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Nelson-Tasman Regional Economic Briefing – 2022 data update



Prepared for: Nelson Regional Development
Agency

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2. Report Overview

This regional economic briefing has been prepared for Nelson Regional Development Agency (NRDA). The briefing contains data up to 2022 and is a refresh of an earlier version (published in March 2022 with data up to 2021). Its purpose is to provide an overview of the current state of the Nelson-Tasman economy, as well as identify some of the region's challenges, and opportunities for economic development.

The report is structured around three major topics:

- Current context for Nelson-Tasman's economy and the wellbeing of its people.
- Challenges for the road ahead and megatrends to be aware of.
- Potential opportunities for economic development to influence outcomes.

2.1. The current context to economic development

Below are some of the key attributes of Nelson-Tasman's economy and people:

- Nelson-Tasman's economy generated \$6.2 billion of GDP in 2022 and had 58,618 filled jobs.
- The region has three key production and processing focusses – forestry, horticulture, and the ocean economy, all of which have expanded strongly over the past decade.
- Other key industries of employment in Nelson-Tasman include: health care and social assistance, construction, retail, professional services, accommodation and food services, and education.
- Many of Nelson-Tasman's attributes that appeal to visitors, also appeal to locals, including natural beauty, a variety of outdoor pursuits, and high-quality food and beverage offerings.
- There are at least 288 Māori-owned businesses and a further 939 self-employed Māori across the Te Taihū rohe (encompassing Nelson-Tasman and neighbouring Marlborough).
- Te Taihū's eight iwi have net assets approaching \$1 billion and a track record of collaboration.
- Nelson-Tasman's three main urban areas of Nelson, Richmond, and Motueka are the region's key employment hubs. These main urban areas had 79% of the region's employment in 2022.
- Jobs growth over the past decade has been particularly rapid in Richmond (4.5%pa) and Motueka (3.1%pa), while employment rose more slowly in Nelson City (0.5%pa).
- Job numbers in other (mainly rural) areas grew by 2.8%pa over the same period.
- Nelson-Tasman's population increased from 96,800 in 2012 to 113,200 in 2022. The population has spread out, with 62% of growth outside of Nelson City over the past decade.
- International migration drove 67% of recent population growth over the past three years, with domestic migration accounting for 24% of growth.
- The region's Māori population share has risen and is younger than the rest of the population.

2.2. Challenges for the road ahead

Challenges in Nelson-Tasman's economic context include:

- Both productivity and average household earnings sit more than 20% under national averages.
- The region has a high share of older workers and the availability of workers is already tight – the region's unemployment rate in 2022 was estimated to be 3.5%, compared to 4.9% a decade ago.
- Housing affordability and availability is low.
- Horticulture and tourism have highly seasonal workforce needs.
- Youth retention post-secondary school is low – just 16% of Nelson-Tasman's population is aged 15 to 29, compared to 19% nationally.
- The region has a high proportion of small businesses (92% have less than 10 employees) and more than 10,000 self-employed – these groups need more support to adapt to change.

Other long-term megatrends that are relevant for the region include:

- Economic development's focus includes not just economic growth, but also wellbeing.
- Permanent changes to consumer behaviour and business practice because of the pandemic.
- Changing attitudes to work.
- People are working longer before they retire.
- Automation offers productivity benefits, but the workforce will need support to adapt.
- The global economic and geopolitical landscape is changing which offers opportunities and risks.
- The indirect effects of climate change from shifting consumer preferences and government policy are as relevant as the direct effects of an evolving climate.
- Adaptation to stringent water quality regulations will challenge some businesses.

2.3. Key economic development opportunities

The context and challenges help identify economic development opportunities. Collaboration is a regional strength (eg. demonstrated by the Te Tauihu Intergenerational Strategy). Opportunities include:

1. **Raising the productivity bar** – closing Nelson-Tasman's productivity gap with New Zealand could bring an extra \$1.6 billion of GDP to the region. The biggest gains for closing the productivity gap would come from strengthening firm-level behaviour and the ecosystems surrounding them.
2. **Food and beverage** – Horticultural crops and processing them into high-value products represented almost 4,000 jobs in Nelson-Tasman in 2022, which was 6.5% of all employment, compared to 2.5% nationally. A horticultural focus aligns to a trend of ethical consumerism.
3. **The ocean economy** – Nelson-Tasman has more than 2,700 jobs in fishing, aquaculture, and processing, which represents 4.7% of employment, compared to 0.4% nationally. The region, together alongside neighbouring Marlborough, is the part of New Zealand with the highest share of employment dedicated to food production from the ocean.
4. **Forestry and wood product manufacturing** – About 5.0% of New Zealand's plantation forests are in Nelson-Tasman, with a similar amount in Marlborough. The region has New Zealand's highest concentration of specialist processing, particularly in laminated and structural wood products.
5. **Embracing te ao Māori** – Diversity can help foster innovation and Māori models of business offer many lessons. Opportunities exist globally for products whose provenance is underpinned by an authentic indigenous story. Creating career opportunities for Māori in key sectors will also help alleviate skills shortages given the Māori population is younger and growing faster than average.
6. **The visitor economy** – Around 7.3% of jobs in Nelson-Tasman were supported by tourism in 2021, compared to 5.4% nationally. There are opportunities for the visitor economy to strengthen its linkages to other sectors and act as a 'shop front'. Tourism can connect visitors to consuming the region's other key products (eg. food and beverage) when they return home.
7. **Lifestyle and wellbeing** – The recent Covid-19 pandemic placed more weight on lifestyle and wellbeing, which favours regions such as Nelson-Tasman where migration drives population growth. Many of the same factors that attract visitors to the region, also attract migrants.
8. **Health care and social assistance** – A rapidly aging population creates opportunities in health care and social assistance. Some 22% of Nelson-Tasman's population is aged 65+, with a further 15% within 10 years of reaching 65. There are also opportunities for businesses more generally to adjust their service delivery to better tap into the 'silver economy' of spending by older folk.
9. **Infrastructure and services** – To realise potential against the opportunities identified, Nelson-Tasman needs access to a high quality of resilient infrastructure and services. Population growth is spreading into smaller towns and rural areas across the region. There is an opportunity for collaboration and advocacy to ensure investment matches this change.

3. Current context: Nelson-Tasman's economy & people

This section considers the economic, employment, and demographic context for Nelson-Tasman. The data highlights that the region has grown considerably over the past decade, with growth having been particularly strong in Richmond, Motueka, and across smaller towns and rural areas.

3.4. Economic and employment overview

Nelson-Tasman's economy generated GDP of about \$6.2 billion in 2022 and had 58,618 filled jobs. GDP and employment grew strongly over the March 2022 year, rising by 5.6%pa and 2.3%pa respectively, as the region's economy began recovering from the most severe Covid-19 disruptions.

Table 1 – Nelson-Tasman's economic performance, 2022 level and average annual growth 2012-2022

Nelson-Tasman's economic performance				
Source: Infometrics Regional Economic Profile, accessed 23/02/23				
	Level (2022)		Long-term growth (2012-2022), average per annum	
	Nelson-Tasman	New Zealand	Nelson-Tasman	New Zealand
GDP (2022 pricing, \$ million)	\$6,159m	\$357,710m	2.9%	3.0%
Employment (filled jobs)	58,618	2,693,301	1.8%	2.1%
Productivity (GDP/job)	\$105,070	\$132,815	1.1%	0.9%
Mean household income	\$91,809	\$117,934	3.5%	3.8%

Growth in most high-level indicators of economic performance in Nelson-Tasman has been close to the national average over the past decade, but productivity and average household incomes sit below the rest of New Zealand. Recent estimates using 2022 data show that if productivity in Nelson-Tasman were to rise to the national average, then this would generate an extra \$1.63 billion of GDP and create more opportunities for better paid employment.

3.4.1. Contributions of industries

Manufacturing is the biggest contributor to employment in Nelson-Tasman, closely followed by agriculture, forestry, and fishing. Within these high-level industry categories are three key production and processing focusses – forestry, horticulture, and the ocean economy, all of which have expanded strongly over the past decade, including through the recent Covid-19 pandemic period. These sectors are also well-aligned to longer-term structural shifts in global demand towards food and fibre products which can be produced with relatively more sustainable environmental footprints.

Other key industries of employment in Nelson-Tasman include: health care and social assistance, construction, retail, professional services, accommodation and food services, and education. Many of these industries have benefited from population and visitor growth. Some of them are also key enablers that can improve the attractiveness of the region from a business and liveability perspective.

Table 2 – Employment in Nelson-Tasman by industry

Employment in Nelson-Tasman by industry (2022)			
<i>Source: Infometrics Regional Economic Profile, ANZSIC Level 1 industries, 2022, accessed 23/02/23</i>			
	Employment level	Share of employment	
	Nelson-Tasman	Nelson-Tasman	New Zealand
Manufacturing	6,647	11.3%	9.1%
Agriculture, Forestry and Fishing	6,438	11.0%	5.4%
Health Care and Social Assistance	6,311	10.8%	10.4%
Construction	5,953	10.2%	10.4%
Retail Trade	5,902	10.1%	8.9%
Professional, Scientific and Technical Services	4,535	7.7%	9.7%
Accommodation and Food Services	3,881	6.6%	6.3%
Education and Training	3,775	6.4%	7.6%
Administrative and Support Services	2,645	4.5%	4.8%
Other Services	2,484	4.2%	4.0%
Transport, Postal and Warehousing	2,276	3.9%	3.9%
Wholesale Trade	2,063	3.5%	4.7%
Public Administration and Safety	1,818	3.1%	5.4%
Rental, Hiring and Real Estate Services	1,392	2.4%	2.4%
Arts and Recreation Services	1,075	1.8%	1.8%
Financial and Insurance Services	663	1.1%	2.7%
Information Media and Telecommunications	472	0.8%	1.5%
Electricity, Gas, Water and Waste Services	246	0.4%	0.7%
Mining	43	0.1%	0.2%
Total	58,618	100.0%	100.0%

3.4.2. Visitor economy

Visitor spending filters into a range of industries as visitors travel around, stay, shop, eat and do activities. Table 3 shows that tourism's contribution to Nelson-Tasman's economy is large compared to the rest of New Zealand, and tourism activity in the region has had better growth trends. Many of Nelson-Tasman's attributes that appeal to visitors, also appeal to locals, including natural beauty, a variety of outdoor pursuits, and the ability to sample fine local cuisine and observe horticultural and aquaculture practice.

Table 3 – Nelson-Tasman's tourism performance, 2022 level and average annual growth 2012-2022

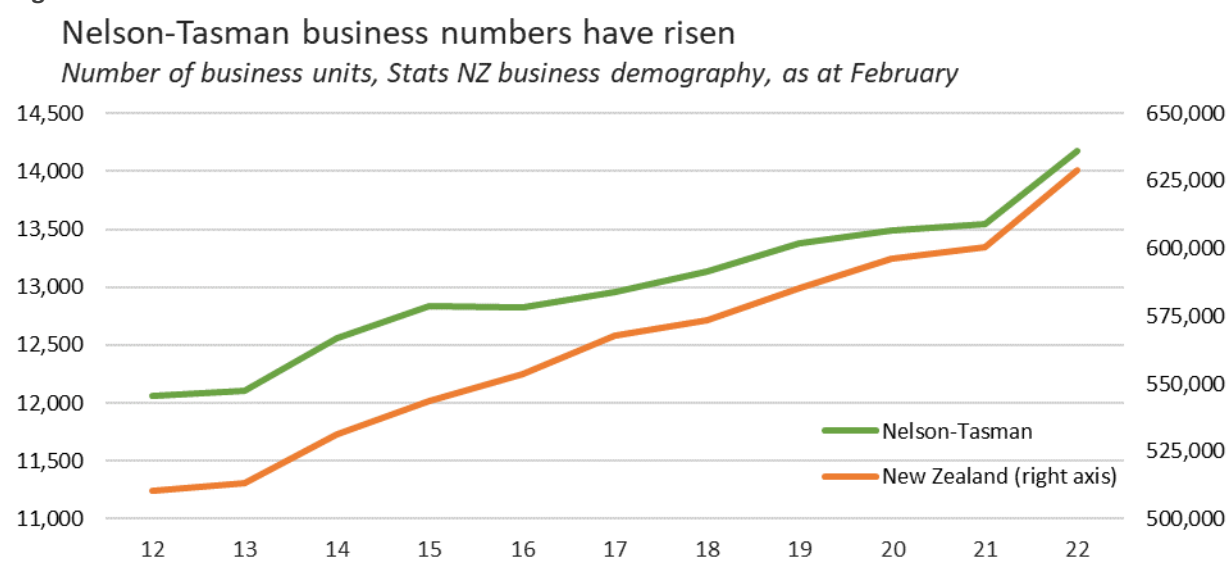
Nelson-Tasman's tourism performance				
<i>Source: Infometrics Regional Economic Profile, accessed 23/02/23</i>				
	Level (2022)		Long-term growth (2012-2022), average per annum	
	Nelson-Tasman	New Zealand	Nelson-Tasman	New Zealand
Tourism GDP (2022 pricing)	\$233m	\$10,005m	3.6%	2.4%
Tourism GDP as % of total GDP	3.8%	2.8%		
Tourism jobs	4,295	145,032	-1.4%	-1.9%
Tourism jobs as % of total jobs	7.3%	5.4%		

Estimates from Infometrics show Nelson-Tasman’s visitor economy was less affected by the Covid-19 pandemic than the rest of the New Zealand visitor economy. In 2022, GDP generated by Nelson-Tasman’s visitor economy was just 10% below its pre-Covid peak, while nationally tourism generated 33% less GDP than before Covid-19. The visitor economy is recovering quicker than had been anticipated from Covid-19 and the Tourism Export Council of New Zealand expects international tourism to have returned to pre-Covid levels within the next two years. The biggest challenge to servicing this tourism demand will be capacity, with many visitor and hospitality businesses struggling to recruit enough staff to fill vacancies.

3.5. Entrepreneurship in Nelson-Tasman

Entrepreneurship and self-employment play important roles in the labour market. New businesses are started by people who see a gap and go after it. The total number of businesses across Nelson-Tasman as at February 2022 was 14,172, up 5.0% over the past two years alone, as entrepreneurship remained resilient through the pandemic period (see Figure 1).

Figure 1 – Business numbers in Nelson-Tasman



The health of the business environment has been a key contributor to employment prospects in Nelson-Tasman. Most of Nelson-Tasman’s businesses are small, with 92% employing less than 10 people, 7.1% employing between 10 and 49 people, and just 1.3% having more than 50 employees.

The role of entrepreneurship in employment is also evident in self-employment statistics. In the March 2022 year, Infometrics estimates that there were 10,347 self-employed people in Nelson-Tasman, which represented 17.7% of employment. This rate of self-employment is higher than the national rate of self-employment (16.2%). Self-employment is predominantly concentrated in construction and agriculture, as well as in professional services. The large number of self-employed people in professional services is consistent with Nelson-Tasman’s strong lifestyle attraction and the rising prevalence of remote working.

3.5.1. Māori entrepreneurship

Māori entrepreneurship is a key component of Nelson-Tasman’s business landscape. A report for Te Puni Kōkiri¹ (TPK) found that there were at least 288 Māori-owned businesses across the Te Taihū rohe in 2020 (147 in Nelson-Tasman and 141 in neighbouring Marlborough). In addition to these Māori-owned

¹ Te Matapaeroa 2020 – More insights into pakihi Māori, a report for Te Puni Kōkiri, available at: <https://www.tpk.govt.nz/en/o-matou-mohiotanga/maori-enterprise/te-matapaeroa-2020>

businesses, the TPK report found that there were 939 self-employed or sole trading Māori in Te Taihū, with 633 of these self-employed people in Nelson-Tasman and 306 in Marlborough.

The eight iwi of Te Taihū are key investors in the region, and have grown their post-settlement net asset bases to approach \$1 billion. Much of this capital is invested locally into projects which enhance the region's economic, cultural, and environmental wellbeing. The iwi also have a demonstrated track record of collaboration that has been reinforced by the creation of the Te Kotahi o Te Taihū Charitable Trust.

National-level data shows Māori businesses have a strong innovation focus, which has coincided with a growing appetite among trade partners to buy New Zealand goods whose provenance is underpinned by an authentic indigenous story. Export sales by Māori authorities (businesses involved in the collective management of assets held by Māori) grew by 20.9% in 2021, while exports by other Māori enterprises grew by 10.4%pa. By comparison, exports of all New Zealand businesses rose 7.0%pa over the same period.

Table 4 – Data on research and development propensity and export growth for Māori businesses

Research and development, and exports for Māori businesses compared to all NZ businesses			
<i>Source: Tatauranga umanga Māori from Statistics New Zealand, 2021</i>			
	Māori authorities	Other Māori enterprises	All New Zealand businesses
Share of businesses who invest in R&D	11%	17%	10%
Exports growth (2020-21)	20.9%	10.4%	7.0%

3.6. Location of economic activity

The analysis to date has considered Nelson-Tasman's economy at a regional level, but it is also interesting to explore which places in Nelson-Tasman the activity is concentrated in. Table 5 summarises data across the region. Nelson-Tasman's three main urban areas of Nelson, Richmond, and Motueka are the region's key employment hubs. These main urban areas had 79% of regional employment (46,133 jobs) in 2022.

Table 5 – GDP and employment across different parts of Nelson-Tasman, 2022 level and 2012-22 growth

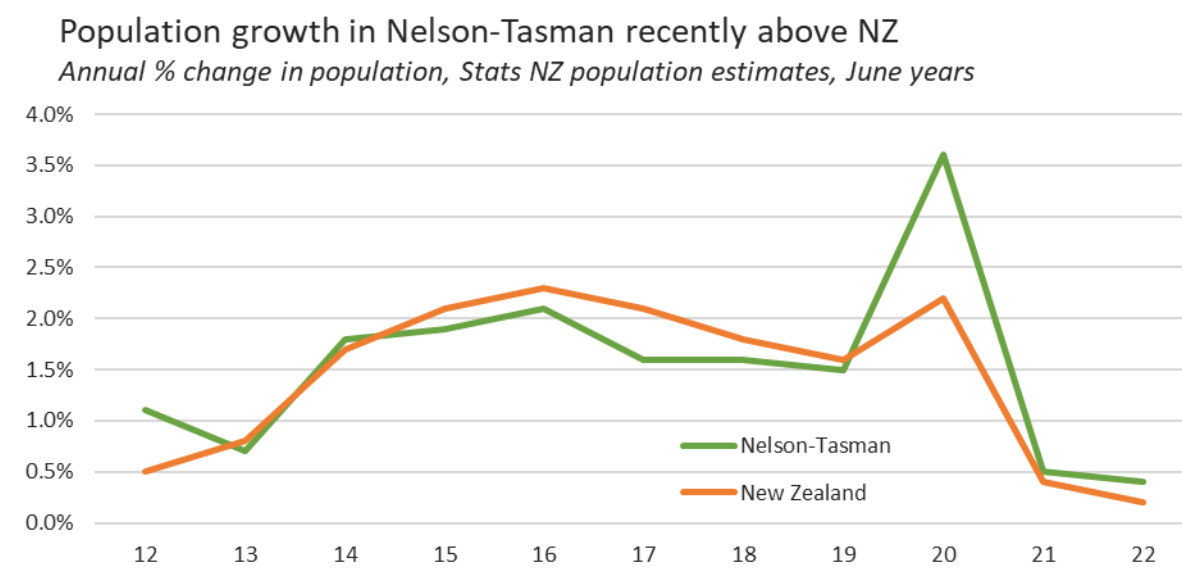
Economic activity and employment across different parts of Nelson-Tasman						
<i>Source: Infometrics Regional Economic Profile, accessed 23/02/23</i>						
	Level (2022)			Average annual growth (2012-22, %pa)		
	GDP (\$m)	Jobs	Productivity (GDP/job)	GDP	Jobs	Productivity
Nelson	\$3,234m	30,886	\$104,712	1.6%	0.5%	1.1%
Richmond	\$1,112m	10,583	\$105,113	5.8%	4.5%	1.3%
Motueka	\$483m	4,664	\$103,505	4.3%	3.1%	1.2%
<i>Main urban total</i>	<i>\$4,829m</i>	<i>46,133</i>	<i>\$104,676</i>	<i>2.7%</i>	<i>1.5%</i>	<i>1.1%</i>
<i>Other (rural) total</i>	<i>\$1,330m</i>	<i>12,485</i>	<i>\$106,528</i>	<i>3.7%</i>	<i>2.8%</i>	<i>0.9%</i>
Nelson-Tasman	\$6,159m	58,618	\$105,070	2.9%	1.8%	1.1%
New Zealand	\$326,300m	2,693,301	\$132,815	3.0%	2.1%	0.9%

Employment growth has varied across the three main urban areas, with job growth over the past decade particularly rapid in Richmond (4.5%pa) and Motueka (3.1%pa), while employment rose more slowly in Nelson City (0.5%pa). Job numbers in other (mainly rural) areas grew by 2.8%pa over the same period.

3.7. Population overview

Nelson-Tasman's population increased from 96,800 in 2012 to 113,200 in 2022, at an average annual growth rate of 1.6%pa. Population growth has risen above nationwide trends over the past three years.

Figure 2 – Nelson-Tasman's population growth over past decade

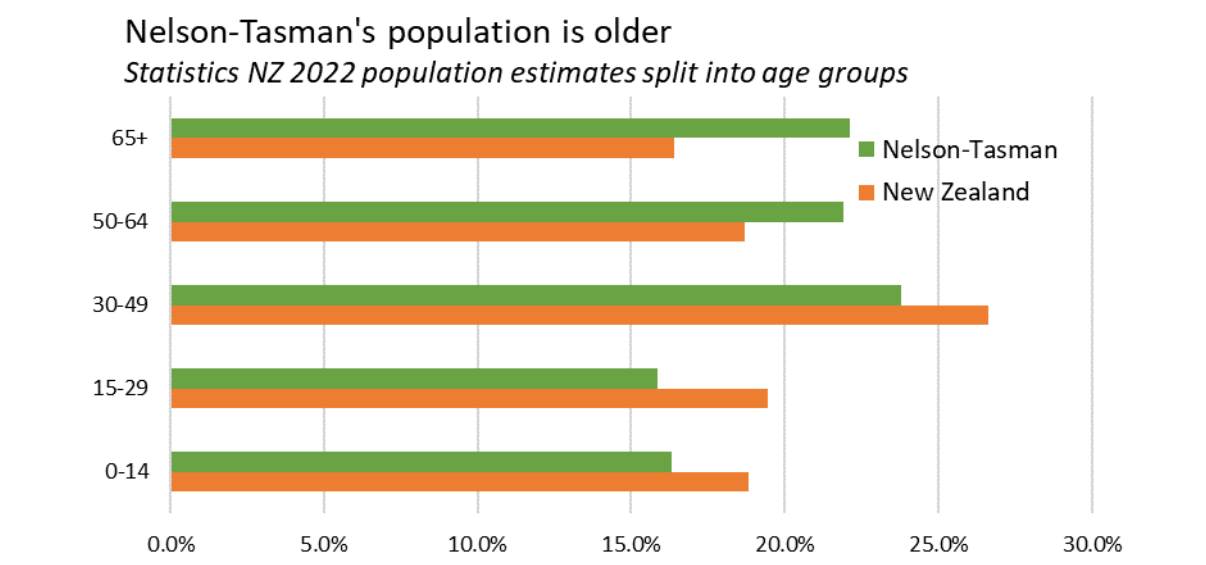


Most population growth has been driven by migration. Statistics New Zealand estimates that 67% of Nelson-Tasman's population growth over the three years to 2022 was from international migration, 24% was due to internal migration from other parts of New Zealand, and just 9% was from natural increase.

3.7.1. Nelson-Tasman's demographics

Nelson-Tasman has more people in the later stages of their working life, and retirees, than other parts of New Zealand. The region's immediate post-secondary school population is smaller than elsewhere.

Figure 3 – Nelson-Tasman's population demographics



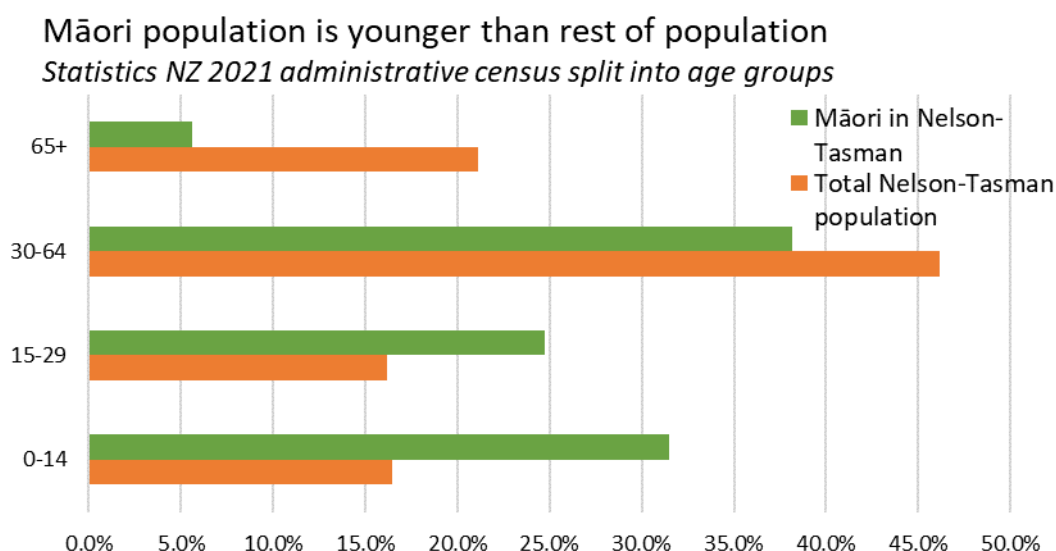
Nelson-Tasman's population is becoming more multicultural. Although the share of the population identifying as European (81%) in Statistics New Zealand's 2021 Administrative Census remained high,

those with Asian ethnicities rose from 2.6% in 2011 to 5.1% by 2021. Nelson-Tasman's Māori and Pasifika population shares rose to 9.0% and 2.4% respectively, from 8.5% and 1.4% respectively in 2011.

3.7.2. Māori population is younger

Nelson-Tasman's Māori population is younger than the rest of the population. The 2021 Administrative Census showed that 32% of Nelson-Tasman Māori were aged under 15 years, with a further 25% aged 15 to 29. By comparison, these proportions were both 16% across the entire population.

Figure 4 – Nelson-Tasman's Māori population demographics



This younger Māori demographic provides a key workforce opportunity for the region, which could help to offset a looming increase in retirements among other ethnicities with an older demographic.

3.7.3. Nelson-Tasman's population has spread out

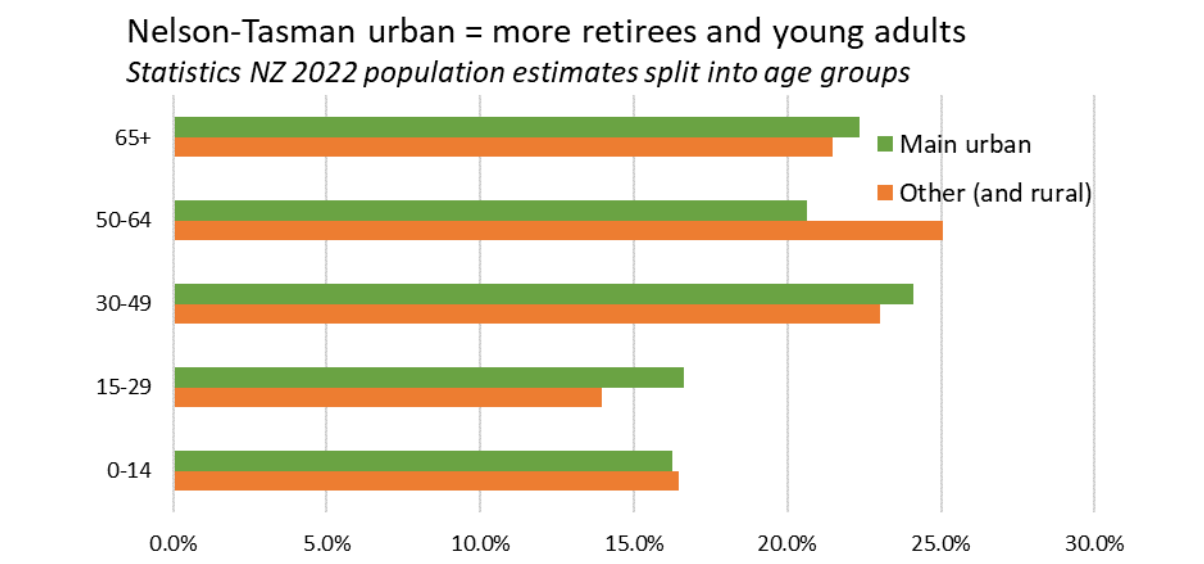
Nelson-Tasman has spread out, with 62% of population growth having occurred outside of Nelson City over the past decade. Richmond has had the fastest growth, with population growth averaging 2.4%pa, compared to 1.2%pa in Nelson City. Population growth in Motueka (1.5%pa) has also exceeded that of Nelson City, as have growth trends across the rest of the region's smaller towns and rural areas (1.8%pa).

Table 6 – Population across different parts of Nelson-Tasman, 2022 level and 2012-2022 growth

Population growth across different parts of Nelson-Tasman			
<i>Source: Statistics New Zealand subnational population estimates, accessed 23/02/23</i>			
	Population level		Growth
	2022	2012	Average (% pa)
Nelson	54,500	48,200	1.2%
Richmond	17,940	14,210	2.4%
Motueka	8,330	7,180	1.5%
<i>Main urban total</i>	<i>80,770</i>	<i>69,590</i>	<i>1.5%</i>
<i>Other (rural) total</i>	<i>32,430</i>	<i>27,210</i>	<i>1.8%</i>
Nelson-Tasman	113,200	96,800	1.6%
New Zealand	5,124,100	4,408,100	1.5%

The population across Nelson-Tasman's main urban areas tends to have more retirees and young adults, while smaller towns and rural areas have a much higher share of people in their 50s and 60s. The shares of families with young children are reasonably evenly split across the region.

Figure 5 – Nelson-Tasman's population demographics: urban and rural comparison



3.8. Living standards

The standard of living of Nelson-Tasman is generally high. Although average household incomes are below the national average, unemployment sits at a very low level and the proportion of the population receiving a benefit is also lower. Nelson-Tasman youth are more engaged in work or education than their counterparts elsewhere, which is reflected in higher levels of NCEA attainment.

House prices in Nelson-Tasman were below the national average in 2022, but were still less affordable due to lower average incomes. Housing affordability has deteriorated over the past decade. House prices have begun to fall during 2022, but they remain well above pre-Covid levels.

Table 7 – Selected indicators of living standards

Nelson-Tasman's living standards				
Source: Infometrics, MSD, MOE. Data for 2012/22, except NEET (2013/22) & NCEA (2011/21)				
	2022		2012	
	Nelson-Tasman	New Zealand	Nelson-Tasman	New Zealand
Average household incomes	\$91,809	\$117,934	\$64,978	\$81,487
Average house price	\$877,721	\$1,031,084	\$382,822	\$400,322
Housing affordability (house price to income ratio)	9.6	8.7	5.9	4.9
Unemployment rate	3.5%	3.4%	4.9%	6.1%
Beneficiaries (% of working age pop., 15-64 years)	6.6%	7.9%	7.3%	8.3%
NEETs (15-24's not employed, in education/training)	11.4%	11.7%	11.9%	13.5%
NCEA Level 2 or above (% of 18 year olds received)	87%	84%	77%	74%

4. Economic challenges along the road ahead

This section considers some current and potential challenges that may influence the road ahead. These are drawn from Nelson-Tasman's economic context, as well as scanning potential megatrends.

4.9. Challenges from Nelson-Tasman's economic context

The following challenges are apparent in Nelson-Tasman's economic context. These challenges are 'drivers for change' – things which if overcome could help improve outcomes for the region:

1. **Productivity** in Nelson-Tasman in 2022 sat 21% below the national average (measured by GDP per job). Low productivity affects companies' profitability and their ability to pay higher wages. Research has shown that if productivity rose to the national average then the region's economy would be \$1.63 billion larger. At historical growth rates, it would take 123 years for Nelson-Tasman to close its productivity gap with New Zealand! The region's productivity growth would have to rise at twice the current growth rate nationally to close the gap within 20 years.
2. **Average household incomes** for Nelson-Tasman sit 22% below the national average. Part of this is because the region has more retirees, but for those still in the workforce average annual earnings in Nelson-Tasman were also 14% lower than the national average in 2022 (\$60,048 vs \$69,585). Average wage earnings in Nelson-Tasman are the lowest in New Zealand (marginally below Tairāwhiti). Higher incomes would raise living standards and improve worker retention.
3. **Constrained workforce availability.** Some 22% of Nelson-Tasman's population is aged 65+, with a further 15% within 10 years of reaching 65. By comparison, these proportions are 16% and 12% respectively nationally. The rapid aging of the region's population creates opportunities for some industries (eg. health care), but will also create workforce challenges. The availability of workers is already tight, with Nelson-Tasman's unemployment rate estimated at 3.5% in 2022, compared to 4.9% a decade ago. Worker retention, investing in skills development, automation, and talent attraction can all play roles in solving the challenge of a shrinking working age population.
4. **Housing affordability** has declined in Nelson-Tasman over the past decade. The average home in the region in 2022 cost 9.6 times the average household income, compared to a ratio of 8.7 times incomes nationally. Renters face similar affordability challenges. Housing availability is also a problem. The Nelson Tasman Future Development Strategy (2019) anticipated the region will need an 24,000 extra homes by 2049. The housing challenges can affect population flows, which can influence worker catchments and structurally alter commuter flows through the region.
5. **A more spread-out population.** Recent population trends have shown that population growth is spreading beyond Nelson and into smaller towns and rural areas across the region. This creates challenges for ensuring there is appropriate infrastructure, community facilities, and connectivity (transport and digital) between places to enable access to work and education opportunities.
6. **A highly seasonal industry base.** Nelson-Tasman's horticulture and tourism sectors are two of the biggest contributors to the local economy – these sectors have highly seasonal demand patterns and harvesting windows. Seasonality causes extreme workforce challenges. Mitigations can include investing in automation and improved workforce linkages between sectors with different seasons to create year-round opportunities.
7. **Migration reliance.** Some 67% of Nelson-Tasman's population growth over the past three years was from international migration. These migrants have expanded the workforce and contributed toward more diverse and multi-cultural communities. With immigration into New Zealand relatively low at present, partly as a result of tighter migration settings, there are significant challenges for regions to retain, attract, and develop their workforces.

8. **Youth retention.** Just 16% of Nelson-Tasman's population is aged 15 to 29, compared to 19% nationally. Nelson-Tasman school leavers have high levels of educational attainment, and many leave the region for further education and experiences. A challenge is to encourage youth to eventually return home and to deepen and market local opportunities to develop a career.
9. **Smaller scale of business and high levels of self-employment.** Nelson-Tasman is dominated by small businesses – 92% of businesses have fewer than 10 employees and just 1.3% have more than 50 staff. There are also more than 10,000 self-employed people (17.7% of all employment). Small businesses have less capacity to deal with change and can be slower than larger and better resourced businesses to adopt new technologies and other innovations that lift productivity.

4.10. Megatrends to be aware of

Megatrends are domestic and international macro forces that have implications for business, economy, society, and people's lives. Long-term megatrends relevant to the region include, but are not limited to:

1. **Economic development's focus has shifted towards wellbeing and inclusive growth.** No longer can higher GDP be the key goal. Instead, the wellbeing of people, communities, and the environment are also crucial. These themes are in central government and regional plans (eg. Te Taihū Intergenerational Strategy).
2. **COVID-19's legacy.** Even though disruptions to daily lives and business are behind us, and the post-pandemic period is firmly entrenched, there are likely to be long-term changes within some industries because of the pandemic. Consumer demand patterns have evolved, and businesses may adjust their practices, logistics, and supply chains to minimise future risks of disruptions.
3. **The nature of work is changing.** Younger workers have different expectations of work and are more likely to prioritise lifestyle with shorter working weeks and remote working. Contracting is common, as are career changes and side projects. Lifelong learning and a focus on transferable skills is important. These trends were occurring before Covid, but have accelerated since.
4. **Older people are an increasingly large and willing part of the labour market.** People are working longer before they retire and managing this trend is a challenge for employers to make the most of their contribution. When older workers eventually retire, replacement demand for workers will rise and competition for young workers will intensify between regions.
5. **Automation will have widespread, but uncertain effects** on the future of work. Sectors with a lot of routine are most likely to be automated. Automation brings productivity benefits, but the transition will be tough on some workers as new opportunities will likely focus on different skills.
6. **An expanding middle class in developing countries** has created new opportunities for exporters, particularly those who sell to countries such as China, India and other parts of Southeast Asia. As incomes in these countries rise, tastes and preferences are changing, which is pushing up demand for the high-quality products that Nelson-Tasman is renowned for.
7. **Rising risks of nationalism.** Shifting global dynamics have raised global geo-political tensions – for example, the Ukraine invasion, and trade conflicts between the US and China. Tensions are unlikely to go away, and our exporters could get caught in the crossfire.
8. **Climate change will have indirect effects**, alongside direct effects. Indirect effects include climate concerns changing consumer preferences towards agriculture and tourism. This will likely favour more sustainably managed and lower impact models. Government policy to work towards zero carbon and circular waste models will also create costs and constraints.
9. **Adaptation to stringent water quality** regulations challenge some businesses. The government's Essential Freshwater package affects water availability and is stricter on nutrient runoffs. Regulatory effects will be greater for intensive pastoral farming models than horticulture.

5. Opportunities for economic development

The context and challenges give a platform to identify opportunities. Realising opportunities will involve advocacy, investment, and delivery by different partners. Collaboration is a regional strength (eg. demonstrated through projects like the Te Taihū Intergenerational Strategy). Key opportunities include:

1. **Raising the productivity bar** – The region's productivity is more than 20% below the national average and research has shown that closing the gap could bring Nelson-Tasman an extra \$1.6 billion of GDP. Transformational change will take a long time – with a doubling of productivity growth relative to national trends needed to close the gap within 20 years. The biggest gains for closing the gap would be from strengthening firm-level behaviour and the ecosystems around them. One piece of the puzzle will be to better understand local businesses with higher-than-average productivity (frontier firms) and how innovation is imbedded into their practice and can be further enhanced (eg. research and development, and skills development). The region had 431 jobs in scientific research in 2022, which was the highest concentration per capita of such employment in the country. Spreading any learnings will need to factor in businesses' capacity to embrace change, given that 92% of Nelson-Tasman businesses have less than 10 staff.
2. **Food and beverage** – Nelson-Tasman's favourable growing conditions mean that it is a key grower of horticultural crops including apples, pears, kiwifruit, hops, olives, grapes, and a range of vegetables. These products are processed into a range of high-value food and beverage products (eg. olive oils, craft beers). Growing and processing horticultural products represented almost 4,000 jobs in 2022, which was 6.5% of all employment, compared to 2.5% nationally. This horticultural focus aligns to the rising prominence of ethical and sustainability concerns among consumers, which are expected to favour growth in plant-based food items, compared to animal proteins. Seasonal labour constraints can be mitigated with investment into automation. There are also opportunities for the sector to further invest in research, including ways of improving growing efficiency and designing new high-value food and beverage products.
3. **The ocean economy** – Nelson-Tasman has more than 2,700 jobs in fishing, aquaculture, and processing, which represents 4.7% of employment, compared to 0.4% nationally. The region, together alongside neighbouring Marlborough, is the part of New Zealand with the highest share of employment dedicated to food production from the ocean. Moreover, Nelson-Tasman is also a leading region in other industries which support the ocean economy, including boatbuilding and repairs, textiles (ropes), scientific research, and specialisations in high value-add products such as nutraceuticals and fish oils. This clustering of activity, coupled with supporting infrastructure (such as New Zealand's largest fishing port), builds the region's competitive advantage in the ocean economy. The New Zealand Government Aquaculture Strategy (2019) says there are opportunities to grow the aquaculture industry to \$3 billion in annual sales by 2035, up on \$600+ million in annual sales when the strategy was released.
4. **Forestry and wood product manufacturing** – Around 5.0% of the standing volume of New Zealand's plantation forests is in Nelson-Tasman, with a similar amount in neighbouring Marlborough. The sector accounts for more than 2,000 jobs in Nelson-Tasman, or 3.6% of employment, compared to a 1.3% share nationally. Nelson-Tasman is a leader in its ability to add value within the forestry sector, with the region having New Zealand's highest concentration of specialist processing, particularly in laminated and structural wood products, and glues used in these production processes. Nelson's new airport terminal showcases the potential for commercial uses of engineered wood products in the construction sector, and there are further opportunities to capitalise on huge demand for housing and sustainable building practices.

5. **Embracing te ao Māori** – There are opportunities to further embrace te ao Māori in the economy. Diversity can help foster innovation and Māori models of business offer many lessons, including a strong intergenerational focus. There are opportunities globally for exports whose provenance is underpinned by authentic indigenous stories. A focus on creating career pathways and training for Māori in key sectors will also help alleviate skills shortages – the share of Māori in Nelson-Tasman is rising (from 8.5% in 2011 to 9.0% in 2021) and Māori are younger (with 32% aged under 15 years old compared to 16% across all people in the region). The eight iwi of Te Taihuhu have a track record of working together to achieve common goals that has been reinforced by the creation of the Te Kotahi o Te Taihuhu Charitable Trust. Te Taihuhu's iwi have a growing net asset base of close to \$1 billion and are a key source of local investment.
6. **The visitor economy** – Tourism's contribution to Nelson-Tasman's economy is large compared to the rest of New Zealand, and tourism activity in the region has had better growth trends. Around 7.3% of jobs in Nelson-Tasman were supported by tourism in 2022, compared to 5.4% nationally. There are opportunities for the visitor economy to strengthen its linkages to other sectors and act as a 'shop front' for the region. Tourism can add value not only from the transaction value when the visitor is in the region, but it can also connect that visitor long-term to Nelson-Tasman's other key products (eg. food and beverage) that they can consume when they return home. Many of the things that appeal to visitors, also appeal to people residing in the region for lifestyle reasons – so the sector is also an important conduit for worker attraction and retention.
7. **Lifestyle and wellbeing** – The recent Covid-19 pandemic has caused many people to rethink aspects of their life, which has placed an increased focus on lifestyle and wellbeing. This shift favours regions like Nelson-Tasman, whose lifestyle attraction is evidenced by the fact that 67% of the region's population growth has been driven by international migration over recent years, with a further 24% from domestic migration from other parts of New Zealand. Many of the same factors that attract visitors to the region, also attract migrants from around New Zealand and the globe. Retaining these people long-term requires a focus on the liveability of communities, quality infrastructure, and having workplaces which pay attention their employees' job satisfaction and work-life balance. With good digital connections there are also opportunities to capitalise on remote working trends. Already Nelson-Tasman has a high share of self-employed people in professional services who can sell their services as a form of high-value 'weightless' export to other parts of New Zealand and internationally.
8. **Health care and social assistance** – Some 22% of Nelson-Tasman's population is aged 65+, with a further 15% within 10 years of reaching 65. By comparison, these proportions are 16% and 12% respectively nationally. This rapidly aging population creates long-term opportunities for growth within the health care and social assistance sector, while the region can also be a test bed for innovation in care models and health tech. Businesses more generally can also adjust their service delivery to better tap into the 'silver economy' of spending by older folk.
9. **Infrastructure and services** – For Nelson-Tasman to lift productivity and realise potential against the key opportunities identified, its businesses and residents will need access to a high quality of infrastructure (eg. transportation, social infrastructure, and digital connectivity) and services (eg. health and education). What is provided must meet the needs of a growing population that has an evolving footprint and be resilient to extreme weather events and other natural disasters. Recent population trends have shown that population growth is spreading beyond Nelson and into smaller towns and rural areas across the region. This spreading of the population, coupled with evolving work practices in some industries, will structurally change how and where people go about their day-to-day lives for work, education, and leisure. There is an opportunity for collaboration and advocacy to ensure investment matches this change.



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