

In this issue

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 – Creative industries in
Northland
page 6



Darryl Jones – Economist
darrylj@nrc.govt.nz
09 470 1247

To receive an email notification as new editions are published, sign up to our subscription service: visit www.nrc.govt.nz/subscriptions. Previous editions can be found at www.nrc.govt.nz/economicdevelopment.

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 19th issue of this newsletter and the first for 2018. A new employment indicator – the underutilisation rate – reinforces the positive trend in employment that Northland has been experiencing over the past four years. The underutilisation rate incorporates both those who are unemployed (and want work) and people who may be employed but want more hours.

The annual and spotlight sections both feature 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 including GDP, exports, employment, productivity, businesses and skills. The annual section shows how growth has occurred across districts, sectors and between regions.

The spotlight section focuses on developments in the creative industries sector in Northland, exploring changes in GDP and employment by segment and sector. The creative industries sector produces \$92M (1.5%) of Northland's total regional GDP. The sector has grown by 5.2% per annum over the five years ended March 2017, faster than the regional GDP growth rate of 2.9%.

Darryl Jones

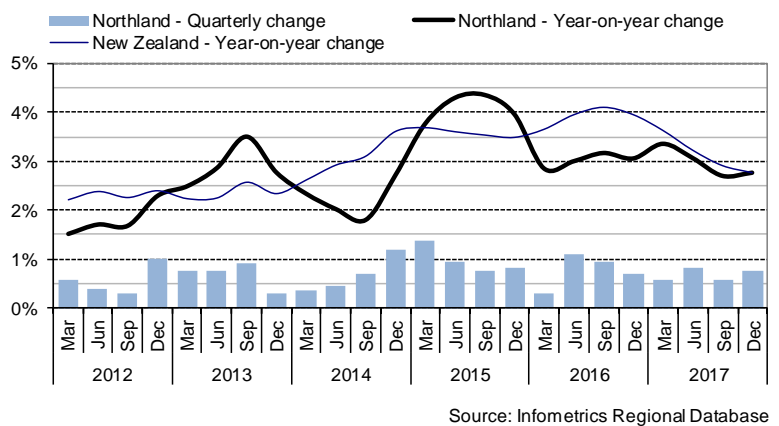
Quick quarterly statistics

- Northland's GDP is estimated to have risen 2.8% in the 2017 calendar year.
- Ready-mixed concrete production is up 12% over the past 12 months.
- Vehicle registrations rose 14% in the year ended December 2017.
- Spending by international visitors is 10% higher than in 2016.
- Employment rose to a new record high of 81,800 in December 2017.
- The annual average underutilisation rate dropped to 15.4% in 2017.
- The youth not in employment, education or training (NEET) rate dropped to an average of 15.2% in the year ended December 2017.
- The number of people on the Jobseeker Support-Work Ready benefit fell 7.4% in the year ended December 2017.
- The average wage and salary rose 2.8% in the year ended December 2016.
- Domestic power prices rose 3.2% in the year ended November 2017.
- Rising house prices resulted in deteriorating home affordability, with the index rising 5.6% in the year ended November 2017.
- Consumer confidence in Northland fell slightly in December 2017.

Economic activity – quarterly

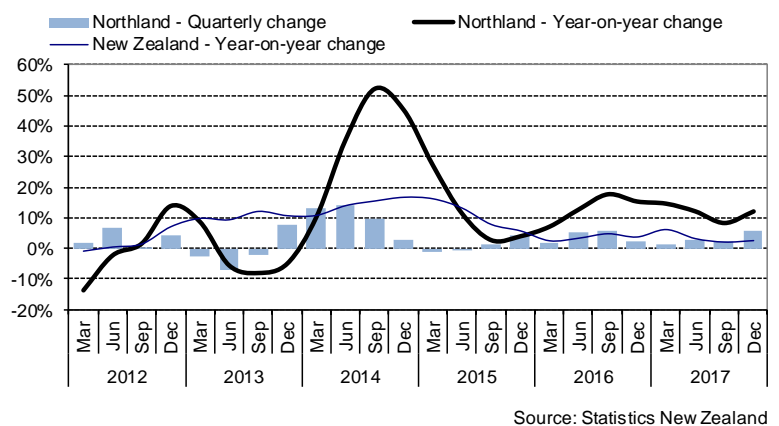
Gross domestic product (GDP) in Northland

Northland's GDP is estimated to have risen by 0.8% in the December 2017 quarter. This contributed to an estimated annual growth rate of 2.8% for the 2017 calendar year. 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 the same as the estimated national rate, with Northland ranking 11th out of 16 regions. Since December 2012 the Northland economy has grown at an annual rate of 3%; with only five regions growing faster.



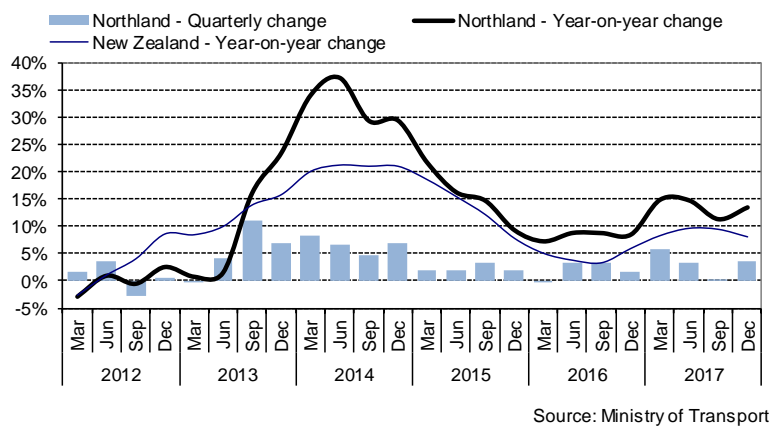
Ready-mixed concrete in Northland

In the year ended December 2017, 151,000m³ of ready-mixed concrete was produced in Northland. This is 12% higher than the annual volume recorded in the year ended December 2016. Nationally, concrete production increased by just 2.3% in the year ended December 2017, with reductions in ready-mix production in Auckland and Canterbury limiting the increases in other regions. The strong lift in output in Northland over the past four years has seen current production levels return to near the levels set in the mid-2000s when around 159,000m³ was produced annually.



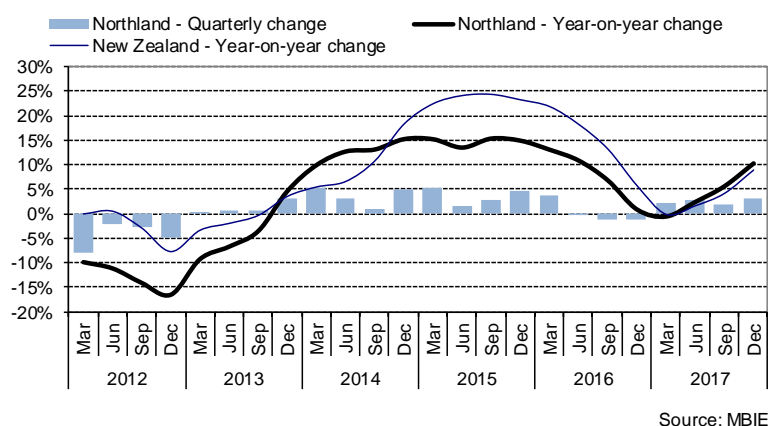
Vehicle registrations in Northland

A total of 6248 private and commercial vehicles were registered in Northland in the year ended December 2017. This is 14% higher than the number registered in the previous calendar year. This is well above the national growth rate of 8%. Since 2013 annual vehicle registrations in Northland have been growing faster than the national increase. Northland accounted for 2% of total vehicle registrations in 2017; its highest share since 2008. The current level of annual vehicle registrations in Northland is 14% above the pre-GFC record of 5494 vehicles set in September 2005.



International visitor spending in Northland

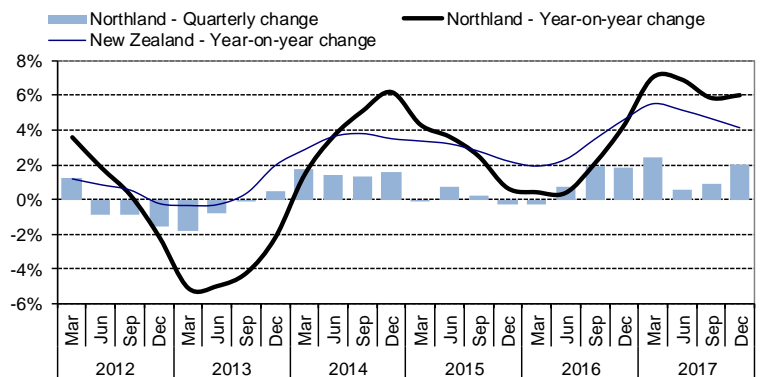
The value of international visitor spending in Northland totalled \$260 million in the year ended December 2017. This is 10% higher than the level of spending in the 2016 calendar year and is just ahead of the national increase of 9%. Northland's share of the national total has fallen from 3% in 2009 to 2.3% in 2017. Since 2009 international visitor spending in New Zealand has increased by 54%, with spending in Otago increasing by more than 90%. Northland has seen just a 20% increase, ahead of only Canterbury and Marlborough.



Employment activity – quarterly

Employment in Northland

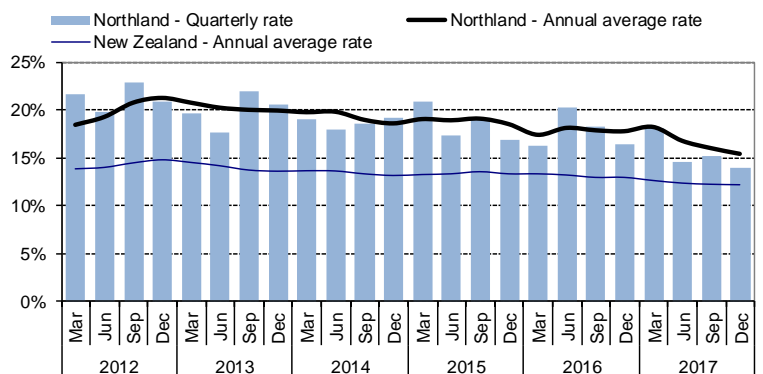
An estimated average of 81,800 people was employed in Northland (both full-time and part-time) in the year ended December 2017. The region has experienced positive annual average employment growth over the past four years. The average number employed in Northland is 6% higher than one year ago and 18% higher than in 2013. Nationally, the number of people employed increased by 4.2% in 2017. Only Waikato (8.3%) experienced a faster rise in regional employment in 2017 than Northland; employment fell by 2% in Southland.



Source: Statistics New Zealand

Underutilisation in Northland

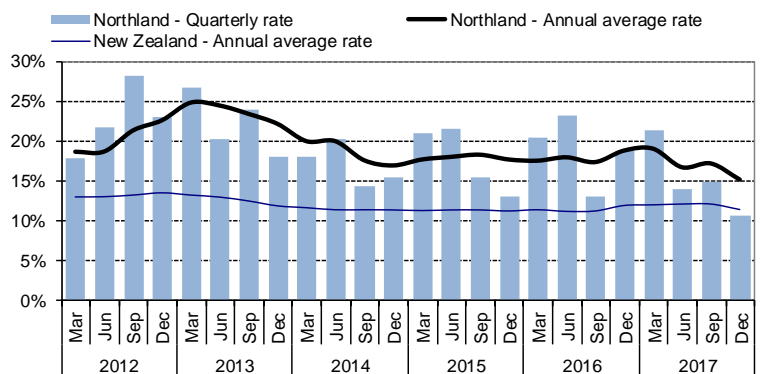
The annual average underutilisation rate in Northland was 15.4% in the 2017 calendar year. There has been a steady decline in Northland's underutilisation rate since 2013. The current annual average rate is the lowest it has been since March 2009 when it was 15%. The national average annual underutilisation rate is 12.1%, and varies between 11% in Canterbury and 16.5% in Manawatu-Wanganui. Northland's underutilisation rate is the third highest, with Manawatu-Wanganui and Hawke's Bay both having higher rates.



Source: Statistics New Zealand

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

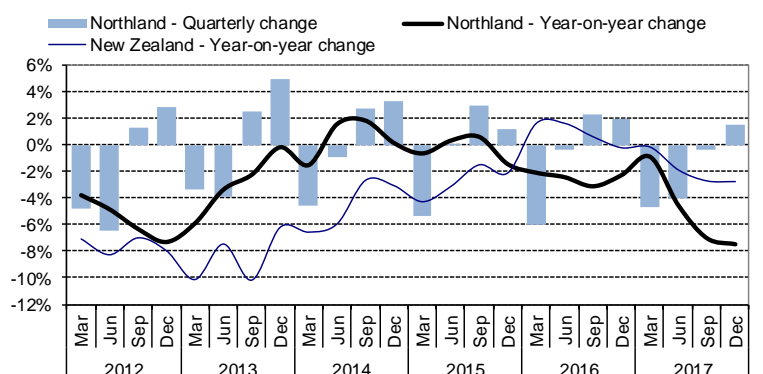
The annual average youth NEET rate in Northland was 15.2% in the year ended December 2017. This is the lowest annual average NEET rate recorded in Northland since the series began in 2004. The current rate is ten percentage points below the peak of 25% recorded in March 2013. Northland's NEET rate remains above the national youth NEET rate (11.5%) but the gap is the narrowest it has ever been. Gisborne/Hawkes Bay (18%) now has the highest annual NEET rate; the combined Tasman/Nelson/Marlborough/West Coast region has the lowest (9%).



Source: Statistics New Zealand

Jobseeker Support-Work Ready in Northland

A total of 4484 people in Northland were receiving the Jobseeker Support-Work Ready benefit at the end of December 2017. While this is up 1.5% from September (reflecting a seasonal rise) it is 7.4% lower than in December 2016. There are almost 1100 (20%) fewer people receiving this benefit than the peak of over 5500 recorded in June 2010. However, the current number remains 38% higher than in December 2008. Nationally, the number of people receiving this benefit has fallen by 2.8% over the past year. Over the past two years Northland has been outperforming the national trend.

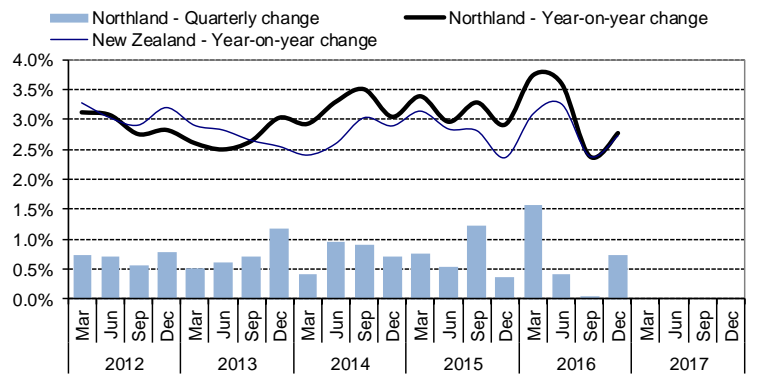


Source: Ministry of Social Development

Household welfare – quarterly

Average wage and salary earnings in Northland

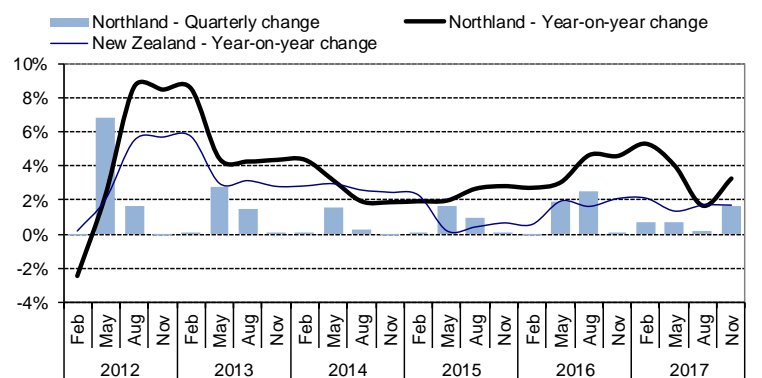
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$51,990 in December 2016. Average earnings rose 2.8% in the year ended December 2017 in line with the national average increase. Northland's average wage and salary is 89% of the New Zealand average. Only Auckland and Wellington have average regional earnings above the national average, with Northland ranking ninth out of the 16 regions.



Source: Statistics New Zealand

Domestic electricity price in Northland

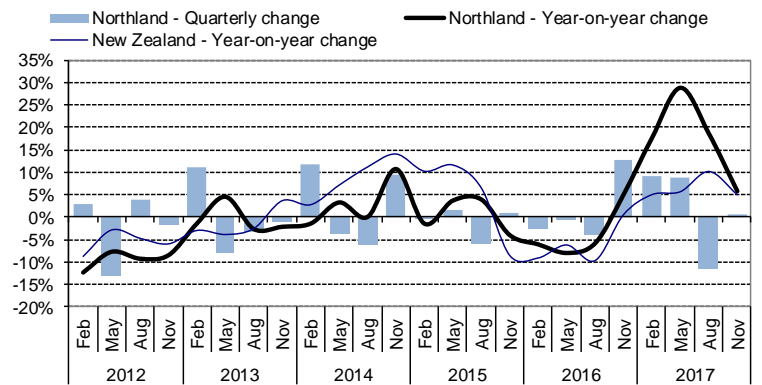
The weighted average domestic electricity price in Northland was 35.1c/kW in November 2017. This was 1.7% higher than in August and 3.2% higher than in November 2016. Over the past five years, domestic electricity prices in Northland have risen by 3.4% per annum. This is faster than the national annual average increase of 2%. Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2804. This is 19% higher than the national average of \$2360, equivalent to an additional \$8.54 per week.



Source: Ministry of Business, Innovation and Employment

Home affordability in Northland

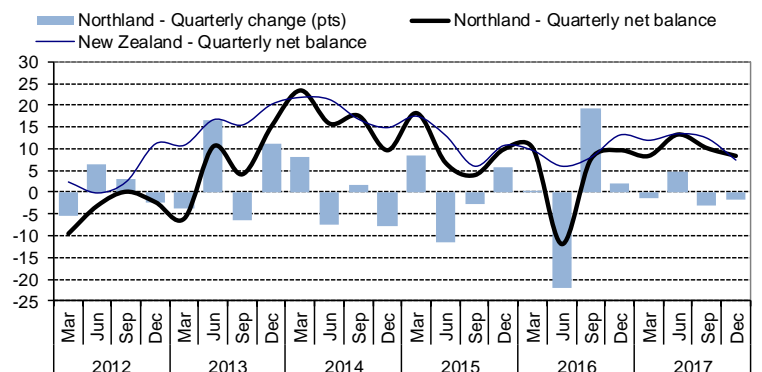
The Home Affordability Index for Northland (which takes into account the cost of borrowing as well as house prices and wage levels) rose by 5.6% in the year ended November 2017, continuing the decline in affordability that has occurred over the past 12 months. Rising house prices outweighed any gain from rising wages. The decline in Northland's home affordability over the past year was greater than the national drop. All 12 regions for which an index is calculated experienced a decline in affordability, with the largest falls estimated for Central Otago Lakes, Hawke's Bay and Manawatu-Wanganui.



Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell two points to eight in December 2017. This mirrored the slight fall in the national level of consumer confidence, which Northland sits just above. An index number above zero indicates that optimists outnumber pessimists. All regions had a slight fall in consumer confidence in the December quarter except for Waikato and Nelson/Marlborough/West Coast where it rose by 4 and 8 points respectively. Consumer confidence remains positive in all regions and in the narrow band of 2-14.

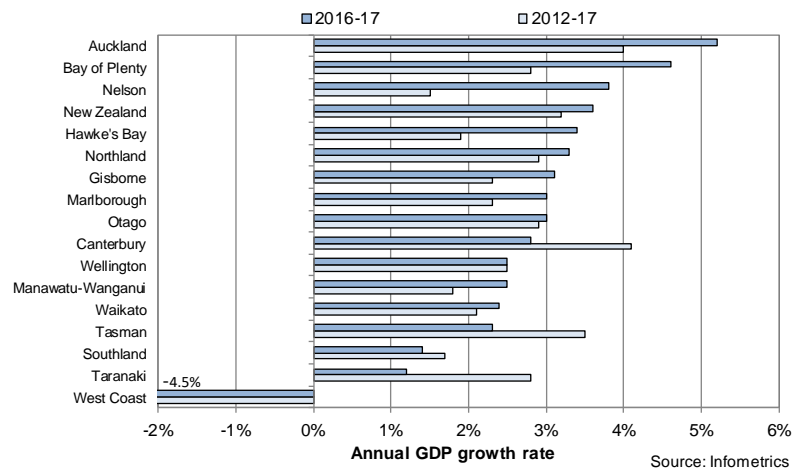


Source: Westpac McDermott Miller

Contribution to economic growth – annual

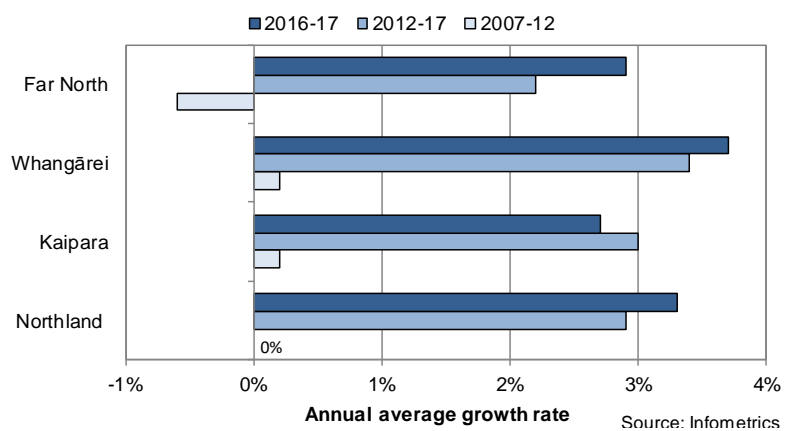
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 3.3% in the year ended March 2017 to \$6.0 billion (2010 prices). This is slightly below the national GDP growth rate of 3.6%. Northland ranked fourth out of 16 regions in terms of GDP growth in 2017, with only Auckland, Bay of Plenty, Nelson and Hawke's Bay growing faster. Over the five-year period 2012-17, the Northland economy grew at an annual rate of 2.9%, again just below the national growth rate of 3.2%. Northland sits towards the top of regional pack, with only Auckland, Canterbury and Tasman having a higher annual growth rate since 2012.



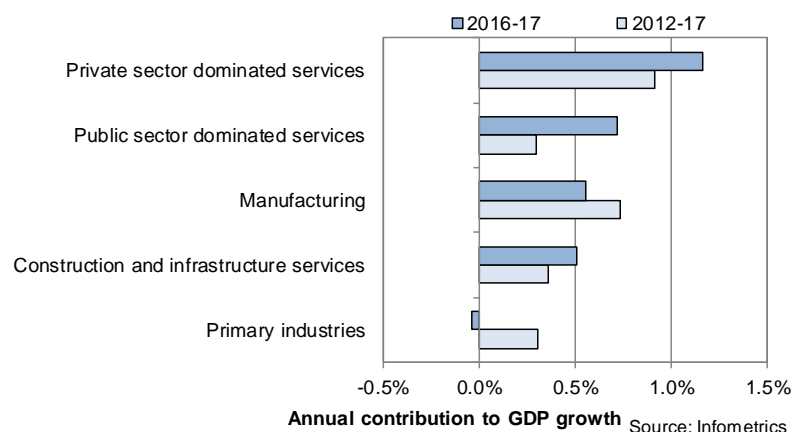
Growth rates by district in Northland

Economic growth rates can be highly divergent over the region. Over the five-year period 2012-17 GDP growth rates varied between 3.4% in Whangārei, 3.0% in Kaipara and 2.2% in the Far North. However, over the preceding five-year interval 2007-12 both Whangārei and Kaipara economies grew by 0.2% per annum while the Far North economy shrunk at an annual average rate of 0.6%. The economies of Whangārei and Kaipara are 19% and 17% respectively bigger than in 2007 while the Far North economy is only 8% bigger.



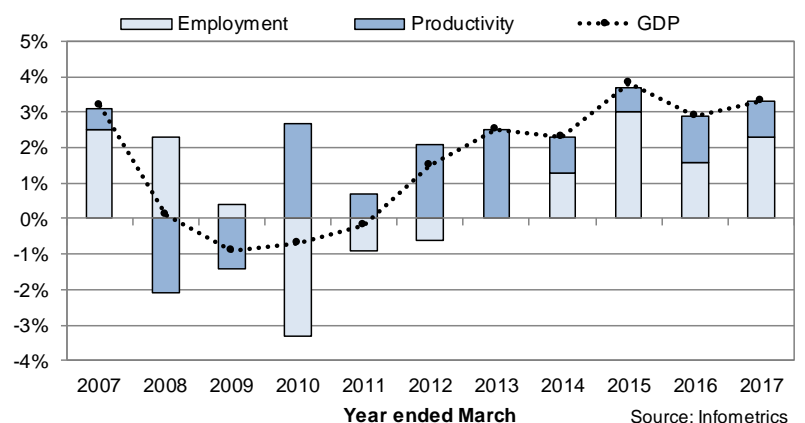
Contribution of sectors to economic growth in Northland

The main high-level sector contributing to the rise in Northland's GDP in 2017 was the private sector dominated service industries (such as retail trade), which raised the region's GDP by 1.2%. There was also strong growth in the public sector dominated services, manufacturing, and construction and infrastructure services sectors, with each of these lifting regional GDP by at least 0.5%. The contribution of the primary industries fell slightly in 2017. Over the longer 2012-17 period all sectors have contributed to a growing Northland economy.



Contribution of employment and productivity to economic growth

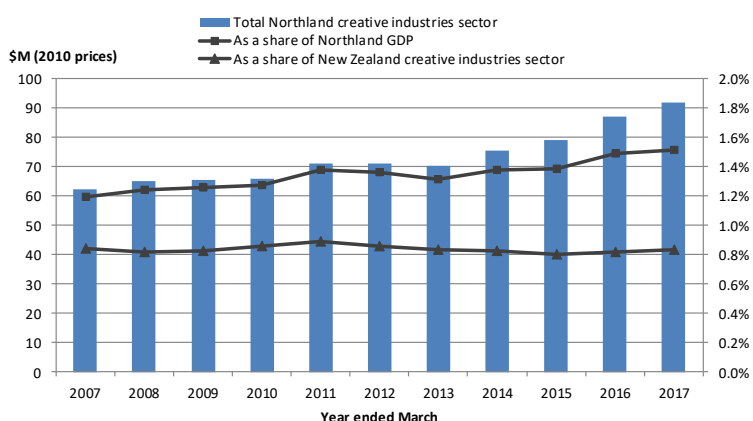
It is also useful to analyse GDP growth in terms of employment and productivity (GDP per filled job). A notable feature of Northland's GDP growth over the past four years was the positive contribution of employment. This had not been a feature of Northland's economic growth during 2010-13. GDP per worker in Northland has grown by 1.3% per annum since 2012 – faster than the 1.1% national average. GDP per worker in Northland has risen from 88% to 90% of the national average, ranking the region ninth out of 16 regions.



Spotlight – Creative industries in Northland

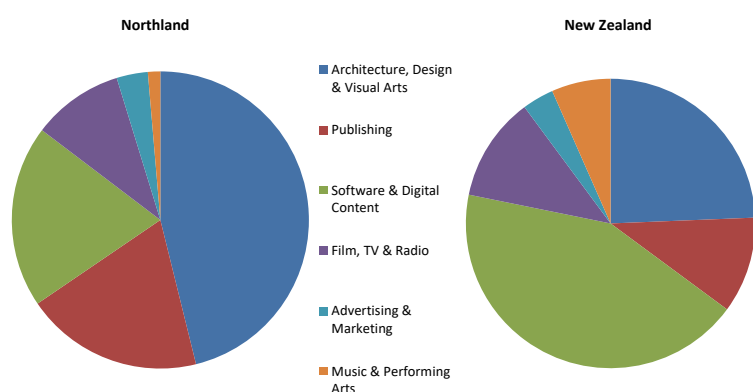
Contribution to GDP and employment

In the year ended March 2017 the creative industries sector contributed \$92M (1.5%) to Northland's total GDP of \$6,046M. This represents 0.8% of the GDP earned by the national creative industries sector. There were 1411 filled jobs in the Northland creative industries sector in the year ended March 2017, accounting for 2% of the total filled jobs in Northland, and 1.3% of filled jobs in the national creative industries sector. Northland's creative industries sector has grown faster than the Northland economy and in-line with growth in the national creative industries sector.



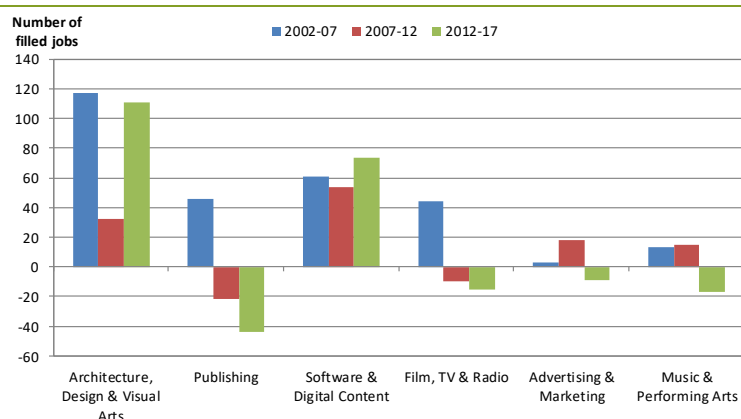
Relative importance of segments to employment

The three most important creative industry segments in Northland are: Architecture, Design & Visual Arts; Publishing; and Software & Digital Content. In the year ended March 2017 these three segments accounted for 46%, 19% and 20% respectively of filled jobs. This profile is different at the national level. The Architecture, Design & Visual Arts segment contributes a lower proportion nationally (24%) than it does in Northland; with the Software & Digital Content segment contributing more nationally (46%) than in Northland.



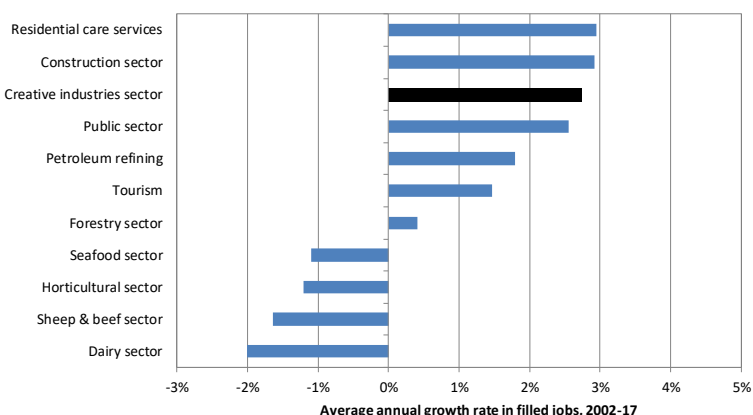
Contribution of segments to employment growth

There has been an increase in filled jobs in five of the six creative industries segments in Northland since 2002; there are 20 fewer filled jobs in Publishing. Of the 471 additional filled jobs that have been opened in the creative industries sector in Northland since 2002, 95% have been created in just two segments; Architecture, Design & Visual Arts, and Software & Digital Content.



Comparison with other sectors

In terms of filled jobs, the creative industries sector in Northland is slightly smaller than the horticultural sector, around half the size of the construction, sheep & beef and forestry sectors, and 16% of the number employed in tourism related activities. Since 2002, employment in the creative industries sector has grown by 2.7% per annum, almost twice as fast as the regional average (1.3%). The number of filled jobs in the creative sector has grown slower than filled jobs in the residential care services and construction sectors but faster than many other sectors of the Northland economy.



1. The analysis uses the definition of the creative industries sector as determined by the ARC Centre of Excellence for Creative Industries and Innovation (CCI) in Australia.