MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Briefing for Incoming Minister for Economic and Regional Development

Regional Economic Development

November 2020

New Zealand Government

MBIE Karakia

Tāwhia tō mana kia mau, kia māia

Ka huri taku aro ki te pae kahurangi,
kei reira te oranga mōku

Mā mahi tahi, ka ora, ka puāwai

Ā mātau mahi katoa, ka pono, ka tika

TIHEI MAURI ORA

TRANSLATION:

Retain and hold fast to your mana, be bold, be brave

We turn our attention to the future, that's where the opportunities lie

By working together we will flourish and achieve greatness

Taking responsibility to commit to doing things right

TIHEI MAURI ORA

MĀIA
BOLD & BRAVE

PAE KAHURANGI
BUILD OUR FUTURE

MAHI TAHI
BETTER TOGETHER

PONO ME TE TIKA
OWN IT

Contents

1. About this briefing

Purpose

1. This briefing provides you with information about the Regional Economic Development Portfolio, including your responsibilities and links with other portfolios.

2. We would welcome an early conversation with you about policy decisions for the future of the portfolio. The Provincial Development Unit (PDU) has developed advice on key areas for the future of Regional Economic Development which would form the foundation for a more strategic approach in line with the Regional Economic Development policy presented in the manifesto. This advice will be presented in subsequent briefings.

Executive Summary

3. New Zealand's regions are vital to our economic future and the recovery from the COVID-19 economic crisis. Regional sectors, such as the primary industries and manufacturing, are the backbone of our economy and were proved to be resilient during New Zealand's response to COVID-19.

4. However, not all of our regions, and the people that live in them, are thriving. Regions are struggling with increasing disparities in wealth and opportunity, skill shortages and pockets of unemployment, and these challenges are projected to get worse with the impact of COVID-19. Every region has a role to play in our recovery, but not all of them have the tools and resources they need to succeed.

5. Through the Regional Economic Development portfolio, the government can support all regions to achieve their potential. By tailoring responses to the particular needs of people and the places that they live in, government can improve the prosperity and living standards of New Zealanders. Economic development that focuses on the specific characteristics and unique opportunities of a region, or a place within a region, enables regions to build on their unique existing strengths and competitive advantages to grow New Zealand's economy for all.

6. The Provincial Development Unit (the PDU) within the Ministry of Business, Innovation and Employment is the lead government agency responsible for Regional Economic Development. Since its establishment in 2018 the PDU has built a significant knowledge base and expertise. It is responsible for the delivery of a number of regional funds.

7. Over the last three years, the government has made real progress to improving the economic prospects of regions by investing in infrastructure, sectors, training and jobs. This investment has already supported regional businesses to increase productivity and grow. Significant work has already been undertaken to partner with regions and iwi. There is an opportunity to build on this further so that regional stakeholders and iwi can drive their regions' futures, and government obligations under The Treaty of Waitangi – Te Tiriti can be upheld through working in partnerships with Māori.

8. The Regional Economic Development policy presented in the manifesto seeks to establish a more strategic approach through a Regional Strategic Partnership Fund. The PDU will support you to implement your vision by providing you with policy advice and operational delivery.

2. Portfolio overview

Section Overview

9. This section provides an introduction to the Regional Economic Development portfolio.

10. It also covers the roles of the Provincial Development Unit (PDU) and Provincial Growth Fund Limited (PGFL), and provides information about other funds administered by the PDU.

11. Details about operational settings, including governance and decision-makers in relation to the portfolio, the Provincial Growth Fund, and the PDU are set out in Annex 2.

Introduction to Regional Economic Development

What is Regional Economic Development?

12. The Regional Economic Development portfolio aims to improve the economic prospects and living standards of all New Zealanders through place-based approaches tailored to the particular needs of individual regions, especially those regions that are falling behind.

13. Now, more than ever, Regional Economic Development is important. Regions need support to recover from the differing impacts and experiences of the COVID-19 economic crisis.

14. Regions, and their people, often best understand local challenges and opportunities. Partnerships between central government and regions can help address long-standing inequities, support sustainable development and respond to different emerging needs and priorities. Economic Development Agencies, local councils, iwi and other stakeholders may drive economic development at a regional level.

15. Historically, successive governments have implemented a number of regional economic development programmes with limited funding to target different groups and objectives. Previous initiatives include the 2007 Regional Partnership Programme that had $18.5 million per annum to support both regional activity and large regional and inter-regional initiatives, and the Regional Growth Initiative in 2014 that made $44 million available over four years to support regional initiatives.

The Provincial Growth Fund was a new and agile approach to regional economic development

16. Since 2017, the primary lever of the Regional Economic Development portfolio has been the Provincial Growth Fund (PGF), a $3 billion investment into projects that enhance economic development and employment opportunities in provincial New Zealand.

17. The fund was established for three years and used a range of funding mechanisms (grants, loans and equity) to support investments in regional initiatives, including sector and firm projects, infrastructure, and skills and employment programmes.

18. This was the first time government had invested at such a scale in the provincial regions. It has ignited collaboration not seen before – a key strength of the initiative has been its partnership approach with applicants, regional stakeholders, iwi and across government. This has provided a solid foundation from which to continue developing the portfolio.

19. As at September 2020, the fund has:

- 4,324 applications received;
- 1,258 approved projects;
- 812 contracted projects;
- $3,064.0 million committed funding;
- $2,957.8 million approved funding;
- $2,335.4 million contracted funding[1]; and
- $752.3 million paid. Correct figure should be $858.0 million paid.

20. A full breakdown of funding by regions, sectors and tiers is provided as Annex 4.

The Provincial Development Unit is the lead agency responsible for delivering regional economic development

21. The Provincial Development Unit (PDU) was established as a unit with the Ministry of Business, Innovation and Employment (MBIE) to be the lead Regional Economic Development agency.

22. The PDU is made up of the following branches:

- *The Office of the Head of the PDU:* which supports the Head of the PDU to implement their strategic direction.
- *Investment Management:* which assesses applications for Crown funding, presents proposals for funding to decision makers, and negotiates and monitors loan, equity and complex grant contracts.
- *Regional Development:* which assesses applications, works with regional and cross-government stakeholders and applicants, monitors funding for skills and training, and manages grant contracts.
- *Strategy, Planning & Performance:* which provides operational and strategic support to the PDU and Ministers, including governance support, policy, planning, data management, quality assurance, continuous improvement and reporting.

23. As of 16 September 2020, the PDU employs 162.18 FTE, of which 40.25 FTE are based outside of National Office in Wellington.[2]

[1] As at the end of September 2020, the PDU is working with 446 projects that have been approved but not yet contracted to finalise contract details.

[2] These figures include contractors, fixed term, permanent and seconded staff. It does not include staff in the Sector Workforce Engagement Programme which is housed in the PDU but funded from Vote Labour Market.

Relationships with other agencies

24. The PDU's programme has been broad and overlaps with a range of regulatory systems and portfolios. It was therefore necessary to partner with other government agencies in the delivery. Key partners include:

- Ministry of Foreign Affairs and Trade (MFAT);
- Ministry for Primary Industries;
- Waka Kotahi NZ Transport Agency;
- Te Puni Kōkiri;
- Department of Conservation; and
- Ministry of Transport.

25. Cross-agency collaboration with partner agencies and other government departments occurred throughout the PDU's operations, from working with potential applicants, through to the monitoring of contracted projects. The PDU also worked with agencies in the assessment of applications, the submission of advice to decision-makers and the contracting of projects.

26. The collaborative approach to relationships, particularly with regional stakeholders, means that the PDU has accrued an in-depth knowledge and understanding of regional economic challenges and opportunities. This provides a strong foundation to build a new approach to regional economic development through a Regional Strategic Partnership Fund.

27. Further information on the key cross-agency links for regional economic development is detailed in Section 5: Major Links with other Portfolios.

Other bodies delivering Regional Economic Development

28. Economic Development Agencies (EDAs), Economic Development Units within councils, iwi and stakeholders may deliver economic development at a regional level. To support economic development in a planned way, some of these bodies have developed regional strategies and action plans. However, not all strategies and action plans are up-to-date, especially in a post-COVID-19 context. The PDU has developed advice on a new approach to support regions to respond to challenges and opportunities, aligned with the Regional Economic Development policy position presented in the manifesto. You will shortly receive this advice in a separate briefing.

29. Economic Development New Zealand (EDNZ) is a national non-for-profit organisation that aims to empower and enable individuals and organisations practicing, or associated with, economic development across New Zealand. EDNZ successfully applied to the PGF for funding to address short-term capacity issues of EDAs and equivalent bodies within regions. These bodies could apply to the PGF for up to $200,000 a year, per region, for up to two years to enable them to undertake PGF-related activities as well as business-as-usual activities. Recipient organisations were expected to demonstrate that they would take steps to improve their long-term capacity and capability through identifying their future needs, budgeting appropriately and building the skills they required. There is an opportunity to continue strengthening the capability and capacity of EDAs and equivalent bodies as part of the new Regional Strategic Partnership Fund.

The PDU also administers other Regional Economic Development and Employment funding

30. Ministers have recognised the PDU's investment and delivery capability and mandated the unit to administer over $4.5 billion in the following regional investment funds:

- *Regional Investment Opportunities (RIO)*: In December 2019, Budget Ministers allocated $300 million of funding for regional infrastructure investments, which are part of the Government's $12 billion New Zealand Upgrade Programme. These assets include almost $90 million in coastal assets, including the Ōpōtiki Harbour Development, $88.2 million on regional roads, and upgrades to the Taupō and Milford airports. Uncommitted funding of $102.3 million from this allocation was reprioritised into the PGF as part of the PGF COVID-19 response.

- *Worker Redeployment Package:* The PDU also assists with the delivery of the $100 million Worker Redeployment Package. The package has helped redeploy affected workers into short-term employment opportunities. The PDU is administering this funding due to the high level of engagement and cooperation between the PDU and district councils and the PDU's experiences in contracting, monitoring and administering payments. Projects have been funded in Queenstown Lakes, Northland, Central Hawkes Bay, Wairoa, Rotorua, and are predominantly designing/constructing footpaths, cycleways, playgrounds, vegetation management, roadside clearing, and marae and church renovations.

- *'Shovel-ready' infrastructure projects (The Infrastructure Reference Group projects):* The PDU administers around $723 million for 154 shovel-ready infrastructure projects.[3] This is a portion of the shovel-ready infrastructure projects funded from the COVID-19 Response and Recovery Fund (CRRF), which is being led out of Crown Infrastructure Partners. The PDU performs due diligence, contract negotiations, payments and project monitoring and reporting.

- *Strategic Tourism Assets Protection Programme (STAPP):* The PDU is responsible for administering STAPP loans, this includes loans for Inbound Tourism Operators (ITO). The Government has allocated $172.8 million of funding for STAPP loans and $20 million for loans that will be offered to 26 ITOs. This is part of the broader Tourism Sector Recovery Fund to cushion the impact of COVID-19 on the tourism sector, and to position the sector for recovery. PGFL will hold the loans on the Crown's behalf.
  The $20m is part of the $172.8m allocated for STAPP.

31. The PDU has a Skills and Employment team that is responsible for administering PGF funded Te Ara Mahi[4] and other employment programmes including:

- *He Poutama Rangatahi (HPR):* HPR is a cross-agency initiative aimed at rangatahi who are most at risk of long-term unemployment and who may need extra individualised and ongoing support to connect to training and employment. HPR has been running since 2017 and Budget 2020 provided $121 million over four years to enable HPR to continue in regional New Zealand and expand into urban centres not previously eligible.

- *Māori Trades and Training Fund (MTTF):* MTTF is a $50 million initiative over two years funded through the COVID-19 Response and Recovery Fund. MTTF supports

[3] As at 31 August 2020.

[4] Further information on Te Ara Mahi can be found in Annex 2.

community-led employment and training programmes through partnerships between Māori and the Crown – it is by Māori, for Māori. Te Arawhiti also supports the administration of MTTF.

- *Sector Workforce Engagement Programme (SWEP):* SWEP is a cross-government initiative to help employers get access to skilled regional staff. SWEP partners with industries to develop solutions to improve their access to labour and create training pathways for local people to enter into local industry. Establishment of Jobs and Skills hubs is a key SWEP intervention. Budget 2020 provided $27.5 million over for years to cover costs of existing and new hubs.

Provincial Growth Fund Limited

32. Provincial Growth Fund Limited (PGFL) was established as a Schedule 4A asset holding company in September 2019. It was established to hold the Crown's investments made through the PGF and other regional economic development initiatives, including:

    - Regional Investment Opportunities (from New Zealand Upgrade Programme);
    - 'Shovel-Ready' infrastructure projects (from the COVID-19 Response and Recovery Fund); and
    - Strategic Tourism Assets Protection Programme (from the Tourism Recovery Package).

33. The Minister of Finance and the Minister for Regional Economic Development are the Shareholding Ministers.

34. As at 10 September 2020, PGFL holds a range of PGF loan and equity investments valuing $270.0 million. Once all current investment commitments are contracted it is expected that PGFL will hold approximately up to $1,000 million.

35. While PGFL holds the investments, it has no operational role in the day-to-day management and administration of PGFL investments. PGFL has outsourced these functions to the PDU through a management agreement, authorising it to act on behalf of PGFL. Decision-making responsibilities for future investments sits with Ministers.

36. PGFL is a fully functional company, with the Board of Directors meeting monthly to discuss operational matters. Rodger Finlay (as Chair of the Board), Neville Harris QSO and Graeme Mitchell were appointed as directors of the PGFL Board each for a three-year term on 1 August 2019. The company will report to Shareholding Minsters quarterly and report to Parliament annually.

37. s 9(2)(b)(ii) [redacted]

3. Portfolio responsibilities

38. This section provides an overview of your responsibilities as Minister for Regional Economic Development.

Provincial Growth Fund (PGF)

39. You are the lead Minister for the PGF, the largest initiative in the Regional Economic Development portfolio. You have oversight of the management and delivery of the PGF investments. The fund was established for three years, with the mandate ending in June 2021. However, a minimum of s 9(2)(b)(i contracts funded are expected to go beyond June 2021. As at September 2020, these contracts had a combined value of $s 9(2)(b)(ii) These investments are administered by the PDU and PGFL and will require ongoing management and oversight, with all bar one of the contracts to be completed before or in 2030. One contract will be completed in 2035.

40. The scale of the investment presents opportunities to support regional economic development going forward, particularly in the context of responding to the economic impact of COVID-19. s 9(2)(j)

Governance and decision-making bodies

41. As Minister for Economic and Regional Development, you are a shareholding Minister (along with the Minister of Finance) of the Crown-owned company **Provincial Growth Fund Limited** discussed in Section 2 above, and in further detail in Appendix 2. The Board of Directors is appointed through the Cabinet Appointments and Honours Committee (APH) process.

42. As Minister for Economic and Regional Development, you are also responsible for appointing the **Independent Advisory Panel** members through the APH process. Further information on the IAP's function can be found in Annex 2.

43. As Minister for Economic and Regional Development you are a member of the Education, Employment and Training Ministers Group (EET). The EET's role is to oversee the Government's response to the labour market disruption arising from the pandemic and to support displaced workers to return to quality employment. Other members include the Ministers of Agriculture, Education, Finance, Seniors, Social Development, Tourism, and Workplace Relations and Safety.

Regional Economic Development appropriation

44. The Economic and Regional Development Minister is responsible for the Regional Economic Development appropriations, which form part of the Vote Business, Science and Innovation. This appropriation is made up of departmental and non-departmental expenses, with a large portion of this funding for regional sector investments.

45. Funding of $1,277,893,000 for the FY 2020/21 for regional sector investments is made up of the following appropriations:[5]

[5] Figures are based on the Pre-Election Fiscal Update (PREFU) and does not include STAPP. Updated appropriations will be provided as part of the October Baseline Update process.

Appropriation	Amount ($000)	% of total funding for regional sector investments
Provincial Growth Fund	$ 717,393	56%
Non-cash Provincial Growth Fund	$155,000	12%
Infrastructure Reference Group	$265,000	21%
Regional Investment Opportunities	$90,500	7%
Worker Redeployment Package	$50,000	4%

46. These funds and allocations are detailed further in this briefing. The diagram in Annex 1 also provides a breakdown of the Regional Economic Development appropriations.

Legislative responsibilities

47. The Minister for Economic and Regional Development is not responsible for any legislation.

Māori Economic Development

48. **He Kai Kei Aku Ringa (HKKAR)**, the Crown-Māori Economic Growth Partnership, is the Government's Māori Economic Development Strategy. HKKAR is jointly led by the Minister for Economic and Regional Development and the Minister for Māori Development. The PGF has directly invested $488 million into Māori Economic Development.[6]

49. In 2017, the E-RERE action plan (is an acronym for the five pou, but as a verb, it means 'to leap, run, fly - to take action, elevate') was launched to reset HKKAR. E-RERE represents five pou or structures that work together to support Māori economic development. These pou are:

- Employment – Whai Mahi - growing the future Māori workforce;
- Rangatahi – helping Māori youth to define and lead their economic aspirations;
- Enterprise – Whai Pakihi - growing Māori enterprises;
- Regions – Rohe Tū Pakari - increasing Māori participation in regional economies; and
- Education – Whai Mātauranga - developing a highly skilled Māori workforce.

50. Māori economic development is supported by an independent **Māori Economic Development Advisory Board (MEDAB)** and public sector teams in MBIE and Te Puni Kōkiri. Key areas of focus are:

[6] As at 31 July 2020. Figure excludes marae renovation investments.

- Ensuring policy settings in key economic development portfolios are fit for purpose (e.g. Provincial Growth Fund, education and skills, Industry Transformation Plans);

- Working collaboratively to lift public sector capability to engage with iwi and Māori; and

- Specific initiatives, for example, the Māori Innovation Fund administered on behalf of the Minister for Māori Development, and the Māori Digital Technology Development Fund administered by Te Puni Kōkiri.

51. You, along with other Ministers, will receive advice on how MBIE supports Māori Economic Development.

4. Regional Economic Development Context – Challenges and Opportunities

Section Overview

52. This section provides information about the different factors that are influencing New Zealand's regional economies and explains why geographical interventions are necessary to address the unique challenges faced by particular people and places.

53. It covers the following challenges:

- The long-standing issues faced by regions that have resulted in growing disparities across and within regions;
- The evolution of global megatrends and their impact on regional economies; and
- The impact of the COVID-19 crisis and recession on places and people.

54. It then sets out opportunities for the future of regional economic development, including:

- MBIE's role in building regional economies back better as New Zealand recovers from COVID-19;
- Partnering with the regions to implement a vision for a Productive, Sustainable, Inclusive and Resilient Economy through the development of regional economic development plans; and
- Lessons from the PGF.

55. You will shortly be provided with advice on implementing the Government's plan to support regions to grow through a Regional Strategic Partnership Fund.

The regional economic development context is becoming more complex and challenging

There are long-standing issues resulting in growing disparities between and within regions

56. New Zealand's regions have a number of long-standing issues affecting our economic performance. While New Zealand has high levels of wellbeing compared to other OECD countries[7], experiences differ across people and places, with economic benefits not spread evenly across and within regions:

- *Productivity:* New Zealand has a long-standing productivity problem, with poor resource efficiency, low starting point and very slow growth. New Zealand's small market size, pool of low-skilled labour and remote location make it challenging to achieve the changes needed to raise productivity. Lack of diversity of production means that some regions are overly dependent on a few industries, companies and export destinations and therefore are less resilient to global shocks. Lack of competition and agglomerations outside of cities has led to few incentives or ability

[7] Source: OECD (2019), OECD Economic Surveys: New Zealand.

for firms to research, innovate and utilise new technology, which has the potential to transform regions' future. The issues are well understood but hard to address.

- *Inequities for Māori and Pasifika communities:* Skills, training, and labour market participation and outcomes are lower for Māori and Pasifika than the rest of the population on average, with high rates of Māori and Pasifika not in education, employment or training (NEET). This has contributed to a long-standing income gap between Māori and Pasifika and the rest of the New Zealand population. Additionally, difficulties in accessing capital (particularly in collective arrangements) has inhibited efforts to develop the Māori economy. The PGF has already had some success in unlocking the potential of the Māori economy through its $488 million investment in Māori Economic Development projects.

- *Labour market:* Some regions and sectors have experienced difficulties in attaining workers with the right skills where they are needed. It can be challenging for employers to understand their workforce requirements and plan for future needs. Migrant labour has traditionally been used for low-wage seasonal employment, such as fruit picking. While, prior to the COVID-19 economic crisis, the New Zealand unemployment rate overall had been very low (at around 4%), persistent pockets of high employment still existed at a sub-regional level, such as in Eastern Bay of Plenty, and for some young people, such as Tairawhiti which has a NEET rate of 22.4%.[8] COVID-19 is likely to exacerbate these persistent issues.

- *Connectivity:* Digital and physical connectivity enables regions to access markets near and far to reach their economic potential. Currently, there are inequities between the cities and provincial regions in terms of physical and digital infrastructure, and therefore access to opportunity. Regions that are in close proximity to major cities, even if they are not part of that region, will benefit from spillover of economic prosperity and access to supply chains. Likewise, cities have benefited from the PGF investment into provincial regions – Annex 6 demonstrates this using Te Rau Aroha, Waitangi project as an example. Connectivity enables regional economies to tap into natural competitive advantages, encourages the establishment and advancement of business, and supports resilience in the events of natural disaster and economic crisis. For example, the West Coast has experienced difficulties in accessing markets due to its physical isolation and lower digital connectivity level.

- *Disparities between regional economic development bodies:* Various bodies are responsible for economic development in regions, but disparities exist in structure, roles of and funding available and in capability. Economic Development Agencies (EDAs) and Economic Development Units within local councils (EDUs) support regional economic growth by providing advisory, support and investment functions for local businesses and projects. Coordination nationally and regionally is sub-optimal and highly dependent on personnel and existing relationships. They are often limited by capacity and, at times, capability, caused by lack of access to skills, information and resources in place.

- *Social Infrastructure:* The availability of social infrastructure, particularly housing, directly impacts the economic prospects of a regional economy as it may reduce its attraction for skilled employees and business. Some regions, particularly Auckland,

[8] March 2020 Household Labour Force Survey, Statistics New Zealand.

and sub-regional areas, such as Queenstown, have struggled to manage high population growth resulting in unaffordable housing and traffic congestion. Other councils have struggled with ageing infrastructure, including water, sewerage supply and treatment.

Global megatrends continue to influence New Zealand’s economic future

57. Across the world, developed and developing economies are preparing for and responding to global megatrends. The evolution of these megatrends will transform the world’s economies, particularly for workforces, industries and trade and export. While the general trends are clear, how they will affect and influence localised economies is still emerging and will vary.

58. Megatrends are likely to have significant consequences for the state and composition of New Zealand’s regional economies. In order to succeed in this changing world, New Zealand must understand and overcome the potentially uneven impact of these megatrends on people and places. Some of these consequences will be positive and bring opportunities for regions, and some will be negative as they may challenge the viability of some traditional industries as they are currently configured.

59. Significant megatrends include:

- *Demographic changes:* New Zealand is seeing a growing and ageing population, urbanisation and greater ethnic diversity. While some regions have struggled to manage population growth and infrastructure requirements, other regions and sub-regions have experienced stagnant or slow growth compounded by an ageing population. New Zealand’s ageing population will put continued pressure on the working population. Māori and Pasifika populations are likely to make up higher proportions of the workforce in future.

- *Climate change:* Increased frequency of floods and droughts, extreme weather events, and loss of biodiversity is expected as a direct result of climate change. Industries most affected will likely be agriculture and horticulture (changing production zones) and tourism (consumer attitudes to travel), although impacts will vary across regions depending on their reliance on these sectors. Regions are already experiencing these impacts, and support will be required to prepare and adapt traditional industries and infrastructure to respond to these changes.

- *Globalisation:* Population growth and strong income growth is boosting demand for produce and changing places of production to where it is most resource efficient. As a significant food exporter, New Zealand’s regions should benefit from changes in consumer patterns towards environmentally sustainable food sources. Regional agricultural industries are likely to experience an increase in food demand with potentially rising prices as global spending towards high quality food product increases. However, some other industries will struggle as goods become cheaper to produce overseas. This may see some sectors lose out on the domestic market, for example, aluminium has become cheaper to source from international imports and has led to the proposed closure of the Tiwai Point Aluminium Smelter in Southland.

- *Advancing technologies and automation:* Technology is already changing production and logistics processes, and as a sector provides unique opportunities for New Zealand’s regions to capitalise on. Regions have an opportunity to diversify by building on existing comparative advantages through technology advances such as agritech, advanced industrial robotics, industrial internet of things and additive manufacturing. Regions and sectors that do not adapt risk being left behind, broadening the gap between regions' living standards. Automation and technology advances present challenges for lower-skilled work, and may have consequences for backbone industries in some regions.

The COVID-19 global pandemic is a major economic disrupter and will likely exacerbate the impact of global megatrends and long-standing challenges in regions

60. Prior to the onset of the COVID-19 pandemic, New Zealand was in a strong economic position. Recovery following the Global Financial Crisis had seen unprecedented growth in the economy. Unemployment was at a historical low of 4% and outcomes for Māori and Pasifika were improving.

61. Globally, the COVID-19 economic shock was unexpected and severe. Internationally, lockdowns saw businesses close except for operations that were essential or could be undertaken from home. The International Monetary Fund expects the pandemic will cause a decline in global economic activity not seen in peacetime since the Great Depression of the 1930s.[9]

62. While New Zealand's health response has been strong, the March to May national lockdown and subsequent Auckland lockdown resulted in large wage subsidies being paid out and significant national debt accrued. While regional economies that rely on essential services such as food and beverage manufacturing and primary industries, for example Manawatū-Whanganui, weathered the lockdowns well; regions that have large retail and hospitality businesses, such as Auckland and Central Otago struggled, although early reports indicate the economic bounce-back has been swifter than originally predicted.

63. Even if New Zealand's health response remains successful, trading partners' health and economic responses will heavily influence New Zealand's economic recovery and consequent debt repayment timeframes. As an export economy, New Zealand is heavily reliant on those partners purchasing our goods. Forecasts expect global GDP to contract by around 5-6% this year[10]. While demand for key exports has held up, there is uncertainty about how the global economic downturn will impact New Zealand's economy in coming months. For example, economists suggest global firms may seek to shorten supply chains to protect their economic viability.[11] Additionally, the crisis is likely to exacerbate the impacts of the global megatrends and long-standing issues, and some regions will suffer more than others.

64. New Zealand is now in a recession, with a drop in GDP of 12.2% for the 2020 June quarter, although well below the Treasury's original estimate of a 23.5% drop. New Zealand's economic recovery is stronger than expected in the near term as the country moved to Alert Level 1. However, the resurgence of COVID-19 leading to an increase to Alert Level 3 for Auckland and Alert Level 2 for the rest of the country has again left forecasting uncertain.

65. Some expected outcomes of the recession include:

- *Increasing disparities:* The impact of the economic crisis will not be evenly distributed across the economy. Previous economic shocks suggest the pandemic will amplify existing inequities faced by Māori and Pasifika communities. Evidence already shows that women are disproportionally affected. Regional economies that

[9] IMF, IMFBlog: The Great Lockdown: Worst Economic Downturn Since the Great Depression; https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/

[10] IMF, OECD, World Bank

[11] The Economist, The changes covid-19 is forcing on to business, https://www.economist.com/briefing/2020/04/11/the-changes-covid-19-is-forcing-on-to-business

are overly reliant on a few industries and export destinations will continue to suffer without diversification. Isolated regions without good connectivity and digital skills may be further disadvantaged by acceleration of digital economy trends.

- *Higher unemployment:* New Zealand is likely to continue to experience significant increase in unemployment, including higher skilled workers. It is likely that this recession will impact those that have not been out of work before.

- *Impact on productivity:* Economic activity dropped off sharply in Alert Levels 3 and 4, but recovered in the lower alert levels. However, in the short to medium term, it is anticipated that firms will be less willing to invest in or struggle to access capital, technology and resources. Industries that rely on low-skilled temporary migrants and highly-skilled specialised staff may face labour supply issues.

- *Widespread uncertainty:* High levels of uncertainty are impacting on the economy. This is reflected in low consumer confidence, investment and hiring intentions. These are likely to be subdued for some time.

- *Uncertain population changes:* Prolonged border closures have also created higher uncertainty in population growth rates. This will make social infrastructure and urban development planning more difficult for some cities including the viability of some major investments. Movement to and from cities may increase depending on what industries are hardest-hit by the pandemic.

- *More regional support will be required:* Despite limited resources, most EDAs and EDUs have responded to the crisis well, often with pivotal support from iwi. It is anticipated that regional bodies will need extra support to navigate the challenges and opportunities.

66. From April to August 2020, MBIE engaged with regional stakeholders to understand the impact of COVID-19 on regional economies in order to provide support where required. Annex 4 provides regional profiles for each of the economic regions and details the pre-COVID-19 state and likely impact of the economic crisis on each region.

COVID-19 presents a unique opportunity for a more strategic regional economic development approach to build regional economies back better

Additional support will be required to build back better but the future fiscal environment is likely to be constrained

67. The OECD has recognised that returning to 'business as usual' will not deliver a sustained, long-term economic recovery that also improves wellbeing and reduces inequality. The Government's five-point recovery plan is already in motion and there is an opportunity to use targeted investment in the regions to support recovery and a transition to a productive, sustainable, inclusive and resilient economy. Regional responses need to be agile to the changing global situation and flexible enough to adapt to local needs.

68. While regions and their people often best understand local challenges and opportunities, the current economic crisis is unprecedented and many need more support, skills and resources to address the COVID-19 impacts, as well as the uncertainties around the evolution of global megatrends and the long-term challenges.

69. While New Zealand's fiscal stimulus response has put the country in a sounder fiscal position than many other developed countries, the government is likely to be fiscally constrained in future. Innovation will be necessary to ensure funds are directed to where they can have the most impact and where the opportunity to rebuild the economy is realised. Further advice on supporting regions to grow through region-specific economic development planning and investment will be provided to you shortly.

MBIE will play a vital role in New Zealand's economic response, transition and recovery

70. In 2019, the Government released their Economic Plan for a Productive, Sustainable and Inclusive Economy. The Plan identifies eight key shifts and policy action the economy needs to transition to for better growth. It is an integral part of delivering wellbeing for all New Zealanders.

71. MBIE has a key role in guiding this transition. MBIE has a vision to support the economy to transition with care for people, grow New Zealand for all and recover from COVID-19. MBIE administers several place-based initiatives for the delivery of policies, programmes and services at a geographical level, such as Just Transitions Partnerships and Regional Skills Leadership Groups, as well as the Regional Economic Development Portfolio.

72. s 9(2)(f)(iv) [redacted]

The PDU provides a foundation for the transition to better regional economies

73. In its three years of operation, the PDU has made good progress in addressing long-standing disparities across provincial New Zealand through its:

- *Partnership approach:* The PGF has ignited collaboration with local and regional councils, sector leaders, iwi and businesses across New Zealand on a scale never seen before. The PDU has supported applicants to develop high quality proposals, co-funding proposals with businesses, and collaborating across government and local bodies.

- *Investment expertise that drives social outcomes:* The PDU has developed significant knowledge, expertise and processes that provided robust and fit-for-purpose advice. It has built a high level of investment expertise, guided by social outcomes, within government. Investment expertise is informed by in-depth regional and sectoral knowledge, such as skills and employment, environmental and infrastructure issues, as well as wider system knowledge. The IAP provided independent, commercial advice.

- *Regional relationships:* Existing place-based working relationships have established a quality level of regional engagement resulting in high trust, as well as effective central-local relationships towards a partnership model that can be leveraged in the future.

- *Innovation, flexibility and pace:* The PGF's broad tier investment framework has allowed a flexible approach to regional economic development investment opportunities while targeting regions that required immediate investment to address existing disparities. Use of equity, establishment of PGFL and investments that connect sector investments to skills and training programmes show the innovation of the PGF model.

- *Delivery capability and responsiveness:* The speed at which the PGF has operated and its flexible investment approach has enabled government to be responsive to emerging regional and government priorities and unexpected events such as regional water supply shortages, the Whakaari/White Island eruption and the COVID-19 economic crisis. The PGF was one of few initiatives that were flexible enough to contribute directly to the immediate economic challenges facing the regions. The PDU has successfully delivered the $3 billion PGF, as well as being trusted to manage a further $1.5 billion of various other funds.

- *Māori focus:* The PGF had a particular focus on supporting Māori to develop their economic potential and capability, with allocations focused on unlocking the potential of whenua and business. Iwi and Māori were an important partner in the PGF process.

- *Empowering New Zealand's regions:* Regional stakeholders have had a strong voice in the process through regional groups and through Senior Regional Officials. Alignment with regional priorities was an investment criteria, and specific funding supported capability and capacity building for a range of applicants.

- *Targeted:* Regions and groups with particular needs were targeted, such as through the surge region approach and particular allocations.

- *Trusted:* The PGF's strengths and its ability to deliver on regional and government priorities have established it as a trusted agency. It was tasked with the delivery of non-PGF work programmes such as Infrastructure Reference Group and Regional Investment Opportunities fund.

74. MBIE and the PDU's work has built a solid foundation for the future of the regional economic development portfolio. We know that each region faces its own unique challenges that require bespoke support, and therefore to be successful regional economic development needs to be agile, flexible and done in partnership with local stakeholders and iwi. s 9(2)(j) [redacted]

Framework for building back better – Productive, Sustainable, Inclusive and Resilient economies

75. Aligned with the Government's Economic Plan, we would like to discuss with you the following framework for supporting regions to build back better through a Regional Strategic Partnership Fund.

s 9(2)(b)(ii) [redacted]

76. Each of New Zealand's regions is tracking towards the goals differently. While many regions are experiencing resilience issues, such as the West Coast and Otago with economies heavily reliant on international tourism expenditure, others are struggling with sustainability, such as Southland with the recent announcement of the closure of Tiwai Point Aluminium Smelter, and productivity, such as Tairawhiti, which has a historic low investment and high unemployment. s 9(2)(j) [redacted]

The PDU's work over the last three years has highlighted gaps in the system

77. The PGF was the first time government had invested in regional economic development at scale and in a way that supported regional voice through partnership. There are opportunities to build on this investment:

- s 9(2)(g)(i) [redacted]

  There is an opportunity for MBIE, building on the strengths and successes of the PGF, to provide stronger system leadership across all place-based programmes that contribute to regional economic development. You have also been provided with an A3 on its place-based programmes, including the Regional Economic Development Initiatives. Better alignment of how central and local government interact at regional and placed-based level to create collective, comprehensive and supportive impact. The government will be required to work collectively through this time of transition to support New Zealand to have resilience and adaptability. Current and future interventions must be well co-ordinated to ensure at a regional/place level it creates collective, comprehensive and supportive impacts. s 9(2)(g)(i)

- s 9(2)(g)(i)

- *Build on the learnings and successes of the PDU: Since* its establishment, the PDU has developed strong partnerships with local stakeholders and iwi to deliver better regional outcomes. It has built substantial knowledge about provincial regions' economies and sector opportunities. There are opportunities to build on these partnerships and refine the current project-focused approach to an enhanced partnership model aligned with regional priorities and broader government objective for a s 9(2)(b)(ii)

- s 9(2)(b)(ii)

- *Increase transparency and public understanding of the portfolio:* There are also opportunities to increase the transparency and public understanding of regional economic development, informed by the Office of Auditor General's report on Managing the PGF, such as the reporting as a whole to Parliament. This is detailed in Annex 5.

5. Major links with other portfolios

78. As the Minister for Regional Economic Development, you are a leader in the regional economic development system. You will likely be a key member of Ministerial groups that oversee the delivery of the Government's regional economic development priorities.

79. The Regional Economic Development portfolio intersects with a range of other portfolios across the economic development, labour market and social development systems. You will likely work closely with the Minister of Economic Development as the two portfolios strongly align. The PDU will support you in your role on any relevant Cabinet Committees, Ministerial groups and bilateral meetings with other Ministers.

80. You will be able to bring cross-system perspective to discussions with your colleagues across portfolios including:

6. How MBIE assists you

81. The Regional Development aspect of the Economic and Regional Development portfolio is supported by the Provincial Development Unit (PDU). The following table provides a summary of **key initial contacts**:

Contact	Role	Contact details
Carolyn Tremain 	Chief Executive, MBIE	**E** Carolyn.Tremain@mbie.govt.nz **P** 04 901 1357 **M** s 9(2)(a)
Robert Pigou 	Head of the Provincial Development Unit	**E** Robert.Pigou@mbie.govt.nz **P** 04 896 5824 **M** s 9(2)(a)
Ben Dalton 	Chief Operating Officer	**E** Ben.Dalton@mbie.govt.nz **P** 04 901 2016 **M** s 9(2)(a)

David van der Zouwe 	Head of Investment Management	**E** David.vanderZouwe@mbie.govt.nz **P** 04 901 3962 **M** s 9(2)(a)
Karen Walfisch 	General Manager, Strategy, Planning & Performance	**E** Karen.Walfisch@mbie.govt.nz **P** 04 896 5950 **M** s 9(2)(a)

The advice and support MBIE provides to you

82. MBIE provides a range of support and advice to you in your role as Minister for Economic and Regional Development. This includes:

- **Policy advice** on areas identified above as well as advice on broader regional economic development goals.
- **Management of regional economic development appropriations**, including the Provincial Growth Fund, Regional Investment Opportunities, He Poutama Rangatahi, Infrastructure Reference Group.
- **Data collection and analysis** to support decision making, including provision of the status and performance of investments, providing detailed analysis at a sectoral and regional level, and developing tools and products to provide easy access to information.
- **Administration of PGFL:** The PDU is responsible for the day-to-day management and administration of investments held by PGFL under a Management Agreement which authorises MBIE to act on behalf of PGFL.

7. Immediate priorities and deliverables

83. We would welcome an early meeting with you to discuss your priorities for the portfolio, including the first 100 days.

Key decisions and appointments

Topic	Description	Driver	Timing	Area

s 9(2)(g)(i), s 9(2)(j)

Annexes

Annex 1: Funds and Appropriations

Annex 2: Operation of the PGF and the PDU

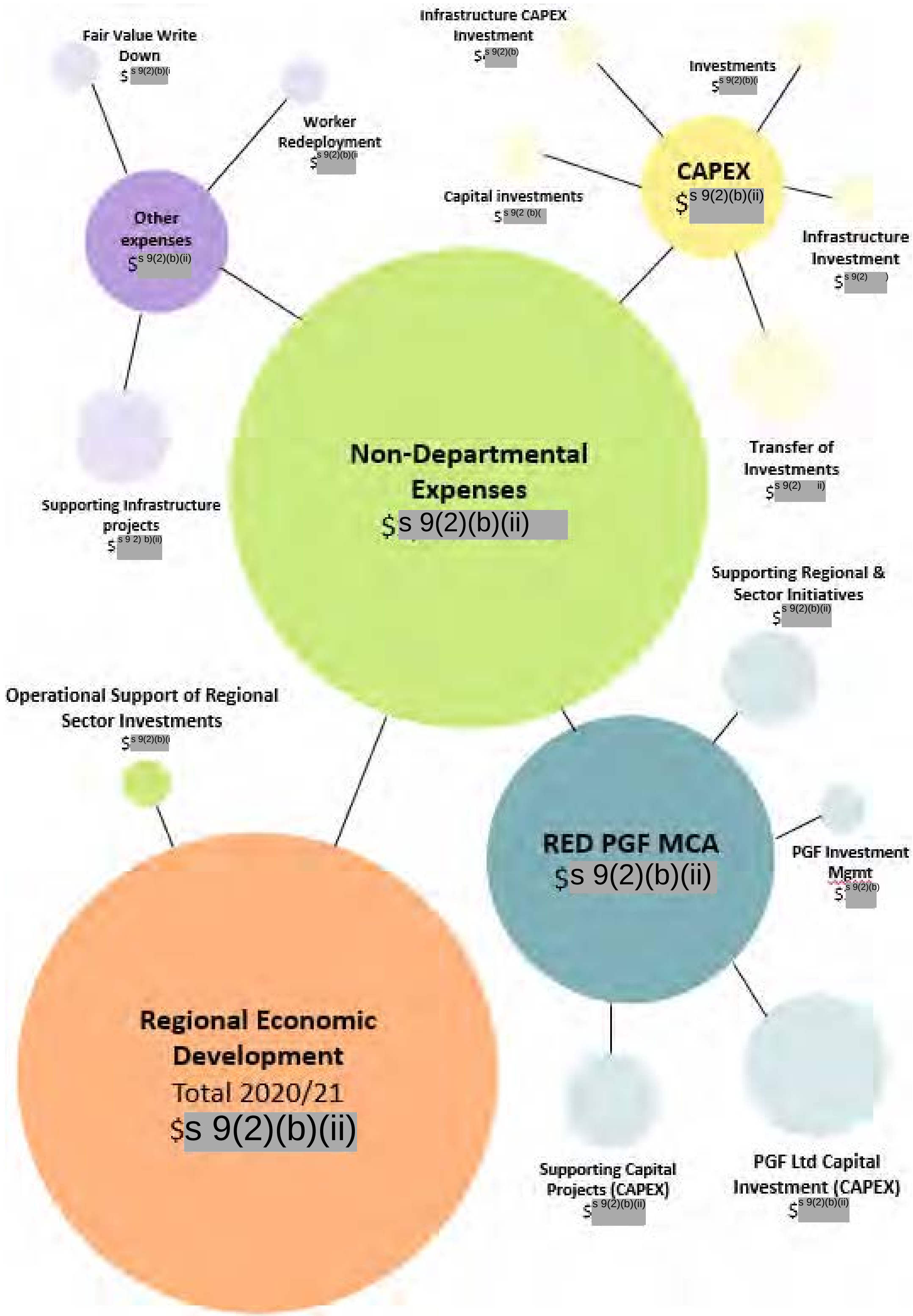
Annex 3: PGF Monthly Dashboard

Annex 4: Regional Profiles

Annex 5: Findings of the OAG

Annex 6: Te Rau Aroha, Waitangi – Case Study

Annex 1: Funds and Appropriations



Annex 2: Operation of the PGF and PDU

Operation of the Provincial Growth Fund

Objectives and Criteria

1. The overall objective of the PGF was to lift the productivity potential in the provincial regions. The following specific objectives guided investment:

    - *Jobs and sustainable economic development:* investments support increased jobs (with a focus on high quality jobs) and sustainable economic development over the long term, particularly in regions and sub-regions where unemployment is high and there are significant social challenges;
    - *Social inclusion and participation:* investments support increased social inclusion through effective training, work preparation and support that enables more people to fully participate in work and society;
    - *Māori development:* investments enable Māori to realise their aspirations through greater participation in all aspects of the economy;
    - *Climate change and environmental sustainability:* investments support opportunities to achieve New Zealand's climate change commitments and encourage more sustainable and productive use of land, water and other resources; and
    - *Resilience:* investments increase regional and national resilience by improving critical infrastructure and focusing on opportunities to grow and diversify our economy.

Eligibility

2. The PGF was established in response to provincial New Zealand falling behind on a number of key economic indicators, such as employment and household income. It was a recognition that government investment was needed to maximise provincial New Zealand's potential and address social and infrastructure deficits.

3. The PGF was not designed to fund activity that will take place anyway (whether within a region or in another region), but rather to stimulate new activity and bring forward activity important to a region's economic development. Projects also needed to be 'investment-ready' to be eligible for funding.

4. Particular priority was given to six 'surge' regions in the first instance. These are:

    - Tai Tokerau/Northland
    - Bay of Plenty
    - Tairāwhiti/East Coast
    - Hawke's Bay
    - Manawatū-Whanganui
    - West Coast

5. These regions were identified as facing the biggest deprivation and requiring significant investment to unlock economic development objectives. New Zealand's three main centres, Auckland, Wellington and Christchurch were ineligible for funding, unless proposals were primarily for the benefit of the provincial regions.

6. All legal entities were eligible to apply for funding.

Tiers

7. The PGF had a three-tiered approach to the size, scale and nature of projects supported. The structure recognised that opportunities within regions come in a wide variety of shapes and sizes:

- *Tier One: Regional Projects and Capability:* smaller economic development projects and feasibility studies for potential projects, and initiatives to build skills, capability and capacity.

- *Tier Two: Sector Investments*: larger investments in priority and/or high value sectors such as tourism, horticulture, technology, niche manufacturing and aquaculture, with a focus on increasing jobs and private investment.

- *Tier Three: Enabling Infrastructure Projects*: investing in regional projects that support connections within and between regions, including rail, road and communications.

8. The focus of Tier One has evolved over the lifetime of the PGF. Initially the focus was on feasibility studies, business cases and improving regional capability and capacity. This improved regional opportunities and supported regional stakeholders to be well placed to partner with the PGF. Many of these funded feasibility studies and business cases were made investment ready. From February 2019, the Tier One focus moved regional skills and employment in order to leverage and align with Tier Two and Three opportunities. Following COVID-19, Tier One was re-orientated to enable funding to be dispersed into the economy as quickly as possible to inspire business confidence and support people into jobs.

9. There were also several exclusions from the PGF:

   a. Building and maintenance of social assets (hospitals and schools as their primary purpose is not lifting regional productivity potential);

   b. Three waters management and large scale housing development as these services are the responsibilities of other agencies; and

   c. Large scale, regional irrigation schemes, in line with the previous government's decision to wind-down investment in the schemes.

Allocations

10. Over the life of the PGF, a range of allocations were established as priority areas for funding. Key allocations are outlined below:

Tier One

- *Te Ara Mahi (TAM)* – $160 million allocation to support regional employment through the development of skills and capability, particularly for unemployed and underemployed. This included funding towards He Poutama Rangatahi, which specifically supports young people not in education, employment or training (NEET), and towards the establishment of Jobs and Skills hubs through the Sector Workforce Engagement Programme (SWEP).[12]

Tier Two

- *Whenua Māori* – $100 million allocation for investment into Māori-owned land to unlock its economic potential through access to financial capital for land development or on-farm improvements.

- *One Billion Trees / Te Uru Rakau* – over $400 million allocation for 10 years to increase tree planting in New Zealand in order to improve the natural environment. Although this programme was funded through the PGF, the Ministry for Primary Industries was responsible for its administration. The Minister of Forestry has ministerial responsibility.

- *Historic Sites of National Importance* – $20 million allocation towards projects developing historic sites of national importance that will enable all New Zealanders to better understand our shared history.

Tier Three

- *Digital Connectivity* – $100 million allocation for digital connectivity infrastructure. Crown Infrastructure Partners procured $80 million of this infrastructure, including $40 million to expand Rural Broadband Initiative Phase Two (RBI2) and Mobile Black Spots Fund (MBSF) programmes to improve broadband and mobile coverage, with a focus on the surge regions. An additional $20 million from the PGF was set aside to connect rural areas and provincial towns and marae to the internet.

- *Rail* – $300 million of the PGF was set aside for provincial rail through Budget 2019, which built off existing PGF investment in rail. Investment sought to strengthen rail's role in New Zealand's transport system and support other objectives such as the transition to a low carbon economy.

Governance and decision-making

11. Decisions on PGF applications were made under the following delegations:

    - *Senior Regional Officials* made funding decisions on applications up to $1 million;

    - *Delegated Regional Economic Development Ministers* (RED Ministers) made funding decisions on applications between $1 million and $20 million; and

    - *Cabinet* made decisions on applications above $20 million.

12. The Head of the PDU has the delegation to decline projects which clearly did not meet PGF criteria. This allowed the PDU to make timely recommendations to PGF decision-makers on applications that present the most promising opportunities for investment through strong alignment with the PGF's objectives.

[12] $10 million was allocated for Jobs and Skills Hubs.

Senior Regional Officials

13. Senior Regional Officials (SROs) acted as the Government's central point of contact for a region and together they worked as a team to ensure alignment across agencies to achieve the outcomes sought by Government and the regions.[13]

14. As well as being the decision-makers for PGF projects under $1 million, SROs provided advice to RED Ministers on Tier 1 projects over $1 million, and since the PGF reset they provided advice on Tier 3 projects.

15. Current SROs are:

- Ben Dalton (Chairperson, PDU, Chatham Islands/Northland);
- Apryll Parata (PDU, Tairāwhiti);
- Karen Adair (Ministry for Primary Industries, Otago);
- Kay Read (Ministry of Social Development, Bay of Plenty/Waikato);
- Andrew Coleman (Ministry for Culture and Heritage, Canterbury/Taranaki); and
- Bryan Wilson (Ministry for Primary Industries, Hawke's Bay/Top of the South).[14]

16. The Head of the PDU has the responsibility for appointing members to SROs.

17. Previous SROs include Al Morrison (PDU) for Wairarapa/Kapiti, Te Tau Ihū, West Coast and Southland.

Delegated Regional Economic Ministers

18. Delegated Regional Economic Development Ministers (RED Ministers) was a subgroup of Ministers that included the Ministers of Regional Economic Development, Finance, Economic Development, Transport and, from 2019 onwards, Trade and Export Growth.

19. RED Ministers were responsible for the governance of the PGF, as well as for making decisions within their funding mandate (between $1-20 million). RED Ministers received advice from the PDU, SROs and the Independent Advisory Panel to guide them in their decision-making function.

Independent Advisory Panel

20. The Independent Advisory Panel (IAP) was established in 2018 for three years to provide independent advice to RED Ministers on potential Tier 2 PGF investments above $1 million, including alignment with the PGF's criteria, commercial viability and recommended funding mechanisms. The IAP also provided guidance on the overall balance of the PGF, contributed to

[13] Current SRO responsibilities include: Be the Government's central point of contact for the specific region to which they are assigned; Support the development of proposals for funding from regions or agencies that meet the objectives of the PGF; Lead their assigned region to ensure the right outcomes are achieved for the region in terms of the aspirations of the region, as well as the PGF; Bring to bear appropriate government resources to support the region's economic aspirations; Assist government agencies to be coordinated in their presentation to each region as far as is reasonably possible; Ensure there are incentives and/or opportunities for coordination among the regions; Provide commentary and feedback to the PDU, the SRO Group, Ministers, IAP members, and across government as required; and Provide opportunities to the PDU and Ministers on progress, issues and opportunities from their respective regions.
[14] Note that the SRO roles for Manawatū-Whanganui, Wairarapa and Kāpiti, Southland and West Coast are currently vacant.

the management of the overall portfolio of investments and assisted the PDU to assess and refine processes and tools.

21. IAP members were appointed through the Cabinet Appointments and Honours Committee process. Members have expertise in regional development, industry and commercial knowledge, financing and delivery.

22. Current IAP members are:

- Rodger Finlay (Chairperson);
- Dr Charlotte Severne;
- Neville Harris QSO;
- John Rae;
- Sarah Brown;
- Rosie Mercer; and
- John Sproat.

Funding instruments

23. PGF funding was provided through grants, loans, and equity. This range of funding instruments was required because of the different types of applicant entities and abilities to repay or manage funds. In some instances, funding arrangements involve a mix of investment mechanisms.

24. The PDU provided advice to decision-makers on the use of different instruments. It developed bespoke investment approaches for individual projects as needed.

25. The PDU worked with MFAT to ensure that PGF investments comply with New Zealand's international obligations in the World Trade Organisations and relevant trade agreements.

Impacts of COVID-19 and the PGF reset

26. In May 2020, the PGF was refocused to support economic recovery following COVID-19 and at least $600 million was repurposed to support projects that focussed on immediate jobs, timeliness and visibility as well as the PGF's underlying objectives. This included repurposing funding that had already been allocated against specific initiatives, as detailed in paragraph 29.

27. There was a renewed focus on progressing projects that provided immediate employment opportunities, commenced construction within 6-12 months and were visible to the public to provide confidence that economic activity was underway. The PGF response to COVID-19 included termination of a number of approved PGF projects that were not yet contracted, with funds reprioritised to investments that were more closely aligned with the Government's COVID-19 response.

28. The PDU has accelerated its contract negotiations and disbursement of PGF funds as part of the PGF's response to COVID-19. Contracts for approved projects, with commercial parties, are typically negotiated within 45 business days from the time the applicant is informed about the decision.

29. Several PGF allocations were created in response to COVID-19:

- *Regional Apprenticeships Initiative:* $40 million allocation to support up to 1,000 new apprentices and their employers in regional New Zealand across a range of sectors, with a focus on helping workers recently displaced due to the economic impacts of COVID-19 and Māori and Pasifika into apprenticeships.

- *Worker Redeployment:* Over $s 9(2)(b)(ii) regional investments provide immediate support for the redeployment of workers displaced due to the COVID-19 crisis, with a focus on road and rail, fencing of waterways, and renovations of town halls, war memorials, Marae and Pasifika churches.

- *Social Capital:* $20 million allocation focussed on supporting local and unique solutions to reduce the harm from methamphetamine and support people to re-enter the workforce.

- *Māori and Pasifika business investments:* $s 9(2)(b)(ii) allocation to support investments that grow Māori and Pasifika firms and Māori assets in sectors that will be core to the economic rebuild.

30. Following the reset, investments into three waters were made eligible where projects were shovel-ready and provided for worker redeployment.

31. The PDU was also given responsibility for administering more than $1 billion of additional projects through the Strategic Tourism Assets Protection Programme, the Infrastructure Reference Group and the non-PGF funded part of the Worker Redeployment Package.

Client management and project delivery

32. Responsible PGF agencies monitor the implementation of their contracts and reports to support the oversight of the PGF. Following final decisions on funding, ongoing PDU functions include:

- Client management for recipients;
- Monitoring of the progress of funded applications against the conditions of their contracts;
- Information management;
- Monitoring of data;
- Analysis and reporting;
- Managing payments and repayments;
- Support to PGFL s 9(2)(b)(ii) and
- Managing project outcomes/completion reports.

33. The outcomes of projects will be monitored and tracked against the PGF's performance framework.

Pipeline

34. The PDU has worked with applicants to deliver quality applications that are relevant to the current economic context and needs of individual regions. The pipeline was developed over time as applications were submitted and as the PDU and partner agencies worked with potential applicants in the regions. Initially, a wide range of projects were brought forward to decision makers when they were ready for consideration. Later, more specific priority areas for investment were identified as gaps in the regional and sectoral spread of projects emerged.

35. As at 24 September 2020 the PGF had put 497 proposals seeking PGF funding on hold pending decisions around future funding and strategic direction for the PGF.

Evaluation of the PGF

36. In 2018, Cabinet directed the PDU to develop a plan for evaluating the operation and effectiveness of the PGF.[15]

37. The evaluation will look at a range of indicators for determining how the PGF has done, covering its outputs and early outcomes with the broad objectives of:

    - understanding how the PGF operates and contributes to regional outcomes;
    - identifying the early markers of success; and
    - identifying opportunities on how the PGF can better achieve its outcome.[16]

38. The evaluation was originally due to be completed by the end of 2020. MBIE engaged suppliers in late 2019 to prepare the evaluation plan and this was delivered in May 2020. However, the COVID-19 lockdown has delayed the implementation of the plan.

39. A procurement process is currently underway to seek a supplier to undertake the evaluation and prepare a report. Completion of the report is expected in mid-2021 at the earliest.

40. Cabinet also noted that it would be several years after investment before early improvements in regional outcomes would be observable. A further evaluation will therefore be required 3-5 years following the end of the initial funding to focus on the broader social, environmental and economic outcomes of the PGF, including:

    - increased regional economic output: greater economic activity in the sectors where the Fund has invested, and in related sectors;
    - enhanced utilisation and return for Māori from their assets;
    - increased productivity, with stronger growth in higher productivity businesses in the sectors invested in (and related sectors);
    - increased employment (and reduced unemployment) and wages, in general and for Māori particularly;
    - lower rates of young people not in employment, education and training, and a reduced proportion of this group being Māori;

[15] CAB-18-MIN-0045 MIN refers.
[16] CAB-18-MIN-347 refers.

- improved digital communications (e.g. a reduced "digital divide");
- improved resilience and sustainability of transport infrastructure, and supporting improved connections within and between regions (e.g. reduced travel times, increased throughput of passengers and freight);
- contribute to mitigating or adapting to climate change effects and a just transition to a low emissions economy; and
- more investments that enhance regions' natural capital (for example, improving water quality, soil integrity, and the health and ecological functioning of natural habitats).

A formative evaluation is underway

41. s 9(2)(b)(ii)

The PGF has been pivotal in supporting Māori Economic Development (MED)

42. The economic impacts of the PGF on MED was assessed by the New Zealand Institute of Economic Research (NZIER) in March 2020. It showed that $495 million investment in MED projects increased overall GDP by $249 million per annum more than would be the case if the investments had not been redirected to MED projects.

43. As at 31 July 2020, the PGF has directly invested $488m in MED projects (excludes marae renovation investments). This is comprised of PGF funding of $469.8m and co-funding of $s 9(2)(b)(ii).

44. Modelling by the PDU shows that PGF investment in MED projects has resulted in s 9(2)(b)(ii) jobs, made up of:

- s 9(2)(b)(ii) direct jobs working on PGF projects;
- s 9(2)(b)(indirect jobs to service PGF projects; and
- s 9(2)(b)(induced jobs created by wider economic impacts of PGF projects.

45. It is estimated that the PGF's direct investments in MED projects will create a GDP contribution of $247 million per annum. The majority of the impacts from the PGF's direct investments will be in the regions, however there will be spinoff benefits into cities. Forestry, water storage, training, skills and employment and agriculture/horticulture will see the largest GDP contributions as a result of direct MED investments.

46. PGF investment in MED is estimated to add $265 million to household incomes (GHI). Of this growth, $165 million will be in the regions with Northland, Bay of Plenty and Tairāwhiti set to see the largest increases. People working in the forestry, water storage and training, skills and employment sectors will see the largest growth, valued at over $100 million in the regions.

Annex 3: PGF Dashboard

Annex 4: Regional Profiles

Annex 5: Findings of the Office of the Auditor General

Overview

1. In 2019, the Office of the Auditor General announced that it would review the policies and processes for the administration and management of the PGF.

2. The report was tabled in Parliament in August 2020. It focused on three recommendations involving increased transparency, enhanced consolidated reporting, and evaluating the effectiveness of the PGF.

Next steps

3. The OAG has advised that it will be carrying out further work to review the PGF COVID-19 reprioritising process, the implications of the reset for management of PGF funding and the likely effect of the reset on achieving the Fund's objectives.

4. The PDU will publish the tender documents for the evaluation, which may include a draft plan for completing it. The chosen provider may amend the plan in agreement with the PDU.

Controller and Auditor-General | Managing the Provincial Growth Fund Report

5. The OAG report was tabled in Parliament on 4 August 2020. The report focused on three recommendations (noted below). When the report was tabled in the House, the Government responded that these substantive recommendations would be taken forward.

Recommendation One: *the Ministry of Business, Innovation and Employment further strengthen transparency about the operation of all parts of the Provincial Growth Fund's application, assessment, and decision-making processes.*

6. The PDU is committed to transparency as evidenced by the vast range of information and decisions made available on the Grow Regions and MBIE websites (decision-making minutes, weekly reports, position papers, Cabinet papers, briefings, evaluations and research papers). The PDU is also very aware that we need to be very careful with what we make public. Applicants are trusting us with some highly sensitive commercial information and we have a duty of care not to breach that trust. So there are some things we will never be able to make public and there are some things that will take time before we can make them public.

7. The PDU has made ongoing improvements to PGF processes while administering the Fund. In addition to the judgement of individual assessors to assess the extent to which applicants' claims about estimated benefits are achievable, the application process also includes:

    - technical advice from other government agencies
    - internal consultation and peer review within agencies
    - consultation with Senior Regional Officials and
    - a review, by Senior Regional Officials or the Independent Advisory Panel, of all applications that go to Regional Economic Development (RED) Ministers.

Recommendation Two: *We recommend that the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, and the Ministry of Transport work together to continue to enhance consolidated reporting and more meaningfully report to Parliament and the public on the Provincial Growth Fund as a whole.*

8. PGF partner agencies are regularly and comprehensively providing information for Parliament and members of the public in keeping with our commitments under the Public Finance Act. The PGF agencies provided feedback to the OAG that the impression was that PGF agencies were being held to a higher standard of reporting than other government agencies, and that a requirement to report to Parliament on the whole of the Fund was beyond what is required by the Public Finance Act.

9. The PDU regularly reports on the Fund as a whole by announced project and by the amounts committed, approved, contracted and paid, by sector and region. This reporting is provided to a range of audiences, including Regional Economic Development Ministers and Select Committees. Full visibility of the management of each appropriation has been provided as required.

10. Information available online includes:

- All announced projects; published each month with a large data set of information (including funding contracted and funding paid).
- Summary position of the Fund; published in December 2019 and intended to be published quarterly. It shows appropriations as well as committed, approved and cash spent by Agency.
- Regional dashboards; published each month with information on specific projects by Region and recently provided to members at the Estimates Hearings.
- Decision-making meeting minutes (IAP, SRO), papers and reports.
- Regional dashboards which provide a comprehensive picture of funding announces for projects and sector.

11. The current approach to data collection, management and meaningful reporting is being reviewed and continuously improved. This includes an improvement to capability, streamlining and automating some tasks and providing more accurate and consistent reports.

Recommendation Three: *The Ministry of Business, Innovation and Employment complete and publish, as quickly as possible, a plan for evaluating the overall effectiveness of the PGF to ensure transparency of how officials plan to give assurance to Parliament and the public about what it is achieving, both regionally and nationally.*

12. The evaluation plan for the PGF has been developed by an independent provider and a third party is being sought to undertake the evaluation work itself. The work has been delayed due to COVID-19 and an evaluation report will be available in mid-2021 at the earliest. s 9(2)(b)(i [redacted]

13. s 9(2)(b)(ii) [redacted]

14. It is important to note that alongside this formal evaluation, other evaluation work has been undertaken, for example:

- The PDU recently undertook a stocktake of the number of people who have worked on each PGF project and PDU managed Worker Redeployment and Regional Investment Opportunities project – both current and in the past, and the expected number of workers in the future. The PDU commissioned NZIER to review the data collection methodology used to identify the jobs that have been created by PGF investments. NZIER supported the mechanisms in place. NZIER found “the survey method used has merit in that it provides a wider information base on numbers of people involved with PGF projects than is currently available from the monthly reporting”.

- *Economic impact of PGF investment in Māori economic development* undertaken by NZIER which identified that the total approved and allocated investment in direct Māori economic development (MED) projects to 31 January 2020 was $495 million.

15. Officials monitor projects to ensure that all applicable conditions in their contracts, such as condition precedents, regular reporting and any specified deliverables are satisfied prior to the drawdown of any funding.

16. After the evaluation plan is finalised it will form part of the procurement for the supplier to undertake the evaluation. After the supplier is appointed, they will conduct the evaluation with a target to provide a report by mid-2021.

Annex 6: Te Rau Aroha, Waitangi – Case Study

PROVINCIAL GROWTH FUND MONTHLY DASHBOARD

FROM INCEPTION TO JULY 2020

4125	876	681	$2,809.7m	$2,683.3m	$2,111.4m	$752.3m
Applications Received	Approved Projects	Contracted Projects	Committed Funding	Approved Funding	Contracted Funding	Paid
+521 Since June	+80 Since June	+23 Since June	+$38.5m Since June	+$55.2m Since June	+$97.9m Since June	+$92.9m Since June

FUNDING BY ALLOCATION

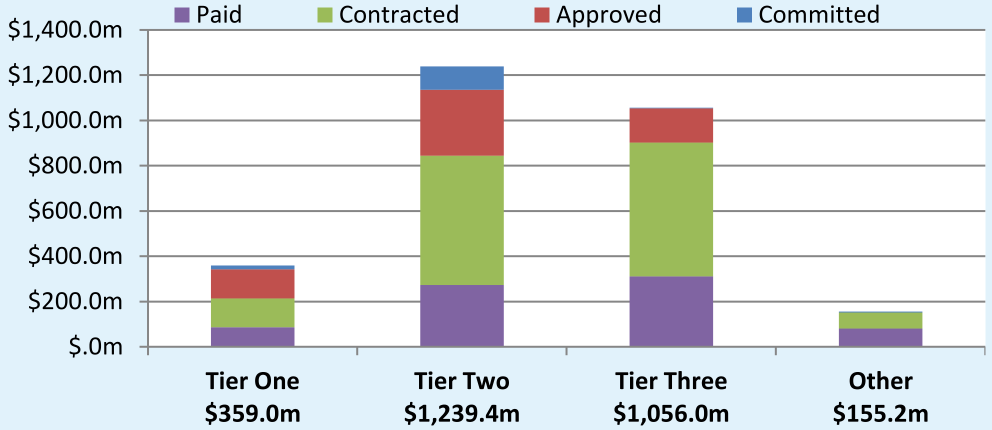
Allocation	Committed	Approved	Contracted	Paid
Transport, including Kiwirail	$677.2m	$677.2m	$658.2m	$266.7m
Te Uru Rakau	$483.7m	$389.9m	$350.5m	$93.2m
Digital Connectivity	$100.0m	$97.0m	$94.4m	$14.7m
Te Ara Mahi / He Poutama Rangatahi	$98.8m	$83.8m	$75.3m	$29.6m
Immediate Capital Investments	$97.3m	$97.3m	$15.3m	$3.7m
Tourism Infrastructure Fund	$75.0m	$61.9m	$41.8m	$23.9m
Road & Rail - Worker Redeployment Package	$60.0m	$60.0m	$60.0m	$26.0m
Small Scale Infrastructure	$53.9m	$53.9m	$28.3m	$1.1m
Water Storage	$43.0m	$43.0m		
Whenua Maori	$32.9m	$32.9m	$27.6m	$9.0m
Fencing of Waterways	$24.5m	$24.5m		
Energy	$23.1m	$23.1m	$3.2m	$0.5m
Renovations of Town Halls, War Memorials, Marae and Pasifika Churches	$23.0m	$23.0m		
Historical Sites of National Importance	$20.0m	$20.0m	$16.0m	$0.2m
Māori & Pasifika Business Investments	$16.8m	$16.8m	$1.7m	$0.2m
Human & Social Capital - Work Readiness	$14.4m	$14.4m	$6.7m	$1.0m
Human & Social Capital - Social Capital	$13.6m	$13.6m	$1.0m	
Human & Social Capital - Apprenticeships	$12.4m	$12.4m		
Economic Development NZ	$5.6m	$4.2m	$4.2m	$2.8m
Other[1]	$934.5m	$934.5m	$727.3m	$279.8m
Grand Total	**$2,809.7m**	**$2,683.3m**	**$2,111.4m**	**$752.3m**

Note[1]: Other includes funding not attached to specific allocations and small regional allocations i.e. Tairāwhiti Ring-fence, Chatham Islands Ring-fence and Operational Costs.

MAJOR PROJECT ANNOUNCEMENTS

Project	Funding Announced	Date Announced
Tai Tokerau/Northland		
Ngawha Innovation & Enterprise Park - Stage 2	$19.5m	13th July
Redevelopment of Strategic Roads in the Far North	$14.2m	22nd July
Northern Adventure Experience (NAX)	$5.6m	3rd July
Bay of Plenty		
Rangiuru Business Park Motorway Interchange	$18m	31st July
Opotiki Marina and Wharf	$8.8m	31st July
Mussel Farming and Production Facility – Additional Funding	$5m	31st July
Manawatū-Whanganui		
Whanganui Port Revitalisation Infrastructure	$12.5m	2nd July
Port Employment Precinct Whanganui	$12.5m	2nd July
Lower Whanganui River Training Structures	$7.5m	2nd July
Q-West Boat Builders - Marine New Build, Refit, Repair and Maintenance Precinct	$5.3m	2nd July
Southland		
Realising The Vision For Southland Aquaculture	$8m	24th July
National		
Trade Up Ltd - Regional Apprenticeship Programme	$8m	29th July

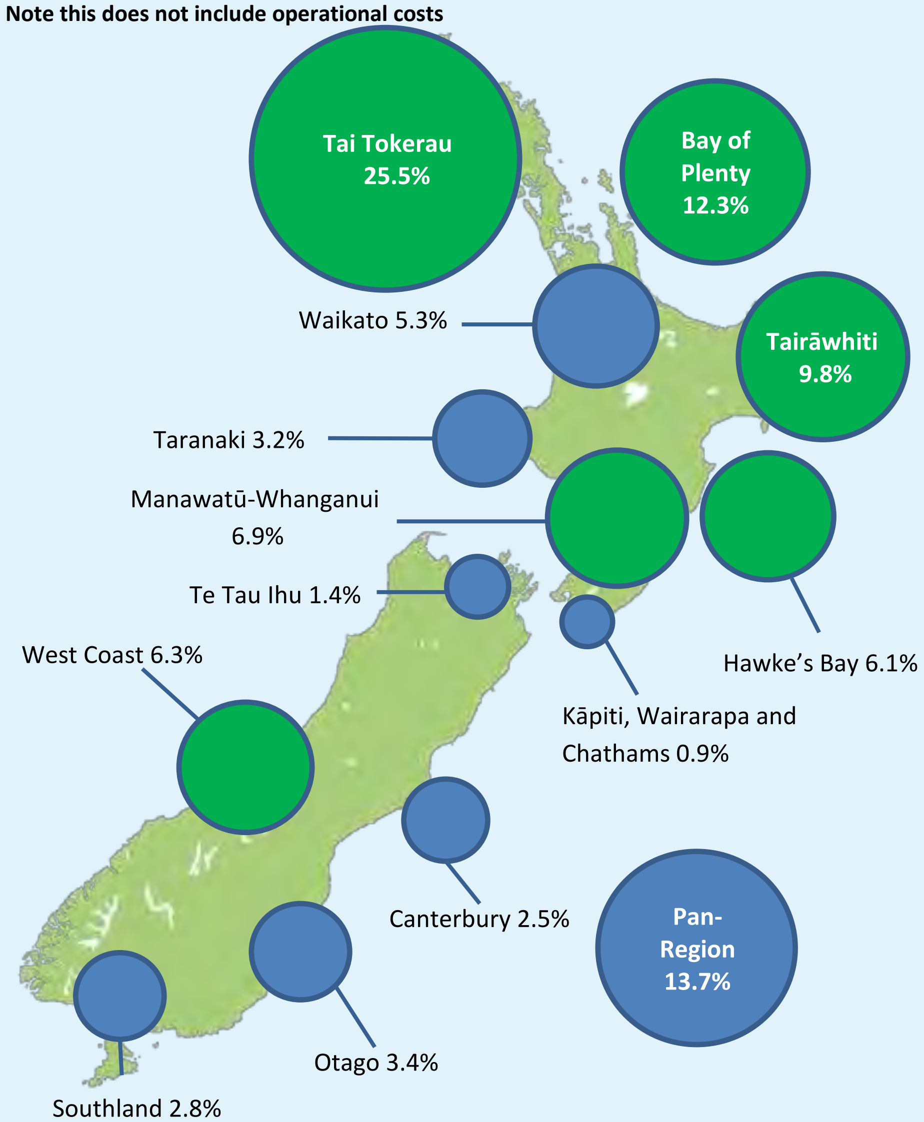
COMMITTED TIER FUNDING



Note: Other represents operational expenditure

DISTRIBUTION OF APPROVED FUNDING

Note this does not include operational costs



SECTOR FUNDING

Sector	Committed	Approved	Contracted	Paid
Forestry	$437.8m	$348.0m	$307.7m	$73.5m
Rail	$421.4m	$421.4m	$421.4m	$203.9m
Tourism	$390.5m	$377.5m	$334.3m	$125.9m
Road	$274.8m	$274.8m	$237.8m	$55.8m
Training skills / Employment	$259.1m	$242.1m	$171.4m	$71.5m
Water Storage / Management	$130.2m	$130.2m	$43.5m	$11.4m
ICT & Digital Connectivity	$129.8m	$126.8m	$124.2m	$18.7m
Manufacturing / Engineering	$97.5m	$97.5m	$58.9m	$21.8m
Ports	$93.4m	$93.4m	$43.9m	$11.4m
Agriculture / Horticulture	$90.0m	$90.0m	$52.3m	$16.1m
Regional Projects	$81.0m	$81.0m	$31.8m	$10.8m
Other	$80.5m	$80.5m	$57.0m	$10.0m
Aquaculture	$55.9m	$55.9m	$36.7m	$21.8m
Wood Processing	$47.9m	$47.9m	$10.8m	$6.1m
Energy	$31.5m	$31.5m	$11.6m	$1.8m
Airports	$16.6m	$16.6m	$15.3m	$10.2m
Mining	$16.0m	$16.0m	$1.0m	$0.4m
Waste / Recycling	$0.7m	$0.7m	$0.1m	$0.1m
Non-Sector Specific Allocations[2]	$155.2m	$151.6m	$151.6m	$81.1m
Grand Total	**$2,809.7m**	**$2,683.3m**	**$2,111.4m**	**$752.3m**

Note[2]: Includes operational costs and Non-Sector Specific Allocations (unapproved funding) such as Immediate Capital Investments and Small Scale Infrastructure.

REGIONAL FUNDING

Region	Committed	Approved	Contracted	Paid
Tai Tokerau / Northland	$645.3m	$645.3m	$537.4m	$159.5m
Bay of Plenty	$310.3m	$310.3m	$193.6m	$93.5m
Tairāwhiti / East Coast	$247.6m	$247.6m	$195.1m	$56.7m
Manawatū-Whanganui	$173.9m	$173.9m	$124.0m	$34.0m
West Coast	$159.2m	$159.2m	$132.0m	$24.2m
Hawke's Bay	$154.7m	$154.7m	$112.1m	$31.6m
Waikato	$133.9m	$133.9m	$94.3m	$23.6m
Otago	$86.5m	$86.5m	$70.6m	$23.5m
Taranaki	$81.9m	$81.9m	$55.5m	$9.9m
Southland	$70.3m	$70.3m	$49.4m	$10.9m
Canterbury	$63.4m	$63.4m	$45.9m	$11.0m
Te Tau Ihu/Top of the South	$34.3m	$34.3m	$26.6m	$8.6m
Wairarapa	$12.1m	$12.1m	$11.7m	$2.7m
Chatham Islands	$6.0m	$6.0m	$1.1m	$0.6m
Kāpiti	$4.8m	$4.8m	$4.3m	$2.6m
Pan-Region[3]	$625.6m	$499.3m	$458.0m	$259.3m
Grand Total	**$2,809.7m**	**$2,683.3m**	**$2,111.4m**	**$752.3m**

Note[3]: Includes national, multi-region or 1BT region unspecified projects, PGF agency operating costs (i.e. PDU and 1BT), and allocations (unapproved funding) i.e. Te Uru Rakau or Tourism Infrastructure Fund.

PROVINCIAL GROWTH FUND TUAWHENUA

NEEDS ASSESSMENT FRAMEWORK: NEW ZEALAND REGIONS – PRE-COVID-19

		New Zealand	Northland	Auckland	Waikato	Bay of Plenty	Tairawhiti	Hawke's Bay	Taranaki
Population (2018)	Overall	100% **4,699,755**	3.81% **179,076**	33.44% **1,571,718**	9.75% **458,202**	6.56% **308,499**	1.01% **47,517**	3.54% **166,368**	2.50% **117,561**
	Māori	16.5% **775,836**	36.0% **64,458**	11.5% **181,194**	23.9% **109,488**	29.1% **89,778**	52.9% **25,134**	27.0% **44,931**	19.8% **23,298**
	Pasifika	8.1% **381,642**	4.2% **7,542**	15.5% **243,966**	4.5% **20,742**	3.5% **10,926**	4.5% **2,130**	5.6% **9,351**	2.1% **2,520**
Productivity	Share of GDP (2019)	100% **$303,436M**	2.6% **$7,861M**	37.6% **$114,148M**	6.4% **$25,835M**	8.3% **$17,243M**	0.7% **$2,161M**	2.9% **$8,673M**	2.9% **$8,902M**
	GDP per capita (2019)	$62,165	$42,104	$69,974	$54,128	$53,700	$44,004	$50,251	$73,029
	Key Industries (by GDP – 2018) See N.B. below	Manufacturing	**Manufacturing**	**Manufacturing**	**Manufacturing**	**Manufacturing**	Forestry, Fishing, Mining etc	**Manufacturing**	Forestry, Fishing, Mining etc
		Professional, scientific and technical services	Owner-occupied Property Operation	**Professional, scientific and technical services**	Forestry, Fishing, Mining etc	Construction	Agriculture	Agriculture	**Manufacturing**
		Rental, hiring, and real estate services	Agriculture	Financial and insurance services	Agriculture	Forestry, Fishing, Mining etc	**Rental, Hiring and Real Estate Services**	**Rental, Hiring and Real Estate Services**	Agriculture
	Int'l Tourism Spend (% of regional GDP – 2018)	4.0%	3.5%	4.2%	2.7%	3.7%	1.4%	2.0%	1.0%
Social Infrastructure	Affordability (Rent) (2018)	60.7%	72.9%	54.2%	65.8%	69.5%	74.8%	72.9%	67.5%
	Affordability (Buy) (2018)	78.8%	83.8%	83.7%	81.0%	82.8%	80.5%	83.0%	76.6%
Labour Market	Unemployment rate (2020)	4.4%	4.0%	4.8%	4.7%	5.2%	6.3%	4.1%	3.7%
	NEET rate (2020)	15.1%	17.4%	11.3%	12.8%	13.9%	22.4%	11.9%	17.5%
	Median household income (2018)	$89,100	$69,600	$100,500	$87,500	$85,600	$74,200	$77,700	$75,000
Connectivity	Digital (2018)	86.1%	80.1%	89.5%	83.7%	84.9%	78.1%	82.8%	82.0%
Emissions	% contribution to total CO2-e	100%	6%	14%	17%	4%	2%	4%	7%

N.B. "Forestry, Fishing, Mining etc" includes Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services

KEY: LOW | MED | HIGH

PROVINCIAL GROWTH FUND TUAWHENUA

NEEDS ASSESSMENT FRAMEWORK: NEW ZEALAND REGIONS – PRE-COVID-19

		New Zealand	Manawatu-Whanganui	Wellington	Top of the South	West Coast	Canterbury	Otago	Southland
Population (2018)	**Overall**	100% **4,699,755**	5.08% **238,797**	10.78% **506,814**	3.20% **150,609**	0.67% **31,575**	12.76% **599,694**	4.88% **225,186**	2.07% **97,467**
	Māori	16.5% **775,836**	22.9%| **54,570**	14.3% **72,252**	10.8% **16,311**	11.7% **3,687**	9.4% **56,298**	8.7% **19,521**	14.9% **14,484**
	Pasifika	8.1% **381,642**	4.2% **10,140**	8.4% **42,774**	2.3% **3,519**	1.5% **477**	3.2% **18,927**	2.7% **6,099**	2.6% **2,523**
Productivity	**Share of GDP (2019)**	100% **$303,436M**	3.8% **$11,598M**	12.9% **$38,997M**	2.9% **$8,706M**	0.6% **$1,861M**	12.4% **$37,509M**	4.5% **$13,583M**	2.1% **$6,359M**
	GDP per capita (2019)	$62,165	$46,764	$74,251	$55,772	$57,101	$60,101	$57,974	$63,084
	Key Industries (by GDP – 2018) See N.B. below	Manufacturing	**Manufacturing**	**Professional, Scientific and Technical Services**	**Manufacturing**	Forestry, Fishing, Mining etc	**Manufacturing**	Construction	Agriculture
		Professional, scientific and technical services	Agriculture	Public Administration, Defence and Safety	Owner-occupied property operation	Agriculture	Construction	Forestry, Fishing, Mining etc	**Manufacturing**
		Rental, hiring, and real estate services	Public Administration, Defence and Safety	Financial and insurance services	**Rental, hiring and real estate services**	**Manufacturing**	**Professional, Scientific and Technical Services**	**Rental, Hiring and Real Estate Services**	Forestry, Fishing, Mining etc
	Int'l Tourism Spend (% of regional GDP – 2018)	4.0%	1.6%	2.1%	2.9%	17%	4.1%	16%	4.2%
Social Infrastructure	**Affordability (Rent) (2018)**	60.7%	71.6%	55.9%	65.87%	67.7%	57.0%	66.6%	67.7%
	Affordability (Buy) (2018)	78.8%	78.8%	70.8%	82.47%	71.0%	73.2%	79.7%	73.2%
Labour Market	**Unemployment rate (2020)**	4.4%	4.0%	4.5%	2.9%	2.6%*	3.9%	3.9%	2.5%
	NEET rate (2020)	15.1%	11.8%	9.9%	11.3%	11.7%	10.1%	10.1%	10.5%
	Median household income (2018)	$89,100	$70,400	$102,100	$79,000	$78,200	$87,600	$89,400	$74,900
Connectivity	**Digital (2018)**	86.1%	81.1%	88.8%	86.6%	76.5%	86.5%	86.0%	80.5%
Emissions	**% contribution to total CO2-e**	100%	7%	5%	3%	2%	15%	7%	7%

** The unemployment rate for the West Coast has been suppressed. The rate here is for Top of the South and West Coast combined*

N.B. "Forestry, Fishing, Mining etc" includes Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services

KEY LOW MED HIGH

NORTHLAND / TE TAI TOKERAU – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE-COVID-19 STATE

Regional Productivity

GDP: $7,861m (2019) (representing 2.6% of NZ's GDP); $42,104 per capita

Annual GDP Growth: 4.5% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$888M	3.0%
Owner-Occupied Property Operation	$713M	3.9%
Agriculture	$644M	5.2%

International Tourism share of regional GDP: 3.5% (2018)

Housing

Mean weekly rent: $397.1837 (2020)

Median house price: $565,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 142,800 (2020)

Participation: 64.2%, with an estimated average of 92,400 employed (2020) Employment rate: 61.6% (2020)

Median annual household income: $69,600 (2018)

Unemployment rate: 4.0% (2020) **NEET rate:** 17.4% (2020)

Reliance on migrant workers: 4% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Retail Trade.

Connectivity

Major centres: Whangarei is the main city in the region, with other significant towns including Kaitaia, Kerikeri and Dargaville.

Population spread: 179,076 resident population (2018), with 50.5% urban, 49.5% rural (2018)

Airports: 3 commercial – Whangarei, Bay of Islands (Kerikeri), Kaitaia.

Ports: Marsden Point, near Whangarei.

Road: SH1 provides the main roading connectivity.

Rail: Investigation in rail opportunities to Whangarei and Marsden Point are on-going. Rail network from Auckland to Whangarei and Dargaville

Digital: 80.1% of households have internet access (2018).

Māori

Population: 36.0% (64,458) (2018)

Working age: 43,800 (2020)

Participation: 62.4% (2020)

Unemployment rate: 9.3% (2020)

Pasifika

Population: 4.2% (7,542) (2018)

Working age: 4,400 (2020)

Participation: 60.3% (2020)

Unemployment: 9.5% (2020).

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- There are significant challenges around access in Northland – with its large rural disparate population. Digital infrastructure can be a challenge to access.
- Access is a contributing factor to the high NEET population and unemployment rate.
- Significant Māori population – opportunity to build Māori economy, particular to improve average earnings.
- Economic Development bodies have the capability to meet the challenges, but may need more support for capacity.
- Significant investment has been made through the PGF in recent years to tackle physical connectivity issues.
- **Northland is facing significant challenges in ensuring water security due to ongoing droughts.** The PGF has allocated up to $2 million to set up temporary water supplies in Kaikohe and Kaitaia, with $400,000 to be met by Far North District Council.

Regional Economic Development Bodies.

Northland Chamber of Commerce and **EDA: Northland Inc** which has developed the Te Tai Tokerau Northland Economic Action Plan and Strategy, refreshed and representative.

Northland Regional Council had no debt in 2019 *[Source: StatsNZ]*

PGF Investment to date

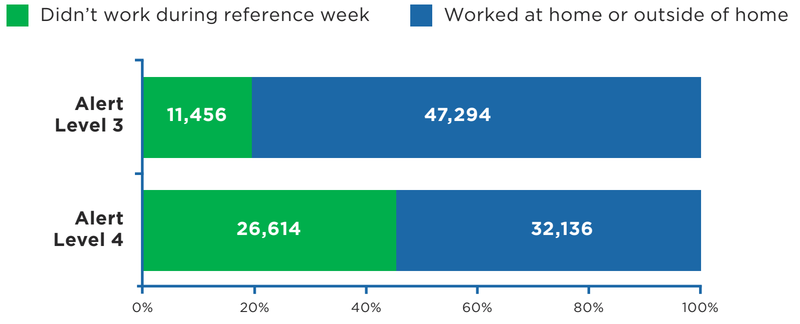
Announced funding: $509.53M for 100 projects

Largest investments by sector: Rail $207.23M; Forestry $100.67M; Tourism $57.32M.

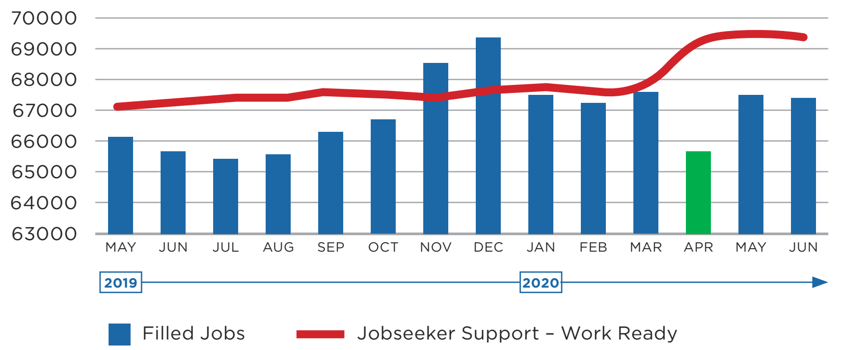
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



Māori job losses 2020-22: 3% *[Source: Infometrics 2020]*

Infometrics considers the region has a high concentration of construction employment which is set to see a considerable fall in building activity. Investment will be needed to mitigate this.

Concentration of the economy on the Marsden Point Refinery and tourism for the Far North presents opportunities *[Source: Infometrics 2020]*

Northland Regional Council has projected the following impacts:

- **GDP:** an 8% fall in the year ended March 2021. Recovery to pre-COVID19 levels not expected until at least 2024.
- **Employment:** a 10% reduction by 2022 (around 9,000 people). This is twice that experienced as a result of the Global Financial Crisis.
- **Unemployment:** projected to more than double to 12,000 people by 2021/2022.
- **Household incomes:** a 10% reduction from over $89,000 in 2019 to under $80,000 in 2021/2022. However, this is projected to be less than GFC levels because of the significant Government support.

[Source: Economic Quarterly – Issue 26 published 6 April 2020]

Future outlook

- Success of agriculture industries will be highly dependent on water storage and supply solutions if the drought conditions perpetuate.
- Forestry industry will recover as international demand recovers. This will be dependent on the state of international economics, but some demand from China has already returned. Depending on whether this demand can be sustained, there could be more displaced workers expected from the industry.
- Some impact from no international tourism. This may be mitigated by an increase in domestic tourism.

Industry	Employed	Likely COVID-19 impact	Detail
Health Care and Social Assistance	9,700	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Retail Trade	6,700	Significant	Forecasts show there could be a more severe and potentially longer lasting impact than the GFC. Retail is closely linked with tourism in parts of the region.
Manufacturing	6,300	Small	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service. Wood manufacturing recovery will be dependent on international demand.
Education and Training	6,000	Small	Northland does not have a significant number of international students.
Agriculture, Forestry and Fishing	5,600	Medium	The primary sector will continue to be the basis of significant economic activity in Northland; however, drought conditions are causing additional challenges. Although badly affected initially, Chinese demand for logs is recovering. International prices for wood, dairy and meat will be critical to the region's recovery.

[Source: LEED 2018]

TĀMAKI MAKAURAU / AUCKLAND – Regional Profile

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

PRE COVID-19 STATE

Auckland role as NZ's only city of international scale

Auckland accounts for 37.6% of NZ's economy ($114 B, 2019[1]) and is NZ's only tier two global city. Its scale enables deep labour markets, economic diversity and specialisation. Auckland has the greatest concentration of advanced, knowledge intensive firms nationally. These firms provide business services to industries across NZ, including agriculture. Auckland plays an important role in attracting foreign direct investment and highly skilled migrants. Due to its scale, international airport, ports and its high percentage of foreign born residents; Auckland is New Zealand's gateway and hub for international travel and trade. Auckland is headquarters for two thirds of New Zealand's top 200 companies and has a critical mass of public and private research institutes. Auckland comprises a hierarchy of urban centres and industrial hubs, each playing different roles in the regional economy.

Table 1. Main contributors to GDP (2018)[1]

Main contributor to GDP – 2018	GDP	% of sector	5-year change
Manufacturing	$10,168M	38%	▲ 19%
Professional, Scientific and Technical Services	$9,878M	46%	▲ 38%
Financial and Insurance Services	$8,500M	56%	▲ 47%
Rental, Hiring and Real Estate Services	$8,364M	42%	▲ 37%
Information Media, Telecommunications and Other Services	$7,365M	47%	▲ 27%
Wholesale Trade	$7,276M	56%	▲ 25%
Owner-Occupied Property Operation	$6,214M	36%	▲ 28%
Construction	$5,935M	35%	▲ 77%
Health Care and Social Assistance	$5,514M	35%	▲ 33%
Transport, Postal and Warehousing	$5,448M	43%	▲ 44%

Auckland needs to lift productivity

Auckland's productivity premium is small compared to comparative cities internationally with GDP per capita at $69,974 (2019[1]). Auckland's productivity has not improved with its strong population growth, with recent job growth being in lower paid services sectors. Leveraging Auckland's inherent scale and agglomeration to lift productivity remains an ongoing challenge.

International migration has driven growth

Auckland is one of the most ethnically diverse cities in the world with 51% of the workforce born overseas (2018[2]). The last five years have seen historic levels of international migration. Auckland is home to nearly a quarter of NZ's Māori population, 65% of NZ's Pasifika population, and 60% of NZ's Asian population (2018[2]). Māori in Tamaki Makarau comprise 19 Post Settlement Governance Entities, and large populations of Taurahere and Mātāwaka.

Auckland struggles to manage population growth

High population growth and historic underinvestment in infrastructure has increased congestion and associated costs. Auckland has one of the highest housing unaffordability rates internationally, partly due to its comparatively low average incomes and persistent constraints to housing supply. Significant development capacity has been enabled through the Auckland Unitary Plan, including greater urban intensification along transit corridors. A number of significant transport investments signalled in the Council's ten year long term plan aim to increase connectivity between centres and increase PT and active transport (e.g. CRL).

While there is good high speed broadband infrastructure, household internet access varies significantly between local boards (62% in Mangere/Otahuhu vs the Auckland average 82%, 2018[2]) with little change over five years suggesting a persistent digital divide.

Significant socio-economic disparities within Auckland

Auckland experienced high employment growth over the last decade and regional household incomes are above the NZ average. However significant disparities in labour market outcomes exist within Auckland and high housing costs place financial stress on a high proportion of households. Unemployment rates for Māori and Pasifika are generally double that of Asian and NZ European, while only 41% of Aucklanders report they have enough money to meet their everyday needs (2019[3]), suggesting that over half of Auckland households lack resilience to economic shocks.

Table 2. Auckland labour market outcomes[4]

	All ethnicities	Māori	Pasifika
Resident Population (2018)	1,571,718	11.5% of Akl pop. 23.3% NZ Māori pop. (181,194)	15.5% of Akl pop. 65% NZ Pasifika pop. (243,966)
Working age population (2018)	1,353,100	114,000	180,000
Employed (2019)	916,300	70,000	103,000
Participation rate (2019)	70.3%	66.6%	62.7%
Unemployment (2019)	4.2% (40,300)	8.3% (6,400)	8% (9,600)
NEET (2019-20 annual average)	11.3% (26,400)	18.8% (5,900)	15.7% (7,800)
Medium personal weekly income (2018)	$671	$630	$536
Average Household income p.a.	$117,500		
% workforce who are temporary migrants	10%		
Mean weekly rent $540.00 (2020)	Median house price $928k (June 2020)		

IMMEDIATE IMPACTS OF COVID-19

Industries hardest hit under lockdown

Due to Auckland's scale, the number of workers and firms impacted under lockdown was considerable. Retail & Accommodation and Food Services sectors collectively employ 159,072 people[5], Construction employs 82,000 and comprises 848 firms[5], many of which are SMEs and vulnerable to cash flow disruption.

In addition, highly impacted sectors such as International Education and Aviation are disproportionality located in Auckland. Screen was initially affected but additional international enquiries potentially boosting the sector should hasten recovery. Auckland's economy is not buffered by a large primary sector which has seen demand for primary exports grow during COVID.

Electronic card spending over June shows aggregated domestic expenditure is beginning to recover, however some categories e.g. accommodation, arts and recreational services and travel expenditure are lagging behind other categories[6].

Table 3. Additional people receiving job seeker Feb-June 20[7]

	Number	Change as % of WAP
Māori	3,163	2.7%
NZ European	3,567	0.7%
Pacific peoples	3,015	1.9%
All other ethnicities	3,679	1.4%
Total population	14,906	1.4%

Additional job seeker numbers

As a proportion of the regional working age population, Māori are four times more likely to have received a job seeker benefit from Feb – June than NZ Europeans (table 3[7]).

Communities hardest hit

Hardest hit were people employed in impacted industries, particularly if in low skilled occupations and casualised and precarious work, and those in low income households with less digital access and fewer resources to buffer employment shocks. These individuals and households are disproportionality Māori and Pasifika and are geographically concentrated in South and West Auckland.

Māori and Pasifika communities have responded in innovative ways during the lock down, eg though coordinated support from community networks and marae to provide advice, digital devices and food parcels to families and businesses.

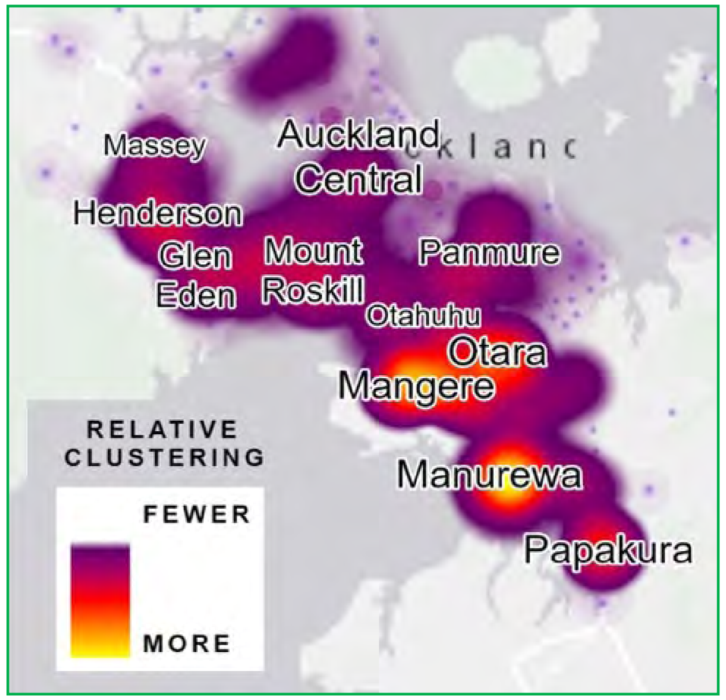


Figure 1: Council distribution of food parcels as of 27.4.2020 (source, Auckland Council)

Immediate Auckland Council response

Auckland Council implemented a $65 million rates relief package including suspending the bed tax. It supported the hospitality sector transition to takeaway and delivery services and temporarily relaxed restrictions around outdoor dining licences. As of June, ATEED, as Auckland's delivery agent for the Regional Business Partner Network delivered over $4 million in business advice vouchers to over 3,000 SMEs providing COVID advice and support to businesses. During lockdown, the Council distributed 1,500 food parcels per day (figure 1).

TĀMAKI MAKAURAU / AUCKLAND – Regional Profile

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVID RECOVERY CHALLENGES FOR AUCKLAND

Sheer scale of job loss

Regionalised modelling suggest impacts will be significant. Infometrics modelling[8] suggests Auckland may experience a 10.1% employment loss over the next 12 months, the fourth highest regional share following Otago, West Coast and Canterbury. This could be in the magnitude of 91,000 jobs[9].

NZIER's modelling[10] suggests that Auckland may experience the third greatest GDP percentage loss associated with tourism following Queenstown and Rotorua. Due to Auckland's scale, this translates to a very significant number of workers, firms and lost economic activity. Given the importance of immigration to Auckland's economic growth, the shutdown of migration flows will also put a significant break on the regional economy.

Recovery may take longer and require greater transformation in Accommodation and Food Services, Retail and related Wholesale sectors and activities linked to international tourism, and the International Education sector.

Impact and uncertainty around the border closure

Border closure and the deep uncertainty around when borders will reopen has disrupted firms across multiple industries, not only tourism and international education. Issues include disruption to supply chains (imports and exports), staff stranded overseas, investors not being able to visit NZ, and firms unable to get overseas specialists in to service equipment or new staff with specialist skills. Freight for high value imports and exports have tripled with the loss of passenger flights.

Auckland 2021 was to showcase Auckland internationally and attract visitors. Preparing and hosting America's Cup, and international sporting events will be challenging due to border restrictions, potential social distancing requirements and delays to infrastructure projects. APEC will now be hosted as an online event.

Table 4. Auckland sectors immediately impacted by COVID

Accommodation & food services	73,431[11] employed in this sector which is estimated by the Reserve Bank as the hardest hit under lock down. Paymark ECT data[6] shows accommodation spending has increased to 80% of last year's levels, while food services expenditure is almost equal to 2019 levels[6].
Retail	85,641 employed, 13,677 firms. Retail is recovering but expected to remain below pre-COVID levels as households increase precautionary saving and a loss of international tourism spend. It is likely that broad market trends evident prior to COVID-19 will be accelerated; for example, the shift toward online retail[10].
Tourism (non-local accommodation & food services, retail and transport)	Infometrics estimate Auckland will lose 13,000 tourism jobs to March 2021[8]. Stafford Strategy estimates Auckland will lose $367M per month from the loss of international tourism[12]. International events could be hard hit if borders remain closed.
International education	Auckland receives 57.5% national economic contribution ($2.8 billion and 26,000 jobs). Infometrics estimate a 49% reduction ($2,760M) in revenue nationally to March 2021[8]. As of May there were 14k tertiary full fee paying international students in Auckland[13]. Tertiary education providers have been asked to explore safe quarantine options. COVID has accelerated the need for International Education to transition from quantity to quality.
Development Sector/ Construction	There are 848 firms and 82,467 employed in the construction sector (2018[5]). The sector employs a high proportion of Māori and Pasifika, particularly in lower skilled jobs. Loss of business confidence is expected to slow commercial and residential development with Infometrics estimating more than 9,100 jobs could be lost[8]. Government investment should help restore developer confidence to some degree, however a demand crunch could still occur. The sector will need to continue to address pre-COVID challenges including low productivity and skills.
Transport, postal and warehousing and Wholesale trade	103,275[8] employed with aviation activity particularly impacted. Auckland International Airport and business precinct is significantly impacted in terms of passengers and high-value freight. Once borders reopen it will take time for international routes to re-establish with some routes potentially stopping all together with tourism and freight implications. Auckland Council will lose revenue from its Airport shares.

Maintaining viable scale of critical industry clusters

It will be important that Auckland maintains viable scale and functionality of both its knowledge intensive clusters (table 5) and clusters that provide national economic efficiency (e.g. transport, warehousing and wholesale trade) to continue to attract investment and growth. This includes maintaining vitality in Auckland's CBD as city hubs are an important attractor of investment and tourism. Auckland Central has been the slowest area to recover post lockdown based on credit card spending (MBIE, 2020[6]).

Table 5. Knowledge intensive industry clusters of national scale

Professional services sector	Professional services will be squeezed by the downturn in economic activity nationally. Employing 136,587 in Auckland[5], even a moderate downturn could cause a large loss of jobs
Digitech	51.7% of national employment, 3% of regional employment[16]. Identified industry for Māori and Pasifika youth. While some tech firms experienced initial work increases, 68% of all companies surveyed nationally have lost customers post-COVID[14].
Creative industries	31,082 employees and 10,779 firms[15]. The largest (55.5%) and fastest growing area is computer system design and related services. Screen and video activities comprises 1,773 firms & employs 1,572 people[15]. Important growth opportunity for West Auckland and identified industry for Māori and Pasifika youth.
F&B manufacturing	Has hallmarks of an internationally significant cluster in Auckland with considerable potential to scale up. Large (if declining) employer for South Auckland communities.
Advanced manufacturing	Health Technologies 4,550 employees, 165 firms[15]. Machinery & Equipment – 12,414 employees[15].

COVID is likely to intensify existing inequalities

Existing inequities within Auckland are likely to be intensified by a post COVID-19 recession. Infometrics' Auckland analysis finds Māori and Pasifika are heavily over-represented in a number of impacted occupations & industries including construction, aviation, non-food manufacturing and slightly over-represented in retail and hospitality. Following the last three recessions, Māori and Pasifika unemployment rose 2-3 times higher than that of European New Zealanders[17]. If a COVID-19 recession results in a similar pattern, unemployment amongst Māori and Pasifika could exceed 20%.

Māori and Pasifika populations are also younger[i] and youth are generally hit harder and for longer by recessions. As well as intensifying inequalities, this could affect the resilience and productivity of Auckland's future workforce as Māori and Pasifika are projected to increase to 29% of the regional workforce by 2028[18].

Migrant communities are also likely to be hard hit especially more recent arrivals who are newest to the labour market, with less local experience.

Existing geographical deprivation may become more entrenched. Figure 2[19] shows pre-COVID unemployment was concentrated in South Auckland and two local board areas in West Auckland. Concentrated geographical deprivation creates its own sets of challenges. We may see new groups of disadvantaged households, for example international data suggest women may be more impacted by this recession than the GFC.

There will be a tension between getting people into any work quickly, and getting people into jobs that provide career progression, as certain jobs trap people into in-work poverty[20]. Some impacted sectors are also characterised by low-wage, casualised jobs and higher prevalence of labour standards breaches. As unemployment rises, labour exploitation of more vulnerable workers (e.g. migrants & youth) also tends to rise, and Auckland stakeholders have reported early signs of this.

A prolonged recession could erode social cohesion

Auckland's social cohesion and collective action has been strengthened in response to the immediate crisis but this could be eroded during a prolonged recession. Auckland faces unique challenges in maintaining social cohesion given its significant ethnic diversity – processes that connect diverse communities will be required.

Addressing historic infrastructure deficits & greater planning uncertainty

Auckland faces infrastructure deficits due to historic underspending on renewals, and congestion and capacity problems from recent population growth. Auckland Council's 2018 Infrastructure Strategy estimates $88.6 billion is required over the next 30 years. The Council has estimated a $750 million shortfall due to forecast revenue reductions, and unexpected drought costs. The Government has committed approximately $500 million to Auckland in terms of shovel ready infrastructure projects. Projecting Auckland's population growth for infrastructure planning has become even more uncertain due to COVID impacts on international migration. However COVID is likely only to delay growth projections (Auckland Transport for example is forecasting a 2 year delay) rather than substantially change the growth trajectory. COVID may also have altered some behaviours, notably working from home, changing transport demand patterns.

Increase housing shortage over the medium-term

There are already signs that COVID is driving supply and demand shocks to the residential housing sector which has the potential to intensify Auckland's existing housing shortage. Falling house prices will reduce investor interest in new housing. Following the GFC it took years to rebuild industry capacity and capability to make significant in-roads on Auckland's housing shortfall. High density typologies are likely to be the most affected due to banks requiring higher profit margins and presales as conditions for finance, which will impact urban intensification goals.

iThe median age of the Pacific population in Auckland was 24.0 years, compared with 34.7 years overall in Auckland, (2018 Census)

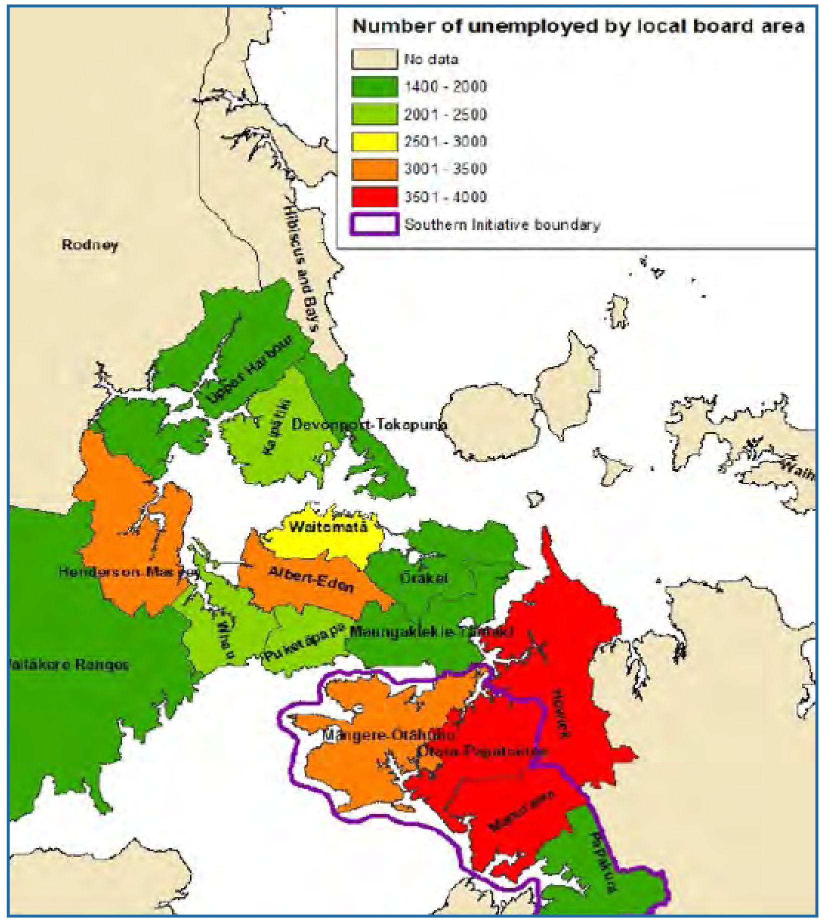


***Figure 2.** Unemployment by local board March 2019*

TĀMAKI MAKAURAU / AUCKLAND – Regional Profile

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

OPPORTUNITIES FOR GOVERNMENT FOCUS

Partnering on Auckland's recovery

The Government has provided a substantive national support and recovery package. MBIE with other agencies has the opportunity to work closely with regional stakeholders to utilise and tailor that package to Auckland. A number of local innovative collaborations between business, community and council emerged during COVID. These collaborations could be strengthened to ensure solutions work at the local level and leverage off each other. The Government's productive, inclusive and sustainable economic strategy is well aligned with the goals of the Council's Auckland Plan – and together they can provide a regional framework for steering investment.

Importantly MBIE has the opportunity to strengthen Crown Māori partnerships by more purposefully partnering with mana whenua in the development and implementation of Auckland's recovery.

Auckland scale and complexity along with the volume of new initiatives already announced will require a greater degree of joined-up government in order to align and fully leverage recovery initiatives. To support this, the Chief Executives of the government agencies located in the Auckland Policy Office (APO) have agreed that the APO will play a coordination role across government agencies and with the Council on Auckland recovery work. This would include a focus on coordinating data and insights on Auckland's recovery to best understand where further policy and investment is needed, monitor the effectiveness of investments in the Auckland context and for infrastructure investment – ensure that pre-COVID earlier cost/benefit analysis remains valid in the face of changing demand patterns.

Areas for increased investment or regional partnership for MBIE

Growth and transformation of key industries

As well as restarting the economy, the recovery phase aims to support the transition to a more productive, sustainable and inclusive Auckland economy by partnering with industries to drive transformation and support employment recovery. To enable this, government is refreshing its Industry Strategy with a COVID lens. Auckland can play a strong role in the tripartite development and implementation of national industry strategies for Food and Fibre (including F&B manufacturing), Construction (through the Accord), Digitech, and advanced Manufacturing.

The region's EDA, ATEED, is developing a regional recovery strategy, with areas of strong alignment with the Government's strategy including a focus on Digital Technology, Construction, Manufacturing (a focus on F&B) and Creative (including creative digital) industries. It also focusses on Destination management recovery. ATEED is assessing each of the sectors in terms of supply chain resilience, digital enablement, regenerative capability, and workforce.

Areas of potential additional investment stakeholders have suggested include;

- Supporting development of creative tech hub and screen precinct along the central – west corridor to leverage Amazon Studios production taking place in west Auckland
- Collectively developing a solution with tertiary education providers to enable high value international students into country.

R&D investment and innovation

Some specific areas of potential investment have been suggested by Auckland and government stakeholders;

- leveraging New Zealand's "safe haven" status to attract international investment and talent, and increase the attractiveness of our exported goods and services and taking advantage of the reset to position Auckland as a global, liveable, multicultural city with a productive economy
- creating the regulatory space for new technologies to be tested ("regulatory sandbox")
- growing the knowledge-intensive sector, leveraging R&D and the existing ecosystem in Auckland, with a focus on growing the sector in south Auckland

Delivering these could include;

- facilitating start-up hub(s) and access to R&D funding for start-ups
- strengthening and co-ordinating investment attraction (Invest Auckland)
- working with NZ Story to develop Auckland's international brand – showcasing its safe haven, diversity, and manaakitanga, kaitiakitanga

SME and export firm support

Government provided additional Regional Business Partners Networks funding to support business during COVID, and NZTE and MFAT are supporting firms with issues arising from the border closure. There is an ongoing need for supporting firms recover from the immediate COVID impacts and increase resilience and productivity through increased digitisation drawing on new Budget 2020 programmes. This requires significant investment in Auckland due to the sheer scale of firms including the numbers of firms in impacted sectors. This includes a focus on Māori and Pasifika firms. There is also an opportunity for ATEED, NZTE, Callaghan, MSD and MFAT to work more closely in the provision of business support. With 51% of Auckland's workforce born overseas, the design and delivery of business services need to be cognisant of the diversity of the Auckland business environment.

Training & employment opportunities with a focus on Māori, Pasifika & youth

Budget 2020 provides significant employment, skills and social investment initiatives including ones specifically for Pasifika and Māori. How these programmes will be delivered across NZ is under development, but with Māori and Pasifika populations of nationally significant scale in South and West Auckland, targeted investment in these areas would support inclusive recovery nationally. Increased investment relevant to Auckland include the Auckland Pasifika Skills Shift, the expansion of He Poutama Rangatahi and Jobs and Skills Hubs and the Māori apprentices programme.

There has been considerable investment in active labour market programmes over the last two decades but effort has been fragmented and has not significantly improved outcomes for targeted groups. There is a need to get the tertiary sector and labour market working more effectively for Māori and Pasifika and to address the wider structural issues that drive poor labour market outcomes for these communities.

Budget 2020 provides the opportunity for greater cross-government and cross-tertiary sector collaboration and for working in partnership with Auckland stakeholders to deliver a coherent regional delivery ecosystem, one that feeds learnings back into national policy. The new Auckland Regional Skills Leadership Group is an important coordination mechanism but additional mechanisms and processes may be required. A mechanism that connects up community funded and government projects and which provides a shared learning process across them is one identified gap.

Auckland stakeholders have also suggested the following additional opportunities;

- Skills and internship programmes for displaced workers and Māori and Pacific peoples in the creative digital industry
- Co-design solutions that incentivise students from households experiencing financial hardship to complete their secondary school education, dissuading them from leaving school to take on jobs to support their families
- Work in partnership with Council, marae, churches and education programmes including Talanoa Ako to generate community and civic participation programmes where school leavers who can't find work can learn soft and technical skills (eg digital). This could be supported through a dedicated grants fund for community organisations and social enterprises
- Run programmes to strengthen outcomes for migrant and refugee communities and to strengthen social inclusion in Auckland's super-diverse population.

Leveraging Government and Council procurement for recovery outcomes

Public sector contracts will become increasingly important for many firms during the recession and public sector procurement in Auckland runs in the billions. Government and Council could be very ambitious in leveraging regional business opportunities; Māori, Pasifika and social enterprise opportunities; job creation, training and apprenticeships, fair and safe work conditions and sustainability outcomes though procurement. Auckland Council's He Wake Eke Noa platform provides an intermediary for matching Māori and Pasifika firms with public and private sector procurers.
MBIE is contracting the Pacific Business Trust to build the capability of pacific firms to successfully take part in procurement processes, with majority of Pasifika firms based in Auckland.

Infrastructure investment for urban growth management

COVID-19 emphasises the need for the current set of urban development interventions for managing Auckland's growth, such as those under the Urban Growth Agenda and the Urban Development Bill. It also highlights the need for infrastructure investment to reduce the construction demand shock and reduce current and future growth pressures. Transport investment has an existing formalised prioritisation process through the Auckland Transport Alliance Project (ATAP).The announced shovel ready investments will support infrastructure deficits.

Infrastructure investment to support prioritised urban development areas include;

- Auckland Housing Programme (Tāmaki, Mt Roskill, Northcote, Oranga, and Mangere) led by Kāinga Ora to redevelop housing stock to provide improved and larger stock of state housing, as well as additional market and affordable housing
- Greenfield areas such as Drury and Redhills
- Manukau Regeneration area
- Areas around new CRL stations and the existing stations on the network that benefit from the CRL investment
- Other areas of Crown-facilitated urban development, such as Unitec.

Where relevant, MBIE and ATEED could work at the structure planning stage of developments with Kāinga Ora and HUD to explore economic and employment opportunities.

Reduce Auckland's emissions & go circular

Auckland Council had committed to cutting the region's emissions by 50% by 2030. To reduce carbon emissions, recovery investment would focus on transit orientated urban development and public and active transport (as proposed under infrastructure investment) and supporting circular economy initiatives. An ATEED/Sustainable Business Network report found Auckland could reduce emissions and be $8.8 billion better off in 2030 if the region shifted to a circular economic model.

Areas of potential investment suggested by Auckland stakeholders;

- Explore the business case for a South Auckland Eco Park. This would be designed to divert commercial and residential waste from landfill, create local jobs and spin off circular economy business opportunities.
- Investigate scaling the pilot XLabs circularity programme launched by ATEED in response to the SBN report. The pilot of 14 companies was completed during lockdown and helps companies of all sizes to incorporate circularity design principles.

WAIKATO – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $25,835m (2019) (representing 6.4% of NZ's GDP); $54,128 per capita

Annual GDP Growth: 6.4% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$2,688M	9.1%
Forestry, Fishing, Mining, Electricity, Gas, Water, and Waste	$2,362M	15.4%
Agriculture	$2,132M	17.1%

International Tourism share of regional GDP: 2.7% (2018)

Housing

Mean weekly rent: $404 (2020)

Median house price: $600,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 380,400 (2020)

Participation: 70.5%, with an estimated average of 255,500 employed (2020)
Employment rate: 67.2% (2020)

Median annual household income: $87,500 (2018)

Unemployment rate: 4.7% (2020) **NEET rate:** 12.8% (2020)

Reliance on migrant workers: 5% of workforce are migrant/seasonal workers. Top 3 industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry, Fishing; Retail.

Connectivity

Major centres: Hamilton, Taupō, and Coromandel Peninsula, with smaller centres servicing agricultural operations.

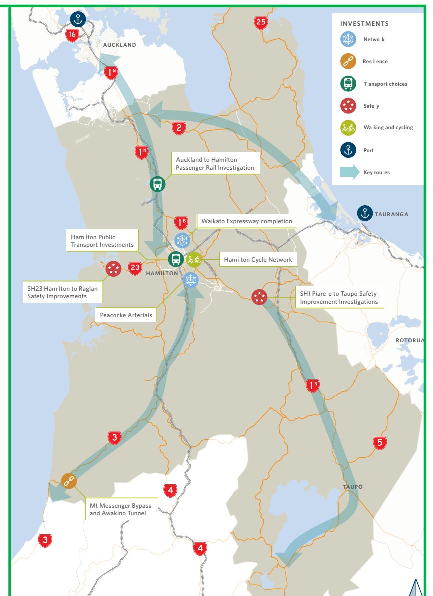
Population spread: 458,202 resident population (2018), with 71.7% urban, 28.3% rural (2018).

Airports: Hamilton, Taupō and Thames.

Road: SH1/29 and Express Way – 40% of NZ's freight movements go in, out, or through the region.

Rail: The East Coast Main Trunk Line, rail networks strategically between Auckland and Bay of Plenty.

Digital: 83.7% of households have internet access (2018).



Source NZTA

Māori

Population: 23.9% (109,488) (2018)

Working age: 64,900 (2020)

Participation: 66.9% (2020)

Unemployment rate: 8.5% (2020)

Pasifika

Population: 4.5% (20,742) (2018)

Working age: 11,700 (2020)

Participation: 70.0% (2020)

Unemployment rate: 9.3% (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Agriculture and other primary industries are an important backbone of Waikato's economy. However, droughts are challenging and affect production. Key opportunities exist in promoting technology and moving up the value chain.
- Economy is relatively diverse, with key industries including dairy, aquaculture, geothermal, forestry and tourism.
- Waikato remains a key gateway to Auckland and its offshore opportunities. Infrastructure needs to support its share in these opportunities – road, rail, and social.
- Tourism is mostly domestic, with a small share in international.
- Significant Māori population – opportunity to built Māori economy, particularly to improve average earnings, housing and develop unused Māori land.
- Pockets of deprivation: Tokoroa, Ngaruawahia, Waharoa, Te Kuiti, and Otorohanga
- Opportunity to provide a stronger "whole-of-region" view on economic development.

Regional Economic Development Bodies

EDAs: Enterprise Great Lake Taupō, Opportunity Hamilton and Te Waka. Waikato, Cambridge and Te Awamutu have Chambers of Commerce.

Te Waka is responsible for the Waikato Regional Economic Programme (2018-2022). Subsequent Waikato Region Māori Economic Action Plan, and Southern Waikato Economic Action Plan created to reflect interests.

Waikato Regional Council had $2.012M of debt in 2019 *[Source: StatsNZ]*

PGF Investment to date

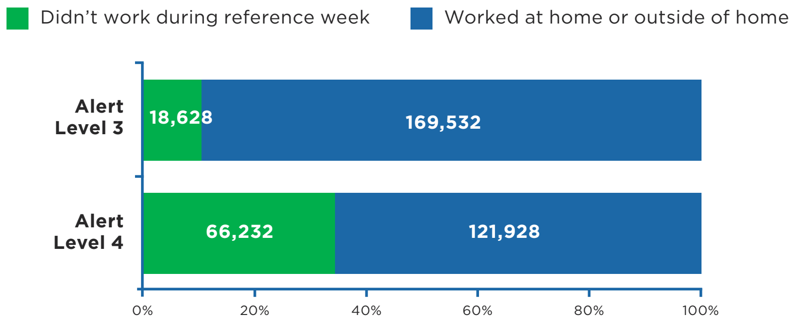
Announced funding: $104.79M for 34 projects

Largest investments by sector: Ports $20.78M; Mining $17.90M; Road $17.11M

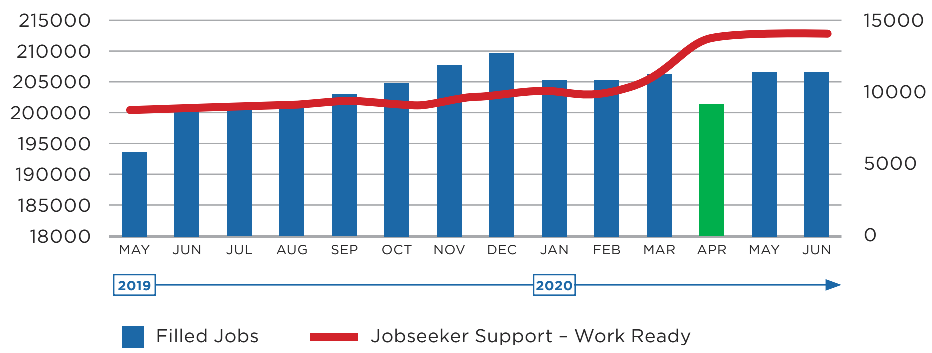
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



- Projected Māori Jobs losses 2020-22: 8% *[Source: Infometrics 2020]*
- Drought conditions have had an impact on dairy production in this region. The impact of COVID-19, which has not only helped to dampen dairy prices, but has also slowed the export of logs into China, with adverse knock on effects for upstream harvesting activity and regional employment.

[Source: Westpac Regional Roundup June 2020]

In June, Waikato District Council's Strategy and Finance Committee noted the following likely Impacts from a survey of over 800 households and businesses:

- 83% of businesses accessed the wage subsidy
- 25% increase in Job Seeker benefit numbers; 47% of these new job-seekers are first time beneficiaries
- Effects of the drought, commodity prices, and export hurdles have negatively impacted the agriculture, forestry and fishing sectors

[Source: https://www.waikatodistrict.govt.nz/news/media-releases/article/2020/06/10/report-highlights-covid-19-impacts-on-waikato-district]

Future outlook

- Primary Industries, such as Agriculture and Forestry will remain an important and resilient part of Waikato's economy. The main threat to the success of these sectors is water security. Droughts have seen severe impact, with early drying off and use of feed. Water storage will need to be an important factor in the future economy.
- Māori are likely to experience worse outcomes, so targeted support will be important.
- It is likely the Taupo area will continue to see significant domestic tourism and depending on the length of the border closure this may be higher than previous years.

Industry	Employed	Likely COVID-19 impact	Detail
Manufacturing	24,400	Medium	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service.
Health Care and Social Assistance	23,200	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Retail Trade	19,200	Significant	Forecasts show there could be a more severe and potentially longer lasting impact than the GFC.
Agriculture, Forestry and Fishing	18,300	Neutral	Food production will remain an important and resilient part of Waikato's economy, accounting for 14% of NZ's food related workers *[Infometrics 2020]*. The Primary sector provides an area of strength as global dairy trade prices continue to hold up well. The industry may provide opportunities for displaced workers.
Education and Training	18,100	Small	The Waikato region had nearly 6,000 international students in 2019 across all sectors *[Source: Ministry of Education]*. More people usually enrol in education and training institutions during an economic recession.

[Source: LEED 2018]

BAY OF PLENTY – Regional Profile

PROVINCIAL GROWTH FUND
TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $17,243m (2019) (representing 8.3% of NZ's GDP); $53,700 per capita.

Annual GDP Growth: 6.2% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$1,457M	4.9%
Construction	$1,281M	6.9%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	$1,260M	8.2%

International Tourism share of regional GDP: 3.7% (2018)

Housing

Mean weekly rent: $448 (2020)

Median house price: $660,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 257,700 (2020)

Participation: 69.8%, with an estimated average of 170,600 employed (2020)
Employment rate: 66.2% (2020)

Median annual household income: $85,600 (2018)

Unemployment rate: 5.2% (2020) **NEET rate:** 13.9% (2020)

Reliance on migrant workers: 9% of workforce are migrant/seasonal workers. Top three temporary visas industries: Agriculture, Forestry and Fishing; Accommodation and Food Services; Administrative and Support Services.

Connectivity

Major centres: Tauranga, Rotorua and Whakatane are the main centres. Other centres include Te Puke, Kawerau, Katikati, Murupara, Kaingaroa and Opotiki.

Population spread: 308,499 resident population (2018), with 80.9% urban, 19.1% rural (2018)

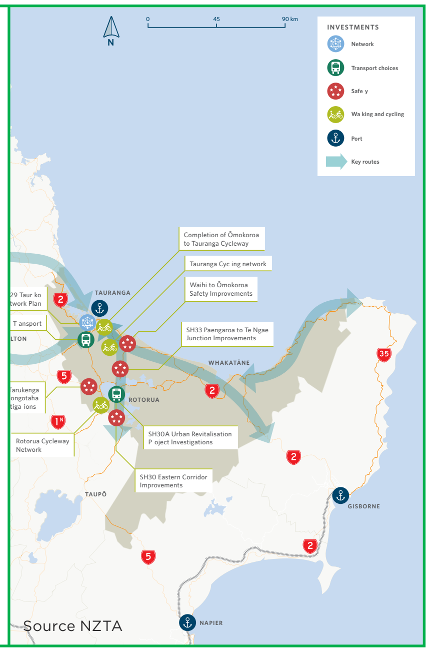
Airports: 3 commercial airport – Tauranga, Rotorua, Whakatane

Ports: Port of Tauranga

Road: There are a range of key roads in the region, including SH29 and SH2

Rail: Provides freight transportation to/from Port. East Coast Main Trunk connects to Waikato, western lines to Kawerau and Murupara.

Digital: 84.9% of households have internet access (2018).



Source NZTA

Māori

Population: 29.1% (89,778) (2018)

Working age: 55,300 (2020)

Participation: 68.8% (2020)

Unemployment rate: 9.5% (2020)

Pasifika

Population: 3.1% (10,926) (2018)

Working age: 6,000 (2020)

Participation: 74.1% (2020)

Unemployment rate: 8.5% (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Significant migrant workforce – particularly in agriculture / horticulture sectors, such as kiwifruit. Support will be needed to reduce NEET rate and retain locals for this industry, and to develop industry pathways.
- Bay of Plenty remains a key gateway to Auckland and its offshore opportunities. Infrastructure needs to support its share in these opportunities – road, rail, and social.
- Significant Māori population – opportunity to built Māori economy, particularly to improve average earnings and utilise land. Water security needed to unlock whenua potential.
- Benefits aren't shared well across region. There is significant disparity between Western and Eastern BOP with Tauranga prospering, and Rotorua and smaller centres such as Opotiki struggling.
- There are opportunities to develop industry such as aquaculture and move goods up the value chain to improve outcomes.
- Paper and pulp industry has four mills – three in Kawerau and one in Whakatane.
- Scale of PGF investment in infrastructure will lead to growth in construction industry.

Regional Economic Development Bodies.

EDA: PriorityOne (Western), Toi EDA (Eastern), Destination Rotorua, Tauranga Chamber of Commerce, Rotorua Chamber of Commerce, and Grow Rotorua.

Toi Moana Bay of Plenty Action Plan 2017, update is due. Bay of Connections is the wider regions' strategy facilitated through the BOPRC Council.

The Bay of Plenty Regional Council had $90.5M in debt in 2019. *[Source: StatsNZ]*

PGF Investment to date

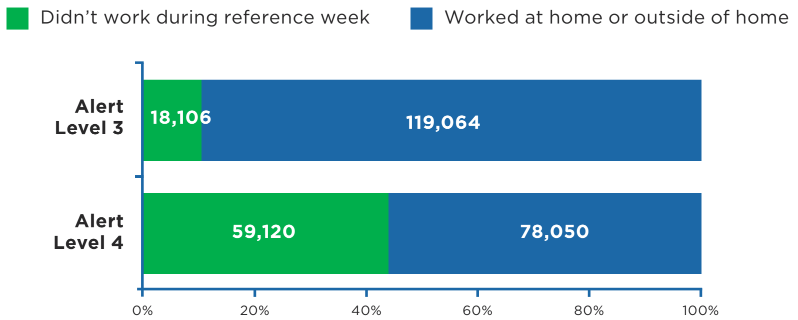
Announced funding: $310.02M for 64 projects

Largest investments by sector: Ports $99.75M; Tourism $81.33M; Road $34.72M

IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



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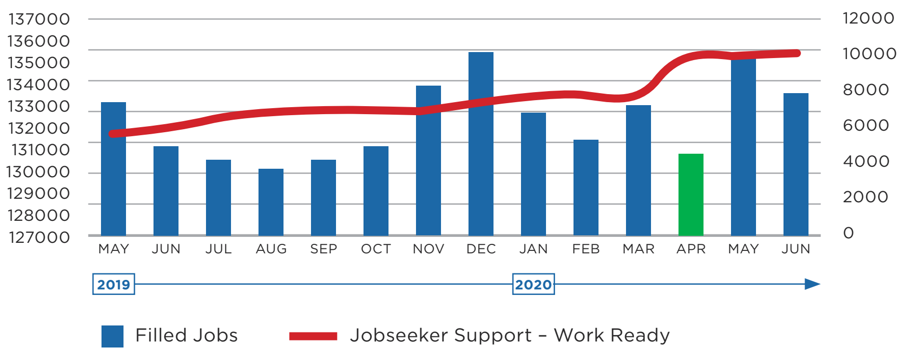


The Bay of Plenty Regional Council is working with local authorities to take a regional approach to the COVID-19 recovery. Councils are partnering with local EDAs, Chambers of Commerce, businesses, iwi and central government. The plans seek to meet local needs, for example:

- The **Tauranga COVID-19 Recovery Plan** estimates a $40-$77m shortfall in revenue. The plan seeks to assist businesses and communities in the short term, adapt services to meet needs, and stimulate recovery through infrastructure investment.
- The **Rotorua Economic Recovery Plan** recognises that COVID-19 has impacted on all, but in particular; tourism, hospitality and retail. It also indicates that positive gains that have been made are at risk.
- The **Whakatāne District Council** has developed a recovery plan for the district that includes 13 initiatives, which includes economic forecasting and business surveying

Infometrics has projected that the region will have an unemployment rate lower than the national average and construction will slow less than the rest of the country. *[Source: BOPRC 2020]*

Projected Māori Jobs losses 2020-22: 7% *[Source: Infometrics 2020]*

Future outlook

- Parts of the region is expected to weather the crisis reasonably well due to significant agriculture and horticulture sectors, in particular kiwifruit is performing well and wood demand is recovering.
- Rotorua will suffer a significant impact from loss of international tourism. Loss of cruise industry is expected to have a significant impact on retail across region, but this will recover once trans-Tasman travel is opened.
- Opportunity for deployed workers to be retrained into industries currently filled by migrant workers.
- Number of Māori returning home from other centres and overseas, which is putting pressure on housing situations.

Industry	Employed	Likely COVID-19 impact	Detail
Health Care and Social Assistance	15,700	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Retail Trade	14,200	Significant	International visitors and Cruise Ship industry not expected to return until borders are opened. Industry may have already been impacted by White Island/Whakari eruption. Forecasts show there could be a more severe and potentially longer lasting impact than the GFC.
Manufacturing	12,900	Small	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service. There may be small disruptions in supply chains throughout the pandemic.
Agriculture, Forestry and Fishing	12,800	Small	Kiwifruit industry provides a solid backbone for the region – demand and prices are expected to continue to be favourable. International demand for other goods, such as wood, is recovering.
Construction	11,600	Medium	Retrenchment within the sector likely to have a significant flow on effect throughout the economy. However, pipeline of fast-tracked construction activity funded by the COVID Response and Recovery Fund will support – $170M has been ringfenced for the region.

[Source: LEED 2018]

TAIRĀWHITI – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $2,161m (2019) (representing 0.7% of NZ's GDP); $44,004 per capita

Annual GDP Growth: 7.2% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Forestry, Fishing, Mining, Electricity, Gas, Water, and Waste	$274m	1.8%
Agriculture	$222m	1.8%
Rental, hiring, and real estate services	$174m	0.8%

International Tourism share of regional GDP: 1.4% (2018)

Housing

Mean weekly rent: $342 (2020)

Median house price: $401,618 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 37,400 (2020)

Participation: 74.0%, with an estimated average of 25,900 employed (2020)
Employment rate: 69.3% (2020)

Median annual household income: $74,200 (2018)

Unemployment rate: 6.3% (2020) **NEET rate:** 22.4% (2020)

Reliance on migrant workers: 2% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Agriculture, Forestry and Fishing; Accommodation and Food Services; Health Care and Social Assistance.

Connectivity

Major centres: Gisborne is the only city in the region. There are several small and isolated settlements including Tolaga Bay and Ruatoria.

Population spread: 47,517 population (2018), with 72.7% urban, 27.3% rural (2018)

Airports: 1 domestic – Gisborne Airport. New terminal is currently under construction.

Ports: Eastland Port, in Gisborne

Road: SH2 provides the main roading connectivity.

Rail: A feasibility study has been undertaken for the Gisborne to Wairoa line.

Digital: 78.1% of households have internet access (2018)

Source NZTA

Māori

Population: 52.9% (25,134) (2018)

Working age: 14,100 (2020)

Participation: 70.3% (2020)

Unemployment rate: suppressed* (2020)

Pasifika

Population: 4.5% (2,130) (2018)

Working age: suppressed* (2020)

Participation: suppressed* (2020)

Unemployment rate: suppressed* (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- This majority Māori region faces significant challenges, including its isolation and access to markets.
- Indicators show that it has the most impediments to higher living standards of all the regions, including highest percentage of NEETs, high unemployment, and second lowest access to internet.
- Despite this, Tairawhiti has seen a significant increase it is annual GDP, with growth of over 7%. This is the strongest percentage growth in NZ. PGF investment will support continued growth.
- Tourism is currently a small part of the economy and mostly domestic, but was considered to be a growth sector.

Regional Economic Development Bodies.

EDA: Trust Tairāwhiti (Activate Tairāwhiti) is responsible for Tairāwhiti Economic Action Plan: Te Huarahi Hei Whai Oranga 2017. This is a living document with a dedicated Programme Manager.

Gisborne District Council has $15.68M in debt in 2019. *[Source: StatsNZ]*

PGF Investment to date

Announced funding: $208.22M for 46 projects

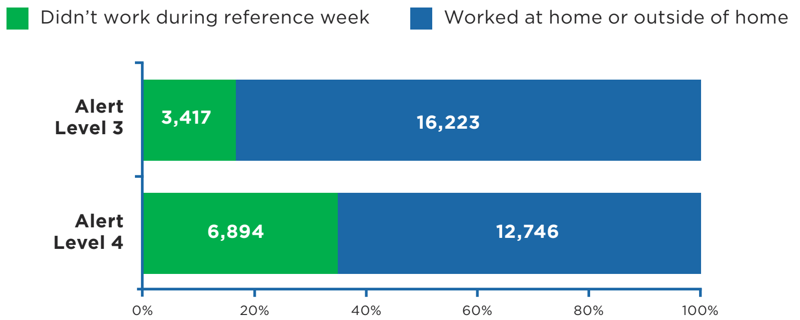
Largest investments by sector: Road $122.61M; Wood processing $23.10M, Agriculture / Horticulture $18.68M.

**StatsNZ has suppressed these figures to protect the privacy of individuals.*

IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



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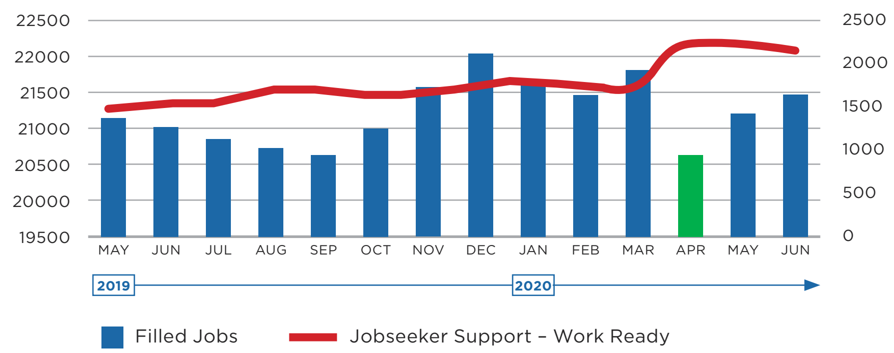


Tairawhiti was initially the region impacted the most by COVID-19, with the forestry industry impacted by reduction in demand, particularly from China. Many small firms had already used their cash reserves to get them through the last slow-down (winter 2019) and will be struggling to survive.

[Source: https://www.beehive.govt.nz/release/100-million-redeploy-workers]

Trust Tairawhiti commissioned early estimates of the pandemics's impact on the Gisborne District from Infometrics. It found:

- Over the longer-term the impact to the area will not be as harsh as other areas, as the primary industry will hold up.
- **GDP** is forecast to contract by 5.9% for the year to March 2021, compared to 8.0% nationally.
- **Employment** is forecast to drop by 7.7% to March 2021, compared to 9.8% nationally. This is around 1,700 jobs in the area.

[Source: Infometrics Economic Impacts of the COVID-19 pandemic on the Gisborne District – Early Estimates]

Future outlook

- Forestry industry will recover as international demand recovers. This will be dependent on the state of international economies, but some demand from China (which accounts for over 90% of demand) has already returned. Depending on whether this demand can be sustained, there could be more displaced workers expected from the industry.
- The pandemic is likely to compound issues already faced by the region, such as high unemployment and deprivation. It will likely hit those who are low-skilled and already struggling.

Industry	Employed	Likely COVID-19 impact	Detail
Agriculture, Forestry and Fishing	4,800	Medium	Although badly affected initially, Chinese demand for logs is recovering and this will help the region's overall recovery. In the longer term, significant re-investment will be needed to support productive growth. International prices for wood, dairy and meat will be critical to the region's recovery.
Health Care and Social Assistance	2,700	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Education and Training	2,100	Neutral	Very few international students in Gisborne region.
Manufacturing	2,000	Small	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service. Wood manufacturing recovery will be dependent on international demand.
Retail Trade	1,800	Medium	Closely tied to the recovery of other industries in the region. Forecasts show that there could be a more severe and potentially longer lasting impact than the GFC.

[Source: LEED 2018]

HAWKE'S BAY – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $8,673m (2019) (representing 2.9% of NZ's GDP); $50,251 per capita

Annual GDP Growth: 5.2% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$1,140M	3.8%
Agriculture	$812M	6.5%
Rental, Hiring and Real Estate Services	$605M	2.9%

International Tourism share of regional GDP: 2% (2018)

Housing

Mean weekly rent: $411 (2020)

Median house price: $545,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 136,600 (2020)

Participation: 69.0%, with an estimated average of 88,900 employed (2020)
Employment rate: 65.1% (2020)

Median annual household income: $77,700 (2018)

Unemployment rate: 4.1% (2020) **NEET rate:** 11.9% (2020)

Reliance on migrant workers: 7% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Agriculture, Forestry and Fishing; Administrative and Support Services, and Accommodation and Food Services.

Connectivity

Major centres: Napier and Hastings are the main centres. Other centres include Havelock North, Waipukurau and Wairoa.

Population spread: 166,386 resident population (2018), with 81.0% urban, 19.0% rural (2018)

Airports: 1 commercial airport – Napier Airport

Ports: Napier Port

Road: SH 2 provides the main roading connectivity. The NLTP aims to provide better connections to Tairawhiti and Bay of Plenty.

Rail: Recently reopened Napier – Wairoa, and routes from Napier to lower North Island

Digital: 82.8% of households have internet access (2018)

Māori

Population: 27.0% (44,931) (2018)

Working age: 31,800 (2020)

Participation: 69.1% (2020)

Unemployment: 10.7% (2020).

Pasifika

Population: 5.6% (9,351) (2018)

Working age: 4,100 (2020)

Participation: 73.6% (2020)

Unemployment: suppressed* (2020).

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Horticulture, viticulture and forestry are main primary industries. Large cohort of migrant/seasonal workers supporting.
- Significant Māori population – an opportunity to build the economy and to improve overall earnings.
- Cohort of long-term unemployed that can be supported into horticultural industry. This is likely to required significant pastoral care to address issues such as drug use. The area is a focus area for Police for organised crime and methamphetamine use.
- Pockets of deprivation in major centres, and particularly in smaller towns such as Wairoa. Social and housing issues are inhibitors to growth.
- Improved connectivity is likely to support economic growth in Wairoa region provided other settings, such as available and trained workers, are in place.
- Well-coordinated regional economic development bodies and plans.

Regional Economic Development Bodies.

Matariki – Hawke's Bay Regional Economic Development Strategy and Action Plan 2016 (HBREDS) is up to date and representative.

Hawke's Bay Regional Council had $3.9M in debt in 2019. *[Source: StatsNZ]*

PGF Investment to date

Announced funding: $136.84M for 50 projects

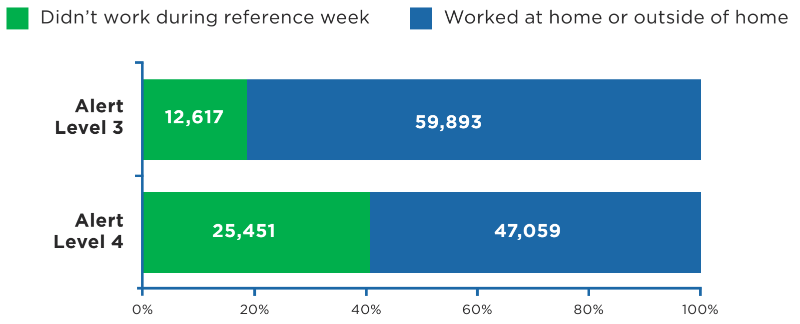
Largest investments by sector: Road $45.15M, Water Storage / Management $30.30M, Manufacturing / Engineering $14.88M.

** StatsNZ has suppressed these figures to protect the privacy of individuals*

IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



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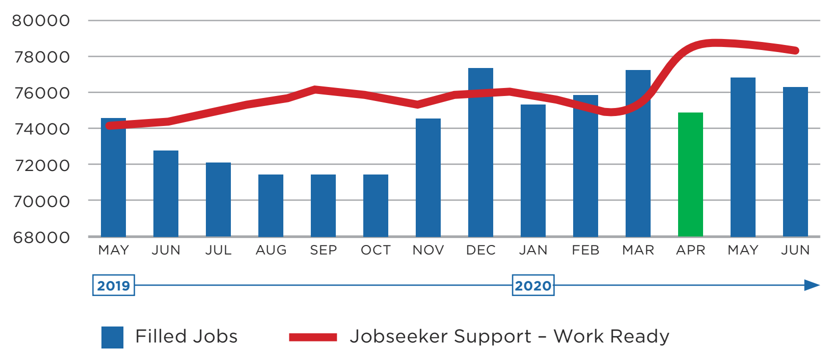


Infometrics and Business Hawke's Bay have forecast the following economic impacts of COVID-19:

- **GDP:** is forecast to contract by 6.2% over the year to March 2021
- **Employment:** Over the year to March 2021, employment in Hawke's Bay is expected to decline -8.3% (just under -7,000 jobs)
- **Unemployment:** forecast to rise to 8.4% in the March 2021 quarter
- **Household incomes:** earnings across the Hawke's Bay economy are forecast to decline by $380 million in the year to March 2021
- **Māori:** expected job losses in accommodation, food services, retail and wholesale trade industries – many of these will be low-skilled jobs. Overall 3% change in employment is expected between 2020-22.

[Source: Economic Impacts of COVID-19 on the Hawke's Bay Economy – Early Estimates (April 2020)]

Early indications show the region is benefiting from an increase in domestic tourism. It has a very small share in international, which may be boosted if the cruise ships/ trans-Tasman bubble operates.

Future outlook

- Hawke's Bay is suffering a persistent and severe drought. The impact of this is far worse than the impact of COVID-19. Water security is required to mitigate against future droughts and to take-up economic opportunities – the region's future will be in exported horticulture.
- Upskilling both those who are long-term unemployed and those within the horticultural industry will support growth, particularly while migrant labour cannot be sourced, but also for the longer-term prosperity of region.

Industry	Employed	Likely COVID-19 impact	Detail
Agriculture, Forestry and Fishing	13,600	Small	Horticulture and viticulture are major industries in the region. While the impact of COVID-19 on these appears to be small, there is significant harm caused by the drought. May be impact from lack of migrant workforce.
Manufacturing	11,100	Small	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service.
Health Care and Social Assistance	8,800	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Retail Trade	7,100	Medium	Closely tied to the recovery of other industries in the region. Forecasts show that there could be a more severe and potentially longer lasting impact than the GFC. However, Hawke's Bay is seeing significant domestic tourism while the borders are closed.
Education and Training	6,000	Small	Across all sectors there were around 1,200 international students in the region. *[Source: Ministry of Education]*

[Source: LEED 2018]

TARANAKI – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $8,902m (2019) (representing 2.9% of NZ's GDP); $73,029 per capita

Annual GDP Growth: 1.8% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	$2,399M	15.7%
Manufacturing	$1,120M	3.8%
Agriculture	$818M	6.6%

International Tourism share of regional GDP: 1% (2018)

Housing

Mean weekly rent: $360 (2020)

Median house price: $425,500 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 96,100 (2020)

Participation: 72.5%, with an estimated average of 67,100 employed (2020)
Employment rate: 69.8% (2020)

Median annual household income: $75,000 (2018)

Unemployment rate: 3.7% (2020) **NEET rate:** 17.5% (2020)

Reliance on migrant workers: 2% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Health Care and Social Assistance.

Connectivity

Major centres: New Plymouth is the main city in the region, with other significant towns including Stratford and Hawera.

Population spread: 119,600 resident population (2018), with 73.2% urban, 26.8% rural (2018)

Airports: New Plymouth Airport.

Ports: Port Taranaki.

Road: SH3 provides the main roading connectivity.

Rail: Log transport Whanganui to Port Taranaki, Marton-New Plymouth line (MNPL)

Digital: 82.0% of households have internet access (2018)

Source NZTA

Māori

Population: 19.8% (23,298) (2018)

Working age: 16,900 (2020)

Participation: 75.0% (2020)

Unemployment rate: 10.3% (2020)

Pasifika

Population: 2.1% (2,520) (2018)

Working age: 1,200 (2020)

Participation: 80.7% (2020)

Unemployment rate: 6.6% (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Taranaki's economy is heavily reliant on its oil and gas sector, which is currently undergoing a government-supported "just transition". Despite this reliance, it only employs 2.2% of the working population.
- Significantly NEET rate, which is one of the highest in NZ (slightly higher than Northland).
- Opportunities to support smaller towns that may be struggling such as Hawera, Stratford and Waitara.
- Region performs at middle of range for other indicators, such as median employment, unemployment rate etc.

Regional Economic Development Bodies.

EDA: Venture Taranaki Trust, responsible for the Taranaki Economic Action Plan "Tapuae Roa – Make Way for Taranaki"

Taranaki Regional Council, New Plymouth District Council, South Taranaki District Council, and Stratford District Council.

Taranaki Regional Council had no debt in 2019 *[Source: StatsNZ]*

PGF Investment to date

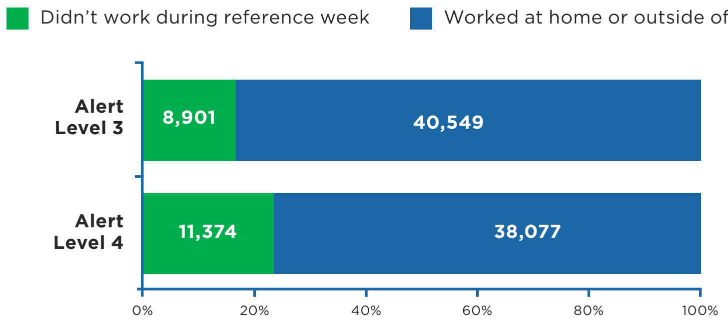
Announced funding: $87.87M for 34 projects

Largest investments by sector: Tourism $32.39M; Road $23.45M; Energy $21.00M.

IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



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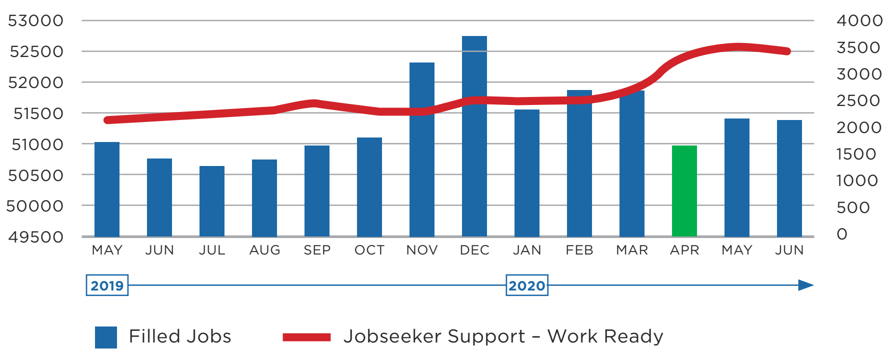


Westpac noted there is a likely weakening of energy prices globally which may affect oil and gas production and postpone planned exploration projects

[Source: Westpac Regional Roundup June 2020]

- **Infometrics** projects that the impact of energy price drops will be mitigated by the primary sector, and the lack of international tourism and education in the region.
- It also anticipates a contraction of 8.5% in regional GDP for the year to March 2021 – slightly worse than an 8.0% drop forecast nationwide, while jobs are expected to decline 9.5% in the region, against a 9.8 % drop nationally.
- Estimated 5,500 jobs will be lost in the region over the next 12 months – over 9% of Taranaki's workforce – and unemployment could rise to 10.1%. The accommodation and food services, retail and wholesale trade and transport, postal and warehousing sectors are anticipated to be hardest hit. Construction is also expected to lose over 500 jobs.
- Of particular concern is the potential impact to Māori employment, which is expected to remain at historic levels of more than double the regional unemployment rate (2% increase is job losses over 2020-2022 period).

[Source: Infometrics Economic Impacts of COVID-19 on the Taranaki Economy – Early Estimates]

Future outlook

- Agriculture industry will help soften the impact on the region of any reduction in demand/price for oil and gas.
- Region is well-placed to recover with support for the Just Transition already well-underway, and the oil and gas industry impacting a small number of jobs. Support may be required to redeploy workers.
- Significant Māori population which will be impacted by the recession, and support to grow opportunities for Māori and Māori business will be central to recovery.

Industry	Employed	Likely COVID-19 impact	Detail
Manufacturing	8,800	Medium	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service.
Health Care and Social Assistance	5,500	Medium	Extra costs due to increased cleaning and staffing changes.
Retail Trade	4,800	Significant	Forecasts show there could be a more severe and potentially longer lasting impact than the GFC.
Construction	4,500	Medium	Retrenchment within the sector likely to have a significant flow on effect throughout the economy. However, pipeline of fast-tracked construction activity funded by the COVID Response and Recovery Fund will support – $85M has been ringfenced for the region.
Agriculture, Forestry and Fishing	3,950	Neutral	The agriculture industry will continue to be the basis of significant economic activity in Taranaki. Small impacts may be felt in milk and meat pricing on the international market.

[Source: LEED 2018]

MANAWATU-WHANGANUI – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $11,598M (2019) (representing 3.8% of NZ's GDP); $46,764 per capita

Annual GDP Growth: 5.6% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$1,098M	3.7%
Agriculture	$1,008M	8.1%
Public Administration, defence and safety	$840M	7.3%

International Tourism share of regional GDP: 1.6% (2018)

Housing

Mean weekly rent: $337.1978 (2020)

Median house price: $431,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 198,300 (2020)

Participation: 68.5%, with an estimated average of 130,500 employed

Employment rate: 65.8% (2020)

Median annual household income: $70,400 (2018)

Unemployment rate: 4.0% (2020) **NEET rate:** 11.8% (2020)

Reliance on migrant workers: 3% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Retail Trade.

Connectivity

Major centres: Palmerston North and Whanganui are the two main centres, with other important towns including Levin, Feilding, Marton, Taumaranui and Dannevirke.

Population spread: 238,797 resident population (2018), with 77.3% urban, 22.7% rural (2018)

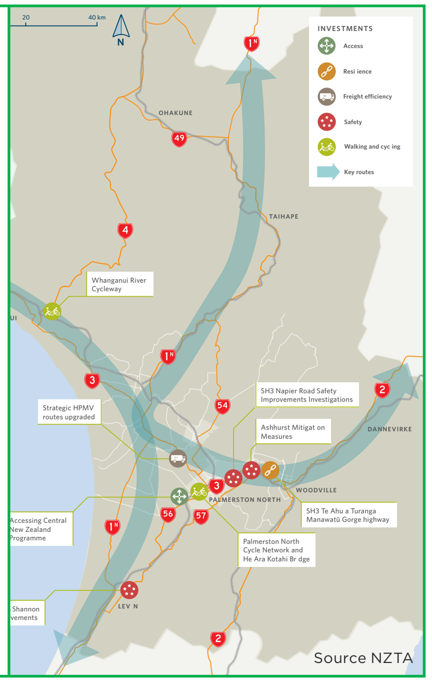
Airports: 2 commercial – Whanganui, Palmerston North

Ports: Whanganui Port.

Road: SH1 and SH3 intersect the region. Key priority under the NLTP. SH2 key route through the west.

Rail: Main towns on the west coast are connected to the rail networks between Auckland, Wellington and New Plymouth, and Wellington and Napier to the east.

Digital: 81.1% of households have internet access (2018).



Key Take Outs

- Key freight and transport hub with critical road and road infrastructure. Significant funding through PGF and NLTF has been made available to leverage this.
- Tourism is mostly domestic, with a very small share in international. Recent investment in Ruapehu ski field.
- Significant Māori population – opportunity to built Māori economy.
- Opportunity to strengthen employment in the region both through training and upskilling to improve average wage, but also to address underemployment and NEET rate (particularly in areas with higher rates, e.g. Whanganui, Horowhenua.
- Considerable environmental challenges due to reliance on agriculture and horticulture and water quality issues.

Regional Economic Development Bodies.

EDAs: Central Economic Development Agency (CEDA), Whanganui & Partners.

Horizons District Council facilitate leadership of Manawatu-Whanganui Economic Action Plan – Accelerate 25. Representation of Māori and deprived districts interests.

In 2019 Manawatu-Whanganui RC had no debt *[Source: StatsNZ 2018]*

PGF Investment to date

Announced funding: $119.43M for 61 projects

Largest investments by sector: Rail $43.40M; Tourism $25.40M; Forestry $22.13M.

Māori

Population: 22.9% (54,570) (2018)

Working age: 38,500 (2020)

Participation: 68.3% (2020)

Unemployment rate: 8.6% (2020)

Pasifika

Population: 4.2% (10,140) (2018)

Working age: 8,500 (2020)

Participation: 70.5% (200)

Unemployment rate: 7.2% (2020).

[Source: HLFS March 2020]

IMPACTS OF COVID-19

What we know so far....

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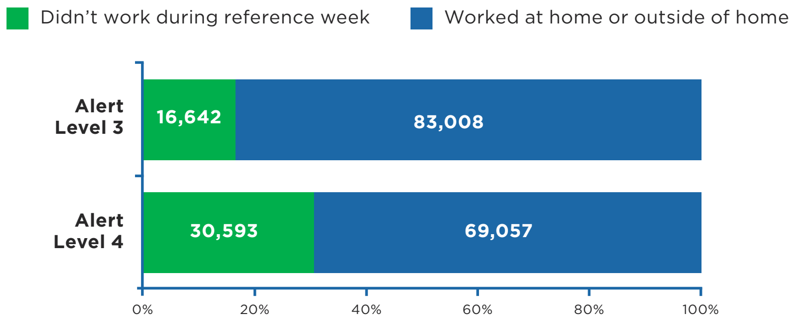

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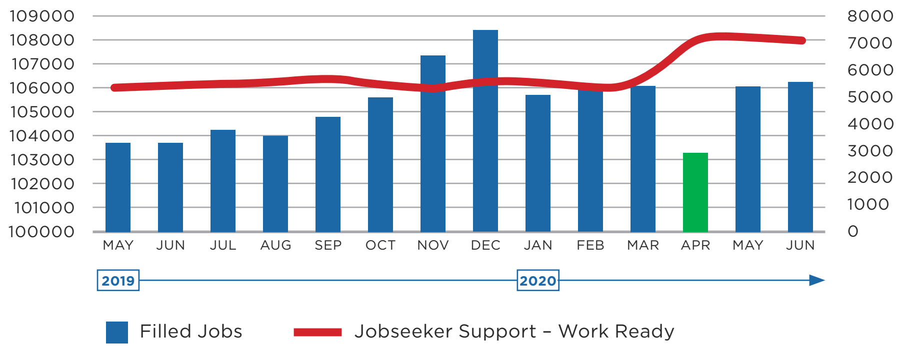


78% of the workforce are able to operate under Level 3 restrictions (Whanganui and Partners)

Manawatu-Wanganui have one of the lowest proportion of essential service workers in employment relative to the pre-COVID employment figures. (Whanganui and Partners)

Forecasts

- CEDA survey has found that over 80 per cent of Manawatu businesses have been severely impacted by the lockdown, with 79 per cent of businesses in the region had accessing the government wage subsidy.
- Whanganui doesn't have that same level of tourism exposure to start with, and local tourism is much more focused on domestic tourism. *[Source: Infometrics 2020]*
- Weather conditions in the region have been dry, and disruptions caused by COVID-19 are likely to affect exports of agricultural produce. (Westpac)
- Sheep-Beef Cattle Farming and Dairy Cattle Farming peak processing capacity has been reduced by approximately 50% and 30% according to Beef + Lamb NZ economic modelling to be in place for the next six weeks. (Whanganui and Partners)
- Projected Māori Jobs losses 2020-22: 4% *[Source: Infometrics 2020]*

Future outlook

- Manawatu – Whanganui is positioned to weather the storm better than many other regions, given its large agricultural and defence sectors.
- With a significant Māori population and projected job loss, assistance should be targeted to assist this population.
- The region will continue to be reliant on domestic tourism and spending.
- Agriculture remains a key area for diversification and productivity growth with opportunities for new job creation.

Industry	Employed	Likely COVID-19 impact	Detail
Retail	16,000	Significant	Local spending will suffer. A coordinated effort is underway to stimulate the local economy and support local businesses.
Primary Sector	12,000	Neutral	The primary sector provides strength to the Manawatu-Whanganui region. There are opportunities to grow this, including moving displaced workers to this sector.
Agriculture	11,300	Neutral	Food production will remain an important part of the Manawatu- Whanganui economy ($885m of GDP). There are opportunities to grow to grow this, including moving displaced workers to the sector.
Professional Services	8,600	Medium	Professional Services supporting other sectors, such as construction or retail, will be reliant on the health of those sectors.
Construction	6,500	Medium	Retrenchment within the sector likely to have a significant flow on effect throughout the economy. However, pipeline of fast-tracked construction activity will support.

[Source: LEED 2018]

WELLINGTON REGION – with a focus on Wellington City

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

PROVINCIAL GROWTH FUND
TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $38,997m (2019) (representing 12.9% of NZ's GDP); $74,251 per capita.

Annual GDP Growth: 4.4% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Professional, scientific, and technical services	$4,521M	19.5%
Public administration, defence, and safety	$3,951M	34.3%
Financial and Insurance services	$3,544M	20.9%

International Tourism share of regional GDP: 2.1% (2018)

Housing

Mean weekly rent: $526 (2020)

Median house price: $670,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 429,100 (2020)

Participation: 72.8%, with an estimated average of 122,600 employed

Employment rate: 69.5% (2020)

Median annual household income: $102,100 (2018)

Unemployment rate: 4.5% (2020) **NEET rate:** 9.9% (2020)

Reliance on migrant workers: 5% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Professional, Scientific & Technical Services; Administrative and Support Services.

Connectivity

Major centres: Wellington is the main city, other cities include Porirua, Hutt, Upper Hutt. Significant towns include Masterton, Paraparaumu.

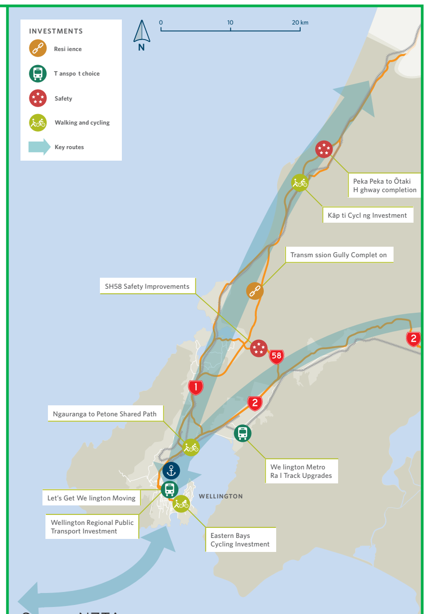
Population spread: 506,814 resident population (2018), with 95.3% urban, 4.7% rural (2018)

Airports: 2 commercial – Wellington (domestic and international) and Kapiti Coast

Ports: Wellington Harbour – main access to Picton, South Island and connection of power

Road: SH1 connects North and South Islands, SH2 connects to Hawkes Bay and upper East Coast.

Digital: 88.8% of households have internet access (2018).



Source NZTA

Key Take Outs

In 2019 Wellington City's economy grew approximately 2.8% (compared to the regional average of 2.6% and national average of 2.3%). Consumer spend was relatively high with electronic card retail spending in the city 3.3%, compared with 4% across the region and 3.3% nationally. There were around 3,100 house sales per annum. House price inflation grew 3.7% (on par with 3.6% national growth). Residential consents in Wellington City surged 37% following an exceptionally strong December quarter. Tourist spending in Wellington City increased 7.7%, surpassing $2 billion. *[Source: Infometrics]*

Māori

Population: 14.3% (72,252) (2018)

Working age: 45,300 (2020)

Participation: 72.8% (2020)

Unemployment rate: 6.1% (2020)

Employed: 30,800 with a mean average earnings of **$1218 per week (compared to $1326 across the region)**

Composition of Māori economy: 2,100 (6.9% of Māori) are self-employed *[Source MBIE]*

Pasifika

Population: 8.4% (42,774) (2018)

Working age: 28,100 (2019)

Participation: 67.4% (2019)

Unemployment rate: 7.4% (2019)

[Source: HLFS March 2020]

Regional Economic Development Bodies

EDA: WREDA is the regional EDA for the lower North Island, combining economic development activities of Wellington City Council and Greater Wellington Regional Council. WellingtonNZ is 80 % owned by Wellington City Council (WCC) and 20% by GWRC. WCC has a COVID-19 Recovery Plan **here**. District and city councils include WCC, Hutt City, Upper Hutt City, Porirua City, Kapiti Coast, South Wairarapa, Carterton, Masterton https://www.gw.govt.nz/Regional-city-or-district-council-/.

PGF Investment to date

Wairarapa

- Announced funding: $10.22M for 8 projects
- Largest investments by sector: Water Storage / Management $7.91M Training Skills and Employment $2.01M

Kapiti

- Announced funding: $3.29M for 4 projects
- Largest investments by sector: Manufacturing/ Engineering $2.5M Tourism $0.65M

Chatham Islands

- Announced funding: $0.10 for 1 project (Airport)

IMPACTS OF COVID-19

Employment impacts of COVID-19 under Alert levels 4 and 3:

- Unable to work: AL4 – 154,000; AL3 – 105,000
- Working- from home: AL4 80,000; AL3 – 65,000
- Going to work: AL4 – 50,000; AL3 – 115,000.

Future outlook

Industry	Employed	Likely COVID-19 impact	Detail
Central Government Administration	15,348 (1% self employed)	Low	Central government administration will be key for economic recovery initiatives – but there may be different ways in working and some cuts, for instance, immigration services.
Computer Systems Design and Related Services	10,962 (24% self employed)	Low	There will be greater need for IT and digital services. The post COVID-19 economy has shown an upward trajectory in digital commerce.
Cafes and restaurants	9,573 (8% self employed)	Significant	Lower numbers in the inner city has affected hospitality services *[Source WellingtonNZ]*
Hospitals (excluding psychiatric)	7,968 (0% self employed)	Low	Demand for health services is expected to remain steady with an ongoing focus on health services and technologies due to COVID-19.
Supermarket and Grocery Stores	7,251 (7% self employed)	Low	Demand is expected to remain relatively steady.

Source: LEED 2018

Key Take Outs

A tough year ahead is expected due to the loss of international visitors, including a relatively small but noticeable drop of about $60m in spend from cruise ships and a loss of spend by international students. Wellington will likely fare better than other NZ regions due to its large public sector and relatively large innovation sectors with growth opportunities for creative, digital and gaming firms. Wellington Convention and Events Centre is due to be completed in 2023. WellingtonNZ has issued a large number of screen sector permits. Regionally: high engagement with the RBP programme in the Wairarapa. Plenty of micro businesses continue in Kapiti, which also has a large aged care sector. Challenges include rents and staff. *[Source WellingtonNZ]*

Wellington's role in NZ's economy

Wellington accounts for 12.9% of New Zealand 's economy ($38,9978M, 2019). As New Zealand's capital and base for Government its top three industries are: professional, scientific and technical services, public administration defence and safety, and financial and insurance services. Scale and agglomeration benefits offer deep labour markets, advanced, knowledge intensive industries and economic diversity. A Deloitte survey of New Zealand's top firm notes that while over two thirds are based in Auckland, Wellington has a relatively high number of top NZ firms in retail trade and accommodation, professional services, information media and telecommunications, and electricity. It also has a critical mass of public and private research institutes.

Wellington comprises 35 per cent of New Zealand's GDP in the **Public Administration and Safety** sector. Over the past ten years, the GDP of **Financial and Insurance Services** in Wellington has grown by 7 per cent per year.

Important industries

- The top three industries (by number of self-employed workers) in Wellington are **Management Advice** and **Other Consulting Services** (3,200 self-employed), **Computer Systems, Design and Related Services** (2,600 self-employed), and **House Construction** (2,000 self-employed).
- The **Central Government Administration** industry is the largest employer in Wellington, comprising 5 per cent of all employees.
- The top ten industries comprise 28 per cent of all employees in Wellington. *[Source MBIE Regional Activity Tool]*

WellingtonNZ engagement

Engagement with the city's EDA shows that people haven't returned to city in pre-COVID 19 numbers yet, which affects the CBD's small businesses. Wellington City Council still has some of its $8m fund remaining aimed at helping businesses post COVID.

Tourism
Cruise ships bring about $60m in spending, so relatively small but still noticeable. WellingtonNZ expects domestic tourism to bounce back quickly.

Major Events
Wellington Convention and Events Centre is going ahead, and scheduled to be completed in 2023. The World of Wearable Arts has shed most of its staff due to the downturn.

Infrastructure
Work on Transmission Gully continues and there may be a shortage of construction workers for the project.

WELLINGTON REGION – with a focus on Wellington City

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

PROVINCIAL GROWTH FUND
TUAWHENUA

IMPACTS OF COVID-19 CONT.

Education

WellingtonNZ has partnered with Education NZ to establish work ready courses for international students.

Regional Sector Leadership Groups

WellingtonNZ is working w MBIE on Regional Sector Leadership Groups – selecting representatives, and working to attract more employers to the group.

Screen Sector

WellingtonNZ has issued a large number of permits but notes that the screen sector would benefit from a dedicated screen strategy with a focus on developing skills for the sector.

Digital Technologies

WellingtonNZ contributes financially to the Summer of Tech internship programme. This has been hugely successful with 85% of placements retained in FTE roles. Summer of Tech is still a relatively small initiative but would benefit from being scaled up.

Primary and food and beverage sectors

WellingtonNZ notes that there would also be benefits in greater skills/training in primary sector, food hub sector, with more focus on innovation.

Regions

WellingtonNZ notes very high, positive engagement with the RBP programme in the Wairarapa.

There are some growing micro businesses in Kapiti, but they face challenges in attracting quality staff and rents are relatively high. Kapiti also has a large aged care sector and several retirement villages which provide significant employment. + staff. WellingtonNZ has engaged with the Kapiti Coast District Council which has not expressed any significant concerns related to COVID-19 effects at this stage.

TOP OF THE SOUTH / TE TAU IHU – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $8,706M (2019) (representing 2.9% of NZ's GDP); $55,772 per capita

Annual GDP Growth: 5.4% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$1,218M	4.1%
Owner-occupied property operation	$647M	3.5%
Rental, hiring, and real estate services	$642M	3.0%

International Tourism share of regional GDP: 2.9% (2018)

Housing

Mean weekly rent: $401 (2020)

Median house price: $588,850 (March 2020) *[Source: interest.co.nz]***

Labour Market

Working Age Population: 142,300 (2020)

Participation: 70.2%, with an estimated average of 99,900 employed (2020)

Employment rate: 70.2% (2020)

Median annual household income: $79,000 (2018)**

Unemployment rate: 2.9% (2020) **NEET rate:** 11.3% (2020)

Reliance on migrant workers: 8.3% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Agriculture, Forestry and Fishing; Accommodation and food services; Manufacturing.**

Connectivity

Major centres: Nelson and Blenheim, with Picton as the gateway to the North Island. Main route south via the east coast

Population spread: 150,609 resident population (2018), with 75.2% urban, 24.8% rural (2018)

Airports: Nelson, Blenheim and Picton

Ports: Nelson and Picton (which connects the South Island to the North)

Road: SH1 connects Picton to Christchurch and is a critical link for freight. SH6 provides key connections within the region and to the West Coast.

Rail: Interisland rail from Picton via ferries, and south to Christchurch.

Digital: 86.6% of households have internet access (2018)

Source NZTA

Māori

Population: 10.8% (16,311) (2018)

Working age: 16,500 (2020)

Participation: 75.4% (2020)

Unemployment rate: 9.0% (2020)

Pasifika

Population: 2.3% (3,519) (2018)

Working age: 3,000 (2020)

Participation: 86.3% (2020)

Unemployment rate: suppressed* (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Significant horticulture industry, which relies on migrant and seasonal workers.
- Infrastructure has been susceptible in the past to natural disasters (such as earthquakes, forest fires and drought). Kaikoura earthquake (not in region) impacted supply chains, with vehicles and rail not able to take coastal route to Christchurch, and instead using SH6. NZTA undertaking strategic work to improve resilience.
- Large contributor to NZ's exports of seafood and fresh fruit. Opportunity to tap into natural resources in Malborough through aquaculture initiatives.
- Better alignment of regional economic development bodies would support better outcomes.

Regional Economic Development Bodies

EDAs: Nelson Regional Economic Development Agency

Strategies: Te Tauihu Intergenerational Strategy.

Marlborough District Council had $38.465M in debt in 2019

Nelson City Council had $11M of debt in 2019

Tasman District Council had $35.003M in debt in 2019 *[Source: StatsNZ]*

PGF Investment to date

Announced funding: $19.42M for 15 projects

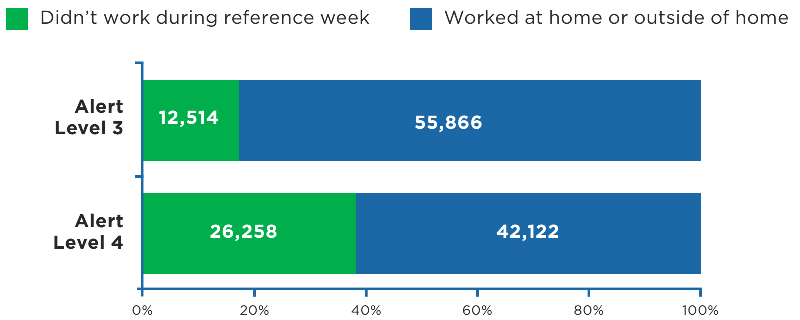
Largest investments by sector: Aquaculture $6.02M; Forestry $4.83M; Training Skills/Employment $2.73M.

**StatsNZ has suppressed these figures to protect the privacy of individuals.*
***Average across the three regional council areas.*

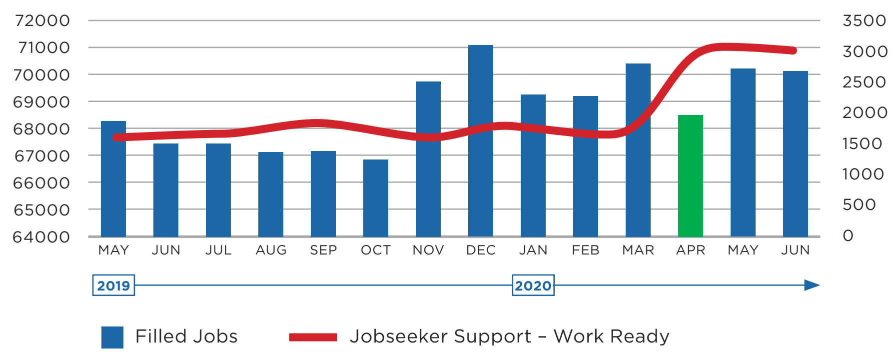
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



- Two of New Zealand's largest exports are seafood and fresh fruit. Nelson, Tasman and Marlborough are important producers of these products. Seafood has been particularly hard hit, with a 50% drop in exports to China in February compared to the same period last year.

Infometrics and MBIE projected the following impacts:

- **GDP:** Earnings across the Nelson-Tasman economy will decline by $280m, with the largest hits forecast in retail, accommodation and construction. GDP % change, year to March 2021.
- **Unemployment:** Almost 1 in 10 jobs are expected to be lost, mainly in low-skilled categories. The overall local unemployment rate will rise to 8.6%. Māori employment in Nelson-Tasman is forecast to decline by 12.9%.
- **Māori Unemployment:** The largest declines in employment by skill level for Nelson-Tasman's Māori population are forecast to occur in Low-Skills (-281 jobs) roles.
- **Sector** As of 27 February, 20% of contractors employed by the logging industry in the region had stopped, 60% had reduced hours and 20% were maintaining business as usual.
- Seafood has been particularly hard hit, with a 50% drop in exports to China in February compared to the same period last year.

Future outlook

- Food and Beverage is a major sector. While international and domestic demand has remained steady, the sector will struggle from a limited seasonal labour market with no RSE / short term visa workers available.
- Marlborough is ahead of Nelson and Tasman in developing recovery plans. This is partially because of difficulties of working across councils.

Industry	Employed	Likely COVID-19 impact	Detail
Agriculture, Forestry and Fishing	11,200	Medium	A key concern for the horticulture industry is the impact of border restrictions on labour supply for harvest. The region remains heavily dependent on the Recognised Seasonal Employer (RSE) scheme and migrant workers, particularly for viticulture in Marlborough.
Manufacturing	9,350	Medium	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service.
Retail Trade	8,050	Significant	Expected to be impacted severely by lack of international tourism in Marlborough.
Health Care and Social Assistance	7,300	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Accommodation and Food Services	6,350	Significant	Expected to be impacted severely by lack of international tourism.

[Source: LEED 2018]

WEST COAST – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP per capita: $1,861M (2019) (representing 0.6% of NZ's GDP); $57,101 per capita.

Annual GDP Growth: 0.6% (2019-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Forestry, Fishing, Mining, Electricity, Gas, Water and Waster Services	$273M	1.8%
Agriculture	$243M	2.0%
Manufacturing	$157M	0.5%

International Tourism share of regional GDP: 17% (2018)

Housing

Mean weekly rent: $269 (2020)

Median house price: $205,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 12,300 (2020)

Participation: 77.4%, with an estimated average of 9,500 employed (2020)

Employment rate: 77.4% (2020)

Median annual household income: $78,200 (2018)

Unemployment rate: suppressed* (2020) **NEET rate:** 11.7%** (2020)

Reliance on migrant workers: 5% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Health Care and Social Assistance.

Connectivity

Major centres: The principal towns are Westport, Greymouth, and Hokitika.

Population spread: 31,575 resident population (2018), with 55.0% urban, 45.0% rural (2018)

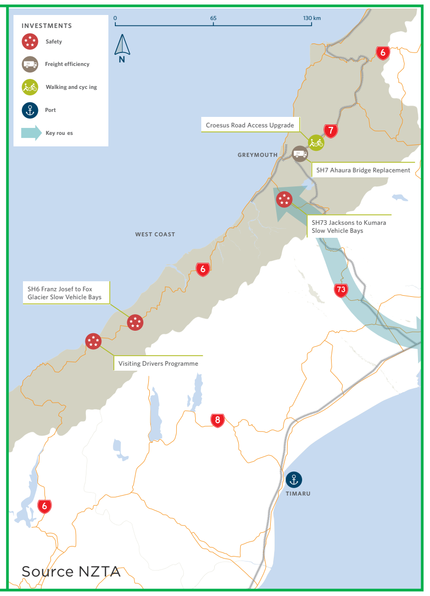
Airports: 3 commercial (Greymouth, Westport and Hokitika).

Ports: Port of Greymouth

Road: SH6, running the length of the region provides the main roading connectivity. There are no viable alternative routes when SH6 is closed.

Rail: TranzAlpine journey

Digital: 76.5 % of households have internet access (2018)



Source NZTA

Māori

Population: 11.7% (3,687) (2018)

Working age: suppressed* (2020)

Participation: suppressed* (2020)

Unemployment rate: suppressed* (2020)

Pasifika

Population: 1.5% (477) (2018)

Working age: suppressed* (2020)

Participation: suppressed* (2020)

Unemployment rate: suppressed* (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Diversity of sectors is needed to support sustainability of the region – currently it is very reliant on international tourism, mining and dairy production. Changes in international prices for commodities and government policies can be challenging.
- Isolation from other centres/regions and significant rural population can create challenges to accessing markets and opportunities. Opportunity to add value through manufacturing before exporting goods.
- Small population may limit opportunities for economic growth and diversification.
- Region was already facing challenges in responding to natural disasters.

Regional Economic Development Bodies.

EDA: Development West Coast which has developed the Tai Poutini West Coast Economic Development Strategy 2018 – 2025

The West Coast Regional Council had $2.91M in debt in 2019 *[Source: StatsNZ]*

PGF Investment to date

Announced funding: $138.88M for 35 projects

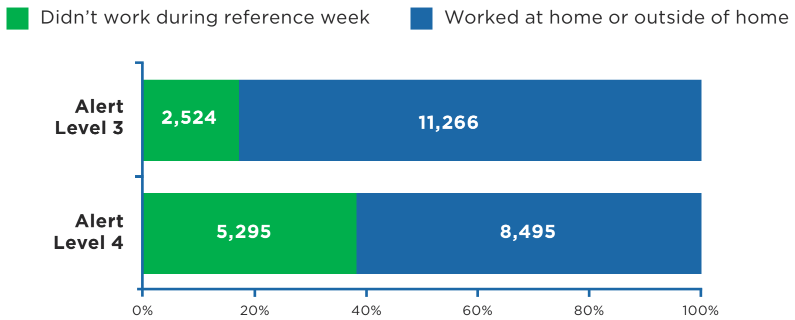
Largest investments by sector: Tourism $61.84M; ICT and Digital Connectivity $29.20M; Mining $16.00M.

** StatsNZ has suppressed these figures to protect the privacy of individuals.*
*** This NEET figure is for West Coast, Tasman, Nelson and Marlborough combined.*

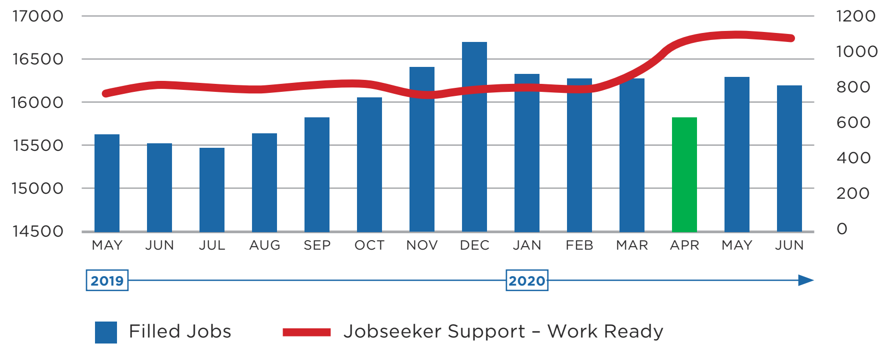
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



Development West Coast has surveyed businesses about impact of COVID-19. It reports:

- The biggest challenges are reduction in revenue, customer numbers and staffing hours. 62% of respondents have had revenue reduce by 25% or more.
- The Westland District has been the most affected in the region, with 75% of respondents in the district reporting major negative financial impacts.

[Source: Development West Coast https://www.dwc.org.nz/Latest-News/covid-19s-impact-on-west-coast-businesses.html]

In addition to the COVID-19 impacts the West Coast was already facing financial difficulties with disruptions from the Waiho Bridge washout, the Omoto slip and the partial closure of SH6 in December 2019. There may be opportunities to support displaced workers into repair work.

Infometrics projects Māori Jobs losses of 1% between 2020-22 *[Source: Infometrics 2020]*

Destination management planning is underway. The West Coast has seen a good response so far to marketing for domestic tourists. Further opportunities such as cycle ways and tramping tracks will support this. However, tourism is a low-paid industry, and more diversification is desirable.

Future outlook

- The lack of international tourism will have a significant impact, with overall tourism expenditure totalling $470m for the year ending March 2020. Related industries, such as accommodation, retail, and transport will be severely affected. Given the reliance on tourism, recovery is expected to take longer and will be closely aligned to easing of border restrictions. Increase in domestic tourism will mitigate some of the impacts.
- Number of displaced workers expected; opportunity to redeploy into conservation projects. More support needed to ensure upskilling and training is available in the region.
- Further impacts expected once wage subsidy ends.
- Diversification of economy is vital to recovery and future resilience, and to support higher-paid employment.

Industry	Employed	Likely COVID-19 impact	Detail
Accommodation and Food Services	2,150	Significant	The hospitality sector is likely to remain heavily impacted by the border closure.
Manufacturing	1,750	Small	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service. There may be small disruptions in supply chains throughout the pandemic.
Retail	1,500	Significant	Expected to be impacted severely by lack of international tourism. Forecasts show there could be a more severe and potentially longer lasting impact than the GFC.
Health Care and Social Assistance	1,450	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Construction	1,350	Medium (if mitigated)	Retrenchment within the sector likely to have a significant flow on effect throughout the economy. However, pipeline of fast-tracked construction activity will support. The sector may have an important role to play in kick-starting the West Coast economy going forward.

[Source: LEED 2018]

CANTERBURY REGION – with a focus on Christchurch City

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT HĪKINA WHAKATUTUKI

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $37,509m in 2019 prices (representing 2.5% growth in 2019).
[Source: Infometrics 2019]

GDP per capita $60,101 (2019)

Annual growth 3.6% (2018-2019)

Canterbury comprises 12.4% of New Zealand's total GDP

Main contributor to GDP – 2018	Contribution	% of national sector
Manufacturing	$4,121m	14%
Construction	$3,151m	17%
Professional, Scientific and Technical Services	$2,938m	13%
Agriculture, Forestry & Fishing	$2,990m	15%

Households

Mean annual household income $87,600 (MBIE household income estimates 2018)

Mean weekly rent: $385 (2020, MBIE factsheet)

Median house price: $465,000 (March 2020 Interest/REINZ)

Regional Economic Development Bodies

EDAs: ChristchurchNZ; Enterprise North Canterbury; Aoraki Development

Connectivity

Major centres: Christchurch City. Councils: Ashburton District, Christchurch City, Hurunui District, Kaikoura District, Mackenzie District, Selwyn District, Timaru District, Waimakariri District, Waimate District, Waitaki District, Environment Canterbury.

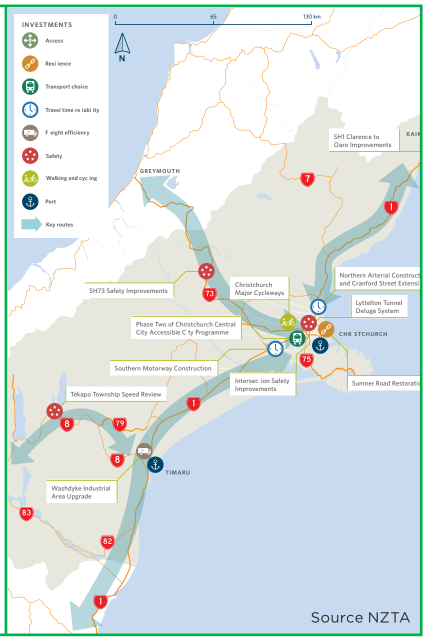
Population spread: 83.9% urban, 16.1% rural

Airports: Christchurch (international), Timaru

Ports: Lyttelton, Timaru

Inter-regional Roads: SH1 North and South, SH73 West, SH8 Southwest & SH7 Northwest.

Digital: 93.8% of households have internet access *[Source DIA]*



Source NZTA

Māori

Working age population: 37,300. 7.3% of population (2020)

Labour force participation: 69.8% (2020)

Unemployment rate: 7.7% (2020)

Average earnings of $34,400

Pasifika

Working age population: 11,000

Labour force participation: 76.6%

Unemployment rate: 4.8%

[Source: Census 2018 and HLFS March 2020]

Labour Market

Working Age Population: 512,300. 52% aged 25-64 Years; 14% aged 15-24 Years, 16% aged 65 and over

Labour force Participation: 70.2%, with an estimated 345,600 employed (HLFS March 2020)

Employment rate: 67.5% (2020)

Median annual household income: $100,900 (2018)

Unemployment rate: 3.9% (2020) **NEET rate:** 10.1%, 8,500 people (2020)

Jobseeker support rates:

- February 2020: 7,789
- March 2020: 8,548
- April 2020: 12,057

Reliance on migrant workers:

- Approx. 8% of workforce are migrant/seasonal workers.
- Top three industries with people on temporary visas are: Accommodation & Food Services; Administrative & Support Services, Agriculture, Forestry & Fishing
- 1.9% of the workforce hold essential skills visas (6,507 people) (Martin Jenkins Rapid Review Vulnerable Workers)
- Canterbury's strong employment growth, largely driven by the rebuild after the 2011 and 2012 Earthquakes has since tapered off (1.4% annual growth in people employed in the labour force between 2008 and 2018) (Martin Jenkins Labour Market Rapid Review).

PGF Investment to date

Announced funding: $50.10M for 11 projects

Largest investments by sector:

- Tourism $18.74M
- Forestry $11.70M
- Road $5.09M

IMPACTS OF COVID-19

Employment impacts of COVID-19:

Employment impacts Of COVID-19 under:	Alert Level 4	Alert Level 3
Unable to work	189,000	123,000
Working from home	79,000	63,000
Going to work	74,000	156,000

- Canterbury has experienced a 35% increase in job seekers since the lock-down (12 June 2020) compared to 31% nationally.
- The export sector has remained strong and the region's strong agricultural base and the diversity of the Christchurch economy creates overall resilience in a post-COVID context.
- Some districts, namely Mackenzie, Hurunui and Kaikoura have been impacted by the rapid decline in international tourism, but this is also an opportunity to refocus the visitor economy towards high-value over the medium-term.

Key Take Outs

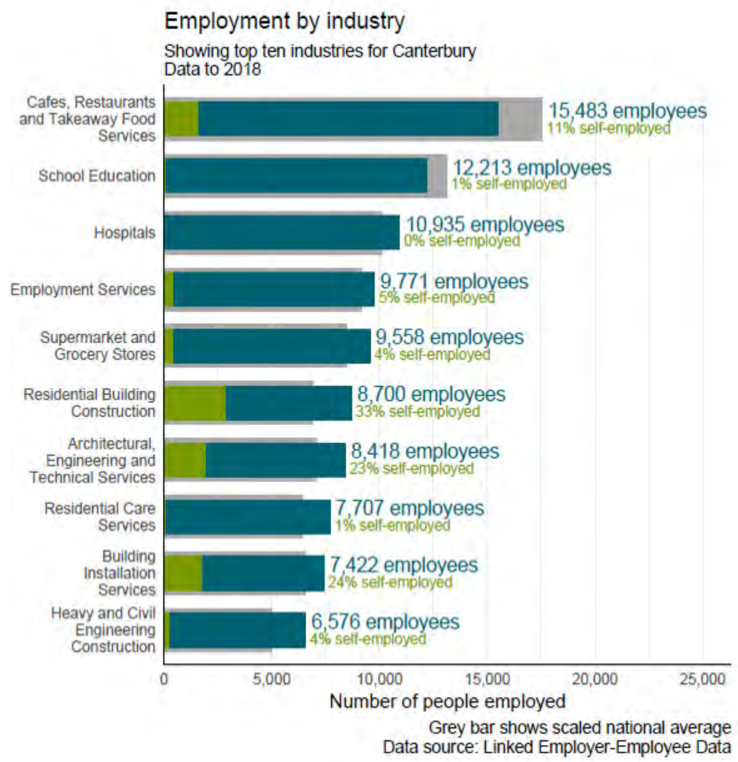
- The region has a diverse economic and export base, affordable lifestyle and Christchurch has significant capacity for growth.
- Tourism downturn has negatively impacted the economic performance of some towns and Christchurch's central city.
- There are good near and long-term opportunities for growth.

Future Outlook

- Canterbury has a strong platform for long-term economic prosperity with a diverse economic base, strong export sectors and affordable capacity for growth. Some towns and the Christchurch central city have been negatively impacted by the disruption to international tourism.
- Regional economic confidence has been negatively impacted by pre-COVID low economic growth as the city transitions out of post-earthquake rebuild stimulus.
- Near term opportunities include continued support of the export sector; growing consumer spending; reskilling and upskilling workers for growth industries.
- Longer-term opportunities include playing to Canterbury's regional strengths to realise high-value global opportunities and leveraging the rapid growth in digital content.

Coordinated Regional Response:

- A Canterbury COVID Oversight Group has been established to coordinate recovery activity across the region. This is supported by a shared data and insights portal.
- The Canterbury region has industry infrastructure proposals for food and fibre, aerospace, health tech and the screen sector. Central city anchor projects are still in progress – Te Pae (convention centre), multi-sports facility and multi-use arena (in planning).
- The Canterbury region has identified opportunities for infrastructure investment in three waters, transport (rural freight and road safety and urban public transport), rural mobile broadband and social housing. Renewable energy also provides an opportunity.



CANTERBURY REGION – with a focus on Christchurch City

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

PROVINCIAL GROWTH FUND
TUAWHENUA

IMPACTS OF COVID

Economy Breakdown

Major industries in the regional economy are manufacturing at $4.1 billion, followed by construction at $3.1 billion, and professional, scientific and technical services at $2.9 billion. Canterbury agriculture forestry and fishing forms a significant proportion of the national agriculture, forestry and fishing sector (15%) and supports the region's strength in both manufacturing and exporting. The economy is relatively diversified with 12 of the 18 industries generating more than $1.5 billion to GDP. This diversity tends to increase resilience during times of volatility.

[Source: 2018, statsNZ]

Industry	Contribution to Canterbury Economy	% of National Sector
Agriculture, Forestry and Fishing	9%	15%
Manufacturing	12%	14%
Construction	10%	17%
Rental, Hiring and Real Estate Services	8%	12%
Professional, services	9%	13%

Employment

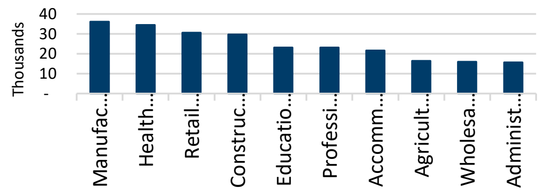
Manufacturing is the largest employer in the Canterbury region employing 36,100 people, followed by health care and social assistance; 34,400, retail trade; 30,600, construction; 29,700 and education and training; 23,200.

Impact of COVID-19 on jobs:

- Small businesses with 1 to 19 employees are most at risk of COVID-19 related job losses. Compared with the two other major New Zealand populationcentres, Canterbury has significantly more SME enterprises per residents.
- Small business employment in the accommodation and food sector in Canterburyaccounts for 55% of the industry, which indicates an increased risk, given theimpact of COVID-19 specifically on this industry. Canterbury saw relativelyfewer job losses during the period of lockdown, according to research conducted by Xero.

[Source: 2019, StatsNZ]

Canterbury Employment by Industry, 2019
Top ten employers
[Source: Statistics NZ, ChristchurchNZ]



Exports

Canterbury exports continue to show resilience in the face of international shock. Canterbury exports via the seaports of Lyttelton and Timaru, as well as Christchurch International Airport amount to an annual value of NZ$10.2 billion. This represents 15.7 percent of all NZ exports. Dairy is the regions largest export valued at $3.1b followed by machinery; $2.3b, meat $916m and cereal/ flour products $909m.

[Source: 2019, StatsNZ]

Industry	Value	% of National Sector
Dairy	$3.1b	19%
Machinery	$2.3b	37%
Meat	$916m	11%
Cereal/ flour products	$909m	39%
Fish and shell fish	$487m	26%
Timber	$284m	6%
Wool	$282m	52%

COVID-19 Economic Impact

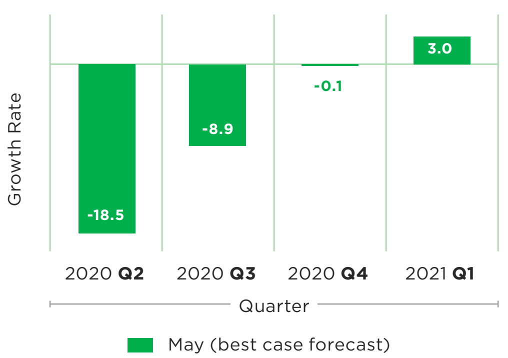
Westpac are forecasting that the New Zealand economy will shrink by 3.1% over thefirst three quarters of this year.

ANZ currently forecast annual growth to average -3.5% over the year to March 2021. At this stage, ANZ assume a recovery that gathers pace from the middle of next year.

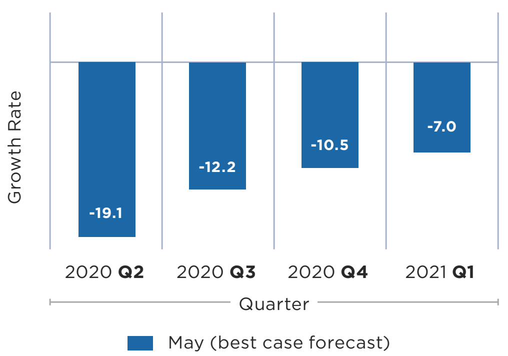
Modelling by CNZ economists estimated the effect of the COVID-19 outbreak on the Christchurch economy (5 May 2020) of -6% to -12% GDP and additional 12,600 to 25,400 job losses for the 2020/21 year, with recovery thereafter. Consistent with other commentators, we expect the impact to be at the lower end of these scenarios.

[Source: 2020, ChristchurchNZ]

Best case Christchurch GDP growth, 2020/1



Worst Christchurch GDP growth, 2020/1



Vulnerabilities & Resilience in RegionalEconomy

Areas of Vulnerabilities	Areas of Resilience
› Tourism, accommodation and food services › Retail Sector › Central city	› Exports › Agricultural sector › City affordability › Diverse economy

Tourism

Pre COVID-19:

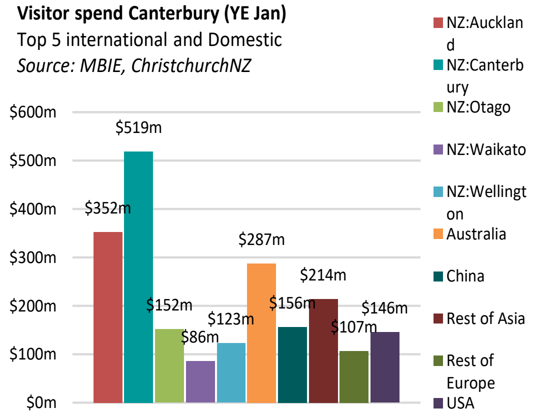
In 2020 (ye Jan) 550,196 international visitors arrived through Christchurch Airport. For the same period total visitor spending in Canterbury reached approx. $3b with domestic visitors accounting for the greatest proportion of spend ($1.8b).

Post COVID-19:

Given the impact of COVID-19 on the nature of travel (border restrictions) and events it can be expected that tourism is an industry that will be heavily affected by the economic fallout from the pandemic. Economic uncertainty and a rise in unemployment means domestic tourism is unlikely to fill the international gap.

[Source: 2020, MBIE]

Visitor spend Canterbury (YE Jan)
Top 5 international and Domestic
Source: MBIE, ChristchurchNZ



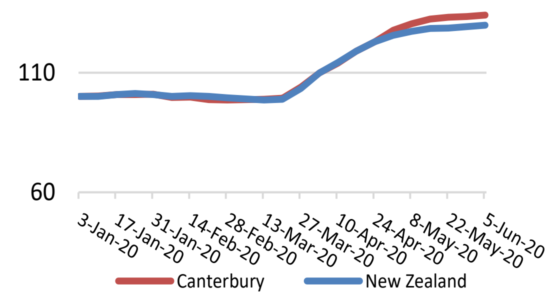
Labour Market

The level of unemployment in Canterbury was 3.9 percent, below national unemployment levels of 4.4 percent in the first quarter of 2020. In the weekto 12 June 2020, Canterbury's job seeker support recipients have reached 19,897 33% up on the start of the year. In comparison, national job seeker support recipients have grown 30% over the same period. Canterbury has the fourth highest rate of job seeker support recipient growth after Tasman, Marlborough and Auckland.

Pre-COVID	Working age population	Participation rate	Employment rate	Unemployment rate	Neet rate
Average	512,300	70.2	67.5	3.9	10.1
Māori	39,800	69.6	62.8	9.7	
Pacifika	11,700	69	64.9	6	

[Source: 2020 StatsNZ, MSD]

Job seeker support recipients for the weeks ending in Friday
Indexed to the first week of Jan
[Source: MSD, ChristchurchNZ]



Regional Confidence

Westpac McDermott commentary (25 June 2020): "the temporary halt to activity in this region's manufacturing, construction and service industries have weighed heavily in recent months. Tourism has also been feeling the effects of a ban on international visitors, while the region's meat sector, an essential industry, is likely to have been affected by downstream processing delays caused by COVID-19. That said, a relatively strong performance from the region's dairy industry, helped by conducive weather conditions, has provided some cause for cheer."

Regional economic confidence* (net confidence %)

Region	Latest	Previous	Change
	Jun-20	Mar-20	
Northland	-18	-3	-15
Auckland	-22	-1	-21
Waikato	-4	0	-4
Bay of Plenty	3	5	-2
Gisborne/Hawke's Bay	19	5	14
Taranaki/Manawatu-Whanganui	3	7	-4
Wellington	-15	4	-19
Nelson/Marlborough/West Coast	-16	-4	-12
Canterbury	-13	2	-15
Otago	-33	0	-33
Southland	-6	-6	0

Property – city

Households: current average Christchurch house price is $477,500 (55% lower than Auckland and 42% lower than Wellington). Residential rents have been stable over the last five years, with current mean rents of $385 (36% lower than Auckland and 35% lower than Wellington). This makes Christchurch significantly more affordable than Auckland and Wellington with most recent Canterbury weekly earnings of $1,046, 12% lower than Auckland and 16% lower than Wellington. *[Source: 2020, REINZ, MBIE, StatsNZ, Infometrics]*

Office: Pre COVID-19 office rents had stabilized and were showing growth and vacancy rates were above national average but falling. In the context of COVID-19 vacancy is expected to remain high at this time.

Retail: CBD retail vacancy pre-lockdown was falling, although still near 15%. Low resident population in the core and increased popularity of working from home is expected to have an impact on Core retail activity.

Industrial: There is an ability to attract investors looking at reducing operating cost due to lower overall cost. Further, Christchurch is a strong distribution hub for the South Island. Continued demand in warehousing will keep vacancy low. Export related warehousing might experience some downturn, but with strong primary industry in Canterbury this impact might be negligible.

[Source: 2020, CBRE, Colliers]

CANTERBURY REGION – with a focus on Christchurch City

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT HĪKINA WHAKATUTUKI

PROVINCIAL GROWTH FUND TUAWHENUA

FUTURE OUTLOOK

Canterbury has a strong platform for long-term economic prosperity.

The region's strong agricultural base and the diversity of the Christchurch economy creates overall resilience in a post-COVID context.

Some districts, namely MacKenzie, Hurunui and Kaikoura will be significantly impacted by the rapid decline in international tourism.

Immediate sector growth opportunities:

Continue to support exports

Canterbury's strong export sector brings income into Canterbury which benefits export sectors themselves, and their local supply chains.

Canterbury is well placed to deliver quality food products as food supply chains are disrupted in key markets. Maintaining strong logistics links (shipping and airlines) is critical to enable this export trade to continue.

Canterbury already has a diverse economic base with strong local supply chains. There is potential for our local manufacturing and technology companies to contribute more to our export receipts to reduce exposure, at least in the short-term, to vulnerable international supply chains. ChristchurchNZ, the Canterbury Chamber of Commerce and the Manufacturers' Network are all supporting local manufacturers to evaluate new opportunities in the context of disrupted international markets.

Grow consumer spending through domestic and Trans-Tasman tourism, international students:

After local consumers, domestic and Australian tourism has the potential to contribute materially to spending in retail, hospitality, accommodation and leisure. ChristchurchNZ is working with local operators, regional tourism organisations and Tourism New Zealand to help businesses "pivot to domestic", and to promote the Christchurch and Canterbury offering to domestic, and as soon as safely possible, Trans-Tasman visitors.

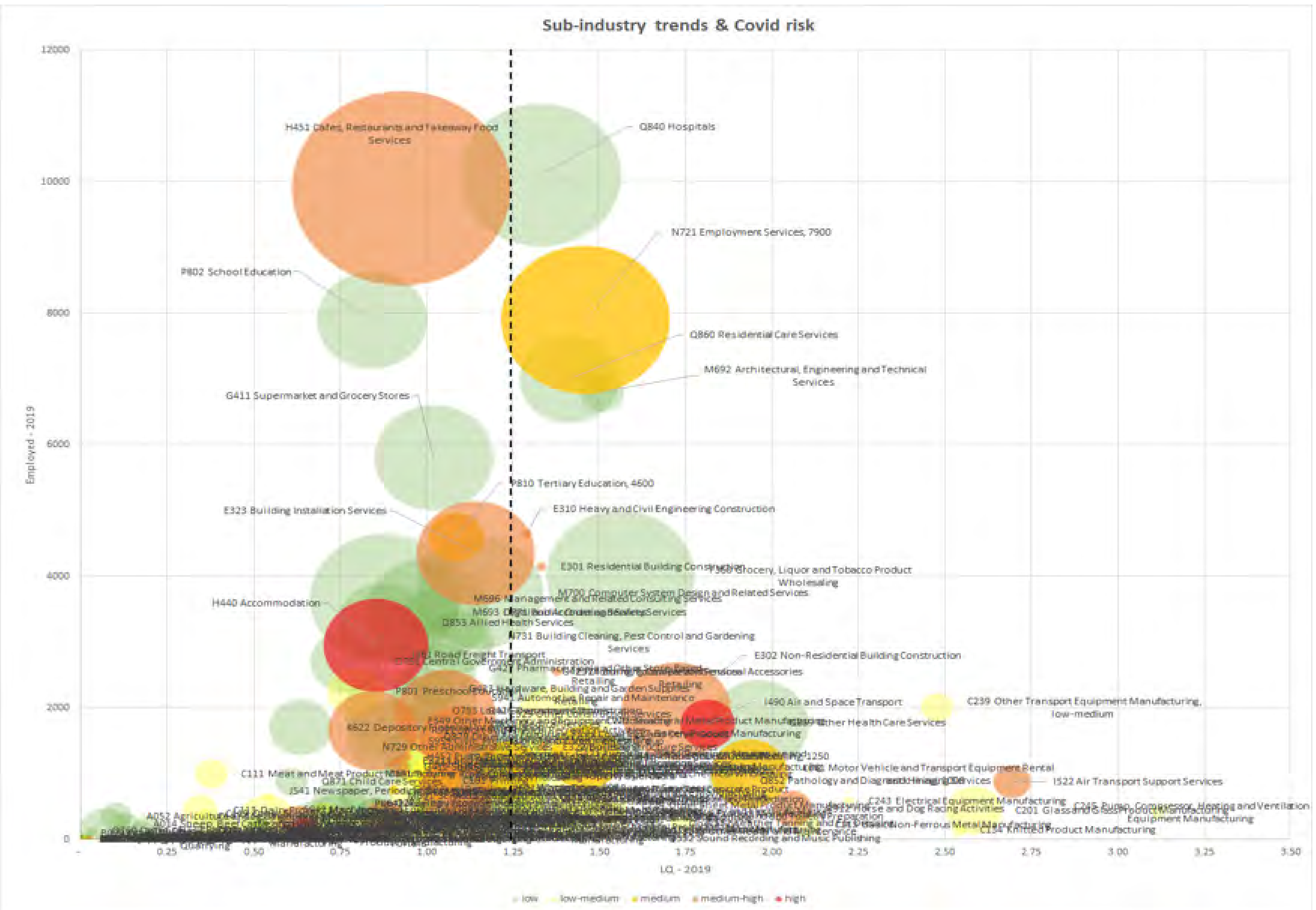
As a potentially COVID-free zone, with four well-respected tertiaries with capacity for growth, Christchurch has the potential to attract back international students who may be reluctant to study in competing markets.

Pre-COVID identification of growth industries

Pre-COVID ChristchurchNZ identified growth industries for Christchurch are included opposite.

Manufacturing	Beverage Manufacturing Structural Metal Product Manufacturing Furniture Manufacturing
Wholesale	Timber and Hardware Goods Wholesaling Grocery, Liquor and Tobacco Product Wholesaling
Retail	Supermarket and Grocery Stores Hardware, Building and Garden Supplies Retailing Pharmaceutical and Other Store-Based Retailing
Financial Services	Depository Financial Intermediation Auxiliary Insurance Services
Property	Property Operators Real Estate Services
Professional Services	Legal and Accounting Services Management and Related Consulting Services Computer System Design and Related Services

The impact of COVID on these growth opportunities is not yet clear. However, an estimate of potential impact as understood in June 2020 is presented in the chart below:



Medium-term opportunities to boost sectors:

Utilising existing economic strengths to develop new high-value industry clusters

Canterbury's sophisticated agricultural and manufacturing sectors and strong hub of tertiary and research institutions with recognised strength in a number of disciplines, provides a strong base to leverage global growth opportunities. The "Supernodes" are industries where Canterbury can build high-value business and employment in response to these global opportunities. The Supernodes are Food, Fibre & Agritech; Aerospace & Future Transport; Health Tech & Resilient Communities; and High-Tech Services. ChristchurchNZ is working with industry, tertiaries, iwi and government to grow local collaboration and to identify the infrastructure and investments needed to support strong growth in these areas.

A recent ChristchurchNZ survey of businesses in the Supernode industries indicated that 66% of surveyed businesses expected to create employment opportunities over the next 12 months, and 89% expected expansion in their industries within the next 1-3 years.

Digital content

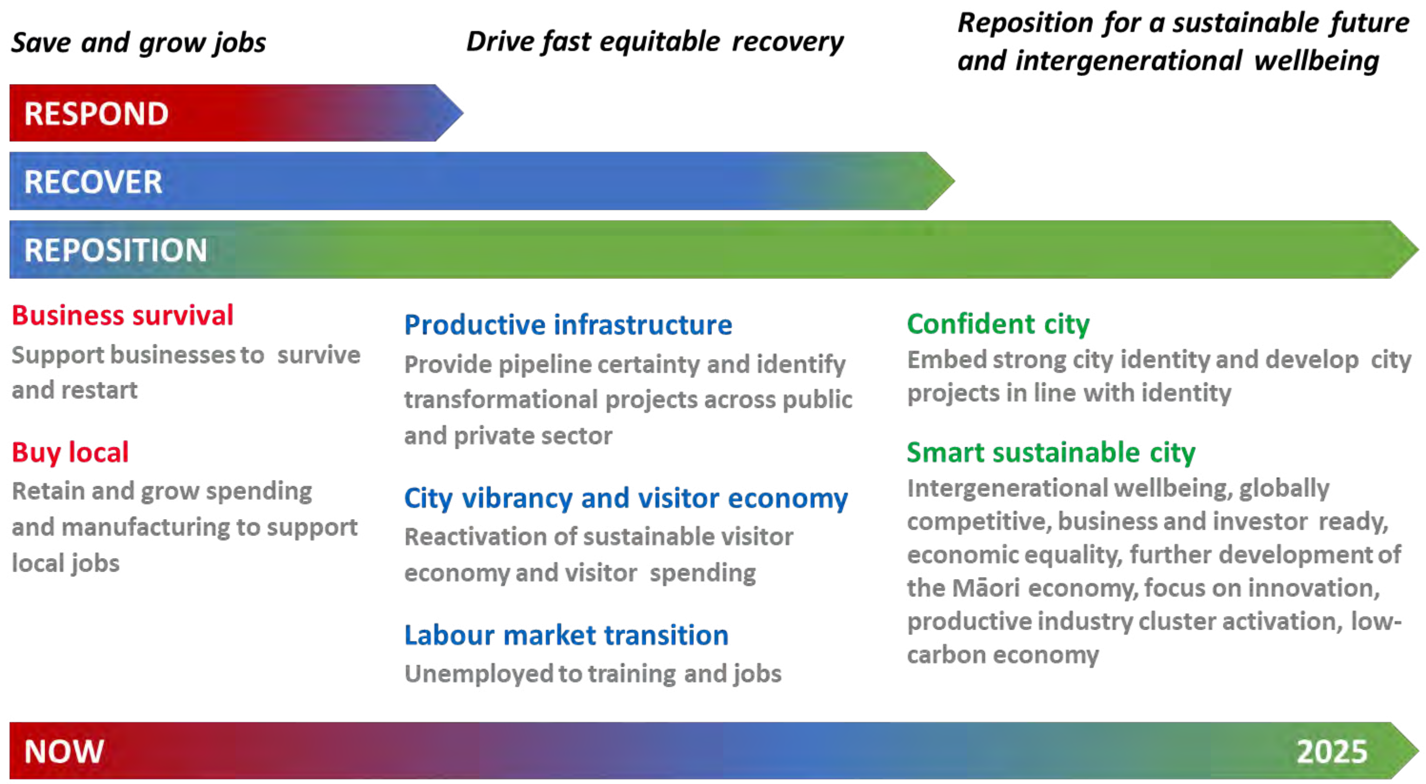
The rapid global growth in digital content as countries have implemented lockdown, the potential for being a COVID-free zone and an established national digital content and film sector means New Zealand is well placed to gain significant economic benefit from the demand for location-based content and digital content. Canterbury has an abundance of natural landscapes to attract filmmakers but needs investment in facilities and skills to fully leverage this significant industry growth opportunity.

Canterbury COVID Response

The Canterbury Mayoral Forum is coordinating Council recovery activities across the region. ChristchurchNZ is working with Canterbury Councils, EDAs and Ngāi Tahu to coordinate key aspects of the economic recovery activity including domestic visitor marketing and labour market transition.

A Canterbury COVID Oversight Group has been established.

Christchurch's Economic Recovery Plan reflects the wider regional approach to recovery:



OTAGO – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $13,583m (2019) (representing 4.5% of NZ's GDP); $57,974 per capita

Annual GDP Growth: 6.3% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Construction	$1,058M	5.7%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	$1,052M	6.9%
Rental, Hiring and Real Estate Services	$1,046M	4.9%

International Tourism share of regional GDP: 16%

Housing

Mean weekly rent: $476.0429 (2020)

Median house price: $535,500 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 196,100 (2020)

Participation: 72.2%, with an estimated average of 136,500 employed (2020)

Employment rate: 69.4% (2020)

Median annual household income: $89,400 (2018)

Unemployment rate: 3.9% (2020) **NEET rate:** 10.1% (2020)

Reliance on migrant workers: 12% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Administration and Support Services.

Connectivity

Major centres: Dunedin is the main city in the region, with Queenstown and Oamaru as other significant towns.

Population spread: 225,186 resident population (2018), with 80.3% urban, 19.7% rural (2018)

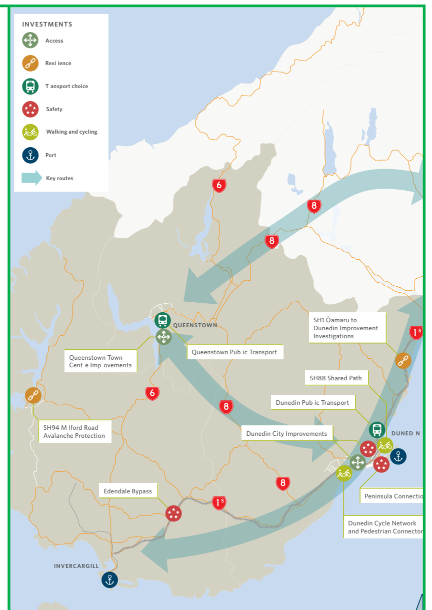
Airports: 2 commercial – Dunedin and Queenstown

Ports: Port Chalmers, near Dunedin.

Road: SH1 provides the main roading connectivity from Canterbury and Southland, and SH8 providing connectivity to Central Otago.

Rail: Rail provides connectivity north and south from Dunedin

Digital: 86.0% of households have internet access (2018)



Source NZTA

Māori

Population: 8.7% (19,521) (2018)

Working age: 12,800 (2020)

Participation: 70.1% (2020)

Unemployment rate: 4.3% (2020)

Pasifika

Population: 2.7% (6,099) (2018)

Working age: 3,900 (2020)

Participation: 79.0% (2020)

Unemployment rate: 4.6% (2020)

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Significant tourism sector focused on Central Otago – one of the areas in NZ most exposed to international tourism.
- Large migrant population supporting tourism industry and horticulture. Most of these would be young, casual workers.
- Opportunity to support locals into these roles, but more support may be needed to enable quality employment.
- The RBP network has been extremely helpful and useful.
- Significant construction activity ongoing in the region – opportunity to support NEETs into these roles, but it is expected that labour will need to move into the region.

Regional Economic Development Bodies.

EDA: Otago Regional Economic Working Group has developed a Regional Economic Strategy, but is still to develop its Action Plans.

Otago Regional Council had no debt in 2019 *[Source:StatsNZ]*

PGF Investment to date

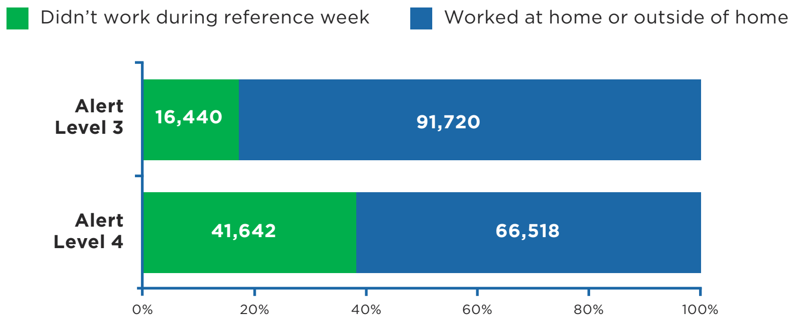
Announced funding: $77.98M for 42 projects

Largest investments by sector: Manufacturing / Engineering $29.99M; Forestry $18.17M; Road $10.22M.

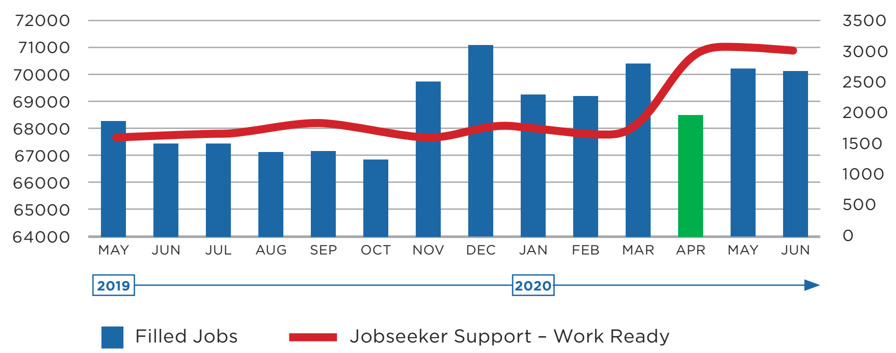
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



- Projected Māori Jobs losses 2020-22: 6%. McKenzie District expected to lose nearly 8% of total employment. *[Source: Infometrics 2020]*
- Informetrics also projects that GDP in the Queenstown-Lakes and Mackenzie District will decline by more than 20%. Lower tourism activity is expected to see a quarter of jobs lost in the Queenstown District.
- Overall in Otago, GDP is projected to decline by more than 10% to March 2021 due to the high concentration of international tourism activity.

General projections include:

- Significant impacts are expected in tourism numbers, and domestic tourism will help alieviate pain.
- There have been disruptions to meat and log exports.
- As well as this there has been devastating floods, including to Great Walks such as Milford Track, which already changed tourist behaviour.

[Source: Westpac McDermott Miller Regional Economic Confidence March 2020]

Future outlook

- **Queenstown:** Significant ongoing disruption to Queenstown District expected due to border closure. 90% of Queenstown businesses affected by drop in international tourism and domestic tourism will not wholly resolve this issue. Significant migrant labour supporting tourism industry – consideration needs to be given to how best to support this group, whether into different industry or placeholders.
- **Dunedin:** Construction expected to be a major employer in the region, with the Dunedin Hospital Precinct build and waterfront projects. BCITO and Martin Jenkins are conducting construction industry forecasting, expecting a drop in 6-9 months time.

Industry	Employed	Likely COVID-19 impact	Detail
Accommodation and Food Services	14,400	Significant	Significant impact from lack of international tourism. High concentration of hospitality industry in Central Otago. Likely to be young, casual and migrant workers.
Retail Trade	12,500	Significant	Visitor arrivals are likely to stay low for the next 18 months – both from the impact of no international tourists in the Central Otago area and fewer international students in Dunedin.
Health Care and Social Assistance	12,400	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Education and Training	10,900	Small	The Otago region had around 5,600 international students in 2019 across all sectors [Source: Ministry of Education]. More people usually enrol in education and training institutions during an economic recession.
Construction	10,600	Medium	Retrenchment within the sector is likely to have a significant flow-on effect, but shovel ready projects will help e.g. Dunedin Hospital. The pipeline of fast-tracked construction activity funded by the COVID Response and Recovery Fund will support – $260M has been ringfenced for the region.

[Source: LEED 2018]

SOUTHLAND – Regional Profile

PROVINCIAL GROWTH FUND TUAWHENUA

PRE COVID-19 STATE

Regional Productivity

GDP: $6,359m (2019) (representing 2.1% of NZ's GDP); $63,084 per capita

Annual GDP Growth: 5.8% (2018-19)

Main contributor to GDP – 2018	Contribution	% of national sector
Agriculture	$1,065M	8.6%
Manufacturing	$839M	2.8%
Forestry, fishing, mining, electricity, gas, water, and waste services	$627M	4.1%

International Tourism share of regional GDP: 4.2% (2018)

Housing

Mean weekly rent: $283 (2020)

Median house price: $370,000 (March 2020) *[Source: interest.co.nz]*

Labour Market

Working Age Population: 80,300 (2020)

Participation: 73.3%, with an estimated average of 57,300 employed (2020)

Employment rate: 71.4% (2020)

Median annual household income: $74,900 (2018)

Unemployment rate: 2.5% (2020) **NEET rate:** 10.5% (2020)

Reliance on migrant workers: 6% of workforce are migrant/seasonal workers. Top three industries with people on temporary visas are: Accommodation and Food Services; Agriculture, Forestry and Fishing; Retail Trade.

Connectivity

Major centres: Invercargill (54,204) and Gore are the two main settlements (2018)

Population spread: 97,467 resident population (2018), with 62.7% urban, 32.8% rural (2018)

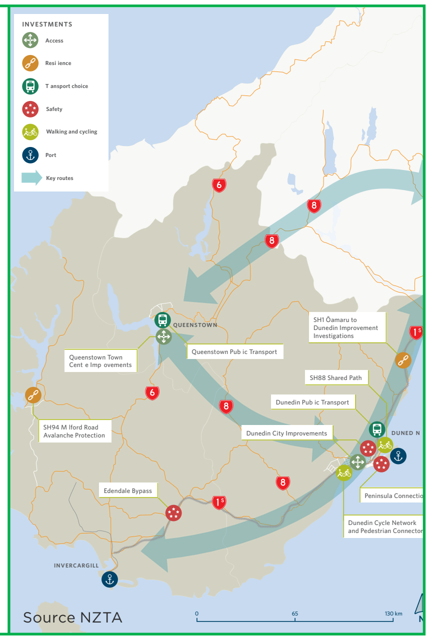
Airports: 2 domestic– Invercargill and Stewart Island/Rakiura (Ryan's Creek Aerodrome)

Ports: South Port, in Invercargill.

Road: SH1 and SH8 provide the main roading connectivity.

Rail: Main South Line, linking Dunedin to Invercargill.

Digital: 80.5% of households have internet access (2018).



Source NZTA

Māori

Population: 14.9% (14,484) (2018)

Working age: 12,000 (2020)

Participation: 77.9% (2020)

Unemployment rate: 6.1% (2020)

Pasifika

Population: 2.6% (2,523) (2018)

Working age: 1,900 (2020)

Participation: 72.9% (2020)

Unemployment: 12.5% (2020).

[Source: Census 2018 and HLFS March 2020]

Key Take Outs

- Significant contributor to dairy sector – this is expected to increase as climate change effects are felt in NZ.
- Northern areas, such as Te Anau, rely on tourism and associated industries, with many tourists passing through as the gateway to Fiordland National Park.
- Low unemployment rates, but pockets of disparity for youth, Māori and Pasifika in particular, and for more remote communities. Migrants fill skill shortages gaps.
- Tiwai Point aluminium smelter is the region's biggest employer, and contributes $400M a year to the economy. Its future is currently uncertain.

Regional Economic Development Bodies

EDA: Great South and Southland Chamber of Commerce.

Action plan: Southland Regional Development Strategy (SoRDS) Action Plan 2015 – 2025. Update required.

Southland RC has no current debt. *[Source: StatsNZ 2018]*

PGF Investment to date

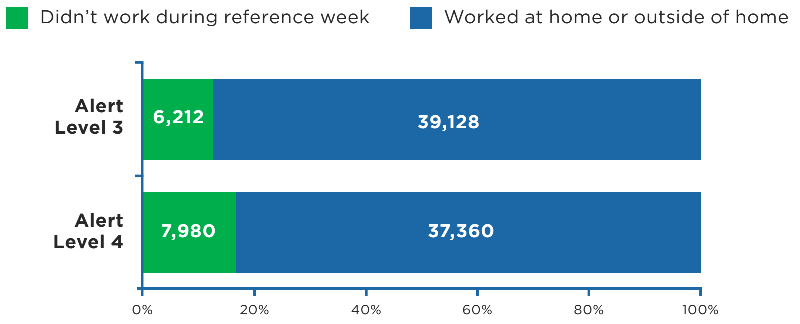
Announced funding: $61.66M for 29 projects

Largest investments by sector: ICT & Digital Connectivity $22.00M; Regional Projects $21.26M; Training Skills / Employment $3.80M.

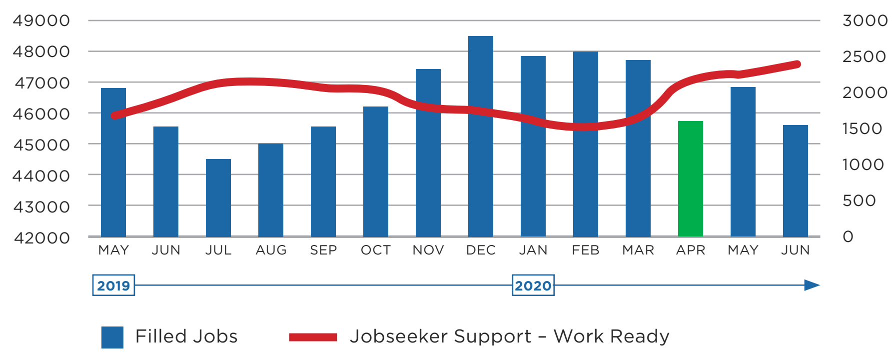
IMPACTS OF COVID-19

What we know so far....

Employment impacts of COVID-19 under Alert levels 4 and 3:



**Based on custom HLFS June 2020 quarter estimates applied to LEED June 2019*



Infometrics and Great South have projected the following impacts:

- **Employment:** a 9.5% reduction by March 2021 (around 5,050 people). This is smaller than the 9.8% drop predicted for New Zealand in the same time frame. Of the 5,050 jobs expected to go, the worst affected industries are accommodation and food services (23% of job losses), retail and wholesale trade (18%) and transport, postal and warehousing (13%). Māori job losses between 2020-22 are projected to be 2%.
- Most job losses are expected to occur in the tourism sector, and will be would be more concentrated around Te Anau and Milford Sound.

[Source: https://www.stuff.co.nz/business/121749411/covid19-data-shows-job-losses-could-reach-5000-in-southland]

Southland experienced severe flooding in February 2020 causing damage to infrastructure, housing and impacting farming and tourism.

Westpac noted that the region is likely to perform better than its peers because of conducive weather conditions for agriculture. It notes disruption during COVID-19 restrictions to manufacturing, particularly at Tiwai Point aluminium smelter.

[Source: Westpac Regional Roundup June 2020]

Future outlook

- Reliance on agriculture has lessened the impact of COVID-19 lockdown on region, but it will still feel the impact of loss of international tourism, particularly for associated industries such as cafes, retail and accommodation. Recovery will be dependent on opening of the borders and international prices for exports, including dairy, meat and manufactured goods such as aluminium. The future of Tiwai Point will be key.
- Tourism can be supported through by immediate redeployment to recovery of the national park tracks.
- Invercargill, with over half of the region's population, will be critical to the region's recovery particularly the redevelopment of the CBD.

Industry	Employed	Likely COVID-19 impact	Detail
Manufacturing	8,200	Medium	Food and Beverage manufacturing operated throughout Alert Levels 4 and 3 as an essential service. Opportunities to diversify and grow the portfolio. Aluminium production disrupted during lockdown and recovery depending on global pricing.
Agriculture, Forestry and Fishing	8,100	Neutral	The primary sector will continue to be the basis of significant economic activity in Southland. Small impacts may be felt in milk and meat pricing on international market.
Retail Trade	5,100	Significant	Expected to be impacted severely by lack of international tourism (about half of all tourism to Southland), particularly in Te Anau and Milford Sound areas.
Health Care and Social Assistance	4,850	Medium	Extra costs due to increased cleaning and staffing changes. Staff shortages are expected as migrant labour cannot be sourced.
Accommodation and Food Services	3,500	Significant	Expected to be impacted severely by lack of international tourism (about half of all tourism to Southland), particularly in Te Anau and Milford Sound areas.

[Source: LEED 2018]

Annex 6

Te Rau Aroha, Waitangi

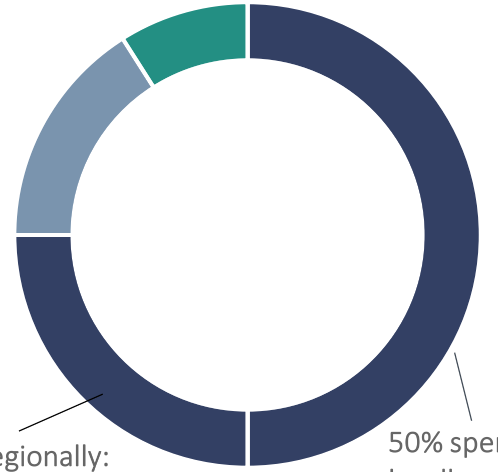
$14.5 million of PGF funding

75% of project funding spent with 45 businesses and contractors in Northland.

Location of businesses supported through project expenditure

9% spent in Auckland (6%)
and Christchurch (3%)

16% spent
in Wellington



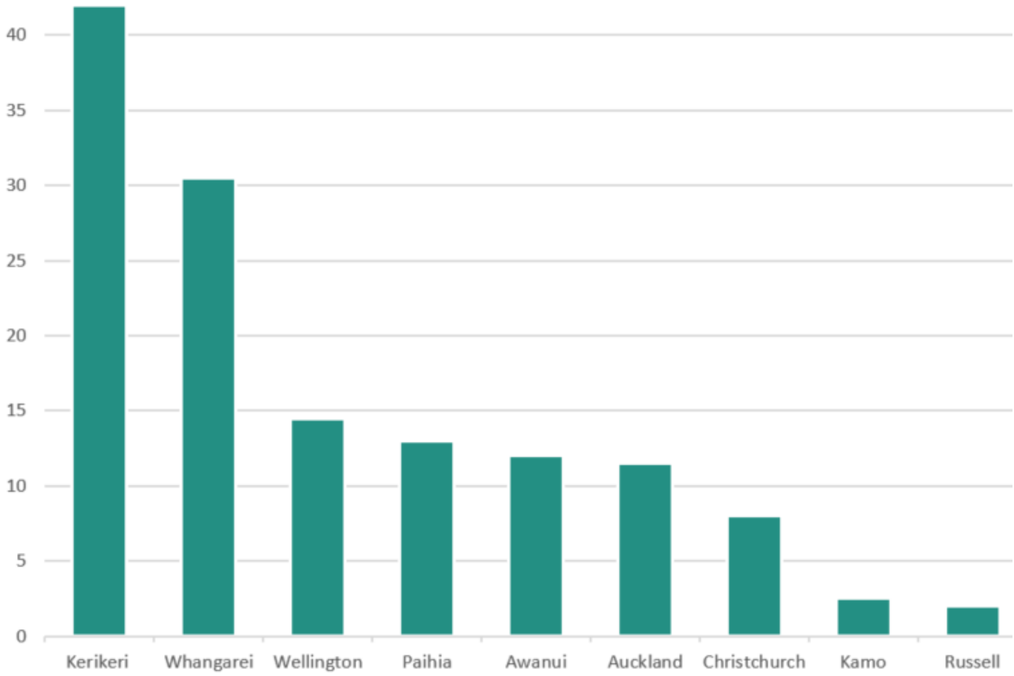
25% spent regionally:
Whangarei (19%)
Kamo (2%)
Tikipunga (2%)
Unallocated (2%)

50% spent
locally:
Kerikeri (26%)
Paihia (19%
Awanui (5%)

Project employment

214 people were employed to work on the project over 24 months.

Location and number of people that worked on this project



Te Rau Aroha, Waitangi

$14.5 million of PGF funding

Project spend and flow on effects for local businesses/contractors

Location	Project spend	Businesses/ contractors involved with the project (number)
Locally		
Kerikeri	$3,826,431	15
Paihia	$2,701,358	8
Awanui	$782,726	1
Russell	$21,314	1
Kaeo	$21,224	1
Regionally		
Whangarei	$2,840,697	17
Kamo	$268,503	1
Tikipunga	$245,594	1
Unallocated	$252,338	2

Source data supplied by fund recipient