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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 economist

Welcome to the thirteenth issue of the Northland Economic Quarterly. A new quarterly indicator for employment is introduced in this issue, providing a much better estimate of online job advertisements. This indicator shows a strong lift in the number of online jobs listed during the first half of 2016. This may be a factor behind the sharp rise in the quarterly unemployment rate, with a lift in job listings encouraging people to seek employment.

The four tourism related indicators covered in the Annual section show the positive developments that have occurred in this sector over the past few years. Guest nights in the year ended June 2016 hit a record high annual level of over 1.8 million. There have been increases in both domestic and international visitors and across the different accommodation types. Estimates of expenditure reveal a rising level of spending by visitors to Northland from the UK, Germany and North America.

The Spotlight section draws out some of the Northland specific information contained in a recently released report: "Upper North Island Key Sector Trends and Labour Demand to 2020". This report was produced for the Upper North Island Strategic Alliance (UNISA), a group of seven councils containing over half of New Zealand's population, employment and GDP. Council currently holds the position of UNISA chair. The report can be obtained via our website.



Darryl Jones

Quick quarterly statistics

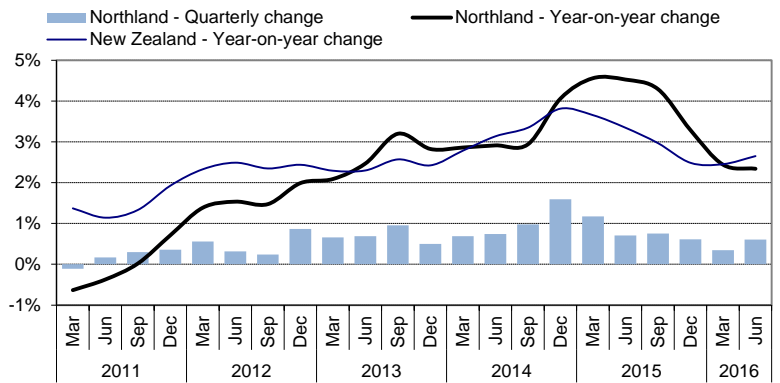
- Northland's GDP is estimated to have risen by 2% in the year ended June.
- Ready-mixed concrete production is up 13% over the past 12 months
- Log export volumes have risen 5% and 14% by value in the 2016 June year.
- Vehicle registrations rose 9% in the year ended June 2016.
- Employment rose to a new record high of 74,400 in June 2016.
- The annual average unemployment rate rose to 8.3% in June 2016.
- The number of people on the Jobseeker Support-Work Ready benefit fell 2.4% in the year ended June 2016.
- Northland online job vacancies in June are 28% higher than a year ago.
- The average wage and salary rose 3% in the year ended June 2015.
- Domestic power prices rose 3% in the year ended May 2016
- Falling interest rates and rising wages have improved home affordability.
- Consumer confidence dropped in June to its lowest level in eight years.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

Northland's GDP was estimated to have risen by 0.6% in the June 2016 quarter. This contributed to an estimated annual GDP growth rate of 2.3% for the year ended June, below the national estimate of 2.7%. All three districts are forecast to have grown between 2-3% during the 2016 June year.

For the year ended June, Northland ranked 10th out of 16 regions in terms of GDP growth, ranking above regions such as the West Coast (-1.2%) and Canterbury (0.9%). Since 2011, Northland ranks 5th out of 16, with an annual growth rate of 2.8%.

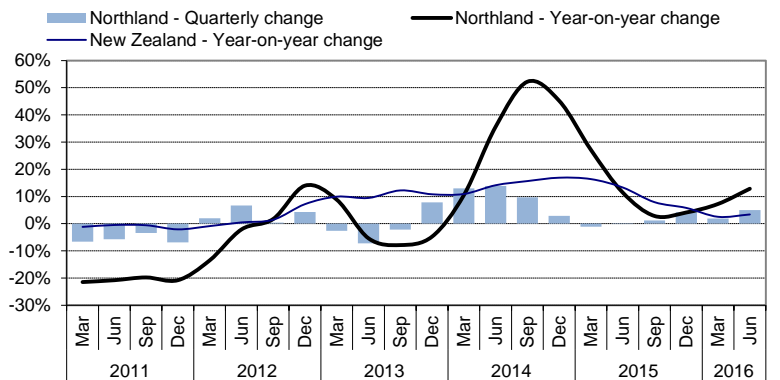


Source: Infometrics Regional Database

Ready-mixed concrete in Northland

In the year ended June 2016, 125,000m³ of ready-mixed concrete was produced in Northland. This is 5% higher than the annual volume recorded in the year ended March 2016 and almost 13% above the annual volume recorded a year earlier. While production has been increasing over the past three years, current levels are still 20% below those recorded in the mid-2000s.

Nationally, concrete production increased by 3.4% in the year ended June 2016, driven by growth in Auckland.

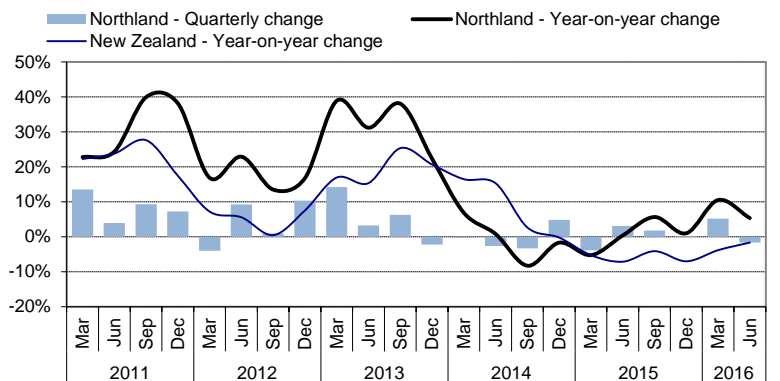


Source: Statistics New Zealand

Log exports from Whangārei

Just over 2.7 million cubic metres of logs were exported from Whangārei in the year ended June 2016. This is 5.3% higher than the volume exported in the year ended June 2015 and is just below the record of 2.75 million cubic metres exported in the year ended March 2016.

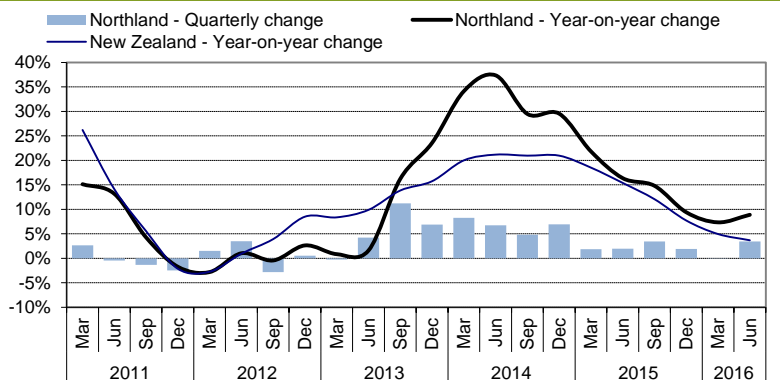
The total value of logs shipped from Whangārei rose by 14% to \$373 million in the June year 2016. Whangārei accounted for 17% of all logs exported from New Zealand in the year ended June 2016. This is an increase from 9% in 2006.



Source: Ministry for Primary Industries

Vehicle registrations in Northland

A total of 5236 private and commercial vehicles were registered in Northland in the year ended June 2016. This is 9% higher than the number registered in the previous June year. This is well above the national growth rate of 3.7% reflecting a catch-up in sales from low volumes in 2010-13. Northland accounted for 1.9% of total vehicle registrations in the June 2016 year, the highest share since 2009. The current level of vehicle registrations in Northland is 5% below the annual record of 5494 vehicles set in September 2005.

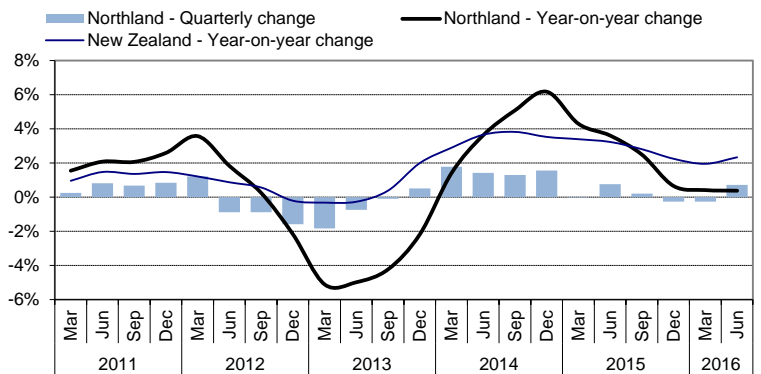


Source: Ministry of Transport

Employment activity – quarterly

Employment in Northland

It is estimated that an average of 74,400 people were employed in Northland (both full-time and part-time) in the year ended June 2016. This is slightly higher than the average number employed in the year ended March 2016, and is a new record level. The number of people employed in Northland has increased by 5300 (7.8%) since June 2013 when the drop in employment bottomed out at around 69,000. Nationally, the number of people employed increased by 2.3% in the year ended June 2016, with the greatest increases occurring in Manawatu-Wanganui (6.2%).

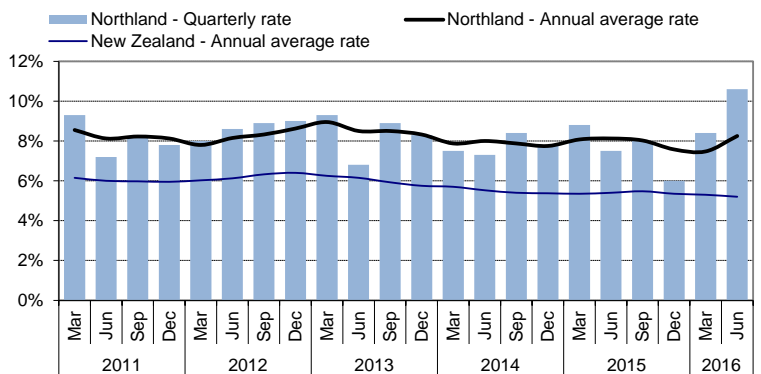


Source: Statistics New Zealand

Unemployment in Northland

The annual average unemployment rate in Northland was 8.3% in the year ended June 2016. This is a rise of 0.8 percentage points from 7.5% recorded in March 2016. This is the sharpest rise in unemployment since the second half of 2008 and early 2009, and takes unemployment rate back to the level last seen in 2013.

Northland's annual average unemployment rate is the highest of all regions in New Zealand, with Gisborne the next highest at 6.6%. Canterbury has the lowest unemployment rate of 3.2%.

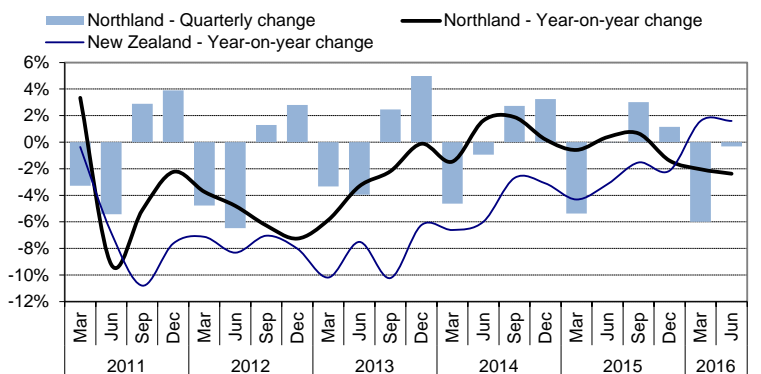


Source: Statistics New Zealand

Jobseeker Support-Work Ready in Northland

A total of 4642 people in Northland were receiving the Jobseeker Support-Work Ready benefit at the end of June 2016. This is down 0.3% from March and is 2.4% lower than in June 2015. While the number of people currently receiving this benefit is 17% less than the peak recorded in June 2010, it remains 50% higher than in September 2008.

At the national level, the number of people receiving this benefit has risen by 1.6% over the past year. Northland accounts for 7.2% of the total, the lowest level since 2013.

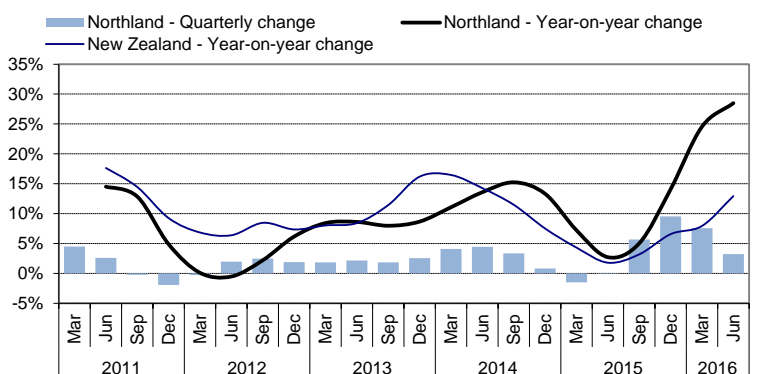


Source: Ministry of Social Development

Jobs Online vacancies in Northland

The trend series index of online job vacancies in Northland has risen sharply in the first half of 2016, with the June 2016 index level 28% higher than in June 2015. This is the fastest annual growth rate recorded for the index in Northland since it was established in August 2010.

Nationally, the number of online job vacancies grew by 13% over the past year. The largest increases in online job advertisements were in Bay of Plenty (47%), Gisborne/Hawke's Bay (36%), and the top of the South Island (38%).



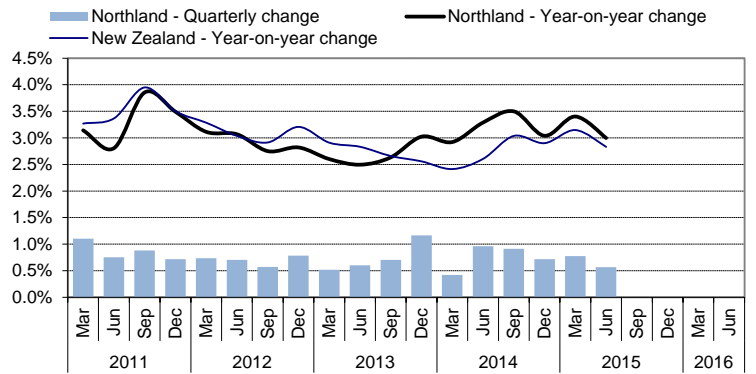
Source: Ministry of Business, Innovation & Employment

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 \$49,820 in June 2015. This represents an annual increase of 3.0%, higher than the national increase of 2.8%.

Northland's average is 12% below the national average of \$56,310. Only three regions (Auckland, Taranaki and Wellington) have average earnings above the national average. Northland's average is similar to that in Bay of Plenty, Otago and Southland.

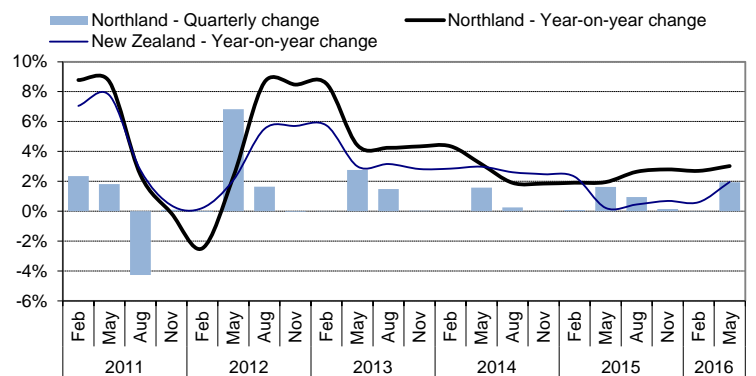


Source: Statistics New Zealand

Domestic electricity price in Northland

The weighted average domestic electricity price in Northland was 33.1c/kW in May 2016. This was 1.9% higher than in February and 3% higher than in May 2015. Over the past five years domestic electricity prices in Northland have risen by 3% per annum. This is slightly faster than the national annual average increase of 2%.

Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2647. This is 15% higher than the national average of \$2304, equivalent to an additional \$6.60 per week.

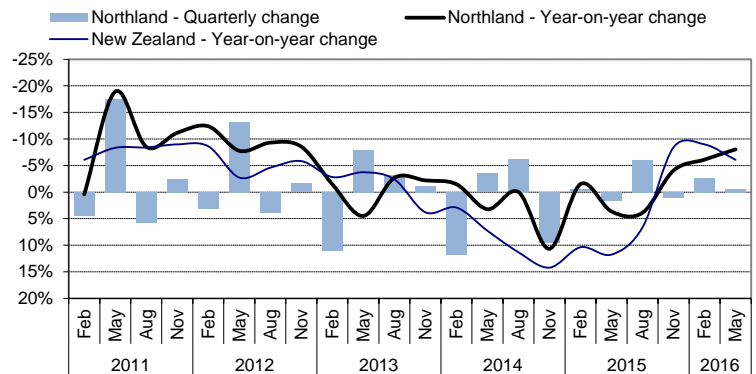


Source: Ministry of Business, Innovation and Employment

Home affordability in Northland

The Northland Home Affordability Index showed little change during the quarter ended May 2016. Over the last year the index has fallen by 1.6 points indicating a slight improvement in affordability. Falling mortgage interest rates and rising wages contributed to the overall improvement.

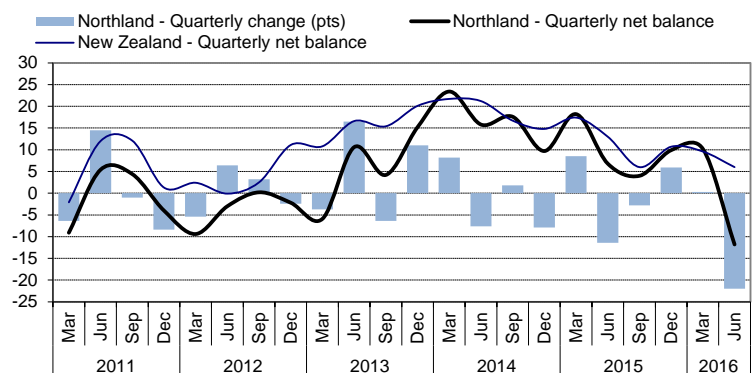
All regions except Central Otago Lakes and Waikato/Bay of Plenty saw an improvement in affordability over the year. Hawkes Bay, Taranaki, Manawatu/Wanganui, Otago and Southland are the all more affordable regions than Northland.



Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland dropped dramatically in the June 2016 to its lowest level since the GFC. An index number below zero indicates that pessimists outnumber optimists. The large drop appears to be driven by views on the outlook for the national economy rather than conditions in Northland. All 11 regions except Wellington have recorded a fall in consumer confidence over the past year. A negative net balance was also recorded in the June quarter in Gisborne/Hawke's Bay, Otago and Southland.

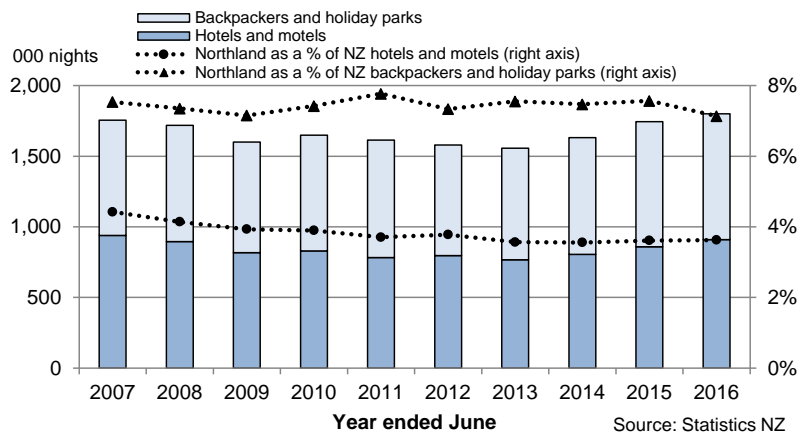


Source: Westpac McDermott Miller

Tourism activity – annual

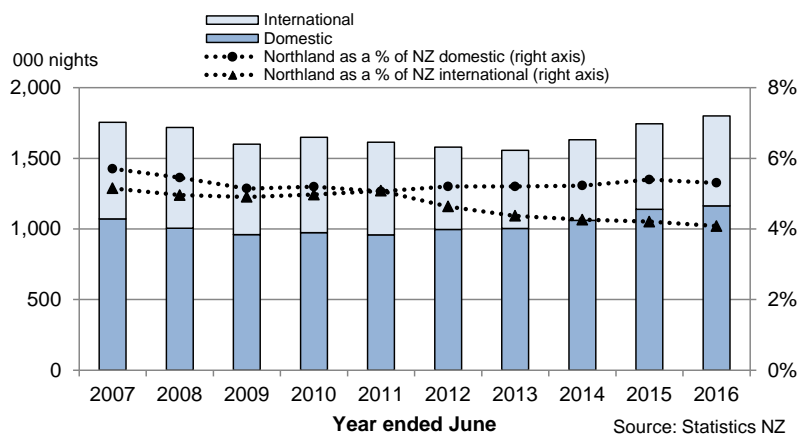
Guest nights by accommodation type

A total of 1.801 million guest nights were spent in Northland commercial accommodation in the year ended June 2016. This represents a 3% annual increase and follows a 7% increase in 2014/15. The 2015/16 total is the highest on record, 3% above the previous record of 1.756 million set in 2006/07. Guest nights rose for both hotels and motels (5.7%) and backpackers and camp grounds (0.8%) during the year ended June 2016. While guest nights at backpackers and camp grounds are now 9% higher than pre-GFC levels, guest nights in hotels and motels remain 3% below their 2006/07 peak.



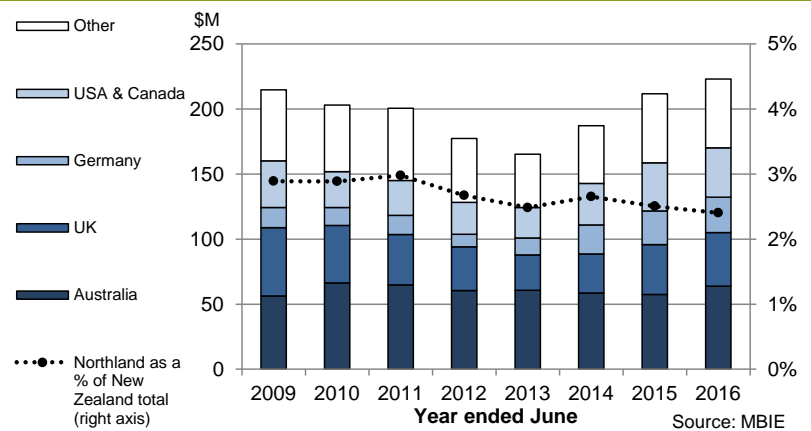
Guest nights by origin

Over the past year there has been an increase in both domestic (2.2%) and international (5.1%) visitors. Domestic guest nights now exceed pre-GFC levels by 9%. However, the number of international guest nights is still 11% below its 2007/08 peak. International visitors made up just 35% of guest nights in 2015/16 compared to 41% in 2007/08. Northland's share of total international guest nights in New Zealand has fallen from 5.1% in 2007 to 4.1% in 2016. By contrast, its share of the domestic tourism market has remained fairly stable at about 5%.



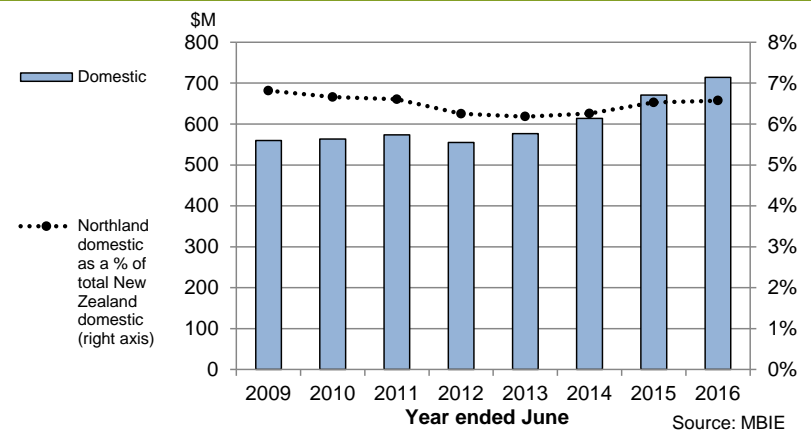
Monthly international tourism estimates for Northland

In the year ended June 2016, it is estimated that international visitors to Northland spent \$223M during their time in the region. This is up 5.3% on the amount spent in 2014/15, following a 13% increase in each of the previous two years. Over the past three years there has been a steady increase in expenditure by visitors to Northland from the UK, Germany and North America. The 2015/16 level of expenditure is a new record, exceeding the \$215M spend in 2008/09.



Monthly domestic tourism estimates in Northland

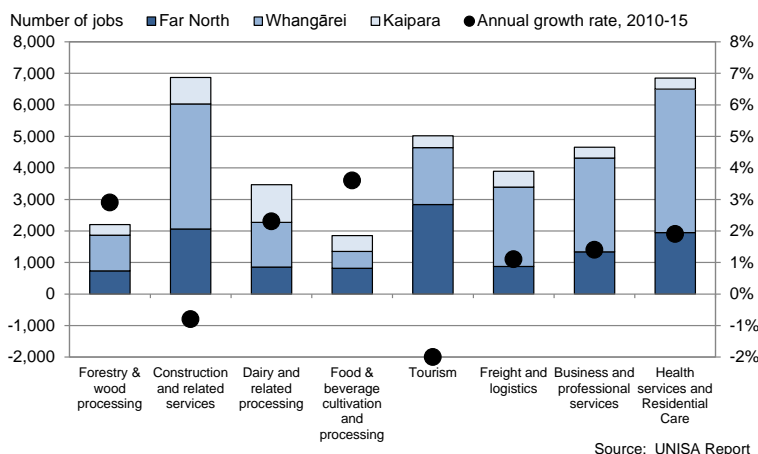
The monthly regional tourism estimates show total domestic tourist spending of \$714M in Northland during the year ended June 2016. This is 6.4% up on the level of expenditure that occurred in 2014/15, and continues an upward trend in expenditure that has been evident since 2011/12. This growth has been faster than the national average, with Northland's share of total domestic tourism spend increasing from 6.3% to 6.6%.



Spotlight – forecast labour demand

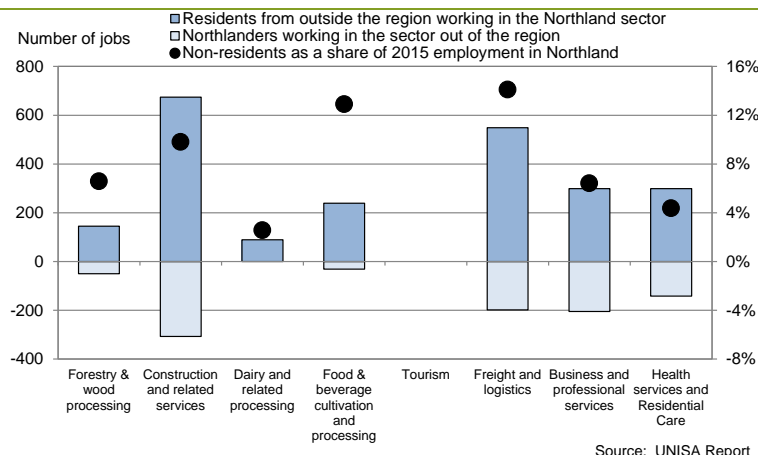
Number of filled jobs in Northland by sector, 2015

Of the eight sectors analysed in the UNISA report the construction and health services sectors were the largest, each comprising around 6,800 filled jobs or 10% of total filled jobs in Northland. Over the five year period 2010-2015 the number of filled jobs increased in six sectors but fell in the tourism and construction sectors. Almost 60% of the tourism sector jobs are located in the Far North district. Two-thirds of the health service jobs are located in Whangārei while dairy and related processing is the most important for Kaipara.



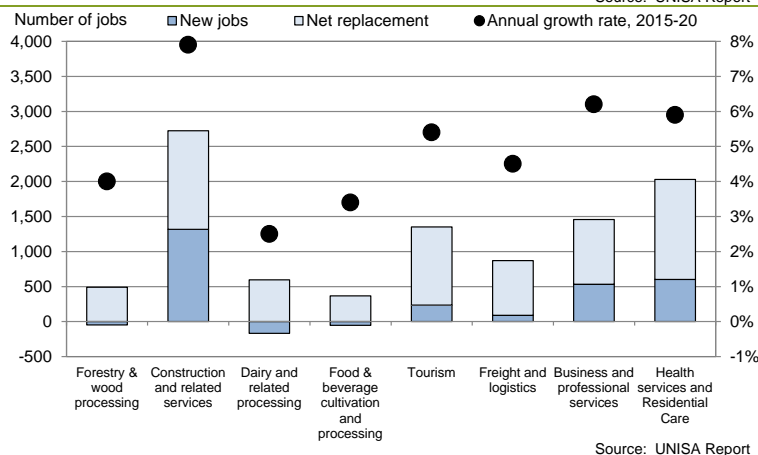
Commuting patterns by sector

All seven sectors for which data is available show a reliance on non-Northland residents to fill jobs within the region. The greatest numbers of non-Northlanders are found in the construction and freight sectors. While smaller in number, non-Northlanders occupy over 12% of the filled jobs in the food and beverage sector. The dairy and health sectors are those least reliant on workers from outside the region. Northlanders work in these sectors outside the region, but their number is always less than those coming into the region.



Total job openings over the period 2015-2020

In terms of absolute numbers, total job openings (new jobs plus net replacement) will be greatest in the construction and health sectors. Out to 2020, it is forecast that an additional 2700 job openings will occur in the construction sector and 2000 in the health sector, representing 8% and 6% per annum increases respectively. Other sectors likely to experience a 4% or greater annual increase in job openings are the business and professional, freight, tourism, and forestry sectors.



Top two job openings for each sector over the period 2015-2020

Having the largest total increase in job openings, specific occupations in the construction and health sectors are modelled to have the greatest level of demand out to 2020. For example, just over 350 additional project builders and personal care assistants are forecast to be required. Similarly, more than 200 registered nurses and dairy cattle farmers will be needed. Over 100 job openings are likely to occur for carpenters, truck drivers, accountants and commercial cleaners.

