

Northland Economic Quarterly

Issue 7 | February 2015

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From the economist

Welcome to the seventh issue of the Northland Economic Quarterly. The quarterly indicators present a rather mixed bag of results. Employment indicators continue to be positive. Of particular note is the fall in the youth NEET rate. However, both business and consumer confidence have fallen, possibly reflecting the decreased forecast dairy payout compounding the impact of the July 2014 storm events. The fine weather and improved dairy auction prices this side of Christmas may have allayed some of the fears.

The annual and spotlight sections both feature some of the data available in the Northland Annual Economic Profile, which can be accessed through the NRC 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.

In the annual section, I have made use of this data source to show changes in economic activity as measured by GDP. The Northland economy grew by 2.2% in 2014. This represents a significant lift in the performance of the Northland economy in comparison to previous years. In the spotlight section, I compare Northland with the other sixteen regions across a range of economic variables. It shows that Northland has a relatively high level of self-employment, export orientation, productivity and industrial diversity.

A handwritten signature in dark ink, appearing to read 'D Jones'.

Darryl Jones

Quick quarterly stats

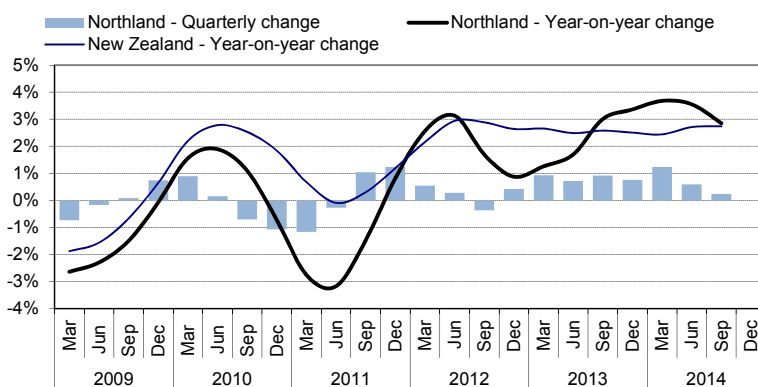
- GDP is forecast to have risen by 2.9% in the year ended September 2014.
- The real value of non-residential building consents fell by 27% for the year.
- The volume of logs exported from Whāngārei has fallen slightly.
- Business confidence has dropped but is still positive.
- The number of people employed continues to rise.
- The annual average unemployment rate fell to 8.2% in December 2014.
- The annual average youth NEET rate is at its lowest level since 2004.
- Northland vacancies on Trade Me Jobs are 18% higher than a year ago.
- The average wage and salary rose 2.6% in the year ended September 2013.
- Home affordability has weakened over the past year.
- Domestic power prices remained flat during the second half of 2014.
- Consumer confidence has weakened but remains comparatively upbeat.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

Northland's GDP is estimated to have risen 0.2% in the September 2014 quarter, the eighth consecutive quarter of positive growth. This contributed to an annual GDP growth rate of 2.9% for the year ended June, in line with the national estimate.

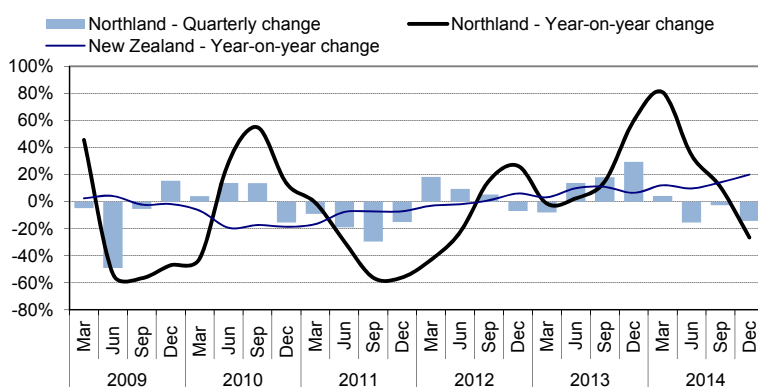
This growth is spread fairly evenly across the region, with annual growth rates of 3.2% in the Far North, 2.7% in Whāngārei and 2.9% in Kaipara. Northland was the fifth fastest growing region in the year ended September 2014.



Value of non-residential building consents in Northland

During the year ended December 2014, just under \$80 million worth of non-residential building consents were issued in Northland. Adjusting for inflation, this is 27% lower than the annual value issued in the 2013 calendar year.

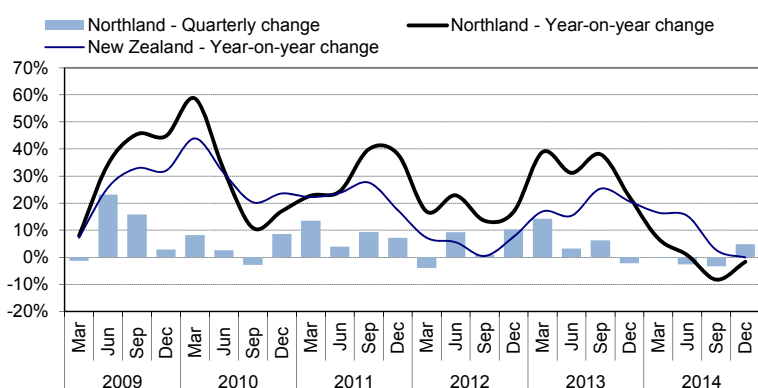
The main reason for the decrease was a fall in the value of building consents issued for shops, restaurants and taverns, and hospitals and nursing homes. Other categories recorded an increase, notably factories, industrial and farm buildings.



Log exports from Whāngārei

Just under 2.59 million cubic metres of logs were exported from Whāngārei in the 2014 calendar year. This is 2% lower than the volume exported in 2013 and 4% below the peak of 2.7 million m³ recorded in the year ended September 2013. In addition to volume, the total value of logs shipped from Whāngārei has fallen by 3% to \$356 million.

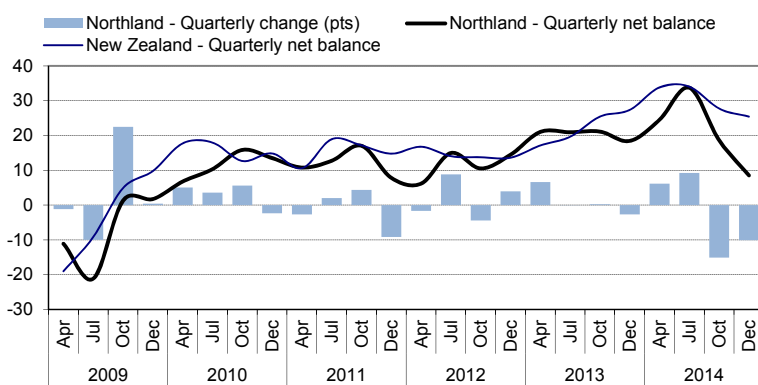
Whāngārei accounted for 16% of all logs exported from New Zealand in the year ended December 2014, the same as in 2013. This is an increase from 2009 when Whāngārei accounted for 13%.



Business confidence in Northland

The composite index of business confidence measures the difference between those expecting an improvement and those expecting conditions to deteriorate. The Northland index fell a further 10 points in the December 2014 quarter following a 15 point fall in the October quarter.

All but three regions recorded a fall in the December 2014 quarter, with similar falls to Northland in Gisborne, Taranaki and the West Coast. The gap between the Northland business confidence index and the New Zealand average is the greatest it has been since 2008.

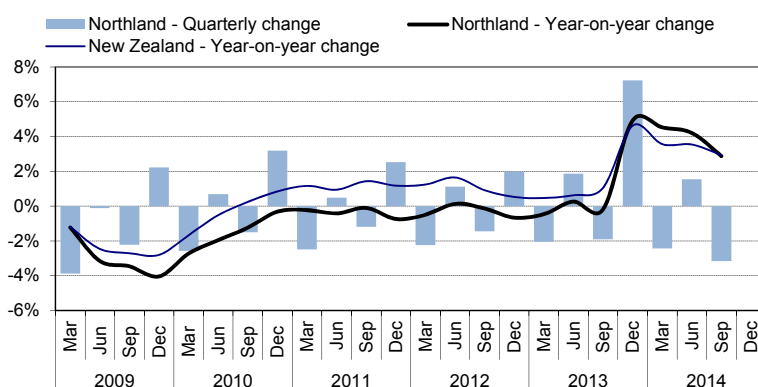


Employment activity – quarterly

Employment in Northland

It is estimated that 64,400 people were employed in Northland in the September 2014 quarter when measured on a Full Time Equivalent basis (including self-employed). This is 3.2% lower than the number estimated for the June 2014 quarter (a seasonal dip) but is 3% higher than the September 2013 quarter.

The annual average number of people employed in the year ended September 2014 (65,900) is the highest level recorded since June 2009. While there has been a steady rise in employment since mid-2013, it remains below the peak of 66,800 in 2008.

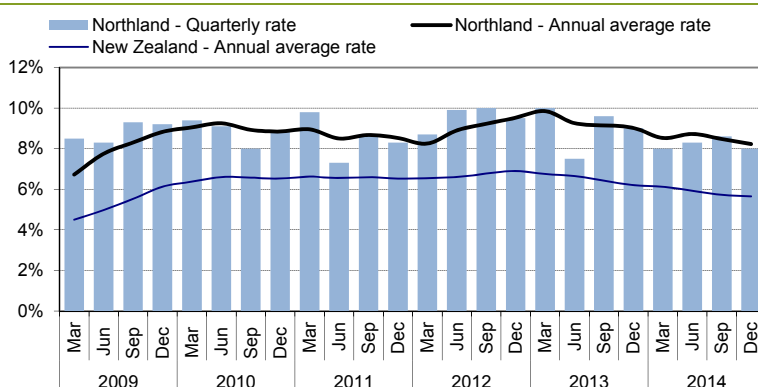


Source: Infometrics Regional Database

Unemployment in Northland

The annual average unemployment rate in Northland was 8.2% in the year ended December 2014. This is the lowest rate recorded since June 2009 when it was 7.8%. However, it remains almost 50% higher than the national average of 5.7%.

Northland's unemployment rate is the highest among the 12 regions for which it is calculated. Manawatu-Wanganui and Gisborne/Hawkes Bay have the next highest unemployment rates of 7.7% and 7.5% respectively. Canterbury has the lowest annual rate of 3.2% for the year ended December.

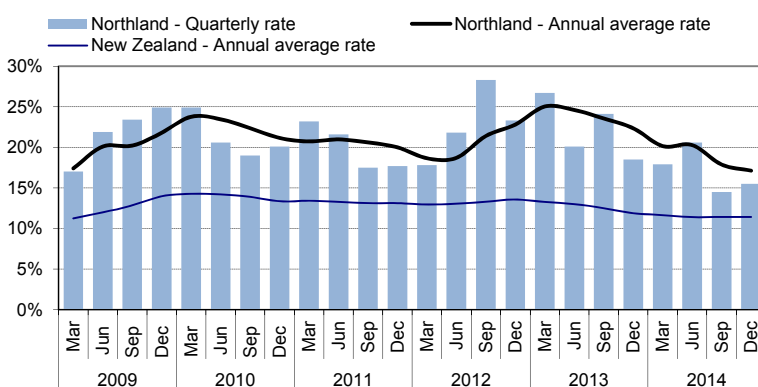


Source: Statistics New Zealand

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

The annual average youth NEET rate in Northland was 17.1% in the year ended December 2014. This is the lowest annual average NEET rate recorded in Northland since the series began in 2004. It has been steadily declining since the record high of 25% was recorded in March 2013.

Northland's annual average NEET rate is no longer the highest among the 12 regions for which it is calculated. Manawatu-Wanganui and Gisborne/Hawkes Bay have NEET rates of 17.5%. Otago has the lowest NEET rate of 6.7%.

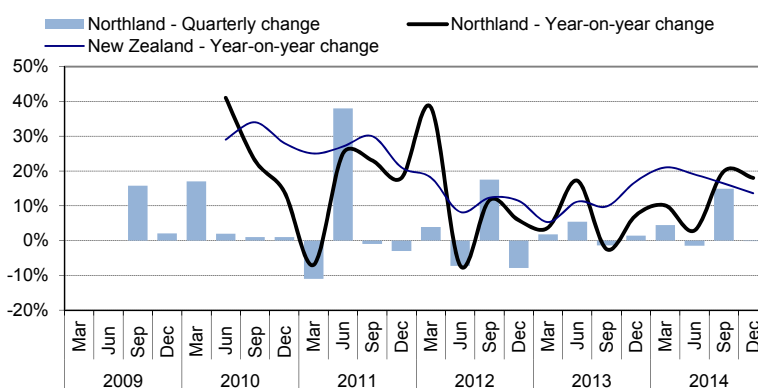


Source: Statistics New Zealand

Online job advertisements in Northland

The number of vacancies in Northland listed on Trade Me Jobs during the December 2014 quarter was the same as in the September quarter and 18% higher than in December 2013. Trade Me job listings in Northland are 90% higher than in December 2009.

Nationally, the number of vacancies has grown by 14% over the past year. Only five regions – Bay of Plenty, Gisborne, Southland, Auckland and Marlborough – have recorded a higher year-on-year increase in job listings than Northland.



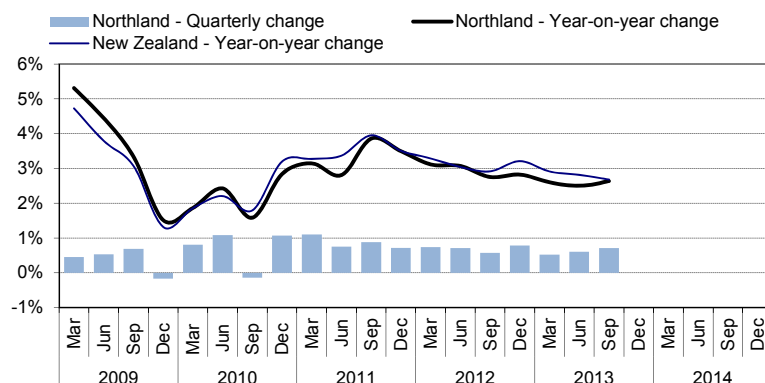
Source: Trade Me Jobs

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 \$47,160 in September 2013. This represents an annual increase of 2.6%, very similar to the national increase of 2.7%.

Northland's average is 12% below the national average of \$53,680. It is very similar to the average earnings level in Nelson, Southland and Otago, and higher than in Tasman, Gisborne, Hawke's Bay, Marlborough and Manawatu-Wanganui.

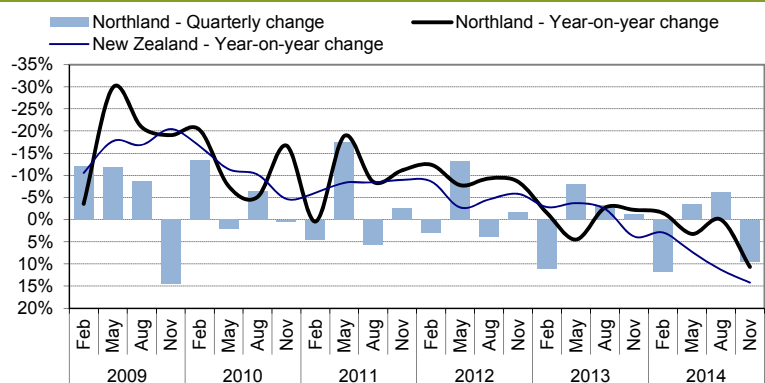


Source: Statistics New Zealand

Home affordability in Northland

The Northland Home Affordability Index rose by 10% during the quarter ended November 2014 indicating a deterioration in affordability. This increase is the result of rising average mortgage interest rates (from 5.5% to 5.97%) and higher median house prices.

The Northland HAI stood at 19.7 in November 2014, 10% higher than in November 2013. All regions have experienced a decline in affordability over the past twelve months. However, the latest HAI score is well below the peaks of 2007/08 when home ownership was least affordable.

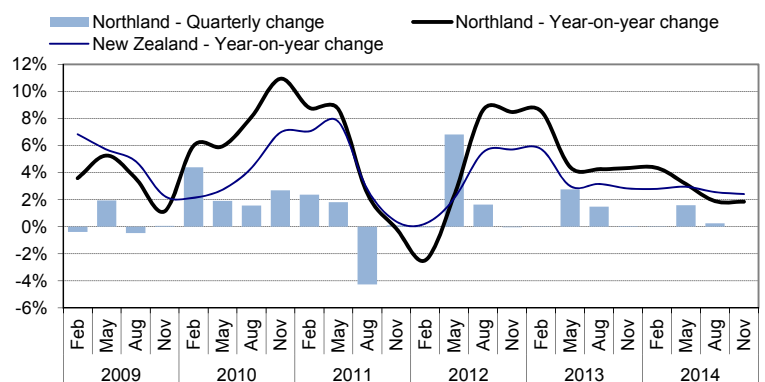


Source: Massey University

Domestic electricity price in Northland

The weighted average domestic electricity price in Northland was 28.3 c/kW in November 2014. This was the same level as in August and 1.8% higher than in November 2013. Over the past five years, i.e. since December 2009, domestic electricity prices in Northland have risen by 5% per annum. This is faster than the national annual average increase of 3.6%.

Assuming 8000 kW of power is used per year, this equates to an annual household power bill of \$2520, some 12% higher than the national average of \$2255.

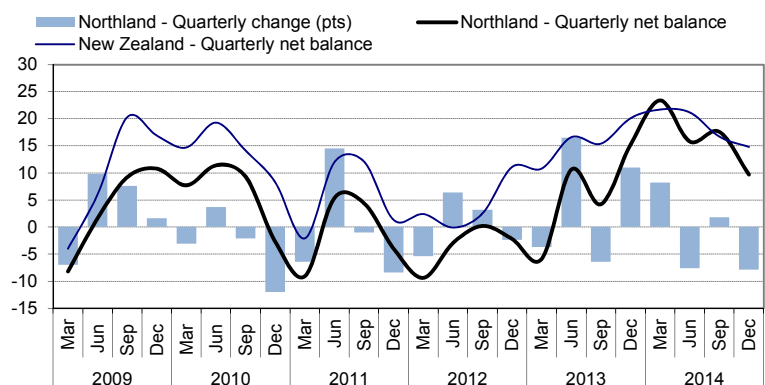


Source: Ministry of Business, Innovation and Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell 8 points to 10 in December 2014. An index number above zero indicates that optimists outnumber pessimists. While this is down from the post-GFC high of 23 recorded in March 2014, this was the seventh consecutive quarter showing a positive number.

Northland was one of seven (out of 11) regions that recorded a fall in consumer confidence in the December quarter. Moreover all regions except Wellington have seen a drop since December 2013.

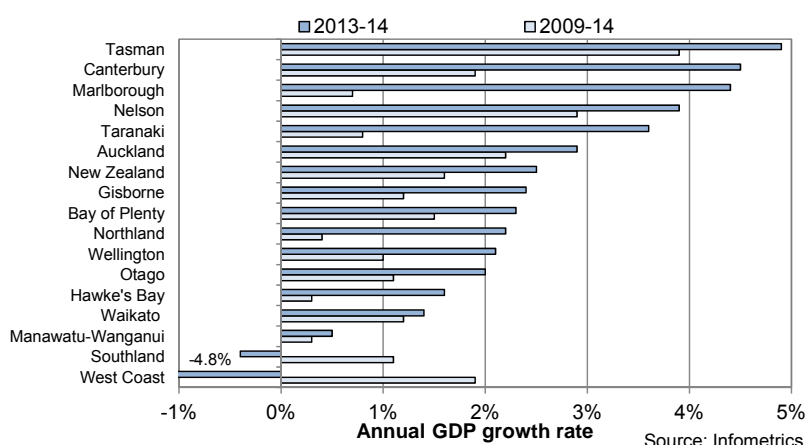


Source: Westpac McDermott Miller

Contribution to economic growth – annual

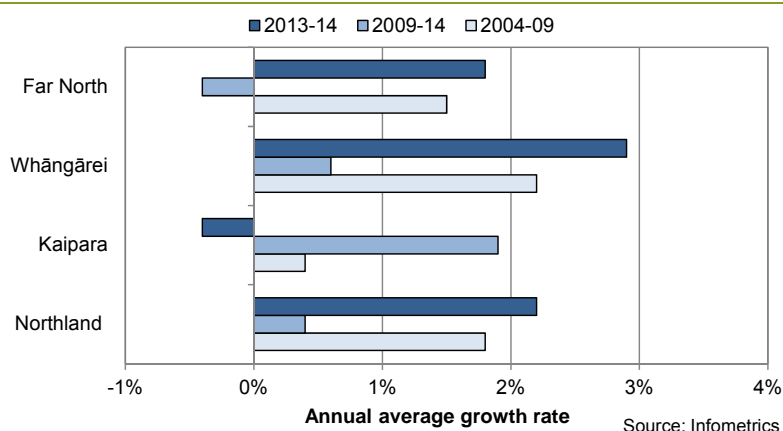
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 2.2% in the year ended March 2014 to \$5.9 billion (2010 prices). This is slightly below the national GDP growth rate of 2.5%. Northland ranked seventh out of 16 regions in terms of GDP growth in 2014. Over the five-year period 2009-14, the Northland economy grew at annual rate of just 0.4%. Over the same period, the national economy grew by 1.6% per annum. However, both Hawke's Bay and Manawatu-Wanganui had lower annual growth rates since 2009 (0.3%).



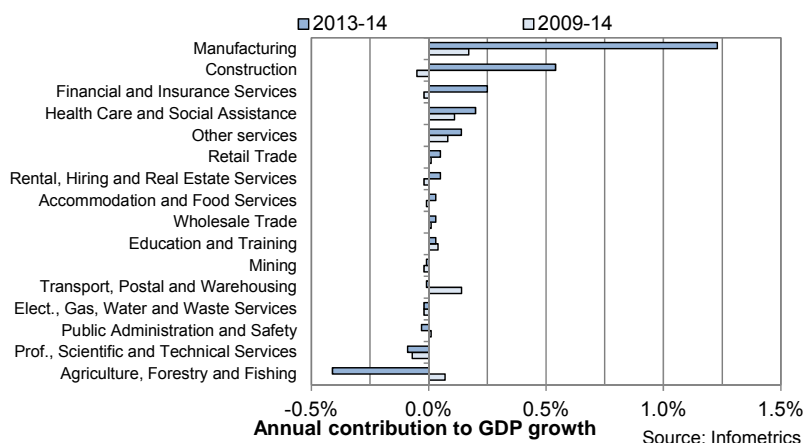
Growth rates by district in Northland

Economic growth rates have been highly divergent over the region in recent years. In the year ended March 2014, GDP growth rates varied between 2.8% in Whāngārei and 1.8% in Far North to -0.4% in Kaipara. Despite the recent decrease, since 2009 economic activity has grown faster in Kaipara than elsewhere in Northland. Over the period 2009-14, the Kaipara district grew by 1.9% per annum compared to 0.6% in Whāngārei and -0.4% in the Far North. GDP in the Far North is still 4% below the 2009 level.



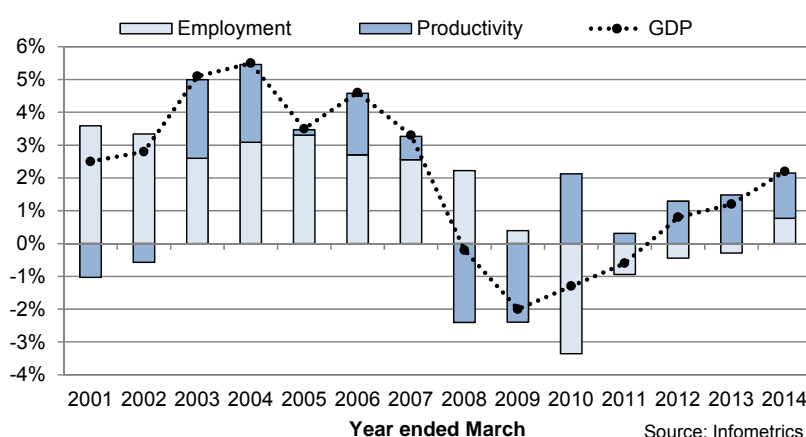
Contribution of industries to economic growth in Northland

The main industries contributing to the rise in Northland's GDP in 2014 were manufacturing and construction. Growth in manufacturing led to a 1.2% increase in the region's GDP while the construction upturn led to a 0.5% increase. At the other end, the fall in the GDP of the agriculture, forestry and fishing sector was equivalent to a 0.4% decrease in Northland's GDP. The GDP of the primary sector fell due to a rise in input costs. However, increased revenue for the primary sectors contributed to growth in other industries.



Contribution of employment and productivity to economic growth

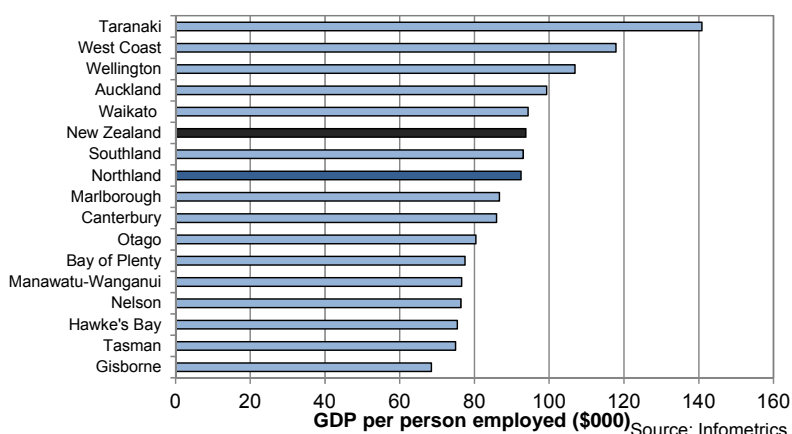
It is also useful to analyse GDP growth in terms of employment and productivity (GDP per worker). A notable feature of the GDP growth estimated for 2014 was the positive contribution of employment, i.e. this was the first year since 2009 in which employment numbers have increased on an annual basis. The higher annual rates of GDP growth recorded in the mid-2000s were the result of a significant increase in employment. The global financial crisis was first associated with a fall in output per worker and then employment.



Spotlight – Annual economic profile

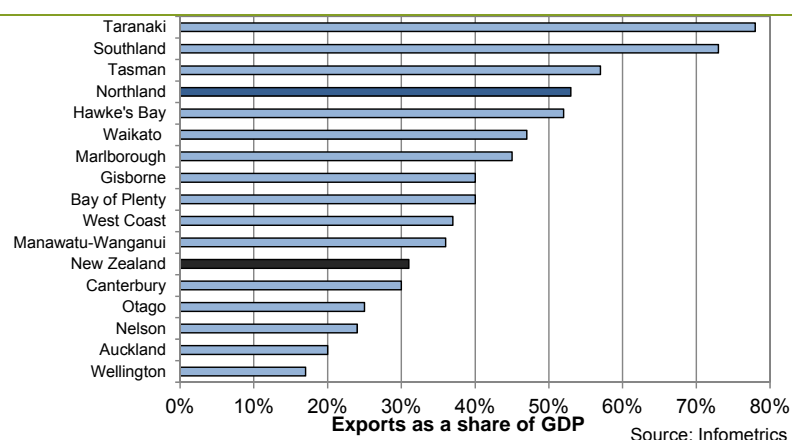
Labour productivity by region in 2014

Labour productivity in Northland, as measured by GDP per person working, was \$92,500 in the year ended March 2014. This is just 1.4% below the New Zealand average of \$93,700. Across the regions, Northland ranks seventh out of 16 in terms of labour productivity, at a very similar level to Southland and Waikato. Over the last five years, Northland's labour productivity has increased in real terms at an annual average rate of 1.3% per annum. This is slightly faster than the New Zealand annual increase of 1.2%.



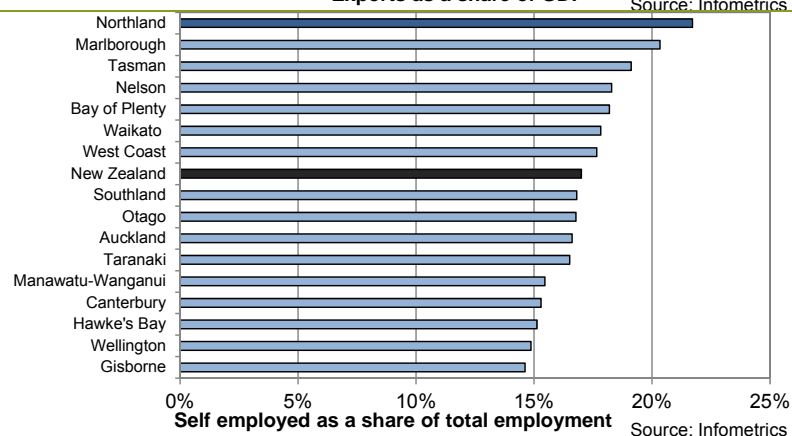
Export orientation by region in 2014

The export orientation of a region can be measured by an estimate of the value of exports to GDP. In Northland, this was 53% in 2014, significantly higher than the national level of 31%. Only three regions had a higher level of export orientation: Taranaki, Southland and Tasman. The importance of exports to the Northland economy is significantly larger than in Auckland and Wellington where exports represent 20% or less of GDP.



Self-employment by region in 2014

Northland has the highest level of self-employment among the 16 regions of New Zealand as shown by the share of self-employment in total employment. One in five persons in Northland is self-employed compared to the national average of one in six. Over time the rate of self-employment has been dropping. In 2000, 28% of those working in Northland were self-employed; by 2014 only 22% were. A smaller decrease is observed at the national level, falling from 19% to 17%.



Industrial diversity by region in 2014

The Herfindahl-Hirschman Index (HHI) measures the level of diversification in an economy. An index of 0 represents a diversified economy with economic activity spread across all industries. The higher the index, the more concentrated economic activity is in a few industries. In 2014, the HHI for Northland was 24.5, ranking it as the seventh most diversified region in New Zealand. Between 2000 and 2006, the HHI for Northland fell from 23.8 to 19.4 indicating greater diversification, but it has shown a slow and steady increase since then.

