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MANAWATŪ REGION MANUFACTURING SECTOR

EXECUTIVE SUMMARY
APRIL 2021

Executive Summary

This purpose of these economic sector profiles for the Manawatū region is to describe the contribution of key sectors to the economic wellbeing of the region. Seven sectors are expected to contribute to a significant share of future growth in the number of jobs and incomes in the region over the next 25 years. They are healthcare, public administration (including defence), logistics, construction, tourism, professional, scientific and technical services, and manufacturing.

Manufacturing has experienced significant change over the last forty years, beginning with rapid reform to import controls in the 1980s and the removal of trade barriers in many of the countries New Zealand exports to. Manufacturing has experienced growth in labour productivity and employee earnings but a decreasing share of GDP and jobs. Contributing factors to the decline in GDP and employment share have been increased outsourcing, a large decline in sheep numbers, an increase in dairy production (which is more capital intensive than meat processing), and increased import competition.

The manufacturing sector is a major source of employment in the Manawatū region, with a workforce of 5,060 people in February 2020, or 7.7% of total employment in the region. Total workforce numbers in the sector declined by 2% between 2000 and 2020, while total workforce growth in the region was 29% over this period. Nationally, the sector has a 9.4% share of total employment. Self-employment in the sector is small, accounting for 300 people; 6% of the total manufacturing workforce in 2018.

Employment in the sector peaked in 2002, when a workforce of 5,390 was recorded, but declined steadily through to 2012, when employment declined to 4,330

people. However, since 2012, employment in the sector has increased strongly, with manufacturing accounting for 12% of workforce growth in the region between 2012 and 2020.

The sector accounted for 10.2% of employment in the region in 2000, but the decline in its share of employment to 7.7% in 2020 does not reflect the current outlook for the sector. Infometrics' projections for workforce growth in the sector suggest the total manufacturing workforce will reach 6,714 by 2043, an increase of 36% from 2020, with an additional 1,794 people working in the sector. The overall workforce in the region is projected to increase by 31% over this time.

Total manufacturing sector earnings (salaries and wages and self-employment income) in the year ended March 2019 in the Manawatū region were \$312 million, or 8.5% of total earnings in the region. Earnings in the sector increased by 79% between 2000 and 2019, well below the average growth rate of 140% across all sectors in the region. Earnings in manufacturing grew by just 23% between 2000 and 2012, while overall growth for the region was 78%. However, since 2012 earnings growth in the sector has been stronger than overall earnings growth for the region, increasing by 44% between 2012 and 2019 compared with 34% growth for all sectors.

WORKFORCE



5,060

7.7% of total employment

BUSINESSES



\$513

4.3% of total earnings

EARNINGS



\$312M

8.5% of total earnings

GDP



\$432M

6.6% of total GDP

Earnings growth in the sector has also been stronger than for New Zealand manufacturing, where earnings growth was 32% over this period.

The contribution to earnings in the region from manufacturing is much higher than its share of employment because the sector has a higher share of full-time employment and a low self-employment share.

The contribution to GDP in the region by the manufacturing sector is estimated to have been \$432 million in the year to March 2020 (6.6% of regional GDP). GDP in the sector increased by 13% between 2000 and 2020, an average annual growth rate of 0.6%.

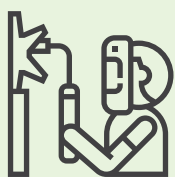
There were 513 businesses recorded in the manufacturing sector in 2020, a decline of 9% from 2000. In 2020 there were 177 businesses with no employees, 276 businesses with 1 – 19 employees, 48 businesses with 20 – 29 employees and 18 businesses with 50 or more employees.

The average size of manufacturing companies in the region is smaller than the average for New Zealand manufacturing.

The largest components of the manufacturing sector are:



Food processing, which had 1,950 employees in 2020, increasing by 31% from 2000. Job numbers declined from 1,490 in 2000 to 1,280 by 2008, but by 2020 the number of jobs had increased to 1,950. Meat and meat product manufacturing has been the main contributor to this growth, with the number of jobs in Manawatū District increasing from 310 in 2000 to 1,050 in 2019. The movement of Ovation to Feilding has been the largest contributor to growth in job numbers.



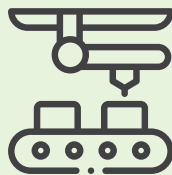
Fabricated metal products, which had 630 employees in 2020, increasing by 62% from 2000. The sector covers a diverse range of companies, including foundries, prefabricated metal buildings, aluminium joinery, structural steel fabricating and sheet metal products.

Table 1: Manufacturing employment by business size

Number of employees	Manawatū region	New Zealand
1 - 19 employees	33%	28%
20 - 49 employees	27%	14%
50 employees and over	40%	58%

The region's strengths in fabricated metal products, transport equipment and machinery and equipment manufacturing are likely to be a contributor to the small average business size in the region, due to the specialised nature of these companies. In 2020 Statistics New Zealand recorded 81 fabricated metal companies, 36 transport equipment companies and 129 companies making machinery and equipment in the region.

The Manawatū region has a greater proportion of manufacturing employment within the food product, fabricated metal product, machinery and equipment manufacturing, and polymer product and rubber product manufacturing sectors. The strength of these three sub-sectors is linked to the importance of agriculture in the Manawatū region and the strong research and development sector in Palmerston North.



Machinery and equipment, which had 760 employees in 2020, declining by 5% from 2000. The sector experienced the loss of 235 jobs between 2000 and 2010, with the closure of the Ralta/Sunbeam factory the biggest contributor to job losses in this sector. However, since 2010, employee numbers have increased from 485 to 760 in 2020.



Polymer product and rubber manufacturing, which had 395 employees in 2020, increasing by 10% from 2000.



Transport equipment, which had 340 employees in 2020. Employment in the sector increased from 305 in 2000 to 340 in 2020, an increase of 11%. Key activities in the sector are motor vehicle body and trailer manufacturing, railway rolling stock repair and aircraft repair services.

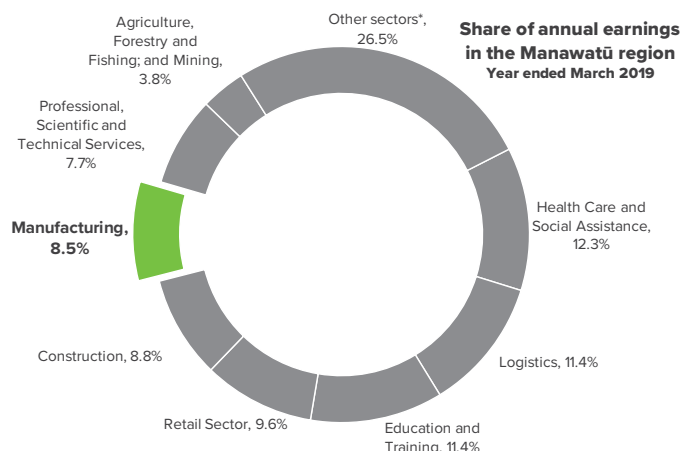
The biggest contributor to the decline in employment in the manufacturing sector in the period through to 2012 was the loss of 455 jobs in textiles, leather, clothing and footwear, a decline of 76% from 2000. Major company closures during this period included Feltex and Lane Walker Rudkin. The number of jobs in the sector has been stable since 2012.

Manawatū region data from the 2018 Census shows that 88% of the manufacturing workforce was employed full-time compared with 77% across all sectors in the region. The Census also showed that just 6% of the region's manufacturing workforce was self-employed compared with 7.8% across all sectors in the region. While 20% of manufacturing sector employees in the region had no qualification, compared with 12.5% of the region's working age population, average earnings in the sector were higher than overall earnings in the region.

Conclusions

The manufacturing sector did not contribute to employment growth in the Manawatū region between 2000 and 2020. However, there has been a strong recovery in manufacturing employment since 2012. The two sub-sectors contributing the most to this recovery have been food processing, and machinery and equipment manufacturing. The growth in food processing was boosted by Ovation moving its meat processing to Feilding and Goodman Fielder shifting the production of Irvines Pies to Palmerston North.

There is a diverse range of companies operating in the fabricated metal products, transport equipment and machinery and equipment manufacturing sub-sectors in the region, which will continue to drive economic growth in the region.



* Other sectors includes: Public administration and safety services; Electricity, gas, water and waste services; Information media and telecommunications; Financial and insurance services; Rental, hiring and real estate services; Administrative and support services; Arts and recreation services; Other services



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