

# Economic Quarterly

**Northland**  
REGIONAL COUNCIL  
Te Kaunihera ā rohe o Te Taitokerau



## Issue 32 | December 2021

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*Disclaimer: this newsletter provides general information on the Northland economy and the views expressed are those of the author. It is not intended for any particular course of action or as a substitute for financial advice.*

## From the economics team at NRC

Kia ora and welcome to the 32<sup>nd</sup> issue of this newsletter. The September quarterly indicators show the initial impacts of the move of the whole country to Alert Level 4 on 18 August and the subsequent restrictions. While economic activity fell in the quarter, growth rates remain strong on an annual basis. This is due to the longer and larger bounce back experienced post the 2020 lockdown events. Labour market indicators show long run favourable employment trends continued over the past year. However, the cost of renting in Northland has increased dramatically over the past six months.

The annual statistics section reports the results of the 2020/21 season for four key primary industries: dairy, kiwifruit, avocado and forestry. All four industries experienced an increase in both production and revenue in the past season, with record levels achieved by all except for dairy. The area used to produce kiwifruit, avocado and roundwood removals expanded, while output per hectare rose for dairy, avocado and kiwifruit.

The spotlight section provides some analysis of the latest business demographic statistics for Northland. There were just over 21,800 businesses in Northland as at February 2021, 0.6% more than in 2020. This suggests that the impact of COVID-19 restrictions introduced in 2020 were not as significant on Northland as a whole, as in other parts of the country where business numbers fell. However, within Northland, the number of businesses fell in the Far North district, and in the mining, financial and insurance services industries between 2020 and 2021.

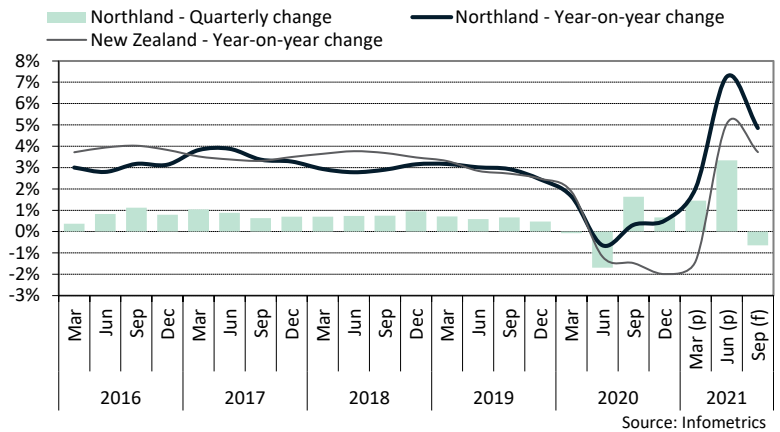
## Quick quarterly statistics

- Annual GDP is estimated to have risen 4.9% in the year to September 2021.
- The floor area of new non-residential building consents fell by 1%.
- The value of retail trade increased 11% in the 12 months to September 2021.
- Log exports rose by 33% in volume in the September 2021 year.
- The number of people working rose by 5% in the year ended September 2021.
- The annual average unemployment rate decreased to 4.6% in the September 2021 quarter.
- The annual average youth not in employment, education or training (NEET) rate rose to 17% in the year ended September 2021.
- The number of people on the Jobseeker Support-Work Ready benefit fell by 12% in the year ended September 2021.
- The average wage and salary rose 4.1% in the year ended September 2020.
- Food prices in Whangārei increased 3% in the year ended September 2021.
- The average weekly rent of bonds lodged by landlords rose 18% in the 12 months to September 2021.
- Consumer confidence in Northland rose by two points in September 2021.

# Economic activity – quarterly

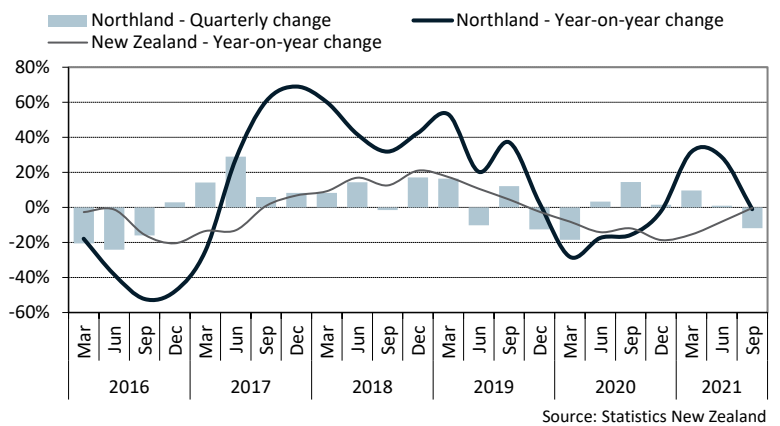
## Gross domestic product (GDP) in Northland

Northland’s annual GDP is estimated to have fallen by 0.6% in the September 2021 quarter compared to June 2021. However, the annual growth rate was a historically strong 4.9%. This is well above the 0.3% increase in economic activity estimated for the year ended September 2021, and higher than the 3.7% increase estimated for the national economy. Regional growth rates during the year ended September 2021 are estimated to vary from 2% in West Coast and Southland to 6% in Nelson, with Northland sitting fifth out of 16 regions. Annual growth rates in the districts range from 4.4% in the Far North District to growth of 7% in Kaipara.



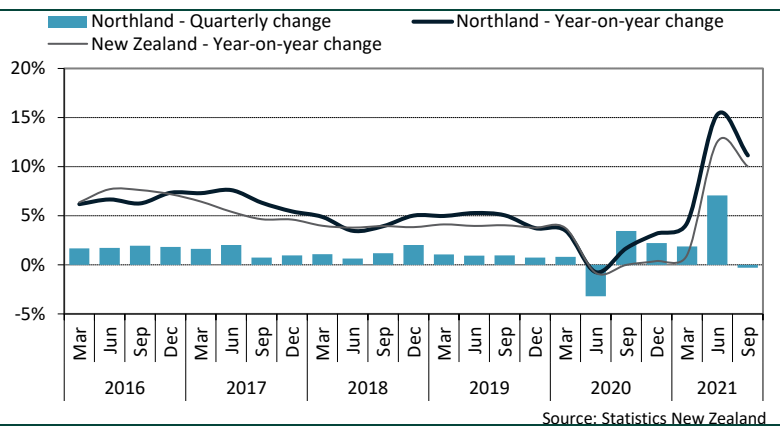
## Floor area of new non-residential building consents in Northland

During the year ended September 2021, the floor area of new non-residential building consents issued in Northland totalled 100,507m<sup>2</sup>. This is 1% lower than the total floor area consented in the year ended September 2020. It is also about 20% lower than the annual average area consented during the decade preceding the GFC. While the consented area for commercial buildings, factories, and farm buildings increased, it fell for health, education and storage facilities. Across the 16 regions, eight regions experienced a fall and eight a rise in non-residential floor area consented in the year to September 2021.



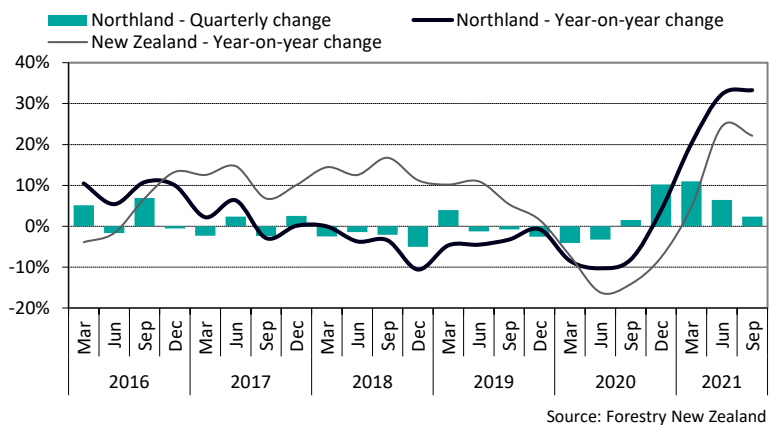
## Retail trade in Northland

The annual value of retail trade spending in Northland was just over \$3.35B in the year ended September 2021. This was just below the annual value recorded for the year ended June 2021, and 11% higher than the value of spending in the year ended September 2020. Over the past year, there has been considerable variation in retail spending across the regions, rising by 13% in Waikato and Gisborne and falling by 2% on the West Coast. Northland recorded the seventh highest rate.



## Log exports from Northland

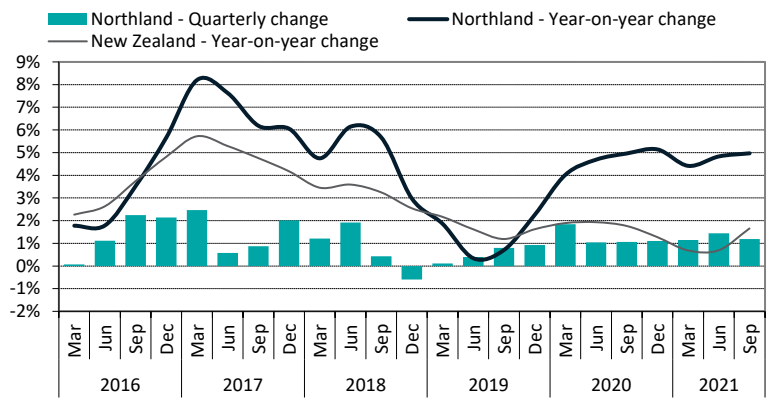
Just over 3.2 million cubic metres of logs were exported from Whangārei in the year ended September 2021. This is 33% higher than the volume exported in the year ended September 2019. This is a new record annual level of exports from the region, 12% more than the previous record of 2.88 million cubic metres in 2017. At the national level, the volume of log exports increased by 22% in the year ended September 2021. Export volumes increased by more than 10% from all ports. Northland accounts for 14% of national log exports in 2021, down from 17% in 2016.



# Employment activity – quarterly

## People working in Northland

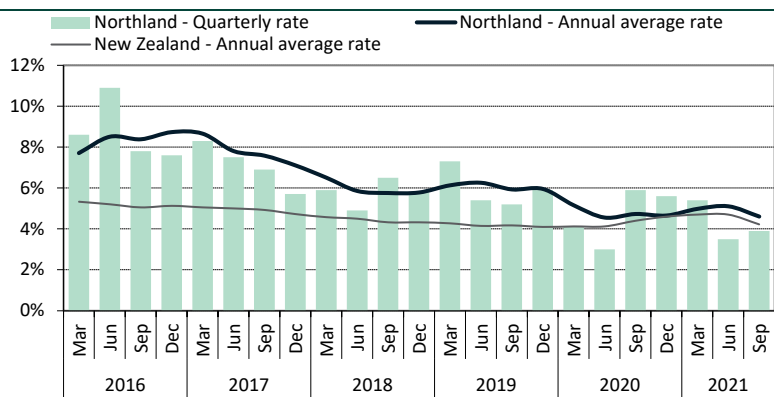
An estimated average of 97,700 people were working in Northland (both full-time and part-time; employed and self-employed) in the year ended September 2021. This is 5% higher (4600 people) than the number working in the year ended September 2020. Nationally, the number of people working increased by 1.7% during the year ended September 2021. Over the past year, the number of people working has increased faster in Northland than in any other region, with four regions experiencing a decrease, including Taranaki, Otago and Southland. This is also a longer-term trend. Since 2016, the number of people working in Northland has increased by 19,200 or 25%, above the national growth of 13% and all other 11 regions (ranging from 2% to 17%).



Source: Statistics New Zealand

## Unemployment in Northland

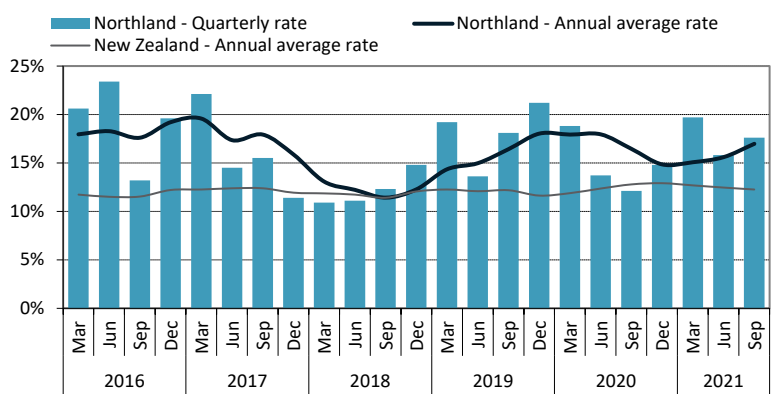
The annual average unemployment rate in Northland was 4.6% in the year ended September 2021. This is 0.1 percentage points lower than the annual average rate recorded in September 2020. The national unemployment rate averaged 4.2% for the year ended September 2021, down from 4.4% one year earlier. Two other regions have a higher annual average unemployment rate than Northland: Bay of Plenty (4.8%) and Taranaki (5.0%). The combined Tasman, Nelson, Marlborough and West Coast region has the lowest unemployment rate of 3.4%.



Source: Statistics New Zealand

## Youth (aged 15-24) not in education, employment or training in Northland

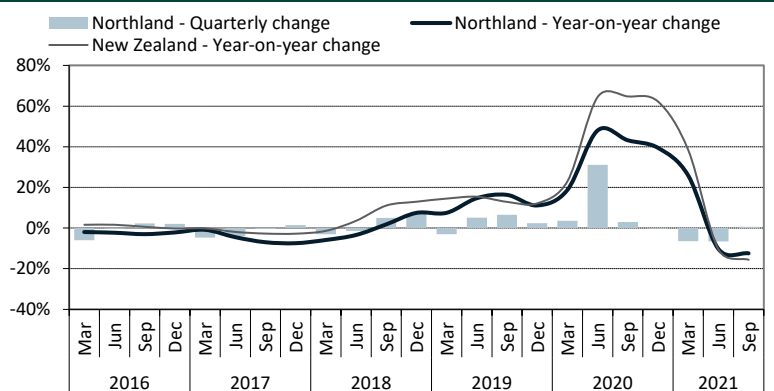
The annual average youth NEET rate in Northland was 17% in the year ended September 2021 (≈3200 people). This is up 1.4 percentage points on the annual average rate for June 2021 and up slightly from 16.5% recorded in September 2020. The current rate is 8.4 percentage points below the peak of 25.4% recorded in March 2013. Northland's NEET rate is above the national youth NEET rate of 12.3%. Northland has the highest NEET rate, sitting above Waikato (14.4%), Southland (13.4%) and Auckland (13.2%). Otago and Wellington have the lowest NEET rate (10% and 9.5% respectively) in the year ended September 2021.



Source: Statistics New Zealand

## Jobseeker Support-Work Ready in Northland

A total of 6549 people in Northland was receiving the Jobseeker Support-Work Ready benefit at the end of September 2021. This is down by 933 people (12%) from the number in September 2020, which marked the peak number receiving this benefit. The current number is 971 (17%) higher than the number recorded at the peak of the post-GFC recession in June 2010. Nationally, the number of people receiving this benefit has dropped by 16% during the past year. Northland has experienced a smaller drop in Jobseeker Support Work Ready beneficiaries than most other regions in New Zealand.

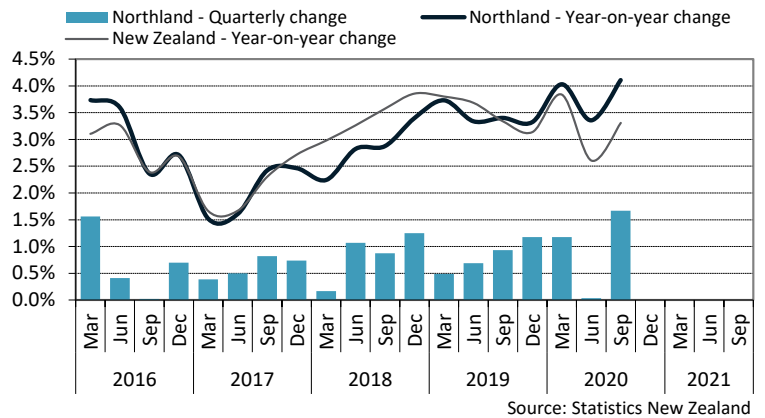


Source: Ministry of Social Development

# Household welfare – quarterly

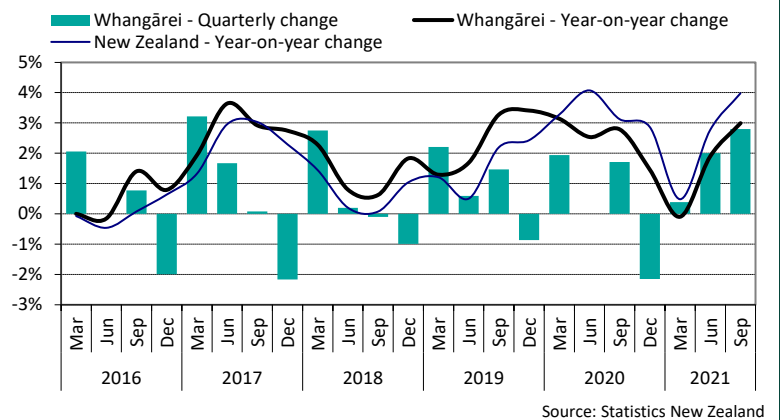
## Average wage and salary earnings in Northland

The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$58,530 in September 2020, 4.1% higher than in September 2019. This is slightly above the national average increase of 3.3%. Ten regions (including Canterbury and Auckland) recorded a slower increase than Northland in the year ended September 2020. Northland's average wage and salary is 89% of the national average. Only Auckland and Wellington have average earnings above the national average. Northland ranks 14<sup>th</sup> out of the 16 regions, ahead of Gisborne and Tasman.



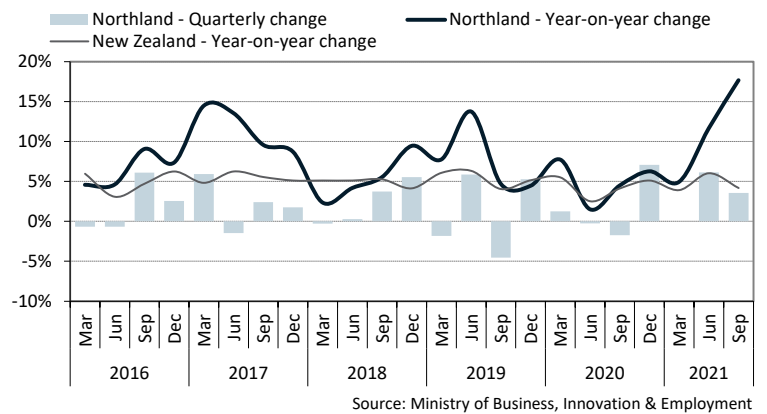
## Food prices in Whangārei

Food prices in Whangārei increased by 2.8% in the September 2021 quarter, following a rise of 2% in the previous quarter. For the year ended September 2021, food prices in Whangārei rose 3%, one percentage point lower than the rate of increase in the national food price index (4%). This is due to higher prices for fruit and vegetables, followed by restaurant meals, ready-to-eat food, and grocery food. Food prices in Whangārei have generally been increasing in line with national rate. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 13% higher today than it was five years ago as is the national rate.



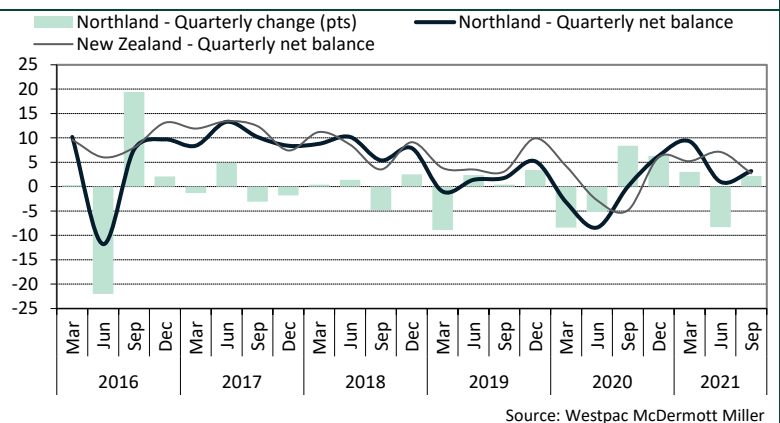
## Average rent in Northland

The mean average rent in Northland was a record high of \$466 per week in September 2021, 18% higher than in September 2020. In the last five years, the average rent in Northland has risen by 49%, well above the 25% increase in the national average. Of the 16 regions, four regions recorded a larger increase than Northland, the highest of which was Southland (63%). The average rent in Northland is now 98% of the national average compared to 83% in 2016. The average rent in Auckland is 25% higher than the national average while in the West Coast it is 34% lower.



## Consumer confidence in Northland

The Westpac McDermott Miller Consumer Confidence Index for Northland rose by two points in September 2021 from one to three. An index number greater than zero indicates that the number of optimists is greater than the number of pessimists. This rise diverged from the slight fall in the national level of consumer confidence, bringing Northland back in line with national consumer expectations. Of the 11 regions for which data is compiled, consumer confidence is higher than Northland in only three regions: Bay of Plenty, Wellington and Waikato.

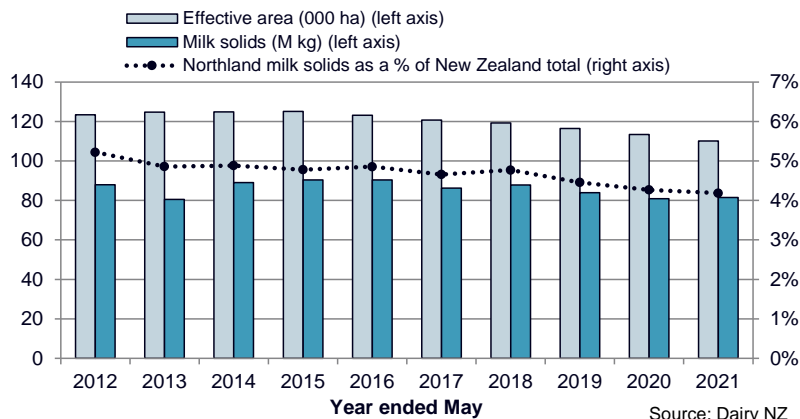




# Selected primary industries – annual

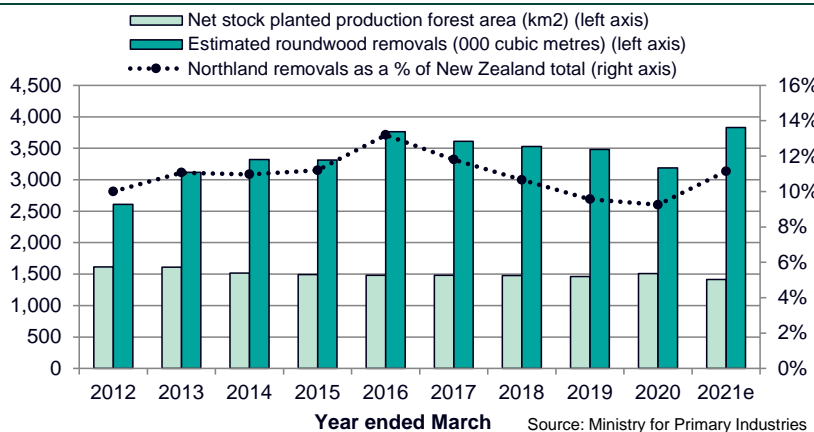
## Milk solids production in Northland

Just over 81.5M kg of milk solids was produced in Northland in the 2020/21 season. This was up 0.7% from the previous season, driven by a 4% increase in milk solids production per hectare offsetting a 3% fall in effective area. Milk solids production in 2020/21 was 9.8% below the record of 90.4M kg achieved in 2015/16. Northland's share of national production has dropped from 7% in 2002 to 4% in 2021. Along with the slight rise in production, there was an 8% lift in the total payout price to \$7.75/kg milk solids. Consequently, dairy farmer revenue in Northland rose by 9% to \$632M in 2020/21.



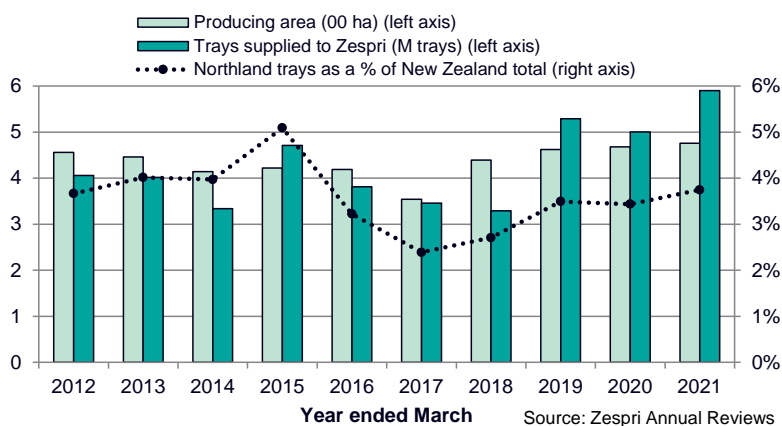
## Forest production in Northland

It is estimated that a record 3.8M m3 of roundwood was harvested from Northland forests in 2020/21. This is 20% higher than the volume harvested the previous year, and 2% above the previous record set in 2015/16. Northland's share of the national harvest picked up from 9% the previous year to 11% in 2020/21. Since the mid-2000s, the plantation forest area in Northland has fallen from 172,000ha to around 142,000ha. Using an average log price of \$145/m3 (up 4%), Northland forest owners earned around \$556M in 2020/21, up 25% since 2019/20.



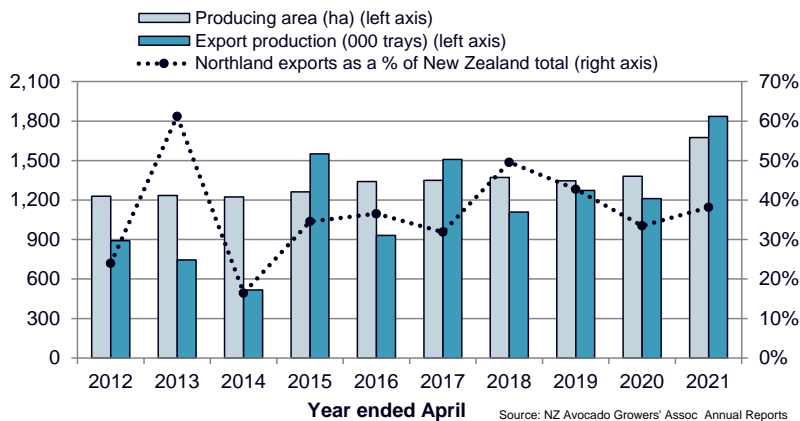
## Kiwifruit production in Northland

In the 2020/21 season, Northland kiwifruit growers supplied Zespri with nearly 6M trays of fruit. This is 18% more than the 2019/20 harvest and 12% above the record harvest of 5.3M trays in 2018/19. Northland's share of the national crop rose to 3.7%. Grower revenue rose by 23% from \$78M to \$95M as the average payment before costs rose 4% to just over \$16/tray. Overall, there is an increasing trend across New Zealand in terms of producing area for kiwifruit and production per hectare. Gold kiwifruit now make up 88% of kiwifruit production in Northland, compared to around 50% a decade ago.



## Avocado production in Northland

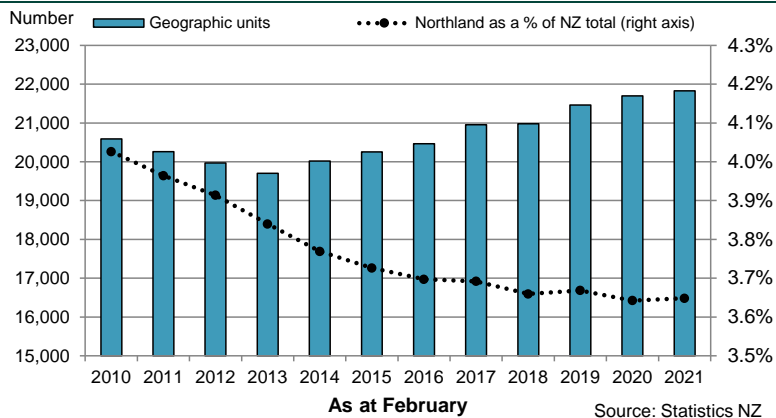
Northland avocado growers supplied 1.8M trays of fruit for export in 2020/21; 52% more than the previous year and 18% higher than the previous record supply of 1.55M achieved in 2014/15. This is a result of both the upsurge in avocado producing area (21%) and production per hectare (25%). Comparatively, between 2010 to 2020 the average annual increase in producing area in Northland was around 2%. Production was significantly higher in the mid-North producing area (71%) while increasing 7% in the Far North. Assuming the national average orchard gate return was received, Northland growers earned a record high of \$71M, 34% above the previous record of \$53M received in 2016/17.



# Spotlight – Business demographics in Northland

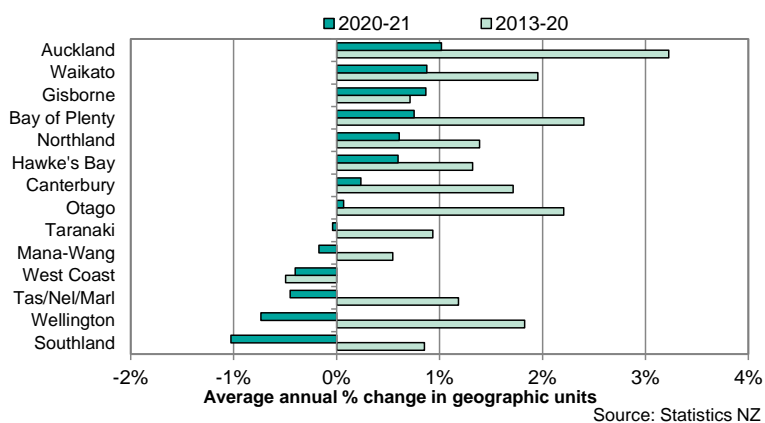
## Number of businesses in Northland

As at February 2021, there were 21,831 geographic units in Northland. This is up 0.6% (132) from February 2020, indicating that there was no immediate impact on total business numbers in Northland due to COVID-19. The economic slow-down following the global financial crisis saw the number of businesses in Northland fall by 7%, from 21,100 in 2009 to 19,704 in 2013. There has been a steady rise in the number of businesses in Northland since 2013. Northland's share of total businesses in New Zealand has fallen from 4.3% in the early 2000s to 3.6% in 2021.



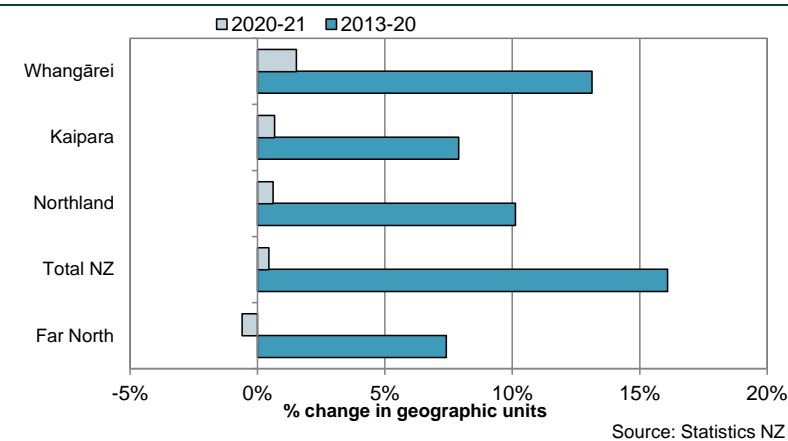
## Change in businesses by region

Over the seven-year period 2013-20, the number of businesses in Northland increased by 10%, an average annual rate of 1.4%. Northland accounted for 2.4% of the increase in total businesses, and ranked seventh among the 14 regions analysed. The West Coast was the only region to have experienced a decrease (-3.4%) in the number of businesses over the seven-year period. In the 12 months to February 2021, five regions experienced a fall in the number of businesses in the last year, with Southland the largest.



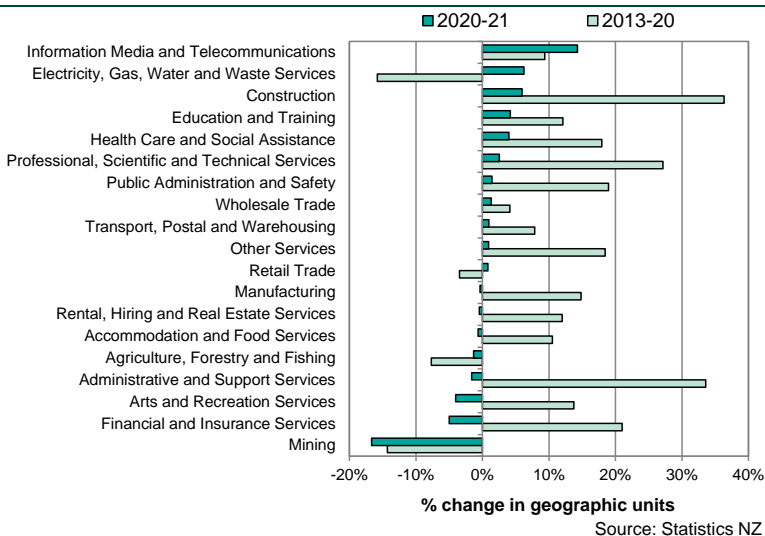
## Change in businesses by district

Over the last year, the number of businesses has risen in Whangārei (1.5%) and Kaipara (0.7%) but has fallen in the Far North district (-0.6%). This contrasts with the post GFC period 2008-13 when all three districts experienced a fall, ranging from -7.8% in the Far North to -4.9% in Kaipara. The spread of businesses across the region is very similar to the population distribution, with 47% of businesses located in Whangārei, 36% in the Far North and the remaining 16% located in Kaipara. Between 2013 and 2020, the number of businesses grew by 7-8% in Kaipara and the Far North, and more than 13% in Whangārei.



## Change in businesses by sector

As at February 2021, the number of businesses in Northland increased in 11 of the 19 ANZSIC<sup>1</sup> 2006 division classifications with information media and telecommunications seeing an increase of 14%, followed by electricity, gas, water, and waste services (6%). The number of businesses has decreased in tourism related industries, administrative and support services, manufacturing, and the two primary sector categories of mining, and agriculture plus forestry and fishing. From 2013 to 2020, only four out of 19 divisions experienced a drop in business numbers, with electricity, gas, water, and waste services the largest. Construction has seen the strongest rise in the number of businesses from 2013-20 (45%).



1. Australian and New Zealand Standard Industrial Classification (ANZSIC).