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From the economist

Welcome to the 14th issue of the Northland Economic Quarterly. A new quarterly indicator for economic activity is introduced in this issue – international visitor spending. This indicator shows a 10% increase in foreign spending in the region over the past year. It also highlights the significant fall in visitor spending that occurred in the years immediately post the GFC.

Results for the 2015/16 season are reported for four key primary sectors in the annual statistics section. Production rose to record levels for dairy and roundwood, but fell off record highs for kiwifruit and avocado. Returns per unit of output fell for dairy, forestry and kiwifruit, rising for avocado. Overall, revenue earned by the avocado and forest industries is estimated to have risen by 6% and 3% respectively, but fell 27% and 5% for kiwifruit and dairy.

The Spotlight section focuses on developments in average household income, exploring developments over time, between regions, changes in composition and differences between ethnicity. The median household income in Northland rose sharply in 2016, assisted by the lift in employment. Over the past five years median household income in Northland has increased by 4% per annum, ranking the region fourth out of 12.

Darryl Jones

Quick quarterly statistics

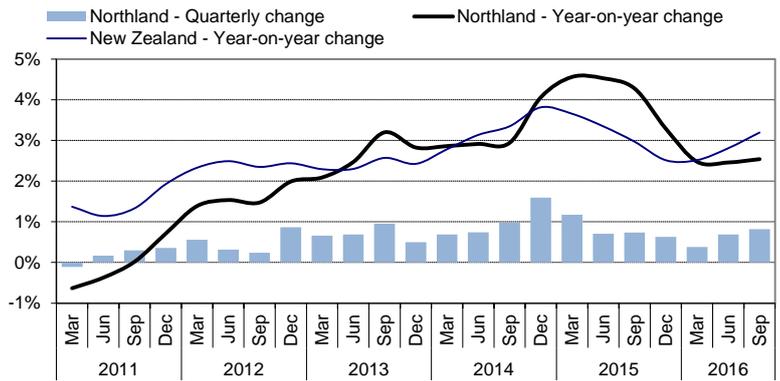
- Northland's GDP is estimated to have risen by 2.5% in the year ended September.
- New residential building unit consents rose 40% in the September year.
- Spending by international visitors is 10% higher than in 2015.
- Wood chip export volumes fell by 5% in year ended September 2016.
- Employment rose to a new record high of 75,800 in September 2016.
- The annual average unemployment rate rose to 8.2% in September 2016.
- The annual average unemployment rate for Māori (16.3%) is higher than for Europeans (6.3%) but both show no signs of falling.
- Online job vacancies in September 2016 are 15% higher than a year ago.
- The average wage and salary rose 3.3% in the year ended September 2015.
- Food prices in Whangārei rose 1.4% over the year ended September 2016
- The average rent in Whangārei fell by 4% in the quarter ended August 2016
- Consumer confidence rose in September back to the national average.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

Northland's GDP was estimated to have risen by 0.8% in the September 2016 quarter. This contributed to an estimated annual GDP growth rate of 2.5% for the year ended September, below the national estimate of 3.2%. All three districts are forecast to have grown between 2-4% during the 2016 September year.

For the year ended September, Northland ranked 12th out of 16 regions in terms of GDP growth. Tasman and Nelson regions are estimated to have grown by more than 5% over the past year.

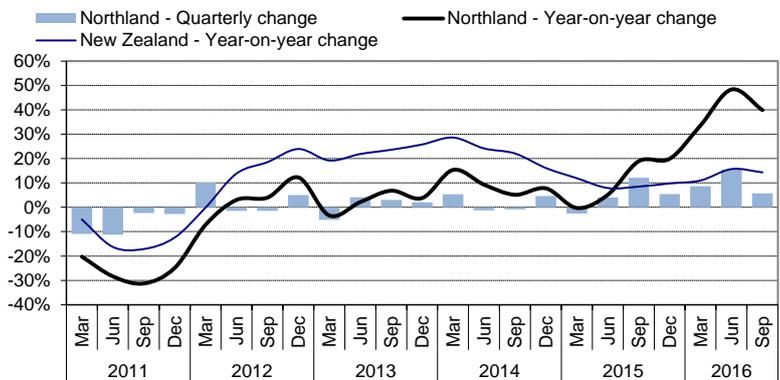


Source: Infometrics Regional Database

Number of new dwelling unit consents in Northland

During the year ended September 2016, 1126 new dwelling unit consents were issued in Northland. This is 6% more than the number issued in the year ended June and 40% more than the number issued in the year ended September 2015.

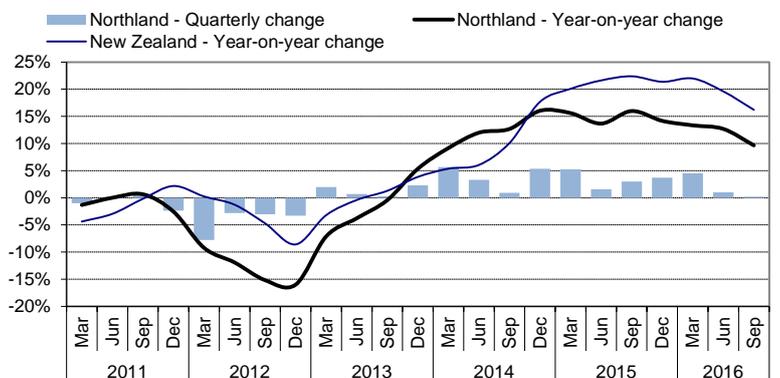
There is a large regional variation around the 14% national increase in consents issued in the twelve months to September 2015, ranging from 57% in Manawatu-Wanganui to -32% in the West Coast. Northland ranked third out of 16.



Source: Statistics New Zealand

International visitor spend in Northland

The value of international visitor spending in Northland totalled \$253 million in the year ended September 2016. This is 10% higher than the level of spending in the 2015 September year. The value of international tourism expenditure in Northland is at record levels, now exceeding pre-GFC levels. At the national level, international tourism spending rose 16% in the September year. All regions except Taranaki experienced double digit growth. Northland accounts for about 2.4% of the national total, down from 3% in 2009.

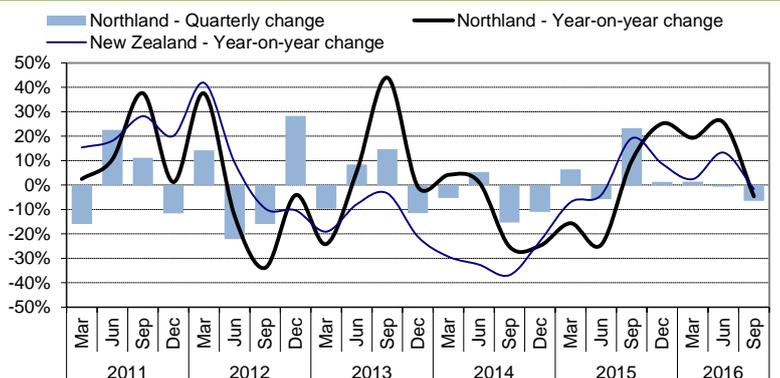


Source: MBIE

Wood chip exports from Whangārei

Some 116,000 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended September 2016. This is 5% lower than the annual volume exported the previous September year and 22% below the annual record of 156,000 BDU exported in September 2011.

Despite the lower volume, the region still accounts for about 44% of New Zealand wood chip exports, up from 38% in 2011. Softwood chips account for about 95% of the volume exported from Whangārei compared to 44% nationally.

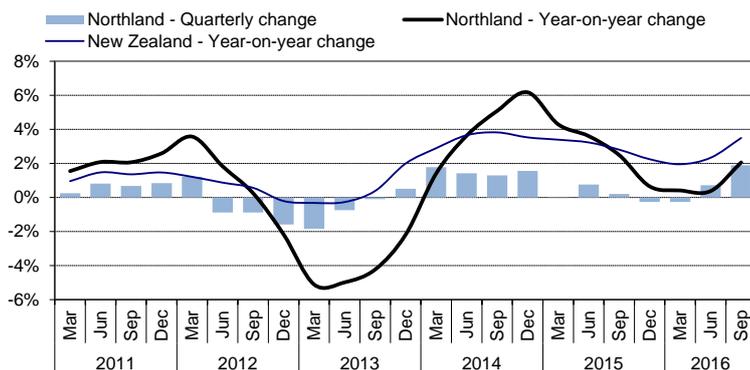


Source: Ministry for Primary Industries

Employment activity – quarterly

Employment in Northland

It is estimated that an average of 75,800 people were employed in Northland (both full-time and part-time) in the year ended September 2016. This is 2% higher than the average number employed in the year ended June 2016, and is a new record level. The number of people employed in Northland has increased by 6800 (10%) since June 2013 when the drop in employment post-GFC bottomed out at around 69,000. Nationally, the number of people employed increased by 3.5% in the year ended September 2016, with the greatest increases occurring in Manawatu-Wanganui (8.8%).

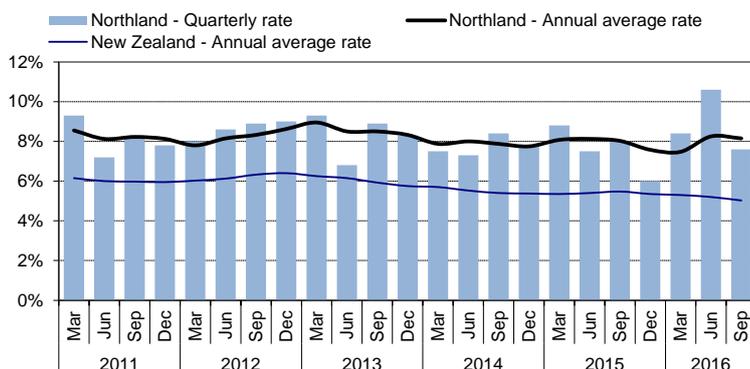


Source: Statistics New Zealand

Unemployment in Northland

The annual average unemployment rate in Northland was 8.2% in the year ended September 2016. This is a fall of 0.1 percentage points from 8.3% recorded in June 2016. The September 2016 quarter unemployment rate (7.6%) is the lowest September quarter unemployment rate recorded since 2008.

Northland's annual average unemployment rate is the highest of all regions in New Zealand, with Gisborne the next highest at 6.5%. The gap between Northland and the New Zealand average (5%) has been growing since 2012.

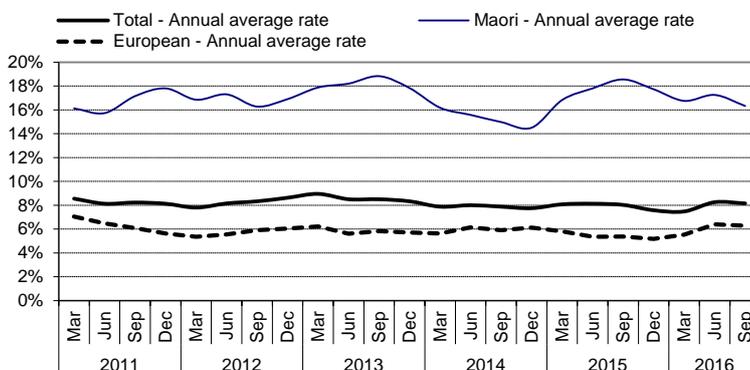


Source: Statistics New Zealand

Unemployment by ethnicity

In September 2016, the annual average unemployment rate for Māori in Northland was 16.3% compared to 6.3% for Europeans. While the Māori unemployment rate shows greater quarterly fluctuation, the unemployment rates for both Māori and European have remained relatively constant over the past five years, averaging 17% for Māori and 5.8% for European.

The national Māori unemployment rate is 11%. Other regions with a Māori unemployment rate above the national average are Gisborne/Hawke's Bay (13.1%), Taranaki (13%) and Waikato (11.7%).

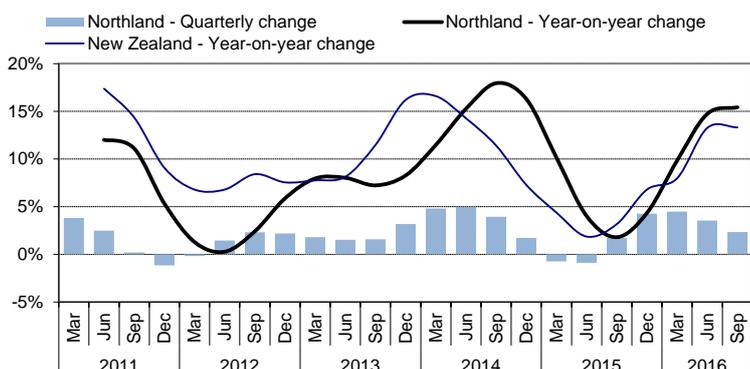


Source: Statistics New Zealand

Jobs online vacancies in Northland

The trend series index of online job vacancies in Northland has remained at a relatively high level in the September 2016 quarter. The number of online vacancies was 2% higher than in the June 2016 quarter and 15% higher than in September 2015. It is over 50% higher than in September 2011.

Nationally, the number of online job vacancies grew by 13% over the past year. Northland sits alongside job growth in Auckland and Wellington (both 14%), behind the likes of Bay of Plenty (47%) but ahead of Manawatu-Wanganui (7%) and Canterbury (-2%).



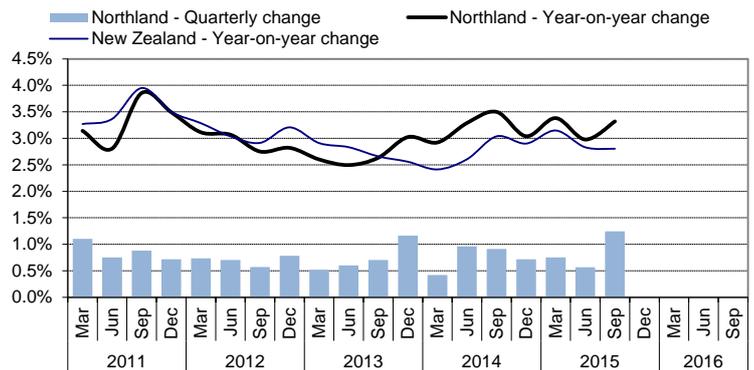
Source: Ministry of Business, Innovation & Employment

Household welfare – quarterly

Average wage and salary earnings in Northland

The average annual 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 \$50,430 in September 2015. This represents an annual increase of 3.3%, higher than the national increase of 2.9%.

Northland's average is 12% below the national average of \$56,850. Only three regions (Auckland, Taranaki and Wellington) have average earnings above the national average. Northland's average is similar to that in Bay of Plenty, Otago and Southland.

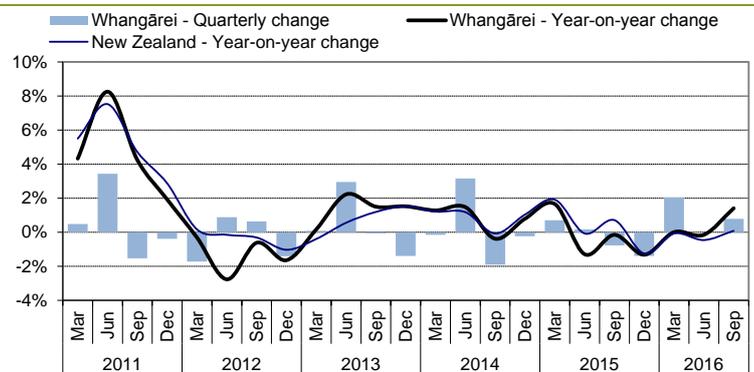


Source: Statistics New Zealand

Food prices in Whangārei

Food prices in Whangārei rose by 0.8% in the September 2016 quarter, the first time food prices have risen in the September quarter since 2012. On an annual basis, food prices rose 1.4% in the year ended September, the biggest annual increase since March 2015. Local food prices have risen at a faster rate than nationally over the past year.

The cost of the standard basket of commodities used for measuring food prices in Whangārei is 2% higher today than it was five years ago in September 2011.

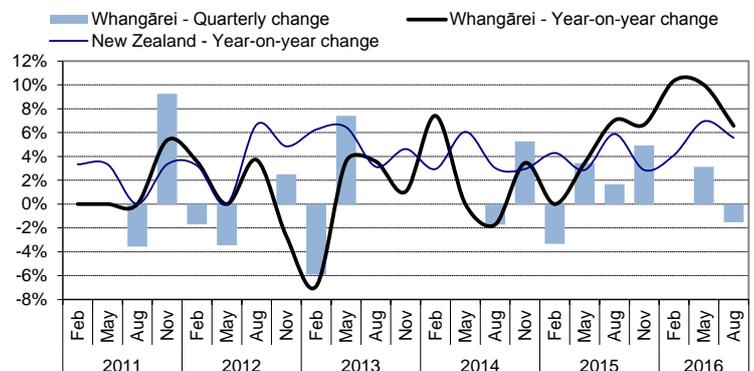


Source: Statistics New Zealand

Rent in Whangārei

The median rent in Whangārei in August 2016 was \$325 per week. This is \$5 per week lower than the record level set in May 2016, but is still 6.6% (\$20) higher than in August 2016. The current median rent is \$55 per week (20%) more than it was five years ago in August 2011.

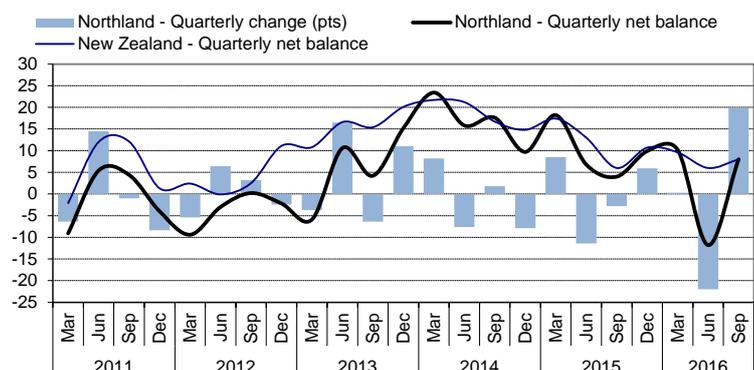
The national median rent also increased by \$20 per week in the year ended August 2016 to \$380. This is \$80 more than in August 2011. The main driver of the national rent increase was demographic pressure on the cities north of and including Rotorua.



Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose sharply in September 2016 following a dramatic fall in the June quarter. An index number below zero indicates that pessimists outnumber optimists. The rise takes the Northland index back to the national level. Northland has been tracking the national index very closely since 2014. Only three regions recorded a drop in confidence in the September quarter, Bay of Plenty, Taranaki/Manawatu-Wanganui and Canterbury. Most regions are close to the national average, with only Taranaki/Manawatu-Wanganui in negative.

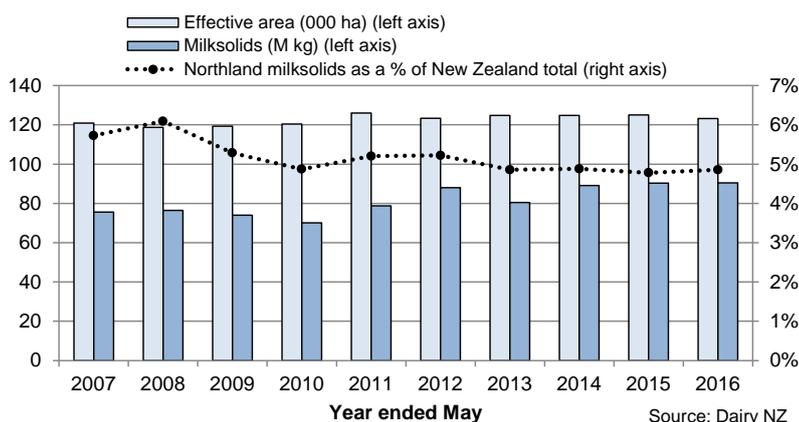


Source: Westpac McDermott Miller

Selected primary industries – annual

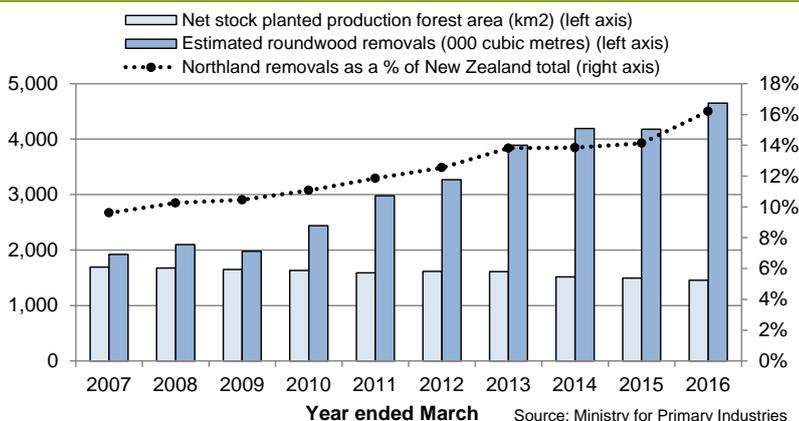
Milk production in Northland

Just over 90.4M kg of milk solids was produced in Northland in the 2015/16 season, a new record volume for the region. This was 0.1% higher than the record level set the previous season. The increase was due to a rise in average milk solids per cow with effective area falling slightly. Northland's share of national production rose to 4.9% as it was the one of the few regions to record an increase in 2015/16. Due to a lower total payout price of \$4.41/kg milk solids, the dairy industry in Northland earned \$399M in 2015/16, 5% lower than in 2014/15 and 47% down on 2013/14.



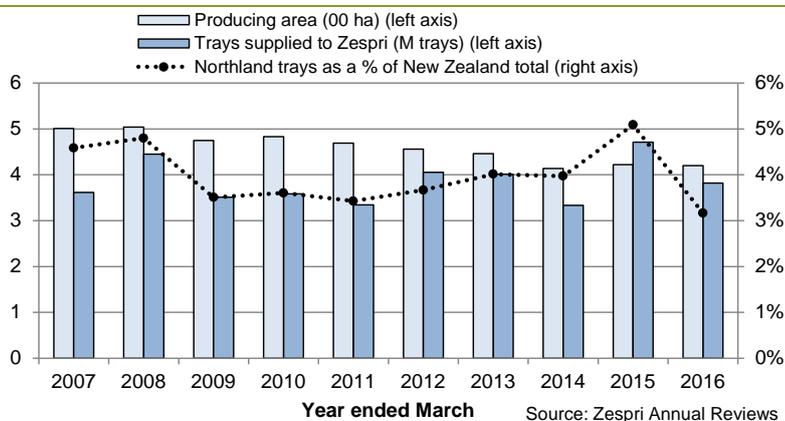
Forest production in Northland

It is estimated that 4.65Mm³ of roundwood was harvested from the Northland wood supply region in 2015/16.¹ This is a record harvest volume, up 11% on the level of removals in the previous two years. Consequently, Northland's share of the national harvested rose to over 16%. Since the mid-2000s, the plantation forest area in Northland has fallen from 172,000ha to around 145,500ha.² Using an average log price of \$119m³ (down 7%), Northland forest owners earned around \$553M in 2015/16, up 3% on 2014/15 revenue.



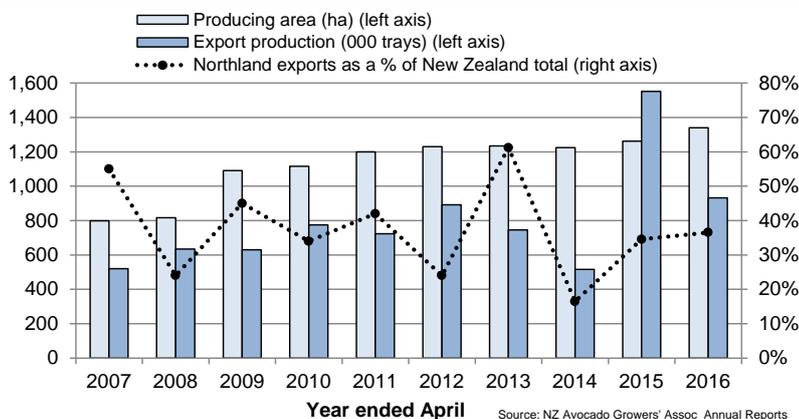
Kiwifruit production in Northland

In the 2015/16 season, Northland kiwifruit growers supplied Zespri with just over 3.8M trays of fruit. This is 19% less than the 2014/15 record harvest of 4.7M trays. Northland's share of the national crop has fallen to around 3%. However, an average of 9090 trays per hectare was produced in 2015/16, second only to yields achieved in 2014/15. Grower returns fell by 27% from \$59M to \$43 as the average price received fell below \$12/tray for the first time in four seasons.



Avocado production in Northland

Northland avocado growers supplied 0.9M trays of fruit for export in 2015/16; 40% less than the record high of 1.5M trays recorded the previous year. Production was significantly lower in the mid-North producing area. However, Northland's share of total exports rose slightly to 37% due to a 44% fall in production in the Bay of Plenty. Lower production was offset by higher prices. Assuming the national average orchard gate return was received, Northland growers earned more than \$33M in 2015/16, up from \$31M in 2014/15.

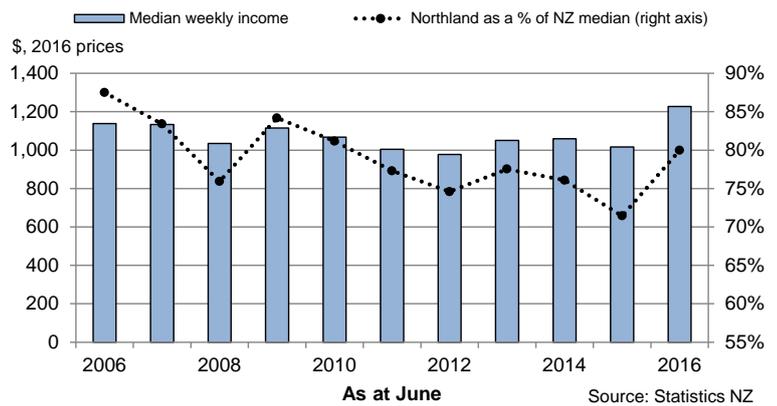


1. The Northland Wood Supply region as defined by the Ministry for Primary Industries includes the former Rodney district.
2. The planted production forest area only includes forest holdings greater than 40 hectares.

Spotlight – Household income

Average household income in Northland

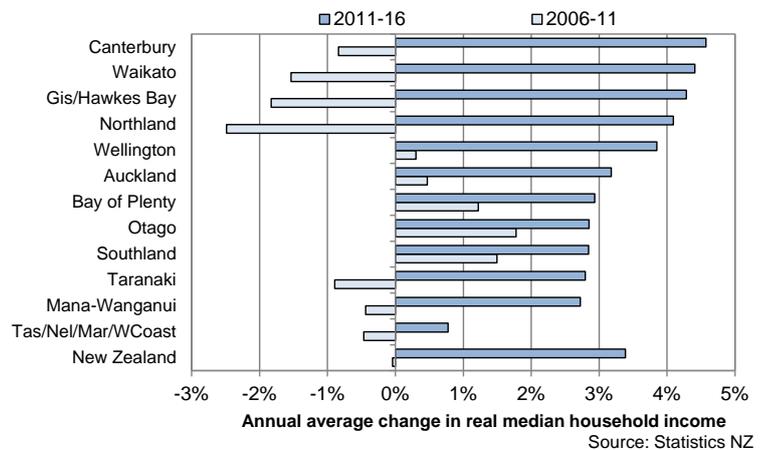
The median weekly income for households in Northland was just over \$1200 in June 2016. When measured in real terms (adjusted by the CPI), the average household income has increased by 25% since 2012, the ten year low point. It is also the highest level on record in real terms, with Northland households having 8% more purchasing power in 2016 compared to 2006. Median weekly household income in Northland is equivalent to 80% of the national median, and is joint-lowest with Manawatu-Wanganui among the 12 regions recorded.



Change in average household income by region

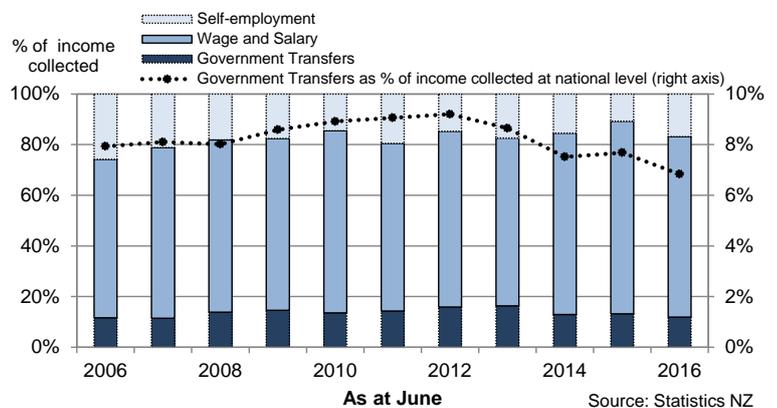
Over the five year period 2011-16, the median weekly household income in Northland has risen by 4% per annum in real terms. This contrasts with a 2.5% annual decrease over the previous five years.

All regions have experienced a rise in real average household incomes over the past five years, with Northland ranking fourth out of 12 regions in terms of its growth rate. The four regions having the largest increases since 2011 also recorded the largest falls during 2006-11.



Source of household income in Northland

On average, earnings from wages and salaries provided 71% of total household income in Northland in 2016, with self-employment income contributing 17% and government transfers 12%. The relative importance of self-employment income has fallen over the past decade or so from a peak of 29% in 2005. This has mirrored the trend at the national level. Similarly, the relative importance of government transfers in both Northland and New Zealand rose between 2006 and 2012 before decreasing since then.



Average weekly income of Māori and European aged 25-64

The average weekly wage for a Māori person in Northland aged between 25-64 years was \$711 in June 2016. This is a 20% increase in real terms from the low point in 2012 of just under \$600. The average income for a working aged Māori in Northland is 84% of the average European working in Northland (\$850 per week). The average weekly income for a Northland Māori is 86% of the national Māori average. The European gap is slightly larger, with Northland income 20% lower than the national.

