



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Framing the future of Central Hawke's Bay

Projecting population and
putting it in context

August 2023



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Background

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Executive summary

Central Hawke's Bay is rich in rural amenity, offers lower living costs than the large urban centres, has less traffic congestion and a strong sense of community. These attributes, coupled with the increasing availability of remote work opportunities and improvements in public transport routes, contribute to the district's appeal to young professionals looking for a desirable and affordable work-life balance.

For the year to March 2022, there were approximately 1,700 more employed residents than there were jobs based in Central Hawke's Bay (demonstrating the district's appeal to mobile workers). Projecting future growth in the district rests largely on the district's continued appeal to migrants, and its ability to retain or attract back working-age residents.

Latest indicators

The Central Hawke's Bay economy has continued to display resilience following Cyclone Gabrielle in February 2023. The population appears to be continuously growing based on an increase in health enrolments, including the 15-39 age demographic thanks to inward migration. There are positive signs in the job market, despite macroeconomic challenges, although high inflation has impacted wages.

Māori access to primary health care has improved, but a disproportionate percentage of people receiving benefits identify as Māori.

There is a large pipeline of commercial consents, largely in the education, farming, and retail sectors. Conversely, retail and tourist spending, along with vehicle sales have declined due to the challenging economic landscape.

Key indicators:

- There was a 1.8% rise in health enrolments in the district.
- The local job market expanded by 1.5% despite facing economic challenges, such as the effects of Cyclone Gabrielle.
- The number of Māori enrolled with a PHO rose by 300 persons over the last three years.
- House prices dropped by 22% over the last year.
- Retail spending, tourist spending, and vehicle sales have declined due to economic uncertainties.

Māori in Central Hawke's Bay

Between Census years, obtaining comprehensive statistics related to Māori is challenging. The difficulties encountered by Census officials in establishing effective engagement with Māori communities for Census 2023 will compound this information gap. However, by combining multiple sources of administrative data, we can construct a profile of Māori in Central Hawke's Bay and help underscore the significant role, challenges, and opportunities that the Mana Whenua play in shaping the economic blueprint of the district. Work by council in engagement with Mana Whenua and bridging this information gap is ongoing.

Longer-term trends

Central Hawke's Bay has seen significant growth in job opportunities, driven by a rise in inbound migration from other parts of New Zealand. The number of residents engaged in paid work is a third higher than the number of jobs physically located in the district, highlighting the role of commuting and remote work. Despite a decrease in agricultural employment due to increased productivity, it

remains a significant part of the local job market alongside the burgeoning service and construction sectors.

This population increase and boost in a mobile workforce began in 2013, with people attracted by various factors such as lower living costs, less traffic congestion, and good transportation links. Population growth averaged 2.1% annually, exceeding both the national average and neighbouring regions. This trend has also led to local business growth, stemming from both the new skills brought in by the migratory workforce and increased demand for local services. Relatively affordable housing has proved an attractive feature for young professionals, with rents in Central Hawke's Bay 14% lower over the year to May 2023 compared to neighbouring Hastings District, and 24% lower than Auckland.

A considerable part of the workforce in Central Hawke's Bay earns their income through remote work or commuting to jobs in other areas. These workers often earn more than those who both live and work within the district. This pattern shows the potential for greater economic development within the region due to the availability of skilled residents.

Over recent years, there has been a notable decline in agriculture jobs and a more significant growth in service and construction industries. Greater efficiency in agriculture has led to job losses but has also allowed displaced workers to find new opportunities in other sectors, such as construction. The building industry has grown by almost 12% annually thanks to the region's demographical expansion. Food production and manufacturing linked to agriculture remain significant contributors to the job market and, along with the service and construction sectors, lead as the district's prominent employers.

Opportunities for economic development:

- Over a quarter of the Central Hawke's Bay population identify as Māori, creating economic prospects in sectors that embrace indigenous principles and values with opportunities for Māori career pathways and business models. Māori have a much younger age demographic which can help balance the pressure of an aging workforce on labour supply.
- With over 21% of the local population over 65, and a further 15% nearing this age, significant growth is predicted in healthcare and social assistance, which could include innovation in healthcare products and the development of a residential retirement facility.
- As population growth spreads in Central Hawke's Bay, there's an increasing demand for quality services and infrastructure, such as transport, digital connectivity, health, and education, suggesting opportunities for investments and partnerships.
- Progress on productivity and wages could stimulate the economy, with potential for entrepreneurial skilled migrants diversifying the primarily agricultural job market and creating new industries and opportunities. The district is well-placed to leverage its experience in agriculture to cater to consumer interest in plant-based and sustainable products.

Population projections

Central Hawke's Bay District is projected to see significant growth over the next decade, with an influx of 5,000 new residents and demand for 1,500 more housing units. However, there are downside risks. Slowing migration, decreasing job opportunities, and reduced housing demand could indicate less favourable outcomes. On the other hand, recovery efforts from cyclones, economic prosperity, and the district's appeal to remote workers could boost growth further. Monitoring these trends will help to navigate the challenges and opportunities accompanying this growth.

Medium scenario:

The medium scenario assumes a continuation of current trends, projecting an increased population of

nearly 4,000 people over the next ten years, a result of consistent net positive migration. There is an expectation of an ageing population, stable economic growth, balanced housing market, status quo policies, and no major environmental triggers. Risks to this outlook include economic instability, an over-reliance on agriculture, decline in housing affordability, severe climate change events, labour supply, demographic balance, and policy changes.

- Estimated population growth of 2% annually for the next 10 years.
- Estimated number of inhabitants reaching over 19,000 by 2033.
- Average household size likely to increase due to migration patterns.
- Increase in population aged over 65, rising to 25% by 2033.
- Expected requirement of around 1,100 new dwellings over the next decade (110 per year).

High Scenario:

The high scenario predicts larger population growth due to a significant increase in migration into the district and assumes a more robust economy, policy favourability, and potentially perceived environmental security (relative to neighbouring districts that have been more affected by extreme weather events). It expects younger families moving into the district, changing the age demographic. However, the pressure of rapid population increase may strain housing and labour resources and increase the demographic skew towards the young.

- Robust annual population growth of 3.2% for the next decade.
- Anticipated population of over 22,000 people by 2033.
- An estimated 2,000 new dwellings needed over the next ten years.
- Increase in population aged over 65 to 23% by 2033.
- Essential infrastructure investments to support the growing population.
- Expected requirement of around 2,000 new dwellings over the next decade (200 per year).

Central Hawke's Bay could experience growth like areas of Canterbury during the post-2011 earthquake boom, as people may be drawn to its safety compared to areas more severely affected by the cyclone. Its size and infrastructure features differ, but may present opportunities for expansion and development to accommodate new residents.

Low Scenario:

The low scenario contemplates a slowed migration rate, moderate economic growth, and an aging population. Consequently, it anticipates minimal population growth (increasing by only 2,000 over ten years) and an increased skew towards an older demographic. Under this scenario, extreme weather events would affect people's willingness to move to the area, either because the district is directly affected, or indirectly because of negative perceptions. The possibility of economic contraction, workforce shortage, and reduced demand for services are significant risks under this scenario.

- Estimated annual population growth of 0.8% over the next decade.
- Projected population of just over 17,000 people by 2030.
- Less than 600 households expected to form over the next ten years.
- Increase in population aged over 65 to 27% by 2033.
- A smaller population causing potential economic stagnation and reduced demand for goods and services.
- Expected requirement of around 600 new dwellings over the next decade (60 per year).

The low scenario is a planning tool to help monitor risks and show how the district might evolve if status quo trends were to change.

Central Hawke's Bay in focus: economic briefing

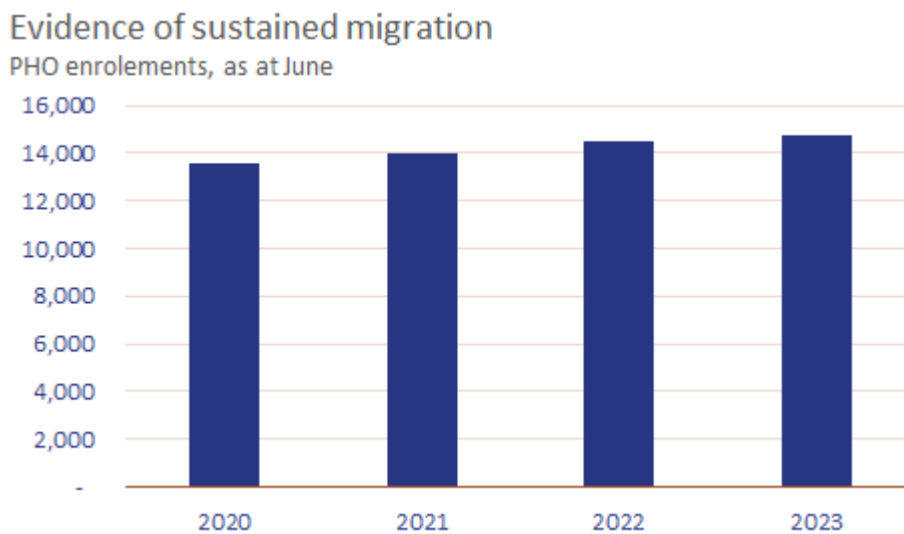
In this section we delve into macroeconomic indicators and the current state of the district, providing a comprehensive view of the key drivers of economic growth and development as context for the forward-looking projections (page 21). Despite the significant challenge of Cyclone Gabrielle, the Central Hawke's Bay economy continues to show signs of resilience.

Unwavering Rise: Signs point to continued population growth to June 2023

Health enrolments serve as a proxy to gauge population growth within a district. A 1.8% increase in total health enrolments was observed in Central Hawke's Bay district in June 2023, compared to the previous year.

Importantly, this indicates no significant outward migration from the district following Cyclone Gabrielle in February 2023. Although recent enrolment growth was slower than during 2022 and 2021, the latest increase suggests net migration remains positive.

Figure 1: Total health enrolments, Central Hawke's Bay



When interpreting the age distribution of health enrolments, it is unsurprising to find an increasing representation of individuals within the over 65 age brackets, indicating a steady aging population. However, an inward migration of working-age individuals has notably augmented the 15-39 age demographic. For a comprehensive discussion on population trends, refer to page 12.

Māori access primary health care in greater numbers

In June 2023, the percentage of individuals identifying as Māori who enrolled in a primary health organisation (PHO) in Central Hawke's Bay District stood at 21%. However, this fell short of the 26% of residents claiming Māori descent during the last census. A PHO allows voluntary enrolment for reduced costs on doctor visits and prescription medicines. Over the preceding three years, the district saw total Māori PHO enrolments lift by 300 people, an increase of 10.5% (compared to 8.3% for non-Māori).

Gains and strains: a tale of job market expansion and earnings pressure

Even given the local effects of Cyclone Gabrielle and a challenging macroeconomic context across New Zealand, the job market in Central Hawke's Bay District has been expanding. While not reaching the growth rate of the previous year, 110 new jobs were added in the year to May 2023¹.

Table 1: Annual employment in Central Hawke's Bay and New Zealand
Statistics New Zealand payday filings

	Year ended		Jobs created	Annual growth	
	May-23	May-22		Jobs	Wages
Central Hawke's Bay District	7,280	7,170	110	1.5%	7.3%
Hawke's Bay Region	81,150	79,880	1,270	1.6%	7.1%
New Zealand	2,333,440	2,277,530	55,910	2.4%	6.2%

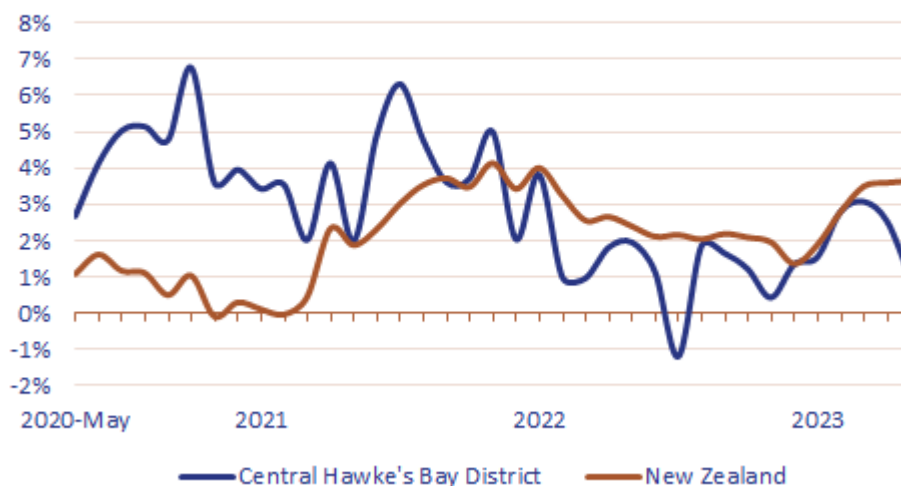
Annual jobs growth dipped to 1.5% for the year to May, compared to 3.3% the previous year. After three years of consistent growth, this smaller increase is still a good result. The ongoing shedding of jobs in agriculture has continued (see page 16 for a full analysis). However, service sectors such as Financial and Insurance Services are showing robust growth.

Employees are seeing nominal wage growth, with annual estimated wages up 7.3% for the year. But wages have been in catch-up mode since a weak start to 2022. Current wage growth is occurring in a high-inflation environment, with 6.0% CPI inflation for the year to June 2023. Facing rising food and housing costs, the average employee in the district may feel like their purchasing power is static at best.

Figure 2: Annual growth in total jobs

Still adding jobs post-cyclone

Annual % change in filled jobs, Stats NZ payroll data



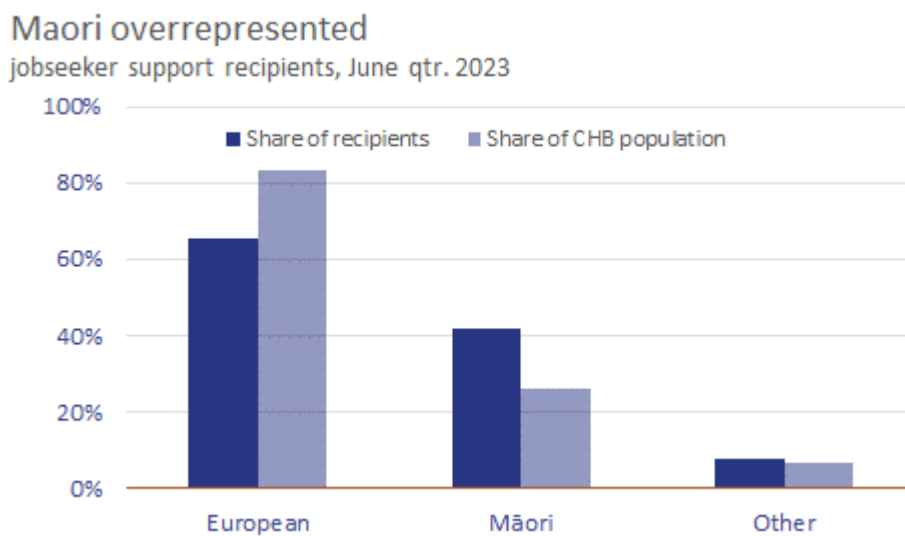
¹ Statistics New Zealand's payroll data offers more recent job growth insights, while the LEED data presented on page 4 provides a much richer, detailed picture of employment, but with a longer delay.

Cyclone Gabrielle had immediate impacts across multiple sectors. However, with three months of subsequent jobs data, we haven't seen a material impact on overall employment or average earnings. Recovery efforts in the medium to long-term have the potential to boost employment opportunities in some industries, while others will face significant near-term challenges due to damage to land, plantings, buildings, and other infrastructure.

Relatively small rise in benefit recipients

The number of people in the district receiving any main benefit rose 3.2% for the year to June 2023. On average 925 people were on a main benefit over the last year, slightly above the average for the previous three years (890 people). In the context of strong population growth in recent years, economic headwinds, and disruptions from the cyclone, the modest increase in people receiving main benefits is consistent with a relatively resilient local economy.

Figure 3: Ethnic identity of jobseeker support recipients



Note individuals may identify with multiple ethnic groups, so totals can add to more than 100%

In the June 2023 quarter, 41% of people receiving a main benefit in Central Hawke's Bay District identified as Māori². When looking at just jobseeker support recipients, 42% identified as Māori in the latest quarter. Given 26% of the population claimed Māori descent at the last Census, this data suggests Māori are more likely to end up on a benefit in Central Hawke's Bay, whether due to poor health or employment outcomes.

Housing market squeeze: falling demand, rising costs

Decreased profits due to falling house prices and rising construction costs have limited the risk appetite of developers. Strained household budgets from high interest rates and inflation are also leading to a lower demand for new homes compared to the last 2-3 years.

To May of this year, there were 89 new residential consents issued in Central Hawke's Bay District³, a 21% drop from the previous year. The total value of residential consents fell at a slower rate (down 16%pa), but the key drivers were higher building and financing costs.

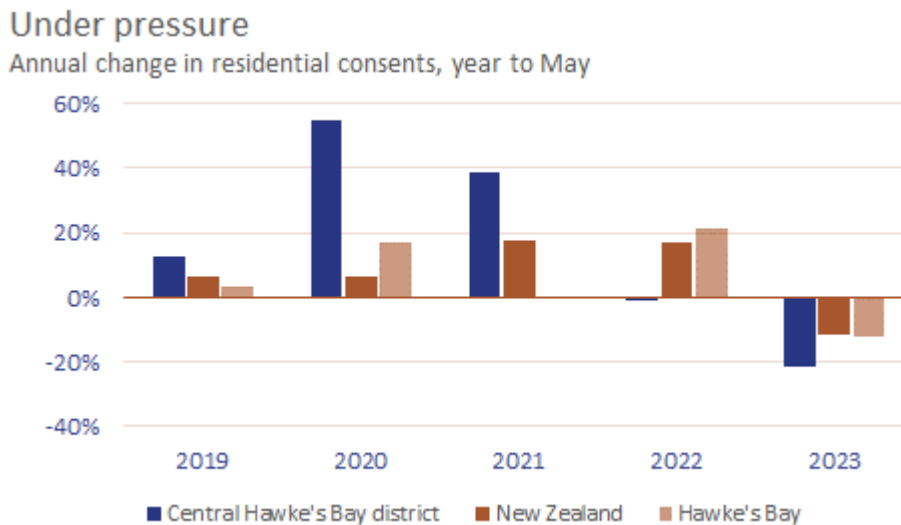
²Ministry of Social Development

³ Stats NZ, new residential dwellings (excluding alterations)

The district's building activity has moved in line with the national trend over the last year. The number of new homes consented in New Zealand for the year ending May 2023 fell 11%, back to 2021 levels.

Nationally, there has continued to be a shift towards apartments and multi-unit dwellings. The number of single-family houses consented declined 24%, while multi-unit homes saw only a slight decrease of 0.2%. However, the number of apartments and retirement village units saw an increase of 3.1% and 16% respectively. There have been no apartment or retirement village developments consented in Central Hawke's Bay over the last few years, but there has been a small number of townhouses and other multi-unit dwellings.

Figure 4: Residential consents annual growth

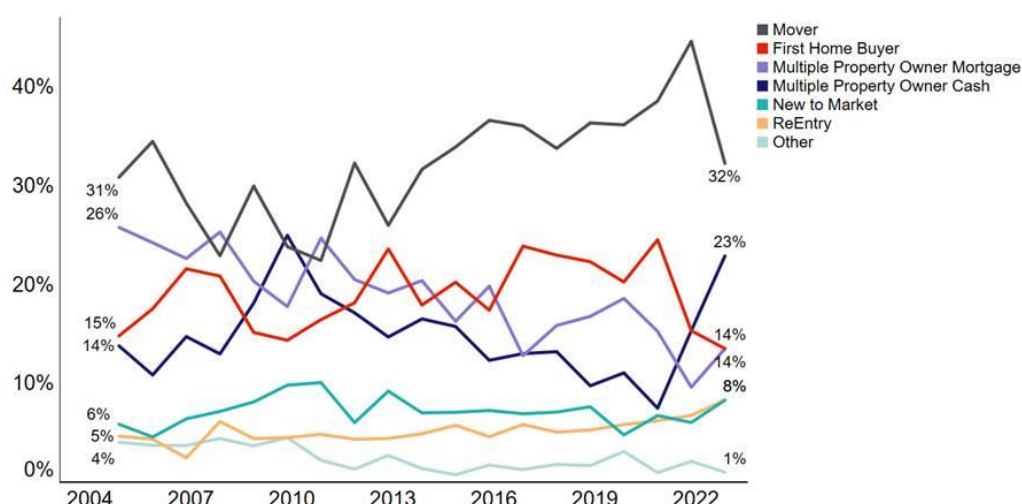


House prices fell nearly 22% over the last year in Central Hawke's Bay⁴. With May 2022 being the peak of the market, we can now see the full extent of the fall in annual terms. While the rate of decline appears to have slowed, low sales volumes make it hard to extrapolate from the latest numbers.

So far in the 2023 calendar year, the type of buyers purchasing property in Central Hawke's Bay District has shown volatility. The most noticeable changes have been a dramatic decrease in movers, or individuals changing residences within the district, while the number of cash buyers with multiple properties has seen a significant increase. Volatility is to be expected when sales volumes are low, but the decrease in movers is consistent with the marginally slower population growth from health enrolments.

⁴ According to the QV house price index.

Figure 5: House buyer classification in Central Hawke's Bay District⁵



Solid construction pipeline for commercial

Commercial consents rose back up to near 2021 levels over the year to May⁶. This lift was underpinned by large projects across the education, general commercial, retail, and farming sectors.

Table 2: Non-residential consents in Central Hawke's Bay, year to May

Year	New				Altered	
	Value		Floor area		Floor area	
2019	2,085,000		6,325		943,000	
2020	2,076,990	0%	4,111	-35%	915,000	-3%
2021	8,823,890	325%	8,101	97%	2,811,750	207%
2022	1,942,640	-78%	4,473	-45%	660,000	-77%
2023	6,195,011	219%	9,000	101%	2,083,050	216%

This existing pipeline of work, coupled with rebuilding activity after the cyclone, will keep construction crews busy over the next few months and beyond.

Navigating retail pressure: prices still an issue

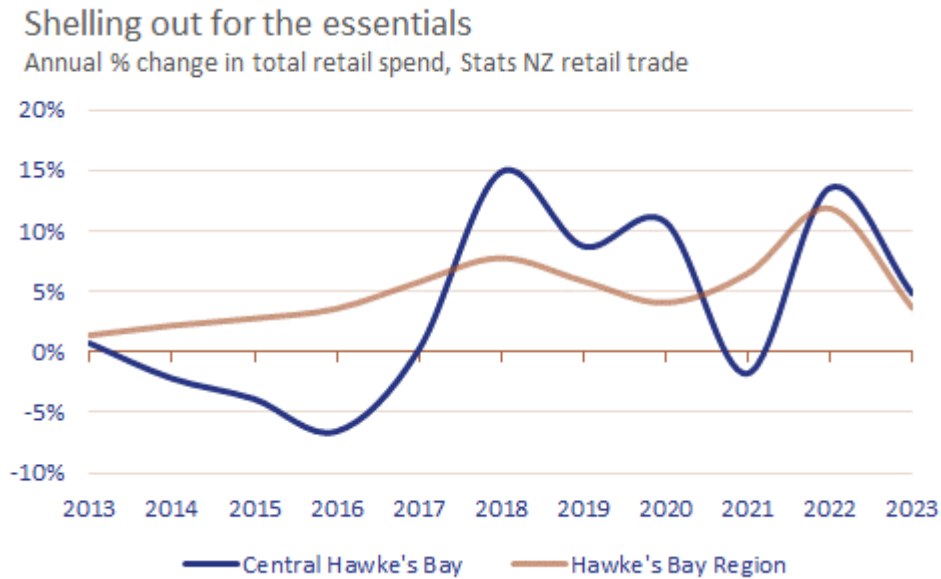
Retail spending in Central Hawke's Bay rose 4.8% for the year ending March 2023⁷. Growth has slowed significantly from the previous year when spending jumped 14%. Although spending growth remains positive, current high inflation rates indicate that the actual volume of retail trade is weak.

⁵ Chart provided by Core Logic

⁶ Statistics New Zealand

⁷ Statistics New Zealand retail trade survey

Figure 6: Annual growth in retail spending



Retail spending in the district is low, relative to population size. Total retail spending was \$217m over the year to March. This equates to approximately \$13,500 annual spend per capita, much lower than New Zealand (\$23,400 annual spend per capita) and Hawke's Bay Region (\$20,800). Central Hawke's Bay has a relatively small tourism spend and few employees are currently engaged in the retail sector, outside food, and fuel. There will be leakage of retail spending into nearby Hastings District and Napier City (see the discussion on the retail sector and its opportunities on page 16).

Domestic tourists looking further afield

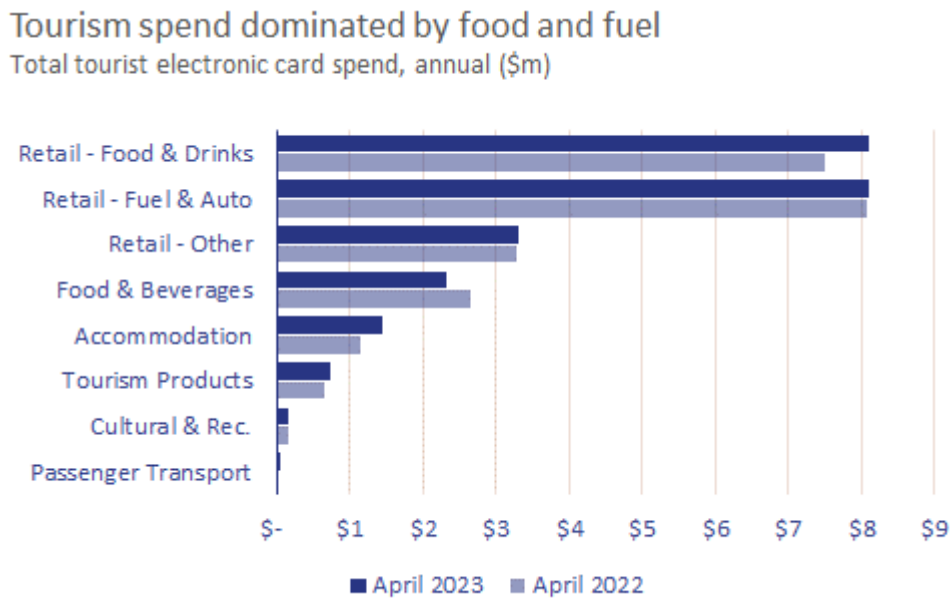
In Central Hawke's Bay, the tourism landscape is primarily focused on domestic travellers. After being forced to consider local holidays during Covid disruptions, New Zealand travellers are keen to spread their wings overseas once more. Over year to May, the number of New Zealanders venturing beyond our shores for short-term travel overseas rose to 2.1 million, up from 300,000 the previous year⁸.

The substitution away from domestic holidays saw commercial guest nights in Central Hawke's Bay district fall over the last year⁹. The last month we have data for is February 2023, which saw 3,800 guest nights of which almost 90% were domestic. Total guest nights were down almost 20% on the previous February.

⁸ New Zealand residents arriving in New Zealand after an absence of less than 12 months (Stats NZ)

⁹ MBIE Accommodation Data Programme – March to May 2023 is unavailable for CHB due to confidentiality rules, suggesting total guest nights remain at a low ebb.

Figure 7: Tourism spending in Central Hawke's Bay District



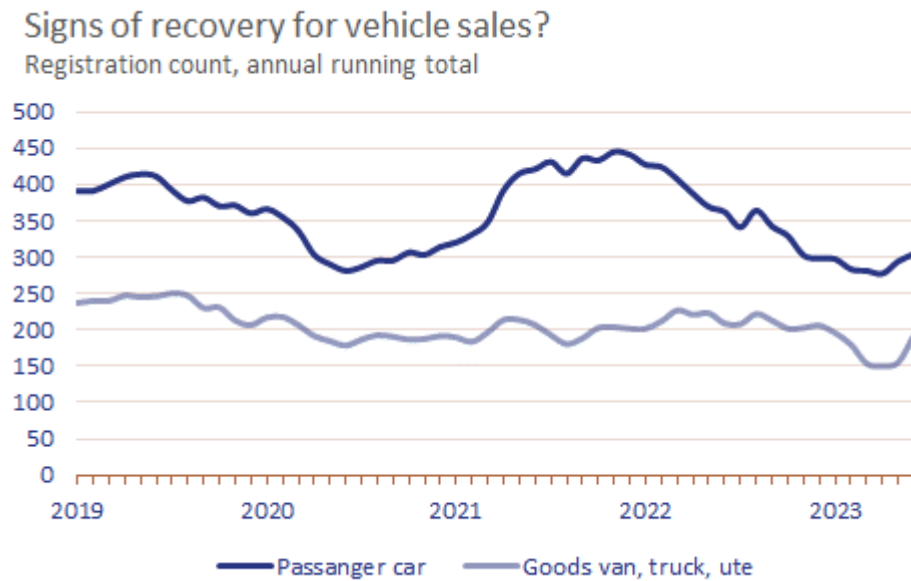
In the face of persistent high inflation, the slight 3.1% increase in tourist spending might seem significant, but it's not quite as robust as it appears. Tourists tend to spend most of their money - almost 77% last year - on essentials like food, fuel, and dining out. However, with rising prices artificially inflating this spending, the actual volume of purchases may be under pressure, and tourists may find their budgets tightened as a result.

Shifting gears: Reasons for optimism after lull in vehicle sales

Total vehicle sales in Central Hawke's Bay were down 9.7% for the year to June 2023¹⁰. Passenger car registrations slipped 16% to 304 for the year, while commercial vans and trucks were down 7.7%. Vehicles sales were at their lowest ebb in April after a post-cyclone dip, but the annual totals have edged higher over the last two months.

¹⁰ Waka Kotahi open data

Figure 8: Annual vehicle sales



Interpreting sales data has been difficult since the Clean Car Discount (Introduced in April 2022) provided a significant incentive to front-load purchases. However, notwithstanding the noise in 2022, annual registrations were notably weaker over the last 18 months.

Investment in big-ticket items (by businesses and households) tends to be delayed in times of economic uncertainty. But given signs of steady population growth, a healthy pipeline of commercial building, and future demand from cyclone recovery efforts, we anticipate that the decline in vehicle sales over the last year is a temporary phenomenon.

Car sales have fallen much further from their peak, amidst stretched household budgets and high interest rates over the last year. Higher vehicle prices have also been a factor in reduced demand. The drop in sales is therefore not indicative of a broader economic downturn, but rather represents a strategic pause as consumers and businesses navigate the current economic landscape.

The long view: Central Hawke's Bay's strides in job creation

This section provides further context to the demographic projections (page 21) by examining the strides made in employment growth in Central Hawke's Bay over the past decade. Taking a longer-term perspective allows us to put recent events, such as Covid-19 and Cyclone Gabrielle, in context and identify larger structural shifts in the local economy.

The story of Central Hawke's Bay is one of a sudden reversal in trends, as the district has emerged as an attractive destination for job seekers from an increasingly mobile workforce across New Zealand. We take the latest employment data¹¹ and outline how these trends continue to shape the district from 2013 to 2023.

Key points from this section:

- The year 2013 marked a turning point in Central Hawke's Bay District's population growth, largely driven by inbound migration from other parts of New Zealand. Lifestyle factors and diverse employment opportunities have attracted younger working-age migrants.
- Current data indicates that the number of residents engaged in paid work is a third higher than the number of jobs physically based in Central Hawke's Bay, underscoring the role of commuting and remote work arrangements in migration into the district.
- Agriculture and food-related occupations continue to play a significant role in the district's local job market, although total agricultural employment has been falling.
- The decline in agricultural employment is primarily due to enhancements in productivity, which require fewer workers to produce the same volume of output.
- Growth in local employment has been predominantly driven by the service and construction sectors.
- Despite changes to the structure of the local job market, a central role for food and farming remains, while sectors like services and construction offer expanding opportunities.

Breathing new life: migrants offsetting aging demographics

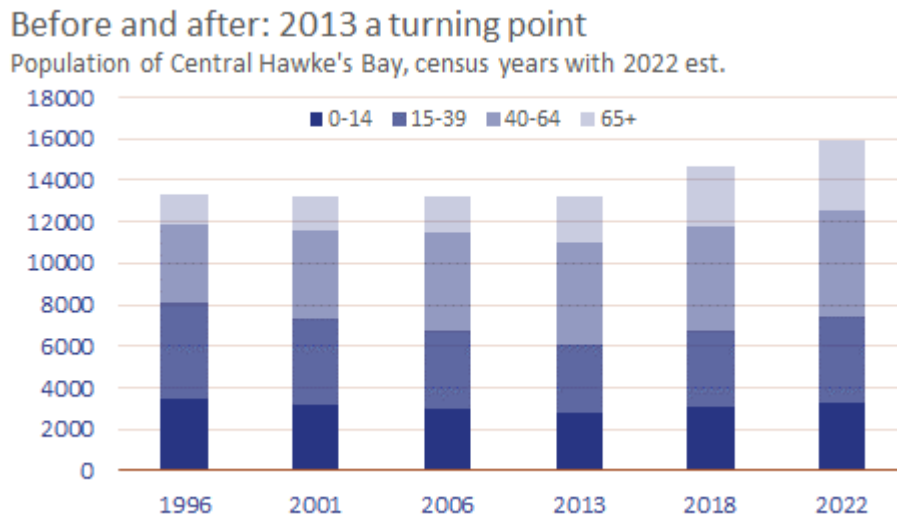
Central Hawke's Bay is rich in rural amenity, offers lower living costs than the large urban centres, has less traffic congestion and a strong sense of community. These attributes, coupled with the increasing availability of remote work opportunities and good transportation links, contribute to the district's appeal to young professionals looking for a desirable and affordable work-life balance.

The year 2013 marked a turning point in Central Hawke's Bay District's population growth, largely driven by inbound migration. The growth averaged 2.1% annually from 2013 to 2022, exceeding both the national average and growth rates of its neighbouring areas. Employment growth was slower to rise, reflecting the area's lifestyle allure which attracted residents who initially worked remotely or commuted. However, there are signs that this pattern is beginning to stimulate local job opportunities

¹¹ Currently March 2022 is the most recent available for the detailed picture of jobs and earnings that Statistics NZ LEED data provides. For near-term employment indicators see page 3.

as the incoming residents' demands prompt local businesses to capitalise on the new skill sets available in town and service growing demand.

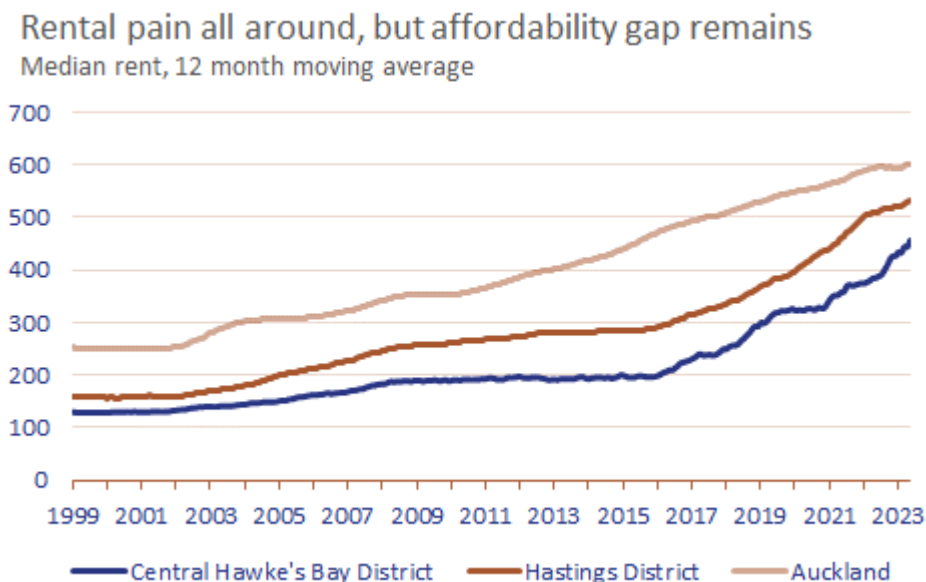
Figure 9: Long-term population change in Central Hawke's Bay



One of the key factors attracting young professionals has been the availability of affordable housing to rent or buy. Median rents were 14% lower in Central Hawke's Bay over the year to May compared to neighbouring Hastings District, and 24% lower than Auckland¹².

House prices have been more volatile, but the long-term trend is similar. Despite the general upward march of house prices and rents in recent memory, Central Hawke's Bay has consistently maintained a cost of housing lower than the national average.

Figure 10: long-term trend in rents



Despite the relative affordability of housing, the rise in rents over the last few years will still be putting pressure on household budgets. Rental bond data suggests a 12% per annum increase in median rent

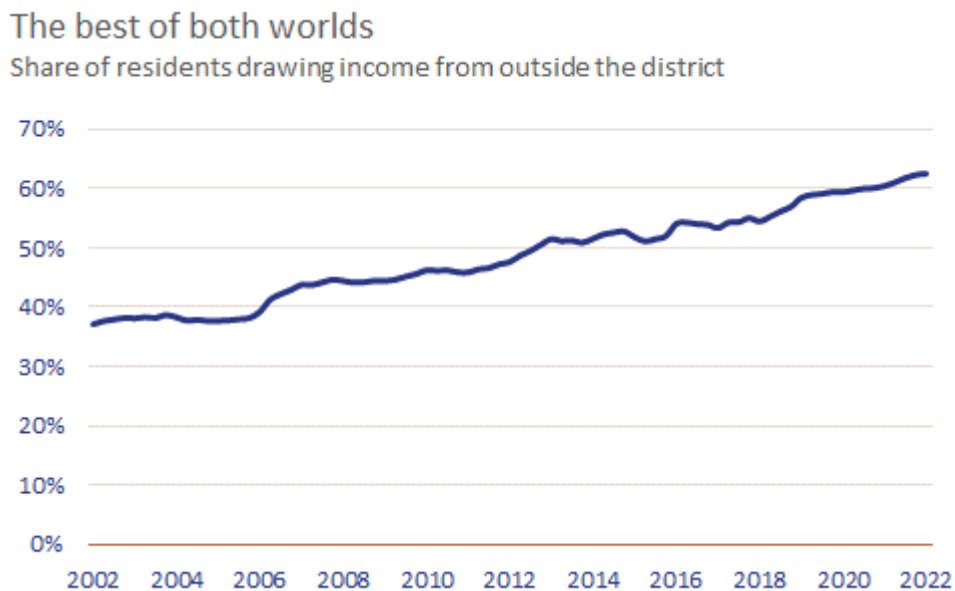
¹² Source: Tenancy Services

over the last three years, significantly outstripping earnings for local jobs (5.4%pa. - Table 3), and the general rate of inflation. Long-term residents who are employed locally are more exposed to these increased housing costs than recent arrivals who may have access to remote work, be in specialist occupations, or be running businesses from Hawke’s Bay.

Attracting the mobile workforce

This section delves into an important aspect of the district's economy that has helped drive population growth in recent years. A growing number of residents do not depend on local industries or businesses for their income. This non-traditional, mobile workforce is made up of commuters and remote workers, enabled by the availability of efficient transportation systems and the spreading trend of remote work opportunities. This trend has helped propel Central Hawke's Bay onto a higher population growth trajectory. The presence of these workers in the district underlines the appeal of Central Hawke's Bay as a place to escape city life, settle down, and raise a family.

Figure 11: Share of out-of-district employment in Central Hawke's Bay



The share of residents earning income from outside the district has continued to climb steadily since the mid 2000’s, reaching a high of 63%¹³ in March 2022.

Unsurprisingly, nearby Hastings is the largest ex-district employer of Central Hawke's Bay residents, employing 23% of payroll workers in March 2022. There are also notable linkages between more distant cities such as Auckland and Wellington.

¹³ Source Statistics New Zealand Linked employer-employee data. Counts are based on workplace address and residential address of the employee. Ex-district means the employer does not have a known physical presence in the district. Short-term worker relocations and small, unregistered satellite offices may be captured in ex-district counts (scenarios which, along with commuting and remote work, also speak to income flows into the district).

Employer TA	Filled jobs	Jobs share	Total annual earnings (\$m)
Central Hawke's Bay District	2,630	37%	\$134
Hastings District	1,713	24%	\$98
Napier City	340	5%	\$19
Auckland	305	4%	\$19
Wellington City	245	3%	\$16
All others	1,798	26%	\$102
<i>Total ex. Central Hawke's Bay</i>	<i>4,400</i>	<i>63%</i>	<i>\$254</i>
Total resident jobs	7,030	100%	\$388

Paying dividends: financial benefits of commuting

Individuals residing in the district and holding employment in external locales significantly outearn their counterparts who both live and work within the local geography, on average.

A total of \$254m was earned in the year to March 2022 by residents employed by businesses based outside of Central Hawke's Bay District.

The following table shows how individual workers benefit from these opportunities. Residents who work outside of Central Hawke's Bay District earn 14% more on average.

Employer TA	Average earnings
Central Hawke's Bay District	\$50,800
Hastings District	\$57,100
Napier City	\$55,900
Auckland	\$63,900
Wellington City	\$66,600
All others	\$56,600
Total ex. Central Hawke's Bay	\$57,800
Total resident jobs	\$55,200

The earnings premium highlights the presence of highly skilled residents in the Central Hawke's Bay District, capable of bolstering high productivity industries. It serves as a compelling argument for investing in economic development within the region. The aim is to foster an environment ripe for higher paid local employment opportunities, leveraging the existing local talents.

Importing talent: the role of non-resident workers

The exchange of workers between districts has a two-fold impact. Outward commuting and remote work are more significant, in terms of both movement of workers and total income, than inward commuting for Central Hawke's Bay. Nevertheless, it is crucial to consider the role of non-residents within the district's workforce for a balanced understanding of workforce mobility.

Half of the job vacancies in Central Hawke's Bay District in the year to March 2022 were filled by locals, with the remaining being employees from other districts. The largest supplier of these workers was Hastings District, contributing a total of 1,713 employees. A distant second was Napier City, supplying 340 workers.

In the year ending in March 2022, employers based in Central Hawke's Bay District paid total payroll income of \$156 million to non-residents. On average, these non-residents earned 16% more than the local employees within the district. Even with this leakage of earnings out of the district, there was still a net inflow of almost \$100 million of annual earnings (based on workers' residential addresses) once you factor in what Central Hawke's Bay residents earn from generating incomes outside the district.

Harvesting change: the rise of mobile workers in an agriculture-centric district

Looking back to pre-2016, the job market in Central Hawke's Bay District had been growing only marginally for more than a decade. Total employment in the district grew less than 0.1% per annum on average from 2000 to 2016, compared to the New Zealand average of 2.0%.

However, between 2016 to 2021, the district's job growth outpaced that of New Zealand with a growth rate of 2.6% per year (compared to 2.3%pa. for New Zealand). Its growth is attributed to internal migration due to affordable housing and job opportunities, as well as high demand in the primary sector due to strong commodity prices. Despite this recent growth, the district's job market has been prone to volatility in the last two decades.

Strong headline growth in in-district jobs over the last few years doesn't even tell the whole story. For the year to March 2022, there were approximately 1,700 more employed residents than there were jobs based in Central Hawke's Bay. See page 12 for an overview of the commuting and remote work patterns that drive this extra employment.

For the year to March 2022, there were approximately 1,700 more employed residents than there were jobs based in Central Hawke's Bay.

There are signs that the momentum of growth in the population and workforce has led to more local job opportunities (outside of agriculture). We discuss the changing composition of employment in the next section.

Sector focus: the rise of services and construction

Over the past several years, the agricultural industry has experienced job losses, decreasing at a rate of approximately 3.6% per annum from 2019 to 2022. However, this is consistent with the employment trends observed across New Zealand and globally. Agricultural businesses have continued to increase efficiency, a trend that has been consistent for over a century.

A benefit of this productivity growth is that earnings in the sector have risen faster than the average for the district. Additionally, despite the decreasing labour requirements in agriculture, the recent district growth provides displaced workers with opportunities for redeployment in different industries (e.g., construction).

Table 3: Employment by broad industry

Industry		2022		3-year avg. growth	
		Jobs	Earnings	Jobs	Earnings
A	Agriculture, Forestry and Fishing	1,410	\$51,300	-3.6%	5.9%
C	Manufacturing	1,130	\$60,700	10.5%	7.6%
E	Construction	460	\$60,300	11.6%	4.1%
G	Retail Trade	430	\$43,000	2.9%	4.3%
P	Education and Training	400	\$57,500	3.4%	6.5%
Q	Health Care and Social Assistance	310	\$50,300	-0.3%	3.2%
M	Professional, Scientific and Technical Services	170	\$62,800	2.0%	2.2%
S	Other Services	160	\$44,100	14.0%	6.3%
H	Accommodation and Food Services	160	\$25,500	9.5%	3.1%
I	Transport, Postal and Warehousing	130	\$55,900	-7.9%	0.9%
O	Public Administration and Safety	120	\$79,500	-1.8%	7.2%
F	Wholesale Trade	120	\$66,600	-0.9%	2.3%
D	Electricity, Gas, Water and Waste Services	70	\$64,100	8.4%	0.9%
N	Administrative and Support Services	50	\$53,400	1.3%	7.7%
K	Financial and Insurance Services	50	\$78,600	-9.6%	1.3%
R	Arts and Recreation Services	40	\$25,200	-3.1%	9.5%
B	Mining	30		4.9%	
J	Information Media and Telecommunications	30	\$58,200	13.2%	0.8%
L	Rental, Hiring and Real Estate Services	30	\$38,300	-8.0%	6.8%
T	Not Elsewhere Included	0			
	Total	5,290	\$54,800	2.5%	5.4%

The growth in construction has been spurred by the demographic expansion observed from 2019 to 2022. Construction saw robust growth, indicated by an average annual increase of nearly 12%, and has emerged as the third-largest source of employment within the district.

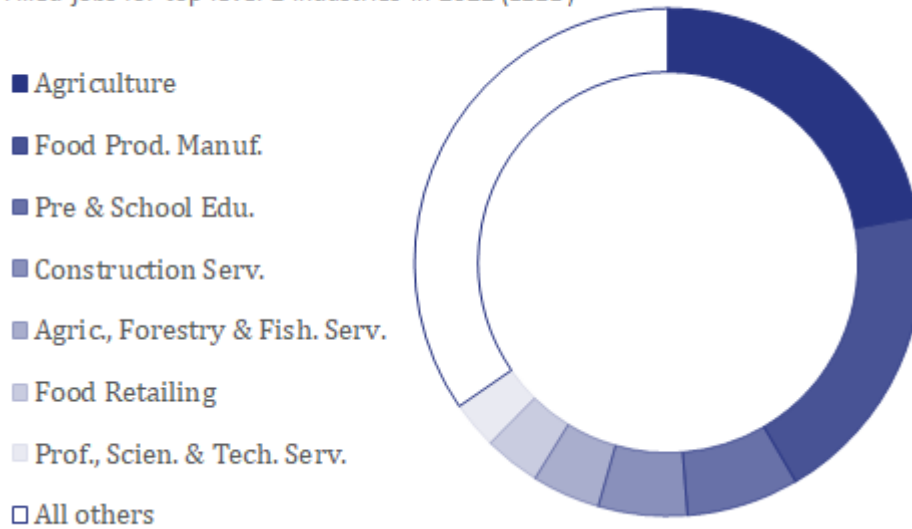
Wage growth in construction has lagged total wages on average. However, these wage estimates represent the average for all jobs in the sector and are susceptible to compositional changes. A substantial workforce is required for projects such as roadbuilding, housing, and related infrastructure. These tasks require a mix of skilled, semi-skilled, and unskilled (lower-paid) labour.

Manufacturing, specifically food production linked to the agricultural sector, has also significantly contributed to job creation, and remains the second largest employer in the district by a wide margin. Figure 12 shows that Agriculture together with food-related manufacturing still makes up over 40% of jobs in the district.

Figure 12: Top employing level-2 industries in 2022

Agriculture the Backbone of in-district employment

Filled jobs for top level-2 industries in 2022 (LEED)



For the leading six level-2 industries (ranked by total jobs), five relate to agriculture and food, underscoring that feeding people (inside and outside the district) is a central focus of Central Hawke's Bay's economy. The odd one out in the top six is the education sector, specifically school and pre-school education.

As previously discussed, service industries and construction-related employment have shown significant growth, contributing heavily to recent trends. Although significantly smaller in terms of total jobs, together service and construction related industries have become important employers in the district.

Table 4: Level 2 industries employing more than fifty people in 2022

Industry - level 2		Jobs	% of total
A01	Agriculture	1,170	22%
C11	Food Product Manufacturing	1,030	19%
P80	Preschool and School Education	380	7%
E32	Construction Services	300	6%
A05	Agriculture, Forestry and Fishing Support Services	230	4%
G41	Food Retailing	190	4%
M69	Professional, Scientific and Technical Services*	160	3%
G42	Other Store-Based Retailing	140	3%
I46	Road Transport	130	2%
Q85	Medical and Other Health Care Services	120	2%
Q86	Residential Care Services	110	2%
H45	Food and Beverage Services	110	2%
S95	Personal and Other Services	110	2%
E30	Building Construction	100	2%
O75	Public Administration	80	2%
Q87	Social Assistance Services	70	1%
G39	Motor Vehicle and Motor Vehicle Parts Retailing	60	1%
S94	Repair and Maintenance	60	1%
E31	Heavy and Civil Engineering Construction	60	1%
F34	Machinery and Equipment Wholesaling	60	1%
H44	Accommodation	50	1%
	<i>All others</i>	570	11%
	Total	5,290	100%

*Excluding Information Technology

The district of opportunity: self-employment in Central Hawke's Bay

Data relating to self-employment is not as timely as data for paid employees due to the extended filing deadlines with Inland Revenue. That being said, we can still construct a comprehensive view of the job market in Central Hawke's Bay District by examining historical self-employment trends.

In the tax year 2021, Central Hawke's Bay District recorded 1491 self-employed individuals. This accounts for more than one in five of the total workforce. High self-employment rates are typical in agriculture, yet notable levels of self-employment were also seen within the service industries in the district.

In comparison to the national self-employment rate in New Zealand in 2021, which was under 17%, Central Hawke's Bay District registered significantly higher at 22%. This higher rate is consistent with the region's agriculture-based economy. It also suggests an entrepreneurial culture, reinforcing the appeal of Central Hawke's Bay District to skilled migrants.

Table 5: Self-employment by broad industry in 2021, Central Hawke's Bay District

Industry - level 1		Self-employed	SE rate
A	Agriculture, Forestry and Fishing	525	25%
E	Construction	201	29%
M	Professional, Scientific and Technical Services	114	40%
G	Retail Trade	87	18%
S	Other Services	84	39%
L	Rental, Hiring and Real Estate Services	78	72%
BCD	Mining, Manufacturing, Infrastructure	72	6%
N	Administrative and Support Services	54	50%
T	Not Elsewhere Included	51	
Q	Health Care and Social Assistance	48	14%
H	Accommodation and Food Services	39	23%
I	Transport, Postal and Warehousing	33	19%
F	Wholesale Trade	30	23%
OP	Public Administration, Safety, Education	27	5%
JK	Media, Telecom, Finance, Insurance	24	22%
R	Arts and Recreation Services	21	38%
	Total	1,491	22%

Growth in the wake: population scenarios for a post-Gabrielle Central Hawke's Bay

Squillions has produced growth projections covering population and households for Central Hawke's Bay District, focusing on the Long-Term Plan period of 2024-2034 and extending five-yearly out to 2054. These projections are based on historical growth patterns, current trajectory, and broader economic and social trends, modelling potential growth free of constraints such as land or infrastructure service availability (demand-focused).

Demographic and economic growth assumptions are grounded in the 2018 Census data and Statistics New Zealand estimates up to June 2022. To estimate the 2023 year, we have incorporated recent indicators covered in the first section including health enrolments (see Central Hawke's Bay in focus: economic briefing, page 4).

Although recent data suggests some moderation in growth, migration into the district continues largely unabated. The forecasts, however, are now set against the near-term uncertainty due to Cyclone Gabrielle. Due to this uncertainty, annual checking of the projections against progress over the next three years is advisable.

Rebuilding and beyond: key forward-looking drivers

The recent devastating cyclone is at the forefront when assessing the near-term outlook for Central Hawke's Bay. Cyclone Gabrielle has had a significant impact on people, property, and communities in Central Hawke's Bay District.

Cyclone evacuations were distressing for affected residents, with more than 600 homes and businesses impacted and several hundred people evacuated across the district, either voluntarily or specifically by evacuation order in Waipawa and parts of Waipukurau¹⁴.

However, Gabrielle did not create a level of destruction that led to substantial displacement of people, unlike what was experienced in Christchurch. Therefore, we don't expect the same kind of expansive population displacement that Christchurch witnessed post the 2011 earthquake. As such, Central Hawke's Bay is not anticipated to see a large population exodus nor a significant influx for rebuilding efforts in the immediate aftermath of the cyclone.

A pressing concern is the current state of roads, which are dotted with potholes and pose safety threats. Concerns about the quality of repairs have been reported and attempts to restore single-lane access throughout the rural roading network are ongoing. Rural homes and businesses are facing diversions up to 40 minutes.

Uncertainty clouds the appropriation of funds earmarked for cyclone recovery, fuelling concerns that not all repair needs will be met. The damage repair costs for roads are estimated at \$150 million, a huge cost in the context of the district's typical annual expenditure of \$6-7 million. Meeting this cost will therefore rely on outside funding, which isn't allocated at time of writing.

¹⁴ CHBDC, 2023 [Cyclone Gabrielle Recovery and Resilience Plan](#)

The Christchurch experience shows us that there is reason for optimism when communities are grappling with the aftermath of a significant disaster. Central Hawke's Bay District continues to show economic resilience, and during the initial recovery phase (1-3 years) can expect to see:

- **A boost in construction activity:** The need to repair and replace damaged homes, businesses, and infrastructure will promote an increase in construction activities. The short-term focus will be on getting through, repairs, and maintenance. Longer-term the focus will be about building the resilience of the district through upgraded infrastructure.
- **Increased fiscal stimulus:** In the occurrence relief funds start flowing in from the government, the boost to the district's economy won't be limited to just construction. However, the actual timing and amount of these funds introduce uncertainty.
- **Continuation of migration trends:** International migration to New Zealand has dramatically increased this past year. Last year (12 months ended May 2022) we witnessed a net loss of 19,600 people (arrivals minus departures). For the year to May 2023 the number of arrivals has tripled to drive a net gain of approximately 80,000 people. This increase brings international migration rates to levels observed before the COVID-19 pandemic. International migrants tend to settle in cities, but in recent years high international migration has been accompanied by a surge in internal migration to the regions.

Megatrends shaping Central Hawke's Bay's economic future

Megatrends have big-picture implications, impacting business, society, and individual livelihoods. In essence, they are significant forces, both domestic and international, dictating long-term shifts in various domains. Central Hawke's Bay District in New Zealand is not immune to these changes, with specific megatrends being particularly relevant to the district including:

- Direct and indirect impacts of climate change and extreme weather events. Indirect impacts of climate change occur through altering consumer preferences and governmental policies favouring sustainable practices.
- Stringent water quality regulations, posing operational challenges to businesses, especially in pastoral farming.
- Greater emphasis on wellbeing and inclusive growth, reconsidering the conventional focus on GDP increase.
- COVID-19's profound influence on industry changes and mounting adaptations due to evolved consumer demand patterns.
- Modifications in work preferences, particularly among the younger generation, with commonality of contracting, career transitions, and remote work setups.
- Increased participation of older individuals in the workforce with the challenge for businesses to maximise their contributions.
- Effects of automation on diverse job sectors, especially those dealing with routine tasks.
- Enhanced export opportunities owing to the emerging middle class in developing countries like China and India.
- A surge in nationalism risks causing elevated geopolitical tensions which could impart adverse impacts on our export sector.

Understanding these megatrends and their implications will allow Central Hawke's Bay District to navigate these shifts wisely and strategically. It helps create a well-rounded vision for their future, keeping pace with evolving times.

Pathway to progress: opportunities for economic development

Challenges often open the door for opportunities. Turning these opportunities into reality calls for commitment, financial backing, and active participation from various partners. Central Hawke's Bay has demonstrated that the ability to work together is a key strength of the district, demonstrated in projects like the Māori Engagement Strategy - Tūhono mai tūhono ātu. Key opportunities include:

- **Te ao Māori:** Over a quarter of Central Hawke's Bay residents identify as Māori, opening untapped economic prospects in sectors that embrace the principles and values of te ao Māori. By fostering authentic indigenous stories to back exports and focusing on Māori career pathways and training, Māori business models could provide unique contribution to a thriving economic future.
- **Aged care and healthcare:** With over 21% of Central Hawke's Bay's population over 65, and a further 15% within ten years of this age, there is a clear opportunity for growth within the healthcare and social assistance sector. The district currently does not have a residential retirement living facility. This ageing demographic not only provides the chance for businesses to better cater to the 'silver economy', but also establishes Central Hawke's Bay as an ideal testing ground for innovation in health care.
- **Infrastructure and services:** Beyond the immediate rebuilding effort, there is further opportunities as population growth spreads beyond just major towns to smaller townships and rural areas in Central Hawke's Bay, so changes the demands for infrastructure and services. Whether transportation, digital connectivity, health or education, there is a mounting need for quality services that cater to these evolving trends, providing excellent opportunities for tailored investments and collaborative efforts.
- **Feeding the people:** Central Hawke's Bay, with its ideal growing conditions, is a thriving hub for horticultural products like apples, beef, lamb, vegetables and more. There is potential for further development of high value-added food and beverage products that cater to increasing consumer interest in plant-based and sustainable products. Advancing research in horticulture and product design could lead to increased productivity and higher margins for businesses.
- **Wellbeing:** The increase in emphasis on lifestyle and wellbeing, accelerated by the Covid-19 pandemic, puts Central Hawke's Bay in a favourable position. Coupling the district's attractive lifestyle with quality infrastructure and a balanced work culture, there are profound opportunities, especially in professional services sector and other occupations that are remote-work friendly. Retention of new, long-term residents could further drive the growth and prosperity of Central Hawke's Bay.
- **Productivity gains:** The district's average wage is almost 15% lower than the national average. Improving productivity could potentially elevate existing workers' income by more than \$45 million annually and stimulate the economy. A focus on improving corporation-level behaviour and their ecosystems, particularly those businesses with above-average productivity, would be most effective. The predominately agricultural job market could be diversified by entrepreneurial skilled migrants, potentially creating new industries and job opportunities.

Rural Abyss or Hope? Evaluating Near-term Economic Challenges

Our examination of the rural economy's realistic prospects considers recent substantial adversities including the COVID-19 pandemic, consecutive years of drought, an unusually wet year, and a destructive cyclone. This assessment seeks to identify opportunities within the rural sector itself and

potential diversification for the broader Central Hawke's Bay economy, which could include redirection of labour into different industries.

Earlier sections of this report have projected an optimistic viewpoint on resilience and recovery. Yet, it is crucial that we don't overlook the significant challenges the rural economy—fundamental to district employment—faces.

At present, export prices remain low, a consequence of slowdowns in economic growth in regions such as China and Europe. The potential for prolonged sluggishness in the export market could significantly impact our baseline outlook for the district. Despite Central Hawke's Bay demonstrating commendable resilience and growth—through diversification efforts, and an increase in remote workers and commuters—it's essential to reiterate the key role that agriculture and related businesses play in the district's overall economic outlook.

The scenario approach

Population outcomes can greatly differ based on assumptions in three key areas – births, deaths, and migration. The trend of declining birth rates due to smaller families can slowly, but significantly influence longer-term projections. As the population ages, the number of deaths will increase but improvements in life expectancy slightly counteract this. Finally, migration levels, which can significantly impact natural population changes, are vital as small changes can compound over time to affect growth trends.

Summary of assumptions:

- **Migration:** Migration assumptions have the largest impact on the population outlook for Central Hawke's Bay District, as even minor shifts can compound over time, leading to widely diverging growth paths.
- **Births:** Birth rates have been decreasing due to smaller families, which can significantly impact long-term population outcomes.
- **Deaths:** While the aging population will cause an increase in death rates, better life expectancy rates will mildly offset this impact.

Utilising a scenario approach allows for a comprehensive understanding of possible population trends based on varying these three key assumptions. Scenarios provide planners with valuable insights into multiple potential futures. This approach helps prepare for unexpected population changes, ensuring effective resource allocation, informed policy-making, and robust infrastructure development. Consequently, the scenario approach signifies not just a statistical exercise, but a proactive step towards building a thriving community that is well-equipped for various potential population landscapes.

Steady scales: medium scenario

Outlining a future rooted in the progression of historical patterns, the medium scenario incorporates persistent migration rates and the ongoing aging of society. We generate these projections under the assumption of status quo, that is:

- **Continual migration:** Assumes an ongoing stream of people moving into and out of the district (net positive migration in line with recent years), with no major fluctuations in the pattern.

- **Aging population:** A continuation of historical patterns, the population will age, impacting the distribution of age demographics.
- **No mass exodus:** The scenario doesn't expect a significant exodus or population drain from the district (including in the near-term Cyclone Gabrielle).
- **Status quo policies:** The scenario presumes no dramatic shifts in policies at either central or local government levels, which could affect migration or population growth.
- **Stable economy:** The scenario assumes that the district will maintain its current economic trajectory, with no major upheavals that could influence population movements.
- **Regular health trends:** Anticipates the continuation of present health and lifestyle trends, impacting longevity and birth rates.
- **Balanced housing market:** The scenario expects a housing market without any significant shortages or surpluses that might affect population trends. Housing in the district is assumed to remain relatively affordable compared to major urban areas.
- **Environmental stability:** Assumes no major changes in where people live from environmental triggers.

Key points (medium scenario):

- Growth over the next ten years averages a robust 2.0%, with Central Hawke's Bay adding nearly 4,000 people over the next ten years.
- Under this scenario there will be more than 19,000 people living in Central Hawke's Bay by 2033
- The percentage of the population over 65 will increase from 21% currently to 25% in 2033.
- Demand for housing will require an estimated 1,100 new dwellings over the next ten years.

Our analysis suggests that the recent cyclone's impact is unlikely to have a significant effect in the short-term when considering the population of the district.

Partial indicators suggest only a slight a deceleration in growth for the year to June 2023 (See page 4). The district's post-cyclone rebuilding phase will stimulate job opportunities and support continued migration, pushing the growth rate back up to an estimated 1.7 percent per annum in the current year. By 2029, a further increase in growth to around 1.9 percent per annum is anticipated.

Under the medium scenario the district remains on a course similar to the previously adopted projections¹⁵, with the population reaching 25,000 people by the mid 2040's.

¹⁵ Squillions, 2022, [Demographic and Economic Growth Assumptions 2022 update](#)

Table 6: Population by age with projections: medium scenario

Year	Total	0-14 years	15-39 years	40-64 years	65+ years
2018	14,650	3,050	3,650	5,100	2,850
2019	14,900	3,090	3,740	5,080	2,990
2020	15,400	3,150	3,950	5,150	3,150
2021	15,700	3,190	4,090	5,130	3,290
2022	15,950	3,300	4,100	5,150	3,400
2023	16,220	3,260	4,230	5,190	3,540
2024	16,510	3,300	4,370	5,120	3,720
2025	16,830	3,340	4,400	5,240	3,850
2026	17,150	3,370	4,460	5,360	3,960
2027	17,490	3,410	4,520	5,470	4,090
2028	17,860	3,450	4,610	5,570	4,230
2029	18,210	3,490	4,710	5,640	4,370
2030	18,580	3,540	4,770	5,760	4,510
2031	18,970	3,580	4,850	5,870	4,670
2032	19,390	3,640	4,920	6,020	4,810
2033	19,810	3,690	5,000	6,150	4,970
2038	21,900	4,010	5,440	6,890	5,560
2043	24,100	4,330	5,910	7,740	6,120
2048	26,720	4,760	6,430	8,740	6,790
2053	29,530	5,120	7,170	9,530	7,710

If Central Hawke's Bay maintained the average household size from the 2018 census (2.6 people per household), the region would need an additional 150 residences each year for the next decade to satisfy housing demand.

We expect the average household size to rise due to incoming younger migrants with larger families, relieving some of the pressure on housing. Existing homes with spare capacity may also see increased occupancy rates. Adjusting for the expected increase in household size, we estimate the actual level of building under this scenario to be approximately 110 new dwellings per year over the next decade.

By studying the permits for resource consents over the past five years, we found approximately 2,500 unbuilt housing sections are in the planning stages – more than enough to meet this demand. However, developing these sections would require a significant increase in current residential construction rates, a challenging prospect given the crucial repairs needed in the area. Furthermore, a shortage of workforce, supply chain issues, and high interest rates have been a bottleneck in residential building growth. If building activity is slow to adjust to demand in the next 2-3 years, it may need to catch up in the outer years under this scenario.

Uncertainties ahead: key risks to the medium scenario

The medium scenario rests on assumptions about stability and continuation of trends, so potential risks are important to consider. Much employment in the district is reliant on agriculture, a sector

currently reeling from the effects of the cyclone. The wave of incoming migrants, many of them commuting workers, are influenced by diverse motivations.

Summary or risks to the medium scenario:

- **Economic:** Any long-term planning exercise must anticipate business cycles. But deeper or more frequent economic slowdowns than expected could significantly impact the outlook for the district.
- **Agriculture:** The district's heavy reliance on agriculture means further adverse weather conditions, diseases, pests, or prolonged weakness in commodity prices could pose a significant challenge to the job market and growth.
- **Housing:** A decrease in the relative affordability of housing could impact the number of workers willing to move into the district, affecting population growth.
- **Climate change:** Longer term climate change risks such as severe weather events, and drier conditions could impact the district's agriculture and attractiveness to migrants.
- **Labour supply:** If the district doesn't attract enough workers to meet its needs, it could lead to capacity constraints and disrupt the economy.
- **Population:** Younger generations have traditionally sought out opportunities in more urbanised areas or overseas. In recent years these leavers have been returning or been replaced by others attracted by lifestyle factors in the district. If the balance tipped the other way, it would lead to a skewed demographic and reduce population growth.
- **Health:** A future pandemic or health crisis could significantly affect the district, potentially disrupting normal operations and migration patterns.
- **Policy:** Significant policy changes at central or local government levels—for instance, immigration policies or environmental regulations, would need to be evaluated for their impact on this scenario.

Working professionals of previous generations tended to see cities as desirable places to live, for work, social, and lifestyle regions. There is no indication this trend will reverse, but preferences of each successive generation are difficult to anticipate. If the children of the current working age population decided the regions are not as attractive to them as to their parents, it could affect migration to Central Hawke's Bay.

Delays in Three Waters (Water Services Reform) infrastructure projects due to fiscal challenges brought on by delays in the reforms also present a risk to growth. Ongoing delays could significantly disrupt the growth schedule of the community, particularly impacting housing development projects.

Embracing change and growth: high scenario

Advancing from the status quo and stability projected in the medium scenario, the high scenario factors in a marked pickup in net migration, a robust economy, changes in health trends and a potential strain on the housing market (based on recent building levels and the need to remediate from the cyclone). Our assumptions under this scenario include:

- **Robust migration:** This scenario considers a substantial increase in migration into the district. The increased inflow outweighs the outflow, resulting from factors like job opportunities, educational facilities, or lifestyle attractions.
- **Younger workers:** While the population will continue to age, the rate of ageing may slow down as the district attracts more young adults and families, altering age demographics.
- **Strong economy:** An assumption of robust economic growth, far exceeding the current trajectory, which attracts more people to the district and keeps them there.
- **Health and lifestyle improvements:** The scenario assumes favourable health and lifestyle patterns which could impact longevity and birth rates differently than historical patterns. Although gains in longevity are typically gradual, they compound over time.
- **Favourable policy:** This scenario assumes policy settings are favourable both to migration into New Zealand, and from New Zealand's cities into the regions.
- **Environmental considerations:** This scenario factors in the possibility that Central Hawke's Bay could be seen as a "safe haven" from environmental changes in other areas (e.g., sea level rise, coastal erosion, and flooding).

Growth from Gales: Will Central Hawke's Bay Mimic Canterbury's Rise?

In the aftermath of the recent severe cyclone, Central Hawke's Bay could see a period of growth akin to the boom experienced by areas of Canterbury following the 2011 earthquake.

After such devastating events, people often search for safer places to relocate, and Central Hawke's Bay may be perceived as a haven compared to more gravely impacted regions like Esk Valley. This kind of influx would not be unprecedented as it would resemble the heightened migration to smaller communities such as Rolleston after the Canterbury earthquake which still had close proximity to Christchurch.

Although Central Hawke's Bay differs from Canterbury in terms of size and infrastructure, this could play in the district's favour, offering opportunities for expansion and development to accommodate incoming residents.

Key points (high scenario):

- Growth over the next ten years averages a robust 3.2%, with Central Hawke's Bay adding nearly 7,000 people over the next ten years.
- Under this scenario there will be more than 22,000 people living in Central Hawke's Bay by 2033
- The percentage of the population over 65 will increase from 21% currently to 23% in 2033.
- Demand for housing will require an estimated 2,000 new dwellings over the next ten years.

Figure 13: Population by age with projections: high scenario

Year	Total	0-14 years	15-39 years	40-64 years	65+ years
2018	14,650	3,050	3,650	5,100	2,850
2019	14,900	3,090	3,740	5,080	2,990
2020	15,400	3,150	3,950	5,150	3,150
2021	15,700	3,190	4,090	5,130	3,290
2022	15,950	3,300	4,100	5,150	3,400
2023	16,270	3,270	4,250	5,200	3,550
2024	16,690	3,370	4,440	5,180	3,700
2025	17,180	3,490	4,590	5,250	3,850
2026	17,760	3,570	4,780	5,440	3,970
2027	18,360	3,670	4,990	5,600	4,100
2028	19,020	3,800	5,230	5,730	4,260
2029	19,730	3,950	5,520	5,800	4,460
2030	20,440	4,090	5,760	5,930	4,660
2031	21,170	4,240	5,970	6,100	4,860
2032	21,890	4,390	6,170	6,310	5,020
2033	22,640	4,550	6,380	6,520	5,190
2038	26,480	5,360	7,440	7,650	6,030
2043	30,510	6,080	8,570	8,930	6,930
2048	35,030	6,920	9,840	10,300	7,970
2053	40,060	7,730	11,180	11,760	9,390

Although aging pressures still exist under the high scenario, Central Hawke's Bay District already has a comparatively older population (with a median age of 43.5, compared to 38 nationally). The influx of younger migrants under this scenario significantly slows the aging trend.

Under the high scenario there would be an increase of about 2,000 households over the next ten years. This calculation includes a possible rise in the average number of members per household (discussed in the previous section). This surge in demand will exhaust the available housing space more rapidly and necessitate a rise in housing construction activities.

Specifically, areas planned for growth, such as the Waipukurau South Growth Precinct might require fast-tracking. This area, which recently received \$10.9 million in crown funding, can accommodate up to 950 homes over two decades.

While optimistic by design, the rapid growth projected under the high scenario is not without precedent. Since the 2013 population census, several smaller districts like Kaipara (with annual growth of 3%), Mackenzie (3.1% annually), Central Otago (3.7% annually), and Queenstown-Lakes (6.3% annually) have seen accelerated population growth. While each district's growth is driven by unique factors, these instances demonstrate how smaller districts can handle an increase in residents through careful planning and adequate investment in infrastructure.

Uncharted waters: high scenario risks

In the high population growth scenario, risks largely mirror those in the medium-growth scenario (see Uncertainties ahead: key risks to the medium scenario, page 26). These risks are exacerbated by the extra pressure from a larger population, and there is more to lose if risks materialise. The risks most relevant to the high growth scenario are:

- **Housing strain:** Our projections are demand focused, which means we assume the land and housing will be there to meet demand. But it is important to note that a projected population increase of this magnitude would put pressure on the housing market, potentially leading to short-term shortages and escalating prices before supply can adjust. These “growing pains” could be exacerbated in the short term by cyclone remediation work.
- **Labour supply:** With a larger population, ensuring the district has enough workers to meet the increased demand for goods and services becomes even more important. More migrants likely mean more people who commute or otherwise draw income from outside the district but demand local services. There is also a risk of mismatched skills. A workforce shortfall in key occupations could result in significant impacts on the economy and living standards.
- **Youth flight:** This high scenario leans more heavily on the assumption that young people, who left the district for other opportunities, will eventually return to start their families, or that there will be adequate replacements for them. The regions must remain a desirable place to live in the minds many working-aged people.

Measured momentum: low scenario

The low scenario explores a possible (but less probable, based on current trends) future for Central Hawke's Bay. This scenario is not a forecast, but a tool to prepare for an array of possible futures.

The low scenario explores the outcomes of reduced net migration, moderate economic performance, stalled health and lifestyle improvements, and a troubled housing market. Assumptions under this low scenario include:

- **Stagnant migration:** This scenario explores the impact of a considerable slowdown in migration into the district. A reversal in migration trends could result from factors like reduced job opportunities and a fall in the trend of people moving into the regions, or concern about the recent cyclone and possible future adverse events.
- **Ageing population:** In contrast to the high scenario, the population would age markedly, with fewer young adults and families moving into to the district. Younger workers may be drawn away by social and work opportunities offered by cities.
- **Limited job prospects:** We've examined the trend in agriculture towards requiring fewer workers (page 16) and the challenges faced by this sector. If growth in services stalls, and the retail sector remains underdeveloped, job prospects for residents could be constrained. Continuation of trends in commuting and remote work rely on people choosing to live in the district and manage a commute or long-distance networking.
- **Unfavourable policy measures:** Stricter immigration or environmental regulations are examples of policy changes that could hinder migration to the district and future development. Perceived environmental risks and challenges (e.g., climate change concerns) could deter migrants.

Key points (low scenario):

- Growth over the next ten years averages 0.8%, with Central Hawke's Bay adding only 2,000 people over the next ten years.
- Under this scenario there will be just over 17,000 people living in Central Hawke's Bay by 2030.
- The percentage of the population over 65 will increase from 21% currently to 27% in 2033.
- The number of households is projected to grow by less than 600 over the next ten years.

Table 7: Population by age with projections: low scenario

Year	Total	0-14 years	15-39 years	40-64 years	65+ years
2018	14,650	3,050	3,650	5,100	2,850
2019	14,900	3,090	3,740	5,080	2,990
2020	15,400	3,150	3,950	5,150	3,150
2021	15,700	3,190	4,090	5,130	3,290
2022	15,950	3,300	4,100	5,150	3,400
2023	16,210	3,450	4,370	4,880	3,510
2024	16,400	3,500	4,420	4,930	3,550
2025	16,550	3,530	4,460	4,970	3,590
2026	16,660	3,550	4,490	5,010	3,610
2027	16,780	3,580	4,520	5,040	3,640
2028	16,880	3,340	4,470	4,810	4,260
2029	16,980	3,360	4,490	4,840	4,290
2030	17,090	3,380	4,520	4,870	4,320
2031	17,170	3,400	4,540	4,890	4,340
2032	17,260	3,410	4,570	4,920	4,360
2033	17,340	3,250	4,430	4,920	4,740
2038	17,780	3,270	4,400	5,040	5,070
2043	18,150	3,390	4,370	5,100	5,290
2048	18,400	3,460	4,290	5,280	5,370
2053	18,600	3,500	4,340	5,330	5,430

During the projection period, migration remains at low levels, causing population growth to decelerate and average approximately 0.8% per annum over the next decade. Post-2033, the Central Hawke's Bay District's population growth will primarily respond to demographic pressure, with growth below 0.6% per annum.

As of this report, the most recent estimates from Statistics New Zealand (medium scenario) foresee modest rates of net migration for the ensuing two decades, maintaining an average growth of 0.4% per annum until 2048.

We did not place a weak net migration scenario at the centre of our discussion due to the factors examined in earlier sections of this report. We anticipate the factors propelling stronger migration post-2013 to continue. However, it is vital for comprehensive planning to consider the impacts if fewer people decide to settle in the Central Hawke's Bay District or more people decide to depart.

Several factors might contribute to weak migration, including a dwindling Napier-Hastings job market, stringent international migration rules, or a contracting housing market in urban areas. A sluggish cyclone recovery and engrained perceptions of climatic uncertainty across the broader region could also contribute to weaker migration.

It's worth mentioning that the ageing of the population will not follow an entirely predictable pattern in this scenario. Even with low net migration, arrivals and departures from the district still occur which can shift demographics.

This scenario would represent a return to levels of growth not seen since prior to 2013. Between 1996 and 2013, Central Hawke's Bay District experienced a slight decrease in population from 13,350 to 13,250. Despite natural population growth during this period, a greater number of people vacated the district than those who moved in.

While it is difficult to foresee a fall in the population of the district based on current trends, without significant migration Central Hawke's Bay District's future under the low scenario would drastically differ from what would be expected under the medium or high scenarios.

Downstream dangers: low scenario risks

In the low growth scenario, risks shift notably from those outlined in the medium scenario (see Uncertainties ahead: key risks to the medium scenario, page 26), due to lower migration, reduced demand, and potential economic stagnation.

The low scenario itself represents a future where some risks have already been realised, but there are further issues to consider:

- **Economic:** With less population growth, the threat of economic slowdowns becomes a more significant concern. The district could potentially face economic stagnation or even contraction due to the reduced demand for goods and services.
- **Population:** Weak population growth could lead to a skewed demographic, with a potential over-representation of older generations. A lack of young workers could limit innovation and adaptability, potentially slowing the district's development further.
- **Labour supply:** A low growth scenario could mean a smaller workforce. If the district fails to attract enough workers, it may struggle to sustain its economy and vital services.

Given that the number of residents employed is currently one third larger than the local workforce (refer to a detailed discussion on commuting and remote work on page 14), a significant turn in fortunes would be necessary to realise these risks. But a consistent decline in population would reduce economic momentum and vibrancy of the district.

Other issues such as those relating to housing affordability could potentially become less urgent. But a lower population would make it even more challenging to fund the critical repairs and needed upgrades to infrastructure required to build resilience in the wake of Cyclone Gabrielle.

Concluding remarks

Looking at a balanced growth projection, the medium scenario for Central Hawke's Bay District, we see promising times ahead with a flourishing population, vibrant community, and exciting prospects for its residents. Within the next decade, the district would welcome nearly 5,000 new residents, requiring at least 1,500 additional housing units.

There's a flip side to this shiny coin as well. It's essential to keep an eye on warning signs such as a slow-down in newcomers moving to the area, fewer job possibilities, and lower demand for housing.

There are positive shifts that could lead to an even better future as well. Significant population growth due to cyclone recovery efforts, strong economic performance, and the continued attraction of the district to remote workers could paint an even rosier picture. The early signs of even stronger growth would be population increases exceeding 2.5% per year, a noticeable increase in housing demand, and a growing number of diverse job prospects within the district itself.

Expansion can be both a challenge and an opportunity. Careful planning and a close watch on these trends will allow Central Hawke's Bay District to fully leverage the potential growth it hopes to achieve.