

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



Issue 36 | December 2022

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 demographic in
Northland
page 6



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From the economics team at NRC

Kia ora and welcome to the 36th issue of this newsletter. The September quarterly indicators show continued but more constrained economic growth. Economic activity in Northland is estimated to have increased by just 1% in the year to September 2022 following two years of significant volatility. The labour market indicators suggest that labour capacity has been reached; with a slight fall in employment for the first time in almost a decade and little change in the unemployment rate which may have reached its floor. Meanwhile, the cost of living in Northland has increased dramatically over the past year with an 8.4% rise in food prices and a 5.8% rise in the average weekly rent.

The annual statistics section reports the results of the 2021/22 season for four key primary industries: dairy, forestry, kiwifruit and avocado. Only kiwifruit experienced an increase in production levels in the past season, although revenue did increase for both kiwifruit and dairy. The area planted in kiwifruit, avocado and plantation forestry expanded, while output per hectare fell for avocado and kiwifruit.

The spotlight section provides some analysis of the latest business demographic statistics for Northland. There were just over 23,200 businesses in Northland as of February 2022, 6.1% more than in 2021. This was the highest growth rate across the 16 regions. The number of businesses increased in all three of Northland's districts and across all high-level industry sectors. High population growth, strong domestic tourism and government spending programmes may all have contributed to the relatively strong growth in business numbers.

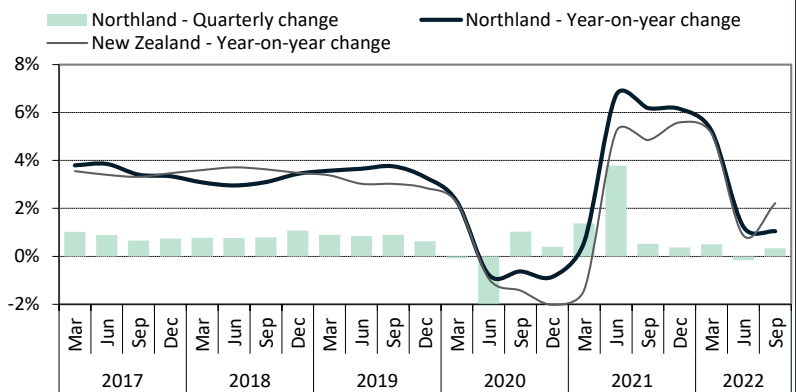
Quick quarterly statistics

- Annual GDP is estimated to have risen 1% in the year to September 2022.
- The floor area of new non-residential building consents increased by 10%.
- The value of retail trade increased 10% in the 12 months to September 2022.
- Wood chip exports rose by 9% in volume in the September 2021 year.
- The number of people working fell 0.5% in the year ended September 2022.
- The annual average unemployment rate, at 3.5% in September 2022, remained at historically low levels.
- The annual average youth not in employment, education or training (NEET) rate remained flat at around 14% in the year ended September 2022.
- The number of people on the Jobseeker Support-Work Ready benefit fell by 6% in the year ended September 2022.
- The average wage and salary rose 3.8% in the year ended September 2021.
- Food prices in Whangārei surged by 8.4% in the year ended September 2022.
- The average weekly rent of bonds lodged by landlords rose 5.8% in the 12 months to September 2022.
- Consumer confidence in Northland rose by 3.6 points in September 2022.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

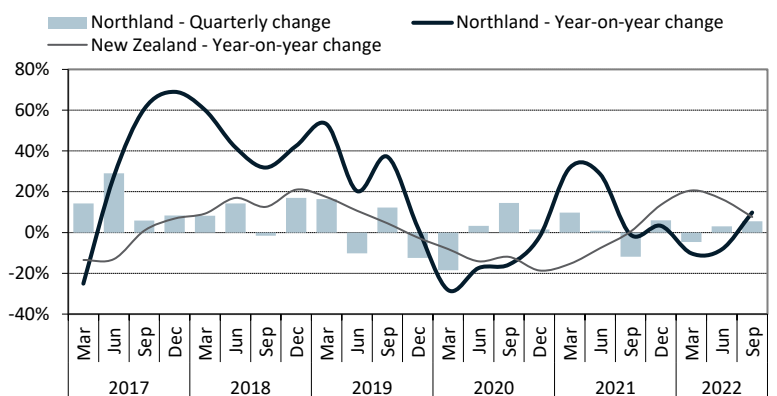
Northland’s annual GDP is estimated to have increased by 0.3% in the September 2022 quarter compared to June 2022, contributing to an annual growth of 1%. This is well below the 6.2% increase in economic activity estimated for the year ended September 2021. The 1% growth in Northland’s GDP is below the 2.2% increase in the national economy. Regional growth rates during the year ended September 2022 are estimated to vary from 4.5% in Tasman to 0.4% in Taranaki, with Northland sitting 11th out of 16 regions. Annual growth rates in the districts range from 0.6% in the Far North district to growth of 1.7% in Whangārei.



Source: Infometrics

Floor area of new non-residential building consents in Northland

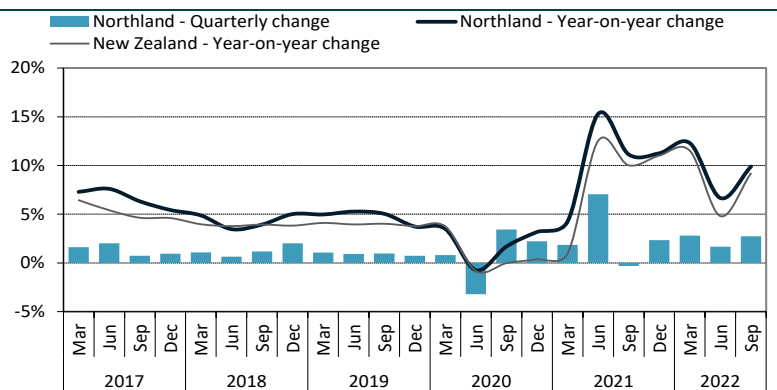
During the year ended September 2022, the floor area of new non-residential building consents issued in Northland totalled 110,366m². This is 10% higher than the total floor area consented in the year ended September 2021. However, it is 14% lower than the annual average area consented during the decade preceding the GFC. While the consented area for storage, health and farm buildings increased, it fell for office administration and commercial buildings. Across the 16 regions, five regions experienced a fall and eleven a rise in non-residential floor area consented in the year to September 2022, with Northland ranked eighth.



Source: Statistics New Zealand

Retail trade in Northland

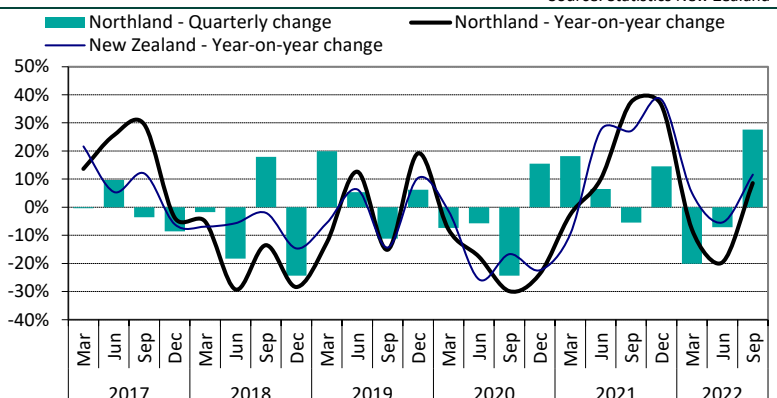
The annual value of retail trade spending in Northland was just over \$3.6B in the year ended September 2022. This was up 2.7% from the annual value recorded for the year ended June 2022, and 10% higher than the value of spending in the year ended September 2021. Over the past year, all regions have experienced a rise in retail spending. Auckland saw the largest increase (11%) while Manawatu – Wanganui the smallest (3%). Northland recorded the second highest rate over the same period, just below the Auckland metropolis.



Source: Statistics New Zealand

Wood chip exports from Northland

Some 115,759 Bone Dry Units (BDU) of wood chips were exported from Northport in the year ended September 2022. This is 9% more than the annual volume exported in the year ended September 2021 but 27% below the annual record of 157,680 BDU exported in the year ended March 2012. The region accounts for 39% of all wood chip exports from New Zealand but 99% of total softwood chips. Softwood chips account for 100% of the volume exported from Northport compared to 40% nationally.

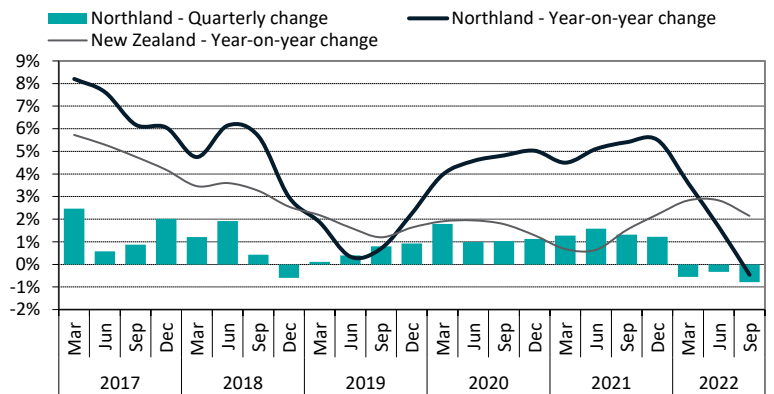


Source: Te Uru Rakāu

Employment activity – quarterly

People working in Northland

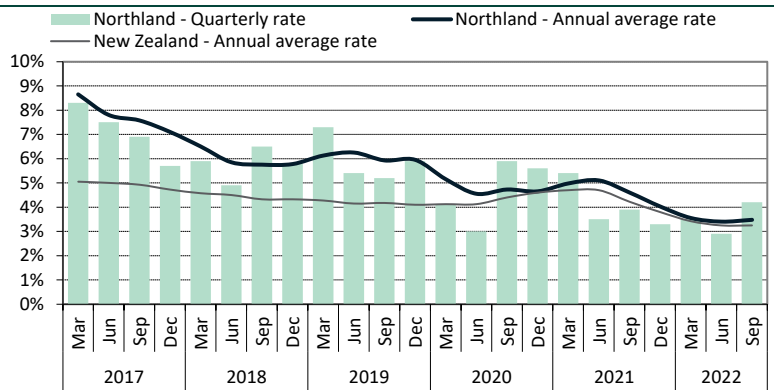
An estimated average of 97,500 people were working in Northland (both full-time and part-time; employed and self-employed) in the year ended September 2022. This is 0.5% lower (500 people) than the average number working in the year ended September 2021, the first annual fall in employment in Northland since December 2013. Nationally, the number of people working increased by 2.1% during the year ended September 2022. Over the last year, the number of people employed has fallen in three areas: Northland, Gisborne/Hawke’s Bay, and the combined Tasman, Nelson, Marlborough and West Coast area. Despite the recent fall, Northland remains the fastest growing region in terms of employment over the last five years (17%), followed by Manawatu-Wanganui (12.4%).



Source: Statistics New Zealand

Unemployment in Northland

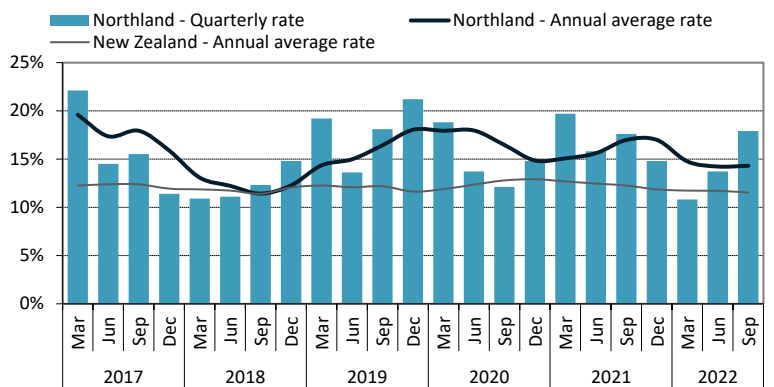
The annual average unemployment rate in Northland was 3.5% in the year ended September 2022. This is 1.1 percentage points lower than the annual average rate recorded in September 2021. The national unemployment rate averaged 3.3% for the year ended September 2022, down from 4.2% one year earlier. Three other regions have a higher annual average unemployment rate than Northland: Bay of Plenty (3.9%), Gisborne / Hawke’s Bay (3.7%) and Waikato (3.5%). Otago has the lowest unemployment rate of 2.6%.



Source: Statistics New Zealand

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

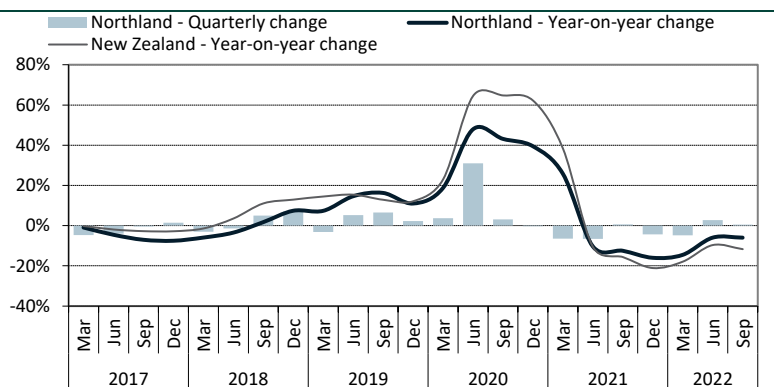
The annual average youth NEET rate in Northland was 14.3% in the year ended September 2022 (~2800 people). This is down 0.1 percentage points on the annual average rate for June 2022 and down from 17% (~400 people) recorded in September 2021. The current rate is 11.1 percentage points below the peak of 25.4% recorded in March 2013. Northland’s NEET rate is above the national youth NEET rate of 11.5%. Northland has the second highest NEET rate, sitting below Bay of Plenty (17.4%). Otago and Wellington have the lowest NEET rate (8.7% and 9% respectively) in the year ended September 2022.



Source: Statistics New Zealand

Jobseeker Support-Work Ready in Northland

A total of 6159 people in Northland were receiving the Jobseeker Support-Work Ready benefit at the end of September 2022. This is down by ~1300 people (18%) from the number in September 2020, which marked the peak number receiving this benefit. The current number is ~580 (11%) higher than the number recorded at the peak of the post-GFC recession in June 2010. Nationally, the number of people receiving this benefit has dropped by 12% during the past year while falling by just 6% in Northland.

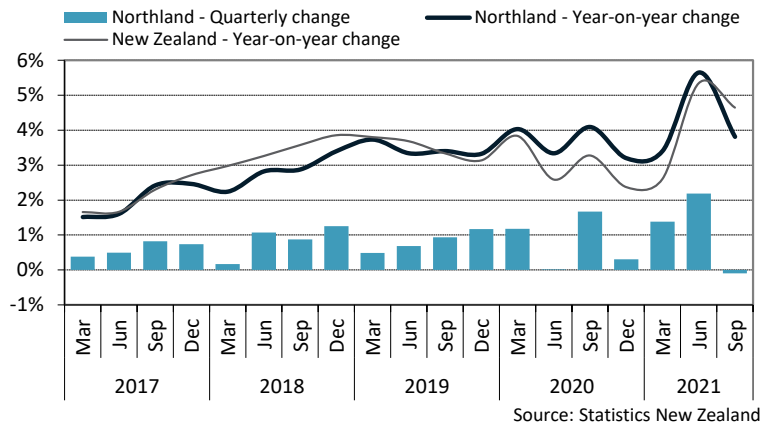


Source: Ministry of Social Development

Household welfare – quarterly

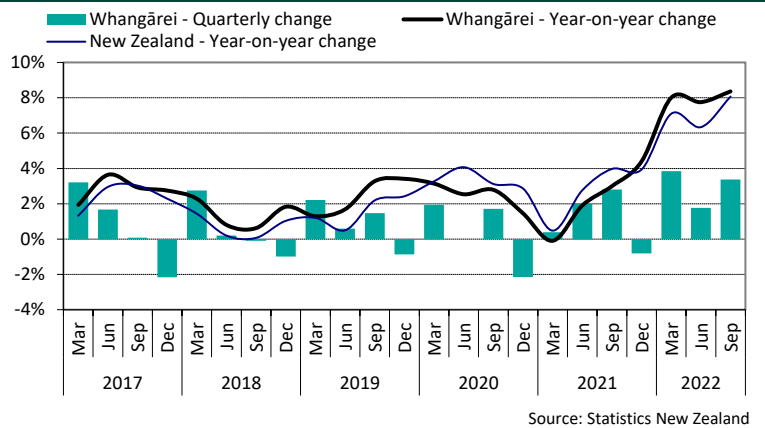
Average wage and salary earnings in Northland

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 \$60,750 in September 2021, 3.8% higher than in September 2020. This is below the national average increase of 4.6%. Eight regions (including Wellington) recorded a slower increase than Northland in the year ended September 2021. Northland's average wage and salary is 88% of the national average. Only Auckland and Wellington have average earnings above the national average. Northland ranks 14th out of the 16 regions, ahead of Gisborne and Tasman, but eight regions, including Northland, having an average in the narrow range between \$60,750-\$61,750.



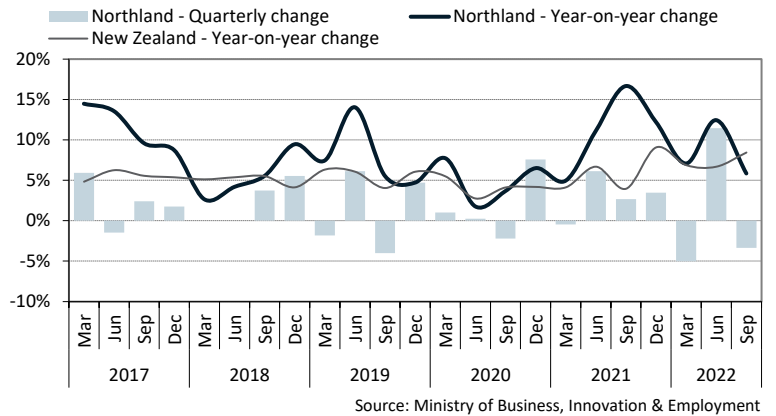
Food prices in Whangārei

Food prices in Whangārei increased by 3.4% in the September 2022 quarter, following a rise of 1.8% in the previous quarter. For the year ended September 2022, food prices in Whangārei rose 8.4%. This is the highest annual rate of increase since late 2008 / early 2009. Food prices in Whangārei have generally been increasing in line with national rate, with an 8.1% increase in the national average in September 2022. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 19% higher today than it was five years ago in September 2017 as is the national rate.



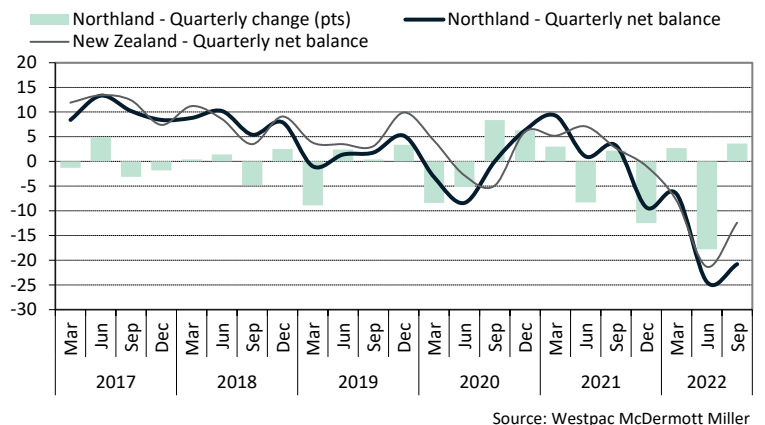
Average rent in Northland

The mean average rent in Northland was \$489 per week in September 2022. While this is below the record high of \$506 in the June quarter it is 6% higher than in September 2021. In the last five years, the average rent in Northland has risen by 43%, well above the national average increase of 29%. Six of the 16 regions recorded a larger increase than Northland over the last five years, the highest of which was Gisborne (66%). The average rent in Northland is now 95% of the national average compared to 86% in 2017. Auckland's average rent is 9% higher than the national average, but on the West Coast is 38% lower.



Consumer confidence in Northland

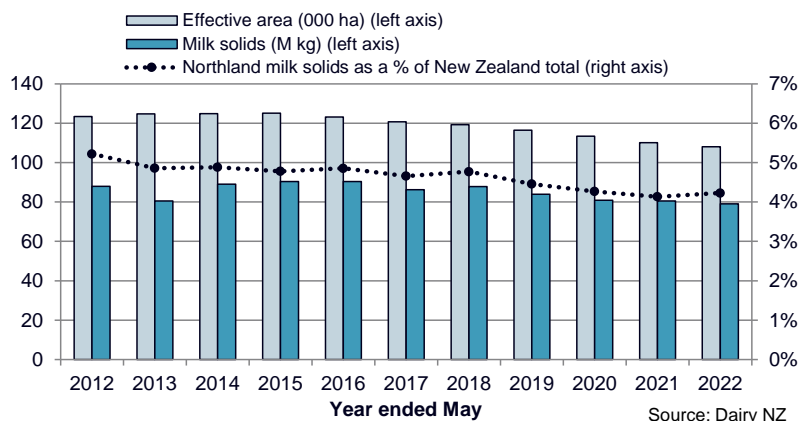
The Westpac-McDermott Miller Consumer Confidence Index for Northland rose by 3.6 points in September 2022 from -24.4 to -20.8. An index number less than zero indicates that the number of pessimists is greater than the number of optimists. Although consumer confidence in Northland picked up in the last three months, it remains weak. Of the 11 regions for which data is compiled, consumer confidence is lower than Northland in only three regions. Otago ranks lowest at -24.6 points, while Wellington highest at 5 points.



Selected primary industries – annual

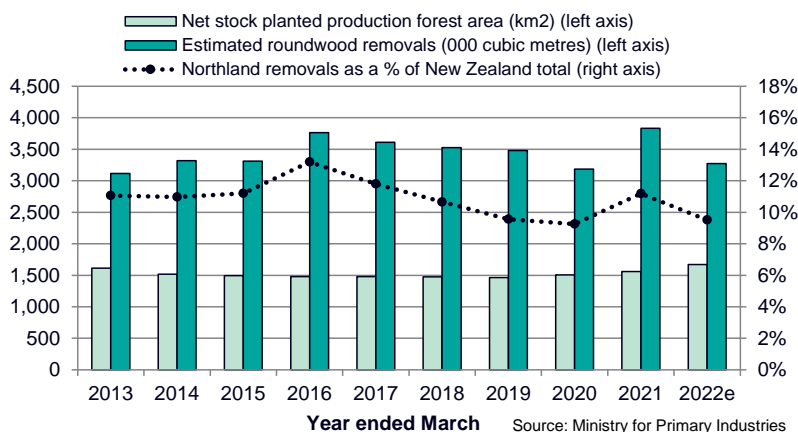
Milk solids production in Northland

It is estimated that around 78M kg of milk solids was produced in Northland in the 2021/22 season. This is down 3% from the previous season, driven by an estimated fall in both effective area and output per hectare. This estimate is 14% below the record of 90.4M kg achieved in 2015/16. Northland's share of national production has dropped from 7% in 2002 to 4% in 2022. While production fell, there was a 23% lift in the total payout price to \$9.50/kg milk solids. Consequently, dairy farmer revenue in Northland rose by 19% to an estimated \$740M in 2021/22.



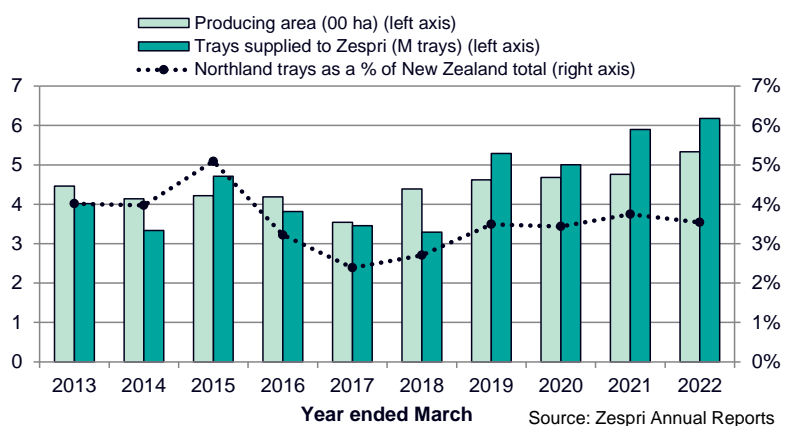
Forest production in Northland

It is estimated that 3.3M m³ of roundwood was harvested from Northland production forests in 2021/22. This is 15% lower than the record volume harvested the previous year. Northland's share of the national harvest dropped from 11% to 9.5% in 2021/22. The area in plantation forest in Northland had fallen from around 172,000ha in the mid-2000s to less than 150,000ha in the late-2010s before increasing again over the past few years. Using an average log price of \$150/m³ (up 3%), Northland forest owners earned around \$490M in 2021/22, down 12% on the previous year.



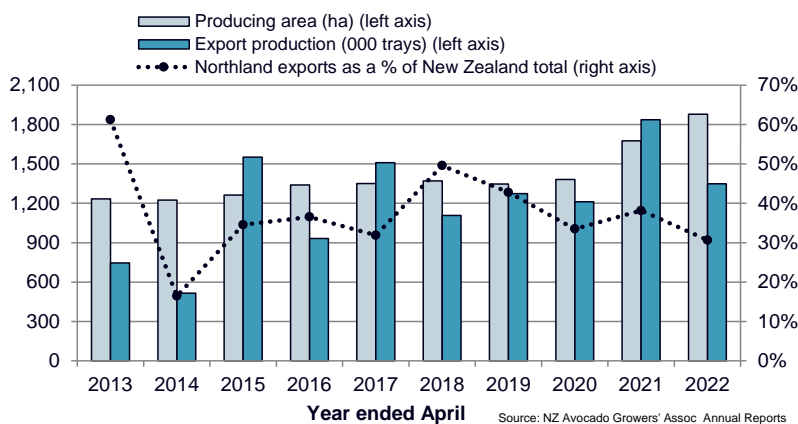
Kiwifruit production in Northland

In the 2021/22 season, Northland kiwifruit growers supplied Zespri with a record harvest of nearly 6.2M trays of fruit. This is 5% more than the previous record set in 2020/21. The increase in production was due to a 12% increase in area, with production per hectare falling by 6%. Grower revenue rose by 4% from \$95M to \$98M as the average payment before costs fell 1% to just under \$16/tray. Gold kiwifruit now make up 91% of kiwifruit production in Northland, compared to around 50% a decade ago. Northland accounts for 3.9% of the New Zealand producing area and 3.5% of total production.



Avocado production in Northland

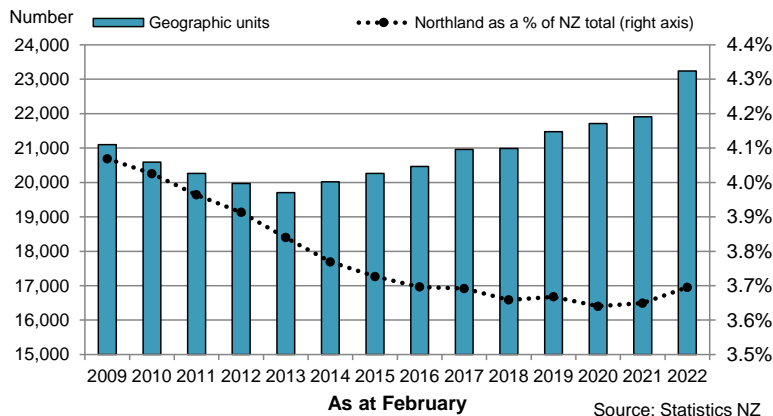
Northland avocado growers supplied 1.35M trays of fruit for export in 2021/22; 27% less than the record supply level of 1.84M trays produced in 2020/21. While there was a 12% increase in the avocado producing area, production per hectare fell by over one-third (-34%). Export production was significantly lower in both the Far North (-23%) and Mid-North (-29%) producing areas. Northland now accounts for 40% of the avocado producing area in New Zealand compared to 30% a decade ago. Along with a fall in production, prices also fell. Assuming the national average orchard gate return was received, Northland growers earned \$34M, 52% less than the record return of \$71M received in 2020/21.



Spotlight – Business demographics in Northland

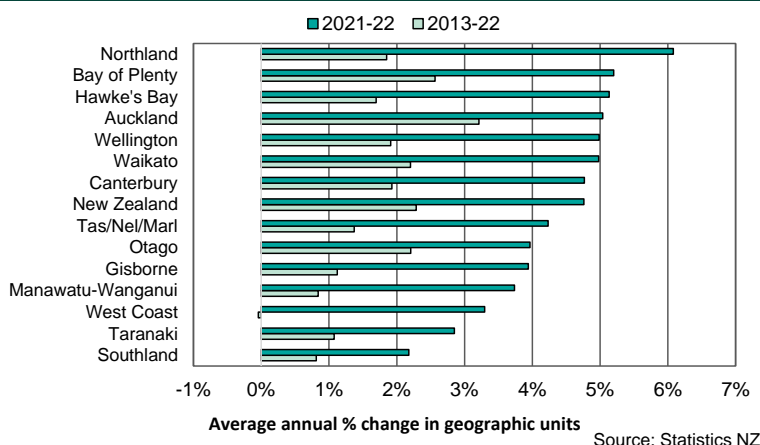
Number of businesses in Northland

As at February 2022, there were 23,241 geographic units in Northland. This is up 6.1% (1332) from February 2021. A post-pandemic boost in entrepreneurial activity resulted in Northland experiencing a record annual increase in the number of geographic units recorded since the inception of this series (2002). This differs from the slow-down following the global financial crisis that saw the number of businesses in Northland fall by 7% from 2009 to 2013. Northland's share of total businesses in New Zealand has fallen from 4.3% in the early 2000s to 3.7% in 2022.



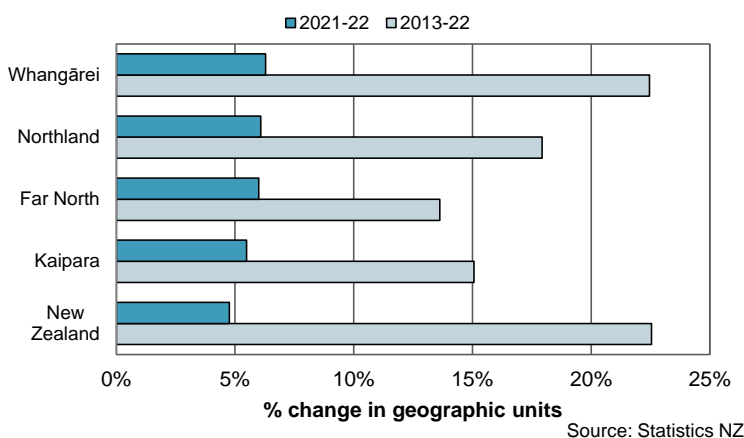
Change in businesses by region

In the 12 months to February 2022, all regions experienced a rise in the number of businesses with Northland the largest (6.1%), followed by Bay of Plenty (5.2%). Southland experienced the smallest increase (2.2%). Since the low point in 2013, the number of businesses in Northland has increased by 18%, an average annual growth rate of 1.8%. Over the 9-year period 2013-22 Northland ranked seventh among the 14 regions analysed and accounted for 3% of the increase in total businesses. The West Coast was the only region to have experienced a drop (-0.4%) in the number of businesses since 2013.



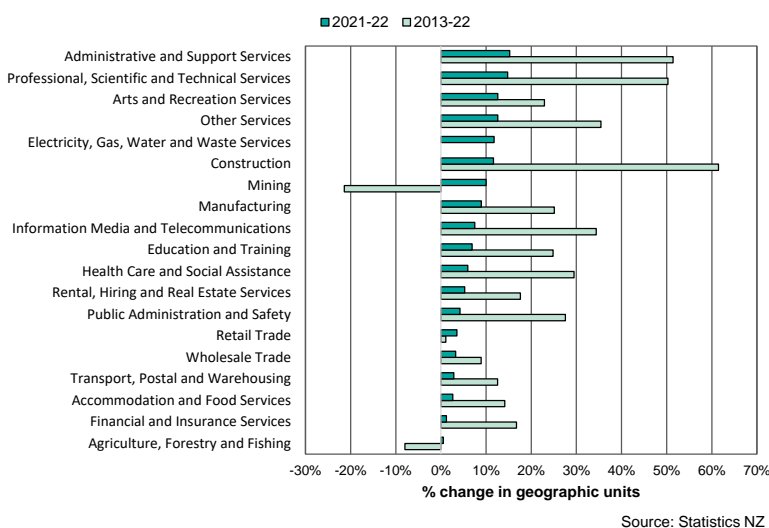
Change in businesses by district

Over the last year, the number of businesses has risen in all Northland districts. Whangārei experienced an increase of 6.3% followed by the Far North (6%) and Kaipara (5.5%). This contrasts with the post GFC 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 similar to the population distribution, with 49% of businesses located in Whangārei, 35% in the Far North and the remaining 15% located in Kaipara. Since 2013, the number of businesses grew by 22% in Whangārei, 15% in Kaipara and 14% in the Far North.



Change in businesses by sector

As at February 2022, the number of businesses in Northland increased in all of the ANZSIC¹ 2006 division classifications with administrative and support services seeing an increase of 15.2%, followed by professional, scientific and technical services (14.8%). The smallest increase in the number of businesses is experienced by agriculture, forestry and fishing (0.5%). From 2013 to 2022, only two out of 19 divisions experienced a drop in business numbers in Northland, with the number of mining, and agriculture, forestry and fishing businesses falling 21% and 8% respectively. Construction has seen the strongest rise in the number of businesses since 2013 (61%) followed by administrative and support services (51%).



1. Australian and New Zealand Standard Industrial Classification (ANZSIC).