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From the economist

Welcome to the 16th issue of the Northland Economic Quarterly. Those who have been following the quarterly over the past year or so will not have been surprised by recent reporting on the strong performance of the Northland economy. Growth has been very strong across many indicators, showing a broad lift in economic activity and employment across the region.

The annual section reports on Northland data from the Agricultural Production Statistics. Beef, deer and pig numbers rose in 2016 but the sheep flock has fallen by 4%. Stock numbers for all four animal types remain 30% or more below levels recorded in the mid-2000s. The quantity of fertiliser applied in Northland dropped to a record low of 87,000 tonnes, around half the level applied in the early 2000s. The low dairy payout was a contributing factor.

The spotlight section focuses on international migration into Northland. In the year ended March 2017 Northland received a record level of net international migration gain of 856 people, equivalent to a 0.5% lift in population. This is a large turnaround from the early years of this decade when Northland was recording a net loss of 1300. This has a variety of economic and social implications, including increased consumer spending, demand for housing, etc.

Darryl Jones

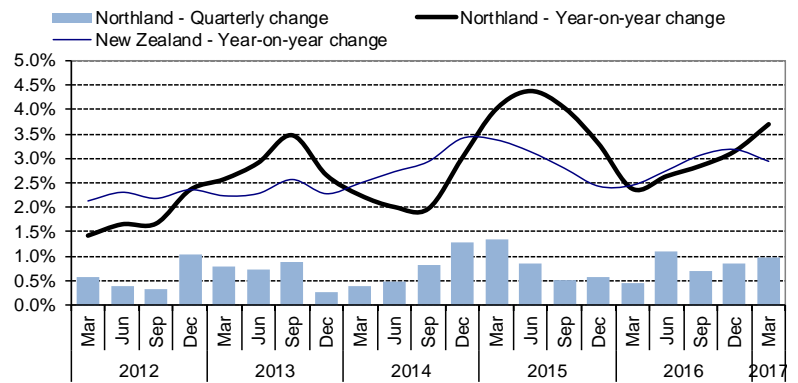
Quick quarterly statistics

- Northland's GDP is estimated to have risen 3.7% in the year ended March.
- Ready-mixed concrete production is up 15% over the past 12 months.
- Log export volumes have risen 5% and 14% by value in the 2016 June year.
- Spending by international visitors is 10% higher than in 2016.
- Employment rose to a new record high of 79,000 in March 2017.
- The annual average unemployment rate remains flat at 8.4%.
- The number of people on the Jobseeker Support-Work Ready benefit fell 0.8% in the year ended March 2017.
- Online job vacancies in March 2017 are 18% higher than a year ago.
- The average wage and salary rose 3.8% in the year ended March 2016.
- Food prices in Whangārei rose 1.9% over the year ended March 2017.
- The mean rent in Northland rose 10% in the year ended March 2017.
- Consumer confidence fell slightly in March, matching the minor fall in consumer confidence across the country.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

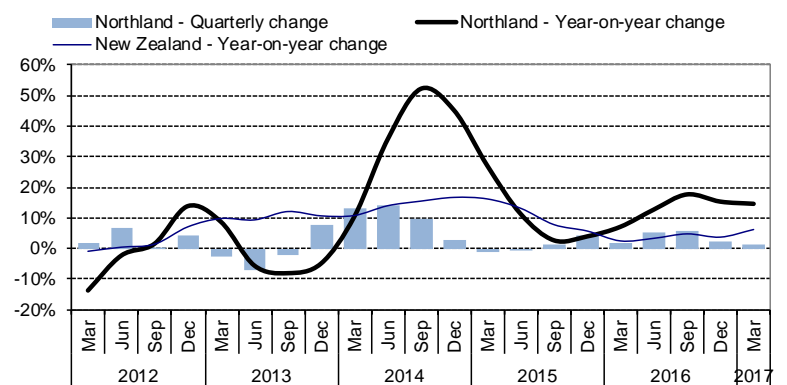
Northland's GDP was estimated to have risen by 1.0% in the March 2017 quarter. This contributed to an estimated annual GDP growth rate of 3.7% for the year ended March, above the estimated national growth rate of 2.9%. All three districts in Northland are forecast to have annual growth rates of 3-4%. Northland ranked 5th out of 16 regions in terms of annual GDP growth. Auckland, Tasman and Nelson are estimated to have grown by more than 4% over the past year. In contrast, Taranaki, Canterbury and Southland grew by 2% or less.



Source: Infometrics Regional Database

Ready-mixed concrete in Northland

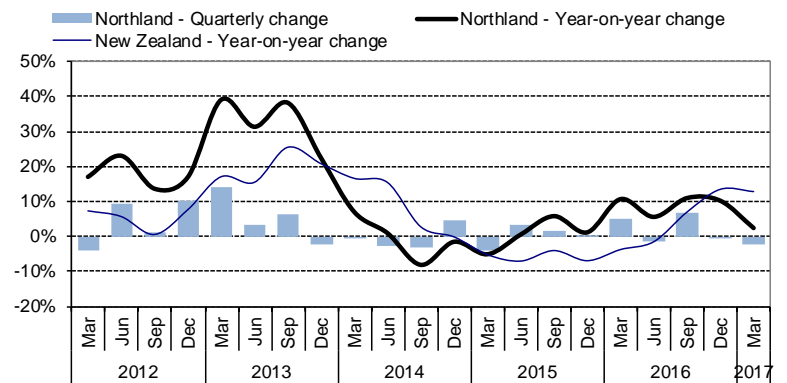
In the year ended March 2017, 136,000m³ of ready-mixed concrete was produced in Northland. This is 15% higher than the annual volume recorded in the year ended March 2016. Nationally, concrete production increased by 6.3% in the year ended March 2017, driven by the growth in Auckland where the lift in production contributed 85% to the national increase. While production in Northland has been increasing over the past four years, current levels are still 13% below those recorded in the mid-2000s.



Source: Statistics New Zealand

Log exports from Whangārei

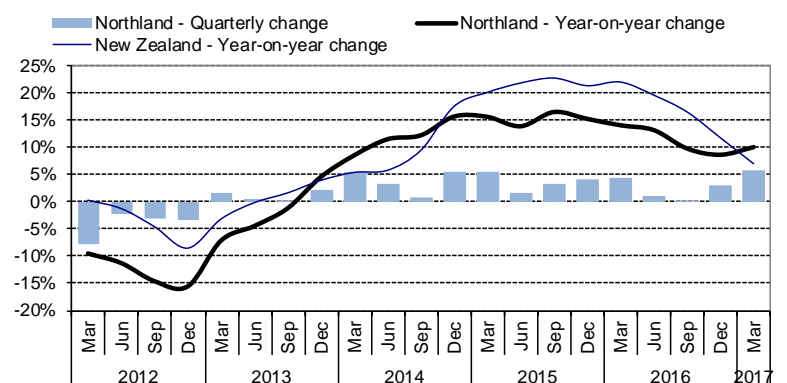
Just over 2.8 million cubic metres of logs were exported from Whangārei in the year ended March 2017. This is 2.2% higher than the volume exported in the year ended March 2016 and is just below the annual export record of 2.88 million cubic metres recorded in the 2016 calendar year. Due to higher log prices, the total value of logs shipped from Whangārei rose by 12% in the March 2017 year to \$409 million. At the national level, the volume of log exports rose 13% in the year ended March, with strong growth experienced across all major ports of departure.



Source: Ministry for Primary Industries

International visitor spend in Northland

The value of international visitor spending in Northland totalled \$275 million in the year ended March 2017. This is 10% higher than the level of spending in the 2016 March year and is ahead of the national increase of 7%. Northland's share of the national total has fallen from 3% in 2009 to 2.5% in 2017. Since March 2009, international visitor spending has increased by 46%, with Otago, Bay of Plenty and Waikato recording more than a 60% increase. Northland has seen a 22% increase, only ahead of Canterbury and Hawke's Bay.

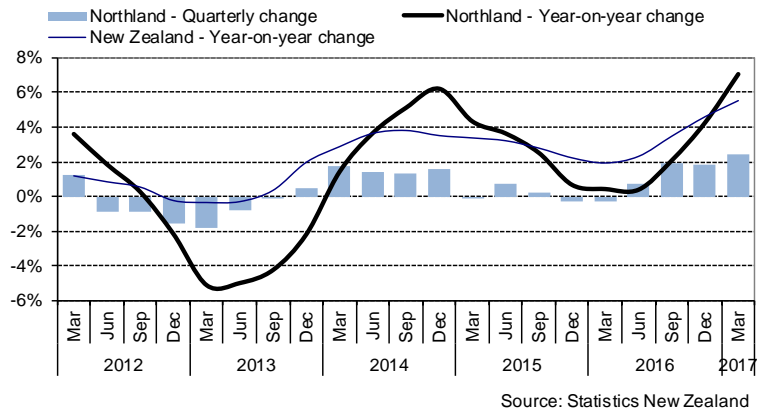


Source: MBIE

Employment activity – quarterly

Employment in Northland

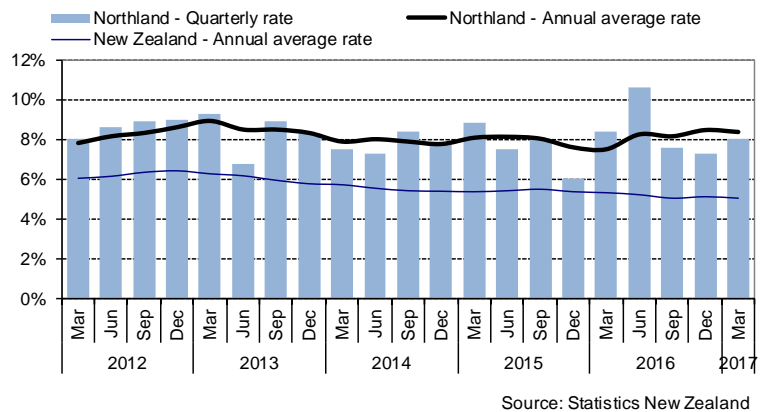
An estimated average of 79,000 people were employed in Northland (both full-time and part-time) in the year ended March 2017. This is 7% higher than the average number employed in the year ended March 2016, and is a new record level. The number of people employed in Northland has increased by 10,000 (14%) since June 2013 when the fall in employment post-GFC bottomed out at around 69,000. Nationally, the number of people employed increased by 5.5% in the year ended March, with only Manawatu-Wanganui (9.2%) and Auckland (7.5%) having faster rises than Northland.



Unemployment in Northland

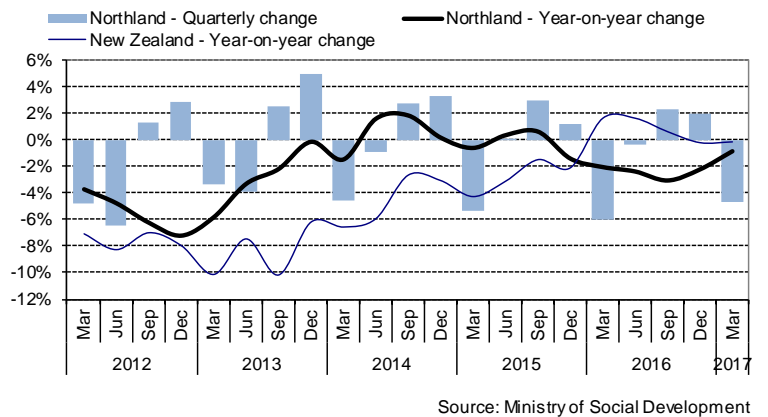
The annual average unemployment rate in Northland was 8.4% in the year ended March 2017. This is very similar to the rate recorded in the previous quarter, and is 0.9 percentage points higher than in March 2016. Improved employment opportunities may be encouraging people into the labour force.

Since the post GFC peak in March 2013, Northland's unemployment rate has only fallen from 9% to 8.4%. Unemployment has declined in most regions but has risen in Taranaki and Southland, albeit to relatively low levels of 5.7% and 5% respectively.



Jobseeker Support-Work Ready in Northland

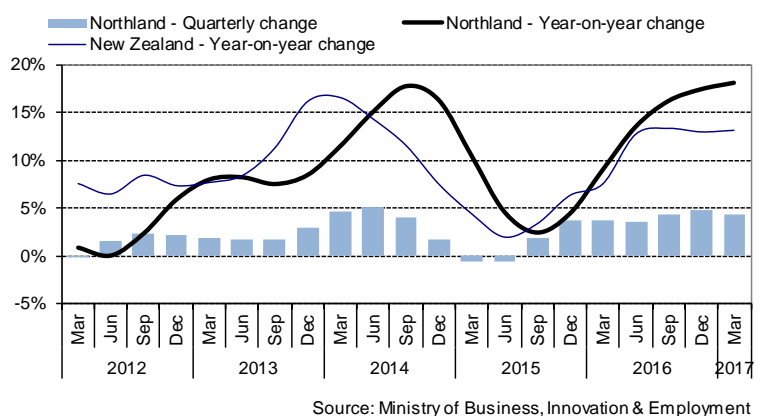
A total of 4618 people in Northland were receiving the Jobseeker Support-Work Ready benefit at the end of March 2017. This is down 4.7% from December and is 0.8% lower than in March 2016. While the number of people currently receiving this benefit is 17% less than the peak of over 5500 recorded in June 2010, it remains 48% higher than in September 2008. Nationally, the number of people receiving this benefit has fallen by 0.2% over the past year. Over the past 18 months Northland has been outperforming the national trend.



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 2017 quarter. The number of online vacancies was 4% higher than in the December 2016 quarter and 18% higher than in March 2016. It is over 70% higher than in March 2012.

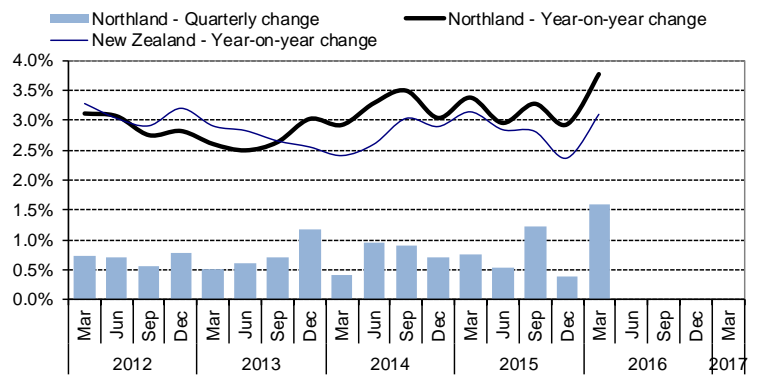
Nationally, the number of online job vacancies grew by 13% over the past year. Northland sits alongside job growth in Manawatu-Wanganui (14%), behind the likes of Waikato (26%) but ahead of Auckland (13%), Wellington (7%) and Canterbury (3%).



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 \$51,400 in March 2016. This represents an annual increase of 3.8%, higher than the national increase of 3.1%. This is the highest annual increase of any region, although most regions experienced an increase in the range of 2.5-3.5%. Since 2014 the average wage and salary in Northland has grown faster than the national increase. Northland's average is very close to that received in the Bay of Plenty, Nelson, Marlborough, Otago and Southland.



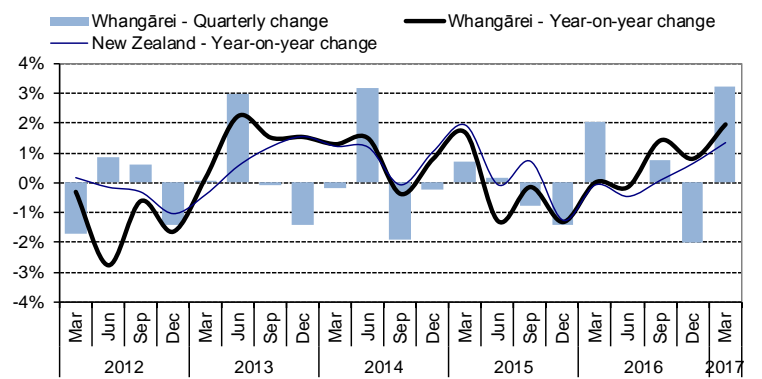
Source: Statistics New Zealand

Food prices in Whangārei

Food prices in Whangārei rose by 3.2% in the March 2017 quarter. This followed a decrease of 2% in the previous quarter, and on an annual basis food prices rose 1.9% in the year ended March. This is the largest annual increase since June 2013.

Local food prices have risen at a faster rate than nationally since the beginning of 2016.

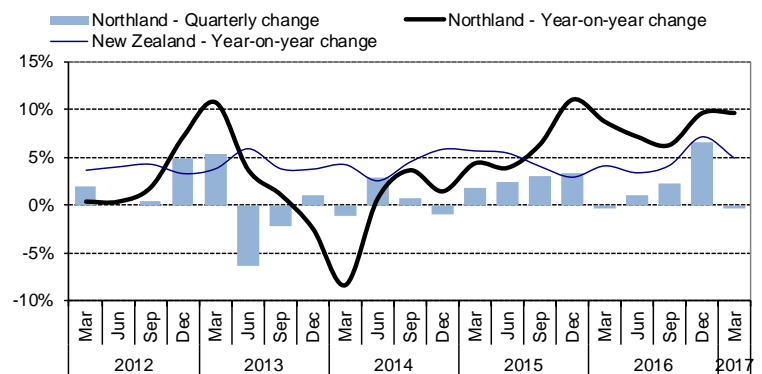
The cost of the standard basket of commodities used for measuring food prices in Whangārei is 5% higher today than it was five years ago in March 2017.



Source: Statistics New Zealand

Mean rents in Northland

The mean average rent in Northland was \$341 per week in the March 2017 quarter. This is about the same level as in December 2016 but is 10% higher than in March 2016. Since March 2014, the average rent in Northland has risen by 24%, well above the 15% increase in the national average. Only Bay of Plenty (26%) recorded a larger increase than Northland. The average rent in Northland is about 80% of the national average, and similar to Hawke's Bay. Rent in Auckland is 22% higher than the national average; in Southland it is 50% lower.

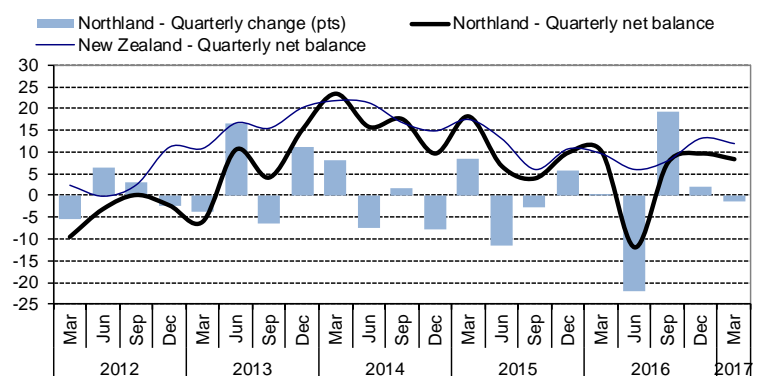


Source: Ministry of Business, Innovation & Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell one point, to eight in December 2016. This mirrored the slight fall in the national level of consumer confidence, which Northland sits just below. An index number above zero indicates that optimists outnumber pessimists.

All regions had a slight fall in consumer confidence in the March quarter except Auckland and Canterbury where it rose by 3 and 2 points respectively. All regions remain in an historically narrow positive band of 6-15.

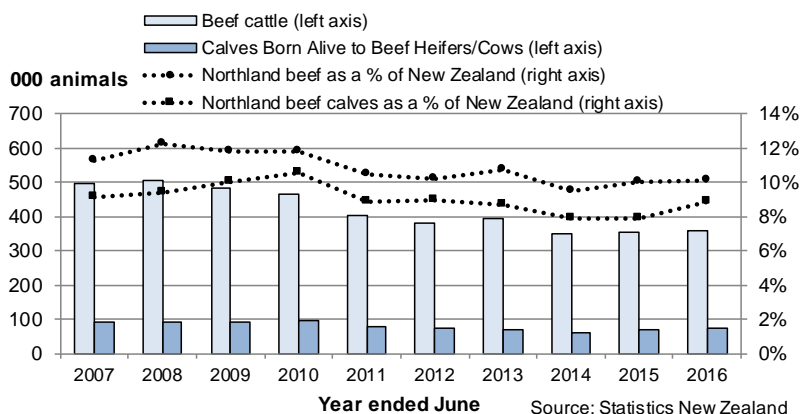


Source: Westpac McDermott Miller

Agricultural statistics – annual

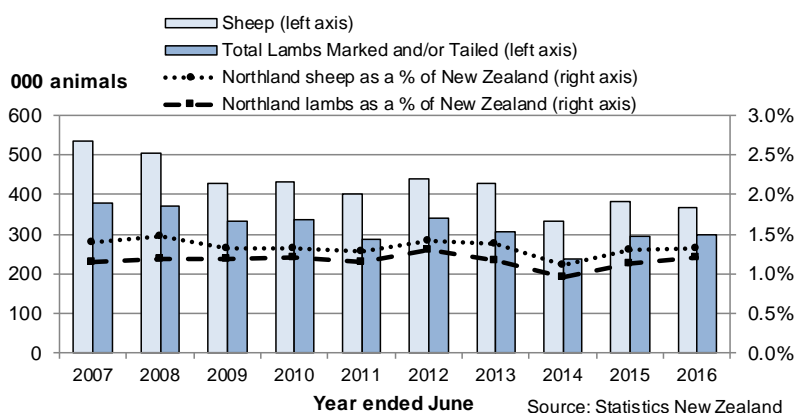
Beef animals in Northland

The number of beef cattle in Northland rose by 0.6% in the year ended June 2016 to just below 357,000 head.¹ In the early 1990s, there were close to 600,000 beef cattle in Northland. There has been a steady decline in the number of beef cattle in Northland since 2008 when cattle numbers totalled 507,000. Since then the number of beef cattle in Northland has fallen by 30%. This compares with a 15% drop in the national beef cattle herd. Consequently, Northland's share of the national beef herd has fallen from just over 12% in 2008 to 10% in 2016.



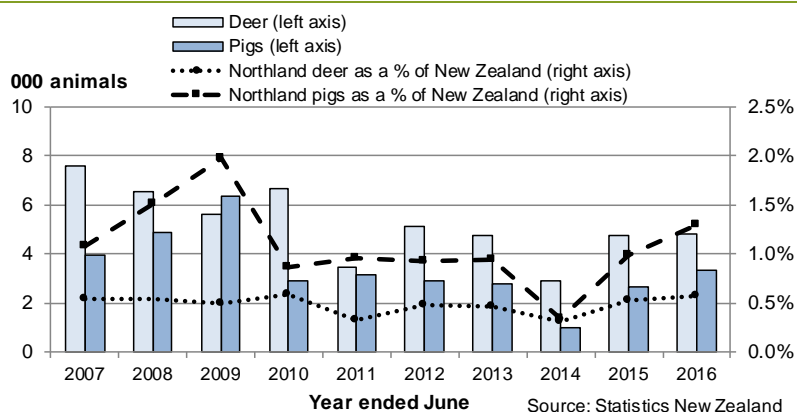
Sheep in Northland

In the year ended June 2016 there were 366,000 sheep in Northland, 15,000 (4%) less than in 2015. 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 ten years, the number of sheep in Northland has fallen by 30%, around the same rate as the fall in the national flock. Northland's share of the national flock has remained constant at around 1.3%. There were 297,000 lambs born in Northland in the year ended June 2016, slightly down from 391,000 in 2015.



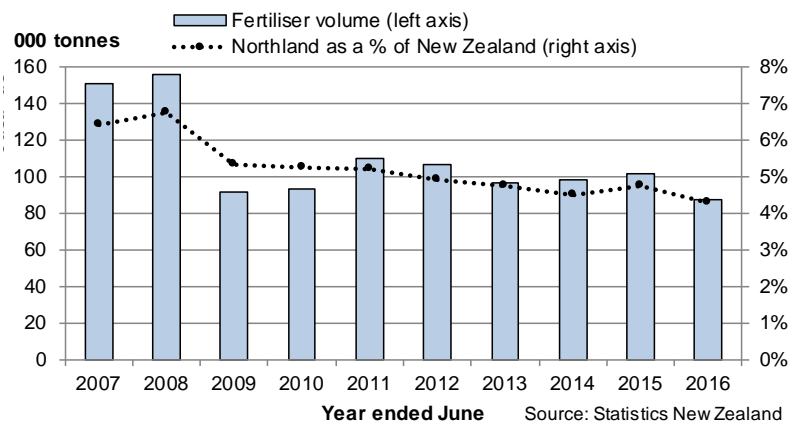
Deer and pig numbers in Northland

There were 4,800 deer and 3,300 pigs in Northland in June 2016, slightly higher than the numbers in 2015. The number of deer in Northland has fallen from over 20,000 in the early 2000s while pig numbers have fallen from over 5,000. 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 1.3% in 2016.



Fertiliser use in Northland

Northland farmers applied just over 87,000 tonnes of fertiliser in the year ended June 2016. This is the lowest quantity recorded over the time-period beginning in 1990. 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 eight years since 2008, the annual average quantity applied in Northland has fallen to less than 100,000 tonnes, 4.8% of the New Zealand total. During the early 1990s over 300,000 tonnes p.a. was applied.

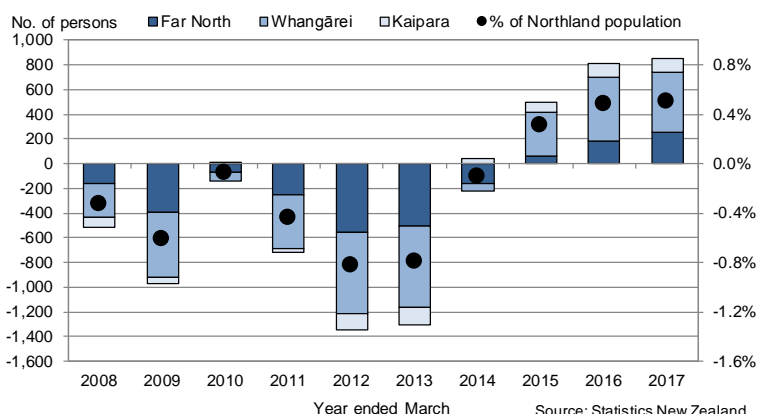


1. Analysis of the Northland dairy industry performance in 2015/16 was included in the Annual section of the December 2016 issue of the NEO, along with the kiwifruit, avocado and forestry industries. There were 280,435 dairy cows in milk in Northland in the 2015/16 season, 2% less than in 2014/15 but about 6% higher than in the mid-2000s.

Spotlight – International migration

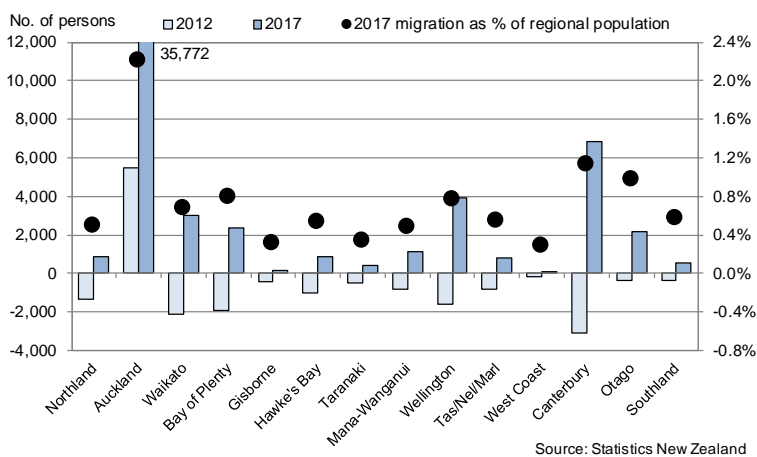
Net international migration by district

In the year ended March 2017 Northland received a net international migration inflow of 856 people.¹ This is a year ended March record, breaking the level set in 2016 and in turn 2015. Prior to the last three years, the previous March year record was 168 set in 2003. Over the period 2005-2014 Northland had a net outflow of 590 per annum, with a net loss of over 1300 in 2012 and 2013. The net inflow in 2017 represents a population gain of 0.5% compared to a loss of 0.8% in 2012-2013. All three districts show similar net international migration changes.



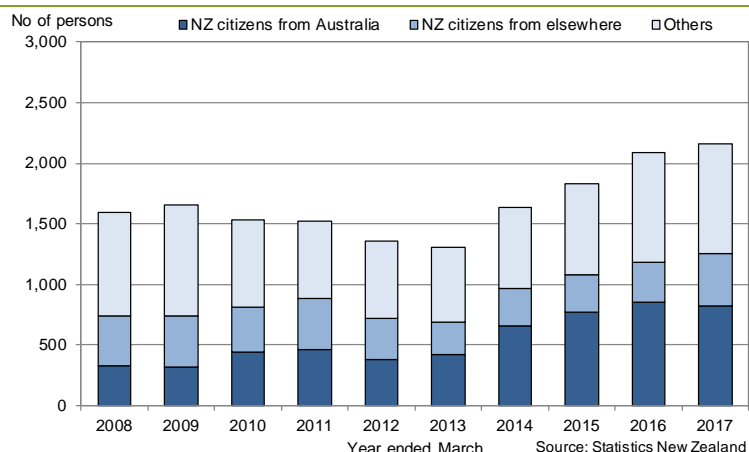
Net international migration to regions

New Zealand recorded a net migration inflow of 72,000 in March 2017, representing a population increase of 1.5%. All regions recorded a positive inflow of migrants in 2017, with Auckland recording the largest inflow in terms of both absolute number as a share of regional population (2.2%). Other regions recording a net migration inflow of greater than 1% were Canterbury and Otago. Regions recording a lower population gain than Northland were Gisborne, Taranaki, Tasman, Marlborough and West Coast. Like Northland, all regions except Auckland experienced a net migration loss in 2012.



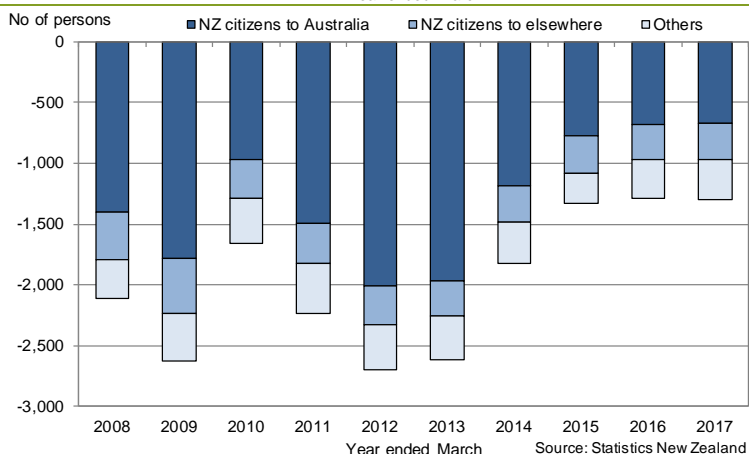
Arrivals into Northland

A total of 2157 permanent and long-term arrivals settled in Northland in the year ended March 2017. This is a record level and is almost 60% higher than the number of arrivals in 2013, and is about 500 more than the average annual number of arrivals during the last decade. Around 60% are New Zealanders returning from overseas, with those from Australia making up 40% of the total. Of the non-New Zealand citizen arrivals, 15% were from the United Kingdom and 24% from Australia. Current arrivals from the UK are around half pre-GFC levels.



Departures from Northland

A total of 1300 people left Northland to live overseas in 2017, around the same number as in 2015 and 2016. This total is around 1400 (50%) less than the record level of 2600 departures set in 2012. The current relatively low level of departures was last observed in the early 2000s. The year-to-year variation in total departures from Northland is largely driven by the number of New Zealanders leaving for Australia. For example, in 2012 just over 2000 New Zealanders left Northland for Australia (making up 75% of total) while in 2017 the number had dropped to just under 680 left (52% of the total).



2. Permanent and long-term arrivals are people arriving for a stay of 12 months or more, including New Zealanders returning after an absence of 12 months or more. Permanent and long-term departures are New Zealanders departing for 12 months or more, and migrants leaving after a stay of 12 months or more in New Zealand. The net migration figure is calculated by subtracting departures from arrivals.