

# Economic Quarterly

**Northland**  
REGIONAL COUNCIL

Te Kaunihera ā rohe o Te Taitokerau



## Issue 31 | September 2021

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*Disclaimer: this newsletter provides general information on the Northland economy and the views expressed are those of the author. It is not intended for any particular course of action or as a substitute for financial advice.*

## From the economics team at NRC

Kia ora and welcome to the 31<sup>th</sup> issue of this newsletter. The quarterly indicators reveal the strong position the Northland economy was in prior to the move of the whole country to Alert Level 4 on 18 August. Indicators of economic activity show a large rebound during the December, March and June quarters. Labour market indicators show long run favourable employment trends continued over the past year. Offsetting this, housing affordability has deteriorated and is likely to worsen if the expected rise in interest rates occur.

The annual section draws on newly available tourism-related indicators. Unfortunately, due to the replacement of previously reported data series', long-term trends on guest night accommodation and tourism spending are not possible, and spending data by international visitors is considered unreliable for analysis. Guest nights in the year ended June 2021 totalled 1.83 million, with 20% occurring in the month of January and 62% in the Far North. Domestic tourism spending in Northland totalled \$566M in the year ended June 2021, 35% more than in the previous year. Northlanders spent a similar total amount (\$534M) on tourism activities, with 40% spent in Auckland and 30% in Northland.

The spotlight section highlights some of the immediate impacts of the latest COVID-19 lockdown on Northland's economy. Weekly consumer spending fell by 24% compared to 2019 levels during the three weeks since 18 August. It has since rebounded to be 13% above 2019 levels, the strongest increase among the 16 regions. Any downward impact on the number of filled wage and salary jobs is still to be seen, with the number of jobs increasing between July and August. However, an additional 438 Northlanders are receiving the Jobseeker Support benefit in mid-September compared to mid-August, a rise of 3.9%.

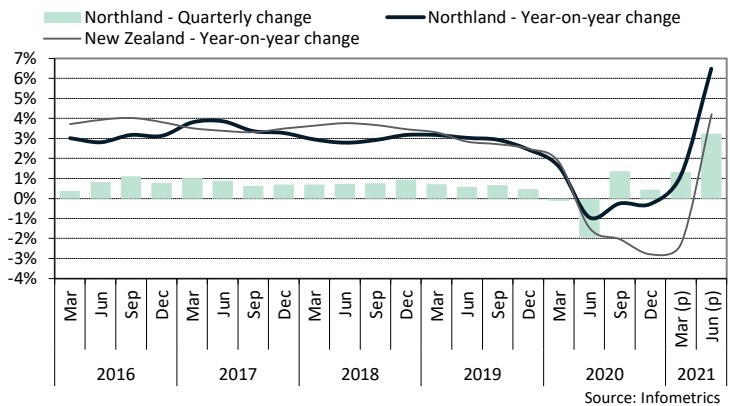
## Quick quarterly statistics

- Annual GDP is estimated to have risen 6.5% in the year ended June 2021.
- New residential building unit consents rose 42% in the year ended June 21.
- The total value of retail trade increased 7% in the 12 months to June 2021.
- Commercial vehicle registrations rose 14% in the year ended June 2021.
- The number of people working rose by 5% in the year ended June 2021.
- The annual average underutilisation rate was 13% in June 2021.
- In the year ended June 2021, the annual average unemployment rate for Māori was 9.1%, up from 7.3% in June 2020.
- Online job vacancies in June 2021 are 14% higher than in March 2021.
- The average wage and salary rose 2.7% in the year ended June 2020.
- Domestic power prices rose 2.4% during the year ended August 2021.
- Home affordability deteriorated during the year ended May 2021 due to a large increase in house prices.
- Consumer confidence in Northland rose by two points in September 2021.

# Economic activity – quarterly

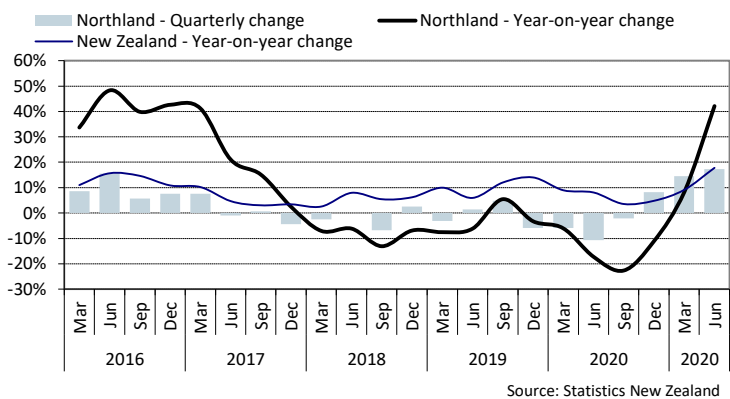
## Gross domestic product (GDP) in Northland

Northland’s annual GDP is estimated to have grown by 3.2% in the June 2021 quarter, contributing to an annual growth rate of 6.5%. This compares to a 0.9% contraction in economic activity estimated for the year ended June 2020. The 6.5% growth in Northland’s GDP is higher than the 4.2% increase in the national economy. Regional growth rates during the year ended June 2021 are estimated to vary from 2% in Southland to 7% in Nelson, with Northland sitting fourth out of 16 regions. Annual growth rates in the districts range from 5.6% in the Far North District to growth of 9% in Kaipara.



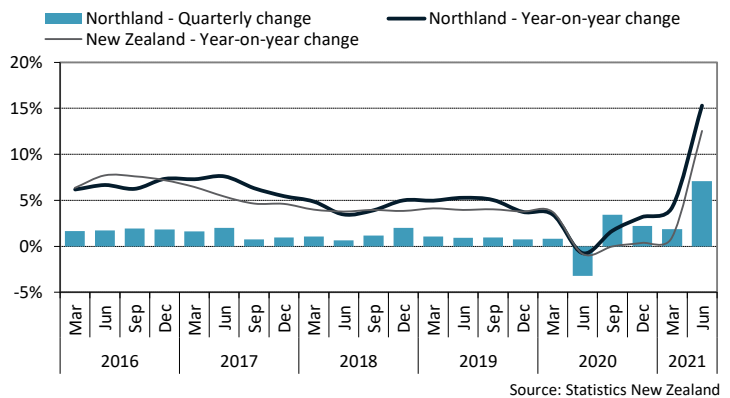
## Number of dwelling unit consents in Northland

During the year ended June 2021, 1336 new dwelling unit consents were issued in Northland. This is 42% more than the number issued in the year ended June 2020. This increase comes after two years during which the number of consents issued fell despite a rising population. The number issued in 2021 is still 105 (7%) below the record number issued in 2004 when the population was 45,000 (23%) lower than today. There is a large regional variation around the 18% national increase in the year ended June 2021, ranging from a 44% increase in Gisborne (Northland’s 42% putting it in second place) to a fall of 11% in Otago.



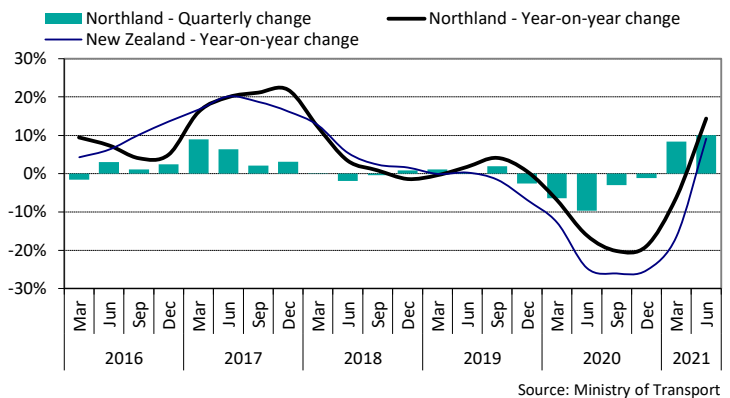
## Retail trade in Northland

The annual value of retail trade spending in Northland was just over \$3.36B in the year ended June 2021. This was 7% higher than the annual value recorded for the year ended March 2021, and 15% higher than the value of spending in the year ended June 2020. Over the past year, there has been considerable variation in retail spending across the regions, rising by 17% in Hawke’s Bay and falling by 3% on the West Coast. Northland recorded the fourth highest rate. Since 2016, retail spending in Northland has grown by 34%, faster than the national increase of 27%, with Northland ranking fourth out of the 16 regions in terms of growth.



## Commercial vehicles registration

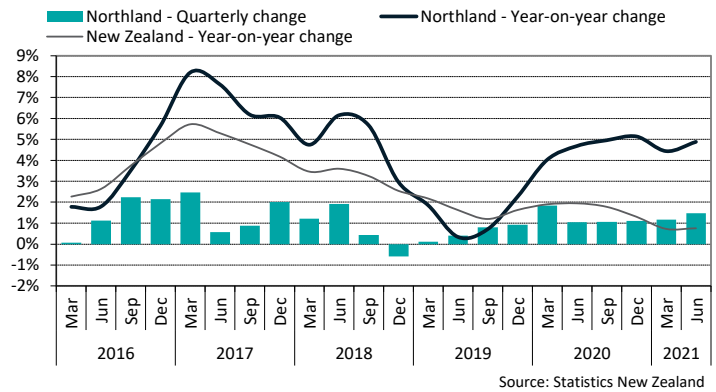
Some 2106 commercial vehicles were registered in Northland in the year ended June 2021. This is 14% higher than the number registered in the year to June 2020, but 4% below the year ended June record total of 2194 set in 2019. For comparison, 710 commercial vehicles were registered in the year ended June 2011 following the Global Financial Crisis. At the national level, commercial vehicle registrations rose by 9% in the year ended June 2021 with growth strongest in regions outside the main centres. Commercial vehicle registrations grew by 1% in Canterbury and 3% in Auckland, but 31% in Taranaki.



# Employment activity – quarterly

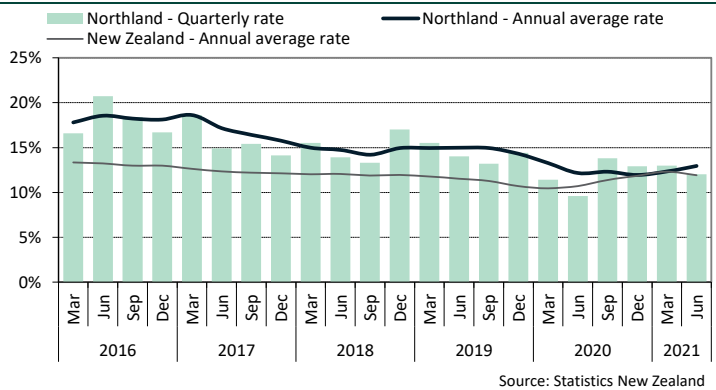
## People working in Northland

An estimated average of 96,600 people were working in Northland (both full-time and part-time; employed and self-employed) in the year ended June 2021. This is 5% higher (4500 people) than the number working in the year ended June 2020. Nationally, the number of people working increased by 0.8% during the year ended June 2021. Over the past year, the number of people working has increased faster in Northland than in any other region, with five regions experiencing a decrease, including Taranaki, Otago and Southland. This is also a longer-term trend. Since 2016, the number of people working in Northland has increased by 19,900 or 26%, above the national growth of 14% and all other 11 regions (ranging from 2% to 18%).



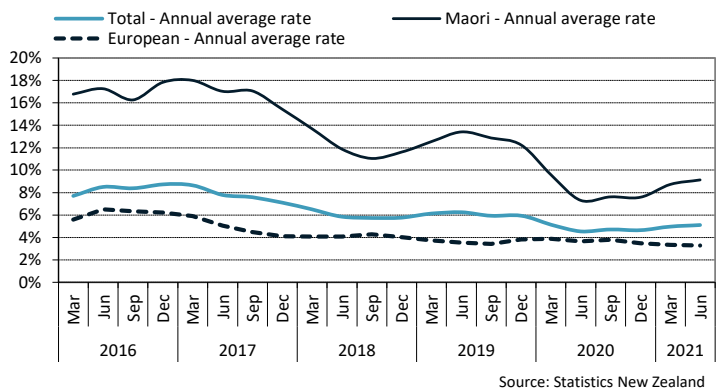
## Underutilisation rate in Northland

The annual average underutilisation rate in Northland was 13% in the year ended June 2021. The underutilisation rate gives a broader measure of untapped capacity in the labour market. There has been a steady decline in Northland's underutilisation rate since 2012 when it was above 20%. The lowest annual average underutilisation rate recorded in Northland was 10.8% recorded in March 2008. The national annual average underutilisation rate for the year ended June 2021 is 12% and varies between 11% in Waikato and 13% in Bay of Plenty and Northland.



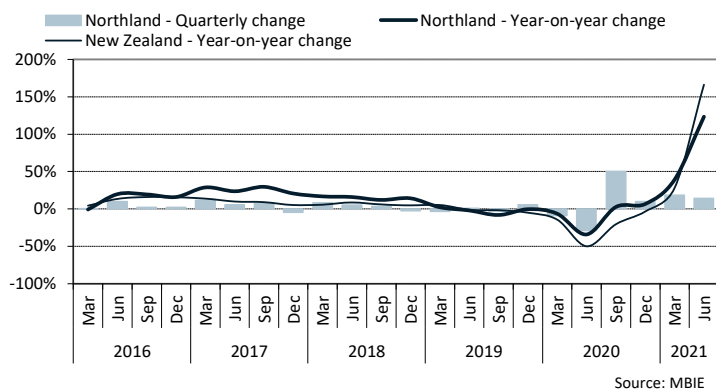
## Unemployment rate by ethnicity in Northland

In June 2021, the annual average unemployment rate for Māori in Northland was 9.1% compared to 3.3% for Europeans. These are nearly half the level recorded in December 2016; down from 17.8% and 6.2% respectively. The drop in the Northland regional average unemployment rate over the past five years from 8.5% to 5.1% is due primarily to a fall in Māori unemployment. The annual average national unemployment rate is currently 8.6% for Māori and 3.8% for Europeans. Bay of Plenty has the highest annual average Māori unemployment rate (10.4%) while Southland has the lowest (3.7%).



## Online job vacancies in Northland

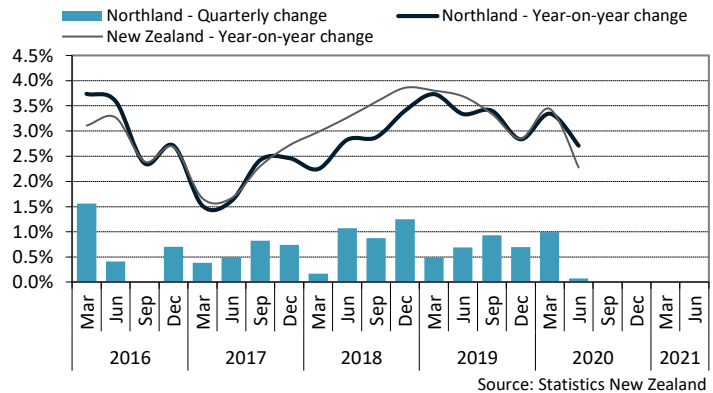
The trend series index of online job vacancies in Northland shows a 14% rise in the number of online vacancies in June 2021 compared March 2021. The number of online vacancies recorded in June 2021 is 123% higher than in 2020, and 107% higher than in June 2016. Nationally, the number of online job vacancies rose by 166% during the past year, rising in all 10 regions for which the index is calculated during the past year. Compared to 2016, only Gisborne/Hawke's Bay (157%) and Manawatu-Wanganui (113%) experienced a larger increase than Northland, with Canterbury (30%) and Auckland (35%) the lowest.



# Household welfare – quarterly

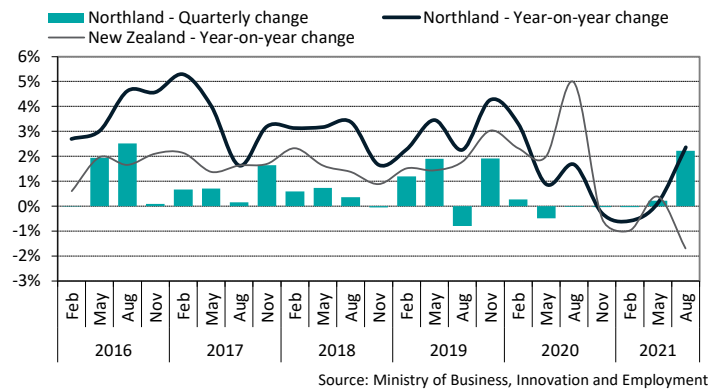
## Average wage and salary earnings in Northland

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 \$57,200 in June 2020, 2.7% higher than in June 2019. This is slightly above the national average increase of 2.3%, with seven of the 16 regions (including Auckland and Canterbury) recording a lower increase than Northland in the year ended June 2020. 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 14<sup>th</sup> out of the 16 regions, with nine regions, including Northland, having an average in the narrow range between \$57,500-\$59,000.



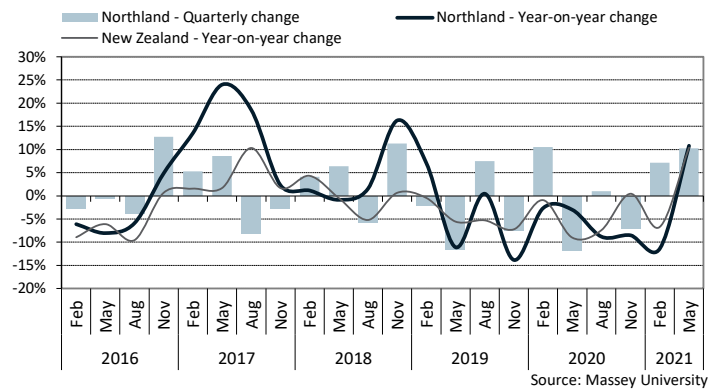
## Domestic electricity prices in Northland

The weighted average domestic electricity price in Northland was 37.9c/kW in August 2021. This is 2.2% higher than in May 2021 and 0.9c/kW (2.4%) higher than in August 2020. The national average price fell 1.7% (0.5c/kW) in the past year. During the past five years, the average domestic electricity price in Northland has risen by 2.3% per annum, with the national average increasing by 1.6% per. Assuming 7100kW of power is used per year, the current price equates to an annual household power bill of \$2,692. This is 22% higher than the national average of \$2,212, equivalent to an additional \$9.23 per week.



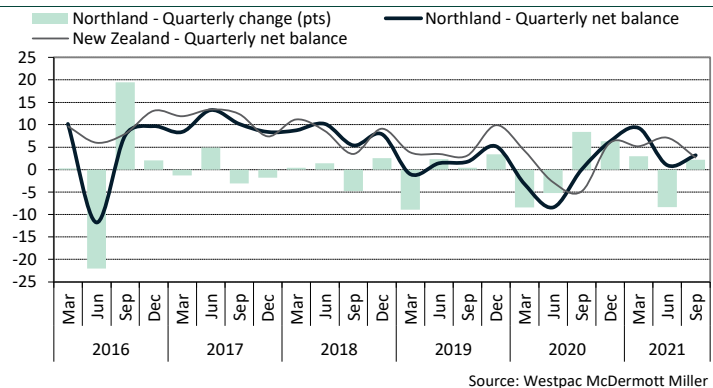
## Home affordability in Northland

The Home Affordability Index for Northland (which considers interest rates, house prices and wage levels) increased by 10.8% in May 2021 compared to May 2020 - indicating a deterioration in affordability (a rising index represents a decline). Fourteen of the 16 regions experienced a decline in affordability over the past quarter (all except Auckland and Wellington). This has been driven by the sharp rise in house prices across the country and a decrease in income in majority of regions. Northland ranks as the 6<sup>th</sup> highest region on the affordability scale and above the national average. Auckland and Tasman rank the highest and Taranaki and Southland the lowest.



## Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose by two points in September 2021 from 1 to 3. An index number greater than zero indicates that the number of optimists is greater than the number of pessimists. This rise diverged from the slight fall in the national level of consumer confidence, bringing Northland back in line with national consumer expectations. Of the 11 regions for which data is compiled, consumer confidence is higher than Northland in only three regions: Bay of Plenty, Wellington and Waikato.

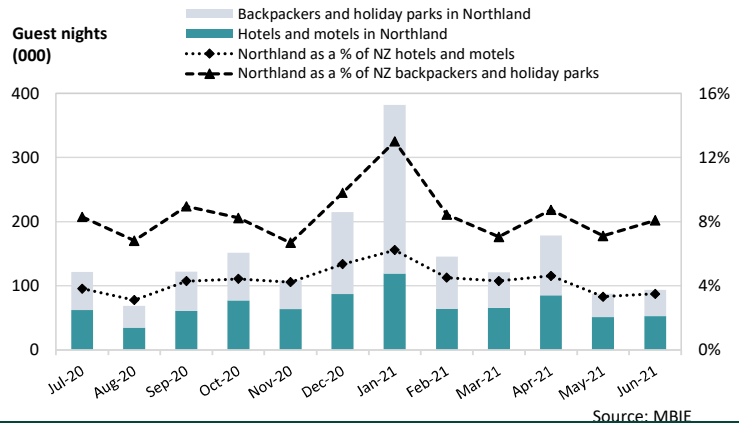




# Tourism activity – annual

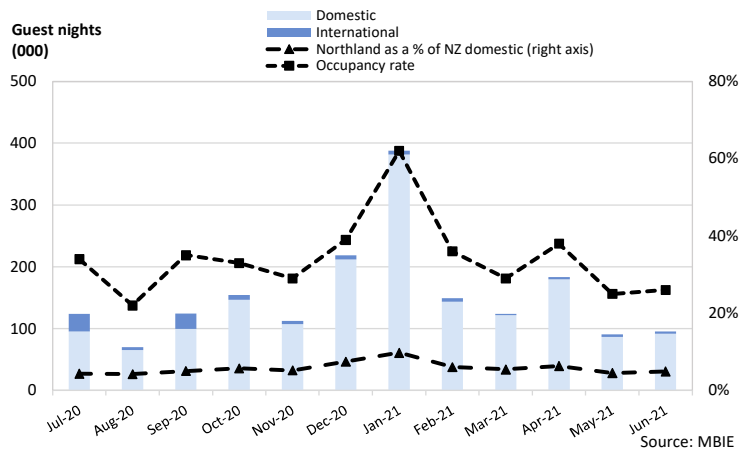
## Commercial guest nights by accommodation type

A total of 1.833 million guest nights were spent in Northland commercial accommodation in the year ended June 2021. This represents 6% of New Zealand’s total number of guest nights. Guest nights in Northland hotels and motels combined represent 4% of New Zealand’s total, while stays in backpackers and holiday parks represent 9%. Guest nights in Northland peak in the month of January at 387,700 in 2021. This accounts for nearly 10% of the country’s total guest nights for that month, and 21% of total annual guest nights in Northland.



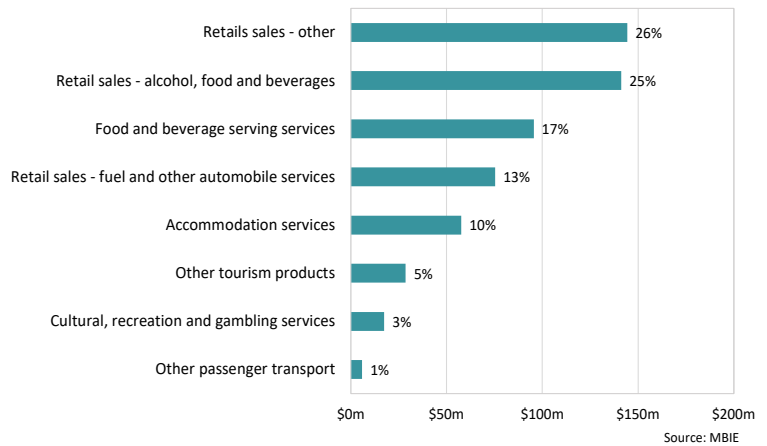
## Commercial guest nights by origin

International visitors accounted for just 6% of total guest nights in Northland and 7% nationally in the year ended June 2021. Previously international visitors had accounted for around one-third of all guest nights in Northland. The total commercial occupancy rate in Northland was at its highest in January 2021 at 62% and lowest in May 2021 at 22%. On a district level, Far North and Whangārei districts had a similar occupancy rate of about 35% for the year ended June 2021. There was a total of 1.132 million guest nights in the Far North and 0.483 million in Whangārei. Kaipara district had 0.217 million guest nights (29% average occupancy rate).



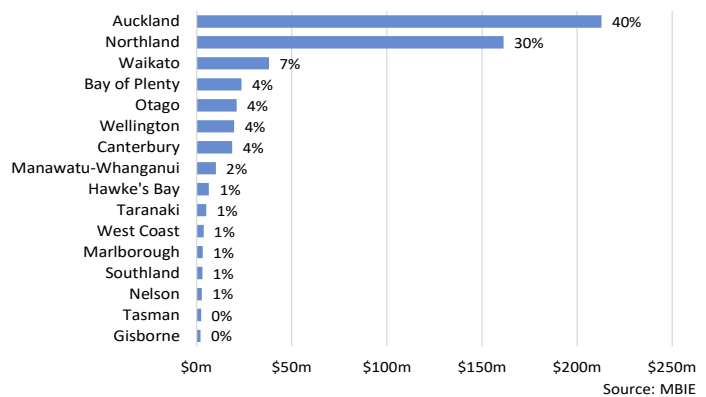
## Domestic tourism spending in Northland

In the year ended June 2021, it is estimated that \$566M was spent on tourism related activities in Northland by domestic tourists. This is 35% higher than domestic tourism spending in the year ended June 2020, a period that included the Alert Level 3 and 4 lockdown when tourism was strictly restricted, and 25% higher than in the year ended June 2019. It also represents 5% of total New Zealand domestic tourism spending in 2020/21, slightly up from 4.7% in 2018/19. About \$360M (64%) was spent in retail sales including fuel, alcohol, food and beverages. Food and beverage serving services account for 17% while accommodation services account for 10%, which is about \$58M in absolute terms.



## Domestic tourism spending by Northlanders

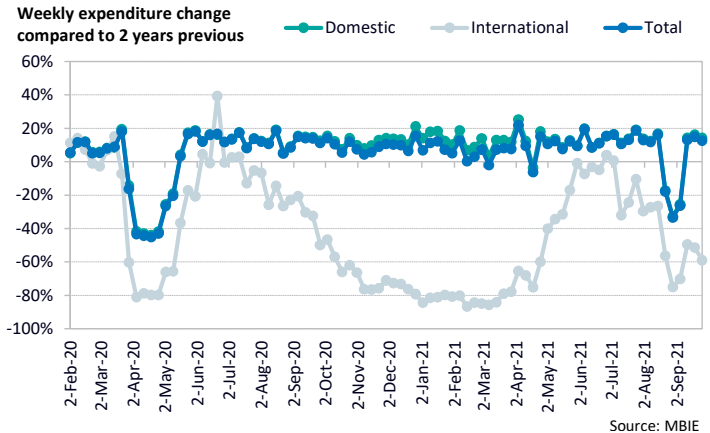
Northlanders spent a total of \$534M on tourism related activities across New Zealand in the year ended June 2021. Of this total, \$161M was spent in Northland. This represents 30% of total domestic tourism spending by Northlanders and 28% of total domestic tourism spending in Northland. Northlanders spent \$373M outside of Northland on tourism related activities, with almost 60% (\$213M) spent in Auckland. Domestic tourism spending by Northlanders outside the region is almost as much (92%) as the value of spending by domestic visitors from other regions in Northland (\$405M).



# Spotlight – Immediate impacts of COVID-19

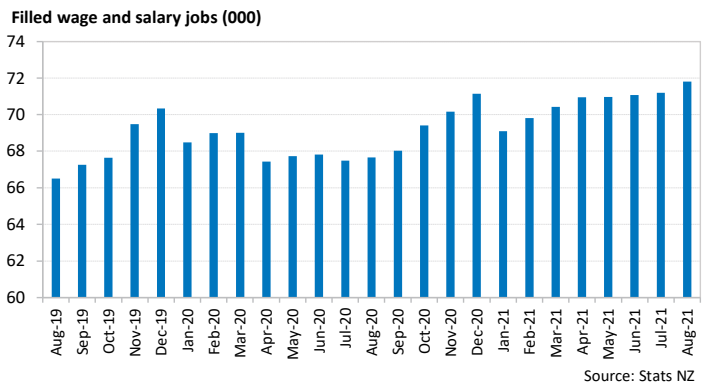
## Electronic consumer spending in Northland

For the first half of August 2021, weekly consumer spending in Northland, as measured by Paymark's EFTPOS transactions, was on average 14% higher than in the same period two years previous. During the recent three-week lockdown period beginning 18 August 2021, average weekly consumer spending dropped to be 26% lower. This drop is not as large as in April 2020 during the first Level 4 lockdown period when spending was 44% lower. Since moving out of Level 3, spending in Northland has rebounded to previous levels (13% above 2019). This rebound in Northland is higher than in all other regions. Spending in Auckland (Otago) is still 46% (9%) below 2019 levels.



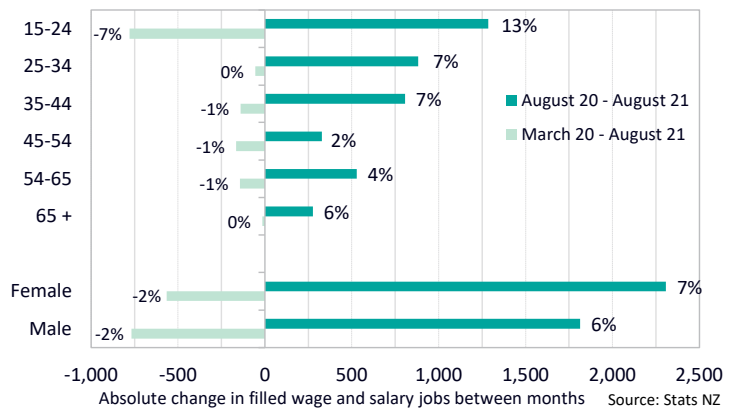
## Filled wage and salary jobs in Northland

There were 71,802 filled wage and salary jobs in Northland in August 2021, i.e., not including self-employed. This is 4148 (6%) higher than in August 2020. The number of filled wage and salary jobs has increased in all regions over the past year, from 6% in Northland to 2% in Marlborough. Nationally, the number of wage and salary jobs has risen by 4%. At this stage the latest COVID lockdown has not led to a decrease in wage and salary jobs in Northland. The number of jobs dropped by 1500 (2.3%) in April 2020 and remained there for six months.



## Filled wage and salary jobs in Northland by broad age group and gender

An increase in filled wage and salary jobs in Northland has occurred across all age groups. The largest increase in employment has been in the 25-34-years old age group, while the smallest rise in those under 65 years has been experienced by the 45-54 years old group. The number of males employed has risen by 1814 (6%), whereas the number of females has increased by 2308 (7%). While the growth rate has been greater in Northland than nationally, the contribution by gender to the increase in employment is like the national trend: 55% female, 45% male.



## Jobseeker Support recipients in Northland

In the week ended 17 September 2021, there were 11,607 Jobseeker Support recipients in Northland. This is 2713 (31%) higher than in mid-September 2019 (with a similar increase compared to March 2020). The number of Jobseeker Support recipients had been falling throughout most of 2021 to reach a low of 11,169 on 13 August. Since the latest Alert Level restrictions began on 18 August the number of Jobseeker Support recipients in Northland has grown by 3.9% (438). New Zealand has seen a slightly higher rise in the number of Jobseeker Support benefit recipients of 4.3%. Eight regions have experienced a greater percentage increase than Northland, ranging from 8% in Marlborough to 2% on the West Coast.

