

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



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Quick quarterly statistics
page 1

Economic activity – quarterly
page 2

Employment – quarterly
page 3

Household welfare – quarterly
page 4

Selected primary industries –
annual
page 5

Spotlight – Business demographics
in Northland
page 6



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From the economist

Kia ora / welcome to the 22nd issue of this newsletter. A variety of measures continues to indicate that the Northland economy remains in a strong position. There is lots of activity taking place across a variety of sectors, shown by the high number of logging and concrete trucks on the road and spending by overseas visitors to the region. There has been a sharp drop in the Māori unemployment rate and the number of workforce vacancies continues to rise.

The annual statistics section reports the results of the 2017/18 season for four key primary industries. Dairy, kiwifruit and avocado production fell but the roundwood forest harvest increased. Returns per unit of output rose for dairy, kiwifruit and forestry but fell for avocado. Overall, revenue earned by the kiwifruit, forest and dairy industries is estimated to have risen by 15%, 14% and 6% respectively, but fell 18% for avocado.

The spotlight section provides some analysis of the latest business demographic statistics for Northland. There were just under 20,900 businesses in Northland as at February 2018. While the number of businesses has risen 6% over the past five years, there are 220 fewer businesses today than in 2008. Each of the three districts has experienced a rise in the number of businesses since 2013, with the construction and administrative support service sectors experiencing the biggest increases.

Darryl Jones

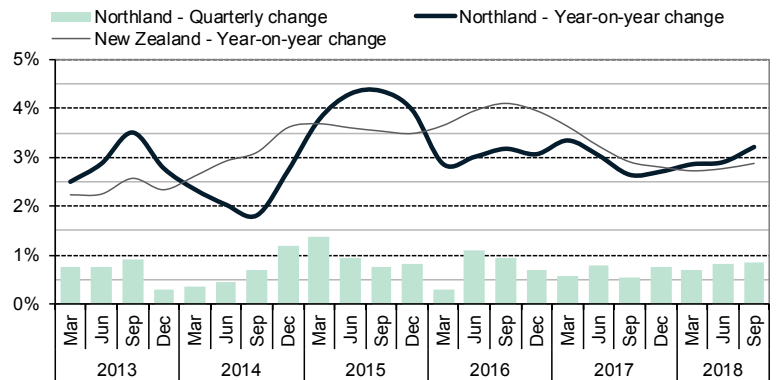
Quick quarterly statistics

- GDP is estimated to have risen 2.8% in the year ended September 2018.
- Ready-mix concrete production is up 17% over the past 12 months.
- Log exports volumes have risen by 1% and 16% in value in the 2018 June year.
- Spending by international visitors is 7% higher than in 2017.
- Employment rose to a new record high of 84,300 in September 2018.
- The annual average underutilisation rate dropped to 14% in September 2018.
- The annual average unemployment rate for Māori is at a near record low level of 11.2% in the year ended September 2018.
- Online job vacancies in September 2018 are 25% higher than a year ago.
- The average wage and salary rose 2.5% in the year ended September 2017.
- Food prices in Whangārei rose 0.6% in the year ended September 2018.
- The average rent rose 5% in the 12 months to September 2018.
- Consumer confidence in Northland fell to its lowest level in two years.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

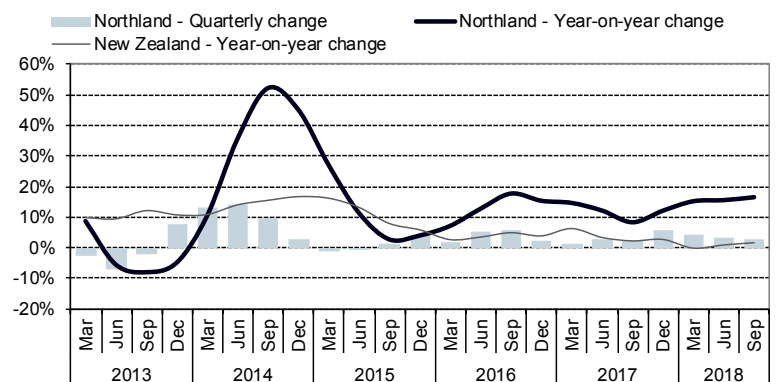
Northland's GDP is estimated to have risen by 0.8% in the September 2018 quarter. This contributed to an estimated annual growth rate of 3.2% for the year ended September 2018. All three districts in Northland are forecast to have annual growth rates of between 3-4%. Northland's annual growth rate for the latest year is just above the estimated national rate, with Northland ranking 10th out of 16 regions. Since September 2013 the Northland economy has grown at an annual rate of 3%; with only five regions growing faster.



Source: Infometrics Regional Database

Ready-mixed concrete in Northland

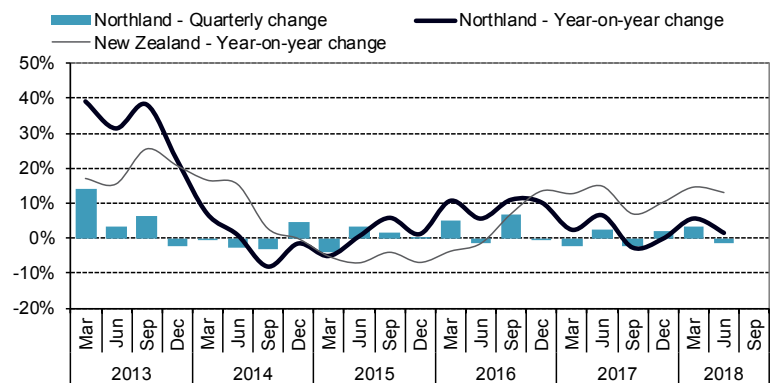
In the year ended September 2018, 167,000m³ of ready-mixed concrete was produced in Northland. This is 17% higher than the annual volume recorded in the year ended September 2017. Nationally, concrete production increased by just 1.5% in the year ended September 2017, with reductions in ready-mix production in Auckland and Canterbury being offset by increases in other regions. The strong lift in output in Northland over the past five years has seen production levels return above the levels set in the mid-2000s when around 159,000m³ was produced annually.



Source: Statistics New Zealand

Log exports from Whangārei

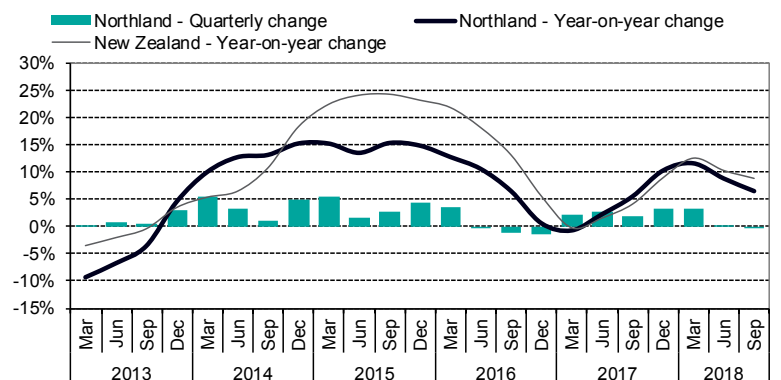
Just over 2.91 million cubic metres of logs were exported from Whangārei in the year ended June 2018. This is 1% higher than the volume exported in the year ended June 2017 and is just below the annual export record of 2.96 million cubic metres recorded in the year ended March 2018. Due to higher log prices, the total value of logs shipped from Whangārei rose by 16% in the June 2018 year to \$480 million. At the national level, the volume of log exports rose 13% in the year ended June, with strong growth experienced across all major ports of departure except Lyttelton.



Source: Ministry for Primary Industries

International visitor spending in Northland

The value of international visitor spending in Northland totalled \$270 million in the year ended September 2018. This is 7% higher than the level of spending in the year ended September 2017 but is below the national increase of 9%. Northland's share of the national total has fallen from 3.0% in 2009 to 2.3% in 2018. Since 2009, international visitor spending in New Zealand has increased by 59%, with spending more than doubling in Otago. Northland has seen just a 22% increase, ahead of only Marlborough and Hawke's Bay.

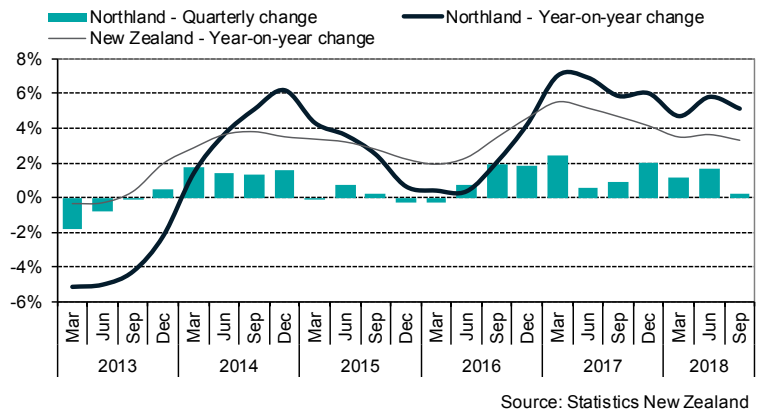


Source: MBIE

Employment activity – quarterly

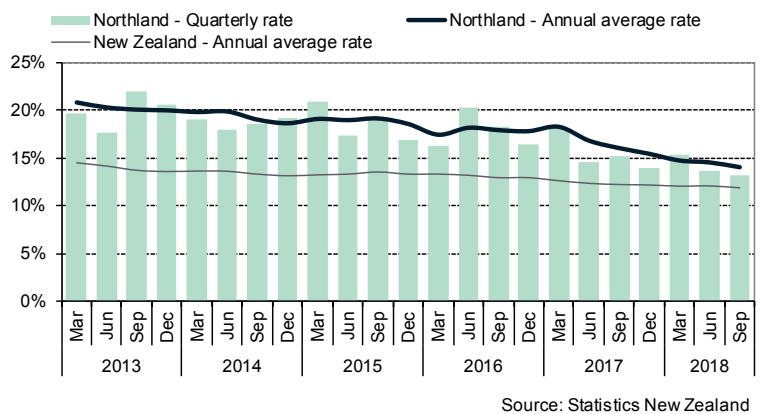
Employment in Northland

An estimated average of 84,300 people was employed in Northland (both full-time and part-time) in the year ended September 2018. The average number of people employed in Northland is 5% higher than one year ago and 22% higher than in September 2013. Nationally, the number of people employed increased by 3.3% in the year ended September 2018, and 19% since September 2013. Only two regions, Otago and Waikato, experienced a faster rise in employment than Northland during the past 12 months. Employment fell by 1.3% in Manawatu-Wanganui and 0.3% in Southland.



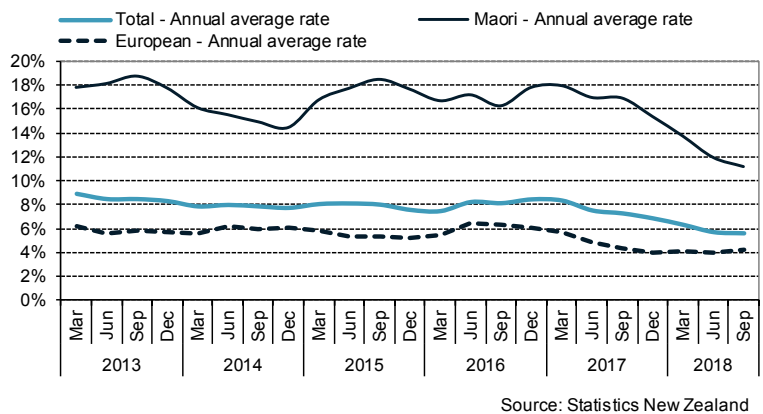
Underutilisation in Northland

The annual average underutilisation rate in Northland was 14% in the year ended September 2018. There has been a steady decline in Northland's underutilisation rate since 2013 when it was over 20%. The current annual average rate is the lowest it has been since December 2008 when it was 13.6%. The national annual average underutilisation rate is 11.8%, and varies between 10.7% in Auckland and 17.3% in Manawatu-Wanganui. Northland's underutilisation rate is the second highest behind Manawatu-Wanganui.



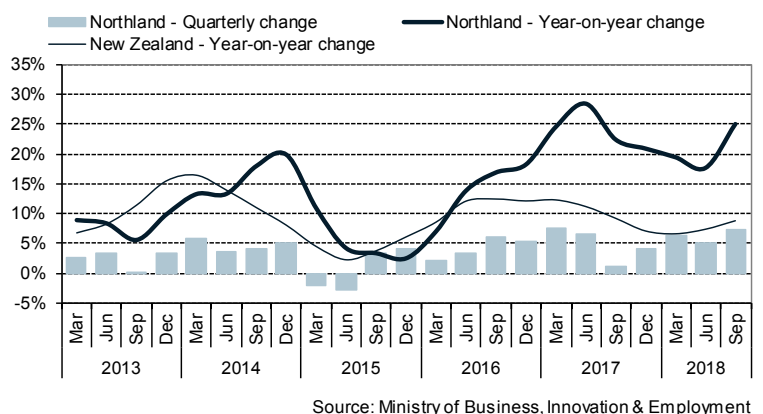
Unemployment by ethnicity

In September 2018, the annual average unemployment rate for Māori in Northland was 11.2% compared to 4.2% for Europeans. These ethnic unemployment rates are down from 17% and 4.4% respectively recorded in the year ended September 2017. The drop in the Northland regional average unemployment rate over the past 12 months from 7.3% to 5.6% is due to a fall in Māori unemployment. The current Māori unemployment rate in Northland is the lowest it has been since December 2008 when it was 9.9%. The annual average national unemployment rate is currently 9.1% for Māori and 3.5% for Europeans.



Job online vacancies in Northland

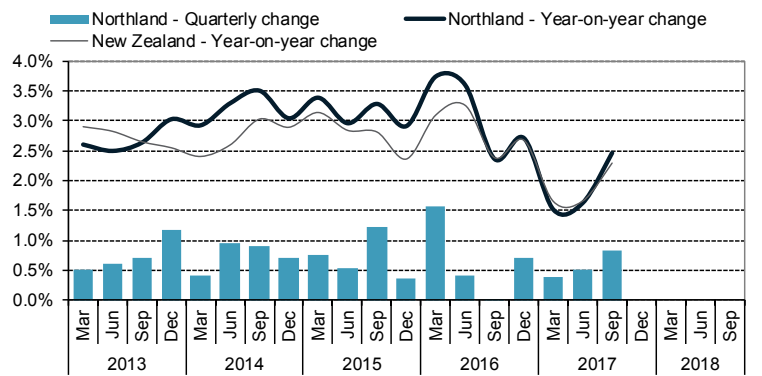
The trend series index of online job vacancies in Northland has remained at a relatively high level in the September 2018 quarter. The number of online vacancies recorded in September 2018 is 25% higher than in September 2017, and 119% higher than in September 2013. Nationally, the number of online job vacancies grew by 9% during the past year. Across the 10 regions for which the index is calculated, online job vacancy growth in Northland over the past year was the second highest, behind the combined Gisborne/Hawke's Bay area (30%), but well ahead of Auckland (5%) and Canterbury (1%).



Household welfare – quarterly

Average wage and salary earnings in Northland

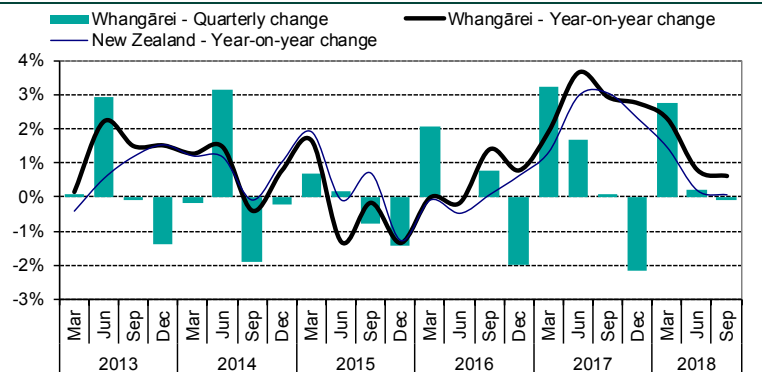
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$52,870 in September 2017. Average earnings rose 2.5% in the year ended September 2017 in line with the national average increase. Average earnings grew by 5.2% in Tasman but fell 0.1% in the West Coast. Northland's average wage and salary is 89% of the national average. Only Auckland and Wellington have average earnings above the national average; Northland ranks 8th out of the 16 regions.



Source: Statistics New Zealand

Food prices in Whangārei

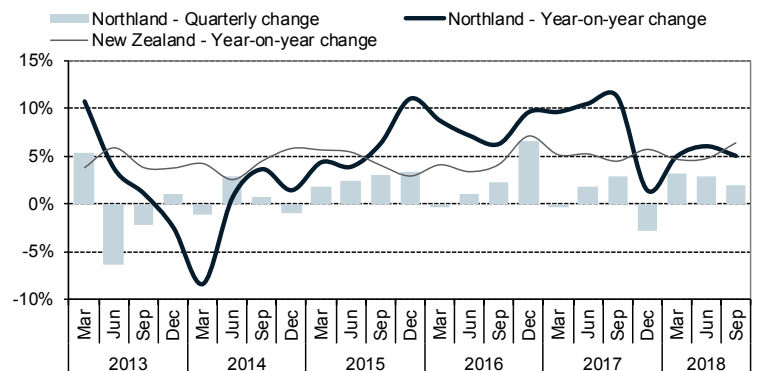
Food prices in Whangārei fell by 0.1% in the September 2018 quarter, following an increase of 0.2% in the previous quarter. On an annual basis food prices rose 0.6% in the year ended September 2018, almost one-half a percentage point higher than the national average increase of 0.1%. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 4.4% higher today than it was five years ago in September 2013.



Source: Statistics New Zealand

Mean rents in Northland

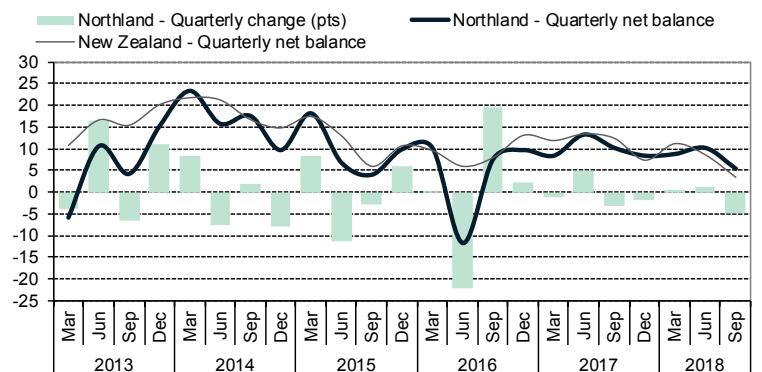
The mean average rent in Northland was \$375 per week in the September 2018 quarter. This is the highest level recorded in Northland, 5% higher than in September 2017. After rising faster than the national average from mid-2015 to mid-2017, rent increases have fallen back in line with the national trend. Since September 2015, the average rent in Northland has risen by 24%, well above the 16% increase in the national average. The average rent in Northland is now 83% of the national average compared to 77% in 2015. The average rent in Auckland is 27% higher than the national average while in Southland it is 45% lower.



Source: Ministry of Business, Innovation & Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell 4.8 points to 5 in September 2018. An index number above zero indicates that optimists outnumber pessimists. This fall was in line with the fall in the national level of consumer confidence, which Northland sits just above. Consumer confidence in Northland had been relatively stable at around 10 for the past two years. Along with Northland, six other regions of the 11 in the data set had a fall in consumer confidence in the September quarter, with consumer confidence rising in the bottom half of the South Island.

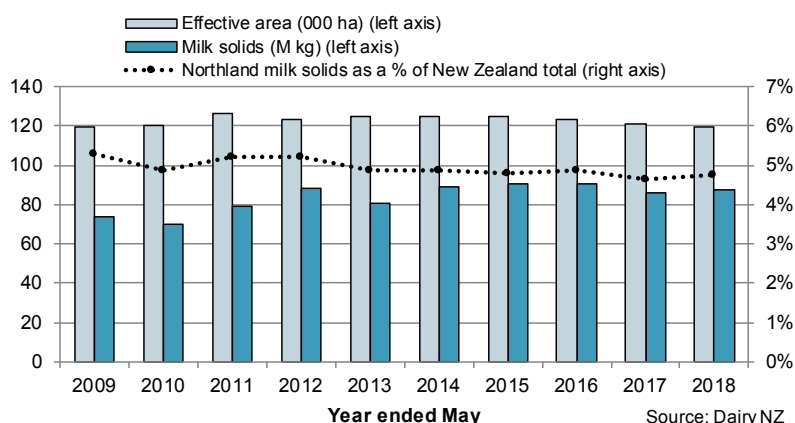


Source: Westpac McDermott Miller

Selected primary industries – annual

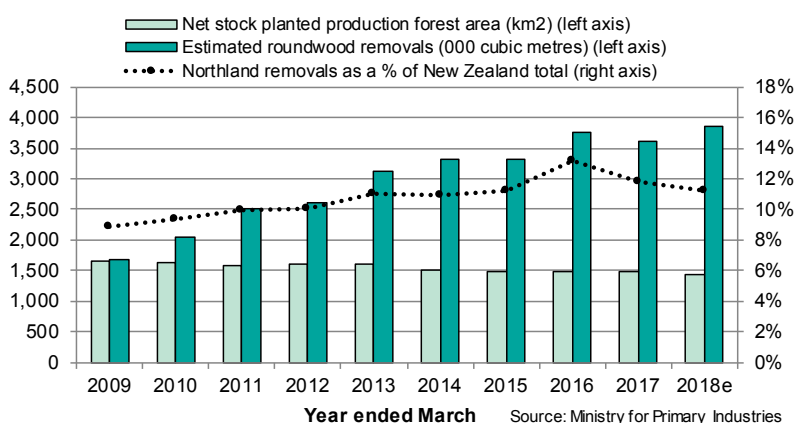
Milk solids production in Northland

Just under 87.8M kg of milk solids was produced in Northland in the 2017/18 season, up 1.8% on the previous season. With a slight fall (-1.2%) in effective hectares, the annual increase was the result of a rise in milk solids production per hectare (1.8%). Milk solids production in 2017/18 was 3% below the 2015/16 record. Northland's share of national production rose from 4.7% to 4.8%. Along with the rise in production, a 4% lift in the total payout price to \$6.79/kg milk solids saw the dairy industry in Northland earn \$596M in 2017/18, 6% more than in 2016/17.



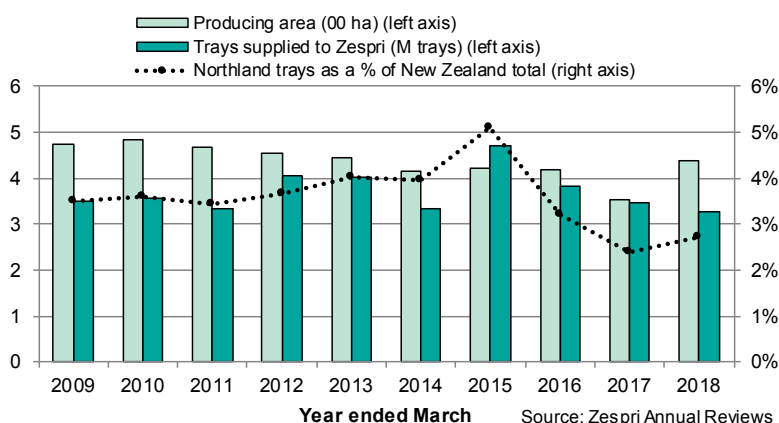
Forest production in Northland

It is estimated that a record 3.8Mm³ of roundwood was harvested from Northland forests in 2017/18. This is 7% higher than the volume harvested the previous year, and 3% above the previous record set in 2015/16. However, due to increased harvest activity in other regions, Northland's share of the national harvest fell to just over 11%. Since the mid-2000s, the plantation forest area in Northland has fallen from 172,000ha to around 144,000ha.¹ Using an average log price of \$154m³ (up 7%), Northland forest owners earned around \$594M in 2017/18, up 14% on 2016/17.



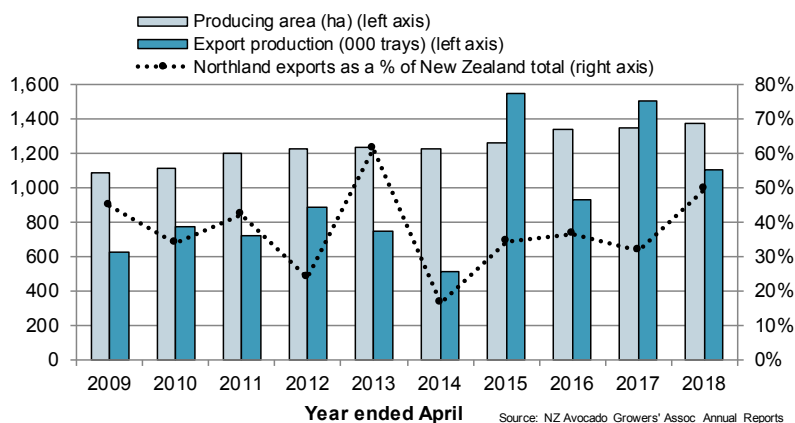
Kiwifruit production in Northland

In the 2017/18 season, Northland kiwifruit growers supplied Zespri with just under 3.3M trays of fruit. This is 5% less than the 2016/17 harvest and 30% below the record harvest of 4.7M trays in 2014/15. Northland's share of the national crop rose to 2.7% due to a 16% fall in production elsewhere. The reduction in 2017/18 crop production was due to a fall in average production per hectare (-23%), to the lowest level in seven years, while the producing area rose 24%. Grower returns fell by 10% from \$43M to \$38M as the average revenue before costs rose 20% to just over \$13.40/tray.



Avocado production in Northland

Northland avocado growers supplied 1.1M trays of fruit for export in 2017/18; 27% less than the previous year and 29% lower than the record supply of 1.55M achieved in 2014/15. Production was significantly lower in the mid-North producing area (-51%) while increasing 3% in the Far North. However, Northland's share of total exports rose to 50% due to a 65% decrease in production in the Bay of Plenty. Assuming the national average orchard gate return was received, Northland growers earned more than \$43M in 2017/18, down from \$53M in 2016/17.

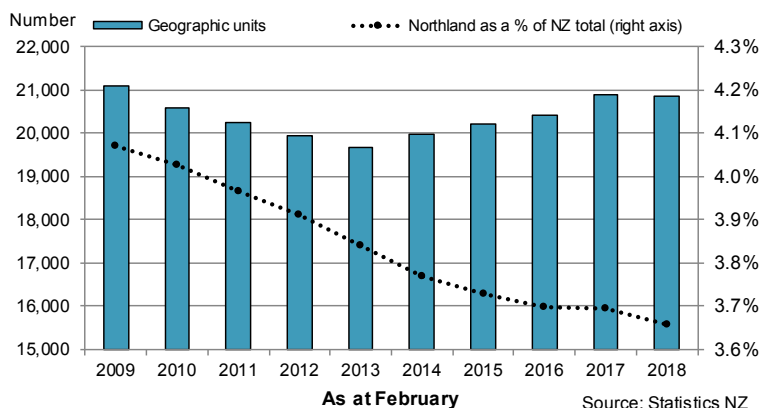


1. The planted production forest area only includes forest holdings greater than 40 hectares.

Spotlight – Business demographics in Northland

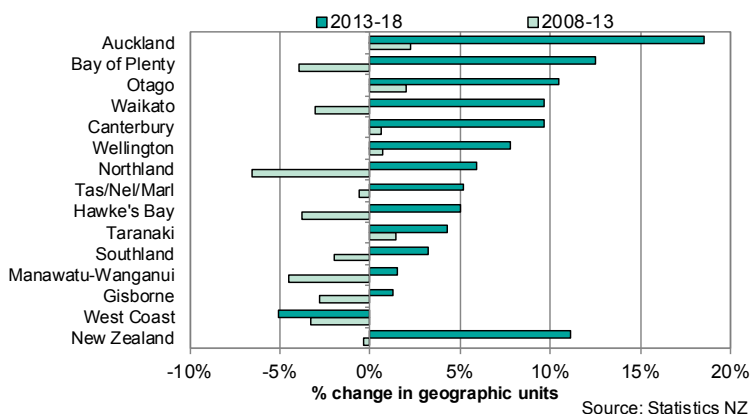
Number of businesses in Northland

At February 2018, there were 20,844 geographic units¹ in Northland, down 0.3% (66) from February 2017. This followed four years in a row in which the number of Northland businesses rose. The number of businesses in Northland peaked at around 21,100 in both 2008 and 2009. The economic slow-down following the global financial crisis saw the number of businesses in Northland fall by 7% to a low of 19,689 in 2013. Northland's share of total businesses in New Zealand has fallen from 4.3% in the early 2000s to 3.7% in 2018.



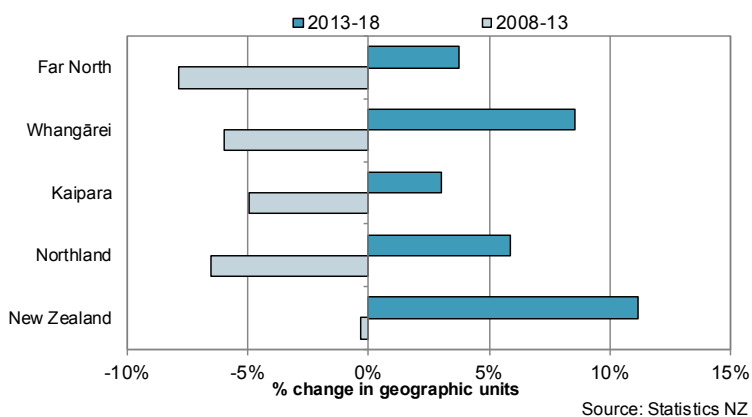
Change in businesses by region

In the five-year period 2013-2018 the number of businesses in Northland rose by 6%; ranking Northland 7th among the 14 regions analysed. The West Coast is the only region to have experienced a decrease (-5%) in the number of businesses over the last five years. The number of businesses in Auckland has increased by 19%, accounting for 53% of the increase in total businesses nationally. Over the previous five-year period 2008-13, the number of Northland businesses fell by 7%, the largest percentage fall among the 14 regions.



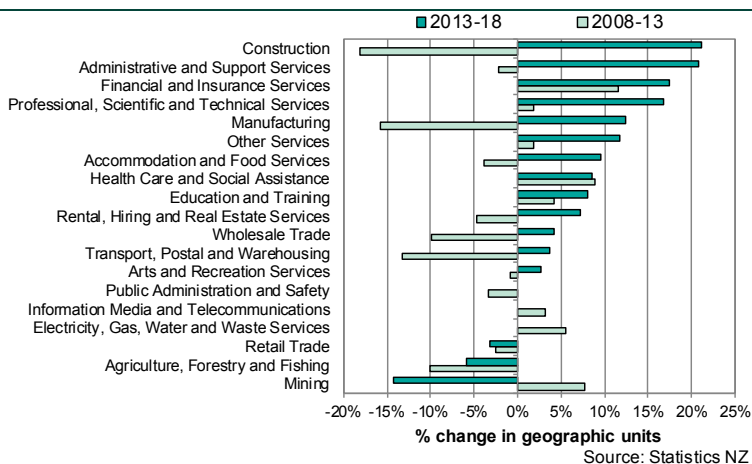
Change in businesses by district

The number of businesses has risen in all three Northland districts between 2013 and 2018: 3.7% in the Far North, 8.6% in Whangārei and 3.0% in Kaipara. This contrasts with the period 2008-13 when all three districts experienced a fall, ranging from -7.8% in the Far North to -4.9% in Kaipara. The spread of businesses across the region is very like the population distribution, with 47% of businesses located in Whangārei, 36% in the Far North and the remaining 16% located in Kaipara. Whangārei is the only district in Northland where the number of businesses in 2018 is greater than in 2008.



Change in businesses by sector

In the five-year period 2013-18, the number of businesses in Northland increased in 13 of the 19 ANZSIC² 2006 division classifications. The number of businesses has decreased in retail trade and the two primary sector categories of mining, and agriculture, forestry and fishing. Since 2013, the number of businesses in the construction and administrative support services sectors has increased by more than 20%, accounting for 46% of the total increase in businesses categories. In the previous five-year period, 11 of the 19 divisions experienced a drop in business numbers, with construction the largest.



1. A geographic unit is a separate operating unit engaged in one, or predominantly one, kind of economic activity from a single physical location or base. Geographic units must belong to economically significant enterprises, i.e. have a GST turnover greater than \$30K per year.
2. Australian and New Zealand Standard Industrial Classification.