Projections for Palmerston North 2009 - 2031

April 2010
Background and acknowledgements

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

The projections are drawn primarily from Statistics New Zealand data and Ministry of Tourism regional forecasts.

Population 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 were also relevant to the development of the Council's 10-year long-term plan (2009 – 2019) and are of assistance to longer-term planning by the business and community sector.

The growth projections are not forecasts, but are projections of the growth that might be achieved if certain conditions are met. Key assumptions 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.

The Household Projections and Changing Faces in Palmerston North chapters were originally contributed by Kirsten Wierenga and Jason Pilkington.

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Palmerston North City is recording strong growth

Palmerston North has experienced strong economic growth over the past ten years, with the number of jobs and employee earnings increasing at faster rates than those recorded nationally.

One of the strengths of recent economic growth in the city has been the range of contributing sectors.

The five key sectors expected to contribute the most to employment growth over the next 25 years are healthcare and social assistance, retail trade, professional, scientific and technical services, transport and warehousing, and wholesale trade.

Increasing urbanisation continues to be a major driver for growth in these sectors, but there is also a range of different growth drivers for each sector. Because the city is becoming less dependent on a narrow range of key sectors to sustain growth, there is greater certainty of projected growth levels being achieved. The key growth sectors also offer a wide range of career opportunities in both low skilled and highly skilled positions.

The education, research and defence sectors are not likely to grow as fast as the key growth sectors, but they will still remain key sectors for the city economy. They are responsible for attracting a large number of young people into the city and therefore play an important role in the positive net migration expected over the projection period.

These sectors are also relatively independent of national economic cycles and may even operate in a counter cyclical role, therefore providing a significant degree of stability for the city economy. For example, tertiary enrolments may decline during periods of high economic growth when high demand for labour encourages young people to go into work directly from school rather than into full-time tertiary study. Likewise, the defence forces are also likely to attract and retain more staff during weaker periods of economic growth.

The projections suggest significant demographic changes for the city due to an aging population and workforce, and a rapid change in the ethnic composition of the city population. These changes in the ethnicity of the Palmerston North City population are already taking place and are likely to accelerate through to 2031.
Population projected to increase by 15,500 people

Statistics New Zealand has projected population growth of 15,500 between 2006 and 2031, with the city population reaching 94,000 by 2031.

The department’s population projections show continuing urban drift, with large cities growing faster than smaller cities and rural towns. The medium 25-year growth projections of 0.7% average annual growth for Palmerston North are slightly lower than the national average of 0.8%, but are much higher than other regional cities smaller than Palmerston North. The following key factors appear to contribute to stronger growth for Palmerston North.

**Size matters**
While Hastings and New Plymouth Districts are close in size to Palmerston North, the urban area of the city is much larger than Hastings or New Plymouth. Larger urban centres are generally expected to grow more quickly than smaller centres.

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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hamilton City</td>
<td>168,800</td>
<td>140,700</td>
<td>181,700</td>
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<tr>
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<td>112,500</td>
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<td>48,400 45%</td>
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<tr>
<td>Palmerston North City</td>
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<td>80,300</td>
<td>94,000</td>
<td>15,500 20%</td>
</tr>
<tr>
<td>Whangarei District</td>
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<td>79,000</td>
<td>92,800</td>
<td>16,300 21%</td>
</tr>
<tr>
<td>Hastings District</td>
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<td>80,500</td>
<td>7,300 10%</td>
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<tr>
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<td>51,600</td>
<td>72,300</td>
<td>76,000</td>
<td>4,900 7%</td>
</tr>
<tr>
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<td>68,200</td>
<td>69,800</td>
<td>1,700 2%</td>
</tr>
<tr>
<td>Napier City</td>
<td>58,100</td>
<td>57,200</td>
<td>58,000</td>
<td>1,200 2%</td>
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**Asian migration**
Massey University and UCOL (Manawatu Polytechnic) attract a significant number of students to Palmerston North. While many return to their home country at the completion of their studies, a significant number have also made Palmerston North their home. Statistics New Zealand projects 8700 Asians will live in the city by 2021 – 10% of the population.

**Tertiary education and defence**
The tertiary education sector and two major defence bases in the region are important attractors of young people into the city. The city has one of the lowest median ages (32.1 years) and by 2031 only Manukau City, Papakura and Hamilton are projected to have younger populations. The projected 2031 median age for Palmerston North of 36.1 years contrasts strongly with the projected median age of 41.8 for Hastings and 44.8 for New Plymouth.
As the population ages, the growth rate over the period from 2006 to 2031 is projected to decline. This will result in the average annual growth rates declining from 1% over the period from 2006 to 2011 to 0.5% between 2026 and 2031.

The recent population growth projections are higher than the projections released by Statistics New Zealand in 2005 and 2007, with the recent increase in the fertility rate and stronger net migration the main contributors to the increase.

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

The city will see an aging in its population, with significant growth in the number of people aged 65 and over. However, the impact of an aging population on the city is going to be less than in most areas of New Zealand. The city has a young population with a median age of 32.1 in 2006 (the national median age was 35.8).

The median age is expected to rise by 4 years to 36.1 by 2031, while the national median age is expected to rise by 4.4 years to 40.2 by 2031. The Palmerston North population in 2031 will be only slightly older than the average New Zealand population was in 2006.

Strong employment growth is projected

Employment has grown strongly in Palmerston North since 2000 and has increased at a similar level to national employment growth. This has been achieved despite Palmerston North having a weaker population growth than the national growth rate over this period. Growth in earnings for employees in the city has been similar to national earnings growth.

Employment growth projections for the city are very strong, with the provisional medium growth projections suggesting employment may rise by 20,800 (45% increase) between 2006 and 2031.

Key growth sectors over the next 25 years are likely to be

- healthcare and social assistance, including hospitals, specialist medical services, home care services and care for the aged
- retail, accommodation and food services
- logistics, including wholesaling, transport, postal and warehousing
- public administration and safety
- professional, scientific and technical services.
The projected employment growth is 5302 people higher than population growth over the same time period. This will require a further increase in labour force participation rates and an increase in the number of people commuting to work from outside the city. Only Auckland and Wellington cities and Queenstown–Lakes and Central Otago districts have higher employment to population ratios.

Between 2000 and 2009 the city achieved employment growth of 8600 jobs while the population increased by 5200. Employment growth over this nine-year period was therefore 3400 higher than population growth.

**Changing faces**

The city has already experienced rapid change in the ethnicity of its population and this trend is likely to accelerate. The rate of change in the Maori population in Palmerston North has been much faster than the national Maori population growth. Palmerston North’s Maori population increased from 10.4% of the city’s population in 1991 to 15.4% by 2006, while the national Maori population increased from 12.9% to 14.6% over this time.

Major changes projected for the future are significant increases in the proportion of Maori, Pacific and Asians living in the city. In 2006 the Maori population represented 26% of the city population in the 0–14 age group, while the overall percentage of Maori in the city was 15.4%. The Maori population is expected to record 1.7% average annual growth between 2006 and 2021, while the Asian population will record 2.4% annual growth and the Pacific population 3.2% annual growth. In contrast, the European population is projected to achieve 0.5% annual growth.

The ethnic diversity of Palmerston North appears to be an important distinguishing factor from other similarly sized provincial cities and is an important contributor to the strength of the population growth projected for the city.

In particular, the Asian population in the city is significantly higher than other similarly sized provincial cities and is an important contributor to the positive net migration projected for Palmerston North over the period to 2021.
Household projections reflect smaller households

The average household size in Palmerston North is set to decline from 2.6 to 2.3 people between 2006 and 2031. The average household size for all of New Zealand is 2.6 people. The family household is by far the most common household type for both Palmerston North City and all of New Zealand – accounting for 72% of all New Zealand households in 2006 and 68% of households in Palmerston North.

There is also an increasing number of couples choosing to have children later in life or not having children at all. This is the fastest growing family type and along with the aging population is contributing to an increase in the number of one-person and couple-only households. One-person households in the city will account for a greater share of households in 2031 (31%) compared with 2006 (24%).

The average annual growth in the number of households between 2001 and 2021 is projected to be 1.1% resulting in 9300 additional households between 2006 and 2031.

The projections suggest the household growth rate will decline very little throughout the period covered by the projections, even though population growth is expected to slow more quickly.

Tourism and visitor numbers continue to increase

Total annual visits to the Manawatu Regional Tourism Organisation (RTO) area are forecast to rise from 3.1 million in 2006 to 3.2 million in 2015 – an increase of 0.5% per annum. Visitor nights are forecast to rise by 1% per annum between 2009 and 2015, while day visits are forecast to grow by 0.5% annually. Domestic visitor nights are forecast to increase by 0.5% per annum, while international visitor nights are forecast to increase by 2.1%.

Focusing on sustainability

The key sustainability issue for the city is increasing the level of population growth to meet the potential for employment growth in the city.

If faster population growth is not achieved in the city there will need to be further growth in commuting to the city from rural areas and small towns and communities outside the city boundary to sustain the employment growth projections.

The Manawatu RTO comprises Manawatu District Council, Palmerston North City Council, Rangitikei District Council, Tararua District Council, so is not the same as the area covered by Destination Manawatu (Manawatu District Council and Palmerston North City Council).