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People & Places

June
2024

Central Otago economic and social context



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June 2024

Version history

Version 1, released: 13 June 2024

Version 2, released: 24 June 2024

Version 3, released: 15 August 2024

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2. Report overview

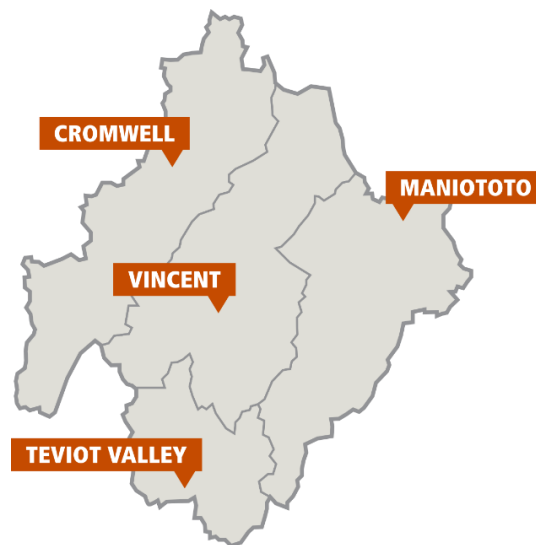
This economic and social context of Central Otago has been prepared for Central Otago District Council. Its purpose is to provide an overview of recent trends and the current state of Central Otago's economy. The information contained within this report can be cross-checked and validated directly against the priorities and perceived challenges of stakeholders and used to help guide drafting of a refreshed Central Otago Economic Development Strategy.

The report is structured around three major topics:

- Current context for Central Otago's economy and the wellbeing of its people.
- The outlook for Central Otago.
- Challenges for economic development.

Analysis in the report covers the Central Otago District as defined by the territorial authority boundaries. Although much of the analysis is at a District level, sub-district analysis of Central Otago's community boards is also performed to demonstrate differences in growth trends and demographics. Central Otago's ward boundaries are shown in Figure 1. Of Central Otago's three largest towns, Alexandra and Clyde are located in Vincent, while Cromwell is located in the Cromwell community board area.

Figure 1 – Central Otago ward boundaries



2.1. Current context: Central Otago's economy and people

Below are some of the key attributes of Central Otago's economy and people:

- Central Otago's economy generated \$1.8 billion of GDP in 2023 and had 14,629 jobs.
- GDP grew by an average of 3.8%pa over the five years to 2023, while employment with local employers and self-employed expanded at an average rate of 2.7%pa – both these growth rates were above the New Zealand average.
- Employment growth over recent years has been particularly rapid among youth workers aged 15 to 24 years, as well as people aged 35 to 44 years.
- Central Otago's population increased from 22,200 in 2018 to 26,000 in 2023, at an average annual growth rate of 3.2%pa. By comparison, population growth averaged 1.3%pa nationally.

- Population growth has been fastest in the Cromwell community board area. Over the past five years, population growth in Cromwell has averaged 4.9%pa, which is more than three times faster than population growth nationally.
- A key driver of growth in Central Otago's economy has been a spilling over of activity from Queenstown Lakes. Migration from other parts of New Zealand has also lifted demand. Central Otago's construction sector has benefited the most from this additional demand.
- Central Otago's two biggest industries, construction and agriculture (including horticulture and viticulture), account for over 36% of employment. About 12% of all jobs Central Otago are attributable to tourism, compared to 6.9% nationally.
- Employment growth in Central Otago's agricultural sector has been heavily driven by the horticultural sector. This trend is no surprise given that horticulture and viticulture planted hectares rose from 3,821 hectares in 2018 to an expected 4,609 hectares in 2023.
- Small business and self-employment play important roles in the labour market. The average Central Otago business has 3.5 employees (compared to 4.3 employees nationally), while there are more than 3,000 self-employed (22.9% of all jobs in Central Otago).
- Approximately 90% of Central Otago's economic activity (GDP) and employment is concentrated in Vincent and Cromwell. Both GDP and employment have grown particularly rapidly in Cromwell, at growth rates more than double the New Zealand average.
- Central Otago's demographics are heavily skewed towards retirees and people in the later stages of their working life. The immediate post-secondary school population is smaller than elsewhere.
- The district's unemployment rate is among the lowest levels in the country.
- But housing affordability has deteriorated, and average household incomes sit about 19% below the national average.

2.2. Challenges for the road ahead

Challenges in Central Otago's economic context include:

- Productivity (GDP per job) is 11% below the national average, while average household earnings are 19% lower. Higher productivity could support more efficient uses of resources and provide opportunities for better incomes.
- The workforce is expected to age rapidly. Migration will become increasingly important to sustain workforce needs. Youth retention post-secondary school is low.
- High growth in neighbouring Queenstown Lakes is creating a lot of business and workforce opportunities for Central Otago, but the spillover demand is also putting pressure on Central Otago's housing market and delivery of infrastructure and services.
- Competition for land will rise between land users as growth continues (eg. horticulture, industrial, and housing).
- Central Otago's key horticulture (and viticulture) and tourism sectors are highly seasonal and growing. Seasonality causes extreme workforce challenges.
- Climate change and environmental adaptation need to be navigated, alongside megatrends such as electrification and adoption of new technologies and automation.
- The smaller scale of businesses in Central Otago means that businesses have capacity challenges to deal with change.

3. Current context: Central Otago’s economy

This section highlights that Central Otago has grown considerably over recent years, with particularly strong growth around Cromwell, while growth has been more modest in the east (Mānīatoto and Teviot).

3.1. Economic and employment overview

Central Otago’s economy generated GDP of about \$1.8 billion in 2023 and had 14,629 jobs. At a headline level, Central Otago’s economic performance has been stellar, and employment growth in the District was not as heavily affected as the rest of New Zealand in 2021 during the peak of the Covid-19 pandemic.

Central Otago’s economic performance has been strong over the past five years. GDP grew by an average of 3.8%pa over the five years to 2023, while employment expanded at an average rate of 2.7%pa – both these growth rates were above the New Zealand average (2.7%pa and 2.0%pa respectively).

Table 1 – Central Otago’s economic performance, 2023 level and average annual growth 2018-2023

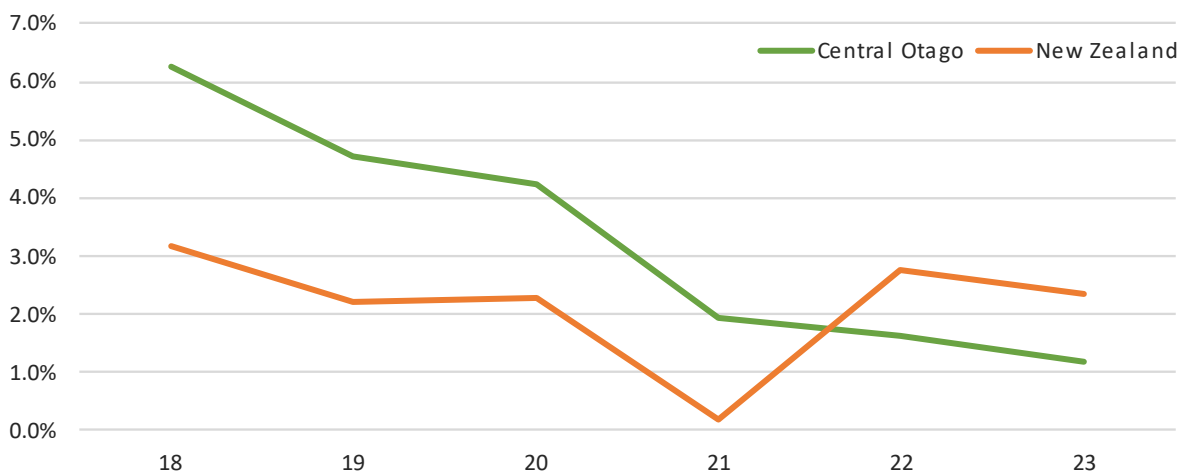
Central Otago's economy at a glance				
Source: Infometrics Regional Economic Profile, accessed 06/06/24				
	Level (2023)		Long-term growth (2018-2023), average per annum	
	Central Otago	New Zealand	Central Otago	New Zealand
GDP (2023 pricing, \$ million)	\$1,796m	\$377,784m	3.8%	2.7%
Employment (filled jobs)	14,629	2,753,601	2.7%	2.0%
Productivity (GDP/job)	\$122,790	\$137,196	1.0%	0.7%
Mean household income	\$102,008	\$125,424	3.9%	4.7%

But productivity¹ and average household incomes sit below the rest of New Zealand. If productivity in Central Otago were to rise to the national average, then this would generate an extra \$210 million of GDP and create more opportunities for better paid employment.

Figure 2

Employment growth in Central Otago

Annual % change in filled jobs, Infometrics estimates, March years



¹ Productivity assesses how much stuff we produce from a given quantity of inputs and is measured as GDP per job. If we have higher productivity, then we get more (output) for less (input). Productivity emphasises using processes, skills, technology, machinery, and natural resources more effectively.

Table 2 shows employment growth has been particularly rapid among youth workers aged 15 to 24 years, as well as people aged 35 to 44 years – these trends have been stronger than the national average. Employment among older residents aged over 65 years is also increasing, in line with Central Otago’s aging demographic (demographic analysis is in Section 4.1.1) albeit not quite as rapidly as nationally.

Table 2 – Employment growth in Central Otago by age group

Employment growth in Central Otago by age group		
<i>Annual average % change in jobs, 2018-23, Calculated from: Infometrics + Stats NZ employment data</i>		
	Annual average % change	
	Central Otago	New Zealand
15-24	4.1%	2.0%
25-34	2.8%	1.7%
35-44	4.2%	3.5%
45-54	1.9%	0.8%
55-64	0.8%	1.8%
65+	2.7%	4.1%
Total employment	2.7%	2.0%

3.1.1. Contributions of industries

A key driver of growth in Central Otago’s economy over recent years has been a spilling over of activity from Queenstown Lakes. Significant migration from other parts of New Zealand has also lifted demand.

The industry which has benefited the most from additional demand has been Central Otago’s construction sector. Other sectors that service the extra people and businesses have also grown, such as professional services, retail, and education, while health care and social assistance employment has risen due to both an expanding population, as well as an aging demographic.

Alongside growth in these urban-focussed industries, Central Otago’s agricultural sector has also seen a lift in employment, which stands in contrast to nationally where agricultural employment has flatlined.

The largest component of Central Otago’s agricultural sector lift has been from agricultural support services which includes contracting businesses that feed into the District’s expanding horticultural sector. This trend is no surprise given that horticulture and viticulture planted hectares rose from 3,821 hectares in 2018 to an expected 4,609 hectares in 2023².

Modest increases have also been seen in employment within livestock farming in Central Otago, including dairying and dairy support, as well as sheep and beef.

The effects of these changes on industry employment are shown in Table 3 on the following page.

Employment in Central Otago is more concentrated than elsewhere (see Table 4). Central Otago’s two biggest industries (construction and agriculture) account for over 36% of employment, while nationally four industries account for such a share. A high concentration of employment in an industry can indicate a ‘comparative advantage’. The degree to which an industry has a comparative advantage is measured

² Horticulture & Viticulture Central Otago Labour Survey (2021), available here: <https://tinyurl.com/45bhfw8>

using 'location quotients', which give the ratio of Central Otago's employment share in the industry to that industry's share of national employment. A location quotient greater than one suggests an industry enjoys a comparative advantage.

Table 3 – Employment in Central Otago by industry

Employment in Central Otago by industry				
<i>Source: Infometrics Regional Economic Profile, accessed 06/06/24, ANZSIC Level 1 industries</i>				
	Employment level		Change (2018-23)	
	2023	2018	Absolute change	Annual average % change
Construction	2,470	1,770	700	6.9%
Professional, scientific & technical services	891	633	258	7.1%
Health care and social assistance	1,058	805	253	5.6%
Agriculture, forestry and fishing	2,803	2,700	103	0.8%
Retail trade	1,263	1,160	103	1.7%
Education and training	688	604	84	2.6%
Accommodation and food services	888	813	75	1.8%
Public administration and safety	291	221	70	5.7%
Other services	470	400	70	3.3%
Wholesale trade	526	457	69	2.9%
Rental, hiring and real estate services	385	334	51	2.9%
Electricity, gas, water and waste services	186	164	22	2.5%
Transport, postal and warehousing	481	460	21	0.9%
Mining	44	30	14	8.0%
Financial and insurance services	118	105	13	2.4%
Manufacturing	747	739	8	0.2%
Information media & telecommunications	75	87	-12	-2.9%
Administrative and support services	1,018	1,039	-21	-0.4%
Arts and recreation services	226	264	-38	-3.1%
Total	14,629	12,785	1,844	2.7%

Table 4 below shows that Central Otago's two biggest industries both have comparative advantages (location quotients greater than one):

- agriculture, forestry and fishing
- construction.

In addition to comparative advantages in these two largest industries, several other smaller industries also have comparative advantages. These others include:

- administrative and support services – this industry includes contract labour supply services, which capture many temporary workers in the horticultural sector.
- rental, hiring and real estate services.
- electricity, gas, water and waste services – this industry includes electricity generation.
- Mining – this industry includes quarrying of aggregate for use in the construction sector, as well as other types of mining, such as gold mining.

Table 4 – Comparing employment shares by industry in Central Otago compared to New Zealand

Comparing 2023 employment shares in Central Otago compared to New Zealand			
<i>Source: Infometrics Regional Economic Profile, ANZSIC Level 1 industries, 2023, accessed 06/06/24</i>			
	Share of employment		Location quotient
	Central Otago	New Zealand	Central Otago
Agriculture, forestry and fishing	19.2%	5.3%	3.6
Construction	16.9%	10.4%	1.6
Retail trade	8.6%	8.8%	1.0
Health care and social assistance	7.2%	10.3%	0.7
Administrative and support services	7.0%	4.9%	1.4
Professional, scientific & technical services	6.1%	9.9%	0.6
Accommodation and food services	6.1%	6.3%	1.0
Manufacturing	5.1%	9.1%	0.6
Education and training	4.7%	7.4%	0.6
Wholesale trade	3.6%	4.7%	0.8
Transport, postal and warehousing	3.3%	4.0%	0.8
Other services	3.2%	3.9%	0.8
Rental, hiring and real estate services	2.6%	2.4%	1.1
Public administration and safety	2.0%	5.4%	0.4
Arts and recreation services	1.5%	1.8%	0.9
Electricity, gas, water & waste services	1.3%	0.8%	1.7
Financial and insurance services	0.8%	2.7%	0.3
Information media & telecommunications	0.5%	1.5%	0.3
Mining	0.3%	0.2%	1.3
Total	100.0%	100.0%	

Location quotient (LQ) is Central Otago's employment share relative to NZ employment share. LQ>1 suggests possible comparative advantage.

3.1.2. Visitor economy

Visitor spending filters into a range of industries as visitors travel, stay, shop, eat, and do activities. The visitor economy can also enhance Central Otago's brand by exposing travellers to products they can purchase once they return home (e.g. wine) and provides a window into the area for people looking to live, work, or do business.

Spending by visitors to Central Otago totalled \$282 million in 2023, which was 37% above its pre-Covid level from 2019, compared to a 22% increase nationally over the same period. Central Otago's faster visitor spending growth is well above the 19% rate of inflation which has occurred over the period, suggesting that visitor spending in the District is higher in real terms than before the pandemic.

Central Otago's visitor economy is heavily orientated towards the domestic market. About 86% of visitor spending in the District is by domestic travellers, with international visitors representing 14% of spending. By comparison, domestic travellers represent 73% of visitor spending in the tourism sector nationally.

Central Otago's visitor economy is a key source of employment. Infometrics estimates that 1,768 jobs in Central Otago were attributable to tourism in 2023, which represented 12% of all jobs, compared to a 6.9% share nationally.

Table 5 – Central Otago’s tourism performance, 2023 level and relative to pre-covid (2019) level

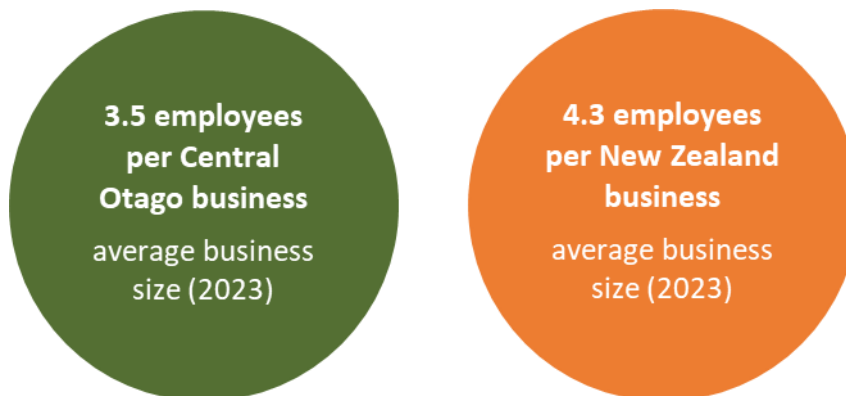
Central Otago's visitor economy <i>Infometrics Regional Economic Profile, March years, accessed 06/06/24</i>				
	Level (2023)		% change since pre-covid level (2019)	
	Central Otago	New Zealand	Central Otago	New Zealand
Domestic visitor spend (\$m)	\$242m	\$21,488m	37.4%	22.0%
International visitor spend (\$m)	\$40m	\$8,035m	-7.6%	-33.0%
Total visitor spend (\$m)	\$282m	\$29,523m	28.5%	-0.3%
Tourism sector employment	1,768	189,432	19.9%	-14.2%
Tourism jobs as % of total employment	12.1%	6.9%		

3.2. Entrepreneurship and self-employment in Central Otago

The health of the business environment has been a key contributor to employment prospects in Central Otago.

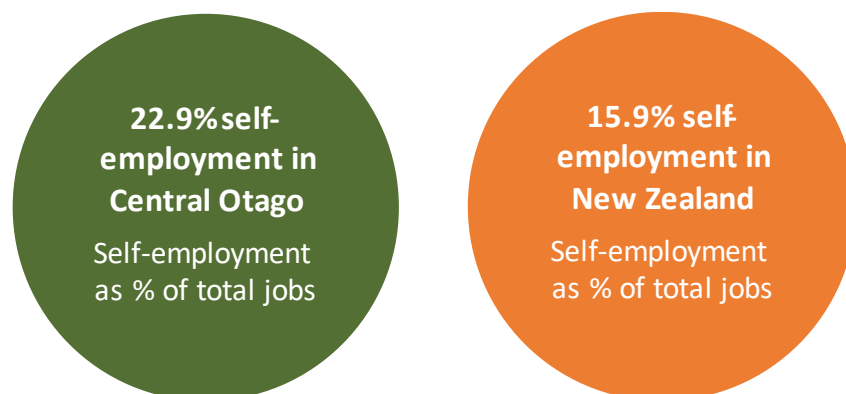
The total number of businesses in Central Otago in 2023 was 4,122, up 12% in 5 years, which is in line with the 12% increase nationally.

Figure 3 – Average number of filled jobs per business, source: Infometrics Regional Economic Profile



Most of Central Otago’s businesses are small-to-medium sized, with 92% employing less than 10 people, 7.1% employing between 10 and 49 people, and just 1.1% having more than 50 employees.

Figure 4 – Self-employment rate in 2023, source: Infometrics Regional Economic Profile



Self-employment rates in Central Otago are high. Infometrics estimates that there were 3,344 self-employed people in Central Otago in 2023, which represented 22.9% of employment. This rate of self-employment is higher than the national rate of self-employment (15.9%).

Self-employment is predominantly concentrated in construction and agriculture, as well as in professional services, and rental, hiring and real estate. The large number of self-employed people in professional services is consistent with Central Otago's strong lifestyle attraction and ability of many professionals to work remotely from clients.

3.2.1. Māori entrepreneurship

Māori entrepreneurship is a key component of the Central Otago business landscape, with significant growth opportunities.

A report for Te Puni Kōkiri³ (TPK) found that there were at least 135 Māori-owned businesses across Central Otago in 2021. Since 2018, the number of Māori-owned businesses in Central Otago has expanded by 15%.

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) rose by 18% between 2017 and 2022. Exports by other Māori enterprises grew by 55% over the same period⁴.

3.3. Location of economic activity

The analysis to date has considered Central Otago's economy at a district level, but it is also interesting to explore which places in Central Otago the activity is concentrated in. Table 6 summarises data across Central Otago's community board areas of Cromwell, Mānīatoto, Teviot, and Vincent. Of Central Otago's three largest towns, Alexandra and Clyde are located in Vincent, while Cromwell is located in the Cromwell community board area.

Approximately 90% of Central Otago's economic activity (GDP) and employment is concentrated in Vincent and Cromwell.

Both GDP and employment have grown particularly rapidly in Cromwell over the past five years, at growth rates more than double the New Zealand average.

Employment growth has been more moderate in Vincent and Mānīatoto, although in both cases there have been some signs of higher economic activity per worker (productivity).

Teviot has seen a deterioration to economic activity and employment over the past five years.

³ Source: Te Matapaeroa, available at: <https://www.tpk.govt.nz/en/o-matou-mohiotanga/maori-enterprise/te-matapaeroa-2021>. The 2021 report significantly revises previous reports due to methodological updates.

⁴ Source: Tatauranga umanga Māori from Statistics New Zealand, 2022

Table 6 – GDP and employment across different parts of Central Otago, 2023 level and 2018-23 growth

Economic activity and employment across different parts of Central Otago and growth (2018-23)						
<i>Source: Infometrics Regional Economic Profile, accessed 06/06/24</i>						
	Level (2023)			Average annual growth (2018-23, %pa)		
	GDP (\$m)	Jobs	Productivity (GDP/job)	GDP	Jobs	Productivity
Vincent	\$838m	6,701	\$125,011	2.8%	1.0%	1.8%
Cromwell	\$764m	6,271	\$121,815	5.5%	6.0%	-0.4%
Mānīatoto	\$113m	857	\$131,272	4.6%	1.3%	3.3%
Teviot	\$79m	774	\$101,550	-2.1%	-2.9%	0.8%
Central Otago	\$1,796m	14,629	\$122,790	3.8%	2.7%	1.0%
New Zealand	\$377,784m	2,753,601	\$137,196	2.5%	2.0%	0.6%

It is important to note, that in addition to this economic activity which currently occurs directly within Central Otago, there are also many Central Otago residents who commute each day into Queenstown and Wānaka, and so add value into the neighbouring Queenstown Lakes' economy.

Some data on where people commute from is available in the Census. Unfortunately Census 2023 data is not yet available⁵, but Census 2018 gives some baseline understandings of historical commuting patterns.

Census 2018 identified at least 321 people who travel every day from a residential address outside of Queenstown Lakes to a fixed workplace address located within the District. Of those employees identified as commuting to Queenstown Lakes, 93% (297) were reported to be from the Cromwell community board area, with a further 18 daily commuters into Queenstown Lakes coming from the Vincent community board area.

Although the Census helps us to understand where people commute from, unfortunately the Census underestimates the overall quantum of commuters. This underestimate is because some people, for example builders, may not have a fixed workplace address and so are not captured as a commuter.

⁵ Census 2023 commuter data is not anticipated to be available until mid-2025.

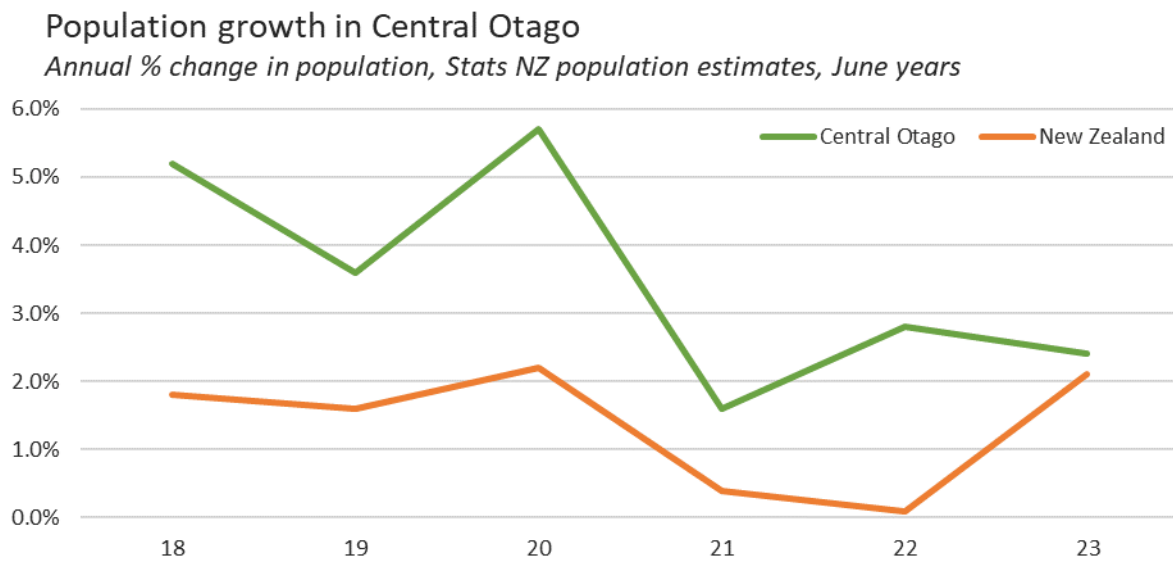
4. Current context: Central Otago's people

This section considers Central Otago's people and social context. It highlights that Central Otago has grown considerably over the past five years, with growth having been primarily concentrated in Cromwell and Vincent (which includes Alexandra and Clyde). Central Otago's high quality of life have been keen drawcards for people, however, affordability has deteriorated markedly recently.

4.1. Population overview

Central Otago's population increased from 22,200 in 2018 to 26,000 in 2023, at an average annual growth rate of 3.2%pa. By comparison, population growth averaged 1.3%pa nationally over the same period.

Figure 5 – Central Otago's population growth over past five years



Most population growth has been driven by migration, with internal migration from other parts of New Zealand having played a relatively large role. Over the five years to 2023, 57.2% of Central Otago's population growth was due to internal migration, with international migration contributing a further 34.4% share of growth. The remaining 8.4% share of population growth was from natural increase.

Research⁶ has previously shown that Central Otago's internal migration gains have primarily been from Auckland and Queenstown Lakes. Central Otago has also experienced relatively significant gains of regional migrants from nearby Invercargill, Clutha, and Southland District.

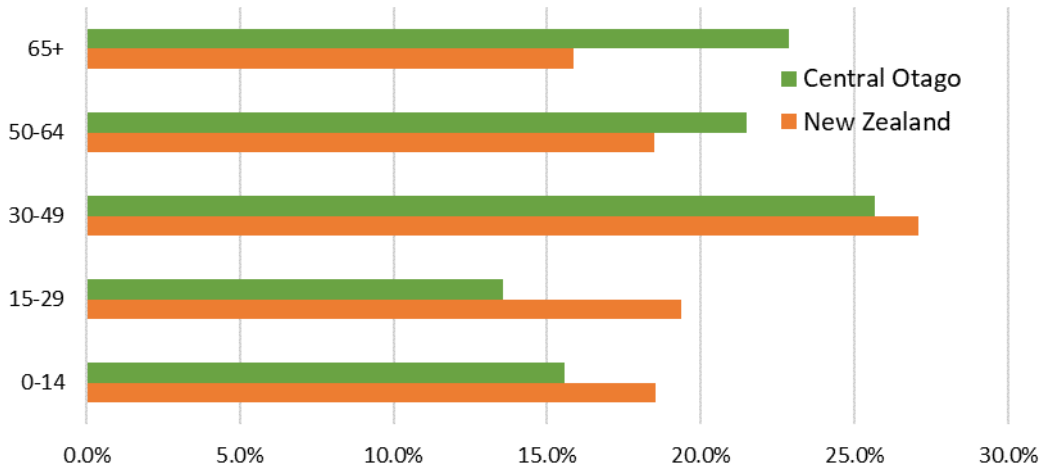
4.1.1. Central Otago's demographics

Central Otago's demographics are heavily skewed towards retirees and people in the later stages of their working life. The immediate post-secondary school population in the District is smaller compared to the national average.

⁶ This research is available here: <https://www.benjepatterson.co.nz/central-otago-gained-big-from-auckland-and-queenstown-lakes/>. The data has been drawn from government administrative data from before the 2018 Census. More recent research on origins of internal migration within New Zealand from Census 2023 is not yet available and is not anticipated to be available until mid-2025.

Figure 6 – Central Otago’s population demographics

Central Otago has an older population
Statistics NZ 2023 population estimates split into age groups



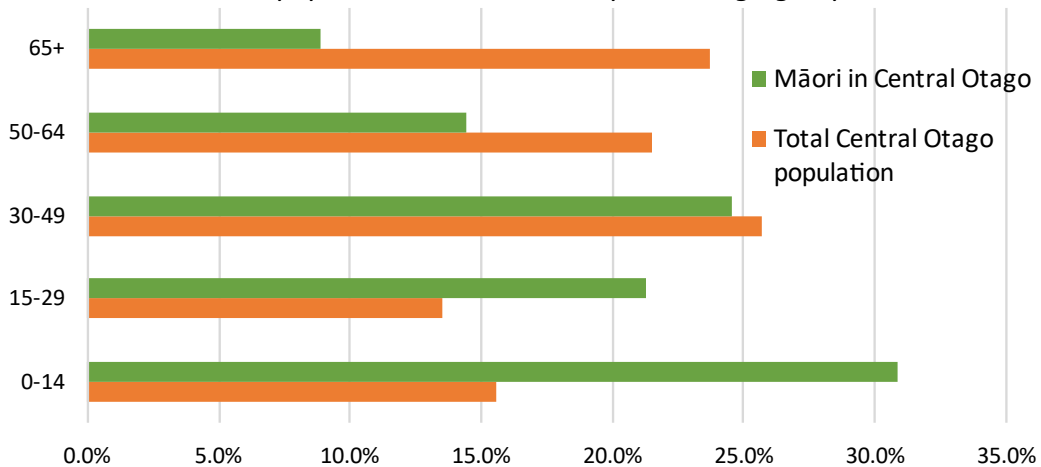
Central Otago’s population is becoming more multicultural. Although the share of the population identifying as European (90%) in Statistics New Zealand’s 2023 Census remained high, it’s lower than its 92% share in 2018. People of Asian ethnicities rose from 2.7% in 2018 to 4.5% by 2023. Central Otago’s Māori and Pasifika population shares rose to 9.5% and 2.4% respectively from 8.4% and 2.3% in 2018. Census data only picks up the usually resident population of Central Otago and so does not capture the hundreds of seasonal RSE workers who come from the Pacific predominantly during the summer months to work.

4.1.2. Māori population is younger

Central Otago’s Māori population is much younger than the rest of the population. The 2023 Census showed that 31% of Central Otago Māori were aged under 15 years, with a further 21% aged 15 to 29. By comparison, these proportions were both 16% and 14% respectively across the entire population.

Figure 7 – Central Otago’s Māori population demographics

Māori population is younger than rest of population
Statistics NZ 2023 pop. census & estimates split into age groups



This younger Māori demographic provides a workforce opportunity for Central Otago, which could help to offset a looming increase in retirements among other ethnicities with an older demographic. It highlights that any activities related to youth retention should pay particular attention to Māori youth.

4.1.3. Central Otago’s population growth concentrated in Cromwell

Population growth has been fastest in the Cromwell community board area. Over the past five years, population growth in Cromwell has averaged 4.9%pa, which is more than three times faster than population growth nationally.

Cromwell’s rapid population growth is partly due to a spilling over of demand from neighbouring Queenstown Lakes, where housing affordability and availability is particularly acute. It was shown in section 3.3 that a large number of Cromwell residents commute to Queenstown Lakes for work each day.

Population growth in Vincent (2.4%pa over the past five years) has also sat well above the national average (1.3%pa). Vincent includes both Alexandra and Clyde.

Table 7 – Population across different parts of Central Otago, 2023 level and 2018-2023 growth

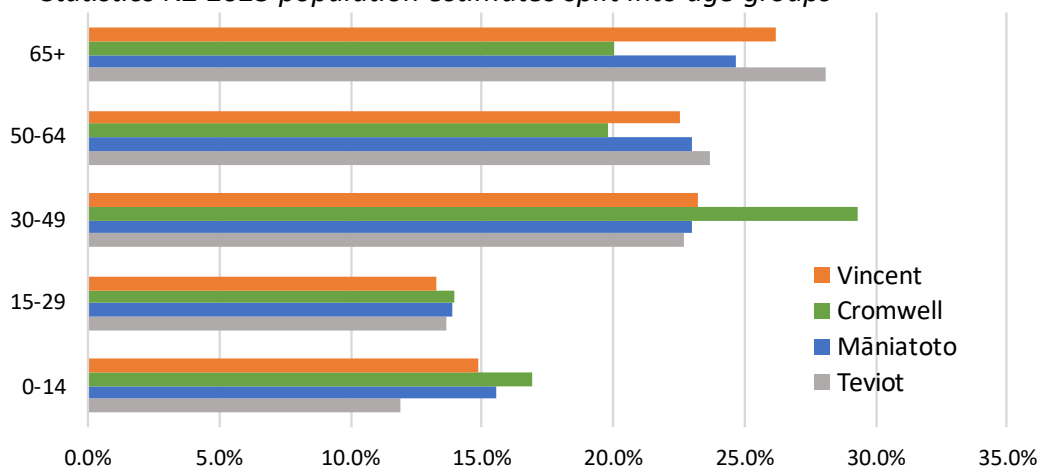
Population growth across different parts of Central Otago			
<i>Source: Statistics New Zealand subnational population estimates, accessed 06/06/24</i>			
Community boards	Population level		Growth
	2023	2018	Average (% pa)
Vincent	11,720	10,430	2.4%
Cromwell	10,580	8,310	4.9%
Teviot	1,930	1,820	1.2%
Māniatoto	1,810	1,660	1.7%
Central Otago	26,000	22,200	3.2%
New Zealand	5,223,100	4,900,600	1.3%

Approximately 86% of Central Otago residents live in Cromwell and Vincent, which is up from an 84% share five years ago.

Figure 8 – Central Otago’s population demographics by community board area

Cromwell's population is younger than elsewhere

Statistics NZ 2023 population estimates split into age groups



The population of Cromwell tends to skew much younger than elsewhere, with a significantly higher proportion of people under the age of 15 and a greater share of people in their prime working years between the ages of 30 and 49. More than a quarter of Vincent and Teviot’s populations are aged over 65 years, with Mānīatoto close behind.

4.2. Living standards

The standard of living in Central Otago is generally high. Although household incomes are below the national average, this is relatively common for a provincial centre. Employment opportunities are good for Central Otago residents, with the District’s unemployment rate among the lowest in the country. Central Otago youth are more engaged in work or education than their counterparts elsewhere, which is reflected in higher levels of NCEA attainment.

Table 8 – Selected indicators of living standards

Central Otago's living standards				
Source: Infometrics, MSD, MOE. Data for 2018/23, except NCEA (2018/22)				
	2023		2018	
	Central Otago	New Zealand	Central Otago	New Zealand
Average household incomes	\$102,008	\$125,424	\$84,336	\$99,764
Average house price	\$788,805	\$916,361	\$493,757	\$672,189
Housing affordability (house price to income ratio)	7.7	7.3	5.9	6.7
Average weekly rent	\$471	\$525	\$362	\$404
Rental affordability (weekly rent as % of income)	24.0%	21.8%	22.3%	21.1%
Unemployment rate	1.5%	3.3%	2.0%	4.6%
Beneficiaries (% of working age pop., 15-64 years)	3.7%	10.2%	3.2%	8.7%
NEETs (15-24's not employed, in education/training)	4.1%	11.2%	7.5%	11.8%
NCEA Level 2 or above (% of 18 year olds received)	86%	82%	87%	85%

On the downside, housing is increasingly become a challenge to living standards in Central Otago.

Housing affordability has deteriorated markedly in Central Otago since 2018, and Central Otago is now relatively less affordable to buy a home than other parts of New Zealand. House prices in Central Otago are particularly unaffordable in Cromwell, as well as parts of Vincent.

The situation is also challenging for renters. Previous research focussing on Cromwell and Alexandra showed that:

- The average price for a rental in Cromwell is more than 20% more expensive than the average rental in Alexandra. But there are still rental affordability challenges in both locations because household incomes in Alexandra are typically lower than in Cromwell⁷.
- The availability of rental houses is particularly important to Cromwell residents. The 2018 Census showed that one in every three Cromwell households lived in a home they didn’t own, compared to one in every four households across Central Otago. But since 2018 there has been a deterioration to the availability of rental houses. Between 2018 and 2023, the population within Cromwell’s urban boundaries expanded by 23%, while its rental stock lifted by a smaller 17%⁸.

⁷ For more on rental affordability, see “Rental housing needs analysis in Cromwell and Alexandra, available here: <https://tinyurl.com/5n6cbdfs>.

⁸ For more on rental availability, see “Availability of rental accommodation in Cromwell”, available here: <https://tinyurl.com/bde7kr5r>.

5. Outlook

This section outlines projected population growth in Central Otago over the next 25 years. The outlook draws on demographic projections provided by Statistics New Zealand. As further context, some megatrends which can have an influence on the projections have also been identified.

Statistics New Zealand population projections rely on assumptions made about three critical areas: births, deaths, and migration. Given that a rapidly aging population is anticipated to pull down births and raise deaths, migration is likely to be the factor which has the biggest influence on future population growth.

5.1. Demographic outlook

Central Otago's population is expected to increase to 31,600 by 2033 and 37,410 by 2048. Statistics New Zealand estimates there were 26,000 residents in Central Otago in 2023⁹.

Central Otago's population is anticipated to grow at an average rate of 2.0%pa over the next decade and 1.5%pa across the next 25 years to 2048, which is slower growth than it experienced between 2013 and 2023 (3.2%pa), but well above the 0.7%pa growth anticipated predicted nationally over the next 25 years.

Table 9 summarises the overall long-term growth expected across the next 25 years, while the timeline of how this growth is projected to play out over five-year intervals is provided in Table 10 on the following page.

Table 9 – Projected long-term population change across Central Otago

Forecast long-term population change across different parts of Central Otago			
<i>Source: Statistics New Zealand subnational population forecasts, high scenario, accessed 06/06/24</i>			
	Population level		Average growth
Community boards	2048	2023	%pa, 2023-48
Vincent	16,630	11,720	1.4%
Cromwell	16,020	10,580	1.7%
Teviot	2,570	1,930	1.2%
Maniototo	2,190	1,810	0.8%
Central Otago	37,410	26,000	1.5%
New Zealand (median projection)	6,215,800	5,223,100	0.7%

Growth in Central Otago is anticipated to be focused on the Cromwell and Vincent community board areas, which together house the District's three main urban areas of Cromwell, Alexandra, and Clyde.

Approximately 91% of population growth in Central Otago is projected to occur in Cromwell and Vincent over the next 25 years.

⁹ Source: Statistics New Zealand Subnational Population Projections (high scenario) for Central Otago (downloaded 06/06/24). The high scenario represents a summation of projections for each Statistical Area 2 in Central Otago. This scenario has been used because it most closely resembles recent growth trends, with lower scenarios consistently under-projecting population growth. Central Otago District Council also undertakes its own population projections.

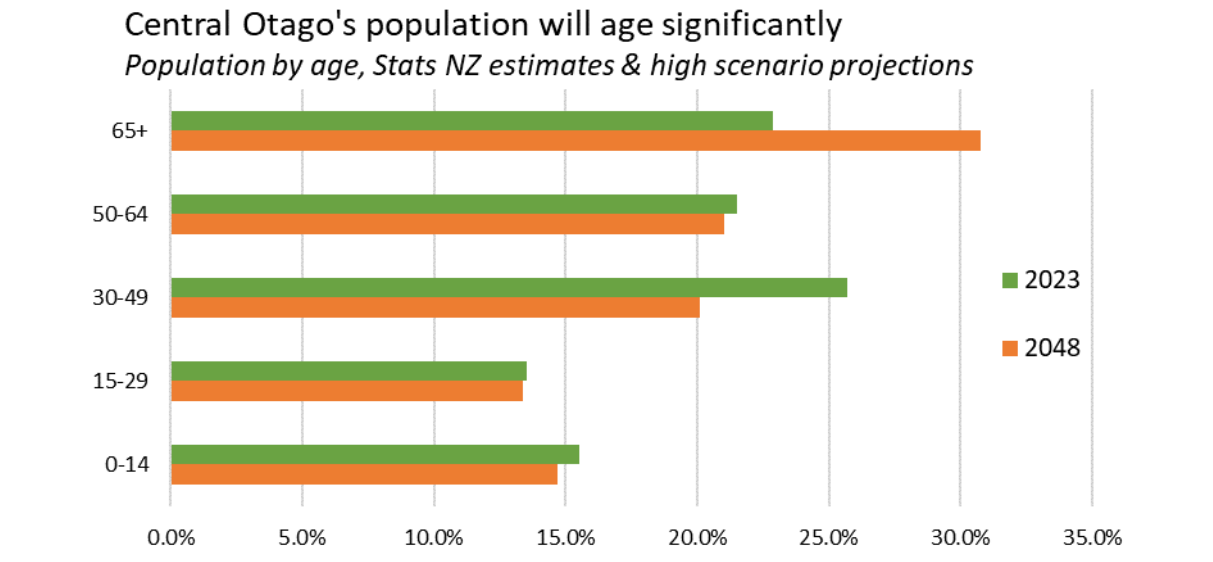
Table 10 – Timeline of projected population growth in Central Otago at five-year intervals

Forecast population trends across different parts of Central Otago					
Source: Statistics New Zealand subnational population forecasts, high scenario, accessed 06/06/24					
Year	Vincent	Cromwell	Māniatoto	Teviot	Central Otago
2023	11,720	10,580	1,810	1,930	26,000
2028	13,180	12,250	1,900	2,100	29,430
2033	14,120	13,260	1,990	2,230	31,600
2038	15,000	14,200	2,060	2,350	33,610
2043	15,820	15,110	2,130	2,470	35,530
2048	16,630	16,020	2,190	2,570	37,410

Over the next 25 years, Central Otago’s population is expected to age dramatically, despite the district continuing to attract residents from elsewhere.

The proportion of the population aged 65 or over is expected to increase from 23% in 2023 to 31% by 2048. By 2048, just 54% of the population will be of working age (15-64), compared to 61% at present.

Figure 9 – Central Otago’s population demographics: current and projected



5.2. Megatrends to be aware of

The Statistics New Zealand projections in section 5.1 aren’t predictions – they are a state of the world that could eventuate. Other external factors can impact projections. Megatrends are risks that have large, yet uncertain implications for economy and society.

Megatrends that are foreseen and effectively mitigated may only have a limited impact on growth, but megatrends which catch people off-guard could dampen growth. Long-term megatrends relevant to the area include, but are not limited to:

1. **The wellbeing economy.** No longer can higher GDP be the key goal. Instead, the wellbeing of people, communities, culture, and the environment are also crucial. These themes will transcend central government political cycles and are central to other district and regional plans.
2. **The nature of work has changed.** Younger workers have different expectations of work and are more likely to prioritise lifestyle with remote working and fewer hours. Contracting is popular and the idea of a “job for life” is giving way to continuous learning, side projects, and career changes. Transferable skills matter, and traditional higher education models are under pressure.
3. **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.
4. **Climate change and policy.** Some climate change costs and constraints will be imposed directly by government policy, while increasing frequency and severity of adverse weather events will change the viability equation for different land uses. The indirect effects of climate change are also relevant, including changing consumer preferences towards agriculture. These trends will favour farming methods which are sustainable and have a lower environmental impact.
5. **More careful management of freshwater** will challenge businesses. Regulatory frameworks for more controlled water use and stricter nutrient runoff rules may look different under different governments, but the general theme of more careful freshwater management will persist.
6. **Electrification** is experiencing fast growth in industrial and residential settings, driven by improving technologies and reduced adoption barriers. Environmental concerns and customer preferences for low-carbon solutions are also driving the shift towards electricity. But electrification requires major infrastructural changes and storage solutions.
7. **Technology acceleration.** Technology’s accelerating capabilities, including automation and AI, are influencing many aspects of life. Technology can bring productivity benefits, but the transition will be tough on some workers and will focus on different skills. Large opportunities exist for historically very manual industries, like agriculture, to adopt automation and smart-tech.
8. **Māori entrepreneurship** – Global appetite is rising for products whose provenance is backed by authentic indigenous stories and customary custodianship. Export sales by Māori authorities (businesses involved in the collective management of assets held by Māori) rose by 18% between 2017 and 2022. Exports by other Māori enterprises grew by 55% over the same period.
9. **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 some of the high-quality products that Central Otago is renowned for.
10. **Rising risks of nationalism on trade.** Shifting global dynamics have raised geo-political tensions – for example, the Ukraine invasion, the Israel-Hamas war, and US-UK air strikes on Houthi militants. Tensions are unlikely to go away, and exporters/importers are caught in the crossfire.
11. **COVID-19’s legacy.** Even though disruptions are behind us, and the post-pandemic period is firmly entrenched, there will be long-term changes within some industries because of the pandemic. Consumer demand patterns have evolved, and businesses will continue adjusting their practices, logistics, and supply chains to minimise future risks of disruptions.

6. Economic development challenges

The following challenges for economic development are apparent in Central Otago's economic context. These challenges are 'drivers for change' – which if overcome could improve outcomes for the region:

1. **Productivity** in Central Otago is 11% below the national average (measured by GDP per job). Productivity affects companies' profitability and their ability to pay higher wages. If productivity rose to the national average then Central Otago's economy would be \$210 million larger.
2. **Average household incomes** for Central Otago sit 19% below the national average. Part of this is because the District has more retirees, but for those still in the workforce average annual earnings in Central Otago were also 15% lower than the national average in 2023 (\$63,442 vs \$74,754). Higher incomes would raise living standards and improve worker retention.
3. **Constrained workforce availability.** Some 23% of Central Otago's population is currently aged over 65, this proportion is expected to rise to almost one in three (31%) of residents within 25 years. The rapid aging of the population will create workforce challenges and limit the pace of employment growth in the years ahead. Worker retention, 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 Central Otago. The average home in 2023 cost 7.7 times the average household income, compared to 5.9 times income in 2018. Renters face similar affordability problems. Housing availability is also a challenge. Population growth is expected to exceed 11,000 people over the next 25 years, meaning over 4,000 new homes are needed.
5. **High growth and spillover from Queenstown Lakes.** High growth in neighbouring Queenstown Lakes is creating a lot of business and workforce opportunities for Central Otago, but the spillover is also putting pressure on Central Otago's housing market. Competition for land will rise between land users (eg. land for horticulture, industrial, and housing). Balancing conflicting demands requires being efficient with greenfield developments and being creative about the use of infill. Growth also challenges the provision of appropriate infrastructure, social services, community facilities, and connectivity (transport and digital) across Central Otago.
6. **Migration reliance.** Central Otago's population growth is largely migration driven, with both international migration and internal migration from elsewhere in New Zealand playing roles. Given the aging workforce, migration will become even more important in future, and embracing diversity will be crucial. Other regions share the challenge and will be competing for workers.
7. **Youth retention.** Just 14% of Central Otago's population is aged 15 to 29, against 19% nationally. School leavers have high levels of educational attainment and many leave for further education and experiences. A challenge is to entice youth to come home and to deepen local opportunities.
8. **Highly seasonal industries.** Central Otago's horticulture (and viticulture) and tourism sectors are big parts of the economy – these sectors are highly seasonal. Seasonality causes extreme workforce challenges. Mitigations can include automation investment and improved linkages between sectors with different seasons to create year-round opportunities.
9. **Smaller scale of business and high levels of self-employment.** Central Otago is dominated by small businesses – 92% of businesses have fewer than 10 employees. There are over 3,000 self-employed people (22.9% of all employment). Small businesses have less capacity to deal with change and can be slower to adopt new technologies and other innovations that lift productivity.
10. **Climate change and environmental adaptation.** Climate change is bringing more severe and costly weather events, while businesses are also needing to invest in carbon reduction and lower waste models. Adjusting to changes in water regulations and weather-related water availability considerations can also be a challenge for some farmers. Businesses need help to improve their sustainability footprints in the best way, especially given a large share of small business owners.

