



# Competitive Cities: A Decade of Shifting Fortunes

## Executive Summary

### **Cities are central to New Zealand life**

Urbanisation is a pervasive and enduring trend shaping global economies and New Zealand is no exception – a significant and growing portion of Kiwis are choosing the city life.

Six cities are at the leading edge of New Zealand's urban growth: Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown. Together with their Supporting Growth Areas (SGAs), these cities account for almost three quarters of New Zealand's population growth.

### **Urban competition is dynamic**

The rush to urban spaces brings with it unique and varied challenges for New Zealand's cities. In a bid to attract and support the vital but scarce resource of skilled labour, our cities are increasingly competing on many dimensions of economic, social, cultural and environmental wellbeing.

The first study under the PwC Cities Institute takes a closer look at the competitiveness of our cities through the lens of income and cost of living. We evaluate urban prospects from the perspective of a new 'median' resident looking in. Which city offers the largest income? Where can I afford to buy a house? Where will my food and transport costs be manageable?

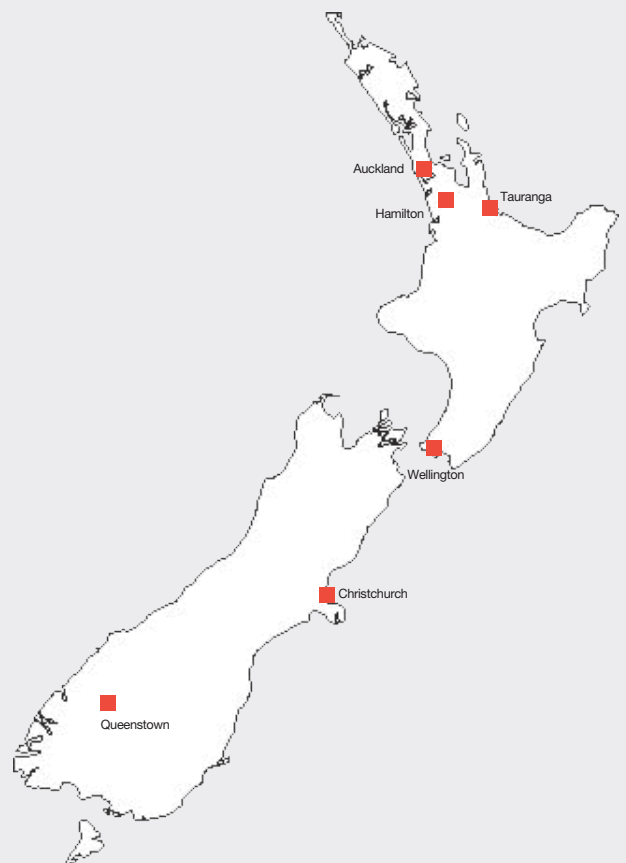


The cities that foster innovation, attract talent and leverage networks, will benefit most from rapid economic shifts.

We consider the competitiveness of New Zealand's cities both amongst themselves and with their Australian counterparts. The findings highlight clear and obvious challenges ahead. We conclude with a set of recommendations to bring these into sharper focus.

#### **Different cities, different recipes**

Our cities have fared differently over the last decade. Wellington and Christchurch experienced weekly increases in discretionary income of \$137 and \$124 respectively, by combining high income growth with relatively low housing costs. In contrast, the smaller cities of Hamilton and Tauranga have relied on lower basic expenditure, while Queenstown is playing a higher stakes game, with high incomes outstripping rapidly increasing house prices. By contrast, Auckland had rising housing, food and transport costs, coupled with sluggish income growth. It is the only Australasian city in our sample to offer lower discretionary income today than a decade ago (declining by \$96 per week).



#### **The case for Australia strengthens**

The stand-out Australian performers are Perth, Brisbane and Adelaide. A new resident moving to one of these three cities is significantly better off today than ten years ago.

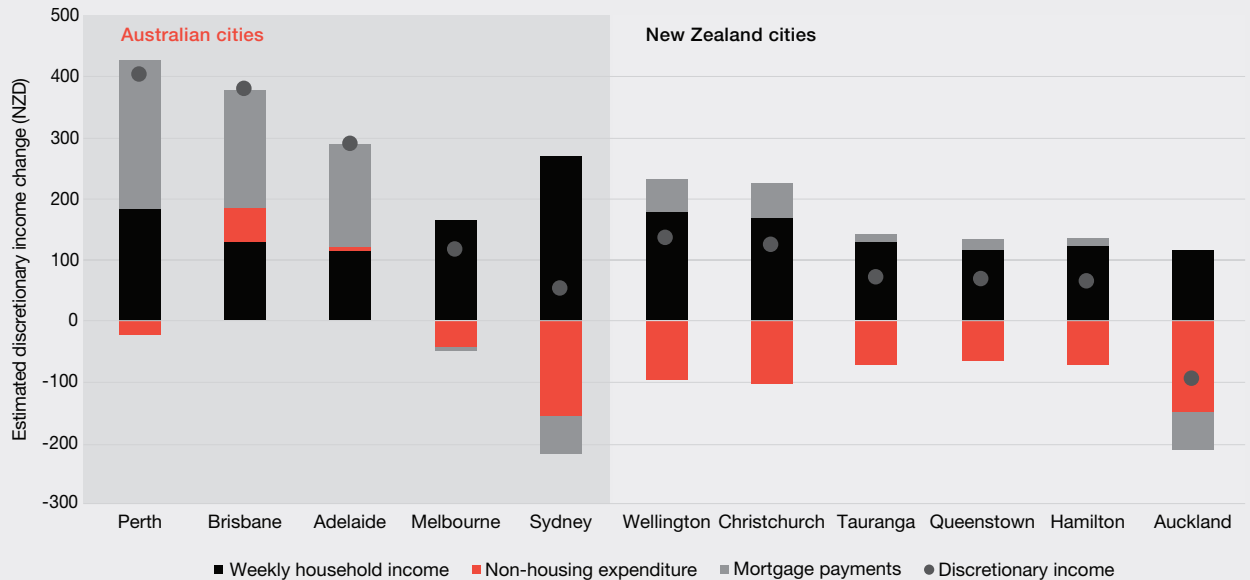
While Perth benefited from a significant mining boom, subsiding around 2014, the secret for Adelaide and Brisbane is not income growth but remarkably low, and falling, living costs. Sydney, Australia's largest city, fared worse. Strong income growth was not enough to offset sharply rising basic expenditure and house prices. The housing correction currently underway will moderate these effects. In contrast, Melbourne's income growth is high enough to offset more moderate rises in housing and basic expenditures.

Of course, there are many other facets that determine a city's competitiveness in the eyes of residents searching for a place to call home. Some examples, which may be the topic of future work, include availability of amenities, health, networks, the environment and climate. From an income and living costs perspective, however, the winners over the last business cycle, are clear.

This chart shows the change in discretionary income between 2008 and 2018 for 11 Australasian cities (indicated by the grey dot). The bars decompose this total change into components contributed by income, basic expenditure and housing costs. Bars above the horizontal axis indicate a positive contribution to the total change in discretionary income and bars below the horizontal axis indicate a negative contribution.



### How they stack up



Source: REINZ, REIA, RBNZ, RBA, Australian Bureau of Statistics, Statistics New Zealand, PwC

## Recommendations

The ability to attract talent in the face of evolving and integrated markets is crucial to a city's success. On this count over the last decade, the competitiveness of cities in Australasia has undergone remarkable changes. Paying more attention to these changes is important, and to this end we make three recommendations:

### Recommendation 1: Appointment of a Minister for Cities

New Zealand needs a champion for the competitiveness of New Zealand cities, taking a holistic view of our urban areas and acting as a centralised channel of communication with strategically important cities. New Zealand should follow the lead of Australia and create a Minister for Cities. The Minister for Cities would be responsible for developing and extending the evidence base of urbanisation in New Zealand, taking a comprehensive view of urban living costs (by considering transport, housing and environmental costs together for instance) and advising on urban growth and development as it pertains to emerging issues such as wellbeing and inequality, energy efficiency, carbon neutrality and national economic performance.

### Recommendation 2: Urban Statistics Rollout

New Zealand needs better urban statistics to understand the dynamic nature of city competitiveness. While improvements have been made in recent times (such as annual regional GDP estimates and urban population categorisation), further improvement is needed. This could include the development of regular urban migration data (using the methodology recently established by Treasury), the centralisation and availability of urban land value data in a form that is useful for policymakers and researchers, the expansion of the Household Economic Survey to all cities, and quarterly availability of regional GDP estimates. There are also opportunities to establish a comprehensive set of real time data to help with urban decision making and implement tools to better utilise big data at the city level.





### **Recommendation 3: An Economic Competitiveness Agenda for Auckland**

Auckland is New Zealand's most internationally competitive city, but it faces significant challenges. Auckland needs an all-of-government Economic Competitiveness Agenda that positions it as a modern economic powerhouse of the South Pacific. Amongst a variety of competitiveness dimensions (including sustainability, infrastructure and quality of life), this should include concrete steps for lowering the cost curve of urban living, generating momentum for wage growth and capital accumulation, and overcoming the labour shortage.

## **Contact us**

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