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From the economist

Welcome to the 17th issue of the Northland Economic Quarterly. The Northland economy continues to perform strongly, with many indicators at or near record levels. Particularly positive is the improvement in indicators associated with those not working. However, the large drop in housing affordability over the past year will limit the opportunities for some households to purchase a home.

The four tourism related indicators covered in the Annual section show the positive developments that have occurred in this sector over the past few years. Guest nights in the year ended June 2017 hit a record high annual level of more than 1.9 million. There have been increases in both domestic and international visitors and across the different accommodation types. Estimates of expenditure reveal a sharp rise in spending by international visitors (13%) and from other regions of New Zealand (9%).

The spotlight section focuses on Statistics New Zealand population projections for Northland. Over the 10 years from 2018 to 2028, Northland's population is projected to grow at an average annual rate of 0.7% to reach 188,600. Whangārei and Kaipara districts are projected to grow more than twice as fast as the Far North, with more than 90% of the increase being in the 65-84 years age group.

Darryl Jones

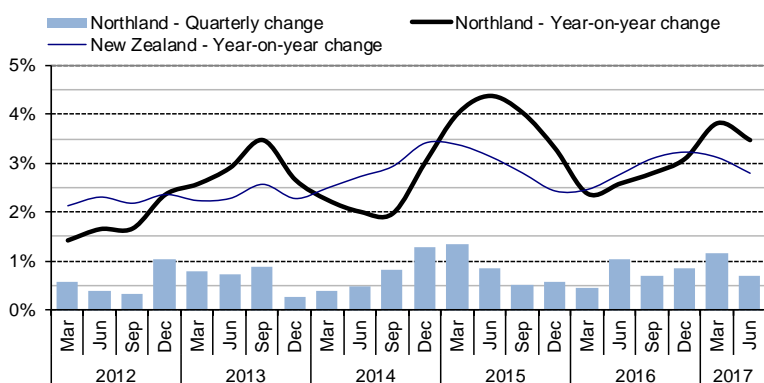
Quick quarterly statistics

- Northland's GDP is estimated to have risen 3.5% in the year ended June.
- New residential building unit consents rose 21% in the 12 months to June.
- Wood chip export volumes rose 26% in the June year to near record levels.
- Commercial vehicle registrations rose 20% in the year ended June 2017.
- Employment rose to a new record high of 79,500 in June 2017.
- The annual average unemployment rate dropped to 7.5%.
- The number of people on the Jobseeker Support-Work Ready benefit fell 4.5% in the year ended June 2017.
- The youth not in employment, education or training (NEET) rate dropped to an average of 16.8% in the 12 months to June 2017.
- The average wage and salary rose 3.6% in the year ended June 2016.
- Domestic power prices rose 4% in the year ended May 2017.
- Rising house prices resulted in deteriorating home affordability, with the index rising 30% in the year ended May 2017.
- Consumer confidence rose back to the national average in June 2017.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

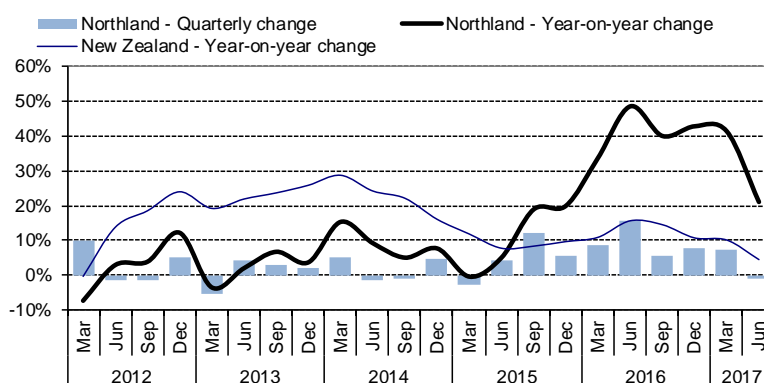
Northland's GDP was estimated to have risen by 0.7% in the June 2017 quarter. This contributed to an estimated annual GDP growth rate of 3.5% for the year ended June, above the estimated national growth rate of 2.8%. The region's growth rate varies more than the national rate. All three districts in Northland are forecast to have annual growth rates of between 3-4%. Northland ranked 5th out of 16 regions in terms of annual GDP growth. Regional growth rates varied between 4% in the West Coast and 0.8% in Canterbury.



Source: Infometrics Regional Database

Number of new dwelling unit consents in Northland

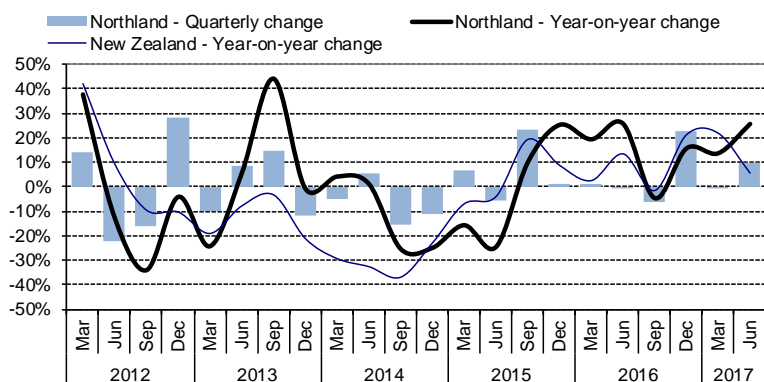
During the year ended June 2017, 1289 new dwelling unit consents were issued in Northland. This is 21% more than the number issued in the year ended June 2016 but slightly down from the March annual total. The June annual total is just 152 below the record of 1441 consents issued in 2014. There is a large regional variation around the 5% national increase in consents issued in the twelve months to June 2017, ranging from 40% in Manawatu-Wanganui to -20% in Canterbury. Northland ranked eighth out of the 16 regions.



Source: Statistics New Zealand

Wood chip exports from Whangārei

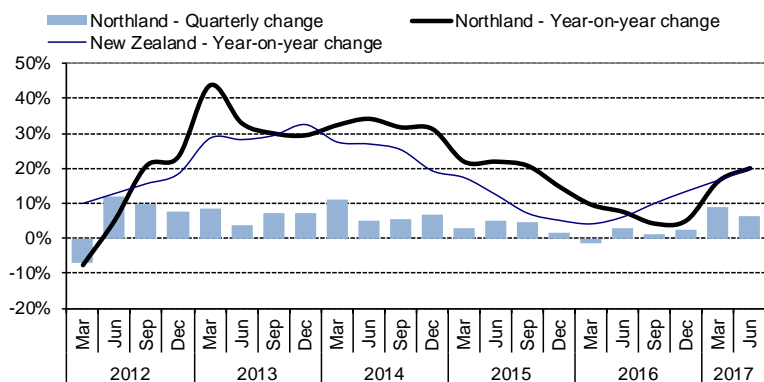
Some 156,000 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended June 2017. This is 26% higher than the annual volume exported the previous June year and just below the annual record of 158,000 BDU exported in the year ended March 2012. Due to exports from Northland growing faster than elsewhere in New Zealand, the region accounted for 54% of New Zealand wood chip exports in the year ended June 2017. Softwood chips account for 100% of the volume exported from Whangārei compared to 55% nationally.



Source: Ministry for Primary Industries

Commercial vehicle registrations in Northland

A total of 2085 commercial vehicles were registered in Northland in the year ended June 2017. This is 20% higher than the number registered in the previous June year and is in line with the national annual increase. The number of commercial vehicles registered in the year ended June 2017 is a new record level for Northland, considerably higher than the 665 commercial vehicles registered in June 2010 during the GFC and well above the pre-GFC record of 1487 set in 2005.

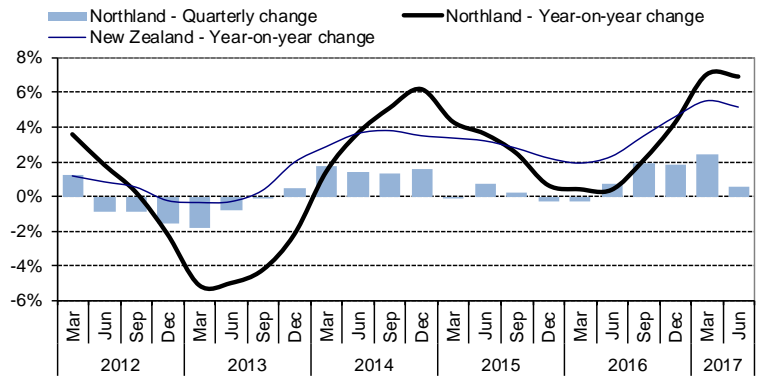


Source: Ministry of Transport

Employment activity – quarterly

Employment in Northland

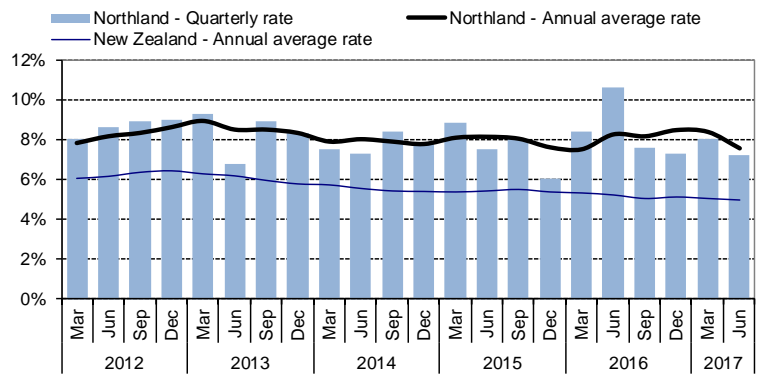
An estimated average of 79,500 people were employed in Northland (both full-time and part-time) in the year ended June 2017. This is 7% higher than the average number employed in the year ended June 2016, and is a new record level. The number of people employed in Northland has increased by 10,500 (15%) since June 2013 when the fall in employment post-GFC bottomed out at around 69,000. Nationally, the number of people employed increased by 5.2% in the year ended June. Only the Waikato region (7.1%) experienced a faster rise in employment than Northland.



Source: Statistics New Zealand

Unemployment in Northland

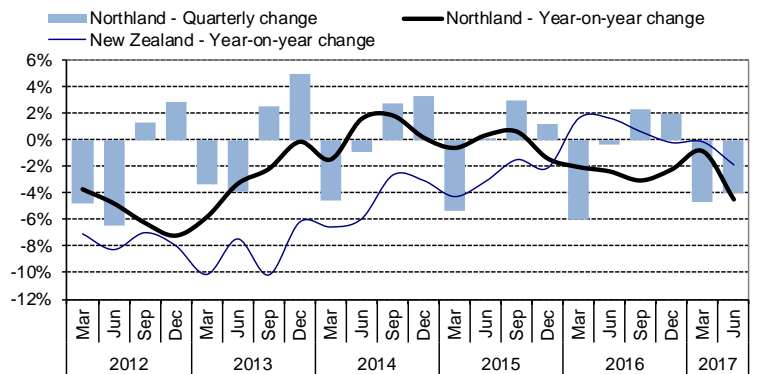
The annual average unemployment rate in Northland was 7.5% in the year ended June 2017. This is 0.9 percentage points lower than the annual rate recorded in March 2017. This is the biggest quarterly drop in the annual average recorded since before the GFC, and the largest fall recorded in any of the 12 regions for which it is calculated. The annual average unemployment rate increased in five regions in the June quarter and fell in seven. The current unemployment rate in Northland is the lowest it has been since June 2009 when it was 7.4%.



Source: Statistics New Zealand

Jobseeker Support-Work Ready in Northland

A total of 4433 people in Northland were receiving the Jobseeker Support-Work Ready benefit at the end of June 2017. This is down 4.0% from March and is 4.5% lower than in June 2016. While the number of people currently receiving this benefit is 21% less than the peak of over 5500 recorded in June 2010, it remains 42% higher than in September 2008. Nationally, the number of people receiving this benefit has fallen by 2% over the past year. Over the past 18 months Northland has been outperforming the national trend.

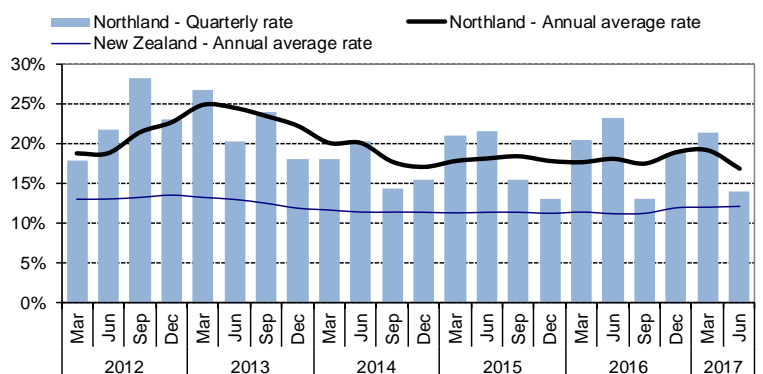


Source: Ministry of Social Development

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

The annual average youth NEET rate in Northland was 16.8% in the year ended June 2017. This is the lowest annual average NEET rate recorded since 2008 and is seven percentage points below the post-GFC peak of 25% recorded in March 2013.

Northland's NEET rate remains above the national youth NEET rate (12%) but the gap is the narrowest it has ever been. Gisborne/Hawkes Bay has the next highest annual NEET rate of 16.6% for the year ended June 2017, with Otago having the lowest NEET rate (10.4%).

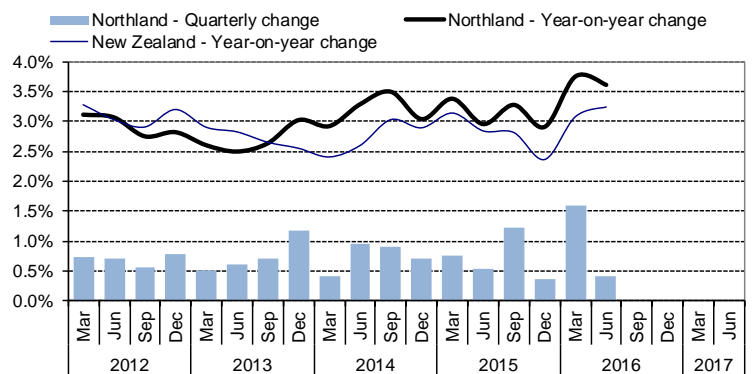


Source: Statistics New Zealand

Household welfare – quarterly

Average wage and salary earnings in Northland

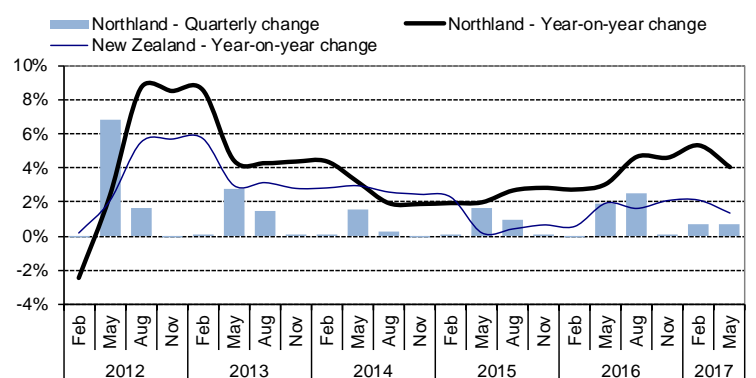
The average annual wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$51,600 in June 2016. This represents an annual increase of 3.6%, higher than the national increase of 3.2%. Since the end of 2013 the average wage and salary in Northland has grown faster than the national increase. Northland's average is about 89% of the New Zealand, but ranks eighth out of the 16 regions, and is very similar to the average received in Otago and the Bay of Plenty.



Source: Statistics New Zealand

Domestic electricity price in Northland

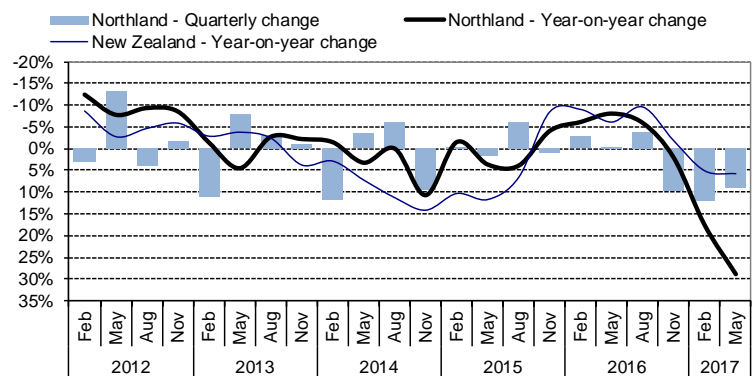
The weighted average domestic electricity price in Northland was 34.4c/kW in May 2017. This was 0.7% higher than in February and 4.0% higher than in May 2016. Over the past five years, domestic electricity prices in Northland have risen by 3.3% per annum. This is faster than the national annual average increase of 1.9%. Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2754. This is 18% higher than the national average of \$2336, equivalent to an additional \$8.03 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 30% in the year ended May 2017 indicating a sharp decline in affordability. Rising house prices outweighed any gain from rising wages. Northland experienced the sharpest drop in affordability over the past year across the 12 regions for which it is calculated. Only Canterbury/Westland experienced an improvement in affordability since May 2016 due to falling house prices in that region.

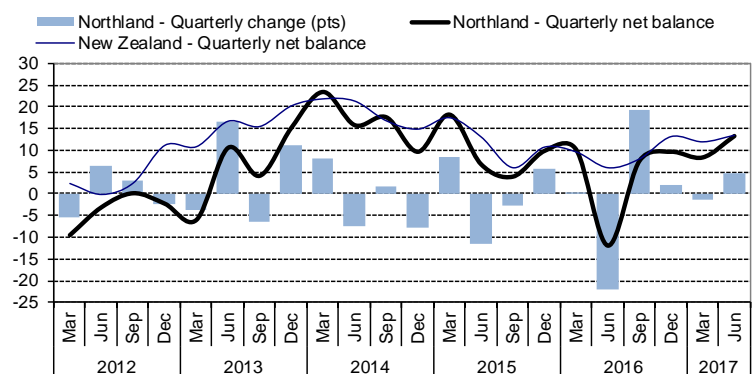


Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose five points, to 13 in June 2017. This mirrored the slight rise in the national level of consumer confidence, which Northland sits alongside. An index number above zero indicates that optimists outnumber pessimists.

All regions had a slight rise in consumer confidence in the June quarter except Auckland and Wellington where it fell by 2 and 5 points respectively. All regions remain in an historically narrow positive band of 8-19.

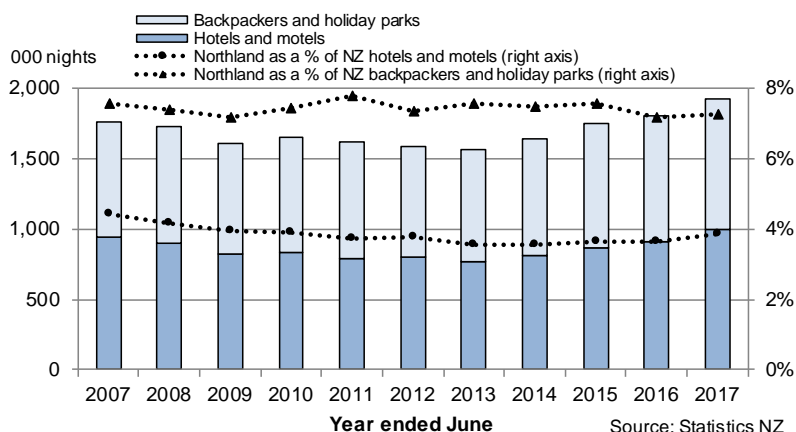


Source: Westpac McDermott Miller

Tourism activity – annual

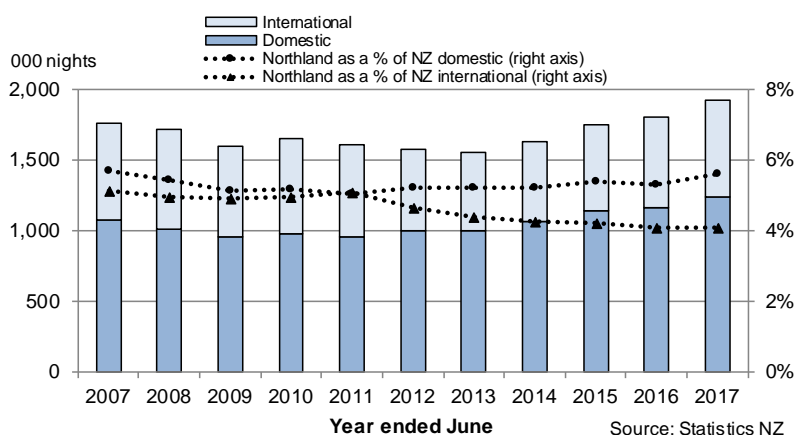
Guest nights by accommodation type

A total of 1.9 million guest nights was spent in Northland commercial accommodation in the year ended June 2017. This represents a 7% annual increase and follows a 3% increase the previous year. The 2016/17 total is the highest on record, 10% above the pre-GFC high of 1.756 million set in 2006/07. Guest nights rose for both hotels and motels (9.6%) and backpackers and camp grounds (4.4%) during the year ended June 2017. Guest nights in hotels and motels are now above pre-GFC levels for the first time, being 6% above the previous peak of 939,000 set in 2006/07.



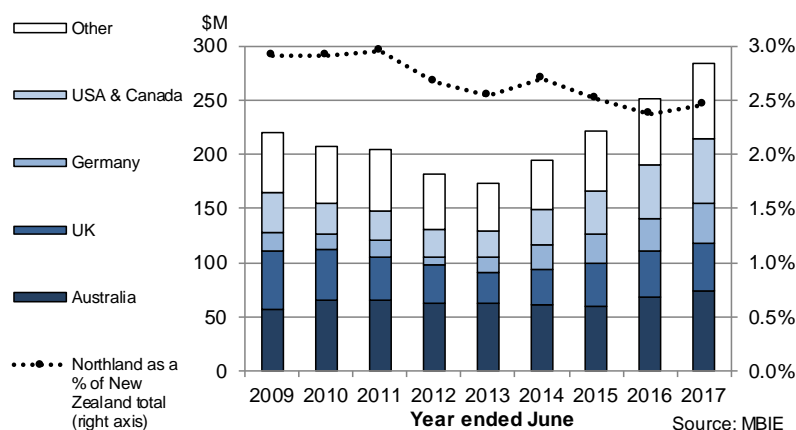
Guest nights by origin

Over the past year there has been an increase in both domestic (6.3%) and international (8.5%) visitors. Domestic guest nights now exceed pre-GFC levels by 15%. However, the number of international guest nights is still 3% below its 2007/08 peak. International visitors made up just 36% of guest nights in 2016/17 compared to 41% in 2007/08. Northland's share of total international guest nights in New Zealand has fallen from 5.1% in 2007 to 4.1% in 2017. By contrast, its share of the domestic tourism market has remained stable at about 5.7%.



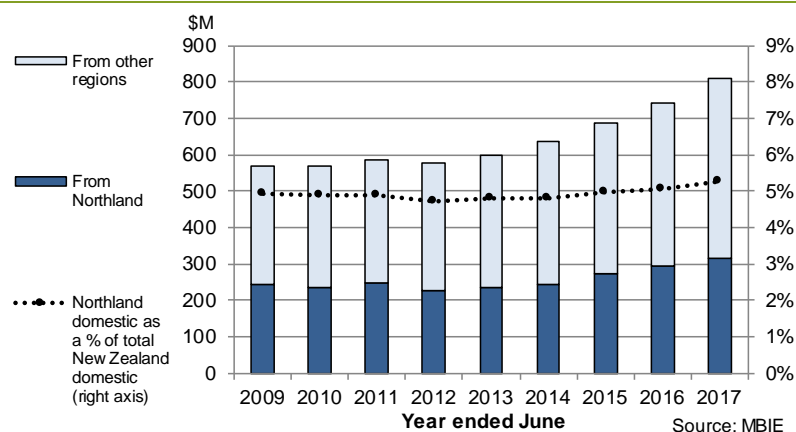
International tourism spending

In the year ended June 2017, it is estimated that international visitors to Northland spent \$284M during their time in the region. This is up 13% on the amount spent in 2015/16. Since 2013, international visitor spending has increased by 13% each year. Over the past three years there has been a steady increase in expenditure by visitors from all regions of the world. The 2016/17 level of expenditure is 28% higher than the \$221M spent in 2008/09. However, Northland's share of total international spending in New Zealand has fallen from 3% in 2010/11 to 2.5% in 2016/17.



Domestic tourism spending

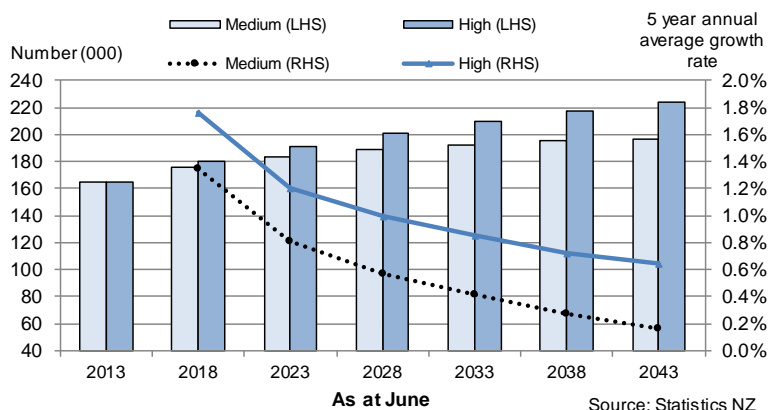
The monthly regional tourism estimates show total domestic tourist spending of \$809M in Northland during the year ended June 2017. This is 8.8% higher than the level of expenditure that occurred in 2015/16, and continues an upward trend in expenditure that has been evident since 2011/12. This growth has been faster than the national average, with Northland's share of total domestic tourism spend increasing from 4.7% to 5.3%. Around 40% of domestic tourism related spending in Northland is done by Northlanders.



Spotlight – Population projections

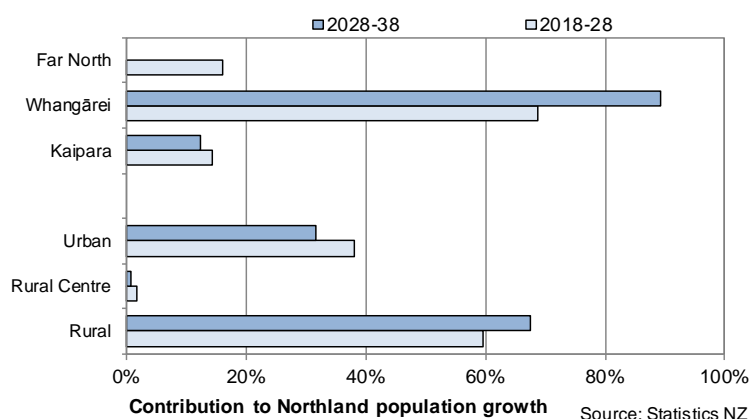
Population growth in Northland

Over the ten-year period from June 2018 to June 2028, Northland's population is projected to increase from 176,100 to 188,600 people (based on Statistics NZ medium growth scenario). This is an average annual growth rate of 0.7% over the ten-year period, slightly below the national increase of 1%. Under the high growth projection scenario, Northland's population will total 200,500 in 2028, an average annual increase of 1.2%. Northland's population growth rate is expected to slow down later in the century under both medium and high scenarios.



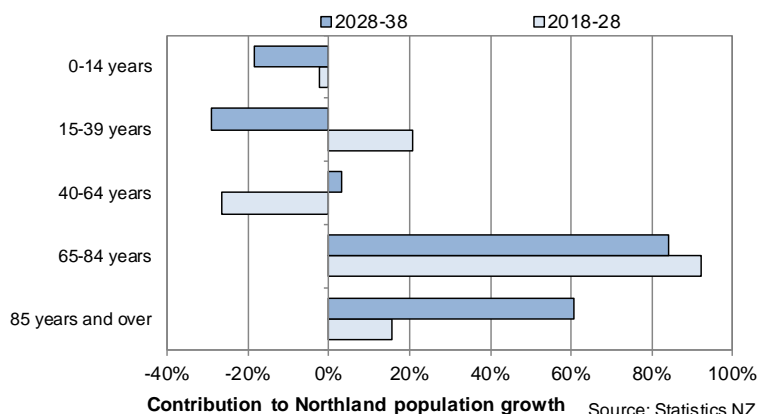
Change in population by location

Of the addition 12,500 people expected to live in Northland between 2018 and 2028, 70% are projected to live in the Whangārei district, with around 15% expected to live in both Kaipara and the Far North. These increases equate to average annual growth rates of 0.9% in Whangārei, 0.8% in Kaipara and just 0.3% in the Far North. In terms of urban/rural mix, just under 60% of the additional 12,500 people are projected to live in rural areas of Northland, with the rural population of Northland growing by 0.9% per annum during the 10 years. Close to one-third of the additional people will live in the urban environment. These trends are projected to continue during the following 10-year period.



Change in population by age

The vast majority (92%) of the projected population increase over the 10-year period 2018-2028 is expected to occur in the 65-84 years age group. The number of Northlanders in this age bracket is projected to increase from 31,410 in 2018 to 42,950 in 2028, an average annual increase of 3.4% compared to the total Northland population increase of 0.7% per annum. People aged over 65 are forecast to account for 26% of the Northland population in 2028 and 30% by 2038. In contrast, Northland is projected to see a drop in the number of people in the 40-64 years old age grouping.



Change in population by ethnicity

Over the ten-year period 2018-2028, almost 50% of the population increase is expected to be of persons of Māori ethnicity. By 2028, Māori are projected to account for 39% of the total Northland population. The Māori population of Northland is expected to grow at a similar rate to the national increase (around 1.6% per annum) but because of the high proportion of Māori living in Northland this translates into a large share of the total increase. The Asian population of Northland is projected to increase by 3% per annum.

