

30 March 2023

New Zealand Productivity Commission
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Attn: Dr. Ganesh Nana

The Chair,

Submission from the Manawatū District Council on Improving New Zealand's Economic Resilience

Manawatu District Council (MDC) thanks the Productivity Commission for the opportunity to submit on the topical issue of economic resilience improvement in New Zealand.

The Manawatū District covers 256,693 hectares and stretches from Rangiwāhia in the north to Himatangi Beach in the south. It shares a boundary with Palmerston North City in the south-east. The western boundary of the district follows the Rangitikei River, and the eastern boundary is the Ruahine Ranges. Within the Manawatū District are a range of natural features, including the Ruahine Ranges, Pohangina Valley and the West Coast beaches and sand dunes. Primary industry (agriculture and forestry) comprises our biggest economic sector, making up nearly 18% of District GDP. Manufacturing and defence (primarily the Ōhakea Airbase) also contribute strongly to the local economy.

Economic Outlook of Manawatū District/ Overview of Manawatū District's Economy

The Manawatū District economy has performed strongly in the past couple of years. Local economic performance has been driven by strong global demand and record commodity prices for goods produced in the district, elevated levels of public and private investment driving record construction activity, and sustained growth in employment and household earnings. The agriculture sector is booming and has contributed to the performance of the district economy. This positive outlook for our main primary industries, dairy and beef and lamb, is expected to continue to bolster local economic performance over 2023.

Key Highlights

Over the last five years, Manawatū regional GDP has seen a 20.7% increase compared to the national increase of 15.0%, an impressive performance attributable to the unique mix of industries in our region. The dominance of our public sector, the strength of our goods producing industries, and our high-value service sectors, has driven the strong regional economic performance relative to the national economy. However, there are signs of a slowing economy, with the cost of living continuing to rise and the impacts of the recent extreme weather events set to further increase food prices for our families in the short term.

The Manawatū's large and diverse public sector, high-value service sector, and strength in food production has bolstered the regional economy and constitutes an underpinning factor for the district's resilience.

According to the latest Infometrics assessment, GDP in Manawatū was provisionally up 2.7% for the year to December 2022, compared to a year earlier. Growth was lower than in New Zealand (2.8%). Provisional GDP was \$7,870 million in Manawatū for the year to December 2022 (2022 prices) and Annual GDP growth in Manawatū peaked at 8.9% in the year to June 2021. Employment for residents living in Manawatū was up 2.1% for the year to December 2022, compared to a year earlier. An average of 57,444 people living in Manawatū were employed in the year to December 2022. Jobseeker Support recipients in Manawatū in the year to December 2022 decreased by 11.4% compared to a year earlier. The decline was greater than in New Zealand (10.9%).

An average of 3,556 people were receiving a Jobseeker Support benefit in Manawatū in the 12 months ended December 2022. This compares with an average of 3,342 since the start of the series in 2013. Annual employment growth for Manawatū residents peaked at 3.6% in the year to December 2019. Total tourism expenditure in Manawatū increased by 7.8% in the year to December 2022, compared to a year earlier. This compares with an increase of 18.9% in New Zealand. Total tourism expenditure was approximately \$330 million in Manawatū during the year to December 2022, which was up from \$306 million a year ago.

Concerning Supply Chain Disruptions and Trends

Like other parts of New Zealand, the Manawatū District was impacted by supply chain concerns particularly during the previous surges of the COVID-19 Pandemic. The impacts were felt across communities in terms of commodity stocking and availability in supermarkets and stores. While international markets paused and imports were staggered, the primary producers within the district continued. Meat processing factories within the district also continued processing, adjusting quickly to social distancing rules and other government directives on food safety.

MDC's response during the lockdown was predicated on ensuring community wellbeing by an initiative-taking approach in ensuring that vulnerable members of the community were able to access groceries and medical supplies during the lockdown. Council organised food parcels, distributed essential items, and coordinated deliveries to those in need particularly, the elderly, medically compromised and disabled persons. The rural community and iwi fared well looking after each other, disseminating health information for example on COVID-19 prevention measures, safety protocols in Te Ao Māori to ensure that the information was accessible and understood by iwi and hapu.

MDC is concerned that more frequent supply chain disruptions will continue to create higher prices and shortages of basic commodities which increase the cost of living and the provision of basic needs. Further, when wages or earnings are not commensurate to the cost of living, there may be occurrences of conflict and increase in criminal activities.

Current Actions to Address Supply Chain Concerns

Manawatū District is impacted by supply chain concerns arising from the aftermath effects of Cyclone Gabrielle affecting national supply from Gisborne and Hawkes Bay primarily. Not unsimilar to other parts of the country, the astronomical prices of food items in supermarkets

are also impacting the district's residents. There are several food banks within the region that assist families struggling with groceries.

Government Incentives that can Enhance Industry/Community Resilience to Supply Chain Disruptions

Enhancing the resilience of communities to supply chain disruptions requires a multi stakeholder approach which include businesses, government and communities working together. There are several incentives that the government can provide to boost communities' economic resilience. The government needs to provide financial incentives in the form of loans, grants, tax incentives or insurance schemes that can encourage businesses and communities to adopt measures that can mitigate supply chain risks.

The government will need to improve and enhance transportation and logistics infrastructure. Better investment in rail, roads, ports, and distribution centres will improve the efficiency and reliability of the supply chain. For example, strengthening the internal movement of freight within the Manawatū and the completion of the Western ring route project can enhance the movement of goods and services throughout New Zealand. Further, the timely completion of Te Ahu a Tauranga (Manawatū-Tararua Highway) that can enable easier access to the Port of Napier could ameliorate supply chain risk concerns. Improving these various conduits for transportation will reduce the bottlenecks and disruptions that can occur because of emergencies such as COVID-19 or extreme weather events such as Cyclone Gabrielle.

The government needs to consider and implement alternative immigration pathways to counter labour shortages particularly during emergency periods. The COVID-19 dilemma revealed the need for extensive labour resourcing in New Zealand. Food producers in the Manawatū were negatively impacted by immigration restrictions on international labour. Owing to the lack of labour resource, quite several food producers resorted to mowing down crops rather than harvesting them as it was cheaper and less onerous to do so.

It is crucial for the government to invest in local production capabilities to reduce dependence on imports. The government could invest in infrastructure, technology, and skills development to enable local businesses to locally manufacture essential goods and services. Supply chains need to be diversified as well to reduce reliance on a particular supplier. The ongoing war in Ukraine revealed the disproportionate reliance on single sources of supply exposing various economies to supply chain disruptions. The government can identify and promote alternative suppliers or goods and service suppliers to mitigate supply chain disruption risks.

To enable a more effective response and recovery from supply chain disruptions, the government can promote information sharing and collaboration among the relevant stakeholders as this will improve coordination and communication during supply chain disruptions. Finally there is a need for government to support technology adoption and innovation by invest in research and development, supporting initiatives that promote sustainability and circular economy practices and promoting the use of digital technologies.

Learning More about the Economic Resilience of Industries and Communities

The Productivity Commission can learn more about community and industry economic resilience from research, stakeholder engagement, collaborating with experts, evaluating policies (particularly around immigration and imports), and monitoring emerging trends. Examining case studies of communities or industries that experienced disruptions and

demonstrated resilience can be a useful tool to understand economic resilience. As highlighted earlier, Manawatū District's response to disruptions during the lockdown was guided by our community wellbeing pillar- putting the welfare of people first.

Recommendations

In addition to suggestions discussed above MDC recommends that the Productivity Commission

- Address supply chain disruption challenges by clearly understanding the nature and root causes of the disruptions.
- Facilitate or establish a clear set of organisational constructs that allows a wider set of public and private sector actors craft an effective approach.
- Identify alternative options quickly to minimise the flow on effects of supply chain disruptions.

Thank you for the opportunity to make a submission. We look forward to central government's continual engagement with businesses and communities to identify and implement innovative solutions to bolster economic resilience in New Zealand.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Helen Worboys', with a large loop at the end.

Helen Worboys
Mayor, JP