

EXECUTIVE SUMMARY

Long-Term Projections

FOR PALMERSTON NORTH MAY 2016

Palmerston North has experienced strong economic growth over most of the last fifteen years. The rate of growth in the number of jobs and incomes has been higher than the rate of population growth in the City.



The Projections for Palmerston North publication has been developed by Palmerston North City Council to provide a better understanding of what contributes to population, household and economic growth in the city.



Palmerston North City has recorded strong economic growth

Palmerston North has experienced strong economic growth over most of the last fifteen years. The rate of growth in the number of jobs and incomes has been higher than the rate of population growth in the City.

The projections suggest that the strong rate of growth in the number of jobs and incomes is likely to continue. Five key sectors are expected to contribute to a significant share of future growth in the number of jobs and income in the City over the next 25 years. They are healthcare, tourism, logistics, public administration (including defence), and research.

The education and defence sectors are not likely to grow as fast as the key growth sectors, but they remain important sectors for the City economy. They play an important role in attracting businesses and young people to the City. The education and defence sectors are also relatively independent of national economic cycles, and may even operate in a counter cyclical role.

The projections suggest significant change in the City will occur due to an aging population and workforce, and a rapid change in the ethnic composition of the City's population. These changes in the ethnicity of Palmerston North's population are projected to accelerate through the projection period.

Population projected to increase to 98,800 by 2043

Statistics New Zealand projects Palmerston North's population will grow by 15,300 between 2013 and 2043 (medium growth projection), with the City's population reaching 98,800 by 2043. The medium 30-year growth projection of 0.6 percent average annual growth for Palmerston North is lower than the national average of 0.8 percent.

Strong employment growth is projected

Employment growth projections for the City are strong, with medium growth projections suggesting employment may rise by 20,900 jobs (46 percent increase) between 2013 and 2043, an average annual increase of 1.2 percent.

Key growth sectors over the next 30 years are likely to be:

- Healthcare and social assistance, including hospitals, specialist medical services, home care services and care for the aged
- Tourism, particularly retail, accommodation and food services
- Logistics, including wholesaling, transport, postal and warehousing
- Public administration and safety, including defence
- Professional, scientific and technical services, including research



The employment projections for Palmerston North are based on an assumption that there will be an ongoing increase in labour force participation levels among the population aged 65 and over. The low median age of the Palmerston North population offers greater potential for stronger increases in work force participation rates compared with the New Zealand workforce overall.

Palmerston North's labour market catchment will increase

Growth in the City's labour market catchment is expected to continue due to increases in the number of workers commuting to the City from nearby local authorities. The high level of commuting to and from Palmerston North is more typical of larger metropolitan cities such as Wellington and Hamilton.

Our population is aging - but not as quickly as other parts of New Zealand

The City's population will age, with significant growth in the number of people aged 65 and over. However the impact of the aging population on the City will be less than in other areas of New Zealand. The median age in the City is expected to rise by 3.6 years to 37.0 by 2043, while the national median age is expected to rise by 5.2 years to 42.7 by 2043.

The projected 2043 median age for Palmerston North of 37.0 years will be the lowest of any local authority in New Zealand.

As the population ages, the annual population growth rate in the City over the period from 2013 to 2043 is projected to slow. This will result in the average annual growth rate declining from 0.8% over the period from 2013 to 2018 to 0.4 percent between 2038 and 2043.

But population growth for other age groups will continue

While the fastest rate of growth will be in the 65 years and over population, there is still expected to be growth in other age groups. The projections suggest the 0 – 14 years age group population will increase from 16,700 people in 2013 to 17,100 by 2043. The 15 – 39 years population is projected more strongly from 31,600 people in 2013 to 36,100 by 2043 and the 40 – 64 population will increase from 24,300 in 2013 to 25,600 people in 2043.



Households will increase at a faster rate of growth than population growth

The total number of households in Palmerston North is projected to increase from 31,500 in 2013 to 38,400 by 2038, an average annual increase of 0.8 percent. The rate of growth in the number of households is projected to slow over the 25 year projection period, reflecting the projected slowing in population growth during this period.

The number of households is projected to increase by 6,900 between 2013 and 2038, an average of 276 new homes a year, but there is likely to be change in the mix of houses being built. As a result of the aging population it is expected more households will be apartments or villas in retirement villages or other forms of more intensive housing development.

The proportion of one person households is projected to increase from 25 percent of all households in 2013 to 29 percent in 2038.

Major ethnic change is projected

Statistics New Zealand projections suggest Palmerston North will become significantly more ethnically diverse in the future. The Pacific community is projected to grow the fastest, from 3,870 people in 2013 to 8,410 by 2038. Pasifika people will then make up 8.7 percent of the City's population.

By 2038 Māori are expected to make up 25.6 percent of the population. The number of Māori will increase by 10,500 people between 2013 and 2038, and reaching 24,800.

The Asian population is also projected to grow strongly, increasing by 7,950 people between 2013 and 2038, an average annual increase of 2.7 percent. By 2038, Asians are projected to account for 17 percent of the City population, with a population of 16,500 people.

The rate of ethnic change will be particularly noticeable in the 0 – 14 years population. The projections suggest that by 2038, 41 percent of 0 – 14 year olds in the City will identify with

a Māori ethnicity, 18 percent with an Asian ethnicity and 17 percent with a Pacific ethnicity, while 70 percent will identify with a European ethnicity.¹

Families will continue to change

The Statistics New Zealand projections suggest that households made up of couples without children will increase from 41 percent of households in 2013 to 45 percent of households by 2018. This increased share may be partly due to an increase in the number of older couples who no longer have children living at home.

The projections suggest a similar rate of increase in one-parent and two-parent families.

¹ note the number of ethnicities adds to more than 100 percent, reflecting that many people identify with more than one ethnicity



Average household size will continue to decline

Average household size is projected to decline from 2.6 people per household in 2013 to 2.4 people in 2038. This has implications for parts of the City where there is little development of more intensive forms of housing. As a consequence, there will continue to be a decline in population counts in some parts of the City.

How the projections are prepared

Projections provide an indication of future trends in the size and composition of the population, labour force, families and households. Statistics New Zealand adopts a 'top-down' approach to demographic projections. This means that projections are first completed at the national level. These subsequently serve as a constraint for projections for territorial authority areas.

Projections of deaths are more accurate than projections of births, while net migration is the most difficult component to either project or to formulate assumptions for future change. The projections for the number of deaths in Palmerston North are based on actual deaths recorded between 2009 - 13, with the 2013 - 2043 trend influenced by national historical trends over the 1997 - 2013 period. The projections for the number of births are also based on actual births in Palmerston North recorded between 2009 - 13, with the 2013 - 2043 trend also influenced by national historical trends over the 1997 - 2013 period.

The assumed net migration for each area is based on net migration during the period from 1981 to 2013, the capacity of the area for further growth, the desirability of the area to new migrants, and information available about current and future developments which may affect population change.

For projections by age, accuracy has generally been highest for ages 30 years and over. Accuracy for the youngest ages (0-14 years) and young adult ages (20-39 years) has been lower, on average, reflecting fluctuations in births and overseas migration at those ages, respectively.

The projections do not take into account major events which may invalidate the projections. Major events include wars, catastrophes, government and business decisions, and institutional changes (e.g. armed forces, prisons, and universities) which are not known at the time of production. These events can significantly influence population dynamics at a national or local level.

There are challenges in projecting employment data when major structural change is occurring, since projections based solely on historic changes in employment can in some circumstances suggest the long-term demise of a sector or unrealistic rates of growth in the future. Some ad hoc adjustments have been made to the employment projections to reflect historic changes in employment that are not likely to be repeated.

ACKNOWLEDGEMENTS

The Projections for Palmerston North publication was developed by Palmerston North City Council to provide a better understanding of the different components which contribute to population, housing and economic growth in the City.

Population, household and family, and labour force projections are developed at a local and national level to assist communities, businesses and central and local government in planning for the future. The employment projections in this report were initially developed to guide the Council's industrial land study, which was being updated to identify future industrial land needs in the City. The projections are relevant to the development of the Council's 10 Year Plan and are of assistance to longer-term planning by the business and community sectors.

The growth projections are not forecasts, but are projections of the growth that might be achieved if previous growth patterns continue. Key assumptions to adjust the current growth rates are based on projected changes in the fertility rate (the number of births per female), life expectancy, net migration levels and labour force participation rates.

PUBLISHED BY:

City Future Unit | Palmerston North City Council
Private Bag 11034 | Palmerston North

FOR FURTHER INFORMATION PLEASE CONTACT:

Peter Crawford | Economic Policy Advisor | Palmerston North City Council
Private Bag 11034 | Palmerston North | peter.crawford@pncc.govt.nz



Palmerston North City Council

W pncc.govt.nz | E info@pncc.govt.nz | P 356 8199 | Private Bag 11034, The Square, Palmerston North, 4442