

# Economic Quarterly

**Northland**  
REGIONAL COUNCIL

Te Kaunihera ā rohe o Te Taitokerau



## Issue 27 | June 2020

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## From the economist

Kia ora / welcome to the 27<sup>th</sup> issue of this newsletter. The impact of the COVID-19 crisis is beginning to show itself in the quarterly indicators, particularly in relation to economic activity. Encouragingly the fall in some indicators, e.g. consumer confidence, was not as great as many feared back in late March when New Zealand went into level 4 lockdown. The relatively strong employment situation in March was also surprising.

The annual section reports on Northland data from the latest Agricultural Production Statistics. Beef cattle, sheep and dairy cattle numbers in Northland as at 30 June 2019 were all lower than in 2018, with dairy cattle numbers almost 9% lower. Current animal numbers are well below the highest recorded herd/flock numbers: 79% for sheep, 37% for beef and 17% for dairy. The quantity of fertiliser applied in Northland in 2018/19 decreased by 1% to 104,500.

The spotlight section highlights some of the immediate impacts of the COVID-19 crisis on the Northland economy (the March 2020 edition provided some long-term projections on the impact of the COVID-19 crisis). After falling by almost 50%, consumer spending is now 10% higher than one year ago, with the “rebound” in Northland higher than that experienced in many other regions. The 2.1% drop in filled wage and salary jobs has mainly impacted on the younger and female members of the workforce. The initial “wave” of new Jobseeker Support recipients appears to have tapered off, but more than one-in-ten Northlanders aged 18-65 years are receiving this benefit.

Darryl Jones

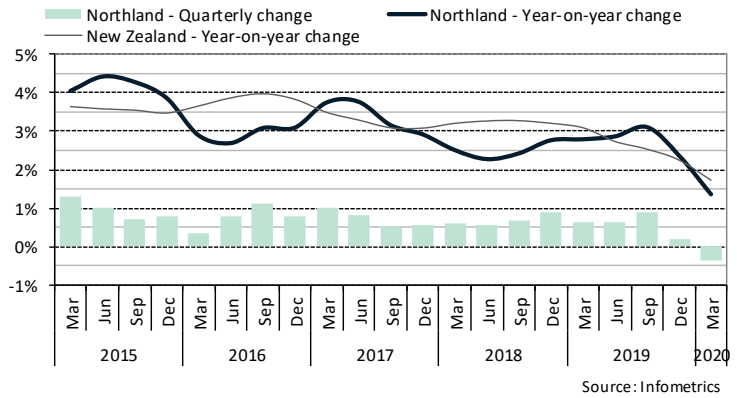
## Quick quarterly statistics

- GDP is estimated to have risen 1.4% in the year ended March 2020.
- The floor area of new non-residential building consents fell by 28%.
- Commercial vehicle registrations fell 7% in the year ended March 2020.
- Log exports fell by 8% in volume in the March 2020 year.
- Employment rose by 4% in the year ended March 2020.
- The annual average underutilisation rate was 13% in March 2020.
- In the year ended March 2020, the annual average unemployment rate for Māori was 9.5%, down from 12.6% in March 2019.
- Online job vacancies in March 2020 are 6% lower than a year ago.
- The average wage and salary rose 3.8% in the year ended March 2019.
- Domestic power prices rose 1% during the year ended May 2020.
- Home affordability improved during the year ended May 2020.
- Consumer confidence in Northland fell by three points in June 2020.

# Economic activity – quarterly

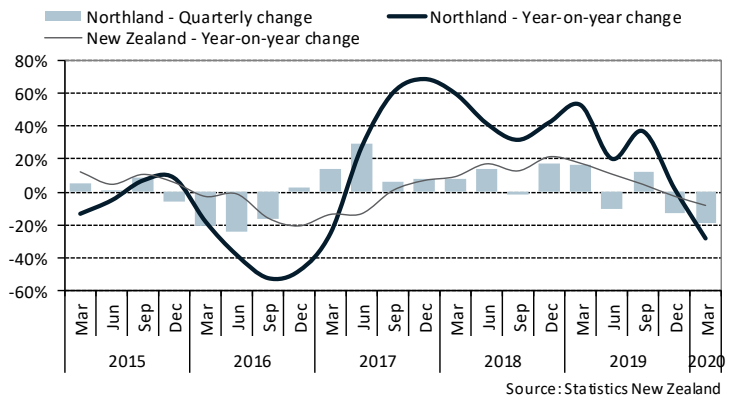
## Gross domestic product (GDP) in Northland

Northland's GDP is estimated to have fallen by 0.4% in the March 2020 quarter, the first quarterly decrease since 2011. This contributed to an estimated annual growth rate of just 1.4% for the year ended March 2020, the lowest annual rate since 2011. This is slightly below the national estimate of 1.7%. Regional growth rates during the year ended March 2020 are estimated to vary from 1.1% in the West Coast to 4.6% in Gisborne, with Northland sitting 14<sup>th</sup> out of 16 regions. Growth rates in the three Northland council districts range from 1.1% in Whangārei and Kaipara to 1.8% in the Far North for the year ended March 2020.



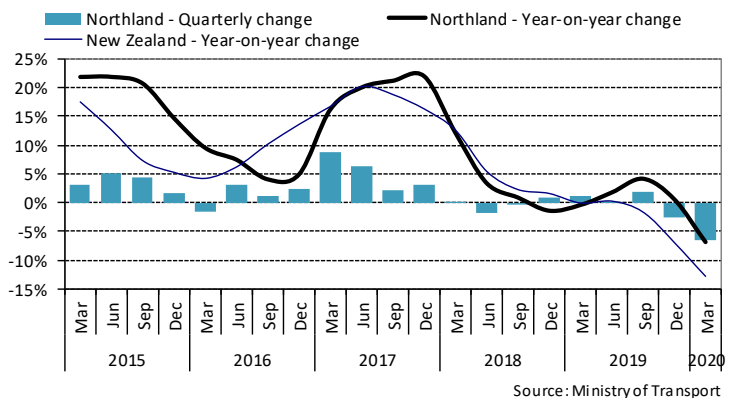
## Floor area of new non-residential building consents in Northland

During the year ended March 2020, the floor area of new non-residential building consents issued in Northland totalled 85,847m<sup>2</sup>. This is 28% lower than the total floor area consented in the year ended March 2019. It is also about 30% lower than the annual average area consented during the decade preceding the GFC. The major reason for the fall is a decrease in the floor area for farm buildings and storage buildings. Across the 16 regions, eight regions experienced a fall and eight a rise in non-residential floor area consented in the year to March 2020.



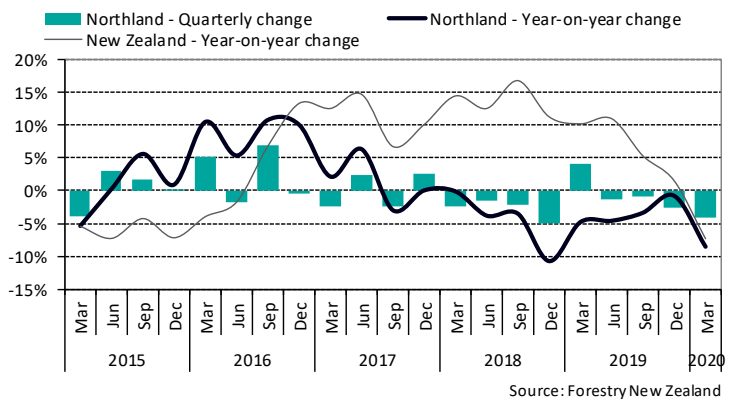
## Commercial vehicle registration

A total of 2039 commercial vehicles was registered in Northland in the year ended March 2020. This is 7% lower than the number registered in the year to March 2019, which in turn was just below the annual record total set in the 12 months to March 2018 (2198). For comparison, 652 commercial vehicles were registered in the year ended March 2010 during the GFC. At the national level, commercial vehicle registrations fell by 13% in the year ended March 2020. All regions experienced a fall in the 12 months to March 2020, with the drop ranging from 3% in the West Coast to 19% in Taranaki.



## Log exports from Whangārei

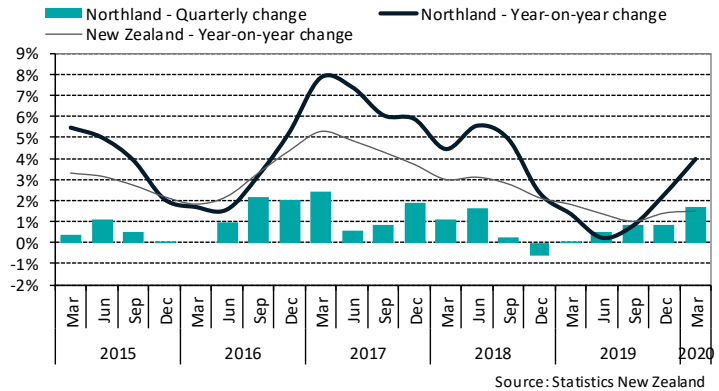
Just over 2.45 million cubic metres of logs were exported from Whangārei in the year ended March 2020. This is 8% lower than the volume exported in the year ended March 2019 and 15% below the record annual export of 2.88 million cubic metres from the region in the 2017 calendar year. At the national level, the volume of log exports fell by 7% in the year ended March 2020, with exports from Napier and Picton bucking the downward trend observed nationally. Northland accounts for 12% of national log exports in 2020, down from 17% in 2016.



# Employment activity – quarterly

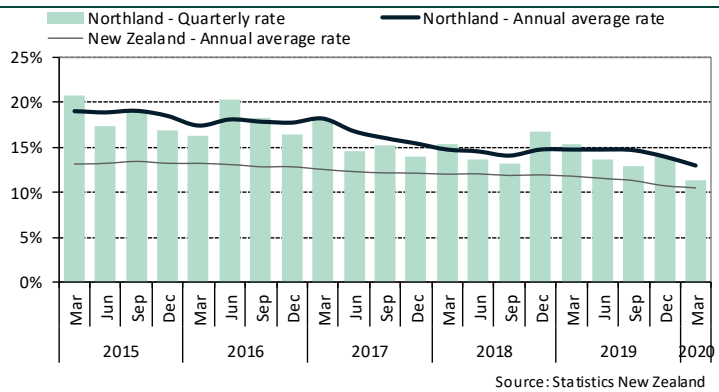
## Employment in Northland

An estimated average of 89,800 people was employed in Northland (both full-time and part-time) in the year ended March 2020. This total is 4% higher (3400 people) than the number employed one year ago. Nationally, the number of people employed increased by 1.5% during the year ended March. All regions except Waikato experienced a rise in the number of people employed, growing between 0.6% (Otago) and 4.3% (Manawatu-Whanganui). Since March 2015, employment in Northland has increased by 21%, with an additional 15,400 people working. Bay of Plenty is the only region to have experienced a faster increase in employment over the five-year period.



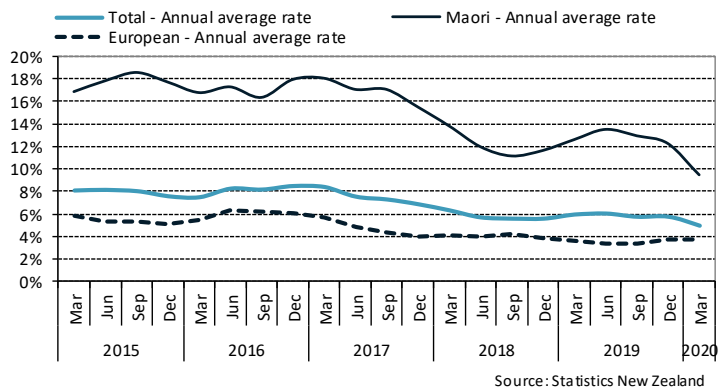
## Underutilisation rate in Northland

The annual average underutilisation rate in Northland was 13% in the year ended March 2020. 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 2013 when it was above 20%. The lowest annual average underutilisation rate recorded in Northland was 10.7% recorded in March 2008. The national annual average underutilisation rate is 10.5%, and varies between 9% in Southland and 13% in Northland.



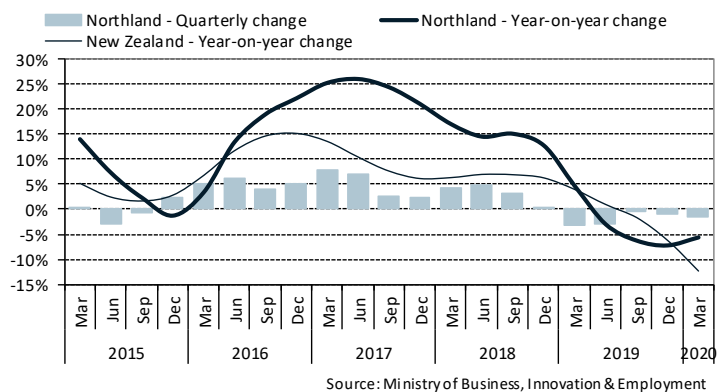
## Unemployment rate by ethnicity in Northland

In March 2020, the annual average unemployment rate for Māori in Northland was 9.5% compared to 3.8% for Europeans. These ethnic unemployment rates are down from 18.1% and 5.7% respectively recorded in the year ended March 2017. The drop in the Northland regional average unemployment rate over the past three years from 8.4% to 5.0% is due primarily to a fall in Māori unemployment. The annual average national unemployment rate is currently 8.2% for Māori and 3.2% for Europeans. Taranaki has the highest Māori unemployment rate (10.3%) with Otago having the lowest (4.3%).



## Job online vacancies in Northland

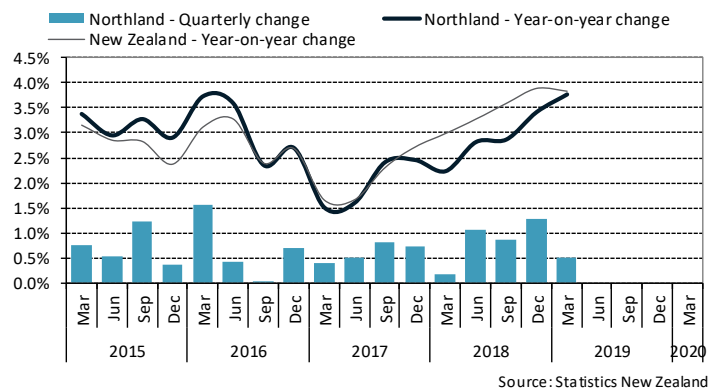
The trend series index of online job vacancies in Northland indicates a 6% fall in the number of online vacancies in March 2020 compared to March 2019. However, the number of online vacancies recorded in March 2020 is 16% higher than in March 2017, and 50% higher than in March 2015. Nationally, the number of online job vacancies fell by 12% during the past year. Online job vacancies index fell across all 10 regions for which the index is calculated during the past year, ranging from a fall of 3% in Manawatu-Whanganui/Taranaki to 15% in Auckland.



# Household welfare – quarterly

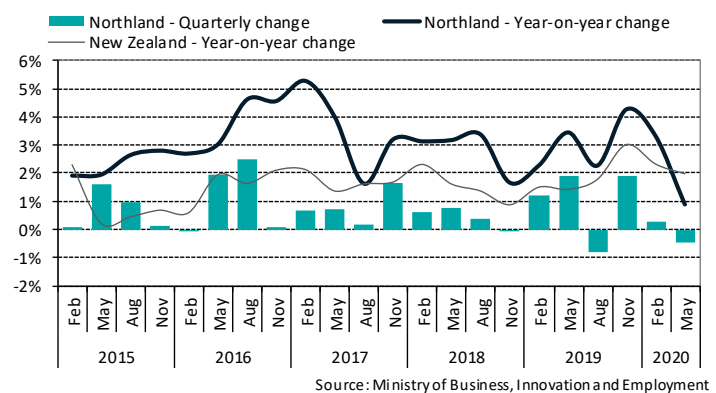
## Average wage and salary earnings in Northland

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 \$55,340 in March 2019. Average earnings rose \$2010 (3.8%) in the year ended March 2019, equivalent to the national average increase, and a rate only seen once in Northland since before the GFC. 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 11<sup>th</sup> out of the 16 regions, with eight regions including Northland having an average in the narrow range between \$55,000-\$57,000.



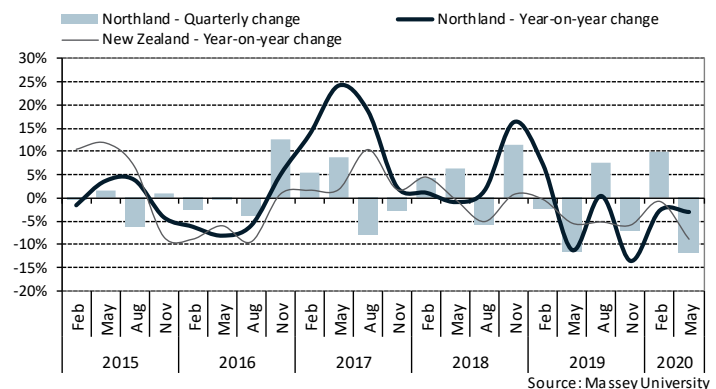
## Domestic electricity prices in Northland

The weighted average domestic electricity price in Northland was 37.1c/kW in May 2020. This is a 0.1c/kW fall since February but is 0.3c/kW (1%) higher than in May 2019. During the past five years, the average domestic electricity price in Northland has risen by 2.9% per annum. This is faster than the national average increase of 1.7% per annum over the same five-year period. Assuming 7100kW of power is used per year, the current price equates to an annual household power bill of \$2644. This is 21% higher than the national average of \$2186, equivalent to an additional \$8.79 per week.



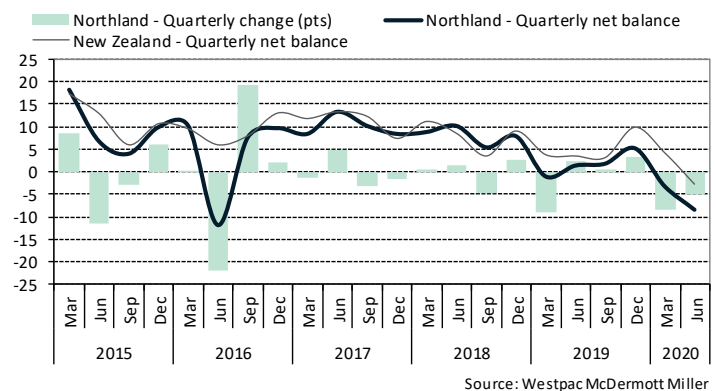
## Home affordability in Northland

The Home Affordability Index for Northland (which considers the cost of borrowing as well as house prices and wage levels) fell by 3% in the year ended May 2020, indicating an improvement in affordability (a falling index represents an improvement). Change in affordability in the past year has varied among the 16 regions, with the index falling in 12 and rising in four. While the median house sales price has increased, the improvement in house affordability in Northland over the past year is due to a decrease in mortgage interest rates and a steady increase in wages. In absolute Home Affordability Index terms, Northland ranks as the eighth least affordable region.



## Consumer confidence in Northland

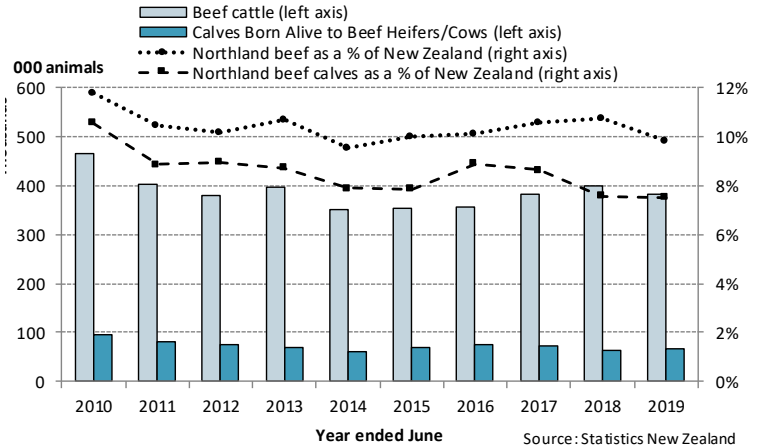
The Westpac-McDermott Miller Consumer Confidence Index for Northland fell by five points in June 2020 from -3 to -8. An index number above zero indicates that optimists outnumber pessimists. This fall mirrored the fall in the national level of consumer confidence, which Northland sits below. The last time the Northland index was this low was in 2016. Of the 11 regions for which data is compiled, eight recorded a decrease in consumer confidence in June with the other three showing an increase. While economic confidence is at low levels, commentators were braced for a much larger drop.



# Agricultural statistics – annual

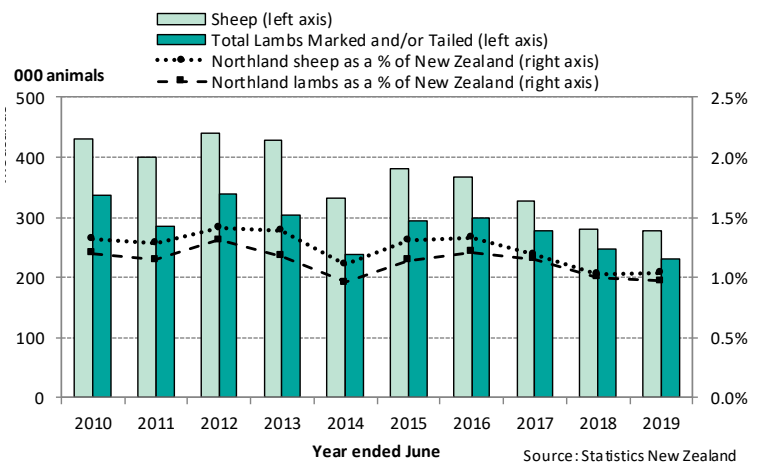
## Beef animals in Northland

The number of beef cattle in Northland fell by 4.6% in the year ended June 2019 to just over 380,000 head. This decline follows four years of consecutive growth in the regional beef herd. There had been a steady decline in the Northland beef herd from 2008 to 2014, falling about 30% from around 0.5 to 0.35 million animals, and from 12% to 9% of the national beef herd. Since 2014 the Northland beef herd has grown by 9%; the national herd has grown by just 6%. Northland accounts for 10% of the national herd in 2019. There is wide variation across regions over the five years 2014-19, ranging from a 22% increase in beef cattle the Bay of Plenty to a 23% drop in the West Coast.



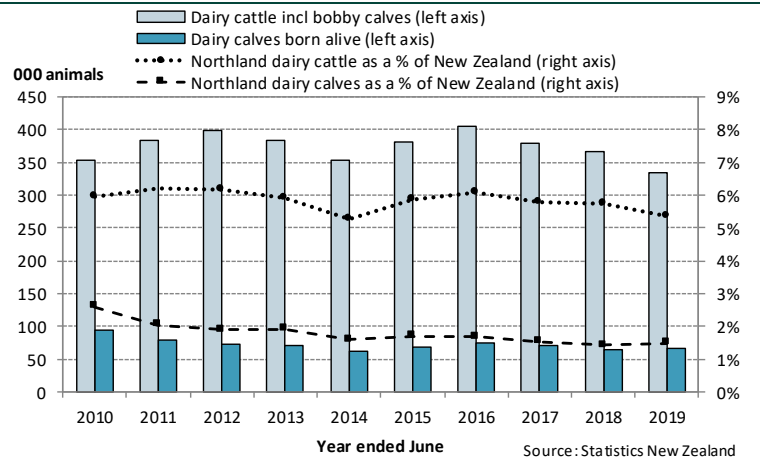
## Sheep in Northland

In the year ended June 2019 there were 278,000 sheep in Northland, 1500 (1%) less than in 2018. The number of sheep in Northland has been steadily declining for many years. The region's sheep flock totalled 1.3 million in 1990. In the last 10 years, the number of sheep in Northland has fallen by 35% while the national flock has fallen by 17%. Northland's share of the national flock has fallen from 1.5% to 1%. There were 231,000 lambs born in Northland in the year ended June 2019, down from 247,000 in 2017, and 333,674 in 2009. Only the West Coast (51%) has recorded a steeper decline in the regional sheep flock since 2009, although all regions except Nelson experienced a decline.



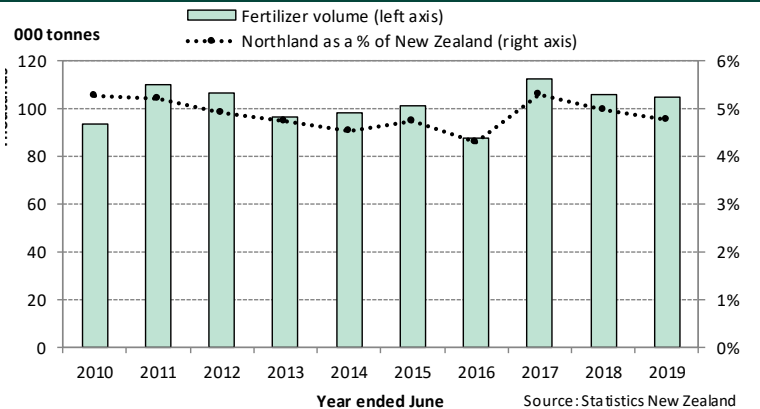
## Dairy cattle in Northland

There were 334,733 dairy cattle in Northland in June 2019, including bulls, cows in milk, heifers and calves. This was 32,500 (9%) lower than in 2018, and is the lowest total number recorded in the historical series that goes back to 1990. The number of dairy cattle in Northland has fallen by 17% since 2016 when it was close to a thirty-year peak number of 404,415. Since 2016, the total number of dairy cattle in New Zealand has fallen by 5%, resulting in a fall in Northland's share of the total dairy herd from 6.1% to 5.3%. In 1990, Northland accounted for 10.7% of the national dairy cattle.



## Fertiliser use in Northland

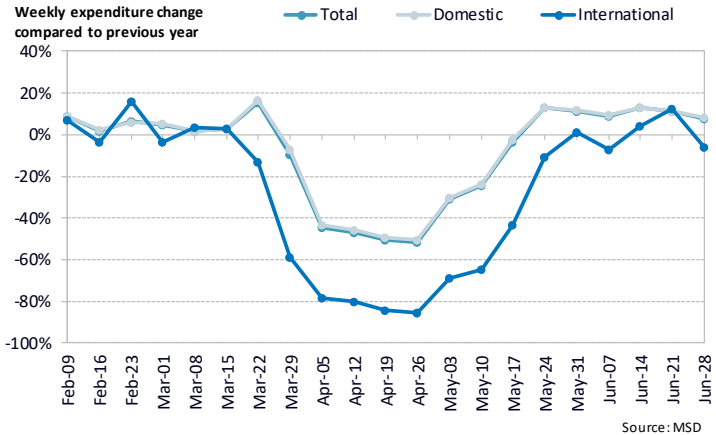
Northland farmers applied 104,500 tonnes of fertiliser in the year ended June 2019, down 1% on the quantity applied in 2017/18. For most of the 2000s (2002-08), Northland farmers applied around 160,000 tonnes of fertiliser each year, equivalent to 6.5% of total fertiliser applied in New Zealand. Over the past decade (2010-19), the annual quantity of fertiliser applied in Northland has averaged just over 100,000 tonnes, 5% of the New Zealand total. During the early 1990s over 300,000 tonnes per annum was applied in Northland.



# Spotlight – Immediate impacts of COVID-19

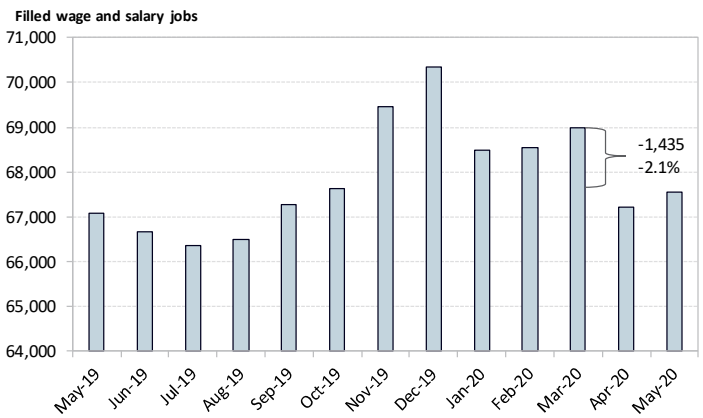
## Electronic consumer spending in Northland

During April, consumer spending in Northland, as measured by Paymark’s EFTPOS transactions, fell by almost 50%. This compares with a 55% drop at the national level, and it varied by region from a 40% drop in Gisborne to a 63% drop in Otago. The relative importance of international visitor spending is a major factor driving this variation. International visitor spending in Northland dropped 82% in April compared to 87% nationally. Since April consumer spending in Northland has steadily increased. Spending in June was 10% higher than in June 2019, the highest among all 16 regions. Spending in Otago and Auckland was below June 2019 levels.



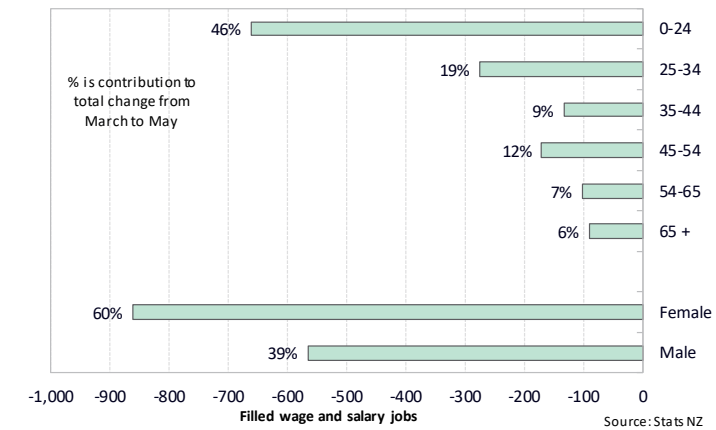
## Filled wage and salary jobs in Northland

The number of filled wage and salary jobs in Northland (i.e. not including self-employed) fell from almost 69,000 in March to 67,550 in May, a fall of just over 1400 people or 2.1%. However, the number of filled wage and salary earners in Northland in May 2020 was almost 500 (1%) higher than in May 2019. There is also considerable seasonal variation in the monthly number of filled jobs. Compared to other regions, the 2.1% drop from March to May ranks Northland as the 10<sup>th</sup> largest, with the change ranging from 0% in Bay of Plenty to a 3.8% drop in Gisborne. Nationally, the number of wage and salary jobs has fallen by 0.8%.



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

The change in filled wage and salary jobs in Northland has not been even across age groups and gender, with the impact falling harder on younger people and females. Of the 1435 fewer wage and salary jobs, 662 (46% of the total) were filled by people aged below 24 years old. A further 276 (19%) were aged 25-34 years old. People under 35 years therefore accounted for two-thirds of the drop in filled wage and salary jobs. Females accounted for 60% of the drop in these jobs, with the drop in female employment being 50% greater than for males.



## Jobseeker Support recipients in Northland

Between 20 March and 26 June, the number of Jobseeker Support recipients in Northland increased by 2233 (24%), rising to 11,358. However, it has been near to this current level since the beginning of May. The initial “wave” of unemployment appears to have tapered off, with a peak of 11,484 recorded on 5 June. Nationally, the number of Jobseeker Support recipients has increased by 31% between 20 March and 26 June. Northland ranks alongside Gisborne and Bay of Plenty as having the lowest rate of increase, with Tasman and Otago recording the highest (49% and 45%). However, just over one-in-ten Northlanders aged 18-64 years old are estimated to be receiving Jobseeker Support, the highest among all 16 regions.

