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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 economist

Welcome to the 20<sup>th</sup> issue of this newsletter. Five years on from the first issue, the Northland economy has made considerable progress. Particularly important has been the robust growth in employment. Northland's unemployment rate is now the lowest it has been since 2008. However, some of the income gains made by households have been offset to some extent by rising prices for food and accommodation.

Included in this issue is a section reporting on Northland data from the latest Agricultural Production Statistics. Beef and deer numbers rose in 2017 but region's sheep flock size and the number of pigs fell. Stock numbers for all four animal types remain 25-30% or more below levels recorded a decade ago. The quantity of fertiliser applied in Northland increased by 28% but this was from a record low of 87,000 tonnes in 2016.

Rather than focussing on a specific topic, the spotlight section in this issue draws from recent data released by various agencies on topics of interest to the region. This includes data on irrigated land area, forest age class, transfer of ownership to overseas buyers and rail movements in the region.

Darryl Jones

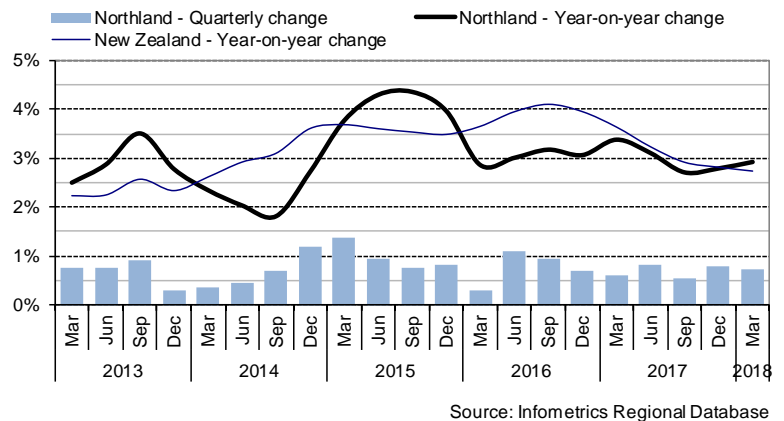
## Quick quarterly statistics

- Northland's GDP is estimated to have risen 2.9% in the year ended March 2018.
- New residential building unit consents fell 7% in the 12 months to March.
- Wood chip export volumes fell 5% in the year ended March 2018.
- Commercial vehicle registrations rose 12% to a new annual record level in March 2018.
- Employment rose to a new record high of 82,700 in March 2018.
- The annual average unemployment rate dropped to 6.3% in March 2018.
- The annual average unemployment rate for Māori (14%) is higher than for Europeans (4%) but the gap appears to be closing.
- Online job vacancies in March 2018 are 19% higher than a year ago.
- The average wage and salary rose 1.5% in the year ended March 2017.
- Food prices in Whangārei rose 2.3% in the year ended March 2018.
- The average rent rose 5% in the 12 months to March 2018.
- Consumer confidence in Northland rose slightly in March 2018.

# Economic activity – quarterly

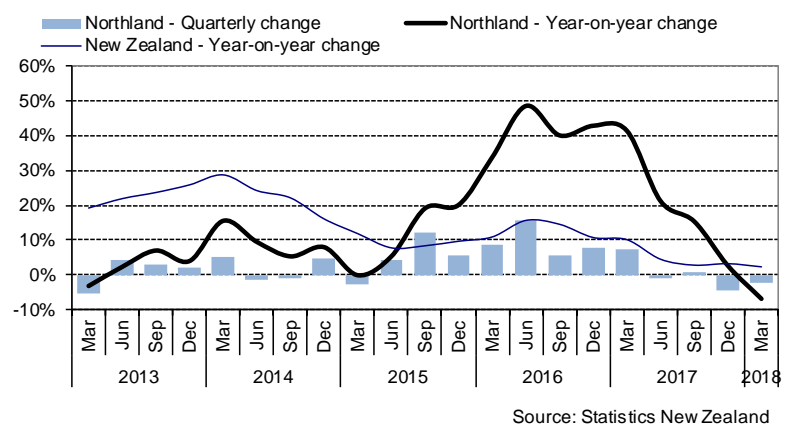
## Gross domestic product (GDP) in Northland

Northland's GDP is estimated to have risen by 0.7% in the March 2018 quarter. This contributed to an estimated annual growth rate of 2.9% for the year ended March 2018. All three districts in Northland are forecast to have annual growth rates of between 2-4%. Northland's annual growth rate for the latest year is just above the estimated national rate, with Northland ranking 12<sup>th</sup> out of 16 regions. Since December 2012 the Northland economy has grown at an annual rate of 3%; with only five regions growing faster.



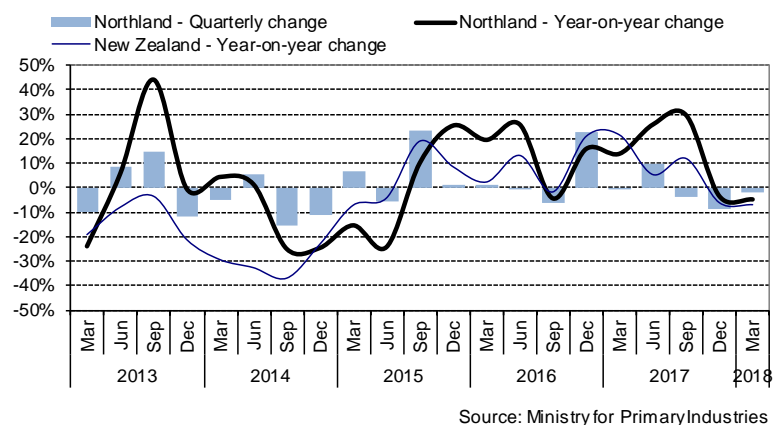
## Number of new dwelling unit consents in Northland

During the year ended March 2018, 1210 new dwelling unit consents were issued in Northland. This is 7% less than the number issued in the year ended March 2017. The March annual total is 231 (16%) below the record of 1441 consents issued in 2014. There is a large regional variation around the 2.5% national increase in consents issued in the twelve months to March 2018, ranging from a 40% increase in Gisborne to a fall of 15% in Canterbury. Northland ranked 13<sup>th</sup> out of the 16 regions.



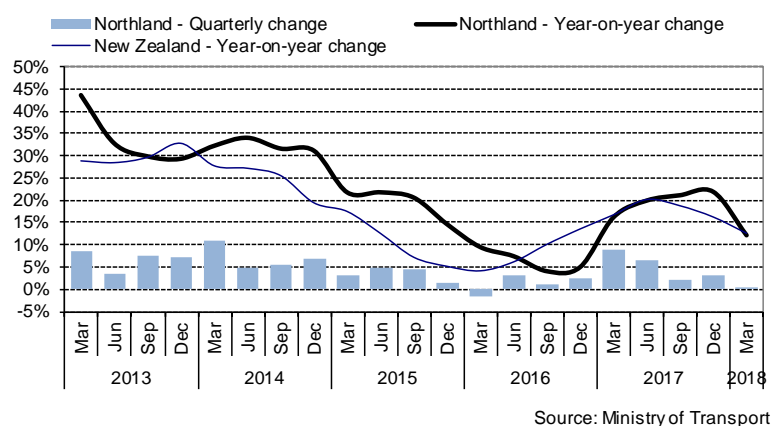
## Wood chip exports from Whangārei

Some 135,200 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended March 2017. This is 5% less than the annual volume exported the previous March year and 14% below the annual record of 158,000 BDU exported in the year ended March 2012. The region accounts for 48% of total New Zealand wood chip exports. Softwood chips account for 100% of the volume exported from Whangārei compared to 48% nationally.



## Commercial vehicle registrations in Northland

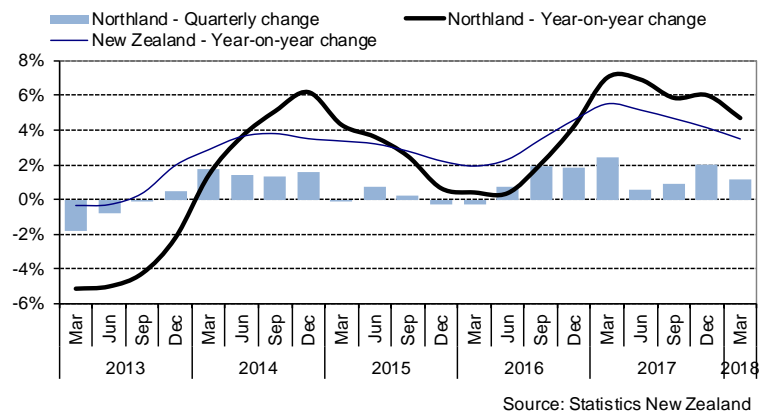
A total of 2198 commercial vehicles were registered in Northland in the year ended March 2018. This is 12% higher than the number registered in the previous March year and is in line with the national annual increase. The number of commercial vehicles registered in the year ended March 2018 is a new record level for Northland, considerably higher than the 652 commercial vehicles registered in March 2010 during the GFC and well above the pre-GFC record of 1487 set in 2005.



# Employment activity – quarterly

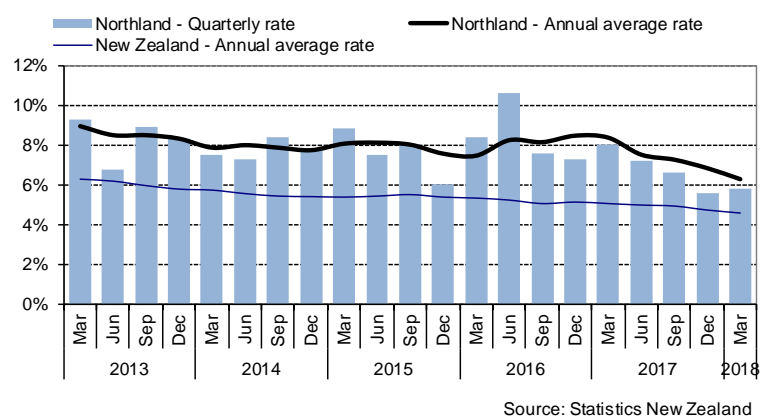
## Employment in Northland

An estimated average of 82,700 people were employed in Northland (both full-time and part-time) in the year ended March 2018. The region has experienced positive annual average employment growth over the past four years. The average number of people employed in Northland is 5% higher than one year ago and 19% higher than in March 2013. Nationally, the number of people employed increased by 3.5% in the year ended March 2018. Only Waikato and Otago experienced a faster rise in employment over the past 12 months; employment fell by 3% in Southland and Manawatu.



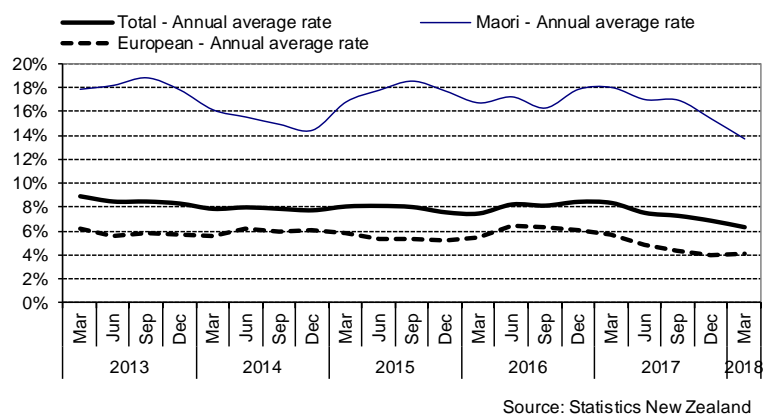
## Unemployment in Northland

The annual average unemployment rate in Northland was 6.3% in the year ended March 2018. This is 2.1 percentage points lower than the annual average rate for March 2017 and is the biggest annual drop in Northland's unemployment rate since 2005. It is also the largest fall recorded over the past year in any of the 12 regions for which it is calculated. The current annual unemployment rate in Northland is the lowest it has been since March 2009 when it was 6.5%. Northland's unemployment rate is no longer by itself as the highest of all regions; now sharing that with Gisborne/Hawke's Bay.



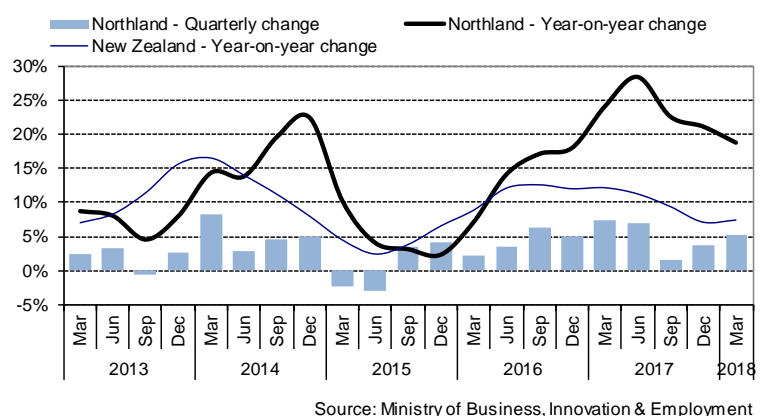
## Unemployment by ethnicity

In March 2018, the annual average unemployment rate for Māori in Northland was 13.8% compared to 4.1% for Europeans. These ethnic unemployment rates are down from 18% and 5.7% respectively recorded in the year ended March 2017. The drop in the Northland regional average unemployment rate over the past 12 months appears to have been due to a fall in Māori unemployment. The current Māori unemployment rate in Northland is the lowest it has been since March 2009 when it was 11.7%. The annual average national unemployment rate is currently 9.9% for Māori and 3.6% for Europeans.



## Jobs online vacancies in Northland

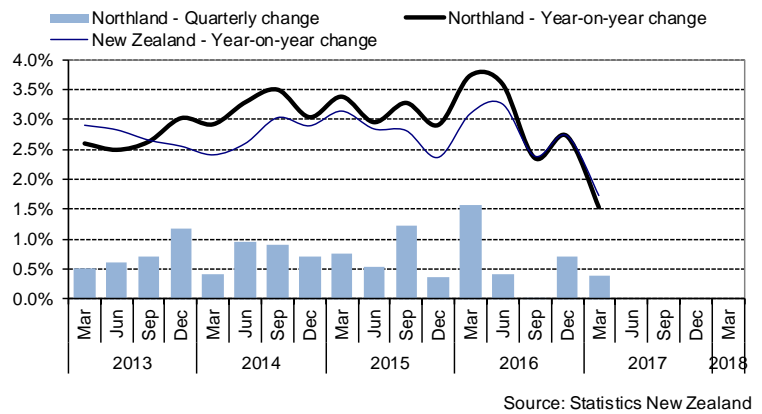
The trend series index of online job vacancies in Northland has remained at a relatively high level in the March 2018 quarter. The number of online vacancies recorded in March 2018 is 19% higher than in March 2017, and twice as high as in March 2013. Nationally, the number of online job vacancies grew by only 7% during the past year. Across the 10 regions for which the index is calculated, online job vacancy growth in Northland over the past years was the second highest, just behind the Bay of Plenty (20%), and well ahead of Auckland (2%) and Canterbury (5%).



# Household welfare – quarterly

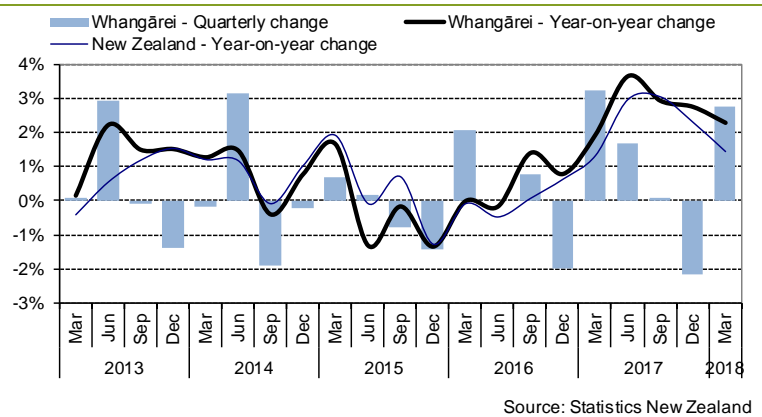
## Average wage and salary earnings in Northland

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 \$52,170 in March 2017. Average earnings rose 1.5% in the year ended March 2017 in line with the national average increase. This is the lowest annual increase since 2009. Northland's average wage and salary is 89% of the New Zealand average. Only Auckland and Wellington have average regional earnings above the national average; Northland ranks 8<sup>th</sup> out of the 16 regions.



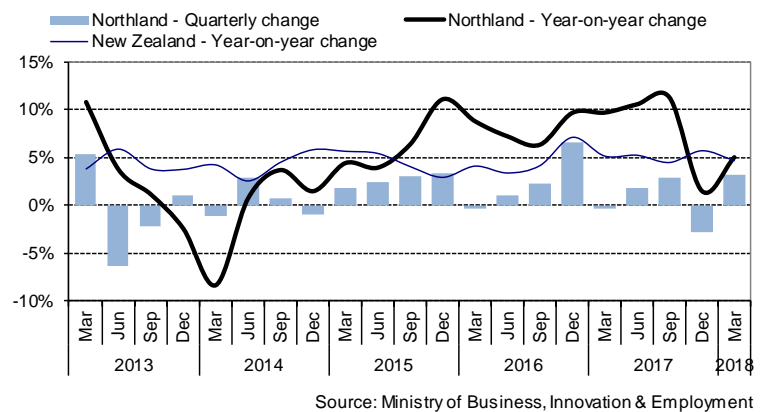
## Food prices in Whangārei

Food prices in Whangārei rose by 2.8% in the March 2018 quarter, following a decrease of 2.2% in the previous quarter. On an annual basis food prices rose 2.3% in the year ended March, almost one percentage point higher than the national average increase of 1.4%. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 7% higher today than it was five years ago in March 2013.



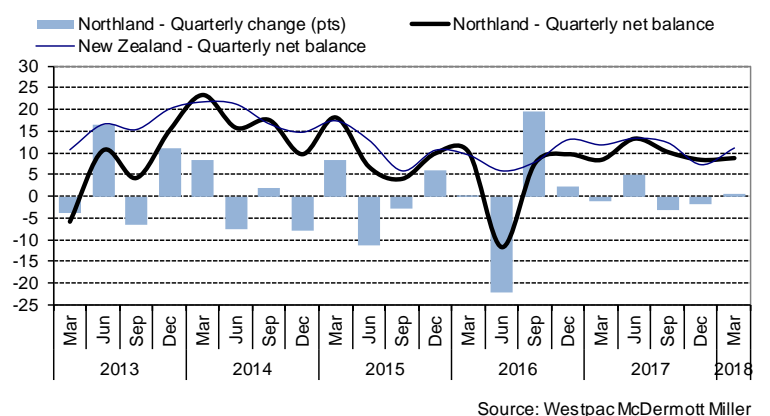
## Mean rents in Northland

The mean average rent in Northland was \$358 per week in the March 2018 quarter. This is the highest level recorded in Northland, 5% higher than in March 2017. After rising faster than the national average from mid-2015 to mid-2017, rent increases have fallen back in line with the national trend. Since March 2015, the average rent in Northland has risen by 25%, well above the 14% increase in the national average. The average rent in Northland is now about 79% of the national average compared to 72% in 2015. The average rent in Auckland is 24% higher than the national average while it is almost 50% lower in Southland.



## Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose 0.4 points to nine in March 2018. An index number above zero indicates that optimists outnumber pessimists. This increase mirrored the slight rise in the national level of consumer confidence, which Northland sits just below. Consumer confidence in Northland has been relatively stable at this level for the past 18 months. All regions had a slight rise in consumer confidence in the March quarter except for Waikato and Nelson/Marlborough/West Coast where it fell by 4 and 6 points respectively.

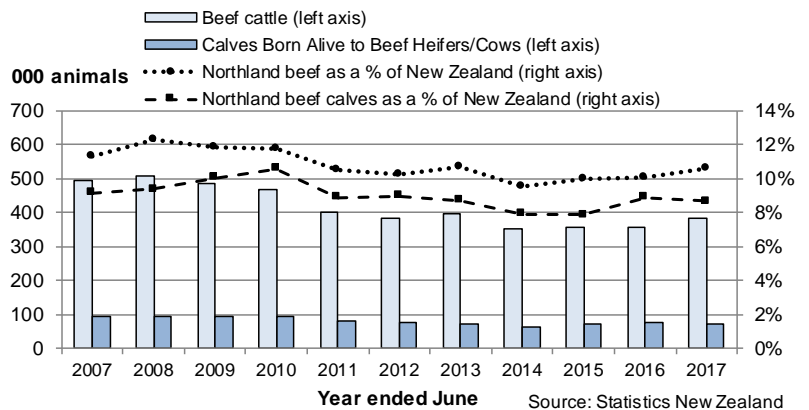




# Agricultural statistics – annual

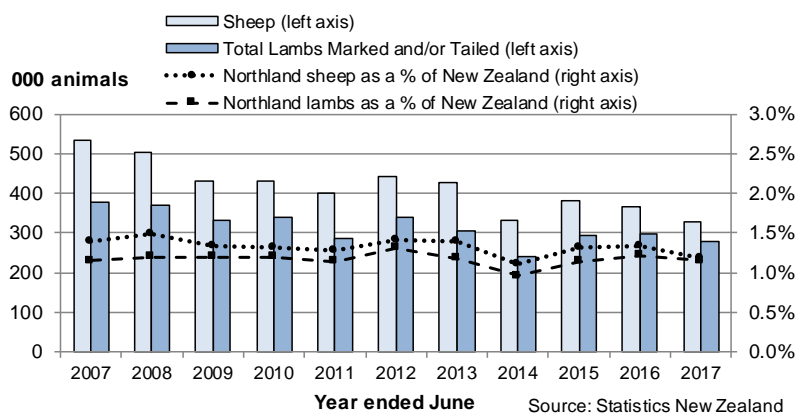
## Beef animals in Northland

The number of beef cattle in Northland rose by 7.3% in the year ended June 2017 to almost 383,000 head.<sup>1</sup> This is the third year in a row that the regional beef herd has increased. There had been a steady decline in the Northland beef herd between the mid-2000s to 2014, falling about 30% from around 0.5 to 0.35 million. During this period Northland's share of the national beef herd fell from 12.3% in 2008 to 9.5% in 2014. Since 2014 the Northland beef herd has grown by 9%; the national herd has fallen by 1%. Northland accounts for 10.6% of the national beef herd in 2017.



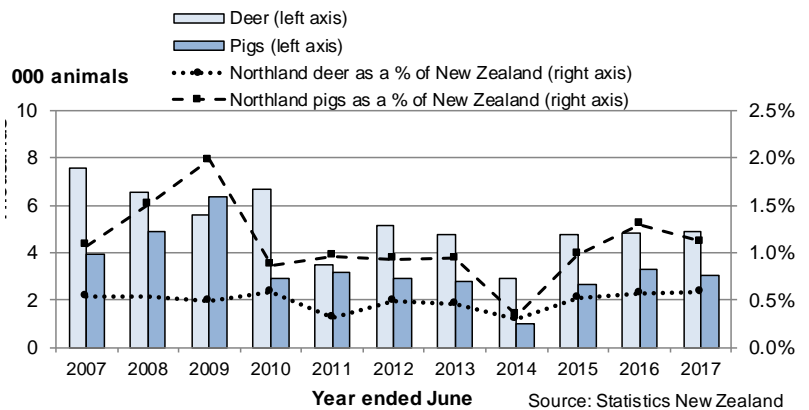
## Sheep in Northland

In the year ended June 2017 there were 328,000 sheep in Northland, 38,000 (10%) less than in 2016. The number of sheep in Northland has been steadily declining for many years, with the region's sheep flock totalling more than one million in the early 1990s. Over the last 10 years, the number of sheep in Northland has fallen by 39% while the national flock has fallen by 28%. Northland's share of the national flock has fallen from 1.5% to 1.2%. There were 277,000 lambs born in Northland in the year ended June 2017, down from 298,000 in 2016.



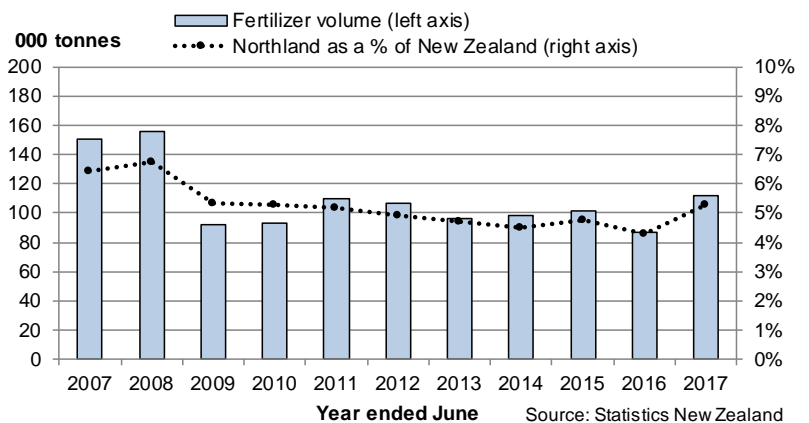
## Deer and pig numbers in Northland

There were 4900 deer and 3000 pigs in Northland in June 2017, a 2% rise in deer numbers and an 8% decrease in pigs. The number of deer in Northland has fallen from over 20,000 in the early 2000s while pig numbers have fallen from over 5000. A similar, but not so dramatic decline is also observed in the national deer and pig numbers. Consequently, Northland's share of the national deer herd has fallen from a peak of 1.4% in 2002 to 0.6% in 2016, while for pigs the decrease has been from 2% in 2009 to 1.1% in 2017.



## Fertiliser use in Northland

Northland farmers applied just over 112,000 tonnes of fertiliser in the year ended June 2017, up from the record low of 87,000 tonnes in 2016. For most of the 2000s (2002-08), around 160,000 tonnes of fertiliser was applied on Northland farms each year, equivalent to 6.5% of total fertiliser applied in New Zealand. Over the nine years since 2008, the annual average quantity applied in Northland has fallen to around 100,000 tonnes, 4.9% of the New Zealand total. During the early 1990s over 300,000 tonnes per annum was applied.

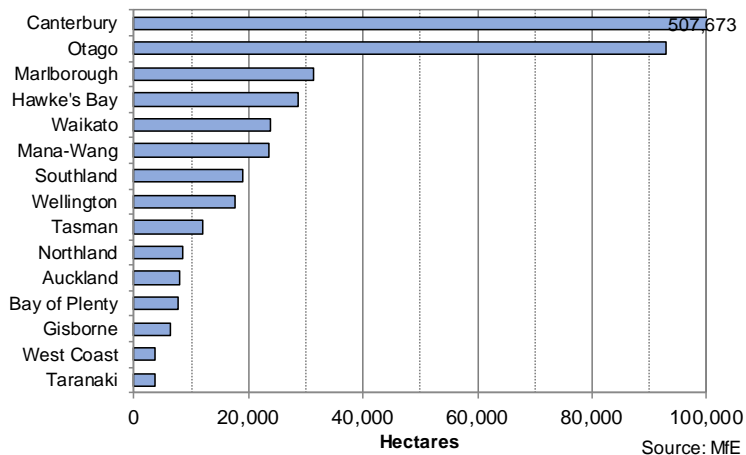


1. Analysis of the Northland dairy industry performance in 2016/17 was included in the Annual section of the December 2017 issue of the NEQ, along with the kiwifruit, avocado and forestry industries. There were 269,123 dairy cows in milk in Northland in the 2016/17 season, 4% less than in 2015/16 but about the same number as in the mid-2000s.

# Spotlight – Recent statistics on Northland

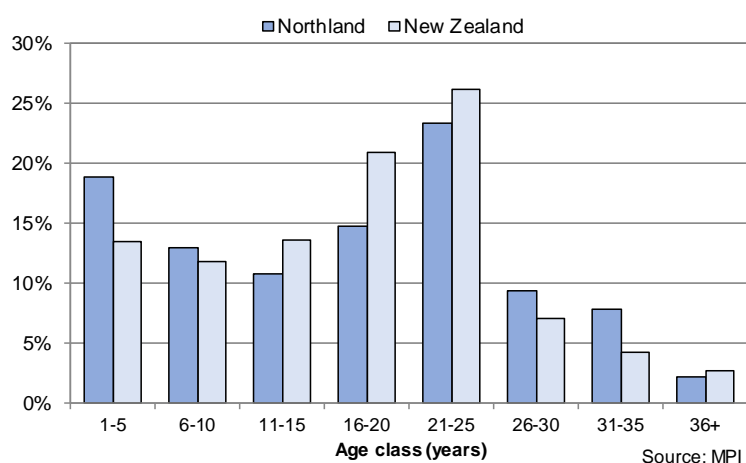
## Irrigation by region, 2017

A recently released report for MfE estimated that there are 8400 hectares of irrigated land in Northland. This is 1.1% of the national total irrigated area of 795,000 hectares. Most of the national irrigated land is located in Canterbury (64%) and to a lesser extent Otago (12%). Where the system is known, around 60% of irrigation in Northland is undertaken by drip/microsystem, with the remaining 40% by spray. The irrigated area in Northland accounts for just 1.6% of the land classified as either high producing grassland or cropland in the region, compared to 12% nationally.



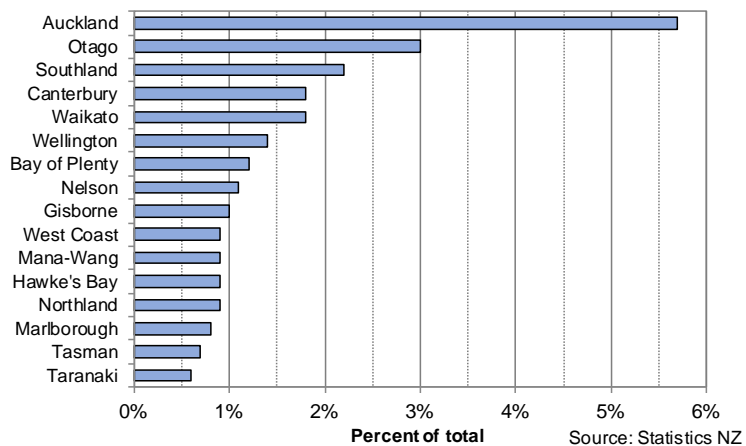
## Plantation forest by age class, as at 1 April 2017

Northland is estimated to contain 148,000 hectares of planted production forests, accounting for 9% of the national total. The age distribution of forests within Northland is different from the national age profile, with a slightly younger and older forests. For example, 19% of Northland's forests are in the age class 1-5 years compared to the national average of 13%; 12% of all trees aged 1-5 are found in Northland. Over the next decade, the area available for harvest will fall by almost 50% due to the fall between age classes 21-25 and 11-15 years.



## Home transfers to people who don't hold NZ citizenship or resident visas, year ended March 2018

Just 0.9% of Northland homes transferred in the year ended March 2018 were to overseas people. Home transfers include the sale and purchase of houses, the transfer of a deceased family member's home, a marriage settlement, and administrative changes. For New Zealand, the proportion of homes transferred to overseas people was 2.7% in the 12 months to March. At the regional level, this varied from 5.7% in Auckland to 0.6% in Taranaki.



## Product transported by rail

Just under 150,000 tonnes of product was transported on rail in Northland in 2017. Ninety percent of this, 133,000 tonnes, was transported out of the region while only 14,000 tonnes was railed into the Northland. The volume of product railed out of the region has been constant over the past six years – averaging 134,000 tonnes per annum. This mainly consists of dairy product shipped to Auckland, with some logs transported to the Bay of Plenty. Rail transportation within Northland has virtually ceased due to the closure of the rail connection north of Kauri to Otiria.

