

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



Issue 21 | September 2018

Quick quarterly statistics
page 1

Economic activity – quarterly
page 2

Employment – quarterly
page 3

Household welfare – quarterly
page 4

Tourism activity – annual
page 5

Spotlight – Cruise ship passengers
page 6



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From the economist

Kia ora / welcome to the 21st issue of this newsletter. While some indicators show a slow-down in economic activity during the past few months, the Northland economy is continuing to perform well, both in relation to historical rates and other regions. There has been a sharp drop in both the unemployment rate and the NEET. Northland no longer has the highest regional level for these two indicators!

The four tourism-related indicators covered in the Annual section show the positive developments that have occurred in this sector during the past few years. Guest nights in the year ended June 2018 hit a record high annual level of 1.96 million. There have been increases in both domestic and international visitors and across the different accommodation types. Estimates of expenditure reveal a continued rise in spending by international visitors (9%) while spending by visitors from other regions of New Zealand was stable.

The spotlight section in this issue draws from recent data released on the number of, and spending by, cruise ship passengers around New Zealand. More than 103,000 unique cruise ship passengers visited Northland in the year ended June 2018, representing about 40% of all cruise ship passengers that visited New Zealand. These visitors spent about \$14 million in Northland.

Darryl Jones

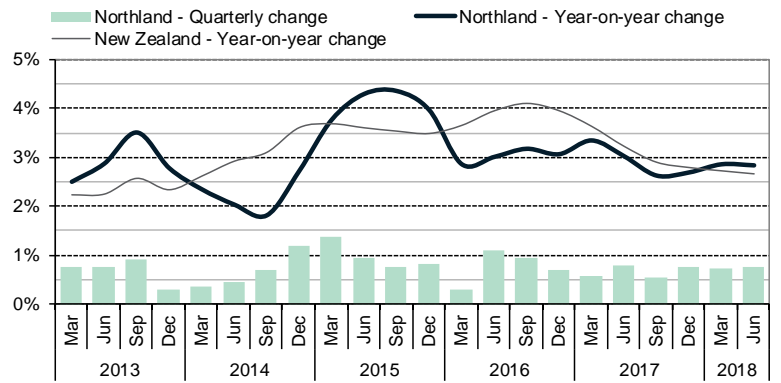
Quick quarterly statistics

- GDP is estimated to have risen 2.8% in the year ended June 2018.
- The floor area of new non-residential building consents rose by 40%.
- The value of retail trade rose 3.5% in the 12 months to June 2018.
- Net international migration fell by 25% but remains relatively high.
- Employment rose to a new record high of 84,100 in June 2018.
- The annual average unemployment rate dropped to 5.7% in June 2018.
- The youth not in employment, education or training (NEET) rate dropped to a record annual average low of 11.7% in the year ended June 2018.
- The number of people on the Jobseeker Support-Work Ready benefit fell by 3.4% in the year ended June 2018.
- The average wage and salary rose 1.6% in the year ended June 2017.
- Domestic power prices rose 3.1% during the year ended May 2018.
- There was a slight improvement in home affordability during the year to May 2018 due to lower interest rates.
- Consumer confidence in Northland rose slightly in June 2018.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

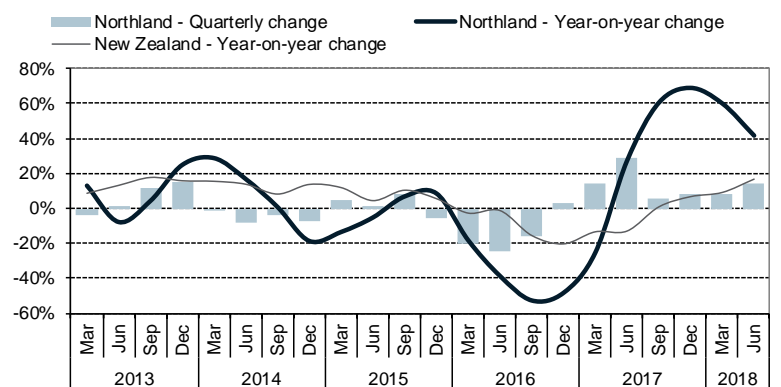
Northland's GDP is estimated to have risen by 0.8% in the June 2018 quarter. This contributed to an estimated annual growth rate of 2.8% for the year ended June 2018. All three districts in Northland are forecast to have annual growth rates of between 2-4%. Northland's annual growth rate for the latest year is just above the estimated national rate, with Northland ranking 10th out of 16 regions. Since June 2013 the Northland economy has grown at an annual rate of 3%; with only five regions growing faster.



Source: Infometrics Regional Database

Floor area of new non-residential building consents in Northland

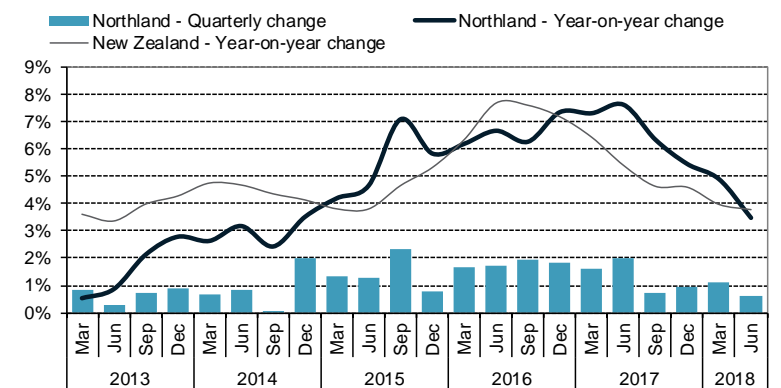
During the year ended June 2018, the floor area of new non-residential building consents issued in Northland totalled 89,221m². This is 42% higher than the total floor area consented in the year ended June 2017, but remains well below pre-GFC levels. The major reason for the rise is an increase in the floor area for farm buildings and health buildings. Only eight of the 16 regions experienced a rise in non-residential floor area consented in the year to June 2018, with Northland having the third largest increase.



Source: Statistics New Zealand

Retail trade in Northland

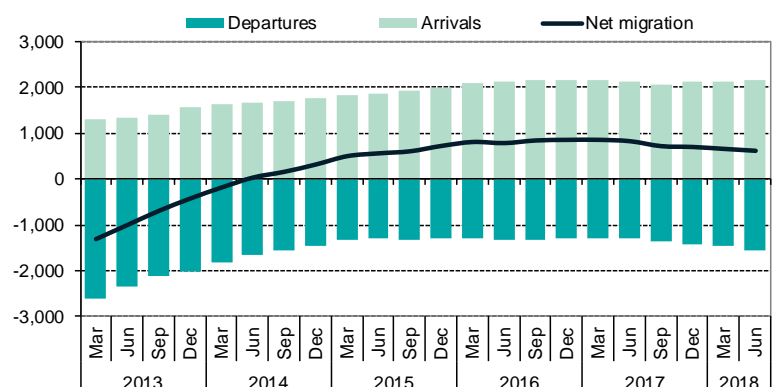
The annual value of retail trade spending in Northland was just under \$2.8M in the year ended June 2018. This was 3.5% higher than the value of spending in the year ended June 2017. There has been a steady growth in retail trade spending in Northland during the past four years driven in part by increases in population and the number of tourists. Since 2013, retail spending in Northland has grown by 28%, the same growth rate as the national increase during the same period, with Northland ranking fifth out of the 16 regions in terms of growth rates.



Source: Statistics New Zealand

Net international migration into Northland

The net number of international migrants into Northland in the year ended June 2018 was 612, with 2175 arrivals more than offsetting 1558 departures. This annual total is down 25% on the level of net international migration into Northland in the year ended June 2017. However, current net migration into the region is at a relatively high level, well above the 10-year annual average net migration loss of 200 people from the region. During the past year, net international migration has slowed down at the national level, falling 10%.

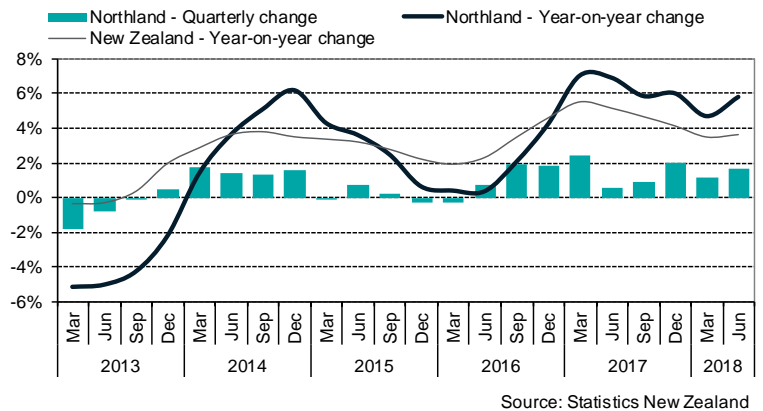


Source: Statistics New Zealand

Employment activity – quarterly

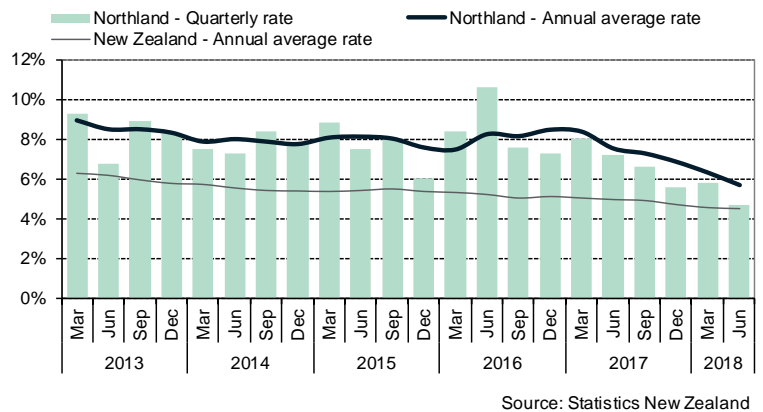
Employment in Northland

An estimated average of 84,100 people was employed in Northland (both full-time and part-time) in the year ended June 2018. The average number of people employed in Northland is 6% higher than one year ago and 22% higher than in June 2013. Nationally, the number of people employed increased by 3.6% in the year ended June 2018, and 19% since June 2013. Only two regions, Waikato and Otago, experienced a faster rise in employment than Northland during the past 12 months. Employment fell by 3% in Manawatu-Wanganui and 0.7% in Southland.



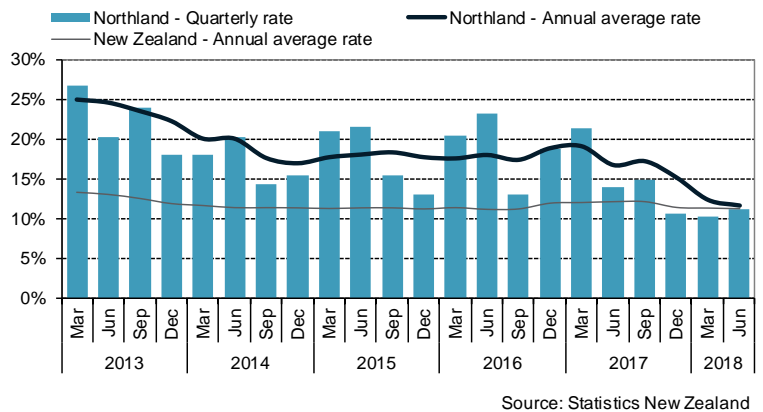
Unemployment in Northland

The annual average unemployment rate in Northland was 5.7% in the year ended June 2018. This is 1.8 percentage points lower than the annual average rate for June 2017 (7.5%). This is the first time Northland's unemployment rate has fallen below 6% since 2008. The gap between Northland's unemployment rate and the national average (4.5%) is also at its lowest level since 2008. Northland's unemployment rate is no longer the highest of all regions; with annual average unemployment rates of 6% in Gisborne/Hawke's Bay and 6.1% in Manawatu-Wanganui.



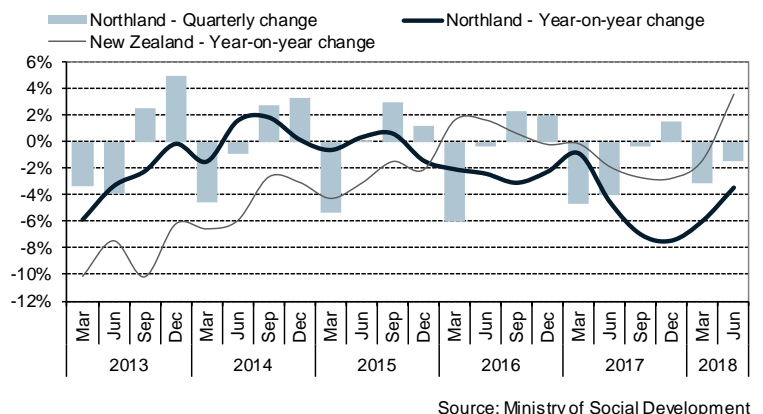
Youth (aged 15-24) not in education, employment or training in Northland

The annual average youth NEET rate in Northland was 11.7% in the year ended June 2018. This is the lowest annual average NEET rate recorded since the series began in 2004, and is 10 percentage points below the peak of 25% recorded in March 2013. Northland's NEET rate remains just above the national youth NEET rate (11.3%) with the gap the narrowest it has ever been. Four regions now have a higher NEET rate: Gisborne/Hawkes Bay (19%), Manawatu-Wanganui (16%), Taranaki (12%) and Waikato (12%). Otago has the lowest NEET rate (9%).



Jobseeker Support-Work Ready in Northland

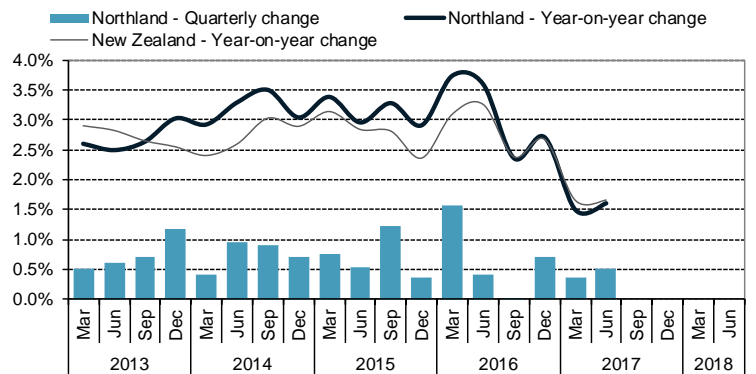
A total of 4281 people in Northland was receiving the Jobseeker Support-Work Ready benefit at the end of June 2018. This is down 1.5% from March and is 3.4% lower than in June 2017. There are almost 1300 (23%) fewer people receiving this benefit than the peak of more than 5500 recorded in June 2010. However, the current number remains 32% higher than in December 2008. Nationally, the number of people receiving this benefit has risen by 3.5% during the past year. Northland has been outperforming the national trend since 2016.



Household welfare – quarterly

Average wage and salary earnings in Northland

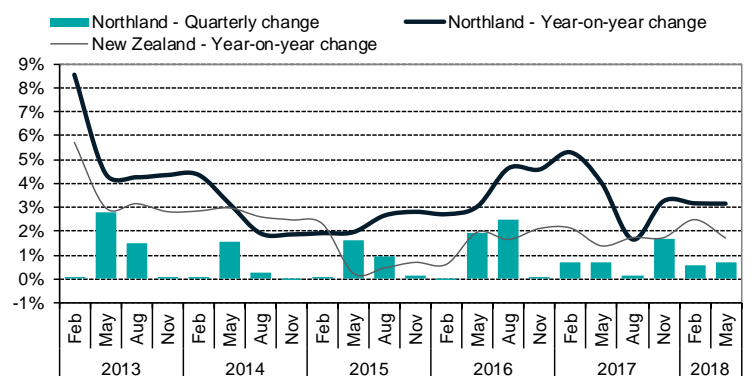
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$52,420 in June 2017. Average earnings rose 1.6% in the year ended June 2017 in line with the national average increase. Average earnings grew by 3.6% in Tasman but fell 0.6% 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 9th out of the 16 regions.



Source: Statistics New Zealand

Domestic electricity prices in Northland

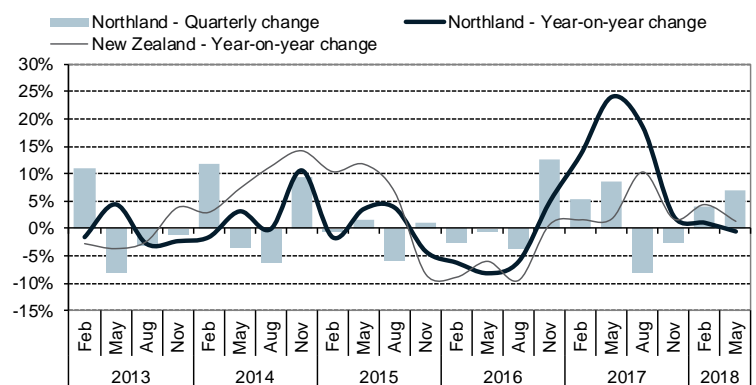
The weighted average domestic electricity price in Northland was 35.5c/kW in May 2018. This was 0.7% higher than in February and 3.1% higher than in May 2017. During the past five years, the average domestic electricity price in Northland has risen by 3% per annum. This is faster than the national annual average increase of 1.6%. Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2840. This is 20% higher than the national average of \$2376, equivalent to an additional \$8.92 per week.



Source: Ministry of Business, Innovation and Employment

Home affordability in Northland

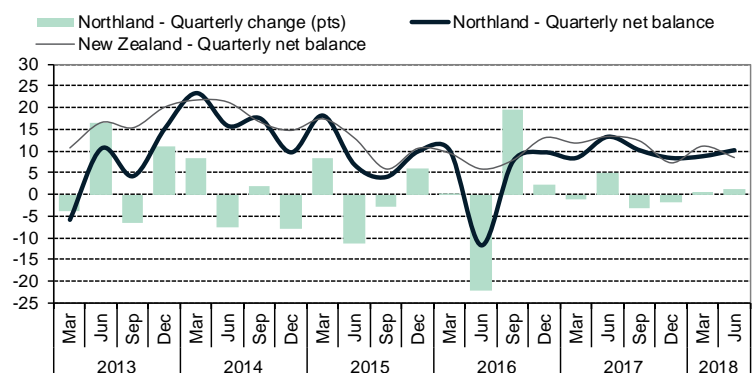
The Home Affordability Index for Northland (which considers the cost of borrowing as well as house prices and wage levels) fell by 0.4% in the year ended May 2018, indicating a halt to the sharp decline in affordability that occurred during 2017 (a rising index represents a deterioration in affordability). Affordability during the past 12 months has varied among the 12 regions for which an index is calculated, with the index falling in seven and rising in five. In absolute home affordability index terms, Northland ranks as the 8th most affordable region.



Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose 1.4 points to 10 in June 2018. An index number above zero indicates that optimists outnumber pessimists. This increase was out of step with the slight fall in the national level of consumer confidence, which Northland sits just above. Consumer confidence in Northland has been relatively stable at this level for the past two years. Only Nelson/Marlborough/West Coast and Northland had a slight rise in consumer confidence in the June quarter, with consumer confidence falling in eight regions and remaining stable in Auckland.

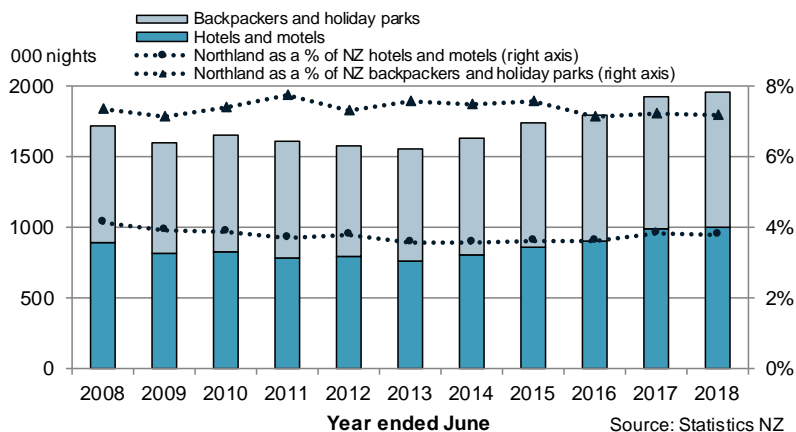


Source: Westpac McDermott Miller

Tourism activity – annual

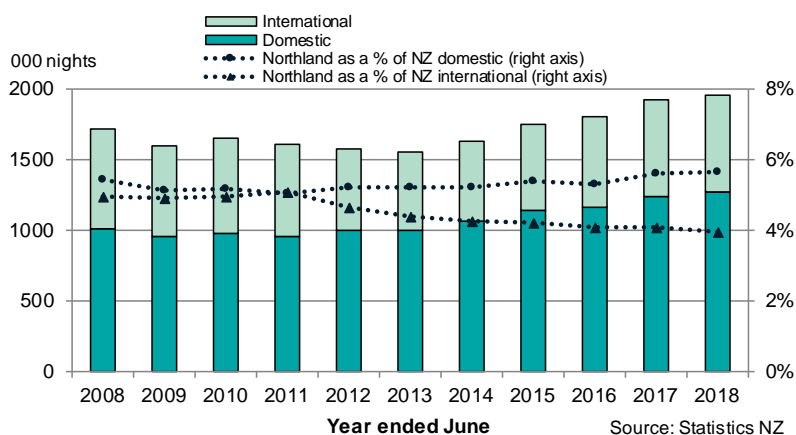
Guest nights by accommodation type

A total of 1.96 million guest nights was spent in Northland commercial accommodation in the year ended June 2018. This represents a 1.6% annual increase and follows a 7% increase the previous year. The 2017/18 annual total is the highest on record, 12% above the pre-GFC high of 1.756 million set in 2006/07. Guest nights rose for both hotels and motels (0.6%) and backpackers and campgrounds (2.7%) during 2017/18. The increase in total guest nights in Northland was slightly lower than the national increase of 2.4%. Northland accounted for 4.9% of total guest nights spent in New Zealand in 2017/18.



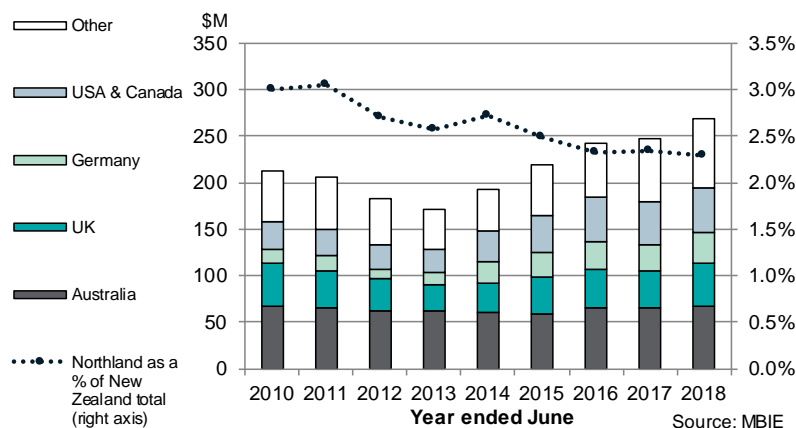
Guest nights by origin

During the past year there has been a 2.5% increase in guest nights by domestic visitors, with the number of international guest nights remaining static. Domestic guest nights now exceed pre-GFC levels by 18%. However, the number of international guest nights is still 3% below its peak in 2007/08. International visitors made up 35% of guest nights in 2017/18 compared to 41% in 2007/08. Northland's share of total international guest nights in New Zealand has fallen from 5.1% in 2006/07 to 3.9% in 2017/18. By contrast, Northland's share of the domestic tourism market has remained relatively stable at around 5.7%.



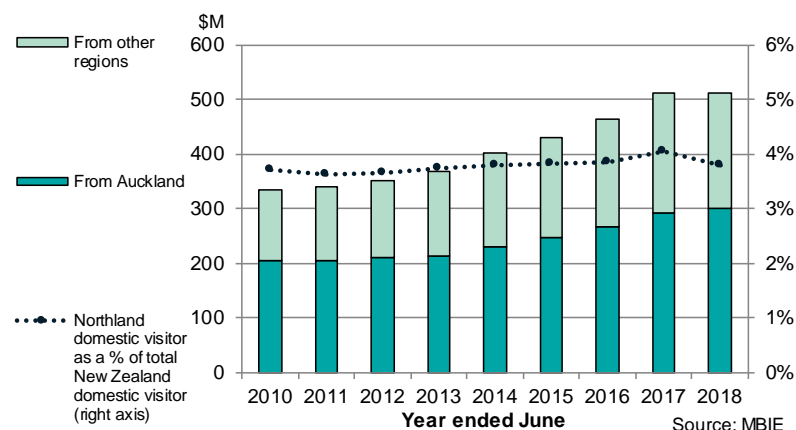
International visitor spending

It is estimated that international visitors spent \$269M in Northland during the year ended June 2018. This is up 9% on the amount spent in 2016/17. Since 2012/13, international visitor spending in the region has increased by an average of 10% each year. During the past year there has been an increase in expenditure by visitors from all parts of the world, with visitors from the UK and other countries contributing the most. However, Northland's share of total international spending in New Zealand has fallen from 3.1% in 2010/11 to 2.3% in 2017/18.



Domestic visitor spending

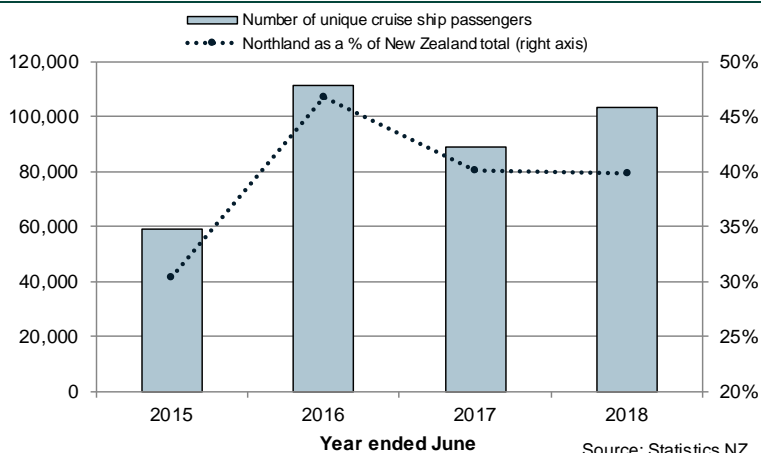
The monthly regional tourism estimates show total spending of \$512M in Northland by visitors from other regions of New Zealand during the year ended June 2018. This is the same level of spending that occurred in 2016/17, and contrasts with the 8% per annum rise experienced during the previous five years. Around 60% of domestic visitor spending in Northland is done by Aucklanders. Northland accounts for about 3.8% of total domestic visitor tourism spending. The combined value of domestic and international visitor spending in Northland totalled \$781 million.



Spotlight – Cruise ship passengers

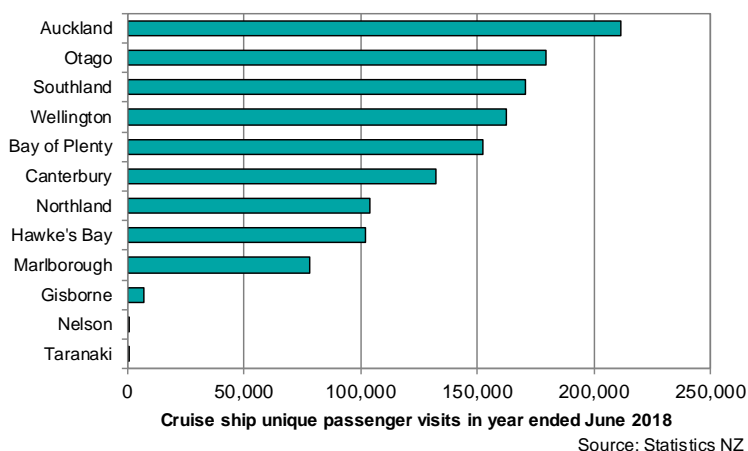
Unique passenger visits to Northland

In the year ended June 2018 there were 103,525 unique cruise ship passenger visits to Northland. This was 14,722 (17%) more than in 2016/17, and 75% more than the number that visited in 2014/15. However, the number of unique cruise ship passenger visits in 2017/18 is 7570 (7%) lower than the peak number of 111,095 recorded in 2015/16. In total, there were 259,489 unique cruise ship passengers to New Zealand in the year ended June 2018. Just on 40% of these passengers visited Northland, the same percentage as in 2016/17.



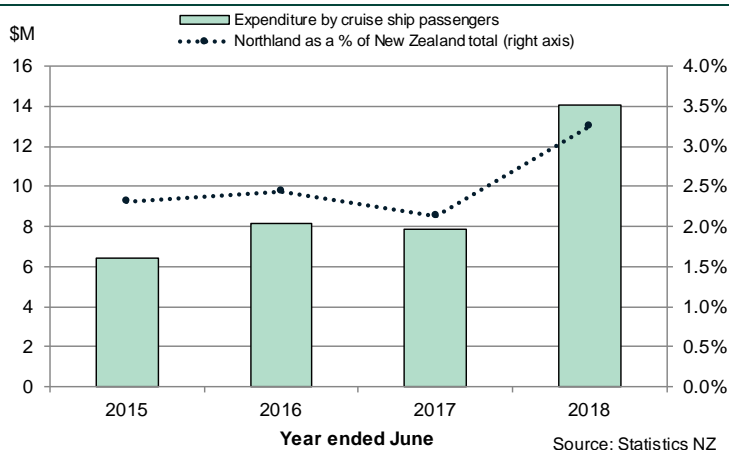
Unique passenger visits by region

Northland is the seventh most popular region in terms of unique cruise ship passenger visits in the year ended June 2018. Some 211,352 cruise ship passengers visited Auckland in 2017/18, representing more than 80% of total cruise ship passengers. Otago, Southland, Wellington and the Bay of Plenty received more than 150,000 cruise ship passengers in 2017/18. Since 2014/15, the total number of cruise ship passengers visiting New Zealand has grown by 65,000, a 33% increase. Northland has experienced the largest percentage increase of any region (75%). Passengers numbers visiting Auckland increased by only 18%.



Passenger expenditure in Northland

It is estimated that cruise ship passengers spent more than \$14 million in Northland in the year ended June 2018. This equates to an average spend of \$136 per passenger. The value of cruise ship passenger spending in Northland in 2017/18 is estimated to be 80% higher than the \$8 million spent in 2016/17. A total of \$434 million was spent by cruise ship passengers in New Zealand in 2017/18. Spending by cruise ship passengers in Northland equates to just 3.2% of the total, but is up from 2.1% in 2016/17.



Passenger expenditure by region

More than 30% (\$131 million) of total cruise ship passenger spending occurred in Auckland. Northland ranked eighth in terms of total spending by region. Each cruise ship passenger spent an average of \$1672 in New Zealand during 2017/18. Per cruise ship passenger spending by region varied between \$621 in Auckland and \$36 in Southland (because passengers visiting Fiordland do not have the opportunity to disembark). Northland has the next lowest average spend per passenger (\$136). The average expenditure per passenger by region, excluding Auckland and Southland, is \$264.

