

OPEN

MINUTE ITEM

ATTACHMENTS

**Ordinary meeting of the
Governance Committee**

**Thursday 18 April 2019
Commencing at 1.00p.m.
Council Chamber**

Civic House

110 Trafalgar Street, Nelson

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Economic Summary Report to Nelson City Council April 2019

Report prepared by Lesley McQue and Mark Rawson

Introduction

The Nelson Regional Development Agency has prepared this paper as part of our role in delivering economic insights to support decision-making. All data given in this paper is from the latest-available annual picture, based on the recently-released GDP figures at March 2018. Data is sourced from the Infometrics Regional Economic Profile procured by Nelson Regional Development Agency. There is a depth of further detailed information available should you wish, which can be found here:

<https://www.nelsontasman.nz/do-business/insights/>

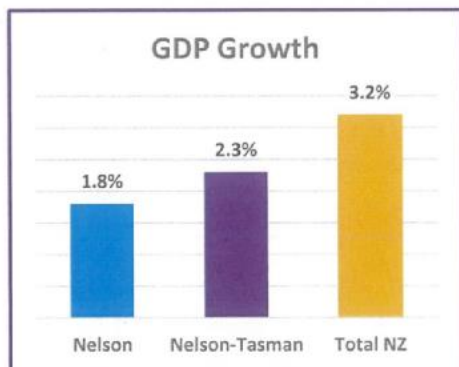
Overview

Compared to the wider region and to New Zealand as a whole, Nelson has performed well in many areas with positives in wage growth, productivity and the proportion of higher-skilled jobs. Job growth has been modest and only half has been in knowledge-intensive industries. The proportions of highly-skilled jobs to lower-skilled has remained virtually the same since 2013, however it is notable that the biggest contributor to GDP growth and to job growth in the last 10 years has been Professional Scientific and Technical Services.

The business community needs access to talent as well as investment if they are to improve their productivity, and the attraction and retention of talent needs better infrastructure, especially housing, and higher wages. Despite the wage growth, Nelson’s lower-than average wages are not catching up with the national average and when combined with the tight supply of affordable homes it is increasingly an issue for attracting skilled labour to the region.

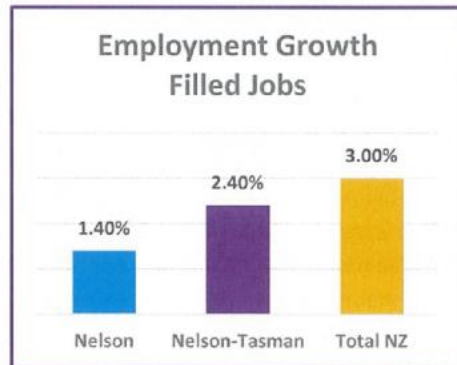
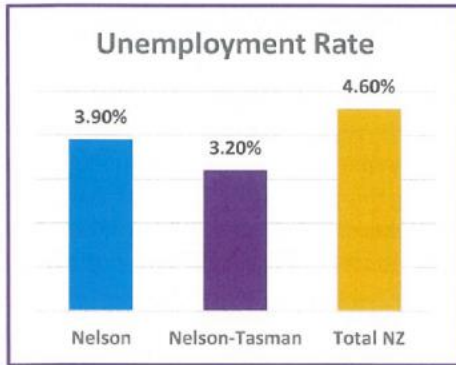
This remains a key challenge for the region and underscores the need for regional development that increases the uptake of innovation and technology across all industries and attracts talent and investment to the region.

Economic Structure and Key Indicators

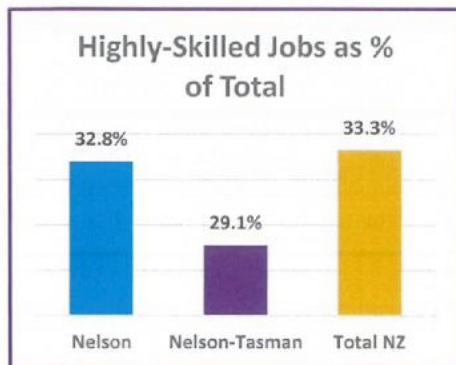


GDP growth in the region has been on the low side in 2018. The biggest contributors to 2018 GDP growth were Professional Scientific and Technical Services, property services, and other service industries. Our biggest industries also include Manufacturing, and Retail. The fastest-growing industries are in the service sector.

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Nelson unemployment is at its lowest since 2007, although growth in filled jobs is notably below both the national average and the wider region. Our biggest employers are the Professional Scientific and Technical Services, the service sector, retail and manufacturing. The biggest contributors to job growth were Education and Training, Hospitality, and property services. These are also the fastest-growing sectors.



Nelson City has a relatively high proportion of highly-skilled jobs, just behind average NZ, and this is reflected in the somewhat higher earnings of \$53,965 compared to Tasman on \$50,768. However whilst the growth in these earnings has been faster than Total NZ, Nelson still sits at 11% below the national average, catching up by only 2% in the last five years.

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Nelson's low productivity (economic output per employee) applies to all of our industries i.e. each of our individual industries achieves lower productivity than the same industry elsewhere in New Zealand. Nelson's overall productivity has improved by more than the national average, but most of the extra Nelson jobs filled in 2018 were in industries with productivity of below the Nelson average.

When taken alongside our population demographics this is holding back the region's prospects for sustainable future economic growth. In 2018 the proportion of our population that was in the working age range of 15 to 64 has shrunk since 2013 and is a little lower than the New Zealand average. This trend is projected to worsen at an accelerated level over the next decade.

Population increase from net migration has seen an additional 400 people arrive in the region, plus an estimated 100 people through natural increase i.e. more births than deaths.

In conclusion while Nelson City has performed well in some economic aspects, there are challenges around the quality and future direction of growth. Wages, infrastructure and housing are hindering the attraction and retention of the talent that Nelson needs to achieve productivity improvements, offset the decline in the working-age population and deliver sustainable growth.