



**I, Steven May, Tumu Whakarae Chief Executive Officer, hereby give notice that
Economic Development Committee Meeting will be held on:**

Date: Tuesday, 12 May 2020
Time: 1.30pm
Location: War Memorial Hall, Queen Street, Wairoa

AGENDA

Economic Development Committee Meeting

12 May 2020

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS**
- 5 LATE ITEMS OF URGENT BUSINESS**
- 6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson. Requests should also outline the matters that will be addressed by the speaker(s).

7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 18 February 2020

**MINUTES OF WAIROA DISTRICT COUNCIL
INAUGURAL ECONOMIC DEVELOPMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA
ON TUESDAY, 18 FEBRUARY 2020 AT 1.30PM**

PRESENT: His Worship the Mayor Craig Little, Cr Denise Eaglesome-Karekare, Cr Melissa Kaimoana, Cr Danika Goldsack

IN ATTENDANCE: Cr Tumataroa-Clarke, Kitea Tipuna (Pouwhakarae – Hapori/Whakatūtaki Group Manager Community and Engagement), Simon Mutohori (Kaiwhakahaere Ratonga Kiritaki/Customer Service Manager-Regulatory), Gary Borg (Pouwhakarae - Pūtea / Tautāwhi Rangapū | Group Manager: Finance and Corporate Support), Paul van Dorrestein (Kaiarataki Tutohu/Compliance Team Leader), Courtney Hayward (Vision Projects), M Rongo (Chief Executive, Rongomaiwahine Iwi Trust), G Waikawa (Kaiurungi Mana Arahi/Governance Officer)

1 KARAKIA

Karakia timatanga was given by K Tipuna

2 APOLOGIES FOR ABSENCE

The Chairperson noted Whaiora Maindonald had resigned from the Maori Standing Committee.

3 DECLARATION OF CONFLICT OF INTEREST

None

4 CHAIRPERSON'S ANNOUNCEMENTS

None

5 LATE ITEMS OF URGENT BUSINESS

COMMITTEE RESOLUTION 2020/08

Moved: Cr Melissa Kaimoana

Seconded: His Worship the Mayor Craig Little

That in accordance with Section 46A (7) of the Local Government Official Information and Meetings Act 1987 the items **9.3 – Update Gaiety Theatre** be considered given the item had not come to hand at the time of Agenda compilation and consideration of this matter is required now in order to respond within the timeframe allowed.

CARRIED

6 PUBLIC PARTICIPATION

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14

requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

Mahia Freedom Camping Ambassador Programme

Mr Moana Rongo, Chief Executive, Rongomaiwahine Iwi Trust presented the Mahia Freedom Camping Ambassador Programme and reported on:

Alignment to the Iwi as kaitiaki within the rohe, Employment opportunities, Added value to organisations culture, Display skill set, Process for selection of staff, How trust operate, Dealing with customers, Results to date, Countries of origin, Improvement opportunities and Contract Management and Review.

7 MINUTES OF THE PREVIOUS MEETING

COMMITTEE RESOLUTION 2020/09

Moved: His Worship the Mayor Craig Little

Seconded: Cr Denise Eaglesome-Karekare

That the minutes of the Ordinary Meeting held on 1 October 2019 be received.

CARRIED

8 GENERAL ITEMS

8.1 REPORT FROM VISION PROJECTS

COMMITTEE RESOLUTION 2020/10

Moved: Cr Melissa Kaimoana

Seconded: Cr Danika Goldsack

That the Economic Development Committee receives this report

CARRIED

The report from Vision Projects reported on Provincial Growth Fund being Te Wairoa E Whanake and Regional Digital Hub and Library, Wairoa Regional Park, Summer Promotions and the Wairoa Riverside Market.

COMMITTEE RESOLUTION 2020/11

Moved: Cr Danika Goldsack

Seconded: His Worship the Mayor Craig Little

That the Economic Development Committee agree that the Chief Executive Officer, Wairoa District Council sign the Rural Digital Hub Funding Agreement.

CARRIED

8.2 UPDATE FROM THE GROUP MANAGER COMMUNITY & ENGAGEMENT**RECOMMENDATION**

That the Economic Development Committee receives this report.

The Group Manager Community & Engagement reported on Summary of Activities being recent Provincial Growth Fund announcements, 2020 Waitangi Day Festival, Tourism Infrastructure Fund, Upcoming Events, Other Provincial Growth Fund Applications and Work, Partnering regionally, Matariki REDS and National Maori Housing Conference 2020.

T

COMMITTEE RESOLUTION 2020/12

Moved: Cr Denise Eaglesome-Karekare

Seconded: Cr Melissa Kaimoana

That the Economic Development Committee co-opt members from the following organisations:

- Tatau Tatau o Te Wairoa
- Rongomaiwahine Iwi Trust
- Ngati Pahauwera Development Trust
- Tuhoe/Waikaremoana Tribal Authority
- Wairoa Business Community

CARRIED

COMMITTEE RESOLUTION 2020/13

Moved: Cr Danika Goldsack

Seconded: Cr Melissa Kaimoana

That Cr D Goldsack will be the Wairoa District Council's Economic Development Committee representative to attend the National Maori Housing Conference in Hastings from 30 April – 1 May 2020.

CARRIED

9 PUBLIC EXCLUDED ITEMS**RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2020/14**

Moved: Cr Denise Eaglesome-Karekare

Seconded: His Worship the Mayor Craig Little

That the public be excluded from the following parts of the proceedings of this meeting at 2.32pm

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under

section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
9.1 - UPDATE - REGIONAL DIGITAL HUB PROJECT	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
9.2 - UPDATE - TE WAIROA E WHANAKE	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
1.1 - UPDATE - GAIETY THEATRE	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

Cr D Goldsack left at 2.56pm.

COMMITTEE RESOLUTION 2020/15

Moved: Mr Moana Rongo

Seconded: Cr Melissa Kaimoana

That Council moves out of Closed Council into Open Council.

CARRIED

Karakia whakamutunga was given by K Tipuna

The Meeting closed at 3.05pm.

The minutes of this meeting were confirmed at the Economic Development Committee Meeting held on 12 May 2020.

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CHAIRPERSON

8 GENERAL ITEMS

8.1 UPDATE FROM THE GROUP MANAGER COMMUNITY & ENGAGEMENT

Author: Kitea Tipuna, Pouwhakarae – Hapori / Whakatūtaki Group Manager Community and Engagement

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices:

1. Pakihi Ora - Wairoa Business Review Summary Report [↓](#)
2. Economic Impacts of COVID-19 on the Hawke's Bay Economy – Early Estimates [↓](#)

1. PURPOSE

- 1.1 This report provides information for the Economic Development Committee on Council and community activities. No decisions are required by the Economic Development Committee at this stage.

RECOMMENDATION

The Pouwhakarae – Hapori / Whakatūtaki Group Manager Community and Engagement RECOMMENDS that the Economic Development Committee receives this report.

SUMMARY OF ACTIVITIES

2. COVID-19 - PAKIHI ORA PROJECT

Council is working with Tātau Tātau o Te Wairoa Trust on the Pakihi Ora Project and Jody Hamilton from JMP Consulting will present the report to the Economic Development Committee.

“A business wellness initiative to place Wairoa in the best possible position post-pandemic has been delivered by Tātau Tātau o Te Wairoa Trust, the Post-Settlement Governance Entity, and the Wairoa District Council.

The partnership has been working together to deliver Pākihi Ora business review to support Wairoa businesses in the wake of COVID-19.

The 2013 Census shows that there were 957 business locations in the Wairoa District, noting that a significantly lower number are actually operating. The Pākihi Ora review has involved a broad cross-section of businesses from across the district and from a range of industries.

Through Pākihi Ora, we have undertaken a stocktake with local businesses to examine how they have been impacted and then identified what practical support they need coming out of lockdown and moving through the COVID-19 Alert Levels.

Recommendations from Pākihi Ora will inform a larger Wairoa business case to government, which is being developed by Tātau Tātau o Te Wairoa Trust, Ngāti Pāhauwera Development Trust and the Wairoa District Council.”

3. COVID-19 LOCKDOWN IMPACTS – EARLY ESTIMATES REPORT FOR THE REGION FROM BUSINESS HAWKE'S BAY

Business Hawke's Bay have released a report on the 'Early Estimates' of the impact of the Covid-19 lockdown of the Hawke's Bay economy.

As a food producing and processing region, Hawke's Bay will have slightly less exposure to the COVID-19 recession than the rest of New Zealand, but with no significant rain for months, the drought is hitting hard. Just a few months ago, Hawke's Bay's economy was riding high, says Carolyn Neville, CEO Business Hawke's Bay. Now we are staring down the barrel of significant job losses, business failures, a large decline in regional GDP and lot of uncertainty. Lockdown has forced, or in some cases, accelerated innovation, so that businesses can trade. The mindset of business owners will be critical because the months and years ahead will be very tough. Staying positive, being able to adapt, and to see opportunity where others might see obstacles will be key to getting through the immediate impacts of COVID-19 and the recession that follows. Staying connected, seeking support and looking after personal and team wellbeing are things that every business owner can do, says Mrs Neville.

The move to Level 3 sees 78% of the workforce returned to work, although safe work practices have continued to impacted productivity:

- Central Hawke's Bay sees an estimated 85% of workforce able to operate
- Wairoa District 83%
- Hastings District 79%
- Napier City 73%

There are still a large number of businesses unable to operate at full strength under Level 3, such as accommodation and food services, retail, wholesale, education and training, administrative support services, professional, scientific and technical services. Hawke's Bay is better placed than other regions to weather the storm, with Infometrics predicting a 6.2% decline in regional GDP, compared to 8% nationally.

Contributing factors:

- Primary production will be maintained by global and domestic demand for food
- Food processing will also be supported by food demand
- Less reliance on international tourism than some other regions
- Health care and residential care will continue to be a major employer

Central Hawke's Bay (CHB) and Wairoa economies are expected to contract the least; -3.8% and minus 4.4% respectively in the year to March 2021. Hastings District is expected to contract by -6.1% and Napier is expected to fare the worst, at -7.2%. CHB and Wairoa will benefit from strong primary and food manufacturing sectors, which are expected to continue growing. But, Central Hawke's Bay faces a double whammy of COVID-19 and drought. Consequently the drought is a big downside risk to Infometric's forecast for Central Hawke's Bay.

Employment will shrink by 7,000 jobs with low income households at the highest risk of job losses, says Mrs Neville. Employment is expected to decline by 8.3% in the year to March 2021. Most of the job losses are expected in Napier City and Hastings District as those economies are the largest and will contract the most. Māori households will be hit hard, with

the main impacts on Māori employment forecast to take place in accommodation and food services, retail and wholesale trade and transport, postal and warehousing industries.”

- Employment in Hawke’s Bay is expected to decline from 83,600 to 76,600 in the coming year
- Unemployment forecast to rise to 8.4% (March 2021 quarter)
- Earnings for the year to 31 March 2021 forecast to decline by \$380 million
- Bulk of job losses forecast to be in:
 - Accommodation and food services -1,453 jobs
 - Retail and wholesale trades -1,390 jobs
- Job losses across the board, with low and highly skilled roles most impacted:
 - Low skilled job losses -3,311
 - Semi-skilled -915
 - Skilled -1,089
 - Highly-skilled -1,644

Rob Heyes, senior economist at Infometrics says that Hawke’s Bay job losses by skill level align with the expected declines by occupation. Significant job losses are forecast for low-skilled occupations such as sales assistants and salespersons, hospitality workers and other labourers, and for highly-skilled specialist managers, and hospitality , retail and service managers,” says Mr Heyes.

Infometrics says that local leadership will be key to facilitating economic recovery, citing Hawke’s Bay’s Matariki framework for economic, inclusive and sustainable growth alongside councils’ willingness to fast-track key infrastructure projects, maintain key services, and support local communities through initiatives such as increasing supplier payment frequency in a bid to assist cashflow. As far as the eventual recovery is concerned, there are some silver linings, says Mrs Neville. Increased unemployment and high cost of living in larger urban centres, makes regional housing affordability and lifestyle benefits potentially more attractive, especially given the rise in remote working. Skills development and retention will be key. With EIT we have a fantastic educational resource that can educate and train people with the know-how our businesses need. As a region we need to keep our economy moving and as many businesses as possible operating. We need to establish pathways for people to remain in Hawke’s Bay whether through deployment into other industries or retraining. Vocational pathways and micro-credentialing with on the job training will be vital as people look to retrain and upskill. We all have a part to play in the recovery. We all need to ‘go local’ and support the businesses and organisations that support our livelihoods and our way of life. There are hard yards in front of us, but eventually the resilience of our local economy, the productivity of our region, and the guts and passion of our people and our innovative business community will pull us through,” says Mrs Neville.

The report is attached for your information.

4. COVID-19: ECONOMIC RECOVERY / RESILIENCE PLANNING

Council has initiated work on the Economic Development Resilience/Recovery Plan. This plan is expected to be a major focus for the Economic Development Committee going forward. A verbal update will be given of the preliminary work being undertaken by Council.

- Tautoko Wairoa – Shop Local



Preliminary design for banners and signage.

5. OTHER ITEMS OF INTEREST

Census 2018 - The latest data from the 2018 Census shows that Wairoa's population has increased by 477 and that the ethnicity data has also changed from 58% to 66%, which essentially means two thirds of the Wairoa population identifies as Maori. Below are information tables which illustrate these changes.

Population

Wairoa District	2018			2013			Change
	Number	%	Hawke's Bay Region %	Number	%	Hawke's Bay Region %	2013 to 2018
Population (excluding O/S visitors)	8,367	100.0	100.0	7,890	100.0	100.0	+477
Female	4,173	49.9	51.3	3,999	50.7	52.0	+174
Male	4,194	50.1	48.7	3,888	49.3	48.0	+306

<https://profile.idnz.co.nz/wairoa/population>

Source: Statistics New Zealand, Census of Population and Dwellings 2013 and 2018. Compiled and presented in profile.id by .id, the population experts. Please refer to specific data notes for more information

Culture and ethnicity

Wairoa District	2018			2013			Change
	Number	%	Hawke's Bay Region %	Number	%	Hawke's Bay Region %	2013 to 2018
Māori descent	5,595	66.9	29.3	4,620	58.6	24.4	+975
Speaks Māori	1,572	18.8	6.3	1,410	17.9	5.7	+162
New Zealand born	7,671	91.7	83.0	6,927	87.8	80.0	+744

<https://profile.idnz.co.nz/wairoa/population>

Source: Statistics New Zealand, Census of Population and Dwellings 2013 and 2018. Compiled and presented in profile.id by .id, the population experts.
Please refer to specific data notes for more information

Signatories

	
Author Kitea Tipuna	Approved by Steven May

**PĀKIHI ORA -
WAIROA BUSINESS REVIEW AND SUPPORT
SUMMARY REPORT**

April 2020
JMP Consulting



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Attachment A – Pākihi Ora Business Review Tool

Attachment B – Tātau Tātau Pānui 25 March 2020

Attachment C – Pākihi Ora Media Statement 20 April 2020

Attachment D – Wairoa Business Database

1. Background - Pākihi Ora Wairoa Business Review

Aotearoa is in unprecedented times and our economic development supports must be responsive and agile to ensure the ongoing resilience and sustainability of all businesses and jobs.

It is important that business support is localised, targeted and based on the needs of each business. In order for that to happen, it is necessary to develop a clear picture of each businesses' current operating position and what future opportunities could look like, in order to respond to individual action plans through business support services.

Often already having a focus on innovation and collaboration, Maori and Iwi organisations and businesses are well placed to lead and support local responses in a post COVID-19 economy.

A business wellness initiative to place Wairoa in the best possible position post-pandemic has been delivered by Tātau Tātau o Te Wairoa Trust, the Post-Settlement Governance Entity, and the Wairoa District Council.

The partnership has been working together to deliver Pākihi Ora business review to support Wairoa businesses in the wake of COVID-19.

The 2013 Census shows that there were 957 business locations in the Wairoa District, noting that a significantly lower number are actually operating. The Pākihi Ora review has involved a broad cross-section of businesses from across the district and from a range of industries.

Through Pākihi Ora, we have undertaken a stocktake with local businesses to examine how they have been impacted and then identified what practical support they need coming out of lockdown and moving through the COVID-19 Alert Levels.

Recommendations from Pākihi Ora will inform a larger Wairoa business case to government, which is being developed by Tātau Tātau o Te Wairoa Trust, Ngāti Pāhauwera Development Trust and the Wairoa District Council.

JMP Consulting was engaged to undertake the review on behalf of the Pākihi Ora partners. JMP Consulting is a management consulting company that specialises in strategic, management and operational advice in the areas of Indigenous development, business development, community development, economic development and employment strategies.

The project sponsors representing the project partners are Lewis Ratapu (Tātau Tātau) and Denise Eaglesome-Karekare (Wairoa District Council). The project team comprises the project sponsors and JMP Consulting team members Jody Hamilton (Director – Ngāti Kahungunu, Ngā Rauru) and Moana Hamilton-Neville (Consultant – Ngāti Kahungunu, Ngā Rauru).

2. Business Review Approach

Pākihi Ora has been delivered through four key phases, undertaken over the period from 25 March 2020 to 24 April 2020:

- Phase 1: Research and Establishing Database
- Phase 2: Design, Testing and Communications
- Phase 3: Fieldwork
- Phase 4: Analysis and Reporting

Phase 1: Research and Establishing Database

Following an initial project scoping meeting with project sponsors, JMP Consulting contacted key regional stakeholders including Wairoa District Council representatives, Business Hawkes Bay and Vision Projects Wairoa to start to establish a database of Wairoa businesses, including contact details. A number of these organisations had some Wairoa business information, but not formed to the level required to effectively conduct the review.

We conducted extensive online and phone research to build a comprehensive business database to provide to project sponsors, who then reviewed the database to identify the indicative 100 businesses for inclusion in the review.

The database built through the project contained 145 businesses to be contacted to participate in the review. The database was updated and revised throughout project delivery.

Phase 2: Design, Testing and Communications

While the database was being built, a comprehensive business review tool was designed which had three key purposes:

- To understand the impact of COVID-19 on businesses, noting that this project was undertaken while New Zealand was in Alert Level 4 (Lockdown).
- To identify each businesses' needs in order to successfully operate through each Alert Level and in a post COVID-19 economy
- To bring together information on existing and emerging business support and allow this information to be easily shared with businesses.

The tool was tested with five businesses in the first week of project delivery and adapted as required. The tool is provided at [Attachment A](#).

Communications were drafted and the pānui inviting participation was initially posted on the Tātau Tātau Facebook page and website – see [Attachment B](#). Throughout the project, businesses were also contacted directly through email, phone calls, a range of Facebook pages, Iwi and Māori networks and business networks such as Vision Projects and Wairoa Enterprises.

As participation in the review was voluntary, businesses self-selected by contacting the project team either via email or phone. Participation was monitored throughout the project delivery to ensure a good spread in terms of geography, business size, industry and Maori-owned businesses.

A media statement was drafted by the project team to provide an update and released during project delivery on 20 April 2020 – see [Attachment C](#).

Phase 3: Fieldwork

The review was conducted with 83 businesses as at 22 April 2020, from a range of town and rural locations, a range of industries and a range of business sizes. It is expected that the indicative target of 100 businesses participating will likely be met in the project duration.

Each individual review was primarily conducted over the phone, with a small number choosing to participate via email in response to key questions.

The project team was in ongoing liaison with the Ministry of Social Development and Business Hawkes Bay during the fieldwork phase in order to provide timely responses to businesses regarding their queries on business support.

Feedback on participation was provided to project sponsors throughout the fieldwork to ensure that the participation was representative.

Emerging themes related to business issues and needs were also reported to project sponsors throughout the fieldwork phase at an aggregate level.

Phase 4: Analysis and Reporting

As noted above, some analysis was undertaken throughout the project as part of weekly reports to project sponsors to identify and discuss emerging themes.

The overall analysis is provided in the findings section below, based on the 83 participants as at 22 April 2020.

This project summary report and the data within is to be used to support a broader business case being developed by project partners for business wellbeing support for the Wairoa district.

3. Review Findings

The following summarises key findings from the project fieldwork. The data below is taken from the 83 businesses who have participated as at 22 April 2020.

It is important to note that some participants own and operate more than one business. Some of the participants chose to separate their responses by each individual business and some chose to contribute combining responses across all of their businesses.

Profile of Participants

28% of the participants identified that they are Māori-owned businesses, with six owners registered with Tātau Tātau. Three of the businesses utilise Māori land in their operations.

Most of the overall participants are from food and accommodation services (28% of all participants, 32% of Māori participants), retail (23% of all participants, 26% of Māori participants) and agriculture (11% of all participants, 5% for Māori participants). Table 1 below shows the participants' industries, including comparing all participants to Māori participants.

Table 1 – Participants by Industry (%)

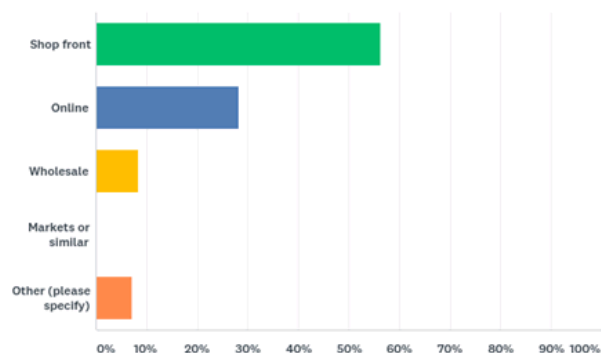
Industry	All	Māori
Accommodation and food services	28.17%	31.58%
Retail trade	22.54%	26.32%
Other (please specify)	12.68%	10.53%
Agriculture	11.27%	5.26%
Professional, scientific and technical services	9.86%	5.26%

Construction	4.23%	
Arts and recreation services	4.23%	
Personal and other services	4.23%	10.53%
Transport, postal and warehousing	2.82%	
NGO/Community sector	2.82%	5.26%
Education and training	1.41%	5.26%
Financial and insurance services	1.41%	
Public administration and safety	1.41%	
Manufacturing	1.41%	5.26%
Wholesale trade	1.41%	
Horticulture	1.41%	
Rental, hiring and real estate services	1.41%	
Information media and telecommunications	1.41%	5.26%

Graph 1 below shows that 56% of all participants mostly operate through a shop front and 28% online.

Graph 1 – Sales Method

Q8 Do you mostly sell your products or services through a shop front, online, wholesale or other?

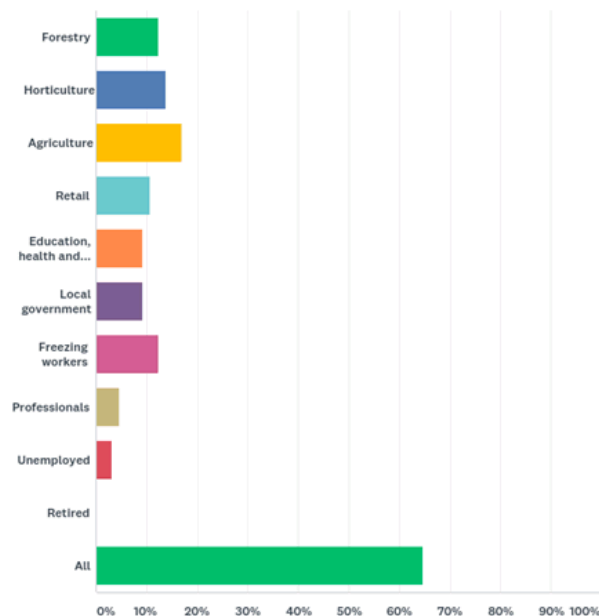


The results for Māori participants only was comparable to all participants, in that 53% of Māori participants mostly operate through a shop front and 32% online.

The customer base for the participants is primarily local (from Wairoa district), with those customers working in a range of industries as per Graph 2 below.

Graph 2- Local Customers by Employment

Q10 If your customers are mostly local, which industries would they mostly work in?



Few of the businesses had a significant tourist customer base, but for those that did tourists made up their primary customers.

Table 2 – Tourists as Customers (%)

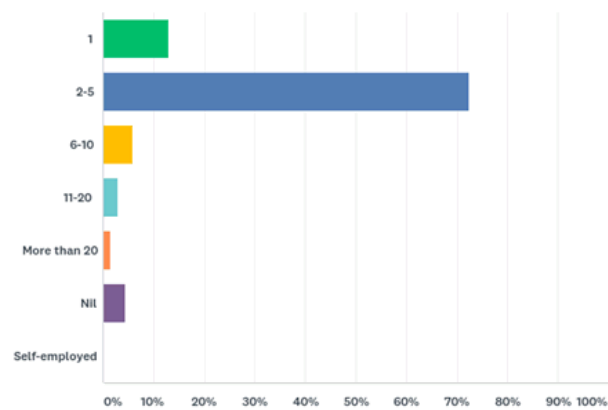
0-5%	67.35%
6-15%	18.37%
16-25%	0.00%
26-50%	0.00%
51-75%	10.20%
76-100%	4.08%

For Māori participants, only one had a tourism customer base of 76-100% and two of 51-75%.

Most of the participants are employers. 72% have between 2-5 full-time employees and 6% have between 6-10 full-time employees.

Graph 3 – All Participants Full-time Employees

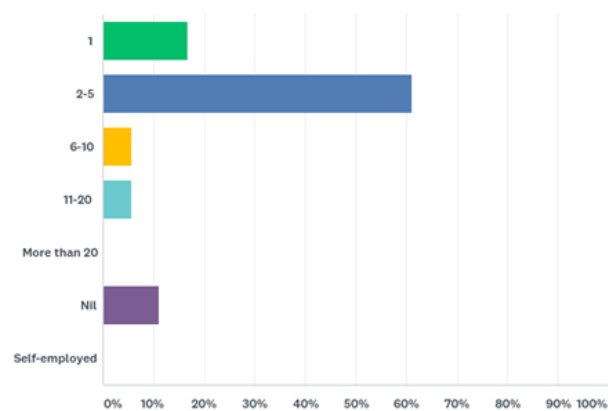
Q12 How many full-time permanent employees does your business usually have (including you)?



Of the Māori participants, 61% have 2-5 full-time employees as per Graph 4.

Graph 4 – Māori Participants Full-time Employees

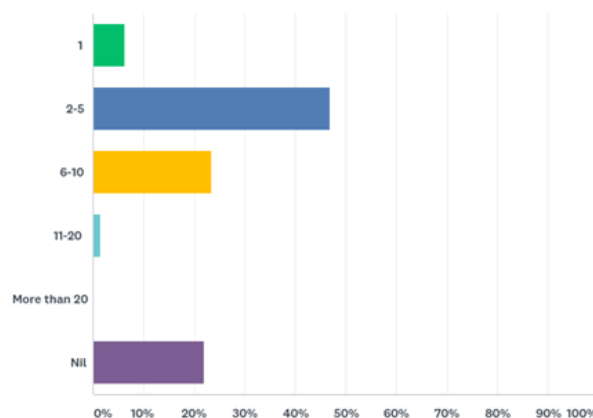
Q12 How many full-time permanent employees does your business usually have (including you)?



47% of all participants have between 2-5 part-time, casual or seasonal employees as per Graph 5 below.

Graph 5 – All Participants Part-time, Casual or Seasonal Employees

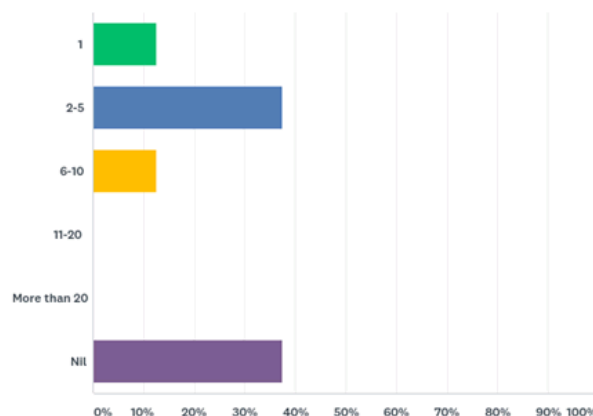
Q13 How many part-time, casual or seasonal employees does your business usually have throughout the year?



For Māori participants, 38% have between 2-5 part-time, casual or seasonal employees as per Graph 6 below.

Graph 6 – Māori Participants Part-time, Casual or Seasonal Employees

Q13 How many part-time, casual or seasonal employees does your business usually have throughout the year?



Impact of COVID-19 on Business

Most of the businesses who participated in the review had closed completely as a result of Alert Level 4. A few were operating as essential services.

Employees in only 17% of the participants had been able to move to remote working.

9% of the participants had to lay off staff due to COVID-19.

44% of participants had a revenue loss of more than 50% over the past month and 19% had a revenue loss of 100%.

Table 3 – Percentage Loss of Revenue (Compares all participants to Māori participants)

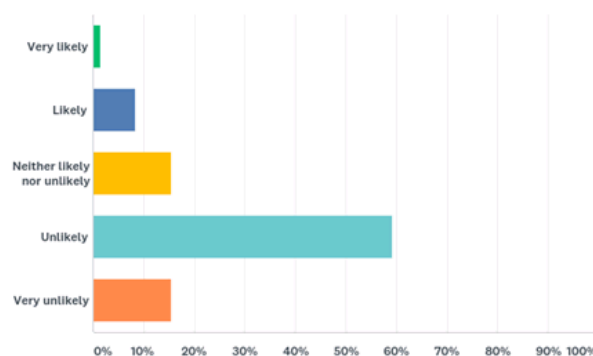
Percentage Loss	All	Māori
Around 10%	1.69%	0.00%
Around 20%	0.00%	0.00%
Around 30%	13.56%	18.75%
Around 40%	5.08%	6.25%
Around 50%	8.47%	25.00%
More than 50%	44.07%	31.25%
100%	18.64%	18.75%

It is conservatively estimated, based on the information provided by businesses who participated, that there was a district-wide revenue loss of more than \$1 million in the period the review was undertaken.

For 74% of the participants it was unlikely (59%) or very unlikely (15%) that loss from COVID-19 will put them out of business permanently.

Graph 7 – All Participants Likelihood of Going Out of Business

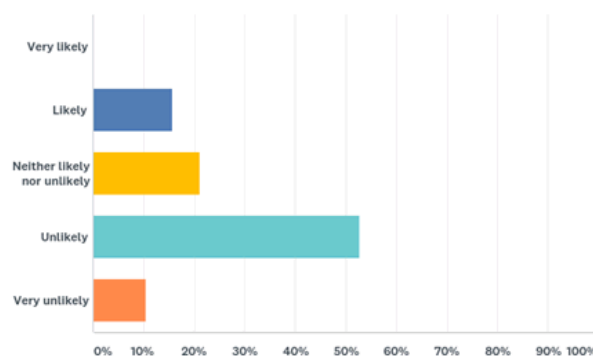
Q23 What is the likelihood that any loss due to Covid-19 will put you out of business permanently?



Graph 8 below shows that for Māori participants it was 53% unlikely or 11% very unlikely that loss from COVID-19 will put them out of business permanently.

Graph 8 – Māori Participants Likelihood of Going Out of Business

Q23 What is the likelihood that any loss due to Covid-19 will put you out of business permanently?



97% of all participants (95% of Māori participants) had previously identified strategic priorities for their business prior to COVID-19 and 53% said that those priorities had changed as a result of COVID-19 (58% for Māori participants).

91% of participants (88% of Māori participants) had previously identified financial and non-financial targets for their businesses and 86% said they would now not meet those targets as a result of COVID-19 (100% for Māori participants).

88% of participants were clear on the impact of COVID-19 on their budget, 83% for Māori participants. 27% of participants were confident they would be able to pay creditors when they were due, 42% for Māori participants.

The main financial concern for all participants (those who were closed or operating partially) was knowing when they would be able to open again.

88% of participants said they had enough information on the range of support being made available to business in response to changes from Covid-19. This was 78% for Māori participants.

Business Support Needs

The participants identified a range of business support needs across the areas of strategic and business planning, sales and marketing, online presence and ecommerce, finances and compliance.

39% of all participants identified a need to review their business plan as a result of COVID-19, 44% of Māori participants.

91% of participants have an accountant who is providing support and advice at the current time, 78% for Māori participants.

Participants use computers and internet in their businesses. 14% identified that they need their staff to develop their social media and ecommerce skills.

20% of all participants identified that their business structure needed to change as a result of COVID-19 (note that for 59% it was too early to know; this number is likely to be higher over time). 37% of Māori participants identified that their business structure needed to change as a result of COVID-19.

30% of all participants identified that they did not have access to the right legal advice at the current time, 58% for Māori participants.

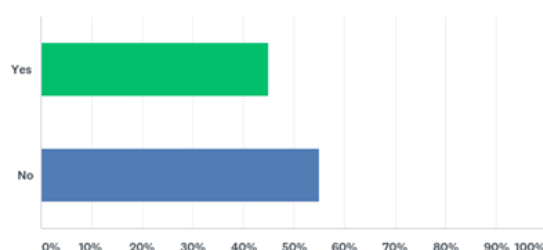
11% of participants identified that their staff needed training at this time, with that primarily being around new hygiene and sanitation requirements as a result of COVID-19.

Only 16% of participants needed support for communications with staff or customers due to business changes as a result of COVID-19.

45% of all participants need to identify new target markets as a result of COVID-19.

Graph 9 – All Participants Need to Identify New Target Markets

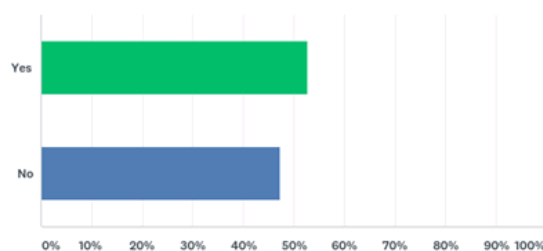
Q54 Do you need to identify new target markets as a result of changes to your business from Covid-19?



53% of Māori participants need to identify new target markets as a result of COVID-19.

Graph 10 – Māori Participants Need to Identify New Target Markets

Q54 Do you need to identify new target markets as a result of changes to your business from Covid-19?



61% of all participants want support to identify those new markets, 64% for Māori participants.

44% of all participants want help to create an online presence or improve their online presence, 53% for Māori participants.

45% of all participants want help to start or grow their online sales, online bookings or e-commerce presence, 58% for Māori participants.

99% of participants identified email as their preferred method for receiving information on business support in relation to COVID-19.

Participants were asked their main priorities for their business over the next month. Overwhelmingly, the responses (all participants and Māori participants) focused on paying and retaining staff and being able to get up and running.

Participants were asked their main priorities for their business over the next six months. Those priorities are:

- Getting business back operating to full capacity, including securing supplies
- Revisiting strategic business priorities
- Understanding and addressing financial impact of COVID-19
- Retaining and developing staff to support changes in the business as a result of COVID-19
- Strengthening customer base and increasing sales
- Improving social media, online presence and ecommerce
- Supporting local businesses.

4. Observations and Conclusions

In designing and implementing this project and throughout the fieldwork a number of observations were made which should be considered alongside the specific project data and analysis.

Wairoa is in a strong and unique position in terms of the potential to provide strong economic leadership in a post COVID-19 business environment. Māori comprise 67% of the district population and have significant land assets, which are key for the agriculture, horticulture, food and related industries. Due to the high population, Māori are also business owners, employees and customers of local Wairoa businesses. The Social and Economic Revitalisation Strategy (SERS) agreement provides a clear governance framework within which to position economic development leadership for the district. The observations below should be considered within the context of the SERS, particularly in terms of their implementation.

In developing the database for the project, it became clear that there was an absence of a central repository of current business contact data for the district. In trying to address the lack of contact information by conducting online research, it also became clear that the online presence of businesses across the district in general could be improved. Having an online presence is critical at any time for customers to be able to access a businesses' products and services.

During Alert Level 4, online shopping and ecommerce methods became the primary vehicle for the purchase of products and services. As New Zealand moves out of Alert Level 4, this will continue be a key sales method.

Customer behaviour has also changed, and those changes could be lasting. Regardless of Alert Levels, customers may continue be hesitant about going into shops and having contact with other people and items.

A district-wide online business database and related ecommerce platform could support businesses as they focus on getting their operations back up and running in the medium term. Several businesses operating in the district could be involved in the overall design, establishment and maintenance of such a platform.

Demand for local courier and delivery services should be monitored and business development support provided if they need to increase as a result of an increase in ecommerce.

The project business database is provided at Attachment D which could be utilised to support this work.

There are other areas that could benefit from central coordination as business move through Alert Levels and into a post COVID-19 environment. Again recognising changed customer behaviours, the fact that most of the participants in this project rely primarily on local customers and that there is a focus on supporting local businesses, the development and implementation of a 'Shop Local' campaign, including utilising ecommerce, would be timely.

Several businesses are concerned about their ability to access supplies in the short and medium term as they either re-open or continue to operate. These concerns relate to PPE and sanitation supplies. A practical local support would be for those businesses and organisations with a strong supply chain to make those items available to other business.

Food related businesses who participated in the review also expressed concern about access to some food supplies both under the current Alert Level and as we move through Alert Levels. It will be important to monitor this and intervene where possible to ensure those businesses are supported in both current operations or when re-opening.

Most of the participants had applied for the wage subsidy, which is intended as a 12-week measure depending on wage or salary levels. However, the use of the subsidy by the businesses and related cashflow was focused quite heavily on the initial Alert Level 4 Lockdown period. Participants were concerned about their ability to manage cashflow outside of the four-week Lockdown period, in particular rent or leases for which there has been no material relief. In order to support businesses to get back up and running and not continue to bear the impact of the Lockdown period, there may be an opportunity for the project sponsors to look to partner with an appropriate philanthropic organisation or similar to provide a one-off grant to clear debt coming out of the Lockdown period.

Given the key business support needs identified through this project for the short and medium term, the response could possibly best be coordinated through the establishment of a business administration hub. Specifically, the business administration hub could:

- Coordinate the release of grants to clear/manage debt incurred over lockdown, including rent/lease (leverage funding through partnerships with philanthropic organisations)
- Support identification of strategic priorities and development of business plans
- Provide sales and marketing support to identify new markets/customers, including through online presence/e-commerce
- Provide accounting services to strengthen budgets and finances and tax and company compliance – specifically review cashflow, strategies to manage creditors/suppliers, identify suitable loans and investors
- Provide legal services and advice as required.

In the early stages of the fieldwork phase, many of the participants were highly stressed and emotional about the Alert Level 4 Lockdown and having to close their business. They were concerned about finances and retaining staff over such an uncertain period. It will be important to monitor the ongoing wellbeing of the local business community.

5. Recommendations

The following recommendations should be considered as a result of the analysis and broader observations from Pākihi Ora.

Recommendation 1: Identify how the SERS agreement can provide a framework for economic development leadership and delivery of related business development support as the district moves through Alert Levels and into a post COVID-19 environment.

Recommendation 2: Provide specific business support in the short to medium term to businesses across the district in the areas of:

- a. Strategic and business planning
- b. Sales and marketing support, including to identify new customers
- c. Development of online presence and ecommerce
- d. Finances and compliance.

Recommendation 3: Scope the feasibility of supporting local businesses to develop their online presence and ecommerce through a district-wide platform. Local businesses could be utilised to for this development.

Recommendation 4: Monitor the demand and capacity of local courier and delivery services in a growing ecommerce environment and if needed provide business development support for these services.

Recommendation 5: Design and implement a 'Shop Local' campaign to support local businesses and customers as we move through Alert Levels and into a post COVID-19 environment.

Recommendation 6: Monitor supply chains for local businesses, specifically those associated with PPE, sanitation and food services and provide practical support to businesses where needed.

Recommendation 7: Investigate partnerships with philanthropic organisations and others to secure one-off grants to help businesses financially recover from effects of Alert Levels 3 and 4.

Recommendation 8: Monitor the wellbeing of local business owners and provide practical supports, as necessary.

Recommendation 9: Consider establishing a business administration hub to coordinate and deliver the business support outlined above on an ongoing basis.

Recommendation 10: Investigate the opportunity to develop a partnership approach to economic development between Tātau Tātau o Te Wairoa, Kāhui and Wairoa District Council.

6. Contact Details

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Attachment A – Pākihi Ora Business Review Tool

Attachment B – Tātau Tātau Pānui 25 March 2020

Attachment C – Pākihi Ora Media Statement 20 April 2020

Attachment D – Wairoa Business Database

Economic Impacts of COVID-19 on the Hawke's Bay Economy – Early Estimates

Business Hawke's Bay

April 2020



Infometrics
Economics put simply

business **HB**

Authorship

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3 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

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5 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Executive Summary

COVID-19 presents the greatest economic shock in living memory and comes at a time when the Hawke's Bay Region's farmers and growers are already struggling to cope with a severe drought. It is clear that the Hawke's Bay economy will be irrevocably changed by this pandemic.

Innovation is key

Innovation and doing things differently is going to be key. As we head into alert Level 3, businesses will need to operate in new ways that maintain the safety of their staff and their customers. The importance of maintaining safety standards will remain until a vaccine is widely distributed, and possibly beyond.

- Central Hawke's Bay District is expected to have the highest proportion of workers who will be able to operate under Level 3 (85%) because a large proportion of the district's economy is concentrated in agricultural industries which will be able to operate almost at full strength.
- The same is true for Wairoa District where 83% of workers will be able to operate under Level 3.
- The proportion of workers able to operate under Level 3 is slightly lower in Hastings District (79%) and Napier City (73%). In these two districts, a large amount of economic activity is in industries that will not be able to operate at full strength under Level 3 such as accommodation and food services, retail, wholesale, education and training, administrative support services, professional, scientific and technical services.

Councils and economic development agencies will need to fast-forward infrastructure projects without compromising on quality. They will need to look at every aspect of their operations, including their consenting processes, and how they pay local contractors to ensure they are doing everything possible to support the region through the coming recession and facilitate economic recovery.

Local leadership will be key to facilitating economic recovery

Through the Matariki framework Hawke's Bay already has a strong and proven mechanism that brings the region's leaders in business, iwi, central government and local government together. Regional partnerships are in place and have a track record of working together collaboratively, bringing together diverse perspectives for the collective good.

Regional leaders have already taken steps to fast-track key infrastructure projects and access Central Government funding opportunities that have the potential to create hundreds of much-needed jobs. Maintaining support services are critical, but will be a challenge in a tighter fiscal environment. Housing affordability and lifestyle benefits can be assets in Hawke's Bay's economic recovery as recessionary economic conditions might give rise to increased levels of domestic migration. Skills development and retention of the workforce will also be key as will infrastructure development.

6 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Hawke's Bay is better placed than other regions to weather the storm

The Hawke's Bay economy is forecast to contract by -6.2% over the year to March 2021, compared with a -8.0% decline in national economic output.

With a relatively high proportion of the workforce able to operate at Levels 4 and 3, particularly in their large food producing sectors, the Central Hawke's Bay District and Wairoa District economies are expected to contract the least, at -3.8% and -4.4%, over the year to March 2021. Hastings District is expected to contract by -6.1% and Napier City is expected to fare the worst, contracting by 7.2%. This is a reversal to what happened in the GFC, when the Wairoa District and Central Hawke's Bay District economies contracted the most.

Central Hawke's Bay District and Wairoa District will benefit from their strong primary and food manufacturing sectors. Primary exports and, consequently, food production are expected to continue growing, albeit moderately as global demand for food is maintained. However, the current drought is a big risk to this forecast particularly for Central Hawke's Bay.

Hawke's Bay is less exposed to the anticipated fall in tourism spending than districts that are heavily exposed to international tourism such as Queenstown. Also, Hawke's Bay is not highly exposed to international tourism or international education. However, the reduction in tourism spending and spending by international students will still be a blow to the local economy.

Job losses create risk, particularly for low-income households

Over the year to March 2021, employment in Hawke's Bay is expected to decline -8.3% (just under -7,000 jobs) compared to an economy-wide decline of -9.8%. Most of the job losses will occur in Hastings District and Napier City reflecting the size of their economies and the fact that their economies are expected to contract the most in the coming year.

The greatest number of the job losses in Hawke's Bay Region are forecast to be in the Accommodation and food services and Retail and wholesale trade industries.

A consequence of job losses is that the region's unemployment rate is forecast to rise to 8.4% in the March 2021 quarter, and earnings across the Hawke's Bay economy are forecast to decline by \$380 million in the year to March 2021. By far the highest number of job losses in Hawke's Bay are forecast to occur in Low-skilled and Highly-skilled roles, a trend that is broadly reflected across the four TAs.

Accommodation and food services and Retail and wholesale trade industries will see the greatest number of job losses for Māori, many of which will be low-skilled jobs. Young, lower-skilled Māori and their whānau, as well as other low-income households, are particularly vulnerable in the coming recession. They will need financial support, health services, support to maintain their engagement in the labour market, and support to retrain and upskill to take advantage of the job opportunities as they emerge.

7 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Introduction

This report provides an overview of the anticipated economic impacts of the COVID-19 pandemic for the Hawke's Bay Region and its constituent territorial authorities (TAs).

It includes an assessment of the headline impacts of the COVID-19 lockdown as of April 2020, forecast changes to economic activity, employment and other key indicators over the year to March 2021, information on potential mobility of labour between different industries, and the outlook for construction activity in the region.

The forecast analysis presented in this report draws on a suite of economic models maintained by Infometrics. Models are only as good as the assumptions we put into them and we have clearly outlined our key assumptions.

The report is intended to provide evidenced-based information and analysis to Business Hawke's Bay, the Hawke's Bay Regional, District and City Councils and their key stakeholders, that can inform short-term responses to the pandemic and support long-term planning activities.

This report is accompanied by a spreadsheet set which contains all the data used to prepare this report plus additional data.

The greatest economic shock in living memory

COVID-19 presents the greatest economic shock in living memory, and although the full extent of the shock is still to play out, it is clear that the economy will be irrevocably changed by this pandemic. The speed with which the economic outlook changed during March far exceeded anything experienced during the Global Financial Crisis (GFC) of 2008/09.

Infometrics is currently forecasting a 13% contraction in economic activity in the New Zealand economy between the December 2019 and June 2020 quarters, with most of the decline occurring in the June quarter due to the current lockdown. This contraction is set to be at least four times larger than anything seen before, so there is understandably considerable scope for error in this estimate. Over a slightly longer time horizon, our forecast is for an 8% contraction in economic activity over the year to March 2021.

By March 2022, we expect national quarterly GDP to be 6.6% below its December 2019 level. We estimate the national unemployment rate will peak at 9.5% in the September 2021 quarter, and remain above 8% until the December 2023 quarter. In addition, underemployment is set to rise, while some of the unemployed will drop out of the labour force or seek out education opportunities in order to reskill. These factors will contribute to a decline in the labour participation rate, which we predict could fall to its lowest level since 2001.

A detailed economic outlook is included as Appendix I.

Our modelling of the impacts of COVID-19 are based on key assumptions

We have made the following assumptions when modelling the effects of the COVID-19 pandemic, the economic downturn, and the government's policy responses on the New Zealand economy.

8 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

- Lockdown is 4½ weeks at Level 4 and 2 weeks at Level 3 - we have based our industry employment and output modelling on Level 4 being in place for 4½ weeks and Level 3 being in place for two weeks.
- Economic activity is constrained across the entire economy - we estimate that approximately 65% of economic activity can take place under Level 4. This estimate includes people that can work from home and those people working in essential services. Under Level 3, our estimate of potential economic activity taking place rises to 82%.
- Global demand for food products will hold up but non-food exports will take a hit – people still need to eat during a recession, which will limit any reduction in our food exports, we have allowed for a 16% contraction in non-food manufacturing export volumes over the coming year, and a 9.5% reduction in international demand for unprocessed forestry exports such as logs.
- Foreign tourism tanks – we have estimated a 91% reduction in foreign tourist spending in New Zealand over the coming year, and a similarly sized reduction in New Zealand tourists spending money overseas.
- Domestic tourism spending will drop – despite more New Zealanders only having the option of domestic holidays rather than travel overseas for the foreseeable future, we estimate a 21% decline in domestic tourism spending from the previous year.
- International education revenue halves – we estimate the number of international students at tertiary education providers this year to be 79% of normal levels, and predict a 49% reduction in international education revenue during the year to March 2021.
- Domestic education demand will increase – we have allowed for a lift in total demand for tertiary education and training from domestic students over the coming year of 8.3%, similar to what we saw following the GFC.
- The housing market takes a hit – our assumptions include an 11% drop in average house prices between mid-2020 and the end of 2021.
- Construction is also hit hard – the housing market downturn will drag down the rate of residential construction by nearly 20% nationally. Hawke's Bay is expected to see growth in non-residential construction activity despite an expected decline nationally. Nationally, prospects for civil construction are positive outside of Level 4 lockdown conditions.
- Government comes to the party – our modelling includes a \$10b wage subsidy scheme and \$2.5b through a one-off increase in social welfare benefits of \$25 per week.

A full description of the Infometrics modelling assumptions is provided in Appendix II.

The Level 4 lockdown has hit Hawke's Bay hard

Like the rest of New Zealand, much of the Hawke's Bay economy has been closed down by the Level 4 lockdown.

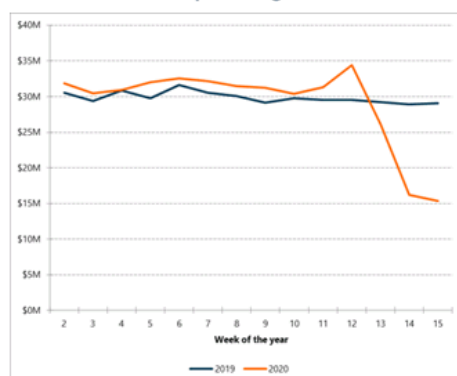
Consumer spending has fallen off a cliff

9 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

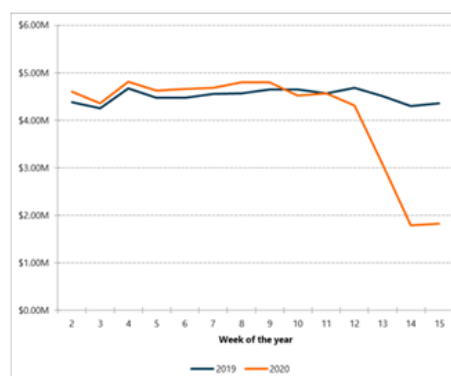
Consumer spending in Hawke's Bay increased in the week leading up to the Level 4 lockdown on 25 March 2020, and then declined rapidly. The increase in spending in the week leading up to Level 4 lockdown was mostly on food, liquor and pharmacies, and to a lesser extent home & recreation retailing. See Figure 1 to Figure 5.

Figure 1 Hawke's Bay Region consumer spending

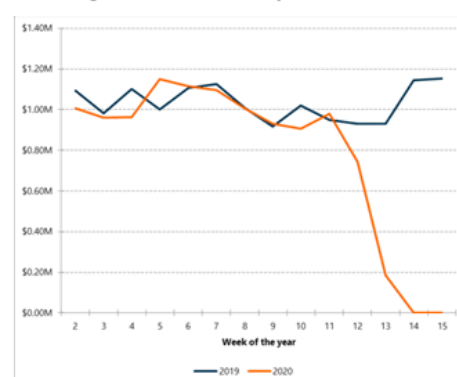
Total consumer spending



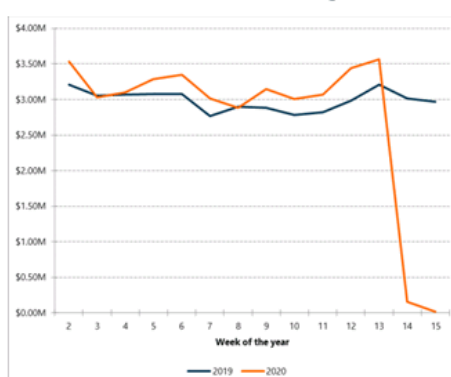
Fuel & Automotive



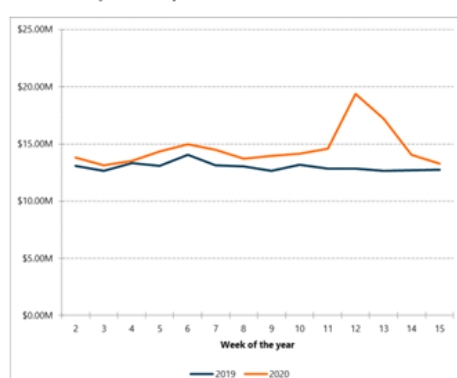
Clothing, Footwear & Department Stores



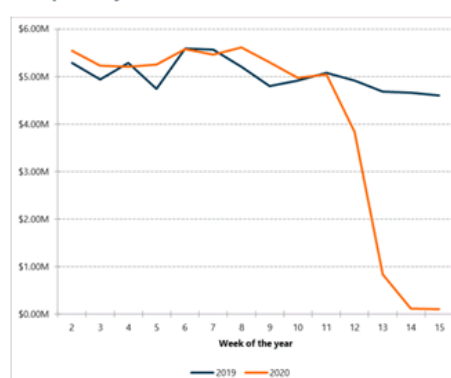
Home & Recreational Retailing



Food, liquor & pharmacies



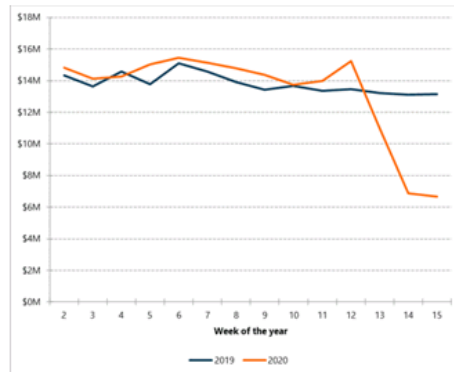
Hospitality & Accommodation



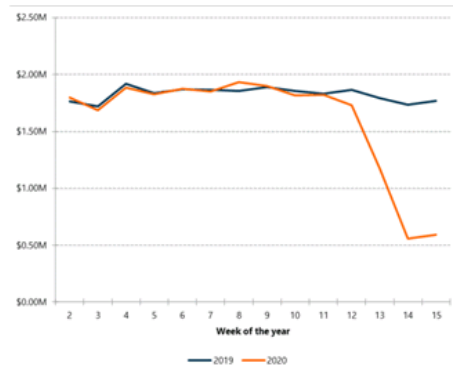
10 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Figure 2 Napier City consumer spending

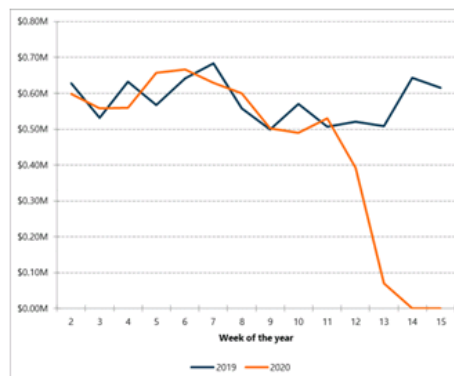
Total consumer spending



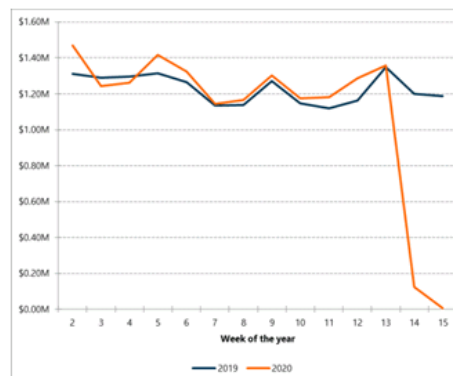
Fuel & Automotive



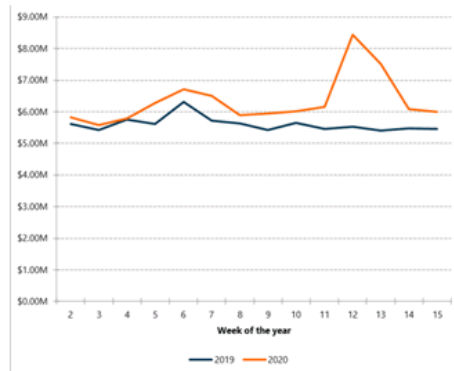
Clothing, Footwear & Department Stores



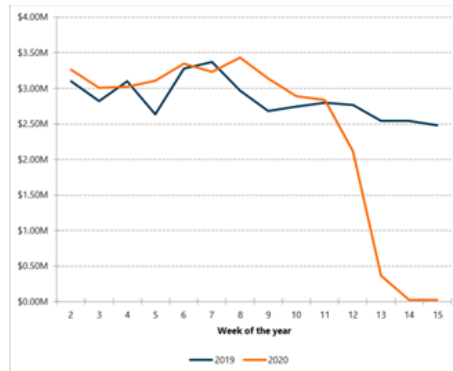
Home & Recreational Retailing



Food, liquor & pharmacies



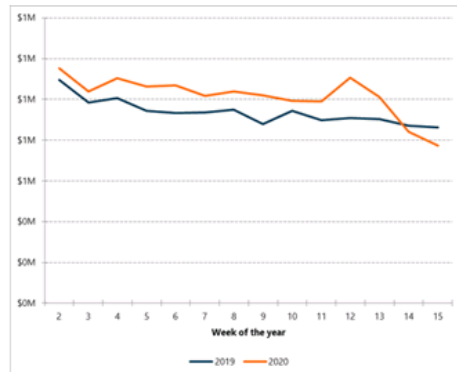
Hospitality & Accommodation



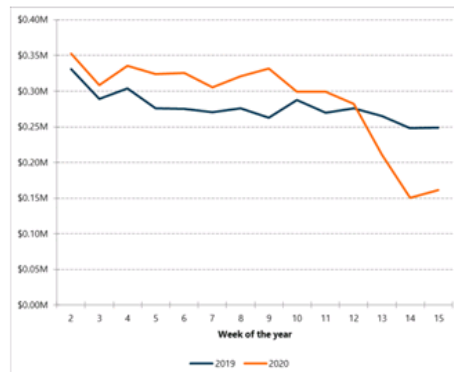
11 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Figure 3 Wairoa District Consumer spending

Total consumer spending



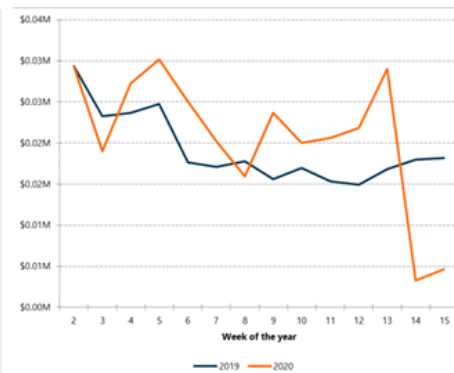
Fuel & Automotive



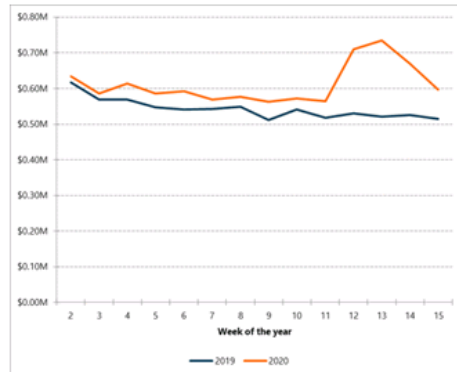
Clothing, Footwear & Department Stores

No spending is captured under this category in Wairoa

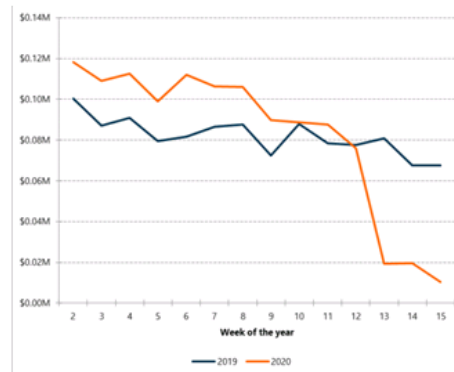
Home & Recreational Retailing



Food, liquor & pharmacies



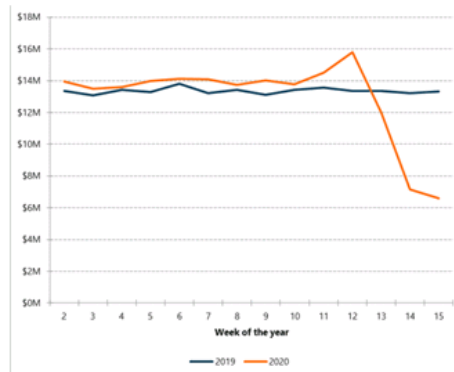
Hospitality & Accommodation



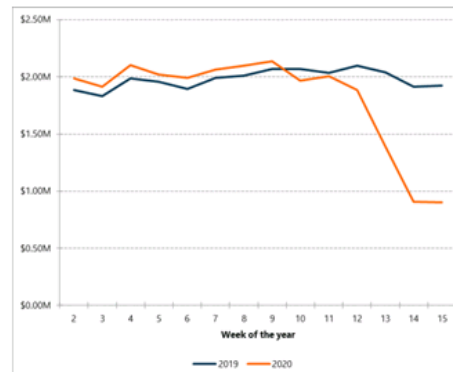
12 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Figure 4 Hastings District consumer spending

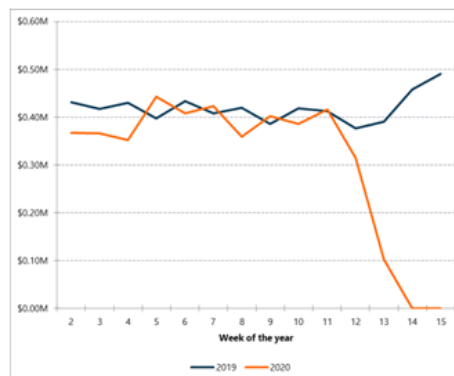
Total consumer spending



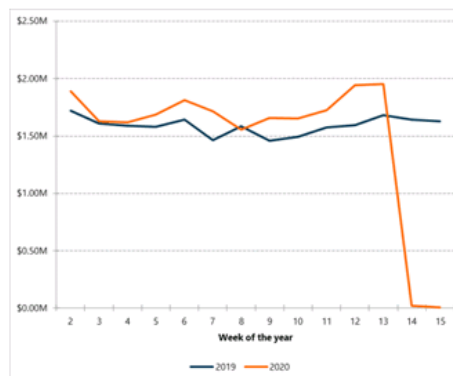
Fuel & Automotive



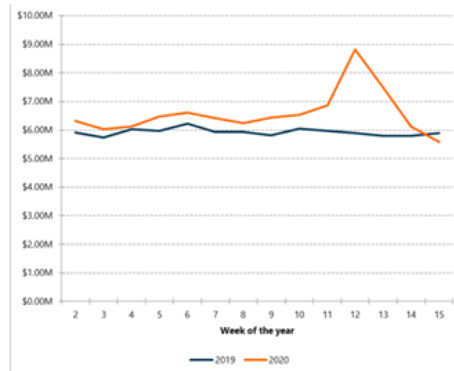
Clothing, Footwear & Department Stores



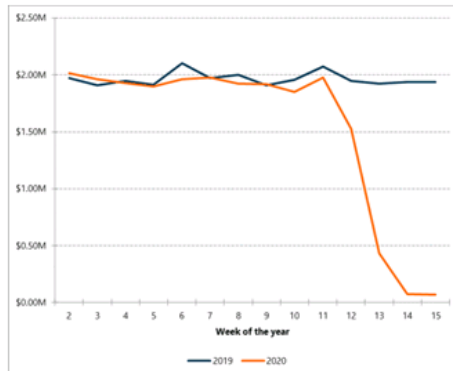
Home & Recreational Retailing



Food, liquor & pharmacies



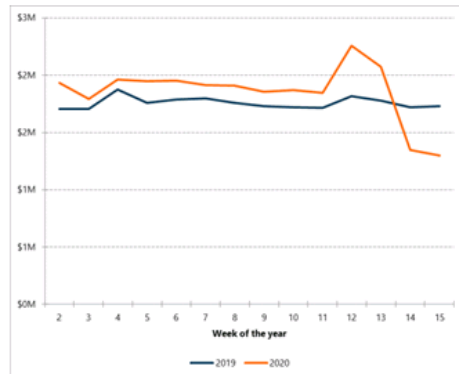
Hospitality & Accommodation



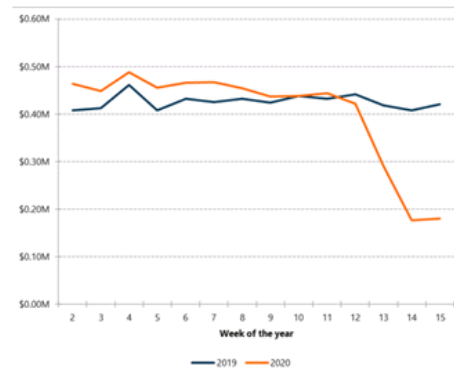
13 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Figure 5 Central Hawke's Bay District consumer spending

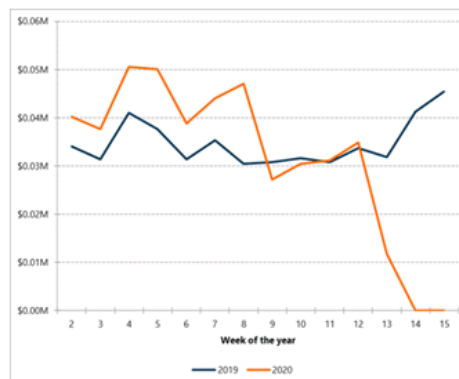
Total consumer spending



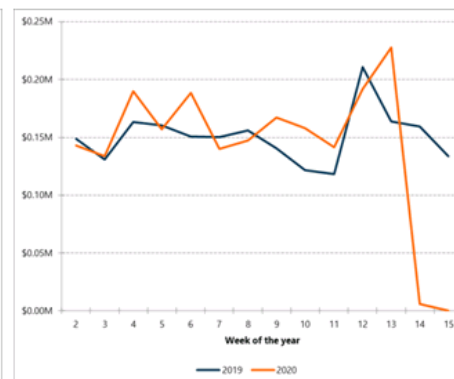
Fuel & Automotive



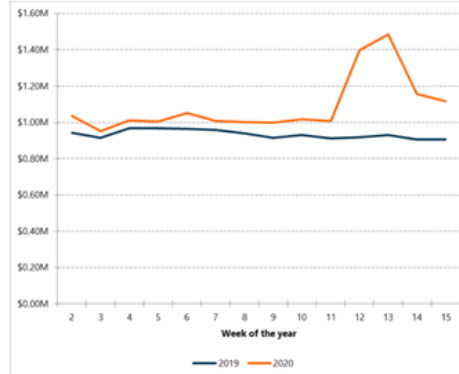
Clothing, Footwear & Department Stores



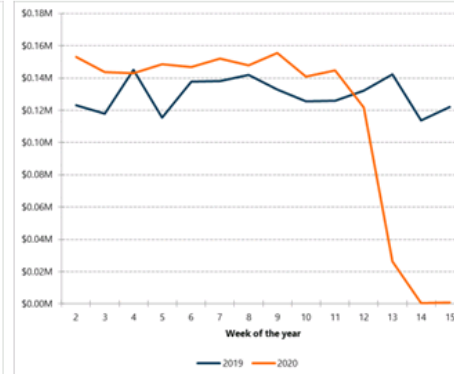
Home & Recreational Retailing



Food, liquor & pharmacies



Hospitality & Accommodation

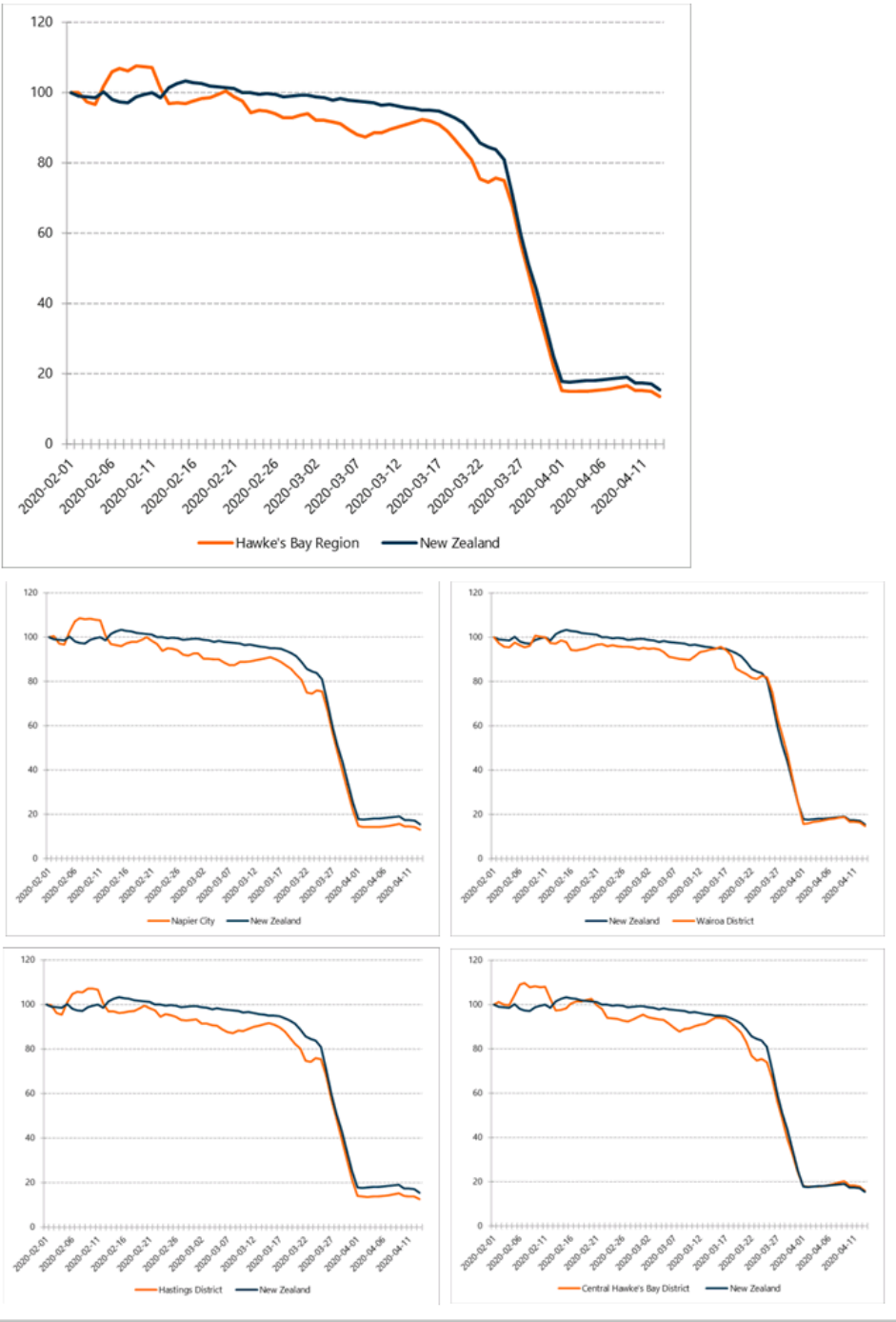


14 Economic impact of COVID-19 on Hawke’s Bay Region – April 2020

Traffic flows have dwindled

According to data received from NZTA, traffic flows in Hawke’s Bay and each of its TAs peaked ahead of the Level 4 lockdown, then dropped sharply, as might be expected. See Figure 6.

Figure 6 Hawke’s Bay traffic flows (indexed), 2020

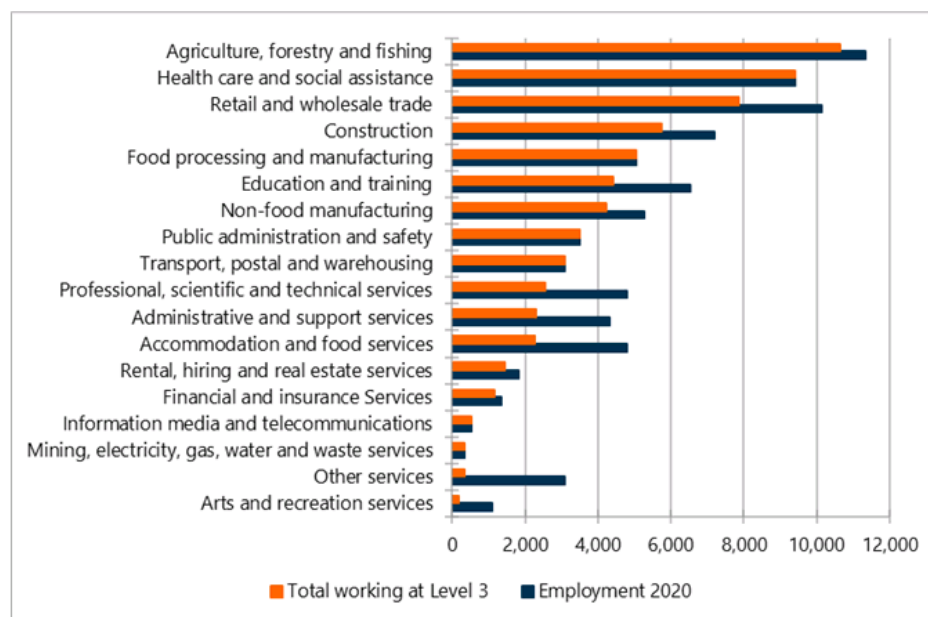


15 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

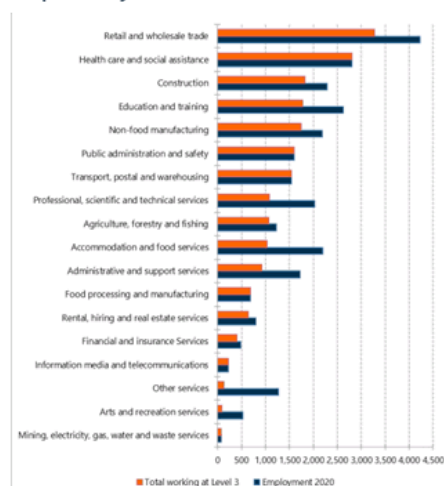
78% of the workforce will be working in Level 3

Infometrics estimates that during the Level 4 lockdown, approximately 57% of the Hawke's Bay workforce is able to operate, either by working from home or by being employed in essential services. At Level 3, we estimate that 78% of the workforce will be able to operate, albeit in some cases in reduced capacity brought about by social distancing and the requirement to work "safely". See Figure 7.

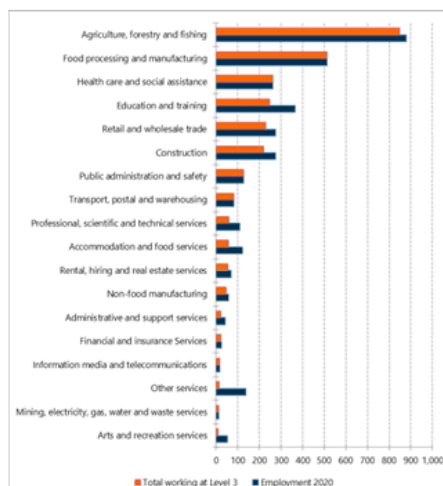
Figure 7 Hawke's Bay Region working from home and essential services



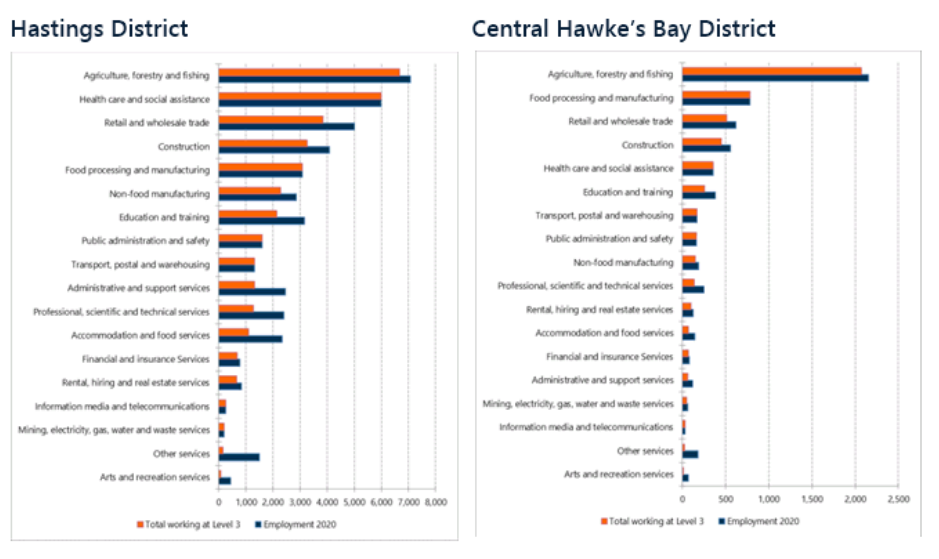
Napier City



Wairoa District



16 Economic impact of COVID-19 on Hawke's Bay Region – April 2020



Central Hawke's Bay District is expected to have the highest proportion of workers who will be able to operate under Level 3 (85%) because a large proportion of the district's economy is concentrated in agricultural industries which will be able to operate almost at full capacity. The same is true for Wairoa District where 83% of workers will be able to operate under Level 3.

The proportion of workers able to operate under Level 3 is slightly lower in Hastings District (79%) and Napier City (73%). In these two districts, a large amount of economic activity is in industries that will not be able to operate at full strength under Level 3, such as accommodation and food services, retail and wholesale trade, education and training, administrative support services, professional, scientific and technical services.

Hawke's Bay will take a smaller hit than most regions

All districts and regions in New Zealand will be hit hard by the pandemic. The worst hit will be districts that are heavily exposed to international tourism such as Queenstown, Mackenzie, Rotorua, Westland and Kaikōura. By contrast the least affected districts will be those whose economies are dominated by the primary sector and food manufacturing sector including Central Hawke's Bay District and Wairoa District.

A few factors will lessen the impact of the pandemic on the Hawke's Bay Regional economy. These are outlined below.

Primary exports are holding up, but the current drought is a concern

Despite widespread turmoil in international markets, New Zealand's exports of food products are holding up and, for some commodities, are even growing slightly. However, forestry exports are currently down, due to a lack of demand from China. Agriculture, forestry and fishing is the Hawke's Bay Region's largest industry (by employment), with approximately 13% of the region's workforce employed in primary industries.

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Continued food export strength is likely to support the region's economic recovery. The Napier Port will be a key beneficiary of the continued strength in primary exports, particularly if Chinese demand for our forestry products picks up again. Currently, Napier Port is reporting that for most of the first half of the 2020 financial year, they have benefitted from strong export trades. Several key trades including logs, wood pulp and timber, are being disrupted by the Covid-19 pandemic, but food and beverage cargoes, notably meat, pip fruit and fresh produce are not expected to be materially affected by the containment measures.

The current drought is a big concern and, if it continues, could deepen the region's recession. The Hawke's Bay Rural Advisory Group said the southern half of the region was about to enter its seventh month of below-normal rainfall, and there was no sign of the drought breaking. The drought has caused significant feed shortages which is forcing farmers to reduce their stock numbers at a time when processing capacity is reduced as a result of the protocols that processing companies must follow in order to operate during the COVID-19 lockdown. This leads to a flow on effect on pricing and returns, breeding stock retention and rural spending.

A further downside risk to this forecast is the impact of alert level restrictions, such as social distancing, on the productivity of apple, pear and other pip fruit post-harvest facilities and ongoing concerns about a lack of pickers which is resulting in some fruit remaining on trees.

Food production will continue

People need to continue eating during a recession which means the food manufacturing sector will not be as hard hit as the rest of the economy. Hawke's Bay has a sizeable food manufacturing sector including bread production, fruit and vegetable processing, and meat processing. On the downside, the food production sector will suffer the downstream effects if the current drought results in falling agricultural production volumes and impacts growers. Production and processing of higher-value products that would go into domestic and international hospitality services will also experience a significant downturn in demand.

Hawke's Bay is not highly exposed to international tourism

Tourism accounted for 6.8% of employment in Hawke's Bay compared with 9.0% nationally, so while the region is not as highly exposed as some other regions, the steep fall in tourism spending is a blow for the region. We estimate that nationwide, domestic tourism spending will drop by -21% compared with a fall of -91% in foreign tourism spending. Around one-quarter of visitor expenditure in Hawke's Bay is from international visitors. In Napier City, international visitors make up 30% of visitor expenditure, Hastings District 23%, Wairoa District 15%, and Central Hawke's Bay District 11%. Domestic tourism will hold up much better than international tourism. The recently announced closure of the Elephant Hill Winery Restaurant highlights the impact the dramatic decline in international visitor spend will have on the tourism and hospitality sector, including the higher end of the visitor market, reliant on the valuable spend of international visitors.

The region's conference season was coming to a close before the lockdown. But looking ahead to next year, cash strapped businesses may be unwilling to splash out on conference registrations. The cruise ship season was also coming to an end when New Zealand's borders were closed. With 86 cruise ships booked for the 2019/20 season, 76 cruise ships, 129,000 cruise passengers and 55,000 crew visited Hawke's Bay between October 2019 and March 2020. Passengers that had to cancel cruises due to the pandemic are being offered

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deferrals, however with multiple news reports circulating the globe of cruise ships that have become COVID-19 hotspots, there's a big question mark over how much demand there will be when the season starts again in October.

International education is a minor sector in Hawke's Bay

New Zealand hosted more than 100,000 international students in 2019, but fewer than 1,500 were studying in Hawke's Bay. Just over 1,200 in Napier City and around 250 in Hastings District. Around 1,100 students were enrolled at tertiary education institutions and around 400 were enrolled at the region's schools. The loss of international students in 2020 is due to the border closure. Eastern Institute of Technology (EIT) is less dependent on international students than some other institutions, however the EIT Auckland post-graduate campus which is predominantly international will have taken a more significant hit. In 2018, 17% of EIT's income was generated from international students which was on a par with the Institutes of Technology and Polytechnics (ITP) sector as a whole, but lower than institutes such as Otago Polytechnic (25%) and UNITEC (25%). However, any shortfall in international students will result in a sizeable revenue shortfall for the region's tertiary education providers and schools.

With job opportunities set to dry up, tertiary education providers can benefit from an increased number of domestic students seeking to upskill or retrain. This should help make up for the short-fall in international students. To fully benefit, providers will need to consider the needs of their customers, who may be older, recently unemployed, working part-time and may need pastoral and learning support. Flexible delivery options, including online delivery and micro-credentials may be better suited to the needs of some learners.

Health care will continue to be a major employer

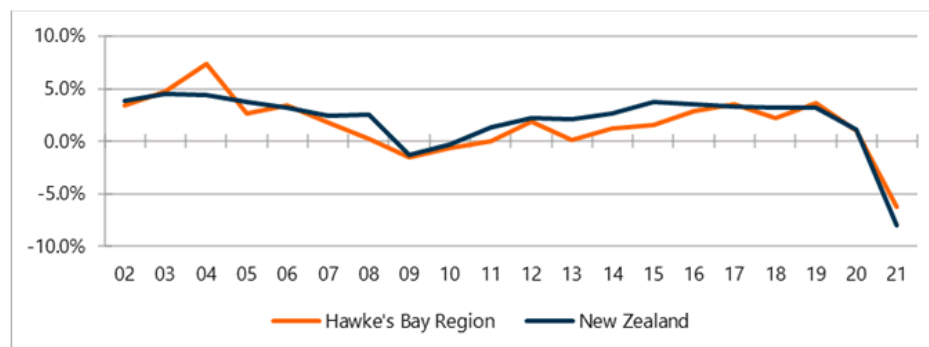
Health care and social assistance is a major employer in Hawke's Bay, making up 11% of all employment in 2019. Health care is also one of the few sectors that is not expected to experience a decline in employment in the coming year. Health care facilities, including residential aged care facilities, remained open during the Level 4 lockdown and central government's decision to go hard and go early meant that the healthcare sector has not been overwhelmed by people suffering from COVID-19 as it has in other countries. Looking forward, we expect demand for private healthcare will drop with declining incomes. However, we expect modest growth in public healthcare from patients who would otherwise have been treated privately. New residential aged-care and hospital care facilities that are planned for the region are likely to go ahead.

Hawke's Bay economy will contract by -6.2%

The Hawke's Bay Region's GDP is forecast to contract by -6.2% over the year to March 2021, compared with a -8.0% decline in national economic output. The contraction in Hawke's Bay is more than four times worse than the contraction of -1.5% experienced in 2009 during the Global Financial Crisis. See Figure 8.

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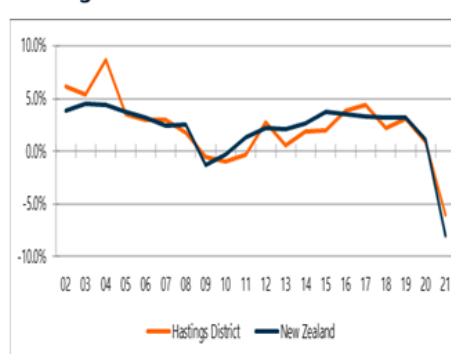
Figure 8 Hawke's Bay GDP Growth, 2002-2021



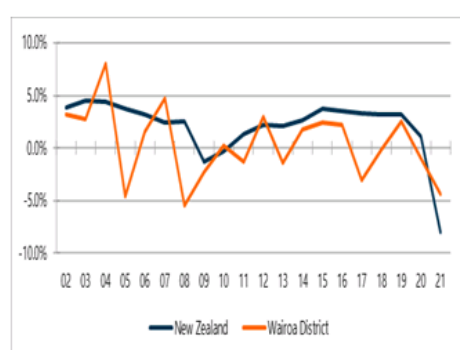
Napier City



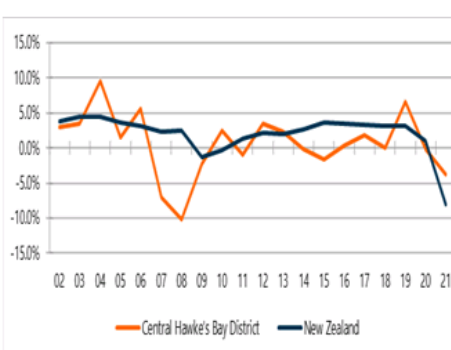
Hastings District



Wairoa District



Central Hawke's Bay District



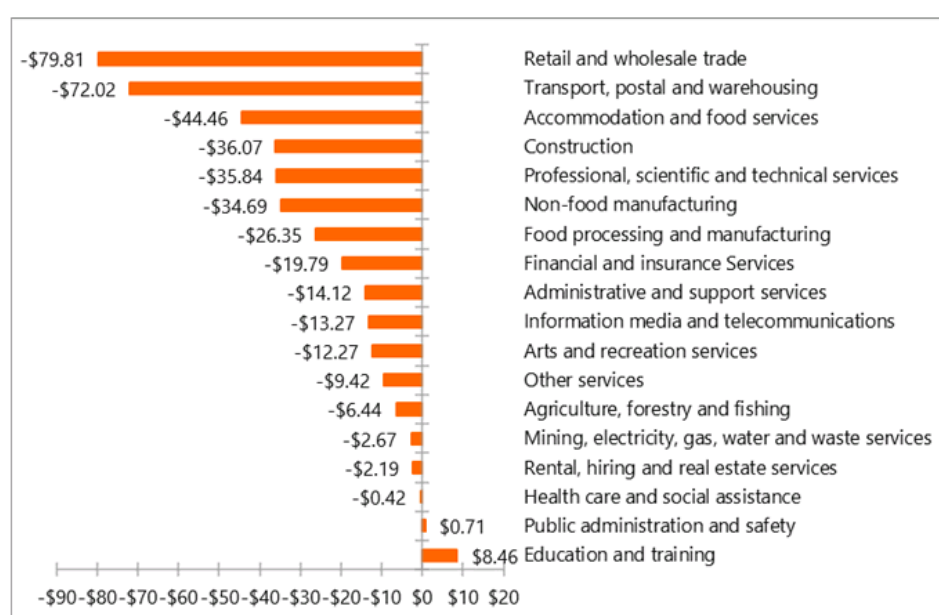
With their large food producing sectors, the Central Hawke's Bay District and Wairoa District economies are expected to contract the least, at -3.8% and -4.4% respectively, over the year to March 2021. However, with Hawke's Bay farmers and growers currently suffering severe drought conditions, these forecasts could be too optimistic. Hastings District is expected to contract by -6.1% and Napier City is expected to fare the worst, contracting by -7.2%. This is a reversal to what happened in the GFC, when the Wairoa District and Central Hawke's Bay District economies contracted the most.

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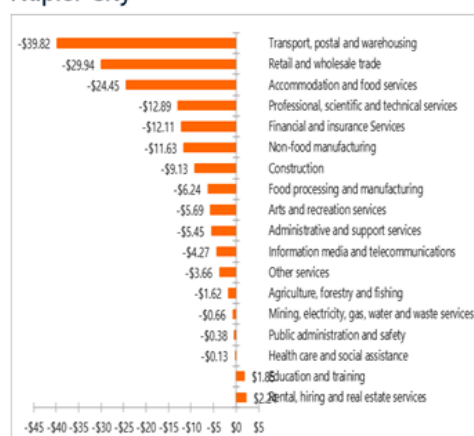
Retail and wholesale trade take the biggest hit

The largest declines in the region will take place in the retail and wholesale trade industry (-\$80million, -21%), the transport, postal and warehousing industry (-\$72million, -21%) and the accommodation and food services industry (-\$44million, -29%). Declines in these three industries are largely reflected across the Hawke's Bay TAs. In Napier City, the transport, postal and warehousing industry will take, by far, the biggest hit. Central Hawke's Bay District and Hastings District will experience significant declines in their construction industries, Hastings District will also see a decline in its non-food manufacturing industry, and the food-manufacturing industry will suffer most in the Wairoa District. See Figure 9..

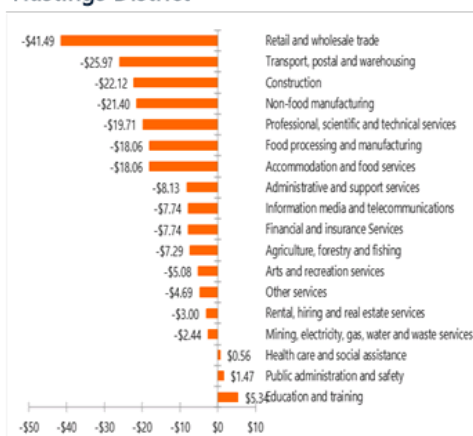
Figure 9 Hawke's Bay GDP changes by broad industry (\$million), 2020-2021



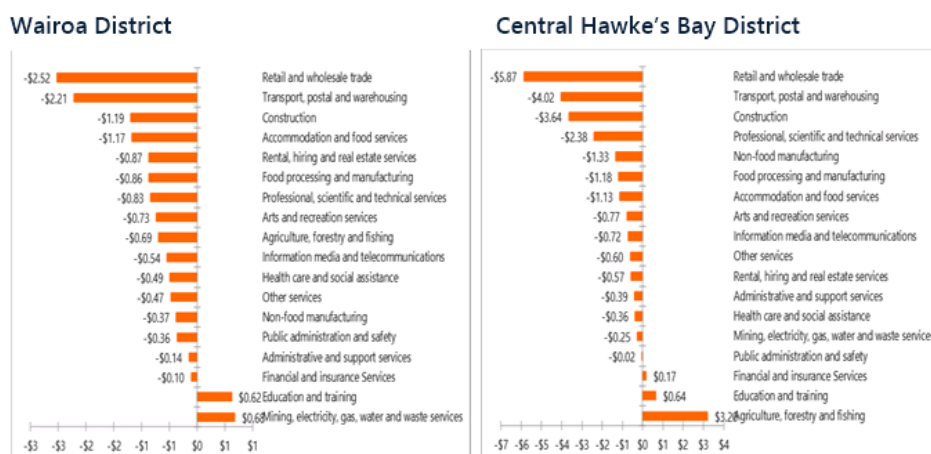
Napier City



Hastings District



21 Economic impact of COVID-19 on Hawke's Bay Region – April 2020



There follows an outline of how key industries are expected to fare in the coming economic downturn.

- Retail and wholesale trade** has experienced a significant drop in demand under Level 4, and restrictions will remain in place under Level 3 as well. These effects are not being felt equally, with supermarkets enjoying periods of higher-than-usual demand. Other businesses that can sell online will be able to operate under Level 3, although we do not expect spending patterns during this period to be normal. The declines in tourism activity and other discretionary spending will also be felt disproportionately by retailers selling more luxury or higher-end products.
- Transport, postal, and warehousing** has been significantly affected by the pandemic. As is the case for accommodation and food services, these effects will continue long after the lockdown ends. Other parts of the transport and logistics industry have been weakened by factors such as reduced commuter travel and cutbacks in distribution and freight requirements caused by the lockdown. Some of these effects will start to reverse out with a pick-up in online spending outside Level 4, but this positive influence on activity is likely to be outweighed by the reduction in overall spending caused by the weaker labour market and incomes.
- Accommodation and food services** will be arguably the most heavily affected part of the economy by the COVID-19 pandemic and its aftermath. The disappearance of international tourism and declines in domestic tourism and other discretionary spending are key factors in the industry's contraction. Activity will continue to be severely constrained under COVID Alert Level 3, while domestic travel will also remain restricted under Alert Level 2.
- Construction** activity was close to peaking even before the COVID-19 pandemic occurred. Rising unemployment, falling house prices, slower population growth, and tighter bank lending conditions will all weigh on activity over the next 1-2 years across both the residential and non-residential subindustries. Prospects for infrastructure look more promising given the government's desire to use this channel to try and stimulate the economy's recovery. We also note that strong

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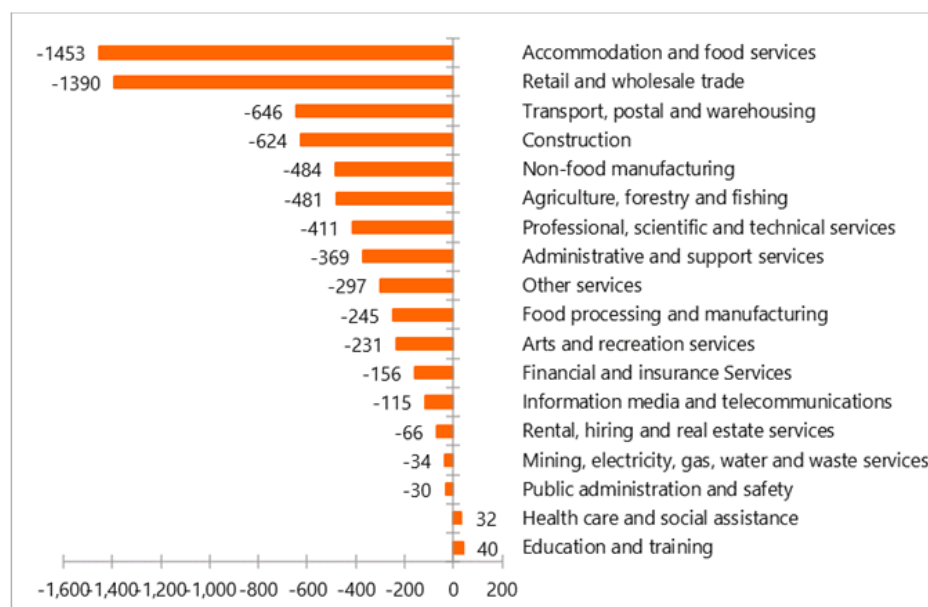
growth in the population and building stock over recent years has increased the baseline level of maintenance work that needs to be done, mitigating the downturn for those parts of the industry that tend to be less cyclical.

- **Non-food manufacturing** tends to be less labour-intensive than many other industries, but the downturn in the global economy will have a significant negative effect on demand for the industry. Manufactured exports are expected to be squeezed by weak demand conditions across much of Europe, North America, and Australia. The Global Financial Crisis also demonstrated the strong links between parts of non-food manufacturing and building work. Consequently, the forecast downturn in construction activity will also contribute to a decline in employment and output in this industry.
- **Food manufacturing** while global food demand is expected to support New Zealand's food processing industry, the disappearance of international tourism and declines in domestic tourism in New Zealand will reduce domestic demand for processed food.

Employment will shrink by 7,000 jobs

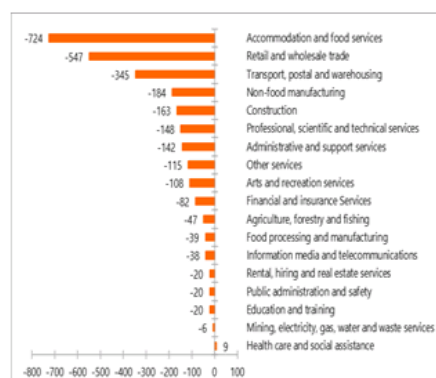
Employment in Hawke's Bay is expected to decline from just over 83,600 in the year to March 2020 to approximately 76,600 in the same period to March 2021, a decline of -8.3% or just under 7,000 jobs compared to an economy-wide decline in employment of -9.8%. See Figure 10.

Figure 10 Hawke's Bay employment changes by broad industry, 2020-2021



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Napier City



Hastings District



Wairoa District



Central Hawke's Bay District



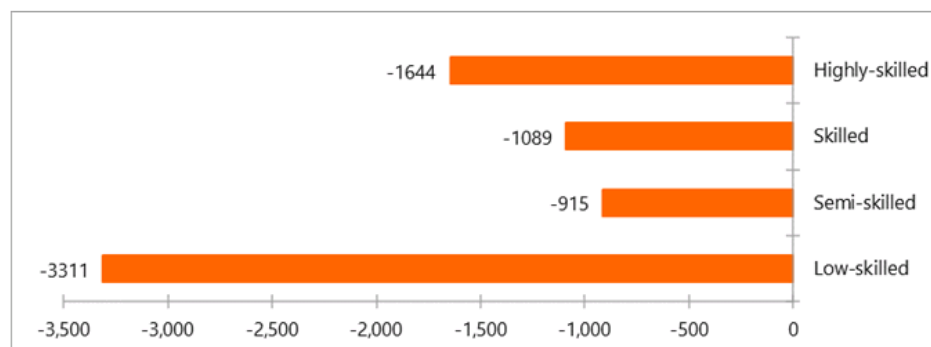
The bulk of the job losses in Hawke's Bay Region are forecast to be in the Accommodation and food services (-1453 jobs), and Retail and wholesale trade (-1390) industries. Compared with the contraction in GDP, there are relatively fewer job losses in transport, postal and warehousing because there is greater automation in this industry.

Both low-skilled and highly-skilled jobs hit

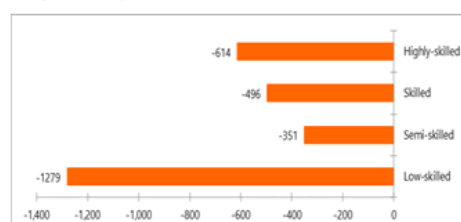
By far the highest number of job losses in Hawke's Bay are forecast to occur in Low-skilled (-3311) followed by Highly-skilled (-1644) roles. This trend is broadly reflected across the four TAs, although in Napier City and Wairoa District the number of job losses in Highly-skilled roles is much closer to the number of job losses in Low-skilled roles. See Figure 11.

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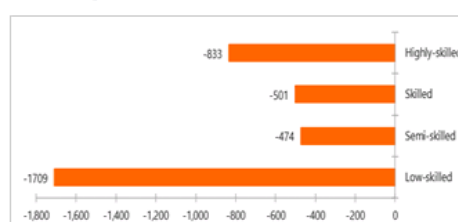
Figure 11 Hawke's Bay employment changes by skill level, 2020-2021



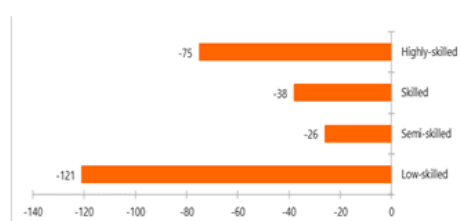
Napier City



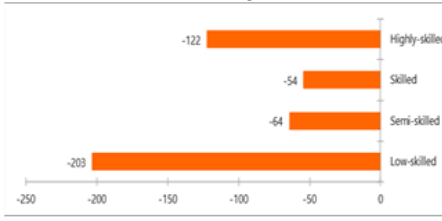
Hastings District



Wairoa District



Central Hawke's Bay District

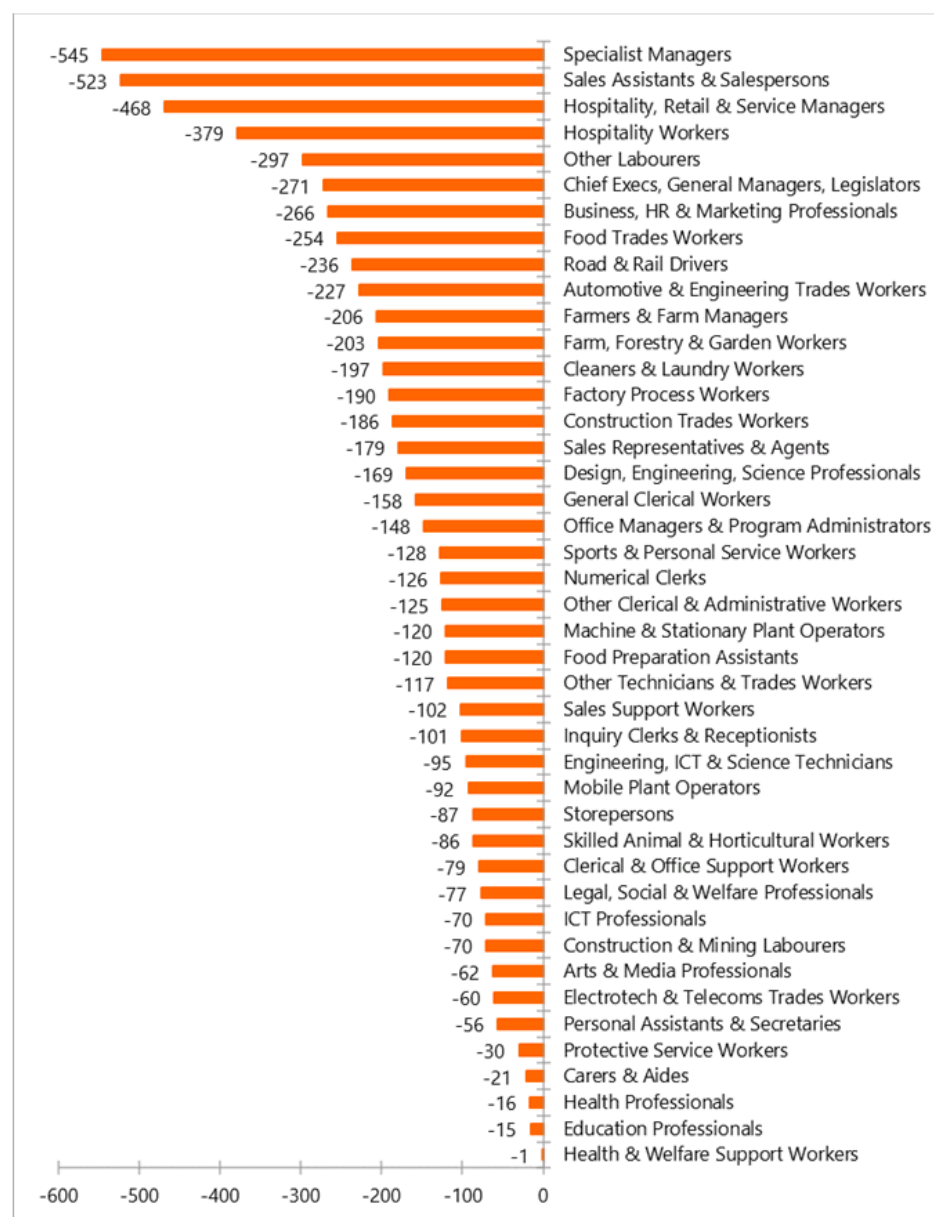


Hawke's Bay job losses by skill level correlate with the expected declines by occupation, with a significant number job losses forecast for Low-skilled occupations such as Sales Assistants and Salespersons, Hospitality Workers, and Other labourers, and for Highly-Skilled occupations such as Specialist Managers and Hospitality, Retail and Service Managers. See Figure 12.

In Wairoa and Central Hawke's Bay District, farmers and farm managers, as well as other agricultural and food processing occupations are expected to see a number of job losses reflecting expected job losses in these districts' primary and food manufacturing sectors.

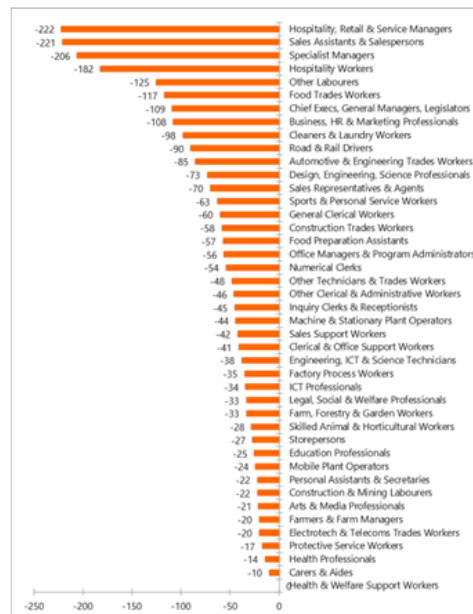
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Figure 12 Hawke's Bay employment changes by occupation (ANZSCO Level 2), 2020-2021



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Napier City



Hastings District



Wairoa District



Central Hawke's Bay District



27 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

Some jobseekers can move between industries

Certain occupations such as clerical and administration workers, machine operators and drivers, and labourers require relatively generic skills, which can allow workers in these occupations to move between industries. Here, we analyse job losses in these occupation groups across the region's industries to identify potential job opportunities for job seekers and potential labour sources for employers who might have job vacancies. See Figure 13 to Figure 15. For example, clerical and administrative workers who have lost their jobs in the transport, postal and warehousing, or retail and wholesale trade industries, might find opportunities in public administration, utilities or education and training where fewer job losses are expected. In coming years, we will be able to identify opportunities for jobseeker mobility into industries that are starting to recover.

Figure 13 Job losses in Hawke's Bay Clerical and administrative worker occupations by broad industry, 2020-2021

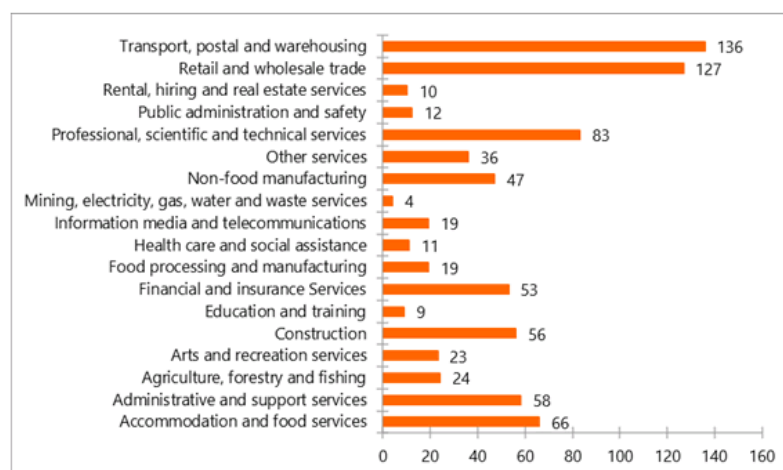
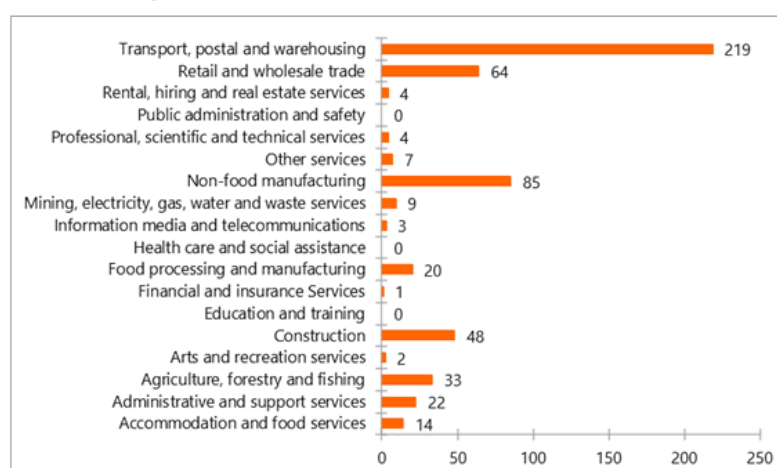
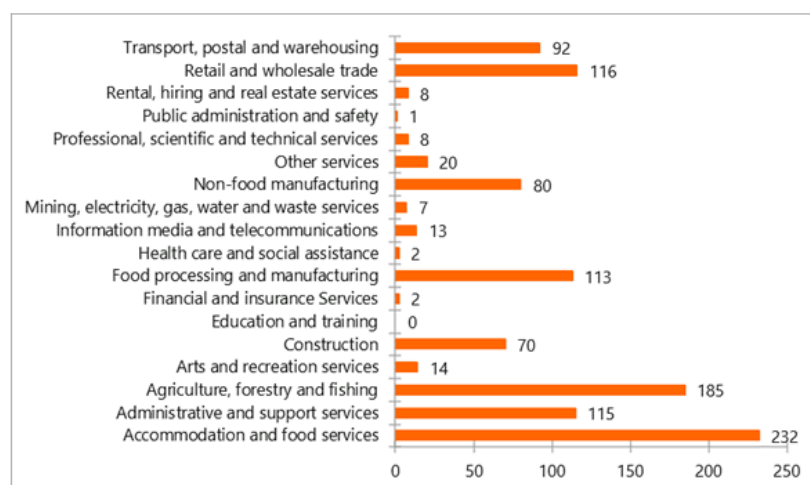


Figure 14 Hawke's Bay job losses in 'Machine operator and driver' occupations by broad industry, 2020-2021



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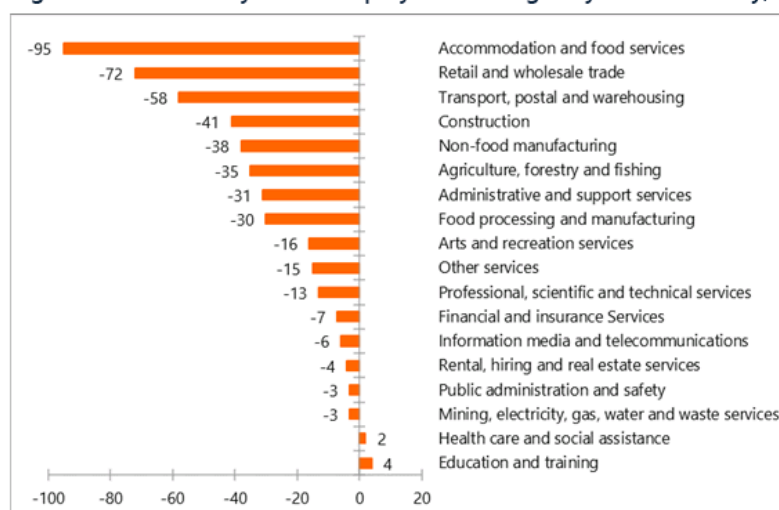
Figure 15 Hawke's Bay job losses in 'Labourer' occupations by broad industry, 2020-2021



Māori households will be hit hard

The principal impacts on Māori employment in Hawke's Bay are forecast to take place in the Accommodation and food services, Retail and wholesale trade and Transport, postal and warehousing industries.¹ See Figure 16.

Figure 16 Hawke's Bay Māori employment changes by broad industry, 2020-2021

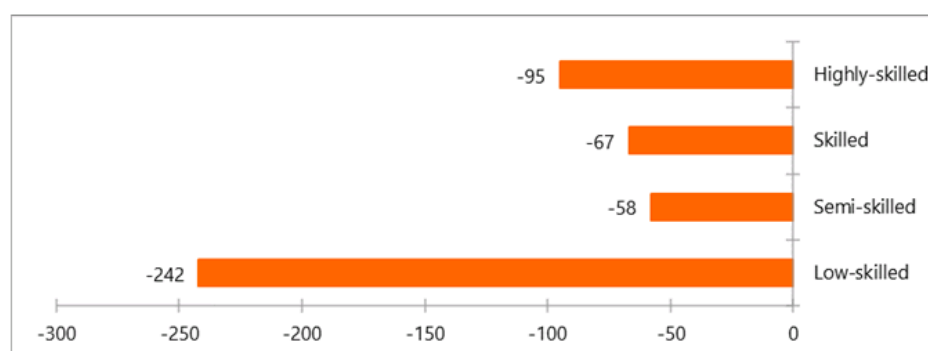


¹ We have omitted an analysis of Māori employment change in industries across the four TAs because the numbers are too small.

29 Economic impact of COVID-19 on Hawke's Bay Region – April 2020

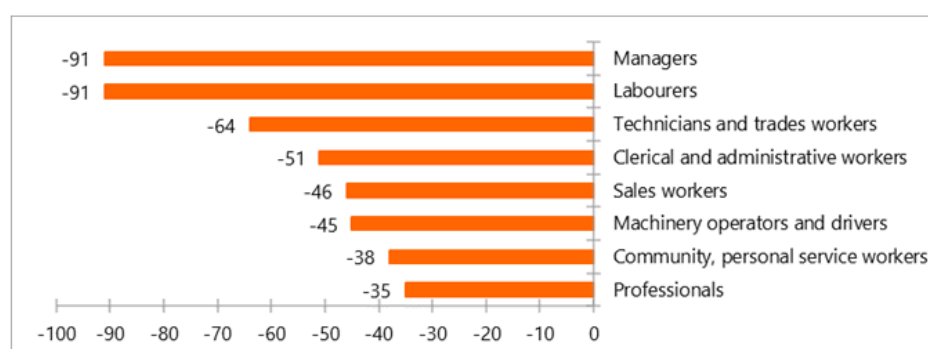
The largest declines in employment by skill level for the Hawke's Bay Māori population are forecast to occur in Low-skilled and, to a lesser extent, Highly-skilled roles. See Figure 17. This could have the perverse effect of raising the average earnings of Māori because more lower-paid jobs than higher paid jobs would disappear. However, this would mask the impact on household incomes. The general age and skills profile of Hawke's Bay Māori and Pasifika populations are skewed towards high levels of both younger and lower-skilled employees. This suggests that job losses may have a disproportionate impact on lower-income households in these communities. Initially, these households will need financial support followed by assistance to retain engagement in the labour market and re-skill to take advantage of the job opportunities when they start to appear again.

Figure 17 Hawke's Bay Māori employment changes by skill level, 2020-2021



Māori employment data is available only by ANZSCO Level 1 occupations. Based on this classification, the largest declines in Māori employment in the Hawke's Bay Region are forecast to take place amongst Managers and Labourers.

Figure 18 Hawke's Bay Māori employment changes by occupation, ANZSCO Level 1, 2020-2021

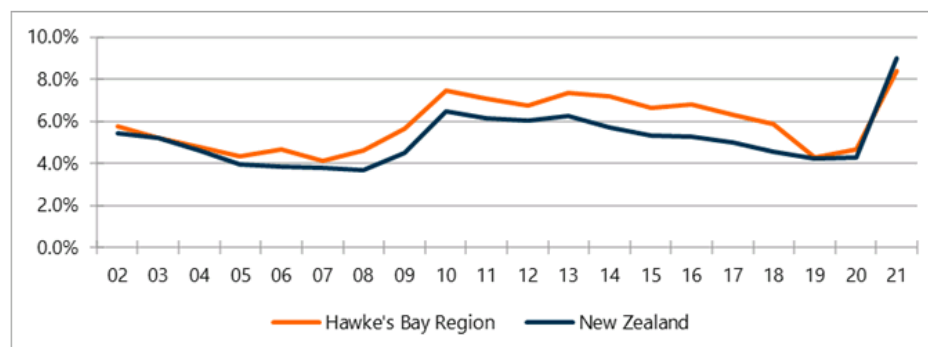


Job losses will push unemployment to 8.4%

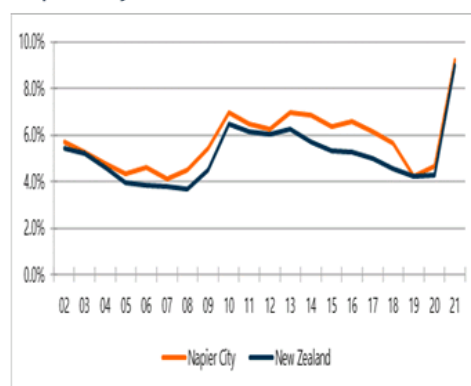
The Hawke's Bay Region's overall unemployment rate is forecast to rise from 4.7% in the March 2020 quarter, to 8.4% in March 2021. This compares to a forecast national unemployment rate by March 2021 of 9.0%. See Figure 19.

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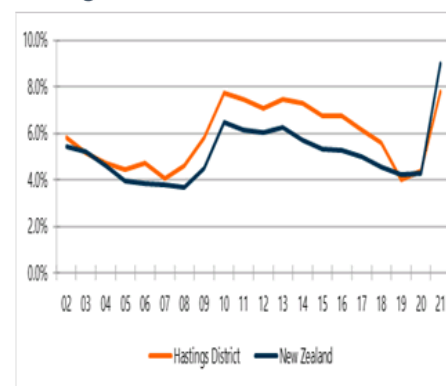
Figure 19 Hawke's Bay unemployment rate



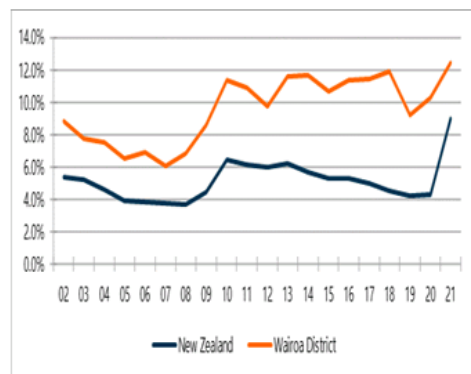
Napier City



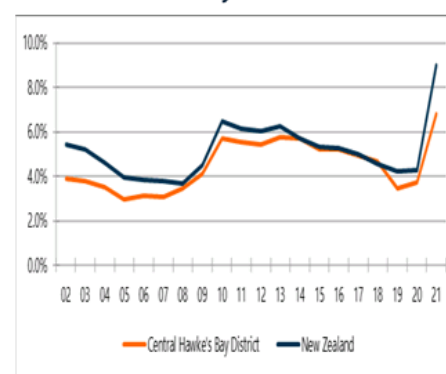
Hastings District



Wairoa District



Central Hawke's Bay District



Napier City's unemployment rate is forecast to increase from 4.7% in the March 2020 quarter to 9.2% in the March 2021 quarter, the greatest rise of the four Hawke's Bay TAs, reflecting Napier's greater exposure to tourism, international education and the lockdown compared with the other Hawke's Bay TAs. Hastings District's unemployment rate is forecast to rise from 4.4% to 7.8% during the same period, and Central Hawke's Bay District's from 3.7% to 6.8%. Wairoa District's unemployment rate was already high at 10.3% in the March 2020 quarter, but it is expected to rise only to 12.5% in the March 2021 quarter, reflecting the district's strong agricultural sector.

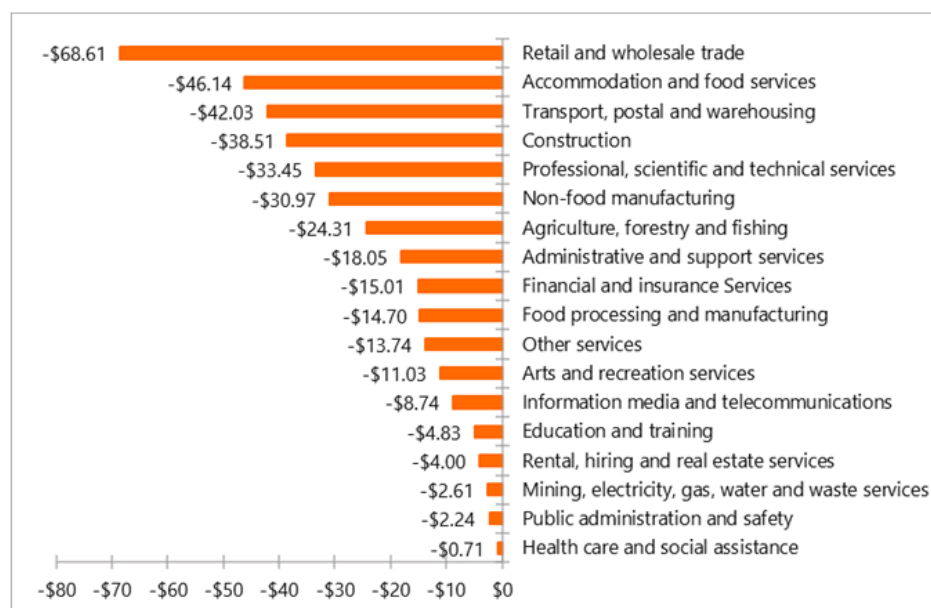
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And result in lost earnings of \$380million

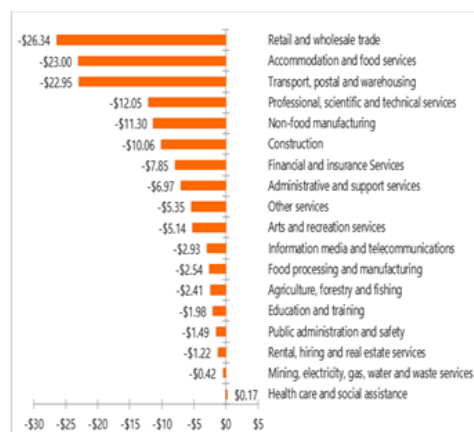
Earnings across the Hawke's Bay economy are forecast to decline by \$380 million in the year to March 2021. The largest declines are expected to occur in the Retail and wholesale trade (-\$69m) Accommodation and food services (-\$46m) and Transport, postal and warehousing (-\$42m) industries.

A small increase in earnings is forecast in the Public administration and safety and Health care and social assistance industries.

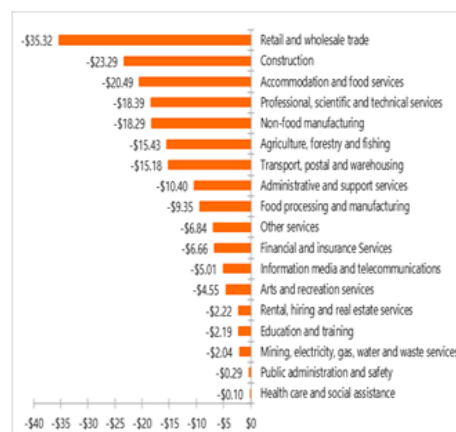
Figure 20 Hawke's Bay earnings (\$million) changes by broad industry, 2020-2021



Napier City

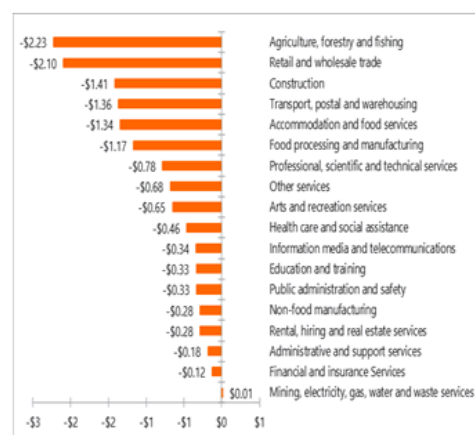


Hastings District



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Wairoa District



Central Hawke's Bay District

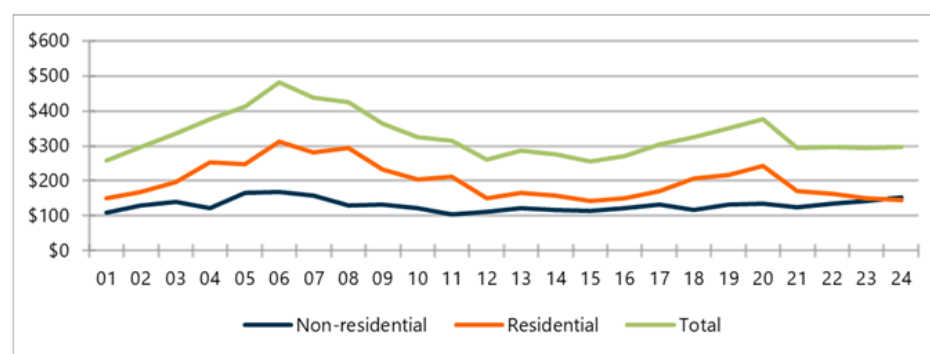


Just over half of the decline in earnings across Hawke's Bay will be in Hastings District (-\$196m), which is consistent with Hastings District being the region's largest economy. Napier City will account for 38% of the decline in earnings (\$144m), Central Hawke's Bay District will account for 7% (\$26m) and Wairoa just 4% (\$14m).

Construction will support recovery

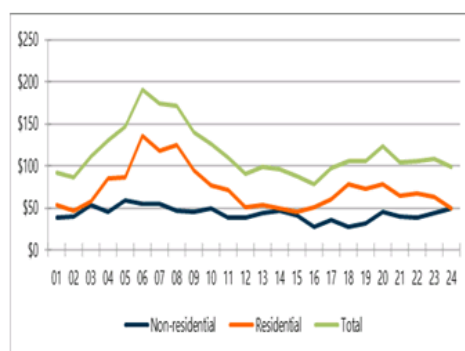
According to the Infometrics Regional Construction Outlook, the Hawke's Bay Region's construction sector is set to stabilise from mid-2020 onward. Although the residential construction sector is forecast to decline until the second Half of 2021, this will be offset by growth in non-residential construction. This trend is broadly reflected across the four TAs.

Figure 21 Hawke's Bay construction: Work put in place, by year

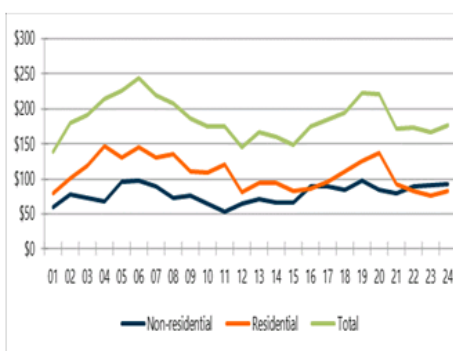


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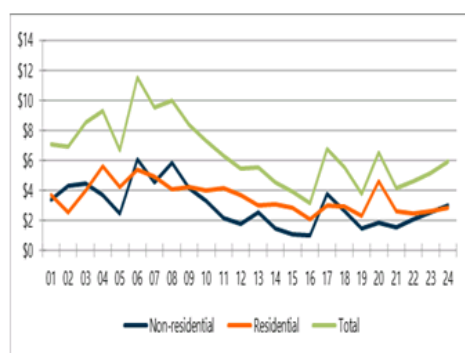
Napier City



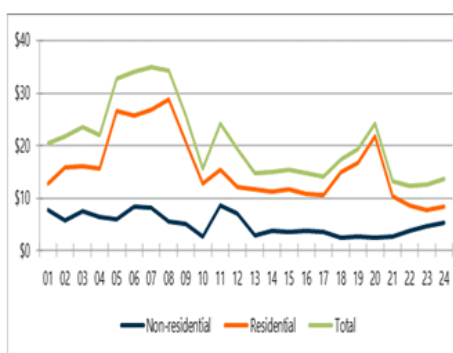
Hastings District



Wairoa District



Central Hawke's Bay District



Some thoughts on recovery

Housing affordability and lifestyle benefits can be assets

Over the coming years, recessionary economic conditions might give rise to increased levels of domestic migration. We anticipate that increased unemployment and high costs of living in urban centres might provide a competitive edge for regions offering lower property prices and high-quality lifestyle attractions. This trend is likely to be reinforced by an increased capacity for working remotely, as the pandemic has forced many organisations to improve their systems and practices in this area. With relatively low house prices and an attractive lifestyle Hawke's Bay is well positioned to take advantage of any such increase in domestic migration.

Skills development and retention will be key

Increased unemployment will lead to increased interest in tertiary and vocational education. Constrained economic conditions will present fewer opportunities for school leavers and recent graduates to enter the workforce, while recently unemployed workers will explore options for retraining and up-skilling. Under these conditions, the government's Reform of Vocational Education (RoVE) process will assume even greater importance than was the case before the recession.

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While much of the detail around the RoVE process is yet to be finalised, local government support for the process will be critical in promoting economic recovery and enhancing future resilience in the local workforce.

Business, Councils, Matariki partners and key regional stakeholders will need to play a leading role in implementing the RoVE outcomes. In particular, they will need to be centrally involved in the establishment and operation of structures such as the Regional Skills Leadership Groups (RSLGs), that will be a critical outcome of the RoVE process.

The importance on retaining young people in school and ensuring that they transition to vocational education will be more important than ever. There simply will not be job opportunities for school leavers in industries that would traditionally employ them such as retail and hospitality. There may be a flow on effect for students considering tertiary education who are unable to afford further study without a supporting income. The vocational pathway which enables and 'earn while you learn' approach assumes greater importance.

Infrastructure development is an opportunity

Central government has prioritised the identification of 'shovel ready' infrastructure projects that can assist in economic recovery across the country. These projects are likely to be funded through a range of support mechanisms, including Crown Infrastructure Partners, New Zealand Upgrade Programme and possibly even a realignment of the Provincial Growth Fund.

In addition to an immediate focus on these 'shovel ready' projects, we believe that regions have a window of opportunity to develop projects with somewhat longer implementation timeframes. If sufficiently ambitious, such projects can provide a step change in the economic development trajectory of regions. Projects that fall into this category might include enhanced water management, localised renewable energy generation and distribution, and transportation infrastructure such as inland ports or customs-controlled areas.

Hawke's Bay councils are already taking steps, having recently submitted a joint bid for \$314m of government investment funds for '3 waters' infrastructure projects relating to stormwater, wastewater and drinking water which could support up to 490 jobs. The councils have identified water as the number one priority for the region and the submission adds to a significant water security work programme already underway with the support of \$30.6m from the Provincial Growth Fund, led by the Hawke's Bay Regional Council. Other significant infrastructure projects that will speed the recovery of the Hawke's Bay economy include:

- The \$170-\$190m Napier Port, Six Wharf development
- The \$20.2m Hawke's Bay Airport redevelopment
- The \$18m Food Innovation Hub, which has the flow-on impact of stimulating innovation and new business development, creating further jobs and economic stimulus when operational.
- Construction projects worth \$500m underway in Hastings, including the Home Building Programme which will see more than 300 homes built, the Royston Hospital expansion, a new private hospital development and redevelopment of the Tribune Building in the central city, along with investment in coolstore facilities.

Local government will play a critical role in any recovery

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The Hawke's Bay Regional Council, Business Hawke's Bay and the local councils, along with other key organisations in the region, will play a critical role in supporting local communities over the upcoming months and years. Councils have already announced that they will increase payment frequency to local contractors in a bid to assist with their cashflow as the country moves into Alert Level 3. Other measures that the Council and its partners might consider include:

- Maintaining levels of operational expenditure and where possible accelerating already funded capital projects
- Implementing preferential social procurement policies to support local businesses rather than those located outside the District (or even outside New Zealand), local employees and Māori business opportunities
- Increased investment in community development activities, particularly in vulnerable, low-income and highly impacted communities
- Highly localised destination marketing activities, aimed firstly within the District's communities, and subsequently being extended to neighbouring communities and the key Wellington market, and then further afield in New Zealand
- The extension of business development and support services through Business Hawke's Bay and the Hawke's Bay Business Hub, particularly in partnership with the local Chamber of Commerce, New Zealand Trade and Enterprise, industry bodies and organisations such as the Regional Business Partners Network and Business Mentors New Zealand
- Maintaining a balance between rates increases required to fund ongoing and future activities, and increasing financial stress in the community and considering the opportunity for very targeted rates relief
- Leveraging off the existing local public asset base through prudent borrowing against assets or depletion of financial reserves in the short to medium term
- Support for schools and local vocational and tertiary education providers to promote reskilling within local communities
- Support for, and participation in, bodies such as the Regional Skills Leadership Groups
- Developing infrastructure projects beyond the most obvious 'shovel-ready' projects that might already be under consideration through various central government support measures
- Continued development of comprehensive local wellbeing-based economic, inclusive and sustainable development strategies, (eg Matariki), in line with government's Living Standards Framework and other international best practice in the field of wellbeing and inclusive economics

Through the Matariki framework Hawke's Bay already has a strong and proven mechanism that brings the region's leaders in business, iwi and hapū, central government and local government together. Regional partnerships are in place and have a track record of working together collaboratively, bringing together diverse perspectives for the collective good. The Matariki Action Plan sets out the region's key result areas and identifies the key actions that will be worked collaboratively.

Maintaining support services will be a challenge in a tighter fiscal environment. Napier City Council estimates a rates deficit of around \$3.1 million for the rest of 2019/20 and lost revenue of \$7.5 million in 2020/21. However, activities to support the local economy, while unable to avert the inevitable unemployment increases and economic distress, can somewhat mitigate the worst impacts of the recession, increase the resilience of the Hawke's Bay community, and support economic recovery in the longer term.

Appendix I. Assumptions underlying our forecast models

We have made the following assumptions when modelling the effects of the COVID-19 pandemic, the economic downturn, and the government's policy responses on the New Zealand economy.

Lockdown is 4½ weeks at Level 4 and 2 weeks at Level 3

Following the Prime Minister's announcement on April 20 of the expected timeline for the COVID Alert Level 4 and Level 3 conditions, we have based our industry employment and output modelling on Level 4 being in place for 4½ weeks and Level 3 being in place for two weeks.

Across the entire economy, we estimate that approximately 65% of economic activity can take place under Level 4. This estimate includes people that can work from home and those people working in essential services.² Under Level 3, our estimate of potential economic activity taking place rises to 82%. Obviously, the effects of Alert Levels 3 and 4 on specific industries vary significantly.

We have not made economy-wide adjustments for conditions in Alert Levels 1 or 2 because the constraints on activity are much less widespread. Instead, we have made specific targeted adjustments to industries associated with tourism (see below). These industries will be the most heavily and directly affected by COVID-19 over the medium term, almost irrespective of the alert levels implemented by the government at any particular point in time.

Global demand for food will hold up but non-food exports will be knocked hard

Forecasts of global economic growth for 2020 are being rapidly revised lower due to the COVID-19 pandemic, lockdown conditions, and negative effects on economic activity around much of the world. Between February and April, Consensus forecasts for global growth during 2020 have slumped from +2.3% to -2.5%. We expect further revisions in coming months will take this figure to -5.0% or below.

This downturn will have some effect on New Zealand's agricultural export prices for products such as dairy, meat, and horticulture. However, the fact that people still need to eat during a recession will limit the pressure on our agricultural producers. Furthermore, the drop in the New Zealand dollar, from US67c at the start of the year to below US60c, has offset some of the decline in international prices.

The most pressure will come on non-food exports such as forestry and manufactured products. Putting aside the disruption to movements of goods that occurred early in the year with the shutdown of ports in China, weaker incomes and spending around the world will limit both business and consumer demand for manufactured products.

² Although we estimate that economic activity can run at 65% of "normal" under Level 4, we estimate that a lower proportion of employees are actually able to work – approximately 53%. This figure reflects that many of the employees not able to work under Level 4 are engaged in lower "value-add" jobs such as retail or hospitality. The comparable employment figure under Level 3 is 74%.

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During 2009, we saw a 5.9% decline in New Zealand's non-food manufactured export volumes. With the current global downturn being significantly larger than the Global Financial Crisis (GFC), we have allowed for a 16% contraction in volumes over the coming year. Alongside this drop, we have also assumed a 9.5% reduction in international demand for unprocessed forestry exports such as logs.

We have not explicitly incorporated any assumptions about the effects of current drought, but will seek to do so as the picture evolves and we start to get a better understanding of its effects on the Hawke's Bay Region.

Foreign tourism tanks by 91%

We expect New Zealand's borders to effectively remain closed for a year, with either complete closures or, at a minimum, a mandatory 14-day quarantine requirement for people arriving from overseas. However, we also recognise that there is scope for a trans-Tasman or wider Polynesian travel "bubble" to be introduced later in the year if COVID-19 infection conditions allow. We have assumed that this "bubble" could be implemented from December onwards, and could result in 50% of usual tourist travel on NZ-Australia and NZ-Pacific Island routes.

Travel up until November will be very limited – we have allowed for visitor numbers to be at just 0.8% of their usual levels. This figure allows for a small amount of non-holiday travel, and it is equivalent to total international arrival numbers (including returning New Zealanders) for the week to 14 April 2020. We have also maintained this assumption for countries outside Australia and the Pacific Islands beyond November 2020, on the basis that COVID-19 case numbers overseas will warrant ongoing strict controls. The allowance for small visitor flows in and out of New Zealand recognises there will be some people who are required to travel for work purposes.

Taken together, these assumptions result in an estimated 91% reduction in foreign demand for tourism over the coming year, and a similarly sized reduction in New Zealand demand for international tourism.

Domestic tourism spending drops by 21%

With New Zealanders effectively unable or unwilling to travel overseas during the coming year, at least some of the pool of \$5.4b that was spent on international tourism during 2019 is likely to be spent on holidays within New Zealand instead.

Having looked at domestic and international tourism spending patterns, we estimate that total spending on a holiday in New Zealand is likely to be about 69% of what would be spent on an equivalent holiday overseas. Some of this gap arises because a domestic holiday will naturally involve less spending on airfares. Furthermore, people on holiday within their own country also tend to spend less, on average, on both accommodation and eating out.

Reallocating this proportion of overseas tourism spending by New Zealanders to domestic spending results in a total pool of about \$21b of potential spending for the coming year. However, the economic downturn will have a negative effect on people's willingness to spend on travel and holidays. For example, there was an 8.6% drop in annual spending on restaurants and hotels between March 2008 and December 2009 during the GFC.

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Furthermore, there have been severe limitations on people's ability to travel domestically during the 6½ weeks of Level 3 and Level 4 lockdown, and these restrictions will only be partially relaxed when we move to Alert Level 2. We note that The Treasury's Scenario 1 assumes we could remain in Alert Levels 1 and 2 for a total of 10 months, although the specific timings across each of these Alert Levels is not stated.

Taking all these considerations together, we estimate that spending on domestic holidays over the coming year could be constrained by 35%. After incorporating the increased pool of potential spending due to a lack of international travel, these constraints imply a 21% decline in domestic tourism spending from the previous year.

International education revenue halves

Data up to 2018 shows that, for international fee-paying students in New Zealand, 50% were enrolled at Single Data Return (SDR) providers such as universities and polytechnics, 31% were enrolled at non-SDR providers that largely cater to international students, and 20% were enrolled at primary and secondary schools. We have made differing assumptions about how each of these providers will be affected.

We have assumed that non-SDR providers will be knocked heavily, with the relatively short nature of many of their courses meaning they are not conducive to students being quarantined for two weeks on arrival in the country. We expect an 82% reduction in student numbers over the coming year, with virtually all the surviving revenue arising from students who were already in the country before border restrictions were implemented. This assumption is based on media reports suggesting about 3,000 of the 17,000 students that would normally be trained at English language schools during the year were already here and being taught when the border closures occurred.

In early April, [Universities New Zealand's chief executive Chris Whelan stated](#) that universities are facing a 25-33% reduction in international student numbers this year. In our view, this expected decline might prove to be too small, particularly given that there must be serious doubts about the mid-year intake of students that would normally occur in July. We have opted for a bigger reduction in international student revenue across all SDR providers, with universities retaining 62% of their international student revenue this year – mostly thanks to students who were already in the country in January and February. Our figure has also been informed by Immigration NZ's visa approval data for March, which showed a 43% reduction in student visa approvals compared with March 2019.

International education at a primary and secondary level will be less affected by the pandemic and border closures, given that the school year started in early February before most of the effects of COVID-19 appeared in New Zealand. We are aware that some students will have chosen to return home, and that students that might have come later in the year will now not do so. We have allowed for the number of international students at schools this year to be 79% of normal levels.

Taken together, these figures imply a 49% reduction in international education revenue during 2020, which we have included in our modelling.

Domestic education picks up some of the slack

During periods of labour market weakness, there is an increased propensity of people to leave, or stay out of, the workforce and undertake study instead. For example, between

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2008 and 2010, the number of domestic equivalent full-time tertiary students (EFTS) increased from 235,100 to 254,500, a rise of 8.3%. This lift contrasts with the periods of labour market strength between 2004 and 2008, and again between 2012 and 2018, when domestic EFTS numbers fell by 3.3% and 10.4% respectively.

Demographic factors, such as the number of school leavers, can also play a role in determining overall student numbers. Between 2008 and 2010, over half the increase in student numbers could be attributed to a lift in the number of students completing secondary school compared with three years prior. In contrast, since about 2012, the number of Year 13 students has been relatively stable, meaning that any changes in total tertiary student numbers now are more a reflection of economic conditions or other factors influencing training choices, such as the government's tertiary fees-free scheme.

Bearing these factors in mind, we have allowed for a similar lift in total demand for tertiary training over the coming year as we saw following the GFC. However, the change in demographic trends compared with a decade ago means that the implied increase in underlying demand for training will be greater than in the wake of the GFC.

House prices and construction activity take a hit

The substantial rise in unemployment associated with many of the outcomes summarised above will have a significant negative effect on the housing market. Furthermore, border closures for the next year mean that net migration will be close to zero, and population growth is set to drop to a 30-year low of 0.5%pa. These results will limit the number of potential buyers in the housing market as well as considerably reducing underlying demand for new housing.

Our assumptions include an 11% drop in average house prices between mid-2020 and the end of 2021. We note that house price falls in the short-term will be restrained by the mortgage holiday scheme that the government has negotiated with retail banks. Nevertheless, this housing market downturn will drag down the rate of new residential construction, particularly given that banks are likely to be very reluctant to finance property development over the next year. Nationally, we estimate the value of residential building work put in place to decline by 19% over the year to March 2021.

Non-residential construction activity will also come under downward pressure given declines in key drivers for space such as employment, household spending, and tourism activity. We estimate the value of non-residential work put in place to decline by 18% over the year to March 2021.

In contrast, prospects for civil construction are positive outside Level 4 lockdown conditions. Nevertheless, we are cautious about the potential for an immediate lift in activity caused by government stimulus and increased spending. Although there is likely to be faster growth in infrastructure activity over the medium term, we anticipate that planning, design, and consenting requirements will prevent more rapid growth in work until 2022.

Government stimulus includes \$10b in wage subsidy and an extra \$2.5b in benefits

We have made allowances for two major government initiatives in our modelling. The first of these initiatives is the wage subsidy scheme, which represents a cash injection of approximately \$10b to businesses to help meet their labour costs. The total fiscal cost of

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this scheme has risen over time, although the rate of increase appears to have slowed over the last week or so.

We note that there could be scope for the scheme to be extended beyond 12 weeks for selected businesses that continue to be negatively affected under Alert Level 2, although the government has not made any strong signals about an extension at this stage. Indeed, an extension of the scheme might not be sufficient to secure the ongoing viability of many businesses that are dependent on tourism activity anyway.

The second initiative we have included in our modelling is the one-off increase in social welfare benefits of \$25 per week. This change represents a boost to aggregate household incomes of around \$2.5b. In tandem with the wage subsidy scheme, this additional money from the government will mitigate the negative effects of falling employment on overall household incomes. In doing so, the policies will also limit the decline in household consumption spending that results from the economy's downturn.

There is obviously significant potential for additional government stimulus to be introduced in coming weeks and months. Further fiscal initiatives are likely as the public health response to the COVID-19 pandemic becomes less critical and more of the policy focus turns to measures that could help drive the economic recovery. The government's 2020 Budget is due to be announced on May 14, and this date will be a key one.

At this stage, we have not made any specific allowance for additional fiscal measures. In our view, it is likely that their effectiveness in accelerating economic growth is likely to be limited within the next 12 months. We expect the negative effects of the pandemic, the lockdown, and the failures of tourism and hospitality businesses will continue to ripple through the economy for some time. These effects will weigh heavily on business and consumer confidence, influencing spending and investment decisions, and reducing the immediate effectiveness of any government initiatives designed to try and boost economic growth.

Appendix II. Broad approach to modelling the impact of COVID-19 on the Hawke's Bay economy

Infometrics has drawn on a range of econometric and statistical model to measure the potential impact of COVID-19 on regional economies.

Forecasting the macroeconomy

Infometrics maintains a macroeconomic forecasting framework that underpins our five-year forecasts of activity across the national economy. Our framework accounts for the relationships between different sectors of the economy and their responsiveness to one another. These include the labour market, households, businesses, government, the international trade sector, and financial markets.

In times of economic upheaval, we refine the output from the framework based on expert input from our forecasting team, their knowledge of rapidly changing trends in the economy, and the insights we gain from our interactions with central government, Councils, Economic Development Agencies and private sector clients.

Overseeing the forecasting process and framework is Gareth Kiernan, who has been forecasting the New Zealand economy for more than 20 years. The framework provides quarterly forecasts of GDP, employment, unemployment, and a range of other macroeconomic indicators up to 2025.

Measuring impacts on individual industries

The pandemic will affect industries differently. To measure this, we have used Infometrics' general equilibrium (GE) model, which is designed to measure the impact of economic shocks on individual industries. We introduce shocks to the model, including a sharp decline in foreign tourism, declines in international education and non-food commodity exports, and a fall in productivity across affected industries. We also temper these shocks through the introduction of support measures such as the wage subsidy and an increase in benefit payments.

The GE model estimates the combined impact of these factors on future economic output and employment across 54 industries. In this sense, the GE model breaks down the national macroeconomic forecasts of GDP and employment to industry level.

Infometrics' GE model is maintained by one of New Zealand's foremost econometricians, Dr Adolf Stroombergen.

Measure the impact on regions and districts

Regions will also be impacted differently by COVID-19. Those with a large tourism industry, for example, will be hardest hit. To measure regional impacts, we draw on our Regional Forecasting Model (RFM), an econometric model that breaks down national industry forecasts to territorial authority level.

The RFM draws on historic trends, patterns and relationships, and projects these into the future. It creates multiple forecast models for every territorial authority and industry combination and using machine learning techniques, selects and applies the model which is historically determined to have best predictive ability. It then produces forecasts

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of GDP and employment across 54 industries for each territorial authority up to a predetermined point in the future, e.g. 2025 or 2030.

8.2 UPDATE FROM VISION PROJECTS

Author: Kitea Tipuna, Pouwhakarae – Hapori / Whakatūtaki Group Manager Community and Engagement

Authoriser: Steven May, Tumu Whakarae Chief Executive Officer

Appendices: 1. Vision Projects April Report 2020 [↓](#)

1. PURPOSE

- 1.1 This report provides information for the Economic Development Committee on the recent activities of Vision Projects. No decisions are required by the Economic Development Committee at this stage.

RECOMMENDATION

The Pouwhakarae – Hapori / Whakatūtaki Group Manager Community and Engagement RECOMMENDS that the Economic Development Committee receives this report

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

	
Author Kitea Tipuna	Approved by Steven May



5 May 2020

ACTIVITY REPORT

April 2020

Prepared for Wairoa District Council, Economic Development Committee

COVID-19 update

Vision Projects continue to work remotely to progress Te Wairoa E Whanake projects and deliver contracted economic development work on behalf of Wairoa District Council under Alert Level 3. Some timeline and/or methodology adjustments are anticipated due to the impact of Alert Level 4 restrictions through most of April, and now under Alert Level 3. Where applicable, these are noted against the relevant item(s).

Following for your information, an activity report for Te Wairoa E Whanake and related projects currently in progress as part of Vision Projects' contract with Wairoa District Council.

Urban Design Plan

This project involves an analysis of the Wairoa Township's built environment, road corridors and natural assets. The outcome will be an Urban Design Plan which meets the needs and aspirations of the people of Wairoa. The project (PGF funded) will exceed \$100,000 and WDC procurement policy will apply.

On 30 April Vision Projects met with WDC Engineering to determine the assessment process for proposals received to deliver an Urban Design Plan. Each proposal will be assessed against the weighted attribute criteria by a panel of three including WDC and one external representative.

The PGF delivery milestone for the completed urban design plan at 1 July 2020 but due to the recent Lockdown will be pushed back 4-6 weeks.

Integrated Business and Tourism Facility & i-SITE

Hawkes Bay company Sapere were appointed to develop a business case for the repurposing of the derelict Winters and Gemmell Buildings. The brief is to define what is the best use of the space available to ensure financial viability, while contributing to the overall upgrade of Marine Parade and shared community space. The desk-top component of this project has progressed under Level 4 restrictions. Information to support this analysis such as commercial data, visitor statistics and site plans continues to be sourced and made available.

The business case will include an initial design concept, informed by the results of the community consultation, required for the purpose of estimating construction costs. The PGF delivery milestone for the completed business case is 1 July 2020.

Library/Archives Redevelopment

The Council led project team met to review the project scope and confirm the timeline to progress the redevelopment of the Library/Archive.

There is \$1.9M in the draft annual plan for the redevelopment against an estimated project cost of \$2.5M. There is considerable confidence in the capacity of this project to attract external funding as a cultural and heritage project of significance. An initial project outline has been prepared which speaks to the community significance and scope of the redevelopment. This is now scheduled for a Maori Standing Committee workshop in May, to consider the potential relationship between the building alterations and the adjacent library green, and a recommendation on a narrative that could form part of an architectural brief.

Digital Hub – Stage 1

The library is currently closed and will not reopen under Alert Level 3 or 2, representing a disruption to service. It is not possible to meet the project milestone for programme delivery from May 2020. This is an ongoing discussion with project partners MBIE. Consideration is now being given to delay the launch of the digital hub until it can be finally resolved in the redeveloped library building. This will save on spending project funds on an interim delivery and is a practical response for this project which has been significantly affected by the COVID-19 Alert Level restrictions.

Wairoa Regional Park

In April Vision Projects met with representatives from HBRC to secure the inclusion of this project in their Crown Infrastructure Partnership funding application for 'shovel ready' projects.

Community Consultation

Te Wairoa E Whanake community consultation is a significant project milestone in the partnership with MBIE. The planned survey was shifted to an online format to progress consultation in Level 4. This went live in mid-April and is offered in te reo Māori and te reo Pākehā. The survey includes broad feedback on street amenities, and expectations for the revitalised Marine Parade and will be available until mid-May. At the time of reporting 160 responses have been received.

Wairoa Riverside Market

The Wairoa Riverside will remain suspended under COVID-19 Alert Level 3 restrictions.

Support for local Business

Vision Projects is assisting the Economic Development response to transition to COVID-19 Alert Level 3 trading restrictions. Assistance has been offered to businesses to help with completing financial relief applications, and Wairoa businesses are encouraged to join the Hawkes Bay Chamber Connection Facebook group as a support platform.

Items of interest

- Vision Projects is working with New World to resolve a relevant and considered treatment for the SH2 building façade as a gateway to the Town.
- The first Quarterly Milestone report for Te Wairoa E Whanake was submitted to MBIE on 15 April.

Items for action in May

- Business support to transition to Alert Level 2 trading conditions
- Urban Design contractor appointed
- Library/Archives redevelopment workshop with Maori Standing Committee

Project Contacts

Our team is always available. Please call or email for additional information, to arrange a phone or video meeting or with any questions about the work outlined above.

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Wairoa i-SITE Visitor Information Centre – Corner SH2 and Queen Street, Wairoa 4108