

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



Issue 33 | March 2022

Quick quarterly statistics
page 1

Economic activity – quarterly
page 2

Employment – quarterly
page 3

Household welfare – quarterly
page 4

Contribution to economic growth –
annual
page 5

Spotlight – Immediate impacts of
COVID-19
page 6



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From the economics team at NRC

Kia ora and welcome to the 33rd issue of this newsletter. Despite the Auckland border and Red traffic light settings, Northland's economy saw an overall growth rise, with sectors such as accommodation and hospitality experiencing a fall in activity. Employment across the region remains strong. Several factors have contributed to this including the wage subsidy scheme, strong consumer spending in the region as well as continuing pressures in finding workers.

The annual section features some of the data available in the Northland Region Economic Profile, which can be accessed through the council's website: www.nrc.govt.nz/economicdevelopment. The online profile, which is free to use, provides an in-depth description of Northland's economic structure and performance across a wide range of variables. We have made use of this data source to show changes in economic activity as measured by GDP. While the Northland economy grew by just 0.7% in the year ended March 2021, this was much faster than the national average and most other regions. Growth was driven by public sector dominated services and was stronger in the bottom half of the region.

Like the previous edition, the spotlight section highlights some of the immediate impacts of the Covid-19 crisis on Northland's economy. Weekly consumer spending has been on average 8.5% higher than the same period in 2019, with the rebound in Northland the third highest among the 16 regions. There are signs that consumer spending is waning as Omicron infections surge, inflation and mortgage rates rise, and the conflict in Ukraine intensifies. The increase in employment has helped drag Jobseeker Support recipient levels lower, however, the number of recipients is still 21% above pre-Covid levels.

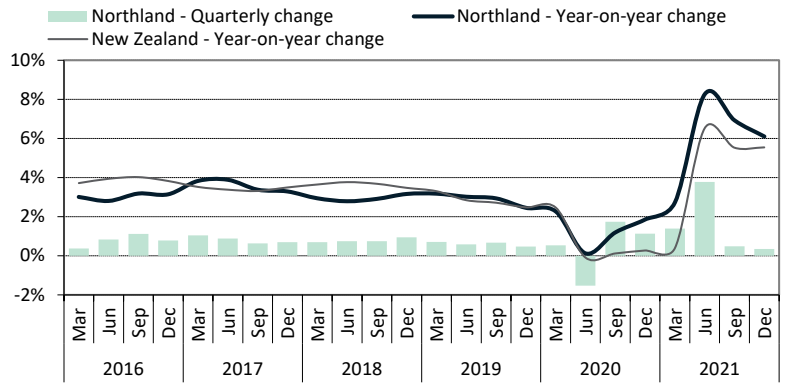
Quick quarterly statistics

- Annual GDP is estimated to have increased by 6% in December 2021.
- New residential building unit consents rose 49% in the 2021 calendar year.
- Commercial vehicle registrations were up 30% in the December 2021 year.
- Wood chip export volumes rose 36% in the year ended December 2021.
- Employment rose by 5.7% in the year ended December 2021.
- The annual average underutilisation rate was 11% in December 2021.
- In the year ended December 2021, the annual average unemployment rate for Māori was 7.3%, down from 7.6% in December 2020.
- Online job vacancies in December 2021 are 23% higher than a year ago.
- The average wage and salary rose 3.2% in the year ended December 2020.
- Domestic power prices rose 4.8% during the year ended February 2022.
- Home affordability deteriorated markedly during the year ended November 2021 due to both rising house prices and interest rates.
- Consumer confidence in Northland increased by 2.7 points in March 2022.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

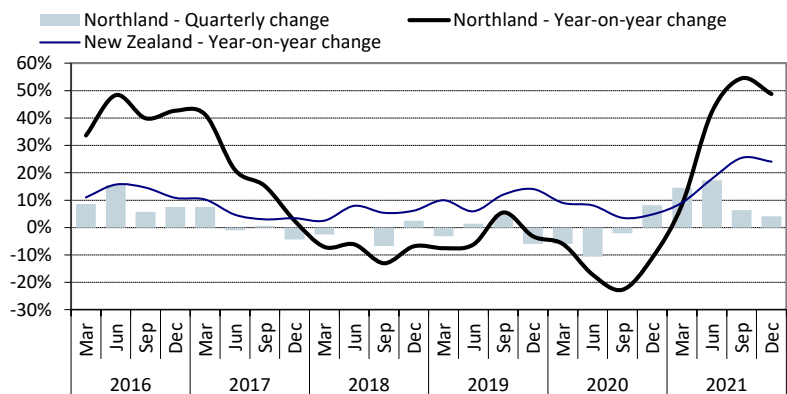
Northland’s annual GDP is estimated to have grown by 0.3% in the December 2021 quarter, contributing to an estimated annual growth rate of 6.1% for the calendar year. This growth was below the peak annual GDP growth of 8.3% recorded in June 2021. The 6.1% growth in Northland’s GDP is higher than the 5.5% increase in the national economy. Regional growth rates for the year ending December 2021 are estimated to vary from 3.7% in Auckland to 8.8% in Taranaki. Five regions experienced slower growth than Northland in the past year. Annual growth rates in the districts range from a rise of 7.1% in Kaipara, 6.2% in Whangārei and 5.7% in Far North.



Source: Infometrics

Number of new dwelling unit consents in Northland

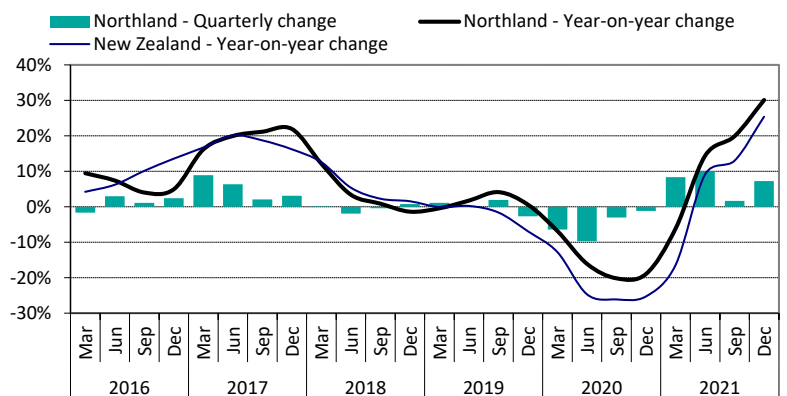
During the calendar year 2021, 1480 new dwelling unit consents were issued in Northland. This is 49% more than the number issued in the year ended December 2020. This is 3% higher (39 units) compared to the peak in the number of new dwelling unit consents in year to December 2004 when the population was 48,400 (32%) lower than today. There is a large regional variation around the 24% national increase in the 2021 calendar year, ranging from a 90% increase in West Coast to a fall of 5% in the Tasman region. Northland ranks the 3rd highest out of the 16 regions.



Source: Statistics New Zealand

Commercial vehicle registration

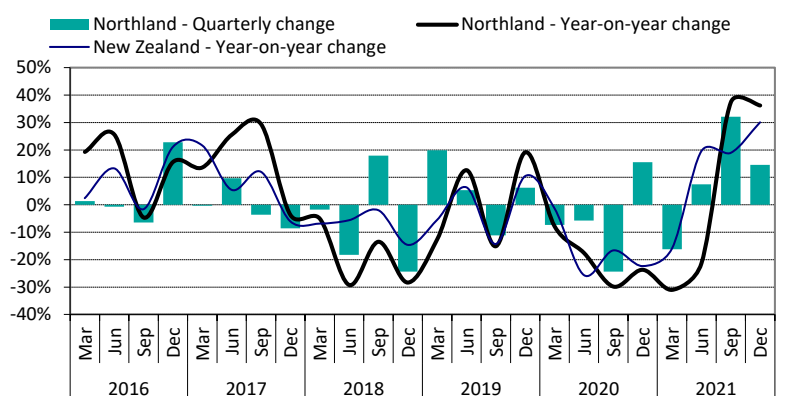
A total of 2298 commercial vehicles was registered in Northland in the year ended December 2021. This is 30% higher than the number registered in the year to December 2020, and 4.7% above the previous annual calendar year record of 2195 set in 2017. For comparison, 691 commercial vehicles were registered in the calendar year 2010 following the GFC. At the national level, commercial vehicle registrations rose by 25% in the year ended December 2021. All regions experienced a rise in the 12 months to December 2021, ranging from 10% in Gisborne to 38% in Hawke’s Bay.



Source: Ministry of Transport

Wood chip exports from Whangārei

Some 122,154 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended December 2021. This is 36% more than the annual volume exported in the year ended December 2020 but 23% below the annual record of 157,680 BDU exported in the year ended March 2012. The region accounts for 45% of the total New Zealand wood chip exports. Softwood chips account for 100% of the volume exported from Whangārei compared to 46% nationally.

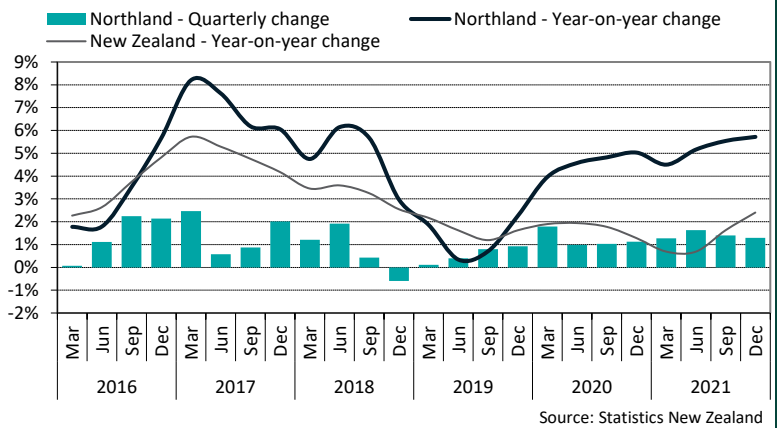


Source: Te Uru Rakāu

Employment activity – quarterly

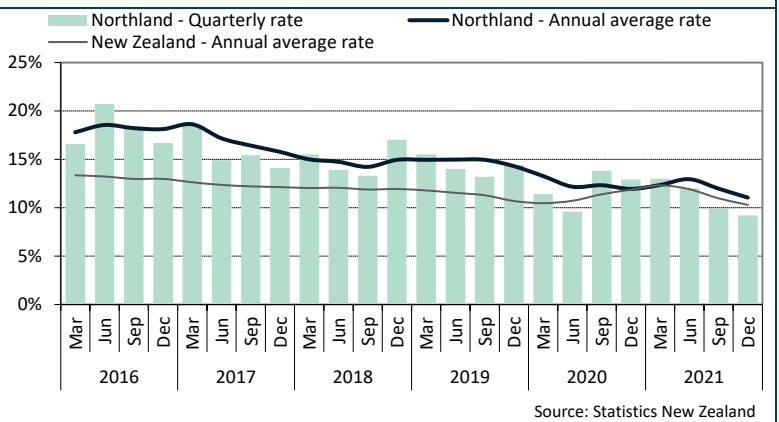
Employment in Northland

An estimated average of 99,400 people were employed in Northland (both full-time and part-time) in the year ended December 2021. This total is 5.7% higher (5400 people) than the number employed one year ago. Nationally, the number of people employed increased by 2.4% during the calendar year 2021. All regions except four, Southland (-1.3%), Taranaki (-0.9%), Gisborne/ Hawke’s Bay (-0.5%) and Otago (-0.4%), experienced a rise in the number of people employed, growing between 0.2% (Bay of Plenty) and 5.7% (Northland). Since 2016, employment in Northland has increased by 24%, with an additional 19,200 people employed. This is the largest percentage increase in employment across the 12 regions, with Southland recording just a 2% increase.



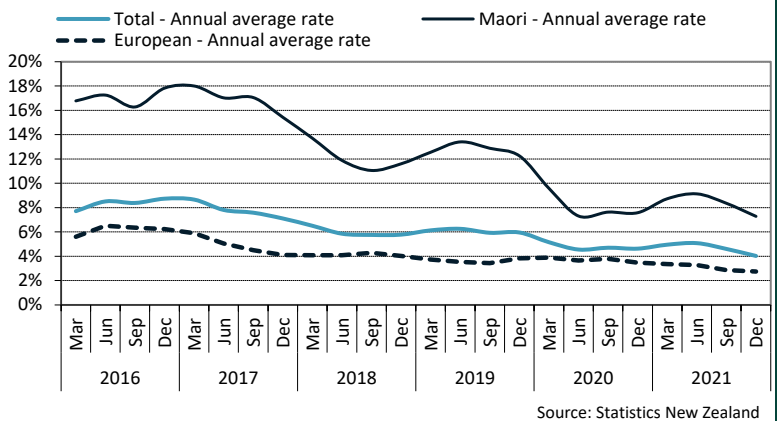
Underutilisation rate in Northland

The annual average underutilisation rate in Northland was 11% in the year ended December 2021. The underutilisation rate gives a broader measure of untapped capacity in the labour market. There has been a steady decline in Northland’s underutilisation rate since 2013 when it was above 20%. The lowest annual average underutilisation rate recorded in Northland was 10.8% in March 2008. The national annual average underutilisation rate is 10.3% for the 2021 calendar year with regional variations from 9.9% in Auckland to 11.1% in Southland.



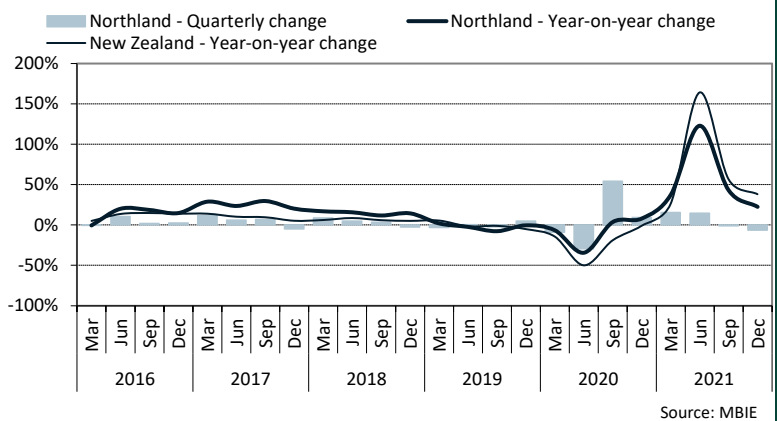
Unemployment rate by ethnicity in Northland

In December 2021, the annual average unemployment rate for Māori in Northland was 7.3% compared to 2.8% for Europeans. These ethnic unemployment rates are down from 17.9% and 6.2% respectively recorded in the year ended December 2016. The drop in the Northland regional average unemployment rate over the past five years from 8.7% to 4.0% is due primarily to a fall in Māori unemployment. The annual average national unemployment rate is currently 7.6% for Māori and 3.1% for Europeans. Bay of Plenty recorded the highest annual average Māori unemployment rate in 2021 (10.4%) with Southland the lowest (6.0%).



Job online vacancies in Northland

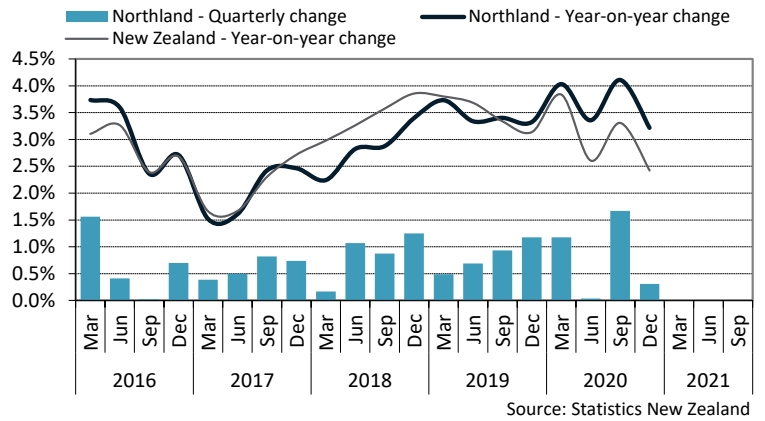
The trend series index of online job vacancies in Northland indicates a 6.4% drop in the number of online vacancies in December 2021 compared the previous quarter. The number of online vacancies recorded in December 2021 is 23% higher than in December 2020, and 81% higher than in December 2016. Nationally, the number of online job vacancies increased by 38% between December 2020 and 2021. Over the same period, the online job vacancies index fell in 7 of the 10 regions for which the index is calculated, ranging from a 18.1% fall in Canterbury and a 2.7% rise in Otago/ Southland.



Household welfare – quarterly

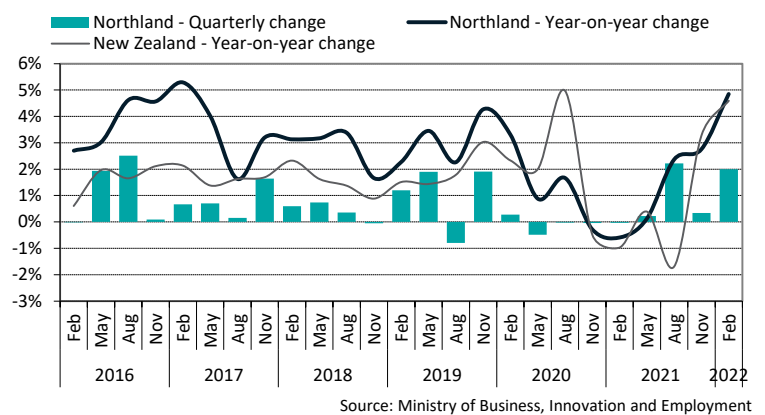
Average wage and salary earnings in Northland

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 \$58,710 in December 2020. Average earnings rose by \$1830 (3.2%) in 2020. This is above the national average increase of 2.4%, with only 3 of the 16 regions recording a higher increase than Northland over the same period. 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 13th out of the 16 regions, with 6 regions including Northland having an average in the narrow range between \$57,000-\$59,000.



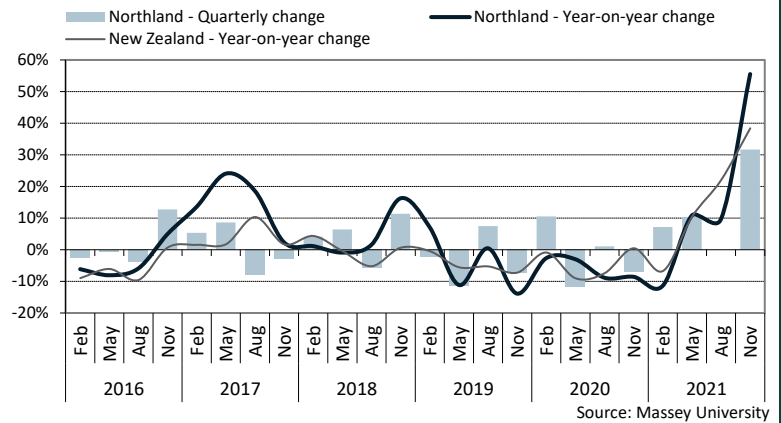
Domestic electricity prices in Northland

The weighted average domestic electricity price in Northland was 38.8c/kW in February 2022. This is 4.8% higher than the price of 37.0c/kW recorded a year previously. During the past five years, the average domestic electricity price in Northland has risen by 2.6% per annum, with the national average increasing by 1.9% per annum over the same five-year period. Assuming 7100kW of power is used per year, the current price equates to an annual household power bill of \$2693. This is 22% higher than the national average of \$2212, equivalent to an additional \$9.23 per week.



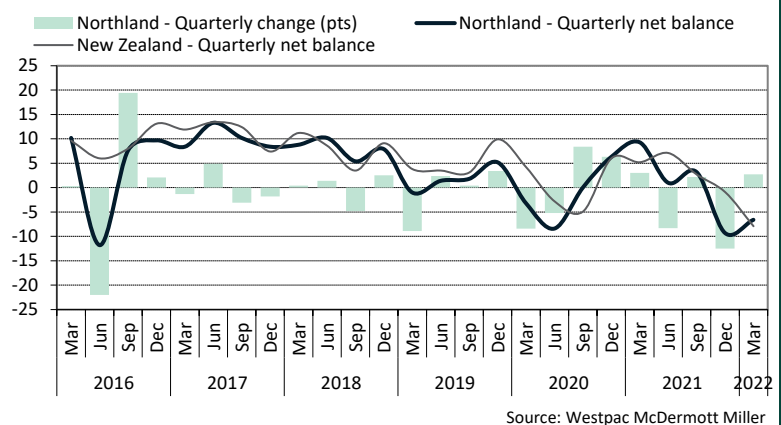
Home affordability in Northland

The Home Affordability Index for Northland (which considers interest rates, house prices, and wage levels) increased by 32% in November 2021 compared to August and increased by 55% compared to November 2020, indicating a deterioration in affordability (a rising index represents a worsening). In the year to November 2021, home affordability worsened in all sixteen regions with the lowest increase experienced by Tasman (4.3%). The deterioration in home affordability in the year to November was due to a dramatic increase in house values and an increase in mortgage interest rates.



Consumer confidence in Northland

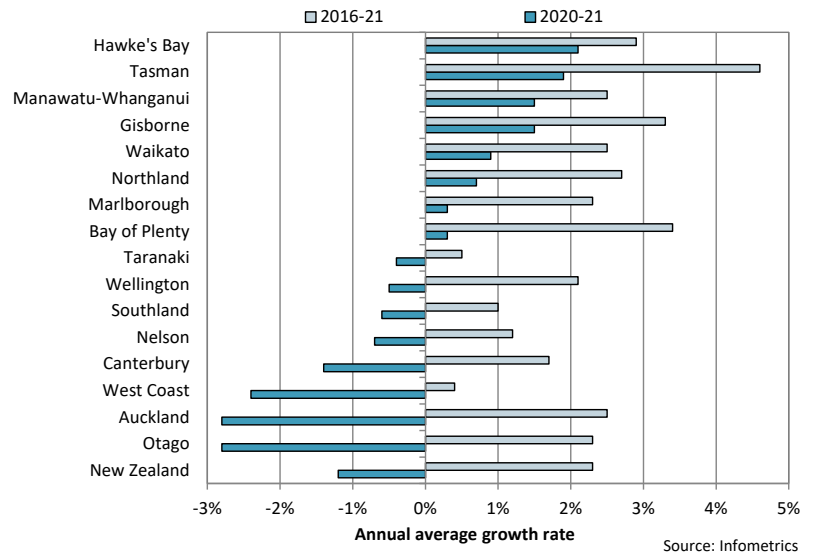
The Westpac-McDermott Miller Consumer Confidence Index for Northland rose to a level of -6.6 in March 2022, up 2.7 points from the levels experienced in December 2021. An index greater than zero indicates that the number of optimists is greater than the number of pessimists. Of the 11 regions for which data is compiled, confidence has increased in four, including Northland, with the sharpest falls seen by Gisborne/Hawke's Bay and Wellington (both recording a 21-point drop). Southland is the only region with confidence levels above 100. Nationally, the last time confidence was this low was in 2008 when the global economy first experienced the impact of the global financial crisis.



Contribution to economic growth – annual

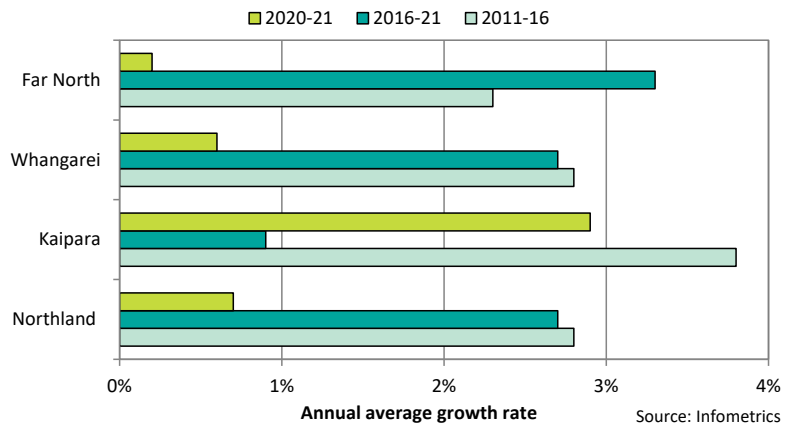
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by just 0.7% in the year ended March 2021, to \$8.8 billion (2021 prices). However, New Zealand experienced a 1.2% fall in GDP over the same period. Northland ranked sixth out of 16 regions in terms of GDP growth in the year ended March 2021, with Hawke’s Bay and Tasman growing fastest. Economic activity fell in eight regions, with Auckland and Otago recording the largest falls (-2.8%). Over the five-year period 2016-21, the Northland economy grew at an annual average rate of 2.7%, above the national growth rate of 2.3%. Since 2016 only four regions have grown faster than Northland with the West Coast and Taranaki growing the least.



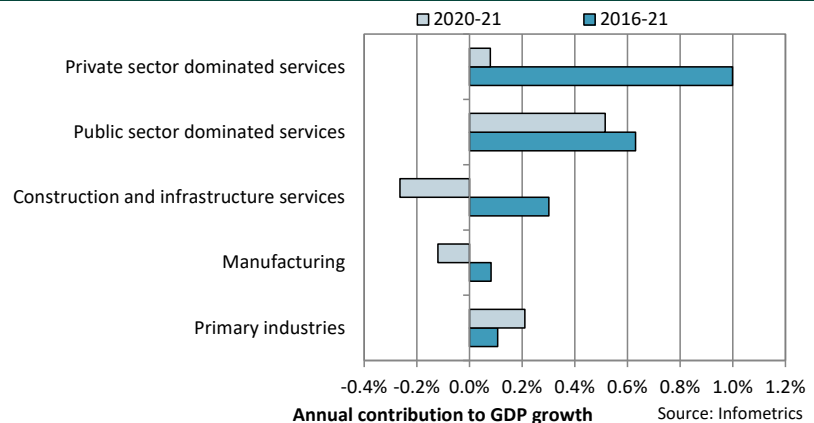
Growth rates by district in Northland

Economic growth rates can be highly divergent over the region. Over the five-year period 2011-16 the Kaipara economy grew by 3.8% per annum and Whangārei by 2.8%, while the Far North economy grew at an annual average rate of 2.3%. However, over the current five-year period 2016-21 economic activity has switched around, with annual average growth of 3.3% in the Far North, 2.7% in Whangārei and 0.9% in Kaipara. Because of their smaller size, economic activity in the Kaipara and Far North districts varies from year to year much more than in Whangārei. Kaipara’s economy is relatively more dependent on the dairy industry while the Far North is more dependent on tourism.



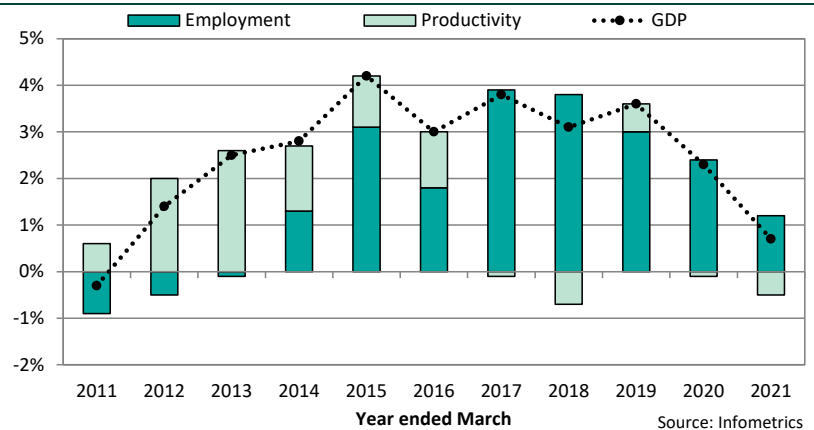
Contribution of sectors to economic growth in Northland

The main high-level sector contributing to the rise in Northland’s GDP over 2016-21 was the private sector dominated service industries (such as retail trade), which raised the region’s GDP by 1% per annum. Economic activity in the public sector dominated services sectors and construction lifted regional GDP by 0.6% and 0.3% per annum over the period. Over the past year, the relative importance of sectors has varied from the five-year average. The Public sector dominated services and the primary sector has played a greater role in lifting activity.



Contribution of employment and productivity to economic growth

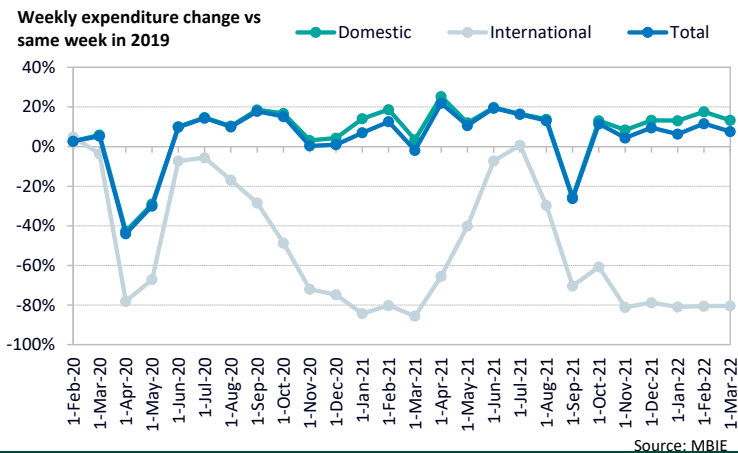
GDP growth can be analysed in terms of employment and productivity (GDP per filled job). A notable feature of Northland’s economic growth over the past eight years is the positive contribution of employment. This had not been a feature of Northland’s economic growth during 2010-13 when the number of filled jobs fell. With a regional average of \$112,959 GDP per filled job, Northland ranks ninth highest out of 16 regions, equivalent to 90% of the New Zealand average.



Spotlight – Immediate impacts of COVID-19

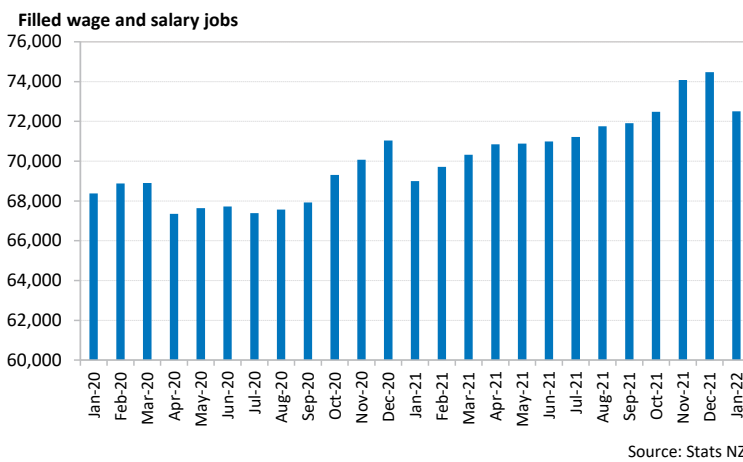
Electronic consumer spending in Northland

From mid-September 2021 when New Zealand came out of Level 4 lockdown to 20 March 2021, weekly consumer spending in Northland, as measured by Paymark's EFTPOS transactions, has been on average 8.5% higher than in the same week in 2019. Only Manawatu-Wanganui and Hawke's Bay have recorded a larger increase in consumer spending than in Northland. Average weekly spending has fallen in five regions since September 2021, with Otago and Auckland recording a drop of more than 11% in consumer spending. New Zealand has experienced a drop of 4.7% over the same period.



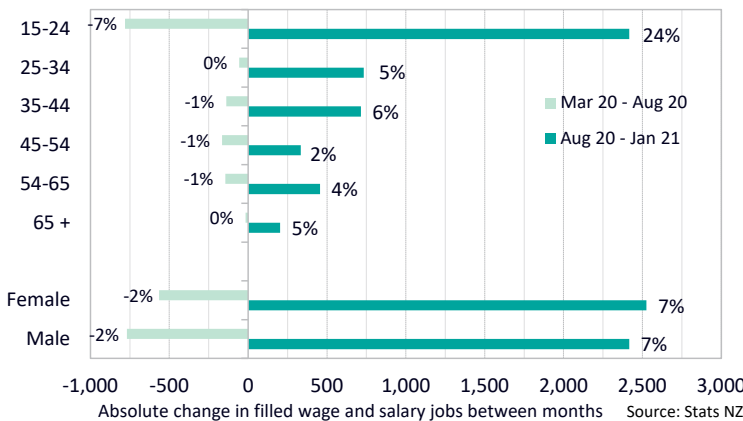
Filled wage and salary jobs in Northland

In January 2022, there were 72,500 filled wage and salary jobs in Northland, i.e., not including self-employed. This is approximately 3500 (5.1%) higher than in January 2021 and 3600 (5.3%) higher than March 2020. The number of filled wage and salary jobs has increased in all 16 regions over the year to January 2022. The largest increase was in the West Coast (6.9%) while Southland had the lowest increase (1.9%). Northland ranks as the second largest percentage increase. Nationally, the number of wage and salary jobs has risen by 4.2% over the same period. The COVID restrictions at the end of 2021 had no impact on wage and salary employment numbers.



Filled wage and salary jobs in Northland by broad age group and gender

When the total number of filled wage and salary jobs initially fell by 1300 (2%) between March 2020 and August 2020, the decrease fell disproportionately on younger people. The number of jobs held by 15–24-year-olds fell by 780 (7%) and accounted for 60% of total job losses. However, the reverse has occurred during the recovery. Since August 2020 the number of jobs held by this age group has risen by 2400 (24%), accounting for 50% of the increase. Changes in employment have been more evenly spread across gender in Northland. Total filled jobs for both females and males fell by 2% and then rose by 7% across the two



Jobseeker Support recipients in Northland

A total of 11,064 people in Northland was receiving the Jobseeker Support benefit at the beginning of March 2022. This is up by approximately 1900 people (21%) from the number in March 2020, when the Covid-19 pandemic first emerged in New Zealand. However, the current number receiving this benefit is 1000 people fewer (-8%) than in March 2021, when it was close to its peak. Nationally, the number of Jobseeker Support recipients has decreased by 13% over the past year, with all 16 regions recording a decrease. Northland has the 2nd lowest rate of decrease, with Wellington recording the largest decrease (-14.5%) and West Coast the lowest (-5%).

