units, River Region 2007



The graphic shows the importance of the primary industry to the River Region in terms of business units. Aside from the property services industry, the primary industry has around four times more businesses than the next largest industries (construction and retail).

Table 3.4 shows the change in the number of businesses in the River Region by industry between 1997 and 2007.

Table 3.4. Business units, River Region, 1997 to 2007

	Business Units (number)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	2,772	2,678	2,643	2,575	-1.3	-2.6	-0.7
Manufacturing	328	328	337	335	2.7	-0.6	0.2
Electricity, Gas and Water Supply	23	15	15	15	0.0	0.0	-4.2
Construction	496	608	653	696	7.4	6.6	3.4
Wholesale Trade	221	244	235	233	-3.7	-0.9	0.5
Retail Trade	800	720	728	713	1.1	-2.1	-1.1
Accommodation, Cafes and Restaurants	268	307	318	307	3.6	-3.5	1.4
Transport and Storage	186	183	188	179	2.7	-4.8	-0.4
Communication Services	73	60	59	65	-1.7	10.2	-1.2
Finance and Insurance	120	205	236	275	15.1	16.5	8.6
Property Services	696	1,271	1,388	1,443	9.2	4.0	7.6
Business Services	239	392	422	437	7.7	3.6	6.2
Cultural and Recreational Services	184	211	215	218	1.9	1.4	1.7
Personal Services	268	313	314	324	0.3	3.2	1.9
Government Administration and Defence	58	58	58	56	0.0	-3.4	-0.4
Education	234	230	221	216	-3.9	-2.3	-0.8
Health and Community Services	260	285	287	298	0.7	3.8	1.4
River Region	**7,226**	**8,108**	**8,317**	**8,385**	**2.6**	**0.8**	**1.5**
New Zealand	**354,106**	**474,007**	**490,474**	**499,940**	**3.5**	**1.9**	**3.5**

source:BERL Regional Database, Statistics NZ

The number of business units in the River Region have increased by 1.5 percent per annum over the last 10 years, slower than the 3.5 percent per annum growth nationally.

The fastest growth has been in the business service industries – finance & insurance, property services and business services. Finance & insurance, in particular, has grown rapidly over the last two periods.

There has also been rapid growth over the last 10 years in the construction industry.

A number of industries have seen a contraction in the number of businesses over the last 10 years. These tend to be in the primary industry but also in some population driven industries such as retail trade and education.

3.1.4 Labour productivity

Labour productivity is measured by dividing GDP by the number of FTEs, to estimate GDP contribution per FTE.

Productivity of the primary industry has risen on average 1.2 percent across the last decade. The other main industry in the region, manufacturing, has risen 1.7 percent per annum over the same period.

Table 3.5 shows the change in labour productivity by industry between 1997 and 2007.

Table 3.5. Labour productivity, River Region, 1997 to 2007

	Productivity (07$s per FTE)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	62,858	69,385	69,350	70,743	-0.1	2.0	1.2
Manufacturing	86,989	98,850	100,726	102,871	1.9	2.1	1.7
Electricity, Gas and Water Supply	272,248	470,145	439,272	441,499	-6.6	0.5	5.0
Construction	56,540	57,149	55,642	51,740	-2.6	-7.0	-0.9
Wholesale Trade	96,454	104,878	104,266	102,804	-0.6	-1.4	0.6
Retail Trade	40,966	49,764	49,733	50,863	-0.1	2.3	2.2
Accommodation, Cafes and Restaurants	34,565	32,630	31,576	30,981	-3.2	-1.9	-1.1
Transport and Storage	81,924	82,638	83,893	85,973	1.5	2.5	0.5
Communication Services	170,226	329,679	345,838	391,112	4.9	13.1	8.7
Finance and Insurance	150,522	201,516	187,592	187,685	-6.9	0.0	2.2
Property Services	217,534	250,784	260,446	262,610	3.9	0.8	1.9
Business Services	74,740	62,125	62,561	62,166	0.7	-0.6	-1.8
Cultural and Recreational Services	61,441	62,384	58,872	61,870	-5.6	5.1	0.1
Personal Services	31,173	35,122	33,729	35,478	-4.0	5.2	1.3
Government Administration and Defence	80,941	101,809	97,996	101,139	-3.7	3.2	2.3
Education	47,719	50,662	51,357	47,143	1.4	-8.2	-0.1
Health and Community Services	54,738	54,533	56,090	56,388	2.9	0.5	0.3
Wellington Region (#)	**68,941**	**75,738**	**74,112**	**73,514**	**-2.1**	**-0.8**	**0.6**
New Zealand (#)	**77,312**	**84,270**	**83,851**	**83,475**	**-0.5**	**-0.4**	**0.8**

excl owner-occupied dwelllings sector

source:BERL Regional Database, Statistics NZ

The River Region has averaged 0.6 percent labour productivity growth over the last 10 years, only slightly below the national growth of 0.8 percent per annum.

Average labour productivity of $73,514 is 88 percent of national labour productivity of $83,475. Labour productivity growth has been fastest in the utilities industries – communication services, and electricity, gas & water supply.

3.1.5 Business size

Business size is calculated by dividing FTEs by the number of business units, to obtain an average size per business for each industry. Business sizes vary widely, with the primary industry having an average of 1.9 employees per business in 2007, and manufacturing having an average of 12.0.

Table 3.6 shows the change in business size in the River Region by industry between 1997 and 2007.

Table 3.6. Business size, River Region, 1997 to 2007

	Business Size (FTEs per unit)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	1.7	1.7	1.9	1.9	8.4	0.9	1.2
Manufacturing	12.3	12.4	11.8	12.0	-4.6	1.5	-0.2
Electricity, Gas and Water Supply	7.2	10.3	6.0	6.9	-42.0	15.0	-0.5
Construction	2.9	3.8	3.7	3.6	-3.6	-1.5	2.2
Wholesale Trade	3.7	3.5	3.6	3.5	1.2	-2.4	-0.6
Retail Trade	4.1	3.8	4.0	4.1	4.0	3.7	0.1
Accommodation, Cafes and Restaurants	4.7	4.2	4.3	4.3	4.0	-1.3	-1.0
Transport and Storage	3.7	4.0	3.8	3.8	-5.0	-0.8	0.1
Communication Services	4.3	2.8	2.5	1.0	-8.8	-59.4	-13.3
Finance and Insurance	3.6	1.5	1.3	1.2	-10.9	-9.3	-10.4
Property Services	0.5	0.3	0.3	0.2	-2.7	-14.8	-7.6
Business Services	5.3	3.9	3.9	3.9	1.3	-1.2	-3.1
Cultural and Recreational Services	2.0	2.7	2.8	2.6	3.1	-6.7	2.6
Personal Services	3.1	3.2	3.2	3.0	1.2	-5.1	-0.3
Government Administration and Defence	37.5	29.0	24.9	28.3	-14.1	13.6	-2.8
Education	8.6	8.6	8.1	9.9	-5.3	21.7	1.4
Health and Community Services	8.5	8.9	8.5	8.3	-4.3	-2.0	-0.2
River Region	**3.6**	**3.3**	**3.2**	**3.3**	**-2.0**	**0.7**	**-1.1**
New Zealand	**4.1**	**3.7**	**3.7**	**3.7**	**-0.2**	**0.1**	**-1.0**

source:BERL Regional Database, Statistics NZ

The average business size in the River Region is 3.3 FTEs per business, smaller than the 3.7 FTEs per business nationally. Business size has been decreasing slightly faster than nationally.

The largest contraction in business size has been in the communication services industry, where business size has been declining by 13.3 percent per annum (although this has been helped by a 60 percent fall in the latest year). Finance & insurance and property services have also seen the average size of businesses decline quite quickly over the last decade.

3.2 Performance

River Region's economic performance is measured across seven key performance indicators (KPIs) related to economic growth. The Region's performance is measured against New Zealand. The performance is measured over the latest year and the last 10 year period.

Growth in the River Region over the last 10 years has been steady, although at a slower rate than nationally. For the latest year[9], a fall in population was recorded while GDP rose. This has pushed up the growth of GDP per capita higher than the national average in 2007.

Table 3.7 shows the KPIs for the 2007 year, while Table 3.8 shows the KPIs for the 1997 to 2007 period.

Table 3.7. KPI performance, River Region, 2007

	%pa for 2007 year	
	Ruapehu Wanganui Rangitikei	New Zealand
Resident population growth	**-0.8**	1.0
Real Value Added (GDP) growth	**0.7**	1.6
GDP per capita growth	**1.5**	0.5
Employment growth	**1.5**	2.0
Productivity growth	**-0.8**	-0.4
Business units growth	**0.8**	1.9
Business size growth	**0.7**	0.1

source: BERL Regional Database, Statistics NZ

Most KPIs recorded a rise in the latest year, apart from population growth and productivity growth. Population fell 0.8 percent, compared with an increase of 1.0 percent nationally. A combination of the fall in population and a rise in GDP growth of 0.7 percent has lead to high growth in GDP per capita, which rose 1.5 percent compared with 0.5 percent nationally.

Employment growth in the region was 1.5 percent. While lower than national growth, the rise in employed was greater than regional GDP growth, resulting in a fall in labour productivity.

[9] Year to March 2007.

Table 3.8. KPI performance, River Region, 1997 to 2007

	%pa for 1997-2007	
	Ruapehu Wanganui Rangitikei	New Zealand
Resident population growth	**-0.9**	1.2
Real Value Added (GDP) growth	**0.9**	3.0
GDP per capita growth	**1.8**	1.8
Employment growth	**0.4**	2.4
Productivity growth	**0.6**	0.8
Business units growth	**1.5**	3.5
Business size growth	**-1.1**	-1.0

source: BERL Regional Database, Statistics NZ

Over the decade, the River Region's population has fallen almost 1 percent per annum compared to 1.2 percent per annum growth nationally. Most other indicators have been increasing.

GDP and employment growth are positive, but have been growing at a lower rate than nationally. Productivity growth has been only slightly slower than nationally, while GDP per capita growth has been at the same rate as nationally.

4 Key Industries

This section provides an in-depth analysis of six key driver industries in the River Region. It starts with an analysis of the 10 largest industries by employment and the 10 highest Location Quotients (LQs) in the Region and then goes on to discuss six key industries. [10]

The discussion of each industry describes:

- the industry's contribution to regional employment, GDP and business units
- projections to 2026 for the industry
- the increase in total regional employment brought about by an increase of one FTE in each key industry (the key industry's employment multiplier)
- sources of the key industry's inputs, such as from industries in the region, imports, and wages and other household income
- allocation of the key industry's outputs, such as to industries in the region, exports and consumption
- the industries that provide the most input into each key industry
- industries most reliant on each key industry to absorb their outputs.

Each key industry's contribution to employment, GDP and business units was determined using the BERL regional database. The key industries were decided in discussion with the client. These industries are:

- primary – livestock; services to agriculture
- food processing
- machinery & equipment manufacturing
- forestry & logging
- freight
- tourism.

[10] A location quotient (LQ) of one suggests that employment in the region in an industry is similar to employment in that industry nationally. A higher LQ suggests that industry is relatively more intensive.

Because tourism cuts across a number of industries it could not be analysed the same way as the other industries. For the tourism analysis we use Statistics New Zealand's Tourism Satellite Account industry proportions as a base for determining the size of the industry in the region.

Projections use the same scenarios (neutral and historical) but the projections are at the specific industry level.

Multiplier analysis[11] was used to calculate the economic impact of increasing employment by one FTE in each key industry. This allowed us to estimate that, for example, an increase in employment of one FTE in the livestock; services to agriculture industry in the River Region will create an *additional* 0.64 FTEs in the River Region (i.e. one FTE creates 1.64 FTEs in total).

Input-output tables were used to determine the sources and allocation of the key industries' inputs and outputs respectively.

4.1 Industry analysis

An initial analysis of industry in the River Region is useful to identify key industries in the region. The analysis looks at the 10 largest industries by employment and the 10 industries with the highest LQ relative to New Zealand industry.

Key industry analysis is at the ANZSIC 2-digit level. This provides a deeper level of industry analysis than the earlier profile breakdowns, which are at the 1-digit level. For example, the 1-digit primary industry is broken down into 4 sub-industries at the 2-digit level – agriculture; fishing; forestry & logging; and services to agriculture.

Table 4.1 and Table 4.2 show the top 10 industries by employment and LQ in the River Region.

[11] Multiplier analysis is explained in the Appendices.

Table 4.1. River Region Top 10 Industries by Employment, 2007

Rank by FTE size	Industry	Employment (FTEs) 2007	% of total
1	Agriculture	3,729	13.6
2	Education	2,137	7.8
3	Business Services	1,698	6.2
4	Health Services	1,621	5.9
5	Food, Beverage and Tobacco	1,619	5.9
6	Accommodation, Cafes and Restaurants	1,309	4.8
7	General Construction	1,257	4.6
8	Construction Trade Services	1,249	4.6
9	Personal and Household Good Retailing	1,194	4.4
10	Food Retailing	930	3.4

source:BERL Regional Database, Statistics NZ

Agriculture is the largest industry in the River Region, accounting for 13.6 percent of all employment. The next largest is education (driven mainly by population), followed by business services. Rounding out the top five industries are health (also population driven), and food, beverage & tobacco manufacturing.

Significant employment does not necessarily suggest an industry is a key industry. The retail industry is a significant employer in all regions. As well, the retail industry is usually a function of other industries and population, rather than a driver of growth per se.

LQs provide some idea of the relative importance of an industry in the region compared to nationally.

Table 4.2. River Region Top 10 Industries by Location Quotient, 2007

Rank by FTE LQ	Industry	LQ
1	Defence	5.056
2	Services to Agriculture; Hunting and Trapping	2.440
3	Textile, Clothing, Footwear & Leather Mfg	2.367
4	Agriculture	2.216
5	Forestry and Logging	1.864
6	Food, Beverage and Tobacco	1.659
7	Wood and Paper Product Manufacturing	1.357
8	General Construction	1.277
9	Community Services	1.267
10	Education	1.191

source:BERL Regional Database, Statistics NZ

Defence has the highest LQ in the River Region, of 5.1. Agriculture and services to agriculture are also high, showing the importance of these industries to the local economy. The textiles, clothing & footwear industry is also important to the region, with sheep & beef farming supporting the wool and leather manufacturing industries.

While industries such as education and retail trade are significant employers, they are not necessarily key regional drivers. These tend to be population driven; and increase and decrease as population increases and decreases. Similarly, business services tend to provide support to the key driver industries in agriculture, manufacturing, and processing and, to a large extent, are a function of growth in these industries.

Defence, with an army base in Waiouru, is a significant contributor to the River Region as shown in the LQs as well as the employment numbers. However, changes in the industry are a function of events generally outside of economic development or activity levers.

The textile, clothing, footwear & leather manufacturing industry is largely Tasman Tanning in Wanganui, which sells leather to international footwear manufacturers. The business accounts for around a quarter of all tanning done in New Zealand and has an annual turnover of around $50 million.

As well there are other drivers of economic growth that are not considered in the analysis. One example is the Māori dimension. Māori are a significant player in the economy, from a cultural and economic perspective. This will become even more apparent once the impact of the recent treaty settlement starts to filter through.

Based on the above analysis, and discussions with the client, we have identified six industries that we consider are key drivers in the River Region. The remainder of this chapter analyses these industries in more detail.

4.2 Agriculture industry

Agriculture is the most significant driver industry in the River Region. The agriculture industry in the River Region employs 4,560 FTEs in 2,230 business units. It employs the most FTEs in the most businesses in the region. It also has the second highest contribution to regional GDP.

Much of the output produced by the agriculture industry feeds into processing within the River Region. A number of industries are reliant on the agriculture industry to purchase a significant proportion of their outputs.

The largest sub-industries by employment within the agriculture industry are:

- sheep farming (1,810 FTEs)
- sheep & beef cattle farming (579 FTEs)
- dairy farming (455 FTEs)
- shearing services (430 FTEs)
- services to agriculture (371 FTEs).

Employment in the primary industry (which includes forestry & logging) has grown by 1.1 percent per annum over the last 10 years; and GDP has averaged 1.7 percent over the same period.

It is clear that the major industry in the agriculture industry is sheep & beef farming and associated services. Other important industries include dairy farming, vegetable growing (199 FTEs), and berry fruit growing (85 FTEs).

The remainder of this analysis focuses on the livestock; services to agriculture industry, which accounts for 88 percent of employment and 95 percent of business units in the agriculture industry.

The main industries within the livestock; services to agriculture industry are sheep farming, sheep & beef cattle farming, shearing services, and services to agriculture n.e.c. The industry also includes mixed livestock farming and aerial agricultural services.

Table 4.3 shows the contribution of the livestock; services to agriculture industry to the River Region economy and to the national livestock; services to agriculture industry in 2007.

Table 4.3. River Region livestock; services to agriculture industry

River Region livestock; services to agriculture	Total	*% of regional*	*% of national livestock; services to agriculture*
Employment (FTEs)	3,966	*14.49*	*4.36*
GDP ($mn)	238	*11.03*	*4.47*
Business units	2,110	*25.16*	*3.50*

source: BERL regional database, Statistics NZ

The livestock; services to agriculture industry directly employed 3,966 FTEs in the River Region in 2007. Regionally, it accounts for 14.5 percent of all employment and a quarter of all business units. Its direct contribution to regional GDP was $238 million, or 11 percent of total regional GDP, in 2007.

In terms of the livestock; services to agriculture industry nationally, the River Region accounts for 4.36 percent of employment, 4.47 percent of GDP and 3.5 percent of businesses.

Projection

The historical scenario provides a more positive forecast for employment and GDP growth in the livestock; services to agriculture industry.

Under the neutral scenario, the livestock; services to agriculture industry is forecast to grow by an additional 191 FTEs to 2026, an annual growth rate of 0.2 percent per annum. GDP is therefore likely to increase by $177 million, or 3.0 percent per annum.

Under the historical scenario, the livestock; services to agriculture industry is forecast to grow by an additional 495 FTEs, an annual growth rate of 0.6 percent per annum. GDP will therefore increase by $207 million to 2026, a 3.3 percent per annum increase.

Economic Impact

Table 4.4 shows the total economic impact of the livestock; services to agriculture industry on the River Region.

Table 4.4. River Region, livestock; services to agriculture multipliers

River Region livestock; services to agriculture	Direct	Total
Output ($mn)	624	1,108
GDP ($mn)	238	454
Employment (FTEs)	3,966	7,170

source: BERL regional database, Statistics NZ

The livestock; services to agriculture industry directly contributes $624 million in output to the River Region economy. This translates to $238 million in GDP and the employment of 3,966 FTEs.

Applying economic impact multipliers the total contribution to the River Region is equivalent to $454 million in GDP and the employment of 7,170 FTEs.

Input-output analysis

Table 4.5 presents the make-up of the River Region's livestock; services to agriculture industry's inputs and outputs. It also shows the industry's contribution to each category of regional inputs and outputs.

Table 4.5. River Region livestock; services to agriculture industry total inputs and outputs

River Region livestock; services to agriculture	% of sector	% of regional
Inputs		
Intermediate inputs	38.64	5.24
Imports	23.99	6.39
Wages and other household income	27.50	16.14
Other inputs	9.87	5.45
Outputs		
Intermediate outputs	42.90	5.82
Exports	56.22	19.66
Household and government consumption	0.27	0.08
Other outputs	0.61	0.53

source: BERL regional database, Statistics NZ

Almost 40 percent of the industry's inputs come from industries within the Region. Just under a quarter of inputs into the livestock; services to agriculture industry in the River Region are imported, accounting for 6.39 percent of all River Region imports. Wages and other household income accounts for 27.5 percent of inputs into the livestock; services to agriculture industry; which is equivalent to 16.1 percent of the River Region's wages and household income.

42.9 percent of the livestock; services to agriculture industry output are used by other industries in the region, the majority of which are likely to be meat processing plants.

The livestock; services to agriculture industry also exports 56.2 percent of its output to the rest of New Zealand and overseas. Livestock; services to agriculture accounts for 19.7 percent of the River Region exports.

A number of industries provide inputs to the livestock; services to agriculture industry. Table 4.6 presents the top 10 industries by contribution to livestock; services to agriculture industry inputs in the River Region.

Table 4.6. River Region, livestock; services to agriculture, major input industries

River Region livestock; services to agriculture	% of intermediate inputs
Livestock and cropping farming	34.32
Services to agriculture, hunting and trapping	15.92
Wholesale and retail trade	13.44
Other business services	3.57
Road freight transport	3.50
Finance and insurance	3.40
Other farming	3.32
Dairy and cattle farming	2.00
Construction	1.90
Horticulture and fruit growing	1.73
Other industries	16.91

source: BERL regional database, Statistics NZ

Livestock & cropping farming provides the largest proportion of intermediate inputs into the livestock; services to agriculture industry, at 34.3 percent. The services to agriculture: hunting & trapping industry, and wholesale & retail trade are the next largest providers of inputs at 15.9 percent and 13.4 percent respectively.

There are then a number of industries that contribute between 3.57 percent (other business services) and 1.73 percent (horticulture & fruit growing). The top three industries account for 63.7 percent, and the top 10 industries account for 83.1 percent, of all intermediate inputs into the livestock; services to agriculture industry.

However, some industries are more reliant on the livestock; services to agriculture industry than others. A significant proportion of the outputs from these industries are purchased as inputs into the industry.

Table 4.7 presents the 10 industries most reliant on the livestock; services to agriculture industry in terms of the portion of their total output contributed to the livestock; services to agriculture industry in the River Region.

Table 4.7. River Region, industries reliant on livestock; services to agriculture

River Region livestock; services to agriculture	% of contributor industry output
Fertiliser and other industrial chemical man.	54.54
Services to agriculture, hunting and trapping	43.43
Other farming	34.99
Livestock and cropping farming	17.09
Horticulture and fruit growing	11.07
Road freight transport	9.76
Dairy and cattle farming	9.38
Other business services	8.33
Other Mining and quarrying	7.99
Finance and insurance	7.92

source: BERL regional database, Statistics NZ

Of particular note are fertilizer & other industrial chemical manufacturing, services to agriculture, hunting & trapping, and other farming. These three industries are very dependent on the livestock; services to agriculture industry in the River Region, with 54.5 percent, 43.4 percent, and 35.0 percent respectively of all output in these industries acting as intermediate inputs to the livestock; services to agriculture industry.

Other industries that are relatively reliant on the livestock; services to agriculture industry are livestock & cropping farming, horticulture & fruit growing, the transport industries (road and rail), dairy & cattle farming, business services (other business services and finance & insurance), and other mining & quarrying.

4.3 Food processing

The food processing industry is closely tied to the agriculture industry in the River Region. The main food processing sector is meat processing, but other smaller sectors exist in this Region such as packaged salads and carrots.

There are three major meat processing plants in the River Region, including two in the Rangitikei District and one in the Wanganui District. There is also a pet food processing plant, Tux Dog Foods, in Wanganui. And a number of smaller companies involved in food processing such as Speirs Foods; Riverlands, and the International Malting Company. Most of these businesses source their raw materials from within the River Region.

Profile

The food processing industry in the River Region is made up of four industries: meat processing; dairy manufacturing; other food manufacturing; and beverage, malt & tobacco manufacturing.

Of these industries, meat processing and other food manufacturing make up virtually all employment and business units in the River Region.

Table 4.8 shows the contribution of the food processing industry to the River Region economy and to the national food processing industry in 2007.

Table 4.8. River Region, food processing industry

River Region food processing	Total	*% of regional*	*% of national*
Employment (FTEs)	1,619	*5.92*	*2.49*
GDP ($mn)	211	*9.75*	*2.46*
Business units	24	*0.29*	*1.09*

source: BERL regional database, Statistics NZ

The food processing industry directly employed 1,619 FTEs in the Region in 2007. Regionally, it accounts for 5.92 percent of all employment and 0.29 percent of all business units. Despite relatively low employment and number of business units, the direct contribution of the industry to regional GDP was significant. The industry contributed $211 million, or 9.75 percent, in 2007.

In terms of the industry nationally, food processing in the River Region accounts for 2.5 percent of employment, 2.5 percent of GDP and 1.1 percent of businesses.

The manufacturing industry in the region (of which food processing is a major part) is projecting strong rises in employment and GDP to 2026. As the meat industry strengthens

with better export returns, food processing will become increasingly important to the regional economy.

Projection

The different scenarios' provide very different forecasts for the food processing industry in the River Region, with the neutral scenario suggesting significantly higher employment growth.

Under the neutral scenario, the food processing industry is forecast to grow by an additional 240 FTEs to 2026, an annual growth rate of 0.7 percent per annum. GDP is forecast to grow by an additional $165 million or 3.0 percent per annum.

Under the historical scenario, the food processing industry is forecast to grow by an additional 99 FTEs to 2026, an annual growth rate of 0.3 percent per annum. GDP is forecast to grow by $67 million, which is equivalent to 1.5 percent per annum.

Economic Impact

Table 4.9 shows the total economic impact of the food processing industry on the River Region.

Table 4.9. River Region, food processing multipliers

River Region food processing	Direct	Total
Output ($mn)	947	1,965
GDP ($mn)	211	618
Employment (FTEs)	1,619	4,565

source: BERL regional database, Statistics NZ

The food processing industry directly contributes $947 million in output to the River Region economy. This translates to $211 million in GDP and the employment of 1,619 FTEs.

Applying economic impact multipliers the total contribution to the River Region is equivalent to $618 million in GDP and the employment of 4,565 FTEs.

Input Output analysis

Table 4.10 presents the make-up of the River Region's food processing industry's inputs and outputs. It also shows the industry's contribution to each category of regional inputs and outputs.

Table 4.10. River Region, food processing industry total inputs and outputs

River Region food processing	% of sector	% of regional
Inputs		
Intermediate inputs	52.74	4.26
Imports	23.94	3.79
Wages and other household income	16.14	5.64
Other inputs	7.18	2.36
Outputs		
Intermediate outputs	9.32	0.75
Exports	78.49	16.35
Household and government consumption	12.16	2.23
Other outputs	0.03	0.02

source: BERL regional database, Statistics NZ

Over half (52.7 percent) of the industry's inputs come from industries within the Region. Under a quarter (23.9 percent) of all inputs into the food processing industry are imported, accounting for 3.79 percent of all River Region imports. Wages and other household income accounts for 16.1 percent of inputs into the food processing industry; which is equivalent to 5.64 percent of the River Region's wages and household income.

The food processing industry exports 78.5 percent of its output to the rest of New Zealand and overseas. Food processing exports account for 16.4 percent of the River Region exports. Of the food processing outputs, 9.3 percent are used in other industries in the River Region, and 12.2 percent are used in household and government consumption.

A number of industries provide inputs to the food processing industry. Table 4.11 presents the top 10 industries by contribution to food processing industry inputs in the River Region.

Table 4.11. River Region, food processing major input industries

River Region food processing	% of intermediate inputs
Livestock and cropping farming	55.28
Wholesale and retail trade	5.52
Other farming	5.45
Meat manufacturing	5.35
Road freight transport	4.66
Services to agriculture, hunting and trapping	3.76
Other food manufacturing	2.58
Other business services	1.92
Horticulture and fruit growing	1.79
Electricity generation	1.61
Other industries	12.09

source: BERL regional database, Statistics NZ

Livestock & cropping farming is the major provider of intermediate inputs to the food processing industry, accounting for 55.3 percent of all intermediate inputs.

The next four largest contributors to the food processing industry's intermediate inputs are wholesale & retail trade, other farming, meat manufacturing and road freight transport, which each contribute around five percent of intermediate inputs.

The top 10 industries account for 87.9 percent of all intermediate inputs into the food processing industry.

However, some industries are more reliant on the food processing industry than others in that a significant proportion of their outputs are purchased as inputs into the industry.

Table 4.12 presents the 10 industries most reliant on the food processing industry in terms of the portion of their total output contributed to the food processing industry in the River Region.

Table 4.12. River Region, industries reliant on food processing

River Region food processing	% of contributor industry output
Fishing	66.06
Other farming	46.73
Livestock and cropping farming	22.36
Water transport	19.38
Rail transport	18.56
Road freight transport	10.56
Horticulture and fruit growing	9.27
Services to agriculture, hunting and trapping	8.34
Rubber, plastic and other chemical product man.	6.91
Sewerage, drainage and waste disposal services	5.64

source: BERL regional database, Statistics NZ

Of particular note are the fishing, and other farming industries. These two industries are very dependent on the food processing industry in the River Region, with 66.1 percent, and 46.7 percent respectively of all output in these industries acting as intermediate inputs to the food processing industry.

Note that the high ranking of the fishing industry reflects the importance of food processing in the Region to the fishing industry as opposed to the importance of the fishing industry to food processing. The fishing industry makes up a very small portion of the food processing industry (it does not even figure in Table 4.11 above). However, most of its output is processed in the region.

The proportion is smaller for other farming and livestock & cropping farming, which provide 46.7 percent and 22.4 percent of their outputs respectively to food processing in the River Region.

Other industries that are relatively reliant on the food processing industry are the transport industries (water, road and rail), horticulture & fruit growing, and services to agriculture, hunting & trapping.

4.4 Machinery & equipment manufacturing

The River Region has a number of excellent machinery & equipment manufacturing businesses, carving out niche areas, often related to their environment, and showing that global manufacturing can be carried out in rural areas.

Some examples of these businesses include Bliss-Stick, Incept Marine, and Q-West who build boats and kayaks, Aliarc and Axiam who are high value-added component manufacturers, Pacific Helmets who supply specialist headgear around the world, and Parkwood Products, Prospace Designz, and GDM Group, who design and or manufacture fitting solutions for commercial businesses.

The industry employs close to 500 FTEs and generates over $36 million in regional GDP. Over 54 percent of output is exported.

Profile

Table 4.13 shows the contribution of the machinery & equipment manufacturing industry to the River Region economy and to the national machinery & equipment manufacturing industry in 2007.

Table 4.13. River Region, machinery & equipment manufacturing industry

River Region machinery & equipment mfg	Total	*% of regional*	*% of national*
Employment (FTEs)	497	*1.81*	*1.09*
GDP ($mn)	36	*1.67*	*1.09*
Business units	83	*0.99*	*1.32*

source: BERL regional database, Statistics NZ

The machinery & equipment manufacturing industry directly employed 497 FTEs in the region in 2007. Regionally, it accounts for 1.8 percent of all employment and 1.0 percent of all business units. Its direct contribution to regional GDP was $36 million, or 1.7 percent, in 2007.

In terms of the industry nationally, the River Region accounts for 1.1 percent of employment, 1.1 percent of GDP and 1.3 percent of businesses.

Projection

Under the neutral scenario, the machinery & equipment manufacturing industry is forecast to grow by an additional 344 FTEs to 2026, an annual growth rate of 2.8 percent per annum. GDP in the industry is expected to increase by $65 million to 2026, an annual growth rate of 5.6 percent.

Under the historical scenario, the machinery & equipment manufacturing industry is forecast to grow by an additional 126 FTEs, an annual growth rate of 1.2 percent per annum. GDP is therefore likely to rise by $39 million, or 3.9 percent per annum.

Economic Impact

Table 4.14 shows the total economic impact of the machinery & equipment manufacturing industry on the River Region.

Table 4.14. River Region, machinery & equipment manufacturing multipliers

River Region machinery & equipment mfg	Direct	Total
Output ($mn)	95	140
GDP ($mn)	36	56
Employment (FTEs)	497	745

source: BERL regional database, Statistics NZ

The machinery & equipment manufacturing industry directly contributes $95 million in output to the River Region economy. This translates to $36 million in GDP and the employment of 497 FTEs.

Applying economic impact multipliers the total contribution to the River Region is equivalent to $56 million in GDP and the employment of 745 FTEs.

Input Output analysis

Table 4.15 presents the make-up of the River Region's machinery & equipment manufacturing industry's inputs and outputs. It also shows the industry's contribution to each category of regional inputs and outputs.

Table 4.15. River Region, machinery & equipment manufacturing industry total inputs and outputs

River Region machinery & equipment mfg	% of sector	% of regional
Inputs		
Intermediate inputs	21.93	0.45
Imports	39.65	1.59
Wages and other household income	23.98	2.12
Other inputs	14.44	1.20
Outputs		
Intermediate outputs	18.21	0.37
Exports	53.94	2.84
Household and government consumption	6.55	0.30
Other outputs	21.30	2.74

source: BERL regional database, Statistics NZ

Around 22 percent of the industry's inputs come from industries within the Region. Almost 40 percent of inputs into the machinery & equipment manufacturing industry in the River Region are imported, accounting for 1.6 percent of all River Region imports. Wages and

other household income accounts for 24.0 percent of inputs into the machinery & equipment manufacturing industry; which is equivalent to 1.2 percent of the River Region's wages and household income.

The machinery & equipment manufacturing industry exports 53.9 percent of its output to the rest of New Zealand and overseas. Machinery & equipment exports account for 2.8 percent of the River Region exports. Of the machinery & equipment manufacturing outputs, 18.2 percent are used in other industries in the River Region.

A number of industries provide inputs to the machinery & equipment manufacturing industry. Table 4.16 presents the top 10 industries by contribution to machinery & equipment manufacturing industry inputs in the River Region.

Table 4.16. River Region, machinery & equipment manufacturing major input industries

River Region machinery & equipment mfg	% of intermediate inputs
Structural, sheet & fabricated metal product man.	19.81
Wholesale and retail trade	19.64
Machinery and other equipment manufacturing	10.96
Construction	7.60
Other business services	6.08
Road freight transport	4.58
Basic metal manufacturing	4.46
Non-metallic mineral product manufacturing	3.31
Finance and insurance	2.55
Scientific research and computer services	2.51
Other industries	18.51

source: BERL regional database, Statistics NZ

The structural, sheet & fabricated metal product manufacturing and wholesale & retail trade industries provide the largest proportion of intermediate inputs to the machinery & equipment manufacturing industry, at 19.8 percent and 19.6 percent respectively.

The remaining top 10 industries that input into the machinery & equipment manufacturing industry contribute between 11.0 percent (machinery & equipment manufacturing) and 2.5 percent (scientific research & computer services). The top 10 industries account for 81.5 percent of all intermediate inputs into the machinery & equipment manufacturing industry.

However, some industries are more reliant on the machinery & equipment manufacturing industry than others in that a significant proportion of their outputs are purchased as inputs into the industry.

Table 4.17 presents the 10 industries most reliant on the machinery & equipment manufacturing industry in terms of the portion of their total output that contributes to the machinery & equipment manufacturing industry in the River Region.

Table 4.17. River Region, industries reliant on machinery & equipment manufacturing

River Region machinery & equipment mfg	% of contributor industry output
Structural, sheet & fabricated metal product man.	7.50
Basic metal manufacturing	2.91
Non-metallic mineral product manufacturing	2.46
Machinery and other equipment manufacturing	2.40
Rail transport	1.91
Scientific research and computer services	1.47
Sewerage, drainage and waste disposal services	1.40
Other business services	1.21
Furniture and other manufacturing	1.13
Road freight transport	1.09

source: BERL regional database, Statistics NZ

The structural, sheet & fabricated metal product manufacturing industry is moderately dependent on the machinery & equipment manufacturing sector in the River Region, with 7.5 percent of all output acting as intermediate inputs to the machinery & equipment manufacturing sector.

Otherwise other industries do not have a significant reliance on the machinery & equipment manufacturing industry, which accounts for less than three percent of any other industry's outputs.

4.5 Forestry & Logging

On April 1 2006, the River Region had around 99,500 hectares of land planted in forest of which 96,300 hectares are in Radiata Pine.

Ruapehu accounts for around half of the forests in the Region by land planted. Wanganui accounts for around 30 percent and Rangitikei the remaining 20 percent.

The forestry & logging industry is made up forest owners, silviculturalists, harvesters, earth movers, freight transporters, and forestry managers. Most output is either exported as logs or processed into sawn timber or other wood products – such as paper, pulp or MDF. Forest residue can be used as firewood or mulch.

Profile

Table 4.18 shows the contribution of the forestry & logging industry to the River Region economy and to the national forestry & logging industry in 2007.

Table 4.18. River Region, forestry & logging industry

River Region forestry & logging	Total	*regional*	*% of national*
Employment (FTEs)	181	*0.66*	*2.76*
GDP ($mn)	52	*2.43*	*2.76*
Business units	316	*3.77*	*5.46*

source: BERL regional database, Statistics NZ

The forestry & logging industry directly employed 181 FTEs in the region in 2007. Regionally, it accounts for 0.7 percent of all employment and 3.8 percent of all business units. Its direct contribution to regional GDP was $52 million, or 2.4 percent, in 2007.

In terms of national figures, the River Region accounts for 2.8 percent of national employment, 2.8 percent of national GDP and 5.5 percent of businesses.

The forestry & logging industry is expected to increase over the next few years as the industry recovers from poor world prices for logs and pulp.

Projections

The different scenarios provide similar forecasts for the forestry & logging industry in the River Region, with the historical scenario suggesting only slightly higher growth than the neutral scenario.

Under the neutral scenario, the forestry & logging industry is forecast to grow by an additional 121 FTEs to 2026, an annual growth rate of 2.7 percent per annum. GDP is forecast to grow by an additional $44 million or 3.3 percent per annum.

Under the historical scenario, the forestry & logging industry is forecast to grow by an additional 129 FTEs to 2026, an annual growth rate of 2.9 percent per annum. GDP is forecast to grow by $47 million, which is equivalent to 3.4 percent per annum.

Economic Impact

Table 4.19 shows the total economic impact of the forestry & logging industry on the River Region.

Table 4.19. River Region, forestry & logging multipliers

River Region forestry & logging	Direct	Total
Output ($mn)	169	325
GDP ($mn)	52	120
Employment (FTEs)	181	557

source: BERL regional database, Statistics NZ

The forestry & logging industry directly contributes $169 million in output to the River Region economy. This translates to $52 million in GDP and the employment of 181 FTEs.

Applying economic impact multipliers the total contribution to the River Region is equivalent to $120 million in GDP and the employment of 557 FTEs.

Input Output analysis

Table 4.20 presents the make-up of the River Region's forestry & logging industry's inputs and outputs. It also shows the industry's contribution to each category of regional inputs and outputs.

Table 4.20. River Region, forestry & logging industry total inputs and outputs

River Region forestry & logging	% of sector	% of regional
Inputs		
Intermediate inputs	48.01	0.70
Imports	20.67	0.60
Wages and other household income	15.05	0.96
Other inputs	16.27	0.97
Outputs		
Intermediate outputs	57.15	0.84
Exports	37.32	1.41
Household and government consumption	1.26	0.04
Other outputs	4.27	0.40

source: BERL regional database, Statistics NZ

Almost half of the industry's inputs come from industries within the Region. 20.7 percent of inputs into the forestry & logging industry in the River Region are imported, accounting for 0.6 percent of all River Region imports. Wages and other household income accounts for

15.1 percent of inputs into the forestry & logging industry; which is equivalent to just under one percent of the River Region's wages and household income.

Of the forestry & logging outputs, 57.2 percent are used in other industries in the River Region. The forestry & logging industry exports 37.3 percent of its output to the rest of New Zealand and overseas. Forestry & logging exports account for 1.41 percent of the River Region exports.

A number of industries provide inputs to the forestry & logging industry. Table 4.21 presents the top 10 industries by contribution to forestry & logging industry inputs in the River Region.

Table 4.21. River Region, forestry & logging major input industries

River Region forestry & logging	% of intermediate inputs
Forestry and logging	37.56
Road freight transport	23.58
Services to agriculture, hunting and trapping	13.83
Wholesale and retail trade	6.02
Other business services	4.13
Finance and insurance	2.50
Livestock and cropping farming	1.25
Construction	1.17
Communication services	0.92
Air transport and transport services	0.89
Other industries	8.16

source: BERL regional database, Statistics NZ

The forestry & logging industry provides the largest proportion of intermediate inputs to the forestry & logging industry, at 37.5 percent. In other words, 37.5 percent of all intermediate inputs required by the forestry & logging industry are provided from within its own industry.

The second largest contributor to the forestry & logging industry's intermediate inputs is road freight transport, which accounts for 23.6 percent. Services to agriculture; hunting & trapping provides 13.8 percent of intermediate inputs.

The remaining top 10 industries that input into the forestry & logging industry are relatively small contributors, accounting for between six percent (wholesale & retail trade) and then dropping under one percent after construction.

It is safe to say that only the top three industries are significant contributors to the forestry & logging industry.

However, some industries are more reliant on the forestry & logging industry than others in that a significant proportion of their outputs are purchased as inputs into the industry.

Table 4.22 presents the 10 industries most reliant on the forestry & logging industry in terms of the portion of their total output contributed to the forestry & logging industry in the River Region.

Table 4.22. River Region, industries reliant on forestry & logging

River Region forestry & logging	% of contributor industry output
Forestry and logging	18.03
Road freight transport	8.84
Rail transport	6.46
Services to agriculture, hunting and trapping	5.07
Fertiliser and other industrial chemical man.	1.87
Water transport	1.73
Other business services	1.29
Equipment hire and investors in other property	1.21
Air transport and transport services	0.87
Finance and insurance	0.78

source: BERL regional database, Statistics NZ

Of particular note is the forestry & logging industry, which is dependent on itself to provide inputs - 18 percent of inputs are sourced within its own industry.

Road and rail transport rely on the forestry & logging industry to purchase 8.8 percent and 6.5 percent of their services. The only other industry with a significant portion of outputs going into forestry & logging is services to agriculture; hunting & trapping at five percent of outputs.

4.6 Freight

The freight industry is very important to the River Region. Key driver industries in this Region require transport, and the position of the Region in relation to state highways, rail and proximity to Port Taranaki is important. [12],

Looking ahead, the latest government policy around freight transport and the role of rail may provide significant opportunities for the River Region.

The freight industry in the River Region is made up of two industries at the 114 industry level.[13] The industries are road freight transport and rail transport. There is a nearby port in Taranaki. The freight industry employs over 400 FTEs across 113 businesses.

Profile

Table 4.23 shows the contribution of the freight industry to the River Region economy and to the national freight industry in 2007.

Table 4.23. River Region, freight industry

River Region freight	Total	*% of regional*	*% of national*
Employment (FTEs)	406	*1.48*	*1.59*
GDP ($mn)	33	*1.53*	*1.44*
Business units	113	*1.35*	*1.48*

source: BERL regional database, Statistics NZ

The freight industry directly employed 406 FTEs in the region in 2007. Regionally, it accounts for 1.5 percent of all employment and 1.4 percent of all business units. Its direct contribution to regional GDP was $33 million, or 1.5 percent, in 2007.

In terms of the national figures, the River Region accounts for 1.6 percent of national freight employment, 1.4 percent of GDP and 1.5 percent of businesses.

Projections

The different scenarios' provide very different forecasts for the freight industry in the River Region, with the historical scenario suggesting significantly lower employment growth.

[12] As we have seen in the earlier industry analyses, freight is a key contributor to each industry.

[13] The 114 industries are based on the Australia and New Zealand Standard Industrial Classification (ANZSIC) codes, which classify the various industries in the economy.

Under the neutral scenario, the freight industry is forecast to grow by an additional 114 FTEs to 2026, an annual growth rate of 1.3 percent per annum. GDP is forecast to grow by an additional $31 million or 3.5 percent per annum.

Under the historical scenario, the freight industry is forecast to decline by 17 FTEs to 2026, an annual decline of 0.2 percent per annum. GDP is forecast to grow by $15 million, which is equivalent to 1.9 percent per annum.

Economic Impact

Table 4.24 shows the total economic impact of the freight industry on the River Region.

Table 4.24. River Region, freight multipliers

River Region freight	Direct	Total
Output ($mn)	72	120
GDP ($mn)	33	56
Employment (FTEs)	406	699

source: BERL regional database, Statistics NZ

The freight industry directly contributes $72 million in output to the River Region economy. This translates to $33 million in GDP and the employment of 406 FTEs.

Applying economic impact multipliers the total contribution to the River Region is equivalent to $56 million in GDP and the employment of 699 FTEs.

Input Output analysis

Table 4.25 presents the make-up of the River Region's freight industry's inputs and outputs. It also shows the industry's contribution to each category of regional inputs and outputs.

Table 4.25. River Region, freight industry total inputs and outputs

River Region freight	% of sector	% of regional
Inputs		
Intermediate inputs	34.24	0.65
Imports	19.26	0.72
Wages and other household income	20.95	1.73
Other inputs	25.54	1.98
Outputs		
Intermediate outputs	83.59	1.59
Exports	12.02	0.59
Household and government consumption	3.92	0.17
Other outputs	0.47	0.06

source: BERL regional database, Statistics NZ

34.2 percent of the industry's inputs come from industries within the Region. 19.3 percent of inputs into the freight industry in the River Region are imported, accounting for 0.7 percent of all River Region imports. Wages and other household income account for 20 percent of

inputs into the freight industry. This is equivalent to 1.7 percent of the Region's wages and household income.

Of the freight outputs, 83.6 percent are used in other industries in the River Region. The freight industry exports 12 percent of its output to the rest of New Zealand and overseas. Freight exports account for 0.6 percent of the River Region exports.

A number of industries provide inputs to the freight industry. Table 4.26 presents the top 10 industries by contribution to the freight industry inputs in the River Region.

Table 4.26. River Region, freight major input industries

River Region freight	% of intermediate inputs
Road freight transport	61.29
Wholesale and retail trade	16.65
Communication services	6.29
Finance and insurance	2.67
Other business services	2.47
Real estate	1.55
Air transport and transport services	1.31
Equipment hire and investors in other property	0.91
Personal and other community services	0.84
Forestry and logging	0.59
Other industries	5.44

source: BERL regional database, Statistics NZ

The road freight industry provides the largest proportion of intermediate inputs to the freight industry, at 61.3 percent. In other words, 61.3 percent of all intermediate inputs required by the freight industry are provided from within its own industry. The second largest contributor to the freight industry's intermediate inputs is wholesale and retail trade, which accounts for 16.7 percent.

It is interesting to note that rail freight and water transport does not picture on the inputs into the freight industry. This suggests the current focus on road freight in the industry. This becomes apparent when we look at the next table.

Table 4.27 presents the 10 industries most reliant on the freight industry in terms of the portion of their total output that contributes to the freight industry in the River Region.

Table 4.27. River Region, industries reliant on freight

River Region freight	% of contributor industry output
Water transport	23.84
Road freight transport	21.27
Communication services	3.10
Equipment hire and investors in other property	2.35
Air transport and transport services	1.18
Wholesale and retail trade	1.10
Road passenger transport	1.06
Finance and insurance	0.77
Other business services	0.72
Real estate	0.48

source: BERL regional database, Statistics NZ

Of particular note are the water transport and road freight transport industries, which require 23.8 percent and 21.3 percent of all freight outputs, respectively.

Other industries that are relatively reliant on the freight industry are communication services, equipment hire & investors in other property, air transport & transport services, and road passenger transport.

4.7 Tourism

The River Region is home to a number of attractions that provide a strong base for tourism, including Mount Ruapehu and the Whakapapa and Turoa ski fields, Waiouru Army Museum, as well as adventure and nature tourism.

The region has vast tourism potential with mountains, rivers and national parks, a rich Maori and European cultural heritage and was the location for many scenes in The Lord of The Rings trilogy, seen by millions around the world.

There are a number of key tourism operators as well as a range of events and festivals and events that occur through the year such as the Goat Mountain Running Race, Matariki Fashion Show, the Taihape gumboot day, the Bulls bull-ride, the Masters games and the Cemetery Circuit Motorcycle Race in Wanganui, the Ohakune carrot festival and mardi gras, to name a few. A full list of operators and events are listed at the end of this section.

As well, the River Region has recently undertaken a major marketing initiative through the NZTE Major Regional Initiative, Te Kahui Tupua.[14]

Tourism cannot be analysed in the same manner as the other industries as it is not an industry in itself but rather affects a proportion of activity across a number of industries. Its impact on certain industries, for example accommodation, is greater than on other industries such as food processing.

The direct contribution of tourism to the regional economy is calculated using proportions of industry FTES, GDP and business units that can be directly attributed to tourism, as provided by Statistics New Zealand's Tourism Satellite Account. We accept that the figures identified may be on the low side.[15]

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[14] Building up the regional tourism attractions forms the basis for the Wanganui/Rangitikei/Ruapehu MRI.

The initiative builds on these natural strengths and aims to attract more international tourists to the region, to encourage them to stay longer and to spend more. It is estimated that the growth generated will result in an increase of $10.2 million on tourism spend and nearly 160 new full time jobs.

The MRI investment aims to help the region develop an international marketing programme, which will publicise a touring route through the region, and also to develop new products to assist existing tourist operators.

The touring route is designed to divert traffic through Taumarunui, Ohakune, Waiouru, Taihape, Bulls and Wanganui, acting as the mechanism to deliver visitors to the region.

Another key feature is the implementation of a marketing strategy utilising both internet and print based initiatives designed to attract tourists to the region.

[15] There are other methods that could be used to try to measure the impact of Tourism at a regional level, all of which raise measurement issues. We accept that the approach being used is likely to under-report the effect of the tourism sector, particularly as tourism-characteristic industries within the River Region are likely to rely on out-of-region patrons. Similarly, the tourist season in the River Region, particularly in Ruapehu, is during the winter months. The Business Frame Survey, which we use, is as at 31 March and may not take into account additional staff taken on in the peak.

The contribution of tourism to the local economy comes from three sources: tourism-characteristic industries, such as accommodation, restaurants, transport services, and cultural and recreational services; tourism-related industries, specifically retail trade; and all other industries, including everything from police services to food processing.

Table 4.28 presents the direct contributions of each of these three sources to River Region tourism.

Table 4.28. River Region, Composition of the tourism industry

Tourism	FTEs	%	Business units	%
Tourism-characteristic industries	786	*2.9%*	221	*2.6%*
Tourism-related industries	300	*1.1%*	73	*0.9%*
All non-tourism-related industries	449	*1.6%*	142	*1.7%*
River Region	**1,536**	***5.6%***	**435**	***5.2%***
New Zealand	**115,478**	***6.3%***	**25,098**	***5.0%***

source:BERL Regional Database, Statistics NZ, Tourism Satellite Account

Tourism accounts for approximately 5.6 percent of employment in the River Region, or 1,536 FTEs, slightly below the national average of 6.3 percent.

Around 435 business units, or 5.2 percent of the regional total, are directly related to the tourism industry. This is greater than the proportion to the 5.0 percent contribution of the tourism industry seen nationally.

Table 4.29 shows the recent performance of the tourism industry in the River Region and New Zealand.

Table 4.29. Recent performance of the tourism industry

					%pa change		
Tourism	1997	2005	2006	2007	2006	2007	1997 to 2007
employment (FTEs)							
River Region	1,511	1,512	1,574	1,536	4.1	-2.4	0.2
New Zealand	89,523	108,446	113,345	115,478	4.5	1.9	2.6
business units							
River Region	391	430	437	435	1.8	-0.6	1.1
New Zealand	17,713	24,357	24,908	25,098	2.3	0.8	3.5

source:BERL Regional Database, Statistics NZ, Tourism Satellite Account

Tourism growth in the River Region has been lower than the New Zealand average across employment and business units, though employment growth in 2006 was comparable to

In our view, the most appropriate solution would be to triangulate these numbers with further analysis using either Tourism numbers collected by the Tourism Research Council and/or a local survey of tourism related businesses. We have not been able to do this in light of resource availability and time constraints.

New Zealand as a whole. A major reason for this lower growth was a poor 2007 year, where employment fell 2.4 percent, while the number of business units fell 0.6 percent.

The low average growth in employment over the last decade (0.2 percent per year) compared with national figures also suggests there is room for growth within the Region.

Table 4.30 presents the industries that contribute the most employment to River Region tourism. It measures the number of FTEs that are tourism-related for each industry.

Table 4.30. River Region, Industries with the most tourism-related employment

Tourism employment by contributing industry	2007
Cafes and Restaurants	239
Hotels (Accommodation)	125
Motels and Motor Inns	108
Supermarkets	58
Pubs, Taverns and Bars	54
Sheep Farming	36
Accommodation nec	36
Clubs (Hospitality)	32
Automotive Repair and Services nec	28
Meat Processing	22

source:BERL, Statistics NZ, Tourism Satellite Account

Of most importance in terms of employment is the cafes & restaurants industry, which provided 240 FTEs to the tourism industry in the Region in 2007. This was 15.6 percent of total tourism employment. Other important industries to tourism include hotels (accommodation), motels & motor inns and supermarkets.

Tourism Projections

The neutral scenario provides a much more positive forecast for tourism in the River Region than the historical scenario.

Under the neutral scenario, tourism employment is forecast to increase by 575 FTEs, and GDP contribution is expected to increase by $83 million.

Under the historical scenario, tourism is forecast to employ a further 41 FTEs by 2026 and contribute a further $39 million to the River Region's GDP.

We would note that these projections are based on the performance of the various industries in the region rather than a projection of the number of tourists that visit the River Region.

The Ministry of Tourism is forecasting 3.5 percent growth for international tourism visitor nights and 0.6 percent per annum growth for domestic tourism. However, the global credit crisis will impact on these forecasts in the short term. As well the marketing within the River

Region (particularly through the MRI intervention) will determine the proportion of this growth that will be captured locally.

We would suggest that a broader approach applying a range of methods is taken in the case of the tourism sector to improve the quality of the forecasts.

River Region Tourism Operators

The following list is a sample of tourism operators in the region.

Anndion Lodge	Mountain Air Scenic Flights	The Flying Fox
Aorangi Experiences	Mt Huia Farmstay	Tongariro Crossing Lodge
Army Museum Waiouru	Mt Ruapehu - Turoa & Whakapapa	Tussock Grove
Bayview Chateau Tongariro	Pete Outdoors	Waka Tours
Blazing Paddles Canoe Adventures	Powderhorn Chateau	Whanganui Jet
Bridge to Nowhere Lodge	Rangatira Golf Club	Whanganui Regional Museum
Bridge to Nowhere Tours	River Valley	Whanganui River Adventures
Journeys On The Wanganui	River Valley Stables	Whanganui River Boat Centre
Koriniti Marae	Rocky Mountain Chalets	Whanganui River Guides
Liquid Pathways	Rothesay Bed & Breakfast	Whanganui River Road Tours
Mangaweka Gallery & Homestay	Ruahine Adventure Horsetreks	Whanganui River Top 10 Holiday Park
Matai Lodge	Sarjeant Gallery	Whanganui Scenic Experience Jet
Matai Shuttles	Skotel Alpine Resort	Whanganui Tours
Mokai Gravity Canyon	Taumarunui Canoe Hire	Yeti Tours

River Region Events

The following table shows a number of events that take place in the River Region.

Ruapehu	**Wanganui**	**Rangitikei**
The Goat Mountain Running Race	Punanga – Matariki Celebrations	Taihape Gumboot Day
Mt Ruapehu – national ski/board events	New Zealand Hydra planes	Hunterville Hunterway Festival
Matariki Fashion Show	New Zealand Jet sprints	Celebrations of the Rangitikei
Ohakune Carrot Festival	Cemetery Circuit Motorcycle Race	Marton Market Day
Autumn Fall Out Festival	Wanganui Glass Art Festival	Bulls Town Celebrations – Bull ride
Big Mountain Short Film Festival	River Traders Markets	Rangitikei A&P Shows
Kururau Krusher MTB Race	Heritage Festival	
Ruapehu Waimarino A&P Show	Masters Games	
Tussock Traverse Mountain Walk		
Ruapehu/Kaimanawa Horse Trek		

5 Projections

This section compares and contrasts the scenario projections of employment and GDP to 2026 for the River Region.

The following projections for the River Region are based on two scenarios. The national growth projections remain the same across both scenarios.

- The first is the business as usual neutral scenario, where industries in the River Region grow at the same rate as nationally. This provides a neutral growth rate based on national projections using BERL's Computable General Equilibrium (CGE) model.

- The second scenario is a historical performance scenario, where industry growth is based on relative growth rates between the region and nationally over the last five years.[16]

By comparing and contrasting the results from the two scenarios you can a) see the potential growth in employment and GDP by industry if the region operated at the national level, b) estimate the growth in employment and GDP by industry if the region continues to perform at the level it has historically, and c) understand the growth dynamics particular to the region.

This section begins with an overview of the national projections before looking in detail at employment and GDP projections for the River Region. Projections for the individual TAs are included in the appendices.[17]

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[16] Both scenarios take into account labour force availability and labour productivity at the national level. There are no constraints on the movement of labour at a regional level.

[17] Regional projections are derived from the national projections based on industry composition.

In the historical projections the larger the region, the larger the industries, and the less stochastic the change. Hence the projection is more accurate the higher the level of aggregation or where industries are large. We would therefore suggest that the River Region projection is more accurate than each of the individual TA projections.

Using historical performance, individual TA projections in some industries do not sum to the regional projection for that industry. This generally occurs where the industry in the TA is small and there has been a significant change. Thus, where individual TA projections do not sum to the Regional industry projections we have manually over-ridden the projection in the TA which contributes the smallest proportion to the industry total and/or the TA where the change in growth appears out of synch.

5.1 National context

The base assumptions on which we developed our national projections are included in the appendix. As well, the appendix includes a table showing growth in employment by industry at a national level.

Table 5.1 presents the expected changes across various areas of the New Zealand economy for the periods 2007 to 2016, and 2021 to 2026, which have been derived from the CGE model.

Table 5.1 National projections, 2007 to 2026

New Zealand	2007 to 2016	2016 to 2026
Real GDP %pa	3.5	3.1
Consumption %pa	2.7	3.0
Investment %pa	4.5	3.7
Exports %pa	4.7	3.2
Employment %pa	1.6	1.5
Employment (000s)	282.8	348.7
Employment (000s pa)	28.3	34.9

Source: BERL CGE model

Real GDP is expected to grow strongly, at 3.5 percent per annum through to 2016, before slowing to 3.1 percent between 2016 and 2026.

The 2016 and 2026 projections are driven by growth in the investment and export components of output. This reflects continued investment by the Government in transport infrastructure and construction, as well as private investment to negate a relatively tight labour market.

Export volume and price growth are expected to drive up export receipts by 4.5 percent per annum to 2016 and at a slower pace of 3.2 percent per annum between 2016 and 2026. The higher growth rate out to 2016 reflects New Zealand's increasing global competitiveness as the skilled labour force and capital base expand, and as exchange rates come off historic highs. Growth in export volumes for particular industries varies. Dairy will continue to do well, while other primary industries may battle. Tourism, education, and machinery & equipment manufacturing are expected to see export demand grow strongly.

Employment is projected to expand by approximately 165,000 over the nine-year period between 2007 and 2016, which equates to an average annual rate of 28,300 or 1.6 percent

per annum. Growth in construction; agriculture, forestry and fishing; and communication services is expected to be low or negative to 2016.

A weakening New Zealand dollar is expected to boost employment in tourism-related industries such as accommodation, cafés & restaurants. There will also be strong rises in business services, manufacturing (which will also benefit from a weaker dollar), and health & community services.

Between 2016 and 2026, total New Zealand employment is expected to increase by 181,000 FTEs a year, an average of 34,900, or 1.5 percent per year. The strongest gains are expected to be in the same industries as over the period from 2007 to 2016. Similarly, the weakest growth will be in agriculture, forestry and fishing, with 1,000 FTEs lost over the 10 years.

5.2 River Region employment projections

Table 5.2 shows the projected changes in employment in the River Region by industry under the two scenarios.

Table 5.2. Projected Change in Employment, River Region, 2007 to 2026

Employment Growth (FTEs) River Region Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	4,808	0.6	5,071	0.3	5,231
Manufacturing	4,022	1.9	4,759	1.4	5,443
Electricity, Gas and Water Supply	103	3.1	136	2.2	169
Construction	2,506	1.2	2,780	1.3	3,150
Wholesale Trade	811	1.4	918	1.5	1,070
Retail Trade	2,954	1.3	3,311	1.5	3,845
Accommodation, Cafes and Restaurants	1,309	2.5	1,638	1.8	1,950
Transport and Storage	672	1.5	770	1.5	898
Communication Services	67	0.8	72	1.1	81
Finance and Insurance	329	1.2	365	1.5	424
Property and Business Services	2,024	2.4	2,513	1.8	3,013
Government Administration and Defence	1,586	0.5	1,663	0.9	1,811
Education	2,137	0.6	2,250	1.4	2,588
Health and Community Services	2,486	1.8	2,932	2.1	3,597
Cultural and Recreational Services	563	1.5	642	1.2	723
Personal and Other Services	983	0.8	1,055	1.4	1,217
TOTAL	**27,361**	**1.4**	**30,874**	**1.3**	**35,209**
including Tourism	*1,514*	*1.9*	*1,789*	*0.9*	*1,949*

Employment Growth (FTEs) River Region Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	4,808	1.0	5,253	0.7	5,657
Manufacturing	4,022	0.4	4,172	0.1	4,197
Electricity, Gas and Water Supply	103	0.0	103	0.0	103
Construction	2,506	1.1	2,766	1.2	3,129
Wholesale Trade	811	0.5	849	0.6	898
Retail Trade	2,954	0.2	2,997	0.2	3,056
Accommodation, Cafes and Restaurants	1,309	-1.6	1,132	-2.2	906
Transport and Storage	672	0.0	672	0.0	672
Communication Services	67	0.8	72	1.1	81
Finance and Insurance	329	0.9	356	1.2	401
Property and Business Services	2,024	1.5	2,321	1.2	2,627
Government Administration and Defence	1,586	0.2	1,614	0.3	1,669
Education	2,137	0.2	2,174	0.5	2,280
Health and Community Services	2,486	0.9	2,699	1.1	3,007
Cultural and Recreational Services	563	0.4	585	0.4	607
Personal and Other Services	983	-5.0	620	-4.3	398
TOTAL	**27,361**	**0.4**	**28,385**	**0.4**	**29,687**
including Tourism	*1,514*	*0.1*	*1,534*	*0.1*	*1,545*

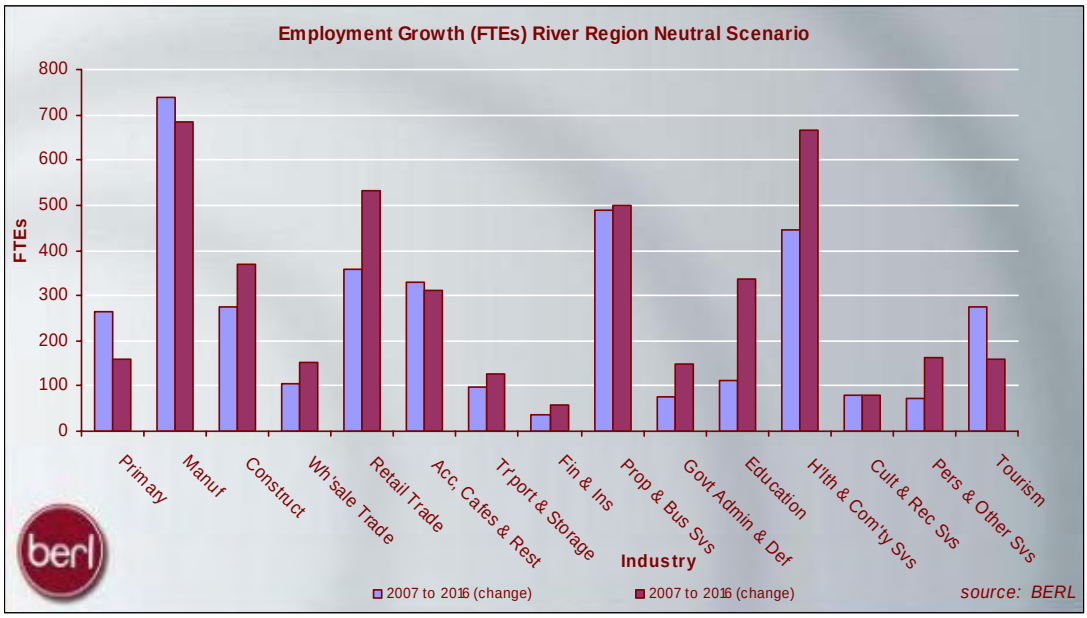
source: BERL

Employment in the neutral scenario is projected to increase by around 7,850 FTEs over the period 2007 to 2026 growing from 27,360 FTEs to 35,210 FTEs. Employment is expected to grow by 1.4 percent per annum between 2007 and 2016 and drop slightly to 1.3 percent per annum to 2026. Growth in the neutral scenario is projected to be higher than the historical case.

For the historical scenario, FTEs would increase by 2,330 between 2007 and 2026, from 27,360 in 2007 to 29,690 in 2026. Employment is expected to grow slower than under the neutral scenario, by 0.4 percent per annum to 2026.

The change in employment by industry for the two scenarios is shown graphically in Figure 5.1 and Figure 5.2.

Figure 5.1. Projected change in employment, River Region, 2007 to 2026 - neutral scenario



The neutral scenario shows growth across all industries.

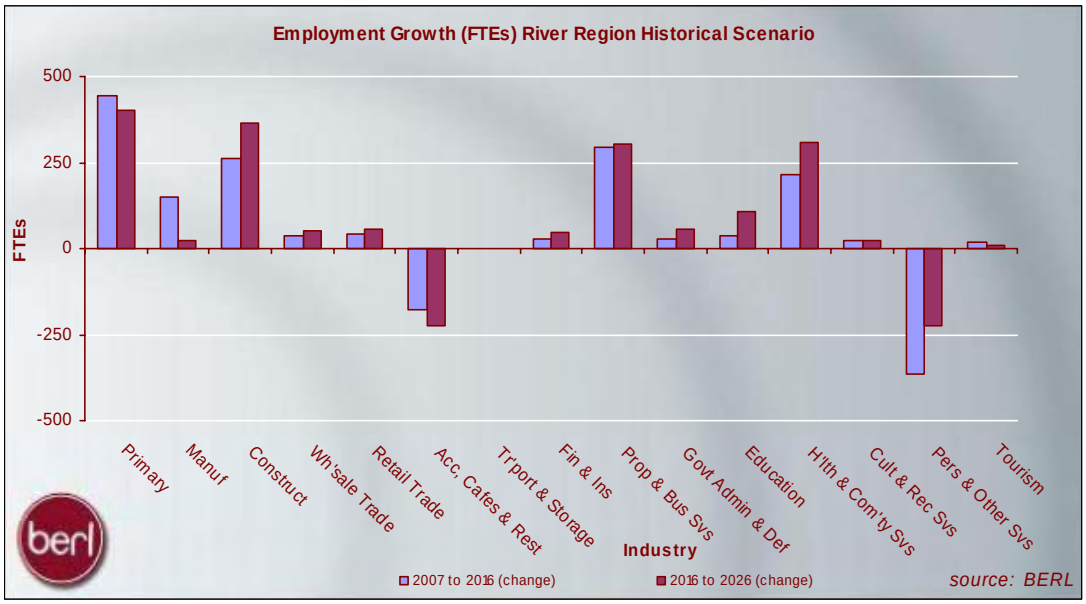
The most rapid growth for this scenario over the period to 2016 is expected in accommodation cafes & restaurants (2.5 percent) followed by property & business services (2.4 percent). In the period 2016 to 2026, rapid industry growth of 2.1 percent per annum will occur in the health & community services industry, but accommodation, cafes & restaurants, and property & business services remain important industries with respective growth of 1.8 percent per annum.

The primary industry is expected to increase by only 0.6 percent per annum to 2016, and then 0.3 percent to 2026. Over this time period, only 420 FTE jobs will be created in the industry, five percent of the total jobs forecasted.

The manufacturing industry fares better with employment projected to increase by 1,420 FTEs, from 4,022 FTEs in 2007 to 5,443 FTEs in 2026. It is important to note that the industry with the highest employment in the River Region is expected to move from being primary to manufacturing by 2026.

Looking at the historical scenario, growth is strongly concentrated in the manufacturing and primary industries, while all other industries grow less or fall compared with the neutral scenario.

Figure 5.2. Projected change in employment, River Region, 2007 to 2026 - historical scenario



The primary, construction, and property & business services industries are projected to be growth industries between 2007 and 2026 under the historical scenario.

The primary industry will experience 1.0 percent per annum growth between 2007 and 2016; however, this growth will slow to 0.7 percent per annum growth by 2016 to 2026. Overall, employment is projected to grow by 850 FTEs from 2007 to 2026 under the historical scenario. This compares with 420 FTEs projected in the neutral scenario.

The construction industry is projected to grow by 620 FTEs between 2007 and 2026, with the largest growth projected to occur between 2016 and 2021 where employment increases by 1.2 percent per annum. This is similar to the growth seen in this industry under the neutral scenario.

Under the historical scenario the property & business services industry adds 600 FTEs between 2007 and 2026. While this is a large area of employment growth for the River Region, employment growth under the historical scenario is not as large for this industry as what is seen under the neutral scenario.

Most other industries in this scenario showed worse results than in the neutral scenario. The most affected industry was accommodation, cafes and restaurants which moved from an increase of 640 FTEs from 2007 to 2026 under the neutral scenario, to a fall of 400 FTEs under the historical scenario.

We have manually over-ridden employment growth in the defence industry in the CGE model. Growth or decline in defence numbers is more a function of the political process than an allocation of resources based on productivity. This becomes increasingly important when defence employment makes up a significant proportion of activity in a district. As such we have kept defence employment at its current rate of 870 FTEs over the projection period with growth in that industry coming solely from government administration.

The small electricity, gas & water supply industry in the River Region has fallen on an ongoing basis over the last decade. Therefore, projections based on five-year growth rates led to virtually no employment in this industry by 2026.

In this infrastructure-based industry, it seems likely there is a minimum point that employment cannot go below without negatively impacting the local economy. For the purposes of this projection, we have assumed we have reached this point, and that the industry will stop falling. Therefore, we are keeping electricity, gas & water supply employment constant in the historical projections.

We note there is the prospect for investment in wind power, with some projects currently seeking resource consent. This should see activity and employment in the electricity, gas & water supply industry increase. However, at this stage we have not included these projects in the projections.

5.3 River Region GDP projections

GDP projections are derived from the employment projections, taking into account the GDP per FTE ratios.

Table 5.3 shows the projected changes in GDP in the River Region by industry under the two scenarios.

Table 5.3. Projected change in GDP, River Region, 2007 to 2026

GDP Growth ($m) River Region Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	340	3.4	459	2.7	599
Manufacturing	414	4.5	614	3.6	870
Electricity, Gas and Water Supply	46	4.6	68	3.8	99
Construction	130	4.1	186	3.5	262
Wholesale Trade	83	4.1	120	3.4	168
Retail Trade	150	4.0	213	3.4	299
Accommodation, Cafes and Restaurants	41	4.1	58	3.2	80
Transport and Storage	58	4.3	84	3.3	116
Communication Services	26	4.1	38	3.5	53
Finance and Insurance	62	3.5	84	3.0	114
Property and Business Services	339	3.4	459	3.1	620
Government Administration and Defence	160	2.9	208	2.9	276
Education	101	2.9	130	3.0	174
Health and Community Services	140	2.8	179	2.9	239
Cultural and Recreational Services	35	3.4	47	3.0	63
Personal and Other Services	35	2.9	45	2.9	60
TOTAL	**2,159**	**3.7**	**2,992**	**3.2**	**4,093**
including Tourism	*90*	3.9	*126*	1.7	*150*

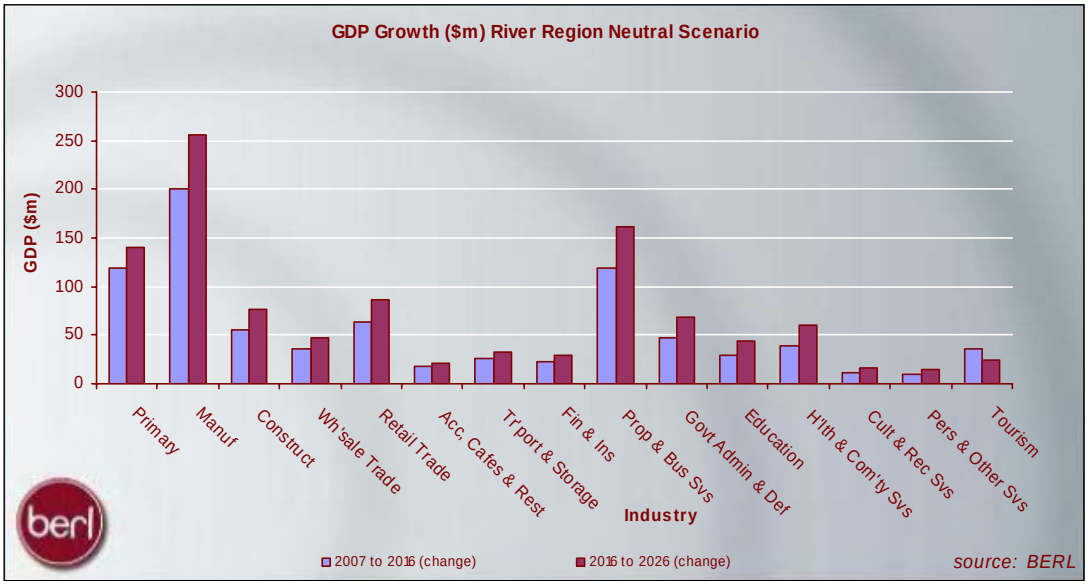
GDP Growth ($m) River Region Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	340	3.8	475	3.1	648
Manufacturing	414	3.0	538	2.2	671
Electricity, Gas and Water Supply	46	1.4	52	1.6	61
Construction	130	4.0	185	3.5	260
Wholesale Trade	83	3.2	111	2.4	141
Retail Trade	150	2.8	193	2.1	238
Accommodation, Cafes and Restaurants	41	-0.1	40	-0.8	37
Transport and Storage	58	2.7	73	1.7	87
Communication Services	26	4.1	38	3.4	53
Finance and Insurance	62	3.2	82	2.7	107
Property and Business Services	339	2.5	423	2.5	541
Government Administration and Defence	160	2.6	202	2.4	255
Education	101	2.5	126	2.0	153
Health and Community Services	140	1.8	165	1.9	200
Cultural and Recreational Services	35	2.3	43	2.1	53
Personal and Other Services	35	-3.0	27	-3.0	20
TOTAL	**2,159**	**2.8**	**2,772**	**2.4**	**3,524**
including Tourism	*90*	2.1	*108*	0.9	*119*

source: BERL

GDP in the River Region is projected to increase from $2.16 billion in 2007, to $4.05 billion in 2026 under a neutral scenario. Using a historical scenario, GDP is projected to reach $3.5 billion for the region by 2026.

GDP growth in each scenario is shown graphically in Figure 5.3 and Figure 5.4.

Figure 5.3. Projected change in GDP, River Region, 2007 to 2026 – neutral scenario

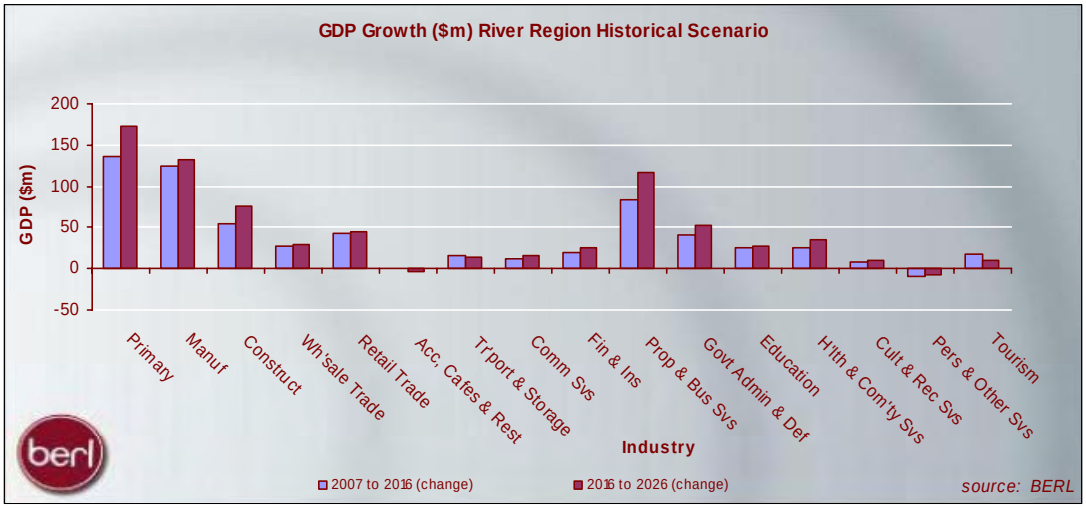


For the neutral scenario, the largest increase comes from the manufacturing industry, which doubles from $414 million to $870 million from 2007 to 2026. Other industries with strong GDP growth include property & business services, primary, and construction.

We predict the primary industry to perform strongly in terms of GDP growth. This is because we expect productivity per FTE in this industry to increase at a greater rate than other industries. So, despite relatively flat employment growth, the primary industry should generate around $260 million in additional GDP.

For the historical scenario, much lower growth is projected for all industries in the region, with the exception of the primary industry, compared with the neutral projection.

Figure 5.4. Projected change in GDP, River Region, 2007 to 2026 – historical scenario



GDP in the River Region is projected to increase from $2.16 billion in 2007, to $3.5 billion in 2026. The 2026 figure is $569 million lower than the neutral projection. According to this projection, the primary industry will perform better under this scenario than the neutral scenario, while all other industries perform worse. The property & business services industry contributes $79 million less in this projection, and retail trade contributes $61 million less.

5.4 Population projections

To put BERL's industry projections into perspective we have included some Statistics New Zealand population projections for the River Region. These population projections suggest that the population in the Region is likely to decline under the low and medium scenarios, and increase only slightly under the high growth scenario.

The projections are shown in Table 5.4

Table 5.4. Population projections for the River Region to 2026

Territorial authority area	Series	Population at 30 June					Population change	
		2006	2011	2016	2021	2026	Number	Average annual (percent)
River Region	High	72,900	73,200	73,500	73,500	73,000	100	0.01%
	Medium		71,500	70,200	68,600	66,400	-6,500	-0.47%
	Low		69,900	67,000	63,500	59,800	-13,100	-0.99%

source: Statistics New Zealand Sub-national Projections (2006 base)

The population projections present a significant issue in that, even under the high scenario, there is a population increase of 100 people over a 20 year period, or an increase of five people per year. Under the low scenario, the population declines by 655 people per year.

In contrast, under the historical scenario the labour market projection suggests that the region will require an additional 2,330 FTEs. This raises issues from a regional development perspective.

This suggests that the Region has a number of approaches it could take to align the labour market and population scenarios. These are:

- increase its population
- increase the participation rate of its population
- encourage mobility to attract workers from outside of the Region
- increase the productivity of existing workers.

This list is not exhaustive. There are other options such as accepting lower levels of economic activity due to the unavailability of people or dealing with structural change as industries adapt to the tight labour market.

We would note that, historically, the Region has increased FTE employment at the same time as population has been declining. This has largely been through increasing participation. We expect that there are still opportunities to increase the labour force participation rate.

We would also note that the SNZ population projections, even the high scenario, are rather pessimistic. We suggest that the Region undertakes its own analysis of population trends, particularly in light of the 2006 census. The 2006 census suggests that the decline in the River Region population appears to be easing. There also appears to be a net outflow of migration from Auckland into rural centres.

Combined with changes in technology and lifestyle choices, and a committed campaign encouraging people to 'move to the country', it is more than possible that the population projection of the Region could increase in the future by more than the Statistics New Zealand high scenario.

6 Conclusions

The River Region economy is based around its primary sector and associated manufacturing, particularly sheep farming and associated meat processing. The primary industry is stronger in the Ruapehu and Rangitikei districts, while manufacturing is stronger in the Wanganui district.

In 2007, the River Region employed 27,360 FTEs in 8,390 businesses and generated $2.16 billion in regional GDP.

The primary industry accounts for 17.6 percent of all employment, 30.7 percent of all businesses and 15.8 percent of the Region's GDP. Manufacturing, largely related to the primary industry is the other main industry in the region accounting for 19.2 percent of GDP and employing 14.7 percent of the workforce.

The Region, as a whole, has not performed as well as nationally across most economic indicators. Over the last 10 years, population growth was negative and GDP growth was only a third of national GDP growth.

The key driver industries are based around primary production and processing. There is also a significant manufacturing sector in Wanganui. Freight and tourism are areas where the Region has potential for growth.

Looking forward, if industries in the Region performed at the level expected nationally, employment could increase by 7,850 FTEs by 2026 and GDP could increase by $1.93 billion.

The neutral scenario shows growth across all industries. The most rapid growth for this scenario over the period to 2016 is expected in accommodation cafes & restaurants (2.5 percent) followed by property & business services (2.4 percent). In the period 2016 to 2026, rapid industry growth of 2.1 percent per annum will occur in the health & community services industry, but accommodation, cafes & restaurants, and property & business services remain important industries with respective growth of 1.8 percent per annum.

The primary, construction, and property & business services industries are projected to be growth industries between 2007 and 2026 under the historical scenario.

The primary industry will experience 1.0 percent per annum growth between 2007 and 2016; however, this growth will slow to 0.7 percent per annum growth by 2016 to 2026. Overall, employment is projected to grow by 850 FTEs from 2007 to 2026 under the historical scenario. This compares with 420 FTEs projected in the neutral scenario.

The construction industry is projected to grow by 620 FTEs between 2007 and 2026, with the largest growth projected to occur between 2016 and 2021 where employment increases by 1.2 percent per annum. This is similar to the growth seen in this industry under the neutral scenario.

Further work is required to provide a more accurate description of the contribution of the tourism sector, especially as tourism characteristic businesses in the region are likely to be more reliant on tourism than nationally. Similarly, the forecasts reflect growth across all industries and do not take into account projections of actual tourists into the region or interventions to encourage tourism.

We consider that the historical scenario is the more likely outcome in terms of employment growth as it reflects the changes that have been and will continue to occur in the River Region. The neutral scenario provides an upper bound (in cases where the historical is lower) of what the Region could possibly achieve if operating effectively.

It is important to note that these are only scenarios and assume that the region does nothing to influence outcomes in terms of economic development, direction or assistance. The scenarios provide two possible outcomes, which if unpalatable to the Region, will require intervention to redirect. [18]

There are also a number of other issues or scenarios that sit alongside this one. For example, the medium scenario of the Statistics New Zealand population projections suggests that the population will decline in the Region over the next 20 years. This outcome (population decline) is in stark contrast to our labour market projections (FTE increases). This is an issue that needs to be considered and addressed.

Therefore, rather than planning around the outcomes from the scenarios, the next steps should be to focus on what areas (or industries) the Region wants and needs to influence to achieve the outcome the Region desires. And this needs to be considered in the wider context of what else is happening in the Region and nationally.

[18] For example, the decline projected for the primary and manufacturing industries may not be in the best interest of the Region. It could either look for ways to arrest the decline or transition the economy through a major structural change.

7 Rangitikei District

The Rangitikei District is located in the Manawatu-Wanganui Region. It has a population of around 14,570 spread across 4,500 square kilometres. The main centre is Marton, which had a population of 4,680 at the 2006 census. Other towns include Taihape, Bulls, Hunterville and Mangaweka.

7.1 Profile and performance

The Rangitikei District is mainly rural, and its economy stems mainly from the primary and manufacturing industries. These two industries account for over half of employment and GDP in the district.

Sheep farming and beef cattle farming employ around 1,100 people, and make up around 59 percent of the primary industry employment in the District. Other important employers include dairy cattle farming and shearing services, 15 percent and 9 percent of primary industry employment, respectively.

Almost half of the employment in the manufacturing industry in the Rangitikei District is in meat processing, supporting local livestock farming. The District also has a pump and compressor manufacturing industry, employing around 120 people.

Table 7.1. Economic summary, Rangitikei, 2007

Sectors	FTEs	%	GDP ($2007m)	%	Business units	%
Primary	1,846	*33.2%*	127	*27.4%*	1,000	*44.1%*
Manufacturing	1,101	*19.8%*	128	*27.7%*	81	*3.6%*
Electricity, Gas and Water Supply	3	*0.0%*	0	*0.1%*	5	*0.2%*
Construction	321	*5.8%*	16	*3.5%*	143	*6.3%*
Wholesale Trade	140	*2.5%*	14	*3.0%*	54	*2.4%*
Retail Trade	551	*9.9%*	28	*6.1%*	141	*6.2%*
Accommodation, Cafes and Restaurants	216	*3.9%*	7	*1.4%*	61	*2.7%*
Transport and Storage	184	*3.3%*	15	*3.2%*	47	*2.1%*
Communication Services	17	*0.3%*	7	*1.4%*	13	*0.6%*
Finance and Insurance	42	*0.8%*	10	*2.1%*	47	*2.1%*
Property and Business Services	180	*3.2%*	55	*11.8%*	467	*20.6%*
Government Administration and Defence	119	*2.1%*	14	*3.1%*	13	*0.6%*
Education	387	*7.0%*	18	*3.9%*	48	*2.1%*
Health and Community Services	260	*4.7%*	14	*3.0%*	49	*2.2%*
Cultural and Recreational Services	92	*1.6%*	6	*1.3%*	35	*1.5%*
Personal and Other Services	103	*1.8%*	4	*0.9%*	65	*2.9%*
Totals	**5,559**	***100.0%***	**462**	***100.0%***	**2,269**	***100.0%***

source:BERL Regional Database, Statistics NZ

7.1.1 Employment

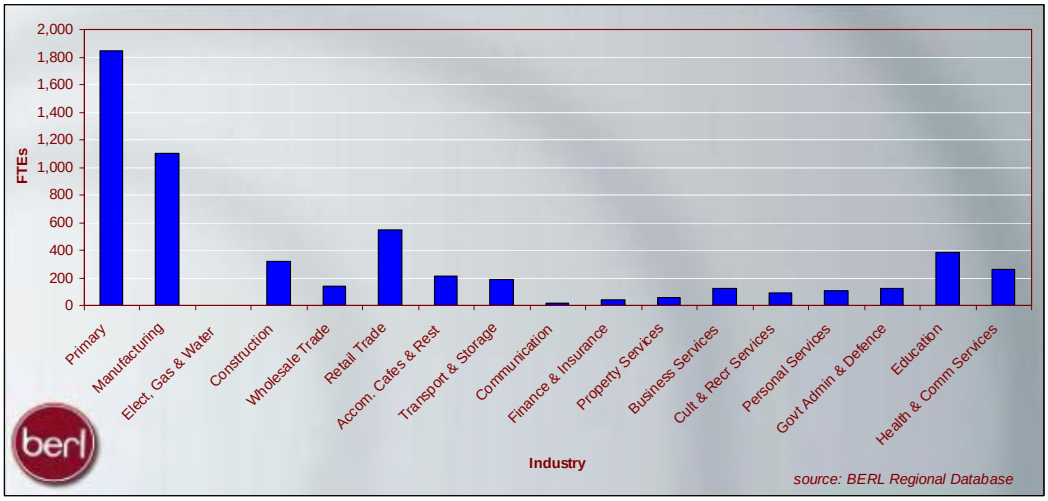
The primary industry employed around 1,850 FTEs in the District in 2007, around 33 percent of all workers. Manufacturing was the second largest industry, with almost 20 percent of the District's employment. Retail trade and education were also significant employers.

The Rangitikei District is a strong performer compared with other districts in the River Region. In 2007, employment rose 1.8 percent, compared with 1.5 percent in the overall region. However, this was less than the overall increase of 2.0 percent nationally.

Over the last decade, employment has risen on average by 0.7 percent per annum in the Rangitikei District, compared with 0.4 percent in the River Region, and 2.4 percent nationally.

Primary industry employment in the District has risen, on average, by 0.3 percent per year for the last 10 years, with a fall of 2.6 percent for 2007.

Figure 7.1. Employment (FTEs), Rangitikei, 2007



Manufacturing has shown strong growth, especially over the last two years. Employment grew 16.8 percent in 2006 and 8.4 percent in 2007. The 10 year average for this industry is 3.7 percent. The main reason for this increase in manufacturing employment has been an increase in the number of people working in meat processing.

Table 7.2. Employment (FTEs), Rangitikei, 1997 to 2007

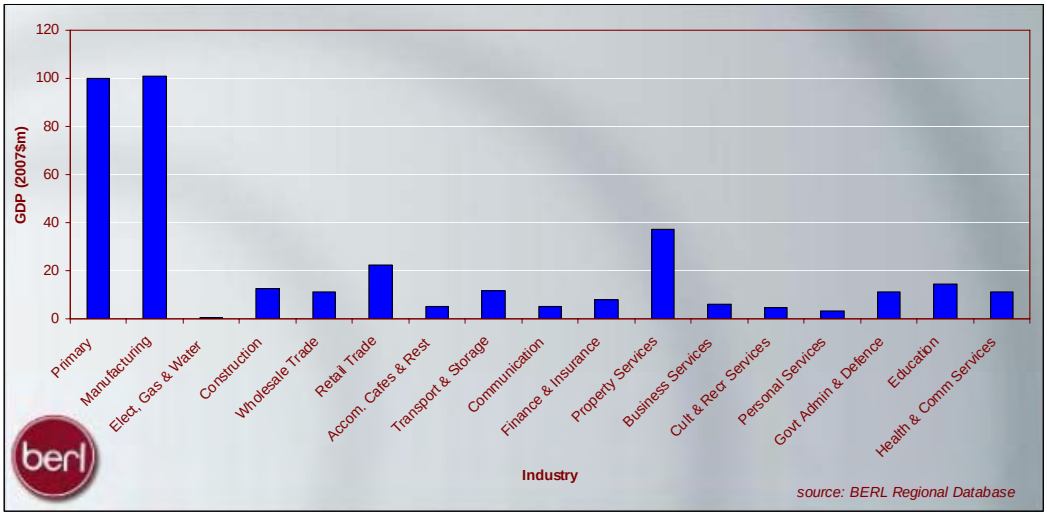
	Employment Number FTEs				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	1,799	1,730	1,895	1,846	9.5	-2.6	0.3
Manufacturing	769	869	1,015	1,101	16.8	8.4	3.7
Electricity, Gas and Water Supply	6	6	3	3	-46.9	-11.7	-8.1
Construction	260	344	331	321	-3.9	-3.0	2.1
Wholesale Trade	140	154	128	140	-17.0	9.5	0.0
Retail Trade	593	464	481	551	3.7	14.5	-0.7
Accommodation, Cafes and Restaurants	240	211	234	216	10.8	-7.9	-1.1
Transport and Storage	129	152	183	184	19.8	1.1	3.6
Communication Services	26	9	14	17	54.8	20.1	-4.3
Finance and Insurance	77	59	57	42	-3.9	-26.0	-5.9
Property and Business Services	226	209	221	180	5.4	-18.5	-2.3
Government Administration and Defence	100	89	104	119	17.6	14.2	1.8
Education	368	362	342	387	-5.4	12.9	0.5
Health and Community Services	286	267	272	260	2.2	-4.7	-1.0
Cultural and Recreational Services	44	81	85	92	4.5	8.4	7.6
Personal and Other Services	117	110	97	103	-12.1	6.3	-1.3
Rangitikei District	**5,180**	**5,116**	**5,461**	**5,559**	**6.7**	**1.8**	**0.7**
New Zealand	**1,450,586**	**1,751,280**	**1,808,605**	**1,845,434**	**3.3**	**2.0**	**2.4**

source:BERL Regional Database, Statistics NZ

7.1.2 GDP

The primary and manufacturing industries provided around $130 million each in GDP to the Rangitikei District economy in 2007.

Figure 7.2. GDP, Rangitikei, 2007



Manufacturing in particular has performed strongly, doubling in value over the last decade and increasing by 23.2 percent in 2006 and 12.9 percent in 2007, well above the New Zealand average. In comparison, the District's primary industry has increased by 20 percent

in total over the last decade. This has led to manufacturing passing the primary industry to be the biggest source of GDP for the District this quarter.

Table 7.3. GDP, Rangitikei, 1997 to 2007

	Value Added or GDP ('07, $m)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	106	118	129	127	8.9	-1.7	1.8
Manufacturing	61	92	113	128	23.2	12.9	7.7
Electricity, Gas and Water Supply	1	1	0	0	-51.2	-2.8	-5.0
Construction	15	19	18	16	-7.4	-9.6	0.9
Wholesale Trade	14	16	13	14	-17.8	6.4	0.3
Retail Trade	24	23	24	28	3.8	17.5	1.5
Accommodation, Cafes and Restaurants	8	7	7	7	7.2	-9.6	-2.1
Transport and Storage	10	12	15	15	19.8	0.5	3.9
Communication Services	4	3	5	7	62.4	35.9	4.0
Finance and Insurance	12	14	13	10	-9.9	-22.9	-2.4
Property and Business Services	56	58	64	55	9.7	-14.4	-0.3
Government Administration and Defence	11	11	12	14	11.7	16.2	2.6
Education	18	18	18	18	-4.1	3.7	0.4
Health and Community Services	15	13	14	14	3.5	1.5	-0.9
Cultural and Recreational Services	3	5	5	6	-0.2	11.2	7.6
Personal and Other Services	4	4	3	4	-19.2	18.4	0.5
Rangitikei District	**363**	**416**	**454**	**462**	**9.0**	**2.0**	**2.5**
New Zealand	**122,615**	**158,567**	**162,826**	**165,379**	**2.7**	**1.6**	**3.0**

source:BERL Regional Database, Statistics NZ

7.2 Projections

7.2.1 Employment Projections - Rangitikei

Table 7.4 shows the projected employment growth in the Rangitikei District from 2007 to 2016 and 2026 for the two scenarios described in the projections section above.

Table 7.4. Employment projections, Rangitikei District, 2007 to 2026

Employment Growth (FTEs) Rangitikei District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,846	0.5	1,927	0.2	1,967
Manufacturing	1,101	1.5	1,260	1.1	1,401
Electricity, Gas and Water Supply	3	-0.5	2	0.2	3
Construction	321	1.2	356	1.2	403
Wholesale Trade	140	1.4	159	1.6	186
Retail Trade	551	1.3	617	1.5	717
Accommodation, Cafes and Restaurants	216	2.5	270	1.8	321
Transport and Storage	184	1.3	206	1.5	239
Communication Services	17	0.8	18	1.1	20
Finance and Insurance	42	1.2	47	1.4	54
Property and Business Services	180	2.1	216	1.6	253
Government Administration and Defence	119	10.0	281	0.8	303
Education	387	0.4	400	1.3	456
Health and Community Services	260	1.6	301	1.8	360
Cultural and Recreational Services	92	1.5	104	1.2	118
Personal and Other Services	103	0.8	110	1.4	126
TOTAL	**5,559**	**1.4**	**6,275**	**1.0**	**6,926**
including Tourism	*264*	*1.5*	*303*	*0.8*	*327*

Employment Growth (FTEs) Rangitikei District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,846	1.1	2,033	0.8	2,211
Manufacturing	1,101	0.4	1,142	0.5	1,198
Electricity, Gas and Water Supply	3	0.0	3	0.0	3
Construction	321	-0.7	302	-1.2	267
Wholesale Trade	140	5.7	231	2.3	288
Retail Trade	551	0.3	567	0.4	589
Accommodation, Cafes and Restaurants	216	-1.6	187	-2.3	147
Transport and Storage	184	0.0	184	0.0	184
Communication Services	17	0.8	18	1.1	20
Finance and Insurance	42	1.2	47	1.5	54
Property and Business Services	180	1.5	206	1.2	231
Government Administration and Defence	119	9.5	269	0.3	278
Education	387	-0.4	373	-0.9	342
Health and Community Services	260	0.7	277	0.8	301
Cultural and Recreational Services	92	7.9	181	3.7	261
Personal and Other Services	103	-5.0	65	-4.4	41
TOTAL	**5,559**	**1.0**	**6,083**	**0.5**	**6,415**
including Tourism	*264*	*-3.8*	*186*	*-2.0*	*153*

source: BERL

For the neutral scenario, most industries are expected to grow. The fastest growing industry in this scenario is accommodation, cafes and restaurants at 2.5 percent per annum to 2016, and 1.8 percent from 2016 to 2026. Other strong industries include property & business services, and health & community services.

Manufacturing will increase by 300 FTEs from 2007 to 2026. Primary employment will increase by 120 FTEs, increasing at a rate of 0.5 percent per annum to 2016, and by 0.2 percent per annum from 2016 to 2026. This trend reflects slow national growth in agriculture.

Overall employment in the District is expected to increase by 1,367 FTEs from 2007 to 2026 under the neutral scenario.

For the historical scenario, stronger growth is projected for the primary, cultural & recreational services and wholesale trade, while most other industries grow at a lower rate than the neutral scenario. Falls are expected in the construction, education, and personal & other services industries.

The primary industry is projected to have higher employment growth under this scenario, with an increase of 365 FTEs, three times more than projected in the neutral scenario.

Overall, employment growth under the historical scenario will be 856 FTEs, less than what is projected under the neutral scenario. This District has grown more strongly in the last five years than New Zealand, so historical scenario projections lead to a higher figure.

7.2.2 GDP Projections - Rangitikei

Table 4.3 shows the projected GDP growth in the Rangitikei District from 2007 to 2016 and 2026 for the two scenarios described in the projections section above.

For the neutral scenario relatively strong growth is expected in all industries. Overall growth is expected of $408 million for the District over the period 2007 to 2026. This growth ranges from 2.1 percent to 4.2 percent growth per annum from 2007 to 2016, to 2.7 percent to 3.5 percent growth per annum from 2016 to 2026.

Manufacturing is projected to increase by $134 million from 2007 to 2026, while primary industry will increase by $95 million.

For the historical scenario, similar growth is expected in the primary industry, with the manufacturing industry declining from $134 million between 2007 and 2026 under the neutral scenario to $122 million under the historical scenario.

We are projecting 4.0 percent per annum growth for primary to 2016, and 3.3 percent annual growth from 2016 to 2026. This means that GDP for the primary industry will increase from $127 million in 2007 to $249 million in 2026, an increase of $122 million.

GDP is projected to decrease for accommodation, cafes & restaurants, and personal & other services between 2007 and 2026.

Overall, GDP growth under the historical scenario will increase by around $364 million, around $44 million less than that projected in the neutral scenario.

Table 7.5. GDP projections, Rangitikei District, 2007 to 2026

GDP Growth ($m) Rangitikei District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	127	3.4	171	2.7	222
Manufacturing	128	4.3	187	3.4	262
Electricity, Gas and Water Supply	0	2.1	0	2.4	1
Construction	16	4.1	23	3.5	33
Wholesale Trade	14	4.2	20	3.4	28
Retail Trade	28	4.0	40	3.4	56
Accommodation, Cafes and Restaurants	7	4.1	10	3.2	13
Transport and Storage	15	3.9	21	3.2	29
Communication Services	7	4.1	9	3.5	13
Finance and Insurance	10	3.5	13	3.1	18
Property and Business Services	55	3.3	73	3.0	98
Government Administration and Defence	14	2.9	19	2.9	25
Education	18	2.9	24	3.0	31
Health and Community Services	14	2.8	18	2.9	24
Cultural and Recreational Services	6	3.4	8	3.0	11
Personal and Other Services	4	2.9	5	2.9	7
TOTAL	**462**	**3.7**	**641**	**3.1**	**870**
including Tourism	*16*	*3.8*	*22*	*1.7*	*27*

GDP Growth ($m) Rangitikei District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	127	4.0	180	3.3	249
Manufacturing	**128**	3.1	169	2.8	222
Electricity, Gas and Water Supply	0	2.5	1	2.0	1
Construction	16	2.2	20	1.0	22
Wholesale Trade	14	8.7	30	4.2	45
Retail Trade	28	3.0	37	2.3	46
Accommodation, Cafes and Restaurants	**7**	-0.1	7	-1.0	6
Transport and Storage	15	2.7	19	1.7	22
Communication Services	7	4.1	9	3.4	13
Finance and Insurance	10	3.6	13	3.2	18
Property and Business Services	**55**	2.8	70	2.5	89
Government Administration and Defence	14	2.5	18	2.4	23
Education	18	2.1	22	0.7	24
Health and Community Services	14	1.8	16	1.9	20
Cultural and Recreational Services	6	9.9	14	5.6	24
Personal and Other Services	**4**	-2.9	3	-2.9	2
TOTAL	**462**	**3.4**	**627**	**2.8**	**826**
including Tourism	*16*	*-1.6*	*14*	*-1.1*	*12*

source: BERL

8 Wanganui District

Wanganui District is located in the Manawatu-Wanganui Region. It has a population of 42,450, the majority of whom live in the main city of Wanganui. The District covers an area of 2,370 square kilometres.

8.1 Profile and performance

Wanganui is the main urban area in the River Region. As a result of this, primary-based industries are less significant in this District compared with the other two TAs, while urban-based industries such as retail trade, business services, and property services are more prevalent.

The Wanganui District has a large manufacturing industry, which employed 16 percent of all workers and generated almost 20 percent of the GDP for the District in 2007.

While Wanganui District has a less significant primary industry than other districts in the River Region, the primary industry still had the largest number of businesses, with 19.2 percent of the total business units.

Table 8.1. Economic summary, Wanganui, 2007

Sectors	FTEs	%	GDP ($2007m)	%	Business units	%
Primary	1,288	*8.2%*	108	*8.7%*	783	*19.2%*
Manufacturing	2,515	*16.0%*	242	*19.6%*	210	*5.1%*
Electricity, Gas and Water Supply	63	*0.4%*	26	*2.1%*	4	*0.1%*
Construction	1,556	*9.9%*	80	*6.4%*	407	*10.0%*
Wholesale Trade	511	*3.2%*	54	*4.3%*	139	*3.4%*
Retail Trade	1,914	*12.1%*	97	*7.8%*	440	*10.8%*
Accommodation, Cafes and Restaurants	633	*4.0%*	20	*1.6%*	115	*2.8%*
Transport and Storage	384	*2.4%*	34	*2.7%*	80	*2.0%*
Communication Services	31	*0.2%*	12	*1.0%*	40	*1.0%*
Finance and Insurance	248	*1.6%*	44	*3.5%*	181	*4.4%*
Property and Business Services	1,636	*10.4%*	231	*18.7%*	1,037	*25.4%*
Government Administration and Defence	581	*3.7%*	67	*5.4%*	29	*0.7%*
Education	1,391	*8.8%*	66	*5.3%*	112	*2.7%*
Health and Community Services	1,991	*12.6%*	113	*9.1%*	204	*5.0%*
Cultural and Recreational Services	308	*2.0%*	20	*1.6%*	118	*2.9%*
Personal and Other Services	713	*4.5%*	25	*2.0%*	186	*4.6%*
Totals	**15,763**	***100.0%***	**1,237**	***100.0%***	**4,085**	***100.0%***

source:BERL Regional Database, Statistics NZ

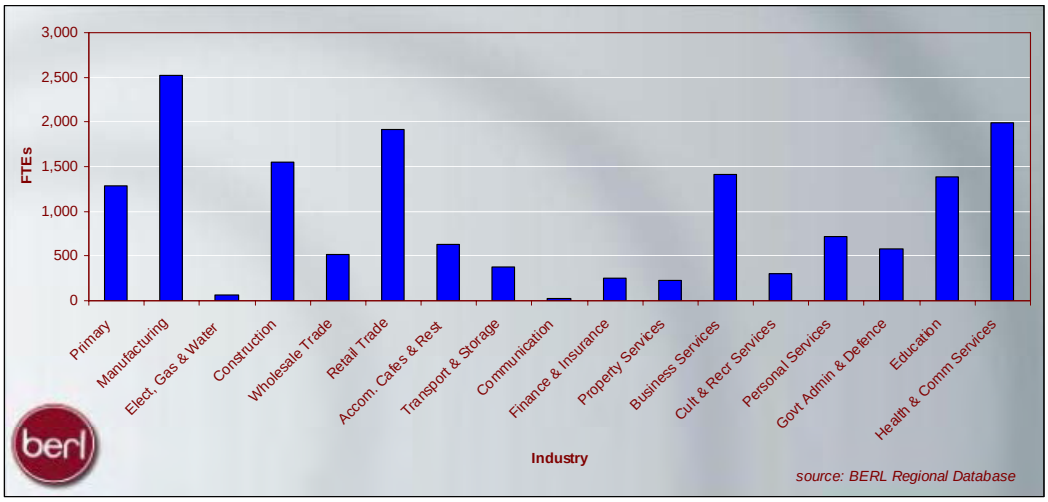
The Wanganui District employs 15,760 FTEs in 4, 085 businesses and generates $1.24 billion in GDP.

8.1.1 Employment

The manufacturing industry employed 2,515 FTEs in the District in 2007, 16 percent of all workers. Meat processing (33 percent), animal feed manufacturing (7 percent) and industrial machinery & equipment manufacturing (7 percent) are the most significant sub-industries within manufacturing in this District. Wool textile manufacturing, clothing manufacturing, and leather tanning are also important to the local economy.

Other large employers in the region included health & community services, retail trade, and construction.

Figure 8.1. Employment (FTEs), Wanganui, 2007



The best performing industry over the last 10 years in the Wanganui District has been the construction industry, helped along by a strong property market. Construction employment has risen, on average, by 5.6 percent per year over the last decade.

The largest industry, manufacturing, has not performed as well with an average of 0.3 percent annual growth between 1997 and 2007. Annual falls of 8.5 percent and 1.3 percent were also recorded in manufacturing between 2006 and 2007. Growth in animal feed manufacturing and meat processing over the decade were offset by falls in the footwear manufacturing and wood processing industries.

Total District employment rose 1.0 percent per annum over the last 10 years, compared with 2.4 percent nationally.

Table 8.2. Employment (FTEs), Wanganui, 1997 to 2007

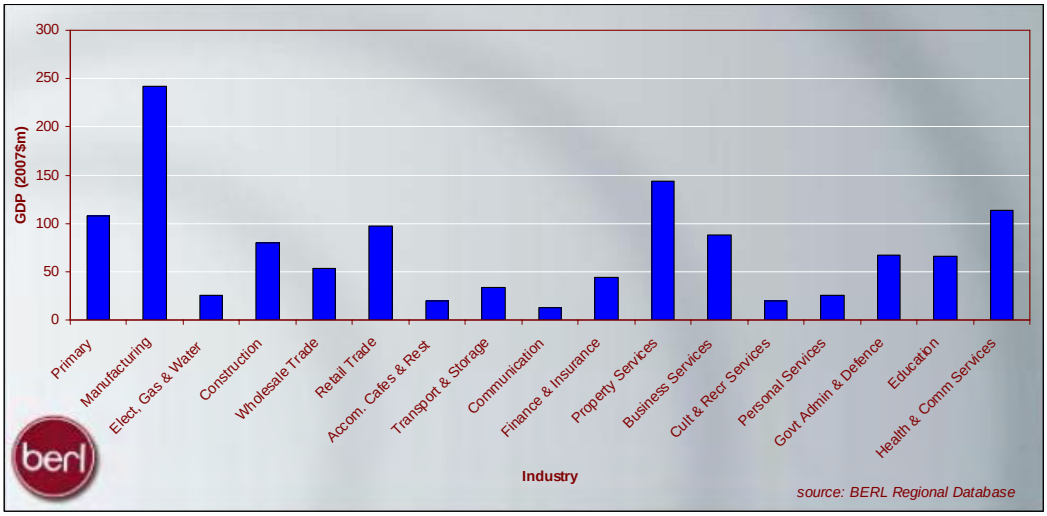
	Employment Number FTEs				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	1,261	1,241	1,318	1,288	6.2	-2.3	0.2
Manufacturing	2,441	2,784	2,548	2,515	-8.5	-1.3	0.3
Electricity, Gas and Water Supply	112	106	49	63	-53.8	28.1	-5.6
Construction	901	1,363	1,437	1,556	5.4	8.3	5.6
Wholesale Trade	554	567	548	511	-3.4	-6.7	-0.8
Retail Trade	2,081	1,808	1,898	1,914	4.9	0.8	-0.8
Accommodation, Cafes and Restaurants	600	626	692	633	10.5	-8.5	0.5
Transport and Storage	319	452	423	384	-6.4	-9.2	1.9
Communication Services	240	139	120	31	-13.7	-74.0	-18.5
Finance and Insurance	277	212	221	248	4.3	12.0	-1.1
Property and Business Services	1,216	1,420	1,584	1,636	11.6	3.3	3.0
Government Administration and Defence	530	586	616	581	5.2	-5.6	0.9
Education	1,275	1,224	1,145	1,391	-6.5	21.4	0.9
Health and Community Services	1,678	2,025	1,938	1,991	-4.3	2.7	1.7
Cultural and Recreational Services	196	322	339	308	5.5	-9.2	4.6
Personal and Other Services	588	720	703	713	-2.4	1.5	1.9
Wanganui District	**14,269**	**15,595**	**15,579**	**15,763**	**-0.1**	**1.2**	**1.0**
New Zealand	**1,450,586**	**1,751,280**	**1,808,605**	**1,845,434**	**3.3**	**2.0**	**2.4**

source:BERL Regional Database, Statistics NZ

8.1.2 GDP

Manufacturing contributed the most to the Wanganui District's GDP, around $240 million, or 20 percent of total output in 2007. Other important industries included property services, health & community services, and the primary industry.

Figure 8.2. GDP, Wanganui, 2007



GDP for manufacturing has fallen over the last few years, down 9.0 percent in 2006 and 0.3 percent in 2007. Over the last decade, GDP growth in this industry has risen by 1.5 percent per annum.

Primary industry GDP growth was strong in 2006 and 2007, increasing 4.7 percent and 5.8 percent respectively. In contrast, property services GDP has not changed over the last decade.

Table 8.3. GDP, Wanganui, 1997 to 2007

	Value Added or GDP ('07, $m)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	84	98	102	108	4.7	5.8	2.5
Manufacturing	208	267	243	242	-9.0	-0.3	1.5
Electricity, Gas and Water Supply	31	49	19	26	-61.8	38.9	-1.8
Construction	50	77	79	80	2.7	0.8	4.7
Wholesale Trade	53	60	58	54	-3.6	-7.1	0.1
Retail Trade	85	90	94	97	4.8	3.0	1.3
Accommodation, Cafes and Restaurants	21	20	22	20	6.9	-10.3	-0.6
Transport and Storage	26	37	36	34	-3.8	-5.4	2.5
Communication Services	41	46	41	12	-9.5	-70.6	-11.4
Finance and Insurance	40	40	39	44	-2.9	12.3	0.8
Property and Business Services	215	216	229	231	5.9	1.1	0.7
Government Administration and Defence	58	68	67	67	-0.4	-1.1	1.3
Education	61	62	59	66	-5.2	11.5	0.8
Health and Community Services	92	112	110	113	-1.2	2.6	2.1
Cultural and Recreational Services	12	21	21	20	-1.5	-4.6	5.2
Personal and Other Services	18	25	23	25	-7.1	7.0	3.2
Wanganui District	**1,097**	**1,286**	**1,242**	**1,237**	**-3.5**	**-0.4**	**1.2**
New Zealand	**122,615**	**158,567**	**162,826**	**165,379**	**2.7**	**1.6**	**3.0**

source:BERL Regional Database, Statistics NZ

8.2 Projections

8.2.1 Employment Projections - Wanganui

Table 8.4 shows the projected employment growth in the Wanganui District from 2007 to 2016 and 2026 for the two scenarios described in the projections section above.

Table 8.4. Employment projections, Wanganui District, 2007 to 2026

Employment Growth (FTEs) Wanganui District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,288	0.8	1,385	0.5	1,456
Manufacturing	2,515	2.1	3,038	1.5	3,520
Electricity, Gas and Water Supply	63	4.0	89	2.6	115
Construction	1,556	1.1	1,718	1.2	1,939
Wholesale Trade	511	1.3	576	1.5	669
Retail Trade	1,914	1.3	2,145	1.5	2,491
Accommodation, Cafes and Restaurants	633	2.5	792	1.8	942
Transport and Storage	384	1.6	444	1.6	519
Communication Services	31	0.8	34	1.1	38
Finance and Insurance	248	1.2	275	1.5	321
Property and Business Services	1,636	2.5	2,039	1.9	2,452
Government Administration and Defence	581	7.6	1,120	0.9	1,226
Education	1,391	0.6	1,473	1.4	1,701
Health and Community Services	1,991	1.9	2,355	2.1	2,901
Cultural and Recreational Services	308	1.5	351	1.2	396
Personal and Other Services	713	0.8	765	1.4	881
TOTAL	**15,763**	**1.9**	**18,601**	**1.5**	**21,567**
including Tourism	*844*	*1.7*	*985*	*0.9*	*1,076*

Employment Growth (FTEs) Wanganui District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,288	1.2	1,430	0.9	1,562
Manufacturing	2,515	0.4	2,609	-0.1	2,582
Electricity, Gas and Water Supply	63	0.0	63	0.0	63
Construction	1,556	1.3	1,751	1.5	2,032
Wholesale Trade	511	-2.4	412	-2.2	330
Retail Trade	1,914	0.5	2,003	0.6	2,129
Accommodation, Cafes and Restaurants	633	-2.0	529	-2.7	401
Transport and Storage	384	0.0	384	0.0	384
Communication Services	31	0.8	34	1.1	37
Finance and Insurance	248	1.3	278	1.8	331
Property and Business Services	1,636	1.5	1,877	1.3	2,127
Government Administration and Defence	581	7.3	1,097	0.3	1,134
Education	1,391	0.4	1,441	0.9	1,579
Health and Community Services	1,991	1.2	2,221	1.4	2,565
Cultural and Recreational Services	308	-3.0	234	-3.2	169
Personal and Other Services	713	-6.4	395	-5.7	219
TOTAL	**15,763**	**0.7**	**16,756**	**0.5**	**17,644**
including Tourism	*844*	*0.7*	*897*	*0.3*	*927*

source: BERL

Under the neutral scenario all industries are expected to grow, with overall employment growth in the District expected to rise by 5,800 FTES between 2007 and 2026.

Property & business services are expected to perform strongly, increasing 2.5 percent per annum from 2007 to 2016, and 1.9 percent from 2016 to 2026. This industry is expected to increase by 820 FTEs during this period.

The largest employer in the District, manufacturing, is expected to grow strongly, increasing by approximately 1,000 FTEs between 2007 and 2026.

Because of the urban nature of this District the primary industry is of less importance than in other districts in the River Region. Primary had a relatively low growth rate, and is expecting to add just 170 FTEs to the District by 2026.

Under the historical scenario, stronger growth is projected for the manufacturing and primary industries, while all other industries grow at a lower rate than the neutral scenario, or fall in the case of wholesale trade and accommodation, cafes & restaurants.

The largest industry in the District, manufacturing, showed a 0.4 percent annual increase in employment from 2007 to 2016, and 0.1 percent decline from 2016 to 2026. This will lead to an overall increase in employment of only 70 FTEs by 2026. Manufacturing will remain the largest employer in the District, but under this scenario retail trade, construction, and property & business services will also grow in importance.

The primary industry is projected to have slightly higher employment growth under the historical scenario, resulting in an increase of 270 FTEs, around 100 more than the neutral scenario.

In this projection, wholesale trade falls by 180 FTEs, while accommodation, cafes & restaurants fall by 230 FTEs.

Overall, employment growth under the historical scenario will increase by 1,880 FTEs between 2007 and 2026, less than what will occur under the neutral projection. This District has grown weaker over the last five years than New Zealand, and this is reflected in the historical projections.

8.2.2 GDP Projections - Wanganui

Table 8.5 shows the projected GDP growth in the Wanganui District from 2007 to 2016 and 2026 for the two scenarios.

Table 8.5. GDP projections, Wanganui District, 2007 to 2026

GDP Growth ($m) Wanganui District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	108	3.4	146	2.8	192
Manufacturing	242	4.6	362	3.6	515
Electricity, Gas and Water Supply	26	5.0	40	4.0	60
Construction	80	4.1	114	3.5	161
Wholesale Trade	54	4.1	77	3.4	107
Retail Trade	97	4.0	138	3.4	193
Accommodation, Cafes and Restaurants	20	4.1	28	3.2	39
Transport and Storage	34	4.4	50	3.3	69
Communication Services	12	4.1	18	3.5	25
Finance and Insurance	44	3.5	60	3.0	80
Property and Business Services	231	3.4	313	3.1	426
Government Administration and Defence	67	2.8	86	3.0	115
Education	66	2.9	85	3.0	113
Health and Community Services	113	2.8	145	2.9	193
Cultural and Recreational Services	20	3.4	27	3.0	36
Personal and Other Services	25	2.9	32	2.9	43
TOTAL	**1,237**	**3.7**	**1,719**	**3.2**	**2,365**
including Tourism	*52*	*3.9*	*73*	*1.8*	*87*

GDP Growth ($m) Wanganui District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	108	3.7	151	3.2	205
Manufacturing	**242**	2.8	310	1.9	375
Electricity, Gas and Water Supply	26	0.9	28	1.3	32
Construction	80	4.3	116	3.8	168
Wholesale Trade	54	0.3	55	-0.3	53
Retail Trade	97	3.2	129	2.5	165
Accommodation, Cafes and Restaurants	**20**	-0.5	19	-1.3	16
Transport and Storage	34	2.7	43	1.8	51
Communication Services	12	4.1	18	3.4	25
Finance and Insurance	44	3.7	60	3.3	84
Property and Business Services	**231**	2.5	288	2.5	368
Government Administration and Defence	67	2.7	85	2.3	107
Education	66	2.6	83	2.4	105
Health and Community Services	113	2.1	136	2.3	171
Cultural and Recreational Services	20	-1.2	18	-1.5	15
Personal and Other Services	**25**	-4.4	17	-4.4	11
TOTAL	**1,237**	**2.6**	**1,554**	**2.3**	**1,951**
including Tourism	*52*	*2.9*	*67*	*1.2*	*76*

source: BERL

Under the neutral scenario, relatively strong GDP growth is expected in all industries. This growth ranges from 2.8 percent to 5.0 percent per annum between 2007 to 2016, and 2.8 percent to 4.0 percent per annum growth from 2016 to 2026.

Manufacturing is projected to increase by $273 million from 2007 to 2026, while property & business services are expected to increase by $195 million. The primary industry should increase its GDP by $84 million.

Overall, $1.1 billion GDP growth is expected under this scenario over the period 2007 to 2026.

Under the historical scenario, weaker grown in manufacturing will be partly offset by higher growth in other industries such as primary and construction. However, retail trade, health & community services, and property & business services will experience weaker GDP growth under this scenario.

The manufacturing industry will see GDP growth of $133 million between 2007 and 2026. Between 2007 and 2016, this growth will be 2.8 percent per annum, before dropping to 1.9 percent per annum between 2016 and 2026.

The primary industry will contribute $97 million to the District's GDP between 2007 and 2026. Similar to manufacturing, the largest increase will occur between 207 and 2016 when GDP is projected to grow by 3.7 percent per annum. Between 2016 and 2026, GDP is projected to grow from $151 million to $205 million.

Retail trade will see a $68 million increase in GDP under the historical scenario compared to a growth of $96 million under the neutral scenario. Health & community services, and property & business services will also experience lower GDP growth under the historical scenario compared to the neutral scenario.

Overall GDP growth under the historical scenario will be $714 million compared to $1.1 billion under the neutral scenario. This is despite lower employment numbers in the historical scenario. The reason for this is that the industries with higher growth rates in the historical scenario contribute more GDP per person, making the overall GDP figure higher.

9 Ruapehu District

Ruapehu District is a territorial authority near the centre of New Zealand's North Island. It has an area of 6,730 square kilometres and a population of 13,330. Its main town, Taumarunui, has a population of just over 5,000. Ruapehu contains Mount Ruapehu and the Tongariro National Park. Other towns in the district include Ohakune, Waiouru, Raetihi, Horopito and Tangiwai.

9.1 Profile and performance

The Ruapehu District is primarily rural, and relies on the primary industry for much of its employment (28 percent of total) and GDP (23 percent of total).

The District is home to a major New Zealand Army base at Waiouru. Though the base has been scaled back in recent years, it is a major employer for the District employing around 780 people or 13 percent of all workers in 2007.

Also important to the District are the tourism-related industries of retail trade and accommodation, cafes & restaurants. The District is attractive to domestic and international visitors as Mount Ruapehu is a popular snow sports destination and Tongariro National Park is a UNESCO world heritage site.

Table 9.1. Economic summary, Ruapehu, 2007

Sectors	FTEs	%	GDP ($2007m)	%	Business units	%
Primary	1,674	*27.7%*	105	*22.9%*	792	*39.0%*
Manufacturing	406	*6.7%*	44	*9.5%*	44	*2.2%*
Electricity, Gas and Water Supply	38	*0.6%*	19	*4.2%*	6	*0.3%*
Construction	629	*10.4%*	34	*7.4%*	146	*7.2%*
Wholesale Trade	160	*2.7%*	16	*3.4%*	40	*2.0%*
Retail Trade	489	*8.1%*	25	*5.4%*	132	*6.5%*
Accommodation, Cafes and Restaurants	461	*7.6%*	14	*3.1%*	131	*6.5%*
Transport and Storage	103	*1.7%*	9	*2.0%*	52	*2.6%*
Communication Services	19	*0.3%*	8	*1.6%*	12	*0.6%*
Finance and Insurance	39	*0.6%*	8	*1.8%*	47	*2.3%*
Property and Business Services	209	*3.5%*	53	*11.6%*	376	*18.5%*
Government Administration and Defence	886	*14.7%*	79	*17.2%*	14	*0.7%*
Education	360	*6.0%*	17	*3.7%*	56	*2.8%*
Health and Community Services	235	*3.9%*	13	*2.9%*	45	*2.2%*
Cultural and Recreational Services	163	*2.7%*	9	*2.0%*	65	*3.2%*
Personal and Other Services	167	*2.8%*	6	*1.3%*	73	*3.6%*
Totals	6,039	***100.0%***	460	***100.0%***	2,031	***100.0%***

source:BERL Regional Database, Statistics NZ

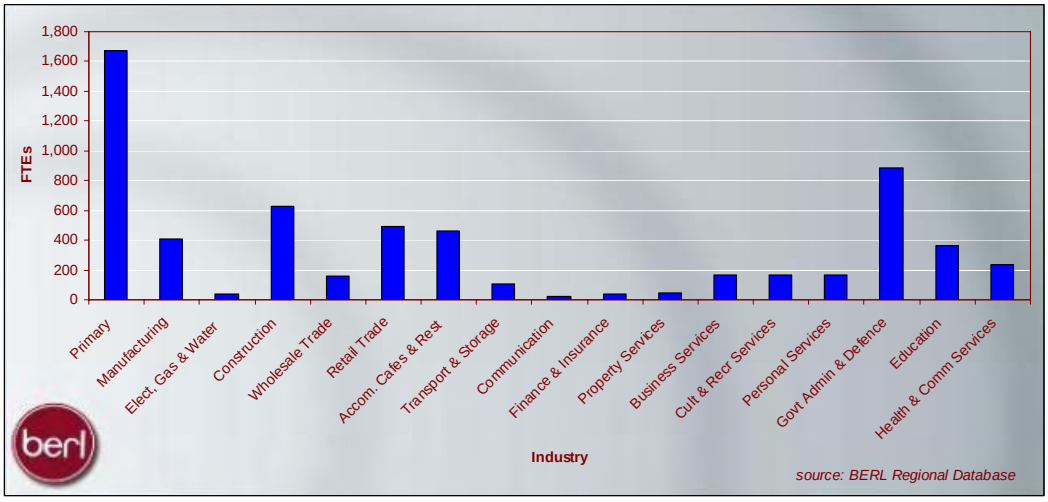
In 2007, the Ruapehu district employed 6,039 FTEs in 2,031 businesses and generated $460 million in regional GDP.

9.1.1 Employment

Primary is the largest industry in the Ruapehu District, with 1,670 workers employed in 2007. 46 percent of primary industry employees work at sheep and beef cattle farms, while 17 percent work in dairy cattle farms. Other important sub-industries include vegetable growing and logging.

890 employees, or almost 15 percent of the total number of people employed in the District, work in the government administration and defence industry. As mentioned earlier, 780 FTEs within the industry work in defence.

Figure 9.1. Employment (FTEs), Ruapehu, 2007



The number of primary industry employees has risen on average by 1.0 percent per year over the last decade. The industry employed around 1,670 workers in 2007, compared with 1,520 in 1997.

The New Zealand Army has been scaling back the operation of the Waiouru training base. Over the past decade, the government administration and defence industry has been steadily falling, down 5.4 percent per annum.

Table 9.2. Employment (FTEs), Ruapehu, 1997 to 2007

	Employment Number FTEs				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	1,521	1,602	1,680	1,674	4.9	-0.4	1.0
Manufacturing	811	416	423	406	1.8	-4.0	-6.7
Electricity, Gas and Water Supply	48	43	38	38	-12.6	0.2	-2.3
Construction	279	597	618	629	3.5	1.7	8.5
Wholesale Trade	125	139	163	160	16.7	-1.4	2.5
Retail Trade	616	493	530	489	7.5	-7.7	-2.3
Accommodation, Cafes and Restaurants	423	437	448	461	2.4	2.8	0.9
Transport and Storage	243	124	106	103	-14.9	-2.4	-8.2
Communication Services	48	20	17	19	-15.8	16.8	-8.7
Finance and Insurance	76	32	33	39	3.6	18.3	-6.4
Property and Business Services	173	238	223	209	-6.5	-6.3	1.9
Government Administration and Defence	1,543	1,009	725	886	-28.1	22.1	-5.4
Education	366	387	308	360	-20.3	16.6	-0.2
Health and Community Services	243	245	233	235	-4.9	0.9	-0.3
Cultural and Recreational Services	127	164	171	163	4.5	-4.6	2.6
Personal and Other Services	133	159	205	167	28.7	-18.5	2.3
Ruapehu District	**6,775**	**6,106**	**5,922**	**6,039**	**-3.0**	**2.0**	**-1.1**
New Zealand	**1,450,586**	**1,751,280**	**1,808,605**	**1,845,434**	**3.3**	**2.0**	**2.4**

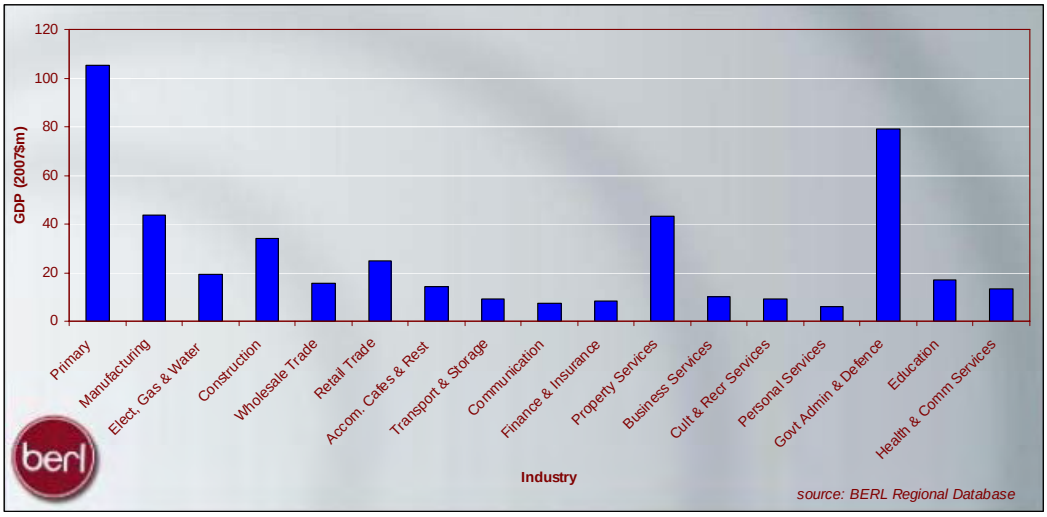
source:BERL Regional Database, Statistics NZ

In 2007, Ruapehu recorded strong employment growth, up 2.0 percent, similar to the overall New Zealand figure. However, in the longer term, overall employment has fallen 1.1 percent per annum, compared with a New Zealand average rise of 2.4 percent.

9.1.2 GDP

The primary industry contributed $105 million to the total GDP of the Ruapehu District in 2007, 23 percent of total GDP for the District. Other significant contributors to District GDP in 2007 included government administration and defence, manufacturing, and property services.

Figure 9.2. GDP, Ruapehu, 2007



The contribution of the primary industry to District GDP has been relatively stable over the past decade, rising on average by 0.8 percent per year. In 2007, GDP in the primary industry fell 2.7 percent.

The manufacturing industry has seen a major decrease in GDP between 1997 and 2007. GDP has almost halved, from $81 million in 1997 to $44 million in 2007. This decrease has been due to restructuring in solid wood manufacturing, and a decline in pulp and paper manufacturing.

The Ruapehu District performed strongly compared with New Zealand in 2007, rising 2.2 percent compared with a 1.6 percent rise nationally. Over the last decade, however, the economy of the District has shrunk by 1.2 percent per annum, while New Zealand expanded on average by 3.0 percent.

Table 9.3. GDP, Ruapehu, 1997 to 2007

	Value Added or GDP ($2007m)				%pa change		
Sectors	**1997**	**2005**	**2006**	**2007**	**2006**	**2007**	**1997 to 2007**
Primary	97	101	108	105	6.8	-2.7	0.8
Manufacturing	81	43	45	44	4.5	-3.9	-6.0
Electricity, Gas and Water Supply	14	23	20	19	-12.0	-5.3	3.6
Construction	16	36	36	34	1.2	-5.8	7.6
Wholesale Trade	12	14	17	16	15.0	-4.5	2.7
Retail Trade	25	25	26	25	7.5	-5.3	-0.1
Accommodation, Cafes and Restaurants	15	14	14	14	-0.9	0.9	-0.2
Transport and Storage	20	11	9	9	-15.0	-0.6	-7.6
Communication Services	8	6	6	8	-11.7	32.1	-0.8
Finance and Insurance	12	7	7	8	-2.1	22.7	-3.8
Property and Business Services	68	59	55	53	-6.9	-2.1	-2.4
Government Administration and Defence	106	93	62	79	-33.2	28.3	-2.9
Education	17	20	16	17	-19.2	7.0	-0.3
Health and Community Services	13	14	13	13	-3.2	0.1	-0.2
Cultural and Recreational Services	8	9	9	9	0.4	1.8	1.6
Personal and Other Services	4	5	7	6	31.3	-17.5	3.8
Ruapehu District	**518**	**480**	**450**	**460**	**-6.1**	**2.2**	**-1.2**
New Zealand	**122,615**	**158,567**	**162,826**	**165,379**	**2.7**	**1.6**	**3.0**

source:BERL Regional Database, Statistics NZ

9.2 Projections

9.2.1 Employment projections – Ruapehu

Table 9.4 shows the projected employment growth in the Ruapehu District from 2007 to 2016 and 2016 to 2026 for the two scenarios described in the projections section above.

Table 9.4. Employment projections, Ruapehu District, 2007 to 2026

Employment Growth (FTEs) Ruapehu District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,674	0.5	1,758	0.3	1,808
Manufacturing	406	1.4	461	1.2	522
Electricity, Gas and Water Supply	38	1.7	44	1.4	51
Construction	629	1.3	707	1.4	809
Wholesale Trade	160	1.5	183	1.6	215
Retail Trade	489	1.3	548	1.5	637
Accommodation, Cafes and Restaurants	461	2.5	576	1.8	686
Transport and Storage	103	1.6	119	1.7	140
Communication Services	19	0.8	21	1.1	23
Finance and Insurance	39	1.1	43	1.5	50
Property and Business Services	209	2.4	258	1.8	308
Government Administration and Defence	886	-12.7	262	0.7	282
Education	360	0.5	376	1.4	431
Health and Community Services	235	1.8	276	2.0	336
Cultural and Recreational Services	163	1.5	186	1.2	210
Personal and Other Services	167	0.8	180	1.6	210
TOTAL	**6,039**	**-0.1**	**5,999**	**1.1**	**6,716**
including Tourism	*427*	*1.8*	*501*	*0.9*	*546*

Employment Growth (FTEs) Ruapehu District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	1,674	0.7	1,790	0.5	1,884
Manufacturing	406	0.4	421	-0.1	417
Electricity, Gas and Water Supply	38	0.0	38	0.0	38
Construction	629	1.4	713	1.5	829
Wholesale Trade	160	2.8	206	3.1	280
Retail Trade	489	-1.5	427	-2.3	338
Accommodation, Cafes and Restaurants	461	-1.1	417	-1.5	357
Transport and Storage	103	0.0	103	0.0	103
Communication Services	19	0.8	21	1.1	23
Finance and Insurance	39	-2.4	31	-6.4	16
Property and Business Services	209	1.5	238	1.2	268
Government Administration and Defence	886	-13.2	249	0.3	257
Education	360	0.0	360	0.0	360
Health and Community Services	235	-1.7	201	-3.4	142
Cultural and Recreational Services	163	0.5	170	0.4	177
Personal and Other Services	167	-0.5	160	-1.5	138
TOTAL	**6,039**	**-0.9**	**5,545**	**0.1**	**5,628**
including Tourism	*427*	*0.6*	*451*	*0.3*	*465*

source: BERL

Under the neutral scenario, most industries are expected to grow. Overall employment in the District is expected to rise by 677 FTEs between 2007 and 2026.

The fastest growing industry in this scenario is accommodation, cafes & restaurants at 2.5 percent per annum to 2016, and 1.8 percent from 2016 to 2026. Other growing industries include property & business services, and health & community services.

The largest industry, the primary industry, is projected to be one of the worst performing industries in this scenario, rising 0.5 percent per annum to 2016, and 0.3 percent per annum from 2016 to 2026. Overall, an extra 130 FTEs are expected to be employed in the primary industry by 2026. Nationally, agriculture is expected to grow slowly over the next 20 years. .

Employment in manufacturing will increase by 120 FTEs between 2007 and 2026. Over the same period, the construction industry is projected to increase by 180 FTEs, and accommodation, cafes and restaurants is projected to increase by 225 FTEs.

Under the historical scenario, stronger employment growth is projected for the primary, construction, and wholesale trade industries, while employment in most other industries is expected to grow at a lower rate than that under the neutral scenario.

Employment in the primary industry is projected to increase by 210 FTEs between 2007 and 2026. This is a higher level of employment growth than the neutral scenario. In turn, construction employment will grow by 200 FTEs during the same period, and employment in wholesale trade will grow by 120 FTEs.

Overall, employment under the historical scenario will decrease by 410 FTEs, compared to the neutral scenario where employment is projected to grow by 677 FTEs.

9.2.2 GDP Projections – Ruapehu

Table 9.5 shows the projected GDP growth in the Ruapehu District from 2007 to 2016 and 2016 to 2026 for the two scenarios.

Table 9.5. GDP Projections, Ruapehu District, 2007 to 2026

GDP Growth ($m) Ruapehu District Neutral Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	105	3.4	142	2.7	185
Manufacturing	44	4.4	64	3.8	93
Electricity, Gas and Water Supply	19	4.0	28	3.5	39
Construction	34	4.1	49	3.5	69
Wholesale Trade	16	4.2	23	3.5	32
Retail Trade	25	4.0	36	3.4	50
Accommodation, Cafes and Restaurants	14	4.1	21	3.2	28
Transport and Storage	9	4.3	13	3.4	18
Communication Services	8	4.1	11	3.5	15
Finance and Insurance	8	3.5	11	3.1	15
Property and Business Services	53	3.4	72	3.0	96
Government Administration and Defence	79	3.0	103	2.8	137
Education	17	2.9	22	3.0	29
Health and Community Services	13	2.8	17	2.9	22
Cultural and Recreational Services	9	3.4	12	3.0	17
Personal and Other Services	6	2.9	8	2.9	10
TOTAL	**460**	**3.6**	**631**	**3.1**	**857**
including Tourism	*22*	*3.8*	*30*	*1.7*	*36*

GDP Growth ($m) Ruapehu District Historical Scenario	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Primary	105	3.6	145	2.9	193
Manufacturing	**44**	3.3	58	2.3	74
Electricity, Gas and Water Supply	19	2.2	23	2.0	29
Construction	34	4.2	49	3.7	71
Wholesale Trade	16	5.7	26	5.0	43
Retail Trade	25	1.1	28	-0.4	27
Accommodation, Cafes and Restaurants	**14**	0.4	15	-0.1	15
Transport and Storage	9	2.7	11	1.7	13
Communication Services	8	4.1	11	3.4	15
Finance and Insurance	8	0.0	8	-4.8	5
Property and Business Services	**53**	2.4	66	2.4	84
Government Administration and Defence	79	2.5	99	2.4	125
Education	17	2.4	21	1.6	24
Health and Community Services	13	-0.8	12	-2.6	9
Cultural and Recreational Services	9	2.4	11	2.2	14
Personal and Other Services	**6**	1.6	7	-0.2	7
TOTAL	**460**	**2.8**	**591**	**2.4**	**747**
including Tourism	*22*	*2.6*	*27*	*1.1*	*31*

source: BERL

Under the neutral scenario, GDP is expected to grow by $397 million from $460 million in 2007 to $857 million in 2026.

Manufacturing is projected to grow from $44 million to $93 million between 2007 and 2026, while property & business services are expected to increase by $43 million. The primary industry is projected to increase its contribution to GDP by around $80 million.

Under the historical scenario, GDP is expected to grow by $287 million, $110 million lower than the growth that occurs under the neutral scenario. Stronger GDP growth is expected in the primary, construction, and wholesale trade industries under this scenario.

10 Appendix - National Projection Scenario

The projection for the forecast period is based on a business as usual scenario.

World Economy

The world economy is expected to grow at around three to four percent over the forecast period. Developed countries are expected to grow at two to three percent, while developing countries are expected to grow at around five to eight percent.

We are not forecasting any significant global events that will change global activity or trade dramatically. Bilateral trade agreements between New Zealand and our major trade partners continue, whereas international trade agreements remain stalled. Globalisation continues with increasing interaction and movement of resources, labour, goods, services and investments.

Oil prices and the demand for commodities and food items (notably dairy, sheep and beef, aquaculture, and forestry products) remain high. There is a move toward sustainability, particularly around energy use and consumption.

New Zealand Economy

New Zealand's population continues to grow at a modest rate. The natural rate is expected to rise as births increase and net migration is above the long-term average of around 25,000 to 30,000 inwards per annum.

The labour market remains tight resulting in higher labour force participation – both in terms of the number of working age population and older people delaying retirement and taking on part-time employment options.

Taxes are lowered resulting in increased household consumption. A further reduction in government debt is not pursued and so taxes are more likely to be spent domestically. On the other side, savings, driven by Kiwisaver, continue to rise, increasing the amount available for investment.

Overall, investment activity is expected to increase. There is expected to be significant investment in core infrastructure, led by government but also an increasing use of Public-Private Partnerships. The tight labour market will continue to see investment remain high.

Labour productivity skims along at the higher end of the long-term average of 1.0 percent per annum. Productivity eases off slightly in the latter half of the projections.

Exchange rates return to the long term average of around $US0.60 and interest rates remain relatively low and stable.

Industries

Service based industries are expected to continue to grow faster than manufacturing and primary industries. However, growth in the primary industries has been boosted slightly to take into account increasing global demand for commodities and food.

Table 10.1. Employment growth, New Zealand, 2007 to 2026

New Zealand forecast to 2026	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
Agriculture	113,484	0.5	118,306	0.2	120,160
Horticulture and fruit growing	*37,461*	*0.9*	*40,732*	*0.5*	*42,958*
Livestock and cropping farming	*33,852*	*0.2*	*34,538*	*-0.1*	*34,260*
Dairy and cattle farming	*34,588*	*0.1*	*34,923*	*-0.1*	*34,468*
Other farming	*7,582*	*0.8*	*8,113*	*0.4*	*8,472*
Other primary	38,038	1.6	43,996	1.3	49,989
Manufacturing	245,931	2.2	298,763	1.6	348,918
Electricity, Gas and Water Supply	7,075	1.6	8,142	1.4	9,344
Construction	154,140	1.1	170,212	1.2	192,097
Wholesale Trade	123,062	1.2	137,087	1.4	158,283
Retail Trade	206,401	1.3	231,350	1.5	268,647
Accommodation, Cafes and Restaurants	86,615	2.5	108,344	1.8	129,003
Transport and Storage	72,566	1.8	85,446	1.6	99,950
Communication Services	25,472	0.8	27,434	1.1	30,669
Finance and Insurance	55,950	1.2	62,539	1.5	72,795
Property and Business Services	263,645	2.5	330,546	1.9	399,003
Government Administration and Defence	65,260	1.0	71,639	1.8	85,443
Education	121,008	0.7	129,163	1.5	149,715
Health and Community Services	153,118	1.8	180,080	2.0	220,191
Cultural and Recreational Services	47,298	1.5	53,899	1.2	60,707
Personal and Other Services	66,372	0.8	71,271	1.4	81,953
TOTAL	**1,845,434**	**1.6**	**2,128,215**	**1.5**	**2,476,867**

Table 10.2. GDP growth, New Zealand, 2007 to 2026

New Zealand forecast to 2026	2007	2007 to 2016 %pa	2016	2016 to 2026 %pa	2026
GDP forecast (2007 $m)					
Agriculture Forestry and Fishing	10,569	3.4	14,280	2.6	18,544
Mining	3,403	3.4	4,597	2.6	5,970
Manufacturing	24,233	4.5	35,999	3.5	50,938
Electricity, Gas and Water Supply	3,112	4.0	4,418	3.5	6,235
Construction	7,870	4.1	11,254	3.5	15,868
Wholesale Trade	13,034	3.9	18,461	3.3	25,567
Retail Trade	10,432	4.0	14,814	3.4	20,788
Accommodation, Cafes and Restaurants	2,683	4.1	3,855	3.2	5,279
Transport and Storage	7,872	4.7	11,873	3.4	16,615
Communication Services	9,962	4.1	14,338	3.5	20,144
Finance and Insurance	10,894	3.5	14,818	3.0	19,961
Property and Business Services	35,485	2.5	44,147	2.6	57,151
Government Administration and Defence	7,461	2.9	9,635	2.9	12,848
Education	5,705	2.9	7,355	3.0	9,843
Health and Community Services	8,937	2.8	11,418	2.9	15,214
Cultural and Recreational Services	3,310	3.4	4,468	3.0	5,993
Personal and Other Services	2,444	2.9	3,170	2.9	4,212
TOTAL	**167,407**	**3.5**	**228,899**	**3.1**	**311,172**